



## Programme

East Asia Forum:  
Economic (dis)integration

**June 14, 2019**

**University of Westminster –  
Regent Campus, London, UK**



# East Asia Forum: Economic (dis)integration

**June 14, 2019**

**University of Westminster –  
Regent Campus, London, UK**

Jointly organized by

**University of Duisburg-Essen, Germany  
Institute of East Asian Studies**

and

**FernUniversität in Hagen, Germany  
CEAMeS**

and

**University of Westminster, London, UK  
Contemporary China Centre (CCC)**

Scientific Committee:

Dr. Karen Jackson, Prof. Dr. Yuan Li  
and Prof. Dr. Hans-Jörg Schmerer

This workshop will provide a forum to explore the economic issues, challenges and responses to conflicting trends of greater interconnection and isolation, which are shaping the world economy. We will consider key questions such as, is the current trade dispute between China and the US the beginning of a new era of de-globalization? Alternatively, will the Chinese-led Belt and Road Initiative promote the greater interconnections via infrastructure development and reduced trade costs?

The aim of this forum is to bring together scholars from all fields related to international economics focusing on drivers and consequences of trade between China and the rest of the world. We welcome scholars to submit proposals related to the following topics:

- Impact of trade policy on emerging and developed economies
- Belt and Road Initiative
- Trade wars
- Trade institutions
- Transport infrastructure
- Trade costs
- Political economy of trade policy

UNIVERSITÄT  
DUISBURG  
ESSEN

*Offen im Denken*

UNIVERSITY OF  
WESTMINSTER

 FernUniversität in Hagen

## Programme

**09:45 – 10:00**

**Registration**

**10:00 – 10:15**

**Welcome**

---

**10:15 – 12:15**

**Panel 1**

*Paper 1*

**The good, the bad and the ugly:  
Chinese imports, European Union anti-dumping  
measures and firm performance**

*Liza Jabbour (University of Birmingham),*

*Zhigang Tao (University of Hong Kong),*

**Enrico Vanino** (London School of Economics)

*and Yan Zhang (Shanghai University of Finance  
and Economics)*

*Paper 2*

**Belt and Road: The “China Dream”?**

*Karen Jackson (University of Westminster) and*

**Oleksandr Shepotylo** (Aston University)

*Paper 3*

**Trade flows in the aftermath of the Great Trade  
Collapse: global and regional factors driving  
international trade in ASEAN**

*Krzysztof Beck (Lazarski University)*

*Paper 4*

**The Character of Relations Between China and its  
Largest Trading Partners in the Post-Crisis Era**

*Joanna Tarnowska (Cracow University of Economics)*

*Chair*

**Hans-Jörg Schmerer** (FernUniversität in Hagen)

---

**Note:** The presenter of the paper is highlighted in bold

**12:15 – 13:30**

Keynote:

**The world according to Xi Jinping:  
China's road to its centennial goals and why they  
matter to the rest of the world**

**Professor Kerry Brown**

*King's College, University of London*

**13:30 – 14:00**

Lunch

---

**14:00 – 16:00**

Panel 2

Paper 1

**Does Trilemma Speak Chinese?**

**Georgios Magkonis** (*University of Portsmouth*) and  
*Simon Rudkin* (*Swansea University*)

Paper 2

**Access to Trade Finance Through Use of Digital In-  
frastructures: Belt and Road Initiative in Perspective**

**Abhinayan Basu Bal** (*University of Gothenburg*) and  
**Trisha Rajput** (*University of Gothenburg*)

Paper 3

**The Implications of the New Silk Road Railways  
on Local Development**

**Yuan Li** (*University of Duisburg-Essen*), **Ling Fang**  
(*University of Duisburg-Essen*), **Martin Kleimann**  
(*University of Duisburg-Essen*) and **Hans-Jörg Schmerer**  
(*FernUniversität in Hagen*)

