

# International Economics: Asia and the Global Economy

## Spring 2020

### Section 1

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#### 【Course Outline / Description】

The understanding of international economics, as a sub-field of macroeconomics, is of increasing importance in the age of economic globalization and integration. Within the process of globalization, the center of global economic gravity has shifted towards Asia, especially the economic powerhouses of North East Asia (Japan, China, South Korea). The purpose of this course is to introduce core concepts of international economics and apply these concepts to the economic reality of East Asia. It combines an introduction to the macroeconomics of international trade, money and investment with an institutional focus on international economic policy challenges arising in the highly interdependent world economy. Since the East Asian economies are export-oriented and at the heart of global value chains and financial flows, the course focuses on explaining concepts of cross-border trade and investment, the importance of exchange rate management, the exposure of East Asian economies to global capital flows and the risk of financial crises. The applied section of the course includes country-specific policy studies of major economies (Japan/China /US).

The course combines weekly lectures with in-class presentations and group work. The lectures introduce the key economic concepts, the student-led classes will apply and expand on these concepts to specific economic policy issues in East Asia.

NOTE: This is an introductory course to economic concepts which aims to build understanding by applying those concepts to East Asia. *No prior training in the discipline of economics is required.*

### Section 2

#### 【Course Objectives/Goals/Learning Outcomes】

- Students can explain the key concepts of international economic theory.
- Students can apply economic concepts to economic policymaking in East Asia.
- Students can analyze the position of Asia in the global economy.
- Students can effectively partake in international economics related group discussions.
- Students can produce analysis papers on international economic issues.

### Section 3

#### 【Class Schedule/Class Environment, Literature and Materials】

	Schedule of Instruction	Work Outside of Classroom Activities
1	Introduction: international economics: abstract models and their application to the case of East Asia	Read syllabus carefully and prepare questions regarding the course.

2	LECTURE: Why do we need to understand International Economics? The International Economy and Globalisation	READING: Carbaugh, Chapter 1
3	CLASS DISCUSSION: What do we know about Asia in the international economy?	READING: Asian Development Bank (2011) Asia 2050: Realizing the Asian Century (Executive Summary)
4	LECTURE: <b>The Basic Theory of International Trade: Comparative Advantage</b> Why does it make sense to trade across borders? The comparative advantage of nations	READING: Carbaugh, Chapter 2
5	STUDENT-LED CLASS (Group work): Comparative Advantage and Asian Developmental State	READING: Ha-Joon-Chang (2007) 'My six-year-old son should get a job Is free trade always the answer?' (Chapter 3 in 'Bad Samaritans: The Myth of Free Trade and the Secret History of Capitalism')
6	LECTURE: <b>The sources of comparative advantage</b> Explaining international trade patterns: Factor endowments, who gains and who loses from trade?	READING: Carbaugh, Chapter 3
7	STUDENT-LED CLASS (Group work): What factors underpin Japan's position as a major exporter in the world economy	Riew (2008) 'Japan's Competitive Advantages in the Global Market'
8	LECTURE: <b>International Trade Policy: Tariffs</b> What are tariffs, what is their effect, the political economy of trade restrictions	READING: Carbaugh, Chapter 4
9	The international economics of Tariffs the US-China Trade Conflict.	UNCTAD (2019) 'Trade and trade diversion effects of United States tariffs on China' (UNCTAD Research Paper 37 by Alessandro Nicita)
10	LECTURE: <b>International Trade Policy: Nontariff Trade Barriers (NTBs)</b> What are NTBs, why are they so widely used, dumping and subsidies.	READING: Carbaugh, Chapter 5

11	STUDENT-LED CLASS (Group work): Measuring the effects of Non-Tariff Trade Barriers in global protectionism on countries, industries and income groups.	READING: Ifo-Forschungsbericht (2017): 'Hidden Protectionism: Non-Tariff Barriers and Implications for International Trade'
12	SPECIAL SESSION: Instruction meeting on the long essay (topics, structure, deadline)	Review, discussion of possible topics
13	LECTURE: <b>The International Trading System</b> The regulation of international trade: From GATT to WTO/Regionalism	READING: Carbaugh, Chapter 6
14	LECTURE: <b>International Factor Movements and Multinational Enterprises</b> The Globalisation of Production: Foreign Investment by MNCs, Global Value Chains and Trade Policy	READING: Carbaugh, Chapter 9
15	STUDENT-LED CLASS (Group work): Japan and the TPP	READING: Davis (2017) Japan: Interest Group Politics, Foreign Policy Linkages, and the TPP
16	LECTURE: <b>The Balance of Payments</b> What does a Current Account surplus/deficit mean, the Capital Account and capital flows	READING: Carbaugh, Chapter 10
17	STUDENT-LED CLASS (Group work): The BoP of China, USA, Japan and India in comparison: Strength and weaknesses	In-class group work using on-line BoP statistics
18	LECTURE: <b>Foreign Exchange, the Foreign Exchange Market</b> What is the foreign exchange (FX) market, what is exchange rate risk	READING: Carbaugh, Chapter 11
19	STUDENT-LED CLASS (Group work): Global Financial Markets and Currency Internationalization: the case of the Chinese Renminbi	READING: Kwan (2018) 'Issues Facing Renminbi Internationalization: Observations from Chinese, regional and global perspectives' Policy Research Institute, Ministry of Finance, Japan, Public Policy Review, Vol.14, No.5, September 2018
20	LECTURE: <b>Exchange Rate Determination</b> What determines exchange rates, short-run v.	READING: Carbaugh, Chapter 12

