

ACESA 2007 Conference Abstracts

Title	China's Participation in the WTO: A Lawyer's Perspective
Authors	Henry Gao
Affiliation	Assistant Professor, Faculty of Law; Deputy Director, East Asia International Economic Law and Policy (EAIEL) Program; The University of Hong Kong
Abstract	<p>In December 2001, China finally acceded to the World Trade Organization (WTO) after a marathon negotiation spanning for 15 years.</p> <p>China's WTO accession raised interesting questions for both the WTO and China. For the WTO, the question is how to deal with China, a huge country with growing importance as a major exporter and importer in the world but is still in transition from a planned economy to market economy. For China, the question is how to implement the numerous obligations that she has committed in the WTO accession package. In the second part of this paper, the author will discuss both the benefits and challenges raised by China's WTO accession, especially the challenges raised by both the market access commitments and the rules obligations in China's accession package. In the author's view, the market access commitments are relatively easy to deal with, while the rules obligations will have much broader implications on both China and the multilateral trading system in general. This is especially true for the "WTO-minus rights" provisions which are embodied in the Accession Protocol and Working Party Report of China, i.e., the non-market economy status in anti-dumping investigations, alternative benchmark methodology in subsidy-countervailing investigations, as well as the transitional product specific safeguard mechanism and the special textile mechanism. The problems with these provisions are that first, they are discriminatory in nature and violate fundamental WTO principles such as MFN; second, they are tailor-made for China and no one is quite sure as to how should they operate in practice. In the third part of the paper, the author will survey the actions the Chinese government has taken since the WTO accession to implement the commitments and deal with the challenges.</p> <p>This would include detailed analysis of the foreign trade policy of China at both the domestic, bilateral/regional, and</p>

	multilateral level. In the view of the author, China has become more and more aggressive in protecting its own trade interests since its accession in response to these challenges, and this will have deep implications for the multilateral trading system as well.
Key Words	WTO, Foreign Trade, Anti-dumping, Safeguards, Free Trade Agreements, Dispute Settlement, International Law.
JEL Classification	
Title	China's Free Trade Agreements and Implications for the WTO
Authors	Yang Jiang
Affiliation	ANU
Abstract	<p>The old debate of whether FTAs are a stepping stone or stumbling block has become particularly pertinent today. China is currently studying, negotiating or implementing FTAs with over 20 countries or regions. This notable development of China's economic diplomacy has caused other countries, especially those in the Asia Pacific, to embark on preferential trade agreements as well. This paper analyzes China's bilateral free trade agreements (FTA) since 2001 and discusses their implications for the WTO. The focus will be on Beijing's motivations to engage in FTAs, the domestic policymaking processes, and its approach to negotiating FTAs. Their implications for the WTO include what influence the WTO has had on China's policies towards FTAs, whether Beijing hopes to facilitate liberalization under the WTO through the FTAs, whether Beijing has tried to keep the FTAs compliant with WTO rules, and whether China has abandoned multilateralism for bilateralism for its international trade cooperation. The arguments will be elaborated through three case studies: the China-Hong Kong Closer Economic Partnership Agreement (CEPA), China-ASEAN FTA and the Australia-China FTA.</p>
Key Words	
JEL Classification	
Title	How Mobile Are Resources in Chinese Agriculture? —Implications for China's Agricultural Trade Policy
Authors	Funing Zhong, Jing Zhu, Zhengqin Xie
Affiliation	College of Economics and Management, Nanjing Agricultural University
Abstract	<p>Agricultural trade policy in China has been the subject of heated discussion since China's accession to the WTO. Studies have been carried out and propositions put forth regarding comparative advantage, food security, development of the industry, and farmers' income. In this paper, we attempt to provide an analysis from another important perspective: resource mobility, which is an essential assumption in free trade theory. By examining the mobility of different production resources in Chinese</p>

	agriculture, namely natural resources, capital inputs, human resources and institutional arrangements, we found that for most production resources in Chinese agriculture, mobility is low. The results have significant policy implications in two respects: first, protective measures in the transitional period for certain crops in certain areas in China are legitimate and necessary to ensure social stability; and second, policy instruments to improve resource mobility in Chinese agricultural should be explored and implemented to realize more trade benefit in the future.
Key Words	Resource mobility, agriculture, trade policy, China
JEL Classification	F10, Q17, R12
Title	China's Grain TRQs: Five Years since WTO Accession
Authors	Zhang-Yue Zhou, Xia Kang*
Affiliation	School of Business James Cook University * Chinese Academy of Grain Sciences
Abstract	This paper examines China's implementation and management of grain TRQs (tariff-rate quotas) since its accession to the WTO in late 2001. Our study shows that since 2001 China's total grain trade volume has increased significantly and net grain imports have also increased. While China has done well to fulfil its WTO entry commitments, its trade policies were generally in favour of encouraging domestic grain production. Chiefly influenced by domestic demand-supply situations coupled with policies promoting domestic supply, China's grain imports and exports in the past five years fluctuated and the utilisation of the grain TRQs has been low. Whether China's grain TRQ usage will increase and how its grain trade policy will evolve will continue to be affected by domestic grain supply and demand, and also by the outcomes of bilateral and multilateral free trade negotiations.
Key Words	WTO, China, tariff-rate quota, grain trade
JEL Classification	F14, O24, Q17
Title	Macro Regime and Economic Growth in China
Authors	Yuwen Dai
Affiliation	Economics Department, University of Melbourne
Abstract	In this project, we investigate the relationship between Chinese macroeconomic policy and economic growth, and examine how the choice of macroeconomic regime affects economic performance in China. One open-economy model of the Chinese economy is developed for this purpose. It is a three-sector "almost small" open-economy macroeconomic model, with asset markets and forward-looking agents. This open-economy model is then applied to analyse the implications of trade liberalisation on the Chinese economy under two alternative macroeconomic policy

