

THE CONTRADICTIONS OF WATER PRIVATIZATION

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Abstract

The purpose of this paper is to attempt to understand the issue of water privatization, which is presented as a form of foreign aid, that theoretically should benefit all those involved. This includes private investors, water companies, the World Bank and of course the poor. However, once these water privatization projects take shape, it becomes clear that the only people who emerge with any sort of gain are the investors. The purpose of this paper is to understand why this is the case. This will be accomplished by first examining how water privatization entered the international scene, how it is related to international development, and what are the arguments in its favor. Two case studies will then be reviewed, so that it will be possible to juxtapose what was supposed to have happened with what actually did happen. A postcolonial and Marxist theoretical framework will be applied to assist in the understanding of why these changes occurred and what are their consequences. Our findings support the argument that water privatization is not actually helping the poor. In reality, water conglomerates are promoting water privatization under the guise of foreign aid in order to establish imperial domination over the poor.

Introduction

The topic of water privatization has become increasingly complex and controversial over the past couple of decades. There have been numerous publications surrounding this issue, for the purpose of reporting what is supposed to be happening in contrast to what is actually happening. It is the main goal of this paper to understand whether, why and when water privatization helps to alleviate poverty or, in fact, makes things worse for the poor. To that effect, the issue of water privatization will be examined through the Marxist and postcolonial theoretical lens. The argument, that this essay will make, is that water privatization is being used as a tool by water conglomerates as a way to establish imperial rule. These water conglomerates are using water privatization, under the guise of foreign aid to be able to enter developing countries legitimately, where, in a short amount of time they establish imperial control. This paper is divided into three parts, the first being concerned strictly with water privatization as an issue. It looks at the history of water privatization, how the international community came to accept it as a form of foreign aid, and why the World Bank began to promote it. The second section looks at two case studies, Argentina and Bolivia. This is done so that one can see the contradiction between what the water conglomerates said they were committed to do and what they actually did. The third part of the essay examines David Harvey's theory of accumulation by dispossession, and Sankaran Krishna's work which ties post-colonialism with globalization. Following the explanation of these theories, they will be directly linked to the empirical evidence identified in the case studies, so that one can understand why water privatization is not relieving poverty. As indicated earlier, it will then become clear as a central argument that there is an underlying factor involved in water privatization, which is that the water conglomerates are not actually attempting to provide foreign aid. They are pursuing their own agenda of establishing imperial control. However, in order for one to understand this, it is necessary to review the history of water privatization.

Part One: The History of Water Privatization

Throughout the past century, the international community has developed a variety of conceptions and practices concerning foreign aid. Whether one refers to questions of import-substitution-industrialization or privatization, international institutions act according to the dominant ideas of the time. The dominant trend at present is the privatization of state-owned enterprises. Privatization can be defined as "the transfer of productive public assets from the state to private companies" (Harvey 161). To expand further on Harvey's definition, essentially what privatization entails is taking what was formerly publicly funded and selling it to a privately owned company, who will then take over the industry and collect any profits. This could include any industry, whether it be utilities such as gas, electricity, or water, or other government services such as railroads or postal services. However, this movement toward privatization came about as a result of a major shift in the development field, including the role of the World Bank. Between the 1950s and the 1970s, foreign aid was directed to the 'repatriation' and 'nationalization' of natural-resource-based sectors (Goldman 787). As further explained by Baer and Montes Rojas, "The considerable participation of the state in Latin America is a consequence of import-substitution-industrialization (ISI), which was the major development strategy from the 1950s to the end of the 1980s. In this context, the state not only encouraged investments, but it also participated directly in economic activities" (Baer and Montes-Rojas 323).

Prior to 1968, the World Bank did not play such a prominent role in the field of development assistance. It was not until the McNamara era, that the World Bank started turning its multi-million dollar budget into a multi-billion dollar one (Goldman 788). In order to provide the investment necessary for industrial expansion in the South, McNamara proposed a portfolio with both economic and political guarantees that would attract the owners of capital in the North to invest in development projects in the South, that had a low level of risk and allowed a high level of control over the projects (Goldman 789). This shift in focus is important because it led to Latin America's debt crisis in the 1980s, as the borrowing countries were not able to repay the large loans they were receiving from the North. "... Back in the 1980s, the McNamara era's massive increase in capital loans hit a wall. As Western firms and investors profited from this new expansive development regime, borrowing governments could not possibly manage the large dollar-based loans with their local-currency-based economies" (Goldman 789).

