
Drake Study on China

Topics in Chinese Business & Economics

Class : 6:00-9:15 PM, TR, Aliber 107
9:00-12:00PM, S, Aliber 107

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Overview

This class serves as a multi-disciplinary introduction to the complexities of the Chinese economy. Students will have the opportunity to study China's economic growth and business environment with specialist at the University of International Business and Economics, a top-ranking academic institution on finance and economics in China.

Goals

Students will gain an introductory working knowledge on the following broad topics:

- 20th Chinese economic history, focusing after 1978
- Chinese economic and business systems
- Trade and foreign investment in China
- Chinese business culture and consumer behavior
- Managing international business in China
- Marketing strategies for China

Requirements

Students must attend all lectures and course-related activities. Readings should be completed on time, in order to allow for active engagement within the concepts and materials presented in class.

Evaluation

Reading List & Synopses: 40%

Group Project and Paper: 60%

Course Materials

REQUIRED: Course Reader.

OPTIONAL: NAUGHTON, Barry J.
The Chinese Economy: Transitions and Growth. Boston: MIT Press, 2006.

Course Modules: Description & Goals

Module 1: Chinese Economics & Business Systems

Module 1 will offer students an overview of China's historical and current economics and business environment. This module will introduce students to a broad economic history of China, with a focus on the 20th century, especially after China's move to a market-based economy under Deng Xiaoping's "Reform and Opening" policies after 1978. Students will also receive a profile of today's China as the world's largest LDC and an emerging power. The module will provide a comprehensive analysis on current macroeconomics issues, including economic growth trends, structural imbalances, inflation and bubbles. This module also introduces China's governmental and administrative systems, as they pertain to the Chinese economy. State-Owned Enterprises (SOE) will also be discussed in terms of their traditional structure, reforms in the 1980s and 1990s, and the challenges of privatizing SOE's. This module also covers the private sector of the Chinese economy, from reforms in the 1980s that reinvigorated private businesses, growth of and challenges to private businesses after 30 years of reform, and continued discrimination against private businesses in China. Finally, this module will cover the structure, regulation, and reform of the Chinese financial sector.

Module 2: Trade & Foreign Investment in China

Module 2 will educate students on China's historical and contemporary interactions with the global economy. Topics to be discussed include economic interactions with "Greater China", including Hong Kong, Macau, Taiwan, and Chinese diaspora communities overseas, as well as China's Free Trade Agreements (FTA) with other nations. Foreign Direct Investment (FDI) will be a major subject under discussion in this module. Students will also learn about China's long process of joining, and then participating in, the World Trade Organization (WTO). What advantages, added responsibilities, and conflicts have arisen from China's membership in the WTO? Finally, this module will discuss China's "Go Global" strategy of FDI in other countries around the world. Is China creating a new model of FDI around the world, or are we witnessing a new form of "colonialism with Chinese characteristics"? This module will be complemented by several cases studies on China's overseas investment, especially in Africa.

Module 3: Chinese Business Culture & Consumer Behaviors

This module will serve as an introduction to the knowledge necessary for interacting with Chinese business leaders, as well as information needed to really understand "the China market." To this end, Module 3 introduces Chinese leadership, management, and negotiation practices from local perspectives. What challenges do American business people encounter in trying to interact with their Chinese counterparts? What mistakes are frequently made, and how can you avoid them? The second part of Module 3 focuses on imparting a deeper understanding of Chinese demographics, economics, and consumption patterns, in order to move past superficial coverage of "the China market" in American media. Students will learn about demographic realities in China, including an aging population, gender imbalance, uneven income distribution, geographic differences, and growing inequality among potential Chinese consumers. Other topics include the urban/rural divide and uneven economic development between the eastern, coastal regions and western, "inland" China.

Module 4: International Business Management and Strategy in China

This module will walk students through the process of bringing an international business into China—from Chinese regulations on foreign businesses, choosing a Chinese partner, and entering the market to human resources (HR) management for Chinese employees, production, quality control, and supply-chain management (SCM). Other important topics to be covered included Intellectual Property Rights (IPR), technology transfer, and research and development (R&D) strategies. Case studies will offer students real-world examples of both challenges and successes of international business in China. This unit will also present general strategies for marketing one's products in China, and then deepen students' understanding of those strategies with several case studies.

