



LSE–PKU SUMMER SCHOOL

CHINA'S ECONOMIC GROWTH, FOREIGN TRADE AND INVESTMENT

[LPS-EC205]

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Course Description and Objectives

The remarkable economic growth of China in almost the last four decades changes the landscape of the global economy. Such a phenomenal growth is not only important to China, but also to countries through out the world. Recently the Chinese economy has entered its new phase of “new normal”, which is causing a new anxiety in the world. People are eager to understand China’s experiences and what kind of challenges lie ahead. China’s growth also attracts a lot of people from outside China, who want to take advantage of such an opportunity.

In this course, we are going to use tools and frameworks from modern economics to analyse the so-called “China miracle” and “new normal”, to understand the basic factors and institutional changes that contribute to China’s economic growth and to examine the forces that will continue to propel China’s growth in the future. We will emphasize the role of international trade and foreign direct investment in the process of China’s economic transition and growth. We will also discuss China’s financial system and innovation system as they become more important to China’s future growth.

This course will cover a few major themes. (a) What drives China’s economic growth? (b) What are the institutions and policy environments that shape the business environment in China? (3) How can firms and individuals get involved in China's foreign trade and investment and benefit from China’s development?

Teaching Approach

The course consists of lectures, readings, and case discussions to improve the effectiveness of learning. I will pass out an assignment sheet that includes questions on the assigned readings, homework problems and cases in each session. Except case reports, questions and homework solutions are not to be turned in. However, they will serve as the focus of class discussion and should be completed prior to the class.

Grading

Grades in the course will be based on three components: (1) class participation, which will account for 30% in the determination of your final grade; (2) Research paper,

which will count for 40%, and (3) a Final examination, which will count for 30% in the determination of your final grade.

1. *Class participation*: Attendance, preparation, and participation are essential for this class to be value adding. Students who miss class without a legitimate excuse will be penalized. Much of the learning in this course comes from class discussion of cases and homework assignments. Learning opportunities are maximized when a student is actively engaged in the class discussion. Active engagement means that you are listening carefully to the comments of other students and seeking opportunities to make comments that move the class discussion forward.

2. *Research paper*: This assignment will involve an analysis and/or investigation of an issue on China's economic growth, economic reform, international trade, economics of multinational enterprises or outward direct investment from China. You can also study a particular industry and competitive situation using the theories, concepts and tools developed in the course. The upper limit on the length of your paper is 15 pages of text (assuming double spacing and a 12-point font) excluding tables and figures. The paper is due in last day of the course.

Course Materials

Basic course materials consist of (1) reference books and book chapters; (2) academic journal articles; (3) articles from current newspapers and magazines; (4) cases; (5) lecture notes. These materials will be provided to the students in hard copy or electronic format whenever possible. Please note that some of these materials are copy right protected - do not reproduce them for commercial purposes. All participants are encouraged and expected to read international and local newspapers, business periodicals and/or to surf the web to keep informed about current economic, business and social events in China.

Course Outline

Part I. China's Economic Reform and Economic Growth

Day 1 (August 8, Monday)

Topics: China's economic growth

Day 2 (August 9, Tuesday)

Topics: China's economic reform

Part II. Firms and Markets in China

Day 3 (August 10, Wednesday)

Topic: Market structure and competition in China

Day 4 (August 11, Thursday)

Topic: Firms in China

Part III. China's Foreign Trade and Investment

Day 5 (August 12, Friday)

Topic: China's foreign trade and trade policy

Day 6 (August 15, Monday)

Topic: multinational enterprises and FDI in China

Day 7 (August 16, Tuesday)

Topic: China going global and OBOR

Part IV. China's Finance and Innovation

Day 8 (August 17, Wednesday)

Topic: China's financial system

Day 9 (August 18, Thursday)

Topic: China's innovation system

Part V Course Integration

Day 10 (August 19, Friday)

Topic: Challenges ahead and concluding remarks

Reading List

General Reference Books

1. Abrami, Regina M., William C. Kirby and F. Warren McFarlan, Can China Lead? Reaching the Limits of Power and Growth, 2014, Harvard Business Review Press.
2. Chang, Sea-Jin, 2013, Multinational Firms in China: Entry Strategies, Competition, and Firm Performance, Oxford University Press.
3. Chow, Gregory C., 2007, China's Economic Transformation, 2nd edition, Blackwell Publishing Limited.
4. Chow, Gregory C., 2011, China as a Leader of the World Economy, World Scientific.
5. Haley, Usha C.V. and George T. Haley, 2013, Subsidies to Chinese Industry: State Capitalism, Business Strategy, and Trade Policy, Oxford University Press.
6. Lardy, Nicholas, 2014, Markets over Mao: The Rise of Private Business in China. Peterson Institute for International Economics.
7. Lin, Justin Yifu, 2011, Demystifying the Chinese Economy, Cambridge University Press.
8. Maddison, Angus, 2007, Chinese Economic Performance in the Long Run, 2nd edition, OECD Development Centre Studies.
9. Naughton, Barry, 2007, The Chinese Economy: Transitions and Growth, Cambridge: The MIT Press.
10. Nee, Victor and Sonjo Oppen, 2012, Capitalism from Below, Markets and Institutional Change in China, Harvard University Press.
11. Riedel, James, Jing Jin and Jiao Gao, 2007, How China Grows: Investment, Finance and Reform, Princeton: Princeton University Press.
12. Subramanian, Arvind, 2011, Eclipse: Living in the Shadow of China's Economic Dominance, Washington, DC: Peterson Institute for International Economics.
13. Wu, Jinglian, 2005, Understanding and Interpreting Chinese Economic Reform, Texere.
14. Zhang, Joe, 2013, Insider China's Shadow Banking: The Next Subprime Crisis? Hong Kong: Enrich Professional Publishing Inc.