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**Negative Outlook for China's Economy, Chinese Government Bonds**

*Special Report Reveals Increased China Investment Risk from U.S. Economic Slowdown, Rising Food and Oil Prices*

/24-7PressRelease/ - NEW YORK, NY, June 19, 2008 - A newly-published sovereign risk assessment exposes the effect of slowing U.S. consumer spending on China's economy and forecasts a reversal of new foreign investment into China, as occurred over the past decade.

China's export manufacturing sector accounts for approximately 38% of China's total gross domestic product, making China especially vulnerable to the surge in crude oil prices and slowing demand for export products resulting from decreased U.S. consumer spending.

The adverse economic impact from decreased U.S. demand is expected to be compounded by an increasing domestic inflation rate and rapidly rising food and energy prices, which are causing severe stresses in China's domestic economy.

The report, published by Sovereign Advisers, a private risk metrics and economic research firm, cites a recent OECD study which predicts the end of China's competitive advantage in manufacturing as rising transportation costs begin causing the relocation of manufacturing industries away from China and closer to U.S. and European consumer markets.

The report assesses the impact of the following factors on China's future prospects: China's dependency on U.S. consumer spending; the effect of rising crude oil prices on the transportation cost of manufactured goods; rising global food prices; China's rising domestic wage and producer-price inflation; the Chinese government's rapidly increasing issuance of debt; China's urban unemployment trends; China's increasing dependency on crude oil imports; the Chinese government's repudiation of \$260 billion of its sovereign debt; and potential for political instability in China.

The research bulletin is accessible at:

[http://www.globalsecuritieswatch.org/PRC\\_Sovereign\\_Risk\\_Review.pdf](http://www.globalsecuritieswatch.org/PRC_Sovereign_Risk_Review.pdf)

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Sovereign Advisers is a private risk metrics firm specializing in economic research and litigation support.