

Singapore: Helping Connect China's West and Southeast Asia

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Vice Mayor Liu Guiping, distinguished guests, good morning

Welcome to the Singapore-China (Chongqing) Financial Conference. I am delighted to see the strong level of interest in the Chongqing Connectivity Initiative.

The Chongqing Connectivity Initiative

The Chongqing Connectivity Initiative is the third government-led project between China and Singapore.

- First was Suzhou Industrial Park in 1994;
- And then Tianjin Eco-city in 2008.

The Chongqing Connectivity Initiative, or CCI, is a significant project.

- It demonstrates the strong ties and long history of co-operation between China and Singapore.
- It underscores the transformation of the Chinese economy as innovation, technology and modern services become key drivers in the country's next phase of growth.

CCI has identified four priority areas to spur development in modern services and connectivity: finance, aviation, transport and logistics, and info-communications technology.

CCI is well aligned with China's transition towards a services-driven economy. It supports China's key developmental priorities:

- the One Belt One Road Initiative,
- the Western Region Development effort; as well as
- the Yangtze River Economic Belt strategy.

As you are aware, finance, aviation, transport and logistics, and info-communications technology, are also important sectors in the Singapore economy. There is much that China and Singapore can collaborate on in each of these areas.

Today, I would like to speak briefly about how Singapore can support the developmental objectives in the area of *finance* under the CCI.

Singapore-China Financial Co-operation

The financial sector component in CCI builds on a foundation of strong financial co-operation between China and Singapore.

Singapore is one of the top three offshore RMB centres globally.

- The offshore RMB market in Singapore has expanded rapidly, with a wide offering of RMB products, including deposits, bonds, derivatives, mutual funds, and trade financing.
- Singapore's financial centre has played a constructive role in supporting the internationalisation of the RMB.
- This has in turn helped to forge stronger trade and investment links between China and South-east Asia.
- And recognising the international role of the RMB, Singapore has included the RMB in our official foreign reserves.

There is a firm commitment from China and Singapore to further strengthen financial co-operation.

- CCI was announced during President Xi Jinping's state visit to Singapore in November last year and includes financial services as one of its four priorities.
- On the same occasion, Singapore's quota under the RQFII scheme was doubled from RMB 50 billion to RMB 100 billion. This was in response to the strong interest by Singapore-based asset managers and investors to invest in China.

In March this year, the cross-border RMB initiatives with Chongqing were launched.

- Chinese companies can now issue bonds in Singapore and repatriate the proceeds to support economic development in the Western Region.
- Equity funds in Chongqing can now invest overseas and individuals in Chongqing can conduct cross-border RMB settlement.

In April this year, the National Development and Reform Commission or NDRC awarded a US\$3 billion quota for Chongqing companies to obtain financing from offshore markets in all currencies.

- The application process for doing this has been streamlined, with companies only required to register locally in order to tap the quota.
- This will broaden financing options for Chongqing companies and support their plans to tap overseas markets.

How Singapore Can Support the Finance Priorities in CCI

Let me highlight three areas in which Singapore can support the finance priorities of CCI.

- First, strengthening trade and investment between China and Southeast Asia
- Second, promoting infrastructure investment and financing
- Third, broadening investment and asset management options for Chinese companies and individuals

Trade and investment linkages

Southeast Asia offers great potential for Chongqing companies and investors.

- First, it is a *growing* market. The region has a population of 600 million
 - ASEAN's combined GDP is forecast to rise more than fourfold to US\$10 trillion by 2030, and is projected to become the fourth largest single market in the world after the EU, US and China
 - Rising affluence and a rapidly growing middle class make Southeast Asia an increasingly attractive market for Chinese producers.
- Second, it is an *integrating* market.
 - The formation of the ASEAN Economic Community (AEC) in 2015 will stimulate further economic growth and investment flows through closer integration.

China and Southeast Asia already enjoy strong trade ties. In recent years, Chinese companies and financial institutions have also been rapidly growing their operations and investments in Southeast Asia.

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Singapore offers an effective gateway for the expansion of Chinese companies into the region.

- More than 6,500 Chinese enterprises are established in Singapore.
- Many of them have based their regional headquarters in Singapore to cover their Southeast Asia portfolio – well-known firms like Xiaomi, Alibaba, Haier, Baosteel and Qingjian, to name a few.

As an international financial centre, Singapore can offer the necessary breadth and depth of banking and capital market services to Chinese companies – from advice on regional markets to funding and capital management solutions.

Many Chinese companies are already doing so. The CCI helps to establish a direct financial connection between China's western region and Southeast Asia through Singapore. Since the launch of the CCI, we have also witnessed a healthy volume of transactions.

As of June 2016, Singapore's financial sector has been involved in brokering close to US\$4.5 billion in deals for Chongqing companies.

- For example, Chongqing Grain issued its first ever RMB-denominated Lion City bond in Singapore.
- The issuance attracted overwhelming interest from offshore investors.
- Subscription exceeded more than nine times its issuance value, reflecting the strong latent demand for RMB offerings in Singapore.

Today, we see a further set of deals being signed, demonstrating further deepening of collaboration on both sides.

- A total of 28 agreements will be signed, involving transactions valued at over US\$1.6 billion.
- These agreements mark the start of new collaboration among financial institutions, as well as specific financing deals in bond issuances and cross-border loans.

Infrastructure financing

China is playing an increasingly important role in helping regional economies with infrastructure development through its "One Belt One Road" initiative.

Chinese companies and financial institutions can tap into Singapore's infrastructure financing ecosystem for solutions to address the infrastructure demands of China's Western Region. For example, Chinese companies can

- leverage on the strong network in Singapore of multilateral agencies, banks and institutional investors to access regional infrastructure deals; and
- deepen their expertise in project structuring, risk allocation, and loan documentation.

Asset management

Many of the largest global fund managers operate out of Singapore as the gateway to Asia and China is one of their key investment destinations.

- Singapore and Chongqing can jointly provide a channel for overseas investors interested to access investment opportunities in China.

At the same time, Chongqing can tap on Singapore's financial markets and access to international investors to catalyse developments in Chongqing's infrastructure finance, asset management and insurance sectors.

- Singapore's pan-Asian asset management capabilities and access to a diverse range of managers can provide Chongqing investors with access to a broader suite of investment products and asset types
- For example Singapore can offer diversification and risk management solutions to meet some of the objectives of Chongqing's pension investment.

Conclusion

The Chongqing Connectivity Initiative, or CCI, marks a new milestone in co-operation between China and Singapore.

- CCI's focus on modern services and connectivity leverages Singapore's experience; and
- it promotes trade, investment and exchanges between China's promising and vast western hinterland with the economies in Southeast Asia and beyond.

Forums like the SCFC provide a useful platform for policymakers and industry to exchange views on how we can harness the opportunities created under CCI to achieve mutually beneficial outcomes for our countries.

I wish you fruitful discussions. Thank you.

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