

## **Interview with Dr. MAO Zhenhua, Co-Director of Renmin University's Institute of Economic Research, on his views on national policies and industries**

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Reported by: Li Yan Wah of *Money Times Magazine*

Translated by: Jolie Li

Zoe Chan

### PART 2

#### **Hong Kong will benefit from China's capital exports**

The first time that the government promoted the concepts of "One Belt One Road" and "Going Abroad" was at the 2015 National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC).

"This is the first time that China has become a net capital exporting country in 2014. Although the actual amount of net exports was not substantial, it is vastly significant."

Dr. MAO Zhenhua analyzed capital exports from an economics perspective. He believed that capital exports go through different stages, "The first stage is the export of labor. The earliest example of this would be Western pirates who relied on forced labor; the second stage is the export of commodities, which enables industrialization to take place; the third stage is the export of capital, which first began after World War I and World War II. Through the process of foreign investment, culture and brands are ultimately exported."

"China is undergoing a transitional period from being a commodity exporting to a capital exporting nation. This is the benchmark of China's new economic development. However, even if China's aim is for capital exports to exceed commodity exports, this may not be necessarily achieved every year as it is still in its transitional period."

Dr. MAO said, "With monetary easing and having a huge amount of foreign reserves, China has the ability to support national strategic development based on capital exports." He explained, "Capital exports bring many benefits to China, e.g., buying cheap but good quality materials abroad and setting up factories in other countries to explore overseas markets. Capital exports help transfer excessive capacity abroad, and even remove excessive capacity in employment markets to achieve

better integration of industry chains.” Capital export also exists in Hong Kong. In the past, capital flow went from Hong Kong to mainland China, but now it goes in the opposite direction, therefore, Hong Kong has many development opportunities, such as playing the roles in the internationalization of RMB, the Shanghai-Hong Kong Stock Connect and the future Shenzhen-Hong Kong Stock Connect. These are all good examples of China’s capital exports.