

# Fighting global inequality with Chinese characteristics: the role of the sovereign wealth funds (SWFs)

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## Abstract

Global inequality is growing and the issue of tax havens for the super-rich has come to the fore, not least in China. This can be seen as a failure of globalisation. China could play a major role in reducing inequality and at the same time improving its global image through using its sovereign wealth funds to invest in infrastructure projects around the world.

An alarming report from Oxfam in January 2016 indicated that '62 people own as much as the poorest half of the world's

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population'<sup>1</sup> Perhaps we don't know who they are. But one thing in common from the report is that they secure and have been increasing their wealth through investment, dividends and most importantly through tax havens--Cayman Islands, British Virgin Islands, Hong Kong, Singapore, etc. The super rich are understandably from across the globe in either developed or developing countries. Yet, in

Nicholas Shaxson's book, *Treasure Island: Tax Havens and The Men Who Stole the World*, he pointed out that 'US corporations and wealthy individuals prefer Panama and the Caribbean havens, wealthy Chinese use Hong Kong, Singapore and Macau'.<sup>2</sup> Although Macau may need to stretch a lot when we talk about global finance, Hong Kong and Singapore are by all means competitors as international financial centres in East Asia. Hong Kong helped those largest state-owned banks in China with

their initial public offerings (IPOs) in the middle of 2000s and Singapore currently helps manage a good portion of the private

wealth of the super rich.

In April 2016, the story of tax havens, the super rich and the global inequality culminated to another level through an alarming leak of more than 11 million files (the so-called Panama Papers) and emails from the world's fourth biggest offshore law firm--Mossack Fonseca--to the International Consortium of Investiga-

<sup>1</sup> Oxfam [www.oxfam.org.uk/media-centre/press-releases/2016/01/62-people-own-same-as-half-world-says-oxfam-inequality-report-davos-world-economic-forum] (accessed 21 February 2016)

<sup>2</sup> Nicholas Shaxson, *Treasure Islands: Tax Havens and the Men Who Stole The World*. (London: Vintage Books 2012), p. 25.

<sup>3</sup> *The Guardian*, 5 April 2016 [www.theguardian.com/news/2016/apr/03/what-you-need-to-know-about-the-panama-papers] (accessed 14 April 2016)



tive Journalists (ICIJ).<sup>3</sup> The information from the Panama Papers revealed that, apart from the super rich, there were 12 national leaders and more than 143 politicians whose relatives had offshore accounts in the tax havens. It even revealed that the UK Prime Minister, David Cameron's father was a client of Mossack Fonseca, resulting in the PM later publishing information on tax returns, and lamenting with his own comment that 'I could have handled the tax row better'.<sup>4</sup> Although tax havens can perform other financial roles such as 'intermediation services', the very nature of tax havens of allowing individuals or companies to minimize their tax responsibility is very hard to remove from the global radar in checking against global inequality and poverty.<sup>5</sup> The Panama Papers further substantiated the clear and present danger of the global inequality and again rightly signposted the powerlessness of individuals who are deprived from the global financial market.

The Oxfam report already demonstrated a close connection between global inequality and the use of tax havens for avoiding taxes by the super rich. Further studies on China and the relationship between the individual Chinese super rich (including members/relatives of the Chinese political leaders accused of having accounts from the aforementioned leak of the Panama Papers!) help paint a not-

<sup>4</sup> The BBC, 9 April 2016 [www.bbc.co.uk/news/uk-politics-36004856] (accessed 14 April 2016)

<sup>5</sup> William Vlcek, 'From Road Town to Shanghai: Situating the Caribbean in Global Capital Flows to China' *The British Journal of Politics and International Relations* vol. 16, issue 3 (August 2014), pp. 534 and 541.

