



CHINESE WOODCUT EXHORTING WORKERS TO REACH 'TOWARD THE YEAR 2000'

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have the leverage to stipulate terms for their capital investment, but the leverage is reversed in some important cases (*China*) and nations can dictate terms to the firms."

Dollar by dollar, China is opening itself to the rest of the world. It is projected to have the same kind of success in the international market as Taiwan, Singapore and Hong Kong. There is also a fair chance we will see loan re-servicing, IMF and World Bank incursion. Another South Korea, Indonesia, Thailand. China added to the heap of indebted countries. The international economy doesn't need it. The dam's success will play heavily in the world's balance of payments.

So how does China fit the pattern of Third World countries taking on debt from the G7 financial community? This is not easy to assess because Communist China has no real track record. She has always remained unto herself — until now. In any regard, development is an economic tight-wire in the free market arena. Only a select few nations have been able to escape the initial pit fall of loan reconstruction and then it's economic quicksand. It's true — especially when you enter the G7 monetary system from the outside.

Economic theory says capital import is the way for a country to develop. Records show, however, that once a loan is reserviced and economic conditionalities are imposed, things get very tough. The examples of failure greatly outnumber the successes. Credit has been extended and extended again to Mexico, Brazil, Argentina, Equador, Peru, Bolivia, and almost all Africa's sub-Saharan nations. Old loans threatening to default are invariably saved by new loans that are saved yet again by another new loan. Over and over again, developing countries have fallen victim to IMF austerity programs and trade liberalization. Clearly the Chinese could face the same fate. But the feeling is that China is different — more careful, more controlled.

Communist China entered the trust of the G7 monetary system in 1992 in a ground-breaking agreement offered through a Taiwanese investment firm, involving Merrill Lynch & Co. of the United States and the Lippo Group of Indonesia. This special access was, Barber and Ryder wrote in *Damming the Three Gorges*, "provided on the condition it provide financial support for the dam's construction." The dam has become the unholy symbol of this inter-ideological wedding. In spite of the high odds for the failure in the peculiar high stakes game of capital import. Wall Street believes China can make the money work. And hydroelectric power is an essential step in doing so.

Odd as it may seem to Westerners, Communist China has chosen to evolve into a business entity. Red has become brownshirted. It will be strict, totalitarian, single-minded and fascist. Behind all facades of political misgivings, Wall Street depends on this. To some the incident at Tiananmen Square is either good reason to stay out of China or minimally a card to play in the structuring of development loans. To others this very strictness of the society, the very presence of the Red Army as a workforce, is all the reason to invest. China may be no less corrupt or brutal than any other totalitarian nation, but the Chinese, say insiders, manage their greed better than cultures south of the equator. "China's rulers still run enough of a police state that they can break any factory-floor militancy and keep wage rises below productivity increases," brags *The Economist*. Simply: they can make austerity pay.

And in spite of all this hope for the new economic frontier in China, quite possibly because of it, ecologists have attacked the building of the Three Gorges Dam just as frantically as money from all over the world has been invested. Nearly every large environmental group in the world has filed protest against this 21st century monolith. As Dan Beard, onetime commissioner of the U.S. Bureau of Reclamation, said, "It is a serious mistake for any region in the world to use what we did on the Colorado and Columbia Rivers as examples to be duplicated." Large dams are an ecological disaster. No one should be building them. All over the world they are being decommissioned. At best their lifetimes are a hundred years. And with that comes vast impact to the land and its biology. Rivers carry the life-blood of the earth. Arteries cannot be blocked and clogged in healthy ecosystems any more than they can in healthy human beings. And China is already deep amid environmental stress. The 15 years of Mao's "Grain First", then the following 15 years of agricultural reform, were 30 years of irrigation and increasing amounts of chemical fertilizer. Soil degradation is widespread. Clean water is scarce and poorly managed. Aquifers are low. They are just completing a dam on the Yellow River. Its impact is an unknown. To risk further strain to the nation's overall environmental health by adding another huge dam is foolhardy. Some 1.8 million square kilometers of river drainage are affected; untold freshwater and estuarine fisheries, vital expanses of wildlife habitat and general water quality will all suffer.

