

Water and Canada's Bilateral Relations with the United States

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One of the Canadian government's political and economic priorities has always been its bilateral relations with the United States. In the last decade, however, it has incorporated another issue regarding its biggest trade partner: security, specifically in the framework of the Security and Prosperity Partnership of North America (SPP). Undoubtedly, this alliance reaffirms Canada's political and economic relationship with the U.S. government, which is alive and well despite being quite asymmetrical.¹

Both political and economic forces have managed to remain stable, not only because they share one of the longest

borders in the world, where 80 percent of the Canadian population lives and which includes the Great Lakes, one of the world's biggest reserves of fresh water (18 percent), but also because of the dynamism of trade.

The proximity, the language, growing investments, Canada's natural resources, etc., have fostered among other things very dynamic trade along the world's longest non-militarized border.² Naturally, it has also forged ample cooperation with Canada's southern neighbor through different accords like the 2001 intelligent border agreement, the establishment of the Binational Planning Group in 2002 and the 2005 joint declaration about common security and prosperity, among others.³

The main points on the bilateral agenda cluster around three key issues for the two economies: defense, trade and development. This ensures that efforts are not diluted in too

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many activities. The United States has shown special interest in these three points, not only included in the North American Free Trade Agreement (NAFTA), but also reaffirmed in the SPP. This makes the bilateral relationship more than economic, but one that is a strategic link that seeks to create a common front together with Mexico particularly *vis-à-vis* territorial security, which of course includes insuring energy supply and natural resources like water.

Bilateral relations between Canada and the United States have been reinforced by current Prime Minister Stephen Harper, member of an ultra-right party, whose discourse and actions point to greater integration with his southern neighbor.⁴

Harper, who has repeatedly shown by word and deed his total alignment with the neoconservative current dominant south of the border, showed from the start that his conservative government's fundamental foreign policy priority was the relationship with the United States, a omnipresent topic that some classify as complex interdependence.

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Harper's policy leans naturally toward greater economic integration with the United States, dubbed "deep integration," not only in the sphere of economics, but also, those of politics, the socio-cultural, security and the environment.⁵

The Harper government economic and trade policy projects a treaty to share management of natural resources, since Canada is the world's main exporter of energy (gas and oil) to the United States and a continental water market.

Clearly, one U.S. government priority is to ensure its supply of Canadian natural resources, mainly fuel and water, resources that are today key for the countries of the north.⁶ It also urgently wants to ensure foreign investment in sectors linked to natural resources like water or oil, which are big business opportunities for big U.S. corporations.

In the specific case of water, bilateral relations have a long history of a series of accords and differences with regard to the Great Lakes, an important part of the common border.⁷ Discussions on the topic began in the last century with

ample administrative cooperation, beginning with the signing of a treaty in 1909, which established basic responsibilities and objectives to be pursued with regard to the Great Lakes, a natural border between the two territories. This accord gave rise to the International Joint Commission, which managed and set goals for handling the Great Lakes and some of the rivers that cross or run along the two countries' border.⁸

Later, in 1972, the two countries signed the Great Lakes Water Quality Agreement, revised in 1978 and 1987, committing them both to maintaining the area's ecosystem, and leading to the signing of two new accords in 2005.⁹ There were almost no discussions during the negotiations for these accords about water exports, not because there were no plans for them, but because no signed accord has clearly stipulated the status of Canadian water.

What has happened have been several disputes about water being diverted to the United States,¹⁰ linked to its increased consumption.¹¹ This means that water continues to be an issue on the bilateral agenda.

It should be pointed out that in the western United States, water needs have increased because of economic development and population growth, making securing it a priority. Water disputes in this region have taken place over the distribution of Colorado River water because the states it runs through have had difficulties getting enough. For this reason, in 1922, delegates from seven states (Wyoming, Colorado, Utah, New Mexico, Arizona, Nevada and California) signed the Colorado River Compact that assigned them each water quotas.¹² These differences over Colorado River water throw into relief the importance of transporting Canadian water by building aqueducts.

Canadian water then became a matter of the first order for its southern neighbor, added to the belief that Canada has a great deal of water. However, actually, Canada has 6.5 percent of the world's water and the United States 6.4 percent, that is, similar amounts. Of course, if we measure it per inhabitant, then Canada has a much greater supply since its population is only 31 million. Another argument in favor of the idea that Canada has a great deal of water is that its territory covers 20 percent of the world's land mass; but not all its water is accessible since some of it is in the form of glaciers or underground sources, etc.

