

# CONNECT

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Focus Topic :  
**China – A View  
From the Future**



CUHK Business School  
The Chinese University of Hong Kong



## Dean's Message

I would like to welcome our readers to this edition of the CUHK Business School's magazine CONNECT. Situated at the world's doorway to China, with a well-developed foundation in business education and research, CUHK Business School at The Chinese University of Hong Kong has a unique role in nurturing business leaders for tomorrow. CONNECT magazine provides a platform to educate and inform on selected business topics through short articles by staff at CUHK Business School and guest writers. This edition of CONNECT magazine brings the expert views of four top business leaders on China's next phase of economic development. We hope you find these perspectives relevant and informative.

**Prof. T.J. Wong**

## Profile: The Chinese University of Hong Kong

- The Chinese University of Hong Kong (CUHK) was established in 1963 after the amalgamation of existing colleges which date back to 1949
- The Vice Chancellor & President is Prof. Joseph J.Y. Sung
- CUHK has eight faculties (Arts, Business Administration, Education, Engineering, Law, Medicine, Science, Social Science) and 62 academic departments
- CUHK is ranked 40th in the QS World University Rankings 2012 and four of its academic staff have been awarded Nobel Laureates
- CUHK is based on a collegiate system of nine colleges
- CUHK has 23,000 students, 3,000 of whom are from outside Hong Kong

## Profile: CUHK Business School (The Faculty of Business Administration)

- The Dean is Prof. T.J. Wong
- The Business School is comprised of two schools (Accountancy, Hotel & Tourism Management) and four departments (Finance, Decision Sciences & Managerial Economics, Management, Marketing)
- It has over 3,800 students (full-time/part-time)
- The School offers the most prestigious business undergraduate programs in Hong Kong and each year, it receives the largest proportion of top-ranking high school students in Hong Kong (based on public examination results)
- Over 400 undergraduate and postgraduate business students embark on an international exchange during regular term time annually
- CUHK Business School is the first business school in Hong Kong to offer MBA and Executive MBA programs
- The MBA program was ranked 27th in the world in 2013, and the EMBA program was ranked 17th in the world in 2012, by the *Financial Times*
- The School runs dual MBA degree programs with HEC in France, Rotterdam School of Management in the Netherlands, University of Texas at Austin, a joint program with MIT Sloan School of Management in the U.S. and masters teaching partnerships with Tsinghua University and Shanghai National Accounting Institute in China





# China's Future – Globalization and Economic Growth

## Perspectives from Four Global Business Leaders

Having weathered the storm of the global financial crises and come out in relatively good shape compared with many other countries, China is now facing the new challenge of an economic slowdown. With the recent change in its political leadership, the country has a chance to reshape its macroeconomic policies by reforming its legal, financial and social systems in such a way that its economic development will become more sustainable. At the core of its transformation, China must take innovation and globalization to a new level while balancing this with its domestic consumption policies.

This issue of CONNECT brings you insights from four renowned global business leaders in China today, who offer a bird's eye view of how far China has traveled, lessons learned during the financial crises, its relationship with the U.S. and where they think the country will be and should be headed.



## Prof. Liu Mingkang

**Honorary Professor, CUHK Business School.  
Distinguished Research Fellow at the Institute of Global  
Economics and Finance at the CUHK.**

Prof. Liu served as the first Chairman of the China Banking Regulatory Commission (CBRC) between 2003 and 2011. He was a member of the 17th Central Committee of the Communist Party of China and is the Deputy Director of the Committee for Economic Affairs of the National Committee of the Chinese People's Political Consultative Conference.

He serves as a senior fellow of Hong Kong Institute of Bankers. He was a member of Financial Stability Board (FSB), Vice Chairman of the Standing Committee on Supervisory and Regulatory Cooperation under the FSB, a member of the Governance Body of the Basel Committee on Banking Supervision, and a director of the Board of International Center for Leadership in Finance, Bank Negara Malaysia and Vice Chairman of the International Institute of Finance.

Previously, Prof. Liu was a member of the Monetary Policy Committee of the People's Bank of China. Prior to that, he held various positions in both banking institutions and government agencies, including, among others, Chairman and President of Bank of China, Chairman of China Everbright Group, Deputy Governor of the People's Bank of China, Deputy Governor of China Development Bank, Deputy Governor of Fujian province and Secretary-General of the Fujian Provincial Government.

Prof. Liu's other academic credentials include, among others, the Honorary Dean of the Lingnan (University) College of Sun Yet-Sen University, the Distinguished Fellow at the Fung Global Institute, member of the International Advisory Boards of both Guanghua Management School of Peking University and the School of Economics and Management of Tsinghua University. Prof. Liu holds an MBA degree and an honorary doctorate from the City University of London. He teaches at CUHK Business School's MBA program.

