

Rohatyn's Suez Booted Out of Argentina

by Cynthia R. Rush

Any American who wants a glimpse of what kind of “infrastructure development” fascist Felix Rohatyn has in mind for the United States, should take a hard look at what just happened in Argentina. On March 21, President Néstor Kirchner signed a decree rescinding his government’s contract with the French utility giant, Suez Lyonnaise des Eaux-Dumez, charging them with breach of contract and negligence. From 2001 to 2004, Lazard Frère banker Felix Rohatyn sat on the Board of Directors and the Audit Committee of the Suez Group, which oversaw the utility’s operations.

Suez, the majority stockholder in Aguas Argentinas (AASA), failed to invest in vital infrastructure, Kirchner explained the next day, and much of the water it provided to 10 million people in metropolitan Buenos Aires, was contaminated with unacceptably high concentrations of nitrates. Aguas Argentinas even included warnings on its bills to customers, that children shouldn’t drink tap water because it was unsafe!

Enough is enough, Kirchner underscored. In view of such negligence and “appalling” service, “the Argentine State decided to take control of the company, to make the investments so that water can be given back to Argentines . . . and that it return to being a social asset, rather than something available only to a very few.” Suez has been in the country for 15 years, the Argentine President noted, and walked away with hundreds of millions of dollars. “But we had to beg to get just a drop of water.”

Much to the horror of international synarchist financiers, Kirchner signed a second decree March 21, establishing the new state company, AySA (Argentine Water and Sanitation Company), and authorized 400 million pesos to immediately build the necessary infrastructure, and close down contaminated wells. Financial sharks in London and on Wall Street brayed that the “authoritarian” Kirchner was on a “statist” offensive, and would soon take over other privatized companies.

Suez, Halliburton, and Bechtel

Not a bad idea. As Federal Planning Minister Julio De Vido observed in a March 22 press conference, “While Aguas Argentinas views potable water exclusively from the standpoint of a *market economy*, the State intends to ensure that [water] is valued and managed for what it is—a social and cultural product, which, in legal terms, means a human right.”

Suez has a long and sordid history of looting on behalf of the private banking interests it represents. In the developing sector, along with its “rival” Vivendi, also Lazard-linked, it has focussed on water privatization, and engages in electricity piracy as well. *EIR* economist John Hoefle suggests that Dick Cheney’s Halliburton and George P. Shultz’s Bechtel Corp. would better be called “the Suezes of America,” given that their economic depradation in Iraq, the United States, and around the globe, mirrors Suez’s crimes.

In Argentina, as part of the privatization binge that characterized his 1989-1999 Presidency, the International Monetary Fund’s poster boy, Carlos Menem, handed the former state company Obras Sanitarias (Sanitation Works) over to Suez in 1993, with the Spanish firm Aguas de Barcelona as a minority partner. Two years later, Suez took over the Santa Fe provincial sanitation company. The company also operates in Uruguay, Chile, and Bolivia, although Bolivian President Evo Morales is about to terminate Suez’s concession to run Aguas de Ilimani in the working class municipality of El Alto next to La Paz.

Suez’s 15-year operation in Argentina is marked by usurious rate hikes and contract violations, for which it has been repeatedly fined by regulatory agencies. Although its contract stipulated that rates would be frozen for the first few years of the concession, it raised rates by 88% on average between 1993 and 2003, claiming “unforeseen operating losses.” Those who couldn’t pay, usually the vulnerable poor, lost their service.

The 1993 contract obligated Suez to quickly address the nitrate problem and expand sanitation infrastructure. But by the eleventh year of its contract, in 2004, there were still several towns in the urban area it serviced, where well water had high nitrate concentrations, and where infrastructure was non-existent. In his press conference, De Vido pointed to the working class neighborhood of Lomas de Zamora, where nitrate levels in deep-water wells were 222% above the acceptable 45 milligrams per liter. Moreover, two million people in the concession area have no potable water, and 3 million have no sanitation services (sewers).

Rather than use its own resources to invest in infrastructure, Suez borrowed money abroad. After the government defaulted on its foreign debt in December 2001, and then forceably converted all dollar debts to pesos, or “pesification,” Suez started screaming—along with the IMF and allied vulture funds—that the government should allow rate hikes of 60% to compensate for losses caused by conversion to pesos. The increase wasn’t authorized, and the company spent the next three years biding its time, continuing to lobby for the increase while engaging in shady business dealings, and planning its exit from the country. Not even George Soros was interested in buying AASA, when it was offered by a minority partner.

