# Currency Carry Trade by Trucks:
# The Use of Round-tripping Imports in China

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## Abstract

In the presence of capital controls, the standard financial market transactions needed for currency carry trade are hard to implement. How much firms/agents pursue currency carry trade in other means matters for both the exchange rate movement and international transmission of monetary policies. We exploit a widening gap between the Renminbi (RMB) and U.S. dollar interest rates together with the appreciating RMB since the 2008 global financial crisis to study how agents in China engage in *de facto* currency carry trade using "trucks" (trade in goods). Using detailed trade data reported by both the mainland Chinese and Hong Kong's governments, we report evidence that China's round-trip reimports are positively correlated with the expected increase in returns to investing in the RMB. Our findings of carry trade are separate from other motives behind reimports, such as tax avoidance, and are surprisingly stronger for state-owned enterprises than for domestic private or foreign firms.