

GIM Greater China

Winter 2017

Mondays, 6:30 – 9:30 PM

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Office hours: **TBD**

GIM Program Objectives

The GIM Program enables Kellogg students to:

- Gain an understanding of the economic, political, social, and culture 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 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 at the turn of the 20th century.

China is expected to surpass the United States as the world's largest economy some time over the next 10 years. But because of China's scale, even though its per capita GDP is about the same as Colombia's, its global footprint has been larger than expected. To become a business leader in today's world requires a basic familiarity with this enormous market and the broader Asia-Pacific, the world's most economically dynamic, populous, 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 Hong Kong. Historically known as mainland China's "gateway" to the world, Hong Kong's relationship with Beijing is increasingly complex and contentious. As the Chinese economy becomes ever larger and connected to the rest of the world, does Hong Kong still serve the "gateway" function? How does it measure up to a mega city like Shanghai?

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 firsthand 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 team 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 will primarily focus on the present and the near future, but revisiting the pre-reform era of China is necessary to understanding how the country works today.

The overall course, including reading materials, lectures, and 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 professor about supplemental materials and resources.

Attendance Policy

Due to the nature of the GIM program, attendance for all GIM classes is mandatory, as is participation in the 10--day 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. Exceptions may be made by the faculty member in cases of extreme circumstances.

Role of the In-Country Advisor

Throughout your GIM trip, you will be accompanied by an in-country advisor, Sheila Duran, who is a staff member at Kellogg. The in-country advisor is responsible for the integrity and quality of the in-country experience. Among other logistical roles during the trip, he or 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, the 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*

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| Books to Purchase: |
| Arthur Kroeber: <i>China's Economy: What Everyone Needs to Know</i> (purchase) |
| Damien Ma/William Adams: <i>In Line Behind a Billion People</i> (purchase) |
| Course pack materials: |
| Yasheng Huang: <i>Capitalism with Chinese Characteristics</i> (course pack) |
| Barry Naughton: <i>Transitions and Growth</i> (course pack) |
| Ezra Vogel: <i>Deng Xiaoping and the Transformation of China</i> (course pack) |
| Richard McGregor: <i>The Party</i> (course pack) |
| Evan Osnos: <i>Age of Ambition</i> (course pack) |
| James Mann: <i>About Face</i> (course pack) |

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

Recommended List

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| 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> |
| James Fallows: <i>China Airborne</i> |
| Henry M. Paulson: <i>Dealing with China</i> |
| Jim Yardley: <i>Brave Dragons</i> |

Course Schedule and Assignments [subject to change]*

*Do your 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*.

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| Week 1 | [1/6/2017] [Note: this is a Friday makeup class due to the holiday] |
| <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 |

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| | <ul style="list-style-type: none"> • 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> | <p>--Readings:</p> <ul style="list-style-type: none"> • Barry Naughton: Transitions and Growth (course pack) • 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 |

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| Week 2 | [1/9/2017] |
| <i>Topics:</i> | <p>China's reform and opening up (1978-present)</p> <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>Assignments:</i> | <p>--Readings:</p> <ul style="list-style-type: none"> • Yasheng Huang (course pack) • Ezra Vogel (course pack) • Arthur Kroeber (select chapters) |

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| Week 3 | [1/16/2017] [NO CLASS] |
| <i>Assignments:</i> | Project Proposals Due |
| <i>Additional:</i> | Note: IPG groups should meet with me to discuss |

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| Week 4 | [1/23/2017] |
| <i>Topics:</i> | <p>Red Capitalists and Princelings: the nexus of politics and business</p> <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> | <p>--Readings:</p> <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> (course pack) • 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 |

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| | <ul style="list-style-type: none"> • <i>Wall Street Journal</i>: “Children of the Revolution” http://online.wsj.com/news/articles/SB10001424053111904491704576572552793150470 |
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| Week 5 | [1/30/2017] |
| <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> | --Plenary meetings check-in -- Background Research Deliverable Due --Readings: <ul style="list-style-type: none"> • Ma and Adams (select chapters) • Kroeber (select chapters) |

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| Week 6 | [2/6/2017] |
| <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>Speaker:</i> | TBD |
| <i>Assignments:</i> | --Readings: <ul style="list-style-type: none"> • Damien Ma: “Rebalancing China’s Energy Strategy” http://www.paulsoninstitute.org/wp-content/uploads/2015/04/PPEE_Rebalancing-Chinas-Energy-Strategy_Ma_English.pdf • Mckinsey report: “China’s Green Revolution” (will distribute) • Goldman Sachs: “The Low Carbon Economy” http://www.goldmansachs.com/our-thinking/pages/new-energy-landscape-folder/report-the-low-carbon-economy/report.pdf |

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| Week 7 | [2/13/2017] [NO CLASS] |
| <i>Topics:</i> | --Readings continued: |

