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THE WORLD BANK

Washington, D.C.

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President Wolfensohn - Briefings Books for Presidents Meetings - Corporate
Management - April Presidential Archives - Initial Vice Presidential Unit [VPU]

DECLASSIFIED
WBG Archives

Archive Management for the President's Office

Document Log

Reference # : Archive-00523

1/23

Edit

Print

A. CLASSIFICATION

- ☒ Meeting Material
- ☐ Trips
- ☐ Speeches

- ☐ Annual Meetings
- ☒ Corporate Management
- ☐ Communications with Staff

- ☐ Phone Logs
- ☐ Calendar
- ☐ Press Clippings/Photos

- ☐ JDW Transcripts
- ☐ Social Events
- ☐ Other

B. SUBJECT: April Presidential Archives: Initial VPU Briefing for Mr. Wolfensohn, Meeting with Environmental NGO's at Al Gore/Katy McGinty's office(Dir. of White House Environmental Policy); VPU ESD prepared by Serageldin

DATE: 04/03/95

- Background Briefing
- Listing of Environmental heads
- Information on Env. NGOs, ESD VP, External Message, ESD Presidency
- Earth Council pamphlet
- Note on China's Three Gorges Project

See also #517

C. VPU

Corporate

- ☐ CTR
- ☐ EXT
- ☐ LEG
- ☐ MPS
- ☐ OED
- ☐ SEC/Board
- ☐ TRE

Regional

- ☐ AFR
- ☐ EAP
- ☐ ECA
- ☐ LAC
- ☐ MNA
- ☐ SAS

Central

- ☐ CFS
- ☐ DEC
- ☐ ESD
- ☐ FPD
- ☐ FPR
- ☐ HRO

Affiliates

- ☐ GEF
- ☐ ICSID
- ☐ IFC
- ☐ Inspection Panel
- ☐ Kennedy Center
- ☐ MIGA

D. EXTERNAL PARTNER

Presidential Archives

Classification:	
Date:	April 3, 1995
Topic:	meeting w/ environmental NGOs at Al Gore/Kathy McEnty's office
VPU:	ESD
External: (NGO, government official, private sector, international institution, personal acquaintance)	
Document prepared by: (name, department, etc.)	Serageldin

BRIEFING BOOK

MEETING WITH ENVIRONMENTAL

NGOS

Briefing Book
for
Monday April 3
meeting with
ENVIRONMENTAL
NGOS

EXC

4/3
Env NGO
Mtg.

Ms. Barbara Bramble
National Wildlife Federation
International Programs
1400 16th St., N.W.
Washington, D.C. 20036

Mr. Ian Bowles
Conservation International
1015 18th St., N.W.
Washington, D.C. 20036

Mr. Scott Hajost
International Union for the Conservation of
Nature and Natural Resources
1400 14th Sreet, N.W.
Washington, D.C. 20036

Ms. Korinna Horta
Environmental Defense Fund
1875 Connecticut Avenue, N.W.
Washington, DC 20009

Ms. Katy McGinty
Director of White House
Environmental Policy
17th & Pennsylvania Ave., N.W.
Washington, DC 10500

Mr. David Reed
World Wildlife Fund for Nature - International
1250 24th Street, N.W.
Washington, D.C. 20037

Ms. Frances Seymour
World Wildlife Fund - U.S.
1250 24th Street, N.W.
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Ms. Marjike Torfs
Friends of the Earth
218 D Street, N.W.
Washington, DC 20003

Ms. Lori Udall
International Rivers Network
1025 Vermont Avenue, N.W. - Suite 300
Washington, DC 20005

Mr. Larry Williams
Sierra Club
408 C Street, N.E.
Washington, DC 20002

Mr. Brent Blackwelder
Friends of the Earth
1025 Vermont Avenue, N.W. - Suite 300
Washington, DC 20003

April
box

MEMORANDUM

To: Fellow-members of intl. project
From: Korinna
Date: April 5, 1995
Subject: NGO meeting with James D. Wolfensohn on April 3, 1995

from Korinna
Horta
EDF

Mr. Wolfensohn, who will take over as the new WB President on June 1, 1995, met with the group of usual suspects (EDF, NWF, WWF, FOE, IRN, RIC, CI) yesterday. All of the NGOs in the room felt that this was the most direct and open meeting with a high-ranking Bank official ever. Wolfensohn says he is determined to bring the WB into a new era - and the impression I came away with is that if he won't succeed, nobody will. He wants a truce with NGOs over the next 6 months so that he can get a handle on the Bank and begin changing it around. I think that we have nothing to lose - and maybe something to gain - by agreeing to this honeymoon period. Our work during this period should be framed as being our contribution to assisting him in turning things around... Should nothing much change after six months or so, we can say that we gave him a chance and then pursue whatever other options we have.

Here is a brief report of the meeting:

Extremely well informed. NGOs had prepared the meeting by choreographing who of us would make which kind of presentation, etc... But it became clear fairly early on that Wolfensohn was up to speed and informed in the minutiae of detail of about everything we were saying. From the history of the MDB campaign, to who the individual NGO people present were (he had a briefing book on us in front of him), to having read Bruce's latest Congressional testimony, to details of road construction under the Arun III dam project... you name it, and he knew it.

He said that he spent part of the past 6 weeks reading up on the Bank and - during a business trip to Colombia - even checking on the Bank's portfolio there and examining Bank loans for the country over something like 30 years (his conclusion was that the Bank had screwed up 25% of the projects, the Colombians another 25%, and the rest was reasonable and had done some good).

Well-Intentioned. Wolfensohn said straightforwardly that he did not want the job for the prestige, he is already being invited to White House dinners, he already knows all the senators, etc. in material terms he is making a real sacrifice by taking the Bank job and is looking at it as purely public service.

He has been interested in environment/ sustainable development since before the Stockholm meeting (he is an old friend of Maurice Strong) and has been active on the Business Council for Sustainable Development.

He wants to turn the battleship (or tanker) that is the World Bank around, because he deeply believes the Bank has a purpose. He wants to make it an institution that takes on a pragmatic approach to helping poor people and promoting sustainable development. His contacts to the Bank date back to the McNamara years. It was McNamara, about whom Wolfensohn spoke very affectionately, who first suggested that Wolfensohn should run the Bank 14 years ago.

Relationship with NGOs. He asks us to be up-front with him. Let him know if we are his enemies (he pointed in particular at Brent Blackwelder) or if we are willing to be open-minded and giving him a chance to get to know what is wrong with the Bank and then change it. His words next to verbatim were: "I want a straightforward deal. Let's accept the Bank has been screwed up in the past - we don't need to discuss to what degree it has been screwed up - but now you got a new president coming in, a president with a dream to do something..."

He sees us as an "industry", who appear to waste too much time and effort on the Bank when our time could be better used on something else.

He says he wants a truce with the NGOs and asks us to send him two pages "with our dream for the Bank"... what our vision for the future of the Bank is.

He is prepared to look at the problems, but does not want rhetoric from NGOs. He knows the Bank will have to be judged on the quality of its investments as it can't be judged on its financial returns.

He will make himself available to discussions with NGOs, but he does not want random criticism without discussion.

During the next 6 months he plans to take 6 field trips to look at projects and talk to people in all walks of life who have anything to do with these projects.

G 7 meeting. The immediate thing on his mind appears to be that he does not want the Halifax G 7 summit to establish a "political committee" to look into what the Bank does and does not do. He would view this as a meaningless, time-consuming exercise, which would put the Bank on the defensive without necessarily changing anything. He wants to do this review of the Bank himself and then report back to the G 7.

Contact. Wolfensohn's assistant at the World Bank - to whom our letters should be sent- is Jane Armitage, Fax 522 3437, Tel. 458 1114.

WOLFENSOHN MEETING

SCOTT HAJOST (IUCN)
LARRY WILLIAMS (SIERRA CLUB)
BARBARA BRAMBLE (NWF)
MARIJKE TORFS (FRIENDS OF THE EARTH)
CHAD DOBSON (BANK INFORMATION CENTER)
IAN BOWLES (CONSERVATION INTERNATIONAL)
KARINA JORTA (EDF)
DAVID REED (WWF - INTERNATIONAL)
FRANCES SEYMOUR (WWF - U.S.)
LORI UDALL (INTERNATIONAL RIVERS)

Brent Blackwelder (Friends of the Earth)

IUCN - Int'l Union for the Conservation of Nature and Natural Resources.
(Attorney w/ —)

1400 16th St. NW
20030

Larry Williams, ^{no title} Surra Club
408 C Street. NE 547-1141
20002

Tony,

218 D St. NW 544-2600
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Bowles, Conservation Int'l. - 1015 18th St. NW
Suite 1000

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429-5660

David Reed, ^{worldwide} WW Fund for Nature.
1250 24th St. NW

20037

Seymour - worldwildlife Fund, US.
Same address

Lori Udall - Int'l Rivers Network
1025 Vermont Ave NW
St. 300

20005

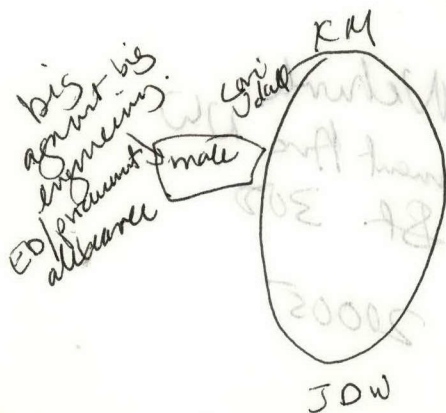
WOLFENSOHN MEETING

- ✓ SCOTT HAJOST (IUCN)
- ✓ LARRY WILLIAMS (SIERRA CLUB)
- ✓ BARBARA BRAMBLE (NWF) - Director, Int'l Programs - 1400 16th St. NW 20036
- ✓ MARIJKE TORFS (FRIENDS OF THE EARTH)
- ✓ CHAD DOBSON (BANK INFORMATION CENTER) - Secretary, 2025 I St. NW Suite 522 20006
- ✓ IAN BOWLES (CONSERVATION INTERNATIONAL)
- ✓ KARINA HORTA (EDF) - Enviro. Defense Fund,
- ✓ DAVID REED (WWF - INTERNATIONAL)
- ✓ FRANCES SEYMOUR (WWF - U.S.)
- ✓ LORI UDALL (INTERNATIONAL RIVERS)

KARINA HORTA

?? → Brent Blackwelder (Friends of the Earth)
 Exec. Director, Friends of the Earth
 (Same as Int'l Rivers)

Katy McGinty
 Director of White House Environment Policy
 17th & Penn Ave. NW.
 20500.



EDF

1875 CONN Ave., NW
Wash DC 20009

Tel. (202) 387-3500
Fax 234-6049

EDF - NY 743

257 Park Ave South

NY - NY 10010

Tel: (212) 503-2100

M. Jane Ngo

Thank you for taking the time to meet with me yesterday and share your views about the Bank. I found the meeting useful and informative and look forward to working with you once I start officially at the Bank on June 1.

Meanwhile, as I mentioned, I plan to visit all six regions before the end of the year, starting with a trip to Africa in June. I would very much appreciate any suggestions you have for local people I should meet or particularly good - or bad - projects I should visit.

N. June King,

Ms. K. McGinty
Director of White House Environment Policy
17th & Penn Ave, NW
Washington
DC 20500

Dear Kathy

It was a pleasure to meet you yesterday. I am most grateful for your initiative in arranging the meeting with the representatives from key environmental groups.

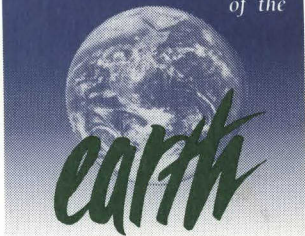
Despite the history of disagreement between many NGOs and the Bank on environmental issues, I believe that we all share the same basic objective. We must find ways to listen and learn from each other and to work as partners. Yesterday's meeting is part of that process, and I found the discussion informative and constructive.

Thanks again for your help. I look forward to working with you and your colleagues once I take office June 1.

Katy McGinty
Director of White House Environment
Policy

17th & Penn. Ave NW
Washington, DC 20500

FRIENDS
of the



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~~IME Project~~
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IUCN
The World Conservation Union

Scott A. Hajost
Executive Director

THE BANK INFORMATION CENTER

A Clearinghouse For Information On MDB Funded Projects

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Tel: (202) 466-8191 Fax: (202) 466-8189
email: bicusa@igc.apc.org

Chad Dobson, Secretary

note from Jane ...

*may have
done*

*I thought you might like to see the attached note from
Scott Hajost who attended the first meeting with
Environmental NGOs at the White House. As you see, the
"constructive" NGOs are delighted by your openness and
desire to work with them.*

6/12 ✓

IUCN

The World Conservation Union

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June 5, 1995

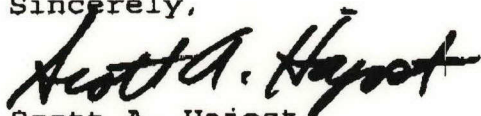
Jane Armitage
Assistant to the President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Ms. Armitage:

Thank you for your letter in follow up to our meeting with Mr. Wolfensohn indicating his travel plans. We have had substantial contact with Mr. Ahmad and have communicated with our offices in Africa. Our representative have been in touch with the Bank's local Res Reps to discuss program options and Mr. Ahmad has been copied on all correspondence. We have also begun preliminary communications with our offices in Latin America and Ms. Sheehan. We shall be following up soon with our offices in other regions to prepare suggestions. We very much appreciate this opportunity to be of some assistance.

On a different point, I just wanted to mention that I received extremely positive feedback from our staff in Gland on Andrew Steer's recent visit. I know that the Director General will welcome very much the opportunity to meet Mr. Wolfensohn. We look forward to working with you.

Sincerely,



Scott A. Hajost
Executive Director

①

FA Note April 3 1995

get Parkyn -
Hard hat

ENV 1990s

(get list from E. McGee)

Balkan History
Operations & Management
New Vision.

12 years, Campaign
Reduction ^{affected} to people, Real Case Studies -

only clamour for reform from field. good changes in last 2 years -
information, participation Capture
haven't reached field yet

Congressional hearings, Oversight, Author. Approp. Since 83.
involvement from South → platform for local groups - gained
standing at home → more civil ~~serv~~ society dialogue -
South (IADB catalyse dialogue in Brazil)
mobility

Insp. Panel, Inform. Policy, Follow-up - most far-reaching Ref.

Core Course

②. Discrepancy - Policy & Projects of ground -

Action Plan

2 Progress Report

little to promote ^{staff} accountability -
no benchmarks target to T quality -

more papers, reports, policies

plenty of those,

Policy & Implementation

changing culture of appraisal
to implementation culture -

Jon Udall, no "ownership"
coercive / not of Arnott.

long way to go on
good develop/conversation (Pat Cooney)

Jan lack of interactive management
lack of meaningful work with NGO around
technocratic dialogue (not political level)

JMs alongside NGOs, Madagascar, GEF

WWF

fuller deputy -

the leadership
appeal of environ. sustainability -
not just physical & GEF

reform of SARs - bring in environmental
national level

global level, push Int. treaties, Clim. Change.

integrate
global externalities

Global Overlays -

A. Steer.

national
planning exercise, global way, Burdett

analytical work, growth request, level difference

(2)

overlaying global envr. concerns on top of
technical planning -

get ENV on agenda
G7 Summit meetings -
seen as "US thing" } reevaluate I#1 / MDGs.
Halifax agenda

Cadda Bern, US - would support something -

Bank define itself as dev. agency ^{financial} not Bank

" setup mechanisms to hear from NGOs "

setup meeting ^{discuss impact of} adjustment
each -
2 Page Note from NGOs + #

meet people
In leaders
phys. chs,
priv. sect
students
NGOs,
TRC, NGO
network

Debt

Participations

es there an
Ngo office in Bank
check out Ngo committee

① IDA

② Wg os -

③ Unesco
cynicism

Sergeldin

analysis - of Ngos

who works / what does
[framework for resolution]

Social Issues

Stream Action Plan
Sergeldin
- framework -

main mean

ENV
- handle Ngos

WOLFENSOHN MEETING

SCOTT HAJOST (IUCN)
LARRY WILLIAMS (SIERRA CLUB)
BARBARA BRAMBLE (NWF)
MARIJKE TORFS (FRIENDS OF THE EARTH)
CHAD DOBSON (BANK INFORMATION CENTER)
IAN BOWLES (CONSERVATION INTERNATIONAL)
KARINA JORTA (EDF)
DAVID REED (WWF - INTERNATIONAL)
FRANCES SEYMOUR (WWF - U.S.)
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JAMES D. WOLFENSOHN

1818 H STREET, N.W.
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CC: I S.
Nancy
Jane

May 4, 1995

Mr. Bruce Rich and Ms. Korinna Horta
International Program
Environmental Defense Fund
1875 Connecticut Avenue, NW
Washington, DC 20009

Dear Mr. Rich and Ms. Horta:

Thank you for your letter of April 26, 1995. I was very pleased to have the opportunity of meeting the Washington-based representatives of environmental organizations on April 3, 1995. Judging from the quick feedback I have received, it is certainly encouraging to see the constructive approaches that are being taken toward making the Bank an effective and sensitive institution.

I agree with the importance of the three institutional measures – strengthening the *Next Steps* action plan, empowering Bank technical departments, and increasing transparency and information disclosure – you and Ms. Horta suggest.

With regard to the first, I concur with the need to actively follow-up on the *Next Steps* action plan. As you can appreciate, this is a matter that is at the front and center of many discussions, both with and among senior Bank managers I have met. I have noted your assessment that there is a perception about continuing management problems within the Bank, and I want to assure you that addressing such concerns will feature prominently on my agenda. The second measure, concerning quality control and the role of the Bank's technical departments, I must confess that I will need to fully understand the processes before I can comment on them. Finally, I fully agree that disclosure of information and increased transparency are both important issues, not only for the Bank but also its member countries. Here too, I will first need to ascertain where we are, and how the situation can be improved.

As you know, I expect to take up my new position on June 1. Soon thereafter, for the first six months, I intend to travel extensively in all the regions where the Bank operates, seeking views about how the Bank can more effectively serve its member countries. I am confident that these visits will provide me the necessary insights as well to address the three issues you raised. I look forward to sharing my evolving views with you, and others in the development community, from time to time.

In the interim, I encourage you to share your ideas and concerns with Mr. Ismail Serageldin, the Bank's Vice President for Environmentally Sustainable Development, in the context of his regular meetings with the Washington-based NGO community. I was encouraged to hear that the agenda for these meetings is developed collaboratively with NGOs.

Again, thank you for sharing your concerns and I am looking forward to continuing the dialogue that has gotten off to an excellent start.

Best my work -

Sincerely yours,



James D. Wolfensohn

*I am trying to set up a dinner or lunch
with you - Please contact Jane
Hansilgr who is arranging my schedule
his*



426
4/28
EN/AD

April 26, 1995

Mr. James D. Wolfensohn
The World Bank
Washington, D.C. 20433

Capital Office
1875 Connecticut Ave., N.W.
Washington, DC 20009
(202) 387-3500
Fax: 202-234-6049

Dear Mr. Wolfensohn,

We thank you very much for meeting with Washington-based representatives of environmental organizations on April 3, 1995. As Bruce Rich, director of EDF's international program, had been away on travel at the time of the meeting and just returned recently, it is now that we are responding to your request to submit to you a note on how we envision our future cooperation.

We were encouraged to hear from you about your determination to "turn this battleship around" and to move the institution into a direction where it can effectively improve the lives of poor people in borrowing countries by ensuring that Bank investments are environmentally sustainable, socially responsible and make economic sense in the long-term.

During the meeting you mentioned that it would take about six months for you to delve deeply into the intricacies of Bank management and activities, which would help you lay out your own reform agenda. We look forward to working with you during this important time by continuing our ongoing research and advocacy efforts to provide critical analyses and information on specific Bank projects and policies, information that we will be happy to share with you first before circulating it publicly. We hope our work will provide a useful perspective for you, since it reflects independent professional analysis both from within EDF and from outside research institutes and academic sources, and is also based on the input of local NGOs in borrowing countries that report on the actual implementation of Bank policies and activities in the "field."

In response to your suggestion, we would like to briefly outline our short term and longer term vision of changes we think would help the Bank effectively realize its mission.

Over the short term--the next six months to one year--there are three institutional measures you could consider and initiate which we believe would begin to address deep rooted institutional problems in the Bank responsible for poor project quality:

1. Revisit and strengthen the "Next Steps" action plan the Bank is carrying out to remedy the problems identified in the Wapenhans Report.

We believe that the "Next Steps" Action Plan fails to take sufficiently effective measures to address the systematic portfolio problems documented in the Wapenhans Report. Needed changes in the Bank's administrative and budgetary procedures to make country lending operations more accountable for performance and for carrying out Bank policies are not addressed, and tangible commitments and timetables to achieve specific benchmarks in improvement in project quality are also lacking. Last month we prepared an extensive analysis of the Next Steps action plan, and sent it to the U.S. Treasury Department requesting a response and action. Bank management response has been

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Mr. James D. Wolfensohn
April 26, 1995
Page 2

extraordinarily defensive, amounting to a blanket claim that EDF "grossly misrepresents and misinterprets the Next Steps action program." We do not believe this is a balanced nor constructive response to what are widely perceived continuing management problems in the institution. We hope you will examine the situation independently, and judge for yourself what additional actions may be needed.

2. Empower the Bank Technical Departments by giving them more budgetary and administrative autonomy.

The main functional locus for independent review of projects in preparation lies in the four technical departments that service the Bank's six operational regions and their respective country departments. If quality control is the goal, these technical departments need to be strengthened. For example, currently the technical departments are largely beholden to the country departments for their budgets, which we believe serves as a disincentive for truly independent evaluation of whether Bank policies are being sufficiently adhered to in project preparation.

3. More transparency and disclosure of information in project preparation, within the necessary limits of the Bank's need to keep certain information confidential in dealing with its clients.

The Bank's new information policy still holds almost all project documentation confidential before loan approval. More transparency earlier on in the project cycle would significantly contribute to improved project quality, and help avoid repetitions of Bank involvement in controversial, questionable projects that are challenged at a stage where the Bank is already too involved and committed to easily change course. At the time Bank management was considering the new policy, the Bank's then Directors of Environment and External Relations proposed an alternative policy which would have made most project preparation information publicly available. This was a commendable proposal that balanced the need for transparency with the need for confidentiality, and it should be revisited.

Over the long term we believe that the Bank needs to focus more clearly on the goal that Bank Presidents over the years have repeated as the institution's "overarching objective:" poverty alleviation through means that are environmentally, economically and socially sustainable over the long term.

Specifically, we believe a much higher proportion of Bank lending should go for population, education and health programs; for so-called micro-enterprise lending (a strong personal interest of the current U.S. Executive Director...); and for activities that will assist developing nations to achieve the goals of international environmental conventions such as the Climate and Biodiversity treaties signed at the Rio Earth Summit. Most importantly, future Bank lending in the energy, water resources and transport sectors should make end-user efficiency and demand-side management top priorities: this is an area where economic efficiency and environmental conservation are totally complementary and mutually reinforcing. (The issue is not to cease financing all new supply infrastructure in borrowing countries, but over a given time slice to prioritize user and demand side efficiency investments coupled with a more selective approach to new investments in supply infrastructure--a principle that is set out in the Bank's energy efficiency policy paper, but not implemented in its operations).

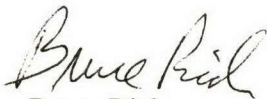
Mr. James D. Wolfensohn
April 26, 1995
Page 3

We welcome the interest that you have expressed in maintaining a frank and open dialogue with voices outside the Bank. We and other groups believe that this approach will help you obtain a more complete picture of the effects and efficacy of Bank operations. We believe that bureaucratic self-interest and institutional situations of conflict of interest may strongly discourage internal dissidence in some instances, making it all the more important that outside analyses and input be available to you.

We would like to take you up on your offer to meet with us again after you officially have joined the Bank and had a chance to familiarize yourself in more detail with the way the institution works. We would like to discuss concrete steps and measures by which the battleship - with you at the helm - will turn around and become able to achieve the Bank's stated goals of helping the poor and protecting the environment.

We wish you success with your important endeavor at the World Bank.

Sincerely,



Bruce Rich
Director, International Program



Korinna Horta
Economist, International Program

cc: Exc staff

MEMORANDUM

To: Fellow-members of intl. project

From: Korinna

Date: April 5, 1995

Subject: NGO meeting with James D. Wolfensohn on April 3, 1995

from Korinna
Horta
EDF

Mr. Wolfensohn, who will take over as the new WB President on June 1, 1995, met with the group of usual suspects (EDF, NWF, WWF, FOE, IRN, RIC, CI) yesterday. All of the NGOs in the room felt that this was the most direct and open meeting with a high-ranking Bank official ever. Wolfensohn says he is determined to bring the WB into a new era - and the impression I came away with is that if he won't succeed, nobody will. He wants a truce with NGOs over the next 6 months so that he can get a handle on the Bank and begin changing it around. I think that we have nothing to lose - and maybe something to gain - by agreeing to this honeymoon period. Our work during this period should be framed as being our contribution to assisting him in turning things around... Should nothing much change after six months or so, we can say that we gave him a chance and then pursue whatever other options we have.

Here is a brief report of the meeting:

Extremely well informed. NGOs had prepared the meeting by choreographing who of us would make which kind of presentation, etc... But it became clear fairly early on that Wolfensohn was up to speed and informed in the minutiae of detail of about everything we were saying. From the history of the MDB campaign, to who the individual NGO people present were (he had a briefing book on us in front of him), to having read Bruce's latest Congressional testimony, to details of road construction under the Arun III dam project... you name it, and he knew it.

He said that he spent part of the past 6 weeks reading up on the Bank and - during a business trip to Colombia - even checking on the Bank's portfolio there and examining Bank loans for the country over something like 30 years (his conclusion was that the Bank had screwed up 25% of the projects, the Colombians another 25%, and the rest was reasonable and had done some good).

Well-Intentioned. Wolfensohn said straightforwardly that he did not want the job for the prestige, he is already being invited to White House dinners, he already knows all the senators, etc. in material terms he is making a real sacrifice by taking the Bank job and is looking at it as purely public service.

For
Dist. 4/12
Exc.

He has been interested in environment/ sustainable development since before the Stockholm meeting (he is an old friend of Maurice Strong) and has been active on the Business Council for Sustainable Development.

He wants to turn the battleship (or tanker) that is the World Bank around, because he deeply believes the Bank has a purpose. He wants to make it an institution that takes on a pragmatic approach to helping poor people and promoting sustainable development. His contacts to the Bank date back to the McNamara years. It was McNamara, about whom Wolfensohn spoke very affectionately, who first suggested that Wolfensohn should run the Bank 14 years ago.

Relationship with NGOs. He asks us to be up-front with him. Let him know if we are his enemies (he pointed in particular at Brent Blackwelder) or if we are willing to be open-minded and giving him a chance to get to know what is wrong with the Bank and then change it. His words next to verbatim were: "I want a straightforward deal. Let's accept the Bank has been screwed up in the past - we don't need to discuss to what degree it has been screwed up - but now you got a new president coming in, a president with a dream to do something..."

He sees us as an "industry", who appear to waste too much time and effort on the Bank when our time could be better used on something else.

He says he wants a truce with the NGOs and asks us to send him two pages "with our dream for the Bank"... what our vision for the future of the Bank is.

He is prepared to look at the problems, but does not want rhetoric from NGOs. He knows the Bank will have to be judged on the quality of its investments as it can't be judged on its financial returns.

He will make himself available to discussions with NGOs, but he does not want random criticism without discussion.

During the next 6 months he plans to take 6 field trips to look at projects and talk to people in all walks of life who have anything to do with these projects.

G 7 meeting. The immediate thing on his mind appears to be that he does not want the Halifax G 7 summit to establish a "political committee" to look into what the Bank does and does not do. He would view this as a meaningless, time-consuming exercise, which would put the Bank on the defensive without necessarily changing anything. He wants to do this review of the Bank himself and then report back to the G 7.

Contact. Wolfensohn's assistant at the World Bank - to whom our letters should be sent- is Jane Armitage, Fax 622 3437, Tel. 458 1114.

Meeting at EOB
Monday 2.20

- ① Some of the history -
- ② Operations and Management -
- ③ New Vision of the Bank -

④ Campaign to reduce the losses of my work after Bank reports
- what is the driving force behind the reports -
from both North - South -

no way to put a cork in it -

cannot will be there regardless of what has
happened here -

→ Have we reached the ground yet -

Fuel personally attached -

mechanisms move to use hearings in the U.K.

Station announced with testimony in U.K.

[name (ADB report in Report)]

History is continuing with people from the South
talking -

Information policy
and inspection } most important requirements

Summary

Worpenham report 37% did not achieve was

has 75% of financial considerations
are following

→ 1993 Action Plan -

like Buchman's, targets time frame
measures, accountability

(2)

gap between policies and implementation

ACN - Nepal - we need to do it -

→ issue of work ownership -

communication administration - problem of inputs in the ground

[As Pat Gady]

Issue of working with NGO's → Guane AID using NGO's

Tendency to be arrogant - Bank too arrogant in Malagasy and was arrogant & killed some work that NGO's did

Bank as a Threat.

But Guane was a humanitarian understanding
{ Reform of financial lending
 { Treaty system

Reform agenda - loan - a an 67 point agenda → gain system.

87. mps created
 89 Environmental Awareness
 for all projects
 91 Lodging
 Vee Pending in 1993

Daniel Udall
 Bruce Rich

Background on the NGOs

• **Mr. Chad Dobson**, Secretary, Bank Information Center. Key Washington NGO leader in GEF negotiations during pilot phase. Significant linkages to Southern NGOs in Latin American, Asia, and Africa.

1 dead-end
 documents
 of the Bank

Bank Information Center

The Bank Information Center is a project of U.S. environmental NGOs organized to serve as a Washington contact point for LDC NGOs and to facilitate the flow of information between and among organizations concerned with the environmental effects of MDB funded projects. It is designed to develop an international NGO network and to support the emerging regional LDC/NGO system. The center will encourage the development and regularization of communication among NGOs world-wide by: 1) identifying and developing a network of environmental NGOs worldwide into a loosely affiliated association; 2) providing a Washington contact point for LDC NGOs in their relationship with the Banks and U.S. government organizations; 3) providing documents, newsclippings, and newsletters in a timely way to LDC NGOs; 4) securing funds for LDC NGO travel to international meetings of the MDBs and other important international meetings; 5) publishing documents in the Bank; 6) encouraging and facilitating the appropriate use of electronic communication systems; 7) providing organizational resources for the planning of NGO conferences and meetings. The center will also encourage coordination between the NGO development community and the environmental community. BIC is a clearinghouse for environmental information on projects funded by the multilateral development banks (MDBS). The center monitors activities of the MDBs and provides information and documents to NGOs overseas that are assessing or verifying the environmental, public health, and economic impact of bank projects in specific countries. It also promotes reform of MDB information and environmental policies. It maintains a library and a computerized database on environmental policy, MDBs, and development.

11/26/93
 concerned
 by environment
 but not aware
 of NGOs
 - Nepal
 ASUN

As of 1/15/94
 100 will
 from
 \$200 will
 from

Notes:

Membership numbers are approximate. Where membership numbers are not given, it is because they are not membership organizations.

* Denotes Members of the Steering Committee of "Fifty Years in Enough" Campaign.

Training course

Bruce Rich
 Gordon National Training
 Power Agency
 NTPC

WW

* • **Mr. Bruce Rich**, is Chair, International Programs, Environmental Defense Fund, Inc., Washington Office. (The organization is headquartered in NYC.) He reports to Fred Krupp, Executive Director, who works with industry on recycling and other regulatory issues. A lawyer and Washington-based activist, Mr. Rich is the author of "Mortgaging the Earth" published last year, which attacked the Bank.

Environmental Defense Fund, Inc.

Membership 200,000. The Environmental Defense Fund (EDF), has headquarters in New York and five other offices nationwide, is a leading environmental organization whose work spans global issues as wide-ranging as ocean pollution, rainforest destruction, and the global warming. Since its founding in 1967 in the effort to save the osprey and other wildlife from DDT, EDF's trademark has been the use of multi-disciplinary teams of scientists, economists and attorneys to develop economically viable solutions to environmental problems. EDF's international program concentrates mostly on monitoring and criticizing the World Bank. EDF focuses on specific projects (such as Narmada and Singrauli in India, Planaflo in Brazil, and forestry programs in W. Africa) where they allege environmental or social damage results from Bank funding.

While Bruce Rich is personally a very harsh critic of the Bank, we have some good working relationships with other individuals and groups within EDF. Currently, for example, an EDF staff member is working with the Bank on a potential emergency project to address a major oil spill in Russia.

* • **Mr. Brent Blackwelder**, Vice President for Policy, Friends of the Earth. He is a lawyer, very well connected with both parties, in both House of Congress, as well as with Mr. Gore. He is a member of the National Cathedral Group and a lay leader in the National Episcopal Church on environment.

Friends of the Earth

A global advocacy organization based in Washington, D.C., with 47 international affiliates. Merged with Environmental Policy Institute and the Oceanic Society in 1990. Dedicated to protecting the planet from environmental disaster and preserving biological, cultural, and ethnic diversity. With strong ties to the grassroots in the U.S. and around the world, Friends of the Earth believes citizens must have a voice in environmental policymaking that affects their lives. Fights ozone depletion, global warming, toxic chemical threats, nuclear hazards, groundwater contamination, environmentally unsound international lending policies, and irresponsible corporate practices. Produces the Earth Budget; works to change

tax code to support environmentally sustainable policies. Major initiative launched in 1992 on jobs and the environment.

Besides criticizing the Bank, FOE have attacked the IMF for the environmental impact of their programs. FOE have recently reduced their capacity to work on Bank-related issues as their senior staff member who worked on the Bank has left and not been directly replaced.

* ● **Ms. Lori Udall**, Director of Washington Office, International Rivers Network (IRN is headquartered in San Francisco). Ms. Udall, a strong critic of The World Bank, has recently published in the Washington Post a scathing critique of the Arun Project.