Module 5: Challenges & Opportunities

China's economy and business environment changes extremely rapidly. This module, then, will address the latest trends shaping economics and business practices in China. Due to the constant evolution in the Chinese economy, topics to be addressed in this module are subject to change. As it stands now, this section of the course will discuss the thorny issue of censorship, social media, and search engines. Students will learn about Yahoo, Google, Facebook, Twitter, and other Internet-based businesses experiences operating in China. The second topic will cover China's growing thirst for natural resources and the ways in which Chinese industries are expanding globally to meet these ever-increasing needs. These are some recent, hot button issues about global businesses in China, and Chinese businesses operating around the world. What will people be talking about at the end of 2012? This module is designed to keep students informed on the most up-to-date issues.

Course Assignments

Reading List & Synopses (40%): For this assignment, students must read 2-3 current or recent articles on Chinese economics & business per module. Provided that the articles discuss topics related to Chinese economics and business, students are free to choose articles according to their own interests. Please note that assigned readings CANNOT be included in this assignment; journals or websites from which course readings were chosen, however, are a good starting point for building your reading list. Students must summarize the major points in each article in a short description of no more than 100 words. These synopses should be submitted via blackboard. The goal of this assignment is for each student to develop a working knowledge of current trends and issues within the business community in China, according to each student's personal interests. Consider the reading/synopsis exercise a diary of your changing interests as your knowledge of Chinese business and economics develops. Complete readings list & synopses are due to the instructor by class time.

Group Project and Paper (60%): Students will form groups of two to four participants (depending on class size) to design, carry out, write, and present independent research on a topic related to Chinese business and economics. Students have the freedom to choose their research projects, provided that the projects meet faculty standards and all members of the group are in agreement. This assignment is intended to allow students to explore topics of their own interest, using knowledge gained in class as well as taking advantage of each student's developing reading list & synopses. Each project must include the latest statistics, trends, and strategies related to their topic. This research project will culminate in a 10 (double-space) page research paper and 15 to 20-minute group presentation.

Instructor Biographies

Zhongxiu Zhao, Ph.D. is Professor and Vice-President of the University of International Business and Economics (UIBE). After receiving his first degree from Peking University, Dr. Zhao completed his Ph.D. in Economics from UIBE. Specializing in international trade theory and policy, trade and economic growth, and international business. Dr. Zhao's prolific academic career has included contributions as co-author and editor for seven books, author of numerous academic articles, and a frequent participant in academic conferences. He has also utilized his academic expertise in frequent consulting positions for government agencies, international organizations, and both Chinese and international companies, including his position as Vice Chairman of China Society of World Economics, consulting expert of Mofcom.

Liping Zheng, Ph.D, Assistant Professor of Economics, Drake University.

Course Schedule, Activities, & Reading Assignments

Date	Lecture Topics & Assigned Readings
<h3>Module 1: Chinese Economic and Business Systems (April 26)</h3>	
<p>Lecture 1</p> <p>By Liping Zheng</p>	<p>INTRODUCTION TO THE COURSE OVERVIEW OF MAJOR ECONOMIC ISSUES HISTORICAL PERSPECTIVES ON TODAY'S CHINESE ECONOMY</p> <p><u>Required Readings:</u></p> <p>Kent DENG, "A Critical Survey of Recent Research in Chinese Economic History," <i>Economic History Review</i> 53.1 (2000): 1-28.</p> <p>LIN Yifu, "Collectivization and China's 1959-1961 Agricultural Crisis," <i>Journal of Political Economics</i> 98 (1990): 1228-1252.</p> <p>QIAN Yingyi, "A Theory of Shortage in Socialist Economies Based on the 'Soft Budget Constraint'," <i>The American Economic Review</i> 84.1 (1994): 145-156.</p> <p><u>Optional Readings:</u></p> <p>Barry J. NAUGHTON, "Introduction," "The Chinese Economy before 1949," "The Socialist Era, 1949-1978," <i>The Chinese Economy: Transitions and Growth</i>, 1-83.</p>
<p>By Liping Zheng</p>	<p>"REFORM & OPENING": TRANSITIONS IN THE CHINESE ECONOMY</p> <p><u>Required Readings:</u></p> <p>LIN Yifu, "Rural Reforms and Agricultural Growth in China," <i>American Economic Review</i> 82.1 (1992): 34-51.</p> <p>CHE Jiahua and QIAN Yingyi, "Insecure Property Rights and Government Ownership of Firms," <i>The Quarterly Journal of Economics</i> 113.2 (1998): 467-496.</p> <p>BAO Shuming, Gene Hsin CHANG, Jeffrey D. SACHS, and Wing Thye WOO, "Geographic Factors and China's Regional Development under Market Reforms, 1978-1998," <i>China Economic Review</i> 13 (2002): 89-111.</p> <p>YAO Shujie, ZHANG Zongyi, and Lucia HANMER, "Growing Inequality</p>

