

Paper Abstracts

Wellington Conference on Contemporary China 2013

China's Global Course: The Political Economy of China Going Global

Jane Golley, Associate Director of the Australian Centre on China in the World
Australian National University

Title: China's Rise: A 'Socialist' economy in a capitalist world

Abstract: Thirty-five years since the commencement of 'economic reforms and opening up', China's official perception of 'Socialism with Chinese characteristics' differs markedly from alternative views regarding the nature of China's emerging capitalist system. This glaring gap in perceptions is problematic in an increasingly globalised world, complicating debates about China's exchange rate regime, global economic imbalances and the recent surge in Chinese overseas direct investment.

Christopher A. McNally, Associate Professor of Political Economy, Chaminade
University, Nonresident Fellow, East-West Center, Honolulu

Title: A Study in Sino-Capitalism: Institutional Arrangements and Strategy to
Internationalize the Yuan

Abstract: The remarkable international reemergence of China's economy inevitably raises questions about how China will use its growing global economic influence. Drawing on theories and concepts in comparative capitalism, I explore how the institutional arrangements and development policies on the Chinese domestic level can be analyzed to understand China's emergent role in the international political economy. One of the most crucial areas in which China's influence will increasingly be felt is the international monetary system. As China attempts to gradually internationalize its currency,

the Yuan or Renminbi, it will undoubtedly impact the future evolution of the international monetary system and the role of the US Dollar within it.

I put forward two related arguments here. First, the strategy that China is taking to internationalize the Yuan reflects quite closely the institutional arrangements and development policies on the Chinese domestic level. I conceptualize China's domestic political economy as having generated a new form of capitalism: Sino-capitalism. Sino-capitalism is based on a combination of top-down state coordination, bottom-up entrepreneurial networks, and focused global integration. This conception of Sino-capitalism is then applied as a conceptual starting point to understand China's present and possible future strategies for internationalizing the Yuan. Second, the historical trajectory of Yuan internationalization will be unlike any before. The Chinese government has employed a distinct strategy to proactively internationalize the Yuan, which sets the Yuan's potential emergence as an international monetary anchor apart from prior historical experiences.

Nicholas Khoo, Senior Lecturer in the Department of Politics, University of Otago

Title: China's Rise and Economic Interdependence in Northeast Asia

Abstract: The idea that economic interdependence has a significant role in reducing conflict between states occupies an influential position in both the practices of states in the Asia-Pacific region, and the literature on contemporary Chinese foreign policy and Asian international relations. How consistent are the expectations of the theory with the reality of China's relations with the Northeast Asian region? This paper evaluates the effect of China's trade relations with Japan and South Korea. While trade is found to have a positive effect in China's relations with its neighbours, this effect is less influential than posited by economic interdependence theorists, and qualified by wider political dynamics.

Ka Zeng, Professor in the Department of Political Science and Director of Asian Studies, University of Arkansas

Title: China and the Doha Round Non-Agricultural Market Access (NAMA) Negotiations

Abstract: Through an analysis of China's role in the Doha Round non-agricultural market access (NAMA) negotiations, this paper suggests that Beijing has adopted a relatively passive position in the negotiations. Not only did China's preferences diverge with the United States with regard to issues such as China's development status and the sectoral approach, China's interests also do not fully align with those of other developing countries. Coupled with the diversity of developing country interests and the need for Beijing to maintain political solidarity with developing countries, this has made it difficult for it Beijing to be an effective leader of multilateral trade negotiations.

Crawford Falconer, Organisation for Economic Cooperation and Development (OECD)

Title: Value-added Trade and Global Value Chains: China's Role in International Trade

Abstract: Focusing on gross trade flows, which most analysis has been concerned with up until now, masks where value is actually added in any given economy and, among other things effectively leads to "double counting" of any given country's exports. Thus, when a product is imported as a component and a finished or semi-finished product is then exported, gross trade statistics incorporate the components even though there is no value added to them in the exporting economy. OECD work now enables us to "unmask" this feature and focus on where the value is actually added. This leads to a rather different perspective on how countries are in fact inter-related and depend on each other in their trading relations.

Nowhere are the changes of perspective on bilateral trade relations more striking than in the way in which it allows us to reassess the way in which the Chinese economy relates to its trading partners and fits into the international trading system. The most striking example is the way in which the value added perspective effectively shrinks China's bilateral trade deficit with the United States by one-third.

