

## 云南省跨境贸易人民币结算试点启动 与昆明区域性跨境人民币金融服务中心揭牌仪式 暨滇池跨境财金货币合作大通道建设高峰论坛

Inauguration of Trail Operation of Yunnan Cross-border RMB Settlement Center  
and Kunming Regional Financial Service Center for Cross-border Trades  
Dianchi Summit on Construction of Thoroughfares for Financial and Monetary Cooperation



Delegates from home and abroad discuss regional financial cooperation at the Kunming forum.

PHOTOS BY QU MINGFEI / FOR CHINA DAILY

# Renminbi internationalization a delicate issue

By XU XIAO AND LU WEI

Delegates to a recent Kunming financial summit agreed that Asia should reduce its dependence on dominant currencies during trade settlements. The move would promote the internationalization of local tender.

Il Houng Lee, senior resident representative of China's International Monetary Fund, said Asian economies used to depend largely on the United

States and Europe. As a result, US dollars and euros are now commonly used for settlements.

"But in recent years Asia's intra-regional trade and investment has seen rapid growth," Lee said. "Improving settlement efficiency and capital mobility, as well as avoiding exchange rate fluctuation risks are now big challenges for Asia."

Lawrance Lam, president of the Royal Bank of Scotland,

said he thought China made an important step towards internationalizing yuan in July 2009. At that time, the Chinese government announced administrative rules for cross-border renminbi settlement.

"Multiple currencies are needed in cross-border trade to effectively avoid foreign exchange risks," said Lam.

### A cautious approach

Mushtaq Khan, chief eco-

nomical adviser at the State Bank of Pakistan, said he appreciates China's rational approach to the internationalization of its currency.

"While the OECD is justified in its concern over the global trade imbalance, observers often forget that China is a developing country. It is still undergoing economic reforms," Khan said.

China's share of global exports grew from 3.6 percent in early 2000 to 10.7 percent

in January 2010, prompting remarks by the OECD that the renminbi was undervalued.

"The issue is how to internationalize the renminbi in a controlled manner without disrupting manufacturing sectors. We need to make sure China does not create destabilizing capital flows that could complicate renminbi management," said Khan.

China initiated currency reforms in 2005. Appreciation

of yuan against the US dollar is now 22 percent.

Cross-border settlement with yuan will help reduce financial losses, especially when renminbi appreciates, Khan said.

### Pilot programs

A large cross-border trade region, Yunnan province is pioneering yuan settlement as part of a government pilot program.

"China plays a significant role in Asia's regional economy,"

said Gong Fangxiang, general manager of JP Morgan's Asian-Pacific branch.

He noted that Yunnan has advantages over other provinces when it comes to renminbi internationalization.

"Countries neighboring Yunnan know and trust renminbi, making its use in cross-border settlements natural," Gong said.

Khan added he was following the pilot program with "keen interest."

## Tianjin expected to pave way for financial reform

By HAO NAN

As China steps up efforts at international financial integration, Tianjin will be a significant player in the process, Cui Jindu, vice-mayor of Tianjin, told a recent financial summit in Kunming.

"Finance is at the core of a country's international economic competitiveness," he remarked.

After China's opening-up began more than three decades ago, it has undertaken increasing efforts to promote financial reform and internationalization that matches its actual economic growth.

The first came in 1994, when the dual exchange rate system — one rate for trade and another for non-trade activities — was abolished and the foreign exchange market was established.

In 1996, China began to enhance renminbi convertibility.

After the nation joined the World Trade Organization in 2001, the central government began to honor its commitments to further open financial markets.

By 2005, China began a controlled exchange rate mechanism based in part on market demand.

In 2009, China started to promote cross-border trade settled in renminbi.

Tianjin now has an ambitious plan to be a pilot in China's financial reform and internationalization.

The Binhai New Area will be the testing ground of Tianjin's financial reform, Cui told the audience of



**Finance is at the core of a country's international economic competitiveness."**

CUI JINDU  
VICE-MAYOR OF TIANJIN

banking experts gathered in Kunming.

The Binhai New Area is developing into a financial services hub in north China, home to a number of financial institutions from home and abroad engaged in banking, insurance, securities, futures, mutual funds, consumer credit, asset management and service outsourcing.

According to the vice-mayor, helping local enterprises with equity transfer and trade financing is now a highlight of Tianjin's financial industry.

