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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 2022/2023, autumn semester

# China in the World Economy

Autumn 2023

## **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) 9/20 : Introduction – basic facts about Chinese history and geography**

- 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). Sinospeak: Chinese Exceptionalism and the Politics of History. *The Journal of Asian Studies*, 71 (1), **33-55**.  
doi:10.1017/S0021911811002919

### **2) 9/27: The intellectual roots of Maoism and Maoist period (1949-1978)**

- 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**
- 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**

### **3) 10/4: China's transition into a market economy (1978-1994)**

*Recommended reading:*

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

#### 4) 10/11 Export-led growth and the China Shock (1994-2008)

- 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**

#### 5) 10/18: The Xi Jinping era: return of industrial policy (2008-2023)

- 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**

##### *Other recommended reading:*

- 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>
- 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>

#### 6) 10/25: 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/iyy044
- 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/>

##### *Other recommended reading:*

- 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**

#### 7) 11/1: 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>
- 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

## 8) 11/8: 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](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) 11/15: The international monetary and financial systems

- OATLEY, Thomas H. *International political economy*. Seventh Edition. New York, NY: Routledge, 2023. ISBN 978-103-2232-669, **279-307**

## 10) 11/22: China in the IMF and the World Bank

- 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/>

## 11) 11/29: The Belt and Road Initiative

- 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]. Accessible at: <https://www.piie.com/blogs/realtime-economic-issues-watch/china-united-states-and-damage-imf>

## 12) 12/6: Europe and China: from commercial honeymoon to strategic competition

- 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>
- 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/>

## 13) 12/13: China in the World Economy

- NAUGHTON, Barry. *The Chinese Economy: Adaptations and Growth*. 2nd ed. Boston: MIT Press, 2018. ISBN 9780262140959., **398-422; 423-449**

### Seminar:

During the 8<sup>th</sup> week of the semester, a seminar will take place. This **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.

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

Even though a student is supposed to advance his or her side of the argument, **the text should not be outright biased, propagandistic or dishonest!** It is welcome for students to include counter-arguments against their position and persuasively refute them, it is on the other hand not recommend to use half-truths or otherwise distort reality.

## Essay

At the end of the semester, each student will write a final essay **focusing on one of five possible topics**, all of which are dealing with China's future development path and its impacts on the world, except for one, which is about the EU's policy towards China.

The **deadline** for submitting the essay is the **17<sup>st</sup> of December 2022**. The essay must be **at least 4 norm pages long**. **The maximum amount of points a student can gain for the essay is 5.**

The available topics are:

### *1) Policy recommendations for China's ideal trajectory*

Imagine you are a Chinese technocrat envisioning the future development of your nation. Describe the main opportunities and threats China is going to face in the future and recommend how China should respectively take advantage of them or avoid them in order to maximize its prosperity and influence by 2050.

You might cover themes such as: Should China continue in its focus on industrial policy and advanced technologies? Should it continue with an export driven model, or seek to strengthen its domestic consumption? Is state ownership of significant enterprises a source of strength, or should it be phased out? How grave are the demographic and environmental problems the country is facing and what should be done about them?

You are welcome to chose other topics that interest you, but please do stay within the realm of economic and deveopment policy. The essay might also include a brief section about preferable conduct on the world stage, but do not make foreign policy the center of the work.

### *2) How will China's success influence the position of the West in the world economy?*

Will China be able to return to rapid economic growth and surpass the West, or not?

If yes, does it mean that advanced nations are facing the prospect of further deindustrialization? If so, where might their comparative advantages lie? Is it likely they will withdraw into further protectionism in the case that Chinese competition will continue to grow stronger? How will this relative decline change Western and American self-perception?

If no, what will prevent it from doing so and what are the sources of continuing Western success? Will the West be able to ride out the storm using its current institutions, or will it have to drastically adapt to overcome this challenge? Will there still be a transition to a multipolar world order?

You might also tell a story of something in between, perhaps China outdo the West in some areas and not in others.

### *3) How will China's rise influence the position of developing countries?*

Again, is it an opportunity, or a threat - but this time, from the point of view of Global South nations. Is China a welcome source of much needed investment, or is there a looming threat of unsustainable debt? Is it a useful market for raw materials and agricultural exports and source

of relatively cheap machinery, or is this a new form of an unequal relationship, that will prevent poor countries from industrializing and further trap them in an inferior, peripheral position?

What is the relevance of China's growing rift with the West? Might this allow developing countries to get a better deal, or will they become a battleground of proxy conflicts like during the Cold War?

Last but not least, is there anything developing countries might learn from China? Would it be a good idea to attempt to adopt China's economic model, or parts of it?

*4) How will China's rise impact global economic governance?*

Will China's rise strengthen or weaken existing multilateral institutions (WTO, IMF, WB)? Will China seek to significantly reform them, or even replace them with its own alternatives? Or will China conclude that global governance as it was created by the West suits its interests too and there is no need for large changes?

In what direction would these changes be, why would China press for them? Would it make these institutions more inclusive, "democratic" and sensitive to the needs of developing countries? In other words, are China's preferences in harmony with those of poorer countries, and can China therefore be expected to "open the doors" for other non-Western nations? Could global governance even survive in a multipolar world with several different competing economic and political systems?

*5) What should the EU's policy towards China be during the 2020s?*

Should the EU seek to mimic the restrictive US approach to China, or should it remain open to trade and investment flows to and from China? If restrictions should be imposed, then what is it that makes them necessary? Does China pose a threat to democracy and civil liberties, or even security of European countries? Or is it purely a case of pragmatic protectionism? What restrictions should Europe have, how should they be complemented by industrial policy? Finally, what do you think will be the actual EU policy towards China and why?

### **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 15 points**. Points are going to be translated into grades as follows:

30-27,5 points - „A“  
27-24,5 points - „B“  
24-21,5 points - „C“  
21-18,5 points - „D“  
18-15 points - „E“  
14,5-0 points - „F“