



香港中文大學
The Chinese University of Hong Kong

GLEF 4010 China and the Global Economy

2016-17 Term 2

Course outline

2016-17 Term 2 (week 19-33) Thursdays 2:30 – 5:15pm Location: CKB109

Teacher details

Prof. Sandra PONCET Email: sponcet@cefc.hk.com

By appointment

TA details

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Course Description

This is a course on the contemporary Chinese economy. Our focus will be directed towards an assessment of the post-1978 economic reforms in China. Since Deng Xiaoping's reforms in 1979, China has undergone remarkable domestic economic and social transformation. From a closed small, poor, and centrally planned economy it has grown into the second largest economy in the world and has been integrated into the market-oriented global trade, investment and financial systems. China's emergence as major player in the global economy has far-reaching implications for the rest of the world.

One goal of the course is to help students develop an informed perspective on the economic policies and institutional changes that have shaped China's economic emergence. In this sense, the course is very much a selected topics course with a broad range of topics covered. But a second, and more important goal is to study the Chinese development experience in order to think critically about the process of transition and economic and social development more generally. While recognizing the importance of an interdisciplinary perspective, my approach will emphasize the application of economic theories of incentives, institutions, markets, and economic development. An important emphasis of the course is to help you develop critical thinking and rigorous analytical expertise, as well as your skills in presentation, writing, and collegial team work. Apart from the class lectures, you will need to complete the required reading, present one group research paper and submit one individual paper.

The course is organized around topic areas, or modules, that together provide comprehensive coverage of the Chinese economy. It will hence not only present some key successful stories such as how China's GDP per capita was multiplied by 35 since 1980 to reach 6,807 US dollars or how China became the world manufacturing powerhouse but it will also discuss the challenges of the next stage of development as its leaders seek to guide the nation into becoming a high income country. While investment and exports have been a motor for growth, China is increasingly experiencing structural issues such as widening inequality, overcapacity as a consequence of policy distortions, unsustainable environmental costs, volatile financial markets, and rising systemic risk.



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Course Learning Outcomes

On completing the course, students will be able to:

- Articulate a broad perspective about the rapid growth of the Chinese economy since 1978 and its gradual integration into the global trade, investment and financial systems.
- Appreciate the connections between China's domestic economic reform and growth and its emergence as an international player.
- Analyze the repercussions, in terms of challenges and threats; China's economic development has on the rest of the world.
- Identify and rationalize the social and economic challenges China faces in its quest for modernization and discuss possible ways of actions to promotion sustainable development in China.

Readings: This course does not follow one textbook.

You are invited to quickly read through the following undergraduate text, Naughton, Barry. *The Chinese Economy: Transitions and Growth*. Cambridge, Mass, The MIT Press, 2007. This is a **required textbook**. Students are expected to read the full book regardless of how explicitly the chapters were covered in class.

Another insightful and more recent book that I recommend is Cai Fang (2016) *China's economic growth prospects: from demographic dividend to reform dividend* published in Edward Elgar Publishing.

Two other typical manuals are Gregory C Chow, *China's Economic Transformation*. Second edition. Malden, Mass, Blackwell Publishers, 2007, and Loren Brandt and Thomas G. Rawski (eds.). *China's Great Economic Transformation*, Cambridge University Press, 2008.

In addition, a series of published and (more recent) unpublished articles or book chapters will be available on line. Students are strongly recommended to look into the selection of articles and book chapters that are provided for each topic. * Readings are required.

Reading the required materials before classes is necessary for your learning and final exam. Advanced readings are not required, but they are very helpful for a better understanding of the theoretical issues and will benefit you in your research and exam. Readings are selected to complement, not duplicate, lectures and discussions. When preparing for examinations, you should develop an understanding of all required readings (marked with *), regardless of how explicitly they were discussed in class.

I suggest that you also visit the following websites that have interesting posts on China: <https://www.project-syndicate.org/>, <http://bruegel.org/blog/> and <http://voxeu.org/>



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Course Website

The website (<http://sandraponcet.weebly.com/teaching.html>) for the course should be visited frequently. Readings that are available in electronic form will be posted in the “Resources” section of the website, as will copies of all course-related handouts. I will also post course announcements on the web page.

Schedule of classes:

January 12

January 19

January 26

-

February 9

February 16

February 23

March 2

March 9

March 16

March 23

March 30

April 6

-

April 20

Course Evaluation

Grades are based on 3 multiple-choice quizzes (30 percent), presentation in class (10 percent), one paper (20 percent), and a comprehensive final examination (40 percent).

The paper is due in class on April 20, 2017. Students who submit the paper late, without prior authorization, will be penalized. Success in this course requires, among other skills, the capability of writing coherent essays.

Organizational details for presentation in class:

Each student is required to give a 15-minutes in class presentation on a topic of the list given below. The presentations can be given in groups of 2-3 students if we have more course participants than topics. Also each student has to submit an individual essay following the guidelines given for the “paper assignment” below. The final versions of the essays are due in April 20 2017, the last class. Plagiarism will be punished with a zero mark.