### **W**hy did you decide to teach at CUHK Business School?

I chose to teach at CUHK because Hong Kong has excellent links to a wide international network of academics and professionals and offers good access to information.

### **C**hina in transition – what is your analysis of the current situation in China?

When we considered the lessons learned from the global crisis, we discovered that the growth model that China and other Asian economies had been using – a model of mass production and mass exports, must change. China has not invested enough in research and development and this is something the country must address, or it will never cope with the changes afoot.

So how can China change its growth model? We're looking at the role of the free market and the Chinese government in all this, and asking: where did we go wrong in the past?

### **H**ow can Western countries work better with China in the future?

China can improve the way it communicates at an international level. If it operates in a more transparent way the rest of the world can understand it better.

But the flip side of that is that the international community – especially the West – must understand how everyone can benefit from a fast-growing and changing China. The more China grows the more resources and expertise it will require and the more the rest of the world stands to gain from China's progress – a win-win situation.



“ *China must learn from what happened in Russia during its transition to a market economy – that’s why the rule of law is so important...* ”

## What are the major transition challenges facing China in the next five years?

China needs to look closely at existing structures and begin to reform entire industries, line by line. New policies are needed to encourage businesses to open up and attract new talent. But this is just the start – China needs to modernize its corporate governance and also corporate culture. As a nation it needs to become more inclusive with the rest of the world – a rather daunting task. China must begin to reform its growth model and focus more on the domestic market rather than abroad – a market of 1.3 billion people is a huge market to tap.

China faces another important challenge – it needs to strengthen the rule of law and enable legal reform; the country would benefit from a more empowered legal system. If China wants to restructure industry and encourage private ownership, it must have a solid legal structure in place before it even starts; and that means tough laws and the mechanisms with which to enforce them.

China must learn from what happened in Russia during its transition to a market economy – that’s why the rule of law is so important; it can create the right atmosphere and environment - and it’s a crucial mechanism for fair play. Institutional and other private investors must have a fair deal during the bidding process – so the rule of law is essential to underpin this process in the coming five to ten years.

China is also facing big demographic changes; sooner or later it will become an aging society. Are pension funds sufficient? Will existing arrangements be enough to support the older population? With China’s huge resources I’m confident it can, provided that the country carries out a reform of the tax system. This would give room to maneuver on difficult issues such as restructuring industries and building up pension funds to bridge any gaps.

China is rich in tax revenue. It’s a fast growing economy – even with the impact of the financial crisis this year, China has enjoyed between six and seven percent growth in GDP and I think the economy will continue to grow steadily.

## What challenges does China face at an international level?

China needs to collaborate to encourage “green growth” – it could achieve more by working with other nations. China could improve technology and information sharing – and cooperate to set and raise environmental standards in order to profit from green growth. Globally environmental laws must be enforced and tightened so that they become part of standard business practice.

China needs to improve cross-border cooperation. The cross-border resolution scheme is very important, especially as protection against financial crises.

Conflict and tension in the Middle East and Korean peninsula are of great concern – there needs to be a firm worldwide legal platform in place to produce concrete measures to deal with these conflicts in an efficient and effective way.

Money laundering and the funding of terrorism remains a global challenge - it’s very important China tackles these.



**Adjunct Professor, CUHK Business School  
Chairman and Founder, Primavera Capital Group**

**Fred Hu, Ph.D.**

Dr. Hu is Chairman and founder of Primavera Capital Group, a China-based global investment firm.

He was formerly a Partner and Managing Director and Chairman of Greater China at Goldman Sachs, where he also served as Chief Economist, Head of Corporate Strategy and Co-Head of Investment Banking. He was instrumental in building the firm's franchise in the region. He led some of the most significant landmark transactions in the firm's history and served on firmwide committees including the Goldman Sachs Partnership Committee, the Global IBS Leadership Group, and the Culture, Diversity and Leadership Committee.

He advised on strategy, capital raising, domestic and cross-border mergers and acquisitions for China's leading companies, including Bank of China, Bank of Communications, China Development Bank, ICBC, Lenovo, Ping An and ZTE, among others. He was responsible for originating and leading the largest private equity investment deal ever in China, which was also the largest cash equity principle investment deal ever conducted by the firm globally.

Dr. Hu is a respected economist and a trusted policy adviser to the Chinese government on financial and pension reform, SOE restructuring and macroeconomic policies. He has served as an economist at the International Monetary Fund in Washington D.C., where he was engaged in macroeconomic research, policy consultations and technical assistance for member country governments including China.

