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China in the World Economy – MVZb2039

Syllabus

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Opened to: full-time students of the study programs International Relations (IRE); Mezinárodní vztahy; Hospodářská politika a mezinárodní vztahy; Master's degree, academic year 2021/2022, autumn semester

China in the World Economy

Autumn 2021

Annotation

This course aims to acquaint students with the development of China's economy since the beginning of pro-market reforms in 1978. It will lay out the logic and aims of the main reforms, explain the resulting changes in China's economic performance and finally describe the contemporary Chinese economic system and analyze its advantages and shortcomings. Special attention shall be given to the increasing role of industrial policy and state interventionism under Xi Jinping, as well as to the contemporary trade war and technological rivalry between China and the United States. Moreover, the course will account for the China's role in international economic organizations and depict the growing impacts of its economic rise on third countries, both via both trade and political projects such as the Belt and Road Initiative.

At the end of the course, students should be able to explain what makes China's economy distinct from both Western liberal capitalism and Soviet-style central planning, to have gained a grasp of China's growing global commercial clout and to possess an understanding of the main causes and nature of the current US-Chinese economic and technological rivalry.

Outline

1) 9/15 : The history of China until 1911

- LANDES, David S. *The Wealth and Poverty of Nations: Why Some Are So Rich and Some So Poor*. New York: Norton & Company, 1998. ISBN 0-393-04017-8., pages **335-350**
- DARWIN, John. *After Tamerlane: The Rise and Fall of Global Empires, 1400-2000*. London: Penguin Group, 2007. ISBN 978-0-141-90468-9, pages **56-62, 143-152, 297-304, 382-387**
- Callahan, W. A. (2012). Sinospaek: Chinese Exceptionalism and the Politics of History. *The Journal of Asian Studies*, 71 (1), **33-55**.
doi:10.1017/S0021911811002919

2) 9/22: From the Republic of China towards the People's Republic of China

- DARWIN, John. *After Tamerlane: The Rise and Fall of Global Empires, 1400-2000*. London: Penguin Group, 2007. ISBN 978-0-141-90468-9., pages **430-435, 482-484**
- ACEMOGLU, Daron a James A. ROBINSON. *Why nations fail: the origins of power, prosperity, and poverty*. New York: Crown Business, 2012. ISBN 978-030-7719-225., pages **473-480**
- JOHNSON, Ian. A Most Adaptable Party. *The New York Review of Books* [online]. New York City, 2021 [cit. 2021-8-30]. Accessible at:
<https://www.nybooks.com/articles/2021/07/01/chinese-communist-party-most-adaptable/>

3) 9/29: China's transition into a market economy after 1978

- HUANG, Yasheng. *Capitalism with Chinese Characteristics*. Cambridge, UK: Cambridge University Press, 2008. ISBN 978-0521898102., pages **1 - 41; 50-106**

4) 10/6: The new millennium and the China Shock

- HUANG, Yasheng. *Capitalism with Chinese Characteristics*. Cambridge, UK: Cambridge University Press, 2008. ISBN 978-0521898102., pages **256-265; 275-285**
- NAUGHTON, Barry. *The Rise of China's Industrial Policy: 1978 to 2020*. Ciudad de Mexico: Universidad Nacional Autónoma de México, 2021, 156 s. ISBN 978-607-8066-60-5, pages **51-70**
- AUTOR, David H., David DORN a Gordon H. HANSON. The China Shock: Learning from Labor-Market Adjustment to Large Changes in Trade. *Annual Review of Economics*. 2016, **8**(1), **205-240**. ISSN 1941-1383. Accessible at: doi:10.1146/annurev-economics-080315-015041

5) 10/13: China and the World Trade Organization

- WEINHARDT, Clara a Tobias TEN BRINK. Varieties of contestation: China's rise and the liberal trade order. *Review of International Political Economy*. 2020, **27**(2), **258-280**. ISSN 0969-2290. Accessible at: doi:10.1080/09692290.2019.1699145
- HOEKMAN, Bernard. Trade Wars and the World Trade Organization: Causes, Consequences, and Change. *Asian Economic Policy Review*. 2020, **15**(1), **98-114**. ISSN 1832-8105. Accessible at: <https://onlinelibrary.wiley.com/doi/epdf/10.1111/aepr.12278>
- HOPEWELL, Kristen. Different paths to power: The rise of Brazil, India and China at the World Trade Organization. *Review of International Political Economy*. 2015, **22**(2), **311-338**. ISSN 0969-2290. Accessible at: doi:10.1080/09692290.2014.927387
- Gao, H. (2012). From the periphery to the centre: China's participation in WTO negotiations. *China Perspectives*, 2012(1), **59-65**. doi:10.4000/chinaperspectives.5823

6) 10/20: China's rise in digital technologies and the return of industrial policy under Xi Jinping

