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Die Kommodifizierung öffentlicher Dienstleistungen

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Inhaltsübersicht

Erik Swyngedouw

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Turning Local Waters Into Global Money

1. Introduction

About a billion people worldwide do not have access to reasonably clean water. Many of them live in the mega-cities of the developing world (Kan/Streiff 2002). While water is often readily present in abundant quantities, millions of people are embroiled in daily struggles for access to some sort of potable water. Access to water is indeed highly contested terrain, one replete with all manner of economic and political struggle and conflict. Problematic access to water has become one of the central factors causing premature death, ill health, and reduced life-chances. As such, it constitutes a key global political, social, and environmental problem. At the same time, water has become one of the central testing grounds for the implementation of global and national neo-liberal policies. The privatisation of water production and delivery services, particularly urban water supply systems, has become an important arena in which global capitalist companies operate in search of economic growth and profits.

One of the meagre conclusions and stated objectives of the Johannesburg Summit was to reduce by half the number of people that lacked adequate access to sanitation and clean water. While there were no significant financial commitments made by the participating states, the »market« and »market« forces were championed as the pivotal leverages through which this noble objective could be achieved. Despite the resounding declarations, I can now confidently predict that, unless major public capital investment is channelled into providing services and the current hegemony of neo-liberal forms of service provision is not abandoned, the number of non-serviced people worldwide will have increased by 2015 rather than halved. Of course, as absence of adequate sanitation is a major cause of premature death, this alone might somewhat help to achieve the stated goal.

This paper critically engages with the global project of commodifying and privatising water resources and, in particular, urban water supply systems. In the first part of the paper, the current wave of neo-liberal privatisation policies is contextualised historically and politically. In a second part the environmentalists' discourse of water »scarcity« is explored in relation to the formation of a hegemonic privatisation logic. In a subsequent part, the strategies of the Water Mandarins, the handful of global corporations that largely share the privatised local water markets will be examined critically. This, in turn, will lead us to a consideration of the continuing

centrality of the state and of »governing« institutions in the organisation and regulation of the water sector, and to a discussion of the weakened position of the citizen vis-à-vis these new modes of water governance. Finally, the contradictions of water privatisation will be explored in conjunction with the mounting voices of protest and discontent that challenge the received wisdom that market forces provide the socially optimal access to, and allocation or distribution of water.

2. The Shifting Political-Economy of Water

2.1. The Public/Private Nexus

Despite the raging debates over potential or actual shifts towards privatisation (a debate that is often couched in terms of an inevitable and necessary adaptation of national policies to the requirements imposed by a new global and de-regulated world economic order), there is in fact a long history of changes in the urban water supply sector. Indeed, since the inception of urban water systems, they have always been characterised by shifting configurations of public-private partnerships. Most international studies demonstrate that the organisation of urban water supply systems can be broadly divided in four stages (Hassan 1998). The first stage continued up to the second half of the 19th century, when most urban water supply systems consisted of relatively small private companies providing parts of the city (usually the richer parts) with water of varying quality (Corbin 1994, Goubert 1989). Water provision was socially highly stratified and water businesses were aimed at generating profits for the investors (Swyngedouw 2004).

This was followed by a period of municipalisation, primarily prompted by concerns over deteriorating environmental conditions and calls for a sanitised city (Cornut 2003). In the U.K. - as elsewhere in Europe - this took the form of a municipal socialism concerned with providing essential public goods at a basic, often highly subsidised, rate (Laski et al. 1935, Millward 1991). Profitability was without any doubt a secondary concern and subsidies came from the general tax income (from either the local or the national state). This municipalisation was also supported by local elites whose health and environmental conditions were equally negatively affected by deteriorating sanitary standards in the city. It was during this era that water supply systems were consolidated, leading to a citywide standardised coverage of domestic water supply, coupled with a comprehensive sewage disposal system (albeit without treatment of sewage waters). Countries and cities in the developing world began to emulate the European model in the development of their own urban water works (Anton 1993, Swyngedouw 2004).

The third phase started approximately after the First World War when the water industry, together with other major utility sectors (such as electricity and tele-

communications), became part of a growing national concern (Bernstein 1955, Littlechild 1986). The national state, with varying degrees of intensity of control, regulation, and investments, undertook a much greater role in public services provision (Parker 1997). Water infrastructure became - together with other major infrastructure works and programs - part of a Fordist-Keynesian State-led social and economic policy. The investments in grand infrastructure works (dams, canals, networks) were part of, on the one hand, an effort to generate and/or support economic growth, while, on the other hand, assuring a relative social peace by means of re-distributive policies (Amin 1994, Moulaert/Swyngedouw 1987, Gandy 1997). Three objectives were central to this Fordist period of expansion of water provision: the creation of jobs, the generation of demand for investment goods from the private sector and, finally, providing basic collective production and consumption goods (like water, education, housing) at a subsidised price for wage workers and industry alike (Herrington/Price 1987). In some instances, water provision was nationalised (as in, for example, the UK and many developing countries). In other cases, although management remained under the auspices of municipal authorities, the state played an ever-increasing role, particularly in financing infrastructure projects (in, for example, France, Ecuador, Spain or Israel), but also by means of greater regulatory intervention. It was indeed also during this period that a variety of regulatory bodies (for social, economic, quality, or environmental regulation) were established, usually by and at the level of the national state. These institutional changes also assured that a particular constellation of »stake-holders« (consumers, unions, etc…) would become involved. In short, the water sector became an integral part of the Fordist and corporatist state form.

