



SAVE OUR SERVICES

S.O.S. SERIES No. 4 - WATER SERVICES

How new global "trade" talks threaten municipal water services in the U.S.

Two new global commercial agreements of unprecedented scope and power are currently being negotiated behind closed doors. These agreements, the World Trade Organization's General Agreement on Trade and Services (GATS) and the Free Trade Area of the Americas (FTAA) are likely to result in the privatization and deregulation of many essential services. You can collect Public Citizen's whole S.O.S. Series at www.citizen.org/trade/wto/gats. For more information contact: gtwfield@citizen.org or 202-546-4996

Bottom Line: There are some 60,000 publicly owned and operated non-profit water systems in the U.S. The European Union has demanded in the new GATS-2000 talks that the U.S. open up this sector to for-profit water companies such as Suez, known as United Water in the U.S, and Vivendi, known as U.S. Filter. Similar terms in the proposed FTAA would lock in disastrous water privatization required by the International Monetary Fund (IMF) and World Bank of developing countries. Commodifying water and disciplining water systems in "trade" pacts would move this essential resource from the public trust and into the hands of distant multinational corporations, meaning local communities would lose control and have little recourse for bad service, higher prices and unsafe water.

- **Loss of local government and rate payer control:** If the U.S. commits water under the WTO GATS and FTAA talks, municipalities would lose the ability to decide for themselves how to provide water services. The U.S. would be prohibited from maintaining public service "monopolies" or exclusive suppliers of the service on the basis of a regional subdivision or on the basis of the entire territory of a government. This provision would require U.S. state and local federal governments to give private, for profit water companies "access" to the "market" of our more than 60,000 U.S. municipal water service providers.
- **Race to the bottom in water standards:** If the U.S. commits water services under proposed GATS and FTAA rules any federal, state or local regulation governing water services, such as those designed to protect water quality, universal access, as well as Public Utility Commission rulings, could be challenged as "barriers to trade." A government would have to demonstrate that the policy was necessary and that no other less trade-restrictive measure could be taken to accomplish the same objective in order to maintain it.
- **Privatization is a one-way street:** Under GATS and proposed FTAA rules, if a municipality decides to experiment with privatizing water services by selling its operation to a foreign corporation, it is extremely difficult to bring the utility back under public control. For instance, if a municipality is later unhappy with a private company's performance, and wants to take-back its water system, it not only must compensate the company under U.S. law, but the U.S. government must also compensate all potentially affected trading partners for their corporations' lost business opportunities. This double jeopardy is geared toward "locking-in" privatization, and preventing the water take-backs which have occurred in many U.S. cities which were dissatisfied with privatization experiments.
- **Corporations can sue governments for cash damages:** Additional hazards are posed by the proposed terms of the FTAA. The FTAA empowers companies from FTAA member nations to sue governments directly for cash compensation in secret, closed-door trade tribunals operating under the auspices of the United Nations and the World Bank for future lost profit if a city decides to reverse a privatization. Under a similar agreement, a subsidiary of U.S. water company Bechtel is suing the city of Cochabamba, Bolivia for \$25 million because the city took back its water system in response to a citizen outcry over rate hikes of 400%.