

GIM China Syllabus

Winter 2016 - B

Tuesdays, 6:30 – 9:30 PM

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GIM Program Objectives

The GIM Program enables Kellogg students to:

- Gain an understanding of the economic, political, social, and cultural characteristics of a country or region outside the United States.
- Learn about key business trends, industries, and sectors in a country or region outside the United States.
- Conduct international business research on a topic of interest.
- Further develop teamwork and leadership skills.

Course Description and Objectives

The rise of China is potentially one of the most disruptive events—to borrow Silicon Valley’s lingo of the moment—in recent history. The last time the world saw the start of major disruptions to the global order was when the United States exceeded Great Britain as the world’s largest economy around the turn of the 20th century.

China, in turn, is expected to surpass the United States as the world’s largest economy some time over the next 10 years. But given its unique scale, even though China’s per capita GDP is about the same as Colombia, its global footprint already looms large. To become a business leader in today’s world requires a basic familiarity with this enormous market and the broader Asia-Pacific, arguably the world’s most economically dynamic and diverse region. It is important for students to have a grasp of not just China alone but also of how Asia is integrating as a regional economy.

This is also why the course is taking a “China-plus” approach by visiting Taiwan and Hong Kong. Both are ethnically Chinese regions with complicated relationships with Beijing. Each can serve as a mini-window into potential futures for mainland China’s evolution. Even as Hong Kong and Taiwan become increasingly integrated economically with the mainland, the domestic politics in both places seem to be moving in a different direction, creating a sense of uncertainty.

The purpose of GIM Greater China is to provide students with an essential grounding in the business environment and market dynamics of China. The course is designed with several goals in mind: 1) To provide students with a basic understanding of the economic, social, and political context in which China’s business environment is forged; 2) To impart students with a sense of the diverse market opportunities in the country; 3) To enable students to experience

first hand how the China market really ticks and speak to business practitioners through a valuable in-country trip; 4) To give students an opportunity to lead and complete a business project that will have intellectual and practical value for approaching the Chinese market.

The course is organized into three broad segments: 1) Where the Chinese economy has been; 2) Where the Chinese economy and business environment are now; 3) How the Chinese market might transform over the next 5-10 years. This division aims to capture the key periods and turning points of modern China. Segment one will cover roughly 1949-1978, segment two will cover 1978 up to the financial crisis, and segment three will look ahead to China's potential future economic challenges and opportunities. The course's primary focus will be on the present and the near future, but a quick revisit of the pre-reform era of China is necessary to understanding how the country works today.

The overall course, including reading materials, lectures, and potential guest speakers, is primarily targeted at students who have minimal exposure to China and Asia. However, for individual students who might wish to delve deeper into a particular area or topic, see the instructor about additional materials and resources.

Course Expectations/Guidelines

Students must do all readings on the required reading list and are encouraged to explore supplementary material on the recommended reading list. Because this is an MBA elective with a unique focus, classroom discussion and engagement is necessary for the course to be personally and professionally enriching. Students should be prepared to regularly discuss recent developments in China and they may align with the content learned in class. Fostering an interactive and collaborative seminar environment is important, and the instructor should be viewed as a resource outside the classroom as well.

Attendance Policy

Due to the nature of the GIM program, attendance for all GIM classes is mandatory, as is participation in the two-week field trip. Attendance on the first day of class is also mandatory. If a student misses more than one class throughout the term, one letter grade will be deducted from his or her final grade. The faculty member may make exceptions in cases of extreme circumstances.

Role of the In-Country Advisor

Throughout your GIM trip, your in-country advisor, Sheila Duran, who is the Director of KPPI at Kellogg, will accompany you. The in-country advisor is responsible for the integrity and quality of the in-country experience. Among other logistical roles during the trip, she will be

assessing each student's level of participation during the plenary meetings and will be assigning 15% of the students' overall grade.

Kellogg Honor Code

The students of the Kellogg School of Management regard honesty and integrity as qualities essential to the practice and profession of management. The purpose of the Kellogg Honor Code is to promote these qualities so that each student can fully develop his or her individual potential. Upon admission, each student makes an agreement with his or her fellow students to abide by the Kellogg Honor Code. Students who violate the Kellogg Honor Code violate this agreement and must accept the sanction(s) imposed by the Kellogg community.

The Kellogg Honor Code is administered by students and is based on the concept of self-government. The efficacy of such a student-administered honor code is dependent upon a high degree of dedication to the ideals of honesty, integrity, and equal opportunity reflected by the code. The Kellogg Honor Code requires that each student act with integrity in all Kellogg activities and that each student hold his or her peers to the same standard. In agreeing to abide by the code, Kellogg students also agree to report suspected violations. By not tolerating lapses in honesty and integrity, the Kellogg community affirms the importance of these values.

