Oil and Water: The Contrasting Anatomies of Resource Conflicts

‘I’M RUNNING OUT OF DEMONS. I’M RUNNING OUT OF VILLAINS’, said Colin Powell in 1991, nicely articulating one of the key difficulties facing the developed capitalist world, and the US state in particular, in the aftermath of the demise of the Soviet Union.¹ Since then a whole panoply of demons have been discovered, created or otherwise ‘securitized’: rogue states and collapsed states; Islamic fundamentalists and narco-terrorists and assorted problems of governance, development, human rights and environmental degradation.² Key amongst the latter has become the threat of ‘water wars’. ‘Water wars’, goes the common wisdom, ‘are unfortunately likely to be of more and more common occurrence in the future’, to the extent that ‘water security will soon rank with military security in the war rooms of defense ministries’.³ This is especially the case in the Middle East. ‘The Middle East stands at the precipice of another major natural resource crisis’, write Joyce Starr and Daniel Stoll of the Center for Strategic and International Studies, Washington DC, in one of the earliest prognoses on the subject. ‘Before the twenty-first century, the struggle over limited and threatened water resources could sunder already fragile ties among regional states and lead to unprecedented upheaval within the area.’⁴ For Starr, resolving water

conflicts in the Middle East is hence no less than the ‘key to world survival’.  

One important sub-theme of this discourse centres on the supposed transition from an era of oil conflicts, to one of water wars. Water, it is often said, ‘has become a commodity as important as oil’; water is now even perhaps ‘the Middle East’s most precious resource’. Hence, as World Bank Vice-President Ismail Serageldin put it in 1995, while ‘many of the wars of this century were about oil . . . wars of the next century will be over water’. ‘Efforts to manipulate the global supply of petroleum have been a leading phenomenon of the final decades of the 20th century. Control of the sources of fresh water could be equally significant in the opening decades of the next.’ Gradually, water shortages are replacing oil as a cause for international conflicts. ‘For Texas Now, Water, Not Oil, is Liquid Gold’, proclaimed a front-page story in the New York Times in 2001. ‘Nations go to war over oil, but there are substitutes for oil. How much more intractable might be wars that are fought over water, an ever-scarcer commodity for which there is no substitute?’ A frightening prospect indeed.

There are numerous grounds on which water wars arguments may be, and indeed already have been, criticized. Most existing critiques tend to centre on questions of historical evidence, the aim being to rebut the oft-made assertion that water shortages have already been an important factor in causing, or at least contributing to,

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international conflicts such as the 1967 Arab–Israeli war and the 1982 Israeli invasion of Lebanon (I will consider a little of this evidence later on). This evidence clearly testifies to the negligible role played by competition over water resources in the Middle East’s late twentieth-century international conflicts. But there are two additional fatal flaws to water wars discourse. First and most conspicuously, many of the more reckless prophecies of the water wars brigade have already been proven hopelessly wrong: pace Starr and Stoll, the turn of the twentieth century did not see ‘unprecedented’ water-induced ‘upheaval’ in the Middle East; against Israeli water expert Nurit Kliot, water did not ‘become the dominant subject of conflict for the Middle East by the year 2000’. Boutros Boutros Ghali is often quoted for his claim that ‘the next war in the Middle East will be over water, not politics’ – but what is less often mentioned is that this strikingly ill-timed forecast was made in May 1990, just three months before the onset of the 1990–91 Gulf War, an oil conflict if ever there was one. None of this exactly inspires confidence in the claims that water wars really do lie just over the horizon.

A more fundamental weakness of water wars discourse, however – and herein lies the focus of this paper – is in its wholesale elision or misunderstanding of the political economy of, and hence the social and political dynamics associated with, water conflicts. Water wars discourse is typically premised on Malthusian assumptions about the nature and roots of water scarcities, as well as on naively state-centric ideas about the causes of international conflict. However, the reality is that water scarcities are the products not of a Malthusian imbalance between supply and demand, but of the uneven patterns of eco-

12 For a recent example and summary of such critiques see Mustafa Dolatyar and Tim Gray, ‘The Politics of Scarcity in the Middle East’, *Environmental Politics*, 9: 3 (2000), pp. 65–88. As with many other such rebuttals of water wars discourse, Dolatyar and Gray’s argument is based not only (and quite reasonably) on historical counter-claims, but also (and much less defensively) on ahistorical assumptions about the rationality of state action vis-à-vis water, and the necessarily cooperation – rather than conflict-inducing character of water scarcities. For discussion, see Jan Selby, *Water, Power and Politics in the Middle East: The Other Israeli-Palestinian Conflict*, London, I. B. Tauris, 2003, ch. 2.


onomic development, and relentless transformations in human–nature relations, that are amongst the defining characteristics of modern industrialism and capitalism. Moreover, international water conflicts cannot be adequately explained in state-centric terms – as a matter of undifferentiated state actors doing battle over finite amounts of water in defence of their ‘national interests’. To the contrary, water conflicts, as with resource conflicts more generally, need to be analysed in relation to the often country-specific priorities and interests of state elites, and these in turn should be understood within the context of historically specific patterns of state formation, and the uneven development of world capitalism. The starting point for any analysis of the likelihood of water conflicts, in sum, should not be the available water resources, but rather the political economic dynamics through which both scarcity and conflict arise.

