Abstract

China’s establishment of a sovereign wealth fund has caused concern in Germany; it is feared that the China Investment Corporation might engage in industrial espionage and thereby contribute to the outflow of advanced technology. Moreover, there is apprehension that the CIC might try to enhance China’s political influence by investing in strategically important companies. These worries are not based on a deep knowledge of the CIC, however. In fact, they reflect a more general wariness about China’s growing economic clout. This article tries to provide a realistic assessment of the potential risks resulting from the establishment of the CIC by analysing its organisation, financing and investment strategy.

Keywords: China Investment Corporation, foreign exchange reserves, monetary policy, investment strategy