Preface
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Since its accession to the World Trade Organization (WTO) in 2001, China has grown at a rate approximately 7 percent faster than have Western countries. If this trend continues into the new decade, the Chinese economy may become the largest in the world some time between 2020 and 2030.

Clearly, however, we cannot be certain that this pattern of growth evident in the early 2000s will continue into the 2010s. Those of us who study the Chinese economy are fully aware of the problems faced by China. Indeed, there is an influential school of thought that insists on the unsustainability of China’s economic system. Mindful of the opportunities and challenges faced by China, the Association for Chinese Economic Studies Australia (ACESA) organized an international conference on ‘China in the post-WTO environment’, held in Melbourne, Australia on 15–17 July 2009. The conference brought together scholars and experts from universities, research institutions and government bodies to discuss the key issues, the progress and the policy challenges in relation to the Chinese economy.

This book consists of 12 chapters drawn from a total of 40 research papers presented at the ACESA conference. Each of the selected chapters has been subject to anonymous peer review by two academics from the relevant research field. These chapters provide valuable background information on the Chinese economy and offer insights into the many critical issues confronting China in the post-WTO environment.

Part I ‘Stock market and financial services’ consists of three chapters. In Chapter 1, Yi Zheng and Heng Chen explore the theoretical and practical implications of whether a leading power or a close neighbor is more important to China’s stock market. Huaiqing Zhu and Changfeng Pan follow in Chapter 2 with a discussion of the constraints on China’s stock market and the behavior of market players. In Chapter 3, K.B. Oh, Xuebin Chen, Jianmei Wang, Geoffrey R. Durden and Nicole El Haber present an examination of recent growth and development in the Chinese financial services market and a commentary on likely future trends.
Part II ‘China’s FDI and FDI in China’ consists of four chapters. Chapter 4 by Lilai Xu offers a close analysis of the structure, determinants and effects of China’s outward foreign direct investment (FDI) against the backdrop of the ‘Go Global’ strategy. In Chapter 5, Chunlai Chen explores the contributing factors of the FDI relations between China and its main source economies. Ying Xu in Chapter 6 proposes a model and presents the statistical findings regarding foreign strategic investment in Chinese commercial banks. In Chapter 7, Sizhong Sun, Ligang Song and Peter Drysdale discuss FDI spillover in relation to the dimension that remains little examined in the literature: the role played by geographical proximity between domestic firms and foreign-invested firms in the occurrence and magnitude of spillovers.

Part III ‘Price determinants and policy challenges’ presents two studies. Wei-ming Tian and Zhang-Yue Zhou in Chapter 8 discuss potential policy measures to be undertaken by the Chinese government to handle future erratic price movements in the world grain market. Chapter 9 presents a study by James Xiaohe Zhang in which he tackles two different views on the Renminbi (RMB) exchange rate by simulating several policy scenarios on a simple multi-country macro-econometric model.

Part IV ‘Distortion and economic sustainability’ is comprised of three chapters. Chapter 10 presents a discussion by Youwen Zhang of policy-imposed distortion in China’s economic development. In Chapter 11, using transportation in large cities as a case study, Jianling Li, Siamak Ardekani and Stephen Mattingly explore urban sustainability and propose the development of a planning tool to assess policy impacts. In the concluding Chapter 12, Yanrui Wu examines whether capital has been utilized efficiently in China and if capital under-utilization exists, what the causes are. To explore these questions, he proposes a stochastic frontier approach to investigate the efficiency of capital using panel data of China’s regional economies. The determinants of regional efficiency variation are also investigated.