**THE UNIVERSITY OF HONG KONG**

**HKU BUSINESS SCHOOL**

**Dec 2021**

**FBEC2002 Field Experience in Chinese Economy: Implications for Global Business**

1. **Information on Instructor:**

**Instructor:** Prof. Yu Liu

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1. **Course Description and Objectives**

**Course Description**

As complex as China’s economy, no course can cover all aspects of it. This course will focus on the fundamental institutions of the Chinese economy, its reforms and transition towards a market economy, and major economic developments since the reforms in 1978. There is no official textbook for this course. Every class will feature one topic of the Chinese economy, and students are required to go through certain reading materials (mainly sections of academic papers) before class.

**Course Objectives**

By highlighting several topics, this course aims to help students understand China’s economic reforms, opening up, and development since the 1970s. The economic institutions behind the economic development will be analyzed in details. After the course, students are expected to come up with their own answers to why China can maintain high growth rate in the past 40 years and why the development is going to be slowed down in the future. Besides that, this course will guide students to apply basic economic theories and tools to analyze contemporary economic issues in China. Finally, through in-class discussion and group presentation, this course aims to improve students’ communication and teamwork skills.

1. **Course Learning Outcomes (CLOs)**

Upon completing this course, students should be able to:

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| **Number** | **Course Learning Outcomes (CLOs)** |
| 1 | describe the development of China in recent decades; |
| 2 | understand specific economic issues currently facing China; |
| 3 | understand the role of Hong Kong and Shanghai in the China economy; |
| 4 | analyze the interactions between China and the global economy; and |
| 5 | enhance their skills in team work and in investigating and addressing real world economic issues. |

Alignment of Faculty Learning Goals (FLGs) and Course Learning Outcomes:

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| **Faculty Learning Goals (FLGs)** | **Course Learning Outcomes (CLOs)** |
| **FLG 1**: Acquisition and internalization of knowledge of the programme discipline | CLO1, CLO2, CLO3, CLO4 |
| **FLG 2**: Application and integration of knowledge | CLO1, CLO2, CLO3, CLO4 |
| **FLG 3**: Inculcating professionalism | CLO5 |
| **FLG 4**: Developing global outlook | CLO4 |
| **FLG 5**: Mastering communication skills | CLO5 |
| **FLG 6**: Cultivating leadership | CLO5 |

1. **Teaching and Learning Activities (TLAs)**

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| **TLAs Contents** | **Expected Study Hours** | **Study Load (% of study)** |
| TLA1. Lectures with in-class discussion and class work: formal lectures are the major part of this course. Each lecture will cover one major aspect of the Chinese economy. Students are strongly encouraged to actively participate in the discussion and presentation throughout the course. | 24 | 20% |
| TLA2. Group-based project and presentation: students will form a group to investigate a specific economic issue in China, and present their work at the end of this course. | 26 | 22% |
| TLA3. Final essay : it consists of group report for the final capstone project and individual term paper. | 30 | 25% |
| TLA4. Self-study: students are encouraged to spend time to go through the reading materials before/after each lecture. | 40 | 33% |
| **Total** | 120 | 100% |

1. **Reference Book**

There is no required textbook for this course. Yet, three books are recommended if students want to get a better overview of the Chinese economy:

1. Naughton, Barry, “*The Chinese Economy: Transitions and Growth”*, MIT Press, 2007.
2. Chow, Gregory C., “Chinas’ Economic Transformation”, Second Edition, Blackwell Publishing, 2007.
3. Wu, Jing Lian, “Understanding and Interpreting China’s Economic Reform” Texere, 2005
4. **Course Schedule**

We will cover the following seven topics in this short course. They are related but also self-contained. Each topic is comprehensive enough to be discussed alone in a whole semester. Given that we have 3 hours in each session, our discussion will be concise and selective.

1. **The State and the Economy (12/26)**

We start with an overview of the economic development in China in the past four decades. China is among the very few exceptional countries in the world that are able to maintain a growth rate above 6 percent sustainably for decades. Given the ubiquitous influence of the state over the economy, the state must have done most things right instead of most things wrong to be able to achieve such economic success.

We then briefly discuss the historical and cultural root for the heavy influence of the state and introduce the reform in the state sector in past decades. We finally examine the relationship between the state and the economy in China, and we link what happened in China with the recent empirical evidence in economics and compare the Chinese experience with those happened in other countries.

1. **Reform: Institutional Development (12/28)**

Property right security and contract enforcement underpin successful development. In recent years, China starts to issue certificates (or titles) on the right to the contracted rural land. It is only part of the overall institutional development. We focus on the issuances of titles in rural and urban sectors and discuss about their potential impacts in light of the empirical evidence documented in China as well as other countries. We then discuss the reforms that occurred in the court system and in the government system.

