

## **Syllabus for *Chinese Foreign Trade* (CFT)**

Department of World Economy

Fudan University

Fall 2019

**Course Title:** Chinese Foreign Trade (Optional)

**Course Code:** EMAE630002.01

**Number of Credits:** 2.0

**Class Time:** Tuesday 18:30-21:05

**Classroom:** H6408

### **I. Instructor Information**

Instructor: Dazhong CHENG (professor)

Office room: Room 623, School of Economics Building

Office hour: 14:00~17:10 Tuesday; or by appointment

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URL: <http://homepage.fudan.edu.cn/dzcheng/>

For teaching materials, please access <https://elearning.fudan.edu.cn/portal> .

### **II. Course Description**

This course consists of three sections. In Section I, we first look back at the history of Chinese foreign trade, and pay special attention to the regime reform of Chinese foreign trade since 1978 and to China's response to the latest developments in the global economic and trade institutions as well as the new international division of labor. Then we introduce basic theories and approaches that are useful for analyzing Chinese foreign trade. Section II investigates Chinese foreign trade pattern, structure and performance especially from a firm-level perspective. The final section discusses the implications of Chinese foreign trade development for China and the rest of the world.

#### **Section I: Chinese Foreign Trade: Background, History, and Policy**

Part 1: Introduction: History and Methodology

Part 2: WTO and Regionalism: New Trends and China's Strategy

Part 3: Global Value Chains and Trade in Value Added: China and the Rest of the World

#### **Section II: Chinese Foreign Trade: Pattern, Structure, and Performance**

Part 4: Enterprise Internationalization: Theory and Empirics

Part 5: Product-Market Portfolio and Dynamics of Chinese Industrial Exporters

Part 6: Participation into Global Market and Productivity: Theory and Evidence from China

### **Section III: Chinese Foreign Trade: Implications for China and the Rest of the World**

Part 7: Economic Tertiarization and Services Liberalization

Part 8: Chinese Foreign Trade and the RMB Exchange Rate

Part 9: The China Syndrome: Debates and Evidence

Part 10: Evaluating Welfare effect of China's Opening-up

### **III. Course Objectives**

This EMA course covers important topics in Chinese foreign trade, with a focus on both theory and empirics. The objective of this course is to equip students with the general knowledge of Chinese foreign trade reform and development and to provide considerable trainings in understanding and analyzing Chinese foreign trade and the relevant issues.

### **IV. Course Materials**

The course materials include intensive readings and extensive readings (most of them are papers in top journals), which are listed in the following "Course Schedule".

### **V. Course Delivery**

The course is split roughly as follows: teacher's lectures and student's presentations. Preliminary arrangement is as follows (Because this course is optional, you should make decisions in the first two weeks of this semester): there will be 9 classes for lectures, and then 3 classes for students to make presentations. Each student is given 15~20 minutes to make a presentation based upon a paper. The presentations will be based on published papers and unpublished working papers of this subject. There are no required textbooks. However, the following books and papers are recommended for reading throughout the course. In particular, students are expected to make a good effort to finish the intensive readings ahead of the end of each section, and throughout each student must choose one paper to present in class. The papers are provided by the lecturer. The books can be found in the library of Fudan University.

### **VI. Assessment**

The grade will be based on presentation and discussion, reading reports, exercises, and exam. The (individual) presentation and discussion will contribute to 20% of the grade while the reading report 10%, exercises 20%, and the final exam 50%.

One reading report: student should read one of the assigned papers, write a brief summary (in about 600 words) and turn it in by email before the end of the last section. The summary should include 1. What is the main content of the paper? 2. What are your own

viewpoints about the paper?

## VII. Course Schedule

The schedule is as follows:

### Section I: Chinese Foreign Trade: Background, History, and Policy

Part 1: Introduction: History and Methodology

Part 2: WTO and Regionalism: New Trends and China's Strategy

Part 3: Global Value Chains and Trade in Value Added: China and the Rest of the World