During the fourth and most recent phase, roughly starting with the global recession of the 1970s, a period associated with the demise of state-led economic growth and the subsequent transition to post-Fordist or flexible forms of economic development and state guidance (Moulaert/Swyngedouw 1987), a major shift took place in the public/private interplay in the water sector. First of all, mounting economic problems - in the context of high social and investment spending - resulted in growing budgetary difficulties for the national (and often also local) state. This necessitated a reconsideration of the direction of state spending and resulted in reduced expenditures in the welfare sector and in supporting debt-ridden industrial sectors or expansive infrastructure programs (Ruys 1997). The low prices, the subsidised water investments, and the ageing water infrastructure, combined with a still growing water demand, put an even greater pressure on state budgets; a pressure that ran counter to the above processes. This was particularly acute in the developing world. The borrowing bonanza of the 1970s, when western capital was desperately

seeking outlets in the Third World to recycle overaccumulated capital (petro-dollars in particular) that could not find profitable investments in the crisis-ridden developed world, turned increasingly sour during the 1980s as the debt mountain rose (Corbridge 1993). Debt repayment problems combined with desperate attempts from Western financiers to safeguard their positions prompted a whole range of imposed »Structural Adjustment« programs aimed at stabilising the international monetary order, but leaving states in the developing world with the unenviable task of cutting back on spending, privatising, and de-regulation.

Second, the call for greater competitiveness as a means to re-dress the economic crisis of the 1970s and early 1980s prompted a quest for efficiency gains and greater productivity through cutting red-tape, labour-market de-regulation, and greater investment flexibility. This, in turn, was accompanied by privatisation tendencies as a means to pursue both of the above recipe-solutions to the crisis of Fordism. Moreover, the growing globalisation of the economy and the accompanying change in the nature of competition, the greater availability of private capital achieved by means of de-regulation and de-territorialisation of financial markets, and the imposition of strict budget norms (by the EU or the IMF) further accelerated the shift of the boundary between the public and private sectors in water management more in favour of the latter.

Third, the standard democratic, but corporatists, channels of government often infused by the presence and active lobbying power of social organisations - most notably unions - proved to be a considerable barrier for implementing swift policy-changes. The political-economic configuration has, consequently, changed in important ways, resulting in new institutional arrangements (see below) that permit a more business- or market-oriented management that is more in tune with profit-making strategies (Ogden 1991, 1995, Jessop 2002).

Fourth, the growing environmental problems and, consequently, the proliferating number of actual and potential conflicts in the management and regulation of the »hydrosocial« cycle (for a theoretical elaboration of the notion of hydrosocial cycle, see Swyngedouw et al. 2002a) proved to be a serious challenge for traditional forms of organisation and implementation of water-related activities. Particularly in a context in which civil society-based environmental groups became more vocal and powerful, systems of governance had to become more sensitive to these issues. Particularly questions of restricting or controlling demand (demand management) as a strategy to lower water consumption and hence taking away the pressures on expanding the urban water resource base and ecological footprint of the city became more loudly heard. The internalisation of all these tensions within a fundamentally state-owned and state-controlled sector like water became increasingly difficult (Swyngedouw 1998).

Finally, and perhaps most importantly, investors began to search for new frontiers for capital investment. Water presented itself as a possible new source to mobilise and harness as it offered the possibility for turning H_2O (again) into capital and profit. This privatisation of the commons through a strategy of »accumulation by dispossession« (see Harvey 2003) became increasingly central to accumulation dynamics as the standard routes of restructuring of existing capitalist-economic processes and investments in new products were not longer sufficient to absorb the ballooning volume of capital in search of profitable investment avenues. Indeed, water, together with other common pool goods like genetic codes, local knowledges, and the like, are rapidly becoming part of such accumulation strategies (Katz 1998, Bakker 1999a). Capitalism has of course always been and will continue to be a system that attempts to break down all existing barriers and to incorporate whatever it can lay its eager hands on into its own profit-seeking logic. Nature itself has long resisted full commodification, but in recent years, nature and its waters have become an increasingly vital component in the relentless quest of capital for new sources of accumulation. Of course, this privatisation of water does not take place in a vacuum, but involves centrally the transfer of ownership of water, infrastructure, and the like from the public sector, from local ownership or control, from forms of collective or socialised ownership to often globally organised private water companies. The new accumulation strategies through water privatisation imply a process through which nature's goods becomes integrated into global circuits of capital, local common goods are expropriated, transferred to the private sector and inserted in global money and capital flows, stock market assets, and portfolio holdings. A local/global choreography is forged that is predicated upon mobilising local H20, turning it into money, and inserting this within transnational circuits of circulating capital. Local resource systems become consequently part of the strategic checkerboard of global companies. As Table 1 indicates, the rush towards privatising water continuous relentlessly and constitutes currently a global market valued at over 45 billion US$. Needless to say, the appropriation of water by global market players is driven by considerations of competitiveness, profitability, ability to pay of customers, and strategic considerations. Humanitarian motivations such as providing water to the poor, improving life expectancy or health, and contributing to overall development have become derived objectives; objectives that are explicitly stated in private management contracts, but often fail to materialise.

