Overview
For over two centuries, Westerners have dreamed of becoming rich by doing business in China. Hence, the refrain, "If every Chinese wore just one sneaker...ate one hamburger... drank one soda..." You may make that “China Dream” come true for an American venture capitalist who has $1 billion to invest and hears the call of the China Dream but has no idea which industries to invest in, what forms the investment should take, or what risks – economic, policy, and political – lay ahead. Through readings, videos, and discussion, you will be trained to analyze the opportunities and risks of investing in China, and based on that training develop an investment proposal which you will present at semester's end. This is not an introductory course; previous coursework on China, business, or economics is recommended.

Requirements

I. Readings and Participation. I expect students to be active learners before, during, and after class. Please finish reading prior to class and bring the readings to our meetings. That will give you a basis for participating in discussion and completing the written assignments.

The following required books are available at the bookstore:
4. James Fallows, Postcards from Tomorrow Square: Reports from China (Vintage, 2009).

The following required report is available online:

The following recommended books can be purchased through an online bookseller:

The additional required and recommended readings are all on Oncourse.

II. Tests
Map Quiz. You need to have a basic understanding of China’s geography. At the start of Class 3 (September 7), there will be a map quiz that tests you knowledge of China’s provinces and provincial-level municipalities. A reference map will be provided.

Reading Quizzes. There will be three unannounced quizzes during the semester. Each will consist of 5 multiple choice questions about that day’s readings. Your top two scores will be included in your final grade. No make-up quizzes will be allowed unless you have an excused absence for two of the three days quizzes were first given.
III. Written Assignments*

Paper #1. We will read some of Tim Clissold’s *Mr. China: A Memoir* each class during the first six weeks of the semester. You will submit a 2-page analysis of one meeting’s reading. After briefly summarizing the highlights of the chapter, your paper should primarily discuss your reactions to his experiences and their implications for someone considering investing in China. Address these questions: 1) What did Clissold do correctly? 2) What should he have done differently? 3) Is Clissold’s story consistent with information provided in our other course readings? Classes will begin with you co-leading discussion of that day’s chapter. Students will sign up in Class 2 (September 2) for the Class (3, 4, 5, 6, 7, 8, 9, or 10) they’ll be responsible for.

Paper #2. Industry Analysis Paper. 5-page jointly written paper due at the beginning of Class 13 (October 12) and presented in Class 13 (October 12) or 14 (October 14). You can revise and resubmit a paper by Class 18 (October 28) and receive 0-10% points added to your paper’s grade. Completed papers will be posted to Oncourse as reference material for classmates, so attention to accuracy and sources is critical. See Page 10 for details.

Paper #3. Risk Analysis Paper. In reaction to class readings, write a 3-page paper that answers all of these questions: 1) What are the risks described in the readings, and what are their main causes? 2) How damaging have they been to Chinese and foreign business? and 3) What can multinationals do to minimize the risks to themselves? Wherever possible make reference to readings assigned for other class meetings. Students will sign up in Class 12 (October 7) for the Class (16, 19, 20, 21, 22, 23, 24, 25, or 26) they’ll be responsible for.

Paper #4. Investment Proposal. This paper provides your recommendation for how a venture capitalist should invest their $1 billion in China in light of the opportunities and risks raised in this class. The paper should be organized as follows: 1) A 1-paragraph Executive Summary that identifies the most important risks and your investment plan; 2) 4-page Economic Opportunities & Risks section, which summarizes China’s overall economy and compares the relative health and investment opportunities of at least three industries you recommend and recommend against investing in, with reference to specific companies; 3) 3-page Policy Risks section, which analyzes individual policy risks and compares the relative significance of different policy risks; 4) 3-page Political Risks section, which identifies and prioritizes the main political risks in terms of their likelihood and level of harm they can cause investors; and 5) 5-page Action Plan, which explains your recommendations for how to invest in China, including in what industries, forms, and regions. It should also include advice for how to deal with your Chinese partners, Chinese officialdom, and how to manage the key risks identified in Sections 2, 3, and 4. Although you may use some non-assigned sources to write your proposal, you should mainly use and cite course readings from the syllabus, information from the industry analysis papers written by you and other students, and information from your own risk analysis paper. The paper is due at the beginning of the Final Exam Period (Thursday, December 16, 5:00-7:00 pm) in our usual classroom. Attendance and participation for the two-hour period is mandatory for all.

