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De-mystifying the RMB Hub: Economic Context and the Implications of Vancouver's and Toronto's Bids to House RMB Trade

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Abstract

On June 18 of this year, Canada held talks with the Chinese government on establishing an offshore trading hub for the Chinese renminbi (RMB) (Chinese currency) in Canada. On the same day, the China Construction Bank became London's authorized RMB clearing bank, while on the following day, the Bank of China became authorized as Frankfurt's clearing bank. Between January and June 2014, working groups from around the world nominated at least four new cities as viable candidates to host RMB hubs. The potential to create skilled jobs, attract business, and boost trade and financial activity with China are touted as reasons to support these moves. But how exactly do the workings of an RMB hub confer economic benefits on a nation or a city? Why have they all taken interest now of all times? What is behind Canada's decision to nominate Vancouver as a hub, along with Toronto? The authors address these questions and provide a comprehensive overview of what an RMB clearing hub is and how it fits into existing developments in currency internationalization, policy reform in China, and the positioning of cities in a changing global economy.

Contributors

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1. Introduction

In mid-June of this year, Canada held preliminary talks with the Chinese government to create a Canadian offshore trading hub for the Chinese renminbi (RMB), also known as the yuan or the "redback." The talks came at the suggestion from B.C. officials to promote Vancouver as the possible location for the hub alongside Toronto, Canada's traditional centre for finance, in hopes that the cities' combined strengths would enhance Canada's position as a whole.[1] Indeed, competing bids between the two cities might have given cities elsewhere in the Americas time to join the race.

Time is of the essence for cities that are seeking advantage in a world in which China looms large in finance and trade. In March, London and Frankfurt signed RMB clearing agreements with the People's Bank of China (PBoC) within two days of each other, then consecutively received clearing bank appointments from the PBoC on June 18 and 19.[2] Between January and June 2014, public and private working groups worldwide nominated at least four new cities as potential RMB hubs.[3] Like Canada, their interest anticipates that a hub will attract business, create skilled jobs, and boost trade and financial activity with China. However, groups documenting or promoting the development of these hubs have left untouched questions such as how exactly the workings of a trading hub confers economic benefits, how a candidate city or nation could work to promote its competitive advantage, why it should want to set up the first RMB hub in its region – and why *now*.

2. Currency Internationalization and the Concept of an RMB Hub

A national currency becomes internationalized when domestic and foreign market participants use it to conduct economic and financial activities such as trade, investment, and offshore invoicing.[4] An international currency has three basic functions: to act as a store value, a medium of exchange, and a unit of account. It can be used by both private and public actors. Historically, the rise one country's currency as an international currency has corresponded with the fall of another country's overall economic power.[5] However, currency internationalization can occur rapidly in spite of the existence of an incumbent international currency such as the U.S. dollar. Because several international currencies can exist simultaneously as part of a multipolar financial system, the rise of the RMB does not presuppose the demise of the U.S. dollar.[6] However, the international usage of the RMB is notably insufficient considering Beijing's economic clout as the world's biggest creditor, second largest economy, and top trading state.

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Currency internationalization confers several advantages on a country and its trading partners. It minimizes foreign exchange risk, lowers transaction costs for both sides of an economic exchange, and increases the efficiency of borrowing for financial institutions.[7] Moreover, a country with an international currency will no longer need to hold a large reserve of another international currency as a medium of exchange and a store value. In the case of China, the internationalization of the RMB will allow Beijing to reduce its reliance on the U.S. dollar. Finally, the possession of an international currency is a major source of power and prestige, symbolizing an economy's robustness and resilience.

In effect, an international RMB heralds the beginning of a new era in financial markets across the globe, one commensurate with the size and importance of the Chinese economy. Once it reaches the status of international currency, the RMB could emerge as an additional global reserve currency. The Chinese government has been pushing for the internationalization of the RMB since 2009 as a direct – though unintended – consequence of the 2008 global financial crisis, which exposed fault lines within the existing, U.S dollar-reliant international monetary system. The diversification of foreign reserves is a pressing matter for China, as close to 60% of the country's US$4 trillion reserves are denominated in greenbacks.[8]

In 2013, during the Chinese Communist Party's Third Plenum, Beijing expressed a commitment to deepening market-oriented reforms and moving China further toward integration with the global economy. These reforms currently lack a timeframe of implementation. This can be attributed to the nature of Chinese political and administrative system, in which policy projects are typically carried out first on a smaller scale before they are applied nationwide. China

is searching for long-term ways to internationalize the redback rather than short- or medium-term methods to circumvent financial liberalization. It will nevertheless do so without jeopardizing its core interests.