International Rivers Network

Membership 1,300. A nonprofit network dedicated to preserving the World's rivers and watersheds. Members include environmentalists, engineers, hydrologists, human rights activists, and academics who are committed to the study and defense of rivers and riverine communities. Since its inception, IRN has built a network of citizen organizations and technical experts in more than 80 countries who are working to protect freshwater resources, endangered ecosystems, and the rights of indigenous peoples worldwide. Like EDF (with whom Udall worked until recently), IRN Washington concentrates on specific WB "problem projects". At present their major focus is the Arun dam in Nepal.

● **Mr. Scott Hajost**. Attorney with the International Union for the Conservation of Nature and Natural Resources (IUCN) and World Conservation Union. Formally on the legal staff of the Department of State. Key negotiator for the U.S. on international conventions including climate change. His boss, the Executive Director of NRDC, is John H. Adams. IUCN closely monitored the Bank's role in the Pilot 3 years of the GEF and works closely with ESD/ENV and the Bank GEF to provide technical expertise.

International Union for the Conservation of Nature and Natural Resources (IUCN), World Conservation Union

Membership approximately 170,000 people. An independent body to promote scientifically based action for development that is sustainable and provides a lasting improvement in the quality of life for people all over the world. Seven

hundred and thirty-six voting members in 123 countries: 62 states, 99 government agencies, and 575 nongovernmental organizations. Also 37 nonvoting affiliate members. Maintains a global network of more than 5,000 scientists and professionals organized into 6 commissions. The Bank's relations with IUCN are now good. We have recently signed an aide memoire with the new Director General of IUCN (David McDowall) laying out specific areas for cooperation.

- **Ms. Barbara Bramble**, Director of International Affairs, National Wildlife Federation. An Attorney, Ms. Bramble developed the debt-for-nature swap concept. Her key efforts have been in Brazil focused in the Amazon region. Well-known internationally and in Congress. Jay Hair is President and CEO of the NWF. She also has a major leadership role internationally for the IUCN.

National Wildlife Federation

Membership - 4 million. The mission of the National Wildlife Federation is to educate, inspire, and assist individuals and organizations of diverse cultures to conserve wildlife and other natural resources, and to protect the Earth's environment in order to achieve a peaceful, equitable, and sustainable future. In their recent newsletter, NWF explains that - due to the significant reforms the Bank has made in recent years - it supports the IDA 11 replenishment (as opposed to its rather negative stance on IDA 10). In the past few months we have established good working partnership with NWF on global environmental issues.

- **Mr. Jacob Scherr**, Attorney, Natural Resources Defense Council, Inc. (NRDC). Mr. Scherr is the NRDC leader on toxic and hazardous waste internationally. Key player on the Basel Convention to regulate the international transport and trade of toxics.

Natural Resources Defense Council, Inc.

Nonprofit membership organization dedicated to protecting America's endangered natural resources and to improving the quality of the human environment. Combines interdisciplinary legal and scientific approach in monitoring government agencies, bringing legal action and disseminating citizen information. Areas of concentration: air and water pollution, global warming, nuclear safety, land use, urban environment, toxic substances control, resource management, wilderness and wildlife protection, international environment, Alaska, Coastal Zone Management, energy conservation, agriculture, and forestry. In recent months we

have worked with NRDC on issues of lead in gasoline. (The 1992 World Development Report made a strong case for the transition to unleaded gasoline in developing countries, which catalyzed a major campaign by NRDC, EDF and USEPA).

* • **Mr. Larry Williams**, key lobbyist for Sierra Club on international issues for the past 15 years. Well-connected to European and American NGO community. His boss is Michael McCloskey, Chair of the Sierra Club. Long involvement with Congress and internationally in conservation and species-related work. Michele Perrault is the national President of the Sierra Club. He was elected by the membership and resides in California.

Sierra Club

Membership 500,000. To explore, enjoy, and protect the wild places of the earth; to practice and promote the responsible use of the earth's ecosystems and resources; to educate and enlist humanity to protect and restore the quality of the natural and human environment; and to use all lawful means to carry out these objectives. With 63 chapters, and 401 groups in North America, the Club's nonprofit program work includes legislation, litigation, public information, publishing, wilderness outings, and conferences.

• **Ms. Frances Seymour**. World Wild Fund for Nature (WWF), reports directly to Ms. Katherine Fuller, CEO of WWF (US) and Member of the Board of the Ford Foundation, mentored by Russell Train, first EPA Administrator and William Reilly, former Head of WWF and EPA in the Bush administration. Has given strong support for IDA replenishment.

World Wild Fund for Nature-WWF (US)

Membership 1.25 million. WWF is the largest private U.S. organization working worldwide to protect endangered wildlife and wildlands -- especially in the tropical forests of Latin America, Asia, and Africa. WWF has helped create and protect more than 450 national parks and nature reserves; supports scientific investigations; monitors international trade in wildlife; promotes ecologically sound development; assists local groups to take the lead in needed conservation projects; and seeks to influence public opinion and the policies of governments and private institutions to promote conservation of the earth's living resources. The Bank has

numerous professional interaction with WWF, especially in our work as implementor of the Global Environment Facility.

* ● **David Reed**. WWF International, Washington Office. Reports to WWF International (headquartered in Gland, Switzerland). His work focuses on the Bretton Woods Institutions. He has made his reputation as a critic of the Bank, specifically during the GEF process and leads a major international research project in the environmental impact of structural adjustment. We have strong and largely constructive interactions with David Reed on the questions of how to incorporate environmental concerns with macroeconomic reform programs. We criticized his early work in this area, but are supportive of his current project.

OFFICE MEMORANDUM

DATE: March 30, 1995

TO: Mr. J. Wolfensohn

FROM: Ismail Serageldin, ESDVP *IS*

EXTENSION: 3-4502

SUBJECT: Meeting with Environmental Groups
Arranged by Vice-President Gore's Office

1. In preparation for your meeting, herewith are two briefs. The first brief specifically addresses the meeting. It is followed by short notes on the persons and their organizations. The second brief covers the activities of the Environmentally Sustainable Development (ESD) Vice-Presidency generally.
2. On a more general note, I have some views on dealing with the external criticism being leveled at the Bank. I have shared these views with my colleagues in the senior management of the Bank. Should you wish to see these, I am also attaching two notes, one titled "Restoring Public Confidence in the Bank" (dated July, 1993), which lays out the approach that I recommend and that we have been following in ESD. A second, and more recent memo (December, 1994) to Mark Malloch Brown deals specifically with the "message of the Bank", as he was elaborating it at the time, which appeared to be focussing almost exclusively on appealing to private business as the "key constituency", a view that I disagreed with. While he has nuanced the approach somewhat since then, I think it is a topic still deserving of discussion within the senior management.
3. I stand ready to provide additional information should you need it.

Attachments

Ms. Barbara Bramble
National Wildlife Federation
International Programs
1400 16th St., N.W.
Washington, D.C. 20036

Mr. Ian Bowles
Conservation International
1015 18th St., N.W.
Washington, D.C. 20036

Mr. Scott Hajost
International Union for the Conservation of
Nature and Natural Resources
1400 14th Street, N.W.
Washington, D.C. 20036

Ms. Korinna Horta
Environmental Defense Fund
1875 Connecticut Avenue, N.W.
Washington, DC 20009

Ms. Katy McGinty
Director of White House
Environmental Policy
17th & Pennsylvania Ave., N.W.
Washington, DC 10500

Mr. David Reed
World Wildlife Fund for Nature - International
1250 24th Street, N.W.
Washington, D.C. 20037

didn't go

Ms. Frances Seymour
World Wildlife Fund - U.S.
1250 24th Street, N.W.
Washington, DC 20037

Ms. Marjike Torfs
Friends of the Earth
218 D Street, N.W.
Washington, DC 20003

Ms. Lori Udall
International Rivers Network
1025 Vermont Avenue, N.W. - Suite 300
Washington, DC 20005

Mr. Larry Williams
Sierra Club
408 C Street, N.E.
Washington, DC 20002

Mr. Brent Blackwelder
Friends of the Earth
1025 Vermont Avenue, N.W. - Suite 300
Washington, DC 20003

MEMORANDUM

To: Fellow-members of intl. project

From: Korinna

Date: April 5, 1995

Subject: NGO meeting with James D. Wolfensohn on April 3, 1995

from Korinna
Horta
EDF

Mr. Wolfensohn, who will take over as the new WB President on June 1, 1995, met with the group of usual suspects (EDF, NWF, WWF, FOE, IRN, BIC, CI) yesterday. All of the NGOs in the room felt that this was the most direct and open meeting with a high-ranking Bank official ever. Wolfensohn says he is determined to bring the WB into a new era - and the impression I came away with is that if he won't succeed, nobody will. He wants a truce with NGOs over the next 6 months so that he can get a handle on the Bank and begin changing it around. I think that we have nothing to lose - and maybe something to gain - by agreeing to this honeymoon period. Our work during this period should be framed as being our contribution to assisting him in turning things around... Should nothing much change after six months or so, we can say that we gave him a chance and then pursue whatever other options we have.

Here is a brief report of the meeting:

Extremely well informed. NGOs had prepared the meeting by choreographing who of us would make which kind of presentation, etc... But it became clear fairly early on that Wolfensohn was up to speed and informed in the minutiae of detail of about everything we were saying. From the history of the MDB campaign, to who the individual NGO people present were (he had a briefing book on us in front of him), to having read Bruce's latest Congressional testimony, to details of road construction under the Arun III dam project... you name it, and he knew it.

He said that he spent part of the past 6 weeks reading up on the Bank and - during a business trip to Colombia - even checking on the Bank's portfolio there and examining Bank loans for the country over something like 30 years (his conclusion was that the Bank had screwed up 25% of the projects, the Colombians another 25%, and the rest was reasonable and had done some good).

Well-Intentioned. Wolfensohn said straightforwardly that he did not want the job for the prestige, he is already being invited to White House dinners, he already knows all the senators, etc. in material terms he is making a real sacrifice by taking the Bank job and is looking at it as purely public service.

He has been interested in environment/ sustainable development since before the Stockholm meeting (he is an old friend of Maurice Strong) and has been active on the Business Council for Sustainable Development.

He wants to turn the battleship (or tanker) that is the World Bank around, because he deeply believes the Bank has a purpose. He wants to make it an institution that takes on a pragmatic approach to helping poor people and promoting sustainable development. His contacts to the Bank date back to the McNamara years. It was McNamara, about whom Wolfensohn spoke very affectionately, who first suggested that Wolfensohn should run the Bank 14 years ago.

Relationship with NGOs. He asks us to be up-front with him. Let him know if we are his enemies (he pointed in particular at Brent Blackwelder) or if we are willing to be open-minded and giving him a chance to get to know what is wrong with the Bank and then change it. His words next to verbatim were: "I want a straightforward deal. Let's accept the Bank has been screwed up in the past - we don't need to discuss to what degree it has been screwed up - but now you got a new president coming in, a president with a dream to do something..."

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G 7 meeting. The immediate thing on his mind appears to be that he does not want the Halifax G 7 summit to establish a "political committee" to look into what the Bank does and does not do. He would view this as a meaningless, time-consuming exercise, which would put the Bank on the defensive without necessarily changing anything. He wants to do this review of the Bank himself and then report back to the G 7.

Contact. Wolfensohn's assistant at the World Bank - to whom our letters should be sent- is Jane Armitage, Fax 622 3437, Tel. 458 1114.

JAMES D. WOLFENSOHN

**1818 H STREET, N.W.
WASHINGTON, D.C. 20433**

Phone: (202) 458-5120
Fax: (202) 522-3433

April 7, 1995

Mr. Brent Blackwelder
Friends of the Earth
1025 Vermont Avenue, N.W. Suite 300
Washington, D.C. 20003

Thank you for taking the time to meet with me on Monday and sharing your views about the Bank. I found the meeting very informative and look forward to working with you once I start officially at the Bank on June 1.

Meanwhile, as I mentioned, I plan to visit all six regions before the end of the year, starting with a trip to Africa in June. I would very much appreciate any suggestions you have for local people I should meet or particularly good projects I should visit.

Sincerely yours,

James D. Wolfensohn

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Conservation International
1015 18th Street, N.W.
Washington, D.C. 20036

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National Wildlife Fund
International Programs
1400 16th Street N.W.
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Phone: (202) 458-5120
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April 11, 1995

Ms. Korinna Horta
Environmental Defense Fund
1875 Connecticut Avenue, N.W.
Washington, D.C. 20009

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Phone: (202) 458-5120
Fax: (202) 522-3433

April 7, 1995

Ms. Katy McGinty
Director of White House
Environment Policy
17th & Pennsylvania Ave., N.W.
Washington, D.C. 10500

It was a pleasure to meet on Monday. I am most grateful for your initiative in arranging the meeting with the representatives from key environmental groups.

Despite the history of disagreement between many NGOs and the Bank on environmental issues, I believe that we all share the same basic objective. We must find ways to listen and learn from each other and to work as partners. Our meeting of Monday is part of that process, and I found the discussion informative and constructive.

Thanks again for your help. I look forward to working with you and your colleagues once I take office June 1.

Sincerely yours,

James D. Wolfensohn

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**1818 H STREET, N.W.
WASHINGTON, D.C. 20433**

Phone: (202) 458-5120
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April 7, 1995

Mr. Davis Reed
World Wide Fund for Nature - International
1250 24th Street, N.W.
Washington, D.C. 20037

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April 4, 1995

Ms. Marijke Torfs
Friends of the Earth
218 D Street, N.W.
Washington, D.C. 20003

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Sierra Club
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**Background Brief
for a
Meeting with NGOs arranged by Vice-President Gore**

Background:

1. The widespread activism of NGOs is a manifestation of the world-wide trend towards an assertive civil society, that is increasingly involved in all facets of decision-making. In the development field, it is no different, except that the Bank has become a favorite target for many. The Bank attracts attention, in part, because it is considered a "trend setter". It is seen by many as the largest and the most important of the international financial institutions, in terms of ability to set the policy agenda and to arrange financing packages, as well as for its technical expertise, the size of its resources, the scope of its mandate and the world-wide reach of its operations. The Bank also acts as lightning rod for disgruntled NGOs that do not want to turn their anger at their own governments, and for international NGOs that prefer to target the Bank than to criticize the governments of developing countries. For others, either for ideology or cynical self-interest, Bank-bashing has become an occupation.

2. For the Bank, the relationships with NGOs are complex. We have a formal mechanism of interaction, which is the NGO-Bank committee, co-chaired by Jim Adams (Bank) and Iqbal Asaria (Third World Network). We increasingly interact with the NGOs through consultations in areas of their expertise, in the implementation of parts of the lending operations (50% of operations in FY94 involve NGOs in one or more facets of preparation or implementation), and in designing new approaches to doing business (e.g., our work on hunger and on micro-finance). Despite their criticism, there is real value in working with the NGO community, at least a large part of it, because they do have a different perspective, genuine expertise in some areas and are capable of bringing an important and complementary element to the development efforts provided by ourselves or our traditional interlocutors: the donors, the governments and the private sector.

3. Personally, as Vice-President for ESD I have been meeting regularly with the Washington-based NGOs about every 6-8 weeks, and have now institutionalized these consultations to include a number of my Directors and a well-prepared agenda. I find that this has done much to establish a better climate of trust and mutual respect, even when we differ (which is not as frequent as one would expect on the basis of press reports). Almost all the NGOs you are likely to meet at this gathering arranged by the Vice-President's office regularly send representatives to my meetings.

The NGO Community:

4. NGOs are a very disparate group. In terms of their geographic base, they include northern NGOs (e.g. EDF, Sierra Club) and southern NGOs (e.g. BRAC and Grameen in Bangladesh), as well as some genuinely international ones (e.g. IUCN, WWF, Birdlife International) although these last still tend to be dominated by their northern contingents. The views of the southern NGOs are frequently different from those of their northern colleagues and

it is therefore important to reach out to them as well as to listen to the northern NGOs. In terms of functions, they range from advocacy groups (e.g. International Rivers Network, The Development Gap) to mixed advocacy and some implementation of projects (e.g. IUCN, Sierra Club) to those predominantly involved with projects (e.g. WWF, Aga Khan Development Network) and those who are primarily think-tanks with some advocacy attached to the research (e.g. WRI and the WorldWatch Institute in Washington or Ibn Khaldun Center in Cairo or the Center for Science and the Environment in India). Some are basically Networks, whose sole function is to strengthen the links between the NGOs. Some of these networks are exclusively devoted to the surveillance of the Bank and other MDBs (e.g. The Bank Information Center).

The critics:

- (i) Professional Bank-bashers; like Bruce Rich, Vandana Shiva and Susan George, who have made a career of bashing the World Bank. I, Andrew Steer and others have debated them publicly, and it is not a matter of misinformation, but of intent.
- (ii) Informed and sensible critics; like Maurice Strong (Earth Council), David Beckmann (Bread for the World) and Kathryn Fuller (WWF). Their judgements are important and their comments almost invariably useful in improving the quality of our work.
- (iii) Well-meaning but ill-informed individuals and groups such as Bishop Tutu and the Council of Churches. Here it is a failure of communications by the Bank. It must be remedied.
- (iv) Other donors and the UN family of institutions, who frequently resent the Bank's arrogance and perceived "clout". There is wide divergence in both the criticism and the views expressed, as some of them are close to the NGO community and others are more distant. As to the content of the criticism, some of it is quite well-placed and deserves to be taken fully on board, even if much of it tends to be misinformed or self-serving.

The Criticism:

The criticism against the Bank can be classified as:

- (i) Criticism that is based on specific projects, such as Narmada and Arun, where there are alleged violations of Bank procedures. Many, if not most, potential cases get resolved through consultations, but about 20% of the complaints tend to become more controversial. This criticism is occasionally justified, but in most of the cases I have reviewed, the criticism tends to be unreasonable, insofar as it assumes that the Bank has full authority and

responsibility for everything, rather than the borrowing sovereign government. This is not the case, and most implementation problems are of the borrowers making. This is a point that many of the NGOs do not understand or will not accept.

- (ii) Criticism that is generically opposed to "Structural Adjustment". This is partly justified, insofar as we could in some cases have been more sensitive to social issues, but it is mostly factually wrong, and frequently based on an assumption that the necessary adjustments could have been avoided (or would have been less harsh) if the Bank and the IMF were not involved. Nevertheless, we need to have a more effective way of explaining our position on this controversial topic (this is a separate topic, for which I would be happy to prepare a separate briefing).
- (iii) Environmental criticism. We notice a significant reduction in this over the last few years based on the Bank's leadership in lending (\$10 billion) and improved sector work and the increasing recognition of the quality of our work on environmental economics and methodology. Indeed, the Bank, despite having started relatively late, has become a leader on most environmental issues today. Much of the environmental criticism that remains is either based on a lagged effect, i.e., reflecting the reality a few years ago, or an ideological opposition to developmental projects, especially large infrastructure. The constant references to Narmada are examples of the former, and the call of International Rivers Network (IRN) for a moratorium on all dam projects is an example of the latter.
- (iv) Social criticism. An increasing number of critics are focusing on the Bank's record on resettlement, indigenous people and poverty program issues. We have done much in these areas in the last three years, and are trying to mainstream best practice approaches to participation and social assessment in project preparation. We have also taken initiatives to address the plight of the very poor. On this last, we are trying to launch a Consultative Group to put \$100 million into micro-credit for the poorest, to be anchored by a \$30 million contribution by the Bank (this was approved by our Board last Tuesday, March 21st). Despite all these efforts, there is some validity to the critics claims that we could do more to integrate concerns with the very poor and the marginalized into our mainstream work. The social critics, however, neglect to mention that we are the largest financiers of education, health and nutrition in the developing world, and that in such areas as AIDS and expansion of female enrollments we are, also, the largest financiers by far.
- (v) Ideological criticism, that rejects the neo-classical economic paradigm (frequently the position taken by left-leaning academics) and/or adoption of

the "small is beautiful" concept of development (a view shared by many NGOs and charitable organizations). These critics are impossible to satisfy, for it is the very foundation of the development finance business that they are criticizing.

- (vi) Debt issues, are a favorite target of some groups, asking the bank to write-off the debt owed to it by some, or all, of its poorest members. They ignore that these same countries, through their finance ministers, support the current measures that the Bank is taking (e.g. the so-called "fifth dimension" of the Special Program for Africa (SPA) through which we refinance the interest on IBRD debt in IDA-only countries through IDA reflows; or the special facility to buy down the commercial debt of the poorest countries with IDA, etc).
- (vii) Institutional criticism, claiming that the Bank has distorted incentives, does not implement its own policies, has the wrong skill mix, and has an unacceptable level of "failure" in its portfolio, and that it is secretive, unaccountable and arrogant. Surprisingly, a report that we initiated, the "Wapenhans Report", which addressed the ways in which we could improve our performance is now being constantly used to criticize the Bank rather than being seen as the effort of an already effective institution to do better. This was another tremendous PR failure by the Bank. While, without question, there is much room for improvement, the Bank holds itself to much higher standards than any other development finance agency, a reality which would be recognized if the work of others was subjected to the same rigorous scrutiny. Furthermore, with the adoption of the new public disclosure policy and the inspection panel, we have become -- in the words of the Indonesia NGO Forum -- the most open development finance institution around.

Specific Issues at the Meeting:

5. I do not know if any of the participants will raise specific issues at the meeting, but we are all concerned with the potential damage that could be done by adverse criticism at the time Congress is looking to cut IDA. Two likely themes of criticisms are : (i) that the Bank is not implementing its policies and declarations, because the institutional culture is impervious to change and its reward systems distorted (this was the theme of a recent EDF report released this month); (ii) The Arun III Dam project in Nepal, which Lori Udall in particular is likely to bring up. While that is indeed a very large project in a very small country and one which generated considerable debate within the Bank and outside of it, we do not accept the allegations that there was no participation or that the work did not conform to our guidelines. Nevertheless, this was the first case to go before the Inspection panel, and they will be conducting a field review in a few weeks. The new Government of Nepal has reaffirmed Nepal's eagerness to have

this project, and subject to satisfactory reviews by the inspection panel, a new team of experts we are sending to look at the potential problems of the glacial lake, and the finalization of the financing plan, the project is still expected to go forward later this year.

6. On the positive side, I think that a number of those present might inform you of their decision to support IDA, however reluctantly.

Suggested posture:

7. It is important to listen to the points to be made, maintaining a healthy skepticism both of the Bank and its critics, until you can sort out the wheat from the chaff in the specific issues raised.

8. Without being defensive, we can take on board the justified criticism and rebut the unreasonable demands and unjustified allegations. You would be surprised how much of the latter there is.

Handwritten notes in red ink, including the word "LIFE" and other illegible scribbles.

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ESD
VICE PRESIDENCY

Promoting Environmentally Sustainable Development (ESD) in the Bank

ESD: The promise of the future:

The ESD Vice-Presidency has a broad mandate which primarily focusses on introducing the concept of sustainable development into the mainstream operations of the Bank. This addresses those areas that have been the most controversial in the Bank's work in the last 5-10 years and are the areas that our critics have mostly focussed on in the media. The work of ESD, therefore, tends to be very visible. Our work implies some clarification of the concepts, definition of methodology and refinement of the policies and procedures governing Bank work in the Environment, Agriculture and Infrastructure areas. We devote about 50% of our resources providing support to the regional staff and 25% to own-managed work (describing best practices and policy work) and the rest is split between training of Bank staff and outreach activities. The most innovative part of the ESD program is the work of the Environment Department on defining new approaches towards making development move environmentally and socially sustainable. The bulk of this note deals with the Environment Agenda of the Bank, given its high visibility and its high potential impact. Two brief statements cover the Agriculture and TWU Departments. The rest of the brief discusses the Environment Department and the Bank's four-fold Agenda, and sketches out where we expect to go in the next few years.

Agriculture and Natural Resources (AGR)

The Bank's Agriculture portfolio stands at \$28 billion. Current lending is \$3.8 billion per year.

The Agriculture and Natural Resources Department (AGR) focuses its efforts on three critical and closely interrelated global issues - poverty reduction, food security, and sustainable production systems. The majority of poorest of the poor and the malnourished live in rural areas of poor countries. There is now powerful evidence from East Asia and India that improved agricultural productivity is an effective way of reducing both rural and urban poverty.

The challenge of doubling food supplies by 2025 is enormous. That increase in production must come primarily from yield increases. Agriculture and forestry are the predominant users of much of the world's land and water. The challenge is to develop production systems which can sustain production increase and improve the environment. Water and land management hold the keys to succeeding in this challenge.

The three themes of AGR's Workplan - sector policies and strategies; sustainable production systems and natural resource management; and water allocation and management exemplify the triple threat that agriculture offers in poverty reduction, food security and environmental sustainability.

Transport, Water and Urban (TWU)

World Bank/IDA combined Transport, Water and Urban lending comprises about 50 projects per year which, in FY94 amounted to approximately \$6 billion or 30% of total annual commitments. The cumulative portfolio stands at 374 projects and \$35 billion.

Our lending supports projects such as urban water utility network extension and institutional reform, rural water supply and sanitation, urban transport and urban solid waste disposal, slum improvement, railroad rehabilitation, port privatization and improvement to transport networks.

Key areas of emphasis are: (1) the development of more efficient local institutions that can deliver basic services and facilities at low cost (through reliance on the private sector where feasible); and (2) extension of basic services to the poor on a financially sustainable basis. Our priorities areas are water and sanitation, urban environment and poverty, and motorization issues in transport.

The Bank since Rio: A four-fold Environmental Agenda:

The Bank has adopted a four-fold agenda that can be summarized as follows:

1. Assisting our borrowing countries in promoting environmental stewardship.

The Bank has become by far the largest external financier of environmental investments in the developing world. The currently active portfolio of loans targeted to reduce pollution, protect soils, forests and parks, and strengthen environmental policies and institutions is around \$10 billion -- up from \$2 billion just six years ago. Ensuring that these investments are designed to the highest professional level, and incorporate the most current knowledge, is a central part of our work program. The Bank's portfolio of environmental loans is unprecedented in size and coverage and it is vital that we learn from and disseminate its emerging lessons. We publish a regular series of papers documenting "best practices" and assessing what works and what doesn't.

Many investments are now based upon priorities identified in National Environmental Action Plans, prepared by developing country governments but often supported by the Bank. Over the past three years the Bank has worked with around 50 countries in this manner. These exercises identify environmental priorities and underlying causes, and propose policy and institutional reforms within the overall development context. These exercises are generally much more participatory (in terms of involving non-governmental groups) than normal policymaking, and thus have the potential of promoting improved governance and stronger civic involvement.

2. Assessing and mitigating any adverse impacts associated with Bank financed projects

The Bank now insists that every operation that it funds will be subjected to a review that will ensure that the environmental dimensions will be properly addressed.

Our procedures for Environmental Assessment (EA) of projects are now generally regarded as very sound, although we still receive criticism that the implementation of these procedures is often inadequate. We are just completing a review of the actual performance of our EA requirements (to be discussed at the Board in August), which documents good improvement, although frankly acknowledges the remaining difficulties of ensuring the highest standards in some of the country contexts in which we operate.

3. Building on the positive synergies between development and the environment.

This is the so called "win-win" strategy. There are two basic parts to this item of our agenda: investing in people and promoting the efficient use of resources. Although not targeted specifically at improving environmental conditions, they both have powerful pro-environmental impacts.

Investing in people is particularly important. It is the poor who suffer the most from environmental degradation, especially women. When drought hits, it is the poor who suffer. Women are responsible for getting water, just as they have to gather fuel wood from farther and farther afield, and naturally they also care for the children. The solutions all involve empowering women. That means that investing in people, in human resource development, must pay special attention to girls' education. This is probably the single most important measure that we can adopt both for development and for the promotion of sound environmental policy over time. Investments in water and sanitation, agricultural research and extension to poor farmers, and primary health care and population are other examples of pro-people pro-environmental investments.

The efficient management of resources is the second leg of the win-win strategy. Just how inefficient the current management of resources actually is, can be quite striking. Sadly, a large part of this mismanagement is currently induced by government policy. Energy subsidies in the developing world in 1990 accounted for \$230 billion a year -- about four times the total volume of Official Development Assistance (ODA) going from the North to the South. That is environmentally unsound, economically unsound and wasteful of resources that could be going towards other uses.

Likewise, many of the non-energy subsidies that exist today are, in fact, for extractive and destructive industries: for example, average stumpage fees for logging are a fraction of the cost of reforestation, water tariffs are a fraction of the cost of its provision, and pesticides are subsidized at substantial environmental cost. Improving the financial accountability of state-

owned enterprises (especially power and water utilities), promoting financial sector reforms, and ensuring macroeconomic stability are other efficiency enhancing reforms that also benefit the long term environment.

4. Addressing Global and Regional Challenges.

Some environmental damage traverses national borders and is regional or global in impact. The Bank has occasionally assisted in addressing some issues in the past (such as in the India River dispute in the 1960s), but our involvement has accelerated dramatically in the past five years. The Bank now coordinates external assistance and financing in a number of regional seas and river programs, and is the largest implementing agency to the Global Environment Facility (GEF) and Montreal Protocol Fund. Both of these grant facilities are designed around the principle of "incremental cost", raising important questions as to what is in the "national" interest and what is the global interest. We have been at the center of the analytical work on this issue and have, by using GEF funds judiciously in coordination with regular World Bank lending, sought to bring national interest in line with global interest. Examples include investments in solar, wind, biomass and geothermal energy, national habitat protection and new strategies for agriculture and industry.

ESD Over the Next Two Years:

Over the next two years, in the domains within the mandate of ESD, the World Bank will be taking a leadership role in at least four distinct areas:

1. Environmental measurement, and its manifestations in terms of improved methodologies for environmental assessment, benefit-cost analysis, financing mechanisms and linking environmental analysis to the socio-economic framework for decision-making. This work is now proceeding apace at both the micro and macro levels.

2. Agricultural Research, there are few areas more needing in attention than agricultural research, broadly defined. Positioning Agriculture at the center of development concerns is essential to cope with the inevitable population pressure on fragile ecosystems in the developing world, and to address the needs of the poor and promote food security. We intend to strengthen our links with the CGIAR, whose mission of promoting "sustainable agriculture for food security in the developing world" is fully congruent with our developmental agenda. We also have a special team headed by Michel Petit, devoted to that item of the global agenda. This is still an uphill battle, but we are making headway, largely thanks to the Board's strong support for the CGIAR and agricultural research.

3. Water, the scarce resource of the coming century, needs to be treated both as a basic need and a scarce resource. The World Bank's new water policy is widely respected and is increasingly being accepted as sound general framework within which the implementation of Agenda 21 can be pursued. We are working with UNDP and others to forge a "Global Water

Partnership" involving all the key international actors, and thus gradually helping to forge a consensus around the approach needed for sound water management world-wide.

4. Urban environmental and poverty problems, which was the theme for our last ESD conference in September, 1994. These are areas where the Bank has an outstanding track record, and where we are successfully building bridges leading towards a global consensus that will, we hope, mark the Habitat II conference in Istanbul in 1996. The Bank, we believe, will be seen in a positive light at that "City Summit" and will have contributed to the framing of the global agenda and the consensus around it.

These are the areas where I can say that we are making headway to become leaders, or more humbly, to take our place among the recognized leaders, in forging a global consensus around an agenda, an approach and a framework for action. In each case this framework is consistent with sound economic principles and the approach is a pragmatic, realistic one, imbedded in country policies and sectoral concerns. In each case we are building on the strength of the institution and its unique comparative advantage.

A fifth area, Hunger and extreme poverty, remains an important part of our agenda, to which we must devote continuing attention. I commend to your attention the proposal for the Consultative Group to assist the Poorest (CGAP) : A Micro-finance Program which, I firmly believe, will address one of the important missing items in the arsenal of tools that we can deploy to combat poverty, and its most extreme manifestation, hunger.

Over the Horizon:

Beyond these five areas, there are others where we are gradually making progress of the same magnitude, but where we cannot yet claim to be at the same level of advancement.

The most important of these areas is promoting the social dimensions of development. The Articles of the Bank call for it to be an economic institution dedicated to the improvement of living standards within its member states. Increasingly, it is becoming clear that achieving these objectives must incorporate the social dimensions, that essential set of bonds and institutions that allow a society to function.

The Bank has tackled these issues in a set of partial questions. Resettlement, indigenous people, the role of women in development, and participation are all parts of that bigger picture. However, addressing, the social dimensions of development is clearly a much broader and deeper task than merely assessing the social consequences of economic decisions and policies (defined as the differential impacts of these policies on particular groups in society) or the investment in human capital (education, PHN) which is primarily addressed toward individuals rather than society.

The social dimension must interact with and complement the economic dimension in our work. They are two sides of the same coin, two aspects of the same reality. The process of development needs them both, just as breathing requires both inhaling and exhaling. The Bank, recognized as the premier institution on the economic side, is the institution that can legitimate that social side as it evolves an ever richer and more adequate understanding of the development process.

The work, barely starting in the form of guidelines for social assessment, will take a couple of years to mature, and hence, I put it as something "over the horizon".

Confidential

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WBG ARCHIVES

To : Mr. Sven Sandstrom

From : Ismail Serageldin

Subject : Restoring Public Confidence in the Bank

Date : July 28, 1993

As promised, attached herewith is a note that I have prepared on this subject. I feel very strongly that anything less than these kinds of measures is bound to be ineffective. I look forward to discussing it with you on my return to Washington on August 7th.

RESTORING PUBLIC CONFIDENCE IN THE BANK :
Reflections on an External Strategy

A broad based approach:

There is a general perception associated with a name in the public's mind. This , which can be termed "the public image" is not necessarily tied to specifics, but can often be quite vague. That background public image can be either favorable (e.g. Unicef) or generally unfavorable (e.g. "politicians"). Regrettably, the Bank's public image, even among those who are extremely vague about what the Bank is or does, is very unfavorable. The recent vote in the U.S. congress where a motion to cut all funding to the World Bank was defeated by only one vote in the house is a compelling argument for the need to address this image problem NOW. It would be extremely dangerous to underestimate the extent of this unfavorable public image, as recognition of the position from which we start must guide our decisions as to the appropriateness of the actions we undertake to remedy the situation.

