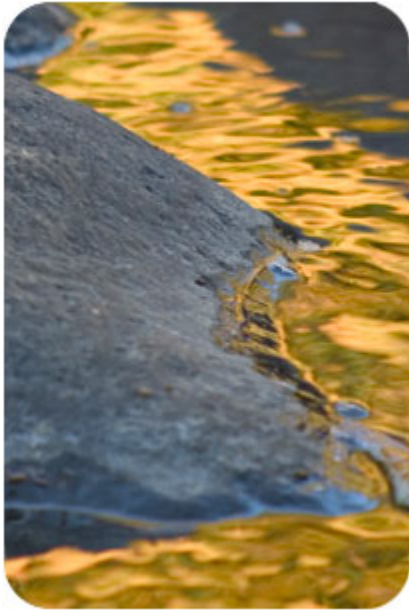


MORE URGENT THAN OIL (LIQUID GOLD)



For the last 20 years the free-market Right have dominated the global political agenda to an extent where arrogance vastly outstripped intellect. They were able to do so partly because the Left failed to address the ways in which capital was seeking to disengage itself from the nation state, and partly because we too had become conservative and complacent.

There never has been too much public ownership. If anything, we have had too little, particularly of where our pension funds were being invested. The problem was that we allowed public accountability to become separated from public ownership. From council housing to railways, energy services to the NHS, the public became separated from public services. The Right took this as their script for wholesale privatisation and deregulation.

The mantra that the market will resolve everything, has been used to unleash a greed-fest that has widened the gaps between rich and poor, and which now threatens to consume itself. The intellectual challenge today is to address the mess we are in, and script an agenda that is futuristic rather than nostalgic. We have to learn from the past, but climate change will prevent us from returning to it.

We have to look ahead at the next 20 years and to identify the new economic ground rules needed to live within a rapidly changing climate. I don't want to knock politicians who belatedly begin to look at carbon footprints, renewable energy, the post-oil economy and the 'polluter pays' principle. All have their place in a world where markets with ethics will replace markets without them. My guess, however, is that the pace of dramatic change will be driven not by carbon, but by hydrogen and oxygen.

It is possible that in 20 years time the world will have a de facto single currency. It won't be the dollar, the yen, the euro, the pound or the rouble. It will be the litre. Water will become the liquid gold of our time. It means beginning, now to write a new economics as if water mattered. The results will be startling, but so too would be our failure to do so.

Australian Prime Minister John Howard - the staunchest of climate change deniers - has dramatically had to modify his own position. Starring into the skeletal face of Australia's worst ever draught, Howard now concedes that he "broadly accepts" the science behind climate change.

This will not stop Australia having to turn the taps off to agriculture in its Murray-Darling food basin if the rains don't fall in the next 6 weeks. Australia will only have enough water for the drinking supplies. Its food economy and industry will crash. Traditionally, the river basin provided 84% of Australia's national irrigation water, and this single region delivered 40% of their total agricultural output. Not any more.

Whatever the upheavals, the world could manage (just) without oil. The same can not be said for water.

The only reason this doesn't figure in national economic or trade considerations is that the world has never placed a realistic price on water. It has always been taken as a free gift and, in the industrial world at least, an almost limitless one. Time for some rude awakenings.

In a remarkable briefing paper by Waterwise, a British based NGO*, they attempt to map out the 'water footprint' of how we live, and the ways in which global water trade is constructed.

Most of us would accept that the average Briton consumes between 2 and 5 litres of water a day, and then uses another 145 litres in washing, cleaning, cooking and flushing. The surprises only come when you add in the water content that has gone into everything else we rely on, or in an average day.

The average Briton consumes about 3,400 litres of water a day...over a million litres a year. It is water that never figures in the price of what we buy.

The average car has taken over 400,000 litres to produce. A pair of jeans requires almost 11,000 litres, a single bed sheet 10,000, a cotton T-shirt 2,700 litres. Even a single micro-chip from any electrical device will have taken at least 32 litres of water to produce. We are beginning to get used to the idea of the 'embedded energy' that has gone into everyday objects and services. Embedded water is an even tougher call.