	regimes. These policy regimes have two extreme assumptions on the exchange rate, with differing degrees of financial capital mobility. The simulation results show that greater flexibility in the exchange rate regime allows the central bank to conduct independent monetary policy in the Chinese economy, the benefit from which increases as financial capital becomes more internationally mobile. Moreover, this trade shock causes an expansion in the real GDP level, and there is a deflation in the price level and depreciation in the real exchange rate when the economy operates a floating exchange rate regime with high financial capital mobility. Overall, the expansionary effect in this macroeconomic environment will be beneficial to the Chinese economy.
Key Words	
JEL Classification	C61, C63, C68, C88, D58, E17, E27, E47, E52, F10, F13, F17, F41, F43, F47
Title	Inter-Regional Spillovers of Policy Shocks in China
Authors	Nicolaas Groenewold ^a , Anping Chen ^b , Guoping Lee ^c
Affiliation	^a Department of Economics, University of Western Australia, Crawley, WA 6009, Australia. ^b Department of Economics, Jinan University, Guangzhou, 510632, Guangdong Province, China ^c School of Economics and Finance, Xi'an Jiaotong University, Xi'an, 710061, Shaanxi Province, China
Abstract	In China inter-regional per capita output disparities are large and persistent and increasingly a matter for policy concern at the highest levels of government. Inter-regional spillovers are an important ingredient in the design of regional development policy. Yet little is known about the direction, magnitude and timing of output spillovers from one region to another. In this paper we focus on spillovers from policy shocks. We use a conventional three-region disaggregation of the Chinese economy and extend existing literature by explicitly introducing policy variables into a VAR model of regional outputs. We find that both policy variables have significant and positive effects on output in each of the regions when entered separately. In the short run both policy variables have a greater effect on the coastal region than on the other two and the effect in the central region is larger than in the western region, giving some credence to the common presumption that at least part of the expenditure boosts in the poorer inland regions find their way to the coastal provinces. These results are generally confirmed when we use the whole model to simulate the effects over time of the policy shocks. A shock to the coastal region not only has no beneficial spillovers to the other regions but actually depresses the output of the inland provinces. This is also true of a shock to the central region which comes at the expense of the western region.

	Only the western region has consistent positive spillovers on the other regions; looked at another way, a boost to the western region is shifted partially to the other regions.
Key Words	
JEL Classification	
Title	Potential Effects of Blue Box Policy Reform on Domestic Support in Agriculture
Authors	Wu Laping and Cheng Jie
Affiliation	Dr. Wu Laping (professor, College of Economics and Management, China Agricultural University) Mr. Cheng Jie (Ph.D candidate, College of Economics and Management, China Agricultural University)
Abstract	<p>In the July Package achieved in Doha Negotiation, the regulations on so-called "blue box" are reformed as followings: firstly, Blue Box support will not exceed 5% of a Member's average total value of agricultural production during an historical period; secondly, the blue box standard is expanded from original "limit product" to "without limit to production". The July Package also regulates that the blue box criteria, along with additional criteria will be negotiated.</p> <p>The purpose of this paper is to analyze the potential impacts of New Blue Box on domestic support of major WTO members, including USA, EU, Japan, Canada, and Brazil. We used the method of hypothetical reduction scenarios (Lars Brink, 2005) to project the potential New Blue Box support level and Overall Distorting Support (ODS) of China in future (2014), and compare with other major members. The processes are as followings: Firstly, to assume hypothetical parameters and scenarios. Secondly, to project potential payments of New Blue Box under different scenarios. Thirdly, to project potential support of ODS under different scenarios. Fourthly, to analyze the sensitivity of New Blue Box under different scenarios.</p> <p>The results of this research show that domestic agricultural support of china will not be influenced directly in a strong way by Blue Box reform, and a big potential subsidy can be used to support agriculture for China. However, USA and EU have higher sensitivity on Blue Box policy reform under different scenarios, which may further impact China's agricultural production and trade in a complicated way. In addition, the research also shows that the reduction requirement of New Blue Box payment will have greater impacts on the constraint of ODS than cap criteria does.</p>
Key Words	
JEL Classification	
Title	The Sectoral Impact of the RMB Appreciation on the World

