

on the alleged pirating. At the last minute, the Chinese agreed to the conditions and no sanctions were imposed.

Encouraged by Chinese reactions, the administration arranged a follow-up to the Middleburg meetings, by having Lake travel to Beijing in early July. There, Lake met with all of the Chinese leaders and prepared to respond positively to the long-standing Chinese request for an exchange of state visits between Clinton and Jiang Zemin. The Chinese had long been keen on such an exchange, but the United States had been noncommittal. In the light of the improved relations, the administration decided that “the time was ripe” for such an exchange. Knowing, however, that the Republican “Tories” would continue to beat the drums against China—be it on the issue of human rights or trade—in their attempt to destroy the Clinton Presidency, the White House has decided to schedule such a visit well after the November elections.

### Wide-ranging talks

Although Taiwan was a topic of discussion in Beijing, the talks were wide-ranging. Lake had assured the Chinese leaders that the recent security agreements between Japan and the United States were “not aimed at anybody,” and that U.S.-Japanese cooperation over the last 50 years had been a “source of stability” in the region. Moreover, according to Johnson, Lake had explained to the Chinese leaders that the U.S.-Japanese agreements, signed last year, were not only “benign” with regard to China, but “positive.” Lake indicated that the presence of the United States in the area could provide a positive contribution to greater cooperation between China and its Asian neighbors. The United States also views the growing collaboration between Russia and China in a positive light, contributing to it in many ways behind the scenes.

However, to supersede the “19th-century,” “balance of power” methods, as Lake expressed it to the *Los Angeles Times*, the administration will have to confront the fundamental issues of economics. Introducing China into the world of International Monetary Fund conditionalities and austerity would ultimately make an enemy of that country for years to come. Providing it with the possibility for real economic development, as characterized by the “Silk Road” project aimed at creating corridors of development in its central and western regions, and the Three Gorges Dam, the “TVA on the Yangtze,” would make of China a “friend for life.” In order for that to occur, however, the Clinton administration must categorically reject the premises of the recent Lyons G-7 summit communiqué, which would make the international financial institutions (the IMF, the World Bank, and the World Trade Organization) the final arbiters of economic policy. In addition, it would have to jettison some of the environmentalist baggage which it dragged with it from the 1992 election.

## U.S. Eximbank should finance Three Gorges Dam

by Ray Wei

Another killer summer flood has struck in China. Floods across a belt of eight central and southern provinces have claimed at least 1,500 lives and ripped through 33 million hectares of arable land. Nearly 4 million people were cut off by flood water, 810,000 homes have collapsed, and 2.8 million homes have been damaged as of July 18, according to Chinese official reports. Last year, floods killed more than 3,850 people and caused \$20 billion in losses. But all these catastrophes could have been prevented, say Chinese officials.

On July 6, Qin Zhongyi, vice general manager of the China Three Gorges Dam Development Corp. (comparable to the Tennessee Valley Authority, TVA, in the United States), said that the project will protect millions of people from the ravages of flooding, after its completion.

Yet environmentalist groups in the United States, led by the heavily funded Friends of the Earth, have launched protests, arguing that the Three Gorges Dam will be detrimental to the environment. In answer to this, Qin asserted that protecting 15 million people living along the Yangtze River is one of the primary reasons for building the dam. He cited the major flooding of the Yangtze that occurs every 100 years—the devastation in 1870 claimed 300,000 lives; another flood in 1954 took 40,000 lives.

Population density has increased sixfold along the river since the last century, thus putting more people at risk, Qin said. He also believes that the next flood will be bigger, according to *China Daily*.

The Three Gorges Dam is the only solution to that problem. In addition, the dam itself redresses the ecological imbalance which is the cause of current environmental damage—worsening soil erosion and sediment. The dam would “turn the roaring Yangtze River into a shining Milky Way,” Qin said.

### A message for the United States

Qin’s statements on the urgent necessity for the construction of the Three Gorges Dam came one day before Anthony Lake, U.S. national security adviser, made his diplomatic journey to Beijing, marking the rapid warming of relations between the United States and China.

Chinese-language newspapers outside China had earlier speculated that Lake was among those in Washington who did not support subsidized financing from the Export-Import Bank, or Eximbank, to U.S. companies wanting to help in the construction of the Three Gorges Dam project.

