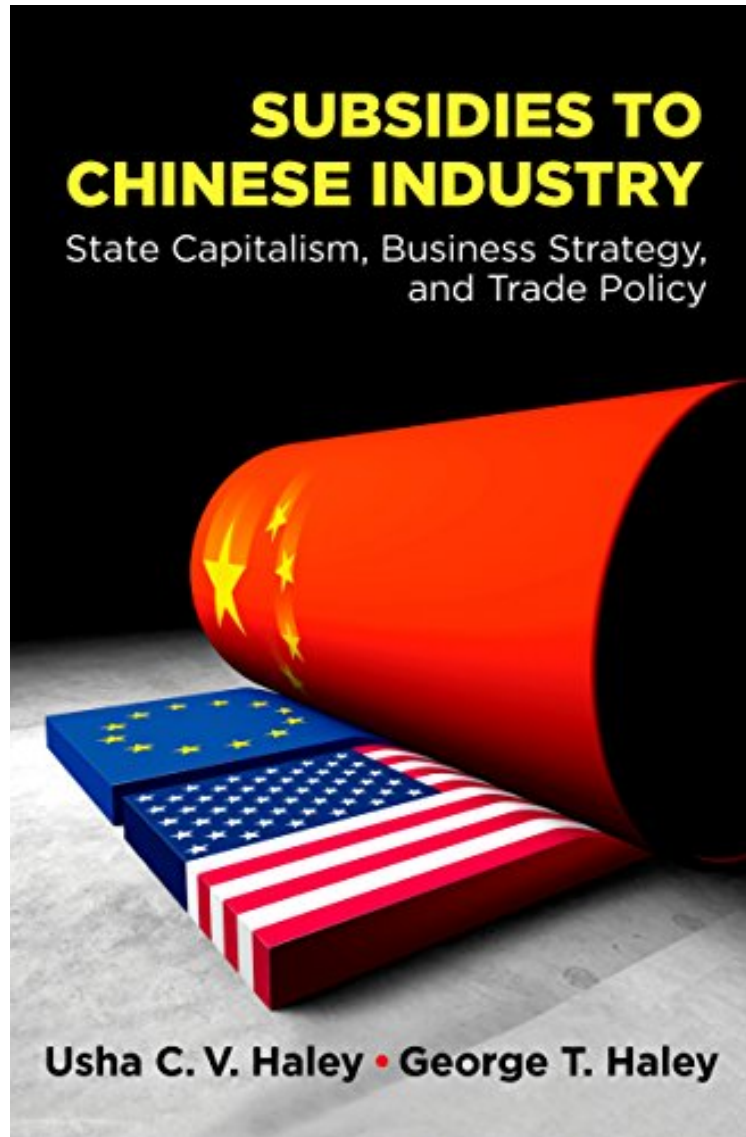


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# Subsidies to Chinese Industry: State Capitalism, Business Strategy, and Trade Policy

*Usha C.V. Haley, George T. Haley*

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**Usha C.V. Haley, George T. Haley : Subsidies to Chinese Industry: State Capitalism, Business Strategy, and Trade Policy** before purchasing it in order to gage whether or not it would be worth my time, and all praised Subsidies to Chinese Industry: State Capitalism, Business Strategy, and Trade Policy:

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book are a very good and important reflexions about the chinese subsidies and it can help our industries to find and requirBy C H O DORNELLESThat book are a good and important reflexions about the chinese subsidies and it can help our governement to promove the competitivty on the related sectors. The industrie can do anythings but someti-me it is impossible to win with the subsidies volum.3 of 3 people found the following review helpful. Seminal WorkBy Chelsea ManningUsha and George Haley have provided a path-breaking understanding of Chinese capital flows and how they reshaped the global economy. The book deals with the hidden terrain of subsidies ndash; government transfers of cash and kind to industry that enabled China to become the leader in global manufacturing. In the preface (which helps to simplify this book), the authors ask ldquo;Why did China frequently move in a couple of years, in capital-intensive industries with no labor cost advantage, from bit player and net importer to the largest manufacturer and largest exporter in the world?rdquo;. The Haleys present empirical studies of mature industries, steel, paper, glass, auto parts, solar panels, where cheap labor did not matter ndash; yet, very quickly the advantage moved to China. This is seminal work as theories of subsidies have not evolved since their classical economic presentation as hurting the country that gives them. The Haleys do not debate the merits of subsidies. They instead point to how huge Chinese subsidies, by their calculations up to 30 percent of the output of some industries, advance political and not economic interests, and have twisted notions of comparative advantage for ever. Letters in the book from Congress and the White House show that several policies incorporate the Haleysrsquo; theory and research. Required reading for a better understanding of our very important trading partner in a global economy.