Paper 4

**Employment Legislation and its impact on the  
trade and labor market nexus**

**Antonia Reinecke** (*FernUniversität in Hagen*) and  
**Hans-Jörg Schmerer** (*FernUniversität in Hagen*)

Chair

**Dimitrios Bakas** (*Nottingham Trent University*)

---

**16:00 – 16:15**

Coffee and networking

---

**16:15 – 18:15**

Panel 3

Paper 1

**Towards "new generation" global public goods:  
The case of the modern silk roads**

**Ibrahim Ozturk** (*Duisburg-Essen University*)

Paper 2

**The Efficiency of China's Foreign Direct  
Investment in the Belt and Road Initiative**

**Tian Xiong** (*University of Wuppertal*)

Paper 3

**The Impacts of US-China Trade Conflicts  
on the South Korean Economy**

**Mohamed Salah Mansour** (*University of Duisburg-  
Essen*)

Paper 4

**The Political Economy of the Sino-US Relations:  
International Connection or Domestic  
Disintegration?**

**Jason Sebastian Franz** (*Heidelberg University*) and  
**Luxin Liu** (*Heidelberg University*)

Chair

**Gerda Wielander** (*University of Westminster*)

---

**18:15 – 18:30**

Closing remarks

**Workshop dinner**

All presenters of accepted papers are invited to attend the workshop dinner, to be held at the 108 Brasserie in The Marylebone Hotel at 19:00. We will walk together from the workshop venue to the dinner.

**Note:** *The presenter of the paper is highlighted in bold*

# Abstracts

## **The good, the bad and the ugly: Chinese imports, European Union anti-dumping measures and firm performance**

*Liza Jabbour (University of Birmingham), Zhigang Tao (University of Hong Kong), Enrico Vanino (London School of Economics) and Yan Zhang (Shanghai University of Finance and Economics)*

This paper analyses the effects of the European Union's anti-dumping tariffs against Chinese imports on all affected firms: "the good" European import-competing firms, "the bad" Chinese exporters and "the ugly" European importers of dumped products. The results show that temporary import tariffs are beneficial to the least productive "good" EU producers, but harms the most productive "ugly" EU importers. Overall, the net effects of anti-dumping policy on European employment and exports are largely negative. Also tariffs enhance the productivity of surviving "bad" Chinese exporters and widens the productivity gap with European competitors.

---

## **Belt and Road: The "China Dream"?**

*Karen Jackson (University of Westminster) and Oleksandr Shepotylo (Aston University)*

This paper explores the impact of the Belt and Road Initiative (BRI), in terms of changes to trade costs and investment, on trade and consumer welfare in China, the EU and the rest of the World. We look at how these welfare changes compare to the gains from signing shallow and deep FTAs with the EU, as well as analyzing the interplay of the BRI with other mega trade deals (TTIP and TPP) and evaluating the dynamics of the welfare changes over time. We employ a structural gravity approach, where the production side is modeled using mobile capital flows in the form of physical capital and FDI. Our results indicate substantial gains from the BRI for China and the EU where a 30 percent reduction in transportation costs between China and the EU

would increase the welfare of a representative consumer in China by 1.51 percent and the EU by 0.97 percent. On the other hand, we find that signing and implementing an FTA between China and the EU is equivalent to transport cost reductions of approximately 45 percent. Whereas, combining the BRI with a deep FTA would increase welfare by 4.90 and 2.94 percent, respectively. The potential negative effect of the TPP on China is more than compensated by the BRI initiative, and Chinese investment would further increase welfare of the countries participating in this project.

---

### **Trade flows in the aftermath of the Great Trade Collapse: global and regional factors driving international trade in ASEAN**

*Krzysztof Beck (Lazarski University)*

The ASEAN Free Trade Agreement and ASEAN Agreement On Customs brought about more trade between the members along the predictions of standard trade theory. The Financial Crisis of 2008 was associated with the Great Trade Collapse and fast recovery in its aftermath that was felt all over the globe. Such a dramatic change in the trade volumes could have paved the way for substantial structural change resulting in differentiated trade patterns in the World Economy in general, and ASEAN in particular.

