

Drake University
China's Economic and Business System

Econ 198
CRN 1706
9:30-12:30 MTWThF
Aliber Hall 10
Jan 5th-Jan 23rd
J-term 2015

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or by appointment

1.0 Course Overview

The course strives to provide an introduction to China's overall economic and institutional environment and the major strategic and operational issues facing multinational corporations doing business in the Chinese market. On completion of this course, students will be able to:

1. Appreciate how China's recent economic and political history has shaped its business environment for local and foreign firms. Understand the economic policies during the era of economic transition and development.
2. Apply basic principles to understanding the management of international businesses in the Chinese context.
3. Understand the advantages and disadvantages of exporting, licensing and foreign direct investment as market servicing strategies for China.
4. Be aware of the political, economic, legal and social factors that will most impact foreign businesses in China, and develop insight as to how these are best managed.
5. Understand the opportunities and challenges facing foreign firms in selected strategic industries in China.
6. Explore the key factors in China's development model and its challenges for sustainable development.

2.0 Prerequisites:

- Principles of Macroeconomics (Econ 1), or Principles of Microeconomics(Econ 2) or Instructor approval
- Curiosity

¹ Associate Professor of Economics, School of International Trade and Economics, University of International Business and Economics, Beijing, China.

3.0 Course Approach

Instruction methods

- Primarily lecturing approach supplemented by case studies
- Class discussions highly encouraged

Course materials

- Teaching notes during classes
- Supplementary reference reading materials will be provided

4.0 Course Requirements

4.1 Term paper (40%)

A group of no more than two people can be formed to finish the project. Each group will write a paper on Chinese economy and present it on the last day of class. The project allows students to gain in-depth understanding of Chinese economy. Students can choose any topic related to Chinese economy with instructor's approval. Detailed instructions will be provided.

4.2 Assignments (30%)

Students will write two short papers (2-3 pages long) for the first two weeks on the topics provided by the instructors.

4.3 Quizzes (20%)

Students will be given quizzes twice a week for materials covered in previous lectures.

Note: There are NO makeup quizzes.

4.4 Class Participation (10%)

The rationale for including class participation points in your grade is to encourage you to come to class prepared to discuss the day's lessons in a knowledgeable way, to give voice to what you know and do not know, and to help you learn from your peers as they participate with you. Thus, you will earn credit for participating, irrespective of whether your answer is correct or your question is basic or advanced.

You can earn class participation points by:

- Showing up in class (1 point)
- Showing up during office hours (1 point)
- Participating in on-line surveys (2 points)

For example:

- Fuzzy topics each day: surveys will be posted every day at 12:30 pm and will be available until 11am next day.
- Raising a question in class (1 point)
- Answering a question in class (1 point)
- Being a volunteer in class (1 point)
- Participating in group activities (1 point)

- Other opportunities

If your total point for class participation is **50 and above**, you will get the full class participation credit. If your point is below 50, you can use the formula to calculate your credit: (your points/50) x 10.

Note: If you have perfect attendance for the semester, you will earn an extra 1% on your final grade; if you only miss one class for the rest of the semester, you will earn an extra 0.5% on your final grade.

5.0 Grading

Grades will be computed as follows:

| | | |
|---------------------|------|--|
| Term paper | 40% | <i>NOTE: You may contest your grade during the 2-class period immediately after your assignment is returned to you. Once the relevant 2-class period has expired, you may not contest your grade for an assignment.</i> |
| Assignments | 30% | |
| Quizzes | 20% | |
| Class Participation | 10% | |
| TOTAL | 100% | |

Course grade is calculated using the following formula:

$$\text{SCORE} = 40 \times P + 30 \times A + 20 \times Q + 10 \times C$$

where P = percentage of the term paper,
A = average of percentages of assignments, Q= average of percentages of the quizzes, and C = percentage of the class participation.

Letter grade is assigned based on the following scale:

| | |
|--------|---|
| 90-100 | A |
| 80-89 | B |
| 70-79 | C |
| 60-69 | D |
| <60 | F |

6.0 Class Policies

Class attendance and participation is expected. Arriving late or leaving early is disruptive to the class and is very inconsiderate to both the instructors and your fellow classmates; therefore, such behavior will not be tolerated. If a special circumstance dictates that you must leave early, please check with the instructors before class. If you arrive late, enter classroom quietly and pick up handouts after class.

