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Water Privatization: The Negative Consequences Multinational Corporations may have on the Water Industry in Vulnerable Nations

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**Introduction**

Water is necessary to life on Earth. It balances ecosystems and its organisms by maintaining and restoring life (Martonas, 2015). Water is a necessary resource for the human body and governmental agencies closely monitor it to ensure its safety and sustainability (Martonas, 2015). Problems often arise when governments forfeit their power and hand the control over to multinational corporations. Private companies and governments typically operate differently because they are held to their own standards, abide by their own regulations, and prioritize objectives differently. The gap between government and private leadership gained international recognition when water systems became privatized in Bolivia and South Africa in the late 1990’s to early 2000’s. These nations erupted into civil strife because the multinational corporations were taking advantage of their poor economic status and threatening their rights to water.

**Background**

Water privatization is when private corporations buy public water systems and utilities and operate them under their jurisdiction (Food & Water Watch, 2015). Public water systems and utilities usually become privatized when a local or national budget can no longer support the water system. It may also occur if the local or national authorities cannot fix the aging infrastructure of the water system (Food & Water Watch, 2015). Countries often find water privatization alluring because multinational corporations make promises to bring health and prosperity. The multinational water corporation, Suez, advertises their “Ten Commitments To Do Good” which include managing water resources, reducing energy consumption, focusing on the health and safety of their employees and customers, ecosystem restoration, commitment to community, employee engagement, promoting diversity, customer satisfaction, and employee engagement (Suez, n.d.). In countries facing difficult economic times, water privatization by companies such as Suez seems like a great idea.

Despite the initial appeal of water privatization, it can have negative consequences for the nation. Multinational corporations such as Suez, Vivendi, and Bechtel are private companies with shareholders so they have different motives than a local or national government. It is in their best interest to make a profit. Whether that means choosing what areas they would make the most money in and focus on them rather than others or undermining people’s rights to water (Food & Water Watch, 2015). Also, privatizing the water system rules out other competition so these companies can increase the cost of water (Food & Water Watch, 2015). Finally, private companies do not have as many regulations as governments do, therefore, they may cut corners to save costs (Food & Water Watch, 2015). Cutting corners and searching for the cheapest way to get a job accomplished increses the risk of harming the ecosystem and the public’s health.

**Health Implications**

It is important to recognize the impact water has on the ecosystem and humans to understand the serious implications water privatization. On Earth, water is necessary for our breathable air, global weather patterns, as well as the agriculture industry (Martonas, 2015). Water is also critical to the health and wellbeing of humans. According to the Mayo Clinic (2016), “nearly all of the major systems in your body depend on water.” Water helps carry oxygen to cells, protects organs, moistens tissues, regulates body temperature, flushes out wastes, and helps dissolve minerals (Mayo Clinic, 2016). If the body does not receive adequate amounts of water it can suffer a number of painful and even deadly consequences such as to kidney stones, urinary tract infections, lagging mental performance, and kidney failure (State Government of Victoria, Australia, 2016). While water is necessary for our health, unsanitary water can have rather harmful effects. According to WHO & UNICEF (2015), 663 million, or 1 in 10 people lack access to safe water.

Water is used for all kinds of day-to-day activities such as drinking, sanitation, hand washing, bathing, and recreational activities. Unsanitary water can host a number of organisms such as bacterium, viruses, protozoans, and helminthes that can cause serious waterborne illnesses (Cliver & Fayer, n.d.). These pathogens are known to cause health problems such as upset stomach, diarrhea, vomiting, skin wounds, skin infections, loss of eyesight, and respiratory ailments (CDC, 2016). Waterborne illnesses affect more than 1.5 billion people every year (WHO & UNICEF, 2015). Furthermore, pathogens in water sources can cause diarrheal diseases, which remains the 3rd leading cause of death of children (WHO & UNICEF, 2015).

**Methodology**

Unfortunately, water privatization in low- and middle- income nations can limit people’s access to safe water, whether by the company using a “cherry picking” system by only focusing on serving the wealthier populations or raising the price of water to a rate so high poorer populations cannot afford to pay (Food & Water Watch, 2015). These factors may encourage people to find their water from other sources that may not be clean or limit their access to water all together. Aforementioned, this can lead to health issues such as dehydration and waterborne illnesses.

Organizations like UNICEF, United Nations, WHO, and United States Agency for International Development are always working towards completing the Millennium Development Goals (MDG). Through extensive data collection, surveys, health risk assessments, and other means of research, these organizations are making improvements in health care and health related issues each year (WHO & UNICEF, 2015). One MDG they do a lot of work in is improving sanitation and drinking water. By monitoring the number or waterborne disease outbreaks each year, assessing how readily accessible water sources are, and tracking deaths related to waterborne illnesses these organizations learn more about the issues complexities and ways to solve them (WHO & UNICEF, 2015).