	Economy
Authors	James Xiaohe Zhang
Affiliation	School of Economics, Politics and Tourism, Faculty of Business and Law, University of Newcastle
Abstract	<p>After a mild revolution of 2.1% of the RMB in July 2005 , the Chinese yuan has been appreciated eventually with an accumulated rate of more than 7%. While the rate is expected to appreciate further in the following years, the net impact on different industries in both China and the rest of the world deserves a further investigation.</p> <p>There are debates on how and to what extent the change of RMB rate will affect the performance not only the Chinese exporing industries but also its major trading parterners particularly competitors in the rest of the world. This paper attempts to offer a quantitative evaluation of several policy scenarios in reference to the RMB appreciation through simulating a multi-country computable general equilibrium model (the GTAP Model). It is hypothesized that the appreciation of RMB would not be appealing to the Chinese. To some extent it would further reduce the competitiveness of China's exports and the growth of GDP. However, the impact of RMB appreciation will be different for different industries and for different regions. While the capital intensive industries in China and labour intensive industries in the rest of the world benefit, labour intensive industries in China are more likely to suffer from a considerate RMB appreciation. As a result, some additional policies may need to be implemented to remove the adverse impact. This hypothesis is thoeretically analysed and quantatitively tested along with a discussion of its policy implications.</p>
Key Words	
JEL Classification	
Title	China's Livestock Industries: Developments and Prospects after WTO Accession
Authors	Ji-Min Wang(1), Zhang-Yue Zhou(2), Rodney Cox(3), Qiu-Hong Shen(1)
Affiliation	(1) Institute of Agricultural Economics and Development, Chinese Academy of Agricultural Sciences (2) School of Business, James Cook University (3) School of Agriculture, Charles Sturt University
Abstract	<p>China's livestock sector has expanded at an amazing speed since the beginning of the economic reforms in the late 1970s and continued to perform strongly after its WTO accession in late 2001. According to official statistics, total output of pork, beef and mutton rose from 8.6 mt in 1978 to 50.3 mt in 2001 and to 61.6 mt in 2005. Output of poultry meat and milk rose even faster. The</p>

	<p>rapid growth of China's livestock sector has important implications not only for China (e.g., demand for feed, environment protection) but also for international trade of animal products. The Chinese government is keen to promote this sector's further growth. However, this sector's future expansion faces a number of challenges (e.g., animal product quality and safety, environment protection, public health protection) and threats (large-scale animal epidemics, unpredictable and uncontrollable consumer responses to events leading to sharp drop in demand for animal products, and competition from animal product imports). This paper reviews the development of the livestock sector since China's WTO accession, identifies major constraints that may hinder its future expansion, and highlights likely responses to development constraints by China's livestock industries.</p>
Key Words	livestock industry, developments and prospects, China
JEL Classification	
Title	Who is going to Supply the Milk to China's South?
Authors	Ji-Min Wang(1), Zhang-Yue Zhou(2), Qiu-Hong Shen(1)
Affiliation	(1) Institute of Agricultural Economics and Development, Chinese Academy of Agricultural Sciences (2) School of Business, James Cook University
Abstract	<p>China's dairy industry has experienced rapid expansion in recent years with an annual growth rate being over 12% during 1985-2005. By 2005, total milk production amounted to 28.65 million tonnes, per capita milk output reached 21.7 kg, and total dairy cow inventory was 12.16 million head. However, there exists a serious geographical distribution imbalance in milk production and consumption. Around 85% of China's milk is produced in northern China where it has 40% of the country's population. On the other hand, only about 15% of the milk is produced in China's south where 60% of China's population reside. This has resulted in a significant gap between milk production and consumption in Southern China. In 2005, milk output in China's south was 2.92 million tonnes while the consumption was 5.68 million tonnes, with a gap being 2.76 million tonnes. It is anticipated that a large portion of consumers with potential purchasing power for dairy products will be from many cities in southern China. As consumers' income further improves and dairy consumption becomes more accepted, the milk production-consumption gap in China's south is likely to continue to increase. Then, who's going to supply the milk to the potentially huge market for dairy products in southern China? While there have been some studies addressing China's dairy issues in general, attempts to examine the dairy issue at regional levels are scarce. This paper looks into southern China's milk demand and supply situations, analyses the likely potential for this region to</p>

	expand its milk production and explores options on how the milk supply shortage may be met. Policy and trade implications are discussed.
Key Words	Milk production, milk consumption, dairy trade, southern China
JEL Classification	
Title	What does an APFTA mean to China?
Authors	Tingsong Jiang
Affiliation	Centre for International Economics
Abstract	In last year's APEC Economic Leaders' Meeting held in Hanoi, a Free Trade Area of the Asia-Pacific (APFTA) was proposed as a long-term prospect. This paper will examine the impact of the APFTA on the Chinese and the regional economy using a general equilibrium framework. The impact will also be compared with that of multilateral trade liberalization, and those of other forms of FTAs such as the ASEAN+1.
Key Words	
JEL Classification	
Title	The Effect of Trade and FDI on Chinese Bilateral Conflict
Authors	Jie Cai
Affiliation	Xiamen University
Abstract	The question of whether trade and FDI affect conflict is important for public policy. The article investigates Granger causality between conflict/cooperation and trade, as well as between conflict/cooperation and FDI. Formal models are presented to show why trade and FDI can improve bilateral relations. Then the empirical model tests are preceded. The results actually show that trade and FDI have reduced the degree of international conflict and encourage cooperation between dyads, especially in preferential trading arrangements (PTAs). Till now, China's full conformity to the WTO has not mitigated "China threatens theory". There still exists some potential conflict. The policy implication of the finding is that further international cooperation in reducing barriers to both trade and capital flows can promote a more peaceful surrounding for China, especially in harmonizing the relation between China and developed countries.
Key Words	
JEL Classification	
Title	The Evaluation of Sustainable Development for the Central Regions of China Based on Ecological Footprint Model
Authors	HUANG Xi-bing, LI Hai-dong, ZHAO Ding-tao
Affiliation	Management School, University of Science and Technology of China
Abstract	The ecological footprint model is a biophysical assessment

