

ECON 0602
Foreign Trade and Investment in China
Autumn 2003

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Course description:

This course examines the reform and growth of China's foreign trade and investment sector and their implications for domestic economic reform and growth as well as for regional and global economic dynamics. Basic economic principles are used to explain the structural, institutional, and policy dimensions of China's integration into the global economy. Institutional economics are used to examine the legal, financial and regulatory risk of investing in China. The aim is to help students of diverse backgrounds to develop systematic frameworks and ways of thinking for assessing the constant changes in China's external sector and their consequences for local and global economies. Major topics include:

1. China in the world economy: a historical perspective
2. China's domestic economic problems
3. Reform and growth of China's foreign trade and investment
4. Impact of China's opening on the global economy
5. Legal, financial and regulatory risk of investing in China
6. Next stage of China's institutional reform

Course work: Tutorial (10%); Mid-term (20%); Term paper (20%); Final (50%).

Required textbooks

- Yabuki, Susumu and Harner, Stephen M. **China's New Political Economy**, Revised Edition, Boulder: Westview Press, 1999.
- Lardy, Nicholas R. **Integrating China into the Global Economy**, Washington, D.C.: Brookings Institution Press, 2002.
- Gamble, William B. **Investing in China: Legal, Financial and Regulatory Risk**, London: Quorum Books, 2002.
- Werin, Lars. **Economic Behavior and Legal Institutions: An Introductory Survey**, Singapore: World Scientific, 2003.

Selected articles and working papers

- Fung, K.C; Iizaka, Hitomi; and Tong, Sarah. “**Foreign Trade of China,**” HKIEBS Working Paper, HKU, June 2002.
- Fung, K.C; Iizaka, Hitomi; and Tong, Sarah. “**Foreign Direct Investment in China: Policy, Trend, and Impact,**” HKIEBS Working Paper, HKU, June 2002.
- Xiao, Geng and Fang, Zhou. “**WTO and China’s Economic Transformation: Institutional Perspectives and Policy Options,**” China Review, 2000.
- Cheong, YR and Xiao, Geng. “**Global Capital Flows and the Position of China: Structural and Institutional Factors and their Implications,**” paper prepared for FONDAD-KIEP-SNU conference in Seoul, March 2003.
- SFC Research Department, “**Hong Kong Strengths Meet China Opportunities,**” SFC Bulletin, January-March 2001.
- Xiao, Geng. “**China’s Securities Market Development: Lessons from Hong Kong and Other Asian Markets,**” prepared for HKU-Beijing University conference in Beijing, January 2003.
- Xiao, Geng, “**The Future of Hong Kong,**” unpublished paper, HKU, November 2000.
- Xiao, Geng, “**Japan’s Economic Deflation: Lessons for China?**” Unpublished paper, HKU, November 2002.
- Xiao, Geng, “**China and the Asian Team of Flying Geese,**” keynote speech at RHB-AsiaMoney conference in Kuala Lumpur, June 2003.
- Xiao, Geng, “**Reforming the governance structure of China’s state-owned enterprises,**” Public Administration and Development, 18, 237-280, 1998.
- Xiao, Geng, “**Property rights and state-owned enterprise reform in China,**” speech at 1997 Annual Meetings of the World Bank and IMF in Hong Kong, September 1997.

Optional reference books

- Maddison, Angus. **The World Economy: A Millennial Perspective,** Paris: Development Centre of the OECD, 2001.
- Newton, Alastair and Subbaraman, Robert. **China: Gigantic Possibilities, Present Realities,** Lehman Brothers, 2002.
- Green, Stephen. **China’s Stockmarket: A Guide to its Progress, Players and Prospects,** London: Profile Books, 2003.
- Anderson, Jonathan and Hu, Fred. **The Five Great Myths about China and the World,** Hong Kong: Goldman Sachs, 2003.

Additional reference books and case studies:

- Krugman, Paul R. and Obstfeld, Maurice. **International Economics: Theory and Policy**, Sixth Edition, Boston: Addison Wesley, 2002.
- Hill, Charles W.L. **International Business: Competing in the Global Marketplace**, 4th Edition, New York: McGraw-Hill/Irwin, 2003.
- Wang, Kui Hua. **Chinese Commercial Law**, Oxford: Oxford University Press, 2000.
- Studwell, Joe. **The China Dream: The Elusive Quest for the Greatest Untapped Market on Earth**, London: Profile Books, 2002.
- Woetzel, Jonathan R. **Capitalist China: Strategies for a Revolutionized Economy**, Singapore: John Wiley & Sons, 2003.
- Walter, Carl E. and Howie, Fraser J. T. **Privatizing China: The Stock Markets and their Role in Corporate Reform**, Singapore: John Wiley & Sons (Asia), 2003.

Background television programs:

- Willams, Sue. China: A Century of Revolution, **The Definitive Six-Hour History of China**, Boston: Ambrica Productions/WGBH Boston/Channel 4 Television UK, 1997.
- Yergin, Daniel and Stanislaw, Joseph. **The Commanding Heights: The Battle for the World Economy**, New York: Touchstone, 2002 (six-hour DVD program by PBS).