<sup>6</sup> In 2014, two leading universities in the US, the Pennsylvania State University and University of Chicago announced that they had closed down the Confucius Institutes because of the disagreement on Chinese government's control over the Confucius Institutes. *The Telegraph*, 1 October 2014 [www.telegraph.co.uk/news/worldnews/northamerica/usa/11133921/China-soft-power-set-back-as-US-universities-shut-second-Confucius-Institute-in-a-week.html] (accessed 20 April 2016)

<sup>7</sup> George Soros, *The Bubble of American Supremacy: Correcting the Misuse of American Power* (London: Phoenix 2004), p. 202.

so-glorious picture of the Chinese image in global finance, not to mention one that may pose a further challenge to the previous soft power projection of China through cultural and other educational means, such as the Confucius Institutes.<sup>6</sup> The accumulated total of huge private capital from individual Chinese with accounts in tax havens may help create a behemoth of capital nexus that is beyond any individual's control. At least, from the general public's points of view, the combination of such massive capital flows plus wealth from the super rich is hard to imagine or grasp from a personal level. People may also feel helpless in facing such 'financial leviathans' in terms of their fear of further dwindling of income/salary through the income gap or the inequality generated from the financial giant. Legendarily speaking, David could beat Goliath. However, in reality, such episodes rarely happen especially in facing such grave challenges from the global financial market and the accumulation of wealth by a select few. Even George Soros, a well-known hedge fund owner who was accused by Mahathir bin Mohamad, the former Prime Minister of Malaysia, of ruining his own country through the speculation in the 1997 Asian financial crisis, still cannot precisely anticipate the path of the financial markets.<sup>7</sup> For the global general public, individuals are very often at the mercy of global finance with a creed of globalization that can-

not be counteracted single-handedly. We may need something equally big and mighty to help people fight against such a financial monster.

Not long ago, *Pacific Rim*, an American science fiction film was released in 2013. The story line was especially simple. Basically the world was attacked by a gigantic monster called *Kaijus* (strange beasts) emerging from the Pacific Ocean. Human beings were on the brink of being annihilated because they could not protect themselves from the huge monsters. Eventually, they created *Jaegers* (huge humanoid robots) to fight against the monsters. At last, the *Jaegers* won the war. Again, other than criticizing it as another tacky and so predictable Hollywood film, the lesson behind the film for the global finance is that when a



*Pacific Rim*, American science fiction film

colossal monster attacks, we need something equally big to counteract. The monster attack from the film is just for illustrative purpose. More importantly, the financial leviathan creating such humiliating global inequality depicted by the Oxfam report, and later substantiated through the Panama Papers, is categorically real. It is an assault on human dignity and people's economic well-being. We need something equally big to fight back and to prevent global inequality from slipping further into another abyss.

Imagine the financial leviathan is created between the super wealthy plus the additional power of the tax havens together with other investment arms through the global financial market. This suggests that the market (repre-



*Bringing the state back in to the picture of global finance therefore does help to prevent the global political economy from tilting too much toward the market.*

damental problems of the 2008-09 financial crisis in the US have been clearly depicted. The greed of the investment banks, the plight of the foreclosure home-owners due to the collapse of the mortgage/housing market and the vulnerability of global finance were precisely captured. One of the latest aftermath effects of the crisis is that the student loan debt (due to substantial reduction of federal and state budgets) has gone over US\$ one trillion in the United States. The situation in the UK is nowhere better because of the charging of £9,000 for the undergraduate tuition fees amongst the UK and EU students.

sented by the super-charged global finance) is getting the upper hand, and the power of the state is being challenged. For those who studied globalization, we sometimes were told that nation-states have been subordinated to the globalization process and the triumph of world economic forces will be inevitable. In many cases, globalization means more than the information overload and the shrinking of distance. It can also mean the limitation of the states and the augmentation of market forces. For those hyper globalists, this is even an end-game of the nation states. Yet, bringing the state back in to the picture of global finance therefore does help to prevent the global political economy from tilting too much toward the market. In addition, given the plight of the global inequality amongst the rest, the continuous fight between the global market forces and the individuals (almost like un-armed foot soldiers) is no longer justifiable. Far from neo-classical economic theory's prediction of the trickling down of the economic benefits from the rich to the poor the current global market has more than failed. It has become predatory!

In a four-part documentary, *Money, Power and Wall Street* (by Frontline, PBS), the fun-



Going back to the tax havens, for instance, to retrieve the tax from those companies or individuals already enjoying life in the tax havens is not especially workable because of the embedded legal protection amongst the tax havens. A study from *The Wall Street Journal* of 60 big companies in the US found out they 'parked' more than US\$166 billion offshore in 2012.<sup>8</sup> Given the far-reaching implication of the 2008-09 financial crisis and the dwindling of the federal and state budget in the US, losing tax revenues unavoidably prevents much welfare expenditure nor does it allow infrastructure to be maintained, not to mention



<sup>8</sup> *The Wall Street Journal*, 10 March 2013 [[www.wsj.com/articles/SB10001424127887324034804578348131432634740](http://www.wsj.com/articles/SB10001424127887324034804578348131432634740)] (accessed 14 April 2016).

