# *Workshop in International Commerce 1:*

# *Advanced Topics in International Economics*

***Graduate School of International Studies (GSIS)***

***Seoul National University***

***Fall 2017***

*Instructor: Professor K.C. Fung*

*Professor of Economics,*

*University of California, Santa Cruz*

*Visiting Professor*

*Seoul National University*

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*This is a graduate course that studies the various important and timely aspects of selected international economics and business issues related to East Asian and Southeast Asian economies. The topics include, international trade, foreign direct investment, exchange rates, economic growth, business management practices, economic reforms and structural changes, high technology and innovation, etc.*

*K.C. Fung was a senior economist at the White House Council of Economic Advisers (CEA) during the George H.W. Bush and Bill Clinton Administrations. He received a letter of commendation from the U.S. President. He was also an academic advisor to the United States International Trade Commission (USITC) from 2006 to 2010 (George W. Bush and Obama Administrations). He was an academic expert to a U.S. government project related to the economic national interest of the United States in 2011 and 2012 (Obama Administration). Also in 2012, he was invited to contribute to a U.S. State Department Initiative called “Economic Statecraft: U.S. Foreign Policy in an Age of Economic Power” (Obama Administration). In 2015 and in 2016 (Obama Administration), he was working with the Office of the United States Trade Representative (USTR), researching on and promoting issues related to international trade in the Asia/Pacific.*

*K.C. Fung was an academic partner and a research consultant to the World Trade Organization (WTO) from 2004 to 2007. He was a Senior Research Fellow at the Bank of International Settlements (BIS) in 2007. He was an academic consultant to the World Bank in 2012 and 2013. He was an academic consultant to the OECD in 2013 and 2014.*

*K.C. Fung was a Visiting Fellow at Bruegel (Brussels) in 2007. In 2016 and previously in 2012 and 2008, he was a Visiting Researcher at the Bank of Finland (Helsinki). In 2014, he co-organized an academic conference at the University of Rouen, France. In 2010, he was a Visiting Professor at the University of Le Harve (France).*

*He is currently a Professor of Economics at the University of California, Santa Cruz and a Visiting Professor at Seoul National University (Fall, 2017). He also taught at Stanford University, University of Wisconsin-Madison, University of Hong Kong, the London Business School-HKU Business School-Columbia University Business School EMBA Global-Asia Program and Mount Holyoke College.*

*In this class, countries to be examined include Japan, China, India and Australia; other selected Asian/Pacific economies, Hong Kong, New Zealand, Taiwan and Singapore; and selected common business and economic issues such as U.S.-Japan and U.S.-China economic relationships, U.S.-Asia trade and investment links, trade in parts and components, high technology sectors and clusters in Asia, foreign direct investment in Asia, Asian linkages and comparisons with Latin America and Europe, etc. If there are interests and time, the class may also cover other Asian economies such as Vietnam and Indonesia.*

*There will be a final exam. If there is interest, there will also be options for students to make in-class group presentations and/or write a term paper.*

*There are no required textbooks and readings and lecture materials are provided online or via emails.*

*Relevant textbooks:*

*K.C. Fung and Alicia Garcia-Herrero (eds), Sino-Latin American Economic Relations, Routledge Press, Paperback Edition, 2014.*

*Barry Naughton, 2007, The Chinese Economy: Transitions and Growth, MIT Press.*

*The Japanese Economy, by Takatoshi Ito, MIT Press, latest edition*

*Information, Incentives and Bargaining in the Japanese Economy, by Masahiko Aoki, Cambridge University Press, latest edition.*

*Henry S. Rowen, Marguerite Gong Hancock and William F. Miller (ed.) Making IT: The Rise of Asia in High Tech, Stanford University Press, 2007.*

*Handbook of the Chinese Economy, eds. by Gregory C. Chow and Dwight Perkins, Routledge Press, 2015.*

*Why Growth Matters: How Economic Growth in India Reduced Poverty and the Lessons for Other Developing Countries by Bhagwati, Jagdish and Arvind Panagariya, Council of Foreign Relations, 2013.*

*India: The Emerging Giant, by Arvind Panagariya, Oxford University Press, 2008.*

*Special Issue on the Integration between Asia and Europe, eds.K.C. Fung, Alicia Garcia-Herrero, Andre Sapir and Jong-Eun Lee, Journal of Economic Integration June 2013.*

*Special Issue on East Asian and European Economic Linkages and Comparison, ed. K.C. Fung, Global Economic Review, December 2015.*