*Assignments*: All papers must be typed, double-spaced, printed out, and stapled in the upper left corner. Use endnotes (not footnotes or internal citations with a bibliography) to credit specific ideas and information obtained from written sources, videos, and lectures. Endnotes should follow the style in this syllabus, and need to provide: Author’s name, “Article Title,” Periodical/Book Title (Publisher, Date), page numbers, and the host Website name and root URL.
IV. (E505) Graduate Student Requirements
1) All “recommended readings” are required readings for graduate students.

2) Paper #3. Book Review. Instead of analyzing reading for a class on policy and political risks, you will write a 3-page book review of Steinfeld, *Playing Our Game*. The review should not summarize the book, but rather: 1) Analyze Steinfeld’s arguments and the evidence used to justify them; and 2) Discuss the implications of his findings for those considering investing in China. You should draw on and cite other course readings when writing your paper. The review is due at the beginning of Class 21 (November 9).

V. Grading
Participation (Reading before class, Discussion, Attendance **): 10%
Map Quiz: 5%
Reading Quizzes: 10% (5% each)
Paper #1 (*Mr. China* Reaction): 10%
Paper #2 (Industry Analysis Paper): 20%
Paper #3 (Risk Analysis Paper/Book Review): 15%
Paper #4: Investment Proposal: 30%  

**Attendance** is mandatory. After one grace unexcused absence (notify Prof. Kennedy), each additional unexcused absence will result in a 3%-point reduction in your final grade. An “excused absence” is one that Professor Kennedy personally approves. Assignments, work, on-campus interviews, or extra-curricular activities are not legitimate reasons to miss class. Serious illness of yourself or a family member, religious holidays, and off-campus interviews are typically excused, but the last two only if Professor Kennedy is notified at least two weeks in advance.
I. Introduction: Setting the Scene

Class 1 (August 31): The China Dream

Class 2 (September 2): China Basics

Recommended:

Select *Mr. China* dates

Class 3 (September 7): Politics and Society

Recommended:

II. Economic Risks

Class 4 (September 9): China’s Economy from Yao to Mao

Class 5 (September 14): China’s Economic Reforms

Recommended:

Class 6 (September 16): Guest Lecture
Speaker: Hongying Wang, Syracuse University
Go directly to Maple Room, Indiana Memorial Union by 3:55 pm.
Class 7 (September 21): Domestic Firms
[Note: As you read, make a table that lists: firm name, industry, ownership form, level of success, reason for success or failure]
1. Clissold, Mr. China, pp. 105-121.
2. Fallows, Postcards from Tomorrow Square, pp. 32-51.

Recommended:
1. Economist Intelligence Unit, Domestic Companies in China (2005).

“Industry Analysis Paper” Pair-Ups

Class 8 (September 23): Ownership and Governance
1. Clissold, Mr. China, pp. 123-146.

Select “Industry Analysis Paper” Industry

Class 9 (September 28): The Rural Economy
1. Clissold, Mr. China, pp. 147-178.

Class 10 (September 30): Foreign Economic Reforms
3. Fallows, Postcards from Tomorrow Square, pp. 66-105.

