

# **Course Title: China in the Global Economy**

## **Introduction:**

The central theme of this course is China's role in world economy. Specifically, it includes three major types of contents. Firstly, it aims to help international students to understand the global economic structure, institutions and mechanisms where the Chinese economy is sitting; Secondly, it aims to help them to understand Chinese economic reform, covering some major issues of Chinese economy, such as the roadmap of China's reform and opening-up, urban-rural divide, SOE reform, financial reform, demographic change, FDI in China, sustainable development, economic growth mode etc.; Thirdly, emphasis of this course is the interaction between China and the rest of world in terms of trade, finance, investment, energy, and participation in international economic institutions, and the implications of Chinese economic reform on the global economy.

Meanwhile, it is my strong conviction that to learn China, we cannot simply focus on China. Thus, the course will expand its scope into the outside world or big events that have strong impact on China through the form of case studies, trying to develop a comparative angle to see how neighboring countries conduct their economic reforms.

## **Course Objectives:**

- a. To understand the roadmap of Chinese reform and the logic behind it;
- b. To understand the uniqueness of China's transition and its economic implications;
- c. To learn how China interacts with the world;
- d. To build the capability of studying Chinese economy.
- e. Upon completing this course, students are expected to get familiar with China model, China's economic interaction with the outside world, challenges the Chinese economy is facing, as well as the world economic system.

## **Proceeding of the Course:**

Based on a philosophy that effective learning hinges not only upon teacher-student interaction, but also upon inter-student interaction, this course will be carried out in a variety of forms. Besides lectures offered by the instructor, students are encouraged to engage in class discussions, learning from each other and self-learning. Hence, there will be some team projects like presentations on some case studies and debates.

1) Presentation: Throughout the course, students are required to present some topics. For topic presentation, students may be divided into different groups (depending on the no. of students), each responsible for one topic. Students in the same group need to make joint efforts to make well preparation for their

presentations.

Presentations will count toward final grades. The students who prepare presentations should circulate the PPT slides to other students and the instructor before class. Topic presentation should be around 15-18 minutes, followed by class discussion. Students' performance in debates and presentations will be counted.

2) Debates: students will be divided into two groups

Students are expected to complete all required readings prior to class meetings and to actively participate in class discussion. Absence without legitimate reasons will lead to deduction in scores for participation and discussion.

## **Requirements:**

Students are required to

- a. complete the weekly compulsory readings before class;
- b. actively participate in class discussions;
- c. present case studies
- d. read a book and write a book review
- e. class attendance is required.

Hinging upon the number of students, students will be divided into different groups and each group will be responsible for the presentation or debate.

## **Grading:**

Attendance: 25%

Book review: 20%

Case study presentation: 10%

debate: 5%

Final exam: 40%

## **Reference Books:**

Barry Naughton, *The Chinese Economy: Transitions and Growth*, Cambridge: The MIT Press, 2007.

Cheung, Yin-Wong and Jakob de Haan (eds.), *The evolving role of China in the global economy*, Cambridge: MIT Press, 2013.

Students are required to finish the compulsory readings (those highlighted in **bold with \***) for each class, but it is their option whether to complete the *recommended* readings. No book purchase needed. All the compulsory readings will be available in the office.

## **Academic Integrity:**

Taking this course implies that students and the instructor abide by a general norm of equal opportunity and academic integrity. Plagiarism will directly lead to the failure in this course. It is your responsibility to familiarize yourself with the definition of plagiarism.

### **Books for review:**

Thomas Piketty, *Capital in the Twenty First Century*, Belknap Press: An Imprint of Harvard University Press, 2014.

Richard Baldwin, *The Great Convergence: Information Technology and the New Globalization*, Belknap Press: An Imprint of Harvard University Press, 2016.

### **Class Schedules and Readings:**

#### **Part 1: China's Domestic Economic Reform**

##### **Lecture 1-2: Logic and Rationale of China's Reforms and Opening-up**

Why did China launch the reform in 1978? What is notable about China's reform path? Why has China adopted a gradualism approach to economic reform? What is distinctive about China's reform path?