<sup>9</sup> *Morning Star*, 19 March 2016 [[www.morningstaronline.co.uk/a-c96a-Building-a-Britain-that-works-for-all#.VvWtrsrJ85s](http://www.morningstaronline.co.uk/a-c96a-Building-a-Britain-that-works-for-all#.VvWtrsrJ85s)] (accessed 25 March 2016).

<sup>10</sup> *The Guardian*, 6 December 2012 [[www.theguardian.com/business/2012/dec/06/starbucks-to-pay-10m-corporation-tax](http://www.theguardian.com/business/2012/dec/06/starbucks-to-pay-10m-corporation-tax)] (accessed 25 March 2016).

built. In facing the global financial monster, the contagious effect extended to the UK. The UK government was hugely embarrassed by the scandals from Google, Amazon and Starbucks over their accusation of avoiding tax, argued by Ken Livingstone, the former Mayor of London.<sup>9</sup> To public disbelief, in the case of Starbucks, the company finally made a deal with HM Revenue and Customs to voluntarily pay £20 million tax in 2013 and 2014 in the name of regaining the trust of the general public, but not because of any wrong-doing in terms of tax avoidance.<sup>10</sup> To show some mercy is no longer sarcasm. It appears to be the only hope in the current global finance when it comes to the hard-nosed business people in guarding their hard-earned money under the so-called market principle.

Therefore, can China play some role in reducing global inequality given her economic success and the tremendous foreign reserves that she has been generating over more than three decades of economic growth? If yes, in what ways and how? What about Chinese sovereign wealth funds (SWFs) that are controlled by the government? In particular, when we talk about China and the global flows of the FDI accu-



mulating with the potential Chinese super rich, many of whom may have accounts in those tax havens, those financial arms from the Chinese government could, at least, be put to good use in order to turn the tide, and potentially further improve China's global image, with tangible improvement of the well being of the world economy. This is a win-win situation.

According to Eric Helleiner, an academic from the University of Waterloo, SWFs 'generally describes state-owned or state-controlled pools of capital that are actively invested, at least partially, outside the country.'<sup>11</sup> To categorise, most of the SWFs are commodity based, especially amongst the Arab oil producing countries such as Abu Dhabi, Algeria, Dubai, Kuwait, Libya, Qatar and Saudi Arabia. The biggest non-Arab oil exporters such as Norway and Russia also contribute a lot to the SWFs in the world economy. However, the SWFs in China are non-commodity based, which also means that they may reflect more accurately the comprehensive economic well-being of the Chinese economy.

If we should fight the global financial monster, the SWFs should have the financial power to fulfil the mission. The Sovereign Wealth Fund Institute (a global company studying sovereign wealth funds in the world) estimated that up to December 2015, the global SWFs had about US\$7 trillion assets in total. Amongst China's SWFs, the China Investment Corporation (CIC) and The State Administration of Foreign Exchange (SAFE) had US\$747 billion and US\$474 billion in June 2015, respectively.<sup>12</sup> In other words, potentially, the collective capital power held by this 'super-duet' is well over US\$1.2 trillion. Collectively, the capital power amongst the super-duet therefore is much greater than the majority of the individuals, mostly the general salary earners, workers,

<sup>11</sup> Eric Helleiner, 'The Geopolitics of Sovereign Wealth Funds: An Introduction' *Geographic*, Vol. 14 (2009), p. 30.

<sup>12</sup> [[www.swfinstitute.org/sovereign-wealth-fund-rankings/](http://www.swfinstitute.org/sovereign-wealth-fund-rankings/)] (accessed 21 February 2016)

<sup>13</sup> Victor Shih, 'Tools of Survival: Sovereign Wealth Funds in Singapore and China' *Geopolitics* 14(2) (2009), p. 337 and CIC web site: [[www.china-inv.cn/cicen/governance/governing\\_bos.html#j1q](http://www.china-inv.cn/cicen/governance/governing_bos.html#j1q)] (accessed 4 February 2013)

teachers, nurses, even professionals, in fighting back the financial leviathan.