*Reading:* China’s IP special court: [China’s commitment to strengthening IP judicial protection and creating a bright future for IP rights (wipo.int)](https://www.wipo.int/wipo_magazine/en/2019/03/article_0004.html)

1. **Open-up: Globalization (12/30)**

The open-up of China to the world both changed China and the world. We focus on the episode of post-WTO accession and discuss how trade and investment have impacted China and several major countries. We will use empirical evidence documented in the literature to motivate these impacts and use case studies to highlight such impacts.

*Reading:* US-China trade war [trade-war-chicken.pdf (moodysanalytics.com)](https://www.moodysanalytics.com/-/media/article/2019/trade-war-chicken.pdf)

1. **Migration and Urbanization (12/31)**

Internal migration in China is the most extensive in the world. It is both the consequence and the cause of the Chinese urbanization, which dramatically transformed the economic landscape of China. We describe the current status of internal migration in China and discuss its potential impact. We also introduce the remarkable infrastructure construction in China that facilitated migration and urbanization. We finally discuss the commonly used methods in China to finance infrastructure and introduce a recent study that evaluates the return to infrastructure in China.

*Reading:* China’s urbanization [What Should We Understand about Urbanization in China? | Yale Insights](https://insights.som.yale.edu/insights/what-should-we-understand-about-urbanization-in-china)

Homework: Read the following article: [China's radical plan to limit the populations of Beijing and Shanghai | Cities | The Guardian](https://www.theguardian.com/cities/2018/mar/19/plan-big-city-disease-populations-fall-beijing-shanghai). Write a short essay (less than 2 pages) on whether you think China should set a population limit in big cities. (**DDL: 1/8**)

1. **Finance (1/2)**

Finance is the life blood of an economy. True also in China. In this session, we have an overview of and the reform of the financial system in China. We discuss the banking system, IPO reforms in the stock market, Shanghai-Hong Kong Stock Connect, QFII, LGFVs, VIE.

*Reading:* Franklin Allen and Jun Qian. “China’s Financial System and the Law.” https://ww3.lawschool.cornell.edu/research/ILJ/upload/Allen-Qian-final.pdf

1. **Social Security (1/4)**

We start this session by introducing the fiscal structure of the Chinese government, with a focus on the social security programs. Rising income inequality, a slackening economy, together with an aging population, imposes a pressing challenge to China. We discuss how China’s social security system works, with a special focus on recent reforms in the health care system in China.

*Reading:* Embracing the Change: Strategizing on Volume-based Procurement in China

https://www.simon-kucher.com/nl/blog/embracing-change-strategizing-volume-based-procurement-china

1. **Industrial Policy (1/6)**

In recent years, industrial policy has become a hotly debated topic. This session discusses the recent development in China’s industrial policies (e.g., Made in China 2025) with a focus on R&D.

*Reading:* China’s New Innovation Advantage – Harvard Business School https://hbr.org/2021/05/chinas-new-innovation-advantage

1. **Session 8: Group presentations (1/8)**

Each group finds a business case to demonstrate how globalization influences the economic fortune of a firm or an individual. It can be a foreign company making investment in China or a Chinese company investing overseas. It can also be a Chinese company selling to or buying from foreign companies or vice versa. Find an interesting story and share it with us. At the end of the presentation, I want each group to enlighten us on what opportunities or challenges does China present to these companies in times of globalization. Present in 20 minutes with 10-15 slides.

Wrap-up and Q&A

1. **Course Assessment**

**Assessment Task (ATs)**

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| **Assessment Task (ATs)** | **Weight** | **Aligned CLOs** |
| AT1: Class participation | 25% | CLO1, CLO2, CLO5 |
| AT2: Homework | 5% | CLO1, CLO2, CLO3, CLO4 |
| AT3: Group presentation | 30% | CLO3, CLO4, CLO5 |
| AT4: Final essay | 40% | CLO1, CLO2, CLO3, CLO4 |

**Assessment Rubrics**

1. **Class Participation: 25%**

Effective participation is crucial to the quality of learning. The assessment of students’ participation comprises of two aspects:

1. **Attendance and punctuality (5%):** This is the basic requirement of participation. Students are required to attend all classes on time. Excused absence is allowed but should notify the instructor at least one day ahead. Sick leave can be requested on the day of class.
2. **Contribution to class discussion (20%):** Discussion is an important part of the learning process of this course. During lectures and presentations, students are encouraged to ask questions, give comments and even lead the discussion to a new direction. Please be less concerned about the “right” or “wrong”. The main purpose of discussion is to help students develop the ability of systematic thinking and effective communication. All the contributions to the discussion are valuable and students’ performance in this aspect will be tracked.