He currently sits on the Hong Kong Government's Strategic Development Committee and the Advisory Committee for the Hong Kong Securities and Futures Commission. He is a member of the advisory committees of Harvard China Board, trustee of Yale-China Association; advisor of Stanford Center for International Development and The Jerome A. Chazen Institute of International Business; and a member of the advisory committee of Harvard University.

He has been Co-Director at the National Center for Economic Research and Professor at Tsinghua University since 1996, and is a member of the editorial board for several academic journals and a columnist for China's leading business magazines.

Dr. Hu holds a Master's degree in engineering science from Tsinghua University, and a Master's degree and PhD in economics from Harvard University. He is an Adjunct Professor at CUHK Business School.

In 2011 China surpassed the World Bank in lending to the developed world. The *Financial Times* estimates that over the past two years China has made some US\$110 billion worth of loans to Africa, South America and the Middle East. Is China assuming a globalization agenda?

China's global profile and influence has vastly expanded over the last three decades. Today the country is not only the biggest exporter in the world; it's increasingly becoming the biggest global investor and lender – particularly in the developing world – in Africa, Latin America and South Asia. China's new role is incredibly beneficial to the global economy.

During the last four to five years, the world has experienced a very difficult financial crisis, recession and subsequent credit crunch, and cross-border investment has plummeted. China has filled this sizeable void caused by the withdrawal of Western financial institutions and upped the flow of capital to the developing world, most notably so in Africa, where there is a critical need for investment in infrastructure, in order to build better schools and hospitals for instance. So Chinese capital plays a significant role in creating economic growth and jobs and reducing poverty in much of the developing world.

## How effective is China's agenda of globalization?

China has begun to play an incredibly prominent role on the global stage – as the largest exporter, the biggest customer of natural resources and now as an important global investor. But in terms of institutions such as the IMF, the U.N. and the World Bank, China does not exert the same influence as the U.S. or Europe – there are still some gaps out there.

## The Sino-U.S. conflict has always stirred tensions. Liberals in both countries tend to believe that globalization has made China and the U.S. interdependent and that any intentional provocation from either is highly unlikely. What's your view?

The rapport between China and the U.S. is the single most important financial relationship of the 21<sup>st</sup> century. Over the past 40 years, the two countries have established a wide range of ties in areas such as the economy, trade and investment, education and cultural exchange. But I'm realistic enough to see occasional tensions and differences – this is just a fact of life.

There are definitely those in the U.S. who still hold a "cold war" mindset, and see China as the new "rival" or "enemy." Equally there are those in China who harbor nationalistic sentiments – and believe the U.S. is trying to "contain" China and prevent it from taking its rightful role on the world stage. I believe both views are wrong and are only held by a minority in both countries. But they can be destructive and undermine trust.

Nevertheless, I'm cautiously optimistic that China – particularly with its new leadership - and the U.S. can manage these tensions in light of their shared interests. With effort and diplomacy the two countries can build a strong beneficial relationship.

## What does the U.S.'s "return to Asia" strategy mean to China – and is it perceived as a threat?

It's definitely seen so by some – many of my friends, scholars and some in the military see this in a negative light. But historically, the U.S. has always been a dominant power in the Pacific. The U.S. was a dependable ally and supporter of China against the Japanese invasion during the second Sino-Japanese war. Even after the war the U.S. has always been deeply engaged in Asia and the Pacific.

Maybe the past few years have been a temporary aberration - tensions have arisen because of war in Afghanistan and Iraq and the geopolitics of the Middle East. But given the global importance of trade and investment in South Asia, we don't want to blow these tensions out of proportion.

China has benefited from U.S. involvement in the region. There is no way the U.S. can be ejected from the Asia-Pacific region and of course as an Asian nation, China has a legitimate interest. But I believe there is scope for both the U.S. and China to play an active role in steering the region towards peace and prosperity.

*“China's new leaders are very much aware of the challenges facing the country and of the need to change the reliance on exports.”*

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## Will China's growth be significantly reduced by the slowdown in developed economies? How can China take advantage of the "cities surround the countryside approach"?

The past five years have had a big impact on China's economic performance. As external demand has collapsed, Chinese exports have suffered. China has responded aggressively with an economic growth strategy which focuses on domestic demand. One of the most reliable drivers for this is urbanization. China has just passed the mid-point of urbanization but still has a long way to go. Over the next 20 years another 300-400 million people will move out of the countryside to cities and towns and the incremental urban population will be greater than the entire U.S. population. So urbanization is the single most powerful engine to drive domestic demand and create economic growth.



*(Fred Hu's interview continued)*

**C**learly globalization has become a key word for many Chinese companies e.g. Lenovo's acquisition of IBM's PC business, Alibaba's merger with Yahoo! China. Some of them are doing well, some are suffering. What's your view on this type of globalization?