How did China move so swiftly in capital-intensive industries without labor-cost or scale advantage from bit player to the largest manufacturer and exporter in the world? This book argues that subsidies contributed significantly to China's success. Industrial subsidies in key Chinese manufacturing industries may exceed thirty percent of industrial output. Economic theories have mostly portrayed subsidies as distortive, inefficiently reallocating resources according to non-market criteria. However, China's state-capitalist regime uses subsidies to promote the governments' and the Communist Party of China's interests. Rather than aberrations, subsidies help Chinese businesses and governments produce, stabilize and create common understandings of markets; the flows of capital reflect struggles between critical Chinese actors including central and provincial governments. Concepts of state capitalism including market-transition theory, the multi-organizational Chinese state, and state as paramount shareholder, create complex and relevant understandings of Chinese subsidies. The authors develop independent measures of industrial subsidies using publicly-reported data at firm and industry levels from governmental and private sources. Subsidies include free to low-cost loans, subsidies to energy (coal, electricity, natural gas, heavy oil) and to key inputs, land and technology. Four sequential studies identify the growth of subsidies to Chinese manufacturing over time and effects on world industry: steel (2000-2007), glass (2004-2008), paper (2002-2009) and auto parts (2001-2011). Subsidies to Chinese industry affect and are affected by business strategy and trade policy. Business strategies include lobbying for subsidies and for protection from subsidized foreign competitors and managing supply chains to guard against whiplash effects of uncoordinated subsidies. The subsidized solar industry highlights how global business strategies and decisions on production location and technology development respond to production or consumption subsidies and include market (competitive) and non-market (political) strategies. The book also covers government policies and regulation on subsidies broadly focusing on domestic consumption (antidumping and countervailing duties) and domestic production (indigenous innovation).

"A provocative new book\* by Usha and George Haley, of West Virginia University and the University of New Haven respectively, points to another reason for China's industrial dominance: subsidies." --The Economist "Here's an in-depth look at one nation's policy that has shaped global markets in four key capital-intensive industries--steel, glass, paper and auto parts. The husband-and-wife authors use publicly available data from private and governmental sources to develop their own measures of China's industrial subsidies. Their book--dense with data, charts, graphs, chapter endnotes, appendix, bibliography and index--should be valuable to fellow academics, business people, politicians, diplomats and general readers." --Pittsburgh Tribune- "Subsidies to Chinese Industry is a treasure trove of data on Chinese subsidization of four key sectors--steel, glass, paper, and auto parts. It is must reading for anyone seeking to understand China's low-cost advantage and, crucially, whether this advantage is likely to remain." --Marshall W. Meyer, Tsai Wan-Tsai Professor, The Wharton School, University of Pennsylvania "This richly researched book provides a much-needed foundation for grasping the serious and growing threat posed by China's massive subsidization of its export-intensive strategic industries, which is harming industrial growth in the West. Upending conventional wisdom, the book shows that China's success does not stem from cost advantages as much as from subsidies calibrated for world-market dominance. Cutting-edge manufacturers and workers in the United States and Europe are paying a heavy toll. In light of the massive scale of subsidies supporting Chinese export manufacturers, China's growing reliance on state-owned enterprises, its disregard for intellectual property protections and its lack of transparency, Usha and George Haley have provided important recommendations to ensure fair and robust competition across the oceans as well as a bright economic future for our peoples." --Gordon Brinser, President, SolarWorld

Industries America Inc., Hillsboro, Oregon "A definitive and fascinating study of China's explosion onto the global markets for manufactured goods on the back of a single resource and the unintended consequences in capital allocation that will take years to return to alignment with basic principles of comparative advantage. The role of China's curious blend of market-driven economics and direct state involvement is creatively dissected here to provide valuable insights into what comes next." --Ingo Walter, Seymour Milstein Professor of Finance, Corporate Governance and Ethics, Stern School of Business, New York University "Subsidies to Chinese Industry isn't an easy read: It's an economic study and an academic treatise. But the industry research on which it is based, the issues it explores, and the conclusions it suggests are important. And, as the letters reproduced in the book's appendices demonstrate, the Haleys' findings are already being used to influence trade policy in the United States." --Strategy+Business "[A] comprehensive and groundbreaking book..." --The Breakthrough Institute "This book is a highly instructive analysis of the role of subsidies in China's innovation system and global competitiveness." --Calestous Juma, Professor of the Practice of International Development Director, Science, Technology, and Globalization Project, Harvard Kennedy School "Subsidies to Chinese Industry... deals with relations between companies and government policies. [It] resorts to an exhaustive empirical investigation without appealing to the blah-blah-blah ideological, often hypocritical, false opposition between states and markets in contemporary capitalism." --Carta Capital About the Author Usha Haley is Professor of Management, and Director of the Robbins Center for Global Business and Strategy, West Virginia University. George Haley is Professor of Marketing International Business, and Director of the Center for International Industry Competitiveness at the University of New Haven