Due to this rising debt crisis, the countries of the North and the international economic institutions under their control, notably the IMF and the World Bank and their executives, including McNamara, devised new lending strategies and conditionality, which imposed on borrowing countries many structural adjustment plans that were based heavily on neo-liberal ideas. These neo-liberal ideas involved selling off all public enterprises, regardless of whether or not they had been successfully producing national wealth, widespread employment, or social stability (Goldman 787). It was becoming common belief by the World Bank that privatization was the successful way to alleviate the debt crisis, and raise Latin American countries from former levels of poverty. "At the beginning of the 1990s, a strong consensus emerged regarding the benefits of privatization. In particular, privatization was perceived to promote enterprise efficiency, to reduce fiscal deficits, to increase consumer surplus and to create a competitive environment where there was a monopoly structure" (Baer and Montes-Rojas

324). Overall, privatization seemed not only to solve Latin America's debt crisis, but to provide a better service to consumers, and also incorporate the South into the international market.

Throughout the 1980s and 1990s the Government of the United States of America, the World Bank, and the International Monetary Fund endorsed a development model known as the "Washington Consensus," which was built on the pillars of market liberalization, fiscal austerity and privatization. The Washington Consensus contended that the free market, unimpeded by government interference and corruption, could transform underdeveloped economies. (Mulreany et al 24) By the 1990s, this trend had spread to even the most essential public-sector services such as education, electricity, transport, public health, and water sanitation (Goldman 787).

How Water Privatization Differs from other Forms of Privatization

It is important to note the difference in privatizing a commodity such as electricity, telephone services, the railway, or gas, versus the privatization of something that is so essential to life such as water. The United Nations has indicated the 'special necessity' of water for life in its World Water Development Report:

Water is essential for life. We are all aware of its necessity, for drinking, for producing food, for washing - in essence for maintaining our health and dignity. Water is also required for producing many industrial products, for generating power, and for moving people and goods - all of which are important for the functioning of a modern, developed society. In addition, water is essential for ensuring the integrity and sustainability of the Earth's ecosystems. (United Nations 5)

This is precisely what sets the privatization of water apart from other privatized commodities. First of all, as demonstrated in the World Water Development Report, the world needs water to sustain itself. People cannot survive without water, however they can survive without gas or electricity. It is also worth pointing out that gas and electricity are clearly defined commodities, whereas water is a life-sustaining natural resource. This is where the fundamental controversy over water privatization lies. "A mighty contest has grown between those (usually powerful) forces and institutions that see water as a commodity, to be put on the open market and sold to the highest bidder, and those who see water as a public trust, a common heritage of people and nature, and a fundamental human right" (Barlow 18). This is also where a clash of cultures can take place. Neo-liberalism, a predominantly Western ideal, regards water as a business opportunity. According to this view, it is perfectly appropriate to take ownership of water and then sell it back to the surrounding populations. This is actually seen as a viable solution to the world wide-water shortage:

One solution to this crisis [water shortage] is to call in the private sector. The idea is that more actors (not just governments) would enter the sector and deliver the services. In an environment of relatively free markets, the private sector can deliver not only investments, but also the reforms and efficiencies that are urgently needed in water and sanitation service delivery. (Goldman 792)

The United Nations as a whole, regards water as a commodity as opposed to a right. "Water has an economic value in all its competing uses and should be recognized as an economic good" (United

Nations 18). This is in sharp contrast to the general cultural and religious beliefs that surround water. Many different cultures regard water as a gift from God, for everyone to enjoy. Therefore, for someone to claim ownership, and then attempt to sell it to anyone is a preposterous notion. In this view, privatization is a highly inappropriate method for managing water (Shiva 88-94). Therefore, taking into account these two general arguments, it is clear that water privatization differs from the privatization of other sectors. First of all, it is a necessity to life, whereas other state-owned services are not. There is also a cultural and religious aspect connected with water that is not present in other sectors. This is why water privatization has become a matter of increasing importance and this is precisely why it is the topic of this essay.