Of these two, the CIC is the biggest. Established in 2007, the Beijing based CIC reports to China's State Council. Amongst the management team, the CIC is managed by a group of highly educated people specialised in economics or finance. Most of them studied overseas and also have hands on experience working for multinational corporations, investment banks, world organizations, etc.<sup>13</sup> For instance, in May 2008 (before Lehman Brothers collapsed), the CIC had 67 people in total. Amongst these people, 66 had advanced degrees, 47 had working experience overseas, 48 studied overseas, ten had overseas citizenship. A year after the financial crisis (December 2009), the total

number working in the CIC increased to 246. Amongst them, 199 obtained advanced degrees, 115 worked overseas, 132 studied

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overseas and 31 people obtained overseas citizenship.<sup>14</sup> More recently, its sub-branch in Hong Kong recruited Professor Laurence Lau, the former Vice-Chancellor of the Chinese University of Hong Kong, to be their CEO.<sup>15</sup> In other words, CIC is trying to build up a more robust structure by teaming up with business and financial experts--through their knowledge and previous administrative experiences--in managing the funding from the government for the investment and profit making purpose. On the other hand, the CIC also wants to demonstrate itself to be a learning platform about global finance through conjuring up and pulling knowledge from the global human resources markets.

But, should we be scared of the capability or

<sup>14</sup> Friedrich Wu, Christine Goh and Ruchi Hajela, 'China Investment Corporation's Post-Crisis Investment Strategies,' *World Economics* 12(3) (2011), p. 128.

<sup>15</sup> CIC web site; [www.china-inv.cn/cicen/](http://www.china-inv.cn/cicen/) (accessed 28 March 2016)

<sup>16</sup> Benjamin J. Cohen, 'Sovereign Wealth Funds and National Security: the Great Tradeoff' *International Affairs* Vol. 85, No.(2009), p. 715.

the willingness of the state-supported SWFs because of their size and the nature as government owned organizations? Not really! According to Benjamin J. Cohen, Louis G. Lancaster Professor of International Political Economy at the University of California, Santa Barbara, basically, SWFs work to manage part of the foreign exchange. First, the SWFs are owned by the state. They do not have a lot of liabilities and governments will put these funds under a separate management to distinguish them from the reserves of the central bank.<sup>16</sup> Also, Jonathan Kirshner, after studying the SWFs closely, believes that the SWFs are fine. He contended that, 'SWFs are not now, nor are they likely to become, consequential in and of themselves for questions of national security. Even linking SWFs with "high poli-



tics”... SWFs are intervening variables – manifestations of other pathologies, rather than the root cause of the potential trouble.<sup>17</sup> Yet, something theoretically plausible does not mean that the Chinese government will move to come to the aid of global inequality. What possibly will be the incentives for Chinese government to provide money for the SWFs in dealing with the global inequality?

Bringing the Chinese SWFs back to the global economy dialogue suggests a global transformation through social re-engineering and China has not been a stranger to social transformation in her own history.<sup>18</sup> The World Bank praised China not just for her remarkable economic performance but also in fighting poverty, resulting in lifting more than 500 million people out of poverty from 1981 to

<sup>17</sup> Jonathan, Kirshner, ‘Sovereign Wealth Funds and National Security: The Dog that Will Refuse to Bark’ *Geopolitics*, 14:2 (2009), p. 306.

<sup>18</sup> Theda Skocpol, *States and Social Revolutions* (Cambridge: Cambridge University Press, 1979).

<sup>19</sup> *World Bank Overview*, 18 September 2015 [<http://www.worldbank.org/en/country/china/overview>] (accessed 25 March 2016).

2004.<sup>19</sup> The successful experience, knowhow and practices can be put into an international context through the SWFs to help developing as well as developed countries fight against global inequality. In other words, Chinese SWFs should do the job precisely because the government-backed SWFs should challenge the ‘malfunctioning’, if not the ‘market failure’ of the global financial market, which was clearly indicated in the 2008-09 global financial crisis and more recently in the global inequality gap.