After the Great Lakes accords, which include a series of commitments that have not always been precisely lived up to, we can identify three important moments in bilateral water relations, all closely linked with politics and the econ-

omy. But also, as I already mentioned, Canadian water's status does not seem to be sufficiently clear *vis-à-vis* the needs of its biggest trade partner. The first is the signing of the 1989 bilateral trade agreement; the second, NAFTA's coming into effect in 1994; and the third, the signing of the SPP in 2005.

The first time anyone mentioned the idea of exporting water to the United States was in the 1960s when there was talk of the Grand Canal Company building a large canal to export Canadian water, taking advantage of growing bilateral trade. This agreement was never signed, however, and it was not until some time later when the issue of water was again considered.¹³

Given the possibility of formalizing a free trade agreement with the United States by 1988, Canada began to venture into the area of water resources.¹⁴ So, in 1987, it developed its Federal Water Policy, an initiative that guaranteed the federal government exclusive jurisdiction for the conservation and protection of the oceans, its coastlines, marine species, border waters and federal lands, plus the supply of drinking water and the cleansing and treatment of the water consumed by indigenous peoples.¹⁵ The document, presented to the House of Commons in November 1987, emphasized that the government of Canada did not oppose the export of small amounts of water, as long as it was regulated and coordinated with the provincial governments. However, this bill died in Parliament.

In August 1988, a few months before the signing of the free trade agreement with the United States, the Ministry of the Environment developed a first bill known as the Canada Water Preservation Act (Bill C-156).¹⁶ More specific than the Federal Water Policy, it definitively prohibits water exports as well as channeling it off from the border area as exports. The bill only respects the volumes of water agreed to with the United States with regard to consumption from the Great Lakes in the border area, stipulating that this volume should not surpass the daily quota of one cubic meter per second. This agreement did not include the export of bottled water.

However, a short time after the bill was presented and before it came under consideration on the floor of the Commons, the federal government called for general elections and the project was dropped.¹⁷ Since the bill was not passed, opposition to water exports has simply come to a standstill.

The second important moment was NAFTA coming into effect. The agreement describes water as a good or commod-

ity and stipulates that none of the parties can prohibit or restrict the export or sale of any good or commodity from one country to another. This means that once Canada exports water to the United States, it will not be able to stop doing it. Also, NAFTA demands equal treatment for the companies of the three countries, which means that a U.S. company will have the same right to exploit water as a Canadian company. This creates a situation very similar to that of oil and gas, in which U.S. investments in these sectors come to more than 50 percent and 70 percent, respectively, and most of the exports go to the U.S. market. Bottled water produced in Canada is in the same situation, in which foreign companies control more than 50 percent of production.¹⁸

One key and very dynamic actor in NAFTA negotiations was the Liberal Party's Jean Chrétien, elected prime minister in 1993. Just like the Conservative governments, the Liberal government declined to negotiate exempting water from the trade agreements, even though the Canadian gov-

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ernment had negotiated exemptions for some other raw materials like wood and unprocessed fish.

While Mexico refused to include oil in NAFTA negotiations, Canada only excluded water technically through a press statement by the prime minister pointing out that the three governments were in agreement that nothing in NAFTA mandated the export of water from any of the three countries:

The NAFTA creates no rights to the natural water resources of any Party to the Agreement. Unless water, in any form, has entered into commerce and become a good or product, it is not covered by the provisions of any trade agreement, including the NAFTA. And nothing in the NAFTA would oblige any NAFTA Party to either exploit its water for commercial use, or to begin exporting water in any form. Water in its natural state in lakes, rivers, reservoirs, aquifers, water basins and the like is not a good or product, is not traded, and therefore is not and has never been subject to the terms of any trade agreement.¹⁹

The ratification of this kind of clause may well have put large sums at risk linked to bilateral trade and investments.