This paper provides an oversight of those core changes and spells out a number of the key policy implications for China and its key trading partners. This will focus on the fundamental role that global value chains now play in the conduct of international trade and the way in which trade policies could be best adapted at regional and multilateral levels to optimize the gains from this new trading reality.

Wei LIANG, Associate Professor in the Graduate School of International Policy and Management, Monterey Institute of International Studies

Title: Trade Diplomacy: China's Engagement with the Global South in the 21st Century

Abstract: China has become an important player in international politics and global economy. China's economic ties and trade disputes with the developed countries have received extensive scholarly attention. However, China's trade relations with developing countries have been largely understudied. This paper aims to shed light on this important research subject.

Since the new century China has rapidly modified its diplomatic priority and turned more attention and resource to deepening its once-lost connection with developing countries in many parts of the world, particularly in Southeast Asia, Africa and Latin America. What is the underlying interest of this policy change? This paper analyzes this new development through the angle of China's international trade behavior. By carefully examining China's trade patterns and trade structure and the diplomatic activities related to trade, this paper intends

to answer the following questions. Whether China's changing trade behavior is driven by domestic/global market needs or by diplomatic/political needs? What has China done in terms of expanding trade ties with the developing world? Has it been successful so far? What are the concerns raised by the U.S. and other developed countries in the West? How would China balance between these two camps? This paper is heavily relied on my field research in China in summer 2011 and 2012.

Ming Zhang, Senior Research Fellow and Head of the Department of International Investment, Institute of World Economics and Politics, Chinese Academy of Social Science

Title: How could China become a normal international creditor?

Abstract: China has been an abnormal international creditor with huge net international assets but negative investment income, which is a perfect mirror of United States. The direct reason lies in the structure of China's international assets and liabilities. The more deep reasons include the distorted distribution of international assets between official and public sectors, the capital account regulation, and the over-preferential policies to attract FDIs. To make China a normal international creditor, the RMB exchange rate and interest rate should be more liberalized, more overseas direct investment should be encouraged, and FDI policies should be adjusted.

Hongying Wang, Associate Professor of Political Science, University of Waterloo

Title: New Kid on the Block: China's Role in the Global Governance of Foreign Direct Investment

Abstract: Three decades ago China began to open its door to foreign direct investment (FDI). By the early 1990s it had become one of the largest recipients of FDI in the world. In the last decade, China has adopted a "going out" strategy, making significant amounts of direct investment in other countries. Today, it is fast becoming one of the largest source countries of FDI. Clearly, China has emerged as a major actor in the global flow of FDI. What is not so clear is China's role in the global governance of FDI. In this paper I attempt to shed light on this issue by examining China's involvement in bilateral investment treaties (BITs). BITs are the most important legal mechanisms that govern FDI, setting rules regarding the behavior of foreign investors in the host country, the treatment of foreign capital by the host country, the resolution of investment-related disputes, and so on. China began to sign BITs in the early 1980s. Today it is party to over 130 BITs. How has China's approach to BITs evolved over the years? What explains the evolution? What impact has China had – intentionally or unintentionally – on the models and functions of BITs at different stages of its development? As a new and influential player with many unconventional characteristics, China could potentially change the rules of the existing FDI governance framework. Has it? These are some of the questions I will explore.

Dongkun Li, Visiting Fellow, NZ Contemporary China Research Centre
Southwest University of Finance and Economics, Chengdu

Title: China's Foreign Direct Investment, Domestic Market Segmentation and the Total Factor Productivity: 2003-2011

Abstract: The past three decades have witnessed a striking development in Chinese economy. 1978-2011, average growth rate of GDP in China has reached as highly as 15.89%, which is much faster than most of countries in the world. This impressive rate of economic growth has surpassed that in the four Asian “tigers”. However, Young (1995) notes that the productivity performance of the “tigers” falls “from the heights of Olympus to the plains of Thessaly” by taking their rapid growth of inputs into consideration. Krugman (1994) also points out that the “Asian system”, including China, has only modest growth in efficiency, with most growth driven by inputs. Their assertions pushed concerns over the quality of economic growth to an all-time high, especially in China. There is a hot debate on the total factor productivity (TFP) which is a very important proxy of economic growth quality, including its definitions, measurement methods and application conditions (Peng, 2005; Zhang & Gui, 2008; Li et al, 2010). This paper complements this problem from a totally new perspective. The paper shows how China’s opening-up level affects Chinese TFP.