	<p>method to quantitatively estimate the sustainable development. Ecological footprint in the Central Regions of China is 3.8 times of its bearing capacity, the high ecological deficit reflects that the extensive economy which consumes a great deal resource and energy is unsustainable. Based on the calculation result, this paper analysis the resource and ecological factors that influence the sustainability of this region. In the last, in order to speed up the social and economic development in harmony and sustainment, some measures are put forward to reduce the ecological deficit in the the Central Regions of China, such as adjusting the economic structure, seeking the resource-intensive patterns for economic growth, increasing the utilizing ratio of energy resources, developing cycling economy and so on.</p>
Key Words	ecological footprint; ecological capacity; ecological deficit, sustainable development; the Central Regions of China
JEL Classification	
Title	Challenges and Opportunities to China's Textile Export in Post-WTO
Authors	Fuming Wang
Affiliation	irector of Centre for Economic Cooperation and Development University of International Business and Economics
Abstract	<p>Since 2001 when China joined the WTO, China's international trade has been growing so fast that she has become the third largest trade partner of the world in 2006. Export of the textile products has played an important role in rapid development of her international trade, especially in export. While China enjoys a lot of benefit from her entry into the WTO whose multilateral trading machnism has brought many opportunities for the Chinese products to a global market, the textile industry is also facing a big challenge because of the internal restructuring reform according to the commitments when China was access to the WTO and more and more antidumping measures taken by importing countries. These issues have to be dealt with for stable and healthy growth of the Chinese textile export which has becoming a driving force of China's global trade.</p> <p>This paper tries to analyze a current situation of China's textile export under global and domestic context with a focus on her position in global trade. It will also explore some challenges brought by more severe competition among the exporting countries and completion of the transitional period and changed environment such as new internal trade measurements, and antidumping actions of protectionists; in the meanwhile, it will seek to identify good opportunities brought by some key elements such as more opening markets of developed economies under the multilateral system, new trade policies and facilitating approaches. Insight into the</p>

	causes of challenges and negative impact will be conducted carefully. Some suggestions would be made for meeting such challenges and taking full advantage of favorable environment after a careful examination and analysis of key factors that could impact the textile export in post-WTO China.
Key Words	
JEL Classification	
Title	Strategies for Reducing Risk in the Knowledge Management Activities of Chinese Organizations: A Post-WTO Perspective
Authors	Mike Berrell(1), Marianne Gloet(2)
Affiliation	(1) Graduate School of Business, RMIT University (2) School of Management, RMIT University
Abstract	<p>China's accession to the World Trade Organization (WTO) has led to greater integration of the Chinese economy into the global economy. As China moves closer to a rules-based economic system, the managers of Chinese organizations (firms or companies) must continually monitor how their organizations conform to the expectations of the WTO. As the Party prepares for its 17th CPC National Congress, it is expected that the call by the 16th Congress to significantly increase China's GDP by 2020 will be reinforced. Meeting these significant economic expectations is strategically important for China if it is to avoid 'the shock of defeat'. Consequently, the government's pursuit of economic reform is unremitting, with the creation of special economic zones and the facilitation of foreign direct investment (FDI) via Sino-foreign joint ventures. In the aftermath of WTO, foreign owned enterprises and distribution networks offer new forms of entry.</p> <p>While reforms of this type are well understood intellectually at the macro-economic level, the manner in which such reforms translate into action at the organizational level remains problematic. In the light of the strong control the Chinese government exercises over industry sectors essential to national security and economic welfare, this paper examines a range of knowledge management (KM) activities of such organizations. It is argued that Chinese managers now require greater levels of understanding about risk management strategies, which can be applied to KM activities at the organizational level. Reducing risk is viewed as a necessary step in order for these organizations to make sustainable contributions to the post-WTO economy. However, many aspects of the cultural, social and political architecture of Chinese organizations influence how Chinese managers typically approach risk management. Following a review of the risk management literature, this paper presents a hybrid model developed specifically for reducing risk in the KM activities of Chinese organizations. Drawing on a current research project, the risk management strategies of Chinese</p>

