

Beijing Forum 2019 China's Economic Development in the Reconstruction of Globalization (II) (Group B)

At 14:00 on November 2th, the panel “China’s Economic Development in the Reconstruction of Globalization”, the Economy sub-forum of Beijing Forum 2019, was inaugurated in the Friends of Beida Auditorium, Peking University Education Foundation. The session was divided into two parts, and chaired respectively by Professor Hong Junjie from the University of International Business and Economics and Professor Li Guangzhong from Sun Yat-sen University. Altogether, six speakers gave talks in this session, including Professor Li Zhiyuan from Fudan University, Professor Hong Junjie from the University of International Business and Economics, Professor Tibor Besedes from Georgia Institute of Technology, Professor Lex Zhao from Kobe University, Professor Liu Qing from Renming University of China and Professor Li Guangzhong from Sun Yat-sen University.

Professor Li Zhiyuan from Fudan University delivered a speech, titled “International Liberalization and International Deviations from the Law of One Price”. This paper studied the effect of international liberalization on the intranational deviations from the Law of One Price, and compensated for the deficiency of two explanations of the one-price law, including trade cost by the division of commodity market regions and nominal price stickiness. Using China's data from 1997 to 2012, this paper showed an obvious negative correlation between tariff reduction and the change in the volatility of LOP deviations. By developing an open-economy general equilibrium model, the model suggested that international trade liberalization may reduce the volatility in intranational LOP deviations, but had no impact on the persistence of intranational LOP deviations. What’s more, this paper found strong and robust evidence that is consistent with all these predictions.

Professor Hong Junjie from the University of International Business and Economics gave a talk titled “How and in which Cases Do Institutions Matter? Effects of Government Policies on the Internationalization of Chinese MNEs”. Through the analysis of unique dataset of OFDI by Chinese EMEs during 2004–2013, the paper studied the effectiveness of regulatory institutions and policies in increasing the ability and willingness of EMEs to invest abroad, the interaction between OFDI-

specific policies and firm's capabilities, ownership structure and the dynamic influence of OFDI-related institutions and policies on the OFDI decisions of EMEs. In the end, this paper gave some advice on how to improve industrial policies, including focusing on capability building, putting emphasis on functional industrial policies, maintaining the fair competition within the industry and focusing on long-term goals.

Professor Tibor Besedes from Georgia Institute of Technology delivered his speech on "Trade Liberalization and Female Welfare: Dimensions of Adjustment in the United States". The speech proposed that increased import competition by trade liberalization is known to lower gender gaps in labor market, and decreased gender gaps in labor markets are often interpreted as improving female welfare, while the effect on female welfare depends on "dimensions of adjustment". This paper used the event of China joining the WTO as exogenous shock, and by using the DID method, found that the gender wage gap decreased because of lower male wages, labor force participation rate gender gap decreased while both male and female welfare decreasing. After the adjustment of the Great Recession, the result was still robust.

Professor Lex Zhao, from Kobe University, gave a talk on "Why are There so Many Antidumping Cases Filed Against China?" Nowadays antidumping (AD) has been frequently used to complain against China. China is not a main AD user, but the most frequent target. Based on the phenomenon, this paper analyzed the correlation between the AD petitions and low quality and found that product quality can be an important reason for AD filings, especially against China. What's more, the result showed that if the marginal cost to raise quality is high, low quality products will get more AD and if the product's quality reputation is low, low quality products will get more AD. In addition, firms located in Western China and SOE firms got more AD.

Professor Liu Qing, from Renmin University of China, delivered a speech on "Trade Policy Uncertainty and Innovation: Evidence from China's WTO Accession". The speech first shared the existing channels of trade promotion innovation, and innovatively proposed that the reduction of market uncertainty can also promote innovation, mainly because innovation requires long-term and irreversible investment, and the existence of market uncertainty will lead to under-investment, and improvements in market uncertainty can increase investment in innovation and thus drive innovation. In further research, using the evidence of China's trade liberalization and the DID method, this paper verifies that trade liberalization reduces market uncertainty and leads to more

market innovation.

Professor Li Guangzhong, from Sun Yat-sen University, delivered a speech on “Geopolitical Risk, Firm Balance Sheets, and Corporate Investment: The International Evidence”. A recent Wells Fargo–Gallup survey showed that 75% of investors consider GPR more important than the economy. And there is a lot of literature examining the effect of political risk on the economy. This paper studied how GPR affect firms’ investment for firms with varied degree of balance sheet strength. The result showed that geopolitical risk significantly reduces corporate investment for firms with weak balance sheets, and the negative effect of geopolitical risk on corporate investment for firms with weak balance sheets can be attenuated by a country’s degree of financial development. Overall, the results suggest that a country could neutralize the impact of geopolitical risks on its economy growth by strengthening firm balance sheets.