**Supporting Cases**

One of the most well known cases regarding negative impacts of water privatization occurred in Cochabamba, Bolivia. In 1998, Bolivia sought a loan from the International Monetary Fund (IMF) to help control inflation and stimulate economic growth (Sadiq, 2011). The $138 million loan required Bolivia to sell “all remaining public enterprises,” which included Cochabamba’s water system (Sadiq, 2011, para. 1). The Bolivian government sold its municipal water system to Aguas del Tunari, a subsidiary of the multinational corporation Bechtel (Sadiq, 2011). As a result, the citizen’s water bills nearly tripled in cost, when Aguas de Tunari originally stated that people would only experience a 35% increase in price (Sadiq, 2011). Shortly following the substantial hike in water prices, the citizens of Cochabamba rose up in civil unrest (Sadiq, 2011).



*Cochabamba Agua.* (n.d.)

Given the unstable financial state of Bolivia during this time, the increase of water prices was disastrous for families in Cochabamba. In Starr & Salina’s (2008) documentary *Flow: For The Love Of Water*, Oscar Olivera stated: “the issue of privatization is a fight against death, a fight for life.” Jim Shultz, the founder of Democracy Center, Bolivia, mentioned that the drastic increase of water prices meant families could not afford clean drinking water for their families (Starr & Salina, 2008). Without funds to pay for clean drinking water the people were at greater risk for contracting a waterborne illness or suffering the effects of dehydration. In which case, they really were fighting against death.

A different, yet fundamentally similar controversy was echoed in South Africa with the company Biwater. Recognizing the country’s water issue, the South African government had intentions to address the water issues publically. However the water system was handed over to the Greater Nelspruit Utility Company (GNUC), which was a joint company between Biwater and a group called Sivukile (Public Citizen, 2003). The government of South Africa figured this water deal could be beneficial because they recognized they did not have enough funds for expansive infrastructure work, whereas the private company could pull from their private finances. This, however, was not the case. Biwater had a difficult time allocating the funds for the project so they relied on loans from the state-owned Development Bank of South Africa (Public Citizen, 2003).

Due to the reliance on state dollars, little work was accomplished. Therefore, access to water stayed about the same while the price for water increased (Public Citizen, 2003). Other problems that arose while Biwater was in control included turning off the water during the night, limiting people’s access to toilets, inflated water bills, disconnecting people’s water lines, charging people daily rates even if there was no water being consumed, and lack of maintenance on broken pipes (Public Citizen, 2003).

**Analysis**

The events that unraveled in Bolivia could be attributed to pressure put on the nation by the World Bank, IMF, and other international organizations (Starr & Salina, 2008). As a result, the Bolivian government was put into an uncomfortable position. They could either abide by the IMF’s terms in order to receive the loans they were in desperate need of or they could not agree to the terms and potentially sink the Bolivian economy. The Bolivian government thought it was best to take the chance and try to save the economy. Unbeknownst to the Bolivian government, this was a perfect opportunity for Bechtel to take advantage and profit from the vulnerable population.

Allowing a private company to take control of a precious resource such as water presents a number of issues. Most notably, private companies follow a businesslike model. They are interested in making a profit in all of their business endeavors, whereas governments are set up to serve the good of the population (Food & Water Watch, 2015). The different motives result in different outcomes because one is driven for monetary gain and the other by duty to protect the welfare and wellbeing of its citizens. Another reason it may cause concern is because of the lack of accountability. Stakeholders and investors hold the company accountable, whereas the general public does not (Food & Water Watch, 2015). Accountability is an issue particularly with companies cutting corners, neglecting maintenance responsibilities, ignoring certain regulations, and failing to provide services to its population.

The same kinds of concerns can be applied to the case in South Africa. Since Biwater is a company and not a public entity, the people of South Africa had almost no influence in how the company conducted business. They could not vote the Biwater representatives out of office or better yet push them out of business because they were a private entity. Additionally, since the contract with Biwater was binding, it would have been a waste of money and time if South Africa tried to exit the contract. Since Biwater had the upper hand, they were able to get away with things governments wouldn’t be able to. Like previously mentioned, they were able to cut corners, lag on maintenance duties, and ignore regulations.

**Solutions**

A possible solution to this water privatization issue may be creating public-public partnerships. This means that instead of handing complete control to a private company look for a public company instead (Food & Water Watch, 2015). They typically focus on improving public services, are more responsive to the community, are dependable, allow communities to have some control, and are usually more cost efficient (Food & Water Watch, 2015). Another option may be establishing a clean water fund trust (Food & Water Watch, 2015). Through planning and saving trust funds can be extremely useful in times of need. Building up a trust fund could be used to maintain safe drinking water, sound infrastructure, and protect public utilities for generations to come (Food & Water Watch, 2015).

**Conclusion**

One of the main ideologies in public health is to keep the population safe and do no harm. Multinational corporations have a business mentality and often times do not share the same values. In the case of water privatization, public health professionals think of water as a necessary resources and a right to all people whereas, businesses may think of it as a stream of revenue. The lack of access to safe water can have harmful effects on populations. Therefore, it is critical that no person or corporation limits the population’s access to water. History has shown time and again that when people’s rights and wellbeing are at stake civil unrest and the pursuit for justice is never far behind.

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