	organizations operating in the national interest are described and discussed.
Key Words	
JEL Classification	
Title	China and WTO Transparency Requirements
Authors	Vivienne Bath
Affiliation	Senior Lecturer in Law, Faculty of Law, University of Sydney
Abstract	<p>An important obligation of signatories to the WTO is the requirement to engage in transparency in decision-making and in regulation. For China, what this has meant is a commitment to publish laws and regulations, administer them in a uniform, impartial and reasonable way, and to provide impartial and independent tribunals to review administrative decisions on WTO-related legislation. Since accession, the Chinese government has made major changes in reforming its regulatory and legislative system to comply with these requirements. The period since 2001 has seen improved publication and availability of legislative and regulatory information, the initiation of public discussion on important legal issues, and major changes in the administrative approval and licensing system which plays such a major role in business in China. In particular, the Administrative Licensing Law, which came into effect in 2004, represents an ambitious effort to reform the way in which members of the public and organisations deal with government. The aim of this paper is to look at the way in which the Chinese government has dealt with the obligation of transparency in terms of its approach to regulation and the law, to assess the degree of compliance, and to consider to what extent the changes have or could make a substantial difference to the experience of businesses (both local and foreign) in trading in and with China.</p>
Key Words	
JEL Classification	
Title	Institutional Change and Workplace safety in Chinese coal industry: 1995-2003
Authors	Xunpeng Shi
Affiliation	ANU
Abstract	<p>Although with a new safety regulation institution has been launched since 2000, the coal mine safety is still in serious situation. It is then naturally to ask the question that whether the new institutions are effective or not. Answer to this question will provide important hints for future actions. With panel data and econometric technique, the essay investigates the impacts of workplace safety regulation on Chinese transitioning coal industry during the 1995–2003 periods. The results show that safety</p>

	regulation has led to a reduction in death rate, which is an index of safety performance, while it has no effect on wage. The regulation also changes the structure of industry. Private small coal mines lose their shares while state owned coal mine giants get more advantages. The results also support the hypothesis that the 2000 safety legislation targets more to the surplus of coal than to safety issue. Interestingly, this is, to my best knowledge, the first quantitative study showing the various impacts of safety regulation on the Chinese coal industry and it is the first to provide an explicit economic theory to explain the various explanatory variables on safety.
Key Words	Institutional change, safety, Chinese coal industry
JEL Classification	
Title	Agglomeration, Market Concentration and Firms' Technical Efficiency in Gansu
Authors	Jane Golley(1), Sizhong Sun(2),
Affiliation	(1) School of Economics, ANU (2) Crawford School, ANU
Abstract	<p>Using cross-sectional micro-data for 1466 firms across all 4-digit industries, this paper explores the technical efficiency of firms in Gansu, focusing in particular on the impact of geographical agglomeration and market concentration on firm performance.</p> <p>Our analysis utilizes the stochastic frontier and technical inefficiency models. According to the stochastic frontier model, a firm's production process is subject to two disturbances: technical inefficiency and other random shocks that are beyond the firm's control. As long as these two disturbances are independent of each other and their distributions are known, each firm's technical inefficiency can be estimated. Following Coelli et al. (1998), a technical inefficiency model is used to determine the mean of the technical inefficiency disturbance term as a function of exogenous factors that vary across firms. These two models are estimated simultaneously using the maximum likelihood method.</p> <p>We adopt a general-to-specific approach to estimate the models, controlling for industry heterogeneity (by using industry dummies interacted with capital and labour), expenses on labour insurance and technology, firm age, ownership, size and agglomeration. Our empirical results show that on average firms in Gansu province operate at a very low level of technical efficiency. Technical efficiency in some industries, such as the petroleum and electricity industries, is shown to be significantly higher than firms in other industries. We find that agglomeration, proxied by the share of firms in key ZIP codes, has a positive and significant effect on firm performance, suggesting that there may be agglomeration-related externalities stemming from technological and managerial</p>

	<p>spillovers, relatively low cost access to intermediate inputs and shared infrastructure. In contrast, market concentration, measured in terms of a Herfindahl Index, has a significant and negative impact on firm performance. Hence, policies to encourage market competition and geographical agglomeration may promote industrial development in Gansu, with lessons that can be drawn for the rest of Western China as well.</p> <p>References: (1) Coelli, Tim, D.S. Prasada Rao, & George E. Battese (1998), <i>An Introduction to Efficiency and Productivity Analysis</i>, Kluwer Academic Publication, London</p>
Key Words	Technical Efficiency, Agglomeration, Market Concentration, West China
JEL Classification	O18, R30, L11
Title	Export Spillovers of FDI: Evidence from Micro-data in China
Authors	Sizhong Sun
Affiliation	Crawford School, ANU
Abstract	<p>Using firm level micro-data, this paper examines the FDI's exports spillover effect in China. This paper starts from a theoretical model, which gives the hypothesis that given that FDI's presence in domestic industry can reduce other firms' export costs, for example the knowledge of foreign markets are passed over to domestic firms, FDI's presence shall have a positive impact on both domestic firms' probability of exports and intensity of exports. This hypothesis is then tested empirically, using a bivariate sample selection model. The sample selection model consists of a Probit model, which captures firms' export participation decision, and a doubly truncated latent variable model conditioned on firms decide to export, which captures firms' decision on how much to export. The sample selection model finds there exists positive export spillovers from FDI in China.</p>
Key Words	Export Spillovers, FDI, China
JEL Classification	F14, F23, L60, R15
Title	Service sector reform options: the experience of China
Authors	Christopher Findlay, Mari Pangestu, and Roy Lee
Affiliation	University of Adelaide
Abstract	<p>There are many options for paths of reform of the service sector, because of the diversity of instruments affecting entry into the sector by both domestic and foreign providers. The options are categorised here and the costs and benefits of each identified. Forces driving policy maker choices of approaches to reform are discussed, including private and public interest pressures. International negotiation may also drive reform to open up the</p>