The vice-mayor noted that financial institutions in Tianjin have close relations with traders of coal, crude oil and metals and help them set prices on international markets.

# Yunnan to help pioneer RMB trade settlements

Current exchange regime, foreign capital have 'led to a fragile economic climate'

By ZHANG ZHAO

Regional cooperation between southwest China's Yunnan province and neighboring South Asian and Southeast Asian nations will advance China's effort to promote cross-border trade payments in its own currency, according to a high-ranking financial official.

As a frontier province, Yunnan has begun a program called the Dianchi Cooperation for Opening Asia (DCOA) that will promote sustained development in the region, said Wang Xiaoyi, deputy chief of the State Administration of Foreign Exchange, at an

international financial forum held in Kunming, capital city of Yunnan.

The moves come in response to targets set by China's central government in 2006.

"We need to increase our overseas investment and seek more opportunities in international cooperation," said Wang.

The nation's total import and export value increased from \$20.6 billion in 1978 to \$2.2 trillion in 2009. China was the world's No 1 exporter and the No 2 importer last year.

Recipient of more than \$1 trillion in overseas capital since the late 1970s, China has grown into the second largest

destination of foreign direct investment.

The country has been the largest holder of foreign exchange reserves in the world for four consecutive years. It had \$2.4 trillion in foreign exchange reserves by the end of last year, accounting for almost 30 percent of the world total.

Although fully involved in the global financial system, China still faces hurdles, said Wang.

"Too much dependence on growth boosted by foreign capital has led to a fragile economic climate, increasing and aggravating foreign trade disputes and risks in foreign exchange reserve manage-



Wang Xiaoyi, deputy chief of the State Administration of Foreign Exchange

ment," he said.

He noted that examples across the world show internationalization of a nation's currency is closely linked to the openness of its financial markets and capital accounts.

"We should gradually push

forward China's capital account convertibility to internationalize the renminbi as it is now at a crucial point of time with huge trade surplus," he said.

As a systematic program, Wang said, account convertibility requires not only reform of its domestic economic structure and market system, but also improvements in risk management.

China plans to put more efforts in monitoring and controlling its financial system and international payments, then establish closer financial cooperation in the entire regions.

"We will introduce a common interest strategy, forming a multilateral partnership to share risks," said Wang. "In this way, the DCOA will play an important role in building an integrated economic zone with Yunnan as the regional financial hub."

## Monetary cooperation vital to Asia's economy

By LI YINGQING

Zhao Xiaoyu, vice-president of Asian Development Bank (ADB) stressed monetary cooperation at a recent Kunming financial summit.

Asian currency integration can help foster sustained economic growth and financial stability, both locally and globally, he said.

The ADB vice-president noted that, "Asia and the Pacific have made considerable progress in the last decade. Cross-border connectivity has improved with the addition of several land, sea and air transportation networks."

Zhao also remarked that political support for regional collaboration has increased since

the global economic crisis.

"It is time for Asian countries to embark on a new era of financial cooperation and integration," he said.

However, the vice president advised listeners that change would take time.

"Due to the diverse economies of Asia, a common currency or currency union is not presently feasible. It will take decades to materialize."

But Zhao also offered current strategies. He cited information sharing and regional policy coordination — including exchange rate cooperation — as immediate goals.

### Major challenges

Zhao admitted that a number of challenges lie ahead. Among



Zhao Xiaoyu, vice-president of Asian Development Bank

the biggest impediments, he said, is Asia's limited financial development.

"The absence of effective regulatory and supervisory frameworks makes financial systems more vulnerable to

risks. The lack of liquid and well-functioning bond markets limits the availability of long-term funding for viable and profitable projects."

"Clearly, future monetary and financial cooperation in Asia must be worked out at the national, regional, and global levels," Zhao continued.

"This includes strengthening financial and banking regulations, adopting international prudential norms and standards and promoting the development of local currency bond markets."

### China and India

As sub-regional cooperation grows, China and India will take increasingly central roles in fostering financial

and monetary collaboration, Zhao said.

"China is quickly becoming an important global center within Asia. As India too enters the world market, its economic relations with China are likely to help drive financial development," Zhao said.

He noted that China will soon host the world's second largest economy, and expects that the renminbi will assume a large role in establishing pan-Asian financial stability.

India will also play a critical part in accelerating economic integration across Asia, said Zhao. The country already has free trade arrangements with ASEAN and South Korea, and is currently negotiating with Japan and China.