

BACKGROUNDER

SUMMER 2001

VOLUME 7 • NUMBER 3 • 50¢

Water as Commodity— The Wrong Prescription

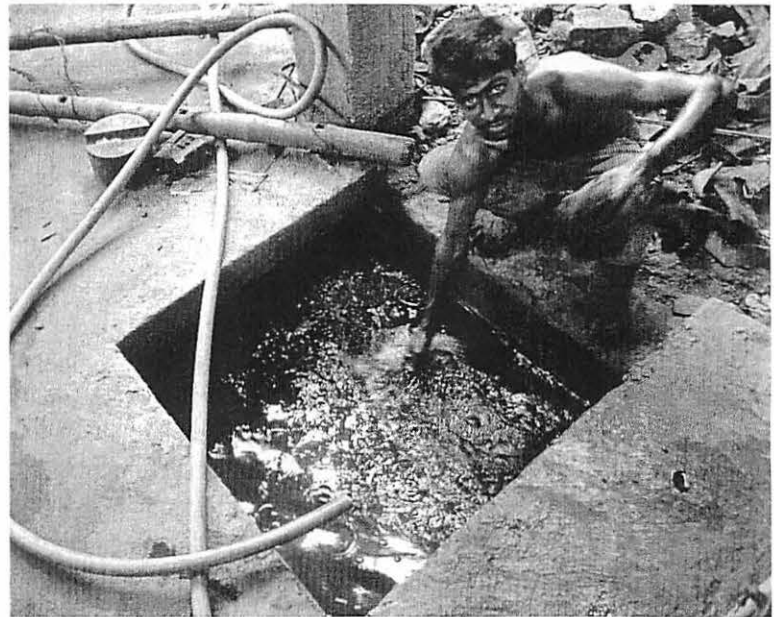
MAUDE BARLOW, NATIONAL CHAIRPERSON, COUNCIL OF CANADIANS

The world is poised to make crucial and irrevocable decisions about water. When world leaders and civil society representatives gathered at the tenth Stockholm Water Symposium in August 2000, there was little disagreement about the urgent nature of the water crisis facing the world.

All the attendees agreed that the human race has taken water for granted and massively misjudged the capacity of the earth's water systems to sustain the demands made upon it. Our supply of available fresh water is finite and represents less than half of one percent of the world's total water stock. Thirty-one countries are facing water stress and scarcity and over a billion people lack adequate access to clean drinking water. By consensus, the group recognized the terrible reality that by the year 2025, as much as two-thirds of the world's population will be living with water shortages or absolute water scarcity.¹

The Stockholm Water Symposium also acknowledged that instead of taking great care with the limited water we have, we are diverting, polluting, and depleting it at an astonishing rate as if there were no reckoning to come.

But there is profound disagreement among those in the "water world," around the nature of the threat and the solution to it. A growing movement of people believe that the imperatives of economic globalization—unlimited growth, a seamless global consumer market, corporate rule, deregulation, privatization, and free trade—are the driving forces behind the destruction of our water systems. These must be challenged and rejected if the world's water is to be saved.



Water as a fundamental right is guaranteed in the Universal Declaration on Human Rights.

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ECONOMIC GLOBALIZATION

Economic globalization integrates the economies of nation-states into a single unified market and carries industrial production to new levels. It intensifies natural resource exploitation and exacerbates every existing environmental problem. The imperative of globalization is unlimited growth, making it impossible for participating countries to make preservation a priority.

Developing countries have restructured their economic systems to pay their debt and export their way to prosperity, destroying both natural ecosystems and environmental regulations. Economic globalization has also resulted in the exponential increase in the use of fossil fuels, dams and diversions, massive transportation systems needed to carry out global trade, and roads carved out of wilderness. In the global market, running out of a local resource can be quickly rectified: when East Coast cod are depleted, we just move on to Chilean sea bass.