According to Chinese leaders, the creation of a new monetary system that includes the RMB and other widely used currencies would greatly improve the flexibility and stability of the international monetary system.[9] In addition, this event would complete China's emergence as a great power on equal footing with the United States. Chinese leaders perceive the internationalization of the RMB as a necessary action that will significantly enhance China's international status, its competitiveness, and its influence over the world economy. The country is currently in its third attempt to internationalize the RMB, following a first, tentative attempt in the mid-1990s that was derailed by the 1997 Asian Financial Crisis, and a second attempt in the mid-2000s. The previous attempts suggest that the internationalization process could also be aborted should the Chinese economy face with a major internal or external financial shock.

Thus far, China has opted for a dual-track strategy to promote the RMB. The first track corresponds with the promotion of the RMB in the financial markets, and the second track is to increase the use of the currency in international trade and direct-investment settlements. Broadly speaking, Beijing wants to encourage foreign investors and nations to hold RMB-denominated assets while maintaining capital controls in order to prevent financial shocks like the 1997 crisis. Hong Kong and other offshore markets are cornerstones of China's strategy.

Given the catalytic role that financial services play in the real economy, the development of onshore financial centres in China and offshore RMB centres abroad are to be reasonably expected. Currently, China maintains a firewall between the RMB market at home and abroad. Offshore centres trade offshore RMB (CNH), while the RMB traded onshore (CNY) is mostly unavailable to foreign actors outside of China. Though the two markets are correlated, the values of the CNY and CNH can diverge at times. This firewall will likely persist until the capital account restrictions are fully removed, most likely by the end of the decade.

There are three types of offshore RMB centres: trade-driven, finance-driven, and a combination of the two. Examples of trade-driven centres include Taipei, Sydney, and Frankfurt. Trade-driven centres have close investment and trade ties with China, which helps to build up RMB liquidity. Finance-driven centres, such as Singapore and Luxembourg, have strong financial ties to mainland China. Liquidity can become an issue for these centres if trade activity is insufficient. Nevertheless, finance-driven centres' dominance in the global financial sector and the offer of RMB financial products can help them attract offshore funds. The last type of RMB centre has close ties with China in both trade and finance. Hong Kong, London, and New York are centres of this last type.

There is an additional distinction to be made between official RMB centres authorized to complete RMB transactions by China's central bank and unofficial centres, whose banks serve as points of access to the RMB clearing infrastructures in official centres. In this article, the term RMB "hub" refers only to official centres. The United States, a country without an official offshore hub, has recently seen its RMB surge and has unofficially become the world's third-largest RMB centre outside of China and Hong Kong, after Singapore and London. Toronto and Vancouver, on the other hand, hope to become official RMB hubs like Hong Kong, Singapore, Taipei, London, and Frankfurt.

Given the U.S. dollar's status as the unique global reserve currency, ongoing Sino-American disputes in trade and currency manipulation, and the lack of initiative for American leaders to recognize China on equal footing, Canada can use this opportunity to become the first offshore RMB hub in the Americas. Indeed, Canada is both a key player in international finance and a country with important trade ties with China, its second largest economic partner.

3. The Appeal of the RMB Hub

Offshore centres aim to make the Chinese market more open to foreign entities and to make Chinese investment flow more easily in and out of global markets. As China reforms its financial sector, its connectedness to other countries will continue to rise and may eventually challenge that of the United States. China is poised to play a critical role in providing extra liquidity and stability to global financial markets. In the long run, establishing an RMB hub in Canada sends the signal that RMB clearing and settlement will become more and more common. Canadian financial institutions are well placed to serve clients who will increasingly demand redback-related financial services. Based on data attesting to the rapid subscription of offshore bonds denominated in RMB, also known as "dim sum bonds," there appears to be a strong demand for CNH-denominated products outside of China. For instance, most of the recent bonds issued were oversubscribed.[10] This indicates that the RMB holds the confidence of foreign investors, an important prerequisite for currency

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internationalization.

