

Australia: A\$4.00 (incl. GST), Dubai: AED5.00, Hong Kong: HK\$6.00, India: ₹20.00, Indonesia: Rp8,500 (incl. PPN), Japan: ¥400 (incl. JCT), Malaysia: RM2.00, Myanmar: 500KYATS, Nepal: NPR90.00, Philippines: ₱50.00, Republic of Korea: ₩2,000, Singapore: S\$3.00 (incl. GST), Thailand: ฿30.00, Joint Printing Company Limited, 2-3/F, Hing Wai Centre, 7 Tin Wan Praya Road, Aberdeen, Hong Kong



CLUB TOGETHER
ASEAN leaders get
set for business, P10-11

SMART MOVER
Expansion on agenda for
Malaysian banker, P32



CHINADAILY

中國日報

ASIA
WEEKLY

SEPTEMBER 12-18, 2014

VOL 5 • NO 36

www.chinadailyasia.com

Published by China Daily Asia Pacific Limited

Partners for growth

PRESIDENT XI'S SOUTH ASIA TRIP PUTS REGIONAL STABILITY AND ECONOMIC DEVELOPMENT TOP OF AGENDA

By **KRISHNA KUMAR VR** in New Delhi
For *China Daily Asia Weekly*

Chinese President Xi Jinping embarks next week on a visit to the populous South Asia region that is expected to usher in a new era of friendship and partnership. Xi is visiting India, Sri Lanka and the Maldives, with a trip to Pakistan postponed to a later date due to ongoing anti-government protests in that country.

In May, at the fourth Conference on Interaction and Confidence Building Measures in Asia in Shanghai, Xi voiced his "dream of nurturing a friendly, good neighborhood".

China, he said, always pursues friendship and partner-

ship with its neighbors, seeks to bring amity, security and common prosperity to its neighborhood; practices the principles of sincerity, mutual benefit and inclusiveness; and works hard to ensure its development brings more benefits to other countries.

"China's peaceful development begins here in Asia, finds its support in Asia, and delivers tangible benefits to Asia," Xi said, who will leave for his South Asia trip from Tajikistan, where he is attending a meeting of the Shanghai Cooperation Organization.

Wang Youming, director of the department for developing countries studies at Beijing-based China Institute of International Studies, says Xi has "a dream".

"Chinese leadership had already set a dream for China. Now he is setting a dream for the South Asia neighborhood, and subsequently a dream for the entire

Asia," Wang tells *China Daily Asia Weekly*. "Without peace and security there is no economic development. Regional stability and economic development go hand in hand."

Xi has also pledged that China is willing to "work together with other parties for realizing the Asian dream of lasting peace and common development".

He expressed China's willingness to develop friendly ties and cooperation with its South Asian neighbors on the basis of the Five Principles of Peaceful Coexistence, (namely, mutual respect for each other's territorial integrity and sovereignty, mutual non-aggression, mutual non-interference in each other's internal affairs, equality and cooperation for mutual benefit and peaceful coexistence.)

SEE "VISIT" P5

Cover Story

Pakistan ties stand test of time,
page 6

A meeting of two great civilizations,
page 7

New era for Sino-Sri Lankan ties,
page 8

Investors in search of wider access,
page 9



4 893663 000021

CoverStory

Visit: Deeper South Asia bond

FROM PAGE 1

The principles were enunciated by the late Chinese premier Zhou Enlai in June 1954 during his visit to India and Myanmar.

The new leadership in Beijing has given further impetus to growth, as Xi has promised to transform China through a national rejuvenation to realize the "Chinese dream".

According to a new report by global information company IHS, China is expected to become the world's biggest economy by 2024 with a three-fold rise in consumer spending from \$3.5 trillion to \$10.5 trillion over the next 10 years.

The International Monetary Fund estimates that China's GDP in purchasing power parity terms will reach the level of the United States by the end of this year.

All these indicate that Xi's dream — of making China a moderately well-off society by 2021 and a fully developed one by about 2049 — is within reach.

John Wong, professorial fellow at the East Asian Institute of the National University of Singapore, says that Xi's visit to South Asia is timely.

"Without paying a state visit to South Asia, Xi would not have completed his global diplomatic tour since he took power," he says.

Xi has thus far visited Africa, Latin America, Southeast Asia, Europe and the US.

"South Asia is getting increasingly important for China in the geopolitical sense, not least because South Asia is in a pivotal position for China's long-term grand strategy of opening the new Maritime Silk Road," adds Wong.

China's economic reach in the South Asian region has grown considerably since the late 1990s. Between 2003 and 2012, China more than doubled its exports to Bangladesh, Bhutan, the Maldives, Nepal, Sri Lanka, India and Pakistan.