*Special Issue on Innovation, Firm Strategies and Competitiveness: Policies and Strategies in a Country Comparison Perspective, eds. Roberta Benini and K.C. Fung, Economic Change and Restructuring, volume 49, 2016.*

*Special Issue on Innovation and the Digital Economy: Silicon Valley and China, eds. Xiaolan Fu and K.C. Fung, Journal of Chinese Economic and Foreign Trade Studies, 2017.*

***Course Outline and Readings:***

***Topic 1. Introduction: Economic Trends in the Economies of East Asia; Economic Relationships with the State of California and the United States***

*Lecture and Discussions, Asian Economics and class materials, 2017, by K.C. Fung*

*Sharon Quirk-Silva, Chair, Assembly Committee on Jobs, Economic Development, and the Economy, “Fast Facts on the California Economy,”2017.*

*U.S. Department of Commerce, “Merchandise Exports from California,” 2016.*

<http://tse.export.gov/TSE/MapDisplay.aspx>

*Alexander Gray and Peter Navarro, “Donald Trump’s Peace Through Strength Vision for the Asia-Pacific,” Foreign Policy, 2016*

<http://foreignpolicy.com/2016/11/07/donald-trumps-peace-through-strength-vision-for-the-asia-pacific/>*.*

*“How Trade with China Helped Elect Trump” Vox March29, 2017*

<http://www.vox.com/new-money/2017/3/29/15035498/autor-trump-china-trade-election>

*United States Trade Representative (USTR), “The President’s 2017 Trade Policy Agenda”, United States Government, Washington, D.C.*

***Topic 2. The Japanese Economy and U.S.-Japan Economic Relationships***

***2.1 Overview***

*Lecture on the Evolving and the Changing Japanese Economy, 2017, by K.C. Fung*

*“The U.S.-Japan Economic Dialogue,” 2017, Office of the Vice President, U.S. Government, April.*

*“A New EU Trade Agreement with Japan,” 2017, European Commission, Brussels, July.*

***2.2 Japan’s Industry Structure and Trade***

*“The Political Economy of Exchange Rates: The Case of the Japanese Yen,” by Nathalie Aminian, K.C. Fung, Alicia Garcia-Herrero and Chelsea C. Lin, Japan and the World Economy, 2012.*

*“International Price Dispersion and Market Segmentation in Japan and the United States: Theory and Empirics,” by K.C. Fung, Alicia Garcia-Herrero and Francis Ng Asian Development Bank Institute Working Paper Series No. 417, April 2013, Tokyo: Japan.*

*Council of Foreign Relations, 2017, “Abenomics and the Japanese Economy,” February 10.*

[*https://www.cfr.org/backgrounder/abenomics-and-japanese-economy*](https://www.cfr.org/backgrounder/abenomics-and-japanese-economy)

*K.C. Fung, “Aspects of Abenomics,” Lecture materials, 2017.*

*"The Strategic Logic of Japanese Keiretsu, Main Banks and Cross- Shareholdings, Revisited," by Ulrike Schaede, Working Paper No. 247, Center on Japanese Economy and Business, Columbia Business School, October 2006.*

*“Characteristics of Japanese Industrial Groups and Their*

*Impact on U.S.-Japanese Trade, “by K.C. Fung in Robert E. Baldwin ed. Empirical Studies of Commercial Policy, NBER Conference Volume, University of Chicago Press..*

*“International Trade and Bank Groups”, by K.C. Fung, Journal of the Japanese and International Economies, 16, pp. 212-226, 2002.*

*“Japan’s Lost Decade and Weaknesses in Its Corporate Governance Structure,” by Mitsuhiro Fukao, in Robert M. Stern ed.,Japan’s Economic Recovery, Edward Elgar Publishing.*

***2.3 Japan’s Labor Market and the J-Firm***

*“Some International Properties of Japanese Firms,” by K.C. Fung, Journal of Japanese and International Economies, 6, pp.163-175.*

*“Unemployment, Profit-Sharing and Japan’s Economic Success,” European Economic Review, by K.C. Fung, 33, 783-796*

*Additional Reading Materials:*

*OECD Economic Survey of Japan, Paris, France, 2017, available online.*

*The Japanese Economy, by Takatoshi Ito, MIT Press, latest edition*

*Information, Incentives and Bargaining in the Japanese Economy, by Masahiko Aoki, Cambridge University Press, latest edition, Chapters 2, 3 and 4.*