In 1981, the Chinese invited a group of American engineers to study the site and offer assistance in the planning of the Three Gorges Dam. The Americans discouraged the project from the onset. It was too big. It would not solve the flooding problems. It would not increase the navigability of the river, and the huge reservoir could have large-scale geological impact, conceivably triggering landslides or earthquakes. On top of all this, it is strategic nonsense to focus so much power generation at one facility. It makes an obvious target of war or terrorism. Building a series of smaller dams upriver on the various tributaries could effect the same energy goals with less widespread impact. The dams could be done one at a time. The costs could be spread out over a longer period. Even flood management would be more adaptive and efficient. Though this initial report did cause the Chinese engineers to scale down their first plan for the dam, the project — the late Premier Li Peng's personal favorite — remained essentially the same. They were still building the largest dam the world has ever seen — by a factor of 30%.

Four years later, the Three Gorges Working Group, a consortium including Morgan Bank, Bechtel Civil & Mining, Merrill Lynch Capital Markets and the U.S. Army Corps of Engineers, began positioning offers for the job. Not since before the Communist revolution had Western industry been welcome in China. A Canadian Engineering Group associated with the World Bank immediately countered. At this time criticism from environmentalists all over the world surged to the debate. The World Bank offered another appraisal of the job. Then controversy erupted within China over the project. To Li Peng's chagrin the National People's Congress ordered a complete reappraisal in the spring of 1989. That same year the massacre at Tiananmen Square took place. The foreign money that China needed to build the dam got locked up in moral debate. Finance came finally in 1992 through the Merrill Lynch/Lippo connection. The project once slated to begin in 1984 entered into construction in 1993. The main channel of the Yangtze was officially closed in mid-November 1997.

In Taoist philosophy there is a concept called the path of least resistance. Its clearest example is the natural flow of water, from the skies, down through the mountains, from gurgling brook to meandering river, across the countryside to the oceans, and then evaporating back into the skies again. Water always follows the easiest route, twisting and turning here and there to the whim of the land, like the spill of a garden hose curling down a sidewalk. This image of nature is at the core of Chinese philosophy and culture. The path of least resistance is respected both as a natural law and a lesson in the economy of human nature. It has also been a central tenet in the centuries long debate on what should be done or not done to the Yangtze River. Traditions of the Great River have been imbedded in the people and the land over millennia. The river is the living *Tao* running through the center of their lives. The way of the Yangtze is the way of China. The perseverance of Chinese pastoral life is a reflection of trust in this. And at the heart of the Three Gorges debate lies this classic socio/ecological industrialization intruding upon traditional cultures. A bigger picture evinces more of China's delicate situation.

In the years between 1959 and 1961 some 30 million Chinese starved as a result of a nationwide famine. The extent of this human disaster did not reach Western news sources at the time. Only since the death of Mao have the details of the incident have been revealed. It occurred during the period of Mao's "Great Leap Forward", when all China's energies were directed to industrialization and modernization. Farmers were pulled from the land; land was pulled from cultivation, so factories and roads could be built, so a nation of 12th century peasants could gradually ascend into the 20th century. The plan backfired. Too many were pulled from the land. A long drought didn't help matters. China could not produce enough food to feed itself, and Mao was too proud to go to the rest of the world for help, creating the largest death toll due to food shortages in the history of the planet.

The devastation left a deep impression on the nation. During the next 30 years agriculture received top priority. In that period China nearly tripled its grain production. Today it surpasses the United States as the largest producer of grain in the world. Between them, China, the United States and Canada produce more than half the 1700 million tons of grain grown each year. Of the three, however, only China still needs to import small quantities of grain to meet the needs of its 1.2 billion population.

