

## The unacknowledged social implications



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### Background

In early 2000, negotiators at the WTO in Geneva began a new round of talks on GATS (General Agreement on Trade in Services). The aim is the progressive liberalisation of all markets for services, including all public services, with no sector being excluded from GATS on principle. The intention is for all services to be subject to the WTO's principles of market access and equal treatment of foreign and domestic suppliers. This is a particularly sensitive issue since the markets for services are mainly protected through national provisions such as laws, regulations, and ecological and social standards, rather than by «classical» trade barriers such as tariffs.

Due to the lack of clarity in the GATS definition of services supplied «in the exercise of governmental authority», public services in particular are likely to come under more intense pressure, for as soon as there is competition from private suppliers, which is already happening in many cases, the GATS provisions apply. Among other things, GATS aims to ensure that private suppliers have equal access to government funding for public services or services supplied on the basis of public contracts. However, this increased competition will mean that the public funding available for services of general interest will further decrease.

The WTO is obliged to carry out an impact assessment on GATS, but this has not yet taken place. All WTO members were required to file their liberalisation requests to their trading partners by the end of June 2002. In line with the timetable for the GATS negotiations, they must submit their liberalisation offers to the countries concerned by the end of March 2003. The European Commission is negotiating GATS on behalf of the EU Member States, with the Federal Ministry of Economics taking the lead role on the German side.

The privatisation of services previously delivered by state-owned companies or public institutions began in the 1980s, and its pace intensified in the 1990s. Most Germans are probably unaware, for example, that private security firms now employ 145,000 people, often poorly trained and earning a pittance of a wage, which amounts to more than half the number employed by the police with its 270,000 officers. The privatisation of postal services is also well under way.

Above all, the privatisation of telecoms made the headlines: at first, call charges decreased markedly, confirming many Germans' suspicion that the public utilities' overriding features seemed to be poor performance and lack of innovation. However, in the deregulated electricity markets, only large-scale consumers benefited from the pledged price cuts.

In addition to the social impact of privatisation on consumers, the first casualties of privatisation are usually the workers, as the German Federation of Civil Servants explains: «The private transport companies are able to submit more attractive bids in response to calls for tender because they generally pay their staff lower wages and maintain smaller administrative units. These arguments are used by the employer German Rail [*Deutsche Bahn AG*] at the annual wage rounds in order to drive wages steadily downwards.»

### Water does not come cheap

The water and waste-water management industry is likely to respond negatively to further privatisation, as this sector deals with a basic human need and involves environmental policy decisions which have far-reaching implications. In view of this fact, the United Services Trade Union (Ver.di) takes a harsh view of the measures being undertaken in this area: «The privatisation of the water industry has certainly not led to any reduction in charges or prices. The fact that profits must be generated for shareholders increases prices over the short and medium term. To conceal this fact, there is a tendency to dispense with the regular maintenance which is necessary to guarantee security of supply, as well as the investment required to safeguard resources.»

The trade union also focuses on the risk that private companies will make handsome profits through the sale of drinking water, while the costly business of protecting drinking water is left to public funds. Ver.di is therefore lobbying «for a sustainable water industry in which the precautionary and «polluter pays» principles play a key role. Monitoring and control of pollutant dischargers are tasks for the public institutions.»

The privatising trends in the water industry are also reflected in German development policy, where co-operation between the private and public sectors has been promoted vigorously in recent years. A recent study by World Economy, Ecology and Development (WEED) reveals that private companies are being given targeted support to ensure that the German water industry «plays a major role in the global market, which is becoming increasingly significant», to quote Uschi Eid, Parliamentary State Secretary at the Ministry for Economic Co-operation (BMZ). According to the study, the firms «have been able to conclude long-term licensing agreements to operate waterworks or secure lucrative contracts to construct water treatment plants. For such companies, projects in Albania, Montenegro or Namibia open the doors to the global market, with government and political support in this competitive environment. In effect, development co-operation, whose primary goal—according to its own assertions—is poverty eradication, is using its limited resources, paid out of the public funds, to engage in economic development on behalf of major corporations. Yet the poorer population groups continue... to receive a second- or third-rate supply.»

### Health care: State intervention required

The deregulation process in the German health care system is proceeding with caution, yet it has implications for society as a whole. People with a sufficiently high income are allowed to opt out of the statutory health insurance funds. The private insurers can offer their services to young (and healthy) people far more cheaply. As a result, the statutory health insurance funds are retaining a larger proportion of higher cost members. The resulting problems are described as follows in a «Memorandum on the Reform of the Health System»<sup>1</sup>:

«It is inaccurate to speak of a «general explosion of costs» in the health system. The rise in total health expenditure over the last two decades has kept pace with overall economic growth... At the same time, the «exploding costs» analogy... completely ignores the far more serious problems statutory health insurance faces on the revenue side. Experience to date has shown that the economic incentives resulting from competition... have led, and continue to lead, to undesirable evasion tactics..., with state intervention always being required to correct them.»