China has run a current account surplus for many years in a row, and has no choice but to recycle this surplus through overseas investment – some of it through buying securities such as U.S. treasury bills and some through cross border mergers and acquisitions.

Some investment in offshore state-owned companies has run into difficulties – sometimes because of resistance to the deal in the host country, or a clash of political and commercial interests. (Chinese) companies might also lack an understanding of the host country's regulatory framework or market structure, and be caught off-guard and execute deals incorrectly. So in order to succeed Chinese companies need to do their homework and learn about the laws, regulations and commercial culture of different countries.

So despite China's investment in infrastructure in Africa, there have been instances when China hasn't paid enough attention to labor relations or environmental concerns, and has been criticised by the international media and NGOs. I believe China is very different from the European colonial powers of the 19<sup>th</sup> and 20<sup>th</sup> centuries and must be careful not to give an impression of neo-colonialism.

**W**hat impact will a change in leadership have on China's future? Will this herald a change in China's economic model?

China's new leaders are very much aware of the challenges facing the country and of the need to change the reliance upon exports. I'm very bullish about China's prospects in the longer term. With the right policies in place to accelerate urbanisation, China stands a good chance to achieve this economic transformation. The next ten years will be crucial in laying solid foundations for China to continue to grow at a faster pace, so it can overtake the U.S. in terms of GDP and achieve high income status by 2030.

**W**e know demand for China's exports has fallen. How will the new economic policies actually work - how will the government drive domestic growth?

Urbanisation will fuel demand for infrastructure. An extra 300-400 million moving to cities and towns will boost demand for housing, cars, consumer goods, food, health care and entertainment. So even if the global recession continues there will be enough internal demand to maintain growth.

But more policies need to be implemented. China must undertake major reform of its household registration system which has so far been holding back urbanisation. China also needs to overhaul its social security system and introduce better pensions, health care and unemployment benefit in order to boost consumer confidence and to encourage people to loosen their purse strings and spend more.

China will also have to implement financial reform in order to make consumer credit more available. This doesn't mean we risk replicating the U.S. scenario which saw people spend beyond their means – but China is at the other extreme: households tend to underspend and over-save. But through reform of housing, social security and finances, China can boost consumption – I'm very optimistic about China's economic potential and long-term prospects.

**H**ow much is this drive to boost internal demand a reaction to the global economic crisis – or would China have introduced this economic strategy anyway?

When there was huge demand for Chinese exports there was no incentive to change. But recession in the U.S. and Europe for the last five years has seen demand collapse and put pressure on China to speed up the transition from an export-led to a more internally-driven economy. The crisis has certainly been a catalyst for change.

**G**iven Hong Kong's proximity as a special region, how does it fit in to this strategy?

Hong Kong has already benefited tremendously from China's economic growth over the decades and will continue to enjoy new opportunities. Hong Kong has the most advanced economy in greater China. Hong Kong is in a good position to provide sophisticated and respected professional services for China in terms of legal surveys, consulting and legal services, marketing and branding. As long as China continues to grow, Hong Kong is well-positioned and will enjoy healthy prospects.





CUHK Business School  
The Chinese University of Hong Kong



Lead Partner of PricewaterhouseCoopers (PwC) Beijing Office

**David Wu**

“ *Chinese companies should beware of the risk of going global - it can be a very costly lesson.* ”

David Wu is a member of the Managing Board of PwC China and Hong Kong, the Lead Partner of PwC, Beijing Office. His specialisation focuses on providing assurance and advisory services to banking and capital market clients in China.

Mr. Wu was one of the lead partners in PwC who developed and rolled out the reform roadmap for China's state-owned banks in 2003, helping to set directions and accelerate the pace of reform of China's financial institutions.

From 2003 to 2006, Mr. Wu was one of the lead partners to assist the Bank of China in its reform including financial restructuring, setup of joint stock company, introduction of strategic investors, and audit and listing on the Hong Kong and Shanghai Stock Exchanges. In 2011, he led the audit for Postal Savings Bank of China and helped it complete its corporatization reform.

From 2008 to 2009, he was seconded to the Director's Office of Banking Sector, UK Financial Services Authority in London to analyze the causes of the global banking crisis, changes in banks' business models, fair value accounting and pro-cyclicality and international regulatory cooperation.

Mr. Wu graduated from Hangzhou Institute of Commerce in 1985 (Bachelor's degree) and from the University of International Business & Economics in 1988 (Master's degree). In December 2009, he published his book "Walking in the Forefront of Accounting and Banking Reform."

## How is China doing in terms of financial globalization and what is the key to success?

I would say China hasn't yet achieved financial globalization but it is poised at the threshold. China is still a country with foreign exchange control and its interest rates are centrally determined by the People's Bank of China - the financial system is therefore more national than global.