	<p>and Poverty in China,” <i>China Economic Review</i> 15.2 (2004): 145-163.</p> <p>ZHENG Song, Kjetil STORESLETTEN, and Fabrizio ZILIBOTTI, “Growing like China,” <i>The American Economic Review</i> 101.1 (2011): 196-233.</p> <p>For major economic data and indicators, see the Chinese Bureau of Statistics: http://www.stats.gov.cn/english/statisticaldata.</p> <p><u>Optional Readings:</u></p> <p>Barry J. NAUGHTON, “Market Transition: Strategy & Process,” 85-110.</p> <p>Richard MacGREGOR, “Deng Perfects Socialism: the Party and Capitalism,” <i>The Party</i>, 194-228.</p>
<p>Lecture 2</p> <p>By Zhongxiu Zhao</p>	<p>CHINA’S BUSINESS ENVIRONMENT: GOVERNMENT & STATE-OWNED ENTERPRISES (SOEs)</p> <p><u>Required Readings:</u></p> <p>Richard He HUANG and Gordon ORR, “China’s State-Owned Enterprises: Board Governance and the Communist Party,” <i>McKinsey Quarterly</i> (February 2007). 4 pp.</p> <p>Lawrence LAU, Gerard ROLAND, and QIAN Yingyi, “Reform without Losers: An Interpretation of China’s Dual-Track Approach to Transition,” <i>Journal of Political Economy</i> 108.1 (February 2000): 120-143.</p> <p>Justin Yifu LIN, Fang CAI, and Zhou LI, “Competition, Policy Burdens, and State-owned Enterprise Reform,” <i>American Economic Review</i>, 88.2 (May 1998): 422-427.</p> <p>Vladimir POPOV, “Shock Therapy versus Gradualism Reconsidered: Lessons from Transition Economies after 15 Years of Reforms”, <i>Comparative Economic Studies</i>, Vol.49, 2007, pp. 1-31.</p> <p><u>Optional Readings:</u></p> <p>Richard MacGREGOR, “China Inc.: The Party and Business,” <i>The Party</i>, 34-69.</p>
<p>By Zhongxiu Zhao</p>	<p>CHINA’S BUSINESS ENVIRONMENT: PRIVATE ENTERPRISE & THE FINANCIAL SECTOR</p> <p><u>Required Readings:</u></p> <p>CHEN Baizhu and FENG Yi, “Determinants of Economic Growth in China:</p>

Private Enterprise, Education, and Openness,” *China Economic Review* 11.1 (2000): 1-15.

JIN, H., and QIAN Yi, “Public versus private ownership of firms: evidence from Rural China,” *The Quarterly Journal of Economics* 113.3 (1998): 773–808.

ALLEN, Franklin, Jun QIAN and Meijun QIAN, “Law, Finance, and Economic Growth in China.” *Journal of Financial Economics* 77.1 (2005): 57-116.

Genevieve BOYREAU-DEBRAY and Shang-Jin WEI, “Pitfalls of a State-Dominated Financial System: The Case of China.” NBER Working Paper 11214 (2005). 38 pp.

Optional Readings:

CHEN Hongyi, *The Institutional Transition of China’s Township and Village Enterprises: Market Liberalization, Contractual Form Innovation and Privatisation* (Ashgate, 2000)

Barry J. NAUGHTON, “Macroeconomics and Finance,” 425-481.

OI, J.C., *Rural China Takes Off: Institutional Foundations of Economic Reform* (Berkeley and Los Angeles: University of California Press, 1999)

Module 2: Trade & Foreign Investment in China (May 1)

Lecture 3

By Zhongxiu Zhao

THE WORLD IN CHINA: FREE TRADE AGREEMENTS, WORLD TRADE ORGANIZATION

Readings:

Kevin G. CAI, “China-ASEAN Free Trade Agreement and Taiwan,” *Journal of Contemporary China* 14.45 (2005): 585-597.

HUANG Yasheng, “FDI in China.” *Harvard Business School Teaching Note* (2001; revised 2003).

Anne LEAHY, D. MACLAREN, D. MORGAN, K. WEATHERALL, E. WEBSTER, and J. YONG, “In the Shadow of China-Australia FTA Negotiations: What Australian Business Think about IP,” *Economic Papers* 27.1 (2008):1-18.