In the new economy, everything is for sale, even those areas of life once considered sacred, like seeds and genes, culture and heritage, food, air, and water. As never before in history, the public space, the vital commons of knowledge and our natural heritage, has been hijacked by the forces of private greed.

As environmental leader Paul Hawken says, "Given current corporate practices, not one wildlife reserve, wilderness, or indigenous culture will survive the global economy. We know that every natural system on the planet is disintegrating. The land, water, air, and sea have been functionally transformed from life-supporting systems into repositories for waste. There is no polite way to say that business is destroying the world."

In the race to compete for foreign direct investment, countries are stripping their environmental laws and protection of natural resources, including water protection. In some

cases, such as the world's 850 free trade zones, they either look the other way as environmental laws are broken and waters are criminally polluted or actually set lower standards in these zones than for the rest of the country.

Throughout Latin America and Asia, massive industrialization in rural communities is affecting the balance between humans and nature. Water use is being diverted from agriculture to industry. Huge corporate factories are moving up the rivers of the Third World, sucking them dry as they go. Agribusinesses growing crops for export are claiming more of the water once used by family and peasant farmers for food self-sufficiency. The global expansion in mining and manufacturing is

increasing the threat of pollution of underground water supplies and contaminating the aquifers that provide more than 50 percent of domestic supplies in most Asian countries.

To feed the voracious global consumer market, China has transformed its entire economy, massively

diverting water use from communities and local farming to its burgeoning industrial sector. As the big industrial wells consume more water, millions of Chinese farmers have found their local wells pumped dry. Eighty percent of China's major rivers are now so degraded, they no longer support fish. Economic globalization and the policies that drive it are proving to be totally unsustainable.

THE WATER TRANSNATIONALS

This leads to a second area of potential disagreement, the role of transnational corporations in determining the future of water. Just as governments are backing away from their regulatory responsibilities, giant transnational water, food, energy, and shipping corporations are acquiring control of water through the ownership of dams and waterways. These corporations are gaining control over the bur-

Under the current system of market-driven economic globalization, there are no limits placed on where capital can go to 'harvest' nature.

geoning bottled water industry, the development of new technologies such as water desalination and purification, the privatization of municipal and regional water services, including sewage and water delivery, the construction of water infrastructure, and water exportation.

The goal is to render water a private commodity, sold and traded on the open market, and guaranteed for use by private capital through global trade and investment agreements. These companies do not view water as a social resource necessary for all life, but an economic resource to be managed by market forces—like any other commodity.

At conferences like the Stockholm Water Symposium, transnational water companies assert that they are in this business for almost altruistic reasons.

It is to their benefit to blur the lines between government and the private sector, and they certainly are doing a very good job of that. A closer and well-documented examination of their practices tells a very different story: higher customer rates, dramatic corporate profits, corruption and bribery, lower water quality standards, and overuse of the resource for profit. While the companies argue that the privatization of water services is socially beneficial, the consequence of corporate control is that social and environmental concerns come second to the economic imperative of maximum profits for the shareholders.



Aquifers are being depleted on every continent far faster than they can replenish themselves. This dry stock pond in Bracketville, Texas, is at the southern end of the High Plains Ogallala aquifer, which is being depleted at eight times the replenishment rate.

Taking a page from his country's past, Gerard Mestrallet, CEO of Suez Lyonnaise des Eaux, says that he wants to develop in his company the philosophy of "conquest" as Suez moves into new markets around the world. Third World workers and community activists would agree that conquest is exactly what these water companies are about. One of his directors, Mr. Durning, says honestly, "We are here to make money. Sooner or later the company that invests recoups its investment, which means the cus-

tomer has to pay for it." That might be an appropriate comment if one is talking about cars or golf clubs, but very distressing to hear when we are talking about water—a basic necessity of life.