Water Privatization as Foreign Aid

Now that an account of the process of privatization of state owned enterprises has been given and the reasons that set water privatization in particular aside from the privatization of other sectors have been explained, it is imperative that we discuss the reasons surrounding water privatization as a form of foreign aid. As stated by the World Business Council for Sustainable Development, a coalition of 160 transnational corporations, including some of the largest involved in water, energy, and waste management:

Providing water services to the poor presents a business opportunity. New pipes, pumps, measurement and monitoring devices, and billing and record keeping systems will be required to modernize and expand water infrastructure. Industry not directly related to the provision of water services will be able to enter new markets because water for production, and to sustain a productive workforce, will be available. Thus this program has the possibility of creating huge employment and sales opportunities for large and small businesses alike. (Goldman 792)

As is explained in this quote, the general idea surrounding water privatization in relation to foreign aid is that it will be beneficial to both the investors in the North, and the consumers in the South. Not only will the water sector as a whole improve, but it will help lift countries out of poverty through their incorporation into the global market and through the creation of more jobs. This inclusion will then promote the further development of other industries in developing countries, which will over time, in turn become more industrialized and more developed. In summary, water privatization is portrayed as being a solution to world poverty that can benefit everyone. The water companies earn a profit from their customers in the developing country, while the citizens of the developing country have increased access to cleaner water. This is in direct relation to the water supply and sanitation targets outlined by the Water Supply and Sanitation Collaborative Council (WSSCC), "to reduce by one-half the proportion of people without sustainable access to adequate quantities of affordable and safe water" (United Nations 8). This target can then be related to the Millennium Goal of 'reducing by one half the world's people living on less than one dollar a day'. Investment in water infrastructure and services to promote regional development is a direct contribution to this goal, (United Nations 9).

The World Bank's Promotion of Water Privatization

As has become evident in the preceding sections, the World Bank and private water companies are the primary actors in water privatization. The two subsidiary members of the World Bank, which have a direct role in water privatization are the International Finance Corporation (IFC), and the International Center for the Settlement of Investment Disputes (ICSID). The IFC's role is to promote the growth of private enterprise in developing countries by becoming a shareholder of the enterprise, together with other private national and international investors (Karnsand Mingst 364). The ICSID was formed to arbitrate investment disputes between foreign investors and governments (Vilas 40). The IFC states "that privatization can deliver a wide range of material economic benefits is now a view so widely held that it scarcely needs elaboration" (Baer and Montes-Rojas 325). This statement is based on the following six premises, as outlined by Baer and Montes-Rojas. The first is that privatization provides resources for the state's fiscal needs and reduces the fiscal burden of state-owned enterprises. The second is that privatization improves efficiency and quality of services in the infrastructure sector. Privatization is also supposed to extend coverage and access in the case of public utilities. Next, it is supposed to increase domestic stock ownership, and lastly privatization is supposed to attract foreign and domestic investment (Baer and Montes-Rojas 325). In addition, as indicated in Goldman's article, water privatization is supposed to create more jobs for the local people (Goldman 792). All in all, these premises appear to be in the correct line of thinking for decreasing poverty levels in the developing world, and although they are discussed in the context of privatization in general, they can still be applied to the privatization of water in particular. To link this directly to water privatization, the private water companies take the burden of the state-owned water system away from the state, relieving it of the prior fiscal burden and allowing it to focus on other issues in the country. Water privatization can become more efficient in that its citizens can access it for longer periods of time than previously, and the quality of the water should also improve. In short, citizens should receive cleaner water and more of it. Private ownership should also provide this water service to more people, thus increasing the access to parts of cities that previously did not have connections to the water supply. Water privatization should also lead to more citizens being able to purchase shares in the water company and, as the value of the stocks of the water company rise, increase their earnings. As the company grows, thanks to more local and foreign investment, it will continue to pull the developing country out of poverty. Lastly, water privatization should also increase employment opportunities. Therefore, more people will be able to work, thus contributing to the local economy, which in turn will create more jobs and thus continue to build economic prosperity. Based on these premises, water privatization appears to be an efficient and highly appropriate method to relieve poverty in the developing world. But do results meet expectations?

