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China's Environmental Mess: Investment Opportunity?

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Nobel Peace Prize co-winner Al Gore needs to rename his famous \$40 million powerpoint presentation to "The Inconvenient Truth about China".

While the media and policy establishment are preoccupied with global warming issues that may have important consequences in 50 years or may be vastly overstated, an environmental disaster exists in China right now. This significant challenge, however, is also a major opportunity for the Chinese leadership and American business.

To get your attention, below is just a just sampling of facts drawn from various sources including an excellent article by Elizabeth Economy in Foreign Affairs.

- China is the world leader in air and water pollution.
- Sixteen of the most polluted cities in the world are in China.
- According to World Wildlife Fund, China is the largest polluter of the Pacific Ocean.
- 2/3 of China's largest 660 cities face a water shortage right now.
- The EPA estimates that 25% of the particulates hovering over LA originate in China.
- In converting coal into energy, America is six times more efficient than China, Japan is seven times more efficient and India is three times more efficient.

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Secondly, cleaning up China's environment will require big bucks. No problem here in light of huge China's \$1.3 trillion in foreign

exchange reserves. Setting aside \$200 billion over the next three to five years should help enormously.

Thirdly, this environmental initiative will require technology and expertise. This is where American business, the global leader in environmental technology, comes into the picture. Congressional pressure on China concerning growing U.S.-China trade deficits is enormous and growing. Giving American firms the lead in helping China to address environmental issues will help the Chinese leadership to show its citizens that it is taking concrete action while at the same time sharply reducing trade tensions and imbalances.

The environmental challenge in China is daunting but procrastinating will make it ever the more unmanageable. American business is ready to saddle up and help wherever it can.

If all this happens, the following ETF baskets of American businesses could directly benefit if they have the foresight to go after opportunities in China.

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PowerShares WilderHill Clean Energy Portfolio ([PBW](#))

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PowerShares WilderHill Progressive Energy ([PUW](#))

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