

## **ITRN 701-001: Trade, Investment and Financial Issues in Asia**

Course Outline: This course aims to provide an introduction to selected aspects of Asian economic development and the region's interactions with the rest of the world. The course is not descriptive in nature and it is not just a survey of issues. Rather, the focus will be on developing simple analytical tools to understand key trends and macroeconomic, financial and trade policy issues that confront Asia in the world economy. Topics covered include sources of growth in the Newly Industrializing Economies (NIEs) in East Asia, the rise of China and India and their impact of the global trading system, foreign direct investment to Asia, Currency crisis in Asia, Asian reserve build-up, Asian exchange rate regimes and issues relating to Asian economic regionalism.

Since this is a graduate level course with only one lecture per week, significant degree self-study, reading and initiative is expected. The course is fairly intensive and students are expected to have fully read the assigned readings before class.

Prereq: ITRN 503, 504 or their equivalent.

**Lecturer:** Assoc. Prof. Ramkishen Rajan  
ARL 238A  
E-mail: rrajan1@gmu.edu

**Lecture Time:** Wednesday, 7:20pm – 10:00pm

**Lecture Venue:** ARL336

**Office Hours:** Wednesday 5:30 – 7:00pm, or by appointment or e-mail.  
*(Do not leave phone messages; best to e-mail me).*

No required Text.

All required readings are listed below with the URLs. Any additional readings will be posted on the course webct.

**Assessment:** In-class Mid-Term (25%).  
Term Paper (25%).  
Take-home Finals (25%).  
Paper Presentation (15%).  
Class participation (10%).

*Details of Exams, Paper and presentation will be discussed in Week 2 of class.*

### **Important information on grading**

I have high standards and in larger classes, it is unlikely (but by no means impossible) that more than 30 percent of the class will get an “A” or “A-” grade (i.e. sign of good performance in my class). Based on past history, the median grade is likely to be in the range of “B” or “B+”. Grades in this class have to be earned; they are not an entitlement and neither are they negotiable.

**SPP Policy on Plagiarism:**

The profession of scholarship and the intellectual life of a university as well as the field of public policy inquiry depend fundamentally on a foundation of trust. Thus any act of plagiarism strikes at the heart of the meaning of the university and the purpose of the School of Public Policy. It constitutes a serious breach of professional ethics and it is unacceptable.

Plagiarism is the use of another's words or ideas presented as one's own. It includes, among other things, the use of specific words, ideas, or frameworks that are the product of another's work. Honesty and thoroughness in citing sources is essential to professional accountability and personal responsibility. Appropriate citation is necessary so that arguments, evidence, and claims can be critically examined.

Plagiarism is wrong because of the injustice it does to the person whose ideas are stolen. But it is also wrong because it constitutes lying to one's professional colleagues. From a prudential perspective, it is short-sighted and self-defeating, and it can ruin a professional career.

**The faculty of the School of Public Policy takes plagiarism seriously and has adopted a zero tolerance policy.** Any plagiarized assignment will receive an automatic grade of "F." This may lead to failure for the course, resulting in dismissal from the University. This dismissal will be noted on the student's transcript. For foreign students who are on a university-sponsored visa (e.g. F-1, J-1 or J-2), dismissal also results in the revocation of their visa.

To help enforce the SPP policy on plagiarism, all written work submitted in partial fulfillment of course or degree requirements must be available in electronic form so that it can be compared with electronic databases, as well as submitted to commercial services to which the School subscribes. Faculty may at any time submit student's work without prior permission from the student. Individual instructors may require that written work be submitted in electronic as well as printed form. The SPP policy on plagiarism is supplementary to the George Mason University Honor Code; it is not intended to replace it or substitute for it. (<http://www.gmu.edu/facstaff/handbook/aD.html>)

**Special Needs:**

If you are a student with a disability and you need academic accommodations, please see me and contact the Disability Resource Center (DRC) at 993-2474. All academic accommodations must be arranged through the DRC.

## Draft Course Outline

### **Weeks 1 and 2: Course Preliminaries and Economic Globalization (Aug. 27 & Sep.3)**

Guest Lecture: Hattari, R. and R.S. Rajan (2008). "What is the Extent of Bilateral FDI Flows in Developing Asia", Working Paper No.11, HKIMR.

<http://www.freewebs.com/rrajan1/AFDI.pdf>

Basu, K. (2005). "Globalization, Poverty and Inequality: What is the Relationship? What can be Done?", mimeo.

<http://www.arts.cornell.edu/econ/cae/05-13.pdf>

Bernanke, B. (2006). "Global Economic Integration: What's New and What's Not?", Annual Economic Symposium, Jackson Hole, Wyoming, August 25.

<http://www.federalreserve.gov/boarddocs/speeches/2006/20060825/default.htm>

Bird, G. and R.S. Rajan (2001). "Economic Globalization: Separating Fact from Fiction".