That the Bank once upon a time enjoyed an extremely positive public image as a center of technical excellence, merely underscores the severity of the decline in public esteem that our institution has suffered in the last decade, due in part to the corrosive criticism of environmental NGOs and in part to the attitudes of Bank staff towards this external criticism, as well as some real failures in the technical quality of some of our operations and more significantly the manner in which the concerned staff responded to the criticisms about these failures.

The public image of an institution is usually affected by myriad little items in the news, and/or association with one or more major events or enterprises. In the case of the Bank, the continuing series of negative articles in the press, frequently confused with equally negative pieces about the IMF and the EBRD, have certainly contributed to the vague feeling of negativism towards the Bank. The sharply focused negative mailings and published pieces by environmental NGOs have successfully mobilized strong anti-Bank sentiment in a particularly active constituency, which in turn reinforced the general public's negative image of the Bank.

If there is one event or enterprise that the Bank is associated with in the public mind recently, it is the Narmada project, hardly our most distinguished effort. It is also not productive to insist on the Indian government's responsibility in the matter. In the public mind , it does not lessen the guilt of a culprit to insist that there was an equally guilty accomplice. Besides, if we were not the parents of Narmada, we were certainly its godfathers : we were present at its conception, we agreed to its birth, we nurtured its development and we influenced its destiny.

Today, due to this systematic erosion of public confidence in the Bank, we stand condemned in the court of public opinion. The public

will accept as true any accusation against the Bank if it is merely plausible. It does not ask for proof beyond a reasonable doubt. Our carefully crafted, correct, accurate and legalistic responses are neither seen by the public nor would they be particularly effective given the aura of negativism surrounding the public image of the Bank. It would be like a financier who after being consistently accused of bribery, fraud and corruption manages to produce audits that exonerate him in a detailed investigation. This rarely serves to restore his image in the public mind and is seldom given adequate coverage in the media. Thus are reputations frequently unfairly sullied. But the issue at hand is not the fairness of the media or the public at large, it is the Bank's response to a dramatic erosion of public confidence in the institution accepting as given the environment in which we work.

To respond to this situation, the Bank will have to adopt a multi-pronged strategy. It should deal with (i) external image, (ii) substance, (iii) internal culture, and (iv) alliance building. Such a strategy is proposed below.

External image :

As a first step to remedy the external image of the Bank, we should ensure that stories of the bank's support to successful development projects and programs gets into the media, especially Television, worldwide. This can involve the preparation of thematic short videos that vary in length from 30 seconds to 15 minutes, and make these available to the media of the world. The quality of the production should be truly professional. An example of a well done short video is the Rainforest spot that was shown all over american movie theaters last year. Some further suggestions :

1. Participation by the Bank in the promotion of TV programming that increases the public's knowledge about development issues, with some emphasis on those themes that the Bank is active in. Since the Bank is active on a broad range of development issues, this should not be a constraint on the range of projects we could support. I am personally aware of at least three initiatives involving NGOs that I believe deserve serious consideration for Bank support. Doubtless there are many others.

2. Sponsoring an information program with a stellar cast. The model for this would be the Columbia school of Journalism program on the American constitution.

These last two would also serve to make a major contribution to the public's awareness of development issues, something that will generally benefit the Bank, as a more informed public is bound to be more appreciative of the nuances of different developmental situations and more likely to understand the courses of action adopted by the Bank in these difficult situations.

Secondly : the Bank should be closely associated in the public mind with a theme (Poverty reduction) and one or more activities or events that support that theme. We need to do something dramatic on poverty, and stop arguing that we are addressing it by indirection through policy reform. I have specific suggestions to make (see below). Today the theme we are identified with is not poverty reduction. It is Structural Adjustment that is insensitive to the needs of the poor, and possibly large public works projects that destroy the environment without helping the poor. THE event/Project with which we are identified is , for the time being, Narmada. Clearly this will not do. We MUST address this frontally, boldly and differently .

Some Suggestions :

1. We should allocate some resources directly from IDA, without government guarantees, to a special fund for working with the poorest of the poor. The sum should be at least \$ 100 million, possibly more. A possible candidate to receive some of this support would be the proposed Grameen Trust to assist the Grameen Bank like efforts in several Asian and African countries. Dr. Yunus is looking for \$ 100 million over five years. He has a track record of success that hardly any of the governments we lend to can match, and he is credible internationally on the poverty question.

2. We should make a point of announcing (and of actually doing it) that we are willing to support small micro projects that are targeted to the poorest of the poor even in situations where we do not have agreement with the government on the macro framework. These interventions can be very small, using local or international NGOs.

3. We should do a lot more on the social safety nets that should accompany SALs. Despite the rhetoric and the occasional success story, the record is not as good as it could be.

4. We should open a Grant window using \$10 -20 million of our profits, to be used to finance NGOs working innovatively with the poorest of the poor. This is different from the IDA proposal which would go to the expansion of tested programs. The details of this proposal are attached in an Annex.

5. Large scale events such as the ESD and the Hunger conferences should be used to send a message about the Bank's commitment to the issues at hand, and to build alliances with like-minded actors in the development arena. I will have more to say about alliance building later on.

Thirdly, the Bank must be seen to be more transparent than is currently the case. This is not just to respond to an NGO demand. It is my firm conviction that the Bank is infinitely better than our critics or even the general public believes. By and large, most

people who have had the occasion to see the Bank from the inside (e.g. seconded staff from other agencies, academics who have worked on a team for a specific project or study) have become friends of the Bank, or at least significantly moderated their criticism. The degree of freedom, the professionalism of the institution, the intellectual quality of the debate and the dedication of Bank staff to the cause of development, are all attributes that are seldom appreciated from the outside.

Slightly different but still related to the issue of secrecy is the question of what I would call "recourse" and that our critics called "accountability". The issue is the perceived difficulty in being able to address the Bank with a complaint by someone outside the formal channels of dialogue between Bank and government. The proposals for disclosure policy and to a certain extent the new Inspectorate Panel will both help in significantly reducing the aura of secrecy that surrounds our work and will enable, through the Inspectorate panel, to provide an avenue for those who wish to seize the Bank of an alleged complaint. Indeed, despite some hesitations about the Inspectorate Panel, I now see it as a means of providing a convincing response to many of the unfounded accusations that are presently systematically chipping away at our credibility in the public mind.

This set of actions will make a start in changing the public image of the Bank. But it would only be a start, and a modest one at that. Anything less than this is not likely to be adequate. These proposals, to bear fruit, must be combined with a number of other actions on Substance, attitude and alliance-building.

On Substance:

The quality of the Bank's portfolio is not as good as it should be, and not in the sense of the Wapenhans Report. The quality of the portfolio is not adequately balanced in relation to the objectives that we are setting ourselves in terms of global poverty reduction. The issue is not just the volume of lending by sector, it involves the content of the lending in each of these sectors. This is much the same argument we tell many of our borrowers when we analyze their public expenditure patterns.

The biggest gap in our current work program, as I see it, is employment creation, especially for urban youth. If we do not have reasonable proposals to advance in this area, the credibility of some of the other recommendations, such as reduction of civil service employment, will continue to be at best expediently pragmatic, at worst insensitively dismissive of what many if not most decision-makers consider their first priority. The fact that we know relatively little about the topic simply underscores the low relative priority we have given it in the last ten years or so. Our research work in the last ten years has given little attention to labor markets compared to other factor markets. What little work

has been done in the context of SALs has tended to have a regulatory, union busting flavor and not enough focus on the proactive creation of new jobs for the disadvantaged. The message of the 1990 WDR on labor-intensive approaches has not been sufficiently taken to heart, despite the occasional success story here and there.

A second large deficiency in our current work is the poverty analyses associated with our poverty assessments. If these are really going to be tools for decision-making in the Bank, as our OD on poverty promised, they need to be substantially beefed up. They should be viewed as rigorously as we try to view our macro-economic analyses. That in turn, will require a significant expansion of our work on household surveys (either LSMS or SDA or equivalent) and we could easily build this into our lending operations with a leveraged input from our research program. The resulting analyses should be seen by staff, the Board and outsiders as really biting into decisions concerning resource allocation to different countries.

A third area where the portfolio needs significant improvement is the extent to which we do actually build into various loans systematic Monitoring and evaluation (M+E) components. This should be an integral part of every operation. Likewise, Beneficiary assessments, which give voice to the poor, the intended beneficiaries of the interventions, should be systematically built into all the operations we agree to finance.

A fourth area is participation. If this is not to be just a "buzzword", we need to take this much more seriously than we have till now. This means that we should really beef-up the follow-up to the participation learning group's work, to the point where we can credibly say that it is indeed the Bank's policy to promote participation as a part of the operations that it agrees to finance.

A fifth area is the excessive emphasis on the promotion of the private sector and privatization of everything in sight. The role of government, which remains essential, is not sufficiently recognized or articulated. The recent creation of the Public Sector Management Department may go some way towards moderating the perceived "tilt" in our public image. We should not underestimate the damage done to the Bank's image in the early 1980s by the tremendous emphasis given to trade reform and price policy (as advocated by Ann Krueger) which appeared to crowd out everything else from our agenda, including poverty reduction and compassion for the weak and the marginalized in rapidly changing societies. We are at risk of repeating this mistake with privatization today. Again, I am not questioning the importance of any of these reforms, then or now. I am talking about a need for "balance" in our public messages, a balance between rigor and compassion, between the short and the long term, between the concern for people and the concern

for the aggregate economy.

On Attitude :

The most common attribute associated with the Bank as an institution and with Bank Staff as individuals is "arrogance" . So widespread is this impression, that we certainly need to get at the root of the problem inside the Bank. Herewith some observations :

Our de-facto Personnel Policy places a very big emphasis on getting along with colleagues inside the Bank (sometimes even at the expense of substance) and hardly any weight on getting along with people outside the Bank, even clients. A staff members career can be severely jeopardized if he or she gets a reputation as having an interpersonal skills problem, which is invariably defined as relationships with colleagues in the Bank, not outside. Staff read these signals and react accordingly. Furthermore some even go as far as imagining that they will get extra "brownie points" for being "tough" with the borrowers, and by extension the co-financiers. Such problems are most widespread among younger, more junior staff. We do not sufficiently emphasize that action is best rooted in the conviction of those concerned (the ownership issue) and that in negotiations, firmness and graciousness can go hand in hand. A major effort is needed by senior management to redress these mistaken impressions, just as we need to redress the perceived imbalance in priorities between appraisal and implementation.

A second strand in this attitude is found in the way we behave towards the work done by recruits before they joined the Bank. We question the relevance of what they have done outside to the work we expect them to do inside. Senior managers who have directed teams in major research enterprises are questioned as to whether they have the potential to lead an appraisal team, etc. etc.

A third example of this attitude is found in the generalized view of the likely inferiority of anything done outside the Bank by other institutions. While the Bank's work is undoubtedly excellent, so is the work of many others. A degree of openness and a touch of humility would go a long way here.

A fourth aspect of the problem is our attitude towards working in "partnership" with other international institutions, Bilaterals, UN agencies or MDBs. Basically our attitude is " I lead, you follow " . This will not do. It is important that we accept the burden of leadership when others are willing to offer it, but we should not presume that it is ours automatically. Worse, we should not give the impression that unless we lead we are not going to cooperate or participate. More on this when we discuss alliance-building.

Fifth, is the whole question of our relationships with NGOs. With the exception of a relatively small group of Bank staff, the vast

majority of our staff have not taken on board the complementarities in the roles of the Bank, the government and NGOs. The prevailing view is an adversarial one, or one of disdain for groups long on rhetoric and commitment but short on "expertise". Among the minority of Bank staff who strongly believe in a role for NGOs this tends to be accompanied by a dislike for the governments we lend to and a romanticized view of the effectiveness of NGO activities without the necessary adjustments in the overall policy framework that the Bank is uniquely qualified to address. The latter are seen by NGOs as the embattled, right-thinking minority in the Bank, and the former, prevailing view is sensed by NGOs as the "true" attitude of the Bank, i.e. an arrogant disdain towards their contributions to the practice of development. This situation requires a change of attitude among both groups towards a more balanced approach where the complementarities are more effectively articulated, and mutual respect for the different types of expertise is the norm. This will lay the groundwork for true alliance building, as well as remove many of the irritations that currently plague our relationships with NGOs. It will not be easy to bring about an attitudinal change of this type, but anything less than a sustained effort in this direction is likely to be sensed as window dressing by the outside critics, however unfair such a categorization may be.

Finally it is essential to recognize that these attitudinal changes are not advocated just to mollify some external critics. It is not a healthy institutional culture that allows self confidence to slip into arrogance. It does not serve our member states well to assume that the only font of wisdom is the Bank itself, or to denigrate the views and ideas of others who may not be as analytically rigorous or articulate as Bank staff and consultants, but who may have profound insights to contribute, born out of long association with the societies we are trying to serve.

An added twist to the internal cultural attitude of the Bank is the likely changes that greater openness and transparency will bring, as would the presence of an Inspectorate Panel that would look into allegations from outside the usual review channels in the Bank. I believe that both of these developments, while they would be irritating in many ways and time consuming in others, would be major contributors to the reduction of the entrenched arrogance that is so galling to so many outsiders, including borrowing governments and co-financiers.

Alliance Building :

The go-it-alone attitude of the past is no longer feasible in a world where the processes of decision-making everywhere are becoming more open and more fractious, and where centers of decision-making authority are becoming more diffuse. The ability of strong leaders to push forward is becoming increasingly constrained by the need to build a critical mass of support for the initiatives

through consensus building and alliance building. This appears to me to be a broad-based worldwide trend, not limited to the environmental movement or affected by the temporary or real setbacks that such a movement suffers in a particular country, as seems to be happening recently in the U.K.

The Bank cannot insulate itself from these worldwide trends, even if it wanted to. We will need to build alliances with a wide range of actors on the development scene. The key is to establish a framework for a real partnership in a common enterprise serving a shared vision. A real partnership implies that the partners have an equal, or at least a balanced, say about all decisions in the common enterprise. Perhaps the only full partnership in which the Bank currently participates is the one with the IMF. There, mutual respect of the expertise of both sides and the recognition of the complementary contributions that each brings to overcome the obstacles at hand makes for a viable partnership. That, of course, is not the same as a smooth working relationship, but it is a relationship that is recognized by all concerned as being a vital one to the success of the common enterprise, which is governed by a shared vision (despite the nuances between the Bank and the IMF on a number of issues). Herewith are some suggestions on how we could move towards building alliances with various actors :

1. With Donor Agencies : As the Bank articulates its development agenda, it should seek to involve more closely the other interested donors, building a closer working relationship with the key group of like-minded donors on particular issues. For a variety of reasons, the various donors will ascribe different priorities to different segments of the agenda. If, after a full hearing of all the views concerned we retain an agenda that is both thematically and geographically broader than that espoused by any single donor, which is probable given the breadth of our mandate, then we should try to build alliances around themes (e.g. The Social Dimensions of Adjustment or WID) or geography (e.g. the SPA in Africa or Eastern Europe and the former Soviet Union). There are enough experiences in the Bank to show that we can do this well when we set our mind to it, and the relationships with other donors, especially as co-financiers, are the ones where we have had the most experience (both good and bad) to date.

2. With Part I countries : We have discussed this topic extensively with the Vice-Presidents. I have little to add to the general thrust of these discussions beyond noting that due to the general worldwide trend noted earlier, it will be necessary to expand the range of our dialogue and reach out to parliamentarians, academics, NGOs, the Media as well as the traditional interlocutors we have in the government.

3. With Borrowers : In the past, we have dealt exclusively with the official government channels. While this has got to remain the absolutely fundamental working relationship, some changes are in

order. We should begin to recognize the different "social actors" in each situation, and build these into our assessment of the environment in which implementation is to take place. We owe this to our Board and our shareholders if we are indeed to exercise an independent judgement when appraising a project. To the extent that it is required for forming this independent judgement, dialogue with these different actors must be undertaken with sensitivity and a delicate recognition of the rights of the proper government authorities in knowing about, and even being involved with, this dialogue. We also need to recognize that by these actions we could be helping the promotion of pluralism and national capacity building. We must broaden the network of informal contacts that the Bank has with the local media, academics, NGOs, community and political leaders in every country. This is already being done through the more effective field offices, who have succeeded in maintaining excellent relations with the governments while expanding these contacts. It is also being nurtured through the consultation processes in National Environmental Action Plans (NEAPs) and the African National LTPS exercises. What is lacking is the systematization of these approaches, and the institutionalization of continuity and sensitivity. In the face of our rotation policy (which I support) we may well have to consider the idea of having certain career positions for geographic specialists who would act as advisors to the Country Directors, and would not move. These specialists would be expected to monitor the socio-economic and political trends and currents in their areas of expertise and would, of course, be fluent in the local language(s).

4. With NGOs: The situation with the NGO community is so bad that a major effort will be required to overcome the profound suspicion and even outright hostility that seems to characterize the attitude of most NGOs towards the Bank. This will require sustained effort by word and deed to earn their respect and confidence. It can be done, and would be a great asset to the institution and its borrowers.

The starting point is to recognize the differences and complementarities between what we and they can do, and how these complementary approaches, when coupled with the sound management of an effective national government, can be extremely effective in promoting self reliant, equitable and sustainable development. We must also recognize the positive contributions that NGOs can bring in improving the quality of our product, as was the case in the consultation processes that preceded the finalization of the forest and Water policy papers. We must also be able to distinguish between Developmental/operational NGOs, with whom we can work in the field, and advocacy NGOs, with whom we discuss policy without the possibility of collaborating in actual field conditions. Furthermore, some of these NGOs are narrowly focussed on a specific issue or theme, while others are more broadly involved in a wide spectrum of developmental activities. For all of these, a carefully

balanced approach to the dialogue is bound to bring useful dividends to the improvement of our own work.

I am fully aware that some of the more strident NGOs are not necessarily interested in collaboration, while others despite their dedication and earnestness are not necessarily capable of adding much to what we can bring to addressing a specific problem. Yet, I am convinced that we must start by extending an open hand to all of them, and by dint of serious effort and true collaboration identify those who want to work with us on solving real problems. I believe that such a sustained and genuine effort will gradually win the respect and collaboration of the most serious groups. That will always leave some extreme groups who will never be fully satisfied or convinced, but these would not be the mainstream of the NGO community who would probably find extensive grounds for mutual support and cooperation in areas of environment, poverty reduction, Human resources development and other developmental themes.

Three other points must be mentioned here. First, the efforts at greater openness, transparency and accountability mentioned above would be invaluable in helping to overcome this overwhelming suspicion and hostility. Second, the suggestions about a grant window for NGOs and the major poverty reduction initiative would go a long way in earning goodwill and establishing the credibility of the institution in the eyes of this important constituency. Third and perhaps most important, I am fully aware that the moves towards greater consultations, etc. are in effect raising issues of the legal standing of NGOs in what is ultimately an inter-governmental organization. This question requires some thoughtful deliberation on our side and should not be dismissed lightly. I hope that as a follow-up to the board discussions on disclosure and to this note, we could have a thoughtful scrutiny of this question by the legal department in conjunction with the president's office.

5. With the Media : While having good relations with the Media is always desirable, such relations should be entered into with great care. Anything that remotely could be interpreted as an attempt at manipulation is likely to backfire and be very detrimental to the credibility of the institution. To be continuously available to answer questions and to provide factual information on a timely basis is the best policy. Special programs as "backgrounders" for interested journalists and media people would be very useful. The seminars being organized by EXT are very good and should be intensified.

Organizing for Action :

The preceding elements of an external outreach strategy must all be seen as pieces of an integrated whole. The various measures are mutually reinforcing and mutually supportive. The effectiveness of the measures adopted will be enhanced to the extent that they are undertaken in conjunction with the other measures. Together they

should take us a major step forward in making the Bank more accessible to the public, and ultimately expand the base of support we now have among the various actors on the development scene.

If we adopt such a program of action, we must organize ourselves to execute it effectively. This implies external affairs units (could be as small as one person) in each VPU. It should also involve having one full-time external affairs officer in each CD, as was done extremely successfully in the Brazil department. That person could well be a local staff in a regional mission, not necessarily a HQ staff member. We should also significantly enhance the resources allocated to the central EXT department to enable them to play a proper support role to each CD and VPU as well as to undertake the actions required to address the institution-wide concerns.

Beyond such organizational aspects, there has to be a major commitment by all the managers in the bank to see this as an integral part of doing a good job. The senior staff and managers in operations are the most credible ambassadors of the bank vis-a-vis the various constituencies that they come in contact with. Their full involvement is therefore essential for the success of such a strategy.

We must also use the tools of the era of global communications in which we live. Computer bulletins, links to internet, videos, laser discs, and other means must all be used to reach the various constituencies, effectively, efficiently and speedily. There are a number of worthwhile initiatives presently underway, such as the Task force for the Electronic Media Center, and many other individual efforts in different parts of the Bank. These need to be encouraged and supported.

In ESD, for example, we are setting up a relational Data Base using paradox to enable us to identify worldwide contacts and their respective interests, which should be helpful in targeting the messages to the audience, sending information on rainforests to those interested in rainforests and sending information on urban sanitation to those concerned about it. This is in addition to the wide-spectrum documents such as the environmental news which is general by nature and currently reaches some 25,000 readers.

On Costs and Benefits :

In assessing the costs of these proposals, we should remember the size of the institution and its operations. The \$ 100 million IDA proposal would be less than 0.5 % of our total annual commitments, the costs in staff time are small given the size of our complement on board. The costs of not acting adequately are bound to be very high.

On the benefit side, I would argue that the long-term gains to the institution will be far greater than any short-term tactical gains that we may have in terms of dealing with current criticism, important as that may be. these steps, if implemented with dedication, will be the start of restoring public confidence in the Bank, and will mark an important long-term shift towards a more open and effective institution better capable of fulfilling its mission to reduce poverty and promote sustainable development .

Ismail Serageldin -- Cairo, July 28, 1993

OFFICE MEMORANDUM

DATE: December 28, 1994

TO: Mr. Mark Malloch Brown, EXTDR

FROM: Ismail Serageldin, ESDVP

EXTENSION: 34502

SUBJECT: Reflections on the message of the World bank.

Prologue :

I had promised to write to you concerning how we might bring some of the needed nuance or change of tone in the message of the Bank following the presentation you gave to the VPs. I must confess that I find it extremely difficult to limit it to nuance and tone, when I am still concerned about the substance of the message that you are proposing and particularly what you have referred to as the "single message of the institution". I fear that, carried away by your eloquence and the professionalism that you have brought to the job, we may be jumping too quickly to endorse some things that would profit from more discussion. While change, and radical change is needed, we must be careful not to throw out the baby with the bathwater.

Let me hasten to state that it is not that we should not invest in highlighting the other aspects of our work that have not been adequately perceived by the public, or by particular segments of the public. We should. But that should not lead us to try to abandon our mission, or even to be ashamed to proclaim what we stand for. It should not lead us to try to "reinvent" ourselves in order to fit with the most recent attitudes currently in vogue in the OECD countries (against multi-lateralism, against Aid, against poverty alleviation). We risk losing our moral compass in pursuit of ... what? acceptance by a cynical, self-centered political elite? a jaded press? I fear that the effort to reinvent ourselves could itself backfire.

We risk being seen as feckless, craven and purposeless. We risk losing the respect that we have earned by being the institution that can stand up to the popular swings of opinion and that fights for what it believes is right.

It is worthwhile reflecting for a moment on the choice of the Pope as Time magazine's "Man of the Year, 1994". Why? Not because Time agreed with many of his positions (especially

vis-a-vis the UN Population conference in Cairo), but because they saw in him one of the few figures that did not compromise, was not busy swaying to the shifting winds of a fickle public opinion fanned by the Media, especially in the US. Compare that with the reception that this same Media (Time, Newsweek) gave to President Clinton's latest efforts at redefining himself in the light of the election results.

Thus, let me outline what I consider to be some areas of concern about the strategy, before I return to the issue of the specifics of the message.

The Focus of the Strategy :

The WHY Question : We should be asking why we are concerned by our unpopular image. Beyond the generally desirable position of being popular with all audiences, there is a more immediate set of concerns. If the real, immediate answer is the concern about IDA, then surely we are not likely to address that concern by denying the importance of IDA, or distancing ourselves from the forces who are going to support IDA.

If the concern is to shore up the image of the institution as a quality institution, then we should be taking on a longer term strategy, emphasizing the positives that our critics have so successfully defined away from the consciousness of the media and hence the public. Showing ourselves as superb in a different domain is not going to respond to the concerns of those who are focussing on environmental concerns or assistance to the poor.

With WHOM, is an equally important question. If it is for IDA, the lobbyists for and against are the development community and the poverty groups, both for and against. The business community is a marginal player in this debate, because IDA will remain a marginal issue to them. The opening of markets is much more directly addressed by institutions such as the EXIM Bank or the GATT/WTO, for whom the business community is likely to spend its general currency while husbanding its strongest efforts for industry specific questions (eg Health care for the health industry).

The HOW question. A strategy for an embattled group that wishes to get its message out must have at least three components : (i) Taking on the critics, or at least stopping their ability to define you and your message; (ii) improving your ability to get your message across; and (iii) winning over new allies and building coalitions with like-minded groups for the furtherance of the common goals.

Taking on the critics :

Here I believe that the task is three-pronged. First, win over the mainstream groups with whom we have much common ground,

and who are genuinely willing to listen to the facts when these are presented. This will marginalize the extremist ideological groups who are presently dominating the scene with their criticism. Second, take on those critics in a forceful fashion when they are wrong, as was the case at the annual meetings, and as you have been doing. Third, Change the terms of the debate so that you do not allow the extremist groups to define the issues. Every time we have succeeded in doing this our media coverage has been positive, largely because we have a solid story to tell, despite what the critics say.

We should not delude ourselves about either the tactics or the methods of the extremist critics. They are based on half-truths, untruths, and outright lies. They are identical to the tactics and methods espoused by the artisans of many of the recent american political campaigns. The GOPAC trains candidates to "attack their opponents like pit bulls". Their text-book advises the conservative republican aspirants to political office to "go negative early, never back down, and... use minor details to demonize the opposition. ...Falsity is forgiven because the target ... is deemed worthy of vituperative attack." (Time magazine, December 19, 1994, p.44). This is identical to what we are being subjected to by the extremist critics, and simply moving away to another domain will not silence or discredit them. We must establish our credibility, by deed even more than word, with a large and important constituency of the NGO movement. Only then will the extremist and unreasonable critics be seen for what they are: extremist and unreasonable.

I think that a carefully thought-out approach along these lines would be extremely powerful in dealing with our critics, while laying the foundation to build new alliances as appropriate.

Finally, as I stated in my note of July 1993, we must certainly be also continuously improving the quality of our work. Happily, this is happening. That will require to continue taking on board justified criticism, whatever its source, not out of fear but out of commitment to provide better service to our borrowers.

Improving the delivery of the message :

I completely agree with your diagnosis of the mistakes we made in the delivery of our message. We have done poorly, with few exceptions. Much of the future strategy will depend on how well we do the job of reporting on the good aspects and how well we link these good aspects to the Bank. The "Super Rice" story ran extremely well, and was chosen by Time Magazine as one of the top five highlights for the environment in 1994. (see Time, December 26, 1994 - January 2, 1995, p.142). Too bad that the Bank was not directly associated with that story. But I am sure that we can define equally powerful stories in which the bank would be seen as the prime actor.

The reports from the journalists who went to central asia with the President are a good start.

Here, I have no quarrels with your recommendations, although advertising still raises some problems.

Alliances with whom and for what :

I am not opposed to making a special effort to reach out to the business community. It is a constituency that needs to be addressed, and we have certainly been remiss in doing so. But I am opposed to seeing that as anything more than a part of the new strategy. The central part, I am willing to argue, will continue to be with the major mainstream groups with whom we share the development field. Let us not forget that our clients, our borrowers, are by definition the developing countries. True other constituencies need to be looked after, but not at the expense of shunting aside the clients and their concerns.

Let us also recall that the business community that we would look to as our saviors in achieving support for IDA, are themselves burdened with some liabilities in the eyes of both developing countries and NGOs. Exxon Valdez, Bhopal, Logging interests, exploiters of the poor , Bio-piracy, etc are all epithets that are being hurled at the business community, which has its own image problems. (A recent survey found that one of three americans identified the word "chemical" with something "nasty", as reported in The Economist, December 3rd, 1994, p.78 in a story that reviews the chemical industry in the light of the Bhopal disaster ten years later). Remember that there is a less than exemplary record for some, though by no means all, of the US and the european business operations in the developing countries.

Their testimonials of how useful the Bank is to their interests will not help the Bank in the developing countries, our clients, where for years we have been building up our credibility as an honest broker, an institution that can be on their side, that is committed to promoting the development of their people, not in the business of opening markets for US or european businesses except to the extent that this was in their best interests. As to the NGOs, it would add grist to their mill.

Even if we limit our attention to the OECD countries, there is a danger of a significant asymmetry in the pursuit of a strategy that would distance us from the field of battle and seek new alliances exclusively in the business community. Indeed I fear that the strategy to concentrate all our effort exclusively on winning the support of the business community, while distancing ourselves from our traditional development and poverty reduction mandate, will gain luke-warm support from the business community at best, while intensifying the opposition of the NGOs, both among the poverty and the

environmental groups, for whom the business community has a mixed image at best.

Content of the Message :

With these general observations on the strategy, let me now turn to the crux of my concerns: the content of the message.

I find it unconscionable that we should be scared to talk about poverty. I cannot accommodate myself to the idea that we should be building a communication strategy that avoids using the words poverty and development.

It is simply not credible to divorce ourselves from Aid, IDA and the development world.

To seek to redefine ourselves so far from our current mandate, focusing exclusively on the business side of our operations, is, I fear, simply chasing a mirage. Neither our OECD shareholders, nor the developing countries would agree to this, nor would our critics abandon the field simply because we declared that we were something else.

The issue is to bring out the competence and the rigor that accompany the Bank's compassion and the caring. It is not to deny the latter. We should be proud of these attributes. I do not agree with your analogy of the pre-reformation catholic church and Luther.

Clarity, priorities, standing firm for beliefs, ability to say no; all these can and should be watchwords that define the differences between us and the ineffective and bureaucratic Aid institutions; NOT any less commitment to aid the developing world or to fight for the reduction of poverty and hunger.

Conclusions : A multi-faceted message:

On reflection, the problem seems to lie mostly with the idea of a single message. That, I think, is the basic flaw of the proposed strategy.

A government cannot bring itself down to only one thing without getting into demagoguery, or worse, into mismanagement. A private business firm can. They are different animals. The Bank as an intergovernmental organization is closer to a government in the sweep of its concerns than the private business with its single product or reducible range of products.

I am not sure that even if we were convinced that we should drastically reduce the scope of our interests to a few selected types of interventions, that our shareholders will

let us get out of agriculture or transport or education to focus only on telecoms and finance for example.

The solution is to recognize segmented markets, multiple audiences, and niche messages as building blocks of a sophisticated multi-faceted communications strategy. The common thread between these facets is our dedication to being close to our clients, and the value we place on a long-term relation with these clients. This is NOT equal to serving U.S. business and financial interests.

A carefully structured strategy of this type, would develop the synergies between different messages and between different audiences (eg the CGIAR, which has strong support from governments and NGOs, and even a growing support from business, despite being focussed on "sustainable agriculture for food security in the developing countries").

Implementing the strategy :

Improving the image of the Bank and winning over support for the next IDA, and beyond, must be a long-term effort, to which, as you rightly pointed out, all the senior managers of the Bank have much to contribute. All the subtleties of different messages being discussed with different audiences, orchestrated by the President's office and yourself into a coherent whole is the model we must strive for.

Narmada Project

The Sardar Sarovar (Narmada) projects are two separate but related operations approved by the Bank in March 1985. Their purpose is to begin the process of harnessing the resources of the Narmada, India's fourth largest river, for irrigation, water supply and electric power. A Dam and Power project helped finance the construction of the Sardar Sarovar dam and power project. A Water Delivery and Drainage Credit financed the first phase of a water conveyance system that, at full development, is designed to irrigate almost 2 million hectares (5 million acres) and bring drinking water to 30 million people in a drought prone area of Eastern India.

The projects were controversial from the start. The staff presentation of the projects in 1985 highlighted the resettlement and rehabilitation (R&R) program for the projects. Directors queried the institutional arrangements for that program and the relatively undefined state of the environmental studies. Management agreed to keep the Board apprised of developments in these areas.

The projects got off to a slow start. It wasn't until July 1987 that the Ministry of Environment and Forests gave environmental clearance for the project. Even then the clearance was conditional upon a number of follow up studies and actions being completed *pari passu* with the implementation of the projects.

By March 1991, after a series of informal meetings in which Executive Directors had asked for assurance that concerns being brought to their attention by NGOs were being adequately dealt with, Bank management agreed to commission an Independent Review. Led by Brad Morse, formerly a US congressman and head of UNDP, this came to be known as the Morse Commission. Its report was published in June 1992 and was sharply critical of both Bank and borrower performance.

Management's response accepted many, but not all, of the criticisms and committed to working with the borrowers to come up with a credible action plan for correcting the deficiencies. Such a plan -called Next Steps- was presented to the Board of Directors in October 1992. After a very acrimonious discussion in which several Directors called for immediate Bank withdrawal from the projects, the Board as a whole agreed to give the borrowers until March 31, 1993 to meet a series of benchmarks for progress in relation to R&R work and environmental studies. It was clear that if the benchmarks were not met, the Bank would have no choice but to suspend disbursements and eventually cancel the outstanding loan. By early March it was obvious that not all of the benchmarks would be met, partly because of the disturbances in India associated with the demolishing of the mosque at Ayodhya, which triggered riots throughout much of the country. Seeing that the benchmarks could not be met on time, and sensing that an extension would be problematic, India requested cancellation of the outstanding balances and the loan was closed. (The companion IDA credit had already been fully disbursed.)