Part Two: Case Studies

Argentina

Now that the reasons for water privatization have been outlined, it is appropriate at this point, to examine two case studies of water privatization to see how these premises have played out. The two case studies to be examined are those of Argentina and Bolivia. Argentina began its privatization regime

in the 1990's. In 1993, Aguas Argentinas S.A. (AASA) won the monopolistic concession of Buenos Aires' water. The AASA is a multinational consortium, comprised of Suez and Violia, the Argentine group Solatie and other minority shareholders (Vilas 35). The ownership is as following: Suez is the leading shareholder at 39.93%; Aguas de Barcelona (which Suez partly owns) at 25.01%; the Program of Shared Ownership at 10%; Banco de Galicia y Buenos Aires, 8.26%; Violia, 7.55%; the IFC 5% and Anglican Water, 4.25% (Vilas 35). The way in which the AASA was able to take possession of Buenos Aire's water was through a bidding process. This stipulated that the bidder offering the lowest base rate coupled with an investment plan that included improved and expanded services would take ownership (Vilas 35). It is also important to note exactly how the AASA was able to bid so favorably. As Argentina's state-owned enterprises were slowly being sold off to private companies, the Menem government, in anticipation of the privatization of the water sector began to raise water rates. In February 1991, the rates rose by 25%, and two months later, they rose by another 29% (Vilas 35). By April 1992, the rates were elevated again by 18%, and then again by 21% shortly thereafter. This was done to make it easier for water companies to be able to make substantial bidding offers (Vilas 35). It was due to this considerable increase in water rates that the AASA was able to make a highly acceptable bid and thus win the rights to the water industry of Buenos Aires. "In principle, the \$4.1 billion investment plan would span the 30 years of the concession. The stated objective of privatization was to universalize the delivery of quality service by renovating existing, and constructing new, infrastructure" (Vilas 35). In other words, the AASA made a promise to provide more readily accessible, safe, clean, drinking water to a larger part of the population.

Referring back to the seven promises outlined earlier, the AASA broke nearly every one of them. In terms of reducing the fiscal burden of the water industry on Argentina, the AASA did accomplish this. However this was only a short term relief: due to the uprising of angry consumers who were dissatisfied with the water quality and rate increases, the Argentine government was forced to take back the burden of the water sector (Vilas 40). The government was then presented with the fiscal burden of the legal action that was brought by the AASA to the ICSID. "The AASA wanted to hold the government responsible for the company's losses due to the devaluation and the end of convertibility" (Vilas 40).

The Second commitment was that water privatization would improve the efficiency and quality of the water. Unfortunately this did not happen in Buenos Aires. "...Several important areas of the concession are rife with persistent problems, including with regard to water pressure and quality..." (Vilas 39). In connection with improved efficiency, temporary cuts of water due to preventable technical failure were a common occurrence (Vilas 39). This echoes the unfit quality of the water, which was reported to have high levels of nitrates (Vilas 39). According to Barlow, "water in seven districts [of Buenos Aires] had nitrate levels so high it was unfit for human consumption" (Barlow, 20). Therefore this commitment was not kept by the AASA.

The third promise, that water privatization made, was to extend coverage and access to clean drinking water. In terms of extending coverage, there is no evidence of the AASA building additional pipelines to reach the slums on the outskirts of Buenos Aires. ...because the contract stipulates that financing for expansions will come exclusively from rates paid by new users. In societies with high levels of income this scenario might work quite well, but it proves dreadfully inadequate in countries like Argentina where severe poverty is widespread. Those who lack access to potable water and sewage

services are precisely society's poorest, for whom pay is low and unemployment high, making them the least able to afford the services. (Vilas 36)

In addition to not fulfilling the extended coverage aspect of their promise, the AASA also did not increase access to potable drinking water. Shortly after taking over the water of Buenos Aires, the AASA began to raise numerous rates: the general rate rose by 13.5%, basic connection fees rose by 83.7%, sewage by 42%, and other charges increased by anywhere from 38% to 45% (Vilas 36). This resulted in many citizens becoming unable to afford their water bills, and thus the AASA cut their access.

In terms of increasing domestic stock ownership, at first, the AASA seemed to fulfill this. As per the terms of the contract, the workers' union, through the program of Shared Ownership, allowed them to hold a 10% share of the AASA (Vilas 36). Unfortunately, "one immediate effect of privatization was the slashing of the workforce by 40%"(Vilas 36). Therefore it is clear that the AASA did not increase domestic stock ownership or employment opportunities. In fact it did the opposite. In terms of increasing domestic and foreign investment the AASA did meet this promise halfway. As previously indicated, there was a large amount of foreign investment in the AASA, however the only domestic investment is the Banco de Galicia y Buenos Aires at 8.26% and the Program of Shared Ownership with its 10% that was greatly reduced through labour cuts. Overall, upon looking at the evidence presented by this case study of Buenos Aires, it is clear that the only promise made by privatization that was kept was the attraction of foreign investment.