	long-run, inflation, purchasing power parity	
21	STUDENT-LED CLASS (Group work): Global Capital Mobility, Domestic Interest Groups, and National Exchange Rate Policy	READING: Frieden (1991) 'Invested Interests: The Politics of National Economic Policies in a World of Global Finance' IO 45/4
22	LECTURE: <b>Balance of Payments adjustments</b> Ways of adjustment under fixed exchange rates	READING: Carbaugh, Chapter 13
23	STUDENT-LED CLASS (Group work) Case Study: Hong Kong's fixed exchange rate system in the age of global trade and finance	READING: Hong Kong Monetary Authority (2013) 'Frequently Asked Questions on the Linked Exchange Rate System (LERS): What is the Linked Exchange Rate System (LERS)?'
24	LECTURE: <b>Exchange-Rate Adjustments and the Balance of Payments</b> Appreciation and depreciation	READING: Carbaugh, Chapter 14
25	STUDENT-LED CLASS (Group work): The conflict about exchange rate management: the US, China and 'Currency Manipulation'	READING; Bergsten and Gagnon (2017) 'Currency Conflict and Trade Policy: A New Strategy for the United States' (Introduction) PIIE: Trade Talks Episode 104 (September 30/2019): 'How to Hit Currency Manipulators and Fight the Strong Dollar'
26	LECTURE: <b>Exchange Rate Systems and Currency Crises</b> Fixed and floating exchange rates, currency crises and capital controls	READING: Carbaugh, Chapter 15
27	STUDENT-LED CLASS (Group Work) The Asian Financial Crisis	READINGS: UNCTAD (2000) 'Causes and Sources of the Asian Financial Crisis'. Sundaram (2007) 'What Did We Really Learn from the 21 1997-98 Asian Debacle?' in: Woodrow Wilson International Center: 'Ten Years After: Revisiting the Asian Financial Crisis'
28	LECTURE: <b>Globalization: Macroeconomic Policy in an Open Economy</b> Monetary and fiscal policy under fixed and floating exchange rates	READING: Carbaugh, Chapter 16
29	STUDENT-LED CLASS (Group Work) Japan and Abenomics	READINGS: Council on Foreign Relations Backgrounder

		(2018) 'Abenomics and the Japanese Economy' RIETI Discussion Paper (2015) Shimizu and Sato: 'Abenomics, Yen Depreciation, Trade Deficit, and Export Competitiveness'.
30	REVISION: Revision for the final exam: review of the course content	REVISE, practice argumentative essay writing.

### Course Organization:

The course combines lectures by the course instructor with student-led classes (group work) and class discussion. Each class has a core reading assignment: a textbook chapter. Students have to read the assigned core reading *before* class. Knowledge of the reading assignments will be tested in quizzes. Students will be required to participate in group work and presentations. They are expected to form their own opinions and actively partake in class discussion.

The course has two weekly class sessions of 90 minutes each. As a rule, Session A will be a lecture by the course instructor on the weekly topic. Session B is a student-led active learning experience, centred on student presentations and class discussion.

#### 【Textbooks/Reading Materials】

##### Textbook:

Carbaugh, Robert J. 2016. *International Economics*. Boston: Cengage Learning/Southwestern Publishing. (16<sup>th</sup> edition) (Older editions can be used).