<http://www.adelaide.edu.au/cies/papers/0117.pdf>

Goldman Sachs (2003). "Dreaming with BRICs: The Path to 2050", Global Economic Papers No. 99.

<http://www2.goldmansachs.com/ideas/brics/book/99-dreaming.pdf>

IMF (2001). "Globalization: Threat or Opportunity?".

<http://www.imf.org/external/np/exr/ib/2000/041200to.htm>

IMF (2007). "Reaping the Benefits of Financial Globalization"

<http://www.imf.org/external/np/res/docs/2007/0607.pdf>

Pangariya, A. (2004). "The Miracles of Globalization", Foreign Affairs, September/October.

[http://www.columbia.edu/~ap2231/Policy%20Papers/Foreign%20Affairs\\_Review\(Wolf\)\\_Sept-Oct\\_04\\_Published.pdf](http://www.columbia.edu/~ap2231/Policy%20Papers/Foreign%20Affairs_Review(Wolf)_Sept-Oct_04_Published.pdf)

Rodrik, D. (2001). "Feasible Globalizations".

<http://ksghome.harvard.edu/~drodrik/Feasglob.pdf>

Rodrik, D. (2006). "How to Save Globalization from its Cheerleaders", mimeo.

<http://ksghome.harvard.edu/~drodrik/Saving%20globalization.pdf>

Bussière, M. and A Mehl (2008). "China;s and India's Roles in Global Trade and Finance: Twin Titans for the New Millennium?", Occasional Paper No.80, ECB.

<http://www.ecb.eu/pub/pdf/scpops/ecbocp80.pdf>

### **Weeks 3 and 4: Basics on Sources of Growth (Sep. 10 & Sep. 17)**

Bradford, D. (undated). "Notes on Growth Accounting"

[http://www.j-bradford-delong.net/macro\\_online/growth\\_accounting.pdf](http://www.j-bradford-delong.net/macro_online/growth_accounting.pdf)

Krugman, P. (1995). "The Myth of Asia's Miracle", Foreign Affairs, 73, pp.62-78.

<http://web.mit.edu/krugman/www/myth.html>

Rodrik, D. (1997). "TFPG Controversies, Institutions, and Economic Performance in East Asia", NBER Working Paper 5914, February.

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=225695](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=225695)

Sarel, M. (1996). "Growth in East Asia: What We Can and What We Cannot Infer", Economics Issues No.1, IMF.

<http://www.imf.org/external/pubs/ft/issues1/issue1.pdf>

Young, A. (1994). "Lessons from the East Asian NICs: A Contrarian View", European Economic Review, 38, 964-973.

<http://ideas.repec.org/a/eee/eecrev/v38y1994i3-4p964-973.html>

### **Weeks 5 and 6 Industrial Development in Asia (Sep. 24 & Oct.1)**

Hausmann, R. and D. Rodrik (2006). "Doomed to Choose: Industrial Policy as Predicament", mimeo.

<http://ksghome.harvard.edu/~drodrik/doomed.pdf>

Kuchiko, A. (2007). "Industrial Policy in Asia", IDE Discussion Paper No.128.

[http://ir.ide.go.jp/dspace/bitstream/2344/659/1/ARRIDE\\_Discussion\\_No.128\\_kuchiki.pdf](http://ir.ide.go.jp/dspace/bitstream/2344/659/1/ARRIDE_Discussion_No.128_kuchiki.pdf)

Lin, J. (2004). "Development Strategies for Inclusive Growth in Developing Asia", ADB.

<http://209.225.62.100/Documents/Papers/Distinguished-Speakers/justin-paper.pdf>

Matthews, J.A. (2005). "The Intellectual Roots of Latecomer Industrial Development", International Journal of Technology and Globalisation, 1, pp.433-450.

[http://www.mqsm.edu.au/facultyhome/john.mathews/IJTG%201\\_4\\_%2003%20Mathews.pdf](http://www.mqsm.edu.au/facultyhome/john.mathews/IJTG%201_4_%2003%20Mathews.pdf)

Ozawa, T. (2006). "Asia's Labour-Driven Economic Development, Flying Geese Style", Working Paper No.2006/59, UNI-WIDER.

[http://www.wider.unu.edu/publications/working-papers/research-papers/2006/en\\_GB/rp2006-59/](http://www.wider.unu.edu/publications/working-papers/research-papers/2006/en_GB/rp2006-59/)

Panagariya, A. (2007). "Outsourcing: Is the Third Industrial Revolution Really Around the Corner?", mimeo.

<http://www.columbia.edu/~ap2231/Policy%20Papers/Tokyo%20club%20Outsourcing%20November%2013-14%202007.pdf>

Rodrik, D. (2004). "Industrial Policy for the Twenty-First Century", UNIDO.

