

LATIN AMERICA - Suez Packs its Bags and Won't be Back (by Maria Amparo Lasso, IPS)

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IPS - The French water company Suez, the favorite villain of anti-privatisation activists, has entered the final stretch of its withdrawal from Argentina and Bolivia, where it has been packing for quite a while. And it could be a long time before it returns to Latin America.

The Néstor Kirchner government in Argentina rescinded on Mar. 21 its 30-year contract with Aguas Argentinas, a subsidiary of Suez, accused of "repeated non-compliance".

The measure escalated tensions in the tortured negotiations between the Argentine authorities and the company, which have already lasted three years and have clouded diplomatic relations with France.

Without the concession in the Argentine capital, through which Suez distributed water to some 10 million people, and with a 2005 presidential decree that rescinds its contract in Bolivia, the firm is left with water concessions in just two countries in the region: Brazil and Mexico.

And although these two countries represent the two strongest economies in Latin America, Suez's concessions there are smaller in scope, and in some cases it operates as a minority share-holder.

Suez is an energy and gas giant, with profits reaching three billion dollars in 2005, 48 percent more than in 2004, and is also one of the most powerful water companies in the world, through its Suez Environnement division.

For many years now, the division has been downsizing in Latin America, while staking its bets on water concessions in less risky markets in Asia and Europe.

Suez says its water concessions in Argentina and Bolivia failed due to financial and political risks that prevented it from obtaining profits in a sector with low rates of return on investment (around five percent).

"In Argentina there was a big macroeconomic shock and the devaluation of the peso that caused the tensions on the application of some of the contractual clauses; and in Bolivia, because of political reasons, it was very difficult for the government to increase the (rates)," Jacques Labre, director of institutional relations for Suez, and participant in the 4th World Water Forum, Mar. 16-22 in Mexico City, said in a Tierramérica interview.

Suez repeatedly insisted in raising water rates, which had been frozen in Argentina in 2002, as they were in Bolivia. But both countries rejected the rate hikes as exorbitant — the company was seeking as much as 400 percent increases — and accused Suez of failing to provide quality services, while thousands of angry residents, most of them poor, took to the streets to demand the company's exit.

The media coverage of the wave of indigenous-led protests against Suez from the impoverished Bolivian city of El Alto, which played a role in the 2005 resignation of President Carlos Mesa, was especially relentless.

Amidst the loud hostility towards multinational water companies, private investment in this sector has been in the decline in Latin America over the past decade.

According to Labre, this trend is due to the huge investments needed in infrastructure in Latin America,

which cause a big impact on rates increase, while public subsidies are not guaranteed, especially in countries where there are big tensions on the budget.

But the Bolivian authorities accuse Suez of pursuing only profits and leaving some 350,000 families without access to water. In Argentina, meanwhile, its services were described as "terrible", and there are reports that around 300,000 people are at risk due to water contaminated with nitrates.

Alexander Brailowsky, director of sustainable development for Aguas Argentinas since 1999, defended the company's achievements and lamented the lack of a government-led water management policy in Latin America, without which "the private sector, as efficient as it may be, cannot achieve its goals."

"Our rates were the lowest in the whole country, in 10 years some two million people obtained water services for the first time, and we showed that the poor do indeed want to pay," Brailowsky told *Tierramérica*.

"We have learnt from the past and we are going to go to other projects (in the region) when we have a minimum guarantee that our participation is going to be of benefit to all," he said. "Our company had always made an effort to ensure a non-conflictive withdrawal from Argentina."

But all indications are that the legal battle will drag on. Over three years of give and take, the Argentine government said it was willing to help with an orderly departure by Suez, as occurred with Electricité de France in 2005. However, President Kirchner's decision to withdraw the concession gave an unexpected turn to the talks, and Suez immediately responded that it would put up a fight.

The firm will continue with the lawsuit it filed in the World Bank's arbitration tribunal to recover 1.7 billion dollars it says it invested in the country since 1993.

That stance has fueled indignation among different groups both inside and outside Argentina. "They are requesting for very high and unjustified compensation when they brought more problems than benefits, they failed to improve access to services, nor did they combat pollution," Danielle Miterrand, former first lady of France turned global activist, told *Tierramérica*.

Things could evolve along a different course in Bolivia. Abel Mamani, who led protests against Suez in El Alto and is now Bolivia's minister of water, assured *Tierramérica* that the government will guarantee an "orderly" exit of the company.

At the end of this month, the audit results of Aguas del Illimani, the Suez subsidiary, will be available, and a timeline for departure will be decided. Suez, meanwhile, maintains a conciliatory tone and even says it is open to exploring a new type of contract in Bolivia.

But President Evo Morales is looking towards another partner: the World Bank, an institution he described in the past as "terrorist". Minister Mamani met with Jamal Saghir, the Bank's director for energy and water, during the World Water Forum in Mexico, to explore agreements.

"In Bolivia, we would like to go to the public sector. I welcome them. But my first question is: Who can deliver efficient services to the poor at the lower cost? If you can demonstrate to me that the public sector can do it, I will finance it," Saghir told *Tierramérica*.

The World Bank believed in the 1990s that partnerships with the private sector were the best way to provide clean water to the poor, and invested in many companies, including Aguas del Illimani in Bolivia.

After the unfruitful search for private partners for a new concession in Argentina, Kirchner announced the creation of a state-owned company, Aguas y Saneamiento Argentinos, to replace Suez.

Public scrutiny of Kirchner and Morales's experiments in the water and sanitation sector will be intense. The challenge is not a small one: they will have to deliver water at low cost to the poor — a task they say the French multinational failed.

María Amparo Lasso is the editorial director of Tierramérica. originally published Mar. 25 by Latin American newspapers that are part of the Tierramérica network.

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