

Insideview

The Future Role of Asia-Pacific in the Global Financial Markets

INTERVIEW WITH ROLAND SCHWINN

The Asia-Pacific region can be characterized by a growing presence in global financial markets and, thus, is said to have an important future role. What are the most significant characteristics of this growing presence and why will this region have an increasingly important future role?

One of the most important characteristics of this huge geographical region is its cultural diversity and the respective maturities when it comes to economical developments, political stability, and international orientation. Here you find huge countries like Indonesia with a population of around 250 million but only USD 4,700 GDP per capita and also geographically small neighbors like Singapore, with more than USD 60,000 GDP per capita. In addition, the financial markets in Asia-Pacific are highly fragmented, there is, for example, no single currency like in the Eurozone and the US.

What are the great opportunities for interna-

tional firms and investors regarding this region?

As a result of the strong economic growth rates averaging above 5% over the last years in countries like China, Mongolia, Indonesia, and Sri Lanka, the middle classes are expanding fast and consumption also results in a strong demand for now affordable products, including quality food, luxury goods and not to forget German automobiles particularly in China. That growth in wealth across the region also generates an increasing demand for investment and insurance products and services. On the other hand, labor cost is still comparatively low in some countries.

What countries of the Asia-Pacific region are of most interest for exchange investments, e.g., of Eurex, and why?

Singapore currently is seeing an additional boost as an infrastructural and financial hub. The political stability, the reliable legal and regulatory



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framework is the ideal ground for the Asian headquarter of an international exchange organization. Additionally, the cultural diversity and high level of education is also a valuable talent pool for further business expansion like our new clearinghouse Eurex Clearing Asia. Countries where we see significant future potential for further growth are India and Greater China, simply because of their market capacity and the current developments.

Looking at the People's Republic of China, financial markets' development has notably been influenced by new politics and opportunities for foreign investments. What have been the most important changes here?

The ongoing opening process of China is definitely the most important change happening. Step by step, China is giving its domestic investors more opportunities to invest overseas and gradually also is adding additional channels for foreign investors into China. The new Shanghai free

trade zone in Pudong is probably one of the most interesting developments at the moment. Here in Asia, the opportunity is well accepted and a number of international financial institutions have already started to establish presence there.

Just a few weeks ago, initiatives of renminbi (RMB) clearing at Germany's financial center Frankfurt have been announced. What does this development mean for European and Chinese markets?

Hong Kong, Taiwan and Singapore have already established significant RMB offshore centers. Now, it's time for Europe to catch up and it's important for Frankfurt as a financial center to be part of it, not only because Germany is one of the largest trading partners of China. For China the relevance of supporting overseas RMB hubs is to internationalize the currency and facilitate RMB backflow into China.

Thank you for this interesting conversation.