

Madcap Chinese fun

Ah, 2010 is upon us and there's so much going on it's difficult to decide where to begin. I guess checking in on those madcap buddies of ours in China is as good of a leaping off point as any. It's always a good thing to keep tabs on your landlords.

As you probably know, Chinese banks now own \$2.3 trillion worth of U.S. Treasuries (otherwise known as U.S. government debt). Basically they own us. So what have those banks been doing recently? According to the Washington Post, they have become the "main engine of the global recovery."

Chinese state-run banks tripled their worldwide lending in 2009 financing things like airline expansion, retail store development, construction of copper mines and just about everything else that wasn't nailed down. As of October 2009, Chinese banks held \$5.8 trillion in outstanding loans, an increase of 22 percent over 2008, while American banks shrank its share by 7 percent. Apparently just owning the United States isn't enough for China, so they've moved on to the rest of the world.

Meanwhile, back at the ranch, while Chinese banks are raking in profits, most of which are being reinvested in their own country under a plan nicknamed "China's New Deal," here's what's happening with American banks. Bonuses. Goldman Sachs, for example, will post

its highest yearly profit in the firm's 141-year history. And what's its biggest problem? Its employees are whining about having to take some of their bonuses in stock rather than cash. "Some employees say the shift could leave them short of cash ... since they plan their household budgets around bonus expectations," says the Wall Street Journal. The Journal also notes that "financial firms are coming off a blockbuster year and 2009 compensation is on a pace to approach or surpass the record payouts of 2007."

So, the bottom line is that while Chinese banks are on track to replace American banks as the lenders of the world and use the profits to better their own economy, American banks are in the process of handing out bonuses to their workers for a job well done.

This situation is even more hilarious (or disgusting) when you realize that in the recent climate change summit, the Chinese identified themselves as a "developing country," thereby seeking to make a case for receiving monetary aid to fight global warming. So here's how it would go: the U.S. would borrow money from Chinese



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banks, the Chinese banks would collect the interest and profits from that transaction, then the U.S. would send the borrowed money to China so they could fight global warming, and guess who gets to pay for it all. If you don't know the answer, contact me immediately because I have Lake Huron shoreline property in downtown Mewautauka I'd like to sell you.

Ah, but you say, if the Chinese fight global warming, it benefits the entire world, so the money will be well spent. Not so fast, carbon breath! According to the China Daily, "...the infrastructure in China does not support a low-carbon lifestyle." You see, in much of China, central heating is supplied by community boilers and channeled to households with no regard to used demand — the central heating is non-adjustable. "In the case of central heating, the people have no choice," says Prof. Chen Ying of the Chinese Academy of Social Sciences. Folks, you can send as much money as you want to China, they still won't be able to turn down the thermostat (and they know it). It's a scam.

So what to do with all that money flowing in from the

United States? Why, launch an advertising campaign to convince you that the junk China sends to the U.S. is actually (somehow) American junk. This is the country that gave us fish and shrimp containing unsafe drugs, toothpaste with antifreeze, pet food laced with industrial chemicals, toys covered in lead paint, drywall leaking formaldehyde, substandard pipes, and just this week, children's jewelry made of the heavy metal cadmium. Now the ads are running that tout Chinese products as "Made in China with American technology" and "Designed in cooperation with other countries." Geez, makes China sound downright benevolent, eh?

Now, you might think this is just a tirade against a foreign country from someone with a protectionist agenda. Maybe so. Maybe not. The larger point is that while this country's so-called leaders continue to wile away their time trying to one-up the other side, there are forces out there that are taking care of business. Always remember: "External encirclement plus internal demoralization equals progressive surrender."

It's a formula China knows well.

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