However, within days of Lake's trip to China, the U.S. Eximbank began approving financing for projects in China—specifically, \$321 million worth of sales of U.S. equipment and services for two power plant projects. One check of \$55.8 million goes to China to finance the sale of six hydraulic turbines, accessories, and services by an American company for use in the Xiaolangdi Dam project on the Yellow River in central Henan Province. The bank also approved financing to support the \$263 million sale of power plant equipment and services by a consortium of General Electric and several other companies to Huaneng Power International, for a power plant in the lower reaches of the Yangtze River in eastern Jiangsu province.

This is the first Eximbank funding to China since the March 1996 controversy over China's alleged export of missile and magnetic rings to Pakistan, which resulted in a total loan freeze on China.

### **Biggest engineering project on earth**

As China's leading economic policy planners have repeatedly stated, the Three Gorges Dam is a linchpin for the industrialization of China. Once completed, it taps 10% of the hydropower of the mighty Yangtze River, to generate power for many provinces in the heartland. It also will make the wild Yangtze navigable, enabling larger ships to travel to upstream cities. Some economists in China simply call the 1.3-mile-wide plug of rock and concrete across the river, a new "Great Wall"—to prevent "water invasions"!

Work on the Three Gorges Dam started in 1994, and is planned to be completed by 2010. It requires \$30 billion of investment, and it will relocate over 1 million people to a safer location, with better housing.

Unknown to many, the dam is the brainchild of Dr. Sun Yat-sen, who founded the first republic in Asia in 1911 on the ashes of the decadent Qing Dynasty. He had a vision to criss-cross China with a railway system that would rival America's at its best. Sun Yat-sen may have been inspired for the idea of the Three Gorges Dam, by the United States itself, where he spent much of his childhood and youth.

After Dr. Sun's death, in the 1930s and again in the 1940s, the government of Chiang Kai-shek started feasibility studies on building the dam with help from the TVA. Chiang sent dozens of senior engineers to the United States to work with American counterparts in planning and designing the project. World War II and the ensuing Chinese Civil War interrupted the project. But after decades of feasibility studies of its own, the Communist government gave it the final go-ahead in the late 1980s.

To some environmentalists' horror, China's current leadership has taken the project seriously. Beijing has set a date and drawn up a budget to complete the project that is even more ambitious than Chiang's plan. The original plan has been kept: to supply power, enhance navigation, and control the Yangtze flooding. But, under current plans, additionally, water collected in a reservoir behind the dam will be delivered, by a series of canals, from the Yangtze to northern China, where drought constantly imperils daily life.

China has also made Shanghai, where the Yangtze runs into the sea, a leading industrial base to revitalize the entire region.

### **Help from the United States**

Despite its enormous promise, the U.S. response to the dam has been lukewarm, at best. At the end of 1993, Friends of the Earth in the United States filed a lawsuit against the U.S. Bureau of Reclamation for what it had done 50-60 years ago to help Chiang Kai-shek's government build the Three Gorges dam. To the U.S. government, the message is loud and clear: Any U.S. financial or technical aid would trigger legal actions from environmental groups.

Qin said that he believes the American media has put out misleading reports on the project. In an interview with *China Daily* published July 7, Qin astutely pointed out that while America's concern now is over how to preserve the environment, the Chinese way is to correct the environment. The U.S. way makes sense, he said, because massive construction projects in the 1950s and '60s have left a good ecological environment. "But China wages an annual fight against drought in the North and floods in the South, and hence stresses improving its ecology by using engineering. . . . Erosion and silt buildup have swayed the natural balance of the river, and engineering is the only means available to restore the balance, aside from resorting to God's mercy," Qin said.

The Chinese government emphasizes that environmental protection comes through grand projects to correct the ecological imbalance. Ironically, it takes a Chinese official to tell the American people that they must adhere to the Biblical imperative to *subdue the earth* to preserve God's work.

In July, U.S. military transport planes airlifted 16 tons of relief supplies into Shanghai, for flood victims in the nearby east China province of Anhui. But even in the medium term, it would be a lot cheaper, and a lot more helpful to the Chinese people, if the Eximbank were to open up the loan channel for the Three Gorges Dam. After visiting China, Lake hopefully will appreciate that Washington must airlift top-notch know-how to China to help build infrastructure. Eximbank loans for the Three Gorges Dam would be one way to demonstrate that the Clinton administration has a political will to build peace in Asia, and reverse the collapse of the world's physical economy.