

Zhou Xiaochuan: Providing financial support to enterprises “Going Abroad”

Speech by Mr Zhou Xiaochuan, Governor of the People’s Bank of China, at the 11th China International Fair for Investment and Trade and the International Investment Forum 2007, Xiamen, 8 September 2007.

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Your Excellency Vice Premier Wu Yi,
Distinguished guests,
Ladies and Gentlemen,

Good morning!

It is a great pleasure to attend the 11th China International Fair for Investment and Trade and the International Investment Forum 2007 in particular in the beautiful coastal city of Xiamen. On behalf of the People’s Bank of China, I would like to extend warm congratulations on the convocation of this Forum.

Thanks to rapid economic globalization, the trade links between China and the rest of the world are expanding, and investment cooperation is deepening with each passing day. Since the initiation of reform and open-up, China has made remarkable achievements in attracting foreign capital and learning advanced technology and management expertise from other countries. At the same time, the Chinese enterprises are making good progress in their endeavor to invest and operate abroad. Indeed, this “going-abroad” endeavor has become a strategic measure of major importance as China’s open-up reaches a new stage.

The financial sector has played an important role in these two-way interactions. But, the work of financial sector is not yet sufficient, in particular in terms of supporting enterprises going abroad. On this front, the financial sector has not fully adapted to the new developments in implementing the strategy of going abroad. Therefore, the People’s Bank of China attaches great importance to this matter and is intensifying research and study. In the future, measures will be taken to deepen and broaden the financial markets to satisfy demand of enterprises for foreign exchange products and risk management instruments, and change the foreign exchange administration policy that is strict with capital outflow and easy with inflow; greater convenience and facility will be provided in financial services to support enterprises going abroad in a better way.

First of all, the financial market will play a bigger role. We will actively foster foreign exchange market growth and encourage product development to help enterprises manage interest rate and exchange rate risks in their overseas investment and operation. In recent years, the People’s Bank of China has worked hard to foster foreign exchange market development. The products in the foreign exchange market are increasingly diversified. With the launch of RMB foreign currency swap transactions, and availability of future and swap foreign exchange sale and purchase to a larger variety of enterprises, the foreign exchange market has grown rapidly. The trading volume in the first half of 2007 was 4.5 times that in the corresponding period of 2005. In the future, in order to support overseas investment and operation of Chinese enterprises, we will make fresh efforts to develop the foreign exchange market, promote products diversification, and create a more favorable environment for instrument innovation.

Second, there will be stronger financial policy support. The foreign exchange administration reform will be deepened by lifting unnecessary controls and simplifying procedures to provide foreign exchange convenience to enterprises investing and operating abroad. Last year, the quota limit of foreign exchange purchase for overseas investment purpose was abolished to satisfy the need of enterprises in outward investment. In the next step, we will lift the control

in terms of verification of sources of foreign exchange fund, examination prior to foreign exchange purchase, and repatriation of outward investment profit; we will allow enterprises to conduct outward investment with their own or purchased foreign exchange, and make it more convenient to use and transfer foreign exchange; research will be made to explore channels for domestic enterprises and financial institutions to support enterprises investing and operating abroad with foreign exchange.

Third, financial services will be improved to support eligible enterprises to invest and operate in other countries. Qualified financial institutions will be encouraged to establish overseas operations, and explore equity investment in overseas financial institutions through merger and acquisition, in order to provide enterprises with convenient financial services in their overseas investment and operation; enterprises investing and operating abroad are encouraged to take advantage of financing tools in host countries such as lending, asset securitization, stock offering, bond issue, project financing, and etc; domestic investment entities will be allowed to provide financing guarantee to their overseas subsidiaries subject to approval.

Fourth, regional financial platforms will be used to encourage enterprises to take part in international economic cooperation. China is a member of various regional development banks including Asia Development Bank, Africa Development Bank, West Africa Development Bank, PTA Bank and Caribbean Development Bank, and has applied to join the Inter-American Development Bank. Good cooperative relations have been developed with these regional development institutions. The People's Bank has signed bilateral technical cooperation agreement or established bilateral technical cooperation fund with the Africa Development Bank, West Africa Development Bank, and Caribbean Development Bank. It is desirable to use these regional development banks as a platform for exchanges, and conduct project consulting and market research through bilateral technical cooperation fund and agreements, and better understand the business and legal environment of host countries. This will be a catalyst for the going abroad endeavor.

Promoting the two-way interaction of foreign enterprises coming to China and Chinese ones going abroad is conducive to the economic complementarity and helps promote common prosperity, global harmony and progress. On this front, the financial sector definitely will do a lot more to provide support.

In conclusion, I wish the Forum a complete success.

Thank you.