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Strong yuan will benefit all economies, say economists

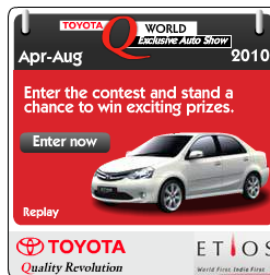
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SINGAPORE: A stronger Chinese yuan would be beneficial to the global economy as well as China, an International Monetary Fund (IMF) consultant and other economists said on Tuesday.

Speaking at a trade risk seminar in Singapore, IMF global consultant Rajan Govil said an appreciating yuan would address the current account disparities between Asia and the United States.

"I think it's positive from the global perspective and (the)

Chinese economy perspective," he said at the seminar organised by French risk analysis group Coface.

"It's a very positive stance taken by the (Chinese) authorities and given the current account surpluses that China had, and given the global imbalances... this will help address that issue from a global perspective."

China's central bank earlier this month pledged to let the yuan trade more freely against the dollar but ruled out dramatic moves in the currency or a one-off appreciation.

Govil's comments follow IMF managing director Dominique Strauss-Kahn's statement on Monday that the yuan was still undervalued.

Standard Chartered Bank global head of trade finance Tan Kah Chye said a stronger yuan, or renminbi, would make China's imports more attractive to Chinese consumers.

"Imports for the Chinese consumer are a lot cheaper, so from that perspective it is all good news," he told the forum.

Coface chief economist Yves Zlotowski added that a robust yuan would ease concerns of unfair Chinese advantage resulting from allegations it was deliberately undervaluing its currency.

However, Zlotowski did warn that the currency's appreciation would add volatility to the Chinese corporate sector.

"Appreciation of the yuan is increasing risks in terms of corporate risks. What we have seen is we have many sectors in China... which are extremely vulnerable to exchange rates," he said.

Zlotowski added that a weakening euro would give Beijing an excuse to control the pace of the yuan's appreciation.

"My view is that you will have an appreciation, but a very slow one. I think you will have something (like) three to five percent a year against the US dollar... The rhythm will be very gradual, will be very progressive," he said.

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