

DISS433 SPECIAL TOPICS IN EAST ASIAN STUDIES I:

Understanding the Chinese Economy and Market

College of International Studies (CIS), Korea University

Summer Term, 2023 (Mon - Thur, 9 am - 11:50 am)

COURSE DESCRIPTION

China has experienced a gradual transition from a centrally-planned to a market economy. This transition has accompanied with impressive economic development and significant integration into the global economy. The resultant business environment is unconventional and consequently doing business in China is challenging. Even China is currently locked in an escalating trade war with the US.

This course focuses on market transition, particular emphasis on the major domestic and international issues that have affected the development and growth of China's economy. This includes China's traditional economic system, economic reforms, rebalance of its economy, the Belt and Road initiative, labour market, state-owned enterprises, non-state sectors, and financial sector. It also covers the key issues of the China-US trade war and the key impacts of these issues on the China specific business environment.

Each part of the course will provide you with institutional background and process of China's economic reform and its implication for key management practice. By doing so, this course should help you to integrate what you learn from other courses in a Chinese context.

LECTURER INFORMATION

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ASSESSMENT

The course assessment is as follows:

A 2-hour mid-term examination	50%
A 2-hour final examination	50%
Total	100%

- **Mid-term examination (50%):** The 2-hour final examination will consist of FOUR essay type questions. You are required to choose and answer any TWO questions.
- **Final examination (50%):** The 2-hour final examination will consist of FOUR essay type questions. You are required to choose and answer any TWO questions.

COURSE OUTLINE

DATE	DAY	LECTURE TOPIC
Week 1		
22 Jun	Thur	Course introduction and overview
Week 2		
26 Jun	Mon	The pre-reform economy: Heavy industries and traditional economic system
27 Jun	Tue	China's economic reform (1): The distinctive logic behind the evolution process
28 Jun	Wed	China's economic reform (2): The distinctive logic behind the evolution process
29 Jun	Thur	Impact of China's economic reform on business environment in China (1): China as a collection of fragmented markets
Week 3		
3 Jul	Mon	Impact of China's economic reform on business environment in China (2): China specific business environment for intellectual property rights (IPR)
4 Jul	Tue	The evolution of China's labour market
5 Jul	Wed	Revision lecture for mid-term examination
6 Jul	Thur	Mid-term examination
Week 4		
10 Jul	Mon	State capitalism and state-owned enterprises (SOEs) in Chinese context
11 Jul	Tue	The emergence of non-state sector
12 Jul	Wed	China's banking industry
13 Jul	Thur	China's capital market development and Renminbi internationalization
Week 5		
17 Jul	Mon	The current economic issues in China: Belt and Road Initiative and China-US trade war
18 Jul	Tue	Revision lecture for final examination
19 Jul	Wed	Final examination

DETAILED TEACHING PLAN AND READING LISTS

WEEK 1

LECTURE 1 (Wed, 22/06/23): Course introduction and overview

Course objectives; course structure; expected course learning outcome; assessment

WEEK 2

LECTURE 2 (Mon, 26/06/23): The pre-reform economy: Heavy industries and traditional economic system

The institutional formation under the development strategy of prioritizing heavy industries and the economic logic underlying the traditional institutional arrangement; its main implications and influences on economic reform

Key readings

- Lin, J.Y., Cai, F., and Li, Z. (2003) *The China Miracle: Development Strategy and Economic Reform* (Revised Edition), Hong Kong: The Chinese University Press, Ch 2 and Ch 3. [Available at Korea University library website]
- Lin, J.Y. (2012) *Demystifying the Chinese Economy*, Cambridge: Cambridge University Press, Ch 4. [Available at Korea University library website]
- Naughton, B. (2018) *The Chinese economy : adaptation and growth*, MIT Press, Ch 4. [Available at Korea University library website]

LECTURE 3 (Tue, 27/06/23): Economic reform: the distinctive logic behind the evolution process of the reform (1)

Micro-management institution reform; Planned resource-allocation reform

Key readings

- Lin, J.Y., Cai, F., and Li, Z. (2003) *The China Miracle: Development Strategy and Economic Reform* (Revised Edition), Hong Kong: The Chinese University Press, Ch 5. [Available at Korea University library website]
- Naughton, B. (2018) *The Chinese economy : adaptation and growth*, MIT Press, Ch 5. [Available at Korea University library website]
- Zhang, P. and Nan, Y. (2018) 'China's Economic Growth and Structural Transition since 1978,' *China Economist*, 13(1): 22-57. [Available at Korea University library website]

LECTURE 4 (Wed, 28/06/23): Economic reform: the distinctive logic behind the evolution process of the reform (2)

Macro-policy environment reform; Rebalance the Chinese economy via dual circulation

Key readings

Lin, J.Y., Cai, F., and Li, Z. (2003) *The China Miracle: Development Strategy and Economic Reform* (Revised Edition), Hong Kong: The Chinese University Press, Ch 5. [Available at Korea University library website]

Naughton, B. (2018) *The Chinese economy : adaptation and growth*, MIT Press, Ch 5. [Available at Korea University library website]

