

Bangkok Bank (China) Co., Ltd.



Financial Connectivity between China and GMS Countries

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Background

- The Greater Mekong Sub-region (GMS) is a natural economic area bound together by the Mekong River, covering 2.6 million square kilometers and a combined population of around 326 million.
- Launched by Asia Development Bank in 1992, Greater Mekong Sub-Region Cooperation (“GMS”) involves in 6 countries, including China (Specifically Yunnan Province), Thailand, Myanmar, Laos, Vietnam and Cambodia.
- GMS helps the implementation of high priority sub-regional projects in transport, energy, telecommunications, environment, human resource development, tourism, trade, private sector investment, and agriculture.

General Economic Conditions 2015 – China

- Economic Indicators in 2015:
 - ✓ GDP grew 6.9% (7.4% in 2014)
 - ✓ Consumer prices climbed 1.4% (2.0% in 2014)
 - ✓ Producer prices declined 5.2% (-1.9% in 2014)
 - ✓ Fixed Assets Investment rose 10% (15% in 2014)
 - ✓ Retail Sales grew 10.6% (10.9% in 2014)
 - ✓ Industrial Production expanded 6.1% (8.3% in 2014)
 - ✓ New lending of RMB 11.27 trillion (RMB9.75 trillion in 2014)
 - ✓ International Trade declined 8.0% (Export: down 2.8%, Import: down 14.2%) (Note: based on USD unit)
- Trade Surplus: USD595 billion

General Economic Conditions 2015 – Yunnan Province

- GDP Growth: 8.7% ranking 9th in China
- Fixed Investment Growth: 18%
- Retail Sales Growth: 10.2%
- Industrial Production expanded 6.7%
- Total Trade Value (Import & Export): USD24.53 billion, down 17.2% y/y
- Export Value: USD16.63 billion, down 11.5% y/y
- Import Value: USD7.90 billion, down 30.4% y/y
- RMB Loan Outstanding as of 31 Dec 2015: RMB2,084.29 billion, up 15.9% y/y

Yunnan's Trade with GMS Countries

Country	2014		H1/2015	
	Amount	Growth	Amount	Growth*
Thailand	1,073	2%	556	42%
Myanmar	6,985	67%	2,344	-28%
Vietnam	1,552	17%	595	33%
Laos	1,372	31%	408	-59%
Cambodia	9	n.a.	7	161%

Unit: USD Million

Note: * H1/2015 Growth is on an annualised basis

Source: Department of Commerce in Yunnan Province

Yunnan's Investment in GMS Countries

- In 2015, enterprises in Yunnan set up 67 new companies in Thailand, Laos and Vietnam.
- In 2015, total investment by Yunnan in GMS amounted to USD793 million, accounting for 59.4% of total outbound investment .
- AS of October 2014, Yunnan signed 1,342 engineering contracts with GMS countries. Total contract amount was USD8,714 million and realized sales was USD4,522 million.

Investment by GMS Countries in Yunnan

- AS of October 2014, investment from GMS countries totaled 309 projects in Yunnan with investment value of USD359 million.
- The realized investment amount was USD202 million.
- Investment area covers manufacturing, service, agriculture, wholesale and retail, and catering.

Development of Financial Services in Yunnan

- In 2014, Yunnan completed RMB cross-border settlement of RMB77.5 billion, up 30.4% y/y.
- By the end of 2014, accumulated RMB cross-border settlement reached RMB204.5 billion.
- In 2014, six commercial banks in Yunnan signed agent settlement agreement with 9 commercial banks in Vietnam, Thailand and Laos.
- In Jan 2014, the joint-venture bank (Lao China Bank) set up by Yunnan Fudian Bank (51%) and Banque Pour Le Commerce Exterieur Lao Public (49%) was opened in Vientiane, Lao.

Development of Financial Services in Yunnan

- Fudian Bank, headquartered in Kunming is the first city commercial bank in China which has got the license for the cross-border transportation of foreign currency notes.
- Fudian Bank has established the mechanism for the exchange between RMB and Kyat with Myanmar Eastern Bank.
- In Apr 2014, UnionPay cards could be used for cross-border transaction settlement in Myanmar.
- In Jun 2014, Yunnan and Thailand signed the memorandum regarding the cooperation in financing industry.

Development of Key Projects in GMS Countries

- Energy – China Southern Power Grid set up connected grid network with Vietnam and supplies electricity to Vietnam with maximum transportation capacity of 850,000 KW. Accumulated electricity reached 29.2 billion kwh in the past ten years.
- Breakthrough in the hydropower cooperation between China and Laos. On 18 Nov 2014, Franchise Agreement for Laos Namtha River Hydropower Station was signed. Total capacity is 168,000 KW and annual electricity generation reaches 720 million kwh.
- On 14 Nov 2014, China and Myanmar signed <<Memorandum regarding Deepening of Cooperation on Oil & Gas Field>>
- On 30 Jan 2015, the oil pipe between China and Myanmar was put into formal operation.

Development of Key Projects in GMS Countries

- Transportation – In Aug 2014, GMS Railway Association was set up to boost the infrastructure construction among GMS countries.
- In Dec 2014, China and Thailand signed <<Memorandum regarding Railway Cooperation between China and Thailand>>.
- On 21 Sep 2014, the highway between Hanoi to Lao Cai in Vietnam was completed for transportation.
- On 19 Dec 2014, Chinese government announced to provide RMB100 million to support the preliminary work for Lancang-Mekong waterway stage two project.

Favourable Conditions to Support Further Cooperation among GMS Countries

- China and other GMS countries are members of Asia Infrastructure Investment Bank which will provide financing to support infrastructure construction in member countries.
- Since 1 Jan 2015, China has implemented zero customs duty for 90% of products with Vietnam, Laos, Myanmar and Cambodia.
- Chinese government highly attaches importance to the GMS cooperation. In 2015, China provided RMB3 billion in aid to poverty reduction projects.

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