Third World Water Forum - the path for privatisation

by Hemanth Withanage

Third World Water Forum was ended up in Kyoto in March 2003 without much success. Third World Water Forum is a creation of the World Water Council and water corporations. People questioned the legitimacy of the World Water Council, World Water Commission and the global water partnership throughout the meetings during the 3rd World Water Forum. They also questioned the sitting of the democratically elected governments with this water mafia backed by the water corporations. People also questioned the new term private-public partnership synonym for privatization.

It was remarkable that the civil society groups were very successful in breaking the consensus on the new type of public private partnership. People questioned the Michel Camdesus Report which is for the public financing of the private-public partnerships.

However, the Ministerial Declaration is a very disappointing document since it has not mentioned water as a human right, which is one of the acceptances of the World Summit on Sustainable development which was held in September 2002 in the Johannesburg. The report has focused its attention mostly on finances in the water services rather than the water rights.

It is true that water means life for the people but for the corporations, water means money. Water privatization is the mandate given by them to the International Financial Institutes (IFIs) World Trade Organisation (WTO) and the World Water Council (WWC) in the recent water initiatives.

It is a well-known fact that more than a billion of people do not have access to safe drinking water. The United Nations predicts that by 2025 two thirds of the world's population will experience shortages of clean water. People who live in arid regions will face absolute water scarcity by 2025. The areas in which these people live (including parts of China, Pakistan and India) will have insufficient water resources to sustain domestic, agricultural, industrial and environmental requirements. An additional 348 million of people will face severe water scarcity and possibility of satisfying the water demand at present model, can only come through a massive development of infrastructure at enormous cost and with possibly severe environmental consequences.

However, it is true that the water companies seeking profit in the crisis are using current fears over the scarcity of clean water to advance their financial interests.

What does the water privatization mean?

As a management tool at the United Nations Conference, water was nominated as an economic good. The leading water companies, which work on privatization water in 21st Century, are basically from United States, France, Germany and United Kingdom. Three largest water companies of the world - France's Suez and Vivendi Environment, and British based Thames water, owned by Germany's RWEAG - since 1990 have expanded into nearly every region of the world. Two other companies, Saur of France and United Utilities of England working in conjunction with Bechel of the United States have also successfully secured major international drinking water contracts.

Privatization means that the management of water resources based on principles of scarcity and profit maximization rather than long-term sustainability. The privatization has not delivered high environmental standards, but has brought an increase in the price to the consumer.

The privatization of public water systems around the world, driven by a handful of European corporations and the World Bank, is dramatically increasing despite of tragic results occurred at some times. So far privatization has been concentrated in poorer countries where the World Bank has refused its financial assistance to force governments to privatize their water utilities in exchange for loans.

While private companies still run about 5 percent only of the world's water works, their growth over the last 12 years has been enormous.

In 1990 private water companies were active in about dozen countries. By 2002 they were operating in at least 56 countries and two territories.

In major cities around the world - such as Buenos Aires, Manila and Jakarta the World Bank flexed financial muscle to persuade governments to sign long term contracts with the major private water companies. Of the 193 short term loans the bank has approved from 1996 to 1999 58 percent had privatization as a condition.

The enormous expansion of these companies throughout the world could not have been possible without the World Bank and other international financial institutions, such as the International Monetary Fund, the Inter American Development Bank, the Asian Development Bank and the European Bank for Reconstruction and Development. In countries such as South Africa, Argentina, the Philippines and Indonesia, the World Bank has been advising the leaders to commercialize their utilities as part of an overall bank policies of privatization and free market economics.

In South Africa, heavy lobbing by private multinational water companies, such as Suez together with advice from the World Bank helped in persuading local council to privatize their water works.

Companies enter into the water sector in the developing countries because they work on the principle that even poor are ready to pay for water.

On another front, water companies are working closely with the European Union to enforce trade barriers against any country that refuses to open its water utilities to privatization. The companies claim that privatization is good because it brings the latest ideas and technology to tired public utilities and clarifies the responsibilities and mission of the water utility.

According to International Water Management Institute (IWMI) which is actively working in Sri Lanka the most important aspect of water pricing and privatization is that it encourages people to use water wisely and not to waste it.

Industry claims that the privatization of water has a positive effect on sustainability, since it results in great efficiency of water use.

The world's biggest companies increasingly see water as the largest untapped commodity in the world. Water sells itself. If a company controls the local water markets its customers can't go elsewhere. Wealthy people, big first-world cities, and lucrative industries such as agriculture and technology can afford to pay up or go without. When municipal water services are privatised, rates are doubled or tripled, quality standards drop and overuse is encouraged (it increases profits) and customers who can't pay are cut off.

But the privatizes don't always have an easy time at it. In 1999, the Bechtel group took over the public water system in Cochabamba, Bolivia, with the help of the World Bank. Bolivia is one of the poorest countries in South America. The company immediately increased water prices as much as 200% and 300%. Peasants and small farmers even had to buy permits to collect rain water from their own wells and roof tanks. All autonomous water systems had to be handed over without compensation. Public started protesting against water privatisation in Cochabamba. Finally Bolivia took back their water from the corporate conglomerate.

The global water industry is going well beyond the privatization of municipal and regional water. Global water corporations are also acquiring control of water through the ownership of dams and waterways, control over bottled water, the development of new technologies to facilitate water desalination and purification, and water exportation. While the development in these areas is being undertaken by small entrepreneurial engineering and construction companies as well as larger transnational companies, these smaller enterprises are often bought by the large transnational companies once they have proven their ability.

Privatization reduces the democratic involvement of both citizens and governments in water management decisions. Unlike the government, corporations have minimal disclosure requirements in most countries. As a result the access of public to information from corporations is restricted. The public is thus unable to ensure that the resource is portable and it is being managed in a sustainable and an efficient manner. Furthermore the nature of the water industry is such that only one corporation can be involved in the management of water in a given region. Once private monopoly in established it is extremely difficult to reverse it.

WTO and GATS

WTO is working on expanding its body of trade rules to include water services. On Feb. 25 of 2000, the 134 member countries of the WTO agreed to kick-start a new round of negotiations on trade in cross border services. Known as the GATS this round has as its objective to greatly expand "legally enforceable rights to trade in all services". The little known GATS regime in the WTO already has several built in disciplines, such as "commercial presence" which allows foreign based corporations to exercise considerable investment rights if they are located within the country and "domestic regulation: which can be used to compel a host country to change its laws protecting public services. WTO negotiations are intending to incorporate "pro-competitive rules" in the GATS which could be used to accelerate the process of privatizing public services.

The inclusion of water in GATS would, in effect, give the global water corporation the tools they need to pry open the public after services of countries and turn into profitable markets. The GATS rules would cover every conceivable service from fresh water and sewer services to the construction of water pipes and the treatment of wastewater. Although "all service supplied in the exercise of governmental authority" can be exempt from the GATS rules, most public water services deliver systems has already involved some private providers or competitors and therefore would not be eligible for this exemption. Any social or environmental legislation designed to prevent the commoditization of water services would also be subjected to a GATS test: the government would have to prove that the legitimacy and that no other "less trade-restrictive" measure could be taken to accomplish the same objective.

It remains to be seen whether the new GATS regime will fully cover water services. If water services are governed by the new GATS rule then the 10 big water corporations will be able to greatly accelerate the commoditization of water and privatization of public water services all over the world. Moreover, the process is irreversible, Once a public service has been privatized it remains a commercialized utility under the WTO rules.