

An Eastern Alchemy for Global Harmony?

An insight into China and the Middle East

In a world awash with liquidity, there have emerged two noticeable mountains of gold in the East: China's stupendous foreign currency reserve of USD 1.1 trillion growing annually by some USD 200 billion, as well as the vast build-up of Middle East petrodollars due to rising energy prices

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CHINA'S HUGE RESERVE IS HEAVILY invested in US Treasury bonds earning an unenviable rate of return. While this is considered by some to enable China to gain leverage against the US, China is paying a hefty price in terms of serious currency risk, allegations of trade and currency manipulations, saving too much and spending too little, and missing out on opportunities to bring about a better outcome for herself and the rest of the world. So it is not surprising to see in recent reports that China has just approved the creation of a State Foreign Exchange Investment Corporation with a diversified mandate to better manage China's huge reserve, with an initial allocation of USD 210 billion to investment in equities, a sharp departure from concentrating on investment in US bonds. This would have momentous impact on the shape of the global investment market. What could perhaps be even more momentous

beyond just the global investment market is the ensuing huge window of opportunity for China to address some of her own most gripping problems as well as those of the world. China could invest her mountain of gold in global sustainable development including responses to Climate Chaos so sharply focussed by the recent Report of the Intergovernmental Panel on Climate Change (IPCC).

The world desperately needs better and more affordable technologies for clean and efficient energy

The risks of Climate Change

With all her seven main rivers and 25 of her 27 largest lakes already polluted, China was set to overtake the US as the world's largest carbon dioxide emitter by 2009. The situation is so dire that it is threatening the productivity, livelihood, health and safety of millions of people in her cities and countryside.

What is more, much of the world's energy is wasted. China, for example, uses seven times more energy ▶