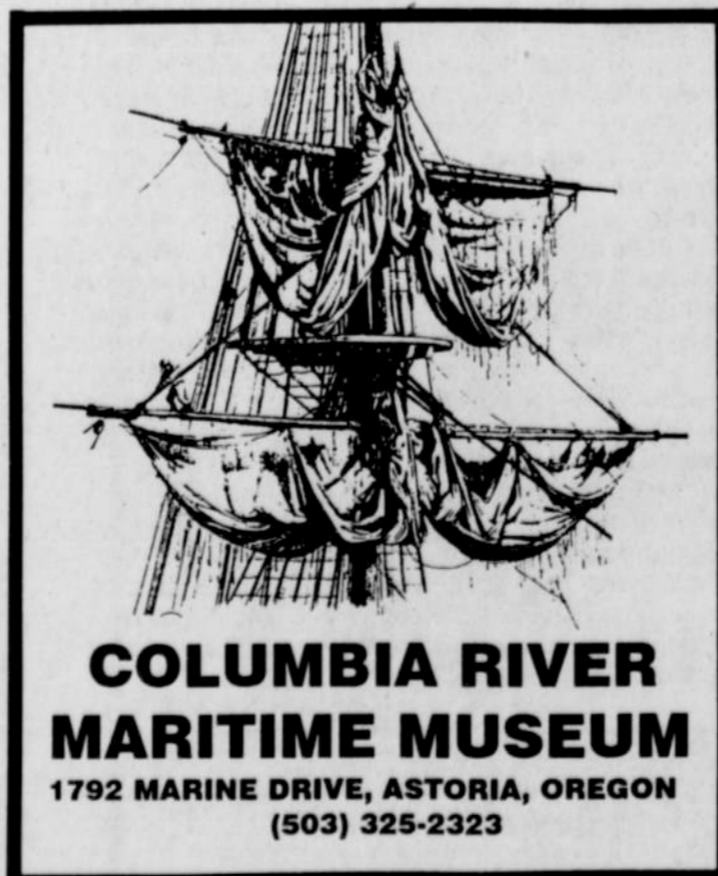
Now China ventures into another era of industrialization. Again the cost will be agriculture lost to the building of manufacturing plants, roads, parking lots, telephone lines and dam reservoirs — some 67,000 acres of cropland will be lost at Three Gorges. A nation that proclaimed in 1995 it would never import more than 5% of its grain is putting itself in a rather precarious position. In his book, *Who Will Feed China*, Lester Brown, President of the Worldwatch Institute in Washington, D.C., presents an extremely convincing argument for growing grain shortages in China in the years to come.

Brown parallels the development of Japan, Taiwan and South Korea to China's — as four heavily populated agrarian countries entering rapidly into capitalization. He projects that the land lost to China's meteoric industrialization will eventually sabotage the people versus arable land equation of food production. Though Beijing immediately refuted Brown's analysis, the examples of Japan, Taiwan and South Korea argue to the contrary. All three of these countries have lost approximately half their grain land to the industrialization in the years since 1950, forcing them as a group to import some 70% of their grain. In terms of the ratio of population to arable land, China now stands where Japan did in 1950. To attain the efficiency of land use that Japan does today would be an incredible, if not impossible, task for developing China if Brown's logic is correct:

"Understanding what lies in store for China depends on some knowledge of how rapid industrialization has affected cropland area in countries that were already densely populated before serious industrialization began. There are...only three countries that fit into this category: Japan, South Korea and Taiwan.

"The shrinkage in the grain land area in the three countries is remarkably similar. After peaking in 1955, Japan's grain land area shrank by 52% over the roughly four decades to 1994, or some 1.4% a year. For South Korea, the area has dropped 46% since peaking in 1965, an annual decline of 1.2%. The trend for Taiwan is similar — a loss of 42% from 1962 to 1994, or 1.2% a year. For the three countries combined, the grain land area peaked in 1956 at 7.9 million hectares; by 1993 it had declined to 4.1 hectares. This drop of 48% over 37 years means the grain land area shrank by an average of 1.2% a year.

"The remarkable consistency in the effect of industrialization on the cropland base suggests a certain inevitability. And it indicates how difficult, if not impossible, it will be for China to avoid a similar loss of cropland."



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