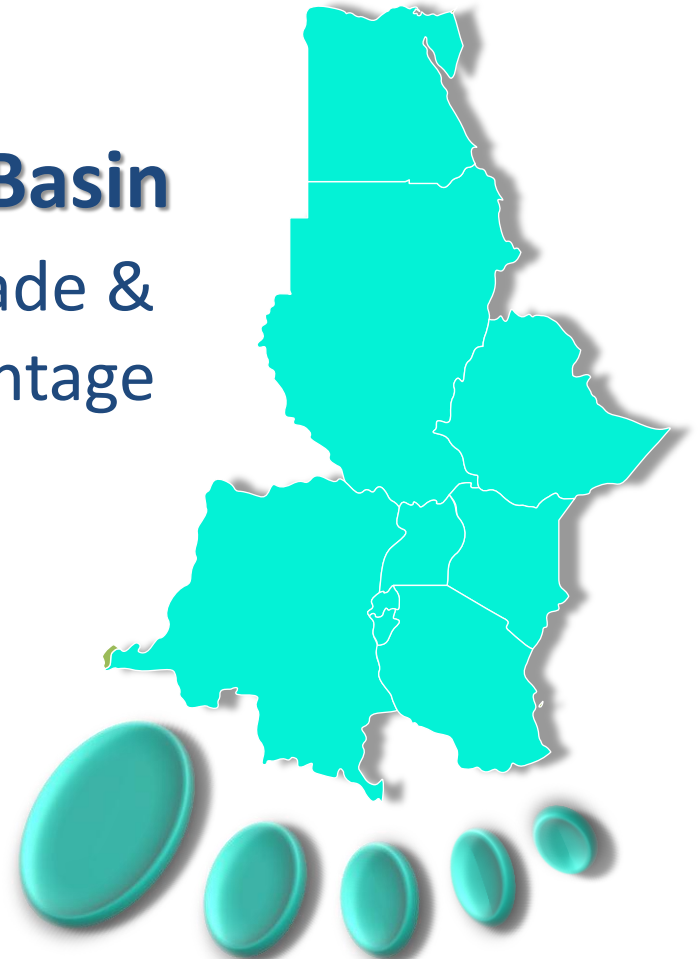


Water Footprint and the Nile Basin

Module 2: Water Footprint, Trade & Comparative Advantage



PEGASYS
Strategy and Development





2: Water Footprint, Trade & Comparative Advantage





Comparative Advantage

According to the theory of **comparative advantage**, nations can **gain from trade** if they concentrate or specialize in the production of goods and services for which they have a comparative advantage, while importing goods and services for which they have a comparative disadvantage.