Bayesian Dynamic Latent Factor Model (BDFM) was applied to the time series of quarterly exports and imports for 150 countries for the 1981–2018 period. BDFM allows for the decomposition of the variation of the time series associated with global, regional, country and idiosyncratic factors and assessing their relative shares.

In the 1980s, shares of the global and the regional factor accounted for 30 and 27 percent of the ASEAN trade respectively, while they increased to 35 and 39 percent in the 1990s. The 2000s saw an astonishing increase in the role of the regional factor that was

responsible for 54 percent of the variations in trade. This increase in the regional factor was accompanied by a drop in the share of the global factor. The efforts of ASEAN authorities at deepening the integration within this region were successful and flourished at the beginning of the 21st century. After the Great Trade Collapse, the global factor bounced back to 34 % at the expense of the regional factor, which fell to 35 %.

---

### **The Character of Relations Between China and its Largest Trading Partners in the Post-Crisis Era**

*Joanna Tarnowska (Cracow University of Economics)*

The paper has three main objectives. The first is to assess the impact of both the global financial crisis and the “specter” of trade wars on the intensification of protectionist tendencies in global trade. The second aim is to analyze both the value of China’s export to its main trading partners (the USA, Hong Kong, Japan, South Korea, Australia, Germany) and the degree of China’s trade openness in the post-crisis era. The third goal is to assess the degree of business cycle synchronization between China and its main trading partners.

The research leads to three main conclusions. Firstly, the literature review indicates the intensification of the processes of introducing both new trade barriers and the forms of trade facilitation in the global economy. What is important, the value of trade under the restrictions is increasing, while the value of trade in facilitations is decreasing. Secondly, the author of the paper claims that the degree of China’s trade openness has not changed significantly recently. Thirdly, it is worth noting that there are economists’ opinions suggesting that “the war” between China and the USA is not a “trade” war, but a “technological” one.

---

## Does Trilemma Speak Chinese?

*Georgios Magkonis (University of Portsmouth) and  
Simon Rudkin (Swansea University)*

Based on the limitations imposed by the trilemma, this paper examines the trade-offs faced by the Chinese economy. Taking into account the role of accumulation of foreign reserves we examine how binding the constraints are for the Chinese monetary authorities. Using a Panel VAR with dynamic and static interdependencies as well as cross-sectional heterogeneities, we examine the monetary spillovers from China to a series of Asian economies. In this way, we measure the degree to which the Chinese trilemma constraints are exported to other countries. Consistent with previous research, our empirical evidence suggests that China's trilemma configurations are unique as China manages to achieve exchange rate stability, along with moderate financial liberalization, without losing its monetary autonomy. Furthermore, there are no significant spillovers to regional economies. Overall, trilemma does speak Chinese, but only for a short period.

---

## Employment Legislation and its impact on the trade and labor market nexus

*Antonia Reinecke (FernUniversität in Hagen) and  
Hans-Jörg Schmerer (FernUniversität in Hagen)*

This paper studies potential interaction effects between import competition and employment protection based upon the experience of the German labor market reform shortly after the millennium. Smaller plants were already excluded from employment protection legislation before the reform but the threshold size at which the legislation is binding was doubled from five to ten employees. The focus of this study is on the hiring, firing and vacancy posting behavior of firms. Moreover, the effects of employment protection on training are investigated using matching econometrics. Firms in which the employment protection legislation is binding

are more likely to provide training to their workers. Employment protection seems to have little direct effects on the trade and labor demand nexus but it puts an additional cost to the firm that provides an incentive to train their workers. Workers may be trained certain skills that cannot be offshored, which attenuates the potential job losses associated with offshoring. Less skilled workers may switch from the offshored routine tasks to more non-routine tasks instead of being fired. Excluding smaller firms from the employment legislation is still sensible as it helps less competitive firms coping with competition from abroad.