The next question obviously should be where to invest? In theory, the scope should be limitless, yet, in practice, the state-nature of the funding should not be interfering with the global market because the global market is in trouble, and you don’t want the state to be seen



further to fish in the troubled waters! Nevertheless, many inequality reduction projects such as good infrastructures will certainly be excluded from the market principles because of their public goods nature. As we have already mentioned, the more the big companies 'parked' their revenues offshore, the less the government (US and UK are just two obvious cases) can do to retrieve the tax, leading either to resort to increasing borrowing or to cut the budget on day-to-day expenditures, where infrastructure is a clear target because of the huge investment input and the slow in return. Even the Brookings Institute, the largest think tank in the world, praised Last Week Tonight (one of the most popular talk shows in the US, hosted by a British comedian, John Oliver, focusing on crucial political, international affairs and social issues) in drawing attention to the crumbling of the US infrastructure in their 2015 article.<sup>20</sup> The US faces a critical stage of potential infrastructure apocalypse because, even if it was sufficiently motivated, the Federal government lacks the necessary cash to resolve the problems, given that the US economy has still not fully recovered from the global financial crisis in 2008-09.

Nevertheless, why are the Chinese SWFs interested in infrastructure in the West? The Chinese government is interested in African resources, oil from the Middle East and raw materials from Latin America. Therefore, these developing regions are highly visible and attracted lots of Chinese investment. Yet, infrastructure in the West proved to be able to generate different things to the Chinese government. In a *Financial Times* article written by Lou Jiwei, then Chief Executive Officer of the CIC, he reiterated China's interest in building a partnership with China's investment and the local private sectors in those infrastructure projects.<sup>21</sup> He also noted: 'Tra-

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<sup>20</sup> Brookings Institute, 2 March 2015, [<http://www.brookings.edu/blogs/the-avenue/posts/2015/03/06-americas-infrastructure-woes-puentes>] (accessed 26 March 2016)

<sup>21</sup> *Financial Times*, 27 November 2011 [<http://www.ft.com/cms/s/0/e3c5aacc-18ed-11e1-92d8-00144feabdc0.html#axzz441eje8Ny>] (accessed 26 March 2016)

<sup>22</sup> *Ibid.*

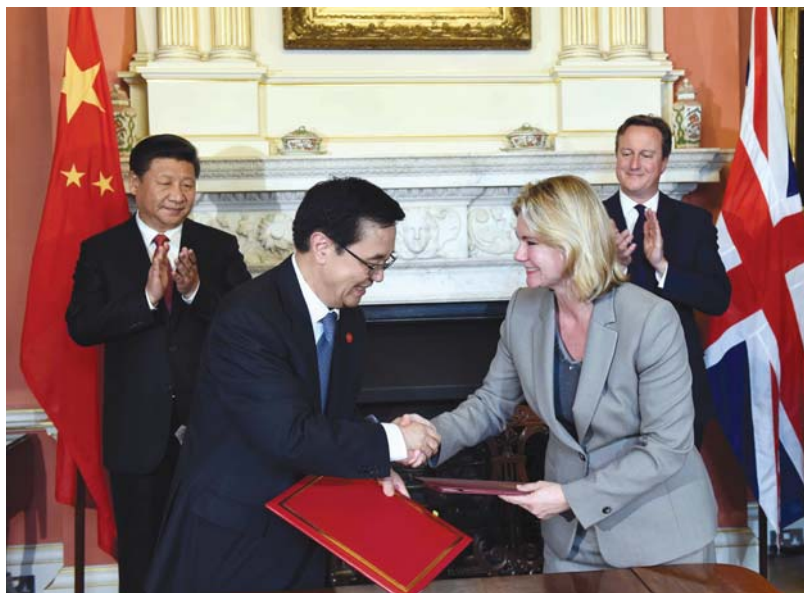
<sup>23</sup> *South China Morning Post*, 17 December 2012, p. B3.

<sup>24</sup> Jonathan Fenby, 'There is a fine line between courting and kowtowing' *Financial Times*, 19-20 October 2013, p. 13.

