Whose Water Is It?

THE UNQUENCHABLE THIRST OF A WATER-HUNGRY WORLD

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THE WORLD'S WATER: A HUMAN RIGHT OR A CORPORATE GOOD?

Maude Barlow

August 29, 2002, in Orange Farm, South Africa, is a hot, dusty day. The air is filled with the acrid smell of burning garbage and tires. Two buses pull up at the same time in this impoverished township near Johannesburg. The World Summit on Sustainable Development (WSSD) has brought thousands of people from around the world to assess the progress on the environmental front since the first Earth Summit held in Rio ten years before. The event has become mired in controversy, as civil society groups accuse transnational water companies of taking over the summit for their own purposes, and World Bank and World Trade Organization officials move in to assure their agendas will not be derailed by the proceedings. Police have already fired stun grenades into a peaceful march against water privatization and water cutoffs in the townships. Tempers are running high.

Seventy-five anti-privatization activists from Africa and around the world emerge from an old yellow school bus that has seen better days. From another, a big, new, double-decker BMW, descend dozens of executives in expensive suits from Suez, the giant French water company, as well as a number of European Union delegates to the summit. Both groups are drawn here by a string of high-tech water meters newly installed outside a row of tar-paper shacks and pit latrines. The Suez executives, whose company built Orange Farm's water system, are here to show off their work to the European politicians. They are keen to get more World Bank contracts such as this one and have come to the WSSD to promote water privatization to the delegates. The activists are deeply opposed to for-profit water services in desperately poor communities such as Orange Farm and have come to see for themselves how the water meters are used to prevent the locals from getting clean water.

Small barefoot children play in the dust. The activists and the Suez executives start to talk and realize that they are on opposite sides of the great divide in the world of water. Voices are raised and soon local residents are shouting at the retreating backs of the water executives running for the safety of their bus. Furious locals follow right onto the buses, excoriating Suez for bringing hardship, disease, and death into Orange Farm with their water meters. Finally, the big BMW bus careers off to the safety of the open highway soundtracked by the shouting of hundreds of villagers.

Orange Farm on that August day was a microcosm of a ferocious fight being waged in communities all over the world around the crucial question of access to water. When apartheid was defeated in 1993 and the new government of Nelson Mandela was sworn in the next year, South Africa became a role model for the world by guaranteeing water for all in its constitution. The government began the long process of building water-delivery systems to millions of township residents living without running water. But under the influence of the World Bank, South Africa privatized many of its water services. Johannesburg turned its system over to Suez, which began the process of installing state-of-the-art meters outside of every home about to receive its constitutionally guaranteed allotment of water. This was to ensure compliance with the new "cost-recovery" program, which makes water availability dependent on a company's ability to recover its full cost of delivery including profit for its investors. Impoverished South Africans, unable to afford to feed the meters, turned back to their little rivers of cholera for water supplies, and the government has cut off water services to over ten million people since the introduction of new programs since 1996. Ninety percent of the wastewater of developing nations is discharged untreated into local waterways. Without access to government-delivered clean water, millions of people are ill. More than 120,000 people in Kwazulu-Natal province became ill with cholera recently when water and sanitation services were discontinued for nonpayment. This situation, being echoed in developing countries around the world, gives new meaning to the line "water, water, everywhere and not a drop to drink."

Scarcity seemed to sneak up on us. Until the last decade the study of fresh water was left to highly specialized groups of experts—hydrologists, engineers, scientists, city planners, weather forecasters, and others with a niche interest in what so many of us still take for granted. Many in the First World knew about the condition of water in the developing world, but this was seen as an issue of poverty, poor sanitation, and injustice, not as a consequence of water shortages per se. Now, however, we know that a legacy of factory farming, flood irrigation, the construction of massive dams, toxic dumping, wetlands and forest destruction, and urban and industrial pollution has damaged the Earth's surface water so badly that we are now mining underground water reserves far faster than nature can replenish them.

Unlimited growth is the driving mantra of our time. And nation-states are ruthlessly exploiting water supplies to stay competitive, abandoning natural resources protection and privatizing their ecological commons. Governments around the world are abdicating the responsibility to protect the natural resources in their territory, giving authority to private companies involved in resource extraction. Developing world governments are actually selling off whole river systems to foreign companies to relieve their debt; even wealthy countries like Canada give massive water licenses to oil companies who use ancient aquifer water to pump oil at fire-sale prices.