**Note:** If you are not comfortable with discussing in the class, please feel free to talk to me during the consultation time.

1. **Homework: 5%**

In the 13th five year plan, China set a population limit for large cities. For example, Beijing set a target of 23 million residents by the end of 2020, Shanghai set a target of 25 million, Guangzhou set a target of 15.5 million, and Shenzhen set a target of 14.8 million. Do you think large cities in China should set such limits at all? Write an essay to discuss it. The essay should be no more than 2 pages in length, single space, 12-point font, normal margin. Late submission will be subjected to 5% penalty.

1. **Group Presentation: 30%**

Each group finds a business case to demonstrate how globalization influences the economic fortune of a firm or an individual. It can be a foreign company making investment in China or a Chinese company investing overseas. It can also be a Chinese company selling to or buying from foreign companies or vice versa. Find an interesting story and share it with us. At the end of the presentation, I want each group to enlighten us on what opportunities or challenges does China present to these companies in times of globalization. Present in 20 minutes with 10-15 slides.

The number of students in each group will depend on the total number of students in our class (which is unknown for now). On the day of presentation, I will send everyone a link for every student to evaluate every other group. Each student will receive the average score he or she receives from the classmates (of course, we remove the outliers).

1. **Final Essay: 40%**

Individual term paper

* **Guideline of content:** If you want to have a career associated with China (not necessary working in China), draft a proposal or plan. Explain why you think this area is an opportunity for you and how your capability suit your plan.
* No restriction of format or content. Your report could involve an industry analysis report, or a stock trading strategy, or even write a poem. (the assignment is supposed to be fun rather than a merely home assignment. Thinking about after 5 or 10 years, when you read this report, you will find it “fun”)
* The deadline of this paper is **Jan 18th 2023 23:59 Beijing Time.** Please email it to TA with a pdf file named “final\_studentid\_fullname”
* Format: (1) a cover page indicating the title of paper, name, student ID; (2) single space with **no more than 5 pages** in total (excluding tables, graph, reference, etc.); (3) Font: Times New Roman; size: 12.
* The grading will be based on the connection to the knowledge in the class, connection to your capability and consistency of argument.

**Standard for Overall Assessment**

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| **Course Grade** | **Descriptions** |
| A+, A, A- | Strong evidence of superb ability to fulfill the intended learning outcomes of the course at all levels of learning: describe, apply, evaluate, and synthesis. |
| B+, B, B- | Strong evidence of the ability to fulfill the intended learning outcomes of the course at all levels of learning: describe, apply, evaluate, and synthesis. |
| C+, C, C- | Evidence of adequate ability to fulfill the intended learning outcomes of the course at low levels of learning such as describe and apply but not at high levels of learning such as evaluate and synthesis. |
| D+, D | Evidence of basic familiarity with the subject. |
| F | Little evidence of basic familiarity with the subject. |

1. **Course Policies on Academic Dishonesty**

The University Regulations on academic dishonesty will be strictly enforced! Please check the University Statement on plagiarism on the web: <http://www.hku.hk/plagiarism/>

Academic dishonesty is the behavior in which a deliberately fraudulent misrepresentation is employed in an attempt to gain undeserved intellectual credit, either for oneself or for another. Any type of academic dishonesty will not be tolerated, such as plagiarism, cheating, or unauthorized collaboration.

1. **Online Course Protocol**
2. A zoom link will be given in advance by mail for login. Please join the meeting 5 mins before the class. Set your equipment and internet before the class.
3. Set usernames to display your full name, student ID (e.g. John Doe, 1\*\*\*\*\*\*\*\*). Do this at the initial login prompt in the "Screen Name" field. Please mute your microphone first.
4. Maintain an uninterrupted video image of one's entire face throughout the duration of the class. Interruptions of a remote student's image are considered the equivalent of a local participant exiting the classroom or inviting distractions into the classroom. This includes poor framing, bandwidth, lighting, colleagues entering your office, driving while joining the meeting, and/or obstructions to a student's webcam.
5. Be present and attentive during class. Students who are engaged in other activities, unresponsive in the chat, disruptive to the class, or failing to meet any of these expectations will be put on brief hold by the TA. The TA or Professor can ask you to drop the class if a student is placed on hold multiple times in a class meeting.
6. Asking Questions: You may raise your hand or ask your questions in the chat box. The TA will notify the instructor of questions during the class
7. You can drink or have snacks but DO NOT operate a vehicle while attending class.