Approached through such a political-economic optic, it soon becomes apparent that the prophets of hydrological doom are very wide of the mark. My aim in this paper is to argue this case, and to do so, moreover, by exploring the validity of the oil–water analogy that is such a recurring feature of water wars discourse. The key question, here, is not whether water, like oil, is a finite resource whose scarcity might one day threaten vital national interests, but whether the political economy of water is such that water could one day become as great a cause of friction and violence as oil. Posed in this fashion, the question can confidently be answered in the negative: the oil–water analogy is fundamentally misplaced. Water may become – and indeed often already is – a focus of violent conflict in ‘underdeveloped’ and peripheral regions of the world but, as I argue towards the end of the paper, these conflicts are likely to be local rather than inter-state, and quite different both from those associated with oil, and from those imagined within so much of the water wars discourse.

We start – necessarily given the overall argument – by considering the comparative political economy of oil and water (the main points of which are summarized in Table 1). With this key context established, we then turn in the second part of the paper directly to the question of international and domestic conflicts over oil and water resources (summarized in Table 2). The Middle East is usually seen as the crucible of oil and water conflicts, and for that reason most of the paper focuses on this region; however, the arguments I make are general ones, applying equally to other areas of potential oil and
Table 1

<table>
<thead>
<tr>
<th>Political Economy of Oil</th>
<th>Political Economy of Water</th>
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<tbody>
<tr>
<td>1. Motor of industrial production and mass consumer capitalist societies</td>
<td>1. Key input into biological processes but much less important as an input into industrial production and consumption</td>
</tr>
<tr>
<td>2. An inaccessible and unevenly distributed non-renewable resource</td>
<td>2. A plentiful and relatively widely distributed renewable resource</td>
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<td>3. A strategic commodity and foreign policy concern for core capitalist powers</td>
<td>3. Not a strategic resource or foreign policy concern for major capitalist powers</td>
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<td>4. Oligopolistically organized and multinational corporation-dominated industry that generate extraordinary profits for companies and producer states</td>
<td>4. Generally organized until recently through public monopolies; industry not conducive to international monopoly or high profit rates</td>
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<tr>
<td>5. Revenues are a key input into economic development and state building in producer and consumer states</td>
<td>5. Revenues unlikely to be a significant input into either economic development or state-building</td>
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OIL AND WATER IN CONTEMPORARY CAPITALISM

Oil

There are five key features of the political economy of oil relevant to the present discussion. In the first place, oil is absolutely central to industrial production, as well as to the patterns of mass consumption and geographical mobility that are characteristic of developed capitalist societies. Industrial societies (whether capitalist or communist) are dominated by a ceaseless and competitive imperative to increase
the efficiency and volume of economic production. This imperative (attuned, in capitalist societies, by the struggle for profit) drives the progressive replacement of live human labour with the embedded ‘dead labour’ of technologies and machines. Modern industrial societies are also characterized by a constructed demand for an ever-increasing volume of commodities, and by a burgeoning and ever-quickening movement of goods and people. It is within these contexts that energy resources assume unprecedented importance. Moreover, oil currently being, for most productive purposes, the least labour-expensive, most efficient and hence cheapest energy form, ensures oil a vital role in both industrial production and mass consumption. In the short term, this dominant role is ensured and maintained by the fact that contemporary technological systems, from cars to oil-fired power stations, depend overwhelmingly on oil – thus ensuring that in the short run, oil demand is relatively inelastic, even in the face of dramatic price variations. Over the medium term, of course, rises in the price of oil can lead to the increased development and use of alternative energy sources, as the oil industry found in the late 1970s; but in the short term this is largely not possible. Over the long term, oil will probably be replaced by other forms of energy, as supplies dwindle or as less labour-expensive energy sources come on line. However, energy resources, oil or otherwise, will remain central to the political economy of the modern world system for as long as it remains a capitalist or indeed an industrialized one.

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<th>Oil and Conflict</th>
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<tr>
<td>1. Key factor in the consolidation of state power and in the creation of authoritarian regimes; major source of civil conflicts</td>
<td>1. Local violent domestic conflicts in the South increasingly commonplace</td>
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<td>2. Major cause of regional inter-state conflicts in oil-rich regions</td>
<td>2. Regional inter-state conflicts over water have never occurred and are increasingly unlikely</td>
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<tr>
<td>3. Major cause of inter-state conflicts between core capitalist powers and oil producers</td>
<td>3. Inter-state water wars involving core capitalist powers have never occurred and are extremely unlikely</td>
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Secondly, oil is, compared to water at least, a relatively inaccessible resource. It is highly unevenly distributed, in both quantitative and qualitative terms, with over 55 per cent of known reserves being located in the Middle East (over 20 per cent in Saudi Arabia alone), and some areas also enjoying much purer crude than others. It lies underground – sometimes deeply, even under the seabed – thus making oil exploitation a technologically complicated matter. Large-scale storage is difficult and expensive. And for purposes of modern production, crude oil needs refining, thus rendering it of limited practical worth to those without access to oil refining technologies. That said, in those areas where oil lies in vast quantities just below the earth’s surface – most notably in and around the Gulf – oil production is incredibly cheap.

