

Media Coverage

Singapore firms seeking growth could tap Chongqing's bubbling potential

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ONE year on since its formation, the Chongqing Connectivity Initiative between China's largest municipality and Singapore is starting to percolate.

When Prime Minister Lee Hsien Loong met President Xi Jinping on the sidelines of the September 2016 G20 summit, the subsequent communique signalled both countries' desire for the Chongqing Connectivity Initiative (CCI) to be a "new highlight of bilateral cooperation".

Launched in November 2015 when Mr Xi visited Singapore, it aims to further drive connectivity between the city state and the municipality, particularly in financial services, aviation, transport, logistics, and information and communication technology (ICT).

To date, there are three marque projects that have spearheaded Singapore's entry into the city: the joint venture with Chongqing Airport Group; CapitaLand's Raffles City mixed residential and business centre project and the Straits Trading Mall in the Nan'an district.

All three provide the impetus for other Singapore businesses to slipstream behind, and there are many who are seriously considering it.

And it is easy to see why.

With a population of just over 30 million, Chongqing is the most populous Chinese municipality, surpassing those of Beijing, Shanghai and Tianjin.

In response to the swelling numbers and rapid urbanisation, the municipality has pledged to invest a hefty 1.2 trillion yuan (S\$247.7 billion) in infrastructure development and improvements to 2020 including 202 kilometres of extra rail line within the city by 2018.

The warm overtures pave the way for many Singaporean companies including those in business services, engineering and construction to get involved.

Chongqing's growth is also being boosted by the "Belt and Road" initiative which aims to open up road and rail trade routes between China's Western provinces and other countries across central Asia and into Europe.

Chongqing is an important piece of the puzzle. For example, the Yuxinou railway, which originates out of Chongqing, accounts for 80 per cent of all goods transported via railway between China-Europe.

Located at the intersection of the Belt and Road Initiative's trade route and the Yangtze River Economic Zone, Chongqing will serve as the launch pad for international companies seeking to reach new markets in Western China.

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To grab these opportunities, the municipality has put in place the Chongqing Transport and Logistics Master Plan which seeks to develop Chongqing into the logistics hub of Western China by linking air, rail, road and river transport networks.

Given its standing as a trade entrepot, Singapore has strong credentials and expertise in the logistics space to help Chongqing create a paperless and electronic ecosystem that will enable airports and rail to efficiently exchange information to make the transfer of goods between these different transport modes more seamless.

Perhaps unsurprisingly, the investment from Singapore into Chongqing is gaining momentum.

Already 239 Singaporean corporates have set up a presence in Chongqing, mainly in the property, transport, manufacturing, financial and information technology (IT) sectors as at August 2015.

Chinese and Singapore financial institutions have also jointly set up a 100 billion yuan fund to invest primarily in Chongqing-based projects for sectors such as financial services and aviation.

Within just a year, contracts for over 60 projects worth more than US\$15 billion have been signed, with total cross-border financing reaching US\$3.2 billion via 39 transactions.

The various announcements have solidified Singapore as the largest source of foreign direct investment into Chongqing and among the top five recipients of Singaporean investment into China overall.

While a lot of the focus is obviously surrounding the opportunities into Chongqing, the initiative will also open doors for commercial activity within Singapore itself.

HSBC is seeing Chinese corporates begin to use Singapore as a gateway to Asean, including companies in the car, construction, energy, infrastructure and trading sectors.

While all these present strong potential for Singapore corporates, a new market such as Chongqing will not be without its own challenges to foreign corporates, such as understanding local business customs, regulatory and dispute resolution procedures.

Singapore corporates have certainly been provided with a "leg-up" through the CGI, but this doesn't mean that a Chongqing play is riskless.

Corporates seeking to enter the market will need to do their due diligence, just like they would for entering any market, including a thorough market feasibility study and establishing a clear strategy for entry whether that is through a joint venture, partnership or setting up a wholly owned subsidiary.

It is also important to draw on the support of industry groups. For example, the Singapore Chinese Chamber of Commerce and Industry announced in July its intention to open an office in Chongqing to help Singaporean corporates link with local enterprises. The Singapore Business Federation and International Enterprise, Singapore (IE) have also been organizing business delegations to visit the city to better understand the opportunities and to forge on-the-ground connections.

As one of Chongqing's major investors, a good foundation has already been laid for Singaporean corporates who are seeking new consumer bases. With subdued commercial activity expected in Singapore and Southeast Asia in 2017, Chongqing could be the lantern on the hill for Singaporean corporates' future growth ambitions.