In 2001, an Industry Canada public statement emphasized that, due to U.S. water supply problems, particularly in the Southwest, the issue of water exports might reemerge and that, despite the fact that large water exports were *technically* forbidden, the situation might become unsustainable. Therefore, according to Richard G. Harris, Canada might review its policy on this matter and consider whether it could export water with an appropriate pricing policy. This would of course cause heated debate and therefore meant it was time to pay attention to it.²⁰

The third moment was March 23, 2005, when the SPP was signed. It is also known as “NAFTA Plus” because some analysts think it goes beyond the realm of a simple free trade agreement since NAFTA has already borne the fruit that can be expected of it with regard to trade with the United States.²¹ Therefore, the next step was ensuring natural resources by making a common front in North America.

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The advent of the SPP in 2005 throws into relief the reaffirmation of a new commitment with a regional focus for North America, which is merely the U.S. government ensuring investments and natural resources like water and oil, among others.

The main argument regarding water is that it is becoming scarce in some regions and alternative sources are being sought. North America is not immune to this, particularly northern Mexico and the U.S. Southwest, which, unlike Canada, are already suffering from water stress. That is why the three countries need to come to regional agreements on issues like the consumption and transfer of water; the channeling of artificial fresh water; and water conservation technologies for irrigation and urban consumption. The United States also wants to include underground water.

Canada’s long history with the United States regarding water and the different agreements they have signed show

that up until now the U.S. government has acted quite prudently. Without pressuring too much, it has involved Canada in a series of negotiations that have led them to consider water an economic good —bottled water is the first step— and also something that is part of its common foreign policy, as can be seen more specifically in the SPP.

The U.S. government is pressing vigorously to improve cooperation among the three countries in the SPP framework, particularly with regard to natural resources, of which water is an important one. The SPP is a danger not only because it is a dialogue that is neither very transparent nor very open —apparently few citizens in the three countries are familiar with the scope of the accord— but also because of the pressure that can be brought to bear to ensure the water supply. It is therefore a strategic issue for the U.S. economy.

Despite the fact that water is considered property of Canadians and not a continental good, Canada has had a very difficult time establishing precise limits in its management with the United States, to a large degree due to fear of putting its trade and political relationship with its larger partner at risk. The pressures surrounding water are important, which is why Canada must rigorously review its water policy, which of course could incur frictions.

Greater trade integration and integration of other kinds as the SPP proposes puts Canada in a difficult position, which is why it must maximize its autonomous use of water. It should inform its trade partners that water exports are banned by the SPP since, at the end of the day, they solve nothing and can, on the contrary, cause environmental problems. Canada has never exported water to any country, but the intention to do so exists. **MM**

NOTES

¹ Canada and the United States enjoy an economic partnership unique in the contemporary world; they share one of the world’s largest and most comprehensive trading relationships, which supports millions of jobs in both countries. Since the implementation of the Canada-U.S. Free Trade Agreement in 1989, two-way trade has tripled. Under the North American Free Trade Agreement (NAFTA), growth in bilateral trade between Canada and the U.S. has averaged almost 6 percent annually over the last decade. In 2006, bilateral trade in goods and services was US\$577 billion, with over US\$1.6 billion worth of goods and services crossing the border every single day. Canada’s trade with the United States is equivalent to 53 percent of its GDP; the United States represents roughly 4/5 of Canada’s exports and over 1/2 of its imports. U.S. direct investment in Canada was worth more than US\$241 billion, while Canadian direct investment in the United States was close to US\$197 billion. http://geo.international.gc.ca/can-m/washington/trade_and_investment/trade_partnership-en.asp

