

Tharman Shanmugaratnam: Strengthening financial cooperation between China and Singapore

Opening remarks by Mr Tharman Shanmugaratnam, Chairman of the Monetary Authority of Singapore, at the Opening Ceremony of Monetary Authority of Singapore's Beijing Representative Office, Beijing, 28 May 2013.

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Mr Zhou Xiaochuan, Governor of the People's Bank of China

Distinguished Guests

Ladies and Gentlemen

1 Good afternoon. Thank you for taking the time to witness the opening of the Monetary of Authority of Singapore's Beijing Representative Office.

MAS' first representative office in Asia

2 This is MAS' first representative office in Asia. Three factors underpin our choice to base our first Asian representative office in China.

China's growth has significant implications for the Asian region and Singapore

3 All of us have an interest in the successful transformation of the world's most dynamic economy. China's 12th Five-Year Plan marks an important transition, with increased emphasis on urbanisation, services and social development, and consequently also greater reliance on private consumption as a source of economic growth. China is managing this transition in a pragmatic and purposeful manner. At the same time, many industrial enterprises in the coastal provinces are rapidly upgrading in response to rising wages and moving up the value chain.

4 These domestic changes in China are taking place at a time when other Asian nations too are moving up the curve of development. It will lead to growing connectivity between Asia and China, and new patterns of connectivity as well, in good and services.

China and Singapore have strong and comprehensive bilateral ties

5 Singapore-China relations too are growing and evolving, in step with the development of our economies and societies. The relations between our two countries began a new era after the first official visit to Singapore by late Chinese leader Deng Xiaoping in 1978. He and Mr Lee Kuan Yew paved the way for stronger diplomatic and economic ties between Singapore and China.

6 With regard to merchandise trade, China was Singapore's 3rd largest trading partner last year. In services, China has been also our 5th largest export destination. Singapore was China's 13th largest trading partner in terms of merchandise trade in 2012. Singapore was also the third largest source of FDI into China last year, after Hong Kong and Japan.

7 Bilateral trade was further boosted with the signing of the China-Singapore Free Trade Agreement (CSFTA) in September 2008 in Beijing. This was the first comprehensive bilateral FTA that China signed with another Asian country. It has led to greater cross-border economic links between our two countries.

8 Multiple Sino-Singapore economic projects are also evidence of our deep relationship, including the Suzhou Industrial Park which would be celebrating its 20th Anniversary in 2014 and the Tianjin Eco-City which would be celebrating its

5th Anniversary this year. Both countries have also established regular dialogues including the Joint Council of Bilateral Cooperation (JCBC) co-chaired at the Deputy Prime Minister level and the Ministerial level economic and trade councils in seven Chinese Provinces/Municipalities. We want to build on what has been achieved, and explore avenues to deepen our close partnership.

Financial cooperation has become an increasingly important pillar of the China-Singapore relationship.

9 Singapore has served as a useful platform for Chinese financial institutions to participate in regional markets, especially in ASEAN. To-date, six out of the top 10 Chinese banks already have a presence in Singapore. Two of them – Bank of China and Industrial Commercial Bank of China (ICBC) – were extended Qualifying Full Bank (QFB) privileges as part of the enhanced CSFTA in 2012. These banks are now expanding their Singapore operations as hubs for Southeast Asia.

10 In addition, Singapore financial sector has also served the needs of China's financial markets. For instance, China is the largest source of offshore reinsurance business in Singapore in 2011. We welcome this presence.

11 At the same time, China has also presented opportunities for Singapore's financial institutions. Our three local banks already have a presence in 15 provinces in China. Our sovereign wealth funds and private investors based in Singapore are also important investors in China's financial institutions and markets.

12 There is potential to further these financial interconnections as China gradually widens and deepens its financial markets.

13 As a central bank, MAS enjoys warm and substantive relations with our counterparts in the People's Bank of China (PBC). We have been in close coordination with PBC over the past year to enable cooperation in the RMB business and related arrangements.

14 PBC has recently appointed the Singapore branch of ICBC as the RMB clearing bank in Singapore earlier this year. ICBC has been working closely with the industry since then to prepare for the offering of their RMB clearing and settlement services. I am delighted to share that ICBC has officially launched RMB clearing services yesterday. Key banks in Singapore are ready to actively participate in this promising new market.

15 MAS also has growing relations with the key sectoral regulators, namely the China Banking Regulatory Commission (CBRC), China Securities Regulatory Commission (CSRC) and China Insurance Regulatory Commission (CIRC). MAS and CBRC currently hold annual meetings to exchange views on regulatory cooperation and market developments. MAS also plans to step up its engagements with CSRC and CIRC in areas of common interest.

16 These initiatives clearly indicate the increasing importance and connectivity between the financial markets of our two countries. Certainly, we hope for more of such bilateral collaborations as China continues the progressive internationalisation of its financial market and currency.

17 MAS therefore sees great value in establishing a physical presence here to facilitate such future cooperation and regular interactions. Similarly, we hope that this MAS office can also cater to the needs of the larger Chinese financial community by enhancing understanding and contacts with Singapore and the regional markets, as thereby contribute in our own small way to the continued development of China's financial sector.

Concluding Remarks

18 On behalf of all my colleagues in MAS, I would like to express our strongest appreciation to the People's Bank of China for their approval and support for MAS' representative office in Beijing.

19 We look forward to taking full advantage of this milestone collaboration to deepen our financial and economic cooperation and take our bilateral relations to new heights.

20 Thank you.