Both the World Bank and the United Nations state that water is a "human need" not a "human right." The difference in interpretation is subtle, yet fundamental. There are many ways to supply a human need. A human right cannot be sold or traded.[1]

A handful of transnational corporations are aggressively taking over the management of public water services in countries around the world, dramatically raising the price of water for local residents. The decline in freshwater supplies and standards has created a wonderful venture opportunity for water corporations and their investors. The agenda is clear: Water should be treated like any other tradable good, with its use determined by the principles of profit.

There are ten major corporate players now delivering freshwater services for profit. Between them, the three largest—Suez and Vivendi Environment of France and RWE-AG of Germany—deliver water and wastewater services to almost 300 million customers in over 100 countries. Their growth is exponential; a decade ago, they served around 51 million people in just 12 countries. At the moment, private players control less than 10 percent of the world's water systems but, at their current rate of expansion, within the next ten years the top three alone could have control of over 70 percent of water systems in North American and Europe.[2]

But there are other players too, such as Bouygues SAUR, Thames Water (owned by RWE), and Bechtel-United Utilities. Chemical giant Monsanto sees the growing water crisis as an opportunity and is heavily investing in what it sees as a potential multibillion-dollar business. The company plans to penetrate markets in India and Mexico and declares openly on its Web site, "There are markets in which there are predictable sustainability challenges and therefore opportunities to create business value."

The revenue growth of the big three has kept pace. Vivendi earned just five billion dollars (U.S.) a decade ago in its water-related revenues; by 2002 that amount had increased to over 12 billion dollars. RWE, which moved into the world market with its acquisition of Britain's Thames Water, increased its water revenues a whopping 9,786 percent in ten years. All three are among the top 100 corporations in the world; together their annual revenues in 2001 were almost 160 billion dollars and growing at 10 percent a year—outpacing the economies of many of the countries in which they operate. They also employ more staff than most governments: As of 2001, Vivendi Environment employs 295,000 worldwide; Suez employs 188,000.

The companies are creating sophisticated lobbying groups to encourage the passage of legislation friendly to their interests. In France, the big two have long had close political ties with national and local governments. In Washington, they have secured beneficial tax law changes and are working to persuade Congress to pass laws that would force cash-strapped municipalities to consider privatization of their water systems in exchange for federal grants and loans. The United States alone is expected to spend one trillion dollars in the next three decades to upgrade aging waterworks. Financial fund managers are taking note of the expanding water market. Switzerland's second oldest bank, the Pictet Bank, recently started its Global Water Fund in the U.S. after launching a similar one in Europe in 2000. The bank offers a basket of water companies and predicts that by 2015, 75 percent of Europe's water utilities will be privatized.

The performance of these companies in Europe and the developing world has been well documented: huge profits,

higher prices for water, cutoffs to customers who cannot pay, reduced water quality, bribery, and corruption.

One of the more celebrated cases of the latter involves Suez; after an investigation into allegations of corruption, a team of magistrates in Grenoble France concluded that the city's water service had been privatized in 1989 in exchange for donations totaling 19 million francs, made by the company to the election campaign of the city's mayor, Alain Caigon. In 1996, both Caigon (who by then was minister of communications in the government of France) and Jean-Jacques Prompsey (who by then was chief executive of Suez's international water management division) were convicted of accepting/paying bribes and sentenced to time in prison. Another case of bribery had to do with Vivendi and the city of Angouleme in France. In 1997, Jean-Michel Boucheron, former mayor (and later a junior cabinet minister in the French government) was convicted and sentenced to two years in jail for taking bribes from companies that were bidding for public service concessions in Angouleme.

In July 2002, Suez terminated one of the largest private water concessions in the world. Suez ended its 30-year contract to provide water and sewerage services to the city of Buenos Aires, which served a population of ten million people, when the Argentine financial crisis turned company profits into losses. The Buenos Aires privatization deal, consummated in 1993, had been widely lauded by the World Bank, the Argentine government, and the water industry as an international success story.

According to a recent report published by Public Citizen: "During the first eight years of the contract, weak regulatory practices and contract renegotiations that eliminated corporate risk enabled the Suez subsidiary, Aguas Argentinas S.A., to earn a 19 percent profit rate on its average net worth." Water rates, which the company said would be reduced by 27 percent, actually rose 20 percent. To counter union resistance to the price increases, the company gave the workers 10 percent ownership. In exchange, the union consented to a 50 percent staff reduction. Then, Aguas Argentinas reneged on its contractual obligations to build a new sewage treatment plant; now, more than 95 percent of the city's sewage is dumped directly into the Río de la Plata.[3]

Local citizens were outraged. Hundreds of thousands signed a plebiscite to force the water company to leave. Now similar citizen-led plebiscites are being held in Rosario and Santa Fe. Working from tiny offices or homes, citizens are turning the tide on water privatization in Argentina. They cite these facts: The companies pay no taxes, refuse to comply with their original contracts, consistently raise prices so that many Argentinians can no longer afford water, charge inflated rates of interest, cut environmental corners resulting in historic levels of water toxicity, and cut services to pensioners, the unemployed, and schools.