Hu, Xiaobo (2017) 'China's New Normal: Challenges to Old Politics of Economic Reforms,' *Journal of Chinese Political Economy*, 22(3): 449-460. [Available at Korea University library website]

LECTURE 5 (Thur, 29/06/23): Impact of China's economic reform on the business environment in China (1): China as a collection of fragmented markets

Federalism Chinese style; Rent seeking and local protectionism; China as a Collection of Fragmented Markets

Key readings

Qian, Y and Weingast, B. (1997) 'Federalism as a Commitment to Preserving Market Incentives,' *Journal of Economic Perspectives*, 11(4): 83-92. [Available at Korea University library website]

Wedeman, A.H. (2003) *From Mao to Market: Rent Seeking, Local Protectionism, and Marketization in China*, Cambridge University Press, Ch 2 and Ch 6[Available at Korea University library website]

Lin, J.Y., Cai, F., and Li, Z. (2003) *The China Miracle: Development Strategy and Economic Reform* (Revised Edition), Hong Kong: The Chinese University Press, Section 7.2 (pp. 210-214). [Available at Korea University library website]

Suggestions for supplementary reading

Cheng, Y.-W. and Ngo, T.-W. (2014) 'The Heterodoxy of Governance under Decentralisation: Rent-Seeking Politics in China's Tobacco Growing Areas,' *Journal of Contemporary Asia*, 44 (2): 221-240. [Available at Korea University library website]

Oh, S.-Y. (2013) 'Fragmented Liberalization in the Chinese Automotive Industry: The Political Logic behind Beijing Hyundai's Success in the Chinese Market,' *The China Quarterly*, Volume 216, pp. 920-945. [Available at Korea University library website]

WEEK 3

LECTURE 6 (Mon, 03/07/23): Impact of China's economic reform on the business environment in China (2): China specific business environment for Intellectual Property Rights (IPR)

China specific business environment for Intellectual Property Rights (IPR) protection; Implications for multinational enterprises.

Key readings

- Cao, Q. (2014) 'Insight into weak enforcement of intellectual property rights in China,' *Technology in Society*, 38: 40-47. [Available at Korea University library website]
- Chow, D. (2010) 'Anti-counterfeiting strategies of multi-national companies in China: How a flawed approach is making counterfeiting worse,' *Georgetown Journal of International Law*, 41: 749-779. [Available at Korea University library website]
- Lejeune, J. (2014) 'Weak Enforcement of Intellectual Property Rights in China: integrating political, cultural and structural explanations,' *Journal of Contemporary China*, 23(88): 698-714. [Available at Korea University library website]

Suggestions for supplementary reading

- Hurtado, A. (2018) 'Protecting the Mickey Mouse Ears: Moving Beyond Traditional Campaign-Style Enforcement of Intellectual Property Rights in China,' *Fordham Intellectual Property, Media and Entertainment Law Journal*, 28(2): 421-475.
[<https://ir.lawnet.fordham.edu/cgi/viewcontent.cgi?article=1693&context=iplj>]

LECTURE 7 (Tue, 04/07/23): The evolution of the labour market in China

Overview of labour policy and progress in China; Key issues in urban and rural labour market in China; Workers' representation and voice in China

Key readings

- Naughton, B. (2018) *The Chinese economy : adaptation and growth*, MIT Press, Ch 6 and Ch 9. [Available at Korea University library website]
- China Labour Bulletin (2021) 'Migrant workers and their children', Available at <https://clb.org.hk/content/migrant-workers-and-their-children>

Suggestions for supplementary reading

- Ma, Z. (2011) 'Industrial relations in China: A review based on a six-party model,' *International Labour Review*, 150 (1-2): 145-162. [Available at Korea University library website]
- Johnson, L. (2017) 'Bordering Shanghai: China's hukou system and processes of urban bordering,' *Geoforum*, 80: 93-102. [Available at Korea University library website]

LECTURE 8 (Wed, 05/07/23): Revision lecture for mid-term exam

Recap of lecture 2 – lecture 7; Guidelines and tips for mid-term exam

LECTURE 9 (Thur, 06/07/23): Mid-term exam

The 2-hour mid-term examination will consist of FOUR essay type questions. You are required to choose and answer any TWO questions.

WEEK 4

LECTURE 10 (Mon, 10/07/23): State capitalism and state-owned enterprises (SOEs) in Chinese context

The reform of the state sector; Ownership and governance reform of SOEs; The future role of the state industry in China's economy

Key readings

Naughton, B. (2018) *The Chinese economy : adaptation and growth*, MIT Press, Ch 14. [Available at Korea University library website]

Hsueh, R. (2016) 'State Capitalism, Chinese-Style: Strategic Value of Sectors, Sectoral Characteristics, and Globalization,' *Governance*, 29(1): 85-102. [Available at Korea University library website]

Suggestions for supplementary reading

Eisenhardt, K.M. (1989) 'Agency Theory: An Assessment and Review,' *The Academy of Management Review*, 14 (1): 57-74. [Available at Korea University library website]

