IMF and WTO Force Worldwide Deregulation

The many nations that are being bludgeoned by the International Monetary Fund and the World Trade Organization, to relinquish their sovereignty and privatize their electricity infrastructure, should carefully study the case of California, before they agree to do so.

As part of its package of austerity-driven "conditionalities" for developing nations, and those formerly part of the Soviet Union, the IMF includes the selling-off of electric capacity to private interests, and its deregulation from government oversight, to control by "market forces." The practical result of this policy is to turn the national patrimony of these nations over to foreign-controlled conglomerates, which have no interest in the future economic development of their new "clients."

Two examples suffice.

At the end of July, an IMF mission concluded a two-week visit to one of the poorest countries in the Americas—Honduras. The delegation insisted that the partial privatization of Honduras's electrical services, which the government had already begun, must be total. At the present time, more than half of the nation's 6.4 million citizens, especially those in rural areas, do not have any electrical service at all. Now it will be left to the "free market" to extend service to Honduras's poorest, which did not happen in the United States, and will not be "profitable" anywhere else.

Using its muscle as the largest creditor to Bulgaria, the IMF has insisted that the government in Sofia restructure its energy sector to "curb state subsidies, and inefficient production, and attract key investors," Reuters reported on July 13. Several officials from the state-run National Electricity Company resigned before the start of the reform. Local media warned that privatization would lead to power shortages, but the government has forged ahead.

So far, the Bulgarian government has broken up the "monopoly" of the NEC and created seven state power firms for distribution. The next step is to sell them, and the generating assets, to private interests, including the Kozlduny nuclear power plant, which produces half of Bulgaria's power.

At a hearing held by the International Trade Commission in Washington, D.C. on June 6, representatives from the National Electrical Manufacturers Association (NEMA), called on all 136 member-countries in the World Trade Organization (WTO) to deregulate their energy sectors. "The proper government enforcement role," NEMA president Malcolm O'Hagan told the Commission, is not planning for resources, or being responsible for the growth of the energy sector, but "enforcing existing efficiency standards for products."

O'Hagan proudly pointed to the privatization of electricity sectors in Brazil, Canada, the European Union (which will complete full retail competition by 2003), Australia, and Japan as models for the rest of the world.

Sitting next to O'Hagan as he pronounced these "models," was Richard Kean, vice-president and CEO of Enron Corp., the Bush-dominated company which is spearheading electricity deregulation in many of those countries, and in many states of the United States.

But electricity deregulation *did not* start in the United States; rather, it was Great Britain, in the late 1980s, that began this "experiment." The result? It was reported on Aug. 5, that according to the British government, the poor have seen no benefit from the deregulation and sell-off to private interests of Britain's electricity sector. About 5 million households in Britain, out of a total of 20 million, are classified as suffering from "fuel poverty." This is defined as having to spend 10% or more of the household income just to heat a home. In this formerly industrialized nation, an estimated 30,000 people die of the cold each year.—*Marsha Freeman*

What Can Be Done?

There are two basic problems in California that require solution, before the state can return to an electricity delivery system that serves the needs of the people.

One is to begin the rapid construction of new power plants. Since the 1996 vote for deregulation, peak load demand in the state has grown by an accumulated 5,522 MW. The net capacity additions, to meet that demand increase, were 672 MW, over the same period of time. As a result, California imports about 25% of its electricity from neighboring states. If those states cannot spare the power, or the transmission lines cannot accommodate the transport, there are shortages. Over the past decade, there has been no power plant built in California larger than a small 50 MW one. During that time, the population grew by more than a half million.

Policies in the state over the past 20 years have discouraged new plant construction. These have included environmental regulations—the strictest in the nation—and "public participation" (read: disruption) in the power plant siting and permitting process, which makes the construction of new capacity almost impossible. In the 1990s, the report to the Governor points out, regulators abandoned Integrated Resource Planning, which was used to plan for needed new capacity. Now, no one has any responsibility for planning ahead for the