The combined effect of the above processes and dynamics resulted in a more or less radical shift (and with varying degrees of intensity in different countries), both in practice and ideologically/discursively, from a state-led and -managed water sector to one that is or has to be more in tune with globalised market forces and

with the imperatives of a competitive privatised economy. In other words, a new hegemonic meta-governmental discourse emerged in the water sector, which was articulated around fiscal prudence, competitiveness, privatisation, the commodification of nature and environmental anxieties (Hajer 1995). In some cases, actual privatisation has taken place (such as in the UK and in many cities around the world), in other cases (such as in Amsterdam, Brussels, or Seville) publicly owned companies are increasingly required to act strategically, managerially, operationally, and organisationally as a private company. In addition, water businesses are now often part of global multi-location companies and/or part of larger, often global, multi-utility conglomerates.

Table 1: Water and Sanitation Privatisation for 1997 and projected for 2010

Proportion of Water and Sanitation Services Privatised 1997 and projected for 2010			
REGION	**Privatised 1997 [%]**	**Privatised 2010 [%]**	**Value of privatised market [billions US$]**
Western Europe	20	35	10
Central and East Europe	4	20	4
North America	5	15	9
Latin America	4	60	9
Africa	3	33	3
Asia	1	20	10

Source: Anton Earle, www.thewaterpage.com, 5.9.2002.

2.2. The Demand-Supply-Investment Trialectic in a »Competitive« Context

In a context of commodification and demands for privatisation, the traditional state-led way of managing the triad of demand-supply-investment decisions becomes fundamentally transformed (see also below). If the profit motive, either for public or private companies, becomes the yardstick against which performance is measured (Martin/Parker 1997) and the price signal a key instrument for regulating the demand/supply nexus, the contradictions between these moments in the economic process take a rather different turn (Littlechild 1988). In an external context, in which expanding demand is seriously discouraged for environmental reasons, while investment needs to be maintained to extent, replace, and update the network, the balance sheet equations for water supply companies become rather specific. With a given demand structure, and with increasing investment, profitability (and hence the sustainability of market-led water companies) can only be maintained via either productivity increases (which are generally capital and tech-

nology intensive and almost invariably lead to a rising organic composition of capital and a reduction in the work force) and/or price increases. While the latter is possible, it remains politically sensitive and might lead to socially perverse effects. The social conflict after the privatisation of Cochabamba's water works in Bolivia is a case in point (Crespo 2002a, 2002b, Gleick et al. 2002).

For example, immediately after privatisation in the UK (1989), the water price increased significantly. Many non-paying households were cut-off (a practice that was later banned by the New Labour government in 1997), while companies and their shareholders gained considerable profits (Herbert/Kempson 1995, Bakker 2001). In the second round of price setting in 1999 (and after the government introduced a wind-fall tax on what were considered to be excessive profits of the privatised utilities), price increases were more modest, immediately resulting in a major reduction of the labour force in the water industry and calls for a partial re-collectivisation of the water infrastructure (Bakker 2003b). In 2003, the British water utilities demanded from the regulator the right to increase the water price with up to 70% in order to be able to meet the necessary future investment requirements.

In a context of increasing demand and expansion of either total or per capita demand, the volume of profits can be maintained by means of an expansion of supply. In this context, it is interesting to note that the »productivist« logic of water supply companies (Swyngedouw 1995) continues unabated (despite mounting calls for a more restricted water use). Furthermore, given the long-term and capital-intensive nature of investments in water infrastructure, there is a rather weak incentive to engage in major long-term and capital-intensive investment programs. Put simply, there is a clear disincentive to invest in not directly profitable activities like leakage control in contrast to productivity enhancing investments. Finally, in a context of geographically limited supply and demand in which most companies operate, while simultaneously being exposed to a rapidly globalizing competitive environment, there is a tendency for privatised water companies to internationalise activities, either by taking over privatised water businesses elsewhere or by means of mergers, acquisitions and/or diversification into other sectors, or by selling their »know-how« overseas.

It is not a surprise, therefore, that the state or other parts of the public sector have to mediate these contradictions. In the UK, for example, Yorkshire Water proposed to collectivise the network part of the water supply system, while keeping the managerial part in private hands, while the Welsh water utility also moved away from private ownership to some mix of public and private management (OfWAT 2000a, 2000b, Bakker 2003a). In the case of Greece, the preparation for privatisation significantly involved splitting the water company into two parts, a

publicly owned company that maintained the assets (technical infrastructure and network) and a privatised (up to 49%) water supply company that would manage the system (Kaïka 1999). It seems that this kind of public-private partnerships, in which the public sector is responsible for long-term fixed capital investments (and much of the costs associated with them) while the private sector organises the profitable part of the system (supply management) is the likely outcome of a privatised water business. The escalating infrastructure replacement and extension costs, their long turnover time, and long-term investment uncertainty result in a very low return and a general caution on the part of water companies to invest in such sunk capital equipment.