*Chapter 8, The Labor Market, The Japanese Economy, by Takatoshi Ito.*

*“Gross Domestic Spending on R&D, 2000-2016” OECD, Paris, France.*

[*https://data.oecd.org/rd/gross-domestic-spending-on-r-d.htm*](https://data.oecd.org/rd/gross-domestic-spending-on-r-d.htm)

*Chapter 7, Industrial Structure and Policy, The Japanese Economy, by Takatoshi Ito.*

*“Japan is a Model, not a Cautionary Tale,” Joseph Stiglitz, 2013.*

*“A Simple Bargaining Analysis of the Implementation of Regional Trade Agreements” in Integration of Markets vs. Integration by Agreements, pp. 29-34, by Nathalie Aminian, K.C. Fung and Francis Ng, World Bank Policy Research Working Paper, Washington, D.C. 2008.*

***2.4. U.S.-Japan Economic Issues***

***White House Council of Economic Advisers*** *(CEA): Reclassification of Japanese Multipurpose Vehicles, Executive Office of the U.S. President, Washington, D.C., USA*

*White House Council of Economic Advisers (CEA): Meeting with Japanese Government’s Economic Planning Agency, Executive Office of the U.S. President, Washington, D.C., USA*

*White House Council of Economic Advisers (CEA) : SII: Negotiations with Japanese Government Officials, Notes by K.C. Fung, Executive Office of the U.S. President, Washington, D.C., USA*

*Structural Impediment Initiatives (SII), Interagency Negotiations with the Government of Japan, Notes by K.C. Fung, Executive Office of the President, Washington, D.C.., U.S.A.*

***Topic 3. The Chinese Economy and U.S.-China Economic Relationships***

***3.1 Overview***

*Lecture Slides on the Global Supply Chain and the Chinese Economy, 2011, presented at Stanford University, by K.C. Fung*

*Presentation Slides on Supply Chains in the Asia/Pacific: Observations and Implications, 2013, presented at the University of Hong Kong, by K.C. Fung*

*Presentation Slides on the Future of the Chinese Economy, 2017, Chinese University of Hong Kong.*

*K.C. Fung, Nathalie Aminian, Iikka Korhonen and Keith Wong, 2017, “The Chinese Yuan: Influence of Interest Groups Examined,” BOFIT Policy Brief 6/2017, Helsinki, Bank of Finland.*

*Reading Materials:*

*Barry Naughton, Chapter 4, Chapter 6*

***3.2 U.S. – China Economic Issues***

*“The China Trade Shock: Studying the Impact of China’s Rise on Workers, Firms, and Markets,” August 2016*

[www.chinashock.info/](http://www.chinashock.info/)

**United States House of Representatives**, Committee on Ways and Means, Official Request for a Study on U.S.-China and U.S.-Asia Trade and Investment, 2006

***U.S. Congressional Commission on US-China Security******and Economic Review*** *"Trade and Investment: China, the United States and the Asia/Pacific Economies," invited testimony by K.C. Fung, Hearings on China as an Emerging Regional and Technological Power, the United States Congress, U.S. Government Printing Office, Washington, DC., USA, 2004.*

[*http://www.uscc.gov/hearings/2004hearings/hr04\_02\_12.phper*](http://www.uscc.gov/hearings/2004hearings/hr04_02_12.phper)

***United States International Trade******Commission*** *“How Vertically Specialized is Chinese Trade,” USITC Discussion Paper 08-09D, by Judith Dean, K.C. Fung and Zhi Wang, The United States Government, Washington, D.C., USA, 2008; paper presented at the IMF, Washington, D.C., April 6, 2007, online at* [*http://www.usitc.gov/ind\_econ\_ana/research\_ana/research\_work\_papers/documents/EC200809D.pdf*](http://www.usitc.gov/ind_econ_ana/research_ana/research_work_papers/documents/EC200809D.pdf)

White House Council of Economic Advisers (CEA), China 301 Market Access, Executive Office of the President, Washington, D.C.

“Vertical Specialization in Chinese Trade,”Judith Dean, K.C. Fung and Zhi Wang, BOFIT Online, Bank of Finland, Helsinki, June 2009.

