



A CHANGING CHINA



By Zhang Lijia, Kaiser Kuo, Shaun Rein, Tom Doctoroff
and other members of the China Speakers Bureau



Copyright ©2009 China Speakers Bureau.

All rights reserved. This book, or parts thereof, may not be reproduced in any form without permission from the publisher; exceptions are made for brief excerpts used in published reviews.

Published by
Trombly International
PO Box 295, Amherst, MA U.S.A.
www.tromblyinternational.com
for
China Speakers Bureau

ISBN 10: 1-4392-6044-3
ISBN 13: 9781439260449
Printed in the United States of America.

J I H G F E D C B A

Zhang, Lijia; Kuo, Kaiser; Rein, Shaun
A Changing China
Library of Congress Control Number: 2009911577

This publication is designed to provide accurate and authoritative information with regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional advice. If legal advice or other expert assistance is required, the services of a competent professional person should be sought.

—From a Declaration of Principles jointly adopted by a Committee of the American Bar Association and a Committee of Publishers and Associations

Many of the designations used by manufacturers and sellers to distinguish their product are claimed as trademarks. Where those designations appear in this book and the China Speakers Bureau was aware of a trademark claim, the designations have been printed with initial capital letters.

This book is available at quantity discounts for bulk purchases. For information, please contact *fons@china-speakers-bureau.com*.

Andrew Leung

As Chairman of Andrew Leung International Consultants, Andrew K.P. Leung is a leading voice on China in Europe with a background of forty years in senior official positions in commerce, industry, banking, finance and overseas diplomatic representations. Leung helped set up the HK Standard Chartered Asia Ltd. and is the former chief official representative to the United Kingdom and fourteen other countries, including Russia, Switzerland and Norway. Leung's business endeavors are vast. International strategic advisory and briefing; political, economic, and financial risks; strategic advice for investments and funds; IPO promotions and road-shows; board advisor and non-executive roles; negotiations and representations; business tourism promotion; business school visiting professorships; cross-cultural management advisory and training; speaking engagements, and commentary and media interviews.

How Green Geopolitics And Geo-Economics Will Change China And The World

By Andrew Leung

Tension is growing in the Caucasus. Everyday oil prices are affecting the heartbeats of the world's financial markets as well as the price of food on the table. Energy independence was featured as much in President Bush's last State of the Union address as it was in the most recent presidential election. Right after the Beijing Olympics, President Hu Jintao signed into law China's first-ever Circular Economy legislation, which became effective January 1st, 2009. There are increasing premonitions about Climate Change, stoked by threats from drying rivers and hurricanes in the Gulf of Mexico to the floods and snow storms in China. Climate Change and environmental conservation no longer sound as sentimental as they did in the past. A sense of distant, if looming, global risk is giving way to a foreboding of clear and present national danger.

A paradigm shift is taking place in the geopolitics and geo-economics of Climate Change. The geological realities are such that energy-rich countries are on the ascendancy. Their muscles are felt as much in Georgia as they are on Wall Street. Energy and resources have increasingly become the name of the game in the Middle East, Central Asia, Africa, Latin America and Australia.

As the world's largest population and driver of global energy consumption growth, China's response is instructive, not least because her challenges are perhaps the most critical. These are highlighted in her National Assessment Report on Climate Chaos, a 400-page multi-departmental research report released on December 26th, 2006. At the press conference of the Fifth Session of the 10th National People's Congress on March 16th, 2007, Premier Wen Jiabao categorically stated that notwithstanding China's impressive growth, he remained deeply concerned about the risk that China's current development was becoming 'unstable, unbalanced, uncoordinated, and unsustainable'.

China needs to industrialize rather rapidly to create some 20 million jobs a year for the masses, and to build up a consumption-oriented middle-class for a more balanced and less export-dependent economy. China has to take advantage of the current period of relative internal stability to lay a solid foundation to meet the looming

challenges of an ageing population in the coming decades. Hence China is expected to put another 350 million people into its cities by 2025 (Preparing for China's Urban Billion, Mckinsey Global Institute, March 2008). Under-pinning all of this fast urban growth is energy security. However, at the same time, there are billions in the world's newly industrializing countries, all embracing market economy with a vengeance (Clyde Prestowitz, *Three Billion New Capitalists: The Great Shift of Wealth and Power to the East*, 2005, Basic Books). It is no surprise that global competition for energy and resources has become intense.