3. A Dangerous Liaison: Finite Resources and Produced »Scarcity«

3.1. The Discourse of »Scarcity«

Despite, or perhaps because of, growing awareness of the central importance of water for human development, water issues have risen high on the environmental agenda, while being simultaneously subjected to market logic. In fact, these two dynamics are mutually intertwined. Increasing attention is paid to demand management, mainly as a result of the growing environmental awareness and the risk of dwindling water resources (Bakker 1999b, Haughton 1999). This has intensified the political and social debate about the »scarcity« of water (Nevarez 1996). As Kaïka (1999, 2003a) has pointed out, this discursive built-up of a particular water narrative and ideology, particularly noticeable during, for example, the drought-related crisis conditions in Athens in the early eighties, serves specific political and economic objectives and policies. A climate of actual, pending, or imagined water crisis, i.e. the discursive production of the immanency of a hydro-socio-ecological disaster, not only serves to facilitate further investment in the expansion of the water-supply side (as in the case of Athens, Guayaquil, or Seville), it also fuels and underpins drives towards commodification (see also Bakker 2000, Haughton 1998). As the price signal is hailed as a prime mechanism to manage »scarcity«, the discursive construction of water as a »scarce« good becomes an important part of a strategy towards commodification, if not privatisation. In this context, strange and often unholy political alliances are forged between free marketeers and parts of the environmental movement (Swyngedouw et al. 2002a). To the extent that the latter's concern about the increasing, but socially constructed, scarcity of water has become more effective in mediatising this message to the wider public, a greater willingness-to-pay and the acceptance of the market mechanism as the preferred signal to allocate socially the resource become seen as more acceptable, if not presented as the only alternative available. While environmenta-

lists keep on insisting that water is a scarce and finite good and, consequently, needs careful handling, the private water sector and governments at all geographical scales embrace this discourse of »scarcity«. A market economy of course requires »scarcity« to function. Without »scarcity«, a market-based solution or mechanism would simply not work. If need be, therefore, »scarcity« will be effectively »produced«, socially engineered (Swyngedouw 2004, Davis 1998). In fact, water is one of the least finite resources in the world. It is plentiful and virtually non-exhaustible. There may be local or regional limits and problems with quality and reliable availability, but there is no evidence of global shortages of water. An environmental ideology that persists in representing water as inherently »scarce« invariably nurtures a commodifying and privatising logic. In fact, the World Bank, the European Union as well as private companies celebrate this continuous recycling of the idea of »water« as a scarce good. It provides a wonderful legitimating device for pushing through neo-liberal and market-driven policies. Indeed, markets thrive on real or imagined »scarcity«. Many environmental organisations with their real concern for important green issues find themselves in an unholy but objective alliance with those political and economic forces for whom the privatisation of nature is a mere ploy to maximise accumulation, deregulate markets, and chase new profits. Moreover, it takes attention away from the political nature of »scarcity« as socially and politically »produced« and focuses instead on the available technological fixes.

3.2. The Politics of the Technological Fix

The management of the hydrosocial cycle and, in particular, the management of demand operates largely via a combination of campaigns aimed at raising public awareness about water savings on the one hand, and attempts at reducing water consumption by means of a variety of technological fixes on the other (Kallis/Coccossis 2001). Generally the cost effectiveness of water saving devices depends both on the price of the technology and the price of water (Boymans 2001). In a context of low water prices, water-saving devices are often not cost-effective. Although it is still disputed what the aggregate effect is on water savings (most studies indicate a slow-down in the growth of water demand, but not a reversal of upward trends), the technological fix for water-related problems requires significant investments. Privatised water companies remain reluctant to invest in such technologies (given the cost implication), while public subsidies might be seen as a subvention to the private sector (in the case of a privatised water sector) or run against the dominant ideology of full cost recovery (in case of public companies). Despite availability, therefore, of a wide range of water-saving devices and technologies, uptake remains limited and is not likely to have a major impact in the ne-

ar future. More importantly, the displacement effects (in terms of the environmental implications associated with the development and production of new technologies) is almost invariably completely ignored and not part of the environmental audit. Yet, it is abundantly clear that environment-friendly technologies when applied in one sector might have adverse effects in terms of the environmental effects of their own production process. A total environmental audit would be required in order to assess the net environmental benefit derived from a technological fix.

4. The Dance of the Water Mandarins

4.1 Globalisation through Shared Control

The supply of water is increasingly embedded in processes of economic globalisation. Whether publicly or privately owned, water businesses are expanding their operations geographically and they have become involved in an international competitive process. In the case of privatised companies, furthermore, their capital structure is also becoming increasingly internationalised. For example, after the UK government sold its »golden share« in December 1994, it opened the way for a frenzied spree of mergers and international takeovers. Many UK water companies are actively acquiring water operations elsewhere in the world, while British companies have been subject to take-overs from foreign competitors. For instance, Thames Water (London's water supply company) was acquired in September 2000 by the German multi-utility RWE. The part-privatisation of the Athens water company turned EYDAP into a stock market listed company and, hence, subject to the vagaries of national and international capital markets. At a global scale, an accelerated process of concentration and consolidation is taking place that is rapidly leading to a fairly oligopolistic economic structure of water utility companies, with two (French) companies controlling about 70% of the global privatised water market (Hall 1999, 2001). This tendency has been further accentuated by the recent collapse of ENRON, one of the leading global multi-utility companies. Aside from the difficulties of regulating global companies (particularly with respect to environmental and social standards, investments, maintenance and infrastructure upkeep), this trend raises the spectre of increasing geographical strategies around investments and about the spread of activities, the flow of water-capital, and the portfolio of holdings.