To understand what went wrong in the implementation of these projects, it is important to recognize that in India irrigation is a state, not a national, matter. Three separate Indian states were directly involved in the Narmada projects and they had very different interests. The main beneficiary of the project was the state of Gujarat; it contained the bulk of the area to be irrigated and would receive most of the drinking water. Maharashtra would incur a modest part of the costs in the form of R&R problems, but would gain some power benefits. Madhya Pradesh would incur the bulk of the costs, since the reservoir behind the dam would eventually displace large numbers of its people. It had little to gain from this project per se, but it had an interest in the overall sharing of the Narmada waters and, more particularly, in the construction of follow-on dams which would bring substantial irrigation benefits.

The basic idea behind the R&R plan for the project was to give those families that were displaced newly irrigated land. Given the large area to be irrigated, this would amount to returning a small portion of the project benefits to those adversely affected. The practical implementation of this idea was, however, severely complicated by the fact that many of those using the land that was to be submerged were squatters without formal title. It was also hampered by an almost complete lack of consultation with those who were to be resettled. The understandable anxiety of these people -many of whom were very backward and suspicious of government- was easily inflamed by those who opposed the projects.

Because the project was to be implemented over almost a decade, the strategy adopted by the Bank was to concentrate initially on Gujarat, where the incentive to cooperate was strongest. The strategy was successful in obtaining a change in policy that recognized the rights of traditional users of property even if they lacked formal title. But by 1992 the absence of comparable progress in Maharashtra and particularly Madhya Pradesh was painfully obvious. Meanwhile, dam construction was proceeding apace with the threat of village inundation quite effectively exploited by the opposition to the dam. It was in this situation that the Morse Report appeared.

After the Indian government requested cancellation of the loan, the Bank lost its involvement in field supervision and its project leverage. But the authorities at both the state and union level have continued to keep our staff abreast of what is happening. Some tangible progress is being made in both Maharashtra and -to a lesser extent- in Madhya Pradesh. But the pace of progress is much slower than would be desirable and is putting a great deal of pressure on the linkage which had been in place between the pace of dam construction and the pace of R&R. There is now a considerable risk that -for dam safety reasons- permission will be given by the relevant Indian authorities to raise the level of dam construction above that which can be justified on the basis of R&R work completed to date. Moreover, the whole issue of the height of the dam has become entangled in state level politics in Madhya Pradesh. Under these circumstances, there is very little the Bank can do to influence the situation on the ground.

Note on China's Three Gorges Project

The Bank is not currently involved in the Three Gorges Project, and has not been so since 1988.

Project Background

1. On its completion, the Three Gorges Project will be the largest hydroelectric project in the world. It comprises the construction of a 185 meter high dam, spillway, and navigation locks, as well as associated expressways and bridges, in the middle reaches of the Yangtze river near Yichang, in Hubei Province. The dam site is about 1300 km from Shanghai and 660 km downstream from Chongqing in Sichuan Province. Construction will be carried out in three phases, over 17 years, at an estimated cost of over \$17 billion. With completion of the dam in 2009, a 632 square kilometer reservoir (about the size of Singapore) will be formed in the Three Gorges area upstream of the dam, vastly improving the Yangtze's navigability in the region.
2. The government initially saw flood control as the primary benefit of the project. However, it now considers that a combination of flood control, hydroelectric power generation, and improved river navigation will provide the major benefits. Flooding has plagued the lower reaches of the Yangtze for centuries. Major floods occurring in 1931, 1935, and 1954 resulted in serious loss of life (145,000 in 1931, 140,000 in 1935), inundation of large areas of farmland, and major displacement of people and loss of homes. Further floods in 1980, 1981, and 1983, while more localized, still have resulted in significant losses. The 1981 flood left one million people in the region homeless. More recently, a flood in 1991 affected 130 million people, and displaced 3 million. The project will improve the region's flood control capability from its present level of one exceptional flood in 10 years to 1 in 100 years.
3. Power generation from the project is expected to increase by 84 billion kwh per year, from the 18,200 MW installed capacity to be provided under the project. This annual power output would represent about 10% of China's current hydropower output, and is aimed to ease the country's reliance on power from coal and alleviate the electricity shortages throughout central and eastern China. A significant reduction in atmospheric pollution would also be realized from the estimated 20 million tons of coal that would need to be burned annually to produce the equivalent amount of energy from thermal generation. Improvement in river navigation will be attained through the opening up of navigable waters in the stretches of river between Chongqing and Yichang. Ships of 3000 tons will be able to navigate the waters, and the annual capacity for freight will be increased to 50,000 tonnes, with about a one-third reduction in transportation costs.

The Bank's Involvement

4. The Bank's association with the project began in 1986. In response to a Chinese request, the Bank chaired and financed a panel of international experts established to supervise a feasibility study of the project. The study was conducted by a consortium of Canadian consultants, financed by the Canadian government. The large and complex study was completed in 1988. The Bank concurred with the findings of the study and concluded that: the project was feasible for a design based upon a reservoir depth (Normal Pool Level - NPL) of up to 160 meters; no alternative solution could provide comparable flood control benefits; and the project would provide a competitive source of hydroelectric power. The Bank also emphasized that further work on the resettlement of about 700,000 people in the reservoir zone would be required to ensure that appropriate safeguards for quality of life and standard of living were provided. In addition, further studies would be needed on the project's impact on the natural habitat and on endangered species.

5. Chinese experts subsequently carried out in 1989 a second feasibility study without Bank assistance. This study concluded that a reservoir depth (NPL) of up to 180 meters would be feasible for project design. Following a five-year moratorium on further work on the project, the Chinese government eventually decided to proceed with its implementation, and Premier Li Peng announced the official commencement of construction in December, 1994. Despite the huge cost (about \$17 billion over 17 years) of the project, the Chinese have to date refrained from seeking Bank assistance in its financing.

Controversial Aspects of the Project

6. The project is controversial in at least five areas:

(i) Economic Justification and Technical Feasibility. The original feasibility study concluded that the project would be economically justified at an NPL of 160 m, and that the cost of construction above that level, coupled with the resulting resettlement of an additional 50% more people, was not warranted by the incremental economic benefits of improved navigation upstream. The Chinese have opted for a higher NPL of 175 m for the project, on the grounds of improved flood control and navigation benefits.

(ii) Environment. The project could hasten the extinction of three aquatic species and possibly change migratory conditions of several rare birds. The Bank had recommended further work on environmental impact, but it is not known how thorough the environmental studies have been.

(iii) Resettlement. About 1.3 million people will need to be resettled. While China has a good record on involuntary resettlement, there is doubt in international circles as to whether China can effectively manage resettlement on this massive scale.

(iv) Alternatives. The original feasibility study considered an alternative program of hydroelectric and thermal power plants to produce the same amount of electricity. Some critics dispute the power demand forecasts and argue that Three Gorges and its alternatives could be avoided entirely by changes in electricity pricing and in the use of industrial energy-conserving technology. They also consider that smaller dams upstream would be easier to build, and would use scarce financial resources more effectively.

(v) International Public Opinion. The size, cost and complexity of the project has attracted widespread national and international attention and controversy. Whatever the merits of the case, there are environmentalists who are fundamentally opposed to the entire project. Many of them are unpersuaded that the full facts of the case are known and have been satisfactorily dealt with.

Conclusion

7. In dealing with questions on the Bank's role in, and support for, the Three Gorges Project, we have emphasized consistently that (i) the Bank was involved in preparing the terms of reference and financing the initial evaluation, by an international panel of experts, of the feasibility study undertaken by a Canadian group of consultants; and (ii) the Chinese have not asked the Bank to participate further in the project.

3/30/95

■ ENVIRONMENT

TAMING THE RIVER WILD

The world's largest dam is under way in China, but it won't solve the country's giant energy problems

By SANDRA BURTON YICHANG

MIDWAY BETWEEN ITS ICY source in Tibet and the fertile delta at its mouth in Shanghai, 3,900 miles to the east, China's Yangtze River hurtles through a series of sheer chasms known as the Three Gorges. Legend has it that the scenic channel was carved in stone by the goddess Yao Ji as a way of diverting the river around the petrified remains of a dozen dragons she had slain for harassing the peasants. Over the centuries painters and poets have idealized the canyons as a mist-shrouded wilderness. While that may have once been true, the region lost much of its majesty in modern times, as demolition teams blasted rocky obstructions from the river's course, and the bucolic villages on its banks gave way to grim new factory towns.

Now both visions of the Three Gorges—the ideal and the real—are about to be consigned to a watery grave. Later this month, Chinese Premier Li Peng will preside over the symbolic first pouring of concrete in what is intended to be the world's largest hydroelectric dam. Already, mammoth earthworks on both banks of the construction site have begun to constrict the flow of the river where it gushes forth from the Xiling Gorge. Over the next 14 years, if all goes as planned, first an earthen coffer dam and then a 200-yd.-high concrete spillway and adjacent set of ship-lifting locks will block the swirling channel, transforming the Three Gorges into a single deep and currentless reservoir. Covering everything from ancient temples to contemporary slag heaps, the water will flood 28,000

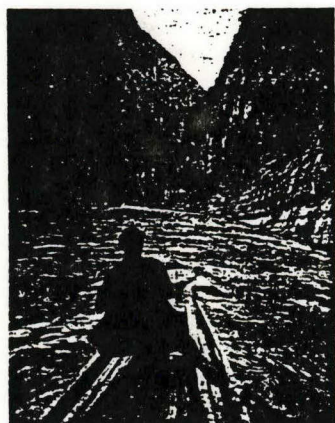
acres of farmland and 20 towns and drive 1.4 million people from their homes.

The gigantic Three Gorges project has inspired awe and opposition ever since it was first proposed 75 years ago by modern China's founding father, Sun Yat-sen. During the 1980s the dam plan became a favorite target of pro-democracy dissidents. It was not until 1992, three years after the critics were brutally silenced in Tiananmen Square, that the communist rulers rammed the project through the National People's Congress. Even today, as construction finally gets rolling, the dam still draws fire from environmentalists around the world. To opponents, it is a symbol of mankind's monstrous interventions in nature, an enterprise that will not only displace people but also devastate wildlife and alter the landscape forever.

Powerless to block Three Gorges, critics hope it will be at least slowed by inadequate financing. They are urging governments and private investors to withhold the \$3 billion in foreign loans

and investments that the Chinese are seeking to help build the \$30 billion dam. Says Dai Qing, a Chinese opponent of the dam who won a Goldman Environmental Prize last year, and is now a visiting scholar at the Australian National University: "I hope that people all over the world who love the environment and who love China will band together to stop this disastrous project."

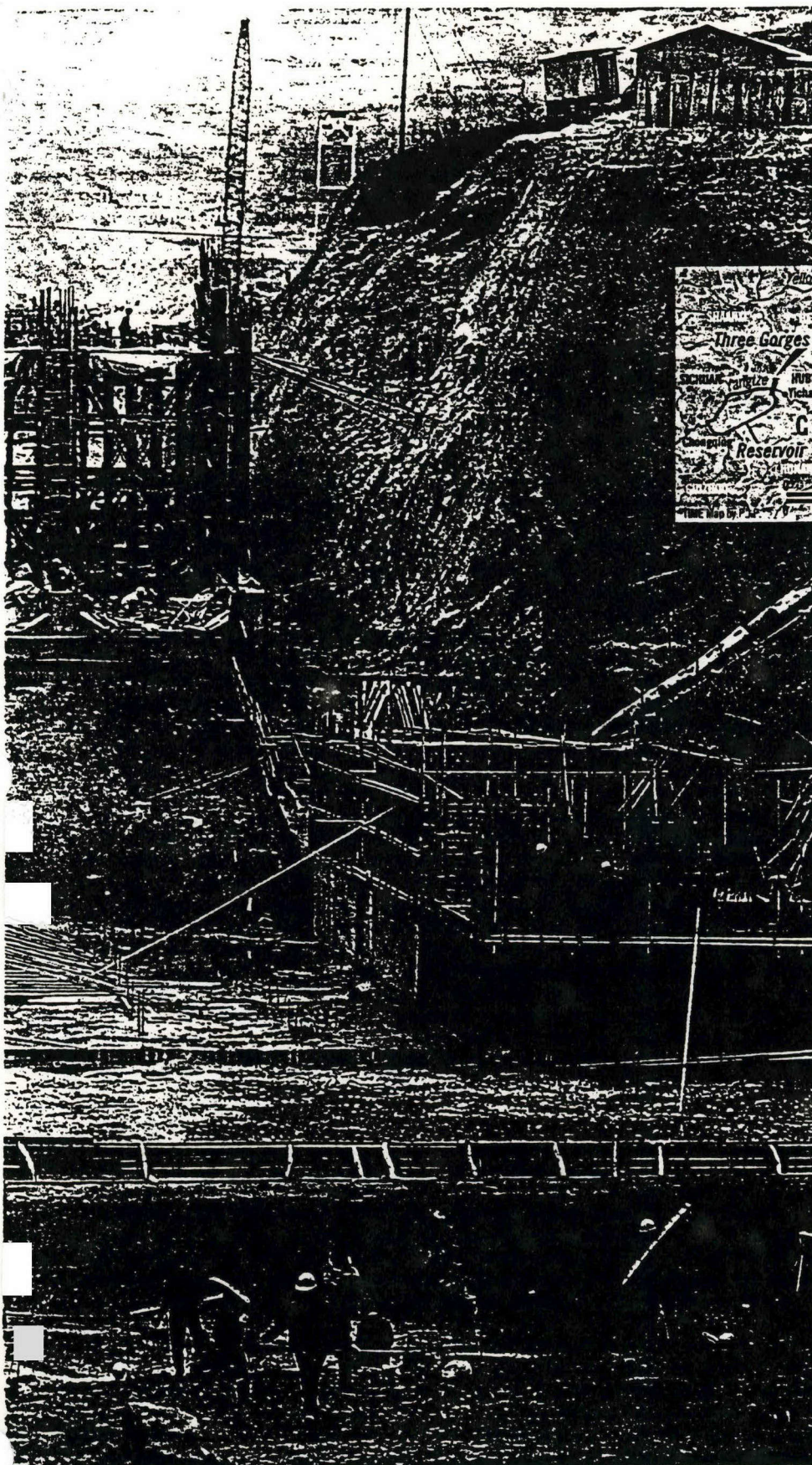
Chinese leaders argue just as vehemently that Three Gorges is vital to their country's future—and actually good for the environment as a whole. They say it will prevent the periodic flooding that has claimed 500,000 lives in this century. More important, its production of clean



DOOMED SCENERY: The Three Gorges will become a reservoir



PHOTOGRAPHS FOR TIME BY JEFFREY AARONSON—NETWORK ASPEN



hydroelectric power will reduce China's reliance on coal, the dirtiest of all fossil fuels, which now supplies 75% of the country's energy needs. The burning of coal has cast a pall of pollution over major Chinese cities and helped make pulmonary disease the nation's leading cause of death.

The issue is how a rapidly growing nation of 1.2 billion people, all of whom would like refrigerators and other conveniences, can promote economic development without

wrecking its environment. For the Chinese government, hydropower in general and Three Gorges in particular are a big part of the solution. "The advantages outweigh the disadvantages," contends He Gong, vice president of the China Yangtze Three Gorges Project Development Corp.

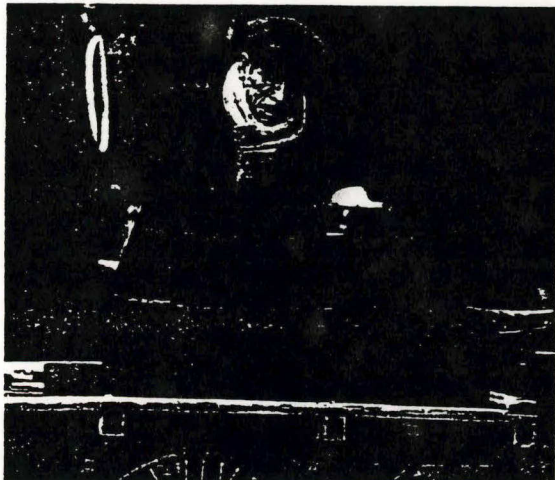
How China meets its energy needs has an impact far beyond its boundaries. Sulfurous emissions from Chinese power plants and factories blow eastward and fall as acid rain on Japan and Korea. In fact, the pollution has planet-wide implications: China is the world's second-largest producer of carbon dioxide and other greenhouse gases that are collecting in the atmosphere and may, many scientists believe, lead to global warming. If China maintains its annual economic growth rate of 11%, the country will need to add 17,000 megawatts of electrical generating capacity each year for the rest of the decade. Within 10 years, that would be as much new power as the U.S. generates overall today. If China uses mostly coal to produce that power, the greenhouse effect could be catastrophic.

Many opponents of Three Gorges have no quarrel with the effort to move away from coal toward hydropower. But they argue that for a lower price, numerous smaller dams could produce more power and greater flood-control benefits. They fear that a dam so large on the notoriously muddy Yangtze will lead to dangerous buildups of silt in some parts of the river, creating new obstacles to navigation and causing floods upstream. Chinese officials respond that both big and small dams are needed. Indeed, 10 projects smaller than Three Gorges, with a total capacity of nearly 12,000 megawatts, are under construction on the upper reaches of the Yangtze and its tributaries.

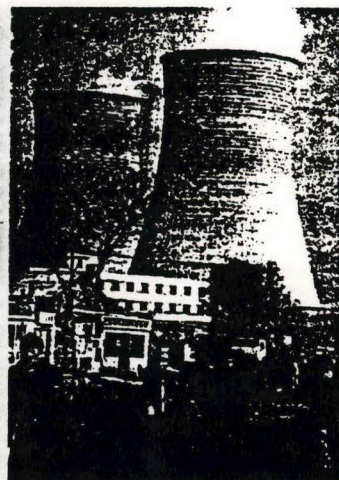
Whether or not Three Gorges is ever finished, hydropower can never meet the bulk of China's energy needs. Part of the problem is that most of the potential dam sites are in the less populated southwestern part of the country, making it expensive to transmit electricity to the industrial north



PALL OF POLLUTION: In smoggy Shenyang, the incidence of pulmonary disease runs high



DIRTY FUEL: Coal burned in homes for heating and cooking is responsible for much of the soot in the air



ATOMIC SHORTFALL: Shenyang's nuclear plant is one of only two

and east. Experts say hydropower will account for no more than 20% of China's electricity generation by 2010.

Nuclear plants are another clean power source, at least in terms of air pollution, but splitting the atom won't solve China's energy problems either. The government's controls on electricity prices and its failure to adopt international nuclear-safety standards have discouraged foreign investors from helping China build commercial reactors. Only two nuclear plants are in operation, and one of those was built to supply electricity mainly to Hong Kong at rates five times as high as what can be charged in China. Jiang Xinxiong, president of the China Nuclear Industry Corp., predicts that 20 more atom plants will be on line by 2020, but even so, nuclear power would meet less than 10% of China's energy needs.

That leaves no way around a heavy dependence on coal. The best China can hope for, say experts, is to cut coal's portion

of the energy mix from 75% to 60% by 2010. The imperative, then, is to find cleaner, more efficient ways to burn the plentiful fossil fuel, reducing emissions of carbon dioxide, sulfur compounds and the incompletely combusted particles that form soot.

To begin with, the Chinese have mounted a successful campaign to equip major coal-burning factories and power plants with devices that wash the fuel. That has reduced the soot pouring out of the largest smokestacks but has hardly begun to clear the air. Reason: the main sources of pollution are millions of small factory boilers and household stoves burning unwashed coal. While the government hopes that as much as half the urban population can eventually be supplied with clean natural gas for cooking, rising prices and short supplies may undercut that effort.

One of the most costly—and crucial—steps in cleaning up coal boilers is curbing sulfur emissions. They combine with water

in the atmosphere to create sulfuric acid and thus produce acid rain. Yet only one Chinese power plant boasts desulfurization equipment. China Huaneng Group, the market-oriented Chinese company that built the plant, was able to cover the cost of installing the antipollution devices only because the government agreed to raise electricity rates to users, according to Huaneng president Wang Chuanjian.

EVEN IF COAL IS BURNED CLEANLY and efficiently, it produces large amounts of carbon dioxide, the most common greenhouse gas. To help ease the threat of global warming, China might use new technology to convert a portion of its coal reserves to natural gas, which delivers much more energy for the amount of CO₂ released. The process, though, is expensive. The U.S. Department of Energy asked Congress this year for a \$50 million grant that would be earmarked to help China build a demonstration coal-gasification power plant, but the appropriation has not been approved. By contrast, Japan is underwriting an environmental center in Beijing as a showcase for antipollution technology.

Clearly, China needs a great deal more financial help to develop clean energy sources. Mou Guangfeng, a deputy director in the National Environmental Protection Bureau, estimates that the country needs \$300 billion just for antipollution equipment. Yet the usual sources of aid, foreign governments and international lending agencies, are running dry; the World Bank alone has poured \$20 billion into all sorts of China projects and can't do much more.

The only solution may be to bring in private capital from abroad by floating stocks and bonds, and Western bankers are ready to help. Says Ray Spitzley, executive director of Morgan Stanley Asia in Hong Kong: "China has evolved into a credit-worthy country that can tap world markets." Maybe so, but the poor showing of the few stocks traded internationally has made investors skittish. Eager to make their securities more attractive, Chinese officials are talking with the World Bank about setting up a Chinese National Power and Development Fund that would sell bonds backed by the bank to private investors.

While foreigners may be justifiably reluctant to help finance a project as audacious and controversial as Three Gorges, many indisputably worthy ventures, from coal gasification to experiments with solar power, are also begging for funds. Governments and investors naturally wonder if they can afford to gamble on China. But as the most populous nation threatens to pollute the entire planet, can the rest of the world afford to turn its back? —With reporting by Jaime A. FlorCruz and Mia Turner/Beijing

HUMAN RIGHTS WATCH / ASIA

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CHINESE DAM COULD BE HUMAN RIGHTS DISASTER

In a new report issued today, Human Rights Watch/Asia says foreign investors should avoid any involvement with the Three Gorges dam project across the Yangtze river in China until the Chinese government can provide verifiable guarantees that the rights of the more than one million people scheduled to be relocated will be protected. It also called on the Chinese government to provide a full accounting for those already detained or otherwise restricted for their opposition to the project.

The proposal to build what would be the world's largest dam is attracting eager investors from the United States, Germany, Japan and other countries. But the report warns that efforts by the Chinese government to suppress dissent and critical information on the dam's social and environmental consequences could lead not only to an ecological disaster but also to a human rights catastrophe.

Human rights concerns in connection with the Three Gorges project are fourfold: restrictions on freedom to express criticism of the project; draconian measures by public security officials to deal with unrest that the massive population resettlement has sparked; arbitrary detention of dam opponents; and the use of forced labor in the dam's construction.

The new report notes that since 1957, when opposition to the long-discussed project first surfaced, critics within China have suffered detention, discrimination, dismissals from office and censorship. In 1992, the Chinese government took the unprecedented step of submitting the proposed project to the National People's Congress for a final decision. But despite a surprising level of opposition apparent among NPC delegates, the debate was tightly controlled, and critical technical and environmental

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Human Rights Watch is a not-for-profit corporation monitoring and promoting human rights in Africa, the Americas, Asia, the Middle East, and among the signatories of the Helsinki accords.

data were not made available to the legislative body. The journalist Dai Qing is only one of several Chinese intellectuals who has found her writings on the Three Gorges project banned.

Two restricted-circulation documents prepared by China's public security authorities and reproduced in the report show that detailed contingency plans are now being drawn up by the police to deal with widespread turmoil that they expect because of opposition to the dam in general and to the relocation program in particular. The anticipated turmoil ranges from peaceful protest actions to mass pitched battles with police and reflects knowledge of disturbances that have already taken place.

As part of the government's continuing effort to pre-empt debate by stigmatizing dam opponents as politically disloyal, the documents warn that the Three Gorges document could become a target of "enemy elements hostile to socialism" acting in coordination with "international reactionary forces." The determination of provincial authorities to prevent any expression of dissent, peaceful or otherwise, from people scheduled to be resettled is clear. One document in particular from police in Wanxian cites the arrest in May 1992 of 179 members of a "Democratic Youth Party" in Kai County, Sichuan. The group's members were accused of carrying out "counterrevolutionary activities aimed at sabotaging the policy of opening and reform and at disrupting the smooth progress of the Three Gorges project." Nothing is known of their fate, and Human Rights Watch/Asia calls on the government to provide a full accounting of their legal status and whereabouts.

Human Rights Watch/Asia also warns of discrimination against and abuse of migrant workers. One of the documents reproduced in the report warns of "a great construction army of hundreds of thousands of persons" who will descend on the Three Gorges site. With no ability to form independent trade unions or negotiate the terms of their employment, the workers will be banned from organizing for better pay and working conditions.

The new report raises serious concerns about the use of forced labor and other worker rights abuses associated with construction of the dam. The forced labor concerns stem from the already extensive penetration of China's building materials market by prison labor and the fact that the largest agro-industrial penal complex in all of China -- Shayang Farm in Hubei Province -- is located only one hundred kilometers from the dam site. That site comprises no fewer than thirteen labor-reform detachments, five independent labor-reform brigades and eight additional jails, holding more than 71,000 prisoners. Among the many forced-labor production units at Shayang are numerous brick and tile factories, several cement plants and a claystone mine. In Chengdu, the capital of Sichuan, the municipal prison doubles as a plant for the production of hydroelectric power generators. The scale of the Three Gorges project, described as the largest civil-engineering project since the building of the Great Wall, will require vast quantities of rock and cement, not to mention the construction that will be required by the relocation operation. Foreign companies that choose to participate in the Three Gorges project must be particularly careful to investigate the sources of materials used by their Chinese partners, contractors and subcontractors to ensure that they have not been produced by forced labor. (While there is nothing wrong with prison labor per se, the appalling conditions in Chinese labor camps, the lack of international access to the prison system, the practice of mixing political prisoners with common criminals, and the practice of prison officials to work prisoners to the bone in order to capture extra profit for themselves all make the use of goods produced by Chinese prisoners abhorrent.)

The report notes that earlier dams have collapsed with major losses of life because government restrictions on rights ensured that the necessary information to guide the projects' design and construction did not reach those who needed to know. By way of illustration, the report provides the first-ever public account of the world's worst dam disaster -- the collapse in August 1975 of the Banqiao

and Shimantan dams -- which was largely caused by just such politically motivated suppression of expert information and debate. In the case of the Three Gorges, the report says, public scrutiny and government accountability are urgently required. In their absence, the Three Gorges dam will simply stand, like the Great Wall, as the ultimate symbol of the power and authority of a repressive state.

Human Rights Watch/Asia (formerly Asia Watch)

Human Rights Watch is a nongovernmental organization established in 1978 to monitor and promote the observance of internationally recognized human rights in Africa, the Americas, Asia, the Middle East and among the signatories of the Helsinki accords. Kenneth Roth is the executive director; Cynthia Brown is the program director; Holly J. Burkhalter is the advocacy director; Gara LaMarche is the associate director; Juan E. Mendez is general counsel; and Susan Osnos is the communications director. Robert L. Bernstein is the chair of the executive committee and Adrian W. DeWind is vice chair. Its Asia division was established in 1985 to monitor and promote the observance of internationally recognized human rights in Asia. Sidney Jones is the executive director; Mike Jendrzeczyk is the Washington director; Robin Munro is the Hong Kong director; Zunetta Liddell, Patricia Gossman and Jeannine Guthrie are research associates; Mickey Spiegel is a research consultant. Dinah PoKempner is counsel. Mark Girouard is a Luce fellow; Diana Tai-Feng Cheng and Jennifer Hyman are associates.

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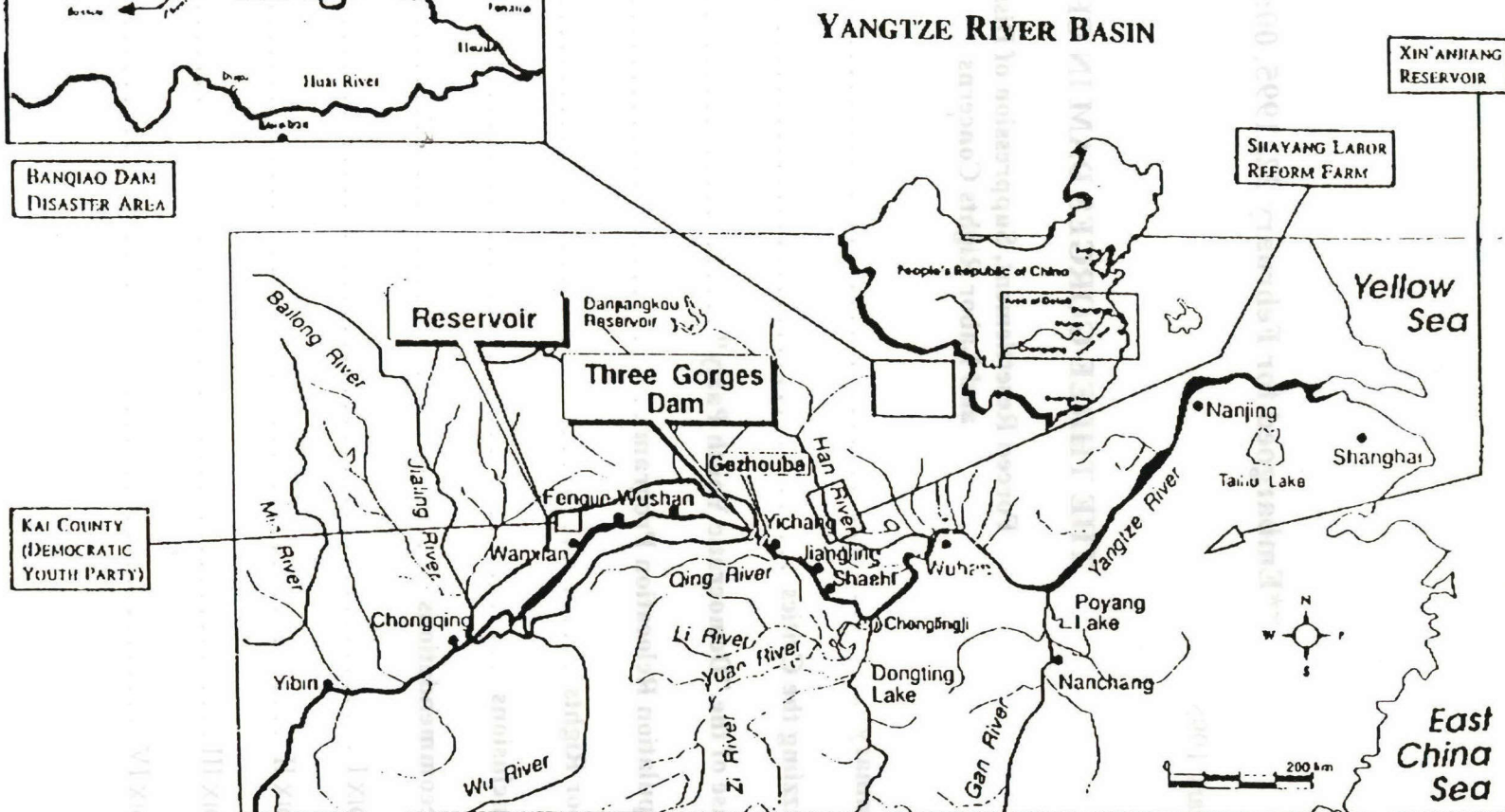
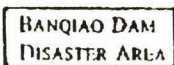
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THE THREE GORGES DAM IN CHINA:

**Forced Resettlement, Suppression of Dissent
and Labor Rights Concerns**

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I. Summary

In April 1992, China's National People's Congress (NPC) formally approved the "Resolution on the Construction of the Yangtze River Three Gorges Project," marking the conclusion of decades of controversy within the Chinese leadership in favor of supporters of the world's biggest-ever river dam project. Despite strenuous government attempts to muzzle the debate, almost one-third of the normally compliant NPC delegates, in an unprecedented display of legislative dissent, either abstained or cast opposition votes. The following year, a pilot project for the resettlement of an estimated 1.1 to 1.6 million inhabitants of the proposed 600-kilometer-long reservoir area drew to a close and, in early 1994, the full resettlement program began in earnest. By mid-year, excavation and preparation of the dam's foundations were underway at Sandouping, the chosen dam site just downstream of the world-famous Three Gorges scenic area; in December, Premier Li Peng formally declared the project open. The Chinese government has offered overseas manufacturers US\$3 billion worth of machinery and equipment contracts and will reportedly seek an additional US\$5 billion or so in overseas funding for the project.¹ International tendering has already begun for a preliminary range of dam-related construction contracts. A showcase for China's "opening and reform" policy, the dam is a model for how lack of transparency and debate, authoritarian decision-making and underlying unfair labor conditions can taint an ambitious enterprise.

Publicly, the authorities have assured China's citizens and the rest of the world that the Three Gorges dam will be environmentally safe and economically viable, and that it will even contribute toward social stability and prosperity among the enormous number of people who are to be uprooted. Privately, a very different outcome is now being anticipated by the government. As two "internal-use-only" documents recently prepared by China's public security authorities and obtained by Human Rights Watch/Asia make clear, intensive contingency plans are now being drawn up by the police to deal with the widespread social turmoil—ranging from large-scale peaceful protest actions to mass pitched battles with the authorities—that is expected to ensue from the Three Gorges project as a whole and from the population transfer program in particular. According to one of the reports, "Already, in January 1993, one armed fight involving over 300 persons occurred in the vicinity of the dam." (See Appendices I and II for full texts of the documents.)

Throughout the protracted debate over the Three Gorges dam, numerous objections and challenges to the project have been mounted by environmentalists, social scientists, geologists, sedimentation experts, hydraulic power engineers, military planners and other Chinese specialists concerned about the dam's likely economic, social, political and national security consequences. These have received short shrift from top government leaders, in particular Premier Li Peng, who seem intent on denying a public forum to opponents of the monumental project and on forcing it through both as a means of symbolizing China's fast-emerging "superpower" status and as a vehicle for personal glorification. Since 1956, two generations of Three Gorges dam opponents—from Li Rui, formerly Mao Zedong's personal secretary and a vice-minister of water resources, to Dai Qing, a former *Guangming Daily* journalist who in February 1989 published an anthology of articles opposing the dam²—have been discriminated against, dismissed from office, publicly humiliated, branded as "rightists" and sometimes sent to prison for their dissenting views. Yet

¹ The figures were announced on November 2, 1994, by leading officials of the Yangtze River Three Gorges Development Corporation at a reception held at the Waldorf-Astoria Hotel in New York. (See "Sales Blitz Started to Fund Dam Project," *South China Morning Post* (Hong Kong), November 4, 1994.) Items currently being sought from foreign suppliers include machinery, power turbines, transmission equipment, telecommunications and computer systems.