Bolivia

The next case study to investigate is the water privatization projects in Bolivia, where such projects took place in three major cities: Cochabamba, La Paz and El Alto. Aguas del Tunari took ownership of Cochabamba's water in 1999, under a 30 year contract (Cohen 16). Aguas del Tunari is a consortium comprised of various shareholders. They include: International Water Limited of the United Kingdom (a partnership between Bechtel of the United States and the Edison spA company of Italy) with a 55% stake; the Spanish company Abengoa S.A., with a 25% stake; and four private Bolivian investors each with a 5% stake (Mulreany et al 28). La Paz and El Alto were managed by the administration of Aguas de Illimani, a subsidiary of Suez, the World Bank, which held an 8% share, and other private investors (Grant and Shiffler 22). In terms of the promises made by water privatization, these two companies, like the AASA, did not follow through. In terms of relieving the state of the fiscal burden of the water industry, at first both companies accomplished this. However, as in Argentina, once these two companies were removed from Bolivia, they sought monetary compensation through the ICSID. "Aguas del Tunari is seeking as much as US\$50 million in compensation for the concession's termination" (Mulreany et al 26). This clearly puts more fiscal burden on Bolivia than the previous water sector ever did. Next comes the efficiency and quality of the services. In El Alto, approximately 200,000 people (out of a total population of 800,000) still had no water hook-up. Over the term that Aguas de Illimani was in charge of El Alto's water supply, it failed by 33% to meet the requirements for new connections as outlined in its contract (Cohen 17).

The following set of issues surround the coverage and access to safe drinking water. Like in Argentina, Bolivians were faced with rising water rates that they could not afford. In Cochabamba, water rates immediately rose threefold to \$20 a month. This, taking place in a country where the minimum wage is less than \$60 a month (Barlow 20). In addition to the rising rates, Aguas Illimani also charged hook up fees of about \$450, this being the equivalent to the food budget of a family for two years (Barlow 20). Similar issues occurred in El Alto. The price of water increased by 35%, and the connection cost for new families exceeded \$445. This amount exceeds more than six months income at the level of the national minimum wage (Grant and Shiffler 22).

As it is clear from the records of Aguas de Illimani and Aguas del Tunari, they have attracted large amounts of foreign investment, in essence, from international water companies and the World Bank. They have also attracted domestic investors, but on a much smaller scale. But it is doubtful whether either company created additional employment. According to Shiva, in fact, water privatization generally reduces employment: "Public systems worldwide employ five to ten employees per 1,000 water connections, while private companies employ two to three employees per 1,000 water connections"(Shiva 91). Taking this into account, it is most likely that in Bolivia too, as was the case in Argentina, employment rates were actually reduced as a result of water privatization. Overall, like in Argentina, the only fulfilled promise is that of the foreign investment opportunities offered.

Part Three: THEORETICAL APPROACHES

The Marxist Theoretical Approach: Accumulation by Dispossession

Marxism, in relation to international studies, has changed drastically over the past decades. The main focus of this examination of the Marxist approach will be on David Harvey's account of accumulation by dispossession. Harvey begins by discussing the fact that there are two different aspects of the accumulation of capital. The first one is strictly an economical process, involving the capitalist and the wage laborer. The other aspect of the accumulation of capital involves the relationship between capitalism and non-capitalist modes of production, that are making their way into the international arena (Harvey 137). As indicated in *The New Imperialist*, "its [the relationship between capitalist and non-capitalist modes of production] predominant methods are colonial policy, an international loan system- a policy of interest - and war. Force, fraud, oppression, looting are openly displayed without any attempt at concealment..." (Harvey 137). What is argued in this chapter, is that in order for capitalism to sustain itself, it must rely on non-capitalist societies to stabilize its overaccumulation. Overaccumulation occurs because the wage laborer produces more than he is able to afford to purchase due to his poor wage earnings (Harvey 138). This results in a surplus of capital being produced, which must be reinvested somewhere so that capitalism can continue to prosper. This is where non-capitalist societies come into play, because capitalists can invest in them, and thus reduce their problem of overaccumulation. "As we have seen in the case of the spatio-temporal fixes, the geographical expansion of capitalism which underlies a lot of imperialist activity is very helpful to the stabilization of the system precisely because it opens up demand for both investment goods and consumer goods elsewhere" (Harvey 139). This is precisely how capitalism is inter-connected with imperialism. It is just as important to have access to cheaper inputs (land, raw materials, intermediate inputs or labour power)

as it is to have access to widening markets. This is the case because it keeps profitable opportunities open (Harvey 139). Therefore, if necessary, non-capitalist territories should be forced to open up to investors who can profit from the cheaper materials, labour, or land (Harvey 139).