Indeed, the »market« does not exist as a playing field without the actors making it work. The small number of global water companies produces an oligopolistic form of market organisation. As Table 2 shows, only a handful companies control the water market. In fact, two French companies (Ondeo (Suez) and Vi-

vendi) take an overwhelming share of the water market, with Thames Water (part of the German multi-utility RWE) and SAUR trailing far behind in respectively third and fourth place. The dominance of the French is related to their long-term preferential access to the French water market. This gave them a competitive edge in international markets once they became more deregulated and were prepared for the privatisation onslaught. Moreover, The French tradition has always combined state investment in infrastructure with private management of water delivery services. This strategy is evidently more profitable for the private sector and French companies have successfully exported this model. The Anglo-Saxon model is rather based on full privatisation (infrastructure and delivery) and the export of this model has resulted in several failures or under-performing utilities.

The four top companies are invariably involved in basically every urban privatisation scheme in the world. Moreover, for big projects, it is not unusual for the big four or five to share the spoils and either to manage water systems jointly or to carve up the concession into two geographical areas, each controlled by one of the global players. For example, in Budapest, Vivendi has a joint venture with RWE Aqua, and in Sidoargo, Indonesia, RWE runs one part of the system while Vivendi controls the other half. These joint ventures and joint bids for contracts further erode whatever limited »competition« exists in the market. The market for privatising urban water is far removed from the competitive »environment« that neo-liberal pundits hail as the saviour of ailing economies in the third world. Needless to say, such oligopolistic control provides considerable leverage for the corporate mandarins when negotiating terms with local or national states.

Table 2: The Global Water Mandarins – 2001

Company (water subsidary)	**Country base**	**People served with water (Million)**	**Water Business Revenues (Billion €)**	**Total Revenues (Billion €)**
Vivendi (Vivendi Water)	France	110.0	12.80	26.48
Suez (Ondeo)	France	115.0	10.10	42.36
Bouygues (SAUR)	France	30.0	2.50	20.50
RWE (Thames Water)	Germany	43.0	1.69	62.90
American Water Works	US	10.0	1.44	1.44
Anglican Water Group	UK	4.1	0.89	1.29
Severn Trent	UK	8.0	0.88	1.68
Kelda Group (Yorkshire Water)	UK	4.5	0.62	0.77
United Utilities	UK	7.0	0.20	1.78

Source: Public Services International Research Unit, www.world-psi.org, 12.9.2002, Kazemir et al. 2002. Data were obtained from Corporate Reports 2001 and corporate websites. Data for *Vivendi* are for 2000 and Data for *Anglian Water Group* are for 1999.

4.2. Cherry-Picking as Strategic Device

Servicing urban residents with reliable potable water services is not an easy business. It requires significant long term investment, and complex organisational and management arrangements. And profitability is by no means assured, particularly in urban environments where many people have a low ability to pay and problematic access conditions (Swyngedouw 2004). In short, only some urban water systems are likely to generate the prospect for long-term profitability, while others will continue to require subsidies and support if they are to continue to improve service delivery. Recent experiences have indeed shown that global private companies only really go for the nice bits; those that have some meat on the bone. That means that only big city water works are considered worthy of privatisation. And within those cities, areas with high-income residents with proven ability to pay are of course the valued customers of the privatised utilities. This of course leads to strategic »cherry picking« from the part of the companies (Graham/Marvin 1994). The »promising« utilities (in terms of prospects for profit making) are cleared for privatisation; the smaller and usually less profitable utilities remain in public hands and require continuous subsidisation. Moreover, contractual obligations have to be written into concession arrangements to force companies to expand service provision in poorer areas. Rarely, however, do private service providers fulfil all the terms of their contractual obligations.

In sum, strategic cherry-picking is just a variation on a recipe long proven successful in capitalism: privatise profitable business and let the tax-payer cough up the subsidies for unprofitably, but still essential, services. And the latter are invariably those on which the sustainability of the poorest groups of the population depends crucially.

4.3. Corruption as Institutionalised Practice

The inevitably strong link between the state and the private sector in privatisation schemes opens up all manner of corrupt practices. They may be illegal, but more often than not, belong to the standard arsenal of agreed practices and accepted procedures. Needless to say, forms of bribery, under-the-table deals, greasing hands to facilitate certain contractual arrangements and financial contributions to political allies, all belong to the standard tool-kit of privatised water utilities. The concession contract for Jakarta with Thames Water (now RWE) had to be renegotiated after allegations of corruption. Bribery scandals were also associated with the concessions in, among others, Grenoble, Tallinn, Lesotho and in Kazakhstan. Enron, Vivendi, and Suez have all been accused of making payments to political parties in return for favours.

Not more subtle, but fully legal inducements for privatisation are offered by national states and international organisations. For example, World Bank loans to the water sector are generally conditional upon spending a considerable share of the loan on managerial and other streamlining measures to prepare the groundwork for water privatisation. In the case of Guayaquil, Ecuador, for example, the Inter-American Development Bank provided a $ 40 million loan under condition that almost half of it would be spend on preparing the privatisation bid of the public water utility (Hall/Lobina 2002, Swyngedouw 2004). In sum, international loans and other arrangements are used as a means to push through this neo-liberal agenda.