Lin, J.Y., Cai, F., and Li, Z. (2003) *The China Miracle: Development Strategy and Economic Reform* (Revised Edition), Hong Kong: The Chinese University Press, Section 8.1 (pp. 237-251). [Available at Korea University library website]

LECTURE 11 (Tue, 11/07/23): The emergence of non-state sector

The main forms of non-state sector ownership in the Chinese economy; Their contributions to economic growth;

Key readings

Naughton, B. (2018) *The Chinese economy : adaptation and growth*, MIT Press, Ch 13. [Available at Korea University library website]

Sun, L (2002) 'Fading out of Local Government Ownership: Recent Ownership Reform in China's Township and Village Enterprises,' *Economic Systems*, 26: 249-69. [Available at Korea University library website]

Huang, Y. (2008) *Capitalism with Chinese Characteristics*, Cambridge, Cambridge University Press, Ch 1. [Available at Korea University library website]

Suggestions for supplementary reading

Lashinsky, A. (2018) 'Alibaba v. Tencent: The Battle for Supremacy in China,' *Fortune*, 21 June. [Available at: <http://fortune.com/longform/alibaba-tencent-china-internet/>] or [\[https://finance.yahoo.com/news/alibaba-v-tencent-battle-supremacy-083053872.html\]](https://finance.yahoo.com/news/alibaba-v-tencent-battle-supremacy-083053872.html)

Vaswani, K. (2019) Huawei: The story of a controversial company, BBC, 6 March 2019. [Available at: <https://www.bbc.co.uk/news/resources/idt-sh/Huawei>]

LECTURE 12 (Wed, 12/07/23): China's banking industry

The main challenges faced by China's financial sector in making the transition to the market economy

Key readings

Naughton, B. (2018) *The Chinese economy : adaptation and growth*, MIT Press, Ch 19. [Available at Korea University library website]

Liang, Y. (2016) 'Shadow Banking in China: Implications for Financial Stability and Macroeconomic Rebalancing,' *Chinese Economy*, 49 (3): 148-160. [Available at Korea University library website]

Suggestions for supplementary reading

Xie, S. Y. (2018) 'Jack Ma's Giant Financial Startup Is Shaking the Chinese Banking System,' *The Wall Street Journal*, July 29. [Available at Korea University Library]

Surane, J. and Cannon, C. (2018) 'Why China's Payment Apps Give U.S. Bankers Nightmares,' *Bloomberg*, May 23. [Available at: <https://www.bloomberg.com/graphics/2018-payment-systems-china-usa/>] or [\[https://www.theborneopost.com/2018/05/27/why-chinas-payment-apps-give-us-bankers-nightmares/\]](https://www.theborneopost.com/2018/05/27/why-chinas-payment-apps-give-us-bankers-nightmares/)

Lin, J.Y. (2012) *Demystifying the Chinese Economy*, Cambridge: Cambridge University Press, Ch 10. [Available at Korea University library website]

LECTURE 13 (Thur, 13/07/23): China's capital market development and Renminbi internationalization

The key features of capital market development in China; The main challenges faced by China in facilitating the future development of its capital market; The key issues around Renminbi internationalization

Key readings

Naughton, B. (2018) *The Chinese economy : adaptation and growth*, MIT Press, Sections 19.4-19.5. [Available at Korea University library website]

- Zhen, Yong (2013) *China's Capital Markets*, Oxford: Candos Publishing, Ch.1: China's stock market. [Available at Korea University library website]
- Xie, F., Chi, J., and Liao, J. (2016) 'From share issue privatisation to non-tradable share reform: a review of privatisation in China,' *Asian-Pacific Economic Literature*, 30(2): 90-104. [Available at Korea University library website]
- Eichengreen, B. and Kawai, M. (2014) 'Issues for Renminbi Internationalization: An Overview', ADBI Working Paper Series, No. 454.
[Available at: http://www.relooney.com/NS3040/000_New_476.pdf]

Suggestions for supplementary reading

- Handwerker, N. (2020) 'The Rise of the Renminbi: the Role of 'One Belt, One Road,' The China Guys, 1 June 2020.
[Available at: <https://thechinaguys.com/the-rise-of-the-renminbi-the-role-of-one-belt-one-road/>]

WEEK 5

LECTURE 14 (Mon, 17/07/23): The current economic issue in China: Belt and Road Initiative and China-US trade war

- Huang, Y. (2016) 'Understanding China's Belt & Road Initiative: Motivation, framework and assessment,' *China Economic Review*, 40(C): 314-321. [Available at Korea University library website]
- Kynge, James (2018) 'China's Belt and Road projects drive overseas debt fears,' *Financial Times*, August 8.
[Available at <https://www.ft.com/content/e7a08b54-9554-11e8-b747-fb1e803ee64e>]

Relevant information relating to the China-US trade war (e.g., materials from the internet and newspaper etc.)

LECTURE 15 (Tue, 18/07/23): Revision lecture for End-term exam

Recap of lecture 10 – lecture 14; Guidelines and tips for the end-term exam

LECTURE 16 (Tue, 19/07/22): Final exam

The 2-hour final examination will consist of FOUR essay type questions. You are required to choose and answer any TWO questions.