

With increasing trade between Asia – in particular China – and the rest of the world, comes the need for efficient trade services. Andrew Au, Asia Pacific Trade Head at Citigroup, assesses the scene.

# A bridge for trade

Whether you are a manufacturer of aircraft, a grower of soybeans or an importer of children's wear, all roads lead to Asia today – with China rapidly becoming the trading partner of choice. The vitality of the world's fastest growing economy is not only drawing trading partners from every continent but essentially changing the playing field. The trends driving China's importance in both the Asian and international arenas, are significant and solidly based – with implications for trading partners, worldwide.

## Building economic integration in Asia, and in the world

The first clue to China's strategic position is the high volume of intra-Asian trade, which at US\$700 billion last year, accounted for a full 10% of global trade. By October of 2003, exports to the mainland from Brunei, Hong Kong, Indonesia,

Japan, Macau, Malaysia, Philippines, Singapore, South Korea and Taiwan, plus Australia, New Zealand and Papua New Guinea grew an astounding 44%, valued at US\$219.7 billion.

For the most part, China imports commodities from its developing market neighbours in Asia, the essential ingredients for a wide range of manufactured goods, which it exports worldwide, primarily to countries in the OECD (Organization for Economic Development).

Although the US remains the worldwide market of choice, importing US\$220 billion from Asia (excluding China) in the first nine months of 2003, China's imports are having significant impact. China's need for computers, machinery and steel, in addition to food and raw materials is simultaneously helping struggling economies and reshaping international trade relations.

## China's trade balance

China's growing trade surpluses against the US and Europe in recent years were accompanied by rising trade deficits against Asia



Source: CEIC (Chinese Statistics), Citigroup

### Providing cost-effective production

As 'manufacturer to the world', China draws on a low cost base and abundant labour force to produce a wide range of manufactured goods for companies in every market, from high technology and specialized construction equipment to home appliances, shoes and clothing. As a result, manufacturers all over the world have shifted production to China, including well-known names, such as Konika/Minolta, Dell, Matsushita, Philips, Sony, Cooper Tire and Hoover.

In today's narrow margin environment, China's broad capabilities and low cost base have become a fundamental requirement – even for companies in Asia. In recent months, many companies in Hong Kong and Taiwan have shifted production to China. As a result, China has become an essential trade axis, a central point in the manufacture and movement of finished goods to the world, and a vital link in the global production chain.

### Providing new opportunities

The growing appetite of a population of 1.29 billion people has made China a new source of income for both developing and developed nations. In fact, OECD countries are now sending a record volume of goods to China. According to the Statistics Office of the European Communities, between 1999 and 2002, China's imports from the euro block alone grew a full 89%. In the first nine months of 2003, US exports to China grew 22% and shipments from Japan climbed 38%. The growing influence of China as customer is already overshadowing the role of Japan in Asia and is expected to impact the influence of the US in the global economy.

### Laying the foundation for your success

With China as the most important intermediary, foreign companies in Asia require an international banking partner with the following characteristics:

*A strong Asian franchise:* The value of a pan-Asian network is not to be underestimated. A deep local presence, established relationships with local financial institutions and experience with local business practices are as essential to business success as sophisticated services.

*Broad coverage:* A strong global network backed by cutting edge technology and local presence as well as a broad client base including companies of all types and sizes.

*Flexibility and innovation:* In order to operate effectively in a still-forming economic infrastructure.

*Organizational dexterity:* In order to quickly adapt successes in other markets to the needs of the Chinese market.

### Citigroup in Asia

With a history in Greater China that dates back a full century, a presence in 18 markets in Asia – with relationships in 26,000 partner bank branches – no one is better positioned than Citigroup, to serve your interests in China.

Today, Citigroup is the preeminent bank in Asia, providing the broadest range of financial services and solutions to a

diverse client base comprising corporations, financial institutions, governments, and consumers. Our local bi-lingual staff stand ready to deliver exceptional service in every market.

In China, Citigroup offers the broadest range of capabilities and solutions of any foreign bank and has the largest network among US banks. We operate branches in Beijing, Shanghai, Guangzhou, Tianjin, and Shenzhen, with a sub-branch in Shanghai Puxi and two representative offices in Xiamen and Chengdu. As part of a 101-country network, Citigroup has the most extensive global orientation of all foreign banks in China.

*In Hong Kong,* Citigroup is the largest foreign bank, offering a full suite of corporate and consumer banking services. Our local market knowledge and technical capabilities have consistently allowed us to deliver the highest quality and most competitive services to a demanding client base.