Course Materials

Required List*

Books to purchase:
Ma & Adams: <i>In Line Behind a Billion People</i> (purchase)
Evan Osnos: <i>Age of Ambition</i> (purchase)
Course pack materials:
Yasheng Huang: <i>Capitalism with Chinese Characteristics</i> (course pack)
Barry Naughton: <i>Transitions and Growth</i> (course pack)
Susan Lawrence: <i>Understanding China's Political System</i>
Ezra Vogel: <i>Deng Xiaoping and the Transformation of China</i> (course pack)
Richard McGregor: <i>The Party</i> (course pack)

*Additional articles and papers appear in the weekly course schedule below.

Recommended List*

Arvind Subramanian: <i>Eclipse: Living in the Shadow of China's Economic Dominance</i>
Susan Shirk: <i>Fragile Superpower</i>
Nicholas Lardy: <i>Markets Over Mao</i>
Economy/Levi: <i>By All Means Necessary</i>
Tom Christensen: <i>The China Challenge: Shaping the Choices of a Rising Power</i>

James Fallows: <i>China Airborne</i>
Paulson Institute Case Studies: Suntech, BYD, Tianjin Pipe, and Tranlin (download from site: http://www.paulsoninstitute.org/think-tank/investment-case-studies/)
National Bureau for Asian Research: <i>Asia's Uncertain LNG Future</i>
Erica Downs: <i>Inside China, Inc.: China Development Bank's Cross-Border Energy Deals</i>
Jim Yardley: <i>Brave Dragons</i>

*See instructor for additional recommended readings, particularly for those students interested in diving deeper into sectors and areas of specialization (e.g. energy).

Course Schedule and Assignments [subject to change]*

*It is recommended that students do their best to keep up with daily economic and business news related to China, which can serve as departure points for class discussion. Some of the best English sources on China are: *Wall Street Journal*, *Financial Times*, *The Economist*, and *Bloomberg*. Students should also sign up for the Sinocism newsletter, the leading China news aggregator of its kind <https://sinocism.com/>.

Week 1	[1/5/16]
<i>Topics:</i>	<ul style="list-style-type: none"> • Course overview, expectations, and final project discussion • Student and instructor introductions • Team selection for projects and preliminary discussion of proposal ideas • Begin discussion of China's economic, social, and political development since 1949, particularly Mao's disastrous economic policies and political campaigns (e.g. the Great Famine, Cultural Revolution)
<i>Assignments:</i>	Readings: <ul style="list-style-type: none"> • Barry Naughton: Transitions and Growth (select chapters) • Stanford introduction to Cultural Revolution: http://iis-db.stanford.edu/docs/115/CRintro.pdf • Xujun Eberlein on Mao's Great Famine: https://lareviewofbooks.org/review/the-teacher-of-the-future

Week 2	[1/12/16]
<i>Topics:</i>	China's reform and opening up (1978-present) <ul style="list-style-type: none"> • The acceptance of market capitalism • How economic reforms began on Chinese farms • Foreign investment's role in Chinese reforms • China's development model: authoritarian capitalism
<i>Speaker:</i>	TBD

<i>Assignments:</i>	--Readings: <ul style="list-style-type: none"> • Yasheng Huang (select chapters) • Ezra Vogel (select chapters) • Michael Pettis: “The Four Stages of Chinese Growth” http://blog.mpettis.com/2014/06/the-four-stages-of-chinese-growth/
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Week 3	[1/19/16]
<i>Topics:</i>	Red Capitalists and Princelings: the nexus of politics and business <ul style="list-style-type: none"> • How the Communist Party became the elite establishment • Profit and political networks in a partially reformed economy • Efficient corruption vs. endemic corruption
<i>Speaker:</i>	TBD
<i>Assignments:</i>	--Project proposals due and discussion in class --Readings: <ul style="list-style-type: none"> • Susan Lawrence: “Understanding China’s Political System” http://www.fas.org/sgp/crs/row/R41007.pdf • Richard McGregor: <i>The Party</i> (selection) • Andrew Wedman: “Double Paradox: Rapid Growth and Rising Corruption in China” http://www.themontrealreview.com/2009/The-Double-Paradox-of-Rising-Corruption-and-Rapid-Growth-in-China.php • <i>Wall Street Journal</i>: “Children of the Revolution” http://online.wsj.com/news/articles/SB10001424053111904491704576572552793150470