However, over the past ten years China has made substantial progress toward establishing a sound financial system. Banks have cleaned up their balance sheets and are reforming. From 2003 to 2006 the government recapitalized the large four state banks so they had healthy balance sheets and they weren't affected by the financial crisis in the West. China has also made progress in professional and regulatory supervision and control by establishing regulatory commissions for the banking and insurance sectors and the China Securities Regulatory Commission for capital markets.

These regulatory commissions show a high level of professionalism and have sound policies in place to help China toward financial globalization.

**“** *Authorities in Hong Kong understands China's business practices more than their US counterparts.* **”**

### Is this the path China definitely wants to take?

Yes – a strong economy needs a reliable financial system which can channel capital to meet the needs of industry. This encourages innovation and entrepreneurship, which enables the economy to grow. Over the past 20 to 30 years, China has turned itself into a manufacturing economy using cheap labor to produce goods. But this manufacturing base has no more room to expand and China's next move is to transform its economic infrastructure, which will rely heavily on efficient capital markets. This is why China needs to reform the financial system, strengthen the regulatory framework and more importantly, establish a legal framework to support China's credit culture.

## Why does China seem unaffected by the global economic slowdown? Is this to do with the use of capital controls?

I want to answer this question in a different way. China's economy has been heavily affected by the global financial crisis. China's economic growth depends on three pillars: exports, infrastructure investment, and domestic consumption. China's economy has slowed down because exports to the U.S. and Europe have slowed down. But in response to the financial crisis, the government policy has been to spend heavily. The government put four trillion RMB into the system – a stimulus package which helped the economy to grow.

## But other governments have provided financial support, and yet their countries are still in recession. Why not China?

China's economy is growing and has momentum. A mix of free-market entrepreneurship and increased efficiency due to innovation and improved technology, combined with government spending, has seen the economy expand more than any other countries. But this growth comes at a cost – China's economy now relies heavily on state-owned enterprises rather than the private sector. The use of capital controls as a means of regulation isn't that relevant to the economic slowdown. It doesn't affect economic growth that much, though it does insulate China from the financial crisis.

## Chinese companies have run into problems once they have been listed in the U.S.. Has your company (PwC) done anything to tackle this issue?

Accounting problems have arisen with some listed companies, especially those listed in the U.S. with reverse takeover arrangements – this refers to a shell company listed in the U.S. but with the main cash-generating assets based in China. These companies are supposedly under U.S. jurisdiction but the main business is so distant and the business culture so different that U.S. regulators can't understand and supervise them. So we encourage Chinese and U.S. regulators to cooperate in order to promote good corporate governance, improve transparency and implement good accounting practices. We are only talking about a small group of companies, but they have caused substantial problems and damages to the capital markets. If these companies don't practice good corporate

governance, promote transparency and comply with the law, capital becomes more expensive as it becomes riskier to invest – which damages China’s economic development. As auditors we always work with clients to comply with laws and practice good governance.

### **W**ill we see a trend of these “reverse takeover” companies moving to list on Hong Kong’s exchange rather than in the U.S.?

Listing in Hong Kong does have its advantages – if the company is reliable, has a good cash flow and decent corporate governance to encourage the board to be accountable to shareholders. Authorities in Hong Kong understand China’s business practices more than their U.S. counterparts. They are able to ask the right questions and request that companies comply with local rules, thereby creating a stronger framework in which to govern these companies. This will attract more Chinese companies to be listed – Hong Kong provides a unique opportunity to vet these firms.

### **D**oesn’t the same apply for Singapore’s stock exchange too?

Not necessarily. Hong Kong enjoys a unique position as a gateway to China and is part of China. As a respected financial hub with authorities of high professional standards, accountants and lawyers, Hong Kong can attract large flows of capital for China’s businesses. Capital markets reward companies with accurate information disclosure and if you paint an incorrect picture, you will ultimately fail in the market. That’s why it’s so important that Chinese businesses don’t falsify their accounts.

### **B**ut there still seems to be a stigma attached to Chinese companies listed abroad...

And that’s why it’s so unfair – good companies get penalized alongside the bad. So how do reliable companies continue to finance their growth within China? This takes time. I hope that a combination of professional accounting services with companies who are willing to be open, encourage good governance and provide shareholder returns, will eventually encourage capital to flow.

### **W**hat further advice do you have for Chinese companies still interested in making an IPO, whether in Hong Kong, London or New York?

If you want to be listed abroad, you must have several things in place. China doesn’t lack market size and if a business model is sound, it will succeed. But that’s not enough. You need to instil good corporate governance to ensure that management and the board are all acting in the shareholders’ best interests. Companies must also adopt good accounting and reporting practices, and have good internal control and risk management systems, which can shield the company from fraud and corruption. Employing the services of professionals such as PwC will raise the bar and reinforce reputations.

