NYU Stern School of Business
Classroom: KMEC 5-75
Class Time: Thursdays 6pm-9pm
Office Hours: Before/After class or by appointment

Professor Joseph Foudy
jfoudy@stern.nyu.edu
Office: KMEC 7-66
Telephone: (212) 998-0970

COURSE GOALS

This course analyzes the challenges Chinese business and society face, the nature of doing business in China today and the simultaneous challenges of foreign market entry into China and Chinese market entry abroad. How is the Chinese market evolving? How does the Chinese government influence domestic business and expansion abroad? What are the de jure vs. de facto differences in Chinese law? How does the political environment inside China impact foreign firms? How should businesses deal with potential flashpoints with the U.S. – whether on trade, foreign direct investment, varying business norms and practices, intellectual property violations, or security concerns – in the relationship between the two largest economies in the world.

This course addresses these and other related questions in an effort to prepare Stern students for the complex reality of China’s emergence on the world stage. While many Stern courses recognize the critical role that institutional and political contexts play in business decision-making, this course will focus specifically on the interaction between state, society (firms and individuals) and international markets. Given the volume of political rhetoric in this area (and the expectation that it will increase over time as China overtakes the U.S. to become the world’s largest economy), the practical aim of this course is to have students squarely confront the reality of how to navigate the political and economic tensions in China and the tensions Chinese firms will face on the world stage.

RESPONSIBILITY, CONDUCT AND ATTENDANCE

I presume that we are all adults. There are several implications of this:

- As a teacher I have the responsibility to organize and present the material and to facilitate your learning.
- As a student you have responsibility for your own learning and we all learn from your contributions in class. Honor Code: I expect you to adhere to the Stern MBA Code of Conduct.
As there are only six meetings, I expect all students to be present for class, or to contact me ahead of time if you will be unable to attend. If you cannot attend a particular class session, please let me know in advance. No cell phones should be audible during class sessions, and text messaging and emailing during class is not permitted.

**GRADING**

The course grade will be based on the following items:

- Memos: 20%
- Class participation: 30%
- Final Paper: 50%

**PARTICIPATION**

Participation is a critical part of a seminar and a part of your grade. If needed, the Professor will divide up reading assignments so all students can serve as discussion leads for particular classes.

**COURSE OUTLINE**

This course will combine some academic readings, three case studies, and real-time reading material (from financial media, foreign policy research outlets, think tanks, etc.). If current events focus on notable U.S.-China issues during the semester, they will be featured in class discussions; there will be an expectation that students will follow major China-related news stories. The course may include 1-2 special discussion sessions with an outside lecturer from the policy world.

**Session 1: The Chinese Economy Today (11/6)**

- How should we see the evolution of the Chinese economy? What are the strengths and weaknesses of the Chinese system, and what does it imply about how business works in the country?

**Required readings:**

- **Case Study:** Diego Comin and Richard Vietor, “China ‘Unbalanced,’” *Harvard Business School*. 9-711-010
- Yiping Huang et al, “China: Beyond the Miracle,” Barclays Emerging Market Research, March 2013, Chapter 1
- Michael Pettis, “China Running Out of Room to Restructure Economy,” *Bloomberg*, September 25, 2013 (or see Pettis 2011 simplified overview)

**Memo 1 Due:**

- *What kind of economic performance do you expect from China over the next ten years? Be sure to layout your analysis.*
Session 2: A Changing Chinese Society and Market (11/13)

- How is the Chinese market different from other markets? How is it evolving? What special challenges does this present for foreign firms operating in China?

Required readings:
- **Case Study**: Ali Farhoomand, “Wal-Mart Stores: “Every Day Low Prices” in China,” Asia Case Research Centre, *University of Hong Kong*, HK590
- Shaun Rein, “For U.S. Brands, There's No Middle in China's Middle Class,” *Businessweek*, April 16, 2012

Memo 2 Due:
- How are Chinese consumers and consumer markets different than the US? What did Wal-Mart fail to appreciate when doing business in China?

Session 3: State-Business Relations in China (11/20)

- How should we understand and interpret the central role of politics in the Chinese system? How can we factor this reality into business decision-making?
- What were the choices confronting Google in 2010 when its values and interests came into conflict with the reality of doing business in China?

Required readings:

Memo 3 Due:
- Assess the pros and cons of staying in China for Google and make a recommendation. Think broadly about the implications for the company, all its products and services over the coming years and whether they should stay or go. Also, please be sure to assess why Google has struggled in China while considering your answer.
Session 4: Chinese and American Business Practices (12/4)
- How do Chinese and American approaches to business dealings vary? What are the key tensions in cross cultural negotiations and between very different legal environments? How effective is the Chinese legal system and how is it evolving?

Required readings:
- **Case Study:** Lu, Tao and Wei, “Danone v Wahaha (A): Who is Having the Last Laugh?,” Asia Case Research Centre, HKU766

Memo 4 Due:
- **What are major sources of tension in US-Chinese negotiations? How do the two sides tend to fundamentally differ in their approaches, attitudes and practices?**

Session 5: Chinese firms go global/Foreign Relations (12/11)
- How do national security concerns factor into the operating climate for businesses? How should business leaders assess the geopolitical concerns of nations?

Required readings:
- **Case Study:** Ka-Fu Wong, “Unocal Corporation: China’s Unwelcome Bid,” University of Hong Kong.

Session 6: Finance, Currency and Trade Disputes (12/18)
- When policymakers reconcile differences between two countries with competing interests, economic models and future challenges. How are the Chinese economy and the US-China relationship likely to evolve?

Required readings:
- **Case Study:** “Shaping the Future of Solar Power: Climate Change, Industrial Policy and Free,” Harvard Kennedy School Case JKS757

**FINAL PAPER ASSIGNMENT HANDED OUT IN THE PENULTIMATE LECTURE**