- NAUGHTON, Barry. *The Rise of China's Industrial Policy: 1978 to 2020*. Ciudad de Mexico: Universidad Nacional Autónoma de México, 2021, 156 s. ISBN 978-607-8066-60-5, pages **71-100**
- MEISSNER, Mirjam. China's Social Credit System: A Big-Data Enabled Approach to Market Regulation with Broad Implications for Doing Business in China. In: *ChinaFile* [online]. Berlin: Mercator Institute for China Studies, 2017 [cit. 2020-12-21], **13 pages**, Accessible at: <https://www.chinafile.com/library/reports/chinas-social-credit-system-big-data-enabled-approach-market-regulation-broad>
- SMITH, Noah. Why is China smashing its tech industry? *Noahpinion* [online]. 2021 [cit. 2021-8-30]. Dostupné z: <https://noahpinion.substack.com/p/why-is-china-smashing-its-tech-industry>
- MCGREGOR, Richard. How the state runs business in China. In: *The Guardian* [online]. London: Guardian Media Group, 2019 [cit. 2020-12-21], **11 pages**, Accessible at: <https://www.theguardian.com/world/2019/jul/25/china-business-xi-jinping-communist-party-state-private-enterprise-huawei>

Other recommended reading:

- KLEINHANS, Jan-Peter a Nurzat BAISAKOVA. The global semiconductor value chain: A technology primer for policy makers. In: *Stiftung Neue Verantwortung* [online]. Berlin, 2020 [cit. 2020-10-26], **30 pages**, Accessible at: https://www.stiftung-nv.de/sites/default/files/the_global_semiconductor_value_chain.pdf

7) 10/27: The United States - Chinese trade and technological rivalry

- LIM, Darren J. a Andrew B. KENNEDY,. The innovation imperative: technology and US–China rivalry in the twenty-first century. *International Affairs*. 2018, **94**(3), **553–572**. ISSN 1468-2346. Accessible at: doi:doi.org/10.1093/ia/iiy044
- MATTOO, Aaditya a Robert W. STAIGER. Trade Wars: What do they mean? Why are they happening now? What are the costs? *Policy Research Working Paper*. Washington, DC.: World Bank, 2019, 8829, **21 pages**
- KHAN, Saif M. a Carrick FLYNN. Maintaining China's Dependence on Democracies for Advanced Computer Chips. In: *Center for Security and Emerging Technology* [online]. Washington, DC., 2020 [cit. 2020-12-21]., **16 pages**, Accessible at: <https://cset.georgetown.edu/research/maintaining-chinas-dependence-on-democracies-for-advanced-computer-chips/>

8) 11/3: Seminar I: US vs China

“Pro-Chinese” group:

- CIURIAK, Dan. The US-China Trade War: Technological Roots and WTO Responses. *Global Solutions Journal*. 2019, **2**(4), **130-135**. ISSN 1556-5068. Accessible at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3330392
- IKENSON, Daniel J. Into the Abyss:: Is a U.S.-China Trade War Inevitable? In: *Cato Institute: Free Trade Bulletin* [online]. Washington, DC., 2017 [cit. 2020-12-21], **5 pages**, Accessible at: <https://www.cato.org/publications/free-trade-bulletin/abyss-us-china-trade-war-inevitable>

„Pro-US“ group:

- The Elements of the China Challenge. *Department of State* [online]. Washington, DC., 2020 [cit. 2021-8-30]. Dostupné z: <https://www.state.gov/wp-content/uploads/2020/11/20-02832-Elements-of-China-Challenge-508.pdf>

9) 11/10: China and international financial institutions: the IMF, the WB and the AIIB

- Wang, J. China-IMF Collaboration: Toward the Leadership in Global Monetary Governance. *Chin. Polit. Sci. Rev.* **3**, **62–80** (2018). <https://doi.org/10.1007/s41111-017-0085-8>
- GILLI, Alessandro, ed. China and The IMF: A Troubled Relationship. In: SCISO, Elena. *Accountability, Transparency and Democracy in the Functioning of Bretton Woods Institutions*. 1. Torino: Springer, 2017, s. **40-57**. ISBN 978-3-319-57855-2.
- DOLLAR, David. Reluctant player: China’s approach to international economic institutions. *Brookings Institution* [online]. Washington, DC., 2020 [cit. 2021-8-29].

Dostupné z: <https://www.brookings.edu/articles/reluctant-player-chinas-approach-to-international-economic-institutions/>

10) **11/17: Reading week**

11) **11/24: The Belt and Road Initiative**

- OH, Yoon Ah. Power asymmetry and threat points: negotiating China's infrastructure development in Southeast Asia. *Review of International Political Economy*. 2018, 25(4), **530-552**. ISSN 0969-2290. Accessible at: doi:10.1080/09692290.2018.1447981
- BROZ, J. Lawrence, Zhiwen ZHANG a Gaoyang WANG. Explaining Foreign Support for China's Global Economic Leadership. *International Organization*. 2020, **74(3)**, **417-452**. ISSN 0020-8183. Accessible at: doi:10.1017/S0020818320000120
- TRUMAN, Edwin R. China, the United States, and Damage to the IMF. *Peterson Institute for International Economics* [online]. Washington, DC., 2018 [cit. 2021-8-29]. Dostupné z: <https://www.piie.com/blogs/realtime-economic-issues-watch/china-united-states-and-damage-imf>

12) **12/1: Europe and China: from commercial honeymoon to strategic competition**