### **G**oing global has become such a popular term – a lot of cross-border RMB deals have been done in the past few years and it appears as if Chinese companies are seeking finance to pursue global ambitions. Are there any alternative business strategies you could suggest?

Chinese companies want to go global for a number of reasons: Firstly to acquire resources because China is short of these. Secondly to acquire technology and knowledge: For example, a car manufacturer might acquire MG Rover to gain technological know-how to enable China to build efficient cars. A third reason is to gain access to potential markets. Chinese companies need to identify their knowledge and skill gaps, such as a lack of experience in management or lack of understanding of the laws and culture of a particular country. If Chinese companies don’t already have good corporate governance and controls in place, a rapid expansion can create challenges. Chinese companies should be aware of the risks of going global – it can be a very costly lesson. China’s domestic market is big enough – if you are innovative and technologically savvy, you won’t remain just a local company. What I suggest to many of my clients is to build a strong local Chinese company first, and then consider strategies of global integration.





## Jack Q. Gao, Ph.D.

Sr. Vice President, News Corporation (NWS) &  
CEO, News Corp China Investments (NCI)

**In the globalization era, China insists on following the path of internationalization. How is this related to the "China Model"? What exactly is the "China Model of Globalization"? Could you please enlighten us with a couple of success stories?**

The "China Model" itself is the product of internationalization. The Chinese economy, which has long been integrated into the world economy since the "Made in China" era, has greatly benefited from its evolution to the innovation era. Take the rise of Lenovo as an example. In its early stage, the company relied on courage, followed by vision and sound management. Today, it relies on creativity and innovation. This is a typical example of the development process for Chinese enterprises. In addition, Hong Kong has played an important role of helping China bridge the gap with the rest of the world by helping it develop a huge market through offering support in the shaping of its institutional system, legal system, language capabilities and financial system. The development process would have been much slower without the active role Hong Kong has played.

**How is the "China Model of Internationalization" progressing so far? And how far has China gone in reaching its strategic goal of "going global"? Have we reached the mature stage or is there still room for improvement?**

The economic development in many countries has been seriously affected by the global financial crisis, but this has paradoxically opened up new opportunities for Chinese enterprises to expand overseas. China has tried a lot of different models in the process of "going global," including Haier's model of building manufacturing sites overseas, Lenovo's model of leveraging foreign brands and Huawei's technology-driven model. The success of these models can largely be attributed to the advancements in technology, property rights policy, service agencies, human resources, capital and foreign direct investments (FDI). However, the proportion of China's FDI in the United States is still very small. Besides, we don't yet have a mature supply chain system as we are still developing our human resources, institutional system and property rights policy. We have an enormous hunger for talent, and we need to expand our global vision to fully understand local cultures and property rights before we can communicate with overseas business partners and gain their trust. To further support our globalization strategy, we need to recruit the help of local talents and to fully integrate them into our businesses.

**中国在全球化时代，坚持走上国际化的路。这与是否存在“中国模式”有无关系？何谓中国模式的国际化？是否能举一、两个成功的案例？**

“中国模式”本身就是一个国际化的产物。中国经济从中国制造开始，融入世界已经很久了，从中国制造到中国创造已经获得了很大收益。例如联想，最早靠胆量，后来靠眼光，再后来靠管理，今天靠创新，这是一个非常典型的中国企业发展过程。另外，香港在中国经济走出去的过程中扮演了桥梁作用，它从体制、法律体系、语言、经融体系等层面，支撑了中国庞大的市场和崛起的过程。如果没有香港这个桥梁，过程会缓慢很多。

**中国模式的国际化道路和“走出去”的目标目前的发展如何？是否已走到了成熟的阶段？还是仍有努力的空间？**

金融危机之后，各个国家的经济发展都受到很大的打击，反而给中国企业带来了海外发展的机会。中国在摸索“走出去”的过程中尝试了很多不同的模式，例如海尔的安营扎寨模式、联想的借船出海模式、华为的技术驱动模式等。这些模式的成功很大程度上是依赖技术的支撑、产业政策、服务机构、人才储备、资本和 FDI。但中国对外 FDI 在美国的比重仍然非常小。另外，我们的人才储备、体制、产业政策还没有形成成熟的产业链，人才需求非常巨大，很需要有全球化视野，充分了解当地文化和产业政策，能够沟通信任，融入当地的人才来支撑发展。

As Senior Vice President of NWS (NYSE: NWS, NWS), CEO of NCI (2010-present), CEO of Star TV China (2006-2010) and Chief Representative of NWS Beijing Representative Office since 2006, Dr. Gao directs NWS' strategy, government relations, business developments, strategic investments and StarTV's overall operations in China.