China is already the largest global source of savings, and along with India, has the largest potential of capital for international investment.[11] As Canada's second-largest trade partner after the United States, it is in China's interest (and in the interest of Canada) to build deeper and more open financial relations. Becoming an offshore RMB hub and taking proactive measures to promote RMB market development would enhance Canada's status in the international financial industry, increase its tax revenue, create high value-added jobs in the Canadian financial sector, and encourage foreign companies to set up North American headquarters in Canada in order to have ready access to RMB financial products and services.

The Chinese and Canadian economies are complementary. Canada exports the natural resources China needs for growth. In return, Canada imports consumer and other finished goods. Canada's merchandise exports to China totalled more than C$20.48 billion in 2013 while its imports were more than C$52.73 billion. An offshore settlement hub in Canada would reduce the costs of these transactions, which are currently settled in U.S. dollars and then changed into RMB. China would welcome a stable, prosperous nation such as Canada to extend the use of RMB in international trade.

Trade settled in RMB in Canada rose by 50% between 2012 and 2013, from 0.1% to 0.2% of the total. Globally, 20% of China's trade is settled using the redback, with Hong Kong taking the lion's share outside of the mainland, followed by Singapore and the United Kingdom. This is an extraordinary development considering there was virtually no trade settled in RMB in China in 2009. Companies and banks are not yet all aware of the benefits of settling trade in RMB, which are as follows. First, the cost of hedging exchange rate risk is generally cheaper overseas than in mainland China. Second, Chinese companies are willing for the time being to give discounts if foreign companies opt to settle trade in RMB. At the moment, commodity exports dominate Canadian trade to China, and these transactions have traditionally been priced and settled in U.S. dollars. This could change in the next few years. In Australia, some companies have started pricing their commodities in renminbi instead of U.S. dollars. Third, China has a large and expanding pool of savings from its household, private, and government sectors. As capital controls are slowly removed, an important amount of those savings will be invested offshore. Canada has an opportunity to present itself as a destination of choice for Chinese investment. The opening of China's capital markets requires Canada to start thinking strategically about how to position itself in this process.

Using the RMB to settle trade between Canada and China could increase trade by up to C$500 million a year.[12] In Asia, where Canada's presence is almost invisible compared to countries like Australia, the establishment of an RMB hub could also help put the country on the map and reset the political agenda after many years of 'cold politics.'[13] Driving the real economy and facilitating trade and investment are the reasons underlying the creation of offshore RMB hubs. The development of offshore hubs requires a three-pronged approach made up of the coordination of political interests, the promotion of trade and investment denominated in RMB, and the creation of policies and laws to control financial flows and reduce risks. As more and more centres come into existence and the use of RMB in trade settlement increases, network effects will mitigate risk and expand the overseas circulation and use of the redback, thereby boosting market confidence and reducing systemic risks. For Canada's part, establishing an offshore settlement hub and currency swap would signal serious intent to diversify its markets and adapt to the shifting centers of gravity in global finance. In the short term, becoming an offshore RMB centre can be a driving force for Canada-China trade, especially in the realm of commodities. In the long run, Canada could begin offering RMB investment tools such dim sum bonds and derivatives, as well as launch initial public offerings (IPOs) of Chinese companies.

4. Recent Developments in Canada

In 2013, the government of British Columbia (B.C.) became the first and largest foreign sovereign bond issuer in the CNH market.[14] The one-year term bond was priced with a 2.25% interest rate and was quickly oversubscribed. Money raised by the B.C. government was then reinvested in a CNH investment vehicle in Hong Kong. Nearly 60%

of the investors were from Asia.[15] B.C.'s dim sum bonds were rated AAA, the highest bond credit rating a financial product can receive. As few governments maintain such a high credit rating, B.C. is in a good position to issue more dim sum bonds in the future. B.C.'s decision to use RMB denominated bonds represents an attempt to diversify the government's investor base, access new sources of global liquidity, and increase financial and economic ties with China and the rest of Asia. It also suggests that the provincial government believes the internationalization of the RMB is currently under way. The potential to attract capital for natural resource projects and raise the province's profile in the Chinese markets for exports is also a major reason behind B.C.'s support of an RMB hub in Canada.[16] It is conceivable that Vancouver will become a major centre for issuing and floating bonds should it become host to the RMB hub.