² *Yangtze! Yangtze!*, Dai Qing (ed.), English version edited by Patricia Adams and John Thibodeau, Probe International and Earthscan Publications Ltd. (London & Toronto: 1994.)

it is often those critical voices which are most urgently needed during the kind of rapid modernization on which China has embarked.

Internationally, in line with an evolving scientific and public-opinion consensus against the construction of any more river-dam "megaprojects" such as Egypt's Aswan Dam and the Narmada project in India,³ foreign governments and international lending agencies began, after 1989, to reverse their earlier stance of qualified support for the project. The dramatic expansion of the Chinese economy during the past two years, however, has again altered the general picture: a headlong rush by Western businesses to participate in China's emerging "socialist market economy" has brought Western governments under increasing political pressure to signal backing for the Three Gorges dam. In September 1994, for example, the White House solicited U.S. government interagency submissions in what some believed could be the prelude to a full-scale resumption of U.S.-China commercial cooperation on the dam-building project.

One crucial aspect of the Three Gorges dam project which until now has received little public attention is that of the project's potential for causing major human rights violations in the proposed reservoir region. The present report focuses upon two main issues of concern: first, the Chinese government's continuing suppression of dissenting viewpoints on the Three Gorges dam—including a decades-long tight restriction on public information and debate, extending most recently to the actual arrests of political activists opposed to the dam's construction; and second, the human rights issues that surround the forced resettlement of more than one million current and future inhabitants of the Three Gorges reservoir area and the rights of workers on the dam site.

China's longstanding restrictions on public access to information, debate and decision-making about large dam-construction projects have had fatal consequences in the past. An example was the catastrophic collapse in August 1975 of two large water-conservancy projects in Henan Province, the Banqiao dam and the Shimantan dam. Hitherto almost entirely unreported beyond the confines of China's top party leadership and elite hydrological circles, this event represented by far the largest known dam disaster in human history. In the resulting floods, famine and health epidemics, fatalities amounted to anywhere between 86,000 (the government's internally-released figure) and 230,000 (an estimate produced by eight senior Chinese critics of the Three Gorges project).⁴ As Appendix III of this report reveals, the Banqiao and Shimantan dam collapses were to a large extent man-made disasters, resulting from flawed water-control policies. Overall lack of government transparency in the dam-building process has contributed to a current situation whereby, according to Dai Qing, "More than one third of China's dams should be considered unsafe." The most recent dam collapse, that at Gonghe in Qinghai Province, occurred in August 1993 with the loss of more than 300 lives.

The two provinces most affected by the Three Gorges dam, Sichuan and Hubei, both contain numerous political and religious prisoners held in China's *laogai* system of penal labor camps. Since these camps account for a high proportion of the country's industrial output in the construction and building-materials sectors (see Labor Rights section and Appendix IV below), prospective foreign investors in the Three Gorges project should take systematic precautions against any inadvertent involvement with China's highly abusive *laogai* network.

³ For details of protest movements and government repression arising from the Narmada River project, see "India: Before the Deluge," in *Defending the Earth: Abuses of Human Rights and the Environment*, Human Rights Watch and National Resources Defense Council, New York, June 1992, pp.21-38.

⁴ See Appendix III for documentary sources. Even if the Chinese government's figure was accurate, the death toll from the August 1975 disaster would still have been more than eight times as high as that for any previous known dam collapse. The worst cases on record elsewhere in the world were the collapse of the Johnston dam in the U.S. in 1889, in which an estimated 4,000 to 10,000 people died, and the collapse of the Morvi No.2 dam in India in 1979, which reportedly resulted in somewhere between 5,000 and 10,000 fatalities.

In this report, Human Rights Watch/Asia calls on the Chinese government to provide full access to information about the proposed resettlement program to those affected and permit the latter to freely express their opinions through a process of consultation with authorities at the provincial and central level. The government should establish a mechanism for investigating allegations of abuse and allow unhampered access of international human rights and humanitarian organizations to the affected areas, including to prisons, to verify that complaints of abuses are being adequately addressed and that no one is detained for speaking out against any aspect of government policy concerned with the dam. The government should also provide full information about the legal status and whereabouts of those already known to have been arrested in connection with protests against the dam, and should immediately release anyone detained merely for exercising their rights to freedom of expression and association.

Human Rights Watch/Asia also calls on foreign governments to insist on human rights impact assessment studies of the project before providing any financing, goods or services to facilitate the dam's construction. Private foreign investors should insist on firm and verifiable guarantees from the Chinese government that human rights will be respected before committing themselves to the project.

II. Muzzling the Critics

First mooted in 1919 by Sun Yat-sen, the plan to dam the Yangtze River at the Three Gorges was revived by the Nationalist government in 1932, and an initial design proposal was drawn up by a U.S. Bureau of Reclamation mission to the region in 1944; three years later, escalating civil war led to the project's termination. Debate on the Three Gorges project was reopened by Mao in 1953 and received fresh impetus the following year after the worst floods for a century hit the middle and lower reaches of the Yangtze, killing an estimated 30,000 people.⁵ In 1955, Soviet experts were called in to provide technical and planning assistance on the dam project and soon thereafter an overall coordinating body, the Yangtze Valley Planning Office (YVPO), was established. During the next several decades, uncertainty over the fate of the Three Gorges region brought a central government freeze on virtually all capital investment in the area, with the result that it is now one of the most underdeveloped and impoverished parts of China.⁶

The first expression of open dissent came in early 1957, at the height of the short-lived "Hundred Flowers" movement. From June onwards, critics of the Three Gorges Dam project, including leading opponents within the YVPO,⁷ were among several hundreds of thousands persecuted during the ensuing "Anti-Rightist" movement for having spoken out against government policies earlier that year. In January 1958, however, Li Rui prevailed upon Mao to delay construction of the dam⁸; and during the Cultural Revolution decade, the project was suspended while

⁵ Whereas flood control was initially seen by the government as the main advantage of the Three Gorges project, the government currently argues that a combination of flood control, hydroelectric power generation and improved river navigation will provide the chief benefits; leading opponents of the dam dispute all three claims.

⁶ The degree of neglect was remarkable. In Wanxian Prefecture, for example, "In the forty years from 1949 to 1989, budgetary investment from the central government totalled only RMB 610 million, or RMB 70 [around US\$10] per capita. Before the Seventh Five-Year Plan, not a single large enterprise was located in the area..." (See Appendix I, below.)

⁷ *Yangtze! Yangtze!*, op cit, p.267.

⁸ The following year, at the Party's historic Lushan Plenum, Li was branded a member of the "Peng Dehuai Anti-Party Clique" (a political charge unrelated to his anti-dam stance) and dismissed from office. Targeted again on similar grounds in 1967, Li spent the next eight years as "Prisoner No.67126" in solitary confinement at Qincheng Prison; several of his former colleagues were stigmatized as members of the "Li Rui Anti-Party

China prepared for possible warfare with the Soviet Union. But in 1970, construction of the Gezhouba dam—located just downstream of the Three Gorges dam site and originally conceived as forming the second phase of the megaproject—was approved by the leadership. (The first attempt at building the dam had to be torn down because of poor design and construction work; it was finally completed in 1989 at a cost of several times the original budget.) Purged during the Great Leap Forward, Li Rui returned to office in 1979, just as debate was again resuming on the Three Gorges project.

The pro-dam lobby encountered three main rounds of public opposition during the 1980s. The first was during 1985-86, when a delegation of senior experts from the Chinese People's Political Consultative Conference (CPPCC), led by the ninety-two-year-old veteran economist and leading dam opponent Sun Yueqi, conducted a five-week field trip to the proposed dam site. Upon their return, the seven experts issued a report to the CPPCC recommending that the project "should not go ahead in the short term."⁹ While the initiative temporarily succeeded in slowing the project's impetus, Sun's comments on an incident that occurred two years later, in June 1988, illustrated the central authorities' more customary mode of dealing with opposition viewpoints:

At an enlarged meeting of the Leading Group for the Assessment of the Three Gorges Project,¹⁰ I gave two long speeches on the subject along with other members of the CPPCC. Although many different views were expressed at the meeting, nothing appeared in the summary of the proceedings, except the names of the speakers. Some experts presented different points of view, but none was accepted and the assessment reports on various subjects were adopted by the majority. The structure of meetings only reinforced "the single opinion" of the Ministry of Water Resources and Electric Power.¹¹

As Li Rui later explained, the membership of the "Leading Group" and its various specialist committees had been carefully stacked by pro-dam officials:

Frankly speaking, the way evidence was put forward to decide on this project was neither scientific nor democratic. What they did was to shape teams of over 400 experts to gather evidence. But over 90 percent of the leaders, including the experts who composed the teams, were already in favor of constructing the dam. Moreover, these people were all under the control of the top leadership. Very few opponents of the project were allowed to join the teams. Most were kept outside.¹²

Another surge in public opposition to the dam occurred in 1987, with the publication in Hunan Province of a collection of scholarly articles titled "On Macro-Decision Making in the Three Gorges Project."¹³ The book, the

Clique." See *Changjiang San Xia: Bange Shiji de Lunzheng* ("Half a Century of Debate Over the Yangtze River Three Gorges Project"), by Lu Yuegang, China Social Sciences Press, December 1993, pp.62-66.

⁹ For text of the report, see *Megaproject: A Case Study of China's Three Gorges Project*, Shiu-Hung Luk and Joseph Whitney (eds.), M.E. Sharpe, Armonk 1993, pp.110-120.

¹⁰ The principal body set up by the government to plan for the project.

¹¹ *Yangtze! Yangtze!*, p.149.

¹² Quote taken from the transcript of an interview conducted with Li Rui in summer 1993 by a filmmaker who wishes to remain anonymous.

¹³ *Lun San Xia Gongcheng de Hongguan Juece*, edited by Tian Fang, Lin Fatang and Ling Chunxi, Hunan Science and Technology Press, Changsha 1987. Lin Hua was credited as general adviser to the volume.

list of whose contributors read like a "who's who" of expert dissident opinion on the dam, was followed in March 1989 and in 1992 by two further volumes by the same editors. The government withdrew the first two from circulation after June 1989 and the third was approved for publication only in "internal" (restricted-circulation) form. As Tian Fang, one of the editors of the series, remarked in 1993, "When I edited this [series] I was slandered and reviled. I'm seventy-five years old but until last year my hair was black; now it's turning white. I feel very anxious about the Three Gorges project. It is China's misfortune, a catastrophic tragedy." He continued,

When we published our first book on macro-policy making on the Three Gorges, the head of the Ministry of Water Resources and Electric Power, Qian Zhengying, brought it to the attention of Premier Li Peng. He went to the chairman of the State Planning Commission's standing committee and told him to inform me that the leadership was not willing to publish the book and to demand that I stop it from happening. Even if I published the book, he said, he would buy up all the copies to ensure that it could not be distributed.¹⁴

The last round of open dissent on the Three Gorges dam before the Tiananmen Square crackdown occurred in February 1989 with the publication of *Yangtze! Yangtze!*, a collection of scholarly anti-dam articles edited by Dai Qing and released to coincide with key sessions of the CPPCC and National People's Congress (NPC) at which the future of the Three Gorges dam was due to be decided. The effect of the book, which was published independently with funds contributed by prominent Chinese intellectuals,¹⁵ exceeded all expectations: under pressure from assembled delegates largely influenced by the book, the State Council decided to postpone the Three Gorges project for a further five years. (A petition by 272 NPC delegates—around one tenth of the total—calling for the project to be postponed until the twenty-first century, however, was excluded from the formal list of conference proposals.)

With the June 4 massacre and its repressive aftermath, the mood of new liberalism evaporated: Dai Qing was denounced by the official media, secretly detained by police in July and then held for the next ten months in isolation at Qincheng Prison. In September 1989, two members of the Leading Group for the Assessment of the Three Gorges Project submitted a letter to the State Planning Commission attacking both Dai and the editors of the 1987 Hunan volume:

Yangtze! Yangtze!... advocates bourgeois liberalization. It is a book opposing [Deng Xiaoping's] Four Cardinal Principles, and a book that has provided opinions for the chaos and riots. Comrades Lin Hua and Tian Fang of your unit were also involved in this action."¹⁶

As Tian later observed, "After the Tiananmen incident, the Ministry of Power wrote a letter to the leaders of the State Planning Commission slandering us and falsely accusing our [second] book of being linked to Dai Qing.

¹⁴ Quote taken from the transcript of an interview conducted with Tian Fang in summer 1993 by a filmmaker who wishes to remain anonymous.

¹⁵ The principal donor was reportedly Liang Congjie, the grandson of Liang Qichao, one of early twentieth-century China's most prominent advocates of political and economic reform. In April 1994, Liang, a vice-president of the Academy of Chinese Culture, secured government permission to set up the country's first independent environmentalist group, Friends of Nature. In 1992, the first environmental literary journal in China, *Lü Ye (Green Leaves)*, began publication. The following year, however, it was reported, "The security forces are targeting China's nascent green movement as a 'front' for a potential pro-democracy crusade." (See "Green Movement Under Scrutiny," *South China Morning Post*, July 7, 1993.)

¹⁶ *Yangtze! Yangtze!*, p.18.

They said it had created arguments in favor of the counterrevolutionary turmoil and they asked the leadership to investigate us."¹⁷

In October 1989, the government formally banned *Yangtze! Yangtze!* and ordered the Guizhou-based publisher of the book to recall the remaining 30,000 copies and destroy them immediately. Although eventually released from prison, Dai Qing was later expelled from her post on the *Guangming Daily* and barred from publishing any further works in China. Opposition to the Three Gorges megaproject was now effectively stigmatized by the authorities as amounting to direct involvement in the "bourgeois-liberal plot" that had produced the Tiananmen Square protests; not surprisingly, no more anti-dam voices were heard in public for the next several years. The chief political beneficiary of the June 4 crackdown, Premier Li Peng, had long been the principal advocate for an early start to the Three Gorges project. He thus reaped a double advantage from the crackdown, and by early 1992 he was ready to push his favorite project through to fruition.

As noted above, the NPC gave its formal seal of approval to the Three Gorges project in April 1992—albeit in the face of an unprecedented level of opposition from the delegates. That opposition was based on extensive technical and environmental information that had been acquired by legislators despite systematic government efforts to suppress it and to stigmatize dissent over the project as indicating ulterior political motives. Technical data supplied by a wide range of experts were ignored by officials or arbitrarily excluded from the legislative debate, and controls on free expression precluded any properly-informed discussion.¹⁸ Tian Fang, for example, tried to distribute copies of his three-volume Hunan anthology among the delegates. However, "When the leaders found out about this they said it would be impossible for me to do so....The first restriction they made was that I couldn't give the books

¹⁷ See Footnote 14.

¹⁸ The project has encountered extensive technological criticism. Critics argue that numerous smaller hydroelectric dams on tributaries such as the Wujiang, Jinsha and Dadu rivers, which are already well into the planning stage but are likely to be delayed indefinitely for fiscal reasons if the Three Gorges project goes ahead, would generate equal amounts of electricity at a greatly reduced cost. Located for the most part in thinly-populated mountainous areas, they would also obviate the need for massive population transfers. Critics also challenge the flood-control rationale for the Three Gorges Dam, noting that the worst local flood in recent decades, that of 1981, occurred westward of the proposed dam site, and those that occurred downriver of the site, such as the massive 1954 floods, were largely caused by inundations from the easterly tributaries of the Yangtze. They conclude that the Three Gorges project would thus have little ameliorative effect on the latter type of flood and would only exacerbate the former. Worse, they predict that the desilted water released by the dam would contribute to scouring of the Yangtze riverbed downstream of the site, threatening the crucial flood-control dikes at Jingjiang and elsewhere, besides disrupting electricity generation at the Gezhouba dam.

A final argument proposed in favor of the dam—and one that is said to have persuaded Deng Xiaoping to endorse the project—has been that, by raising the upstream river level, it would improve river navigation, thereby allowing 10,000-ton ships to sail all the way to Chongqing harbor. Critics argue, however, that unavoidable siltation in the backwater reaches of the vast reservoir area—together with the need to drastically lower the reservoir height in summer for flood-control purposes—will ultimately hinder navigation in that stretch of the Yangtze. (One of China's existing hydropower megaprojects, the Sanmenxia Dam on the Yellow River, proved largely to be a disaster because of the severe siltation problem.) They have noted, moreover, that 10,000-ton ships are physically incapable of passing under the main river bridges at Nanjing and Wuhan. Also, major problems may arise from the shiplocks, a mammoth five-stage lifting system whose technical specifications exceed all present international standards. (Were shipping to be seriously disrupted on this stretch of the Yangtze, much of the transport and communications network of central China would grind to a halt.) Finally, critics of the project fear that the huge dam and reservoir could trigger seismic disturbances in the Three Gorges region.

out until the conference was finished; the second was that I could not enter the conference hall. 'These books of yours are not helpful to the security of the NPC session,' they said. This was simply laughable."¹⁹

An NPC delegate opposed to the dam, Huang Shunxing, later elaborated upon how the meeting was conducted:

They set up various obstacles to my learning about the project and were unwilling to provide the most basic data on the assessment....Each delegate was presented with several pounds of materials supporting the project. Yet the materials outlining the opposition views consisted only of a few pamphlets....The experts invited to introduce the project were all from the Ministry of Water Resources and the YVPO, all of whom, of course, supported the dam....I also made copies of the opposition pamphlets that the NPC Secretariat had refused to distribute. However, it turned out that I could not even give out these materials, since, according to the rules of the meeting, delegates from different regions were prevented from having mutual contact.

Undeterred, Huang insisted on exercising his right to address the assembled delegates as provided for by Article 54 of the NPC's rules:

I raised my hand, requesting to speak, but was ignored by the chairman. I stood up anyway and at this point, I heard a journalist from Taiwan shout: "No sound! No sound!" At first, I didn't know what had happened, but later I learned that the entire sound system in the meeting hall had been shut down, with the exception of the chairman's microphone.²⁰

So concluded the public policy-making debate. In taking the highly unusual and seemingly laudable step of submitting the project for final decision by the NPC, the government in fact had sought merely an uncritical endorsement of the project—and one which served to relieve it of ultimate responsibility—rather than a genuinely representative decision based upon the project's actual merits.

Securing the NPC's formal imprimatur for the project, moreover, in no way diminished the authorities' continued level of vigilance against opposition to the dam. In January 1994, Dai Qing tried four times to convene a Three Gorges discussion seminar in Beijing involving academics, hydrologists, government officials and others. On the first three occasions, her room bookings were cancelled without explanation by the venue managers, and on the fourth, officials from the State Security Bureau tracked down all the invited participants and had stern warnings against attending the meeting issued to them by their individual work units. As Dai later observed, "With no speakers and no audience, how could I hold the seminar?", so she cancelled the seminar herself. She also noted that since the average age of the participants was over seventy, it was not as if they were about to take to the streets to demonstrate afterwards.

III. Case of the "Democratic Youth Party"

But what of those most directly affected by the Three Gorges megaproject—namely the present inhabitants of the proposed reservoir area? As the two confidential police reports appended below emphasize, grassroots resistance to the project is increasing. The authorities' terms of reference for dealing with opposition are uncompromising in those reports: "Public security organs...should resolutely uphold the policy of speed and severity in striking timely blows at crimes and criminals that sabotage the Three Gorges construction and relocation."

¹⁹ See Footnote 14

²⁰ *Yangtze! Yangtze!*, pp.109-113.

So far as is known, there have been no public reports in the Chinese media concerning recent dissident activity or arrests in the dam region. Information concerning a major case of precisely this type, however, was documented in early 1993 in one of the confidential police reports appended below. According to the Wanxian police authorities,

The "Democratic Youth Party" (*Minzhu Qingnian Dang*), a counterrevolutionary clique comprising a network of 179 members that was uncovered and seized by the public security bureau in Kai County in May 1992, was a well-organized group that had been carrying out counterrevolutionary activities aimed at sabotaging the policy of opening and reform and at disrupting the smooth progress of the Three Gorges project.

A search by Human Rights Watch/Asia through all issues of the main Sichuan provincial newspaper and the provincial legal press for 1992-93 has uncovered no public reports by the authorities on any aspect of this dissident arrest case, although it appears to have been one of the largest in China for more than a decade. Inquiries about the case by journalists and diplomats have elicited no information from Chinese officials. Nothing is known about who the detainees were, what subsequently became of them, or the precise nature of the group's aims and activities. The May 1992 crackdown on the Democratic Youth Party coincided, however, with a widespread series of arrests of the organizers of peaceful pro-democracy parties in Beijing, Lanzhou, Zhengzhou and other Chinese cities, and the police action in Kai County appears to have been part of this broader crackdown.²¹

Such cases in China fall firmly within the orbit of what the government terms "sabotage by domestic reactionary forces." As the Wanxian police report explained,

Enemy elements hostile to socialism that still exist within the country and international reactionary forces, acting in coordination, use all kinds of methods to oppose the people's democratic dictatorship, to sabotage the socialist revolution and construction, and to sabotage social order. The Three Gorges project will necessarily become an important target of theirs.

Thus far, as in the case of the Tiananmen Square protests, the security authorities have found it expedient to attribute much of the dam-related unrest to "foreign interference":

The Three Gorges project has attracted international attention. Friends around the world praise the magnificent aspiration of the Chinese people, and will undoubtedly provide help and support by a variety of means. At the same time, however, hostile domestic and foreign forces show great "interest" in the Three Gorges project. They use mass media instruments such as television, radio, newspapers or wind-carried leaflets to defame the Three Gorges project, or spy out information on the project and the population relocation under the cover of legal activities such as tourism, visiting relatives, or news reporting. According

²¹ Fifteen leaders of the Beijing groups—which included the Chinese Progressive Alliance, the Liberal-Democratic Party and the Free Labor Union of China—were finally brought to trial in June 1994, more than two years after their initial detention, and later sentenced to terms of up to twenty years' imprisonment. Similarly, four leaders of the Lanzhou-based Social-Democratic Party of China, also detained in mid-1992, were tried in July 1993; more than eighteen months after the trial, however, their families had still not been informed of the verdicts or sentences; the fate of several other codefendants in the case also is unclear. For further details of these cases, including full texts of the prosecution indictments, see: *Economic Reform, Political Repression: Arrests of Dissidents in China Since Mid-1992*, Asia Watch, March 1993, Vol.5 No.4; *China: No Progress On Human Rights*, Human Rights Watch/Asia, May 1994, Vol.6 No.3 (pp.21-22 and pp.28-32); and *Pressure Off, China Targets Activists*, Human Rights Watch/Asia and Human Rights in China, July 1994, Vol.6 No.7.

to statistics from the heart of the project, Wanxian Prefecture, alone, more than twice as many spies and agents were sent by hostile international forces from January to August 1992 as in the whole of 1991.²²

Local opposition toward the Three Gorges project, however, appears to have been genuine and homegrown. Kai County, the part of Wanxian District where the Democratic Youth Party was based, is a rural area containing some of the most fertile and prosperous orange groves in China. These, and most of the county itself, are destined to disappear when the Three Gorges reservoir is finally inundated. There is thus reason to believe that the alleged "counterrevolutionary organization" uncovered by the county's security authorities in May 1992 was merely an unofficial local pressure group, formed by local residents concerned about their impending forced relocation. If the group had espoused or engaged in any violent activities, the confidential police report cited above would have certainly said so.

Human Rights Watch/Asia calls upon foreign governments and businesses who are contemplating involvement in the Three Gorges project and who believe that increased economic engagement represents the best way to advance human rights in China to assist actively in seeking from the Chinese authorities a full and adequate accounting of the fate of the Kai County pro-democracy detainees.

IV. Population Relocation Program

Approximately 10.2 million people have been involuntarily resettled in China since 1949 in connection with some 86,000 dam and reservoir construction projects. More than half of the relocations were undertaken as a result of the building of 311 large-scale dams, of which three—the Danjiangkou, Sanmenxia and Xin'anjiang projects—involved population transfers each in excess of 300,000 persons, dwarfing all similar programs elsewhere in the world.²³ Official statistics indicate, moreover, that around 30 percent of all Chinese citizens relocated for dam-building purposes since 1949—around three million people—are still, despite government promises of an improved quality of life after relocation, living in conditions of extreme poverty.²⁴ Poor site selection was sometimes the main reason for this; excessive scale of construction was often another. In the case of the Three Gorges project, policymakers have opted for the greatest and most expensive possible scale of construction (rising to a height of 185 meters, the dam will be the largest concrete structure on earth), at a single site on a heavily-populated stretch of the world's third largest river.

²² See Appendix I.

²³ See "China: Involuntary Resettlement," World Bank, June 8, 1993. A further 7.4 million people were relocated in connection with transport infrastructure projects and 13.9 million on account of urban redevelopment; most of the latter, however, were resettled in their original localities and, unlike the dam relocatees, often benefited from improved housing afterwards.

The Xin'anjiang Dam reservoir, built in northern Zhejiang Province in the late 1950s, is more popularly known as Qiandao Lake—the site of a March 1994 atrocity in which twenty-four Taiwanese tourists out on a pleasure-boat trip were robbed by an armed gang and then incinerated along with the boat.

²⁴ For source of figure, see Footnote 24. See also *Liaowang* (Outlook) magazine, December 20, 1993, p.24. According to dissident sources familiar with China's population resettlement program, one reason for the June 4, 1989 crackdown was probably Chinese leaders' fears that if the Tiananmen Square mass protests were allowed to continue any longer, the next major social constituency to enter the fray would have been countless numbers of angry dam-relocatee petitioners from around the country.

While every government has the right of eminent domain, those forced to resettle should have the right to voice their opposition to the project, to challenge it before an impartial court and to obtain adequate compensation.²⁵ The obligation of citizens to move, moreover, must not be allowed to form a basis or justification for acts of official coercion, such as arbitrary detention or physical abuse, that are in violation of international standards of human rights.

But in China, resettlements have often been carried out in ways which are highly abusive of human rights. A forthcoming volume edited by Dai Qing provides a devastating critique of the human cost and consequences of China's post-1949 dam-building program. Most of the Xin'anjiang Dam population-transfer program, for example, although originally scheduled to be completed over a several-year period, was suddenly and forcibly carried out *en masse* at the height of the Great Leap Forward. As Mou Mo and Cai Wenmei, two of the contributors to Dai's new book, relate, in 1958 the Jiande District Party Committee issued a directive ordering that peasants should "take more good ideology with them, and less old furniture"; social organization was to be "militarized" and the resettlements carried out "like a battle action."²⁶ On arrival at the resettlement sites, more than half of the 300,000 relocatees reportedly found that they had been assigned to live in swamp or wasteland areas which officials then expected them to reclaim and make habitable. The land generally proved unarable, and many of the families eventually had to uproot themselves and begin the arduous resettlement process all over again. Over the next few decades, a similar pattern of arbitrary and enforced relocations leading to severe hardship and impoverishment emerged in the cases of other large dam-related resettlement programs elsewhere around the country.

²⁵ See, for example, Resolution 1991/12 ("Forced Evictions") of the U.N. Sub-Commission on Prevention of Discrimination and Protection of Minorities, which reads in part: "The Sub-Commission...[e]mphasizes the importance of the provision of immediate, appropriate and sufficient compensation and/or alternative accommodation, consistent with the wishes and needs of persons and communities forcibly or arbitrarily evicted, following mutually satisfactory negotiations with the affected person(s) or group(s)."

²⁶ According to the two authors writing in the unpublished draft of *Changjiang Yimin* ("Population Transfer on the Yangtze River"), a documentary anthology edited by Dai Qing:

The Hangzhou authorities sent squads of workers whose ostensible purpose was to clear the reservoir site of all loose debris prior to flooding. But what they mainly did was to dismantle and pull down the local people's homes as a way of driving them out as quickly as possible. According to the regulations for reservoir building, the residents were supposed to be moved before flooding of the site began; but during the Great Leap Forward in Xin'anjiang, some areas reversed the process and used flooding as a disguised means of forcing through the evacuation....At this, widespread protests erupted. Some people smashed up their own property and refused to move; others, overwhelmed by the shock, became psychologically disturbed or went mad; others still burned down their houses, and old people clung to the ground and refused to budge. But all were finally forced out.

In the course of 1958, some 137,000 residents ~~were~~ evacuated from Chun'an County alone. The long journey by foot to the resettlement sites was a nightmare:

Along the road, many of the evacuated families had to eat and sleep in the open air or in rough tents. Freezing and starving, they ate uncooked grain to fend off the hunger. People collapsed with illness on the roadside, and some even died; pregnant women had to give birth during the journey. According to an old cadre who took part in the relocation work, the marching peasants resembled wartime columns of refugees.

Secrecy and Plans for Coercion

Such extreme abuses as these are unlikely to be inflicted upon those to be resettled for the building of the Three Gorges dam. The mass involuntary resettlement program entailed by the project, however, has been conceived as a "mass mobilization campaign", reminiscent of those which, in the past, have sacrificed people's welfare for the fulfillment of grandiose, ill-conceived projects aimed at glorifying the state power. According to the authorities, "The masses of the people of the Three Gorges area are willing to sacrifice their own interests and loyally support the Three Gorges project....[This is] a vitally important guarantee of successfully accomplishing public security work in the region."²⁷

The extent of people's willingness is questionable, and in any case, the fact is that they have not been asked or informed about what awaits them. The million-plus population of the Three Gorges Dam area is to be subjected to forced and involuntary relocation to areas that are, for the most part, infertile and already overpopulated hill-slopes high above the proposed reservoir water-level. (Earlier plans to move a portion of the relocatees to remote areas of Xinjiang Province were abandoned after an international outcry against the proposal.)

The blatantly coercive nature of the relocation program was spelled out in a document issued by the Sichuan Provincial Government in July 1994:

Article 25. Resettlers compelled to evacuate by the resettlement plan and relevant agreements and contracts may not procrastinate or refuse to relocate under any excuse. Those who have settled may not backtrack [to their former homes] without authorization.

Those attempting to stage protest demonstrations or to carry out acts of civil disobedience, moreover, will be summarily dealt with. In May 1993, the Hubei police authorities set themselves the task of "actively coordinating all relevant departments to prevent and forestall armed mass disturbances arising from disputes over forestry, land and water-conservancy resources, and to uncover and crack down hard against bad people who seek to incite or exploit such disputes."²⁸ Again, according to the recently-issued Sichuan regulations,

Article 39: Any person who, in breach of the provisions contained in this set of procedures, disrupts the public order in the process of land-requisition compensation and relocation of residents, causing suspension of the normal operation of work and production, will be punished by the public security authorities in accordance with the Security Administration Punishment Act....Those whose offense constitutes a crime will be prosecuted on the basis of their criminal responsibility according to law.²⁹

²⁷ See Appendix II.

²⁸ See Fanzui Yu Gaizao Yanjiu (Research in Crime and Reform), No.5 1993, p.20.

²⁹ "Sichuan Province Regulatory Procedures for Compensation and Resettlement in the Requisition of Land for Large Hydroelectric Power Projects," adopted by the 25th executive meeting of the Sichuan Provincial People's Government on July 6, 1994. (Translated quotes adapted from BBC Summary of World Broadcasts, October 29, 1994.)

Moreover, the Security Administration Punishment Act,³⁰ under which police officials can impose fines of up to 3,000 yuan or sentence people without trial to periods of up to fifteen days' imprisonment, was amended by the NPC Standing Committee in May 1994 to bring a further eighteen new offenses within its scope. As the *Washington Post* reported, "The [new] regulations allow authorities to crack down on members of unapproved religious groups, members of ethnic groups who call for national independence, and political dissidents."³¹ And if these sweeping new powers prove insufficient for quelling social unrest, the police can simply resort to alternative regulations allowing them to impose, without trial, three-year custodial sentences of "labor re-education." With law-enforcement options like these available, actual criminal prosecutions, which involve the police in troublesome procedures like gathering evidence, are rarely required. In addition, new government legislation passed in February 1993 and July 1994 has given the police virtually *carte blanche* authority to determine "threats to state security," and the judicial penalties for those sentenced on such grounds can extend to death.³²

Compensation and Expected Unrest

The process of determining compensation for those who are relocated falls far short of acceptable standards, both monetarily and in terms of transparency and accountability. To offset the huge losses in land and property that the relocated families will suffer, the government plans to apply a policy of "developmental relocation" (*kaifaxing yimin*), whereby compensation funds will be given to local government bodies for agricultural and industrial investment in the resettlement zones, as compared to the former policy of making cash payments directly to the families themselves.³³ Officials argue that the new policy will ensure an acceptable and steadily-rising living standard for the displaced populations, thereby turning "negative and passive factors" into "positive and active ones." But the compensation policy has not been based on any consultation with those affected, to Human Rights Watch/Asia's

³⁰ *Zhonghua Renmin Gongheguo Zhi'an Guanli Chufa Tiaoli*, reissued in revised form by the NPC Standing Committee on May 12, 1994; full translation appears in BBC Summary of World Broadcasts, May 18, 1994. The Security Administration Punishment Act (often abbreviated as SAPA) has been in existence for several decades; a revised version of SAPA, promulgated in late 1986, for the first time allowed those sentenced by the police under the act to challenge such rulings in the courts; the May 1994 revisions to the act thus represent a further entrenchment of arbitrary police power.

³¹ "China Widens Police Powers to Detain, Restrict Activists," *Washington Post*, May 14, 1994.

³² See "State Security Law of the PRC," adopted by the NPC Standing Committee on February 22, 1993, translation in FBIS, March 3, 1993; and "Detailed Implementation Regulations for the State Security Law of the PRC," reprint of FBIS translation in "Pressure Off, China Targets Activists," *Human Rights Watch/Asia*, Vol.6 No.7, July 1994, pp.25-28. In order to safeguard against possible military or terrorist attacks on the Three Gorges dam, the project will necessarily entail one of the largest and most comprehensive national-defense and security operations ever mounted by the Chinese government. For a detailed official account of Beijing's defensive preparations for the project, see "Can the Three Gorges Project Be Protected," in *Can the Chinese Army Win the Next War*, translation published by FBIS (JPRS-CAR-94-024-L), pp.37-45. (Document marked: "For Internal Use Only.")