Water Security & Trade



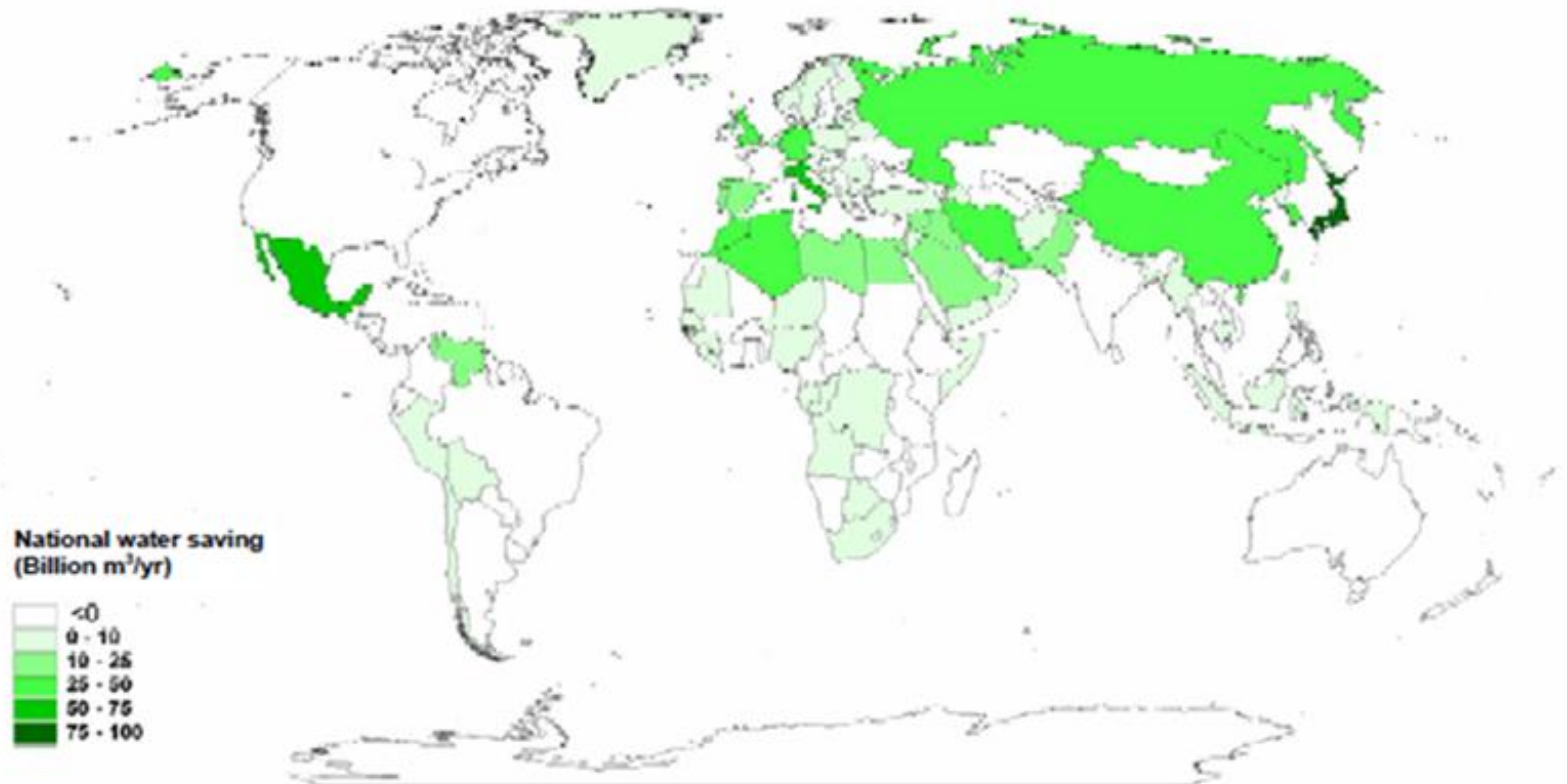
Some goods are water intensive.



Trade in goods which are water intensive can provide water security.