5. The Omnipresent State

5.1. The Myth of the Neo-Liberal Model

The water privatisation business foregrounds also one of the central myths of the neo-liberal model, i.e. that privatisation means getting the state off the back of the economy and rolling back regulatory red tape. In contrast to this often-repeated refrain, in the water sector, the state or other governing arrangements (from multi-lateral organisations like the World Bank, IMF, or the EU to national governments, to the local state) is centrally involved in »regulating« and »organising« privatisation. They change laws, rules, and conventions and produce new legal and institutional frameworks that permit and »regulate« privatisation, often imposing all manner of conditions and constraints that force privatisation through. In addition, governments provide all manner of financial and other incentives to lure private companies, to foster private sector involvement, and the like. After privatisation, a state controlled regulatory institutional framework invariably has to be implemented, just to make sure that companies »behave in competitive ways«. Without the various state levels paving the way for and imposing conditions that guarantee privatisation, and to secure profitable operation afterwards, this accumulation by dispossession could not possibly take place. The state is, in other words, a central actor in establishing and maintaining »market principles«. This »Stalinism of the market« privileges one model for managing water while excluding alternative modes of organisation.

The tendency towards commodification and privatisation changes the regulatory context in important ways (see also below). While moves towards commodification and privatisation are legitimated on the basis of considerations of increased competitiveness, higher productivity, lower prices, and drastic cutback in bureaucratic regulation, there has been a tendency to equate those shifts in the economic forms of organisation with de-regulation. However, evidence from the water sector suggests exactly the opposite. New institutions, most notably in the field

of economic and environmental regulation, accompany every privatisation programme. As Bakker (1999a, 2001) has pointed out in the context of the U.K., the regulatory game that started with the privatisation (and ostensibly de-regulation) unleashed a certain »regulatory creep«, which has subsequently developed into a top-heavy institutional-regulatory body. Given the territorial monopoly-character of the privatised water companies, all sort of regulatory procedures, such as investment target-setting, pricing, environmental standards, abstraction and leakage standards, quality assurance, and the like, have been implemented. Having shifted from a situation in which the state was both »poacher« and »gamekeeper« to one in which there is a sharp institutional separation between the two has inevitably led to a situation in which »regulations« have become formal, overt and statutory (Swyngedouw et al. 2002b). Rather than de-regulating the water sector, privatisation has resulted in a profound re-regulation of the water market and in the emergence of a considerable quasi-governmental regulatory structure.

The struggles over the boundary between the public and the private terrain operate primarily through two interrelated axes: first, environmental standards and, second, market imperatives. The tension between these becomes contained in the pursuit of *environmentally friendly marketization*, while the public/private tension is meditated through debates over the form that the commodification process should take. Unanticipated consequences of these debates are seen in the changing character of knowledge within the water sector. Information that was once in the public domain becomes commodified, takes on commercial significance and is often treated as confidential. In the context of a shift to governance, knowledge management is central to playing the regulatory game. Retaining control of technical institutions remains an important vehicle for government bodies (at a variety of scales) to preserve its relative advantage within negotiations. But despite the apparent centrality of such debates about public and private spheres, it is clear that state-led command-and-control strategies remain the key mechanism for the implementation of environmental regulations (Taylor 1999). Governments are not just instrumental as initiators and facilitators of privatisation; they also play a central role in guaranteeing profitability or insuring companies against adverse political or economic conditions. For example, the World Bank insured International Water's concession in Guayaquil, Ecuador to the tune of US$ 18 billion against all sorts of risk, including political instability (Hall/Lobina 2002). The Buenos Aires water concession is suing Argentina over the loss of income and profit after the collapse of the Argentinean Peso.

In sum, rather than de-regulating the water sector, privatisation has resulted in a profound re-regulation of the water market and in a considerable quasi-governmental regulatory structure. In the process, the set of social actors involved in

the institutional and regulatory framework of the water sector has been significantly altered, with a new geometry of social power evolving as a consequence. This new choreography of institutional and regulatory organisation is what we shall turn to next.

5.2. Institutional Re-Scaling: from Water Government to Water Governance

A host of new institutional or regulatory bodies have been set-up (in the UK appropriately called Quango's (quasi-NGOs)) that have considerable decision-making powers, but operate in a shady political arena with little accountability and only limited forms of democratic control. These institutional changes have been invariably defined as part of wider shift from government to governance (Swyngedouw 2000, Jessop 2002). Whereas in the past, water management and water policy were directly or indirectly under the control of a particular governmental scale, i.e. either at the national state and/or the local (municipal) level, in recent years there has been a massive proliferation of new water-related institutions, bodies, and actors that are involved in policy-making and strategic planning at a variety of geographical scales. The successive generations of water-related directives and regulations at the EU level and the torturous process of implementing an integrated EU policy - in the form of the European Water Framework Directive - have resulted in growing powers of the Commission over water-related issues. The political history of the successive stages of negotiating the framework directive suggests a rather tumultuous path in which various actors (such a national governments, water providers, the European Commission, the European Parliament, NGOs of a variety of kinds) played different roles, while their influence changed over time (Kaïka 2003, Kaïka/Page 2003, Page/Kaïka 2003). In addition - as the UK case shows - privatisation required setting-up a series of new regulatory bodies (OfWAT in particular) and a re-definition of the powers and prerogatives of existing regulatory organisations such as those of the National Rivers Authority that became integrated in the newly created Environment Agency.