Week 4	[1/26/16]
<i>Topics:</i>	Economic Challenges and Opportunities <ul style="list-style-type: none"> • Labor market shifts and demographic transition • Resource and energy-intensive growth • Social goods scarcity (healthcare, pensions, education) • Rise of the middle class and changing expectations • State sector and vested interests • Innovation with Chinese characteristics
<i>Speaker:</i>	TBD
<i>Assignments:</i>	Readings: <ul style="list-style-type: none"> • Ma and Adams (select chapters) • CSIS Report: “The Graying of the Middle Kingdom”

Week 5	[2/2/16]
<i>Topics:</i>	In Focus: Energy <ul style="list-style-type: none"> • How the Chinese economic model was built on coal • Why environment and pollution have become priorities • What new sectors are being promoted and present opportunities • China, climate change, and technological innovation
<i>Assignments:</i>	--Plenary meetings check-in --Readings: <ul style="list-style-type: none"> • Damien Ma: “Rebalancing China’s Energy Strategy” • Mckinsey report: “China’s Green Revolution” • General Resource: EIA China (http://www.eia.gov/countries/cab.cfm?fips=ch)

Week 6	[2/9/16]
<i>Topics:</i>	Political Challenges: Values and the “China Model” <ul style="list-style-type: none"> • What is the Chinese Dream? • Competing political models: benign authoritarianism vs. dysfunctional democracy? • Universal values vs. Chinese values
<i>Speaker:</i>	TBD
<i>Assignments:</i>	Readings: <ul style="list-style-type: none"> • Evan Osnos: <i>Age of Ambition</i> (selections) • Ma & Adams: select chapters

NO CLASS	[2/16/16]
	--Continue readings from previous week --First project deliverable due

Week 7	[2/23/16]
<i>Topics:</i>	China and Globalization <ul style="list-style-type: none"> • China, the global supply chain, and multinationals • Chinese growth and impact on global prices and trade • China, global institutions, and outbound investment
<i>Speaker:</i>	TBD
<i>Assignments:</i>	Readings: <ul style="list-style-type: none"> • Nick Lardy: “Trade Liberalization and Its Role in Chinese Economic Growth” https://www.imf.org/external/np/apd/seminars/2003/newdelhi/lardy.pdf • Apple supply chain case study: http://pcic.merage.uci.edu/papers/2011/Value iPad iPhone.pdf

	<ul style="list-style-type: none"> • Eswar Prasad: “The Coming Wave: Capital Outflows from Emerging Markets” http://prasad.aem.cornell.edu/doc/ComingWaveF&DKarolyiNgPrasad.Jun13.pdf • Rhodium Group: “An American Open Door?” http://rhg.com/wp-content/themes/rhodium/interactive/china-investment-monitor/RosenHanemann_AnAmericanOpenDoor_2011.pdf <p>Supplemental resources:</p> <ul style="list-style-type: none"> • Nomura report: “The Ascent of Asia” • USCBC Membership Survey: www.uschina.org/sites/default/files/USCBC%202014%20China%20Business%20Environment%20Survey%20Results.pdf • Paulson Institute Case Studies
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Week 8	[3/1/16]
<i>Topics:</i>	<p>China’s Global Ambitions</p> <ul style="list-style-type: none"> • China disrupting global financial institutions? • Will the RMB become the new reserve currency? • The rise of Chinese brands and multinationals? • Economic statecraft
<i>Speaker:</i>	TBD
<i>Assignments:</i>	<p>--In country plans due and project progress check</p> <p>--Readings:</p> <ul style="list-style-type: none"> • Erica Downs: “Inside China, Inc.” http://www.brookings.edu/~media/research/files/papers/2011/3/21%20china%20energy%20downs/0321_china_energy_downs.pdf • Arthur Kroeber: “China’s Global Currency: Lever for Financial Reform” http://www.brookings.edu/research/papers/2013/04/china-global-currency-financial-reform-kroeber • David Dollar: “China’s Rise as a Regional and Global Power” http://www.brookings.edu/research/papers/2015/07/china-regional-global-power-dollar • CLSA: “One Belt, One Road: A Brilliant Plan” https://www.clsa.com/special/onebeltoneroad/

Week 9	[3/8/16]
<i>Topics:</i>	<ul style="list-style-type: none"> • In-country trip prep • US-China Relations • Taiwan, Hong Kong
<i>Assignments:</i>	<p>Readings:</p> <ul style="list-style-type: none"> • Tom Christensen: <i>The China Challenge</i> (coursepack)

