



Nominated for the Public Eye Award 2005
in the category:

HUMAN RIGHTS

Nomination by: The Democracy Center,
Cochabamba. Bolivia

www.evb.ch/publiceyeondavos.htm

Bechtel Corporation

Headquarters: San Francisco (USA), branches in 25 countries
Turnover: 2003: US\$16.3 billion
Branch of trade: engineering, construction and infrastructure projects (motorways, rail systems, hotels, dams, petrochemical plants, pipelines, power plants, telecommunication networks, sewage plants etc.)
Owned by: family-owned business
Employees: 2003: 47,000
CEO: Riley P. Bechtel (president and CEO)
Member to the WEF: NO (in January 2004)

Outline

In 2000, The Bechtel Corporation took control over the public water system of the Bolivian city Cochabamba. Soon afterwards Bechtel raised the water rates considerably. This provoked a large public uprising and as a consequence, the Bolivian government cancelled the contract with Bechtel. Bechtel is now suing Bolivia for US\$25 million indemnity at the World Bank. NGOs claim that the case should be opened up to public and media participation and scrutiny.

General Information on the Case

In 1997, the World Bank coerced Bolivia as a precondition for a loan, into privatizing the public water system of the city Cochabamba (in 2003: approximately 800,000 inhabitants). In 1999, the Bechtel subsidiary Aguas del Tunari was given a 40 years contract making it the governing power over Cochabamba's water. The contract was very profitable for Bechtel, since it guaranteed the company an annual return on investment of 16%.

Within just a few months of taking over Cochabamba's water system, in January 2000, Aguas del Tunari raised the water rates by as much as 100-200%. People earning minimum wages of US\$60 to US\$100 per month were handed water bills equalling 25% of their monthly income. This soon led to mass protests against Bechtel. The peak was reached in April 2000, when the citizens of Cochabamba shut down their city for a week with a general strike, in response to which the Bolivian government declared martial law. The government finally realized that it had no choice but to cancel the contract with Aguas del Tunari and return the water system to the public sector. In April 2000, Bechtel's subsidiary left Bolivia. In 2001, it filed a lawsuit for US\$25 million indemnity against Bolivia at the International Centre for the Settlement of Investment Disputes (ICSID), a World Bank court.

Characteristics of irresponsible corporate behaviour

Greed: Bolivia is one of the poorest nations in South America. Bechtel is one of the world's most wealthy corporations. In its demand for exorbitant profits Bechtel imposed on some of the poorest families rate hikes so extreme that they had to choose between food or water.

Manipulation: Before the negotiations with the Bolivian government, Bechtel sold a minority share in its Bolivian subsidiary Aguas del Tunari to one of the leaders of one of the major political parties in Bolivia's governing coalition. In addition, aiming to get access to the most favourable legal venue possible, the World Bank's secretive trade court (ICSID), Bechtel quietly transferred the corporate registration of its Bolivian subsidiary from a post office box in the Cayman Islands to a post office box in Amsterdam. Given that there is a bilateral trade agreement between Bolivia and Holland, Bechtel was able to take legal action against Bolivia before the ICSID.

Lies: To this current day, Bechtel officials have been lying about the severity of their price hikes. The Bechtel corporation declared that the average price increase was no higher than 35%. The "Democracy Center" carefully documented the gross inaccuracy of these claims (<http://www.democracyctr.org/bechtel/waterbills/index.htm>).

Consequences

Thousands of poor families were unable to pay the excessively high water rate bills and had to fear that their water was cut off if they did not pay the bills. Moreover, they had to accept income losses as they were forced to protest for affordable water. Many others paid a price far higher still. Leaders of the protest were arrested and hundreds were injured when the Bolivian government militarized the city on behalf of Bechtel's interests. A 17-year-old boy was killed by a soldier.

Current status and demands

In 2002, 300 civil right groups from 43 countries handed in an "International Citizen's Petition" at the World Bank. The petition claims that the case Bechtel against Bolivia is opened up to the public. The case as well as the petition are still pending (November 2004).

Link to the details of the nomination: www.evb.ch/nominations.htm

Further information and links:

- "Leasing the Rain", complete transcript of a documentary on the Bolivian water revolt of 2002: www.pbs.org/now/transcript/transcript125_full.html
- „Bechtel vs. Bolivia: The Bolivian Water Revolt“: www.democracyctr.org/bechtel/index.htm