Start to factor these 'embedded water' figures into patterns of global trade and some disturbing realities begin to emerge. Many of today's 'low cost' imports come from places where land and labour are plentiful and cheap, but where water is scarce. The UN estimates that about one third of the world's population currently lives in 'water stressed' areas. By 2025, the proportion will rise to two thirds.

Even if you are not worried about whether it is ethical for the rich to sequester water from the poor in this way, you have to ask whether it is sustainable. When countries run up against the limits of water supply, they will make brutal choices. Australia will feed itself before it feeds anyone else. Forget WTO rules, Australia will cut water supplies to those who produce for export in favour of meeting its own domestic needs. And so it should.

With or without a drought-driven crisis, a new approach to water economics is already altering patterns of trade. Dry nations such as Jordan, Tunisia, Egypt, Israel and South Africa are developing policies that reduce the production (for export) of 'wet goods'. They are also seeking to import water intensive products rather than producing them at home. It is a completely different approach to the economics of comparative advantage.

For the Left to constructively engage in this debate, we need a change of mindset, a widened vocabulary of water, and an awareness of contradictions or complications in the process itself.

First of all, there isn't always the same amount of embedded water in a given product. A kilo of black tea from China has about 11,000 litres of embedded water in it, but the same quality from Japan has less than half that amount. A kilo of tomatoes from the UK has 8 litres of embedded water. A kilo from Indonesia contains 340 litres. A kilo of oranges from the USA has 175 litres of embedded water, but the same kilo from Australia would need three times this amount of water. Everything depends on climate and conditions.

What does not follow, however, is a general assumption that we have to abandon the production of water intensive goods. Rice is water intensive and grown widely in South East Asia and the USA. In America, most production is under irrigation, but in Thailand it is overwhelmingly in rice paddies, fed from the monsoon rains. The paddies slow the passage of water to the sea and actively help with land maintenance. The relative merit of rice production in the two countries is not found in the embedded water content, but in the availability of water in the region.

This takes us into the most profound challenge to western thinking. Water economists draw a distinction between blue water and green water. Blue water is what we find running in rivers, in lakes, in dams and stored in aquifers. One way or another, its use invariably has to be paid for. Green water is the water naturally stored in the soil itself. It cannot be piped or drunk. It is also free.

The rub is this. In the West, we describe water crises in terms of pipeable water from lakes, dams and aquifers. Yet the reality of our blue-water obsession is that it accounts for only 15% of world food production. The other 85 % of global food comes from green water agriculture systems. These systems deliver food, even in arid regions, and do so by treading more lightly on the moisture that nature deposits into the thinnest of soils.

There are big lessons for us to learn are from those whose water footprints are lightest. Most of their food products come from processes that barely enter the international trade system. Even from our own starting point, however, we have to learn to ask not just about the embedded water content of goods on sale, but also how much of this has come from the use of blue water and how much from green. For Britain – a water rich country emerging from the wettest winter we have had since 1914 – it should also prompt a return to domestic food production for domestic food security.

Providing we do not cross the line of how much the land can sustainably produce, the virtuous choices ahead will involve progressive shifts from blue water production to green. It is, however, incompatible with the continued exploitation of water resources by global corporations, chasing the forced production of crops, flowers or commodities. This is the madness of modern agri-business.

In twenty years time, there will be almost 5,000 cubic metres of water available for every person on the planet. This is about half the amount (per person) that we had 20 years ago. It will present a big challenge, but does not have to result in a descent into chaos.

New solidarities are possible between water rich areas and water poor ones. There could also be new solidarities with ourselves, in the development of a more sustainable reliance on green water resources. And it could bring us back to recognition that water is nature's greatest free gift. The case for its common ownership (or stewardship) is overwhelming.

Water, far more than oil, will be the litmus test of our ability to construct a new economics of interdependency. Better this than a series of water wars over the right to extract, to exploit...and ultimately to destroy ourselves.

* 'Hidden Waters' – www.waterwise.org.uk