



Credit Agricole chief economist Jean-Paul Betzeze says the yuan is undervalued by 20 to 30 percent. SZETO WAH-KOON

## Yuan appreciation 'can tame inflation'

### Katherine Ng

To appreciate the undervalued yuan is the easiest and most effective tool that China should use to tame inflation and at the same time keep its economy growing, says the chief economist of a major European bank.

"The yuan, which is undervalued 20 to 30 percent ... should gradually appreciate 10 to 15 percent annually in two years time to truly reflect its value," Jean-Paul Betzeze, of France's largest retail bank, Credit Agricole, told *The Standard*.

The mainland's economy is overheated with demand for oil, metal and food resulting in inflation that needs cooling, helping pave the way for steady economic growth over the next 10 years, Betzeze said.

"Interest rate hikes are not sufficient," he said.

The mainland should not fear that a rising yuan would hurt the country's exports. China has left the cheap labor zone and should now opt for competitive edges in quality and efficient productivity, combined with a strong currency, said the economist.

He predicts the yuan will face a 10-year appreciation course in an organized manner.

The Chinese currency rose 8 percent last year and climbed more than 4 percent during the first four months in 2008, only slowing down last month.

Betzeze, who is now working on a report on the US subprime crisis, said the United States has entered the third phase of a "real economy contagion" after the credit squeeze period.

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