<sup>25</sup> Joshua Kurlantzick, *Charm Offensive: How China's Soft Power is Transforming the World* (New Haven: Yale University Press 2007)

ditionally, Chinese involvement in overseas infrastructure projects has been as a contractor only. Now, Chinese investors also see a need to invest in, develop and operate projects. In a sign of this determination, the China Investment Corporation, the sovereign wealth fund, is now keen to team up with fund managers or participate in public-private-partnerships (PPP) in the UK infrastructure sector as an equity investor.<sup>22</sup> Similar sentiments on China's interest in UK infrastructure were reiterated by Jesse Wang Jianxi, the Executive vice-president of the CIC. He openly suggested that 'if there is not enough public money for the projects, the [British] government should attract private and foreign investment.'<sup>23</sup> However, mainstream newspapers generally questioned the motivation behind China's investment in UK infrastructure. A headline such as 'There is a fine line between courting and kowtowing' is very often denoting the general anxiety or dismay of the British toward Chinese investment.<sup>24</sup> They mainly regarded China as power seeking and equated the investment to the currency of threat. According to most commentaries, the Chinese government, potentially, can easily exercise political influence in the UK and the general investment should be considered as a 'charm offensive' rather than a genuine investment opportunity.<sup>25</sup>

Yet, these are general concerns and it should



be the job of the mass media to raise such potential concerns. But, the alarming scenarios of one day China being able to exercise political influence and threaten the UK government due to having lots of stakes in the UK infrastructure may be too cynical without clear examination of the reasons behind CIC's investment in UK infrastructure. To start with, CIC investing in infrastructure of the West in general and the UK in particular did help provide a stable and sustainable stream of income because of the long-term return of those projects. Second, the more conservative investment in the infrastructural sector could also be due to the lessons learnt from its huge losses of investment in those financial sectors, such as the 2007 investment in Blackstone in the US. From the CIC's points of view, thirdly, the infrastructure collaboration between the Chinese government and the UK allows China to be involved in four critical aspects: investment, development, operation and contracting of an infrastructure project. Previously China could normally be involved only in the final function as contractor.

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Simply put, the investment project in Western infrastructure can allow China to 'learn' from start to finish the complete administration and running of an infrastructure project---the software of managerial knowhow that China has been urging for so many years without much progress. Finally, after Xi Jinping's four-day visit to the UK in October 2015, China ended up investing around £30 billion in different UK infrastructure and signature projects, such as the Hinkley Point nuclear power plant, the electric buses and the London taxis etc. People in the UK gradually realised that China was not only very keen on investing in various infrastructural developments, but was also very eager to understand the overall operation, run-

ning and management of those projects.

As we have mentioned earlier, the West (more narrowly referring to the US and the UK in our current discussion) suffered

hugely from the global financial downturn. The financial and the banking sectors faced the immediate challenge, and we have already witnessed the closing down, mergers and bailing out of those investment banks, insurance companies and many financial firms. But, the aftermath effects of those substantial austerity measures ended up affecting mostly the salaried workers. The facilitation of a reliable and good infrastructure is exactly what the general public needs in order to get their daily life back on track. Yet, the provision of infrastructure is not the priority from the gov-



*Investing in western infrastructure is strategically important to China.*

ernment's point of view because the more urgent need is for investment to be channelled towards the economic sectors that can turn around quickly. Infrastructure, however, is by definition a long term investment. It will take years if not decades before investment in infrastructure can generate income and return. Yet, from the perspective of global inequality, good and efficient infrastructure can genuinely help the needy because they are the ones who rely on infrastructure regularly, such as the public transport system. In a word, with good infrastructure, they can get back to their own life most easily and to meet other day-to-day needs. The investment in infrastructure from Chinese SWFs therefore helps fulfil the equality requirement.

From knowhow and practical reasons, we have already demonstrated earlier that investing in western infrastructure is strategically important to China. Helping the developed world or the West to overcome difficulties, as far as China's foreign policy is concerned, has been part of the strategic measures deriving from Deng Xiaoping, the late paramount leader's, theory. Deng transformed China through his economic reforms after 1978, the open door policies and the successful experiments of the special economic zones (SEZs), which remarkably transformed China's economic

<sup>26</sup> *Deng Xiaoping Wenxuan*, Vol. 3 (Beijing: Renminchubanshe 1993), p. 32.