The combined outcome of the above has been a more or less significant (very significant in the case of the UK, less so in the case of, say, the Netherlands) reconfiguration of the scales of water governance. As Bob Jessop (1994) has pointed out for other domains of public life, the national scale has been re-defined (and partially hollowed-out) in terms of its political power, while supra-national and sub-national institutions and forms of governance have become more important. Privatisation, in turn, has led to the externalisation of a series of command and control functions. The result is a new scalar »*gestalt*« of governance, characterised by a multi-scaled articulation of institutions and actors with varying degrees of po-

wer and authority. The overall result, therefore, is a »glocalisation« (Swyngedouw 1989, 1997) of the national government, both upwards to the supra-national level and downwards to the sub-national level. This results in a more complex articulation of varying geometries of scale-dependent forms of governance. In sum, national governmental regulation is simultaneously up-scaled and down-scaled, with an accompanying change in the choreographies of power, both between and within institutions.

Finally, privatisation itself of course results in much greater power and autonomy for the companies themselves in terms of strategic and investment decisions. Privatisation de facto means taking away some control from the public sector and transferring this to the private sector. This not only changes decision-making procedures and strategic developments, but also affects less tangible elements such as access to information and data. Traditional channels of democratic accountability are hereby cut, curtailed, or re-defined. A plethora of new institutions has been formed at a variety of geographical scales. This proliferation of »governing bodies« has diminished the transparency of the decision-making process and renders it more difficult to disentangle and articulate the power geometries that shape decision-making outcomes. In practice, it can be argued that the transition from government to governance has implied - despite the multiplication of actors and institutions involved in water management - the transfer of key economic and political powers to the private component of the hydrosocial governance complex. This, however, has not happened in a social vacuum and has rather fuelled a constellation of social and political conflicts, not least because of the consequences of an increasingly private-oriented governance model for the sustainability of socio-environmental systems.

5.3. The Absent Citizen: New Actors and Grey Accountability

Needless to say, the transfer of water control and delivery from the public to the private sector involves a change in the choreographies of power and control. With political and public involvement waning, the power of the citizen is reduced. Moreover, to the extent that water is turned into money and capital, and water users into water customers who pay for water (rather than being citizens entitled to access to water), the choreographies of political power around water are fundamentally overhauled. Principles of business secrecy, absence of participation, non-transparent decision-making procedures and the like characterise the privatised organisation of the water sector. Although a vital and local good, the decision-making frameworks are taken away from local or regional political control and relegated to executive boardrooms of global companies. This leads to autocratic forms of water governance and regulation with limited or absent democratic control.

The proliferation of regulatory bodies and systems of governance associated with the hydrosocial cycle, at local, national, or international scales, has contributed to the emergence of a »thick« regulatory structure, at least in developed countries, with ambiguously defined responsibilities and an imprecisely defined accountability. Depending on the geographical scale of organisation or on the particular institutional embedding of the water companies, a differing set of actors is involved in the decision-making procedures. The choreography of »stake-holder« participation is uneven and unequal and, in many instances, operating outside traditional political democratic channels. While some actors are well represented in some settings, they are excluded from others; still others remain totally absent from the arenas of power where fundamental decisions are made.

6. Cracks in the Mirror: The Contradictions of Water Privatisation

6.1. Urban Water: Public Good or Private Commodity?

The recent shift towards turning H_2O into a global commodity has profound implications on the social and political meaning and cultural valuation of water. First of all, water is turned into profits and capital accumulation by private or public/private institutions. Supplying water becomes hereby a means to achieve economic goalposts: economic growth and profit maximisation. To the extent that private companies do this, water-related activities become just a strategic element within a predominantly corporate strategy of companies that are becoming rapidly multi-utility and international. Second, non-economic uses and functions of water have then to be regulated by governmental institutions that often face serious opposition, conflict, or other constraints in the face of powerful private agencies. Moreover, it becomes increasingly difficult, if not impossible, to integrate water policies within a wider urban, social, or economic policy that would involve cross-subsidisation, alternative uses of water, or a socially stratified policy. Third, this shift inevitably entails a change in the geometry of social power. Private actors and companies become much more powerful voices in strategic water-related decisions, at the expense of other civil society organisations or of the state. Fourth, while the water cycle operates on temporal rhythms that are part of the larger environmental system, it is nevertheless increasingly forced to operate under the standard discounting periods of corporate strategists and of economic cycles. Fifth, the privatised nature of crucial parts of the water cycle diminishes the transparency of decision-making procedures and limits access to data and information that could permit other social groups to acquire the relevant information on which to base views, decisions, and options. Finally, water production and distribution becomes incorporated into an increasingly global economy in which investment flows, fi-

nancial capital markets, and investment decisions shape the contours in which the urban water economy operate. In sum, the shift from public good to private commodity alters the choreography of power through which the urban hydrosocial cycle in organised.

6.2. The Supply/Demand Nexus and the Investment/Pricing Conundrum

At a moment when the price signal becomes a central organising principle of water markets, and in a context of relatively fixed supplies, demand management becomes tricky business. Monopolistic market control that is inevitably associated with water supply networks demands a strong price-regulation by the State or other governmental agencies. In addition, efforts to reduce water consumption for environmental reasons are countered by cost-recovery requirements that hinge on price setting and produced quantities. Invariably, water companies are operating in the two-pronged wedge of price-setting regulatory systems on the one hand and costly technological/organisational investments to enhance productivity on the other. The triad investment/price/supply becomes very difficult to manage, particularly in a context of increasing pressures to reduce demand. Most evidence suggests a continuing tendency to increase supply despite rhetorical attention to demand management. The costly introduction of water saving technologies is, at best, slow, while major efforts are made to increase supply despite often-formidable opposition. It is becoming abundantly clear that the price signal is insufficient to regulate the allocation and efficient use of a resource like water. Particularly when ecological or cultural aspects play an increasingly important role, the regulation of which demands political rather than economic instruments.

