

# Water and Trade

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**HIGHLY DRAFT**

Ten Random Thoughts:  
Might The World be able to  
Find ways to talk about Water and Trade?

## Time to talk Water and Trade Policy?

- 8.9 billion people by 2050 using less water than is used today to feed 6 billion people
- Without improvement in the efficiency of water use, in twenty years time (2030) water supply is expected to be 40% less than demand .
  - Water policy reforms that facilitate and expedite change and provide incentives for investment and sustainable use – such as trade incentives - can be used to reduce the cost of the necessary investment. how might the changed situation of water be improved by trade policy?
- Classical theories of international trade, general welfare is served by exchange.
- The abundance of a resource gives cost advantage in the production of a commodity.
  - The cost advantage is the basic of specialization and international trade.

## What kind of water are we talking about?

- Water is called by its use at the place and at that time that it is used.
  - same molecule of water as it is used may be called drinking water, water for personal use, water for ecosystems, economic water (although usually one says Water for Food, Water for Industries), blue water, green water, yellow or black.
- Earlier or later that molecule will have been part of a different stock of water. The trade policy implications differ for each – as do the politico-emotional issues raised. [2]

## Political context changes with water use: Political context is all important.

- few subjects raise the same level of emotional response as water. (except perhaps trade?).
  - Farmers and irrigators – forces to be feared
  - Drinking water services delivery or The ‘Privatization’ Debates, [3] [4] although not about instances of actual transfer or purchase of the resource at all
  - Anti globalization forces and anti G8 groups as principal cassus belli against the international economic – and trades systems,
    - Many water companies to move out of the developing world altogether, eg Trent Severn, Saur
  - *The Bluebeards of the 21st century, now in control of our water, are the pirates of the present day.....The necessity of armed guards keeping the thirsting masses away from the water tap is part of the not too distant future.)* [6]

## Hot issues

- James Bond movies, “Water Barons” books, numerous websites
- Land and water ‘grabs’ –growing fast, growing quietly.....
- Doha round, was tangentially discussed under GATS[7] and the (perhaps) European endorsement of access for water providers
- Bulk water sales and purchases strong emotional and political issues
  - From France to Barcelona
  - Canada to USA
- Not always
  - Turkey to Cyprus
  - Iceland: Tankers for Saudi Arabia[8]
- Not so hot
  - Water markets, per se, seem to raise less public angst?
    - Oman has operated a water market for 4,500 years with well articulated use priorities
    - Well tolerated and growing in Australia as both policy and practice of new national water policies.
    - Longstanding use in Western United States across borders? Others?
  - Bottled water subject to ‘normal’ international trade rules and has not brought people into the streets or toppled governments
- **Water Pricing policies and proposals, on other hand, are dynamite**

## Now, the nub of the issue.

- Freer trade will never contribute to optimal production and trade outcomes from a water-perspective as long as water remains so underpriced.
  - For irrigation, water is rarely or scarcely charged or charged far below its cost or value. This is not uniquely characteristic of the South. It is a very hot political issue in virtually all countries.
  - Currently only sixteen per cent of the water use in the world is not for producing products for domestic consumption
  - International protocol on full-cost water pricing would contribute to the sustainable use of the world’s water resources, because water scarcity would be translated into a scarcity rent and thus affect consumer decisions, even if those consumers live at a great distance from the production site.
    - Such a protocol would also contribute to fairness, by making producers and consumers pay for their contribution to the depletion and pollution of water. This involves significant domestic policy change in Agriculture.
  - The Doha round is stuck on agriculture.

## all kinds of water payments

- for drinking water and personal use
  - either a basic human right, or fundamental social need.
  - People absolutely need water but many insist that it should be free:
  - People have more willingness to pay than politicians do to charge them. (over and over again – from surveys)
  - Where water services actually work, and are universally available there are generally costs paid for the service.
  - Conversely, 'the poor cannot afford free water' – untariffed systems are degraded and effective to the maximum disadvantage of the poor.
- Irrigation – touchy, some solutions. Tuschaar – USA
- Payments for ecoservices - for the environment it is essential, either on ethical grounds or because we do not wish to erode the ecosystems that support us
- Water is an essential and valuable input into commercial activity- water charge + pollution regs have had positive effect in North.
- pressure of water for energy is beginning to edge out water for food in a number of places where the energy sector is more powerful than the food growers
- Water for food has the strongest visceral impact, especially for marginal and small scale farmers.

## Sobering thought: The same players

- attack G8, water policy are also vocal critics of the international trading system, trade pacts, WTO etc.
- The Global trading system is often perceived as having served (and made 'legal') the needs and practices of rich countries at the expense of the poor, eg textiles, agricultural products.)

## Is there in fact effective trade in water?

### ● Barriers

- The desire for food self sufficiency as opposed to food security (which could be assured by trade in a world with full guarantees),
- Trade distortions created by the desire to protect and foster domestic agricultural production (and, sadly, even exports) (ie tariffs, NTBs and subsidies)
- WTO like GATT its predecessor did not have environment protection provisions.

Urgently, the world needs to find a way Water as a factor input of production is simply not treated as such

The answer is complex – water is characterized by its use

## So why persevere?

- wasteful and harmful in terms of human welfare that spatial differences in water scarcity do not seem to have a strong influence on trade patterns.
- Water is generally grossly underpriced. – too often a factor of no importance in the establishment of production and trade patterns.
- Important distortions:
  - misuse and waste of water especially but not only in irrigation systems, and
  - perverse trade flows, where water-intensive crops are exported on a large scale from areas where water is highly scarce and overexploited.
- Distortion become more and more important to a world in which water supplies are ever more problematic.
  - waste in irrigation systems is around 40%. New forms of irrigation reduce the waste but – in the absence of strict regulation and pricing – do not return water to the common pool or the environment
  - in many developing countries, typical irrigated cereal yields are in the vicinity of one to three tonnes per hectare whilst the potential is in the vicinity of eight tonnes per hectare.



## So – can we proceed?

- Is it possible to, harmonize and reconcile competitive global capitalism with global and regional sustainability
  - local and individual economic and social needs and environmental priorities, recognising the huge dynamic force of global capitalism and the powerful vested interests involved?
- Could the strong political and interest group forces which are reluctant and defensive about current water pricing policies see that universal change might just offer the room to move toward better management of our most precious resource
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