	sector to foreign providers, but a first move in this direction does not necessarily improve welfare. The analysis is illustrated by application to China's experience, which offers pioneering approach to service sector reform in a developing country in both design and scale. There the sequence has been to favour domestic deregulation before foreign entry. China's approach also carries risks which are identified and the contribution of WTO commitments under the GATS to dealing with those risks is examined.
Key Words	
JEL Classification	
Title	Spatial Price Difference and Regional Income Inequality in Urban China 1986-2001: Estimation and Implication
Authors	Cathy HONGE, Gong and Xin Meng
Affiliation	RSPAS, ANU
Abstract	<p>Price differences among regions are an important issue in regional comparison of income inequality and poverty, since the same nominal income will give different baskets of goods and services if the prices are different (Dowrick and Quiggin 1997). In the last two decades, China has experienced a significant increase in regional inequality of nominal income and the regional nominal income disparity has become an important policy issue (Knight and Li, 1999; Khan and Riskin, 2001; Riskin, Zhao, and Li, 200, Meng, 2004; Benjamin, Brandt, Giles, and Wang, 2005). The question naturally arises as to how much of the regional income inequality is due to an increase in real income inequality and how much is due to an increase in regional price variation. Despite the intensive effort made by economists to examine regional income inequality, limited attention has been paid to disentangling the relative contributions of real income inequality and regional price differentials in China.</p> <p>Regional price differences are normally greater in a developing country with segmented markets than in a developed country where there is a higher degree of market integration. China has had a long history of market segregation and the extent of its regional price differentials is widely recognized. Based on price data collected by National Bureau of Statistics, in 1997, a simple average of consumer prices for tradable goods in the province with the highest prices is 4 times that of the lowest price province. For the non-tradable goods and services the price ratio is 9 times (NBS, 1997). Unfortunately, Chinese National Bureau of Statistics does not construct a Regional Consumer Price Index. The published current Consumer Price Indices in China only measure price changes over time.</p> <p>In the economic literature, a "Spatial Price Index (SPI)" is often derived through specifying a basket of goods and services and</p>

pricing this basket in different localities (Sherwood, 1975; Kokoski, 1991, Deaton, 2002). This method requires price data for the same bundle of same quality goods to be collected for different localities. Such data are normally not available. Many studies, therefore, use price data collected for constructing an inter-temporal Consumer Price Index. These price data are not directly comparable across regions. There are two problems. Sometimes the goods specified are not the same brand or same quality across regions, and in other instances specific items are priced in each region, reflecting the different tastes of local consumers (Kokoski, 1991).

In response to these shortcomings, Kokoski, Moulton, and Zieschange (1994) adopted a regression based method which utilizes the existing price data collected for the purpose of constructing inter-temporal CPI to derive a set of bilateral inter-regional price indices for each good. Later, using these price indices, Koo, Phillips, and Sigalla (2000) and Slesnick (2002) derived regional cost of living indices for some regions in the US.

This approach requires a large set of regional price data. In a developing country, such data are often not publicly available. Even when they are, they are often available for some years and not others. In the absence of detailed price data, Deaton (2002) uses unit values derived from household expenditure data as prices and consumption budget shares as weights from National Sample Survey in India to calculate the spatial price indices for each Indian state relative to the national level. Of course this approach is also not ideal as unit values are often biased due to measurement error, quality effects, and sample selection effects because of the unavailability of non-purchased goods (Deaton, 1997; Ledor. 2001; Gibson and Rozelle, 2002; and Gibson and Rozelle, 2005)

Recently, Hamilton (2001) and Costa (2001) use cross-sectional household survey data and the Engel's curve approach to estimate the CPI bias over time in the U.S. The basic idea is quite simple. Because Engel's law is regarded as the best established economic law, movements in the budget share of food could serve as an indicator of movement in real income. If real income as indicated by Engel's law is different from real income as measured by nominal income deflated by the CPI, one may be able to estimate the extent to which the CPI is biased. In his paper Hamilton (2001) suggested that this method could be extended to estimate the movement in a true cost-of-living index for different races, age groups, geographic areas, and for developing countries with adequate household survey data.