Optional Readings:

	Barry J. NAUGHTON, “China and the World Economy,” 375-399.
By Zhongxiu Zhao	<p>FOREIGN DIRECT INVESTMENT IN CHINA AND CHINA’S OVERSEA INVESTMENT: OVERVIEW & CASE STUDIES</p> <p><u>Readings:</u></p> <p>HUANG Yasheng, “Kelon (A): China’s Corporate Dragon.” <i>Harvard Business School Teaching Note</i> (2001; revised 2003).</p> <p>HUANG Yasheng, “Kelon (B): Opportunities and Challenges,” <i>Harvard Business School Teaching Note</i> (2002).</p> <p>Patrick MUNSON and ZHENG Ronghui, “Feeding the Dragon: Managing Chinese Resource Acquisition in Africa” USAID/ASIA Report (2010), 61 pp.</p> <p><u>Optional Readings:</u></p> <p>Barry J. NAUGHTON, “Foreign Investment,” 401-423.</p>

Module 3: Chinese Business Culture & Consumer Behaviors (May 3)

By Zhao Zhongxiu	<p>CHINESE BUSINESS CULTURE: LEADERSHIP, NETWORKS, & NEGOTIATIONS</p> <p><u>Readings:</u></p> <p>John Seely BROWN and John HAGEL III. “Innovation Blowback: Disruptive Management Practices from Asia,” <i>McKinsey Quarterly</i> (February 2005). 12 pp.</p> <p>John L. GRAHAM and N. Mark LAM, “The Chinese Negotiation,” <i>Harvard Business Review</i> (October 2003) 12 pp.</p>
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By Zhao Zhongxiu	<p>UNDERSTANDING “THE CHINA MARKET”: DEMOGRAPHICS, INCOME, & CONSUMER BEHAVIOR</p> <p><u>Required Readings:</u></p> <p>Yuval ATSOM, Vinay DIXIT, Max MAGNI, & Ian ST-MAURICE, “China’s New Pragmatic Consumers,” <i>McKinsey Quarterly</i> (October 2010). 13 pp.</p> <p>Jonathan WOETZEL, Janamitra DEVAN, Richard DOBBS, Adam EICHNER, Stefano NEGRI, and Micah ROWLAND, <i>If You’ve Got It, Spend It:</i></p>
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	<p><i>Unleashing the Chinese Consumer</i> McKinsey Report (McKinsey Global Institute, 2009): 74 pp.</p> <p>ZHANG Yuanting and Franklin W. GOZA, “Who will Care for the Elderly in China? A Review of the Problems Caused by China's One-Child Policy and their Potential Solutions,” <i>Journal of Aging Studies</i> 20.2 (April 2006): 151-164.</p> <p>Thijs ten RAA and Haoran PAN, “Competitive Pressures on China: Income Inequality and Migration,” <i>Regional Science and Urban Economics</i> 35.6 (November 2005): 671-699.</p> <p>Kevin Honglin ZHANG and Shunfeng SONG, “Rural–Urban Migration and Urbanization in China: Evidence from Time-Series and Cross-Section Analyses,” <i>China Economic Review</i> 14.4 (2003): 386-400.</p> <p><u>Optional Readings:</u></p> <p>Barry J. NAUGHTON, “The Urban / Rural Divide,” “Population Growth and the One-Child Family,” “Living Standards: Income, Inequality, and Poverty,” 113-135, 161-177, 209-227.</p>
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Module 4: International Business Management and Strategy in China (May 5)

<p>Lecture 4</p> <p>By Liping Zheng</p>	<p>MANAGING INTERNATIONAL BUSINESS IN CHINA: ENTRY, PARTNER SELECTION, HIRING, & HUMAN RESOURCES PRODUCTS & SUPPLY CHAIN MANAGEMENT</p> <p><u>Required Readings:</u></p> <p>Barry J. NAUGHTON, “Labor and Human Capital,” 179-206.</p> <p>Jazmine BOATMAN and Richard S. WELLINS, “Global Leadership Forecast 2011: China Highlights.” DDI (2011).</p> <p>HUANG Yasheng and Eric THUN, “Shanghai Volkswagen: Facing a New Era,” <i>Harvard Business School Teaching Note</i> (1999; revised 2002).</p> <p>WANG Yi, Jun XU, and Anna YIP, “China’s Changing Wholesale Landscape,” <i>McKinsey Quarterly</i> (March 2011). 9 pp.</p>
<p>By Liping Zheng</p>	<p>MANAGING INTERNATIONAL BUSINESS IN CHINA:INTELLECTUAL PROPERTY RIGHTS, TECHNOLOGY TRANSFER, RESEARCH & DEVELOPMENT</p>

