

A Sino-U.S. Sustainability Sham

by Shannon May

NESTLED IN THE steep valleys of eastern Liaoning province, the residents of Huangbaiyu are troubled. Given the many problems in China's countryside, that is hardly remarkable. But Huangbaiyu's complaints go far beyond the poverty of its 1,529 villagers, most of whom eke out a living growing feed corn and raising animals. Nor is it a victim of typical forms of official corruption, which plague so many of China's rural residents. Rather, two years ago the China-U.S. Center for Sustainable Development made Huangbaiyu into a "demonstration village."

Far from promoting development, the project has robbed the village of precious farmland and wasted scarce local capital, while the new buildings sit empty and half completed. Instead of a model showing how to promote sustainable development, the village has become a warning of how the collaborations of a hubristic NGO, profit-seeking Western corporations and unaccountable Chinese bureaucrats can wreak havoc on poor people's lives.

The story begins in September 2002 when the CUCSD held its inaugural board meeting in Beijing. The organization boasts stellar connections. Formed by China's Ministry of Science and Technology and the state of Oregon in 1999, the China secretariat is co-chaired by Deng Nan, who is Deng Xiaoping's daughter and a former Vice Minister of the Ministry of Science and Technology. Nor does it lack foreign expertise. William McDonough, architect, designer and author of the sustainable development manifesto *Cradle to Cradle: Remaking the Way We Make Things*, serves as the co-chair for the U.S. secretariat, based out of the International Sus-

tainable Development Foundation in Portland, Oregon. While the Chinese secretariat remains primarily a governmental agency, through which ministerial officials act as representatives of their respective departments, with additional funds generated through internal government grants, the U.S. Secretariat is structured as an NGO, with funding primarily from Fortune 500 corporations.

Mr. McDonough argues in *Cradle to Cradle* that environmental protection and social equity can come via commerce rather than regulation, a view that united the American and Chinese sides of this unique transnational partnership. Incorporating both the Americans' stance that development should occur through market operations, and the Chinese government's hope that the countryside could catch up on its own without the need for large government subsidies, the CUCSD's mission, according to its Web site, "reflects[s] the growing confidence...that the Center could 'leapfrog' past limitations by...enabling commerce to become a force for good."

This new "Great Leap Forward" began on April 28, 2005 when the Huangbaiyu Sustainable Development Demonstration Village broke ground. The village was selected largely because of the presence of Dai Xiaolong, the village committee director. As the owner of a local alcohol still and aquaculture pools, Mr. Dai was seen as a capable entrepreneur, and with his willingness to commit \$250,000 to the project,

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Unfinished houses of the Huangbaiyu demonstration village are visible behind a rock engraved with the characters "huangbaiyu" in red.

epitomized the hopes of both the Chinese and Americans involved that rural development could be led by private industry.

The plan detailed a "new conception of the rural Chinese village" that would improve quality of life through increased community and comfort, be built of local renewable or man-made recyclable materials, optimize land use through centralization and consolidation of habitation, and lastly, be powered by the sun. Mr. McDonough announced that each new environmentally friendly house would cost no more than \$3,500.

In the contract that the village committee signed with Mr. Dai's alcohol company, giving him permission to expand his business to include building Mr. McDonough's master plan, residents enumerated their own requirement: "Develop industry, arrange for jobs. If the village residents centralize, the first requirement is jobs, [we] insistently demand that the building of residences and the building of jobs progress together, increasing the number of jobs, resolving the village residents' means of support."

While centralized housing makes providing public utilities such as running water and gas more cost effective, it also means that each household would live a significant distance from its farmland. The smaller plots dramatically reduce the size of subsistence gardens and eliminate the

land used for animal husbandry. The houses are perfect for an urban lifestyle, but unfortunately there is no urban employment to go with them. Since February 2003, when the first Americans came to Huangbaiyu, the residents have been waiting for the building of the factory, so that they can live in houses designed for people who work machines rather than the land.

As of March 2007, the 42 houses of phase one—slated to be finished in July 2005—still lack electricity, running water and an energy system. The current estimate of the cost of each house now hovers between \$10,000 and \$12,500—12 times the median household income in Huangbaiyu.

In addition to the swelling budget, significant questions have arisen regarding the safety of the technologies used in the houses. Mr. Dai's sustainable development manager quit after being told that his advice was no longer necessary. Both he and others, including an independent contractor from Shanxi province, raised concerns over the quality of the construction materials, including the straw bales used in the walls. Both also pointed out defects in roof construction that were causing water to seep into the walls. After more than \$25,000 of investment, the agricultural mass biogasification plant built to provide cooking and heating energy to the units was abandoned last winter, as it cannot provide sufficient heating capacity to be functional.

And despite Mr. McDonough's aim that the whole village be powered by the sun, only one house is equipped with that capacity: the "American" model house. BP donated a one-kilowatt photovoltaic system valued at \$10,000, which now sits on top of an \$18,000 BASF custom roofing system and pillars of earthen bricks compressed by a \$30,000 hydraulic press manufactured by Vermeer. But the system is not being used to generate electricity. As Zhang Shuyuan, one of the government officials sitting on the Benxi city coordinat-

ing committee for the project said, “It is only one system on one house. It does not produce enough electricity to be worth the trouble to connect and manage it. If they all had solar energy that would be worth it, but who could afford that?”