### Pensions: greater risk for low income sectors

During the last legislative term, a law was adopted to reinforce the role of voluntary private pensions compared with compulsory insurance. It is left up to employees to decide whether, in addition to their statutory insurance provision, they wish to take out life insurance which is then subsidised by the State. As early as October 2000, a statement by the *Diakonisches Werk* of the Protestant Church in Germany took the following position on this issue:

«Due to its different functional logic, private provision cannot replace statutory provision, however... There are two key reasons in favour of... providing reliable safeguards of living standards for middle and lower income groups: private insurance is rarely taken out by persons whose pension provision is inadequate. Voluntary provision—even if subsidised by the State—is rarely an option for persons on low incomes... because the population groups at greatest risk of being impoverished consume all their available income.»

### Germany's role in the GATS negotiations

A striking feature of the GATS negotiations is their complete lack of transparency. Citizens with an interest in the process are denied access to key information, and even Members of the Parliament [*Bundestag*] are given only limited information by the Economics Ministry.

However, fault lines are appearing within Germany's Red-Green Government which could be used by campaigning organisations to undermine progress of the negotiations. For example, the Study Commission on Globalisation of the World Economy set up by the German *Bundestag* recommends that decisions on the adoption of further commitments should not be taken until after the submission of impact assessments on the GATS negotiations and public debate of their findings. It also recommends the «exclusion of education and other services of general interest from the GATS negotiations.» Finally, the report states: «The Federal Government and the European Commission are urged to notify all interested NGOs, trade unions and associations at an early stage of all proposals for negotiation, including the EU's liberalisation requests to its trading partners and such requests from third states to the EU, as well as relevant liberalisation offers, and to give these organisations an opportunity to state their opinion.»

This recommendation conflicts with the conditions supposedly adopted for WTO members, which are described by the Economics Ministry as follows: «In accordance with the conditions for all WTO members, the various requests

to trading partners must be treated confidentially and cannot be divulged to non-governmental bodies, either in full or in part.» (Economics Ministry, letter of 8 August 2002, original emphasis).

Yet the assertion that requests to trading partners cannot be divulged to «non-government bodies» conflicts with the Economics Ministry's own practice, for the Ministry itself released the negotiating drafts of the «133 Committee» in Brussels, which coordinates Europe's international trade policy, to a number of organisations. On this issue, the federal government's response to a Minor Interpellation submitted by the Party of Democratic Socialism (PDS) on 22 April 2002 states that «The federal government has released elements of the current drafts on EU requests to trading partners to a number of directly-affected business associations, as well as to the German Trade Union Federation (DGB), in order to give them an opportunity to state their opinions.» Why this practice cannot be extended to relevant NGOs and other lobby groups as well, in line with the Study Commission's recommendation, is unclear. This unequal treatment is undemocratic and therefore unacceptable.

### The Education Minister's shifting position

The Education Ministry's position on GATS is also problematic. When the news became public in June 2001 that the EU—despite assertions to the contrary—had agreed to liberalisation requests from the USA regarding the higher education sector, it was apparent that this sensitive sector would be subject to GATS negotiations. Education Minister Edelgard Bulmahn then felt compelled to respond. Despite insisting that «We must not leave education to the market,»<sup>2</sup> she nonetheless went on to endorse the commercialisation of education: «Education services are covered by the GATS Agreement... The objective cannot be to exclude these services from the negotiations, but merely to make a clearer distinction between marketable and non-marketable services here.»

The Minister regards higher education and distance learning, at least, as marketable services. However, the GATS negotiations already cover a far wider area. At the last world trade round, the EU negotiated two clauses allowing public services and subsidies for these services to be excluded from the provisions of the GATS Agreement. Yet in the current round, these clauses have been challenged by a number of WTO members. If they are indeed deleted, even if only on a selective basis, private universities, for example, would have the same legal entitlement to subsidies as state universities. The competition for public funding, which has intentionally been capped, would further intensify, and the share left over for the state system would inevitably decrease. ■

German Social Watch Report group of editors of the German NGO Forum World Social Development Summit: *DGB-Bildungswerk e.V.*; German Federation of Civil Servants; *Diakonisches Werk* of the Protestant Church in Germany; Church Development Service; *Friedrich-Ebert-Stiftung*; *Heinrich Böll Stiftung*; *Terre des Hommes Germany*; *Werkstatt Ökonomie*, World Economy, Ecology and Development  
<klaus.heidel@woek.de>

1 The authors of the Memorandum on the Reform of the Health System are the following: Professor Heinz-Harald Abholz, President of the German Association for General Medicine; Klaus Kirschner, MdB, SPD, Chairperson of the German Bundestag Committee on Health; Monika Knoche, MdB, Alliance 90/The Greens, member of the German Bundestag Committee on Health; Professor Rolf Rosenbrock, member of the Expert Council for Concerted Action in the Health System; Horst Schmitthenner, managing member of the Executive Committee of the Metalworkers Union.

2 *Frankfurter Rundschau*, 8 July 2002.