*In Taiwan,* Citigroup is the market leader, providing banking solutions for corporates and financial institutions in

cash management and trade services, and a consistent winner of industry awards for transaction services and service excellence. The bank is a member of all local clearing systems and takes the lead in government-sponsored initiatives.

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Andrew Au, Asia Pacific Trade Head at Citigroup in Hong Kong.

With the largest equity base in the industry – more than US\$93 billion – clients can be confident of dealing with a trusted and reliable banking partner. Our strong capital base makes it possible for us to handle high-value trade finance transactions that are beyond the scope of what other institutions can process. All this, plus the advantage of a single bank partnership in Asia, provides the consistency and convenience of a single flow of integrated processes across diverse banking environments.

#### At Citigroup trade is an end-to-end business

Citigroup Trade Services cover 18 markets in Asia – Australia, Bangladesh, Brunei, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Pakistan, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand and Vietnam.

Through our direct presence in more than 100 countries, we are able to combine a deep local presence and a vast global network to provide high quality, consistent, end-to-end solutions for all segments and participants in the trade marketplace. As a result, we often find that both counterparties to a given transaction are Citigroup clients. Not infrequently, we are able to handle both sides of the transaction, mitigating trade risk as well as saving time and money for both buyer and seller.

For exporters in OECD markets who face risk from emerging markets, Citigroup's ability to be on the ground, understand both counterparties and take a risk on them is a critical advantage. In addition, as the only bank in Asia with regional processing centres (RPCs) for trade and cash management, as well as membership in all the major clearing systems in Asia, Citigroup processing is unmatched by any other bank.

Through CitiDirect® Online Banking, our web-based delivery platform for corporates and financial institutions worldwide, both exporters and importers can integrate their trade information with a full suite of Citigroup cash management solutions, for greater accuracy and efficiency.

Citigroup serves a much broader range of clients in Asia than other global or regional trade banks, including multinational corporations and financial institutions as well as small, mid-sized and large corporates. As a result, we support a large span of products with numerous local variations. These include the full range of traditional trade solutions as well as innovative enhancements that serve the needs of specific markets.

#### Going beyond traditional solutions

*Vendor financing programmes* In order to support our clients' relationships with valued suppliers, Citigroup has successfully implemented vendor financing programmes in key Asian markets. The primary focus is on pre and post shipment finance to established long-term suppliers of large US and European retailers, supporting both LC (letter of credit) and non-LC transactions.

With the world manufacturing base now trending

towards Asia, Citigroup is planning an aggressive roll out of vendor financing programmes into these markets as well. In addition, we will be expanding our trade financing capabilities throughout Asia, including specialized trade finance solutions, such as commodity financing, without recourse open account financing, and other financing programmes tailored to specific client needs.

*Trade enhancements to CitiDirect® Online Banking*, our web-based delivery platform for corporates and financial institutions worldwide include additional functionalities enabling clients to initiate a full range of trade transactions, generate and track insurance letters of credit. A powerful reporting engine and flexible file management capabilities provide clients with in-depth, real-time intelligence.

*Web LC*, developed and piloted in Singapore, is designed to eliminate paper flow. Web LC allows clients to deliver documents electronically to the bank for both LC and non-LC transactions – enhancing speed, accuracy and efficiencies for both the client and the bank.

*Citibank® Electronic Documents*, our document preparation outsourcing solution for exporters in Asia is now an end-to-end service, providing document preparation, checking, processing and collections, using the bank's extensive global network in 101 countries – delivering improved cycle time and faster collections.

*Automated payment order to LC (PO2LC) issuance* is a trade integration solution, with Citigroup automatically issuing letters of credit based on the details of the import client's purchase order. It offers straight-through processing and improved cycle time.

*Faster advising cycle*: A new processing procedure speeds up the LC advising cycle for clients using the China-Taiwan SWIFT Channel. The new process shortens the end-to-end cycle time as well as payment timeframes for the exporter.

*Global trade processing platform* – Citigroup's trade processing system, Trade Record Information Management System (Trims), is being gradually rolled out in Asia this year, and will enable us to process transactions 'around-the-sun'.

In summary, whoever you want to trade with in Asia, however you want to structure it, Citigroup can help you make it happen. We have the relationships, the means and the know-how. Our unparalleled combination of local expertise and capabilities, backed by the global technology and resources of Citigroup, one of the largest financial services organizations in the world, adds up to your best opportunity in Asia. We'll be your knowledgeable guide, your trusted advisor, and your provider of outstanding services. ■

*For more information about Citigroup's trade capabilities and solutions, please contact:*

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