The Columbia Business School and the School of International and Public Affairs

Business School B8365 and SIPA INAF U8147:

Navigating China - the World’s Second Largest Economy

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Office Hours: Thursday TBA (by appointment in advance)

Teaching Assistant: TBA

Class times: Tuesdays, 2:15-5:30 pm;
Class venue: TBA

Course Objectives: No business or government can ignore China. The People’s Republic of China is the second largest economy in the world and is on course to become the largest one within a decade. China represents huge opportunities for businesses and public policies but a set of tough challenges. This course is designed to provide a framework for understanding these issues. As several other emerging market economies hope to follow China’s footsteps, the conceptual framework in the course should help one to better appreciate risks and rewards in these economies as well.

In this course, we will discuss what motivates the Chinese as savers, consumers, workers, and entrepreneurs. We will explore both the people factor and the government factor underlying China’s growth story. We will not be satisfied with simply repeating the conventional wisdoms, but will probe deeper than what we often read or hear. We will also combine conceptual knowledge with practical insight by inviting distinguished speakers with rich business or government experience to share their perspectives.

Course Features: Students get the most out of the class by being engaged both inside and outside the classroom. Students are expected to do assigned readings ahead of each class and to prepare for the possibility of cold calling. Students will have opportunities to work on projects related to investment opportunities, business negotiations, and economic policy analysis.
Expectations:

- Class participation is mandatory - you should not schedule job interviews, family visits, or other events that will conflict with the class schedule. There is a 5-points reduction for each class missed. If you have to schedule an event, please do so during the two weeks in March when this class does not meet.
- You should do assigned readings ahead of each session.
- Laptops, smart phones and other electronic gadgets should not be used in the class unless expressly permitted by the instructor.

Deliverables and Grading:

<table>
<thead>
<tr>
<th>Task</th>
<th>Points</th>
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<tbody>
<tr>
<td>Class participation</td>
<td>30</td>
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<tr>
<td>Surprise quizzes</td>
<td>30</td>
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<tr>
<td>Research Report #1</td>
<td>20</td>
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<tr>
<td>Research Report #2</td>
<td>20</td>
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*Maximum points in the class* 100 points

Textbook and other readings:

The required textbook is *The Chinese Economy: Transitions and Growth*, by Barry Naughton, Massachusetts Institute of Technology Press, 2007.

Additional reading materials are posted on the course website.

Supplemental readings:

## The Schedule and the Topics in a Glance

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
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<tbody>
<tr>
<td>January 23, 2018</td>
<td>The Change of the Economic Model</td>
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<tr>
<td>January 30</td>
<td>The People Factor</td>
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<tr>
<td>February 6</td>
<td>The Government Factor</td>
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<td>February 13</td>
<td>Firms</td>
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<td>February 20</td>
<td>Finance</td>
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<tr>
<td>February 27</td>
<td>Guest speakers + The RMB</td>
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<tr>
<td>March 6</td>
<td>No class (Mid-term Exam Week for CBS)</td>
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<tr>
<td>March 13</td>
<td>Spring Break</td>
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<td>March 20</td>
<td>Hong Kong</td>
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<td>March 27</td>
<td>International Investors: Opportunities and Challenges</td>
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<td>April 3</td>
<td>Culture</td>
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<td>April 10</td>
<td>US-China Relations</td>
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<td>April 17</td>
<td>Environment</td>
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<td>April 24</td>
<td>The Future</td>
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<tr>
<td>May 1</td>
<td><em>The final report on business plan/policy initiative is due via email by 9 pm (no class meeting)</em></td>
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### Additional Event

Columbia University N.T. Wang Lecture on the Chinese economy, time and speaker, TBA
Detailed Course Plan and Assigned Readings

January 27, 2017  The Change of Economic Models

Readings:

- Naughton, Chapters 3-4
- “How to get a date: The year when the Chinese economy will truly eclipse America’s is in sight,” Economist, December 31, 2011

January 30  The People

Readings:

- Naughton, Chapters 7-8;
- (Optional) Tom Doctoroff, What Chinese Want: Culture, Communism and the Modern Chinese Consumer, 2012, Chapters 1-3

February 6  The Government

Readings:

- Naughton, Chapters 13 and 18
  - (Chapters 1-3 and 7 give you useful insight into how the government regulates the economy, the business world, and the society.)
**February 13  Firms**

Readings:
- Naughton, Chapters 12;

**February 20  Finance**

Reading:
- Naughton, Chapter 19, Sections 19.1-19.3
- “The IPO of Industrial and Commercial Bank of China and the “Chinese Model” of Privatizing Large Financial Institutions,” Franklin Allen, Jun QJ Qian, Susan Shan, and Mengxin Zhao

**February 27  Guest Speakers + RMB Internationalization**

Readings:
- “Congress, China, and Currency Manipulation,” Jeffrey Frankel, in *China & US Focus*, April 2015

**March 6 and 13  No class**

**March 20  Hong Kong + Business Climate**
Research Report #1 due at the beginning of the class

Readings:

- Naughton, Chapter 17
- “The Danone-Wahaha business dispute: Who Has the Last Laugh?” by Zhigang Tao, Jiangyong Lu, and Shang-Jin Wei, University of Hong Kong Asia Case Center, case number to be assigned.
- Foxconn vs BYD (A): Commercial Espionage or Learning by Hiring?

March 27 International Investors: Opportunities and Challenges

Reading:

- Naughton, Chapter 19, Sections 19.4-19.7
- [The following will be decided later.]
- The three documents on the Hong Kong listed footwear company Daphne International.
- Selected recent write-ups on “how to invest in China” – these are for your information; I don’t endorse any particular one.

April 3 Culture

This session features a role-playing negotiation exercise

Readings:

- “Negotiation in China: How Universal?” This is a negotiation simulation exercise that involves role playing. An introduction to the case and negotiations in China is in the reading packet. Instructions for individual role playing will be distributed shortly before the class session.

April 10 US-China Economic Relations
Readings:

- “Importing Political Polarization? The Electoral Consequences of Rising Trade Exposure,” working paper, David Autor, David Dorn, Gordon Hanson, and Kaveh Majlesi, December 2016.

April 17    Managing Climate Change

Part of the session will feature a guest speaker who is expert on energy/environmental issues in China

Reading:

- Naughton, Chapter 20
- World Bank and China’s State Environmental Protection Administration, The Cost of Pollution in China, by the 2007. (You should read at least the executive summary.)
- Daniel Rosen and Trevor Houser, “What Drives China’s Demand for Energy (and What It Means for the Rest of Us)?”

April 24    The Future

This session will integrate the insight from a semester of learning, discuss the latest “hot” topics related to China that may have emerged in the first half of 2018, and look ahead for opportunities and challenges with regard to the rise of China in the world economy

May 1 2016    Research Report #2 due by 9 pm via the course web site (No class session)

- Note: You are welcome to submit the report before the deadline.