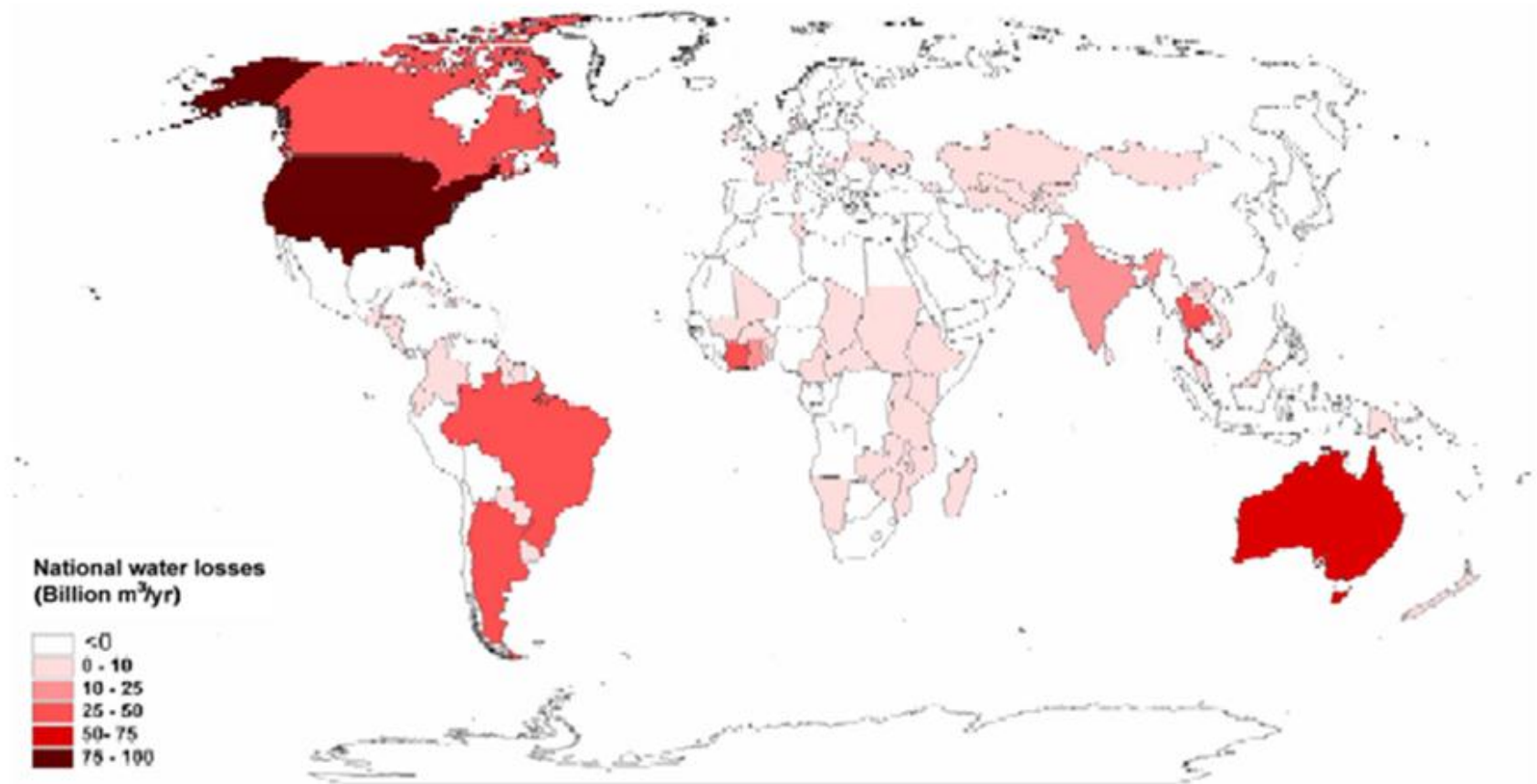
Virtual Water Importers



Some countries which are water scarce import “virtual water” and hence achieve water security.



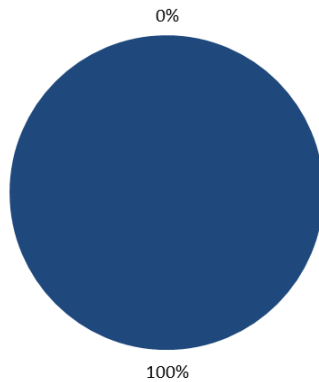
Virtual Water Exporters



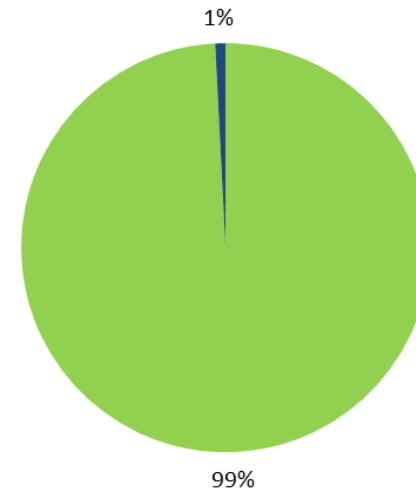
Countries can also export “virtual water”. Some countries have a comparative advantage in water resources.



Blue versus Green Water



Egyptian Wheat:
Total water: 930m³/ton
Green water: 0%
Blue water: 100%



Australian Wheat:
Total water: 1588m³/ton
Green water: 99%
Blue water: 1%



Water Footprint & Trade Policy

- Virtual water trade can be seen as a way to pursue water and food security.
- Virtual water trade can also be an area of opportunity for countries which are relatively water abundant.
- Virtual water and water footprint analysis are useful tools for thinking about:
 - Water security
 - Food security
 - Comparative advantage in trade
 - Water resource management.