A few years earlier, an equally disturbing situation emerged on the other side of the globe, this time with Vivendi and Thames Water. Fifteen months after Adelaide, Australia, signed a contract in 1995 turning over its waterworks to a consortium controlled by Thames Water and Vivendi, the city was engulfed by a powerful sewage smell, which became known as "the big pong" (stench). An independent investigation by the University of Queensland found that the consortium's drive to minimize costs had caused it to cut corners on equipment and monitoring, which led to the fouling of a major holding lagoon. This problem came on top of huge rate hikes—59 percent in seven years—and layoffs of 48 percent of the city's water staff.

In another high-profile case, elevated levels of the parasites *Cryptosporidium* and *Giardia* forced the residents of Sydney to boil drinking water during the winter of 1998. An independent government review laid the blame at the feet of Australian Water Services, a consortium of Suez and Australian financial interests, citing the company's cost-cutting measures. Christopher Shell of the University of New South Wales said that the private water plant was "geared to operate as cheaply as possible. Finance was the driver, not productivity."

Another privatization disaster story emerged in early 2003 when the largest water privatization in the United States was overturned amid a growing chorus of dismay. In 1999, Atlanta, Georgia, contracted with United Water (a Suez subsidiary) to run the city's water system for 20 years. City officials cited service that was poor, unresponsive and fraught with breakdowns," including an epidemic of water main breaks and regular "boil-only" alerts caused by brown water pouring from city taps. Mayor Shirley Franklin said that the city would once again run its own water to ensure it is "in safe hands."

The chorus of dismay erupted into an actual uprising in Cochabamba, Bolivia, when Bechtel set up a subsidiary, Aguas del Tunari, which immediately raised the price of water beyond the reach of the vast majority of the population. The contract even gave the company the right to charge people for the water they took from their own wells and collected in rain barrels. In fact, Bechtel and the British-led consortium of investors put up less than $20,000 of up-front capital for a water system worth millions. Consumers endured rate increases while the company was expected to earn an annual income of 58 million dollars. A general strike was called by a five-foot, slightly built machinist named Oscar Olivera, who immediately came under death threats from the military. Thousands of citizens took to the streets in a confrontation with the army that left many injured and a 17-year-old dead. Bechtel was forced out, and the water services in Cochabamba are now run by a citizen-controlled non-profit company.

There was more push-back from Ghana's citizens when they recently stopped a plan for water privatization as the government announced a 95 percent hike in water fees—in a country where 70 percent of the people earn less than a dollar a day. And in Puerto Rico it was the government, not the citizens, who issued a strongly worded report in 1999 against a Vivendi subsidiary, Compania de Aguas, for failing to adequately maintain and repair the state's aqueducts and sewers. In 2001, the government issued another warning to the company, citing 3,181 deficiencies in the administration, operation, and maintenance of the water infrastructure.

These private water companies could not have expanded without the protection of a number of powerful institutions with which they work closely. The main source of financing of private water services in the developing world is the International Monetary Fund (IMF), which often demands that a debtor country privatize its water services in order to obtain debt relief. Encouraging poor countries to privatize their water is part of a process called structural adjustment that has been used to force the developing nations to adopt market-based economic policies favored by the powerful governments and corporations of industrialized countries. The IMF and the World Bank have compelled over 80 countries to weaken their tools of national sovereignty by deeply cutting public spending, deregulating state enterprises such as transportation and energy, and dismantling protections for domestic industry. In this way, big transnational corporations of North America, Europe, and Japan have gained access to the markets and resources of the developing nations. A top U.S. Treasury official once boasted to Congress that for every dollar the U.S. contributes to the World Bank, American corporations receive $1.30 back in contracts.

The World Bank serves the interests of water companies through the International Bank for Reconstruction and Development, which provides loans to governments and can impose conditions in exchange for money, and the International Finance Corporation, which provides direct capital funding. Lending about 20 billion dollars to water-supply projects over the past decade, the World Bank has been the principal financer of privatization. A year-long study by the International Consortium of Investigative Journalists, a project of the Washington-based Center for Public Integrity, released in February 2003, found that the majority of World Bank loans for water in the past five years have required the conversion of public systems to private as a condition for the transaction.