³³ This forms a major potential source of dissatisfaction among relocatees. According to the *South China Morning Post*, "About thirty per cent of the damages will be paid directly to the affected households, while the rest will be used to build factories and other production facilities to provide employment for the evacuees." However, "Officials who earlier this year went to assess the compensation for the peasants had to be protected by police," a source said. "Moreover, compensation figures for each village are kept secret to avoid arousing the jealousy of villages which feel short-changed." (See "Dam Resettlement Causes Resentment," SCMP, November 24, 1993.) See also Footnote 35, below.

knowledge, and there is a high risk that funds offered will be inadequate. Moreover, those affected have no adequate legal mechanisms or ways through which to challenge the compensation offered.³⁴

Near-endemic levels of corruption now afflicting the Party-government administrative apparatus in China will further reduce the amount of compensation actually delivered to relocated families. While corruption *per se* is not a human rights abuse under international law, it frequently serves to trigger or exacerbate such abuses. Officials who extort money from ordinary citizens or who impose illegal levies, for example, often do so forcibly and may resort to violence to suppress popular protests against their corrupt practices. Of particular concern in this context is the Three Gorges' "developmental relocation" policy which requires that compensation funds be handed over by central government to officials in the localities concerned, who will then have discretion in deciding what portion of the money is to be "invested" on the relocatees' behalf and what portion is to be handed over directly in the form of cash payments.³⁵

The government is well aware that poor compensation sows the seeds of protest. According to the Wanxian public security authorities,

There is no lack of precedent for disturbances. For example, problems left over from the relocation of inhabitants in projects such as the Xinhua Reservoir in Wushan County, the Xiaojiang hydropower station in Yunyang County and the Baishi Reservoir in Zhong County have constantly been the cause of frequent mass disturbances of no small scale; these problems have not been overcome even at this time. These small reservoirs involved the relocation of only a few hundred people, whereas the Three Gorges project will involve a million. Once disturbances arise, it is difficult to predict how far they might go.³⁶

³⁴ The budget for the Three Gorges Dam project allocates an average sum of RMB 16,000 yuan in "developmental compensation" for each resettled person. But as Dai Qing notes, "China's average rate for resettlement compensation in reservoir construction increased forty per cent from 1984 to 1988, to at least 20,000 yuan per person." Moreover, "Compensation in the building of the Ertan Reservoir on the upstream of the Jinsha River was 36,000 yuan per person in 1990." (*Yangtze! Yangtze!*, p.255.)

If the current high level of inflation in China is taken into account, the per capita sums laid aside for the Three Gorges relocation program appear patently inadequate. This is especially so when one considers that a very high proportion of the Three Gorges relocatees are urban dwellers who will require much larger resettlement expenses than will farmers. And many of the rural relocatees are supposed to be reemployed in newly established industrial enterprises, where initial investment outlays will inevitably be far higher than those needed for agriculture. The sheer numbers of relocatees this time around would make it prohibitively expensive for the government to raise compensation payments to the extent that has proved necessary in the Ertan Reservoir case.

³⁵ In legal terms, the "developmental relocation" doctrine appears to contradict the Chinese Constitution's assertion that "all land belongs to the people." Under the Deng Xiaoping reforms, peasant households and villages for the first time secured legally binding tenancy and land-use contracts, often valid for several decades, from the government. It follows that any negotiations over land-loss compensation should have been carried out between the central government and the individual households or villages. In any event, local government bodies would appear to have no legal title to the control or disbursement of state compensation funds for relocation.

³⁶ See Appendix I. The Xinhua, Xiaojiang and Baishi reservoirs are all located in the immediate vicinity of the Three Gorges project.

Meanwhile, an insight into the sheer scale of the sacrifices that the "masses" are currently expected to make can be gleaned from just one example cited by the security authorities:

Most of the land to be submerged in Wanxian Prefecture is fertile flood plain, river valley and flat land. The inhabitants of this area live in relative plenty. The largest county to be submerged is Kai County,³⁷ famous for its Mandarin oranges....Shuidong Village in the county's Fengle Township has a per capita annual income of RMB 1,500, but its preliminary relocation target area, Huangling Village in Fengle Township, has a per capita annual income of only RMB 500 per capita.

Already, in February 1994, protests flared among 5,000 relocatees who had been evacuated from Hubei's Yichang County and then left in flimsy temporary housing in mid-winter temperatures. The settlers had apparently been promised they would spend the Chinese New Year in houses far superior to those they had left behind. However, a Hong Kong newspaper reported a local official as saying: "Not a single family has moved into new permanent housing, because of slow progress and lack of funds." Added the report: "Sources said more than 100 companies claiming to be involved in 'the Three Gorges development' had recently sprung up in Beijing, some apparently backed by money originally intended for peasant resettlement in Hubei and Sichuan provinces."³⁸

As the confidential police reports conclude,

It is difficult to make arrangements that will satisfy the ideal expectations of the relocatees. If dealt with improperly, this will cause social shock and endless trouble in the future....A slight exacerbation of this [type of] antagonism, coupled with agitation by unlawful elements, will lead to disturbances such as sit-ins, demonstrations, and petitions, or even to grave cases of beating, smashing and looting....Civil disputes, violent fights and massive armed melees between groups of people will increase dramatically....There may even be bloody armed incidents between organized groups and clans.

The catalogue of dam-related civil unrest and social turmoil privately being anticipated by the security authorities is daunting in the extreme. Past experience suggests that emergent problems are unlikely to be dealt with through enlightened conflict mediation practices. Instead, the authorities' first recourse, as in the case of the 179 members of the Democratic Youth Party in Kai County, will be toward swift repression aimed at "nipping problems in the bud."³⁹

³⁷ Namely, the county where the "Democratic Youth Party" was based prior to its suppression by the government in May 1992.

³⁸ "Peasants Protest Over Dam Eviction," *Eastern Express*, March 4, 1994.

³⁹ The hitherto unreported case of Pu Yong is illustrative. Pu, a twenty-two-year-old elected representative of a township in Sichuan's Nanjiang County, situated northwest of Wanxian, was sentenced to ten years in prison in 1989 for "counterrevolutionary propaganda and incitement." He was accused of pasting up big-character posters and distributing 400 leaflets in the county town during the 1989 pro-democracy movement. He was also accused of "listening to Voice of America, reading reactionary publications and worshipping the capitalist social system practiced in Western countries." He is currently being held at the Sichuan No.3 Prison in Dazhu County, just next to the reservoir zone.

V. Labor Rights

China's suppression of free labor practices, and its incarceration of political prisoners in forced labor camps, are directly relevant to the government's plans for construction of the Three Gorges dam. Given a well-established pattern of abuses against China's migrant workers, the dam's construction will depend on labor conditions of unregulated cruelty. And to the extent that materials used in construction are provided by labor camp enterprises, some materials will be furnished through forced labor.

According to the security authorities, "Following the commencement of the project, a great construction army of hundreds of thousands of persons will come to the area....[and] migrant laborers from all over the country will blindly flow into the Three Gorges region." Currently, there are an estimated eighty to one hundred million migrant workers (*mingong*) in China, mostly originating from impoverished rural areas and seeking work in the cities. Living in conditions of squalor and insecurity, they are vulnerable to the twin depredations of exploitative factory owners, who commonly make them work long hours in unsafe conditions, and public security officials who routinely detain, beat and fine them for not having the proper working and residency permits. Even those outsiders working lawfully are not safe from police-operated "squeeze" rackets and other forms of harassment. In numerous cases monitored by Human Rights Watch/Asia in the Shenzhen special economic zone, for example, security officials have demanded that migrant workers show their papers, and then, on production of the requisite documents, have torn them up and fined the workers anyway.⁴⁰ In neither case are receipts provided.

Although vitally important to China's emerging market economy, migrant laborers are widely resented by local residents and heavily discriminated against by government authorities. Relegated to the bottom of the social ladder, in practice they have virtually no rights at all. It is these same workers who will, for the most part, constitute the labor force for the construction of the Three Gorges project.

At the same time, despite the government's public pledge that all those who are to be transferred out of the Three Gorges development zone will be guaranteed fresh employment after the move, the security authorities have no such expectation:

There will be a great amount of surplus labor among the relocatees. Although they will hope to get jobs in factories, the number of people enterprises can take is limited. Thus, they will have to turn to some other non-agricultural occupation and flow into the cities, increasing pressure on metropolitan areas, adding to social problems, and creating a latent disaster for public security.⁴¹

All this points inevitably to the emergence of a buyer's labor market in the Three Gorges region in which temporary workers will be at the mercy of the authorities.⁴² Since formation of independent labor unions is prohibited, they will be denied the right to organize to press for improvements in their working conditions. In May 1989, as elsewhere in China, attempts by workers in Sichuan and Hubei provinces to form such organizations were

⁴⁰ This material is based on unpublished research conducted by Human Rights Watch/Asia in August 1994 in Shenzhen.

⁴¹ See Appendix II, below.

⁴² In March 1994, for example, thousands of construction workers at the Ertan Dam site reportedly staged a two-week wildcat strike to protest poor working and safety conditions. (See "Strike Halts Progress on Dam Project," *Sunday Morning Post*, March 27, 1994.)

met by naked governmental repression, and the organizers were promptly dispatched by China's courts to serve long terms of imprisonment.⁴³

The plight of those on the lowest rung of China's labor hierarchy, namely the huge captive workforce held throughout the countrywide network of forced-labor *laogai* agricultural camps and penal-industrial enterprises, must also be considered. For decades, quarried limestone, concrete and bricks have formed—together with the mining, chemicals, machine tool and electrical goods industries—the mainstays of the country's prison production system.⁴⁴ The provinces of Sichuan and Hubei contain at least 134 prison and "labor re-education" enterprises, many of which are prominently engaged in the above-mentioned areas of production. The Three Gorges Dam has been described as being the largest civil-engineering project since the building of the Great Wall more than two millennia ago, and vast quantities of rock and cement will be required for its construction. Urban relocation and development in preparation for the inundation of numerous cities and small towns in the reservoir area will consume similarly large amounts of brick, glass, steel pipe, asbestos and other building materials before the project is finally completed.

Evidence that the *laogai* system will provide materials for the Three Gorges dam is strong, if to date circumstantial. The biggest agro-industrial penal complex in the entire country—Shayang Farm in Hubei Province—is located a mere one hundred kilometers from Sandouping, the Three Gorges dam site. The vast Shayang complex comprises no fewer than thirteen labor-reform detachments (*zhidui*), five independent labor-reform brigades (*duli dadui*) and eight additional jails. Extending over three municipalities and two counties and bordering on more than 300 small towns and villages, the prison camp holds more than 71,000 prisoners and occupies a staggering total of 2,146 square kilometers of land. Among the many forced-labor production units at Shayang are numerous brick and tile factories, several cement plants and a claystone mine.⁴⁵ The Chengdu Municipal Prison, meanwhile, doubles as the "Sichuan New Life Electrical Generator Plant, where long-term inmates labor to produce seventeen different

⁴³ Sun Sanbao, a shipyard worker in Wuchang, for example, received an eight-year sentence for "counter-revolution" for trying to organize a strike during the 1989 pro-democracy movement. Eighteen other labor activists were also tried and sentenced, including a man named Sun Wufu, who as of May 1993 was reportedly being held at the Hubei No.1 Prison. More recently, Qin Yongmin, a middle-aged worker and veteran pro-democracy activist of the 1978-81 Democracy Wall movement, in January 1994 was sentenced without trial to two years' "labor re-education" in Wuhan, the capital of Hubei Province, for having opposed China's failed bid to host the 2000 Summer Olympics and for signing a "Peace Charter" calling for peaceful constitutional reform and national reconciliation. Qin's wife recently revealed to foreign reporters in Beijing that he had been brutally beaten in jail by fellow-inmates acting on instructions from the guards, and that his testicles had been irreparably damaged in the repeated assaults. And in August 1993, the Wuhan Intermediate Court sentenced a thirty-seven year-old worker named Zhang Minpeng to five years' imprisonment on charges of "counterrevolution" for having organized an unofficial political group called the Republican Party (*Gonghe Dang*)—just as (ironically enough) the U.S.'s new Democratic administration was putting the final touches to its policy climbdown over the MFN-China human rights linkage. Twelve other members of the party were also brought to trial; the sentences have never been publicly announced.

⁴⁴ Even workers at some privately owned, non-prisoner-operated quarries and mines in China are now reportedly experiencing slave labor-like conditions. See, for example, "'Hotline' programme looks at forced labour after Guangdong report describes 'slave' quarry" (transcript of a Guangdong People's Broadcasting Station report of October 4, 1994), in BBC Summary of World Broadcasts (FE/2136/ G/7), October 26, 1994.

⁴⁵ See "China's Largest Labor-Reform Farm," *Fanzui Yu Gaizao Yanjiu*, No.5, 1991, pp.64-66. Prisoners at the Shayang Motor Fittings Plant assemble jeeps using BJ-212 chassis frames supplied by the Beijing Automobile Plant, Chrysler Corporation's local partner in the Beijing Jeep joint venture. The Beijing Automobile Plant has been supplying the BJ-212 chassis to Shayang Farm since at least 1988. (See *Zhongguo Qiye Gaikuang* [A Directory of Chinese Enterprises], Vol.9, Enterprise Management Publishing House, Beijing, March 1988.)

kinds of hydroelectric power generators. And the Hubei labor-reform network owns and runs twenty-seven reservoirs, all built by prisoners.⁴⁶ (See Appendix IV for further examples.)

The laogai economic system has thoroughly penetrated China's construction-materials market. For example, in the case of the Henan Province No. 18 Labor-Reform Detachment, a prison known externally as the Zhenhua Glass Factory, a journal for prison officials notes:

In October 1992, following changes in the building materials market, the Zhenhua Glass Factory allocated eighty-four young cadres imbued with a pioneering spirit to "take the plunge" into commerce. Since then, twelve branches of the Xinglong Industry and Commerce Corporation have been set up in the cities of Haikou, Beijing, Shanghai, Wuxi, Xi'an, Wuhan, Shenyang, Fuzhou, Chengdu, Taiyuan and Haerbin, creating a total of forty different sales outlets nationwide....In this way, our goods were able to flood the domestic market and we established a basis for entering the international market.⁴⁷

There is no indication that the government plans to reform these forced-labor enterprises. In fact, it has given them tax-free status through at least the end of 1995, in a directive issued in March 1994.⁴⁸ The Taxation Bureau of Chongqing Municipality, the largest of the cities adjoining the proposed Three Gorges reservoir area, was, moreover, among only five such authorities around the country to whom the directive was explicitly addressed. Already benefiting from a wholly unpaid labor force, and potentially involved in producing materials for the Three Gorges dam, the laogai system has thus been critically reinforced on the eve of the dam's proposed construction. Foreign construction companies that choose to participate in the Three Gorges project, therefore, could easily find themselves getting involved, directly or otherwise, in the use of materials and equipment produced by Chinese prisoners.

VI. Conclusions

Until approximately 1987, the Chinese government regularly dismissed the whole concept of human rights as being a "bourgeois fallacy" designed to mislead and disarm the proletariat and other vulnerable or unsuspecting members of the socialist-state citizenry. Over the past few years, this stance has been superseded by a somewhat more sophisticated set of official justifications as to why the authorities should be allowed to continue to deny internationally recognized rights to Chinese people. In brief, the new argument claims that the low level of economic development is the principal cause of weak human rights protection in China; that progress on or enhancement of rights will therefore follow in the wake of rising economic prosperity; and that the government's opening up of a "socialist market economy" and other current socioeconomic policies are precisely the means by which greater rights will be achieved. A response to international human rights criticism, this view has recently been elevated by the Chinese and several other Asian governments to the status of a theoretical defense of national culture and identity on the part of all countries striving to free themselves from underdevelopment.⁴⁹

⁴⁶ See *Hubei Nongcun Jingji* (Economy of the Hubei Countryside), China Statistical Publishing House, October 1990, p.97.

⁴⁷ *Fanzui Yu Gaozao Yanjiu*, No.4 1994, pp.22-24

⁴⁸ "Notification Concerning the Question of Taxation Procurement and Exemption for Labor Reform and Labor Re-education Enterprises" (*Guanyu Laogai, Laojiao Qiye Zheng-Mian Suodeshui Wenti de Tongzhi*), Document No.083 [1994] issued by the State Bureau of Taxation, March 24, 1994.

⁴⁹ For a comprehensive discussion and critique of the recently-launched "Asian concept of rights," see "Human Rights and Governance in Asia" presented by Prof. Yash Ghai at a conference on Human Rights and Governance

Reduced to its bare essentials, the argument maintains that authoritarian rule by an allegedly enlightened political elite provides the only sure guarantee of sustained, orderly transition to the desired state of national prosperity. Certain specific rights such as freedom of speech and the right to political or labor-related association must therefore be "delayed," "controlled" or otherwise restricted in the interim. Implicit in the argument, but in China's case expressed openly, is the view that those who seek to secure such rights are "wreckers" or "saboteurs" of the nation's real interests.⁵⁰

There is no evidence to support the notion that a certain minimum level of economic development is a vital precondition for the protection of fundamental human rights such as the right to freedom from torture or arbitrary arrest and imprisonment and the right to peaceful demonstration and association. There is nothing either socially "beneficial" or economically "functional" about violation of these rights; indeed it consumes huge amounts of public funds to maintain an efficient police-state apparatus and to keep large numbers of dissidents locked away behind bars.

It is often those critical voices that are the most urgently needed during the kind of rapid modernization process on which many Asian countries are embarked. With the rapid erosion of traditional communitarian structures and value systems that invariably accompanies such change, freedom of speech and association often become citizens' last line of defense against arbitrary or misguided government notions of how economic modernization should proceed; they can also stimulate important correctives to bad policies.⁵¹ The Chinese government's drive to suppress all unofficial political groupings, independent trade unions, local residents' negotiating bodies, ethnic-rights lobbyists or any other sectoral-interest groups showing even a hint of independence, is rapidly driving these new forces out of the arena of public debate, and in some cases, they have turned to violent forms of protest. By keeping the lid down tightly on public debate now, the authorities could be stoking up a major explosion of social discontent in the future.

Rapid economic growth in countries led by highly authoritarian political systems does not necessarily lead to political liberalization or greater human rights. As even a cursory glance at government statements and publications makes clear, the basic terms originally set out by Deng Xiaoping when he offered his "new prosperity deal" to the country in 1978—namely, that the government would provide the population with greater economic, social and cultural freedom in exchange for its continued, unquestioning obedience to the one-party political system—have not been relaxed since. Indeed, far from any overall expansion in the scope of civil liberties and human rights having occurred since Deng's seminal "trip to the south" in spring 1992, new public order and state security-related legislation introduced by the government over the past two years has reduced the scope of legally permitted political, religious and other forms of free expression and dissent to considerably less than that available to citizens in the early to mid-1980s. The right to strike, moreover, was deleted from China's Constitution not by the Gang of Four, but by the administration of Deng Xiaoping.

If one clear lesson emerges from all that has happened in China since June 1989, it is that neither Deng nor his successors are likely to move towards guarantees of fundamental civil and political rights. The claim that private enterprise will automatically "generate" greater pluralism and enhanced respect for rights is wishful thinking --

in Asia organised by the Asia Foundation and held in Manila in March 1994.

⁵⁰ In Indonesia, the label "obstructor of development" has replaced "communist" as the accusation of choice for allegedly subversive activity.

⁵¹ For a detailed discussion of how the presence or absence of human rights has generally determined the success or otherwise of economic development programs around the world, see *Indivisible Human Rights: The Relationship of Political and Civil Rights to Survival, Subsistence and Poverty*, Human Rights Watch, September 1992.

allegations of grave violations of worker rights come more often from the private, rather than the state-owned, sectors of the economy,⁵² and extend to many joint-venture concerns operated in China by Hong Kong, Taiwanese, South Korean and, to a lesser extent, Western companies.

The Three Gorges project may represent the greatest test to date of the sincerity of the Chinese government's arguments concerning the dependency of human rights upon the economy. As one of the largest single investment and construction project in the country's current ten-year plan of economic development, and one which by its incorporation of large quantities of foreign investment and expertise was meant to serve as a showcase of the "opening and reform" policy, the Three Gorges project might have been expected to embody somewhat more consultative decision-making processes than did similar previous projects in China, with respect for the constitutionally-guaranteed right to free speech and assembly of local individuals or groups who remained unconvinced of the project's promised advantages. Instead, expert scientific and technical debate on the issues was suppressed; those who opposed the project or opposed relocation had no means to obtain full information or demand redress for losses; and secret arrests of political dissidents in the area took place because of their opposition to the dam. And the twenty-year dam construction and mass involuntary resettlement program has only just begun.

As numerous tragic events in China's post-1949 history—from the Anti-Rightist Movement of 1957 to the Banqiao Dam collapse of 1975 and the Beijing Massacre of 1989—have demonstrated all too clearly, the real threat to public health and safety in China comes from a ruling party that brooks no outside scrutiny of, and accepts no public accountability for, its actions. The Three Gorges project has already led to dissident arrests and shows a clear potential for generating major human rights abuses in the future. Given the scale of the planned population resettlements and the likelihood of widespread public protests and unrest, decisive government action aimed at remedying the current absence of scrutiny and accountability in the project is now urgently required. Current indications are, however, that no such action is envisaged by the authorities. Perhaps the true function of the Three Gorges dam will simply be to stand—like Emperor Qin Shihuang's Great Wall—as an ultimate symbol of the power and authority of the state.

VII. Recommendations

THE CHINESE GOVERNMENT

- * The Chinese government should provide full access to information about the proposed settlement program to those affected and permit the latter to freely express their views on the project. It should also allow unrestricted debate more generally on the merits of the project.
- * The Chinese government should provide full information about the legal status and whereabouts of the 179 members of the Democratic Youth Party reportedly detained in connection with their protests against the Three Gorges project in May 1992 in Kai County, Sichuan. Any persons still detained on account of such activities should be freed forthwith, and the government should refrain from any further arbitrary denials of the right to peaceful assembly and free expression in the Three Gorges area and cease punishing or persecuting those opposed to the dam's construction.

⁵² See Dorothy Solinger, "China: Limited Trade Won't End the Labor Abuses", *International Herald Tribune*, May 14, 1994.

- * The Chinese government should establish an independent commission of experts charged with the task of monitoring and supervising the progress of the Three Gorges population-transfer program. The commission should reflect the main social constituencies and principal areas of specialist knowledge involved in the resettlement project, and should be endowed with sufficient powers—including the rights to investigate suspected abuses by government officials, publish its findings independently and submit complaints to government or judicial authorities—to enable it to safeguard the interests of those being resettled.
- * The Chinese government should allow unrestricted access by human rights and humanitarian organizations to the dam site, including to prisons in the area, so that allegations of abuse and the Chinese government's steps to redress them can be verified.
- * The Chinese government should instruct the Sichuan and Hubei provincial governments to establish an institutional framework for genuine consultations between the authorities and members of the resettlement population, with a view to minimizing unfair or arbitrary treatment and ensuring transparency and consistency in the implementation of resettlement criteria and standards of compensation.
- * The Chinese government should seek the advice and involvement of the International Labor Organization (ILO) to reduce the likelihood of labor rights abuses, including repression of independent labor organizers and mistreatment of migrant workers. The ILO should send a team to China to make recommendations for specific protections of internationally recognized labor rights, including freedom of association. Its findings should also be presented to the ILO annual conference next June (1996) for consideration by governments involved directly or indirectly subsidizing the project.

FOREIGN GOVERNMENTS

- * Governments considering providing equipment, financing, commercial licensing, insurance or other goods and services for the Three Gorges project, either directly to the Chinese government or to corporations registered in their countries, should insist on independent studies of the likely human rights impact of the project before any agreements are concluded. Those studies should be undertaken by an expert team, including human rights professionals, with no ties whatsoever to the Chinese or any other government and with unrestricted access to the region. They should include investigation of access to information about the project and efforts to suppress or control it; plans for or implementation of resettlement, including ability to dissent and obtain redress for losses; and involvement of the security forces in resettlement and examination of any coercion used. No investment should take place until such studies have been completed and their findings made public.
- * Government-supported financing, commercial licensing, insurance or other goods and services for the Three Gorges should also be made contingent on the provision by the Chinese government of full information as to the legal status and whereabouts of the 179 people reportedly detained in connection with their protests against the project in May 1992 in Kai County, Sichuan.

PRIVATE FOREIGN INVESTORS

- * Private investors should seek assurances from the Chinese government that the freedoms of expression and association of those involved in the resettlement process or debating the Three Gorges project are respected; and that the right to legal redress of those involved in the resettlement process to challenge decisions as well as protect other rights are respected.

* Private investors should also seek assurances from the Chinese government that harsh repressive measures—including judicial penalties such as the death penalty imposed on "state security" grounds or the excessive use of force—will not be used in the course of the massive relocation program. They should also make it clear to Chinese authorities that gross human rights abuses committed while carrying out forced relocations would reflect badly on private foreign investors and may limit or preclude their ability to invest in Three Gorges.

PRIVATE CORPORATE ACTIVITY

* Foreign corporations, especially construction companies, should include in their contracts explicit prohibitions on the use of materials and equipment produced by Chinese prisoners. Their contracts should specify penalties they will impose (such as surcharges or cancellation of contracts) if they discover that they are inadvertently using building materials made by prisoners in the Sichuan and Hubei laogai. Governments underwriting investments in Three Gorges should require such provisions in all contracts.

Human Rights Watch/Asia (formerly Asia Watch)

Human Rights Watch is a nongovernmental organization established in 1978 to monitor and promote the observance of internationally recognized human rights in Africa, the Americas, Asia, the Middle East and among the signatories of the Helsinki accords. Kenneth Roth is the executive director; Cynthia Brown is the program director; Holly J. Burkhalter is the advocacy director; Gara LaMarche is the associate director; Juan E. Mendez is general counsel; and Susan Osnos is the communications director. Robert L. Bernstein is the chair of the executive committee and Adrian W. DeWind is vice chair. Its Asia division was established in 1985 to monitor and promote the observance of internationally recognized human rights in Asia. Sidney Jones is the executive director; Mike Jendrzeczyk is the Washington director; Robin Munro is the Hong Kong director; Zunetta Liddell, Patricia Gossman and Jeannine Guthrie are research associates; Dinah PoKempner is counsel; Mark Girouard is a Luce fellow; Diana Tai-Feng Cheng and Jennifer Hyman are associates; Mickey Spiegel is a research consultant.

APPENDIX I

PUBLIC SECURITY PROBLEMS AND COUNTERMEASURES IN THE THREE GORGES AREA⁵³

(Internal Report of February 1993 by Officials of the
Wanxian Prefectural Public Security Department)

The Three Gorges Project has attracted worldwide attention. This project marks the initiation of a strong attack on poverty in China and will be seen as an epic accomplishment in the history of water control projects. The tremendous social and economic benefits flowing from the "lake within the gorges" [a phrase from one of Mao Zedong's poems] are incomparable, and this project heralds a golden opportunity to invigorate the economy in the Three Gorges Area. At the same time, public security problems have accompanied prosperity, and will be pervasive throughout the process. If underestimated or handled improperly, these problems could influence the construction of the project and the economic and social stability of the area. Chance and challenge coexist.

The Three Gorges Project is a world-class project. The extensive construction and the accompanying relocation of inhabitants present difficult tasks that cannot be completed without the guarantee of a healthy and stable internal and external environment. Thus, the purpose of this article is to present a preliminary estimate of public security concerns during and after completion of the project in the Three Gorges area. These estimates are based on the results of investigations and special inquiries, as well as on the forecasts of experts. The Three Gorges project will result in the spatial redistribution of productive resources, the recombination of factors of production at a higher level, the relocation of cities and towns, and a basic change in the scheme of public order in the region. A new reality is emerging from these changes.

I. The Immediate and Long-term Concerns of a Million Relocated People

The resettlement of one million inhabitants is a mammoth, systematic undertaking. It involves partial adjustment and rebuilding of the old economic structures, productive structures, work order, productive order and social order. This process precedes construction and is more demanding even than the construction itself. Therefore, relocation is a preliminary problem that is critical to the entire Three Gorges project.

In the primary area to be submerged, Wanxian Prefecture, investigations by relevant departments show that the area submerged will account for two-thirds of the total reservoir area. Of a total of nine counties and one city in the prefecture, seven counties, one city, fifty-six districts or towns, 176 townships, and 770 villages will be submerged; this includes one city, six county seats, 108 market towns, 955 enterprises, 250,000 mu of cultivated land and 20,990,000 square meters of building space will be submerged. The fixed assets to be submerged total RMB 1.8 billion. The project will involve the direct relocation of 570,000 people; ultimately 800,000 people will move.⁵⁴

⁵³ "Sanxia Kuqu Zhi'an Wenti Sikao Ji Duice Gouxiang", by Qing Heng, Li Jian, Hu Tiheng and Liu Xinyu, in *Fanzui Yu Gaizao Yanjiu*, No.2 1993, pp.40-43.

⁵⁴ This figure has long been superseded. According to recent government estimates, the total population to be resettled will be around 1.13 million. Independent Chinese experts have warned that the final figure, after natural population increase over the coming decade, could reach 1.8 million or more.

Having summed up domestic and foreign experience from the past to the present, the state decided to carry out a policy of developmental relocation instead of the old policy of compensated relocation in order to fully exploit the rich resources of the area. This relocation policy with Chinese characteristics has already been successfully implemented experimentally, and large-scale relocation can also proceed in an orderly fashion. Because, however, of its scope, scale, ramifications, and demands, the relocation of a million people is a problem of world-class proportions. If dealt with improperly, this process will cause social shock and endless trouble in the future.

1. It is difficult to make arrangements that will satisfy the ideal expectations of the relocatees. This might lead to a certain number of disturbances involving confrontations between the masses and the government. The region to be submerged has a long history of development and is relatively wealthy compared with other regions in the Three Gorges area. For example, most of the land to be submerged in Wanxian Prefecture is fertile flood plain, river valley and flat land. The inhabitants of this area live in relative plenty. The largest county to be submerged is Kai County, famous for its Mandarin oranges. All of the land lost in this county contains rice producing areas and Mandarin orchards. Shuidong Village in Fengle Township in this county has a per capita annual income of RMB 1500, but its preliminary relocation target area, Huangling Village in Fengle Township, has a per capita annual income of only RMB 500 per capita. Most relocatees have to move to mountainous areas, and there are substantial difficulties in moving people from rich areas to poor mountainous areas.

In matters such as compensation for property and the allocation of land and housing sites, a gap between the relocatees' hoped-for valuation and the actual compensation is bound to occur. For example, the new county seat of Yunyang County is a 9.95 square kilometer tract. The relocatees are demanding compensation totaling nearly RMB 100 million for mulberry trees alone. The conflict between expectations and frustrated desires could easily foster antagonism toward the government on the part of the relocatees and lead to some of the people refusing to move. This would hamper the smooth progress of the Three Gorges project. A slight exacerbation of this antagonism, coupled with agitation by unlawful elements, will lead to disturbances such as sit-ins, demonstrations, and petitions, or even to grave cases of beating, smashing, and looting.

There is no lack of precedent for such disturbances. For example, problems left over from the relocation of inhabitants in projects such as the Xinhua Reservoir in Wushan County, the Xiaojiang hydropower station in Yunyang County and the Baishi Reservoir in Zhong County have constantly been the cause of frequent mass disturbances of no small scale; these problems have not been overcome even at this time. These small reservoirs involved the relocation of only a few hundred people, whereas the Three Gorges project will involve a million. Once disturbances arise, it is difficult to predict how far they might go.

2. The redistribution of benefits during the adjustment period will intensify jealousies between the masses in different relocation zones. Civil disputes, violent fights, and massive armed melés between groups of people will increase dramatically. During the relocation period, it is difficult to redistribute benefits in a manner that is absolutely fair. The conflicts between relocatees and local people are difficult to coordinate and harmonize. The area where the Wanxian inhabitants are to be moved is already one of many people and little land; resettling a large number of people there will inevitably involve the redistribution of land and forest resources. On one hand, the current standard of living of the local people is relatively backward, and in the past fights over water, trees, and patches of farm land among local peasants in the area constantly disturbed the public order. On the other, the circumstances of those relocated to the area will undergo drastic changes with the movement of people and property into the area. In the preliminary period of the "backward and upward movement" (*hou kao*) of relocatees to underdeveloped areas, relocatees cannot retain their old standards of living, so psychologically they would expect higher compensation for their sacrifice to the Three Gorges project.

The conflict between the different psychological attitudes of relocatees and local people will inevitably find expression in conduct. That conflicts of interest between families, villages, immigrants and local people will lead

to disputes and fights is unavoidable; there may even be bloody armed incidents between organized groups and clans. The employment of relocatees will also be a factor conducive to conflict because of differences in the abilities of the relocatees, limitations in placement options, and differences in the placement of families and family members.

3. The sentimental attachment to native land is and will remain a great psychological obstacle during and after the relocation period. "A man loves his native land like a bird loves its nesting trees." This deep-seated traditional outlook is difficult to eradicate from the minds of most relocatees. With the commencement of the Three Gorges project, relocation will move from the experimental stage to actual large-scale implementation. If the relocatees are a bit unsatisfied, they will be overwhelmed by homesickness welling up in their hearts and this will result in the release of pent-up dissatisfaction. They may create disturbances on the slightest provocation in order to pressure the government, or they may return to their old homes in a cycle of action and reaction. This may become an intractable long-term relocation problem and a latent threat to public order.

II. The Strong Impact of Three Gorges "Fever"

The resolution concerning the construction of the Three Gorges project passed [in April 1992] by the Fifth Session of the Seventh National People's Congress made possible the realization of the "lake within the gorges" and quickly generated a series of unusual "fevers". Among these are a tourist fever to bid farewell to Three Gorges, an investment fever to develop the Three Gorges economy, and a fever of "gold panning" [i.e. improper profit-making] brought on by development. These fevers have abruptly altered the usual serenity of this area, bringing unprecedented opportunities for prosperity to the simple and hard working inhabitants of the area. At the same time, these fevers have also caused a series of problems in the realms of social administration and public security.