This paper follows Hamilton's suggestion and adopts the Engel's curve approach to estimate Spatial Price Indices for different provinces in urban China using the China Urban Household Income and Expenditure Survey for the period 1986 to

	<p>2001.</p> <p>The results of Engel’s curve approach show that (1) the price difference among provinces in urban China from 1987 to 2001 are significant and the price dispersion increased over time. (2) Spatial price indices have not remained constant. Over the period 1987 to 1993, relative to Beijing, SPI for some provinces increased while for other provinces it reduced. For the period 1993 to 2001, however, we observe different pattern. Relative to Beijing and Shanghai, relative price position in all provinces have reduced. (3) There appear to have been a club convergence in regional prices. (4) A strong and positive relationship is observed between spatial price indices and the average per capita disposable income for most years. This implies that cost of living is relatively higher in high income regions than in low income regions. Consequently, we re-estimated urban income inequality adjusting for Spatial Price Index over the period and find that urban income inequality, especially the inter-regional income inequality, is not as serious as commonly believed. Without adjusting for spatial price differentials, the inter-provincial Gini coefficient increased from 0.086 in 1987 to 0.158 in 2001, whereas adjusting for regional price differentials the Gini coefficient increased from 0.071 to 0.099 over the same period.</p>
Key Words	
JEL Classification	
Title	Food Quality and Safety: Progress and Challenges
Authors	Nicky Seaby
Affiliation	Department of Agriculture, Fisheries and Forestry
Abstract	<p>Since accession to the World Trade Organisation (WTO), China’s agricultural sector has moved to high-value, labour-intensive industries such as horticulture, livestock and aquaculture. Rising incomes are changing the composition of diets and increasing the demand for products such as fruits, vegetables, meat, poultry, seafood, wine and dairy. In addition, there is an increasing consumer awareness of food safety, quality and nutrition. China’s ability to meet changing domestic demand as well as the sanitary and phytosanitary (SPS) measures imposed by its export markets will have major implications for its composition of agricultural trade for years to come. This paper examines China’s SPS issues domestically and internationally and recommends a shared approach with industry and consumers to streamline legislation, develop scientific capability and engage more fully with international organisations that underpin the WTO SPS Agreement (Codex, International Plant Protection Commission and the World Animal Health Organisation).</p>
Key Words	

JEL Classification	
Title	Cross-Cultural Human Resource Management: The Case of China
Authors	Wenge Fu, Noel Richards, Yonghong Zuo, Zhangyue Zhou
Affiliation	China Agricultural University
Abstract	Managing human resources has been a challenge for many foreign businesses operating in China. Improved understanding of issues concerning cross-cultural human resource management (HRM) in China is imperative but literature in this area has been limited. This study contributes to the literature by examining and comparing HRM approaches used in businesses of different ownership (foreign owned, Chinese owned, and a combination) with a view of drawing implications for international business.
Key Words	Cross cultural management, human resource management, China
JEL Classification	
Title	An Investigation of Relationship between Energy Consumption and International Trade in China
Authors	Sun Wei
Affiliation	Nankai University
Abstract	This paper attempts to shed light into the empirical relationship between energy consumption and international trade for China. Two major issues are investigated. Firstly, as an important scarce production input in China, the impact of energy on trade pattern is analyzed, using factor content of trade (FCT) methods based on energy input-output table. The results indicate embodied energy net input situation in China, while there is a huge net export for manufactured goods. The industries that have comparative advantage are almost all non-energy intensive industries. These findings accord with the energy trade theory and the scarce energy resource situation in China. As energy is also a type of important final consumption goods, the second part of the paper investigates the causality relationship between energy consumption and trade, employing the cointegration test, vector error correction model (VECM) estimation and the dynamic variance decomposition technique. The relationship between total export/import volume and coal consumption suggests the endogeneity of both variables in the long run, but no short run causality relationship are found. Further research on the relationship between energy intensive goods export/import and coal consumption shows that, in the long run there is bidirectional Granger-causation between both variables, while in the short run negative unidirectional Granger causality runs only from energy product import to coal consumption. This empirical evidence demonstrates the long term interdependent relationship between trade and energy consumption. It is also verified the argument that the import of energy intensive goods may

	save the domestic energy consumption.
Key Words	
JEL Classification	
Title	Capital Stock Estimates for China's Regional Economies: Results and Analyses
Authors	Yuanrui Wu
Affiliation	University of Western Australia
Abstract	<p>The lack of capital stock statistics for the Chinese economy has for a long time been one of the major impediments for empirical research.</p> <p>Though many have attempted to derive their own data series, most studies have focused on the national level and their findings are not without controversies. Few studies have provided estimates of capital stock for China's regional economies. This paper adds to the literature in several ways. First, it presents a critical review of the methods and findings in the existing literature. Second, it proposes an alternative approach to estimate China's regional capital stock values. The latter are also subjected to robustness checks and sensitivity analysis. Finally, the derived capital stock series are applied to examine growth, disparity and convergence in China's regional economies.</p>
Key Words	
JEL Classification	
Title	China's Administrative Hierarchy and Rural-urban Disparity
Authors	Yuk-shing Cheng
Affiliation	Hong Kong Baptist University
Abstract	<p>The Chinese government strengthened the power of the prefecture-level government in the mid 1980s. The objective was to establish centre cities that could promote the growth of near-by counties under the jurisdiction of the prefecture government. However, a recent proposal of administrative reforms in China is to place counties under the direct control of the provincial government and eliminate the prefecture government between them. A milder version of the proposal is to place both prefecture cities and counties under the jurisdiction of provincial government, although the former two might enjoy different economic power. The proposal is based on the observation that prefecture governments have been extracting resources from counties to fuel the growth of the center city, leading to a widening rural-urban gap. This paper investigates the problem from the perspective of industrial organization. Whether prefectures and counties should be organized as one or two layers in a hierarchy depends on the relationship of their productions and the information structure in the hierarchy. China should probably adopt different organization in</p>