##### Recommended Readings

- Amyx, J. 2008. 'Regional Financial Cooperation in East Asia since the Asian Financial Crisis', in A. MacIntyre, T.J. Pempel, and J. Ravenhill (eds.), *Crisis as Catalyst: Asia's Dynamic Political Economy*. Ithaca and London: Cornell University Press.
- Andrews, D. M. (1994), 'Capital Mobility and State Autonomy: Toward a Structural Theory of International Monetary Relations', *International Studies Quarterly*, 38 (2): 193-218.
- Auslin, Michael R. 2017. *The End of the Asian Century: War, Stagnation, and the Risks to the World's Most Dynamic Region*. New Haven & London: Yale University Press.
- Barma, Naazneen H. and Steven K. Vogel, eds. 2007. *The Political Economy Reader: Markets as Institutions*. London: Routledge.
- Bergsten, C. Fred and Joseph E. Gagnon 2017. *Currency Conflict and Trade Policy: A New Strategy for the United States*. Washington DC: Peterson Institute for International Economics.
- Broz, J. Lawrence, and Jeffrey Frieden. 2006. The Political Economy of Exchange Rates. In *The Oxford Handbook of Political Economy*, edited by Barry R. Weingast and Donald Wittman, 587–600. New York: Oxford University Press.
- Broz, J. Lawrence, and Seth H. Werfel. 2014. Exchange Rates and Industry Demands for Trade Protection. *International Organization*, 68 (2): 393-416.
- Chung, Duck-Koo and Barry J. Eichengreen. 2005. *The Korean Economy Beyond the Crisis*. Cheltenham: Edward Elgar Publishing.
- Cline, William R., and John Williamson. 2012. *Updated Estimates of Fundamental Equilibrium Exchange Rates*. Policy Brief in International Economics 12-23. Washington: Peterson Institute for International Economics.
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- Dooley, M., D. Folkerts-Landau and P. Garber (2003), 'An Essay on the Revived Bretton Woods System',

- NBER Working Paper No. 9971, September. National Bureau of Economic Research, Cambridge, MA.
- Eichengreen, B. 2001. 'Hanging Together? On Monetary and Financial Cooperation in Asia', Paper prepared for the World Bank conference on East Asia after the crisis. .
- Elms, Deborah K. and Patrick Low, eds. 2013. *Global value chains in a changing world*. Geneva: World Trade Organization WTO Publications.
- Frieden, J.A. 2010. 'Globalization and Exchange Rate Policy', in J.A. Frieden, D.A. Lake, and J.L. Broz (eds.), *International Political Economy: Perspectives on Global Power and Wealth*. London and New York: W.W. Norton.
- Frieden, Jeffrey A. 1991. Invested interests: the politics of national economic policies in a world of global finance. *International Organization*, 45 (4): 425-451.
- Gagnon, Joseph E. 2013. *The Elephant Hiding in the Room: Currency Intervention and Trade Imbalances*. Working Paper 13-02. Washington: Peterson Institute for International Economics.
- Garrett, Geoffrey. 1998. *Partisan Politics in the Global Economy*. Cambridge: Cambridge University Press.
- Goldberg, Pinelopi Koujianou, and Michael M. Knetter. 1997. Goods Prices and Exchange Rates: What Have We Learned? *Journal of Economic Literature* 35 (3):1243–72.
- Ha-Joon-Chang. 2007. *Bad Samaritans: The Myth of Free Trade and the Secret History of Capitalism*. London: Bloomsbury Press.
- Heilmann, Sebastian. 2018. *Red Swan: How Unorthodox Policy Making Facilitated China's Rise*. Hong Kong: University Press
- Henning, R.C. 1994. *Currencies and Politics in the United States, Germany, and Japan*. Washington, DC: Institute for International Economics.
- Henning, R.C. 2009. 'The Future of the Chiang Mai Initiative: An Asian Monetary Fund?', Peterson Institute for International Economics Policy Brief Number PB09-5.
- Hummels, David, Jun Ishii, and Kei-Mu Yi. 2001. The Nature and Growth of Vertical Specialization in World Trade. *Journal of International Economics* 54 (1):75–96.
- IDE-JETRO and WTO. 2011. *Trade patterns and global value chains in East Asia: From trade in goods to trade in tasks*. Geneva, Switzerland: World Trade Organization.
- IMF. 2014. Statistics Department. *International Reserves and Foreign Currency Liquidity: Japan*. [Washington, D.C.]: International Monetary Fund. Last Updated: October 7, 2014. Available from: <<http://www.imf.org/external/np/sta/ir/IRProcessWeb/data/jpn/eng/curjpn.htm#I>>
- Ito, T. H. Patrick, and D.E. Weinstein, eds. 2005. *Reviving Japan's Economy: Problems and Prescriptions*. Cambridge, Mass.: MIT Press.
- Katada, S. N. 2008. 'From a supporter to a challenger? Japan's currency leadership in dollar-dominated East Asia', *Review of International Political Economy*, 15 (3), 399- 417
- Kawai, M. 2008. 'The Role of Asian Currencies in the International Monetary System', Paper prepared for the 2008 Macro Research Conference, "The Global Monetary and Financial System and Its Governance," organized by the Tokyo Club Foundation for Global Studies, Tokyo 11-12 November 2008
- Kingsbury, Benedict, et al. 2019. *Megaregulation Contested: Global Economic Ordering After TPP*. Oxford: Oxford University Press.
- Krugman, Paul R., and Maurice Obstfeld. 2009. *International Economics: Theory and Policy*. Boston: Pearson Addison-Wesley.
- Low, Patrick, and Deborah K. Elms. 2012. What is "high-quality, twenty-first century" anyway? In *The Trans-Pacific Partnership: A Quest for a Twenty-First-Century Trade Agreement*, edited by C. L. Lim, Deborah K. Elms, and Patrick Low, 3-17. Cambridge: Cambridge University Press.
- MacIntyre, A., T.J. Pempel, and J. Ravenhill, eds. 2008, *Crisis as Catalyst: Asia's Dynamic Political Economy*. Ithaca and London: Cornell University Press.
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- Milner, Helen V. 1988. *Resisting Protectionism: Global Industries and the Politics of International Trade*. Princeton, NJ: Princeton University Press.
- Naughton, Barry J. 2006. *The Chinese Economy: Transitions and Growth*. Cambridge MA: MIT Press.
- Norris, William S. 2016. *Chinese Economic Statecraft: Commercial Actors, Grand Strategy, and State Control*. Ithaca; London: Cornell University Press.
- Oatley, Thomas. 2011a. *International Political Economy*. 5<sup>th</sup> ed. New York: Pearson/Longman.
- Oatley, Thomas. 2011b. The Reductionist Gamble: Open Economy Politics in the Global Economy. *International Organization*, 65 (2): 311-341.
- OECD, WTO, and World Bank Group. 2014. Global Value Chains: Challenges, Opportunities, and

