

ACESA NEWSLETTER

Association for Chinese Economic Studies (Australia) Newsletter No. 7 (May 2004)

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ABOUT ACESA	

The Association for Chinese Economic Studies (Australia) (ACESA) was founded in 1987 at the Australian National University and was incorporated in 1998 in Canberra. ACESA is a non-profit and non-partisan organisation aimed at

promoting research and exchange activities related to the Chinese economy. It strives to become a leading China research network in the West Pacific region. Its current members come from Australia, mainland China, Hong Kong, New Zealand, Singapore, Taiwan, Japan, France and the USA.

ACESA runs an annual conference and organises a regular policy conference series in China. The Association is run by the Executive Committee within the general policy guidelines set by the Council of Management. The Secretariat of the Association is located at the Australian National University. ACESA also maintains a website (<http://www.acesa.ecel.uwa.edu.au>) and an emailing list (cesa-oz@anu.edu.au).

LETTER FROM THE PRESIDENT

Zhangyue Zhou

Welcome to the latest ACESA Newsletter.

Our last annual conference, held at the RMIT University in Melbourne in October 2003, was another success. The organisation of the conference was excellent, thanks to the hard work by Dr Lilai Xu and his team at the RMIT University. The conference was attended by some 50 delegates and there was a good representation by participants from mainland China. The conference was also successful in attracting some new faces. The feedback from the delegates was very positive.

Our next annual conference will be held at the University of Queensland in Brisbane in July 2004. The conference is being convened by Dr James Laurenceson with support from an enthusiastic team at his University. The theme for this year's conference, "Outlook China: Growth versus Development", is an excellent choice. Coincidentally, the Chinese government has also recently placed

EXECUTIVE COMMITTEE

President: Zhangyue Zhou **Secretary:** Tingosng Jiang **Treasurer:** Lilai Xu

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Yin Zhang < y.zhang@econ.usyd.edu.au >	Zhangyue Zhou < zzhou@orange.usyd.edu.au >

PUBLICITY OFFICER

Marilyn Popp <marilyn.popp@anu.edu.au>

ACADEMIC COORDINATOR FOR STUDENTS

Ligang Song <ligang.song@anu.edu.au>

much emphasis to address the issues related to growth and development.

China's economy continues doing well. In the meantime, more and more, old and emerging, issues require careful studies by researchers. As one of the few associations in the world aimed at promoting research and exchange activities related to the Chinese economy, members of our Association have and, I believe, will continue to contribute constructively to the discussion and debate of many important Chinese economic issues. In this regard, I do hope the Association's members will not only make themselves available for the July Brisbane conference, but also encourage others to join us at the conference.

The Association's website has been recently revamped. It is now hosted at the University of Western Australia. The web address is <http://www.acesa.ecel.uwa.edu.au>. The website is a useful arena to facilitate communications between members and between visitors and members. One page about member information is added to the site which is meant to facilitate wider communications. It is voluntary for members to have their information posted there to facilitate communications.

As always, your efforts and wisdom are crucial to the development and expansion of our Association. The Executive Committee is open to any suggestions and comments you may have to make our Association better and stronger.

See you in Brisbane in July!

ACESA NEWS

15th Annual Conference in Melbourne

The 15th annual ACESA Conference - China in the New Era: Strategies for Sustainable Economic Growth and Business Responses to Regional Demands and Global Opportunities was held over two days, 2-3 October 2003 in Melbourne. Major sponsors were The Ford Foundation, Peking University and RMIT University.

RMIT hosted approximately 60 participants, including over 45 paper presentations, of which 34 were accepted for inclusion in the final Proceeding as refereed papers.

Participants traveled from interstate (Queensland, New South Wales, Canberra and Western Australia) and overseas - China, Ireland, France and Indonesia.

Papers covered a range of key areas including: WTO membership and international competitiveness;

economic transition and structural changes; capital market and financial development; company governance and management process; commercialisation of education, science and technology; rural economic issues and agri-business; foreign direct investment issues; macroeconomic issues; the labour market and social conflicts; challenges facing industries; business operations across cultures

Other attractions of the conference period were a special musical performance by Global Village (including conference delegate Dr Bin Lu, Department of Primary Industries, Victoria) and a Business Breakfast, hosted by RMIT Business, the City of Melbourne and the Australia China Business Council at the Melbourne Town Hall. Mr Wang Junyi, Director General, World Expo 2010 Shanghai Office, addressed an audience of approximately 90 government, education, business leaders and guests on the topic 'World Expo 2010 Shanghai: new business opportunities for Australia'.