Specifically, we care much about the influences of China’s outward FDI and domestic market segmentation on Chinese TFP where outward FDI represents a kind of index for opening up internationally and accordingly domestic market segmentation is an index for opening up domestically. Furthermore, we will examine the interaction effect of China’s outward FDI and market segmentation. The following section tries to construct and calculate two important indexes: TFP and market segmentation. Then, we will use the panel data of 30 provinces from 2003 to 2011 to examine the specific effects of China’s outward FDI and market segmentation towards TFP.

James To, lecturer at International Pacific College in Palmerston North, New Zealand

Title: “Going Out” and “Borrowing Ships to go to Sea”: Investment, Export, and Migration from the PRC and its Impact on Regional Relations

Abstract: The level of foreign investment, reconstruction, contract projects, and foreign aid from the People’s Republic of China (PRC or China) over recent years has been matched by a proportionate increase in the number of PRC nationals going overseas. Following Deng Xiaoping’s economic reforms after 1978, there was a state-driven directive to find out how Overseas Chinese (OC) could assist China’s plans for modernization. Under the theme of “thinking globally, acting locally” Beijing has targeted select groups of labourer class, elite and new migrant OC, and attempted to co-opt them in raising China’s status as a responsible international power.

As a key aspect of its 'Going Out' strategy, the PRC has become a strong competitor in the international labour market over the last forty years. China will continue to be a major source of migration as international markets accept (and in some cases depend upon) Chinese labour as part of the globalized economy. In parallel fashion, since the early 1990s, PRC authorities called upon Chinese companies to establish more partnerships abroad. Known as "borrowing ships to go to sea", this strategy sought to establish transnational entities and investments for securing access to essential resources and for building markets for export.

Liqiang Yang, Associate Professor at the Institute of International Economy Director in charge of the Department of China Foreign Trade and Economics University of International Business and Economics, Beijing

Title: The Clustering Investment of China's Multinationals: Modes and Suggestions

Abstract: The outward foreign direct investment of China's multinational enterprises increases rapidly, and more and more Chinese enterprises have been going global in a cluster style. This paper analyses the common modes of clustering investment by multinationals from China and other economies, and discusses their driving forces, type of linkage among cluster members, and stability of collaboration. Besides common features, Chinese multinationals have their own practices and characteristics that are not only related with Chinese culture but also result from the unique course of their development. The clustering investment contributes to the local economies, but sometime it can also crowd out local industries. The overall effect depends upon their mode and operating practice. Finally this paper puts forward the possible patterns China's multinationals can follow up and brings out policy suggestions for promoting investment cooperation between China and New Zealand.

Keith Woodford, Professor of Farm Management and Agribusiness, Lincoln University

Paper: The Political Economy of Food and the Industrialization of Chinese Agriculture

Abstract: This paper investigates the industrial model of agriculture for food security and food safety in China and what that means for international business of countries such as New Zealand. Food security, food safety and the industrialisation of agriculture are three intertwining components of Chinese Government policy in agribusiness. There has been change in the industrial model driven by national concerns for food safety and security. There is a prevailing belief in China that it is only through an industrial model based on large scale production units and modern agricultural practices that sufficient safe food can be produced. The change is being facilitated by changing land tenure arrangements which increasingly provide long term security of tenure, together with encouragement of external investment and integrated value chains from production to markets.

This change is further facilitated with a growing consumer demand for safe and quality food. The move to animal-based products – particularly dairy and pig meat, is greatly increasing the demand for animal feedstuffs. The two options are either to import the final products or to import the soybean, corn and alfalfa feedstuffs. China is now following both strategies on a large scale. The dairy industry, for example, is moving away from small scale peasant farmers towards mega dairy farms, and with individual corporate entities owning multiple farms. The model of housed animals and the associated technologies are very similar to the North American model that has been developing over the last 30 years in the Western States of the USA. China also sources the meat, dairy and animal feedstuffs that it needs from global markets. The key question for New Zealand agribusiness companies is whether to continue focusing on commodities or whether to put more effort into getting closer to the Chinese consumer with branded products. The overwhelming lack of confidence of Chinese about the food safety of their own industries creates unique opportunities for New Zealand companies. However, there are many pitfalls, particularly for those who misunderstand the cultural environment.