#### **Intensive readings:**

1. Acemoglu, Daron, Suresh Naidu, Pascual Restrepo, James A. Robinson, 2019, "Democracy Does Cause Growth", *Journal of Political Economy*, Vol. 127, No. 1, pp. 47-100.
2. Antràs, Pol and David Chor, 2013, "Organizing the Global Value Chain", *Econometrica*, 81 (6), pp. 2127-2204.
3. Caliendo, Lorenzo and Fernando Parro, 2015, "Estimates of the Trade and Welfare Effects of NAFTA", *Review of Economic Studies*, 82(1): 1-44.
4. Estevadeordal, Antoni, Brian Frantz, and Alan M. Taylor, 2003, "The Rise and Fall of World Trade, 1870-1939", *Quarterly Journal of Economics*, Vol. 118, No. 2, pp. 359-407.
5. Johnson, Robert and Guillermo Noguera, 2017, "A Portrait of Trade in Value-Added over Four Decades", *Review of Economics and Statistics*, 99(5): 896-911.
6. Koopman, R., Wang, Zhi and Wei, Shang-Jin, 2014, "Tracing Value-added and Double Counting in Gross Exports," *American Economic Review*, 104(2):459-494.
7. Pascali, Luigi, 2017, "The Wind of Change: Maritime Technology, Trade and Economic Development", *American Economic Review*, 107 (9). pp. 2821-2854.
8. Robert C. Johnson, 2018, "Measuring Global Value Chains", *Annual Review of Economics*, vol. 10(1).
9. Tombe, Trevor, and Xiaodong Zhu, 2019, "Trade, Migration, and Productivity: A Quantitative Analysis of China", *American Economic Review*, 109 (5): 1843-72.
10. Wolfgang Keller, Ben Li, and Carol H. Shiue, 2010, "China's Foreign Trade: Perspectives from the Past 150 Years", *NBER Working Paper* No. 16550.
11. Young, Alwyn, 2003, "Gold into Base Metals: Productivity Growth in the People's Republic of China during the Reform Period", *Journal of Political Economy*, Vol. 111, No. 6, pp. 1220 - 1261.

#### **Extensive readings:**

1. Alessandria, George A., Shafaat Y. Khan, and Armen Khederlarian, 2019, "Taking Stock of Trade Policy Uncertainty: Evidence from China's Pre-WTO Accession", *NBER Working Paper* No. 25965.
2. Antràs, Pol and Davin Chor, 2018, "On the Measurement of Upstreamness and Downstreamness in Global Value Chains", *NBER Working Paper* No. 24185.
3. Antràs, Pol, Davin Chor, Thibault Fally, and Russell Hillberry, 2012, "Measuring the Upstreamness of Production and Trade Flows", *American Economic Review*, 102 (3), pp. 412-416.
4. Johnson, Robert, 2014, "Five Facts about Value-Added Exports and Implications for

- Macroeconomics and Trade Research”, *Journal of Economic Perspectives*, 28(2), 119-142.
5. Henderson, J. Vernon, Tim Squires, Adam Storeygard, and David Weil, 2018, “The Global Distribution of Economic Activity: Nature, History, and the Role of Trade”, *Quarterly Journal of Economics*, Vol. 133, No. 1, Pages 357–406.
  6. Miller, Ronald and Peter Blair, 2009, *Input–output Analysis: Foundations and Extensions*, Cambridge University Press.
  7. Lardy, 1992, *Foreign Trade and Economic Reform in China, 1978-1990*, Cambridge University Press.
  8. Lardy, 2002, *Integrating China into the Global Economy*, Brookings Institution Press.
  9. Mattoo, Aaditya, Zhi Wang, and Shang-Jin Wei (ed.), 2013, *Trade in Value Added: Developing New Measures of Cross-Border Trade*, The World Bank, Washington D.C., USA.
  10. WTO, 2011, *World Trade Report: The WTO and Preferential Trade Agreements: From Co-existence to Coherence*, Geneva.
  11. UNCTAD, 2011, *World Investment Report: Non-equity modes of International Production and Development*, New York and Geneva.
  12. UNCTAD, 2013, *Global Value Chains: Investment and Trade for Development*, World Investment Report, New York and Geneva.