The North American water companies are even more obvious, and their frontier mentality is open for all to see on their Web sites. Global

Water Corporation of Canada has contracted to ship 58 billion liters per year of Alaskan glacier water by tanker to be bottled in a free trade zone in China. They openly boast that the venture "will substantially undercut all other imported products" because of China's cheap labor. Global Water entices investors to "harvest the accelerating opportunity as traditional sources of water around the world become progressively degraded and depleted" and declares that "water has moved from being an endless commodity that may be taken for granted to a rationed necessity that may be taken by force."

The president of Wetco, a water-exporting company in Anchorage, Alaska, maintains, "What we've found is that it really is possible to sell water, but you have to put your cleats on and get in the game, and, if things don't go right, you might have to be prepared to get wet."

PRIVATIZATION

These companies argue that privatizing water is the best way to deliver it safely to a thirsty world. This is yet another area of potential disagreement.

It is true that governments have done an abysmal job of protecting water within their boundaries. However, the answer is not to hand this precious resource over to transnational corporations who have escaped nation-state laws and live by no international law other than business-friendly trade agreements. The answer is to demand that governments begin to take their role seriously and establish full water protection regimes based on watershed management and conservation.

The privatization of water ensures that decisions regarding the allocation of water center almost exclusively on commercial considerations. Corporate shareholders are seeking maximum profit, not sustainability or equal access. Privatization means that the management of water resources is based on the principles of scarcity and profit maximization rather than long-term sustainability. Corporations are dependent on increased consumption to generate profits and are much more likely to invest in desalination, diversion, or export of water rather than conservation.

The global trend to commodify what has been a public service reduces the involvement of citizens in water management decisions. For example, private water projects brokered by the World Bank have minimal disclosure requirements. A water corporation executive at the recent World Water Forum in The Hague, said publicly that as long as water was coming out of the tap, the public had no right

Both the WTO and NAFTA consider water to be a tradeable good, subject to the same rules as any other good.

to any information as to how it got there. The concentration of power in the hands of a single corporation and the inability of governments to reclaim management of water services allow corporations to impose their interests on government, reducing the democratic power of citizens.

As the South African Municipal Workers' Union explained, "Water privatization is a crucial issue for public debate. Human lives depend on the equitable distribution of water resources; the public should be given a voice in deciding whether an overseas-based transnational corporation whose primary interest is profit maximization should control those critical resources. Water is a life-giving scarce resource that must

remain in the hands of the community through public sector delivery. Water must not be provided for profit, but to meet needs."

Advocates of privatization argue that they are seeking private-public partnerships, and give assurances that governments will still be able to establish regulations. Since the provision of water services itself does not provide sufficient return, water corporations are actively pursuing exclusive control over water service provision through acquisitions of infrastructure and water licenses. They are closing the loop around public involvement and creating huge monopolies against which local suppliers cannot compete.

In their support for large-scale project financing, the World Bank and others give preference to large multi-utility infrastructure projects that favor the biggest corporations, leading to monopolies. To add insult to injury, the World Bank underwrites these giant corporations with public money, and often incurs the risk, while the companies reap the profit. And often, governments, who supposedly represent their people, have to assure a return to the shareholder. Chile had to guarantee a profit margin of 33 percent to Suez Lyonnaise des Eaux as a condition of the World Bank—regardless of performance.

Most disturbing, the close alliance between governments, the World Bank, the United Nations, and the water companies gives these corporations undue influence over government policies that favor their interests, like deregulation and free trade, and favored access to upcoming water contracts. The stated goal of the World Bank water loan to Budapest was to "ease political resistance to private sector involvement."

In Ontario, the Canadian government listened to the exhortations of big business, and introduced what it calls a "common sense revolution." Key to this "revolution" were massive cuts to the environment budget, privatization of water testing labs, deregulation of water protection infrastructure, and massive lay-offs of trained water-testing experts. In fact, just after a federal government study revealed that a third of Ontario's rural wells were contaminated with *E.coli*, the Ontario government dropped testing for *E.coli* from its Drinking Water Surveillance Program. One year later, they closed down the program entirely.

