

Kunming financial summit: Tapping the potential of a regional gateway

By ZHAO XIE

Yunnan's role as a regional gateway attracted the attention of the financial world during a recent summit held in Kunming, capital of this southwestern province.

Government officials, business leaders and experts from China, Southeast Asia, South Asia and other countries attended the Dianchi cross-

border finance and currency cooperation forum on Tuesday.

The event is named after Dianchi Lake, a well-known tourist resort in the city.

Representatives discussed financial and monetary cooperation, trade and further development of transport links between China, Southeast Asia and South Asia. Building on existing programs

like the China-ASEAN Free Trade Area and Greater Mekong Subregion program, the event discussed plans for even broader pan-Asia cooperation.

Greater role

Yunnan province has long been viewed as a remote region far from Beijing and other political and economic hubs of the country, so the choice of Kunming as host city is a

measure of the central government's efforts for greater development of the nation's western regions.

Yunnan shares more than 4,000 km of border with countries in Southeast Asia and South Asia — two regions with a combined population of 1.8 billion people.

And recent developments in regional cooperation have placed Yunnan at the core of efforts in the next round of the nation's economic opening up.

After the China-ASEAN Free Trade Area took effect on January 1 this year, Yunnan stands to benefit greatly from the world's third-largest free trade area.

The province is also central to another regional effort, the Greater Mekong Subregion program, founded by the Asian Development Bank in 1992 to bring together the nations of the wider region.

The plan calls for further development of transport links, navigation on the Mekong River and telecommunication cooperation between Cambodia, Laos, Myanmar, Thailand, Vietnam and Yunnan in China.

'Eurasian bridge'

A number of the resulting infrastructure projects have already been built or planned to facilitate trade, including an expressway from Kunming to Bangkok that is mostly complete and projects to improve navigation on Mekong River.

The Chinese government is also talking with neighboring countries on plans to build a southern "continental bridge" across Eurasia that



WU JIACHUN / CHINA DAILY
China's former chief WTO negotiator and former secretary-general of Boao Forum for Asia Long Yongtu, delivers a keynote speech at the summit.

would span the continents using railways, highways and pipeline systems. Kunming would be the Chinese hub of the network.

Such facilities would even enable transport of commodities from

northeast Asia — including Japan and South Korea — overland to Yunnan and eventually to the coast of Myanmar on the Indian Ocean, a much shorter distance than sea routes around the tip of Singapore.



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New expressways are strengthening transport links across the region. A recently renovated highway through to Myanmar even follows the route of the famed Stilwell Road built during World War II.



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Former National People's Congress Vice-Chairman Cheng Siwei (center), Yunnan Party chief Bai Enpei (third right), Yunnan Governor Qin Guangrong (second left) and Kunming Party chief Qiu He (first right) at the ceremony to mark Kunming's currency settlement center.

Bankers at Dianchi forum note nuances settling trade in RMB

By CHEN JIALU

A trial program for cross-border trade payments in renminbi is now underway in Kunming as part of China's push to slowly internationalize its currency.

The move will advance the city's efforts to become a financial hub for southwest China and the center of renminbi-dominated trade settlement between China and Southeast Asia, Liu Guangxi, vice-mayor of Kunming, said at the opening of the Dianchi forum in the capital of Yunnan province on Tuesday.

Liu's comments were among those from a range of high-powered bankers and officials on hand for the forum in Kunming.

Qiu He, the city's Party chief, said that Yunnan has a competitive advantage in serving as the settlement hub due to the region's cross-border trade with neighboring countries and strong demands from traders to use the Chinese currency in transactions.

"The scheme will help facilitate trade and investment between China and Southeast Asia and help unify regional economies," said Long Yongtu, former secretary-general of Boao Forum for Asia.

The scheme will help reduce reliance on the US dollar, said Yi Cheng, IMF's chief representative to China.

In June the People's Bank of China — the country's central bank — announced that pilot renminbi cross-border trade settlement operations would be permitted in 20 provinces, autonomous regions and municipalities on the mainland

“The scheme will help facilitate trade and investment between China and Southeast Asia and help unify regional economies.”

LONG YONGTU
FORMER SECRETARY-GENERAL OF BOAO FORUM FOR ASIA

and everywhere overseas.

"Before, traders doing business between China and Southeast Asia had to convert their currencies to US dollars," said Li Jiming, a commerce official with the Yunnan provincial government.

As a keynote speaker at the Kunming forum, Bank of China President Li Lihui said the bank will fully support its branch in Yunnan to extend its renminbi settlement business.

Li said overseas subsidiaries of commercial banks should be encouraged to receive renminbi deposits and be allowed to issue bonds denominated in the Chinese currency.

Mushtaq Khan, chief economic adviser with the State Bank of Pakistan, said the plan to liberalize China's capital account should be implemented in steps.

"China appears committed to capital account convertibility," said Mushtaq. "Hong Kong is at the forefront of the off-shore RMB market, Singapore is close behind and other ASEAN countries are in the pipeline."