Thirdly, due to the central role of oil in production and consumption, and to its relative inaccessibility, oil is necessarily a strategic commodity for developed industrial states (which, since the collapse of the Eastern bloc, is equivalent to the capitalist core). Oil is a resource that is needed to a much greater degree, and in much greater quantities, by this capitalist core than by its periphery (in many parts of which wood, in particular, continues to serve as the locally available primary source of energy). Moreover, given that the uneven distribution of oil is far from isomorphic with the uneven industrial or capitalist development, this inevitably makes oil a primarily internationally rather than domestically traded commodity, and leads to a high degree of foreign dependence on oil-producing states and regions. If this was only partially the case before 1970, when the US was still 90 per cent self-sufficient in energy resources, this is certainly the case now that the US, Europe and Japan all import the majority of their energy needs. Access to oil is necessarily, then, an important foreign policy concern of developed capitalist states.

Fourth, in large part for reasons discussed above, the oil industry has been characterized, ever since the late nineteenth century, by a high degree of monopoly, and by extraordinary profit rates. At the outset, oil did not generate high profit rates. Because of the ease with

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which it could be exploited relative to coal, for instance, the early oil industry was subject to drastic over-production and price collapses. Thus in Pennsylvania, while the ‘year after the first discovery, the price of oil was $20 a barrel; at the end of the year it was 10 cents a barrel, and sometimes a barrel of oil was literally cheaper than a barrel of water’. Yet the oil industry was at the leading edge of the transition from classical to ‘monopoly capitalism’ (wherein a handful of massive corporations would dominate each economic sector, simultaneously engaging both in fierce competition and collusion), and the industry has since remained highly centralized. This is partly because of economies of scale; partly because the integrated vertical structure of the industry creates a situation where potential competitors can readily be denied entry (for instance, Standard Oil established its dominance within the early US oil industry largely through its monopoly over distribution). Other reasons for the centralized structure are that the extreme volatility of oil prices generates strong incentives for price-fixing between corporations, and between cartels of producer states (such as OPEC); and because the oil concession system can best be exploited by those established corporations which are well connected with, and supported by, their respective governments. On the back of this monopoly structure, the oil industry has generated enormous profits. This has been especially so in the Middle East, where the negligible costs of production have generated ‘profits beyond the dreams of avarice’; and it has also been especially so at those times when the price of oil has, for whatever reason, skyrocketed, enabling producers to make enormous windfalls out of the short-term demand inelasticity of this vital energy resource (since the 1970s, the main proximate cause of price rises has been political instability in the Middle East, the main price peaks coinciding with the 1973 Arab–Israeli war, the onset in 1980 of the Iran–Iraq war, the 1990 Iraqi invasion of Kuwait, and the 2003 US-led invasion and occupation of Iraq). The record-breaking profits recorded by the

oil majors during and since 2003 are but the most recent example of a more general tendency.\(^{20}\)

Fifth and finally, the enormous profits derived from oil have provided significant impetus for investment, development and further capital accumulation, in the public and private sectors of both consumer and producer states. In a host of country- and historically-specific ways (some of which will be discussed later), they have provided capital for state-led development projects, for the build-up of military machines, for international loans and for the growth of private financial speculation. Oil profits have played key roles in empowering and consolidating the positions of a range of political and economic elites. Oil profits have, in sum, been central to the dynamics of (especially late twentieth century) capitalist development.

### Water

If we turn now to the case of water it becomes evident that in each of these five respects the political economy of water is quite different to the political economy of oil, and will likely remain so for a long time yet – either until oil is replaced as a key energy source and motor of industrial production, capital accumulation and mass consumption, or until capitalism and industrialism are transcended. Firstly, while oil derives its importance from its role as a central motor of capitalist production and consumption, the importance of water lies primarily in its being a biological and ecological sine qua non. Many industrial processes do require water, of course, but water is just as fundamental an input to non-capitalist and non-industrial processes. It is perhaps in part for this reason that water has traditionally been invisible as an input into mass production and consumption, even within industrial capitalist societies; water has generally been treated as a common good rather than a commodity, provided by the state as part of the social fabric of economic growth and development. Be that as it may, in spite of industrialization an

\(^{20}\) On 1 May Exxon Mobil reported quarterly corporate profits of US$7 billion, the biggest such sum in history (Guardian, 3 May 2003). With rising oil prices, profits again approached record levels during 2004. During the second quarter of 2004, for instance, Exxon Mobil recorded profits of US$5.8 billion.
estimated 86 per cent of global water consumption is still used in irrigation, with the global domestic and especially industrial sectors consuming much smaller volumes of water.\textsuperscript{21} Given that agriculture now makes only a small contribution to total economic activity within the core capitalist states, the consequence is that, over the short term, and on a country-by-country basis, water demand within industrial capitalist countries is much more elastic than demand for oil. A prolonged drought in Britain would no doubt affect crop production, but it would not fundamentally undermine the overall functioning of the economy, or social stability. Likewise, in 1991 drought conditions in Israel led to a drop in total water consumption from around 2,000 million cubic metres (mcm), to only 1,420 mcm (with about half of this saving coming in the agricultural sector, the other half in household conservation); by 1994, total water use had risen once again to over 2,000 mcm.\textsuperscript{22} Yet these cuts had negligible impacts on growth or stability. The same, it should be noted, would not have been true if Israel’s oil supplies had suddenly been cut by a third. It is true that, while in the long term there are alternatives to oil, there are no such alternatives to water. Nonetheless, this does not hide the fact that over the short term, and on a country-by-country basis, industrial capitalist societies are much more dependent on a stable supply of oil than a stable supply of water.