China's global quest for energy is proving to be as increasingly expensive as it is geo-politically uncomfortable. Some of the world's major oil producers are regarded as "rogue states" while much of China's energy has to pass through sensitive choke points such as Hormuz and the Malacca Strait. Adding to this are increasing concerns about food security and food price inflation. No wonder China desperately wants to go Green. China is redoubling her efforts in creating a conservationist "circular economy." The adoption of hydro, nuclear, coal-seam gas, biomass, wind, solar, terrestrial heat, wave and other renewable energies is being actively encouraged across the provinces, embracing a variety of sectors and innovations. The IEA estimates that China will be in-

vesting \$200 billion into renewable energy until 2020, when China hopes to achieve 15 percent of its total needs from renewables. GM, which has invested more than \$1 billion in the development of hydrogen fuel-cell electric cars, has recently signed a collaboration agreement with Shanghai to develop a prototype and supporting infrastructure. With the future development of advanced micro-power, energy-storage and distribution grids the stage is set for these innovations to spawn a whole new generation of Cars of the Future. These are likely to revolutionize the world's car industries as well as help extricate the world from over-dependence on Oil. (Iain Carson & Vijay V Vaitheeswaran, *Zoom: The Global Race to Fuel the Car of the Future*, 2007, Twelve, Hachette Book Group, USA).

China is building the world's first Eco-City at Dongtan on Chiongming Island, 15 km north of Shanghai, with the help of Ove Arup and Partners. With a planned population of half a million, it is on schedule for the initial intake of citizens by 2010, to coincide with the opening of the World Expo. More of these eco-cities, towns and villages are in the cards for China, where many new urban and rural communities will be created from scratch in mankind's largest and fastest urbanization drive these coming decades. China's green energy investments form part of a surge in green investments

worldwide. These totaled \$63 billion in 2006, up from \$49 billion in 2005 and \$30 billion in 2004. This growth has been 20-30 percent per annum and is slated to provide the biggest job and wealth creation opportunity in the 21st Century (Economist, 18 November 2006).

In his New York Times column, Thomas Friedman recently highlighted the growing impetus for green energies from an emerging alliance between environmentalism and concerns about Energy Security. In a similar vein, the Pentagon has helped fund a major study on how greater fuel efficiency, lightweight car materials, advanced biofuels, and other technological breakthroughs can help achieve Winning the Oil Endgame (Amory Lovins, Rocky Mountain Institute, 2004). In the long term, the end game could well take on unpredictable dimensions. A recent study by Trausti Valsson (How the world will change with Global Warming, University of Iceland Press, 2006) shows how the momentum of global warming may tilt the balance of the world's economic gravity towards the Arctic in the long run. There are already active interests in staking territorial claims on the Arctic's cornucopia of oil, gas and mineral deposits. Over the next few decades, the melting of Arctic ice is set to open up much shorter shipping lanes connecting the North Pacific with the North Atlantic through the Bering Straits and the Canadian archipelago.

All these exciting possibilities cry out for international cooperation and investment in the field of Energy, Food and Climate Security. Apart from goodwill, they will require ready and long-term capital. Amidst the global credit crunch, there may well be a larger role for the world's rising Sovereign Wealth Funds (SWFs), including those from the Middle East, China, and the rest of Asia, subject to greater transparency, accountability and judicious monitoring. Merrill Lynch expects SWF investments to quadruple to US\$7.9 trillion by 2011 and to reach US\$12 trillion by 2015. Investments by SWFs in Energy, Food and Climate Security will open up vast areas of cooperation with countries possessing relevant leading technologies, including the US, the EU, and Japan. They could also involve China and the Middle East as responsible global stakeholders and provide a powerful chemistry in mitigating such socio-economic tensions of Globalization as those outlined by Joseph Stiglitz (*Globalisation and Its Discontents*, 2002, and *Making Globalisation Work*, 2006, W.W. Norton & Company, New York and London). China's quiet Green Revolution is instructive in the context of shifting global geopolitics and geo-economics against the backdrop of Energy, Food and Climate Security. The world is only just beginning to grasp their many new challenges and opportunities.