	different provinces.
Key Words	
JEL Classification	
Title	China in WTO: Cheap Labor will be Lasting?
Authors	Lin Fei
Affiliation	ANU
Abstract	<p>Cheap labor force is one of the most important factors stimulating the China's economy rapid growth. In the new tide of economic globalization and China entry to WTO, the national economy is open to the world and the world manufacturing industry is tending to China. Low-cost labor are expected to contribute to the country's further economic growth in the coming decades. However, it is going to be a critical issue if cheap labor as a comparative advantage will continue to support further economic growth as there is an increasing concern about shortage of skilled and unskilled labor occurring not only in coastal areas, but in some places of central areas with the booming labor-intensive industries. It is suspicious if cheap labor is more enough to strengthen the national competitive advantage in a long run. This paper focuses on analyzing supply and demand of labor in the two decades by recent statistics, in particular presenting economic and social change has impacts on migrant workers between developed and developing regions. Further, the paper points out that low-cost labor is being under pressure of an increase due to on-going economic and social transition. Also China faces strong competition from other developing countries. Therefore, there are some policy options for responding to the growing challenge from shortage of labor and increasing cost of labor.</p>
Key Words	
JEL Classification	
Title	Policy Analysis of the Conversion of Cropland to Forest and Grassland Program in China
Authors	Xuehong Wang
Affiliation	ANU
Abstract	<p>The implementation of the Conversion of Cropland to Forest and Grassland Program (also known as the Grain for Green Program and the Sloped Land Conversion Program) in North West China is assessed and a number of policy issues discussed based on the results of a cost benefit analysis of the Program. The Program is found to improve the social welfare of the Chinese community, and hence should continue to be supported by the Chinese Government. Policy issues concerning the sustainability of the land use changes induced by the Program and the cost-effectiveness of the Program are further investigated. Recommendations on policy alternatives</p>

	and the future design of the Program are made based on the policy analysis.
Key Words	
JEL Classification	
Title	How Much Have the Wages of Unskilled Workers in China Increased? Data from Seven Factories in Guangdong, 2000-2004
Authors	Xin Meng, and Nansheng Bai
Affiliation	RSPAS, ANU
Abstract	China has experienced unprecedented economic growth for a long time. How long will such a high growth be sustained? The answer to this question, to a large extent, depends on whether China has exhausted its rural surplus labour. In this paper, I use an unique payroll data from seven large manufacturing factories to show that wages of unskilled labour in these factories have not increased significantly, if at all. These findings may shed some light on whether China has reached a "Lewisian Turning Point" and the extent to which Chinese economic growth may be sustainable.
Key Words	
JEL Classification	
Title	Dynamics of Meat Consumption in China
Authors	Hongbo Liua, Kevin A. Partonb, Zhangyue Zhouc, Rodney Coxd and Hai Zhaoe
Affiliation	The University of Sydney
Abstract	<p>The remarkable economic changes occurring within the People's Republic of China since 1978 have resulted in striking alteration in food consumption patterns. As per capita income increased, Chinese consumers have diversified their diets from a dependence on staples to those containing more of animal products. This study has concentrated on dynamics of meat consumption in China. The topic is chosen because of its great implications of a large Chinese population on world agricultural and food markets. A small change in per capita meat consumption will greatly affect various aspects of food and nutrition policy, agricultural business planning, environmental sustainability and social changes in China and overseas.</p> <p>This paper has concentrated on estimation of meat demand system in China. A censored demand system is used to estimate meat demand for home consumption. Household-level data, mainly to measure the effects of demographic variables, were collected in 2005 from two separate consumer surveys--one urban and one rural. This permitted better estimation of overall trends and comparison between urban and rural consumer.</p> <p>Keywords: demand system, censored regression, LA/AIDS, Marshallian elasticities, Hicksian elasticities, Chinese meat demand</p>

	system
Key Words	
JEL Classification	
Title	Foreign banks in China: what you know and what you don't
Authors	Lilai Xu
Affiliation	RMIT
Abstract	China's banking system, while making progress, is still transitioning to a modern, efficient, market-driven system with proper controls, management, and professional staff. China can make progress toward financial sector reform simply by making domestic changes, but allowing much more foreign participation in China's financial markets would speed reform as well as the stability and prosperity it will bring. The aim of this paper, with special attention to new developments such as foreign banks' increasing stake in local banks and expanded client coverage to more Chinese cities after local incorporation, is to provide insights of the nature and dimensions of foreign bank business activities in China and analysis of impacts on local banks.
Key Words	
JEL Classification	