## **Section II: Chinese Foreign Trade: Pattern, Structure, and Performance**

Part 4: Enterprise Internationalization: Theory and Empirics

Part 5: Product-Market Portfolio and Dynamics of Chinese Industrial Exporters

Part 6: Participation into Global Market and Productivity: Theory and Evidence from China

### **Intensive readings:**

1. Brandt, Loren, Johannes Van Biesebroeck, Luhang Wang, and Yifan Zhang, 2017, “WTO Accession and Performance of Chinese Manufacturing Firms”, *American Economic Review*, 107(9), pp.2784-2820.
2. Fisman, Raymond and Shang-Jin Wei, 2004, “Tax Rates and Tax Evasion: Evidence from ‘Missing Imports’ In China,” *Journal of Political Economy*, Vol. 112, No. 2, pp. 471-496.
3. Barrot, Jean-Noël, Erik Loualiche, and Julien Sauvagnat, 2019, “The Globalization Risk Premium”, *Journal of Finance*, forthcoming, pp. 1-49
4. Kee, Hiau Looi and Heiwai Tang, 2016, “Domestic Value Added in Exports: Theory and Firm Evidence from China.” *American Economic Review*, 106(6): 1402-36.
5. Khandelwal, Amit, Peter Schott, and Shang-Jin Wei, 2013, “Trade Liberalization and Embedded Institutional Reform: Evidence from Chinese Exporters”, *American Economic Review*, 103(6), pp. 2169-2195.
6. Manova, Kalina and Zhiwei Zhang, 2012, “Export Prices across Firms and Destinations”, *Quarterly Journal of Economics*, 127(1), pp. 379-436.
7. Melitz, Marc, 2003, “The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity”, *Econometrica*, 71(6), pp. 1695-1725.

### **Extensive readings:**

1. Ahn, JaeBin, Amit Khandelwal, and Shang-Jin Wei, 2011, “The Role of Intermediaries in Facilitating Trade”, *Journal of International Economics*, 84(1), 73-85.
2. Alfaro, Laura, Pol Antràs, Davin Chor, Paola Conconi, 2019, “Internalizing Global Value Chains: A Firm-Level Analysis”, *Journal of Political Economy*, Vol. 127, No. 2, pp. 508 - 559
3. Bernard, Andrew, Bradford Jensen, Stephen Redding, and Peter Schott, 2007, “Firms in International Trade”, *Journal of Economic Perspectives*, 21(3), pp. 105-130.
4. Cheng, Dazhong, 2012, “Product-Destination Portfolio and Dynamics by Firm Ownership and Trade Mode: Evidence from Chinese Industrial Exporters”, *China and World Economy*, Vol. 20, No. 5, pp. 21–36.
5. Fernandes, Ana and Heiwai Tang, 2012, “Determinants of Vertical Integration in Export Processing: Theory and Evidence from China”, *Journal of Development Economics*, 99(2), pp. 396-414.
6. Ma, Yue, Heiwai Tang, and Yifan Zhang, 2014, “Factor Intensity, Product Switching, and Productivity: Evidence from Chinese Exporters”, *Journal of International Economics*, 92(2), pp. 349-362.
7. Manova, Kalina and Zhihong Yu, 2016, “How Firms Export: Processing vs. Ordinary Trade with Financial Frictions”, *Journal of International Economics*, 100, pp. 120-137.
8. Amiti, Mary, Oleg Itskhoki, and Jozef Konings, 2019, “International Shocks, Variable Markups, and Domestic Prices”, *Review of Economic Studies*, forthcoming, pp. 1-47.
9. Larrain, Mauricio and Sebastian Stumpner, 2017, “Capital Account Liberalization and Aggregate Productivity: The Role of Firm Capital Allocation”, *Journal of Finance*, Vol.72, No.4, pp. 1825-1858.
10. Feenstra, Robert C. and Gordon H. Hanson, 2005, “Ownership and Control in Outsourcing to China: Estimating the Property-Rights Theory of the Firm”, *Quarterly Journal of Economics*, Vol. 120, No. 2, May 2005, Pages 729–761.

### **Section III: Chinese Foreign Trade: Implications for China and the Rest of the World**

Part 7: Economic Tertiarization and Services Liberalization

Part 8: Chinese Foreign Trade and the RMB Exchange Rate

Part 9: The China Syndrome: Debates and Evidence

Part 10: Evaluating Welfare effect of China’s Opening-up

#### **Intensive readings:**

1. Autor, David, David Dorn, and Gordon Hanson, 2013, “The China Syndrome: Local Labor Market Effects of Import Competition in the United States”, *American Economic Review*, 103(6): 2121-2168.
2. Barattieri, Alessandro, 2014, “Comparative Advantage, Service Trade, and Global Imbalances”, *Journal of International Economics*, 92: 1–13.
3. Bloom, Nicholas, Mirko Draca, and John Van Reenen, 2016, “Trade Induced Technical Change? The Impact of Chinese Imports on Innovation, IT and Productivity”, *Review of Economic Studies*, Vol. 83, No. 1, Pages 87–117.
4. Breinlich, H. and Criscuolo, C., 2011, “International Trade in Services: A Portrait of Importers

