Acute power shortages cause disruptions across China

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The feverish inflow of foreign investment into China to take advantage of the country's huge reserves of cheap labour has stretched the country's basic infrastructure to the point of breakdown and produced its most serious power supply crisis in 50 years.

Even though electricity generation was increased by 16 percent this year to 650 million megawatt-hours, demand for industrial power rose so much that 24 provinces out of 31 have been hit by blackouts and power cuts, compared with 12 provinces two years ago.

The State Electricity Regulatory Commission has admitted that China is short of 60 million megawatt-hours this year. Coal production—China's main source of energy—rose by 25 percent last year, yet it could not satisfy the appetite of power plants, sending coal stocks to a 20-year low.

Amid hot weather in Beijing and other major cities during the northern summer, the daily lives of millions of people are being disrupted. Decorative neon lights in business districts are being turned off in order to save enough power for production or air conditioning.

In Beijing, the government has imposed regular power cuts from July 8 to August 31 to 6,400 light industrial enterprises, forcing standdowns. Power supplies in cities and towns in Shanxi and Inner Mongolia, the two provinces closest to Beijing, have been diverted to the capital.

In major industrial hubs, power shortages are no less severe. In Guangzhou, the authorities have forced 4,000 companies to stop operating two days a week to prevent overloading the generator grids. As a result, employers, including many garment manufacturers, have shifted production to other areas, only to cause new pressures on the power supplies there.

In Hangzhou, manufacturers with high-energy usage have been ordered to stop daytime production for four days each week and cease operation altogether during peak periods. Hotels and offices have been told to halve the use of airconditioners. Cinemas have been banned from using airconditioners during the peak evening period and half of the city's street lights have been turned off.

Tens of thousands of workers in Shanghai have been told to take one-week "holidays" from mid-July after the city's demand for power rose 15 percent this year.

Shanghai boosted its electricity generating capacity by 1 million kilowatts last year to 10.4 million kilowatts, but it still needs to buy 3.6 million kilowatts from neighbouring regions to meet the growing demand—which could rise as high as 16.7 million kilowatts.

While the government has given power supply priority to foreign-investment enterprises—which account for 60 percent of the city's exports—the continued "brownouts" have caused substantial economic losses and provoked angry comments from corporate executives.

Last year, blackouts frequently disrupted production lines of major transnationals such as General Motors and NEC. Tadao Manabe, president of Japan's trading giant, Marubeni China, angrily complained: "We are very worried about a power shortage as it is very dangerous. A sudden stoppage [in production] could cause an explosion. Last year we had to stop work two to three times a week, with only a few minutes warning each time. Sometimes we didn't even get a warning."

A Siemens vice president in Shanghai told the *Financial Times*: "In our factories, we need a lot of advance notice of when it [a power stoppage] is happening." Elmer Stachels, chief executive of Bayer in China, told Bloomberg News last month that part of its additional $3.1 billion investment in a production site in Shanghai would include its own power generator "as a safety net".

The Chinese government has almost doubled spending on electricity to about $US24 billion, building more hydroelectric dams, coal-fired generators and nuclear power plants. In the words of the *Observer*, the equivalent of Britain's entire power supply has been added in the past two years. China has become the second largest electricity power generator after the US.

However, a combination of the deregulation of power industries, the opening up of the economy to massive foreign direct investment and efforts by rival local authorities to woo transnationals has left Beijing with little control over the blind forces of the capitalist market.

The *New York Times* noted on July 5: "Part of the picture comes from an intensive focus on manufacturing and exports, which many economists say has led to overindustrialisation and empty growth. A lot of the responsibility for wastefulness [of energy] can be laid to duplication, with each province—and indeed many city governments—simultaneously pushing for the same kind of growth, based on industrial parks and manufacturing zones."

China now accounts for 7 percent of world's manufacturing in value and much more in terms of output of goods. By 2007, for instance, it is estimated that one third of the world's electronic goods and components will be produced in China, while car companies like General Motors, Volkswagen and Honda have announced a total of $10 billion in new investment in the past year, making China the world's fourth largest automaker.

While China is hailed as the new "workshop of the world," its basic infrastructure is unable to cope with the rapid growth of industrial production and urbanisation. Because the railway networks are straining to transport 400 million tonnes of coal to fuel electricity plants, many other goods are left behind. Mills and steel plants are forced to scale down production because raw materials do not arrive on time. Terminals and ports are full of unloaded cargoes.

Zhu Yadong, an official from Zhengzhuo East Station, where four major rail lines converge in central China, told Reuters last month: "There's just not enough rail capacity. We don't want goods being stored here, but some cargoes get stuck...We are already working around the clock."

In February, when deliveries of grains, seeds, fertilisers and machines were delayed, food prices rose, creating inflationary pressures and increasing the cost of living for millions of people. Things went from bad to worse when Beijing issued regulations last month to tighten restrictions on the size of the loads carried on the roads by trucks, which had been running at two to three times the legal limits.

The government has announced it will invest $242 billion to beef up freight capacity by 2020, but the plan is unlikely to meet demand in the coming period.

It is the same with electricity generation. While the Three Gorges Dam—the world's largest hydroelectricity project—is being rushed through the final stage of completion, it will hardly suffice if China continues to grow at the same pace.

Zheng Jianchao, a scholar from Academy of Engineering of China, told the *Observer* on July 4 that to meet the demand over the next two decades, "we need an additional supply equivalent to four more Three Gorges dams, 26 Yanzhou coalmines, six Daqing oilfields, eight gas pipelines and 20 nuclear power plants, as well as 400 thermal power generators and the network to link them all together."

Such calculations indicate that the relentless pressure of global capital on China for higher rates of production and profit is simply unsustainable. Hundreds of millions of working people are already suffering from an environmental as well as a social disaster. Deregulation and other "market reforms" have created the conditions where 16 of the world's 20 most polluted cities are in China.

The Stalinist regime still formally claims to be socialist. But what now dominates China is the virtually unrestricted anarchy and primitive accumulation generated by capitalist market forces, which are utterly incompatible with the social equity, rational planning and environmental care necessary for contemporary mass society.