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| | <ul style="list-style-type: none"> • Apple supply chain case study: http://pcic.merage.uci.edu/papers/2011/Value iPad iPhone.pdf • Eswar Prasad: “The Coming Wave: Capital Outflows from Emerging Markets” http://prasad.aem.cornell.edu/doc/ComingWaveF&DKarolyiNgPrasad.Jun13.pdf <p>--Supplemental:</p> <ul style="list-style-type: none"> • USCBC Membership Survey: www.uschina.org/sites/default/files/USCBC%202014%20China%20Business%20Environment%20Survey%20Results.pdf • Paulson Institute Case Studies (download: http://www.paulsoninstitute.org/think-tank/investment-case-studies/) |
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| Week 8 | [2/20/2017] |
| <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> | In-Country Research Plan Due --Readings: <ul style="list-style-type: none"> • Evan Osnos: <i>Age of Ambition</i> (course pack) • Ma & Adams (select chapters) |

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| Week 9 | [2/27/2017] |
| <i>Topics:</i> | China’s Global Ambitions <ul style="list-style-type: none"> • The global supply chain and multinationals • Chinese growth and impact on global prices and trade • Global institutions and outbound investment • Economic statecraft |
| <i>Speaker:</i> | TBD |

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| <i>Assignments:</i> | <p>--Project & IPG meetings 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 • 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/ |
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| Week 10 | [3/6/2017] |
| <i>Topics:</i> | <ul style="list-style-type: none"> • In-country trip prep • US-China Relations • Taiwan, Hong Kong |
| <i>Speaker:</i> | TBD |
| <i>Assignments:</i> | <p>--All project teams meet with faculty to discuss final presentations</p> <p>--Readings:</p> <ul style="list-style-type: none"> • Evan Feigenbaum: "Reluctant Stakeholder" (will distribute to class) • James Mann: <i>About Face</i> (course pack) • US-China Three Communiques: http://www.choices.edu/resources/documents/ch_3.pdf |

In-Country Field Research - March 14/15th – March 25/26th

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| Final Class | [tentative 4/5/17] |
| <i>Topics:</i> | In-Country Experience Download and IPG presentations |
| <i>Assignments:</i> | Submission of final presentation, peer evaluations, and IPG database Google sheet due at 9 AM |

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

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| Research Project | 70% |
| Background Research | 10% |
| In-Country Research Plan | 10% |
| In-Class Presentation | 10% |
| Written Report | 25% |
| Peer Evaluation | 12% |
| IPG Database Google Sheet | 3% |
| Participation | 30% |
| In-Class Participation (attendance, discussion, engagement) | 15% |
| In-Country Participation (plenary meeting participation, student role, overall participation; determined by GIM advisor) | 15% |

GIM Research Project

The core of the GIM class is an independent research project. Groups of 4 to 6 students will select an international business, economic or management issue on which to study in depth 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 considerable time in-country speaking with resident experts, gathering local data, and testing their hypotheses and recommendations in the field. In general, the project should be based on original research that contributes to an intellectual body of work but also strives to have practical applications for the market.

*(Students must schedule at least **five** IPG meetings throughout their trip with **at least one** meeting in every city that the class visits on a business day. Students are not obligated to schedule meetings in cities that the class visits only for the weekend.)*

Research Topics

Student teams typically develop their own research projects, though they will 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 topics. Some titles from successful projects from recent years have included “How Uniqlo’s Brand Positioning and Marketing Strategy Allow the Company to Thrive in China’s Fast Fashion Market” and “Expanding Wine Sales to Middle-Class Brazilians: A Proposal to Concha Y Toro.” Weak GIM projects often have excessively broad or unfocused topics such as “An Overview of the Brazilian Beverage Industry.”

Project Report Structure

Final reports should be at least fifteen pages in length, excluding exhibits. Groups may choose from the following report formats:

- Traditional analytical 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 would be an analysis of a market entry opportunity presented to a foreign multinational.
- 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 India.).
- Business or industry case study – A case for eventual classroom use developed with a clear underlying business question in mind. 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.

Project Deliverables

- **Research Project Proposal** – Each project group will submit a 2-page description of their proposed research topic, including:
 - A description of the specific and narrow research question(s) to be addressed
 - Description of the topic's importance, timeliness, economic, or social significance
 - Identification of possible in-country visits with companies, governmental agencies, NGOs, etc.
- **Background Research Review** – Before departing for the in-country portion of the class, each project team must submit a review examining secondary information relevant to its research topic. This review may serve as a first draft of the background section of the final project report.
- **In-Country Plan** – This is a detailed matrix of five or more research meetings arranged in country. The best plans will include day/time/location of meeting; name/description of organization; name/title/bio of interviewee; agenda and interview guide.

- **In-Class Presentation** – During the final class, each project group will make a presentation in class summarizing their research findings. The purpose of this deliverable is to allow faculty members and students to learn about 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.
- **Written Report** – The final report, generally 15 pages long before exhibits and appendices, prepared according to one of the formats discussed above. In addition to turning in their papers to their professors, students should submit an electronic copy to the Global Programs Office on the agreed upon date.
- **Peer Evaluation** – Each member within the project group will assess every other member's contributions to the project, including their own, with a confidential peer review form that takes into account each member's intellectual contribution, initiative and organization, workload contribution and overall contribution.
- **IPG Database Google Sheet** – Maintained by the Global Programs' Office, the IPG Database Google Sheet serves as a repository for IPG contact information shared amongst GIM students. About a week before final reports are due, the GPO will be sending out a link to the sheet for each IPG group to fill out with information about their contacts. Please note that the requirement for filling out the google sheet is due at the same time as the written report.