Prior to joining NWS, Dr. Gao served for Autodesk Inc. (NASDAQ: ADSK) as Vice President, Apac Emerging Geography, where he directed all operations in Greater China and India. Before 2003, Dr. Gao was General Partner of Walden International, a leading venture capital firm in the U.S.

During 1999 and 2002, Dr. Gao was President and General Manager of Microsoft (China) Co. (NASDAQ: MSFT), Ltd. Sales revenue in China tripled under Dr. Gao's leadership.

In January 1995, Dr. Gao was named Autodesk's first Regional Director, Greater China. Before joining Autodesk, he was the International Distributor Manager for Asia (Japan, Korea,

Taiwan and Mainland China) in MSC/PDA. Prior to MSC/PDA, he worked for CSAR Corp. in Los Angeles as Senior Researcher in R&D since 1989.

Prior to CSAR and his graduate studies in the U.S., Dr. Gao was appointed Assistant Professor in Engineering as a faculty member of the Harbin Institute of Technology in China (HIT).

Dr. Gao graduated from HIT and University of California, Los Angeles (UCLA) with B.S., M.S. and Ph.D. degrees in Engineering.

Dr. Gao is on the boards of Phoenix Television (SEHK: 2008), Tianjin Media Group, Beijing Vantone Industrial Co. Ltd. (CN Stock code: 600246), Global Financial Technology, Digu.com, Bona Film Group (NASDAQ: bona) and the Advisory Board of China Broadband Capital and R&D center of China Int'l Communications. His book, titled "Experience Microsoft" (2003), has a wide readership in China IT communities.

**M**any people have pointed out the similarities between today's China and Japan in the 80s. For example, companies in Japan have learned from the best production practices in mature Western economies before developing their own giant enterprises and technologies, which led to the rise of global enterprises such as Sony and Honda. Do you agree with this view? Which companies in China will have the best chance to lead the country's globalization process?

According to Feng Lun, a famous entrepreneur and founder of Vantone Group, the keys to running an enterprise are: "learn from the experienced, rely on the wealthy giants and take the right path." For enterprises eyeing to do business overseas, the requirements for "taking the right path" are very high, as they need to fully understand their corporate social responsibility for the local community and business compliance requirements. The development of China has long been lagging due to inadequate fostering of entrepreneurial talent. The growth of China requires tens of thousands of talented entrepreneurs like Liu Chuanzhi and Feng Lun, as well as tens of thousands of enterprises like the ones they have created.

**W**hich industries in China will have the best chance to succeed in the future in their quest for globalization? Will WeChat become a leader? The company has revealed its ambition to become "globalized" and it seems to have become the first Chinese Internet software company to successfully gain momentum in developing an Internet market outside of China. In your opinion, will WeChat's globalization campaign succeed? How do you see the development potential of the overall Internet software market of China in the next decade?

The rise of WeChat signals a 360-degree revolution in the mobile Internet industry, which will force the traditional Internet industry to reform. At the same time, it is a success story that makes the whole world recognize Chinese enterprises. Among the Top 10 global Internet enterprises today, Chinese enterprises account for a large proportion. They include Tencent, Alibaba and Baidu. The Internet software industry has a great deal of development potential. The evolutionary process from "made in China" to "created in China" is well on its way.

**有**人说现在的中国，与80年代的日本有很多的相似之处，企业先向西方成熟产品取经，继而发展出自己的大企业、自己的技术，成就了包括索尼、本田等风光一时的全球化企业。您是否认同这样的看法？有机会成为中国走上全球化道路的领头羊又是哪些企业？

用冯仑的话说，做企业就是学先进、傍大款、走正道。特别对要去海外的企业来说，走正道的要求非常高，包括对当地社会的运营责任和企业运营的规范。另一方面，中国发展的滞后一直在人才上。中国的成长需要成千上万的柳传志和冯仑，成千上万个他们那样的企业。

**中**国未来最后可能走上国际化道路的企业会来自哪些行业？微信会成为领头羊企业吗？微信近来似乎向外界揭露了“全球化”的野心，并成为首个在中国境外互联网市场取得良好发展势头的中国互联网软件。您认为微信此“全球化战役”是否能成功？中国未来十年整体互联网软件市场的发展潜力又是如何？

微信的爆发宣告了移动互联网全方位的产业革命，传统的互联格局会随著这种趋势很快被残酷地再造，这给中国企业在世界上获得认可做了一个成功案例。今天排名前十的互联网企业中，中国占的比重还是很大的，例如腾讯、阿里巴巴和百度。这个行业会有很多潜在的发展空间。从中国制造到中国创造的过程已经开始发生了。

**C**hinese enterprises have experienced a lot of setbacks in overseas mergers and acquisitions. For example, Huawei has faced different levels of interference and blockages by governments in the United States, Australia and Canada over the past few years. What are the reasons for these hurdles? How should China create its own path of internationalization?