- MEINHARDT, Caroline, ARCESATI, Rebecca; Mikko, HUOTARI and Jan WEIDENFELD, ed. *Towards a "principles first approach" in Europe's China policy: Drawing lessons from the Covid-19 crisis* [online]. Berlin: Mercator Institute for China Studies, 2020, pages **36-56** [cit. 2020-10-26]. ISSN 2509-5862. Accessible at: https://merics.org/sites/default/files/2020-09/200910_MPOC_EU-China_final_0.pdf
- STRACK, Friedolin. China – Partner and Systemic Competitor: How Do We Deal with China's State-Controlled Economy? In: *Bundesverband der Deutschen Industrie* [online]. Berlin, 2019 [cit. 2020-12-22]., **23 pages**. Accessible at: <https://english.bdi.eu/media/publications/#/publication/news/china-partner-and-systemic-competitor>

Other recommended reading:

- Fuchs, Daniel and Eaton, Sarah, Diffusion of Practice: The Curious Case of the Sino-German Technical Standardization Partnership (October 1, 2020), **20 pages**. Available at SSRN: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3723303

13) **12/8: Seminar II: The EU's policy towards China**

- KUPCHAN, Charles A. a Edward S. STEINFELD. Critical Dialogue: Playing Our Game: Why China's Rise Doesn't Threaten the West. *Perspectives on Politics*. 2013, 11(3), 887-888. ISSN 1537-5927, **6 pages**. Accessible at: doi:10.1017/S1537592713001515
- KARNITSCHNIG, Matthew. How Germany opened the door to China — and threw away the key. In: *Politico* [online]. Arlington, 2020 [cit. 2020-12-22], **10 pages**. Accessible at: <https://www.politico.eu/article/germany-china-economy-business-technology-industry-trade-security/>

Seminars:

During the 7th and 13th weeks of the semester, two seminars will take place.

The **first seminar** will be concerned with the following question: “Which country is to blame for the US-Chinese trade war and technological competition?”

Students shall be divided into two **equally large groups**, one of which will advocate for the position that the cooling of relations is the fault of the United States, whereas the other group will attempt to prove that it is in fact China who caused the dispute. In order to stake out this position, **each student is going to write a position paper, at least 3 norm pages long, and submit it at least 2 days before the seminar.**

It is recommended to explain your position on issues such as: China’s compliance with WTO agreements, its alleged theft of intellectual property and mistreatment of foreign investors, the costs of the trade war for consumers in the US and for American companies, the national security implications of China’s growing GDP and America’s dependence on China, or the relevance of human rights considerations (Honk Kong, Xinjiang etc.). However, it is not necessary to cover all of these topics and in fact it is allowed to focus on topics that favor your side of the argument.

The **second seminar** will be concerned with the EU’s policy towards China. Here, students will be divided into **groups of 5**. Each group is going to create a joint document which is going to propose an EU economic policy towards China. The document must be **at least 5 norm pages long.**

There are going to be no assigned positions, so each group must find its own approach, and in general chose between a more liberal, free trade orientation, or a more protectionist and strategically minded position. It is recommended to stake out a position on issues such as the Belt and Road Initiative, trade, intellectual property, human rights, or climate, as well as Europe’s alliance with the United States, but again, it is not necessary to include all these themes.

In total, a student can obtain at most **5 points for each seminar**. The evaluation will take into account both the quality of the position paper and the student’s active participation in discussion.

Essay

At the end of the semester, each student will write an essay, in which they are going to **impersonate a Chinese intellectual contemplating what role their country should play in the world economy by 2050**. Essentially, students are invited to attempt to take a look at the world from a Chinese perspective and write down the ideal path for China for circa the next thirty years. It is recommended to cover themes such China’s GDP, its role in manufacturing and technological innovation, its position and influence in international organizations such as the WTO, IMF and the WB, and its role in global or regional trade and finance. It is allowed to branch into the geopolitical realm and mention Chinese aspirations for Taiwan, Honk-Kong et cetera, or its ideal future relations with the United States and Europe, but the bulk of the essay should be devoted to economic phenomena.

There is no single correct way of how to write the essay, after all, the text is supposed to be normative (how things *should be*) and must include a significant amount of speculation. In order

to be successful, the essay must describe goals and **aspirations that are desirable and plausible**, and in doing so, **demonstrate knowledge of important currently existing institutions or concepts**. For example, if you are going to write about the Belt and Road Initiative or the IMF, it must be apparent that you know what it is and why it is relevant today.

The **deadline** for submitting the essay is the **30th of December 2021**. The essay must be **at least 8 norm pages long**. **The maximum amount of points a student can gain for the essay is 10.**

Exam:

The course shall be concluded by a written exam comprising **four open-ended questions**. Each answer will be given up to **5 points**, therefore, the maximum possible amount of points a student can obtain from the exam is **20**.

Evaluation:

In order to successfully complete the course, **a student needs to acquire at least 22 points**. Points are going to be translated into grades as follows:

40-38 points - „**A**“
37-35 points - „**B**“
34-31 points - „**C**“
30-27 points - „**D**“
26-23 points - „**E**“
22-0 points - „**F**“