**Group Discussion:** Market transition: a comparison between China and Russia

##### **Readings:**

\*Barry Naughton, pp. 55-107.

\* Jeffery Sachs and Wing Thye Woo, "Structural factors in the economic reforms of China, Eastern Europe, and the former Soviet Union," *Economic Policy*, Vol. 18, No. 1, 1994, pp. 102-145.

\*Leong H. Liew, "Gradualism in China's Economic Reform and the Role for a Strong Central State," *Journal of Economic Issues*, Vol. 29, No. 3 (Sep., 1995), pp. 883-895.

Justin Yifu Lin, "Lessons of China's Transition from a Planned Economy to a Market Economy," Distinguished Lectures Series no. 16, Warsaw, 17 December 2004.

Vincent Benziger, "Can China's gradualist reform strategy be applied in Eastern Europe?" *Journal of the Asia Pacific Economy*, Vol. 3, Iss. 1, 1998, pp. 38-60.

Wing Thye Woo, "THE REAL REASONS FOR CHINA'S GROWTH," *The China Journal*, Vol. 41, January 1999, pp115-137.

### **Lecture 3-4: China's State-owned Enterprises (SOEs) Reform**

How has China carried out its SOE reform? How shall we evaluate the SOEs' performance? What are the problems? How has China carried out reform over its financial sector? Who are the major actors and what their major concerns are? Any problems left? What is the impact of the reform on Chinese economy?

**Student presentation 1:** China's demographic trend and its impact on the Chinese economy

**Student presentation 2:** How have South Korea and/or Singapore carried out their SOE reform?

**Group Discussion:** SOEs are more a solution than a problem for China's economic growth? or: Should China privatize all SOEs?

### **Readings:**

\*Barry Naughton, pp. 297-328.

\*Justin Yifu Lin, Fang Cai and Zhou Li, "Competition, Policy Burdens, and State-Owned Enterprise Reform," *The American Economic Review*, Vol. 88, No. 2, May, 1998, pp. 422-427.

\*Fan Gang and Nicholas C. Hope, "Chapter 16 The Role of State-Owned Enterprises in the Chinese Economy," in China-United States Exchange Foundation (ed.), *US-China 2022: Economic Relations in the Next 10 Years*, China-United States Exchange Foundation, 2013.

\*Nicholas Borst and Nicholas Lardy, "Maintaining Financial Stability in the People's Republic of China during Financial Liberalization," Peterson Institute for International Economics, Working Paper, WP 15-4, revised August 2015.

\*Franklin Allen, Jun "QJ" Qian, et al, "China's Financial System: Opportunities and Challenges," in Joseph P.H. Fan and Randall Morck (eds), *Capitalizing China*, University of Chicago Press, 2012.

Cheng Hsiao, Yan Shen, and Wenlong Bian, Evaluating the Effectiveness of China's Financial Reform — The Efficiency of China's Domestic Banks (May 27, 2015). USC-INET Research Paper No. 15-15.

Robert Cull and Lixin Colin Xu, "Who gets credit? The behavior of bureaucrats and state banks in allocating credit to Chinese state-owned enterprises," *Journal of Development Economics* 71 (2003), pp. 533-559.

Xiao Geng, Xiuke Yang and Anna Janus, "State-owned enterprises in China: Reform dynamics and impacts", Ross Garnaut, Ligang Song and Wing Thye Woo (eds.), *China's New Place in a World in Crisis: Economic, Geopolitical and Environmental Dimensions*, Canberra: The Australian National University E Press, 2009, chapter 9.

Andrew Szamosszegi and Cole Kyle, "An Analysis of State-owned Enterprises and State Capitalism in China," U.S.-China Economic and Security Review Commission, October 26, 2011, Prepared by Capital Trade, Incorporated Washington, DC .

Eve Cary, "Reforming China's State-Owned Enterprises," *The Diplomat*, June 19, 2013,  
<http://thediplomat.com/2013/06/reforming-chinas-state-owned-enterprises/?allpages=yes>

### **Lecture 5: China's Sustainable Development**

How does China perceive and deal with energy security? Why has environmental pollution in China become so serious? What are the major drivers? Can China's economic mode sustainable?