***U.S. Congressional Commission on US-China Security******and Economic Review*** *"U.S.-China Bilateral Investment" invited testimony by K.C. Fung, Hearings on Chinese State-Owned Enterprises and U.S.-China Bilateral Investment, the United States Congress, Washington, DC., USA, 2011*

[*http://www.uscc.gov/hearings/2011hearings/written\_testimonies/hr11\_03\_30.php*](http://www.uscc.gov/hearings/2011hearings/written_testimonies/hr11_03_30.php)

***3.3 Other Aspects of China; China and East and Southeast Asia; China and Latin America, China and Europe***

*Reading Materials:*

*Barry Naughton, Chapter 16, Chapter 17, Chapter 20.*

*K.C. Fung and Alicia Garcia-Herrero eds., 2014, Sino-Latin American Economic Relations, Routledge Press, Paperback Edition,*

*Introduction, Chapter 1, 2, 4, 6 and 8.*

China and Latin America, 2008, K.C. Fung and Alicia Garcia-Herrero

“Foreign Trade of China,” by K.C. Fung, Francis Ng and Sarah Tong, in Handbook of Chinese Economy, eds. by Gregory C. Chow and Dwight Perkins, Routledge Press, 2015.

*United States Direct Investment in China, by K.C. Fung, Lawrence. J. Lau and Joseph Lee, with a Foreword by Former U.S. Secretary of State George P. Shultz, American Enterprise Institute Press, Washington, D.C., 2004.*

*“FDI Flows to Latin America, East and Southeast Asia and China: Substitutes or Complements?” Review of Development Economics, by Busakorn Chantasasawat, K.C. Fung, Hitomi Iizaka and Alan Siu, 2009.*

*“China and Central and Eastern European Countries: Regional Networks, Global Supply Chain or International Competitors?” by K.C. Fung, Iikka Korhonen, Ke Li and Francis Ng, BOFIT Discussion Paper No. 9-2008, Institute for Economies in Transition, Bank of Finland, Helsinki, Finland, June 2008.*

*“The Euro and the Yuan: Some Political Economy Considerations,” 2016, Nathalie Aminian, K.C. Fung and K.S. Maurice Tse, China Economic Policy Review, vol.5, issue 1, pp.1-13.*

*Additional Reading Materials:*

*OECD, Economic Survey of China, March 2017, Paris: France, Overview, available online.*

*“What is so Special About Chinese Export ?” Kennedy School of Government, Harvard University, Dani Rodrik, NBER working paper, 2006, available online.*

*“Domestic Value Added and Employment Generated by Chinese Exports: A Quantitative Estimation” by Xikang Chen, Leonard Cheng, K.C. Fung, Lawrence J. Lau, Jiansuo Pei, Yun-Wing Sung, Zhipeng Tang, Yanyan Xiong, Cuihong and Kunfu Zhu, China Economic Review, 2012.*

Presentation to the **OECD**, Paris: France, June 2014, K.C. Fung

Presentation to the **World Trade Organization**, WTO, Geneva: Switzerland, June 2013, K.C. Fung

“Silk Road and China,” Presented to **London Business School-Hong Kong University Business School-Columbia University Business School EMBA-Global Asia**, Lecture by K.C. Fung, 2016.

***Topic 4. The Australian Economy***

*Lecture on the Australian Economy, by K.C. Fung, 2017.*

*Australian Government, Australia in the Asian Century, White Paper, October 2012, Department of the Prime Minister and Cabinet Canberra: Australia*

*OECD, “Economic Surveys: Australia,” March 2017, Paris: France.*

*Factsheet on the Australian Economy, 2017, Australian Government.*

*“The Dutch Disease in Australia: Policy Options for a Three-Speed Economy,” 2012, W. Max Corden, Australia National University.*

*“Australia Benchmark Report 2017”, 2017, Australia Trade and Investment Commission, The Australian Government.*

***Topic 5. The New Zealand Economy***

*Factsheet on the New Zealand Economy, 2017, Australian Government*

*Lecture on the New Zealand Economy, by K.C. Fung, 2017.*

*“Special Topic: Macroeconomic Equilibrium in the Long Run,”2014, The Treasury, February, New Zealand Government.*

*“Republic of Korea-New Zealand Trade, Investment and Migration,”2016, December, New Zealand Government.*

*OECD, “Economic Surveys: New Zealand,” June 2017, Paris: France.*

***Topic 6. The Indian Economy***

***6.1 Overview***

*Arvind Panagariya, India: The Emerging Giant, Oxford University Press, 2008., Ch. 1 and 5.*

***6.2 External and Labor Market Aspects of the Indian Economy***

*Arvind Panagariya, India: The Emerging Giant, Oxford University Press, 2008., Ch. 12 and 13.*

*“India and China: Trade and Foreign Investment,” by Arvind Panagariya, Columbia University, 2006.*