By the fall of 2005 all parties were aware of significant technical and economic problems, and yet the project plowed ahead as originally planned—except without the factory that the residents saw as a necessary corollary to the workers’ houses being built in the midst of their cornfields. Both the local government and Mr. Dai assumed that American interest would bring American investment.

This assumption was not unwarranted. Starting with the CUCSD’s September 2005 submission of a letter of interest to the Benxi city government indicating the availability of \$150,000 to \$400,000 for enterprise investment, CUCSD management repeatedly told Mr. Dai and government officials that if they could write an acceptable business plan, the money would come.

“Why would the Americans keep coming if they weren’t going to invest?” remarked Xie Baoxing, director of the local coordinating committee for the Huangbaiyu project, days before the second visit of more than 30 representatives of American corporations. “They kept saying, ‘First build the houses, then industry will come.’ We wanted the jobs so we built houses.”

What had not been apparent to Mr. Dai and the cadres, who had all eagerly sought to secure what was framed to them by the management of the CUCSD as a high-level, corporate-sponsored development program, was that the CUCSD’s American arm is not a corporation with capital to invest, but an NGO that operated on a \$650,000 budget in 2005. Like other NGOs, the CUCSD is dependent on fundraising for its survival, and without these funds their employees would lose their jobs. Unlike many other NGOs, however, the CUCSD raises

funds by selling government access and product placement to U.S. corporations.

Since launching the Huangbaiyu project, the promise of being engaged in sustainable development in rural China brought two new members to the CUCSD’s “Founders’ Circle”—each paying \$50,000 a year. Due to the work in Huangbaiyu, CUCSD has gained both international and national press coverage of the project. Since the groundbreaking, another five corporations have joined.

When Ford, Hewlett Packard or BP makes payment to the CUCSD, it is for otherwise unavailable access to nationally ranked government officials, not to source the location for a joint-venture factory in a relatively remote area populated by unskilled labor. By the fall of 2006, when not one cent of the over \$1,000,000 Mr. Dai had spent on construction had come from the CUCSD and years of pleas for industrial investment had gone unanswered, Mr. Dai told the CUCSD he would no longer work with them. He would simply let the project “wither.” There was no money for him to make. While the CUCSD’s budget expands with new funds, Mr. Dai faces another failed enterprise that could leave him with a debt greater than the CUCSD’s annual budget.

The project’s setbacks have not prevented Huangbaiyu from being hyped as a model village in the grand tradition of Communist Party showcases like Dazhai and Daqing. Since September 2005, Mr. Dai has received more than 100 official visits by government delegations, industry associations and entrepreneurs. They flock to learn from the principles of the China-U.S. Center for Sustainable Development Demonstration Village and study the American technologies employed in this model of sustainable development.

Despite the rather unsustainable nature of their sustainable development project, Benxi city government officials, the

developer and the CUCSD all continue to proclaim it a success. It might be hard to fathom how a project meant to improve the quality of life of 1,529 villagers by optimizing land use while demonstrating viable forms of alternative energy and green building practices could be deemed a success when there is no alternative energy, the buildings are neither green nor affordable, and empty buildings sit on what was once prime farmland.

But while the village residents may see waste, representatives from several Fortune 500 companies have been able to sit down at the table multiple times with influential members of ministries in Beijing, a potential success for their shareholders, and worth the \$50,000 annual fee.

Like these companies, if Mr. Dai did not see a potential return on his investment, he would not have continued to invest capital into the project. Nor would the city government continue to devote resources and money to facilitate the project, estimated by the district party secretary as more than \$62,000. The same holds true for the management of the CUCSD, who continue to dedicate man-hours and crisscross Pacific to the cost of more than \$260,000 since April 2005 alone.

Mr. Dai's primary interest in the project as a means of garnering wealth and power for himself should have always been apparent. In my first dinner with him on the night of the official groundbreaking, he told me that he has registered trademarks for environmentally friendly construction materials, including Huangbaiyu roof, Huangbaiyu window, Huangbaiyu flooring, Huangbaiyu door. And just to be safe, he also owns the rights to Huangbaiyu cola, Huangbaiyu camera, Huangbaiyu car—6,000 in all, acquired at a cost of more than \$45,000. With not one house yet completed, I asked him why he thought the name would have value. "Be-

cause sustainable development is our future," he replied.

And who can blame him for continuing to promote the sham today, when that's what everyone else involved is doing? Since the project was launched, the sister concepts of harmonious society and sustainable development have been elevated from phrases to national ideology. At the same time American corporations and NGOs are locked in a symbiotic relationship, the former looking to China as an underserved market, and the latter finding work saving the country from the excesses of the industrial revolution.

While the project in Huangbaiyu has not bettered the lives of the residents, it has earned publicity for each of the organizations involved that could not otherwise have been bought. Harvard Business Review and the World Economic Forum dubbed Mr. McDonough's work "China as a Green Lab" and lauded it as one of 20 "breakthrough ideas for 2006." What does not sustain a village, sustains the NGOs, government officials and business partners who benefit from the paychecks, financing and access they receive.

Huangbaiyu does have other value. Looking beyond the hype and press releases shows how the organizational structure of a development agency and its sources of financing shape its incentives. The continued description of the project in Huangbaiyu as a demonstration village should also make us all wary of vague calls for sustainable development that invoke politically correct ideology but do not include specific standards set according to the local situation, accompanied by a system of accountability to the population being served. Most telling of all, not once has an open, all-village meeting been held with the residents of Huangbaiyu to discuss the project that was supposed to, in Mr. McDonough's words, make them happy. ■