Secondly – and here the differences with oil are keenest of all – water is a relatively plentiful resource. Unlike oil, water falls regularly from the sky, spends millennia hanging around in lakes, oceans and glaciers, and washes up on beaches without killing seabirds. Water is unevenly distributed, of course, but unlike oil there are no parts of the world where there is no water. The total volume of world water reserves is estimated to be in the order of 1,385 million km\(^3\) – and if only 2.5 per cent of this is fresh water, and just 0.26 per cent of it fresh water contained in lakes and rivers, it is nonetheless the case that fresh water can be created from saline water, and can also be reused and recycled ad infinitum (these figures certainly compare


favourably to those for known global oil reserves, 193 km$^3$). Many experts claim that ‘the available water resources are simply limited’, being ‘determined by precipitation falling over the catchment areas where water is required’; that ‘future increases in population therefore imply increased water competition’; that globally the world population is ‘outrunning water supply’, that states across the Middle East are hitting a ‘water barrier’ and that there is ‘no “technological fix” for a planet that has run out of water’. However, this is quite simply incorrect. The foundational assumption of such Malthusian discourse is that nature and society are ontologically separate, humans being consumers of an otherwise discrete nature. The reality, though, is that human relations with nature are productive as well as consumptive, and hence that ‘natural resource thresholds’, ‘carrying capacities’, ‘water barriers’ and the like are functions not of a static and unyielding nature, but of the limited extent of human productive capacities relative to social need. As David Harvey puts it, ‘[t]o declare a state of ecoscarcity is in effect to say that we have not the will, wit, or capacity . . . to modify either our material practices or “nature” according to human requirements’.

In reality, human labour and its technological products – whether simple ones like pipes and buckets, or more complex ones like desalination plants – have always been crucial to the work of controlling water across time and space; ‘creating more water than the local environment provides . . . has been the water engineer’s role from time immemorial’. With much larger human populations than have ever existed before, much

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23 Shiklomanov, ‘World Fresh Water Resources’, p. 13. The latter figure is calculated from Oil and Gas Journal’s January 2003 estimate of known oil reserves of 1,212,881 billion barrels of crude (reproduced by the Energy Information Administration, www.eia.doe.gov). Thanks for Alex Hilliam for helping me with this.


larger volumes of fresh water now have to be conveyed, stored, recycled, produced and so on than has ever previously been the case. Hence waste water is now routinely recycled for agricultural and even human consumption, sea water is often desalinated (especially in those parts of the world where water is in very short supply and where plentiful energy resources exist to power the process); fresh water is now piped over longer distances than hitherto and conveyed in bags or tankers across the oceans, and states in water-scarce parts of the world come to rely increasingly on ‘virtual water’ imported in the form of food staples (these supplies being ‘virtual’ because, while they do not themselves contain much water, the production of these food staples does; the now global trade in food staples effectively allows importers of virtual water to devote a higher proportion of their water supplies to domestic and industrial uses). Such high-tech and high-energy means of making water available will necessarily have to be resorted to increasingly as populations and economies continue to grow, and many states and regions may not wholly succeed in this. But what is important to emphasize is that this will not be because of any naturally existing ‘water barriers’, but because of a lack of ‘wit, will, or capacity’ to produce and manage water in accordance with social need. Amongst other things, this will be because particular states and societies do not have the energy resources available – or the financial resources to purchase such energy resources – to desalinate, recycle or import water. Or, to put this another way, those states and societies that face critical water shortages will do so in large part because they face energy crises. Oil and water thus hold diametrically opposed positions within the productive structure of contemporary global capitalism: while oil is the key motor of economic production, water supplies are – with the exception of those that fall naturally on the ground – but one of its products.

Thirdly, it follows from this that water is not a strategic resource in the same sense as oil, especially not for the core capitalist states. Unlike oil, there is no a priori reason why water is required in greater quantities by the capitalist core than by its periphery (this being

because water is used primarily for agricultural purposes, and because, in an industrial capitalist system with high levels of global trade where economic power derives above all from the production of manufactures and services, there is no necessary reason why a capitalist state should be a net producer of foodstuffs). Nor is there any necessary reason why water consumption should continue to rise in industrial capitalist societies on a per capita basis. Moreover, given that, as a matter of geography, the core capitalist states are located in the temperate north of the planet, and mostly receive quite plentiful levels of rainfall, it so follows that they are only to a limited degree dependent on foreign sources of water. This point can be generalized: water, unlike oil, is primarily a domestically rather than internationally supplied commodity, with most of the world’s water supplies being both accessed (from rain, rivers, desalination plants or whatever) and consumed within the boundaries of the same state. For some states water is, of course, a strategic and hence important foreign policy concern, especially in circumstances where they are dependent on large trans-boundary rivers flowing through arid regions (as with Sudan and Egypt on the Nile, and Syria and Iraq on the Tigris-Euphrates), or where they are heavily dependent on imports of virtual water (as is especially so of Egypt, and Israel and the Occupied Territories).28 However, these cases are exceptions to the general rule.