Recommended:
Class 11 (October 5): Multinationals 1
[Note: As you read, make a table that lists: firm name, industry, investment form (joint venture, etc.), level of success, reason for success or failure]

Class 12 (October 7): Multinationals 2

Select “Risk Analysis Paper” Dates

Class 13 (October 12): Industry Presentations

Class 14 (October 14): Industry Presentations

III. Policy Risks

Class 15 (October 19): Policy Risks: Challenges and Ways to Respond

Class 16 (October 21): Stealing Intellectual Property

Recommended:

Class 17 (October 26): Technology Policy: Indigenous Innovation

Class 18 (October 28): Fair Trade and Competition Policy: A Brewing Trade War?
Recommended:

Class 19 (November 2): National Security

Class 20 (November 4): Credit: Access and Price

Recommended:

Class 21 (November 9): China’s Foreign Exchange Regime

Recommended:

Class 22 (November 11): Policy Risks: A Balance Sheet


IV. Political Risks

Class 23 (November 16): Rule of Law and Corruption
Recommended:

Class 24 (November 18): Local Governance: Local Protectionism and Disunity
1. Fallows, *Postcards from Tomorrow Square*, pp. 231-249.

Recommended:

Class 25 (November 23): Labor Rights and Protest

Recommended:

Class 26 (November 30): Mass Movements

Recommended:

Class 27 (December 2): Civil Society: Harnessing Social Activism
Recommended:

Class 28 (December 7): Will China Democratize?

V. Conclusion

Class 29 (December 9): China in Comparison: The Best BRIC in the Wall?

Investment Proposal due at beginning of Final Exam Session, Tuesday, December 15, 7:15-9:15 pm. Attendance and participation for 2-hour period is mandatory.
Industry Analysis Paper

Goal
The purpose of this paper is to familiarize you with one sector of China’s economy and thereby provide you with a more concrete basis on which to judge the potential benefits and risks of investing in China. You need to understand its broad outlines in economic terms, know some of the key companies, and be familiar with the Chinese government’s policies related to the sector.

Getting Started
In Class 7 (September 21), you will be paired with another student. In Class 8 (September 23), the two of you will pick your sector (only one group per sector) from the following list:

- Airlines
- Auto parts
- Banking
- Batteries
- Beer
- Cell phones
- Chemicals
- Chinese med.
- Color TVs
- Computers
- Construction
- Direct sales
- Express mail delivery
- Farm equipment
- Garments
- Honey
- Hotels
- Insurance
- Internet content providers
- Milk/dairy
- Natural gas
- Oil
- Passenger cars
- Pharmaceuticals
- Plane manufacturing
- Restaurants
- Rice
- Semiconductors
- Soft drinks
- Software
- Solar energy
- Steel
- Tea
- Telecom equip.
- Travel agencies
- Video players

The Paper
Your jointly written 5-page paper should address: 1) Economic trends in the industry. Describe the industry’s overall growth, regional and ownership distribution, profitability, and foreign participation in the past 10 years. In the process, you must introduce at least one domestic and one foreign company in the discussion; 2) Primary policy issues. What are the government’s main policies toward the industry? How has China’s WTO entry affected the industry? 3) The comparative context. Based on course readings, which industries is this most/least similar to economically? and 4) Is this industry a very good/good/poor/very poor target for foreign investment? The paper is due at the beginning of Class 13 (October 12), and students will make brief (5-minute) presentations of their papers in Class 13 and Class 14 (October 14).

Suggested Sources Beyond Assigned Readings:
From IU Library Digital Resources:

Dedicated Media Websites:
1) China Daily: www.chinadaily.com.cn
3) Business Week: www.businessweek.com
4) Electronic Engineering Times: www.eetimes.com
5) Red Herring: www.redherring.com
6) Industry Standard: www.theindustrystandard.com

Government and Industry Websites
1) American Chamber of Commerce in Beijing: www.amcham-china.org.cn
2) U.S. Trade Representative: www.ustr.gov
3) U.S. Embassy, Beijing: beijing.usembassy-china.org.cn
4) Chinese Ministry of Commerce: english.mofcom.gov.cn

Companies: Multinationals in China often have China-specific websites, and the largest Chinese companies often have English-language websites.

** If you have any difficulty finding sources or conducting the analysis, please ask me for guidance. I am happy to help.