- ² The goods and services that cross the border every day are worth almost US\$1.8 billion; more than half a million persons and 37,000 trucks cross every day; and 79 percent of Canada's exports and 65 percent of its imports come and go to the United States.
- ³ Given that trade is very intense between the two countries and to try to tighten security along the border and facilitate trade, the intelligent border consists, among other things, of U.S. customs officials going directly to Canadian production plants to certify *in situ* that the goods slated for shipping are the right ones. See Delia Montero, "Interprovincial Trade and Intelligent Borders in Canada," *Voices of Mexico* 61 (October-December 2002).
- ⁴ The late-2005 election of Conservative Party member Harper put an end to 12 years of Liberal Party government. Many in Canada considered the Liberals the "natural party" of government because it was the center of national politics, having been in power 78 of the 110 years of electoral history. The Conservative Party has also been called the "Canadian Republicans" because of its similarities with the U.S. Grand Old Party with its social conservatism, religious fundamentalism and rural base. Harper won the elections by attacking the Liberals as corrupt, inefficient bureaucrats, arguing that the administrations of Paul Martin and Jean Chrétien had mismanaged public funds. Campaigning under a slogan of responsible government enabled him to launch his right-wing program.
- ⁵ Recently, Prime Minister Harper said that the Kyoto Protocol was a mistake, despite environmentalist groups' considering that Canada's position is unjustifiable. See <http://www.ledevoir.com/2007/11/27/166236.html?fe=2526&fr=54540>
- ⁶ Claude Zerfatti, "Impérialisme et militarisme: actualité du XXI^e siècle," lecture delivered at the Autonomous Metropolitan University, Iztapalapa campus, in Mexico City, May 3, 2006.
- ⁷ The Great Lakes are the source of 18 percent of the world's fresh water and make up about 40 percent of the 8,000-kilometer-long border between the United States and Canada, concentrating 65 million inhabitants, 40 percent of U.S. and 50 percent of Canadian industry.
- ⁸ OECD, *Environmental Performance Review* 2004, p. 179.
- ⁹ One of the biggest controversies with regard to these treaties is Canada's disagreement with increased diversion of water from Lake Michigan to the Mississippi River. See Delia Montero, "Les Grands Lacs et le Saint-Laurent face aux défis du développement et des nouveaux besoins en eau," paper presented in Someure, France in June 2006.
- ¹⁰ Any re-direction of water from the Great Lakes could have important repercussions for Canada since the rivers born there flow north into Canada. Thus, funneling the water south would not only change the volumes of water flowing north, but would also create changes in the species inhabiting the rivers.
- ¹¹ The United States has 5 percent of the world's population and consumes 25 percent of its natural resources. About 40 percent of U.S. industry and 50 percent of Canadian industry is located in the Great Lakes region. In addition, some parts of the United States, like California and Arizona, are currently suffering from water stress.
- ¹² F. Lasserre and L. Descroix, *Eaux et territoires. Tension, coopérations et géopolitique de l'eau* (Québec: Presses de l'Université de Québec, 2005), p. 370.
- ¹³ It should be pointed out that natural resources have been the subject of major debates for years and issues like the contamination of the air or water came up as matters of public policy only in the 1960s. O.P. Dwivedi, et al., *Sustainable Development and Canada. National and International Perspectives* (Toronto: Broadview Press, 2001).
- ¹⁴ The signing of this bilateral free trade agreement implied guaranteed, improved access for Canadian goods to the huge U.S. market when the U.S. made exemptions in its protectionist laws and reduced tariffs on manufactured products from Canada. Stephen Clarkson, "Tratados de comercio como constituciones: la experiencia de Canadá como Estado postnacional," Teresa Gutiérrez H. and Mónica Vereá, comps., *Canadá en transición* (Mexico City: CISAN-UNAM, 1994), p. 134.
- ¹⁵ OECD, *op. cit.*, p. 54.
- ¹⁶ On August 25, 1988, Minister of the Environment Tom MacMillan presented this bill to preserve water to the House of Commons. Macmillan said that its aim was to give the federal government legal clout, as had been the objective of the 1987 bill, but the new version completely prohibits water exports. See <http://dsp-psd.pwgsc.gc.ca/Collection-R/LoPBdP/BP/prb995-e.htm#BILL%20C-156>
- ¹⁷ Since then, no other bill about water has been presented to Parliament.
- ¹⁸ Delia Montero, "Water in Québec: A Transnational Business," *International Journal of Canadian Studies* 29 (Ottawa), 2004.
- ¹⁹ Government of Canada, Law and Government Division, "Water Exports and the NAFTA," document prepared by David Johansen, March 8, 1999, at <http://dsp-psd.pwgsc.gc.ca/Collection-R/LoPBdP/BP/prb995-e.htm#>
- ²⁰ Richard G. Harris, "L'Intégration économique de l'Amérique du Nord: problématique et recherche future," no. 10, Simon Fraser University (April 2001) at <http://strategis.ic.gc.ca/epic/site/eas-aes.nsf/fr/ra1809f.html>, p. 31.
- ²¹ Enrique Pino, "Canadá y México: ¿socios distantes? Los límites del comercio intrarregional," paper presented at the Seminario Interuniversitario de Estudios Canadienses (Seminecal), in Bogotá, April 6 and 7, 2006.

FURTHER READING

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