Representatives of the Canadian Department of Finance met with their Chinese counterparts in Beijing in May 2014. More meetings are scheduled over the summer, and the establishment of an RMB hub should be on the agenda. The new Chinese ambassador to Canada, Luo Zhaohui, has voiced his support for an RMB hub in Canada in order to boost trade.[17] Based on interviews with stakeholders, the Ministry of Finance wants to pursue a swap agreement with the Chinese central bank. However, as the Bank of Canada (BoC) is an independent organization, it is unclear whether the Bank intends to initiate a swap. Since the matter has become political, officials have declined to comment.

The China-Canada Economy and Finance Forum, an event supported by the Asia Pacific Foundation of Canada, took place in Vancouver on June 6. Topics discussed include the benefits of creating an offshore RMB hub, the developments in offshore RMB activity worldwide in the past five years, and the recent and predicted trends in the Chinese economy that would make establishing the Canadian RMB hub a timely action. On the same day, an amendment to allow foreign (Schedule III) banks to register in B.C.'s International Business Activity Program (IBA), through which corporations can claim a full provincial tax refund for international business activities, was brought to force. The advantages to setting up the exchange in B.C. were also addressed, namely the province's historical connection to Asia, its export of natural resources to China, and Vancouver's geographic location. Speaking at the conference, Bank of China (Canada) CEO Wang Lijun expressed a keen wish to promote an RMB trading hub in Canada. BOC-Canada is headquartered in Toronto, but has branches in Vancouver.

The Toronto Financial Services Alliance (TFSA), in conjunction with Chinese and Canadian banks, has been publicly advocating Toronto as a candidate city for the Canadian RMB hub since 2013. The Ontario government has not commented on these proceedings. The recent initiative to advocate Toronto and Vancouver jointly as hubs appears to have come from B.C., whose Ministry of Finance has reached out to the Canadian federal government and the TFSA. While the two cities are making their pitch together, each city's part in the collaboration is unclear and the question of which city will host the exchange remains unanswered. At present, the aim is to make sure that the hub comes to Canada. Because an RMB hub is not a physical space, but rather part of a virtual infrastructure within the existing financial structure, companies across Canada will have access to financial services denominated in yuan regardless of where the hub is hosted; however, the hub will signal prestige and could possibly bring jobs to the host city.

Only a handful of Canadian banks have so far expressed interest in offering services or financial instruments denominated in RMB. Canadian banks and insurers have formed a working group with Chinese banks to hammer out the logistics of the RMB trading infrastructure and to convince the federal government that there is enough industry support and trade activity to warrant an offshore hub in Canada. The membership of this working group has not been divulged, though the Industrial Commercial Bank of China (ICBC) appears to be taking part.[18] The Bank of China, the Construction Bank, ICBC and the Agricultural Bank of China had expressed interest in expanding their operations in B.C. in 2011, when the amendment to the IBA had first been indicated. The latter two had explicit views about establishing a Schedule III bank branch, but then experienced reservations due to the lack of implementation following the indication of the amendment.[19] The events of June 6 will presumably move this process forward.

5. Analyzing the Case for Vancouver

In comparison with Toronto, Vancouver is a curious choice to host the Canadian RMB hub. It is considered a second-order city in the Canadian urban system, is Canada's third largest metropolitan area in terms of population, and is ranked 17th on this year's Global Financial Centres Index.[20] This places Vancouver behind Toronto and Montreal on all three counts. Unlike Toronto and Montreal, Vancouver is not and has never been the primary command centre for corporate and financial activity in Canada. By contrast, London, Sydney, Frankfurt and many other would-be RMB hubs are major population areas or financial nerve centres in their respective nations, transnational regions,

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or even around the globe. A clarification of the reasons behind Vancouver's unorthodox candidacy brings to light how and why nations aspire to host RMB hubs, as well as the economic ramifications for those that succeed.