Turn off your cell phone ringers when you are in class.

Use of laptop computers and handheld electronic devices (i.e. phones, PDAs, iPods, etc) is only permitted in class to assist learning. Any use of any device that leads to distraction from the learning for other students will not be tolerated. Inappropriate use may include viewing online content not related to the class (including social networking sites), text messaging, answering phone calls, viewing video, and listening to music on such devices.

Failure to observe these rules may result in dismissal from the course.

Students absent from classes are responsible for all the materials presented, making arrangements to submit assignments due, and announcements made in class.

7.0 Course Outline

7.1. Introduction to China's economic and business environment

This introductory lecture will cover the following topics:

- Overview of China's economic development
- China's model of development
- Features of Chinese economy
- Possible policy barriers for China's sustainable development

7.2. China's governmental, administration and bureaucratic systems

In this topic, you will be introduced to China's unique political and civil system combined with traditional Chinese civil norms, modern democratic state and communist regime. The topic includes:

- Understanding brief history of Chinese economy and system choice
- The Chinese governmental and bureaucracy system
- The role of Chinese Communist Party in Chinese society
- The coming reform

7.3. China's foreign trade regime

A wide range of topics covering almost every aspect related to China's trade and investment regimes:

- Development of China's foreign trade
 - Trade-related laws and regulations
 - Trade in goods
 - Trade in services
 - Implementation of China's WTO commitments
- (Topics 3 and 4 take 3 days)**

7.4 China's foreign investment regime

A wide range of topics covering almost every aspect related to China's investment regime:

- Development of China's foreign investment
- Investment-related laws and regulations
- Means of FDI in China
- Development of China's outward FDI

7.5. State-owned enterprises in China

State Owned Enterprise (SOE) plays strategic role in socialist market economy. We will discuss the origin of SOE, the problems which SOEs faced and the process of SOE restructuring. Case studies are employed to analyze China's industrial sectors like automobile, telecommunications and business opportunities for foreign firms to cooperate with China's SOEs. The topic includes:

- The basic of traditional SOE
- Problems of SOEs since 1990s and reform of SOEs.
- SOE regulations, new SOEs and anti-trust in China
- SOE, China's MNEs and go global strategy

7.6. Private sector in China

Expansion of private sector in China is a driving force for China's economic miracle. In this lecture, we will discuss private sector in China in a SWOT model. The main topics will cover:

- History of China's private sector and Chinese culture towards private business
- SOE reform and opportunities for private business
- China's economic growth and private sector development
- Discrimination against private business in China
- Obstacle of private business

7.7. Financial system in China

We discuss how China's financial system works and how to finance foreign business in China. The topics include:

- Structure of China's financial system
- Banking system and its reform
- Capital market – stock market and bond market
- Regulations
- Informal Financial Institutions
- Hot issues in China's financial system

7.8. China's fiscal policies

We discuss how China's fiscal system works. It will offer detailed introduction of all the current tax categories. What tax incentives the government is offering? What are the ongoing tax reforms?

- Tax administration in China
- Tax categories
- Introduction of taxes
- Fiscal incentives
- Fiscal reform

7.9. China's agricultural policy and regional development

The Great wall divides two Chinas, rural areas vs urban areas. There is a big disparity among regions across China. This Chapter deals with China's regional development policy. The topic covers:

- Industrialization in 1950s
- Inward-looking Industrialization in 1960s
- Outward-looking strategies and coastal area development
- Developing west region
- Restoration of northeast region
- Development of Bohai-Rim economic circle
- Development of middle China
- Rural development and new socialist village project

7.10. China's population policy and social security system

China's social security system is underdeveloped. You will learn from this chapter how China transits from traditional socialist regime to market economy and rebuilds its social security system. The topics will cover

- Population policy
- Social insurance
- Social relief
- Housing services
- Social Security in Rural Area

7.11. China and the World: FTA, WTO and Go Global

China has a positive attitude to globalization. We will discuss the issues related to China's international economic relations. The topics include:

- Greater China: mainland with Hong Kong, Macau, Taiwan and overseas Chinese
- China's FTA with foreign countries: 10+1 and others

- China and WTO; the expected role of China in WTO
- Outward FDI from China to the world: China's go global strategy
- China model or new colonialism

7.12 Managing foreign business in China -Entry Mode and Partner Selection

China opened its door to the world and attracted numerous foreign investments towards China. We will introduce China's policies towards foreign business and how to make decision to select business partner in China. The topics will cover:

- Procedure of investment in China
- Market entry mode to China's market
- Marketing strategies and localization in China
 - Challenges for distribution in China
 - Chinese customers behaviors and marketing techniques
- Selection of business partner in China
- Recruitment, training, wages, retention of HR for foreign business
- Career development and competition for talents

Tentative Schedule (subject to change by the instructors)

| <u>Date</u> | <u>Topics</u> |
|--------------------|---|
| Mon Jan 5 | Introduction to China's economic and business environment |
| Tues Jan 6 | China's governmental, administration and bureaucratic systems |
| Wed Jan 7 | China's foreign trade regime |
| Thurs Jan 8 | China's foreign trade regime China's foreign investment regime |
| Fri Jan 9 | China's foreign investment regime |
| Mon Jan 12 | State-owned enterprises in China |
| Tues Jan 13 | Private sector in China |
| Wed Jan 14 | Financial system in China |
| Thurs Jan 15 | China's fiscal policies |
| Fri Jan 16 | China's agricultural policy and regional development |

| | |
|--------------|--|
| Mon Jan 19 | <u>MLK day No Class!</u> |
| Tues Jan 20 | China's population policy and social security system |
| Wed Jan 21 | China and the World: FTA,WTO and Go Global |
| Thurs Jan 22 | Managing foreign business in China |
| Fri Jan 23 | In-class presentation |

8.0 Legal Disclaimers and Other Information

Electronic mail: Every student *must* have a Drake email account. Course announcements will occasionally be sent by electronic mail, so all students should check their email accounts regularly. An archive of announcements will be posted on Blackboard.

Academic Misconduct Statement:

ACADEMIC INTEGRITY (ACADEMIC MISCONDUCT)

Academic integrity is essential to maintaining an environment that fosters excellence in teaching, research, and other educational and scholarly activities. Thus, Drake University expects that all students have read and understand the University's Code of Student Conduct, and that all students will complete all academic and scholarly assignments with fairness and honesty. Students must recognize that failure to follow the rules and guidelines established in the University's Code of Student Conduct and this syllabus may constitute Academic Misconduct.

Drake University's Code of Student Conduct (Section IV of Student Handbook) defines academic misconduct as:

Academic Dishonesty: Cheating and Plagiarism A student who cheats or plagiarizes commits an offense against the entire University community. Cheating is defined as an act or attempted act of giving or obtaining aid and/or information by illicit means in meeting any academic requirements, including examinations. Plagiarism is defined as misrepresenting other's ideas, phrases or discourse as one's own.

College of Business and Public Administration (CBPA) define academic dishonesty as:

Academic dishonesty is an encompassing term involving any activity that seeks to gain credit for work one has not done or to deliberately damage or destroy the work of others. Plagiarism is defined as misrepresenting another's ideas, phrases, discourse or works as one's own. Cheating is defined as the act, or attempted act, of giving or obtaining aid and/or information by illicit means in meeting any academic requirements, including examinations.

Ignorance of the University's Code of Student Conduct and CBPA's behavior rule is never considered an excuse for academic misconduct, so I recommend that you review the Code of Student Conduct and, specifically, the sections dealing with academic misconduct.

The penalty for engaging in any of these forms of dishonesty in relation to this class at minimum will be a grade of “0” on the assignment and may result in failure in the course. See the CPBA Handbook or the Drake Student Handbook for further information.

This syllabus and other class materials are available in alternative formats upon request. Students with disabilities are responsible for making their need known to the instructor and seeking assistance in a timely manner. Accommodations are coordinated through Student Disability Services (first floor Old Main).

For more information, please contact Michelle Laughlin, Director of Student Disability Service at 271-1835 or michelle.laughlin@drake.edu.