

Fridge list for the coming year and beyond.

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January, 1999. The first month of the last year of the last decade of the last century of the second millennium. If turning points can be "willed" surely now is an auspicious time to focus energy in that direction. A whole year ahead in which to get a few major things accomplished. So that we can start off the new millennium on the right foot, as it were.

Think of this column as a fridge list for the next twelve months: three thorny issues that need fixing before the end of the millennium...

WATER

Yes we DID say this all before! Under the NAFTA, water is a good no different from oil, lumber or computer chips; US and Mexican investors (indeed, under the Investment Chapter, anyone with whom they do business) stands equal to Canadians in their right to access that resource. Or be compensated if those rights are tampered with.

Almost ten years to the day after the book *Water and Free Trade** was published, California-based Sun Belt Water is calling for a NAFTA panel to rule on their claim for \$350 million in compensation from Canadian taxpayers because their potential right to import BC coastal outflow water by supertanker was foreclosed by BC's moratorium (and subsequent legislation) prohibiting the export of water in other than bottled form. (Potential right because Snow Cap — their Canadian partner — had not yet received their pending export license.)

What do we do now? As a professional, I continue to support the position of Dr. Anthony Scott (Economics, UBC) that there are three conditions which must be satisfied before Canada can safely (on a public policy level) contemplate any water export proposal:

- A. The quantity to be exported should be of a relatively small scale (e.g. tankers);
- B. The contract must be of a short term nature (e.g. no longer than five years); and
- C. The contract must be fully terminable or renewable at Canada's option.

As Scott notes in his conclusion to Chapter 5 of the book *Water and Free Trade*:

"...The terms of reference should make the export of water flows terminable in a pre-stated period (say, five years). Put more fully, the rights to water exports should be leased, not sold, and should be for a fixed term, with future renewal to be the subject of future studies, negotiation and monitoring. In any case, the Canadian supply should not be the sole source of water for any American community or industry, but only a marginal supply among several sources. These conditions, among others, would make the supply interruptable with notice."

Recent efforts by the federal government to reintroduce legislation governing Canada's water resources (similar to the Canadian Water Preservation Act which died on the Order Paper in 1988) are absolutely critical to good public policy and an important step towards defining Canadian sovereignty over this important resource.

However, under the present NAFTA agreement, Scott's conditions cannot be met. To address the difficulties which have arisen because the parties failed to include an explicit "exemption" for water in other than bottled form when the agreement was signed, a trilateral amendment to the NAFTA is now necessary to protect Canada's sovereign right to define the terms and conditions of water use, including trade.

And, despite the assertions of some, it's not quite as simple as: "as long as we don't turn on the tap and make that initial sale we're OK".

Firstly, there are those pesky large scale sales of water out of the Columbia River system to the Americans in the early 1990's; water that was not "treaty water", water for which BC was paid, albeit in hydroelectricity (see "NAFTA and Water Exports", Holm and Linton, Canadian Environmental Law Association, 1994).

Secondly, consider the policy scenario wherein we, in Canada, decide to undertake an irrigation project to benefit - lets say - southern Alberta farmers. Under NAFTA, the Americans are well within their rights to say "here's the extra \$2 billion our engineers say it will cost to upgrade this project to catch 10 's as much water and bring that extra water from 'up your way' to 'down our way'; American farmers want some too!" Water is a good owned and managed by the Crown on behalf of the people. Under NAFTA, the Canadian government cannot make that good available to Canadian farmers to the exclusion of American farmers if American farmers wish to participate. Particularly when the latter are more than willing to pay their share of the capital works to do so.

Arguably, we could always say "no" (expropriate their rights to specific performance) and instead pay compensation... And pay compensation... And pay compensation... And pay compensation... And pay compensation... (Picture the following Canadian equivalent of the Peanuts comic strip: Lucy, hand in chin behind a maple-leaf-emblazoned stand. But instead of "The doctor is In" sign, the sign on the left says: "Line up here for Canadian water" and the sign on the right says: "Line up here for Canadian bucks"...)

GREEN SUBSIDIES - ACHIEVING A LEVEL PLAYING FIELD

In early December, I had the privilege of attending the National Farmers' Union Annual Convention to participate in a key-note panel on the WTO. The theme of the Convention, held in Saskatoon, was "Trade as if Farmers Mattered." When I spoke, I presented to the 200 or so farmers in attendance the findings of the BC Fruit Growers' 1998 ALR Report; specifically the OECD-generated statistics that show how Canada has cut its subsidies faster and sharper than any other OECD nation (other than New Zealand); how governments in the rest of the world are racing to put in place the green (environment-based) farm subsidy programs FULLY PERMITTED UNDER THE WTO; and (last but not least) just how far Canadian farmers have fallen behind in that race (can we say "non-starters"?).

I told them how I'd told the BCFGAs Executive when I started the Project that my objective had been to "produce a report that was supported by both Robbie Dawson and Gordy Ivans", what that meant, and why it had provoked a chuckle around the table. And why I'd replied "any less and I'm not doing my job".

I told them how the BC Agricultural Council had released the Report in Victoria one week prior to the convention; the first time to my knowledge that the cattlemen and the poultrymen and all commodity groups in between have been on the same side of the fence on a major farm policy issue. I told them how, unfortunately, it was also the day Ross Rebigliati's blood tests were released. End of story. NO MEDIA.

And I repeated to them Alan Claridge's words — words that had hung in my mind ever since I'd interviewed him for the study: "When I went to Ottawa they asked me 'and just how many farmers do you represent' and I replied 'I represent them all'. And that made all the difference."

In January of 1998, we had all of the farmers in BC together on this issue. When the BCAC released the BCFGAs' ALR Report, it was saying "we represent them all".

What happened?

Where is the call for the study that ranks BC farmers in top 2% in the world in terms of sustainable farm management practices? Where is the call for the study that looks at how to construct the "green

subsidies" that BC's oh-so-careful farmers warrant and which our competitors have had in place for years in response to the very same GATT/WTO sanctions?

Rather than acting on it, the bureaucrats ignored the farmers' Report. Instead, we are witnessing the decapitalization of our independent farm sector.

DECAPITALIZATION

It's funny how you always seem to leave a gathering of farmers with more than when you came in. At least that's the way it seems to me. The term "decapitalization" is a good example; a concept that first came to mind when speaking to the National Farmers Union Annual Convention in Saskatoon in early December.

As I listened to farmer after farmer talk about failing commodity markets and farm debt and the bureaucrats preaching "globalization", "rationalization" and "diversification" (what I call the "shun" words of the 90's because they have been coincident with the shunning of farmers from the court of good policy) it occurred to me that what we are really witnessing is the *DECAPITALIZATION* of Canada's independent farmers.

DECAPITALIZATION: the systematic and persistent extraction of capital from a sector through:

- capture of margins (market concentration at the supply and processing end);
- creation of debt (reduction in policy support, farm safety nets and farm subsidies; increased reliance on debt and equity capital);
- reduction in market shares/returns (increased competition due to removal of trade protection; removal of anti-dumping protection);
- escalation of costs (e.g. capital costs for land, operating expenses, increased market risks);

Unless this situation is quickly reversed, BC's independent farm sector — already endangered — will soon become extinct.

* Holm, W.R. ed. WATER AND FREE TRADE. James Lorimer Publishers, Toronto. 1988.

Although penned over a decade ago, the opinions of Dr. Scott and others are poignantly relevant to the issues facing Canada today. As Peter C. Newman observes on the book's back cover: *"Fresh water is our lifeblood. It is considered by most Canadians to be the sacred depository of our identity and of our future. This book tackles the essential issue of how we can keep it our own."*

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