*“Production Network in China and India: A Comparative Analysis,” by K.C. Fung, Hsiang-Chih Hwang, Francis Ng and Jesus Seade, Economic Change and Restructuring, March 2013.*

*“International Trade and Production Networks: Comparison of China and Greater China versus India and South Asia,” by K.C. Fung, Hsiang-Chih Hwang, Francis Ng and Jesus Seade, 2013, BOFIT Online 1/2013, Bank of Finland, Helsinki.*

*“India: The Emerging Giant” by Arvind Panagaria, YouTube*

<http://www.youtube.com/watch?v=rGnGHfYscec>

*OECD Economic* *Survey of India, 2007, Paris, France.*

*OECD Economic* *Survey of India, 2011, Paris, France.*

*OECD Economic Survey of India, 2017, Paris, France.*

***6.3 Applications****:*

*Bank for International Settlements (BIS), “Where Do Chinese and Indian Investors Go and Why?” by K.C. Fung and Alicia Garcia-Herrero, September 2007*

*United States Trade Representative (USTR), Interagency Report on Review of Trade and Investment Policies: India, Washington, D.C.*

***Topic 7. Asia-Latin America and Asia-Europe Economic Relations***

***7.1 Asia-Latin America Economic Relations***

*“Finding an Upside for Latin America in China’s Slowdown,” by K.C. Fung, Nikkei Asian Review, April 22, 2015.*

*“Beyond Minerals: China-Latin American Trans-Pacific Supply Chain,” by K.C. Fung, Alicia Garcia-Herrero and Jesus Seade, BOFIT Policy Brief, 2015, No. 5.*

*Sino-Latin American Economic Relations, eds. By K.C. Fung and Alicia Garcia-Herrero, particularly Chapters 2, 4, 7 and 9.*

***8.2 Asia-Europe Economic Relations***

*“EU Links can Help China Ease Labor Crunch,” by K.C. Fung, Nikkei Asian Review, June 19, 2015.*

*“Germany: Business and Economics,” 2017, Slides by K.C. Fung.*

*Special Issue on the Integration between Asia and Europe, eds.K.C. Fung, Alicia Garcia-Herrero, Andre Sapir and Jong-Eun Lee, Journal of Economic Integration June 2013.*

*Special Issue on East Asian and European Economic Linkages and Comparison, ed. K.C. Fung, Global Economic Review, December 2015.*

***Topic 8. East Asian Trade and Investment***

***9.1 Production Network, Foreign Direct Investment and Regional Integration***

*“East Asian Trade in Services,” by Nathalie Aminian, K.C. Fung, Alicia Garcia-Herrero and Francis Ng, in Globalization, Development and Security in Asia, ed. By Sarah Tong, World Scientific Press, 2014.*

*“A Comparative Analysis of Trade and Economic Integration in East Asia and Latin America,” by Nathalie Aminian, K.C. Fung and Francis Ng, Economic Change and Restructuring, 2009.*

*“Foreign Direct Investment, Intra-Regional Trade and Production Sharing in East Asia,” by Nathalie Aminian, K.C. Fung and Hitomi Iizaka****,*** *Research**Institute of Economy, Trade and Industry (RIETI) Discussion Paper 07-E-064, Government of Japan, Tokyo, Japan, December 2007.*

*"EU and East Asia--the Third Link" Bruegel Discussion Paper 2006, Brussels, Belgium:*

*http://www.bruegel.org/uploads/tx\_btbbreugel/wp\_031008\_asia.pdf*

*"Production Sharing in East Asia," K.C. Fung, Hitomi Iizaka and Alan Siu, IDE-JETRO, Chiba, Japan, 2007.*

***Topic 9. High Technology in Asia***

*“China Needs to Let Its Silicon Valley-Like Companies Grow,” by K.C. Fung, Nikkei Asian Review, March 6, 2015*

*“Some Characteristics of Innovation Activities: Silicon Valley, California, China and Taiwan,” by K.C. Fung, Nathalie Aminian and Chris Y. Tung, Economic Change and Restructuring, 2016.*

*Henry S. Rowen, Marguerite Gong Hancock and William F. Miller (ed.) Making IT: The Rise of Asia in High Tech, Stanford University Press, 2007.*

*Chapter 5 “The Re-Making of Singapore’s High-Tech Enterprise Ecosystem” by Poh Kam Wang*

*Chapter 6 “The Tale of Two Valleys: Daeduk and Teheran,” by Zong-Tae Bae, Jun-Woo Bae, Jong-Gie Kim, Kark Bum Lee, Sang-Mok Suh and Sam Ock Park*