

# The Asian renaissance

**With the global recovery led out of the region this is Asia's century** *W. Adji Wibowo, head of regional transaction banking, CIMB Group*



**W**hile the worldwide recession can arguably be said to have started in America, the current global recovery is being led by Asia. As a result, there are few who doubt that the 21st century is the Asian century.

## India and China dominate

Across the world major economies tumbled, but Asia's prospects brightened as its two emerging economic giants - India and China - continued their economic ascendancy. In addition, most other Asian countries seemed to take the crisis in their stride.

China has been able to weather the global financial crisis mainly due to its remarkable ability to execute its stimulus package. Government spending and banks that have adopted responsive and effective lending have helped. Meanwhile, other countries in the Asian region benefited from increased exports to China that offset some of the weaknesses in exports to the US.

Among the Asian economies, the fastest growing countries are those that are tightly linked to China, such as Taiwan, Malaysia, and Singapore. Arguably, the emerging economies in Asia also fared better than their Western counterparts because of lessons learned from the earlier Asian financial crises.

## Asia's growing share of world trade

Asia's share in the world trade grew, largely as a result of increased regional

trade integration. The trade flow in the rest of the world roughly tripled between 1990 and 2006. Inter-regional trade involving emerging Asian countries rose by five times, and intra-regional trade within emerging Asia increased by eight-and-a-half times. Trade between emerging Asian economies has risen steadily from approximately 30% of total exports by the region in 1990, to more than 40% in 2006.

It is commonly known that China's domestic demand for goods is a key driver towards the Association of Southeast Asian Nations' (Asean) exports to the country. However, India's growing demand for commodities is also an important contributing factor towards intra-Asian trade, with the trade between the top Asean economies and India forecast to increase to up to \$60 billion in 2010.

## Intra-Asean trade

Asia's growth trajectory is likely to be

**“Asean... a combined GDP equivalent to the sixth largest nation in the world”**

sustained by growing regional economic integration that will be aided by a maze of free trade agreements (FTAs), and strong economic growth in China and India. There is also evidence of improvement in intra-Asean trade and investments. Spurred by the early Asean Free Trade Area (AFTA) initiative, intra-Asean trade surpassed trade growth between Asean and other trading blocs by 40% between 1995 and 2008. The top economies of Asia, consisting of Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam had recorded trade volumes of more than \$208 billion, while China and India together recorded trade volumes totaling \$43.7 billion.

China, and the Asean member countries comprising Brunei, Myanmar, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam are expected to create a free-trade area by 2010 that will contain 1.8 billion consumers and produce \$1.2 trillion in trade volume.

Since January 1, 2010 two regional FTAs have come into force. The most recent was the Asean-India FTA that was concluded last August at the 7th Asean Economic Ministers - India meeting. The second was the Asean-China FTA that was first announced at the Asean-China Summit in 2001.

Deepening trade linkages within the region have also led to a sharp increase in investments in Asean by Asean member states. In 2008, investments exceeded \$11 billion, up from just \$2.3 billion in



CIMB offers Asian and global expertise

2003, an impressive average annual growth rate of 35%. Asean, as a bloc, has a population of almost 600 million people, and a combined GDP equivalent to the sixth largest nation in the world today.

#### **CIMB's local, regional and global reach**

It was in part Asean's vision for economic regional cooperation that spurred entities such as CIMB Group to regionalise and expand its business. In 2005, CIMB Group began a series of banking acquisitions in Malaysia, Singapore, Indonesia and Thailand. Today, it has the largest bank branch network in Southeast Asia and is the region's largest indigenous investment bank. It is becoming a fully integrated regional universal banking group. CIMB has more than 36,000 employees worldwide, serving more than 10 million customers through its 1,110 branches.

As an indigenous bank of the region and for the region, CIMB Group is able to differentiate itself from foreign players. Its customers can leverage CIMB's in-depth knowledge of local market practices and regional trade flows to enhance liquidity in their supply chain, reduce inherent risks in trade flows and improve their overall financial performance.

#### **Trade finance solutions**

CIMB Group delivers comprehensive solutions to companies engaged in international and domestic trade transactions. In addition to offering comprehensive cash management and treasury products

and solutions, it offers a full suite of trade finance solutions including Letters Of Credit (LC), documentary collections, banker's guarantees, standby LC and open account transactions.

Customers also have access to structured trade financing products and services, packaged with cash management services solutions and risk mitigation products to mitigate risks associated with areas such as counterparties, LC issuing banks, foreign exchange and transport.

Speed and accuracy are important elements in international trade settlements. Therefore, in the last 12 to 18 months, the trade finance team reorganised and revamped its business by upgrading its trade finance systems and streamlining its business processes to deliver faster value added services for its customers.

**“Strengthening trade finance and cash management capabilities are among the key strategic priorities for CIMB”**

#### **Conventional and Islamic banking**

Customers have the option of choosing either conventional or Islamic products to meet their financing needs. With Islamic trade finance, clients not only enjoy *shar'iah*-compliant services and solutions, but they also benefit from competitive pricing in terms of rates, fees and funding. Customers are able to access cheaper funds from the Islamic money market through securitisation and sales of the debts created. Additionally, customers are able to strategise and plan their costing and sales better, while minimising risks and uncertainty in trade financing. This is possible under Islamic trade finance, as the concept of financing is definite – instead of availing trade loans the bank buys the goods from the supplier and sells it to the buyer (customer) at a profit.

In the next few years, strengthening trade finance and cash management capabilities are among the key strategic priorities for CIMB Group. It will continue to integrate and transform its transaction banking business through strategic reorganisation, product innovation and investments in technology; and is committed to develop and provide customers, regionally and globally, with the best-in-class trade finance solutions.

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#### **CONTACT**

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