Xinquan TU, Professor of China Institute for WTO Studies, University of International Business and Economics, Beijing

Title: The development of international rules on SOEs and their implications on Chinese SOEs' internationalization

Abstract: The existence of SOEs in the world economy is not a new phenomenon. But until recently SOEs have become a key target of international regime building due to wider and deeper international involvement of major SOEs of emerging economies. There have been serious discussions on how to accommodate and regulate the international competition behaviors and results of big SOEs under international agreements and organizations, such as the TPP, OECD, and even the WTO. Their common orientation is to ensure competition neutrality of SOEs and to reduce governmental control over them. The issue is of particular significance for China since it has the most and strongest group of SOEs and it is struggling to strengthen their presence in international market. The paper intends to analyze the recent development of international rules related to SOEs and discuss the implications on Chinese SOEs' overseas investments and other businesses. The author will also try to make some policy proposals about how to get involved in these international negotiations and how to get things right domestically with regard to the reform of SOEs.

Yang YU, Lecturer, Victoria Business School, Victoria University of Wellington

Title: *Understand MNCs' Legitimacy Challenge in Host Country – A Case Study on the Crafar Farms in New Zealand*

Abstract: This paper introduces a sociological approach to assist international business scholars with understanding legitimacy challenge facing multinational corporations (MNCs) in host country. Drawing on expectation states theory developed by social-psychologists the paper views firms as social actors and

MNCs' legitimation in host country as a matter of foreign firms reaching desirable social status in the local society. An illustrative case study involving two Chinese firms bidding on New Zealand dairy farms is then presented and used to demonstrate that local constituents' acceptance of foreign firms is subject to their evaluations on the firms' attributes in respect to three referential belief structures: categories, abilities and outcomes. The paper concludes that MNCs perceived as favourable in these structures tend to encounter less legitimacy challenge. It also provides preliminary insight in the value characteristics of the structures with regard to MNCs. Implications on Chinese firms aiming to internationalise are discussed.

Eric J. Shelton, Assistant Lecturer in the Department of Tourism, University of Otago

Title: The economic opportunities of a domestically driven Chinese *cruise culture*

Abstract: Creating a *cruise culture* involves the production of the *cruising subject*, an abstraction embodied by the cruise tourist. The North American *cruising subject* is well understood, occupying and spending within Weaver's (2005) late capitalist concept of 'spaces of containment', which cruise ships provide.

The Chinese *cruising subject* has yet to be produced and thus remains unstudied even though domestic demand for travel could form the basis of international cruise activity; specifically the provision of a Chinese owned cruise industry. Cruise ships are a form of mobile capital that can easily be deployed internationally; more so after the 2014 widening of the Panama Canal allows affordable global repositioning of ships. This paper provides a framework for such cruise development and tests the notion of vertical integration of a Chinese cruise industry on the grounds that quality of experience may suffer.

Gerald Chan, Professor in the Department of Political Studies, University of Auckland

Title: China, Chiang Mai Initiative, and financial governance: from a new regional order to a new global order?

Abstract: This paper explores China's engagement with global financial governance, focusing on its outreach activities to the world from a strong base in Asia. China's enhancing leadership role in the Chiang Mai Initiative Multilateralisation as the primary Asian financial mechanism is having an impact on other regional financial initiatives like the BRICS development bank. It also has an impact on the IMF at the global level. The IMF now pays increasing attention to the demands of China and other emerging economies in managing global financial affairs. In what way do these new developments constitute a new global order? This paper argues that changes in this area are inevitable and credible, but they are limited and constrained. The paper explains why this is the case, by examining how China navigates between the regional and the global, between economic going global and political lying low.

Alex Tan, Professor in the School of Social and Political Sciences, University of Canterbury

Title: Enter the Dragon: China and the Political Economy of Regional Integration

Abstract: China's continued economic transformation has also transformed regional economic dynamics. Today the region is more integrated than ever before evidenced by numerous regional trade agreement initiatives. In this paper, I examine the political and economic dynamics of economic integration in East and Southeast Asia resulting from China's continued economic rise and transformation.