The collaborative bid advanced by Toronto and Vancouver has used a bifurcated approach that stresses each city's unique position, respectively, as Canada's "traditional centre for trading" and "gateway to the Pacific."[21] Vancouver's position as the Pacific gateway, in turn, gets its definition from the city's geographic access to the Pacific and its historical status as the primary landing place for goods and people travelling into Canada from across the Pacific. In addition, Vancouver has a large Asian population. In particular, Chinese-speaking and Chinese-heritage individuals account for 15% and 18.7% of the CMA population, respectively.[22]

Beginning in the late 1970s, a series of government policies and private-sector initiatives appealed to these established connections in order to promote the city as a corridor for commercial and cultural relations between Canada and the Asia Pacific, as well as a destination for travel, education, trade, and investment in its own right. The IBA was one such project. Other initiatives have focused on improving Vancouver's transportation infrastructure and "social connections" to the Asia Pacific, including academic research and exchange, post-secondary programs targeting international students, Asian language and social studies instruction at the K-12 and post-secondary levels, and efforts to connect with to networks of alumni, professionals and businesspeople of Asian origin or descent.[23]

Along with the now-defunct federal Immigrant Investor Program (IIP) and Federal Entrepreneur Program (EN), which brought to B.C. large numbers of investors – first from Hong Kong and then from mainland China – from the 1980s to the 2000s, cultural programs associated with the Pacific gateway have generated the greatest controversy out of all the gateway initiatives. Critics contend that funds from the IIP in Vancouver went disproportionately into real-estate purchases and pre-planned construction "megaprojects," rather than to creating opportunities for Canadians in trade, manufacturing or research. Additionally, the government's guarantee of investment repayment after five years precluded the use of funds in high-risk, innovative ventures.[24] The program also depended on migrants maintaining significant personal resources, business networks and fixed capital investments in Asia while living only part-time in B.C.[25]

Critics of social gateway initiatives have observed that there is little direction given as to in what way socialization among B.C. alumni living in Asia could provide benefit the province's economic development.[26] Chinese-Canadian business and professional associations have also indicated that although their members enjoy living, studying and visiting Vancouver, many nonetheless prefer to conduct business and networking through Asian cities where there are considerably more opportunities that cater to their particular talents and backgrounds.[27] Likewise, the number of language programs has also declined since the 1990s due to the perceptions that there is limited opportunity for students to apply their language skills in-province and elsewhere in Canada.[28] Finally, many residents of B.C.'s

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Lower Mainland are unaware of the purpose of gateway infrastructure developments under way in their region and have experienced confusion due to the myriad policy initiatives that bloomed under the "Pacific gateway" heading in recent decades.[29] In other words, while myriad initiatives espouse the rhetoric of Pacific engagement, there are few that systematically support one another, efficiently utilize Vancouver's existing Pacific connections, or look toward creating strategic long-term growth for Canada and the city.

The development of Vancouver into an RMB hub is an important step in bridging the distance between the city's aspirations and the challenges it faces in developing a meaningful Pacific gateway. Vancouver's diverse population and its multilayered global connections endow the city with a variety of resources for establishing the Pacific gateway, but the city must also make strategic use of those resources in order to stand out in the pan-Pacific outlooks of businesspeople and professionals seeking opportunity in the region. The termination of the IIP and EN and amendment to the IBA represent a shift toward strategic planning of this kind. Likewise, the establishment of an RMB hub seeks to create well-defined, continuous applications for Vancouver's particular existing strengths as an important node in Chinese-Canadian personal and business networks and the head and branch location of Chinese banks. In addition, it is hoped that augmentation of financial service offerings and business opportunities will create demand for high value-added business services in the city. Finally, the nomination of Vancouver as a hub alongside Toronto tacitly recognizes the westward shift of power and wealth in Canada, mimicking the westward and southward shift of Canada's economic centre from Montreal to Toronto in the 1970s and 1980s. The chance to provide a specialized, strategic service to the world economy is not to be missed for a regional urban centre seeking the status of a global city.[30]

6. Next Steps for Creating an RMB Hub

Offshore RMB centres have a short history. Hong Kong began to offer dim sum bonds only in 2007. Therefore, it is not too late for Canada to move in and become the first official hub in the Americas. Several Canadian financial institutions and Chinese banks in Canada already have a limited capability to clear and settle offshore RMB transactions. One such institution, the Vancouver-headed HSBC, started offering financial services in redbacks in 2012. So far, HSBC has more than 1,000 customers and a little more than C$1 billion in deposits and investments in RMB. Overall, the total renminbi market in Canada is around C$15 billion, with only a few thousand customers using the redback.[31] This is lower than other Western countries, including the United States and Australia. Other institutions without direct access to the system could access it through participating institutions. Thus, the existing infrastructure is likely already sufficient to accommodate the products of an offshore RMB hub should Canada decide to offer them.

