

# CHINA

an international journal

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volume 9, number 1  
March 2011

EAST ASIAN INSTITUTE  
National University of Singapore

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*published by NUS Press  
& World Scientific*

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## research

### **The Expansion of Outward FDI: A Comparative Study of China and India**

*China's OFDI is mainly government-led, while India's is primarily driven by markets and private companies. The internationalisation thrust of Chinese enterprises has been mainly top-down, meaning their investment decisions reflect political objectives, whereas the approach of Indian enterprises has been more decentralised. China's OFDI mainly goes to developing countries and non-financial services, mining and infrastructure sectors, while India's mainly goes to developed countries and manufacturing sectors, including pharmaceuticals, gems and automotives parts. There is thus little conflict or competition between these two giants in third markets.*

by ZHAO Hong ..... 1

### **Expert Analysis on Sino-US Trade and Currency Issues in the United States: Policy Impacts and Future Directions**

*While the China-US trade deficit is at the forefront of the domestic political agenda in Washington as well as the bilateral relationship between China and the US, a substantial near- or even medium-term shift is unlikely. This is due to structural abnormalities on both sides as one party (China) under-consumes, over-saves and over-produces while the other (America) over-consumes, under-saves, and has anaemic export levels. For its part, China faces institutional hurdles in that it is governed by the unelected Chinese Communist Party which hinges a substantial portion of its legitimacy on continued high levels of economic growth and job creation.*

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### **Chinese Students Abroad: Why They Choose the UK and How They See Their Future**

*Chinese students are enthusiastic about UK universities and UK universities are enthusiastic about attracting and enrolling Chinese students. The quality aspect of higher education was very much foremost in the minds of these Chinese students. It was the most frequently mentioned reason for both deciding to study abroad and for deciding to study specifically in the UK. Most of the Chinese students, who have invested so much in terms of family finances and effort to come to the UK to study, were optimistic about their career prospects. In explaining their optimism, they most frequently referred to the qualifications they were in the process of acquiring and the skills (especially second language skills) they were developing.*

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### **Issues and Options for Social Security Reform in China**

*While China has made remarkable progress in economic growth, its progress in social development, particularly the reconstruction of a social security and welfare system, is still*

*lagging. China is facing serious social and economic challenges such as widening income inequality, large-scale poverty, high unemployment pressures, increasing labour mobility, declining consumption propensity and increasing incidence of social conflict and unrest. Quickly and impartially transforming the current social security system into a new system accepted by all parties is a key challenge China is facing today.*

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### **China's Fiscal Expenditure on Social Security Since 1978**

*China's social security system has undergone major changes since the late 1970s. With the gradual development of the social security system, investment in social security has been constantly expanding. The government has recognised its role in providing social security to its citizens. Supported by rapidly growing government revenues, the government — particularly the central government — is willing to increase spending on social security in both narrow and broad senses. As a result, not only the total expenditure, but also the share of social security in total fiscal expenditure has been rising.*

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## **comments and notes**

### **China's New Stage of Development**

*Over the past 30 years, China has undergone rapid economic growth and enormous social transformation. However, it is time to adopt a new development mode. Economic growth should no longer rely excessively on investment and exports, but more on domestic consumption. Economic growth should be changed from low-cost quantitative expansion to qualitative technological improvement, and from "made in China" to "created in China" to promote industrial upgrading. Finally, the mode of development at the expense of natural resources and the environment should be changed to a resource-saving and environment-friendly mode.*

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### **Foreign Direct Investment in China's Service Industry: Effects and Determinants**

*China's services sector grew rapidly in the 1990s. However, an efficient and competitive "services economy" has not emerged. Compared with the global trend in service sector FDI and its changing mix, the stock of China's service sector FDI is small and the sector composition is not well diversified. An overwhelming proportion of Chinese service sector FDI has been concentrated in real estate. China should open its service sectors further under the WTO framework. This will make the Chinese market more attractive to foreign investors and will be helpful to general industrial transformation and upgrading.*

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**The Political Economy of China’s Exchange Rate Policymaking in the Hu-Wen Era**

*Exchange rate policymaking is of high importance as any adjustment in the exchange rate could influence several sectors of the domestic economy in different ways. It can also have implications for trade and capital flows in the rest of the world. The exchange rate reform objective of the People’s Bank of China is to ultimately achieve a freely floating exchange rate regime through a sequential approach to achieving more flexibility of RMB movement in response to market demand-supply relations.*

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