**Debate 1:** Will Euro die in the next 10 years?

**Group Discussion:** How can Beijing be more effective to tackle the heavy haze?

### **Readings:**

\*Barry Naughton, pp. 487-502.

\*Damien Ma, "China's Search for A New Energy Strategy," *Foreign Affairs*, June 4, 2013.

Jian Zhang, "China's Energy Security: Prospects, Challenges, and Opportunities," The Brookings Institution, Center for Northeast Asian Policy Studies,  
[http://www.brookings.edu/~media/research/files/papers/2011/7/china%20energy%20zhang/07\\_china\\_energy\\_zhang\\_paper.pdf](http://www.brookings.edu/~media/research/files/papers/2011/7/china%20energy%20zhang/07_china_energy_zhang_paper.pdf)

Jenny Lin, "China's Energy Security Dilemma",  
[http://project2049.net/documents/china\\_energy\\_dilemma\\_lin.pdf](http://project2049.net/documents/china_energy_dilemma_lin.pdf)

## **Lecture 6: China's Internal Imbalance and Economic Challenges**

How to understand the change of China's economic growth mode? What are the characteristics in different growth periods? What are the problems?

**Student presentation 3:** Will China fall into the "Middle income trap"?

**Group Discussion:** How can Beijing be more effective to tackle the heavy haze?

### **Readings:**

**\*Ettore Dorrucci, Gabor Pula and Daniel Santabárbara, "China's Economic Growth and Rebalancing," Occasional Paper Series No. 142 / Feb. 2013, European Central Bank, <http://www.ecb.europa.eu/pub/pdf/scpops/ecbocp142.pdf>.**

**\*Cheung, Yin-Wong and Jakob de Haan, chapter 6 and 7.**

John Wong & Wei Liu (eds.), *China's Surging Economy: Adjusting for More Balanced Growth*, New Jersey, London & Singapore: World Scientific, pp. 9-28; 133-151.

Ming Zhang, "The Transition of China's Development Model," in Wilhelm Hofmeister, Konrad-Adenauer-Stiftung e.V. (eds.), *G20: Perceptions and Perspectives for Global Governance*, Konrad Adenauer Stiftung, Oct. 2011, pp. 51-56.

Sylvie D'emurger, "Infrastructure Development and Economic Growth: An Explanation for Regional Disparities in China?" *Journal of Comparative Economics* 29, 95-117 (2001), pp. 95-117.

Yan Wang and Yudong Yao, "Sources of China's Economic Growth, 1952-99: Incorporating Human Capital Accumulation," The World Bank, July 2001.

## **Part 2: China and the World**

### **Lecture 7-8: China's Foreign Trade and Global Imbalance**

What is global imbalance? Why did it occur? What was the role of China in that process?

**Student presentation 4:** Will 'Abecomics' (a term describing Japanese prime minister Shinzo Abe's economic policies) be able to reinvigorate Japan's economy?

**Student presentation 5:** China-US Currency Dispute

### Readings:

\*Chinn M.D. (2013), "Global Imbalances". In: Gerard Caprio (ed.) *The Evidence and Impact of Financial Globalization*, Vol. 3, pp. 67-79. Oxford: Elsevier Inc.

\*Yu Yongding, "Global Imbalances: China's Perspective," Paper prepared for international conference on Global Imbalances, Organized by IIE Washington, 8 February 2007.

\*Cheung, Yin-Wong and Jakob de Haan, chapter 2.

Steven Dunaway, Global Imbalances and the Financial Crisis, Council Special Report No. 44, Council on Foreign Relations Press, March 2009.

Andrew Walter, "Global economic governance after the crisis: The G2, the G20, and global imbalances," <http://personal.lse.ac.uk/wyattwal/images/Globaleconomicgovernanceafterthecrisis.pdf>

Claudio Borio and Piti Disyatat, "Global imbalances and the financial crisis: Link or no link," Bank for International Settlements (BIS) Working Papers No. 346, May 2011, <http://www.bis.org/publ/work346.pdf>

Martin Feldstein, "Resolving the Global Imbalance: The Dollar and the U.S. Saving Rate," *Journal of economic perspectives* 22(3): 113-125.