A currency swap agreement between Canada and China's central banks is an important step but is not a pre-condition for the banks to substantially increase RMB business. A swap would increase liquidity, but given the low levels of trade settled in RMB, it is not required for the time being. The Bank of Canada (BoC) has yet to make an official statement on the issue. Judging from discussions with stakeholders, nothing appears to be preventing the Bank from pushing for a swap. However, given the low levels of bilateral trade currently denominated in RMB, it is possible that the BoC is waiting for RMB trade settlement numbers to pick up before making a decision. The financial expertise and infrastructure to support an offshore RMB centre are nonetheless already available in Canada. The 2014 Asia-Pacific Economic Cooperation (APEC) Leaders Meeting is due to take place in Beijing in November. Given its timing, the meeting creates the perfect opportunity for the Canadian and Chinese governments to make announcements concerning a bilateral swap agreement, especially if Prime Minister Stephen Harper accepts the Chinese ambassador's invitation to attend.[32]

The B.C. government is in a good position to further promote the redback, having already declared its intention to support an RMB hub in Vancouver, offered tax incentives for enterprises in the financial sector, and allowed Schedule III banks to operate in the province. The Canadian and B.C. governments could negotiate with Chinese stakeholders to select a Chinese clearing bank. However, it should do so jointly with other Canadian actors at the municipal, provincial, and federal levels. Given Canada's expertise in finance, the government of B.C. and other provinces could also reissue dim sum bonds, but list the bonds this time in Canada rather than Luxembourg.

Direct Canadian dollars-to-RMB trading is another important step. China has allowed direct onshore trade in a number of currencies to lower transaction costs, including the Japanese yen, the pound sterling, the Australian dollar, the New Zealand dollar, the Malaysian ringgit and the Russian ruble. The Canadian dollar-RMB reference rate is calculated on the yuan-U.S. dollar central parity rate and on the Canadian and American dollar rate. As the two currencies

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could be directly traded without using the U.S. dollar as an intermediary, the Canadian dollar-RMB rate would be set by the average prices offered by market makers before the opening of the interbank foreign exchange market. Direct trading would give credence to Canadian cities' bids to become offshore RMB hubs.

The Chinese government and the People's Bank of China (PBoC) would undoubtedly endorse the creation of an RMB hub in Canada. Several Chinese banks are already interested in becoming the official clearing bank. An obvious candidate is the Bank of China. This bank has been in Canada for more than 20 years, boasts 100-plus years of history and hundreds of offices globally, and has branches in both Toronto and Vancouver. The Agricultural Bank of China, the Construction Bank and ICBC are also possible contenders.[33]

Companies both in Canada and China still need to understand the benefits of invoicing trade in RMB instead of U.S. dollars. This implies the need to change the entrepreneurial spirit and to convince Canadians of the necessity to pivot towards Asia. Commodities priced using the greenback may shift to the redback within the next 10 years. Investors also need to be made aware that a multiplicity of investment vehicles is already available to mitigate the investment risk and avoid a repeat of the 2008 crisis. A survey deployed by HSBC in 2014 found that only 5% of Canadian companies settle transactions with China in RMB, compared to a global average of 22%.[34] This is the lowest of 11 countries surveyed. In an earlier survey in 2013, respondents indicated that the biggest challenges to RMB cross-border activity are business partners' lack of willingness to settle transactions in RMB and their own lack of understanding or consideration of the benefits of RMB settlement.[35] More than half of Chinese companies indicated that they would be willing to give a discount of 0.7% - 5% to foreign companies choosing to settle trade in RMB.[36] Banks may also have to take some loss to help the RMB market in Canada grow. Around 37% of Canadian companies indicated they plan to start settling transactions in RMB in the future, higher than the global average of 32%.[37] From the 2013 survey, 73% of respondents worldwide agreed that RMB business will increase in the next five years.[38]