Harvey uses house 'flipping' in the United States as an example of how accumulation by dispossession works. The process is as follows: a house in poor condition is bought at a low price, renovated, and sold at a much higher price. This is done through a mortgage package arranged by the seller, who typically targets low-income families. If this low-income family should have difficulties in meeting any sort of payment then the house is repossessed. The fundamental effect of this ordeal is to prey on the low-income family and obtain whatever small savings they had (Harvey 152-153). This, on a basic scale, is exactly what Harvey's accumulation by dispossession theory is.

Accumulation by dispossession can be applied on the international scale, as a way to solve the problem of over-accumulation. "What accumulation by dispossession does is to release a set of assets at a very low cost. Over-accumulated capital can seize hold of such assets and immediately turn them to profitable use" (Harvey 149). This can be accomplished by capitalists, entering new territories and taking at little to no cost either labour, natural resources or manufactured goods, so that their over-accumulation (as earlier defined as a surplus of capital) can be reinvested, which will result in the stabilization of their own capitalist system.

Accumulation by Dispossession and the Rise of Neo-liberalism

Harvey attributes the rise of neo-liberalism to the work of Margaret Thatcher in the 1970's. As a way of attacking the economic problems of Britain at this time, she, along with Reagan, transformed the welfare state into an active supporter of the supply side of capital accumulation (Harvey 157). This prompted the IMF and the World Bank to change their policy frameworks in favor of those of neo-liberalism. As this was taking shape, Europe and the rest of the Anglo-American world also began to follow suit (Harvey 158). It is this rise of neo-liberalism that enabled accumulation by dispossession to become ever more predominant after the 1970s :

The primary vehicle for this development was financialization and the orchestration, largely at the behest of the United States, of an international financial system that could, from time to time visit anything from mild bouts of devaluation and accumulations by dispossession on certain sectors or even whole territories...For all this to occur required not only financialization and freer trade, but a radically different approach to how state power, always a major player in accumulation by dispossession, should be deployed. The rise of neo-liberal theory and its associated politics of privatization symbolized much of what this shift was about. (Harvey 156)

Therefore, it is easy to see how accumulation by dispossession at the state level was then transferred to the international scene through neo-liberalism. In fact, Harvey also makes the connection that since capitalism had been suffering from chronic overaccumulation since the 1970s, then the neo-liberal project of privatization, is an excellent way to combat this problem (Harvey 149). Next we will explain how accumulation by dispossession, through neo-liberalism, created this contemporary trend of privatization throughout the developing world, and how this is a form of imperialism.

The Rise of Privatization and Imperialism

As the powerful countries and international institutions of the world become more and more involved with neo-liberal ideology, a rise in privatization takes place all over the world, even in the area of global environmental 'commons'. With new mechanisms of accumulation by dispossession opening up, this has led to an increased depletion of global environmental commons (land, air and water). As a result, these natural resources are being used as capital investments, for the production of capital goods, and this is creating an overall degradation of these environments (Harvey 148). Harvey defines these trends as a new wave of the enclosing of the commons. In previous times, the state was able to combat these problems by exerting control over its own territory. However, privatization has made it significantly harder for states to be able to accomplish this and find internal solutions to their problems, including that of capital accumulation.

Harvey believes that the inability of countries to find internal solutions to the issue of accumulation of capital is particularly dangerous, because it tends to breed imperialism or at least to exacerbate the imperialist logic, as countries try to acquire cheap capital elsewhere. In his view, this was the case of Britain in the past (Harvey 180). It seems to be the case of the USA today:

"As occurred in Britain at the end of the preceding century, the blockage of internal reform and infrastructural investment by the configuration of class interests during these years has also played a crucial role in the conversion of US politics towards a more and more overt embrace of imperialism" (Harvey 180-181).

Being the present day hegemon, the United States generally employs its power to ensure that international institutional arrangements work for its own benefit (Harvey 181). Harvey makes the argument that free trade and open markets are the ways through which monopolized enterprises, which are part of advanced capitalist states, are able to dominate trade, production, services and finances (Harvey 181).