The Conference Proceedings can be viewed at: <http://www.rmit.edu.au/bus/events/ACESA> (Natasha Emerson)

Membership Update

ACESA members receive the following major benefits:

- discount on ACESA conference/workshop registration fee (usually 20%) and further subsidy towards accommodation and travel expenses for students;
- access to the wide network of expertise for student members through the Student Academic Coordinator;
- free Newsletters and free subscription to the electronic mailing list;
- discount on subscription for the proposed ACESA journal (once launched);
- the input and assistance of other members with your research/thesis/projects/China contacts.

The membership fee is \$30 a year for regular members, \$10 a year for student members, \$150 for 5-year membership and \$500 for life membership. The application form can be downloaded from the ACESA web page or obtained by contacting the Secretary directly.

Mailing List

Currently the ACESA emailing list has over one hundred subscribers. To subscribe it, visit the following website:

<http://mailman.anu.edu.au/mailman/listinfo/cesa-oz>

To post a message, send it to: cesa-oz@anu.edu.au. If you find it difficult to subscribe it or to post messages, contact Tingsong Jiang at tingsong.jiang@anu.edu.au.

CHINA ECONOMIC RESEARCH NEWS

Industrial Rise Report by East Asian Analytical Unit, Australian Department of Foreign Affairs and Trade

Some fear China's increasing success in exporting manufactures is 'hollowing out' North and South East Asian economies; if true the impact on the region and Australia would be considerable. In depth analysis in this new Economic Analytical Unit report finds China's integration into regional production chains certainly is boosting its exports of finished manufactures. However, it finds China still mainly employs labour intensive processes to produce these exports, importing more technologically advanced components and raw materials from other regional economies and Australia, expanding their exports. Meanwhile, other regional economies are successfully changing their production mix to compete less directly with China's export strengths and meet its import needs. The report finds East Asia and Australia should continue to benefit significantly from China's industrial expansion provided their policies promote flexible and open markets.

The Australia-China Free Trade Agreement Feasibility Study

Strengthening and deepening trade and economic relations with China is a major priority for the Australian Government. China is now Australia's third largest trading partner, with two-way trade exceeding A\$23 billion in 2003. This reflects China's strong economic growth and our highly complementary trading relationship.

On 24 October 2003, Australian Trade Minister, Mark Vaile signed the Trade and Economic Framework between Australia and China with Chinese Vice Minister for Commerce, Yu Guangzhou in the presence of Prime Minister John Howard and Chinese President Hu Jintao.

The Trade and Economic Framework sets the direction for the future development of the strong and rapidly expanding trade and economic relationship between Australia and China. When

implemented, the practical measures and co-operative activities contained in the Framework are intended to make it easier to do business with each other. The Framework also provides for closer government-government, business-business and people-people linkages.

A key element of the Trade and Economic Framework is a commitment to undertake a joint feasibility study into a possible free trade agreement (FTA) between Australia and China.

The Australia-China joint FTA feasibility study does not commit China and Australia to a free trade agreement. Rather, the joint FTA feasibility study will present a basis upon which the Australian and Chinese governments can consider the opportunities and challenges of such an agreement prior to any decision being taken to commence negotiations.

As noted in the Framework, when the Australian government considers whether to enter into FTA negotiations, it will also need to consider whether to recognise China as a market economy. Paragraph 8 of the Trade and Economic Framework states that "Recognising that Australia and China should negotiate on an equal basis, a joint decision by the two Parties to negotiate an FTA will take account of the results of the feasibility study and only follow Australia's formal recognition of China's full market economy status".

The joint feasibility study into a possible free trade agreement between Australia and China is to be completed by 31 October 2005.

The Chinese Economists Society Summer Conference 2004

The Chinese Economists Society (CES) will organize an international conference in Atlanta, Georgia from July 30 to 31, 2004. The conference, co-sponsored by Huazhong University of Science and Technology, will take place at [Georgia Tech Hotel and Conference Center](#), a world class facility at the new Technology Square Complex in midtown Atlanta.

The CES Summer Conference 2004-Atlanta will have a broad scope. Papers in all fields of economics will be considered, although a preference will be given to papers related to the theme of "Technology, Human Capital, and Economic Development" and to papers related to China. Session proposals are welcome. Graduate students are encouraged to submit papers.