Conclusion

If the redback completes its internationalization, the international monetary system will likely become more resilient than it was a decade ago. Supporting the internationalization of the RMB is a lot more complex than using the redback in transactions. Nevertheless, considering the rapid adjustments that the RMB and the international monetary system have undergone in the last five years, Canada has made good headway in responding to the enormous changes taking place. The internationalization of the RMB comes at an opportune time for Canada to reset its China relations agenda, further its integration in the Pacific economy, and define its strategic position vis-à-vis the monumental financial and political shifts of power that accompany this historic event. The RMB hub allows Canada to meaningfully realize all three objectives, but the window of opportunity is closing fast.

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1 Altstedter (2014, June 19), op. cit.; Donville (2014, June 12), op. cit.

2 Bank of England (2014, March 31), op. cit.; Bank of England (2014, June 18), op. cit.; Consulate (2014, June 19).

3 These cities are Luxembourg, Seoul, Sydney, and Vancouver. Other contenders include Zurich, Paris, San Francisco, and Toronto.

4 Frankel (2012), op. cit. p. 330.

5 Bergsten (1975).

6 Eichengreen (2011), p.723

7 Frankel (2012), p. 330.

8 Arnold and Brown (2014, July 8), op. cit.

9 Jenkins and Zelenbaba (2012), op. cit. p. 513

10 For an example of oversubscription in London, see ICBC (2013, November 19). See also the example of B.C.

11 World Bank (2013, May 13).

12 Talk given by Bruce Flexman at the Canada-China Economy and Finance Forum, president of AdvantageBC.

13 Evans (2014).

14 B.C. Ministry of Finance (2013, Nov. 4), op. cit.

15 Wang (2013, Nov. 6), op. cit.

16 Altstedter (2014, June 19), op. cit.; Donville (2014, June 12).

17 Embassy (2014, June 18), op. cit.

18 Marlow (2014, June 22), op. cit.

19 AdvantageBC (2012), op. cit. p. 13, 16.

20 Hutton (2010), op. cit. see esp. p. 46-48; Statistics Canada (2011c), op. cit.; Yeandle et al. (2014), op. cit. p. 15.

21 Marlow et al. (2014, June 12), op. cit.

22 Statistics Canada (2011a), op. cit.; Statistics Canada (2011b), op. cit.; Statistics Canada (2011d), op. cit.

23 B.C. Ministry of Transportation and Infrastructure (2006); Olds (2001), p. 93-95; Montsion (2011), p. 39-46.

24 Citizenship (2014, Feb. 11a, b), op. cit.

25 See criticisms advanced by Mitchell (2004), p. 58-60, 62-64, 68-83.

26 Montsion (2011), p. 42-44.

27 Ibid. p. 46-49. Quoting the mission statement of the Association of Chinese Canadian Professionals and interviews with representatives from the ACCP and the Hong Kong-Canada Business Association.

28 Beardsley et al. (2007), p. 2-3, 27-36.

29 National Public Relations (2009), p. 3-5; see also Montsion (2011), p. 50.

30 Sydney and Toronto are said to be two cities that succeeded in becoming global cities by developing specializations in finance service. For other examples and theories surrounding the development of post-industrial global cities and structure of global production hierarchies, see Sassen (2006), esp. p. 45-46, 83-84, 122-125, 125-130.

31 Bank of China (2014, June), p. 7.

32 Embassy (2014, June 19).

33 The Bank of China has so far won the clearing deals of most offshore hubs (Hong Kong, Taipei, and Frankfurt), while ICBC (Singapore) and the China Construction Bank (London) are the clearing banks for the rest. The Agricultural Bank of China does not currently have any clearing deals, but has a representative office in Vancouver. The Bank of China and ICBC also have Canadian branches.