- and Exporters”, *Journal of International Economics*, 84: 188–206.
5. Caliendo, Lorenzo, Maximiliano Dvorkin, and Fernando Parro, 2019, “Trade and Labor Market Dynamics: General Equilibrium Analysis of the China Trade Shock”, *Econometrica*, Vol. 87, No. 3, pp. 741-835.
  6. Campante, Filipe R., Davin Chor, and Bingjing Li, 2019, “The Political Economy Consequences of China’s Export Slowdown”, NBER Working Paper No. 25925.
  7. Cosimo Beverellia, Matteo Fiorinib, Bernard Hoekman, 2017, “Services trade policy and manufacturing productivity: The role of institutions”, *Journal of International Economics*, 104, 166–182.
  8. Crino, Rosario, 2010, “Service Offshoring and White-Collar Employment”, *Review of Economic Studies*. 77 (2): 595-632.
  9. Handley, Kyle and Nuno Limão, 2017, “Policy Uncertainty, Trade, and Welfare: Theory and Evidence for China and the United States”, *American Economic Review*, 107 (9): 2731-83.
  10. Hombert, Johan and Adrien Matray, 2018, “Can Innovation Help U.S. Manufacturing Firms Escape Import Competition from China?” *Journal of Finance*, Vol. 73, No. 5, pp. 2003-2039.
  11. Ilzetki, Ethan, Carmen M Reinhart, and Kenneth S Rogoff, 2019, “Exchange Arrangements Entering the Twenty-First Century: Which Anchor will Hold?”, *Quarterly Journal of Economics*, Vol. 134, No. 2, May 2019, Pages 599–646
  12. Wang, Zhi, Shang-Jin Wei, Xinding Yu, and Kunfu Zhu, 2018, “Re-examining the Effects of Trading with China on Local Labor Markets: A Supply Chain Perspective”, *NBER Working Paper* No. 24886.
  13. Young, Alwyn, 2014, “Structural Transformation, the Mismeasurement of Productivity Growth, and the Cost Disease of Services”, *American Economic Review*, 104(11), pp. 3635-3667.

### **Extensive readings:**

1. Autor, David H., David Dorn, Gordon H. Hanson, and Jae Song, 2014, “Trade Adjustment: Worker-Level Evidence”, *Quarterly Journal of Economics*, Vol. 129, No. 4, pp. 1799–1860
2. Blanchard, Olivier and Francesco Giavazzi, 2006, “Rebalancing Growth in China: A Three-Handed Approach”, *China and World Economy*, Vol. 14, No. 4: 1 – 20.
3. Buera, Francisco J. and Joseph P. Kaboski, 2012, “The Rise of the Service Economy”, *American Economic Review*, 102(6), pp. 2540-2569.
4. Epifani, Paolo and Gino Gancia, 2009, “Openness, Government Size and the Terms of Trade”, *Review of Economic Studies*, Vol. 76, No. 2, pp. 629–668
5. Fielser, Ana Cecilia, 2011, “Nonhomotheticity and Bilateral Trade: Evidence and a Quantitative Explanation”, *Econometrica*, Vol. 79, No. 4, pp. 1069-1101.
6. Kehoe, Timothy J., Kim J. Ruhl, and Joseph B. Steinberg, 2018, “Global Imbalances and Structural Change in the United States”, *Journal of Political Economy*, Vol. 126, No. 2, pp. 761-796.
7. Luke Deer, Ligang Song, 2012, “China’s Approach to Rebalancing: A Conceptual and Policy

Framework”, *China and World Economy*, 1–26, Vol. 20, No. 1.

8. Matsuyama, Kiminori, 2019, “Engel’s Law in the Global Economy: Demand-Induced Patterns of Structural Change, Innovation, and Trade”, *Econometrica*, Vol. 87, No. 2, pp. 497-528
9. Tomoyuki Fukumoto, Ichiro Muto, 2012, “Rebalancing China’s Economic Growth: Some Insights from Japan’s Experience”, *China and World Economy*, Vol. 20, No. 1: 62–82.

**Students’ presentations (Weeks 10-12)**

**Final Exam (Nov. 26, Week 13)**