A Book on the Economic Instruments of Pollution Control in China

A book, titled *Economic Instruments of Pollution Control in an Imperfect World: Theory and Implications for Carbon Dioxide Emissions Control in China*, by Dr Tingsong Jiang, was recently published by Edward Elgar Publishing. In this book, Dr Jiang, extensively discusses the wider issues of economic instruments of pollution control as well as paying specific attention to the control of carbon dioxide emissions in China.

The book begins with a general analysis of economic instruments of pollution control, and is followed by the application of these in CO₂ emission control. The former presents the discussion of pollution control policies in general equilibrium settings, focusing on the comparison of pollution taxes and tradable permits in certain kind of circumstances with imperfections such as uncertainty and pre-existing distortions. An empirical evaluation of China's environmental policies is also included. The latter brings the discussion into the area of global warming policies with the focus on the implications to China. A dynamic general equilibrium model, G-Cubed-T, is developed to produce CO₂ emissions projections from China, the US and the rest of the world, and to simulate various policy targets and instruments China may adopt to control its CO₂ emissions.

With its systematic evaluation of China's environmental policy, this thorough and rigorous assessment will be invaluable reading for academics in environmental economics and environmental management, policy analysts in environmental protection and global warming fields, policymakers and government officials around the world, as well as China specialists. Interested readers may contact Dr Jiang at tjiang@thecie.com.au, or visit Edward Elgar's website <http://www.e-elgar.com> for further details.

ANNOUNCEMENT

2004 Annual Conference in Brisbane

The 16th Annual Conference of the Association for Chinese Economic Studies Australia (ACESA) will take place at Emmanuel College, University of Queensland in Brisbane, Australia from July 19-20, 2004. This conference is being hosted by the ACESA in conjunction with the School of Economics at the University of Queensland.

The theme of this year's conference is *Outlook China: growth versus development*. This theme was chosen to reflect the greatest economic challenge facing China today: to convert its impressive growth rates over the past 25 years into an equitable and

sustainable development drive. It is expected the conference theme will prompt the submission of papers that critically analyse all aspects of China's economic development and provoke lively discussion and debate amongst the conference participants.

The conference will involve presentations by a number of invited speakers from academic and government organizations and a contributed papers program.

If you have any questions about the conference, you can contact the organiser by email at ACESA2004@economics.uq.edu.au.

Call for Comments

John Jiang from ECU, Perth, proposes that ACESA set up a committee for educational and training programs aiming at the Chinese market, and a committee for liaison with Chinese government departments and universities to promote joint research projects. Please direct your comments to the ACESA Executive Committee at lilai.xu@rmit.edu.au

OPINIONS

The Challenges of conducting research in China

Ian Fraser

The challenges of conducting qualitative research in China arise out of the critical need to gain an understanding of the meanings attached by humans to events and of their interpretation of the contexts within which they exist.

In order to gain access to these understandings the researcher has first to understand and seek to utilize the essential features of Chinese social life such as hierarchy, reciprocity, face and social standing, and personal connections. The researcher must also gain an appreciation of the political and social contexts within which individuals and institutions exist. This requires the researcher to gain some understanding of Chinese history in order to appreciate the role of the government and the role of the C.P.C. in determining the priorities and parameters for individuals and institutions and the protocols for gaining access to individuals in their official capacities.

It must also be recognised that the basic assumptions of western qualitative research may not be able to be fulfilled when dealing with people in senior positions in China. For example it may not be possible to interview them alone. Also the use of a tape recorder may be out of the question and

assurances of confidentiality probably will not have the same meaning as in the west.

The researcher must also recognise the critical role of the intermediary in gaining access to institution, individuals and primary and possibly secondary data sources. A foreigner seeking access directly without intermediation would be unlikely to gain access to senior managers in state controlled institutions.

The language issue has at least two sides. On the one hand knowledge of Mandarin would be useful for gaining access to the written record and to conversations. On the other hand mistrust and suspicion of strangers and especially foreigners tends to be a default position in Chinese society. Some contacts have suggested that knowing the foreigner cannot understand Mandarin has made the interviewees more relaxed. The researcher has also noted situations where a suspicion that the foreigner can understand Mandarin has produced a change from Mandarin to the local dialect in order to carry on private conversations or changing from local dialect to Mandarin presumably to convey the contents of the conversation to the researcher when assisted by an intermediary.