- Implications. Report prepared for submission to the G20 Trade Ministers Meeting Sydney, Australia, 19 July. Available from <[http://www.oecd.org/tad/gvc\\_report\\_g20\\_july\\_2014.pdf](http://www.oecd.org/tad/gvc_report_g20_july_2014.pdf)>.
- Office of International Affairs, U.S. Treasury. 2014. Report to Congress on International Economic and Exchange Rate Policies, October 15. Washington DC.
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- Pei, M. (2006), *China's Trapped Transition: The Limits of Developmental Autocracy*. Cambridge, Mass.: Harvard University Press.
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- Putnam, Robert D. 1988. Diplomacy and domestic politics: the logic of two-level games. *International Organization*, 42 (3): 427-460.
- Rauch, James E. 1999. Networks Versus Markets in International Trade. *Journal of International Economics* 48 (1):7–35.
- Rodrik, Dani. 1995. The Political Economy of Trade Policy. In *Handbook of International Economics*, Vol. 3, edited by Gene M. Grossman and Kenneth Rogoff, 1457–94. Amsterdam: Elsevier.
- Schott, Jeffrey J. 2014. The United States, Japan, and the Trans-Pacific Partnership. Paper presented at a conference held by the High-Level Working Group on Japan-US Common Economic Challenges, at the Peterson Institute, Washington, DC, June 2.
- Shimizu, Junko, and Sato Kiyotaka. 2014. *Abenomics, Yen Depreciation, Trade Deficit and Export Competitiveness*. RIETI Discussion Paper 14-J-022. April. Tokyo: Research Institute of Economy, Trade and Industry.
- Shin, Jang-Sup. 2013. *The Global Financial Crisis and the Korean Economy*. London: Routledge.
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- Vogel, Stephen K. 2006. *Japan Remodeled: How Government and Industry are Reforming Japanese Capitalism*. Ithaca: Cornell University Press.
- Witt, Michael. 2006. *Changing Japanese Capitalism: Societal Coordination and Institutional Adjustment*. Cambridge: Cambridge University Press.

#### Section 4

##### 【Learning Assessments/Grading Rubric】

##### Grading

Final Exam	30%
Weekly Quizzes (instead of midterm exam)	10%
Writing Assignment (Essay)	25%
Group Work and Presentations	35%

Group work refers to student groups preparing and leading class discussion and the preparation and presentation of individual economic affairs reviews. Students must do at least one current affairs review and participate in one group work presentation.

Weekly quizzes (multiple choice) will have 4 questions each. The max score for a quiz is 100 points. Simply taking the quiz (being present) will get students a base score of 40 points. For each correctly answered question students will gain an additional 15 points. (all 4 questions answered correctly = 60 points).

The final exam will be in the format of argumentative essay writing. Students will have to answer two out of 9 exam questions (related to the weekly topics). The final exam will be preceded by a review session. Finally, a 1500- 2000 word paper individually written by students has to be submitted as hard copy to the instructor in the beginning of class meeting 28. Essay topics must relate to the course topic, but the exact focus can be chosen individually by students in line with their research interests, in coordination with the instructor.