34 Hampel (2014, July 9), op. cit.; CNW (2014, July 9), op. cit. Citing HSBC RMB Survey 2014.

35 HSBC (2013), op. cit.

36 HSBC (2014, July 9).

37 Hampel (2014, July 9).

38 HSBC (2014, July 9).

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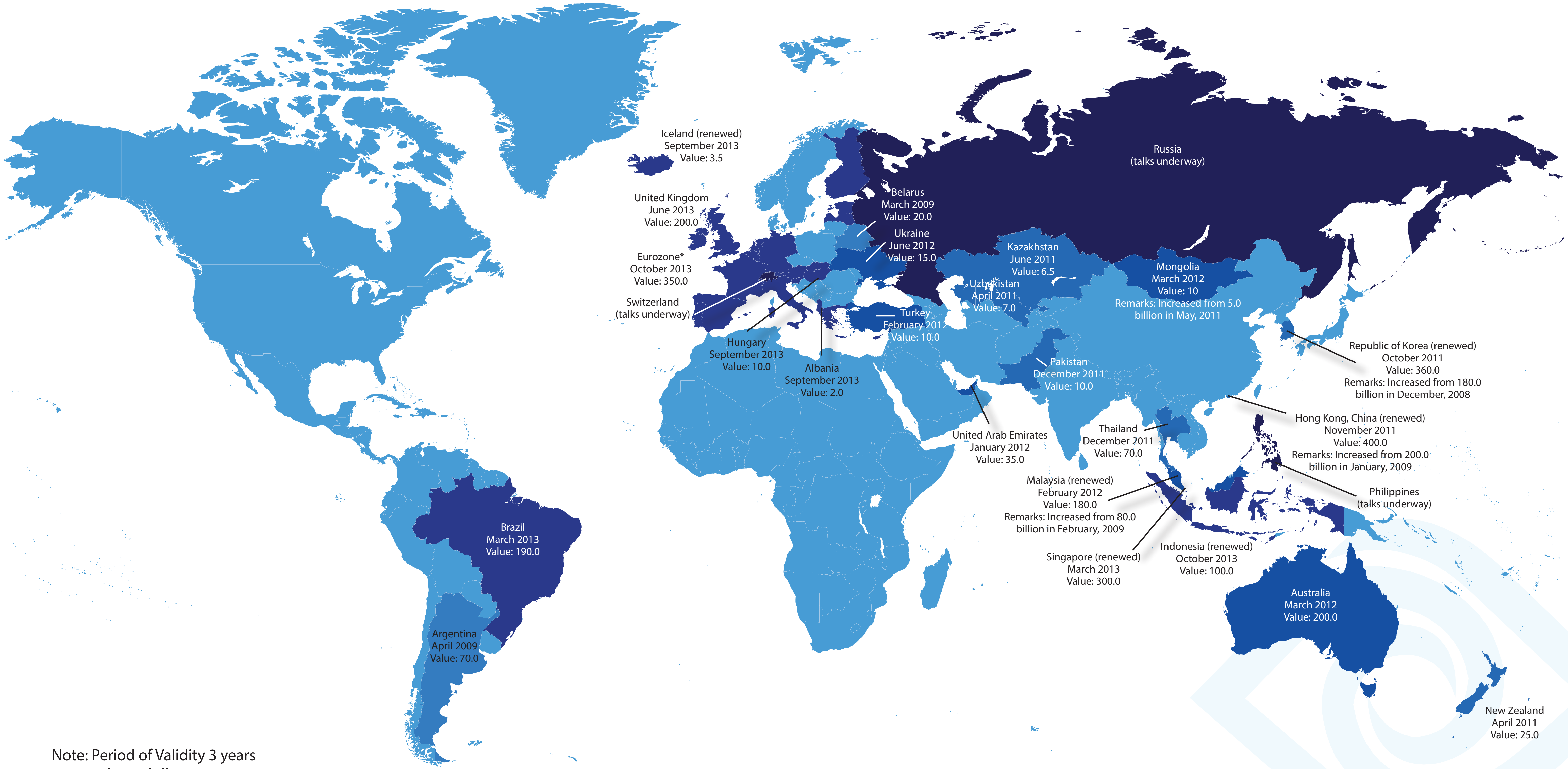
Current Bilateral Swap Agreements

Total Value: 2574.0



Note: Period of Validity 3 years

Note: Value in billions RMB

* Eurozone countries: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.

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