6.3. Socio-Spatial Struggle over Water

The twin tension between continuing increasing demand for urban water on the one hand and the mounting pressure to allocate water to other functions on the other has proliferated socio-spatial tensions and conflict over water abstraction, water allocation, and water use. These conflicts can take a variety of forms, ranging from a growing social differentiation within the city in terms of water consumption, conflicts over urban versus agricultural, industrial, or ecological use, to conflicts between resource extraction areas and urban consumption areas (reflected in conflicts over new reservoirs or dam constructions). In addition, the globalisation of water companies signals a strategy in which local waters, turned into capital, are geographically re-allocated to other places and cities. For example, London's water company has taken over part of Jakarta's water supply system. Invariably, the outcome of these struggles and conflicts is expressive of the uneven power relations that infuse the organisation of the hydrosocial cycle.

6.4. Water and Market Risk: The Globalisation of Water and Uneven Development

To the extent that water companies operate increasingly as private economic actors, they are also increasingly subject to standard market risks. While providing a fundamental and essential service, the economic survival of water operations is not necessarily guaranteed. Take-overs, disinvestments, geographical re-allocation, bankruptcies, inefficient operations, political risk, and the like are of course endemic to a private market economy. In fact, this uncertainty and fluidity is exactly what market dynamics are supposed to produce, i.e. to weed out under-performing companies, and to re-allocate economic resources from less to more profitable activities. This raises particular questions with respect to the long-term sustainability of market-based urban water supply systems. In absence of strong incentives to enhance productivity or efficiency, and given the high cost and long time horizon of fixed capital investments in water infrastructure, private companies may fail to keep water systems running efficiently. This would, in the medium term, lead to a situation in which the State (at whatever level) has to get involved again in the water sector in more direct ways. There is a tendency to leave the network/infrastructure part of urban water networks to the public sector, while profitable operational and private companies secure managerial activities. This entails an indirect subsidy of the private sector by the state and, in market terms, distorts the operation of the market. In fact, in a context in which risk of failure of water supply is too dramatic to contemplate, the state will have to remain (or become again) a key player in organising water supply systems. This will become even more pronounced as environmental and sanitary standards in urban areas continue to decline.

Moreover, risk of failure does not only pit urban residents against water suppliers, but failing or too expensive a water supply brings also serious risk to other economic sectors. To the extent that urban economies are increasingly service-based, a mixture of business and personal service activities, tourism, and spectacular urban festivals, reliable and cheap urban water supply (like other collective means of production) is a key ingredient to the economic success of cities.

7. Contested Waters

Needless to say, the processes outlined above do not go uncontested (Ward 1997, Petrella 1998, Barlow/Clark 2002). A plethora of local and global resistance movements have sprung up that contest the hegemonic logic of water privatisation and fight for alternative modes of water management. The case of Cochabamba, Bolivia, has by now become the iconic example of successful resistance. After mass mobilisation and considerable social and political struggle, International Wa-

ter, the concession holder of Cochambamba's water supply system, was thrown out of the country and the water utility returned to public ownership. In Buenos Aires, the water contract had to be renegotiated after Argentina was forced to give up it dollar/peso stabilisation policy in the aftermath of the economic crisis that rocked Argentina in early 2002. In Spain, millions of people marched in Madrid in protest of the conservative government's new water policies. In Porto Alegre at the World Social Forum, the alternative globalisation movement has made water one of the pivotal arenas around which to mobilise social actions. Increasingly, water companies themselves find that the promised honey-pots of large profits in the water business may not be as plentiful as portrayed by the World Bank and other pundits of liberalisation. Some have begun to withdraw from the water sector. Water does indeed remain a highly contested good. And in a context in which still far too many people die from lack of access to good quality water, the social struggle for water has to be turned into a struggle for fundamental human rights.

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Abstract

The paper critically engages with the global project of commodifying and privatising water resources. In the first part, neo-liberal privatisation policies are contextualised historically and politically. In a second part, the discourse of water »scarcity« is explored in relation to the logic of privatisation. In a subsequent part, the strategies of global corporations that share the water markets will be examined. This, in turn, leads to a consideration of the continuing centrality of the state and of »governance« in the regulation of the water sector, and to a discussion of the weakened position of the citizen vis-à-vis these modes of water governance. Finally, the contradictions of water privatisation will be explored.

Der Beitrag untersucht kritisch das globale Projekt der Kommodifizierung und Privatisierung von Wasser. In einem ersten Teil werden neoliberale Privatisierungspolitiken in ihrem historischen und politischen Kontext betrachtet. In einem zweiten Teil wird die Bedeutung von Knappheitsdiskursen für die Privatisierungslogik untersucht. Im darauf folgenden Teil werden die Strategien transnationaler Konzerne im Wassermarkt dargestellt. Daran anschließend wird die ungebrochene Bedeutung von Staat und »governance« in der Regulierung des Wassersektors und die angesichts dieser Situation geschwächte Position von Bürgern reflektiert. Abschließend werden die inneren Widersprüche von Wasserprivatisierung untersucht.

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