Qualitative research in China must be conducted within a compressed time frame because rapid development can mean rapid changes in people's positions. One interviewee had occupied three senior positions at different institutions within 4 years.

The researcher must also recognise that in order to become an "honorary insider" at a Chinese institution the development of trust requires participations in a variety of social rituals most notably the taking of meals in company - this may include breakfast, lunch and dinner. Turning down an invitation to a meal can prove to be a mistake as it may cause a loss of face to the would-be host. Although complete confidentiality cannot be guaranteed given the circumstances of interviews described above, a formal offer of confidentiality and informal reinforcement at interview is an absolute requirement to successful conduct of data gathering.

The researcher must be conscious of the differences between the meanings and connotation of English words when translated into Chinese and vice versa. Thus techniques must be used to try to ensure that as far as possible both sides of the conversation are as well informed as possible of the concepts and meanings under discussion. This can sometimes require extended questions and answer exchanges as well as discussion with intermediaries post-interview. Qualitative research conducted by a foreigner can be as much an educational experience for the Chinese interviewee as it is a data collection exercise for the researcher.

The hierarchical nature of Chinese society means that the researcher must be aware of the possibility of collusion among participants to deliver "the party line".

The role of the CPC seems to be a taboo subject for direct discussion. Thus the researcher must determine whether to leave this area out of the study completely or on a method of broaching the topic in an oblique fashion in order to avoid embarrassment while gathering data.

The researcher also must be aware of the likelihood that the motivations of the Chinese interviewees are not the same as these of the researcher. This researcher has experienced circumstances where the interviewee was seeking to send messages to his staff via the interview, where interviewees were seeking to impress their superiors indirectly, where people simply wanted to tell the story of their life and highlight the lessons that could be drawn from it and where people wanted to improve the ignorant barbarian's understanding of China to avoid potential embarrassments for him.

Steering and Rowing in Chinese SOEs: the Modern Enterprise System in China

Xuezhu Bai & Lynne Bennington

The present Modern Enterprise System (MES) and corporation transformation in Chinese large SOEs in the iron and steel industry has had a significant impact on the bureaucratic structure and the role of leadership in the SOEs. In comparison with the previous power structure in SOEs, the present one has given priority to the role of the Party. In contrast to previous studies that assume that the Chinese government is providing full autonomy to SOEs, we find that the Chinese state and provincial governments have been able to bring SOEs under tighter control in the process of implementing MES.

On a positive note, though, after implementing MES, particularly after establishing the so called 'one-person responsibility system', the previous conflicts between the Party representing for the state and the management have disappeared as the Party has virtually become the management. As a result, the rights and responsibilities between the state and SOEs remain ambiguous and perhaps not as suggested by Pu (2001). Moreover, in contrast to Scot (2002), who attributed the centralised control and the dominating enterprise paternalism in SOEs to the cultural and institutional heritages, the evidence suggests that rather it has been a political necessity to centralise control.

Contrary to the political and economic changes in countries of the former Soviet Union and East

Europe that embraced pluralism in the society and in the economy, the present MES reform in China has strengthened a centralized power structure and paternalist management in Chinese SOEs. The government in China is certainly both "steering and rowing", to use Osborne and Gaebler's (1993) term.

However, so far the MES campaigns seem successful in the industry, as the evidence shows the industry has gained a rapid growth in the recent years and maintained its position as the largest steel producer in the world from 1996 (Hogan, 1999; Zhang, 2001). However, the power of managers in SOEs at all levels has been increased at the expense of the trade union and workers, which has further intensified the relationship between the management and workers. Under the present power structure in SOEs, the lack of independent forces to provide a check on the absolute power of the Party-Management has given rise to widespread corruption.

To overcome the inadequacies of MES, it may be necessary to develop an independent mechanism that is able to oversee the activities of the Party-Management in SOEs. In addition, the functions of trade unions need to be enhanced and legalized to protect the rights and interests of workers. Further enterprise reform implies that political system reforms may be needed so as to overcome the present inadequacies of the centralized structure that generates problems such as labour unrest and widespread corruptions. Nevertheless, the China's One-Party political system seems to be unable to initiate such a transition. Whether the present MES campaigns can help Chinese SOEs survive in the future, or the government and the Party will

everlastingly maintain their dominant role in SOEs, remain largely uncertain.

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