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Water: The New Oil

In her Newsweek article “The New Oil: Should Private Companies Control Our Most Precious Natural Resource?”, Interlandi discusses how water – the most basic economic commodity – is becoming as important as oil was in the last century due to its scarcity. Most people in the developed world take water’s low price and availability for granted, but this will change as demand for water continues to rise. Water is essential to life, and as such governments must find ways to make it accessible in light of its increasing lack of availability. While water is vital to all life, it is not immune to supply and demand economics. Thus, the question posed by the author is more pressing now than it ever was in the past.

The author begins with a reference to the great number of water reservoirs in Sitka, Alaska. Interlandi uses this reference as an illustration of the great quantities of water that go unused - 6.2 billion gallons of Sitka’s reserves remain untouched while countries around the world struggle with scarcity of water. Many companies are beginning to take advantage of the reserves – True Alaska Bottling is planning to transfer 3 billion gallons of the lake’s water per year to drought-stricken regions in the Middle East, and S2C Global is planning to process this water in India. Evidently, the water industry is becoming more lucrative, and many companies are now entering the water industry in search of profit. In a 2009 report, the World Bank predicted that the water-supply market will increase by twenty percent in the next five years.

The commoditization of water under public domain has been happening for centuries without issue; however, it becomes problematic when companies privatize the rights to water facilities such as processing plants and pipelines. As our population grows and we continue to industrialize, sources of pure water are becoming increasingly scarce. When private companies pollute our clean water with no regard to environmental conservation, they pose a potentially great threat to our society. The privatization of water, while it has the potential to engender economic efficiency and lower prices, inevitably harms those who need water the most. When companies gain a monopoly on water, their profit motive is to sell to other companies, depriving the water-deficient. When water is scarce, these people do not have a substitute good to turn to as water is irreplaceable.

Interlandi predicts that at some point in the future water will be entirely privatized and the world will be segregated between the “haves” and the “have-nots”. This divide will continue to grow, causing conflict within nations. For example, in the 1990s the World Bank required numerous impoverished countries to privatize their water supplies in an effort to eliminate corruption, encourage multinational investment, and provide access to water. In Bolivia, which was one of the countries affected, the multinational corporation Bechtel more than doubled its water rates. Widespread shortages ensued, causing riots that eventually forced Bolivia to return to public water utilities. Similarly, in China, where water contracts are lucrative and drilling is expensive, the cost of water has also risen. As an economist with the Xinjiang Conservation Fund stated, “[As] more water goes private, fewer people have access to it”.

In the United States, many cities are engaging in privatization to manage their poor water infrastructure. Ideally, the profits would help to repair aging water facilities, stimulate the

economy, and create jobs. However, private ownership does not always result in an increase in economic growth, especially in the water market. With a contract signed, a company can create a monopoly and stifle competition. In this situation, cities often find that they are unable to monitor the company's performance and deal with violations of the contract. As a response, some cities are suing companies and cancelling contracts to prevent further expenses. For example, United Water was sued by the city of Camden, N.J. for millions in unapproved payments, unaccounted-for water losses, and poor maintenance.

There are, however, arguments in defense of water corporations. For example, private utilities often work with facilities that are aging and out of date, and should not be held liable for the inefficiencies and costs incurred. Additionally, private utilities provide a level of technology and expertise that cities cannot get from public utilities. Some supporters of privatization even argue that private utilities encourage the conservation of water by increasing its cost.

There are problems with these arguments. Firstly, water is essential to life, meaning that the water demanded will always remain high regardless of price or supply. Additionally, private utilities have little incentive to encourage water conservation or to extend water's availability to poor neighborhoods. When people conserve water, making water accessible is no longer profitable.

Certain countries, such as Russia, Canada, and the United States, will profit from water's scarcity by selling water to more impoverished regions. Apart from these few, there will inevitably be many that lack the means to collect or even purchase water. These countries, which include Pakistan, India, Jordan, and Syria, have already engaged in several disputes over the diversion of water near their borders.

Since these issues will only intensify in the near future, we need to find effective solutions. While water is a basic human right, it is becoming increasingly expensive. Governments cannot afford the burden of its cost alone. Likewise, the free market cannot hope to serve the needs of the people. To solve water scarcity, governments will need to work together with private industries to invest money in water infrastructure. Essentially, we must solve the water problem or risk the consequences.

The first implication of growing water scarcity is a general increase in the prices of water and other goods such as food. The production of food necessitates the use of great amounts of water. Because water will become very scarce and costly, farmers will be forced to increase the prices of their goods in order to incur the same amount of revenue. As the prices of these goods continue to grow, we can expect widespread shortages of food and water in drought-stricken regions that cannot afford to purchase them. These shortages will stifle economic growth, and as a consequence, the world will enter into an economic depression.

Another implication of growing water scarcity is a rise in poverty and conflict around the world. With diminishing water supplies, dilapidated infrastructure, and rising prices of water, many countries will be unable to gain access to clean water. As a result, people will consume impure and unsafe sources of water, leading to a general increase in disease and pestilence. As people expend more time looking for sources of clean water, they will be unable to bring themselves out of poverty. These factors will contribute to an overall rise in poverty and conflict over access to scarce resources. In order to avoid this conflict, countries will need to negotiate agreements regarding trade and the joint use of water.

Works Cited

Interlandi, Jeneen. "The New Oil: Should Private Companies Control Our Most Precious Natural Resource?" *Newsweek*. Newsweek, 08 Oct. 2010. Web. 09 Sept. 2015.