The results were catastrophic. *E.coli* outbreaks in a number of communities sent waves of panic through rural Ontario. In June 2000, as many as 14 people, one of them a baby, died from drinking water in the little town of Walkerton. Until that time, Walkerton had been renowned for the wonderful taste of its well water. The town had subcontracted to a branch-plant of a private testing company from Tennessee. The lab, A&L Laboratories,

discovered *E.coli* in the water, but failed to report the contamination to provincial authorities, an option it has under the new "common sense" rules. In true corporate-speak, a lab spokesman said that the test results were "confidential intellectual property." As such, they belonged only to the "client"—the public officials of Walkerton who were not trained to deal with the tests.

PRICING

Privatization leads inevitably to the final area of profound disagreement about water, and that is water pricing. The argument, echoed even

among some environmentalists, is that we have taken water for granted, and have overused it. Pricing water will cause us to understand its real value and force us to start conserving it from economic necessity. This argument is flawed in several ways.

First, water pricing exacerbates the existing

global inequality of access to water. The countries that are now suffering severe water shortages are home to the poorest people on earth. To charge them for already scarce supplies is to guarantee growing water disparities. Water pricing was the issue that brought hundreds of thousands of Bolivians into the streets to protest when Bechtel, backed by the World Bank, doubled water rates.

The issue of water pricing will also exacerbate the North/South divide. There is a sub-text inherent in much of the hand-wringing over the world's water shortage. Almost every arti-



Shanty-town dwellers must carry water over long distances.

cle on the subject starts with the reminder of the population explosion and where it is occurring. The sub-text is that "these people" are responsible for the looming water crisis. But a mere 12 percent of the world's population uses 85 percent of its water, and these 12 percent do not live in the Third World.

The privatization of this scarce resource will lead to a two-tiered world—those who can afford water and those who cannot. It will force millions to choose between necessities such as water and health care. In England, high water rates force people to choose whether or not to wash their food, flush their toilets, or even bathe.

Second, water pricing, combined with privatization, will seal water's fate as a commodity under the terms of international trade agreements supported by the World Trade Organization (WTO) and the North American Free Trade Agreement (NAFTA). Both the WTO and NAFTA consider water to be a tradeable good, subject to the same rules as any other good. Only if water is maintained as a public service, delivered and protected by governments, can water be exempted from the onerous enforcement measurements of these trade deals. Claiming environmental exemptions for water will not suffice. Every single time the WTO has been used to challenge a domestic environmental rule, the corporations have won and the environmental protection has been ruled 'trade illegal.'

The trade agreements are very clear: if water is privatized and put on the open market for sale, it will go to those who can afford it, not to those who need it. By the terms of trade rules, once the tap has been turned on, it cannot be turned off. 'Blue Gold' will become the hot commodity of the future and those who can't afford it will be left behind.

The World Bank says that it will subsidize water for the poor. Anyone familiar with the problems of welfare, particularly in the Third World, knows that such charity is punitive at best, and more often, non-existent. Water as a

fundamental human right is guaranteed in the UN Universal Declaration on Human Rights. Water welfare is not what the architects of that great declaration had in mind.

Another argument against pricing is that, as it is now envisaged, it won't have much of an impact. It is generally accepted that water consumption in urban centers breaks down at 70 percent industrial, 20 percent institutional and from six to ten percent domestic. Yet most of the discussions about water pricing are around individual water use. Large corporate users notoriously evade the cost of their water altogether.

For example, in California's Silicon Valley, the high tech sector uses huge amounts of water. This sector is presently engaged in

mechanisms to capture traditional water rights: *water pricing*, whereby industry pressures governments for subsidies and circumvents city utility equipment to directly pump water, thus paying much less than residential water users pay for water; *water mining*, whereby companies gain rights to

deplete the aquifers while driving up the access costs to smaller users such as family farmers; *water ranching*, whereby industry buys up water rights of ranches and farmers; and *water dumping*, whereby industry contaminates the local water sources and then passes the costs on to the community.