Aware that Suez was preparing to leave the country, and that it intended to go to the World Bank’s arbitration board

to demand compensation, claiming breach of contract, the Kirchner government sent 50 undercover public sector agents into Aguas Argentinas to collect evidence of the company's misdeeds. The investigators discovered that just from its day-to-day operations, the company had more than enough revenue to resolve—in *one year's time*—the problem of excessive nitrate concentrations in drinking water. The investigation also discovered that the company had disbursed 25 million pesos annually for “consultants,” and paid equally large sums to Suez-linked construction firms for equipment and “repairs” that were never done!

French President Jacques Chirac made known, through his Foreign Ministry, that he was not happy about the rescinding of Suez's contract, and the lack of “juridical security” for French investors. To show his displeasure, he will not stop in Argentina when he visits South America's Southern Cone at the end of April.

Kirchner wasn't cowed. In a March 23 speech before school children in San Isidro, he warned, “Let it be clear that I am not willing to let down my guard, and allow Argentines to drink contaminated water in exchange for a President's visit, or to make a Foreign Ministry feel better.” As children in school, he said, “We learned that water is a public service which the State, minimally, must guarantee to reach all Argentines. There are companies . . . that can be concerned with profitability; but there are others that [must provide service] to people as an act of justice and dignity, and be very well managed by the State.” That is what he intends to do, he told his young audience.

Documentation

‘We Must Protect Our Most Vulnerable Citizens’

Here are excerpts from the March 21 press conference by Argentina's Federal Planning Minister Julio De Vido, translated from Spanish.

The President has just initialed Decree Number 303 which, due to the fault of the Argentine State's concessionaire, rescinds the contract which links it to the Aguas Argentinas, S.A. company, to provide running water and sanitation services to the most densely populated area of our country, the Federal District and the broader Buenos Aires metropolitan area.

I want to especially highlight the concessionaire's negligence, which forced the State to take this step. Reports prepared both by the ETOSS [regulatory agency], the Ministry of Water Resources, and the National Institute of Industrial

Technology, reveal the exceptionally high levels of nitrates in the water provided by Aguas Argentinas, S.A., which easily exceed established acceptable norms. These norms cohere with those the concessionaire itself agreed to.

As the ultimate guarantor of public health, the State is deeply concerned about the presence of nitrates in the water distributed by Aguas Argentinas, S.A. . . .

The usual standard of nitrate concentration in water [for public consumption] should be 45 milligrams per liter, according to the contract itself. This standard was established as a goal for the first year of the concession, and remained the parameter for future periods. . . .

In this context, it was established and accepted by the concessionaire that it would take out of service all wells which did not meet the specified quality levels . . . by 1998. . . .

Aggravating the situation is the fact that those most affected by the nitrate concentration, belong to a socioeconomic group characterized by its vulnerability, with no means of doing anything about it. Therefore, the basic *raison d'être* for the creation of the State emerges, to fully oppose the idea that “might makes right.” As a priority, the Argentine State must protect the most defenseless of its inhabitants against the abuse of power so brazenly and stubbornly displayed by Aguas Argentinas.

This latter point is directly related to the fact that access to potable water is considered a human right, with a noticeable impact on the implementation of social justice. . . .

More specifically, children deserve even greater protection, in accordance with the terms of the Convention on the Rights of Children, which has constitutional standing in our country. . . .

As a result of this situation, it is currently estimated that approximately 300,000 people live in areas at risk of excessive nitrate levels. . . .

. . . While Aguas Argentinas considers potable water exclusively from the standpoint of a market economy, the State demands that . . . it be valued and treated for what it is—a social and cultural asset which in legal terms, means a human right. . . .

To continue to entrust the health of the population to a company which has for years shown total disdain for reaching a definitive solution to the nitrates problem, despite all the cooperation, assistance, and understanding it has received from the State in this matter, would be irresponsible toward the citizens and consumers.

It is in this context that the State must react with severity. . . . The rescinding of the contract due to the concessionaire's negligence, taking direct control of service, and immediately building the projects which the company *has refused* to build, is the only viable solution. . . .

From this moment on, [the Secretary of Public Works] López will take charge of designing and implementing the plans, programs, and investment projects necessary to definitively reduce excessive nitrate levels in potable water.