	<ul style="list-style-type: none"> James Mann: <i>About Face</i> (coursepack) US-China Three Communiques (coursepack)
<i>Additional:</i>	All project teams meet with faculty to discuss final presentations

In-Country Field Research - March 14th - March 25/26th

Week 10	[4/6/16]
<i>Topics:</i>	Course wrap-up and trip experience download
<i>Assignments:</i>	Final presentations and project submission

In-Country Academics

Students are reminded that GIM is first and foremost an academic program. 15% of your overall grade will be based on your participation in the plenary meetings and engagement in other activities as assessed by the in-country advisor. In order to achieve a high grade, students are expected to not only attend all plenary meetings, but to be actively engaged during the meetings and other learning opportunities in country.

Assessment

Research Project	70%
First Deliverable	15%
In-Country Research Plan	10%
Final Deliverable	30%
Peer Evaluation	15%
Participation	30%
In-Class Participation (attendance, discussion, engagement)	15%
In-Country Participation (plenary meetings; determined by GIM advisor)	15%

GIM Final Project

The core of the GIM class is an independent project. Groups of 4 to 6 students will select an international business, economic or management issue to study and present. The students begin secondary research at the start of the course, incorporating perspectives from the class readings and speakers. They will also spend time in-country speaking with resident experts, gathering data, and testing their hypotheses and recommendations in the field. In general, the project should be based on original research that contribute to an intellectual body of work but also strive to have practical applications for the China market.

*Students must conduct interviews for their projects in **every** city they visit on the trip.*

Research Topics

Student teams typically develop their own research project, though they refine their topics with the help and advice of their faculty member. Good GIM projects are generally built around interesting, clear, and relatively narrow research questions. Weak GIM projects have often been lengthy and unfocused industry descriptions, e.g., “An Overview of the Brazilian Beverage Industry,” or “Challenges and Opportunities in Japanese Real Estate.”

Potential Project Approaches

Students, in consultation with their instructor, may choose from the following approaches:

- Traditional research paper – A research question is described; competing answers to the question are discussed; evidence collected on the trip is used to argue for or against the alternative answers.
- Industry analysis – A particular industry is surveyed in order to examine a narrowly focused, well-defined topic pertaining to the competitive dynamics of the industry. An example is to pick a sector with potential growth and market opportunities in China (preferably a relatively untapped emerging segment), come up with different models for US investment into, or market entry strategies for, that sector.
- Business recommendation report – A consulting report recommending specific strategic, operational and organizational actions to solving a clearly defined business issue (e.g. strategies for overcoming cold-chain logistics and distribution challenges in China.). Another example would be to design marketing strategies for Chinese brands that are hoping to globalize, particularly in the US market.
- Business or industry case study – A case for eventual classroom use developed with a clear underlying business question in mind. It will be a deep-dive into a sector or a specific Chinese company to identify market opportunities, industry trends, and lessons for investors and practitioners on how to succeed and/or fail in the China market (lessons from failure is just as important as success). Teams pursuing this option are encouraged to work with Case Publishing before and after the trip to ensure a high quality product that may eventually be used in the classroom.

These aren't meant to be exhaustive. Unconventional ideas need to be cleared by the instructor. All project proposals need to adhere to a simple principle: they must be realistically executable, given the time and capacity constraints of the course.

Project Deliverables

- **Project Proposal** – Each project group will submit a 1-2 page description of their proposed research topic, including:
 - A description of the specific and narrowly-focused research question(s) to be addressed
 - Description of the topic's importance, timeliness, economic, or social significance
- **First Deliverable** – Each team needs to submit a short background review/brief that examines secondary information that is relevant to and contextualizes your topic (5-7 pages max).
- **In-Country Plan** – Prior to the trip, each team needs to submit a fairly detailed matrix of research meetings arranged in country. Ideally, the plans will include day/time/location of meeting; name/description of organization; name/title/bio of interviewee; agenda and possible interview questions for each meeting. In reality, there will be last-minute changes and certain meetings might not be confirmed until you're on the ground.
- **Final Deliverable** – Each team will present in the final class on their research findings and how their in-country experience validated or contradicted their initial thinking and views on their research topic. The purpose of this deliverable is to allow faculty members and students to engage and provide feedback on the project groups' final findings. It is suggested that each team be given 15 minutes to present and 5 minutes for audience questions and suggestions. Included in the deliverable should be a short executive summary of the final findings from the team's research.
- **Peer Evaluation** – Each team member will assess every other member's contributions to the project, including their own, with a confidential peer review that will be distributed at the end of class. These reviews are taken seriously for final grading.