Fourthly, for reasons already hinted at, the supply of water has generally not been monopolized internationally by multinational corporations, and has only rarely generated significant profits. Throughout most of the nineteenth and twentieth centuries, water was treated as a common good rather than a commodity, supplied – where it was supplied on an industrial scale at all – through public monopolies rather than profit-making companies. Water supplies have traditionally not been metered, and indeed they have often

28 Allan calculates that the total water and food production needs of the present populations of Israel, the West Bank and Gaza are 7.5 billion cubic metres per year, which, if correct, would suggest that two-thirds of their total water needs are imported from abroad in barely noticed virtual form; J. A. Allan, ‘Water in the Middle East and in Israel-Palestine: Some Local and Global Resource Issues’, in Marwan Haddad and Eran Feitelson, Joint Management of Shared Aquifers: The Second Workshop, Jerusalem, Palestine Consultancy Group and Harry S. Truman Institute for the Advancement of Peace, 1997, pp. 31–44.
been subsidized by the state for welfarist, developmental and political purposes. However, in the current era of neo-liberal privatization and commodification, this is of course changing. Increasingly water supplies are being metered (within the domestic and industrial sectors, and also within agriculture), and water utilities privatized. Multinational utility providers have emerged, with corporations such as Vivendi and RWE posting impressive profits on their water-sector investments. Nonetheless, at present only 5 per cent of the world’s population receive their water supplies from private corporations, and in light of this, it has been predicted that the current $400 billion water sector could soon become a multi-trillion dollar industry.

‘Water promises to be to the 21st century what oil was to the 20th century: the precious commodity that determines the wealth of nations’, proclaimed *Fortune* magazine recently. Could not the further commodification and privatization of oil pave the way for the water industry to become in the twenty-first century as great a source of profit as the oil industry was in the twentieth?

This is unlikely for several reasons. As with the oil industry, the development of the water industry is dependent upon the granting of concessions – concessions, for instance, to operate and upgrade a city’s or region’s water systems for so many years, to construct a particular pipeline, or to export fresh water from one country to another. In cases such as the former two (which are where the big multinationals are making hay at the moment), concessions are typically granted in a bid to raise capital to cover public sector deficits, or because the part-privatization of water utilities is a conditionality attached to an IMF loan or debt rescheduling. As with oil, the profits that accrue on such concessions depend heavily on their original terms: an agreement that allows significant leeway in water pricing is

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29. Vivendi Environment’s water-related revenue increased from $5 billion in 1990 to $12 billion in 2002: see ‘Vivendi’s Empire Building’, *Corporate Watch News*, 16 May 2003, at corporatewatch.org.uk/news/vivendi.htm. RWE’s corresponding water revenues were €2.85 billion. Indicative of the profitability of the water sector, however, RWE’s water division contributed more than 20 per cent of group profits, even though it was responsible for only 6.1 per cent of revenues: see ‘RWE: Positive News but is there a Gathering Storm?’, *Global Water Intelligence*, 4: 4 (2003), available at www.globalwaterintel.com/.


likely to be more profitable than one that does not. However – and here the crucial difference from the oil industry arises – in the management of water-supply concessions there are only limited opportunities and incentives for windfalls arising from collusion and price-fixing. There is no complex vertical structure which might aid the consolidation of monopoly. Moreover, while a state could conceivably collude with the holder of a water supply concession, allowing it to raise water charges significantly in return for financial paybacks (and indeed the vast number of recent cases of water fraud illustrates that this is common practice to a degree), there are clear limits to the feasibility of such practices in the water sector.32 In the first place, water is still viewed by most people as a common good rather than a commodity, and hence people are highly resistant to water price rises. Secondly, collusion is much more politically manageable when it is practised on an international rather than a local scale (when oil prices rise in Europe or North America, we are unsure whether to blame OPEC, or the oil majors, or our own governments for their indirect taxes and, unsurprisingly, political mobilization tends to be directed almost wholly against the latter, as in the 2002 refinery blockades in Britain; by contrast, when water prices rise by 35 per cent as they did in Cochachamba, Bolivia in 2000, in the wake of Bechtel’s takeover of local water supplies, it is quite clear who is responsible).33 Finally, if water prices are raised too high, water consumers can take matters into their own hands – for instance by disconnecting their water meters, by making illegal connections onto water pipelines running nearby, by harvesting water within local water storage systems, or by fetching it from nearby springs and rivers.34 The facts that water is relatively well distributed; that it regularly falls from the sky over most parts of the world; that it does not need treating for agricultural or most industrial purposes; and that it can be handled and used with the simplest of technologies – all of

32 See for example ‘Vivendi’s Empire Building’, Corporate Watch News.
34 Such practices are commonplace in water-short areas of the periphery. For discussion of such ‘arts of getting by’ within the West Bank, see Selby, Water, Power and Politics in the Middle East, ch. 8.
this makes it very difficult to establish monopolies over it, or to generate high profit rates from it, and in each of these regards water is very different from oil. Profit-making in the water industry depends largely upon its ability to win generous contracts, and this in turn depends on the regulatory weakness of state authorities, the power of international donors, financial organizations and private interests vis-à-vis these authorities and the willingness of donors to subsidize their home-based corporations through generous contracts. As important as sources of profit as these might be (though no more so than in the case of, say, privatized electricity utilities), profit rates will be inherently limited by the plentiful availability and accessibility of water resources. Thus unlike with oil, water profits are unlikely to become in any way central to the dynamics of capitalist accumulation and reproduction. Water will not be the ‘blue gold’ of the twenty-first century.