Paul Irwin Crookes, Lecturer, Contemporary China Studies Programme, University of Oxford

Title: China-EU relations through the lens of the EU's IPR strategy

Abstract: This presentation explores the significance of China-EU relations in the contemporary context and uses the EU's strategy to promote increased IPR regime adherence in China as a way to evaluate how the world may need to adapt their strategy to embrace China's global re-emergence. Three key questions are analysed: first, what tensions persist in the EU's relations with China and how can the EU's IPR strategy be located in policy terms within this broader engagement panoply; second, has the EU's IPR strategy been demonstrably successful in achieving objectives; and third, does this approach offer insights into how other policy tensions may be overcome in future?

The presentation introduces the theory of normative transference and argues that the apparent success of the EU's strategic engagement in IPR actually shows both the opportunities and limits that this approach might have in its wider applicability. Qualitative and quantitative success factors in evaluating the EU's IPR strategy are analysed and the evidence of benefit to Chinese indigenous firms of enhanced levels of IP activism are shown to be mixed. The conclusion argues that an engagement approach that prioritizes an overlapping of mutual interests may have better prospects for long-term bilateral success over one which emphasizes all-encompassing grand strategies that continue to be coupled with the EU's broader values-based principles.

Norafidah Ismail, Senior Lecturer at School of International Studies, Universiti Utara Malaysia

Title: China's Energy Relations with the Gulf Cooperation Council (GCC) Countries

Abstract: China needs more hydrocarbon resources to sustain its economic growth. Its oil demand from the GCC countries is projected to rise to 65 per cent by 2015. In satisfying the demand, the leading oil companies from both China and the GCC countries have concluded formal agreements on joint ventures in

oil refining and gas exploration projects. China and the GCC countries have also had official talks on Free Trade Agreement (FTA) which aims to provide an easy access to energy imports and lower the barriers on trade. An in-depth analysis on China's energy quest in the Arab Gulf will specifically address the following questions: What are the underlying motivations that foster and cement the energy relations between China and the GCC countries? What are the viable strategies that China has been pursuing in establishing and deepening these energy relations? What is a significant progress of China and GCC countries' joint-ventures in oil and gas sectors? Is China a major and fierce competitor of other major energy consuming countries? How does Complex Interdependence explain the development of China-GCC energy relations?

Gaoxiang Wang, Department of Finance, University of Waikato

Title: A study of Shanghai Stock Exchange IPOs 1999-2009

Abstract: This paper investigates the relationship between corporate governance practices and short and longer-term sustainable returns of initial public offerings (IPOs) on the Shanghai Stock Exchange (SHSE). The analysis considers IPOs through the period 1999-2004, which permits an adequate period post the latest IPOs to review the longer-term returns, without being embroiled in the global financial crisis effects. IPOs have continued in steady supply through the period with many relating to the partial privatisation of state owned enterprises. Information is gathered for each company in a cross-sectional form across a number of years to develop a panel set.

The analysis uses regression techniques including ordinary least squares, generalised least squares and generalised method of moments. Diagnostic and specification testing removes the problems associated with irregularities in the data and common problems in model estimations associated with endogeneity and stationarity. The result is a more robust estimation than provided in prior studies. Several measures of return including, abnormal yearly returns, Tobin's Q, and return on assets (ROA) are examined to ensure there is no selection bias in the results

The study determines that there are differences in those governance variables associated with higher returns in the short-term compared with the longer-term for the IPOs examined. This has interesting implications for listing companies, investors, exchanges and regulators. It is also noted that supervisory boards have a significant positively related relationship with the long-term IPO performance.

Our objective is to test the impact of corporate governance structures on the performance of initial public offerings of companies in China. We are interested in the Chinese corporate governance model, which differs from that of other countries including New Zealand. The influence of specific factors and participants (supervisory board, SOE ownership, legal person ownership, etc.) of the Chinese stock exchanges listings is importance to New Zealand investors, both individual and corporations considering commerce in China and locally wishing to attract Chinese investment in the New Zealand capital markets.

In summary the research investigates: The difference between Chinese corporate governance system and other countries' systems; The significance of the model and its constructive differences with the model in New Zealand; Consideration of the potential future reform of Chinese governance system as to, it might move toward the New Zealand system or other countries may move toward the Chinese model; The implications of the differences for Chinese immigrants coming to New Zealand looking for constructive investment opportunities beyond the property market.