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Topics for presentation in class

- Why Are Saving Rates so High in China?
- Global Value Chains in International Trade
- Why promote inward FDI?
- What is the Middle Income Trap?
- Asia Infrastructures Investment Bank
- China's One Belt, One Road initiative
- Who Wins and Who Loses As China Rebalances?
- China's 13th five year plan: 2016-2020
- China's Outward Foreign Direct Investment
- Huajian shoe factory in Ethiopia

Organizational details and instructions for paper:

INSTRUCTIONS

1. Choose a news article (not an "opinion" column such as an editorial) published after January 1, 2010, in *The New York Times*, *The Wall Street Journal*, *Business Week*, *The Economist*, *The Far Eastern economic review*, or *The Financial Times* (no exceptions!). The story should relate to China economic development.
2. Summarize in one tight paragraph the *story* contained in the article.
3. Identify the important *issues* posed explicitly and implicitly in the article from the standpoint of Chinese economic development.
4. Use the tools and knowledge you have acquired in this course to analyze the issues you have identified.

PAPER REQUIREMENTS

1. Your paper may not exceed three pages in length, exclusive of the cover page and of pages devoted solely to endnotes, figures, and references.
2. On the cover page, on successive lines, centered, roughly one-third of the way down the page, place: the title of your article, the name of the periodical, the date of publication, your name, your student identification number, "GLEF 4010"
3. The paper must be typed and double-spaced; use margins of at least 1 inch and a font size of 12 (points). Use this font size for endnotes as well as for text.
4. Attach a copy of the article (or articles, if the story is told in a series of reports).
5. Staple together all of the pages of your submission (including the copy of the article).
6. Number each page of your paper (except the cover page) using Arabic numerals. Consider the cover page to be page 0.
7. When numbering endnotes, use Arabic numerals.

SUGGESTIONS

1. Comply scrupulously with the instructions and requirements above. Failure to do so will result in lost points. If you don't understand something, seek clarification from me.
2. Begin immediately your search for a suitable article. Toward this end, you will probably want to read regularly at least one of the periodicals mentioned above.



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3. Choose your article carefully. It should be easy to find an article that bears on Chinese economy. It will be more challenging (but certainly not difficult) to find an article that permits you to discuss issues and tools of relevance to this class. Remember the point of the exercise: to show me what you have learned in this class.
4. The instructions on examinations will read (in part): “Wherever possible, enrich your answers with examples and references drawn from course discussions and materials. Wherever necessary, define important terms and explain the assumptions underlying your arguments. Points will be awarded for organized and coherent argumentation.” These instructions apply with even greater stringency on the paper, for which you have more time and direct access to class materials, than they do on the examinations.
5. You are not required to find and consult sources other than those that appear on the syllabus; but you are certainly not prohibited from conducting research in the library! Nor are you prohibited from consulting multiple articles, in various periodicals, covering the same event.

Honesty in Academic Work

Attention is drawn to University policy and regulations on honesty in academic work, and to the disciplinary guidelines and procedures applicable to breaches of such policy and regulations. Details may be found at <http://www.cuhk.edu.hk/policy/academichonesty/>.

With each assignment, students will be required to submit a signed declaration that they are aware of these policies, regulations, guidelines and procedures.

- In the case of group projects, all students of the same group should be asked to sign the declaration, each of whom is responsible and liable to disciplinary actions should there be any plagiarized contents in the group project, irrespective of whether he/she has signed the declaration and whether he/she has contributed directly or indirectly to the plagiarized contents.
- For assignments in the form of a computer-generated document that is principally text-based and submitted via VeriGuide, the statement, in the form of a receipt, will be issued by the system upon students’ uploading of the soft copy of the assignment.

Assignments without the properly signed declaration will not be graded by teachers.

Only the final version of the assignment should be submitted via VeriGuide.

The submission of a piece of work, or a part of a piece of work, for more than one purpose (e.g. to satisfy the requirements in two different courses) without declaration to this effect shall be regarded as having committed undeclared multiple submission. It is common and acceptable to reuse a turn of phrase or a sentence or two from one’s own work; but wholesale reuse is



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problematic. In any case, agreement from the course teacher(s) concerned should be obtained prior to the submission of the piece of work.

Course Indicative Contents

Growth and development: growth accounting

Labor input: Demographic window of opportunity: Population growth and Migration

Capital accumulation: domestic and foreign financing of investment

Technology progress: catch-up (backwardness advantage) and innovation

Drivers of China's emergence:

State-led industrialization

Export-led strategy

Structural transformation and urbanization: Lewis in action

China at the cross-roads: Is this the end of the growth miracle?

Middle income trap

Triple imbalances: excessive reliance on international markets, income disparities, environmental challenges

The challenges ahead:

Technology progress and upgrading: turning from the world factory to a global center for innovation: Climbing the Global Value Chains, Innovation, Education,

Financial Threats: the difficult reform of the Chinese Financial System

China's rising position in the world:

Outgoing FDI and aid programs: One Road One Belt and Development banks

China's role on global energy and environmental issues

Internationalization of Renminbi

Opportunities and threats for other countries?