OIL, WATER AND CONFLICT

The pertinence of this comparative political economy for a comparative analysis of oil and water conflict lies in the fact that, within the contemporary capitalist world system, there are few fields where there exists as clear a connection between political economic dynamics and violent conflict as in that of resource conflicts. The linkage can be explored on three ‘levels’: at the level of state formation and state–society relations, at the level of regional international conflicts and in relation to the global interests of hegemonic and core capitalist states.

With regard, first, to state formation and state–society relations, oil has been one of the major determinants of these in oil-rich regions of the world, especially so in the Middle East. Not only were the boundaries of states such as Iraq and Kuwait delimited with oil very much in mind; oil revenues have also been key to the centralization of state power, the state-led development of economy and society and the consolidation of particular regimes.35 Iraq provides as good an example of this as any in the region. Established out of three disparate provinces of the Ottoman Empire, and economically

35 On the former see Marian Kent, Oil and Empire: British Policy and Mesopotamian Oil, 1900–1920, London, Macmillan, 1976.
and socially peripheral even within that (in 1920 there were only 200 secondary school children in the whole of Iraq), Iraq was at first a chronically weak state, marked during its first half-century by tribal insurrections, revolution, and a series of bloody coup d’états. This all changed, however, with the nationalization of oil from the 1960s onwards, and the four-fold rise in oil prices in 1973. It was on the back of this glut of petrodollars that the Ba’ath party consolidated its power and was able to remain in power for 35 years. Oil – or rather the social relations associated with oil production within the context of a petroleum-driven world economy – turned a chronically weak state into the most militarized and brutal police state in the region. Similar stories can be told of elsewhere in the Middle East: in states as different as Saudi Arabia, Libya and Syria, oil rents, or the remittances from them, have led to the consolidation of authoritarian regimes with weak social bases yet unrivalled longevity. Of course, the promise of oil revenues has also fed certain counter-tendencies. Demands for Kurdish autonomy have repeatedly foundered over the question of oil, exacerbating conflicts between the Kurdish minority and Iraq’s recently deposed Ba’athist regime. Equally, during the mid-1990s the struggle for control of oil revenues was central to the PUK–KDP ‘civil war’ in Northern Iraq (indicatively, the KDP, which controlled oil revenues, had a much stronger administration than the PKK, despite the latter’s control of most of the major Iraqi dams). Elsewhere in the world, oil has promoted, or been used as means of promoting, secessionist causes (for instance in Biafra and Aceh) have been a frequent source and site of unionization and class conflict (witness the part played by oil strikes in the Iranian revolution, as well as the recent conflict in Venezuela); and, especially where the discovery of oil has mapped onto pre-existing and well-established civil wars, has but intensified these (most recently in Colombia). In this context it is also worth noting that the discovery of oil resources is often highly politically destabilizing: unlike in the case of water, where surprise droughts are ‘bads’ that primarily affect an increasingly marginal economic sector, agriculture, and politically marginal rural populations, oil discoveries are ‘goods’ that launch

booms, and can readily nurture high political conflict. None of this is intelligible except in relation to the political economy of the oil industry and the enormous revenues that derive from it.

The same can be said for regional inter-state conflicts in oil-rich regions, most notably in the Gulf. There, not only are oil fields a focus of territorial ambitions and insecurities; in addition revenues deriving from oil provide the key financial resources for weapons imports and military mobilization. Moreover, the rentier phenomenon – in which regimes derive their authority and legitimacy primarily through the allocation of oil rents, but otherwise have weak social bases – creates states which are highly vulnerable to fluctuations in oil prices. Each of the first two Gulf Wars can in large part be explained in this fashion. That the Iran–Iraq War could last eight years was in large measure because of oil revenues (including, in the case of Iraq, loans from neighbouring oil-rich states); that it came to a close in 1988, while directly the result of growing US involvement, also took place within the context of declining oil prices. Furthermore, the Iraqi decision to go to war should itself be understood within its appropriate rentier context: militarized yet socially weak, the Iraqi state in the wake of the Iranian revolution faced a crisis of legitimacy, and was deeply vulnerable to domestic (as well as Iranian-backed) opposition. The new Iranian regime, for its part, was not yet consolidated, and thus for both parties the war played a crucial Orwellian role in helping to overcome domestic social contradictions. Moving forward to 1990, Iraq invaded Kuwait largely because the price of oil had sunk so low that it was unable to repay its war debts, or indeed to demobilize its army, Iraq accusing Kuwait and the GCC states of economic warfare against it (and also accusing Kuwait of slant drilling into the Rumaila oilfield on the border between them). While none of these conflicts is explicable solely in terms of the political economy of oil, they could not be adequately explained except with strong reference to them.

