How Beijing Accounts for the Cost of the Three Gorges Dam

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China's Three Gorges Dam in central China's Hubei province on July 22, 2009. (AFP/AFP/Getty Images)

Built as a symbol of China's modernization and touted by the Chinese regime as a social and economic success, the Three Gorges hydroelectric river dam spans the Yangtze River in China’s central Hubei Province. The Three Gorges Dam is the largest and most controversial hydroelectric project in history. Debate has surrounded the project for decades, beginning at the proposal phase in the 1980s and continuing throughout subsequent construction.

The project has been plagued by corruption, escalating costs, technological problems, human rights violations, and resettlement difficulties. The dam has caused flooding to numerous archaeological and cultural sites, the displacement of about 1.24 million people, and significant ecological changes, including an increased risk of landslides.

During the vetting phase of the project, two-thirds of the delegates voted in favor, and the Three Gorges Dam was officially approved by China's People's Congress in 1992. The price of the dam has skyrocketed from the approved 57 billion yuan (US$8.35 billion) to 180 billion yuan (over US$26 billion), by the end of 2008. Officials now claim they will need another 100 billion yuan (US$14.6 billion) to deal with the problems created by the dam.

Among the problems is the current water shortage in China. “There's been a lot less rain, a lot more drought, and the potential for increased disease,” says George Davis, a tropical medicine specialist at the George Washington University Medical Center who has worked in the Yangtze River Basin and nearby provinces for 24 years. “When it comes to environmental change, the implementation of the Three Gorges Dam and reservoir is the
In 2009, however, the Chinese Communist Party promoted the Dam as a major achievement of its 60 years of rule. Officials have also claimed “Three Gorges Dam project has saved 20 billion yuan, US$2.9 billion.”

Dr. Wang Weiluo is a Chinese engineer who participated in the Three Gorges project feasibility study in the 1980s. He also has a PhD in land use planning and currently works for an engineering firm in Germany. In his book, "Fortune and Misfortune," Wang criticized many aspects of the mega-project, such as flood control, navigation, and power functions. In a recent interview with Sound of Hope Radio, Dr. Wang discussed who has benefitted from the Three Gorges Dam.

“Of course, we should use the approved budget by the National People's Congress (NPC), the top legislative body in China as the benchmark,” Wang said. “The budget approved by the NPC on April 3, 1992, was 57 billion yuan (US$8.35 billion) which includes the construction of the dam body, local resident resettlement, and the long distance transmission. So the total cost would have been 37 billion yuan (US$5.4 billion) if 20 billion yuan had been saved. However, the reported cost was 180 billion yuan (US$26.3 billion). We should have said it cost 120 billion more.

“Two years later, the State Council almost doubled the budget to 90 billion (US$13 billion), excluding the construction cost of the electrical grid. This is enough to prove that the cost of the proposal submitted to the NPC was kept low on purpose in order to get it approved and trick the people into supporting it. In other words, the State Council defied the top legislative body and used it as a rubber stamp.”

When referring to the Dam project, authorities and experts in China often use the terms “static investment” and “dynamic investment.” Dr. Wang said, “Let’s take an example of buying a million yuan house. One million is the amount of the investment you need to spend today in order to get the house. In China, it is called the static investment. The 57 billion approved by the NPC and the 90 billion approved by the State Council are all considered static investments.

“The State Council then threw out another term, “dynamic investment,” after the “static” 90 billion. I’ll use the same example. If you don’t have one million yuan, you need to borrow from the bank. The bank will charge you interest. In China what dynamic investment means is static investment plus the interest. So the reported dynamic cost doubled again and became as high as 205 billion.

“However, the internationally accepted static investment already takes the bank interests into consideration. The Chinese authorities can’t calculate the cost like this because they didn’t borrow money from banks. Instead, the authorities funded most of the project through a special tax called the ‘Three Gorges Construction Fund.’”

The Three Gorges Construction Fund was created without a hearing or approval from the
NPC. Since 1992, taxpayers across the country have been hit with additional taxes on each kilowatt-hour of electricity. The tax was initially set at 0.003 yuan per kilowatt-hour, but was then raised to 0.004 yuan in 1994 and then further raised to 0.007 in 1996. Over the project’s span of 16 years, the Chinese people have paid more than 90 billion yuan, US$13 billion for the massive project.

Commenting on this, Dr. Wang said, “According to the 2007 audit report by the National Audit Office, 280 million yuan [US$41 million] of the 9.6 billion yuan [US$1.4 billion] allocated in 2004 and 2005 had been misappropriated by local authorities. The massive project became the black hole of corruption. The total migration cost was 70 billion [US$10.25 billion] and each one should have gotten 40,000 yuan [US$5,860]. However, each migrant actually only got 5000 [US$732] to 8000 yuan [US$1,172]. Where did the missing money go will forever remain a myth. The Communist regime doesn’t have the courage to confess to the 150 million migrants, as they owe the migrants too much.’

According to media reports in China, Wushan County, a model county of the TGD migration project, embezzled an average of 30 million yuan annually. The first 12 hydro-generating units purchased at exorbitant cost from Brazil failed to meet the contractual requirements after the purchasing group travelled around the world. Of additional note is the fact that Jin Wenchao, head of Three Gorges Economic Development Corporation, a company set up to provide support services to the project, was reported to have vanished, along with 1.2 billion yuan (US$ 1.75 million).

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