1. Public security problems have increased sharply with tourism fever. Although the charm of the Three Gorges landscape will remain and become even more magnificent after the completion of the dam, domestic and foreign tourists still believe that the current scenery of the Three Gorges is more unspoiled and appealing. They have swarmed in, driven by the urge to experience the area before it changes.

According to pertinent information, eleven foreign-run luxury cruise boats began operations on March 15, 1993, and tickets for the year have been sold out for some time even though the fare is as high as US \$540 per person. Statistics from the "Golden Triangle" of Fengjie, Wushan, and Wuxi in Wanxian Prefecture show that the area accommodated some 400,000 tourists from April to July of 1992. The Wushan county seat, with an area of a mere 1.2 square kilometers, received some 70,000 tourists from May 1 to May 10, 1993. Even with the best efforts of the local government, it could see to the food, accommodation, and recreational needs of only half this number, and every day thousands of tourists rested on rented stools or camped out on street corners. The public security office marshalled over 100 police officers to maintain public order, but fights over tour boat places or food and lodging constantly broke out. There were more than thirty cases of violence with relatively serious consequences. From commencement to completion of the Three Gorges project, tourism fever will continue to heat up and the tourism industry will be unable to meet the demands being placed on it. This situation cannot be changed in a short time, and presents a serious threat to public security and order in tourist areas.

2. Investment fever has also caused new problems in the mechanisms of social administration. The long years of indecision over the Three Gorges project affected state investment in the area and were a big constraint on the area's economic development. Using Wanxian Prefecture as an example, in the 40 years from 1949 to 1989, budgetary investment from the central government totalled only RMB 610 million, or RMB 70 per capita. Before the Seventh Five-Year Plan, not a single large enterprise was located in the area, resulting in a serious lack of industrial infrastructure. After the passage of the resolution approving the Three Gorges project, hundreds of millions of yuan in investments of all kinds flowed in from the central government.

With the commencement of a multitude of major construction projects and the construction of new cities and towns, many construction teams are bound to swarm in to the area. Disputes caused by competition for work, construction sites, and materials can not be avoided in this situation. Hundreds of thousands of construction workers and others not native to the area are going to pour in. With so many people of different individual qualities crowded together in such a limited space, there are bound to be increased frictions and collisions, and public security problems are bound to increase. The control of temporary and floating populations, the security of many major projects, the safe circulation of huge sums of construction investments, and the protection of scattered construction sites are all needs that cannot be met by the current administrative structure, security control forces, and administrative methods. If measures of a fundamental nature are not adopted, problems of public security will increase more and more and become a negative factor hindering economic construction.

3. "Gold panning fever" spurs the growth of unlawful and criminal activity. The Three Gorges project and the development of the area has attracted a large pool of talented people, and a good number of construction personnel will acquit themselves well on this historical stage. But there will be a great number of gold panners dreaming of wealth who will go on a spree when they earn money, and try to find other illegal means of making money when they are unsuccessful. Along with this will come a clear change in the direction of roving criminals. Instead of flowing from this area into the developed coastal areas as they have in recent years, criminals will, in a quick counterthrust, start flowing from other areas to here to stir up trouble. This constitutes a serious threat to social order in the area.

At the same time, the huge flow and concentration of people, property and other resources provides more opportunities for criminal activity. The number of "six scourges" cases [i.e. prostitution, hooliganism, etc.] has shot up, gang crimes are increasing, and mafia-type gangs will become an evil force jeopardizing public security in the area. Moreover, "gold panning fever" directly entices some state officials to engage in criminal activities such as corruption, bribe-taking, embezzlement, speculation, and fraud. This will hinder to some degree the smooth process of construction and relocation in the Three Gorges project.

III. Immense Changes in the Geography of Land and Water

With the completion of the Three Gorges project and the filling of the reservoir, the water surface area will increase, and numerous bays, lakes, confluences, peninsulas and islands will be created. The great changes in the physical geography of land and water will cause major changes in patterns of public security. The old pattern consisted of three crime belts along the river, on the roads, and in remote mountain areas, each having distinctive characteristics. This pattern was based on economic, transportation, and cultural differences in these areas, and these factors will undergo fundamental changes in the course of this project. Belts along rivers and roads, which originally had the most crime and most complex public security environment, will be enlarged. Both the intensity and scope of problems in these areas will increase. Along with the expansion of the water area, water transportation, fishing, aquaculture, and tourism will develop rapidly. Crimes committed by thieves and pirates living off this water network will be especially visible, and criminals will have more opportunities for action. This greatly increases the difficulty of controlling and preventing crime. With the relocation of a million people toward the mountains and the creation of cities and towns along the shore, the population around the reservoir will become even denser, and the golden shore will see the emergence of an even more complex security environment.

IV. The Attention of the International Community

The Three Gorges project has attracted international attention. Friends around the world praise the magnificent aspiration of the Chinese people, and will undoubtedly provide help and support by a variety of means. At the same time, however, hostile domestic and foreign forces show great "interest" in the Three Gorges project. They use mass media instruments such as television, radio, newspapers or wind-carried leaflets to defame the Three

Gorges project, or spy out information on the project and the population relocation under the cover of legal activities such as tourism, visiting relatives, or news reporting. According to statistics from the heart of the project, Wanxian Prefecture, alone, more than twice as many spies and agents were sent by hostile international forces from January to August 1992 as in the whole year of 1991. The "Democratic Youth Party", a counterrevolutionary clique comprising a network of 179 members that was uncovered and seized by the public security bureau in Kai County in May 1992, was a well-organized group that had been carrying out counterrevolutionary activities aimed at sabotaging the policy of opening and reform and at disrupting the smooth progress of the Three Gorges project.

V. Proposed Public Security Counter-measures in the Three Gorges Area

It cannot be denied that it is an objective necessity that the Three Gorges project and the relocation of the population of the reservoir area will bring about a fundamental change in public security patterns. The purpose of recognizing this objective necessity is, through analysis and prediction, to formulate appropriate countermeasures in order to control and reduce incidence and development of the above problems, create a healthy public security environment for the Three Gorges project, and ensure a smooth process of construction and relocation. From an objective consideration of the situation, we believe that the countermeasures to public security problems in the Three Gorges area should be based on historical characteristics of this world-class project, and specific measures should be guided by the policy of "strengthening leadership, thinking in the long term, taking the entire situation into consideration, and comprehensive control."

1. Powerful political and complete legal safeguards are the basic guarantee of the smooth implementation of the Three Gorges project and the relocation of the population. The Three Gorges project involves five prefectures in Hubei and Sichuan provinces. The current administrative structure is ill-suited to meet the needs of construction and relocation work. A Three Gorges special administrative region should be established along with a special organization to direct public security work in the area. The central government and Three Gorges special administrative region should put on their agenda of important matters public security work following changes in the public security pattern of the area. They should conduct full investigations and verification, and formulate practical and effective countermeasures. The state should proceed from an understanding of the actual facts and enact a complete set of laws and regulations in order to adjust the new relationships developing with the Three Gorges project and accompanying relocation so as to assure that in all matters there are laws and regulations to follow.

2. Speeding up the process of reform and opening, invigorating the economy in the Three Gorges area, and establishing a sound material foundation is the economic guarantee of a fundamental stabilization of public order in this area. Public security and the development of the economy through reform and opening are two sides of the same coin; they complement and promote each other. A healthy public security environment spurs the development of the economy, while the development of the economy is a prerequisite of stable social order. People in the Three Gorges area should emancipate their minds more, reform their old viewpoints, expand opening, speed up reform, coordinate with domestic and foreign partners, fully exploit the comparative advantages of local resources, efficiently and imaginatively use the policies and funds of developmental relocation, and be self-reliant and hard working in order to promote the take-off of the Three Gorges economy.

3. We should vigorously promote a spirit of contribution among the people of the Three Gorges area and create an atmosphere of support and concern for the Three Gorges project. The Three Gorges project is a historic feat that will benefit our descendants and all of mankind. The media should not only publicize the significance of the project itself, but also focus especially on the enormous sacrifices and contributions made by the people of the Three Gorges area. They should help more people understand, care for, and support the Three Gorges project and its people. At the same time, they should instill in the people of the area a warm love for the Three Gorges project and an enthusiasm for its construction, in order to strengthen the psychological fortitude of the relocatees.

4. We should incorporate public security problems into a systematic process in which the whole Party is involved and implement comprehensive control. The Three Gorges project and population relocation is an unprecedented project with implications in the areas of politics, economics, law, and culture. For this reason, the public security problems that may occur are complicated. Thus we must, in accordance with the new patterns of public security in the area and under the leadership of the Party and government at every level, use varied legal, political, economic, and administrative methods to make public security part of a systematic process and implement comprehensive control. When it comes to specific matters, we should truly implement the principle that "whoever is in charge should be responsible", put all kinds of protective measures into effect, predict problems in advance of their occurring, and devise countermeasures in order to solve potential public security problems at an early stage, solve them within the administrative apparatus, and solve them at the basic level.

5. Public security organs must resolutely adhere to the concept of safeguarding the course of the Three Gorges project and fully carry out their duties. First, they should adopt strong measures to forcefully attack serious criminal activities. In particular, they should resolutely uphold the policy of speed and severity in striking timely blows at crimes and criminals that sabotage Three Gorges construction and relocation. Public security organs should make careful plans to properly handle public security problems and mass disturbances arising from relocation. They should strengthen all aspects of professional public security work, improve work methods and style, and increase the fighting effectiveness of the ranks. Second, the public security organs should strengthen their investigation and research and go deeply into those regions and towns that will be major areas of relocation as well as major work units involved in the project to study new trends and problems of public security and formulate appropriate concrete countermeasures.

The state should take immediate steps to remedy the public security organs' inadequacy to the needs of the struggle in the areas of organization, policing capability, and equipment. First, a public security and state security organ capable of unified command should be established in the reservoir region, and in accordance with the particular characteristics of the area an aquatic public security sub-bureau should be established and the number of police substations on the water increased. Second, number of personnel should be increased, and policing capability established that is appropriate to its responsibilities. Third, the Ministry of Public Security and Ministry of State Security should follow the directive of the center⁵⁵ on cooperation between central and local organs and provide transportation, communications, and technical investigation facilities in order to meet the combat-readiness needs of all units in the Three Gorges area.

⁵⁵ Title of document unknown.

APPENDIX II

ON THE PUBLIC SECURITY SITUATION IN THE THREE GORGES AREA⁵⁶

(Internal Report of February 1994 by Officials of the
Hubei Province Yichang Municipal Public Security Bureau)

Following the passage by the National People's Congress of the resolution to construct the Three Gorges project, the countdown has begun. An important guarantee of the project is the public security system. How to bring it into play is an issue that has naturally attracted the attention of the people of the whole country, especially public security and security defense⁵⁷ departments. For this reason, it is vital to examine the prospects for the public security situation in the Three Gorges region (including the dam region, the reservoir region, and the surrounding areas) and to propose appropriate measures.

I. Factors Related to Public Security in the Three Gorges Region

The Three Gorges project is an epic hydraulic undertaking that will necessarily bring political, economic, and social changes to the Three Gorges region. Broad changes in all sectors of society will have an immense impact on the nature, level and speed of evolution of all aspects of public security in the Three Gorges region.

A. FACTORS HAVING A POSITIVE EFFECT ON PUBLIC SECURITY

1. The scientific and cautious attitude of the Party Central toward the Three Gorges project. The process of decision in the Three Gorges project has throughout been scientific and democratic. From its first exposition in the 1950s, forty years passed before a final decision was reached. The scale of the preliminary work, the length of time it took, and the depth of research and proof are all rare in China or abroad. The scientific decision both established a firm foundation for the success of the project and avoided in a fundamental way public security problems that would result from an erroneous decision.

2. Creative relocation policies. The Party Central conscientiously summed up the lessons taught by the experience of relocation over the years. It rejected the traditional practice of simple resettlement and compensation. To the million relocatees in the Three Gorges, it clearly advanced the policy of "developmental relocation" (*kaifaxing yimin*). This policy changes loss-oriented compensation into development-oriented creation; it turns relief payments into production assistance. It joins together the resettlement of relocatees and construction and economic development in the reservoir area, opening a new road with Chinese characteristics for the resettlement of relocatees. Both in China and abroad, this is a great creation in the history of hydroelectric project construction and relocation

⁵⁶ "Guanyu Sanxia Diqu Shehui Zhi'an De Sikao", by Zhong An, Gang Sheng, Xiang Yin, Xiang Yang and Peng Ai, in *Fanzui Yu Gaizao Yanjiu*, No.2 1994, pp.43-47.

⁵⁷ "Baowei bumen": a term usually referring to the internal security departments (loosely under police control) of enterprises and offices.

of persons in the reservoir area. This creative relocation policy has played a key role in reducing social unrest brought about by mass relocation and guaranteeing social stability in the reservoir area.

3. The great economic benefits of the Three Gorges project. The Three Gorges project is a key water control project that brings great benefits in flood control, electricity generation, and navigation. Its completion will speed progress toward the Four Modernizations, raise overall national strength, and bring in its train economic development over a broad range. Such huge economic benefits supply a strong material basis for stable social order not only in the Three Gorges region, but over the whole country.

4. The support of the people of the Three Gorges region for the construction of the Three Gorges dam. The people who have lived and multiplied on the banks of the Three Gorges have been looking forward to the construction of the dam for several generations. That the masses of the people in the Three Gorges area are willing to sacrifice their own interests and loyally support the Three Gorges project is a vitally important guarantee of successfully accomplishing public security work in the region.

5. The importance placed by the leadership at all levels on public security in the Three Gorges region. The Three Gorges project is the most magnificent project of the Chinese people. Public security work, which will ensure that the project is carried out smoothly, naturally has received a high degree of attention from the leadership at all levels. In January 1993, the Ministry of Public Security specially issued a document approving the establishment of the Three Gorges Dam Region Sub-Bureau of the Yichang City Public Security Bureau. The leadership of the Three Gorges Development General Company, which is responsible for the construction of the Three Gorges project, also earnestly look forward to the strengthening of public security work in the Three Gorges region by political-legal organs and public security departments.

B. FACTORS HAVING A NEGATIVE EFFECT ON PUBLIC SECURITY

Factors that could have a negative, harmful effect on public security in the Three Gorges region comes from various sources such as politics, economics, and ideology. It is necessary to note, however, that the negative factors discussed here are not fixed and unchangeable. With the promulgation and implementation of a series of policies and measures, the negativity of these factors will gradually decrease and may even become positive.

1. Harmful Influences from the Realm of Politics

(a) Influence of international factors. The policy toward the outside world of the Three Gorges project is one of opening and relaxation. While this will attract advanced technology and facilities as well as investors and tourists from abroad, it will at the same time provide an opening through which the corrupt ideology and culture of the bourgeoisie and international crime can enter. All kinds of international criminal activity will seep into the Three Gorges region. This international environment, which is harmful to public security, will exist for a long time. To resist and eliminate its malign influence is a long-term task of ours.

(b) Sabotage by domestic reactionary forces. Enemy elements hostile to socialism that still exist within the country and international reactionary forces, acting in coordination, use all kinds of methods to oppose the people's democratic dictatorship, to sabotage the socialist revolution and construction, and to sabotage social order. The Three Gorges project will necessarily become an important target of theirs.

(c) Harmful factors left over from history. The political situation of the dam region has historically been very complex. In addition to official Kuomintang influence, the activities of religious groups and reactionary sectarian organizations (*zongjiao he fandong hui-daomen*) are extremely vigorous. The complex political base of society is a harmful influence on public security work around the dam.

2. Negative Factors Arising from Economic Activities

(a) The Three Gorges project has become an experiment in the construction of extra-large projects within the socialist market economy. All kinds of economic constituents will have a role to play in the Three Gorges project. The economic interests of social groups will inevitably conflict, and the accumulation and sharpening of these conflicts and contradictions will constitute a grave threat to public security.

(b) The Three Gorges reservoir region remains to this day one of the country's fourteen poorest regions. The market economy brought by the Three Gorges project will create a great shock wave. This will bring about a sudden change in the semi-feudal economy of this region, and economic development will take off. Because of differences in people's cognitive abilities, and because Chinese have a tendency to jump on the bandwagon and follow the crowd, plunging recklessly into things, there is a real possibility that some areas will experience economic overheating. This will influence the stability of social order in these areas.

(c) The vast investment and great material requirements of the Three Gorges project, as well as the great amount of investment by various investors in economic construction in the Three Gorges region, will mean a great amount of capital in circulation. As the point of collection and disbursement for a large amount of money and materials, the Three Gorges region will necessarily become a coveted target of criminals.

3. The Shock from the Realm of Ideology

(a) The establishment of the socialist market economy is a revolution in the realm of people's thinking. At the same time that it spurs social development, the market economy produces a very obvious negative effect on people's thinking. Some people will be money worshippers. The Three Gorges project will be a strong stimulus to the material desires of these people. These "gold-panners" will come to the Three Gorges with the dream of becoming rich. This desire to seek money at all costs will lead some people to put the law to the test.

(b) The Three Gorges region will become another window of China's opening to the outside, and bourgeois culture from abroad will also take this opportunity to seep in. The ideology and lifestyle of loving leisure and hating work, mutual trickery, harming others to benefit oneself, rottenness and decadence, "sexual liberation," and "sexual freedom" will have a strong effect on people's thinking. This subtle and imperceptible corrosion is an important element in encouraging crime.

(c) Following the commencement of the project, a great construction army of hundreds of thousands of persons will come to the area. This great influx will not only put great pressure on the service sector for living necessities, but will also, because of the inability of construction of cultural and recreational facilities to meet the demand in a short period of time, mean a deficient cultural life. This cultural thirst will provide an opening to all kinds of low-class, vulgar culture and ugly social phenomena.

(d) The constructors of the Three Gorges project will come from all areas of the country: some from the coast, some from inland; some from big cities, some from poor and isolated regions. There will be great differences in individual qualities. The differences among these people from the four corners of the country in terms of ways of thinking, lifestyle, educational level, etc. will bring about a psychological intolerance among them. In the absence of appropriate, effective adjustments, this intolerance could develop into psychological conflict, and the externalization of psychological conflict will result in serious security problems.

4. Harmful Influences from Social Life

(a) The population problem. The construction of the Three Gorges project will put the population problem of the Three Gorges region squarely before us. Over the next decade and some, the population of the Three Gorges region will be greatly increased not only by the natural and automatic rise in the current population, but also by constructors and tourists coming in from outside. The "Sichuan Army"⁵⁸ constitutes a definite proportion of the tide of migrant laborers sweeping across the country. The Three Gorges project will cause these people to "make a quick turn and counterthrust" (*shahui maqiang*) back in this direction. It will also attract migrant laborers from all over the country to blindly flow into the Three Gorges region. All this will increase the population pressure within the Three Gorges region. With a given crime rate, an increase in population implies an increase in the absolute number of crimes. The vast majority of the floating population carry their property with them, and this increases the opportunities for crime. The movement of a great number of people gives roving criminals the opportunity to mingle among them. This will bring an increase in the number of crimes committed by such criminals and is a threat to public security. The great majority of relocatees in the Three Gorges region will be moved upward and backward (*jiudi houkao*) in the same area, and this will increase the population density of the areas of resettlement. Within the dam area and its principal source of supplies for daily life, Yichang City, the population density will increase even more markedly. Living conditions will be very crowded and the frequency of friction, contradictions, and conflicts between people will increase. This will necessarily result in an increased crime rate and deterioration of security.

(b) Various corrupt phenomena will cause dissatisfaction on the part of the broad masses and will be an important factor contributing to the lack of social peace.

(c) The lack of diversity of systems for [crime] prevention. Its main manifestations are that the ideology of [crime] prevention is insufficiently strong among the masses, the role of basic level prevention organizations has not been brought fully into play, all sectors of society lack a notion of comprehensive prevention, the work of exercising comprehensive control over public security has not been fully implemented, and the prevention work of all of society still relies on a single functional department [i.e. the police] going into battle alone. Having only a single system of [crime] prevention causes a decrease in the power to control society and a broadening of the scope of lost control. It makes it difficult to stay in control of the public security situation.

5. Problems Arising from Relocatees

(a) The problem of moving. The majority of relocatees support the Three Gorges project and want to sacrifice for it. Some relocatees, however, are attached to the soil and unwilling to move. Even less are they willing to move twice. A few relocatees have even made unreasonable demands and refused to move. These "nail households" (*dingzi hu*) have brought difficulties to relocation work and can also cause security problems.

(b) The problem of compensation. The number of relocatees in the Three Gorges is large and the scope of relocation is broad. Because the circumstances in each place are different, the compensation received by each relocated household is unlikely to meet their expectations. Relocatees who believe that their compensation is insufficient will become antagonistic. Because the standard for compensation in the dam area is different from that in the reservoir area (those in the dam area receive more), there will be contradictions between relocatees living along the border between the two areas. Each locality implements in a different way the unified state standard for compensation for relocation. Some pass it all on to the relocatees themselves. Others hold back a portion to be used for organizing production, starting up enterprises, and settling relocatees. This will create differences among relocatees in the actual amount received. These types of local variations in policy can very easily be a source of discontent among relocatees.

⁵⁸ "Chuan jun": a popular term for the large numbers of migrant laborers emanating from Sichuan Province nowadays.

(c) The problem of settlement. The banks of the Three Gorges have traditionally been places of little land and large population. With the backward and upward movement of large numbers of relocatees, the problem of the insufficiency of land resources will become more acute. There will be a great gap between the high expectations of the relocatees with respect to the relocation program and the capacity of the land to meet the needs of resettlement and production. This gap will exacerbate the mood of dissatisfaction. There will be a great amount of surplus labor among the relocatees. Although they will hope to get jobs in factories, the number of people that enterprises can take is limited. Thus, they will have to turn to some other non-agricultural occupation and flow into the cities, increasing pressure on metropolitan areas, adding to social problems, and creating a latent disaster for public security.

(d) The problem of the quality of the population of relocatees. The level of the social forces of production in the Three Gorges region is relatively low, the level of education is low, and the cultural quality of the population is not high. This situation causes problems not only in the moving and compensation of relocatees, but also in their settlement. This is because their prospects for employment are limited due to their lack of a certain level of education and labor skills. From the standpoint of the age structure of the relocatees, the proportion occupied by the young and adolescents is relatively large. This age cohort is one in which unlawful and criminal acts are relatively frequent. This point must not escape our attention.

II. A Forecast of the Future Public Security Situation in the Three Gorges Region

From the above analysis, we may attain an initial understanding of the various factors influencing the public security situation in the Three Gorges region. These factors have determined the direction of development of the public security situation in the Three Gorges region and enable us to make a forecast based upon them. Here, we will use the method of analyzing the essential nature [of problems] to look at the prospects for the public security situation in the Three Gorges region.

Generally speaking, with the progress of the Three Gorges project, various factors beneficial to public security will play the main role, and various factors harmful to public security can, through energetic efforts, be weakened, eliminated, or even turned into beneficial factors. Therefore, when viewed as a whole, public security in the Three Gorges region will be generally stable, and it will remain in step with the public security situation in the whole country. However, in making forecasts about public security in the Three Gorges region, we should have an attitude

of deep concern. We must be aware of crests and troughs in the overall stability of public security and look out for hidden shoals.

A. MASS DISTURBANCES THAT MAY OCCUR WITH A DIRECT INFLUENCE ON PUBLIC SECURITY

1. Social contradictions caused by issues of compensation and settlement among relocatees, if not appropriately handled, can easily lead to collective resistance by relocatees. At present, acts such as collective petitioning and collective blocking of construction have already taken place among the relocatees of the dam area. Relocatees are a special social group bound together by a common interest. They are extremely sensitive: a small matter can lead to a serious incident. Past incidents that have occurred among relocatees, such as demonstrations, storming Party and government organs, surrounding and attacking Party and government leaders, and seizing food to eat, can occur again. This possibility can by no means be taken lightly.

2. The density of the population of the Three Gorges region increases the likelihood of friction between people and will lead to armed clashes between groups (*jiti xiedou*). Local residents and those who come from the four corners of the country to participate in construction will form into a number of interest groups. Conflicts are inevitable between various groups -- one group of relocatees versus another, relocatees versus residents in their place of resettlement, relocatees versus construction teams, construction teams versus local residents where they live, and

so forth. If these conflicts are not handled in a timely and appropriate manner, they will develop to the extreme point where resort to arms is inevitable. Already, in January of 1993, one armed fight involving over 300 persons occurred in the vicinity of the dam. We must prepare to prevent and handle large-scale armed fights.

3. Incidents of mass theft of construction materials may occur. The Three Gorges project will require vast amounts of materials of all kinds. How to strengthen their safeguarding during shipment and storage is an important issue. A wave of mass theft of materials transported by rail and road has occurred in the Three Gorges region. If preventive measures are not quickly undertaken, there is a possibility that materials for the construction of the Three Gorges project will also be subject to mass theft.

B. THE PROBLEM OF CRIME WILL BECOME MORE ACUTE

1. Types of Crimes

(a) Violent crimes characterized by violations of public safety and the personal safety of citizens will become more serious. During construction of the Three Gorges project, for reasons such as the exacerbation of all kinds of conflicts and disputes between individuals, the enmity and desire for revenge against society on the part of some individuals, the strong desire for money and goods, and the influence of international terrorist activities, crimes such as blowing up, murder, kidnapping, and injuring will increase in number, scale of injury, and cruelty of method.

(b) Of all types of crimes, the main type remains crimes characterized chiefly by the violation of public and private property. The concentration of wealth brought with the Three Gorges project is a strong lure for certain people. The lust for wealth makes them willing to use all kinds of criminal means to grab wealth. Theft, robbery, fraud, blackmail, extortion, and other crimes of all kinds will greatly increase in number.

(c) Crimes of rape and hooliganism, chiefly of a sexual nature, will continue to occur frequently for a long period of time. A large number of male workers from all parts of the country are concentrated in the Three Gorges region. If close attention is not paid to education in spiritual civilization, there will be a large number of sex crimes.

(d) Crimes previously rare in the Three Gorges region will occur in great numbers. The large amount of mineral reserves in the Three Gorges dam area has created the conditions for gold smuggling, and such cases will surely increase. The Three Gorges region is the birthplace of the Chu and Ba civilizations. The forebears of the Chinese nation left for us on this soil a large number of relics and artifacts. With the building of the dam and the moving of these relics and artifacts, crimes of theft and smuggling will certainly occur. The Three Gorges provides a place for meeting and exchange for people from all regions, and also provides hospitable conditions for the spread of all kinds of crimes. Crimes that occur in coastal regions but are rare in inland regions, such as smuggling, drug selling, and trade in guns, will also occur in the Three Gorges region.

2. Methods of Crimes

(a) Development in the direction of knowledge and information technology. Criminals have enhanced their planning before committing crimes. During the commission of the crime, they use tricks to avoid discovery, employing modern methods of communications and transportation as well as chemical and electronic technology to resist the public security organs.

(b) Increased tendency toward violence. The demonstration effect exerted in the Three Gorges region by international terrorist activities and by exceptionally large violent crimes that occur domestically, together with the increase in the number of desperate criminals, both contribute to a growing trend in the use of violent criminal methods.

(c) Increased prominence of serial crimes. The psychology of the habitual criminal and the incentive structure formed over a long period of committing crimes make such criminals use the same type of method to infringe the same type of object. As habitual criminals increase in number, the Three Gorges region will see an increase in the prominence of serial theft, serial fraud, serial injury, and serial murder.

3. Composition of Criminals

(a) A large proportion of crimes will be committed by outsiders. The increase in the number of outsiders in the Three Gorges region will naturally result in an increase in the proportion of crimes committed by outsiders. Here we are speaking not only of what the public security organs specifically refer to as roving criminals,⁵⁹ but also of crimes in the usual sense that are committed by outsiders.

(b) Organized crime will become more serious. Formerly loose criminal groups will become tightly structured criminal gangs, and will evolve into mafia-type organizations (*heishehui shili*). People in the Three Gorges region are characterized by the fact that they come from all parts of the country; thus, it will not be surprising if there appear criminal groups with the characteristics of feudal brotherhoods organized on the basis of home region.

(c) Crime by those outside the country must not be underestimated. The Three Gorges project has become the object of the covetous gaze of criminals from outside the country. The development of water, land, and air transportation has shrunk distances and made it convenient to go back and forth across the border. Crimes committed by those outside the country have already occurred in the coastal regions; it is impossible that they will not extend into the Three Gorges region.

4. Spatial Distribution of Crime

(a) The dam region will become a central area for sabotage by domestic and foreign reactionary forces and by criminals harboring a strong desire for revenge on society.

(b) Crimes in the reservoir area will continue to increase.

(c) Areas where the project workers live, tourist areas along the Three Gorges, and towns that are moved and newly constructed will see a high incidence of crimes of all types.

(d) Areas surrounding the project work site will see a high incidence of crimes of theft.

(e) The water and land routes of the Three Gorges project will become the main target of highway robbers and pirates; crimes along water and land routes will increase greatly.

C. ALL KINDS OF SECURITY PROBLEMS WILL OCCUR IN GREAT NUMBERS

1. Fights in crowded public places will become common.
2. If hostels are not carefully controlled, they could become hiding places for contraband.
3. The great amount of dangerous [explosive] materials poses a latent threat to security.
4. A loss of control over the large temporary population will have grave consequences.
5. The gambling craze will continue, and prostitution will increase dramatically.

⁵⁹ "Liucuan fanzui fenzi", i.e. criminals who are frequently on the move and who commit crimes across multiple police jurisdictions.

APPENDIX III

THE BANQIAO AND SHIMANTAN DAM DISASTERS

NB: The following summary by Human Rights Watch/Asia of two dam disasters in China is based upon a wide range of officially and unofficially published documentary sources. The collapse of the two dams is a good example of how the lack of public debate and freedom of expression resulted in an economic and social catastrophe. Instead of heeding the warnings of water conservancy experts, the Chinese leadership was more concerned about following Chairman Mao's dictum that bigger was better. The result was a death toll that may have been as high as 230,000. The relevance to the debate over the Three Gorges dam is obvious.

There are three main documentary sources on the Banqiao and Shimantan dam collapses of August 1975. The first—the contemporary official Chinese press—carried no reports on any aspect whatsoever of the Banqiao-Shimantan tragedy, an absence which today speaks volumes. While China is now considerably more open in most respects than it was twenty years ago, any assessment of the degree of transparency and accountability that may be expected from the Chinese authorities in the event of serious problems arising from the Three Gorges project should take full account of the government's extraordinary, decade-long news blackout on the Banqiao-Shimantan disaster. To this day, the incident remains almost completely unknown about outside of China; domestically, even those Chinese who are aware of it still have little idea of the actual scale of the fatalities caused. So far as is known, the incident has never been publicly raised in any government-sponsored debate over the past decade and more on the future of the Three Gorges project.

The pages of the official *Henan Daily*, in August 1975, were filled with articles extolling the "heroic struggles" of the People's Liberation Army and of the local population in combatting heavy flooding in Henan Province; and frequent mention was made of their successful efforts to prevent the collapses of several other dams, including those at Baiguishan and Boshan, which lay in the immediate vicinity of the real disaster zone.⁶⁰ But the names of Banqiao and Shimantan themselves were effectively airbrushed from the public record: there appears to be no mention anywhere in the contemporary official press of the catastrophic dam collapses, and not a word about the massive human casualties that ensued. In March 1979, the Huai River Water Resources Committee of the Ministry of Water Resources and Electric Power produced an internal document titled "Report on an Investigation into the August 1975 Rainstorms and Flooding in the Hong-Ru and Shaying River-System of the Huai River Valley." The report, however, was never made public and no copy has so far been found.⁶¹

The second main documentary source on the Henan dam disasters is a small series of articles which appeared, between 1985 and 1989, in several extremely limited-circulation PRC books and journals devoted to

⁶⁰ See, for example, "The Army and the People are United as One in Battling the Floods—Overcome Ten Thousand Difficulties and Strive for Victory," *Henan Ribao*, August 17, 1975; and "Unite for Battle—The Will of the Masses is As Mighty As a Wall," *Henan Ribao*, August 18, 1975.

⁶¹ The existence of the confidential report (Chinese title: *Huai He Liuyu Hong-Ru He, Shaying He Shuixi 1975 Nian 8 Yue Baoyu Hongshui Diaocha Baogao*) was noted in *Major Floods in China's History, Vol. 2* (Zhongguo Lishi Da Hongshui, Xia Ce), published by Zhongguo Shidian Press, Beijing, January 1992, p. 125.

hydropower technology. In these, the figures officially given for the total number of persons affected by the resulting floods and for the overall number of fatalities ranged, respectively, from "12.6 million stricken and...almost 30,000 dead (of which 80 per cent were caused by the Banqiao Dam collapse)" to "10.29 million stricken and...nearly 100,000 dead."⁶² In 1986, the government commenced plans (apparently in the face of widespread local opposition) for the reconstruction of Banqiao Dam, and in 1993 the completion of the new dam was formally announced.⁶³

The most disturbing account of the disaster to be published during the late 1980s was the following brief passage, which appeared in a 1987 volume titled "On Macro-Decision Making in the Three Gorges Project":

In the great Yangtze River floods of 1954, as we know, 30,000 people died. Situated on the upper reaches of the Huaihe River in Wuyang County, Henan Province, the reservoirs behind the Banqiao Dam and Shimantan Dam had a total water-holding capacity of only 600 million cubic meters. In an accident which occurred there in August 1975, the sudden and violent escape of this water resulted in the deaths of approximately 230,000 people.⁶⁴

The eight authors of the article—Qiao Peixin, Sun Yueqi, Lin Hua, Qian Jiaju, Wang Xingrang, Lei Tianjue, Xu Chi and Lu Qinkan—are all leading opponents of the Three Gorges dam and among China's top elite of experts on water-conservancy science and technology. In 1987, all were either vice-chairmen, standing-

⁶² The former statistics appear in "Always Remember the Painful Lessons of the 'August 1975' Incident," Jiang Guoting, *Zhi Huai (Taming the Huai River)* magazine, No.3 (June 15) 1985, pp.6-7. The latter appear in *A History of Natural Disasters in China, 1949-1989 (Zhongguo Zai-Huang Shi, 1949-1989)*, Water Resources and Electric Power Press, Beijing, September 1989, p.265. According to the first of the sources, "A certain former official of the Henan Provincial Revolutionary Committee stated in 1975, at a meeting of local cadres, 'We won't be holding any conference to discuss flood-prevention measures this year, since if we did we'd just be going over the same old ground as before.' When the Banqiao Dam came under imminent threat [later that year] and the cadres and masses on the lower reaches of the river were in the midst of organizing an evacuation of the area, the former chief of production in Nanyang District accused them of 'inciting confusion and disarray among the people' and ordered that the evacuation be halted."

