

Canada's water 'on the negotiating table,' report says; Vague wording in NAFTA doesn't protect country against bulk shipments and other forms of sale to the U.S.

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Despite regular assurances from the federal government that Canada won't allow water exports, the country remains vulnerable to water diversions to an increasingly thirsty United States, says a new research paper commissioned by the Munk Centre for International Studies at the University of Toronto.

The paper, to be released today and one of the most comprehensive to date on the controversial issue of water sales, concludes that the various bans federal and provincial governments have put in place against bulk shipments "probably will not stand up to court challenges."

It also said the status of water as a tradable commodity remains ambiguous under the North American free-trade agreement and exports are open for discussion at the Security and Prosperity Partnership of North America, the three-way forum set up by Canada, the United States and Mexico for expanding continental integration.

"Make no mistake, Canada's water, through diversion, transfer, sale, trade or all of the above, is on the negotiating table in Canada/U.S. relations," the paper said. "As long as its status as a negotiable resource remains unclear, pressure to access Canada's water will continue to grow ever stronger."

The issue of possible water sales to parched areas of the United States is one of the most contentious in Canadian politics.

Over the past four decades, there have been regular proposals to divert Canada's water resources, but none have gotten off the ground, in part because they typically face vociferous public opposition and uncertainty over their legality. But last month, Liberal Leader Stéphane Dion, citing information he said he couldn't disclose, alleged that there have been secret talks between the Canadian and U.S. governments on the topic of water sales.

Although the claim prompted a denial by the government, the idea of selling Canadian water resources is frequently raised by business-oriented groups, most recently by the Conference Board of Canada and two other pro-business think tanks from the other NAFTA countries.

The Munk Centre's report will be released at a conference at the University of Toronto today. It was based on contributions from a number of prominent Canadian environmental lawyers and water policy experts, including Adele Hurley.

Ms. Hurley, director of the Munk Centre's program on water issues, was the former Canadian co-chair of the International Joint Commission, the Canada-U.S. body that manages waterways the two countries share.

"I think it's important for Canadians to understand that there is growing demand for our water and that in the final analysis, we're not really protected," Ms. Hurley said in an interview.

She said that when NAFTA was being negotiated, early versions of the pact contained language stating that water wasn't a "tradable good," but this wording wasn't in the final deal, fuelling some of the fears about the security of the resource.

The report recommends that the federal government end uncertainty about water exports by issuing an unequivocal statement to the governments of Mexico and the United States informing them that bulk water removals from Canada's major drainage basins will not be permitted.

The new report also cast doubt on the claims sometimes made that the sale of water could become a lucrative sideline for Canada.

Water is bulky and heavy, leading to high transportation costs for any diversions. For this reason it's likely that royalties would have to be low to promote sales. "Water, in other words, could become another cheap raw resource give-away much like oil," it said.

Another problem is that water is used to make most of the products Canada exports. Tar-sands crude, for instance, needs about three barrels of water to produce a barrel of oil. The report said by exporting a vital resource like water, Canada risks undermining its economic potential.