The Pakistani banker noted "the challenge is how to liberalize capital flows without being inundated by hot money."

"Given the size of the Chinese economy and its growth potential, this is not an easy task — and it would be impossible to satisfy all stakeholders," said Mushtaq.

Frank Gong, vice-chairman of the China Investment Banking division at JP Morgan, said the popularity of the pilot settlement program is limited by the availability of attractive investments using China's currency.

Kwan Yin Ping, chief executive of Hang Seng Bank (China), noted "the scheme is in early days yet and we expect demand for settlement in renminbi to continue to grow as companies assess the opportunities."

Renminbi trading is likely to be volatile, so the pilot project in Kunming will allow policymakers on the mainland to gain experience before full-scale convertibility, said Lawrence Lam, chairman of the Greater China business at the Royal Bank of Scotland.

Hong Kong accounted for 75 percent of the total 70.6 billion yuan in renminbi settlement in the first half of this year, Lin Guangming, general manager of Bank of China (Hong Kong), said on the sidelines of the Dianchi forum.

"But only a very tiny share — about 0.3 to 0.4 percent of China's total trade — has been settled in renminbi" since clearing in the Chinese currency began a full year ago, Lin said.

"The future is bright, but the path is hard," said Long Yongtu.

CURRENCY CENTER TO AID EXPORTS

Export companies in Yunnan are hoping a new cross-border renminbi currency settlement regime will protect them from the higher costs and uncertainty of today's dollar-denominated system.

"We sell 50 percent of our vegetables to countries like Malaysia, Thailand, Singapore and the Philippines, with an annual export volume totaling 50 million yuan," Huang Fengmei, chief accountant of Kunming-based Chemong Green Products Co Ltd, told China Daily.

"But the dollar-based settlement mechanism is always a problem for us. We have suffered considerable losses because of exchange rate fluctuations."

"We hope the trade can be settled with renminbi, which is better for us to avoid risks," she added.

Huang's hope is closer to reality with the founding on Tuesday of a Yunnan cross-border settlement center and center for cross-border trade, which were announced on the sidelines of the Dianchi forum in Kunming.

Representatives of domestic and foreign banks have now signed renminbi settlement agency agreements to facilitate the new clearance system.

According to Yunnan Vice-Governor Gu Zhaoxi, renminbi settlement has been used informally in trade along the border for the past years.

"Ninety percent of the border trade has been settled with renminbi, showing wider acceptance of the Chinese currency among traders," Gu said.

Shanghai and Guangdong first pioneered renminbi settlement a year ago.

On June 17, the People's Bank of China — the country's central bank — the Ministry of Commerce, the General Administration of Customs, the State Administration of Taxation and China Banking Regulatory Commission jointly issued a document that described plans to expand renminbi settlement in 20 provinces, municipalities and autonomous regions including Yunnan.

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The new Kunming International Airport, scheduled to begin operations at the end of next year, will be the fourth-largest aviation hub in China.

Yunnan capital at center of booming regional business

By LI YINGQING

With its best-ever first-half economic performance, Kunming is flexing its muscles as the center of regional cooperation between China, Southeast Asia and South Asia.

Local statistics show that the capital of Yunnan had a GDP of 91 billion yuan in the first six months of this year, up 15.4 percent over the same period of 2009.

The growth was 4.3 percentage points higher than the national average and the highest in Kunming's history.

The achievement was even more impressive considering Kunming and other parts of Yunnan were hit by a severe drought at the beginning of the year.

The manufacturing sector, with a total industrial output value of

29.02 billion yuan and a year-on-year growth of 21 percent, is the star player in the local economy.

Strong consumer demand backed by a raft of stimulus measures — including subsidies for home appliances sold in the rural areas and small-displacement vehicles — helped drive the strong economic performance.

Sales of consumer goods in Kunming totaled 54.74 billion yuan in the first half, growing 19.9 percent from the same period last year.

The city's economy is also benefiting from the nation's western development strategy, regional cooperation programs and Yunnan's plan to develop a commercial transport passageway to neighboring countries and the Indian Ocean.

An important part of the go-west development initiative is to promote the opening up of frontier regions

such as Yunnan through construction of infrastructure to facilitate trade and investment.

Kunming is now the starting point for several highways and railways linked to neighboring countries. Among the most important are a newly built expressway connected to Thailand and a Myanmar highway that follows the route of the famous Stilwell Road built during World War II.

Kunming is also an active player in the Greater Mekong Subregion program and the new China-ASEAN Free Trade Area.

It has an ambitious plan to become a commodity distribution center and a prime investment destination connected to ASEAN countries.

The city's businesses now plan to build a number of "Kunming industrial parks" in neighboring Mekong River nations.



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Yunnan province's booming capital Kunming, a business hub important to trade with Southeast and South Asia. Yunnan has a 4,000-km border with nations in the two regions, which that together have a population of 1.8 billion people.