⁶³ See *Zhi Huai* magazine, No.1 (February 15) 1986, pp.29-30; No.6 (December 15) 1986, pp.2-4; and No.8 (August 5) 1993. The latter edition of the magazine contains two pages of photographs of the rebuilt dam, together with the text of an inscription carved on a recently-erected memorial stone at the dam site commemorating the dead of the August 1975 incident.

⁶⁴ *Lun San Xia Gongcheng de Hongguan Juece*, edited by Tian Fang, Lin Fatang and Ling Chunxi, Hunan Science and Technology Press, Changsha 1987, p.65-66. The article in question, "The Dangers of the Three Gorges Project Are Greater Than the Benefits," appears on pp.63-75. Only 3,100 copies of the book were ever published (a tiny number compared with normal print-runs in China), and after June 1989, the book was reportedly put on the government's proscribed list. The period 1987-88 was among the most liberal and relaxed since 1949 in China, and it is probable that the authors' dutiful recording of the overall death toll from the Banqiao-Shimantan incident simply slipped past the government's usually eagle-eyed publishing censors.

In February 1989, the Banqiao and Shimantan incident was again mentioned publicly, this time in an article written by Yang Lang, an official on the staff of the newspaper *Zhongguo Qingnian Bao (China Youth News)*, and published in Dai Qing's *Yangtze! Yangtze!* (p.232.) Addressing the Three Gorges project from the point of view of military-defense strategy, Yang puts the death toll of the Banqiao-Shimantan disaster as being only somewhere "more than 10,000." This was presumably a discreet formulation designed to satisfy the censors (who were already beginning to reawaken by then) and it failed to draw international attention to what even in China still remained, outside of the affected areas of Henan Province, a virtually unknown incident.

committee members or regular members of the Chinese People's Political Consultative Conference (CPPCC), the highest government advisory body in the land. As such, they presumably had access to internal government documents on the 1975 Henan dam disasters (including perhaps the confidential Huai River Water Resources Committee report of March 1979.) The eight experts went on to draw a telling comparison between the events of 1975 and the overall potential for damage posed by the government's latest megaproject:

The Three Gorges flood-prevention reservoir area will have a maximum water-storage capacity of between 22 and 27 billion cubic meters [i.e., approximately forty times greater than that of the Banqiao and Shimantan reservoirs combined]....If a disaster like the one which struck the Banqiao Reservoir were ever to occur in the case of the Three Gorges dam—for example, a sudden, high-technology air strike such as that launched by the United States against Libya in 1986—then a giant torrent of anywhere between 200,000 and 300,000 cubic meters of water per second would come cascading straight down toward the cities of Wuhan and Changsha. The scope of the catastrophe and the scale of fatalities would be almost unimaginable.

In 1993, in a speech delivered overseas, Dai Qing indicated what in her view was the starting-point for estimates of the total fatalities arising from the Banqiao-Shimantan dam disasters: "Another dam collapse, the largest one in the world, happened in August 1975: the *"Qi-Wu Ba"*⁶⁵ Incident. Among the tens of thousands of reservoirs [in China], these two were designed to withstand 1000-year and 500-year floods. Unfortunately, in 1975, there was a 2000-year one. When the dams collapsed, 85,000 people died, as the government announced, in two hours."⁶⁶

The latter death-toll figure, which is the highest thus far announced by the Chinese government for the August 1975 incident, appeared in the first volume of an important study published by the Ministry of Water Resources and Electric Power in July 1989.⁶⁷ The book was published in what for China was a minuscule print-run of only 1,500 copies, however, so few Chinese beyond the confines of the Ministry's own staff bureaucracy would ever have seen it. Apparently, however, even this limited degree of public access to the facts of the incident was viewed by Beijing as being too fraught with political risk, for in the second volume of the study, published in January 1992 (that is, just prior to the crucial NPC vote on the future of the Three Gorges project), the death-toll from the Banqiao-Shimantan disaster was revised sharply downwards, to read "26,000 drowned." An out-of-sequence footnote, clearly added just prior to publication, informed the reader that "the figure of 85,600 dead...which appeared in Volume 1 was an error (*wu*)."⁶⁸ No attempt was made to explain the startling

⁶⁵ The Chinese words mean simply "August 1975."

⁶⁶ Speech by Dai Qing: at Harvard University, April 1993.

⁶⁷ *Major Floods in China's History, Vol. 1 (Zhongguo Lishi Da Hongshui, Shang Ce)*, published by Zhongguo Shudian Press, Beijing, July 1989, p.3. According to the book, "Eleven million people were stricken and more than 85,600 died" in the disaster. Another important source of information on the August 1975 incident is a recently-published series of Henan provincial "county annals" (*xian zhi*). See, for example, *Xiping Xian Zhi (Xiping County Annals)*, September 1990, Beijing, pp.594-603; and *Xiangcheng Xian Zhi (Xiangcheng County Annals)*, March 1993, Beijing, p.332. County annals for the most severely affected areas, namely Xincai, Pingyu, Runan and Shangcai counties, have not, however, been found.

⁶⁸ *Major Floods in China's History, Vol. 2 (Zhongguo Lishi Da Hongshui, Xia Ce)*, published by Zhongguo Shudian Press, Beijing, January 1992, p.142. The chapter also contains the only known photographs, taken on the day after the dam collapses, of the post-disaster scenes at Banqiao and Shimantan.

discrepancy, and the twenty-five page article contained no more than this one, solitary line of reference to the appalling human cost of the disaster.

The third main source on the Banqiao-Shimantan incident, and by far the most detailed, is an unpublished investigative account of the incident that was written by a well-known mainland journalist using the pseudonym "Yi Si." According to the author, the August 1975 series of dam collapses was a "horrific historical episode caused by a complex intertwining of natural and man-made factors of disaster" and one which "should be etched upon the minds of all civilized people as a lesson and warning for the future." At the outset, Yi Si cites the official (though later withdrawn) death toll of "more than 85,000," but he goes on to reveal that this figure was presented on the government's behalf by Qian Zhengying, then head of the Ministry of Water Resources and Electric Power. It seems clear from Yi Si's account as a whole, moreover, that this estimate included only those killed during the period immediately following the dams' actual collapse—namely, the "two hours" or so referred to by Dai in her 1993 speech. Most of the additional 145,000 deaths implicit in the eight CPPCC members' figure of 230,000 appear to have occurred later, in the course of the horrendous health epidemics and famine which affected the stricken area in the days and weeks after the initial catastrophe.⁶⁹

The Banqiao and Shimantan dams were constructed in the early 1950s on the basis of fairly rigorous technical specifications supplied by the Soviets. The Shimantan Dam was designed to accommodate 50-year-frequency major downpours and to survive 500-year-frequency catastrophic flooding; and the Banqiao Dam, to accommodate 100-year major downpours and 1000-year catastrophic floods. As Yi Si notes, "In terms of the quality of engineering, there were no major technical problems with the dams." The successful construction of the two dams encouraged the Party leadership subsequently to launch a full-scale policy of "taking water storage as the key link" (*yi xu wei zhu*) in China's water conservancy work; over the period 1958-59, more than a hundred small or medium-sized dams sprang up in the Henan region alone. Warning voices were raised, however, including that of Chen Xing, one of the country's foremost water conservancy experts. Chen was the designer of Suya Lake Reservoir, which lay just east of Banqiao and Shimantan and was at that time the largest reservoir project in Asia.

As Chen pointed out, the leadership's growing fixation with the idea of "taking water storage as the key link"—namely, with pursuing dam and reservoir construction on a massive scale—was resulting in a widespread national neglect of other vital water conservancy work. This included the dredging of riverbeds, maintaining dikes, and creating flood diversionary channels and large temporary storage zones to accommodate the exceptional quantities of water that might result from sudden, freakish weather events. Moreover, he argued, the accumulation of vast quantities of water in numerous fixed locations throughout Henan Province would raise the water-table beyond safe levels, contributing to over-salination of the soil, and would create serious waterlogging of agricultural land. Above all, the neglect of proper flood diversion channels in the notoriously confined Huai River basin, in the belief that the dams by themselves would suffice to contain even 1000-year downpours, could, Chen stressed, lead to disaster if any dam collapses occurred—for there would be nowhere for the released water to go. If a full public debate on the construction of the dams had been possible, Chen's arguments that the leadership's almost exclusive focus on "storing water" amounted to the simplistic adoption of a false and potentially dangerous panacea might have been heeded. But it proved to be one more instance where the lack of freedom of expression in China resulted in an economic and social disaster.⁷⁰

⁶⁹ In this connection, it is worth noting that the government's downward-revised 1992 figure of "26,000" dead referred only to those who actually "drowned" (*yan si*).

⁷⁰ See Human Rights Watch, *Indivisible Human Rights: The Relationship of Political and Civil Rights to Survival, Subsistence and Poverty* (New York: Human Rights Watch), September 1992.

Chen Xing had direct and bitter experience of misguided government interference in the dam projects under his direction. At the time of the Suyu Lake Reservoir construction in 1958—the start of the Great Leap Forward, a deputy head of the Henan Province water conservancy department had criticized his designs for the dam as being "too conservative." In defiance of hydrological safety standards, the official had arbitrarily cut the number of sluice gates in the dam from an originally planned twelve to only five. Similarly, in the case of the Bantai emergency flood-dividing gates on the border of Henan and Anhui provinces, officials cut the number of sluice openings from nine to seven, and then later blocked off an additional two out of those that remained. Such "radical" design alterations had been prompted by Chairman Mao's dictum that economic planners should emulate the "Sputnik model" by aiming at increasingly "higher and higher" targets; water-conservancy officials interpreted this to mean still more and bigger dams, and an increased reliance upon "taking water storage as the key link." When Chen criticized these policies as bringing "a scourge on the people and a threat to the economy" (*lao min shang cai*), he was denounced by Party officials as a "right-wing opportunist element" and purged from his job.

Precautionary features built into the original design of the Banqiao and Shimantan dams might still have sufficed to prevent their collapse and forestall the southern Henan flood disaster of August 1975, however, had certain "man-made factors" not been allowed to intervene. But by then, the persistence of the "key link" policy had led to the construction of a further 100 or so dams throughout the province and to extensive reclamation and settlement of large tracts of land which had historically been left bare for flood diversionary purposes. Moreover, it had led to so serious a neglect of all other water-conservancy measures in the region that, as Yi Si notes, "The emergency floodwater drainage capacity of the Hong and Ru rivers [the chief local tributaries of the Huai River] had not only failed to rise, but had actually declined with each passing year." Sometime prior to the disaster a 1.9-meter-high earthen ramp was added on to the Shimantan Dam summit to increase its overall holding capacity. At Banqiao, the largest of the two dams, officials authorized an additional retention of no less than thirty-two million cubic meters of water in excess of the dam's designed safe capacity. With the arrival of "Typhoon No.7503" over mainland China from the direction of Taiwan on August 4, 1975, therefore, all bets were off for the people of Henan, for the storm turned out to be nothing less than a "once in 2000 years" catastrophic weather event.

Typhoons from the South China Sea usually expend themselves quickly upon reaching the China mainland. Typhoon No.7503, however, coincided both with an exceptional northward atmospheric surge from the southern hemisphere, originating in the vicinity of Australia, and with a series of unusual climatic events then taking place in the Western Pacific; the net result was that No.7503 raced with ever increasing force through the southern provinces of Jiangxi and Hunan and then took a sharp northerly turn straight in the direction of the Huai River basin. The storm hit southern Henan Province at 2:00 P.M. on August 5. In the initial torrential downpour, which lasted for ten hours, a total of 448.1 millimeters of rain fell on the region, around forty per cent more than the heaviest previous rainfall on record. The water level at the Banqiao Dam rose to 107.9 meters, bringing it close to maximum capacity. The sluice gates were opened, but they were found to be partially blocked by uncleared siltation. Trapped water at the base of the dam further impeded the dam's capacity to empty, so the water level continued to climb.

The second deluge of rain began at noon the following day and lasted for altogether sixteen hours. The water level at the Banqiao Dam reached 112.91 meters, more than two meters higher than its designed safe capacity. All lines of telephone communication with the remote and inaccessible dam site were by now cut. The third and final torrent of rain began at 4:00 P.M. on August 7 and continued for thirteen hours. At 7:00 P.M. that evening, the Zhumadian Municipal Revolutionary Committee convened to assess the dangers posed by flooding to the dams at Suyu Lake, Songjiachang, Boshan and elsewhere in the region. The question of the Banqiao Dam, however, was not even raised: with its high standards of construction, it was held to be an "iron dam" that could never collapse. By 9:00 P.M., seven smaller dams at Queshan, Xieyang and elsewhere in the area had yielded to

the torrents, followed an hour later by the medium-sized Zhugou Dam; the total number of dam collapses in Henan Province was to rise to as many as sixty-two⁷¹ before the night was out.

Around the same time, a thin line of people stood strung out across the summit of Banqiao Dam, toiling waist-deep in water to repair the rapidly-disintegrating crest dike. As Yi Si reports:

Suddenly, a flash of lightning appeared, followed by a massive thunderclap. Someone shouted, "The water level's going down! The flood's retreating!" For a brief instant, the skies cleared and the stars appeared again overhead.

Just a few seconds later:

The dam gave way, and 600 million cubic meters of reservoir water erupted with a demonic and terrifying force. Somewhere, a hoarse old voice cried out, "The River Dragon has come! (*Chu Jiaozi!*)"

Over the next five hours, a gigantic wall of water travelling at nearly fifty kilometers per hour cascaded downward over the surrounding valleys and plains, obliterating virtually everything in its path.⁷² Shortly afterwards, the Shimantan Dam also collapsed, to largely similar effect. Entire villages and small towns disappeared in an instant, with massive ensuing loss of life. A government order issued the previous day to evacuate local residents had applied only to populations living in the immediate vicinity of Banqiao Dam; eastward of Shahedian Town, no such evacuations had been carried out. In the Weiwan Brigade of Wencheng People's Commune, nearly 1,000 people out of a total population of 1,700 were wiped out. The massive Suya Lake Reservoir, whose emergency sluice gates had been more than halved in number by ardent Maoist officials many years earlier, successfully withstood Typhoon No.7503, but thanks only to remedial construction work that had been completed a mere eight days prior to the storm's arrival.

The effects of the immediate aftermath of the disaster were, if anything, more terrible still. The inundations from the numerous collapsed dams combined with entrapped localized flood waters to form a huge lake stretching across thousands of square kilometers, either submerging or partially covering countless villages and small towns. Because of the decades-long official neglect of dike maintenance, river dredging and flood diversionary systems within the region, there was nowhere for this water to, go and so most of it simply stayed put. The complete rupture of all transport and communications in the region also meant that emergency contingents of the PLA's 60th Army that were sent in to conduct disaster relief operations were unable to reach, feed, clothe or otherwise assist most of the survivors for up to two weeks after the initial disaster; medical teams were similarly helpless in the face of the catastrophic health epidemics that swiftly ensued. According to Yi Si's account,

August 13: Eastward of Xincai and Pingyu, the water is still rising at a rate of two centimeters an hour. Two million people across the district are trapped by the water....In Runan, 100,000 who were initially submerged but somehow survived [by clinging to trees, rooftops, etc] are still floating in the water. In Shangcai, another 600,000 are surrounded by the flood; 4,000 members of Liudayu Brigade in Huabo Commune have stripped the trees bare and eaten all the leaves...and 300 people in Huangpu Commune

⁷¹ See *Major Floods in China's History*, Vol.2 (op cit), p.141.

⁷² According to the first of the official sources cited in Footnote 62, "The floodwaters released by the collapse of Banqiao Dam swept away, in their entirety, all villages and houses in the townships of Shahedian and Wencheng and also those of all the [People's] Communes in the local municipality. Not a single tree was left standing."

who had not eaten for six days and seven nights are now consuming dead pigs and other drowned livestock.

August 17: There are still 1.1 million people trapped in the water....The disease morbidity rate has soared. According to incomplete statistics, 1.13 million people have contracted illnesses, including 80,000 in Runan and 250,000 in Pingyu; in Wangdui Commune alone, 17,000 people out of a total population of 42,000 have fallen ill, and medical staff, despite their best efforts, can only treat 800 cases a day.

August 18: Altogether 880,000 people are surrounded by water in Shangcai and Xincui. Out of 500,000 people in Runan, 320,000 have now been stricken by disease, including 33,000 cases of dysentery, 892 cases of typhoid, 223 of hepatitis, 24,000 of influenza, 3,072 of malaria, 81,000 of enteritis, 18,000 with high fevers, 55,000 with injuries or wounds, 160 poisoned, 75,000 cases of conjunctivitis, and another 27,000 with other illnesses.

August 21: A total of 370,000 people are still trapped in the water....Fifty to sixty per cent of food supplies parachuted in by air have all landed in the water, and thirty-seven members of the Dali Brigade alone who frantically retrieved and consumed rotten pumpkins from the water have fallen ill with food poisoning.

Some two weeks after the disaster, when the flood waters finally began to retreat in certain areas of Zhumadian Prefecture, mounds of corpses lay everywhere in sight, rotting and decaying under the hot sun.

On August 12, five days after the Banqiao and Shimantan dam collapses, a team of senior officials sent by Beijing and led by Vice-Premier Ji Dengkui made an inspection flight over the devastated area in a MIG-8 helicopter. Accompanying Ji on the journey was the hydrology expert Chen Xing, who had slowly worked his way back to prominence after being purged during the Great Leap Forward for predicting precisely the kind of disaster that they were now witnessing. The sight of the trapped flood waters confirmed all of Chen's worst fears, and upon returning to Beijing, he informed a deeply-shaken assembly of government leaders including Vice-Premier Li Xiannian and Qian Zhengying, Minister of Water Resources, that the only remaining option was to dynamite several of the major surviving dam projects in Henan so that the flood waters could be released and allowed to drain away. Two days later, under Chen's direction, the offending dams—among them the Bantai flood-diversionary project whose sluice apertures had earlier, in the name of "taking water storage as the key link," been reduced from nine to only five—were duly blown up.

Some months after the horrifying events of August 1975, Qian Zhengying delivered the keynote speech to a national conference on dam and reservoir safety that convened in Zhengzhou, the Henan provincial capital. Said Qian,

Responsibility for the collapse of the Banqiao and Shimantan dams lies with the Ministry of Water Resources, and I personally must shoulder the principal responsibility for what has happened. We did not do a good job. [*Women de gongzuo meiyou zuohao.*]

Regarding the full text of Qian's speech, Yi Si comments,

What she failed to say is that, as Chen Xing had pointed out twenty years earlier, the dominant policy of stressing water storage to the detriment of drainage work was bound inevitably to result in destruction of the hydrological environment....She also failed to explain why Chen's ideas were rejected at the time and

why he later became the victim of a political purge, only to be brought back again after a major disaster had struck. On all this, as on the personnel and decision-making systems that caused [the disaster], she remained silent.

By saying merely, "I personally must shoulder the principal responsibility," moreover, Qian succeeded in diluting away all of the initiative that should have been taken toward pursuing specific responsibility—up to and including criminal legal responsibility—for each and every one of the mistakes that had occurred. The result was that for the next decade and more, the old policy of blocking rivers and putting up dams was pursued as blithely as ever before. And then, in 1993, we even had another fine fellow jumping up and slapping his chest, saying "If anything goes wrong, I'll be responsible."

The author of the remark referred to by Yi was none other than Lu Youmei, chairman of the Three Gorges Project Development Corporation, the government-established body which will oversee the entire construction and future operation of the Three Gorges Dam. For her part, Qian Zhengying—who has presided over most of China's dam-building program for the past forty years—remains, together with Premier Li Peng, the chief government proponent of the Yangtze River Three Gorges project.⁷³

In July 1994, China's Minister of Defense, Chi Haotian, noted that the devastating earthquake which struck the northern Chinese city of Tangshan in July 1976, resulting in the deaths of 240,000 people and the serious wounding of 160,000 others, was "one of the world's ten major disasters in the present century."⁷⁴ In the case of the Banqiao-Shimantan dam disaster of August 1975—which (according to the eight NPPCC experts's report) claimed almost as many lives as those lost in the earthquake of less than a year later but, unlike that event, was largely a man-made catastrophe—the Chinese government has yet publicly and fully to acknowledge to the outside world that the incident even took place.

⁷³ As Dai Qing notes, "Although 70 years old, Qian Zhengying distinguishes herself as the leader of the pro-dam faction for the Three Gorges project. But even this may not adequately describe her role. For the past few decades, she has been the key leader in mainland China's water-engineering programs....She has been a relentless advocate for the earliest possible start, and the grandest possible dam on the Yangtze. She is the pro-dam faction's spiritual leader." (See "Madam Qian Zhengying: Answer My Questions," Dai Qing, *Yangtze! Yangtze!*, pp.246-58.)

⁷⁴ See "Chi Haotian Draws Political Lessons From the Tangshan Earthquake," excerpts from article in *Jiefang Junbao*, July 28, 1994; in BBC Summary of World Broadcasts (FE/2086), August 29, 1994, pp.11-12.

APPENDIX IV

PRISON LABOR IN CONSTRUCTION MATERIALS INDUSTRY⁷⁵

EXTERNAL NAME	INTERNAL NAME	PROVINCE	PRODUCTS
Shayang Farm	[13 labor-reform detachments, 5 labor-reform brigades, 8 jails; incl. Maliang Cement Plant and Zhanghuyuan Brick & Tile Plant]	Hubei	brick, tile, cement, claystone; prisons produces 20% of all brick and tile in Hubei province; Maliang produces 88,000 tons cement/year
	Huangshi City Labor Re-education Center	Hubei	electric cable; in joint venture with Huangshi Electric Cable Plant
Hubei New Life Glass Works		Hubei	plate glass; exported to Europe, United States and Hong Kong
	Hubei No.2 Labor-Reform General Detachment	Hubei	Portland #425 cement; "provincial-level excellence" award in 1990
Hubei Province New Life Corporation		Hubei	Province-wide marketing group for Hubei prison goods
Sichuan New Life Electrical Machinery Plant	Chengdu Municipal Prison	Sichuan	water turbogenerators
Wangcang Coal and Iron Ore Mine	Wangcang Labor-Reform General Detachment	Sichuan	"Jade Emperor"-brand #425 cement
Chongqing New Life Laodong Plant	Chongqing Municipal Prison	Sichuan	galvanized steel wire and electric fans
Xinkang Asbestos Mine	[Prison located at Shimian City]	Sichuan	Produces twenty per cent of China's asbestos output; also fibreboard

⁷⁵ This is only a partial list of Chinese prison enterprises involved in the construction materials industry. Also, only products relating to the construction materials industry are listed; many of the factories also produce other items such as machinery, automobiles and electrical equipment.

EXTERNAL NAME	INTERNAL NAME	PROVINCE	PRODUCTS
Huidong Lead and Zinc Mine	Huidong Labor-Reform Detachment	Sichuan	lead and zinc
Jianxin Chemical Plant		Sichuan	Leading producer of base chemicals for manufacture of dynamite
Pinghe Graphite Mine	Pinghe Labor Re-education Center	Sichuan	graphite
Sichuan Binjiang Enterprise Corporation	[Office is at Chengdu Municipal Prison]	Sichuan	Province-wide marketing group for Sichuan prison goods
Duyun Cement Factory	Duyun Prison	Guizhou	cement
Guiyang Chinaware Factory		Guizhou	red brick, daily-use china, cement
	Nanjing City Dalian Shan Labor Re-education Center	Jiangsu	limestone quarry; produces "Ninghong" #435 cement; cited by city in 1990 as "top-quality product"
Yangtze River Cement Corporation	[New conglomerate: includes Dalian Shan Labor Re-ed Center]	Jiangsu	regional cement supplier
Nanjing Longtan Cement Factory		Jiangsu	cement
Dingshan Cement Factory		Jiangsu	cement
Baiju Kilns Plant	Jiangsu No.2 Labor-Reform Detachment	Jiangsu	brick
Lianhuasi Gravel Factory	Shaanxi No.2 Labor-Reform Detachment	Shaanxi	gravel
Xi'an Jian'an Building Materials Plant	Xi'an Municipal Public Security Bureau Department No.7	Shaanxi	one of largest brick producers in northwest China
Shaanxi Xinhua Brick and Tile Factory		Shaanxi	brick and tile
Xinshao Marble Factory	Longxi Prison (Hunan No.6)	Hunan	marble
Pingtang Cement Plant	Pingtang Labor Re-education Center	Hunan	cement

EXTERNAL NAME	INTERNAL NAME	PROVINCE	PRODUCTS
Henan Zhenhua Glass Factory	Henan Province No.18 Labor-Reform Detachment	Henan	window glass; marketed nationally by Xinglong Ind./Com. Corporation
	Hailar City Labor Re-education Center	Inner Mongolia	red brick
Chifeng Ceramic Tile Factory	Chifeng Labor Re-education Center	Inner Mongolia	ceramic tiles; under investigation by US Customs for exporting to US
	Baotou City Labor Re-education Center	Inner Mongolia	rocks and stones
Shandong Province Hutian Limestone Mine	Hutian Labor-Reform Detachment	Shandong	limestone, cement
Shandong Province Shengjian Basan Factory	Shandong Province No.1 Labor Re-education Center	Shandong	calcined hard-grog clay (jiaobaoshi)
Shandong Province Shengjian Beishu Graphite Mine	Beishu Labor-Reform Detachment	Shandong	14,000+ tons/year high-carbon and expandable graphite; exported to Japan, US and Europe
Heze Shengjian Brick and Tile Factory	Heze Labor-Reform Detachment	Shandong	glazed clay bricks and tiles
Liaocheng Shengjian Brick and Tile Factory		Shandong	bricks and tiles
	Baihu Farm No.6 Labor-Reform Brigade	Anhui	bricks; prisoner teams do outside building-contract work
Dalian No.3 Cement Plant	Nanguanling Labor-Reform Detachment	Liaoning	Produces c. 200,000 tons/year of Portland #325 "Yanzhou" cement
Huazi New Life Cement Plant		Liaoning	Produces c. 300,000 tons/year of #425 "Jinbei" cement

EXTERNAL NAME	INTERNAL NAME	PROVINCE	PRODUCTS
Dalian Vittrified Quartz and Diabase Cast Stone Products Plant	Dalian Labor-Reform Detachment	Liaoning	Produces around 30 million clay bricks and 10,000 tons of quartz-glass material per year
Yining Enterprise Corporation		Liaoning	Province-wide marketing group for Liaoning prison goods
New Life White Clay Mine	Mudanjiang Labor-Reform Detachment	Heilongjiang	white clay
Shuangyashan Marble Mine and Building Stones Quarry	Shuangyashan City Labor Re-education Center	Heilongjiang	marble and stone
Haerbin City Yuquan Stone Quarry		Heilongjiang	quarry stone
Haerbin Xinya Granite Quarry		Heilongjiang	granite
Fenghuanshan Granite Processing Plant		Heilongjiang	granite
Yongfeng Stone Quarry	Yongfeng Labor-Reform Detachment	Heilongjiang	quarry stone
Heilongjiang Yuxin Industrial Corporation	[runs prison-labor stone quarry]	Heilongjiang	Province-wide marketing group for Heilongjiang prison goods

		Shandong	limestone, cement
		Inner Mongolia	rocks and stones
		Inner Mongolia	US Customs for exportation to US customs (this is under investigation by US Customs)
		Inner Mongolia	red brick
		Henan	Xinglong and Xian Corporation window frame marketing company
EXTERNAL NAME	INTERNAL NAME	PROVINCE	PRODUCTS

ARUN III and the Inspection Panel

Lori Udall in particular is likely to bring up the Arun III Hydroelectric Project. This is the first -and so far the only- project which has been put to the new Inspection Panel. The NGO critics of the project are very unhappy that the Panel has not requested more work on project alternatives. They also complain that the Bank is trying to push this project over the opposition of the Nepali people.

While we do not recommend that you engage in debate over the specifics of this project, you should know that the allegations about lack of consultation and Bank pressure to proceed are vigorously disputed by us and by all political parties in Nepal. Earlier this month the new Nepal government formally requested that we proceed with the project on the terms negotiated with the predecessor government. We will need to update several aspects of the previous appraisal -including in particular a review of the risks posed by sudden flooding from glacier lakes- before the Inspection Panel can complete its work. Hence, even if all goes well, it is unlikely that the project will be resubmitted for Board consideration before the fall.

Arun III Hydroelectric Project

Arun III is a "run-of-the-river" project designed to divert part of the natural flow of the Arun river in eastern Nepal through a tunnel in which turbines are installed to generate electricity. The water would then return to a lower point in the river's natural course. This design does not require a large storage dam to generate power and thus does not involve significant flooding or resettlement. Unlike most rivers in Nepal, the Arun flows strongly throughout the year, so only a small reservoir is needed to regulate the flow of water through the tunnel.

The Arun site is located in a remote valley, currently accessible only by air or foot trail. Most environmental and social implications of the project are attributable to the new road which would have to be built to give access to the site. For the residents of the valley the road would mean lower prices for the goods they buy from outside and higher prices for the items they grow and sell outside. There would be some losers (e.g. porters who now transport goods by foot; farmers who benefit from a naturally protected market), but the great majority of the valley residents badly want the road. The only issue for them is how close the road comes to their own land or village: the typical view is "the closer, the better".

The selection of the Arun project as the next significant hydro investment for Nepal has a long history. During the 1970s and early 1980s reconnaissance surveys were done for each of Nepal's three main river valleys. Over 100 potential hydro sites were considered. Using rough measures of technical and economic attractiveness, about a dozen sites were selected for further investigation in the form of pre-feasibility and feasibility studies. With the data provided by these studies, a least-cost expansion plan was determined. The plan showed that the next substantial hydro investment should be the third in the list of potential sites on the Arun river. Because of the size of the project - at that time expected to add 402 MW in two stages, compared to total installed capacity in Nepal of only about 250MW - the power plant would not be justified economically until the late 1990s. Meanwhile Nepal would have to depend on small and high cost thermal plants that get their fuel through India. This was a source of much discomfort for the Nepal authorities, who were anxious to minimize Nepal's dependence on India.

In the late 1980s it was decided to implement the project in stages; first building the access road and then later (when market conditions justified it) installing the power plant. Several alternative road alignments were considered. The one chosen went along the ridges and connected the principal towns in the valley. This was seen as bringing social and political benefits, and avoiding flood risks in the valley. The fact that the road might be difficult and time-consuming to construct was not a major worry, because the power plant could not be economically constructed for several years. IDA approved a credit for this road in May 1989. When the bids for the road came in, they were about double the appraisal estimates. The bids were inflated because of a trade and transit dispute which had flared up between India and Nepal, effectively closing the border. Hence the contract was not awarded and the IDA credit was not drawn upon.

In 1992, after the settlement of the trade and transit dispute and the coming to power of a democratically elected government, a decision was taken by Nepal to reconfigure the project, combining the access road and the power plant and shifting the

road alignment to the less expensive valley route. After further iterations in which the power plant investment was scaled back to 201 MW, the newly integrated project began to attract criticism from a coalition of domestic and international NGOs. The domestic NGOs were most worried about the chilling effect of the Arun project on smaller hydroelectric investments. They argued that Arun had already diverted attention from smaller projects which were more appropriate for Nepal in terms of cost and use of Nepali engineering capacity. The international NGOs also criticized the project for being too big, for crowding out higher priority expenditures on social sectors and rural development, and for being environmentally and socially damaging.

There was a lively internal debate about the merits of the project during the summer of 1993, before a decision was taken in September to authorize appraisal. The appraisal took a hard look at the question of whether Nepal's power requirements could be met more inexpensively or at lower risk through a series of smaller hydro projects (which came to be called Plan B). A full technical report, laying out the issues and making explicit the underlying assumptions, was made public in early June 1994 and used as the basis for open discussions with Nepali and international NGOs later that month. The critics remain unconvinced. Their basic argument is that not enough analytic work has been done on the smaller alternatives and that, if it were done, it would demonstrate the superiority of Plan B. The government and the Bank reply that the project has been exhaustively studied over many years and at great cost, and that there is no reason to expect that further study will change the key parameters on which, in the end, a judgment must be made. The Inspection Panel has noted the disparity of information available on the various alternatives, but has declined to be drawn into further review.

Another key issue raised by critics concerns the prospect that Arun will crowd out social sector expenditure. This issue was heightened when a retiring Bank Division Chief gave a critical statement to the Environmental Defense Fund. The government response is that power sector investment is being, and will be, kept within a resource envelope agreed with IDA and other donors. Bank risk analysis shows that, even allowing for cost overruns and less than promised power tariff hikes, Arun should be compatible with a growing level of expenditure on the social sectors. Moreover, donors (including IDA) are more than willing to provide additional financing in the social sectors as and when the undisbursed balances for on-going projects in these sectors are drawn down.

The other issues -relating to environmental impact, social impact, consultation with affected parties- are still circulating, but more as debating points than as serious concerns. One exception is a worry that a lake formed by a melting glacier some 60 km above the Arun site could give way suddenly and cause severe damage to the power plant. This was looked into in some detail by Japanese experts last summer and considered manageable, but a more recent review by German experts is less sanguine. A further meeting of international experts will be convened in late April to seek a definitive position. In addition, further staff work on environmental plans, resettlement experience and the rationale for the change in road alignment is being done concurrently. We expect the Inspection Panel to make use of this staff work in completing its own review, which will almost certainly be delayed for a few weeks beyond the May 1 target date.

Source: SASVP 3/31/95