---

## Access to Trade Finance Through Use of Digital Infrastructures: Belt and Road Initiative in Perspective

*Abhinayan Basu Bal (University of Gothenburg) and  
Trisha Rajput (University of Gothenburg)*

A group of small and medium sized importers in the Chongqing Pilot Free Trade Zone (PFTZ) using the Eurasian railway corridors connecting European countries to China requested the Chongqing local government for creating negotiable transport document for railway carriage, similar to bill of lading in maritime transport, for financing purposes. The importers highlighted that Chinese banks are unwilling to issue letter of credit to support the payment for their imports carried by rail from European countries as railway consignment note is not a document of title. As an interim measure, the Chongqing local government established a logistics and financial intermediary that would assume the credit risk before importers can approach banks to issue letter of credit. To find a permanent solution, the Chinese government plans to initiate international negotiations for revising railway carriage rules in the near future.

This paper critically analyses from a legal and economic standpoint whether the approach adopted by the Chongqing local government can address the evolving

trade finance needs of importers in the Chongqing PFTZ. The paper discusses in contextual detail the legal and policy framework of the BRI under which the Eurasian railway corridors are created and then draws connection between the frameworks of the BRI and the Chongqing PFTZ. The paper examines whether there is real need to apply maritime rules to railway carriage for purpose of obtaining letter of credit and then analytically probes how digital infrastructures such as single windows, platforms and distributed ledgers may be used to reduce information asymmetry between traders and banks to increase access to trade finance. In this context, paperless trade and supply chain finance initiatives that can be supported by the recently adopted Model Law on Electronic Transferable Records is discussed. In conclusion, a prognosis of legal rules that may be promulgated with greater ease to attend to the financing needs of Chinese importers is made taking into consideration the flexibility allowed to the Chongqing PFTZ to test new laws that can support new businesses.

---

### **The Implications of the New Silk Road Railways on Local Development**

*Yuan Li (University of Duisburg-Essen), Ling Fang (University of Duisburg-Essen), Martin Kleimann (University of Duisburg-Essen) and Hans-Jörg Schmeurer (FernUniversität in Hagen)*

What are the real economic impacts of the Belt and Road Initiative (BRI)? The answer to this question has important theoretical and policy relevance for understanding the lasting impacts of this grand project on global and regional economic structures. In this paper, to better understand the role of transportation infrastructure connectivity on regional development, we aim to exploit the quantitative impact of China Railway Express on terminal cities in Europe. In doing so, we applied a quasi-experimental analysis to check the treatment effect on three dimensions: economic output, employment and road freight transport. Examining a

large panel data containing economic and spatial information on European cities, we find positive and significant impact of CR express on local development. Moreover, our estimates also suggest spillover effect of CR express on neighboring regions.

---

### **Towards “new generation” global public goods: The case of the modern silk roads**

*Ibrahim Ozturk (Duisburg-Essen University)*

Post-hegemonic multipolarity underlines the lack of decisive leadership, strengthening of strategic competition, and bilateral negotiation at the expense of multilateralism. At such a conjuncture, China’s Belt and Road Initiative (BRI) is a “right” project in addressing connectivity problems, in timing, and China’s leadership with its financial prowess, development experience, know-how in infrastructure investment, and success in fighting against poverty. However, a sine qua non-condition is the provision of a global governance system with global public good (GPG) characteristics, capable of coping with the recent challenges ranging from climate change to economic protectionism, to common security issues. This paper discusses the BRI’s GPG capacity to bridge new controversial and contesting trends via structuring the significant principal-agent relations so that the collective action and agency problems could be resolved in the provision of the needed GPGs. It is argued that BRI’s transformative power, at the contesting interface of the liberal-multilateral statuesque and “Socialism with Chinese Characteristics, depends on its possession of “new generation” GPG properties, such as its creative and innovative ideas, inclusive and inspiring values, and organizing principles that regulate the rules of the game. Our research shows that similar to China’s success story in its development, thanks to its opening and convergence to the international practices, also, the BRI has to be less Chinese, more multilateral, and “glocal” to serve as a new generation GPG.