<sup>27</sup> *Time* [[http://content.time.com/time/specials/packages/article/0,28804,1877351\\_1877350\\_1877333,00.html](http://content.time.com/time/specials/packages/article/0,28804,1877351_1877350_1877333,00.html)] (accessed 27 March 2016)

landscape. Yet, in a speech on 8 July 1983 about how to make use of western knowledge and how to accelerate the open door policy, he reiterated that in order to open up further, China should seize the opportunity when the West were in financial or economic trouble. China should cooperate with them in order to improve and accelerate Chinese technological development.<sup>26</sup> Judging by the CIC's interest in the infrastructure in the UK and the West in general, there appears to be some consistency with Deng's economic theory.

In addition to the practical needs and foreign policy legacy of China, the current investment in the infrastructure in the UK and the West increasingly opens up further economic space for more favourable views of China to be generated. The aforementioned discussion has already indicated that tax havens are very often linked with the Chinese super rich. China needs some leverage in order to offset such image liabilities. Moreover, after the 2008-09 financial crisis, *Time* magazine came up with a list of 25 people to be blamed for the crisis. Wen Jiabao, China's Premier (2003-2013), as proxy of China, was blamed for providing cheap credit to the US due to its holding of more than US\$1.7 trillion dollar-denominated debt.<sup>27</sup> Nevertheless, the logic of blaming China is not overwhelmingly convincing be-



Deng Xiaoping with US President Jimmy Carter in 1979.

cause had it not been China, there could have been some other countries lining up to meet the binge consumption needs of the US. Yet, investment in infrastructure in the UK/US in order to buy back some good opinions is not remotely unrelated.

China's SWFs are relatively new to the world. CIC has less than 10 years of history. The world is not entirely ready to fully accept China's investment arms through the SWFs. Yet, other more successful SWFs, for instance Singapore's government investment corporation



## *China's economic openness will be maintained, especially in terms of economic integration between China and the world economy.*

(GIC) or Temasek Holdings, have had long and successful histories of investment experience. Norway's Government Pension Fund has been praised as the most transparent for many years by the Linaburg-Maduell transparency index. If China can make a case through the use of SWFs to bring investment in infrastructure and reduction of global inequality together, it would make it easier to be accepted by the world economy as well as to re-engineer some favourable image-building. SWFs tick almost all the boxes as we have already pointed out earlier. To move one step further, if a significant proportion of the SWF's annual investment should be included in China's SWF's investment plans and fully implemented on an annual basis, such an alternative model of China's SWFs can really be distinguished from other global SWF counterparts. This will create a very distinctive feature of Chinese characteristics in building up economic relations with the world economy. Fighting against global inequality was mentioned by Xi Jinping, in a speech in Moscow on 23 March 2013. Bringing back the state through the investment of the SWFs to the equation between infrastructure and global inequality reduction appears to be a workable first step for China to be more open to the world economy and with unique characteristics.

China's initiative in bringing development and infrastructure together has already been

<sup>28</sup> Ming Wan, *The Asian Infrastructure Investment Bank: The Construction of Power and the Struggle for the East Asian International Order* (Basingstoke: Palgrave 2016), pp. 97-99.

broadly accepted between the developing as well as the developed economies when the Asian Infrastructure Investment Bank (AIIB) was conceived. On 24 October 2014 during the signing ceremony of the memorandum of the AIIB in Beijing, 57 nations from the developing as well as the developed world already joined forces in applying to be the founding members. Ming Wan contended that 'The AIIB is a hybrid institution nested to the existing international financial institutions'<sup>28</sup> ... and it 'goes to the heart of a strategic triangle between the United States, China and Japan.' Even though the US kept criticising China's leadership in the AIIB, the fact is that, from the outcomes of the application to be the founding members of the AIIB, China's economic policy of moving toward infrastructure and development has been blessed by many countries as a good model of development.

On a final note, it does not seem to be a coincidence that two former key leaders of the CIC are now in charge of two major departments/organizations in China. Lou Jiwei, the founding CEO and Chairman of the CIC became the Minister of Finance of China from 2013 to 2016. From managing the CIC to managing the entire financial sector of China, Lou's previous experiences in the running of the CIC is by no means an un-related factor leading up to his promotion to be the Finance Minister of China. Furthermore, Jin Liqun, the Chairman of the Board of Supervisors of the CIC between 2008-2013, was also elected as the first President of the AIIB. Their appointment suggested that China's economic openness will be maintained, especially in terms of economic integration between China and the world economy. More importantly, the strategic investment thinking behind the SWFs can facilitate China's future economic orientation and image-building. ■



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