Finally, oil necessarily being a strategic commodity and a major source of profit for the capitalist core, leading capitalist states (most importantly the US) have repeatedly caused or contributed significantly to oil conflicts. This has been especially the case since the 1970s – which was when US oil imports as well as corporate oil profits

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sky-rocketed, and when the US oil strategy came to revolve around
the manipulation of, and provision of military protection for, Iran
and especially Saudi Arabia. Since then, the USA has followed ‘an
increasingly unilateralist energy strategy’, of which the recent inva-
sion of Iraq is but the latest development. Regional conflicts have
been quickly internationalized and manipulated: US troops were in
Saudi Arabia a mere five days after the Iraqi invasion of Kuwait; the
USA knew of Iraq’s intentions to invade but, for whatever reasons,
did little to warn against such action; and the Iran–Iraq war was also
internationalized in absentia, it being ‘US policy to prevent either
side from winning’. The oil-rich Gulf has become the key arena
outside Europe and the Korean peninsular for US military forces,
hosting bases in Saudi Arabia, Kuwait, Bahrain, Qatar, UAE, Oman,
Diego Garcia and now a military occupation in Iraq. Oil states have
also been the prime target of US or US-led economic sanctions (Iran,
Iraq, Libya), and a prime target for oil-dependent military sales from
the USA, UK, France and Russia. In these and other respects, oil-
producing regions and the Middle East in particular will continue to
be a focus of conflicts and instability involving the USA and other
core states. This much is readily admitted by Washington experts
such as Anthony Cordesman:

The punchline is simple. When we talk about Iraq, the Middle East, the Gulf,
our strategic interests, and the world’s economy, the fact is that all our pro-
jections of energy supply indicate that we will be dependent on the world’s
key source of oil exports [i.e. the Gulf] for decades to come. We can’t make
this going [sic] away with fantasies about other energy resources, by politi-
cal discussions of domestic energy policy that ignore the realities of what
such policies can or cannot hope to accomplish, or by exaggerating the role
of smaller oil powers. We have one vital strategic interest in the Middle East:
energy exports. Barring a technological miracle, that dependence will con-
tinue for decades. We cannot ignore today’s threat from Iraq, . . . even if we
are successful in going to war with Saddam. *We will still have to prepare for a
major regional contingency in the Middle East.*

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The story of water conflicts could hardly be more different. Firstly, there have never been, nor are there likely to be in the foreseeable future, inter-state wars over water directly involving core capitalist states. Water, for reasons already discussed, is not a strategic resource for the USA, Europe or Japan, and given the distribution of both water and political economic power it is unlikely to become one anytime soon. Also for reasons discussed already, the profits deriving from water will continue to be much more limited than those from oil, as well as much more geographically dispersed, and less characterized by corporate monopoly; further, because the water industry is a primarily domestic one, and is geographically dispersed, water corporations will not be able to accrue significant profit windfalls from political instability. For all of these reasons, core states are unlikely to get involved in regional or local water conflicts, excepting perhaps the odd tokenistic intervention for humanitarian purposes (water does admittedly hold a powerful symbolic value that could be prove fruitful territory for any ‘saviours of humankind’ in search of a mission). It is hard to imagine, though, that any leading world-power would send 500,000 troops to the other side of the world, as the USA did in 1990–91, with the principal aim of securing water resources.

Almost as unlikely are major regional inter-state conflicts over water resources. Within our capitalist world system, water is simply not important enough as a source of revenues, or as a source of security, for state elites to warrant going to war over it. Globally, and within most individual states, agriculture’s contributions to GDP, to foreign earnings and to labour forces are in constant decline, with the inevitable result that the political significance of agriculture is also on the wane. In turn, the importance of water as a source of political and economic power is ever-decreasing. In pre-capitalist times, water did sometimes play a determining role in state formation and hence policy, especially in ‘hydraulic societies’ located in arid areas, but that is no longer the case. Now only in cases where

43 As Alex Callinicos depicts the international dimension of New Labour’s ‘Third Way’ project; see his Against the Third Way: An Anti-Capitalist Critique, Cambridge, Polity Press, 2001, ch. 3.

a downstream state is highly dependent on a river for its water supplies and is also militarily stronger than its upstream riparian states (as is the case with Egypt), or where for specific historical and ideological reasons water is viewed as especially important to state security (as is the case with Israel) are water wars at all conceivable. Even in these cases the claimed likelihood of water wars is often overstated. Egypt has indeed claimed that it would be willing to go to war to secure its Nile supply, but cooperation over the Nile has been much more prevalent than conflict. As for Israel, while commentators such as Bulloch and Darwish assert that the 1967 war ‘was caused largely by competition for the waters of the Jordan’, this completely mistakes the war’s central political causes: as informed histories make clear, Israel launched ‘pre-emptive’ strikes on Egypt, Jordan and Syria not because of water resource disputes, but in an attempt to shatter Nasser’s prestige, to enhance the country’s strategic depth and to fulfil longstanding Zionist territorial ambitions; more broadly the war was the product of bipolarity, of the political rivalries between Arab states, of the political insecurities of Israel’s Eshkol-led government, and possibly of poor intelligence information. Besides these larger political causes, the question of control of water resources was of minor and largely tactical significance. Indeed in strictly economic terms, Israel could quite feasibly grant the Palestinians and neighbouring Arab states a much greater share of the region’s water resources. As one leading Israeli water expert, Saul Arlosoroff, observes of the Israeli–Palestinian water dispute: ‘The whole issue is


about 100 mcm in the foreseeable future, and 100 mcm desalinated from the sea is $100 million, $100 million when Israel’s GDP is already $100 billion. That makes it 0.1 per cent of GDP. So from an economic point of view, it’s irrelevant, water is irrelevant.’ Even Israel, no matter how economically irrational its policies may sometimes seem, would be unlikely to go to war for US$100 million.