The primary vehicle for accumulation by dispossession, therefore, has been the forcing open of markets throughout the world by institutional pressures exercised through the IMF and the WTO, backed by the power of the United States (and to a lesser extent Europe) to deny access to its own vast market to those countries that refuse to dismantle their protections. (Harvey 181)

In summary, David Harvey's thesis addresses the general problem of over accumulation in capitalist systems. In order to solve this problem, and increase the level of stability in their own capitalist system, reinvestment must occur, preferably in countries with low capital intensity. This is how neo-liberalism became so predominant in the international arena, and how privatization became such a widespread trend. It also explains how imperialism has risen as a way for hegemonic powers to maintain their dominance in the world. Having reviewed the Marxist theoretical perspective, let us now examine the postcolonial theory, so that a fuller understanding of water privatization can be reached.

The Postcolonial Theoretical Approach

Postcolonialism, as an international theory is difficult to define. Different authors focus on different aspects of postcolonialism in addition to another theory. For example, feminists tend to focus on the role of women in relation to postcolonialism, whereas cultural studies would focus more on the cultural aspects involved in postcolonialism. Taking into account the topic at hand and its interconnectedness with the world market and neo-liberalism, Sankaran Krishna's explanations of postcolonialism are the best suited to define this theory. Krishna's book focuses on the relationship among globalization, neo-liberalism, and postcolonialism. According to the author, "postcolonialism can be provisionally defined as the perspective or worldview of those who believe that it is possible to understand today's world only by foregrounding the history of colonialism - defined in a very preliminary way as the domination of certain societies and peoples by others - over the past five centuries" (Krishna 3). Included in this history of colonialism is the fact that capitalist development and colonial conquest are intimately related. In building on this, postcolonialism contests the neo-liberal claim that the free-market produces prosperity for all or improves living conditions (Krishna 4). Postcolonialism also makes the argument that both historically and at present, unregulated capitalist growth has been and still is highly unequal thus producing prosperity for a select few and misery for the remaining majority (Krishna 4).

According to Krishna, what sets postcolonialism apart from Marxism is that, in addition to focusing on the world market as a form of domination, it also looks at the fact that the West exerts cultural domination over the world :

An important aspect of postcolonialism is its sensitivity to issues of cultural domination: economically-developed and dominant nations invariably set the standards and constitute the model against which others are evaluated or evaluate themselves. This domination of the West over the world in the realms of knowledge production and culture, or Eurocentrism, is an enduring legacy of colonialism...(Krishna 4)

In summary, it is clear that postcolonialism regards neo-liberalism and the world market in the same way as marxism: a way for the select few rich capitalists to dominate the non-capitalist poor majority and to keep them trapped in this capitalist system. However, postcolonialists also realize that imperial rule is not accomplished by means of the free-market alone. The West also uses cultural domination in addition to their capitalist rule. They evaluate other cultures by comparing them to their own culture, and this is used as their tool for asserting cultural superiority.

The Connections Between Water Privatization and Postcolonialism and Marxism

As is evident from the case studies in both Argentina and Bolivia, the results of what happened were no accident, they were a deliberately contrived strategy. As indicated in the previous sections, the only promise that was fulfilled through water privatization was an increase in foreign direct investment. This puts into sharp focus where the priorities of the AASA, Aguas de Illimani and Aguas del Tunari really lie: in making profits. Both case studies illustrate that these three water conglomerates did not make any improvements to the water systems in the developing countries. What they actually did was continue to maintain the basic operations of the water infrastructure that was already in place while continuously

raising rates so that their own profits would increase. In Cochabamba, rates were increased by 200%, to allow for Aguas del Tunari to increase its planned profits to \$58 million (Barlow and Clarke 17). The AASA also hiked rates so astronomically that they went from deficit to a \$350 million profit within their second year of operation (Vilas 36). The way that they were able to accomplish this was that they held the monopoly over the water industry in each of their cities. "Water systems, which are traditionally run as monopolies, are unlike most industries. While there may be competition among providers to acquire a water contract, the municipality awards the contract to only one provider" (Mulreany et al 30). Therefore, in essence, once these water conglomerates win control over their respective municipality, they begin their process of imperial domination. Having the monopoly of the industry gives them the security necessary not to have competitive prices. They have complete control over the quantity, the quality and the price of the water, and, as was clearly laid out, the prices of this essential service grow to the point that it is impossible for the vast majority of the citizens to afford it. As argued in Harvey's book, "productive assets include natural resources. Earth, forest, water, air. These are the assets that the state holds in trust for the people it represents...To snatch these away and sell them as stock to private companies is a process of barbaric dispossession on a scale that has no parallel in history" (Harvey 161). Therefore, it is clear that the AASA, Aguas de Illimani and Aguas del Tunari were not providing any form of aid to Argentina or Bolivia. They were there to establish imperial control so that they could then obtain as high a profit as possible in order to increase their own market share.