"Now China would like to see a stable South Asia to expand its trade and investment linkages with the region for its larger economic dream," says Jeff Xu, a Shanghai-based partner with financial services firm Deloitte.

"After the Chinese president's state visit to South Asia we will see more investment and trade happening between China and South Asia," Xu adds.

China is, at present, the largest trading partner of India, Pakistan and Bangladesh, and the second largest trading partner of Sri Lanka and Nepal.

So far, China has only one free trade agreement in the South Asian region, with Pakistan since 2007.



PIB / AFP

Chinese President Xi Jinping (right) and Indian Prime Minister Narendra Modi shake hands at a meeting in Brazil in July. The Chinese leader's visit to South Asia next week is seen as having both key economic and strategic significance.



Mark Schaub, international partner, King & Wood Mallesons.



Wang Youming, director, department for developing countries studies, China Institute of International Studies.

Nevertheless, it has had a preferential regional trade arrangement with India, Sri Lanka and Bangladesh under the Asia-Pacific Trade Agreement (APTA) for certain goods since 2001.

The China-South Asian Expo, launched last year as an upgrade of the annual Kunming Fair, has helped the country increase economic and trade cooperation with South Asian countries.

"Both China and South Asian countries are enjoying a harvest season, benefiting from multilateral cooperation in commerce, trade, culture and infrastructure construc-

tion," Vice-Premier Wang Yang said recently at the second China-South Asia Expo, held in June in Kunming in Southwest China's Yunnan province.

In 2013, China's trade with South Asian nations, including India, rose to a whopping \$100 billion from \$35 billion in 2006.

India-China trade totaled \$65.47 billion in 2013. Based on latest figures from the General Administration of Customs of China, the total volume of trade between India and China from January to April 2014 amounted to \$21.98 billion.

Last year trade between Sri Lanka

and China reached more than \$3.6 billion, and \$13 billion between Pakistan and China.

Since about 10 years ago, South Asia has witnessed a wave of financial assistance from Beijing. In some South Asian countries like Sri Lanka, China has overtaken traditional donors through its active engagement in post-war infrastructure development.

Reports show that Chinese enterprises have pumped in more than \$4 billion into South Asia and achieved a construction contract turnover of about \$85 billion.

Last month, China agreed to lend \$16 million in aid to Maldives for its various development projects, including a development of a Special Economic Zone and 50 new resorts within a time frame of the next five years. The agreement was signed during Maldives President Abdullah Yameen's visit to Nanjing, to attend the opening ceremony of Youth Olympic Games.

During a meeting with his Maldivian counterpart, President Xi also officially invited Maldives to participate in the construction of maritime silk road (MSR), a nautical counterpart of the Silk Road Economic Belt, which Xi has proposed.

"China views Maldives as an important partner in South Asia and the Indian Ocean region," said Xi.

China has taken part in a number

of bridge development projects in Bangladesh, as well as power plants, communications and roads in Pakistan. It has also played a key role in developing sea ports in Pakistan (Gwadar), Bangladesh (Chittagong) and Sri Lanka (Hambantota).

"China enjoys very positive relations with Pakistan and Sri Lanka ... and has built and developed significant infrastructure in both countries. With China's assistance, Sri Lanka is poised to be a major Asian tourist destination," says Chris Devonshire-Ellis, a managing partner at Dezan Shira & Associates, a foreign direct investment consulting firm.

In 2013, the Chinese mainland emerged as Sri Lanka's largest foreign direct investor, accounting for 24 percent of total inflows, while 12 percent came from Hong Kong.

"China has also offered to fund large parts of India's own infrastructure development, and I think Xi's trip will be largely about the redevelopment and infrastructure assistance that China can provide to all these nations, and the continuing bilateral trade development between each of them and China," adds Devonshire-Ellis.

Over the years, China has also participated in a number of key trade bodies in South Asia, attaining 'observer status' in the South Asian Association for Regional Cooperation forum.

China is also a member of APTA — to which India, Sri Lanka and Bangladesh also belong — and is a Dialogue Partner in the Indian Ocean Rim Association, which promotes cooperation in the Indian Ocean region.

Reciprocating the courtesy, Beijing has invited South Asian nations to the process of drawing up ambitious plans for developing the Silk Road Economic Belt, which is expected to revive China's trade links and enhance its sphere of global influence.

Mark Schaub, international partner at Shanghai-based multinational law firm King & Wood Mallesons, indicates that establishing transport and connectivity infrastructure will be key to developing the relationship between China and South Asia.

"As trade and interconnectivity continues to move forward, the relationship will grow and more cross-border investments will flow. Transport has been key, especially for fueling Chinese energy consumption," Schaub says.

"Xi's visit has both strategic and economic importance, as establishing the new Maritime Silk Road and improving both land and sea transportation networks with South Asia will be critical for China," he concludes.