Further, the World Bank has set the stage for some of the worst privatizations on record. In South Africa, it helped persuade local councils not only to hire private water companies but also to introduce a "credible threat of cutting service" that led to cut-offs for millions of poor. In Bolivia, the Bank's advice led to a nationwide uprising in which a 17-year-old was killed and many were injured in clashes with the army.

Not content to work one on one, the water companies and the World Bank have joined forces through the United Nations to create a set of international think tanks, lobby groups, advisory commissions, and forums that have come to dominate the water debate and set the stage for a private future for water. The most powerful is the World Water Council (WWC), formed in 1996, a policy think tank whose main task is to promote privatization with government decision-makers. Representatives of the global water corporations are strategically placed at the top levels of the WWC; one of its three founding members is Rene Coulomb, a former Suez vice president.

Every three years the WWC organizes a World Water Forum (WWF), which has become a major platform for the water corporations. The forum has all the trappings of an official United Nations conference, including a ministerial meeting. At both the second WWF in the Netherlands in March 2000 and the third in Kyoto, Japan, in March 2003 (attended by over 8,000 people), water corporations and World Bank officials succeeded in stopping a campaign to get governments to declare water a human right, opting for the more corporate-friendly language of a "human need." Government delegates then take this language back to their own countries, where it profoundly affects all areas of water policy. In Kyoto, a well-organized

group of anti-privatization civil society activists challenged the WWC; the rallying cry of "no consensus" on water privatization was prominently picked up by the international media.

These corporations and their powerful institutional associations—including the U.S. Coalition of Service Industries and the European Forum on Services—also work closely with the World Trade Organization (WTO) and regional trade institutions to further the liberalization of national laws in relationship to water. The WTO is mandated to remove tariff and nontariff barriers to the free flow of goods, including water, across national borders and is currently negotiating free trade in water through its services negotiations called the General Agreement on Trade in Services (GATS). On behalf of its powerful private sector, the European Union is requesting that all countries put their water services on the table under the heading of "environmental services."

At the WTO Ministerial in Doha, Qatar, in December 2001, Europe added a last-minute provision to the deal that required all member countries to give up "tariff and nontariff" barriers—which could include environmental regulation or laws to keep water delivery in public hands—to environmental services, including water. The water corporations even attended the World Summit on Sustainable Development in Johannesburg, South Africa, in August 2002, where they launched a "new" strategy for the delivery of efficient water and sanitation services to the world's poor based on public-private partnerships—the model preferred by the WTO.

The North American Free Trade Agreement and almost 2,000 Bilateral Investment Agreements (BITs) contain an "investorstate" provision that allows corporations to sue governments who introduce laws "unfriendly" to their interests. Already, a California company is suing the government of Canada for ten billion dollars because the province of British Columbia banned the export of water for commercial purposes. And Bechtel is using a BIT to sue Bolivia for 25 million dollars because the uprising forced the company to leave the country. In a blow to democracy, the World Bank's International Center for the Settlement of Investment Disputes, which is hearing the case, ruled in February 2003 that it would not allow the public or media to participate in or even witness the proceedings. If the WTO has its way, there will one day be similar investment provisions in the GATS as well.

This is a crucial moment. The decisions we make now about the ownership of water will determine who will have access to this dwindling resource. European water activist Ricardo Petrella says that a kind of "global high command" for water has been building up in the past decade. Faster than most realize, water is becoming a cartel to be controlled by a small but powerful global elite. The World Bank has stated, "One way or another, water will soon be moved around the world as oil is now." If this is allowed to continue, there may come a time in the not-too-distant future when all decisions regarding water will center on commercial, not environmental or social justice, considerations.

The answer to the world's growing water crisis lies on the twin foundations of conservation and equity. Even the most conscientious of private companies cannot run a business on those ethics. There are some areas of life that should be marked a part of "the commons" and set aside from the rules of the marketplace.

Water is one of them. Water belongs to the Earth and all species and is a fundamental human right. No one has the right to appropriate it for private profit. Water must be declared a public trust, and all governments must enact legislation to protect the freshwater resources in their territories. Until that time, expect more showdowns like Orange Farm. And expect them to get more violent. Expect also the rise of a powerful civil society movement to challenge the lords of water. No one gave the world's water to them. People and nature will take it back.