---

## The Efficiency of China's Foreign Direct Investment in the Belt and Road Initiative

*Tian Xiong (University of Wuppertal)*

Since the announcement of the Belt and Road Initiative (BRI) in 2013, a vast amount of investments and projects were conducted that can be linked to this initiative. The companies from China, the initiating country of the BRI, were involved from the beginning and steadily increasing their undertakings. However, the major projects in the BRI are large constructions, which have an enormous need for financial support and a slow return; along with heterogeneous investment environments and barriers, how to maintain the investment in BRI is a considerable challenge especially for China. This paper aims to study the status quo and determinants of China's foreign direct investment (FDI) efficiency in the BRI, covering the period from 2013 to 2018. A stochastic frontier gravity model with entity-level data will be conducted to study the determinants of China's FDI efficiency along the BRI countries. Furthermore, an FDI efficiency index will be calculated to compare differences (e.g., economic corridors, project types) within the BRI.

---

## The Impacts of US-China Trade Conflicts on the South Korean Economy

*Mohamed Salah Mansour (University of Duisburg-Essen)*

The trade conflict between the United States and China has intensified since March 2018 when the US declared the rise of tariffs on steel and aluminum imports from all countries, including the EU and NAFTA countries. In response to these higher tariffs, China, the EU, Canada and Mexico filed a tit-for-tat tariff package through the WTO. Furthermore, the US correspondingly announced additional tariffs targeted exclusively on Chinese products in early April 2018. Instantaneously afterward

China reacted with the publication of a list of goods with a retaliatory 25% tariff increase on selected US exports and thus setting off a "trade war" between the two countries. Nevertheless, the Impact of the trade war does not only affect the two countries; given their economic size and their shares in the world trade. The trade conflict between the major economies has already left its mark on global economic development. The economic policy uncertainty had risen rapidly since March 2018 as a result of the change in the US trade policy course, and had been even higher in the summer months than at the time of the financial and economic crisis in 2009 (Policy Uncertainty, 2018). The objective of this paper is to estimate the effects of the different trade conflict scenarios currently developing on East Asia. In particular, how vulnerable are the major East Asian economies with regard to the escalation of trade tensions and potential trade wars?

---

## The Political Economy of the Sino-US Relations: International Connection or Domestic Disintegration?

*Jason Sebastian Franz (Heidelberg University) and Luxin Liu (Heidelberg University)*

Since China's accession to the WTO in 2001, Sino-US relations are characterized by deepening economic interdependence. Belying expectations of a "trade peace", this has been accompanied by increasing frictions, culminating in the current "trade war". To analyze these dynamics, we propose a full-spectrum model of the relationship that rests on a combination of coalitional analysis and complex game theory. Avoiding the reductionism of realist, economic, or culturalist approaches, it includes both the interstate and the intrastate dimension, as well as the various issue arenas of the relationship (economy, security, identity, ecology), modelled as a set of vertically and horizontally interlocking games with political coalitions as players. Depending on the degree of socioeconomic inequality and political polarization, these coalitions are either

structured along the horizontal left-right cleavage of domestic politics (conservatives vs. progressives) or along the vertical inside-outside cleavage of foreign politics (nationalists vs. internationalists). While conservatives and progressives differentiate between issues and try to balance interstate cooperation and conflict, nationalists and internationalists suspend this differentiation and pursue conflict or cooperation across the board. Analyzing the trajectory of Sino-US relations from 2001 to 2018, we argue that coalitional cleavages within both countries have gradually moved from the horizontal into the vertical, reaching a tipping point with the emergence of new nationalist coalitions under Xi Jinping and Donald Trump. Showing how coalitional verticalization was accompanied by increasing issue linkage, we conduct a case study of the changing bilateral treatment of telecommunication issues, which are related to all four issue arenas.