### **Lecture 9: China and economic regionalization in East Asia**

What progress has East Asia made in economic regionalization? What are the mechanisms? What role has China played? And how the US and Japan see China's regional influence?

**Student presentation 6:** Rising nationalism and its impact on world economic growth or: Trump's economic policy and impact on world economy

### Readings:

\*Françoise Nicolas, "East Asian Regional Economic Integration: A Post-Crisis Update," IFRI Center for Asian Studies, ASIIE Visions 43, September 2011.

\*C. Fred Bergsten, "Chapter 9 China and Economic Integration in East Asia: Implications for the United States," [http://csis.org/files/media/isis/pubs/090212\\_09china\\_and\\_economic.pdf](http://csis.org/files/media/isis/pubs/090212_09china_and_economic.pdf)

**\*Dilip K Das, "The Role of China in Asia's Evolution to Global Economic Prominence," *Asia & the Pacific Policy Studies*, Volume 1, Issue 1, January 2014, pp. 216–229.**

Meredith Kolsky Lewis, "The TPP and the RCEP (ASEAN+6) as Potential Paths Toward Deeper Asian Economic Integration," *Asian Journal of WTO & International Health Law and Policy*, Vol. 8, No. 2, pp. 359-378, September 2013. [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2385517](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2385517)

Sanchita Basu Das, "RCEP and TPP: Comparisons and Concerns," *ISEAS Perspective*, No. 2, 7 Jan 2013. [www.iseas.edu.sg/documents/publication/ISEAS%20Perspective%202013\\_2.pdf](http://www.iseas.edu.sg/documents/publication/ISEAS%20Perspective%202013_2.pdf)

Li, Xing, "East Asian Regional Integration: From Japan-led "Flying-geese" to China-centred "Bamboo Capitalism". (pp. 1-23). Aalborg: CCIS - Center for Comparative Integration Studies, 2007, [http://vbn.aau.dk/files/13003157/CCIS\\_wp\\_no.\\_3](http://vbn.aau.dk/files/13003157/CCIS_wp_no._3)

### **Lecture 10: China's One Belt, One Road Initiative**

What is China's One Belt, One Road Initiative? Why has China put forth such an initiative? What are the implications to the world? Any potential risks?

**Debate 2:** Will American supremacy be overtaken by China?

***Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*, Issued by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, with State Council authorization, 28 March 2015.**

**European Council on Foreign Relations, "“One Belt, One Road”-China's great leap outward," June 2015.**

**The Economist Intelligence Unit, "Prospects and challenges on China's 'one belt, one road': a risk assessment report," 2015.**

Douglas Bulloch, "Mapping the new silk road," Cheung Kong Graduate School of Business, March 24, 2015.

Shuaihua Wallace Cheng, "China's New Silk Road: Implications for the US," *Yale Global*, 28 May 2015.

### **Lecture 11: China Model: Debates and Prospect**



How to explain China's economic success? What is Chinese model? Is Beijing consensus a substitute of Washington consensus? What challenges is China facing?

**Student presentation 7:** Will China become the Japan of the 1980s?

**Readings:**

**\*Joshua Cooper Ramo, "The Beijing Consensus", *The Foreign Policy Centre*, May 2004.**

**time.dufe.edu.cn/wencong/washingtonconsensus/beijingconsensusen.pdf**

**\*Shaun Breslin, "The 'China model' and the global crisis: from Friedrich List to a Chinese mode of governance?" *International Affairs* 87:6 (2011) 1323–1343.**

**\*Yang Yao, "The End of the Beijing Consensus," *Foreign Affairs*, February 2, 2010. <http://www.foreignaffairs.com/articles/65947/the-end-of-the-beijing-consensus>**

Economist Debate: China Model, <http://www.economist.com/debate/overview/179>

Rowan Callick, "The China Model," *The American*, November/December 2007, <http://www.american.com/archive/2007/november-december-magazine-contents/the-china-model>

**Final Exam**