

## Looming Water Crisis in China Threatens Growth

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By Frederik Balfour

Feb. 25 (Bloomberg) -- China's growth may be imperiled unless the country addresses a deepening water crisis, according to a report released by the Asia Water Project in Hong Kong today.

Scarcity and pollution of the resource will be particularly acute for water-intensive industries such as steel, textiles, paper and forest products, "Water in China: Issues for Responsible Investors," forecasts.

Ensuring a sustainable water supply in China is likely to become a key factor in corporate planning that will affect the nation's expansion and the profitability of companies operating in the country, according to the report. The world's third-largest economy has grown at an annual average pace of 9.9 percent over the past decade.

"There is much risk to investors from their exposure to increasing prices and increasing pollution and scarcity of water in China," Lucy Carmody, the editor of the report, said in an interview.

The report was commissioned by Asia Water Project, a Web site and research organization providing information to investors and businesses

about China's growing water crisis. It is funded by organizations including the Civic Exchange and the ADM Capital Foundation.

Because the price of water is kept low by the government, many companies do not yet realize the urgency of the problems that "could seriously impact earnings in high water-intensity areas like mining, beverages, hotels and construction," Carmody said. "As an investor in those sectors, I would start to raise the alarm."

### Lax Enforcement

China's rapid industrialization and desertification have created huge increases in demand for water and lax environmental enforcement has resulted in widespread problems of water pollution, according to the report.

"In the last two years it has become an investor issue in China and fund managers are starting to ask questions about the impact on the bottom line," Carmody said.

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