	<p><u>Required Readings:</u></p> <p>Gordon ORR and Erik ROTH, “A CEO’s Guide to Innovation in China,” <i>McKinsey Quarterly</i> (February 2012). 10 pp.</p> <p>Kevin WALE, Rober DORVAK, Sri KAZA, Nick SANTHAHAM, and Steve YANG, “Three Snapshots of Chinese Innovation,” <i>McKinsey Quarterly</i> (February 2012). 12 pp.</p> <p>Office of the United States Trade Representative, <i>2010 Special 301 Report</i> (April 2010): 1-23.</p> <p>“The IT Factor in a Global Business: Interview with Lenovo’s CIO,” <i>McKinsey Quarterly</i> 23 (Summer 2011). 7 pp.</p> <p><u>Optional Readings:</u></p> <p>Barry J. NAUGHTON, “Technology Policy and the Knowledge-based Economy,” 349-372.</p>
By Liping Zheng	<p>MARKETING & ADVERTISING IN CHINA</p> <p><u>Required Readings:</u></p> <p>Yuval ATSMON and Max MAGNI, “China’s Confident Consumers,” <i>McKinsey Quarterly</i> (November 2011): 4 pp.</p> <p>Yuval ATSMON, Vinay DRIXIT, and Cathy WU, “Tapping China’s Luxury-Goods Market,” <i>McKinsey Quarterly</i> (April 2011). 5 pp.</p> <p>CHEN Yougang and Jacques PENHIRIN, “Marketing to China’s Consumers,” <i>McKinsey Quarterly</i> Special Edition: China Today (2004): 63-73.</p> <p>W. GONG, “Chinese Consumer Behavior: a Cultural Framework and Implications”, <i>Journal of American Academy of Business</i> 3.1-2 (2003): 373-380.</p> <p>James U. MCNEAL and Chyon-Hwa YEH, "Consumer Behavior of Chinese Children: 1995-2002," <i>Journal of Consumer Marketing</i> 20.6 (2003): 542-554.</p> <p>Kevin P. LANE, Ian ST-MAURICE, & Claudia Sussmuth DYCKERHOFF, “Building Brands in China,” <i>McKinsey Quarterly</i> Special Edition: Serving the New Chinese Customer (2006): 35-41.</p> <p><u>Optional Readings:</u></p> <p>Jing WANG. “Introduction: Framing Chinese Advertising,” <i>Brand New China:</i></p>

Advertising, Media, and Commercial Culture (Cambridge, MA: Harvard University Press, 2010). 1-36.

Module 5: Challenges & Opportunities* (May 8)

Lecture 5

By Liping Zheng

NEW RELATIONSHIPS & NATURAL RESOURCES: CHINESE BUSINESSES AROUND THE WORLD*

Potential Readings:*

Alexander DYCK, HUANG Yasheng, and David LANE, "PetroChina," *Harvard Business School Teaching Note* (2001; revised 2004).

LI Guangyu and Jonathan WOETZEL, "What China's Five-Year Plan Means for Business," *McKinsey Quarterly* (July 2011): 6 pp.

Gordon ORR, "What's in store for China in 2012?" *McKinsey Quarterly* (February 2012). 4 pp.

Jonathan WOETZEL, "How Green are Chinese Cities?" *McKinsey Quarterly* (January 2011). 9 pp.

David COGMAN and Emma WANG, "Can Chinese Companies Live up to Investor Expectations?" *McKinsey Quarterly* 39 (Spring 2011). 7 pp.

XU Jintao, Runsheng YIN, Zhou LI, Can LIU, "China's Ecological Rehabilitation: Unprecedented Efforts, Dramatic Impacts, and Requisite Policies," *Ecological Economics* 57 (2006): 595-607.

K. A. DAY, ed. *China's Environment and the Challenge of Sustainable Development* (New York: M.E. Sharpe, 2005)

Ministry of Environmental Protection, *China Environment Annual Report, 1996-2010*, Beijing.

United Nations Development Program, comp. *China Human Development Report 2009-2010: China and a Sustainable Future: Towards a Low Carbon Economy and Society* (Beijing: China Translation and Publishing Corporation, April 2010)

By Liping Zheng

GROUP PRESENTATION

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* This module will cover current trends, controversies, and important issues. These topics, therefore, are subject to change.