Clearly, the focus must be on those who use water most and then remove the benefits of using this common good, this public trust, from the community in the form of profits, particularly in an age of mergers and transnationals. Business has no right to deprive anyone of their inalienable human rights; if that is the price of profit, the price is too high.

Finally, in an open bidding system for water, who will buy it for the environment and the future? In all of the privatization/pricing debate, we hear precious little about the natural world and other species. That is because the environment is not factored into the com-

We must declare that water is a public trust to be guarded at all levels of government. No one has the right to appropriate it at another's expense for profit.

mercial equation. If we lose public control of our water systems, there will be no one left with the ability to claim this life-giving source for the earth.

ANOTHER WAY

There is simply no way to overstate the water crisis of the planet today. No piecemeal solution is going to prevent the collapse of whole societies and ecosystems. A radical rethinking of our values, priorities, and political systems is urgent and still possible. It's not too strong to say that we are called now to rise to the greatest challenge of our time.

The answers lie within a rejection of economic globalization and the embrace of a whole new water ethic. First, we have to declare that water belongs to the earth and all species, and is sacred to all life on the planet. All decisions about water must be based on ecosystem and watershed-based management. We need strong national and international laws to promote conservation, reclaim polluted water systems, develop water supply restrictions, ban toxic dumping and pesticides, control or ban corporate farming, and bring the rule of law to transnational corporations who pollute water systems anywhere.

Second, water must be declared a basic human right. This might sound elemental, but at the World Water Forum in The Hague, it was the subject of heated debate, with the World Bank and the water companies seeking to have it declared a human need. This is not semantic. If water is a human need, it can be serviced by the private sector. You cannot sell a human right.

Third, we must declare that water is a public trust to be guarded at all levels of government. No one has the right to appropriate it at another's expense for profit. Water must not be privatized, commodified, traded, or exported for commercial gain.

There are many ways to assist the developing world in this crisis. Among others, these include canceling the Third World debt, imposing a tax on currency speculation (the Tobin Tax), and taxing and controlling industrial water use.

Above all, we, as human beings, must change our behaviors. We must emphasize identifying the capacity of our watersheds and, as communities, identify the limits we can place upon them. The world must accept conservation as the

only model for survival, and we must all teach ourselves to live within our environment's capacity. The insidious problem with pricing and conservation by commodification is that it actually undermines environmental science and activism, as well as governments' responsibility to protect their citizens and the environment by buying into the argument that the market will fix everything.

At stake is the whole notion of "the commons," the idea that through our public institutions we recognize a shared human and natural heritage to be preserved for future generations. Citizens in communities around the world must be the "keepers" of our waterways and establish community organizations to oversee the wise and conservative use of this precious resource. Never has there been such an urgent need to come to terms with this seminal issue.



NOTES

1. More details and bibliographic citations can be obtained in Maude Barlow (1999), "Blue Gold: The Global Water Crisis and the Commodification of the World's Water Supply," *International Forum on Globalization Special Report*. On-line summary and ordering information at www.ifg.org/bgsummary.html

MAUDE BARLOW is national chairperson of the Council of Canadians and is on the board of the International Forum on Globalization (IFG). She is the best-selling author or co-author of 11 books on the effects of economic globalization on the environment and social security, as well as the recent IFG publication, *Blue Gold: The Global Water Crisis and the Commodification of the World's Water Supply*.

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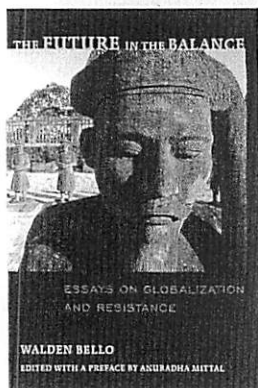
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