One of the main reasons for such obstacles is the regulatory and approval requirements for overseas mergers and acquisitions. On one hand, there are local rules and regulations. On the other hand, there is misunderstanding between China and foreign countries. This misunderstanding, which contributed to the increased costs for Chinese enterprises to go abroad, is due to the fact that there are only a few channels for China's voices to reach and be accepted by the mainstream business community in the West. Our country and our enterprises are weak in external publicity and a lot still needs to be done.

**M**any people have criticized China's lack of creativity, pointing out that the market is full of products and technologies from "cottage" industries. What is your take on the future development of the "cottage culture"? What changes are we going to see?

Without protection of intellectual properties, there will not be any innovation. I am not optimistic about the cottage culture, which has destroyed the innovative culture and significantly harmed the country's creative spirit and economy. As the country grows, people are starting to develop a stronger awareness of intellectual property rights and the law is becoming more comprehensive as well. The advancement of technology is also transforming the business model to a certain extent, so we are seeing gradual improvements in the innovative environment.

**R**ecently there has been a lot of talk within society about the amazing box-office results achieved by the latest blockbuster movie "Lost in Thailand." In your opinion, what is the effect of this blockbuster on the overall media, movie and cultural industries in China? Does it signal the beginning of an era in which China will be relying more on the power of its "soft" industries?

The development of the cultural industries is the next natural step after the general demands for food, clothing, housing and transportation have been fulfilled. Film is an important part of the cultural industries. "Lost in Thailand" is a success story, which shows that our film industry is proving its worth in the economy by satisfying people's non-physical needs. From the standpoint of the film industry's development, we see that both the audience and the industry are evolving to the next level. Accordingly, the way we do things - directing the actors, using original techniques and modeling our thinking - also needs to progress to the next generation.

**I**n your opinion, which industries have the best chance to lead the development of China's economy in the next decade? Why?

The cultural industries and the software industry. Currently the media and cultural industries in China have just emerged, so there are not a whole lot of original creations. But the advantage is that these industries have a huge room for growth. The software industry will become extremely big in the future and the business model will also change dramatically. The development of technology will bring incremental innovations to China. The emergence of the Internet industry and e-commerce will bring us considerable incremental innovations because of the sheer scale of these industries.

**中**国企业在海外并购的路上似乎屡屡遭遇挫折。以华为为例，过去几年在美国、澳大利亚、加拿大等都曾遭遇或多或少来自官方的干涉和阻挡，原因是什么？中国要如何走出自己国际化的道路？

一个很主要的障碍是海外并购的兼管和审查。一方面是当地的法律法规，另一方面很大程度是来自于相互之间的不了解。中国的话语权能够被西方主流所接受的通道不多，这样就给西方带来了误解，这种误解又让中国企业走入海外的成本过高。我们国家和企业的对外宣传是一个弱项，这方面还有很多工作要做。

**许**多人说中国缺少原创性，市场上到处充斥着“山寨”产品和技术，您觉得山寨文化未来会如何发展？会出现什么变化？

没有对知识产权的保护就没有创新。我对山寨文化不看好，山寨文化断送了原创文化，给它带来了精神和经济上的重大伤害。随著中国的逐渐发展，人们在这方面的意识已经越来越强，法律也越来越健全。随著技术的发展，商业模式也在某种程度发生著变化，创新的环境也会越来越好。

**近**来电影《人再囧途之泰囧》取得了惊人的销售佳绩，社会上对这个现象有很多解读，您认为该电影卖座为整体传媒、电影、文化等行业所带来的启示是什么？这是否也意味著中国成为“软实力”强国的时代即将来临？

当衣、食、住、行四个产业发展之后很自然就会发展到文化产业。电影是文化产业很重要的一部分，电影的发展中出现了《泰囧》这样的成功案例本身是个好事，说明这个产业用事实说话，在迎合人们精神生活的需求。从产业的发展来说，大家要看到时代的变化，观众在换代，产业在换代。我们做事的方式、导演、原来的技术、思路和模式也要换代。

**未**来的十年，您最看好能带领中国经济成长的行业有哪些？为什么？

文化产业和软件行业。目前中国的传媒行业、文化行业刚刚崛起，还没有构成产业，不过好处是发展空间很大。而软件行业以后会非常庞大，方式也会发生很大改变。科技会给中国带来增量创新。互联网产业和电子商务的出现，规模都是非常庞大，增量创新相当可观。





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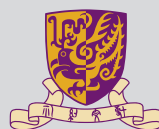
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