These cases also illustrate the blatant double standard that is present in water privatization cases: the fact that governments should be obliged to adhere to the contract pertaining to the privatization project while the water conglomerates do not. Eight months into its contract, the AASA raised its rates, which was not permitted in its contract (Vilas 36). It also postponed the building of its sewage treatment system, which was to be built within the first five years of the concession (Vilas 37). However, once the general population became incapable of paying the large rate hikes, and the ETOSS forced them to leave before the contract was finished, they sought legal action from the ICSID. It was the company's intention to sue the Argentinian government for the loss of future profits. This is all in spite of the fact that the contract had been broken previously by the water conglomerates, as mentioned above.

This double standard also occurred in Bolivia. Aguas de Illimani and Aguas del Tunari broke similar promises to the AASA. Rates were raised when their respective contracts stipulated that they should not be. They also did not invest in infrastructure or wastewater treatment (Barlow 20). With rates that rose by more than 200%, \$58 million of profit was made from Cochabamba alone (Barlow and Clarke 17). Upon being forced to leave, Aguas del Tunari then turned to the ICSID in an attempt to sue the Bolivian government for approximately \$50 million, as compensation for lost future profits (Mulreany et al 28).

In addition to this double standard surrounding contracts, there was also a double standard in terms of the environmental degradation caused by the AASA and the two water conglomerates in Bolivia. Due to the fact that the AASA did not fulfill its promise to construct the much needed water sewage treatment facilities, over 95% of Buenos Aires' sewage was being dumped directly into the Rio de la Plata. This river, as noted by Barlow, had such high levels of pollution already, that it can be seen from space (Barlow 20). The AASA did nothing to alleviate this health hazard. There was also a similar issue in La Paz. Aguas de Illimani, instead of building a wastewater treatment system built a series of

ditches and canals through the poor parts of La Paz, which were used to transport raw sewage and garbage from the city into Lake Titicaca, which is considered by UNESCO to be a world heritage site (Barlow 20). It is also worth mentioning that the Aguas de Illimani company strategically located its headquarters under Mount Illimani. This was done so that in the spring, it would be able to capture the snowmelt from the mountain and then reroute it to the homes of those who could afford to pay for it (Barlow 20). This in turn cut off the water supply to the nearby slum community Solidaridad. Due to this lack of water, the school and clinic that were built with foreign aid money were unable to operate (Barlow 20). Therefore, taking into account Harvey's theory of accumulation by dispossession and Krishna's explanation of postcolonialism, it is clear to see that these two theories apply directly to the issue of water privatization. Water privatization is quite obviously a deliberately contrived strategy for powerful water companies and international institutions to establish imperial rule over developing countries. This is evident through their blatant disregard for the promises they made and the contracts they signed. The only achievement these water conglomerates make is to increase their capital gain through the exploitation of the citizens in developing countries, and also through the exploitation of their environments. This is a matter involving both capital domination as well as cultural domination, which is why both postcolonialism and marxism are vital to understanding its complexities.

Conclusion

In conclusion, it is clear to see that water privatization is a multi-faceted issue filled with false assumptions and many broken promises. However, once Marxism and postcolonialism are applied to this issue for the purpose of understanding why this occurs, it becomes apparent that the large water conglomerates are simply establishing imperial rule, under the guise of foreign aid. This became evident once the case studies in Argentina and Bolivia were investigated. It was through this investigation that one can see that the only promise kept by the water conglomerates was that of an increase of foreign investment. The only members involved who moved ahead were the water conglomerates, and when they lost control of the water supply they attempted to obtain financial compensation through the ICSID. The case studies enabled the reader to see what was really happening, so that marxism and postcolonialism could then be applied to assist in understanding why these contradictions were occurring. One of the gaps of this paper is that it does not explain how these water conglomerates, legally speaking, were able to get away with their abuses. In terms of future research, it would be interesting to also look at water privatization from a legal stand point to complement the understanding gained from Marxism and Postcolonialism. This could further expose and highlight the elements of corruption and immorality involved in water privatization, as already suggested by Harvey's and Krishna's theories.

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