If global and regional conflicts over water are unlikely, however, the same cannot be said of local water conflicts. Water is already a significant focus of local violence in many parts of the South, in a variety of ways and for a wide range of reasons. In July 2000, thousands of farmers in Shadong, in the Yellow River basin of eastern China, clashed with police over government plans to divert runoff from a local reservoir for urban industrial and domestic uses. Each summer in the West Bank there are small-scale clashes over the control of scarce piped water supplies, with downstream communities frequently taking the law into their own hands to ensure their supplies, and all parties working on an ad hoc basis to recruit Palestinian police and security agencies onto their sides. In 1999, it took 700 Yemeni soldiers to quell fighting between two villages over a local spring near Ta’iz (an incident that claimed six lives and injured 60 others). In the Indian state of Orissa, the granting of mining concessions has unleashed conflicts between local communities and global corporations, in large part because of the disastrous impact that mining can have on groundwater resources. In India and elsewhere, local farmers have taken action against the mass production of eucalyptus, for much the same reasons. Not only in Bolivia, but also in Ghana, South Africa, Argentina and other countries besides, local conflicts simmer over proposed and ongoing privatizations of

48 Interview, 5 April 1998.
49 Sandra Postel and Aaron Wolf, ‘Dehydrating Conflict’, Foreign Policy (September/October 2001), p. 61.
50 See Selby, Water, Power and Politics in the Middle East, ch. 7; and also Julie Trottier, Hydropolitics in the West Bank and Gaza Strip, Jerusalem, PASSIA, 1999, ch. 2.
public water utilities to Western multinationals. Across the world, conflicts have surrounded the displacement of as many as 80 million people in the wake of dam construction projects. The list could go on and on. Such conflicts take place on various levels, and have a range of different forms. Some are between economic and political elites on the one hand (who want to centralize control over water resources for developmental or political purposes, or whose economic projects have deleterious side-effects upon water resources) and ordinary, especially rural populations, caught up in the constant revolutionizing of social life that is such a defining feature of capitalism; in this regard, the conflicts over dam construction projects that are now so prevalent in the global South are merely the latest replays of those conflicts which were fought in the early 1900s in California and the American West. Other conflicts are fought amongst local political authorities, where within the context of weak central control over water sectors, the control of wells and pipelines can be an important source of municipal revenues and local political leverage. Still others are fought at much more local levels: over informal (and usually barely regulated) ‘grey market’ economies in water supplies; between extended family and clan groupings; between neighbouring villages and households. The majority of such conflicts take place within peripheral rural areas; most, moreover, are evidence of the weakness of central state authorities within their poor rural peripheries. By contrast with oil, the revenues from which tend to empower state elites vis-à-vis their populations, water bears a very uncertain relation to state formation. On the one hand, the centralization of control over water through the construction of large-scale

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supply infrastructures has been a powerful instrument in the consolidation of administrative state power over territories and populations. Yet on the other hand, the costliness and difficulty of controlling water resources and infrastructures, and the local importance of those resources within rural areas, can also place heavy demands on the state, can exacerbate tensions between local communities and hence can aid and abet processes of state collapse. Within our capitalist world system, large swathes of the global periphery are increasingly impoverished relative to the capitalist core, and in consequence, both the natural environment in the periphery and the administrative authority of peripheral states are increasingly degraded. Given this, one can only conclude that local water conflicts are likely to become an ever-more common feature of life in the global South.

CONCLUSIONS

In an article in the *New York Times*, published just before the recent invasion of Iraq, Stephen Pelletiere, a one-time political analyst for the CIA, opined that US policy-makers should see this as an opportunity not just to control Iraq’s oil, but also to control its water:

We are constantly reminded that Iraq has perhaps the world’s largest reserves of oil [sic]. But in a regional and perhaps even geopolitical sense, it may be more important that Iraq has the most extensive river system in the Middle East... In the 1990’s there was much discussion over the construction of a so-called Peace Pipeline that would bring the waters of the Tigris and Euphrates south to the parched Gulf States and, by extension, Israel. No progress has been made on this, largely because of Iraqi intransigence. With Iraq in American hands, of course, all that could change. Thus America could alter the destiny of the Middle East in a way that probably could not be challenged for decades – not solely by controlling Iraq’s oil, but by controlling its water.

Unfortunately, this fantastic claim is but a recent exemple of the tired and misleading thesis that ‘[w]hoever controls water or its distribution can dominate the Middle East and all its riches’. Such

57 Ibid.
arguments are premised on inadequate Malthusian ideas about the nature of water scarcities, and on grave misconceptions about the economic and political significance of water within contemporary capitalism. The oil–water analogy, as I have argued above, is fundamentally mistaken. Furthermore, water wars discourse and the oil–water analogy, in their obsession with water as a potential source of inter-state conflict, arguably miss and detract from the much more important issues: namely, the poverty, marginality and degradation of large parts of the global South, and the countless local water conflicts (and, more importantly still, water-related health, malnutrition and famine crises) that are their inevitable corollary. As Thomas Homer-Dixon so aptly writes:

This sensationalism distracts the public’s attention from the real results of water scarcity. Shortages reduce food production, aggravate poverty and disease, spur large migrations, and undermine a state’s moral authority and capacity to govern. Over time, these stresses can tear apart a poor society’s social fabric, causing chronic popular unrest and violence. Mr Serageldin and his World Bank colleagues should emphasize these outcomes rather than the chimera of water wars.61

Like so many of the other security ‘demons’ discovered since the end of the Cold War, water wars discourse obscures much more than it reveals.