<http://ksghome.harvard.edu/~drodrik/UNIDOSep.pdf>

Rodrik, D. (2004). "Growth Strategies", mimeo.

<http://ksghome.harvard.edu/~drodrik/GrowthStrategies.pdf>

Smith, H., G. Day, B. Thomas and L. Yeaman (1998). "The Changing Pattern of East Asia's Growth", Australian Treasury.

[http://www.treasury.gov.au/documents/958/PDF/05\\_changing\\_pattern.pdf](http://www.treasury.gov.au/documents/958/PDF/05_changing_pattern.pdf)

Urata, S. (2002). "Japan's FDI in East Asia".

<http://www.imf.org/external/pubs/ft/seminar/2002/fdi/eng/pdf/urata.pdf>

Tan, Y.Y., A. Eng and E. Robinson (2008). "Perspectives on Growth: A Political-Economy Framework Lessons from the Singapore Experience", Working Paper No.1, Growth Commission.

<http://www.growthcommission.org/storage/cgdev/documents/qcwp001web.pdf>

Wade, R. (2005). Bringing the State Back In: Lessons from East Asia's Development, mimeo.

<http://library.fes.de/pdf-files/id/ipg/02860.pdf>

### **Week 7: Free Trade Agreements in Asia (Oct. 8 & Oct. 15)**

(Presentation of topics by students)

ADB (2008).

<http://www.adb.org/Documents/Manuals/FTA/part1.pdf>

Revision Guru "Trade Creation and Trade Diversion"

<http://www.revisionguru.co.uk/economics/creatdiver.htm>

Baldwin, R.E. (2006). "Managing the Noodle Bowl: The Fragility of East Asian Regionalism", Graduate Institute of International Studies, Geneva.

[http://www.sussex.ac.uk/Units/caris/CARIS/T.Carpenter-R.Baldwin-Sussex%20RTA%20Conference-Manage\\_CEPR\\_DP.pdf](http://www.sussex.ac.uk/Units/caris/CARIS/T.Carpenter-R.Baldwin-Sussex%20RTA%20Conference-Manage_CEPR_DP.pdf)

Pangariya, A. (1999). "The Regionalism Debate", The World Economy, June, 477-511.

[http://www.columbia.edu/~ap2231/Policy%20Papers/overview-we\(1\).pdf](http://www.columbia.edu/~ap2231/Policy%20Papers/overview-we(1).pdf)

Pomfret, R. (2005). "Regional Trade Agreements", University of Adelaide.

<http://www.economics.adelaide.edu.au/research/papers/doc/econwp05-15.pdf>

Rajan, R.S. (2005). "Trade Liberalization and the New Regionalism in the Asia-Pacific: Taking Stock of Recent Events", International Relations of the Asia-Pacific, 5, PP.217-233

<http://www.freewebs.com/rrijan01/ftairap.pdf>

### **Week 8: Mid-term (Oct. 22)**

### **Weeks 9 and 10: Financial Crisis in Asia (Oct. 29 & Nov.5)**

Berg, A. (1999). "The Asia Crisis: Causes, Policy Responses and Outcomes", IMF Working Paper 99/139, October.

<http://www.imf.org/external/pubs/ft/wp/1999/wp99138.pdf>

Eichengreen, B. (2001). "Managing Financial Crises", U.C. Berkeley, November.

[http://www.econ.berkeley.edu/~eichengr/policy/crises\\_nov01.pdf](http://www.econ.berkeley.edu/~eichengr/policy/crises_nov01.pdf)

Lane, T. (1999). "The Asian Financial Crisis: What Have We Learned?", Finance and Development, 36.

<http://www.imf.org/external/pubs/ft/fandd/1999/09/lane.htm>

Rajan, R.S. (2007). "Financial Crisis, Capital Outflows and Policy Responses", Journal of Economic Education, 38, pp.92-108.

<http://www.spp.nus.edu.sg/docs/wp/wp0502b.pdf>

### **Weeks 11 and 12: Asia and Global Finance (Nov. 12 & Nov.19)**

Beck, R. and M. Fidora (2007). "The Impact of Sovereign Wealth Funds on Global Financial Markets", ECB Occasional Paper Series No.91.

<http://www.ecb.eu/pub/pdf/scpops/ecbocp91.pdf>

Disyatat, P. (2004). "Rationalizing Asia's Foreign Reserves Build-up", Bank of Thailand, June.

[http://www.rieti.go.jp/en/events/04061701/pdf/disyatat\\_paper.pdf](http://www.rieti.go.jp/en/events/04061701/pdf/disyatat_paper.pdf)

Eichengreen, B. (2006). "Global Imbalances: The New Economy, the Dark Matter, the Savvy Investor, and the Standard Analysis," The Journal of Policy Modeling, 28, pp. 645-652.

<http://www.econ.berkeley.edu/~eichengr/matter.pdf>

Green, R. and T. Torgerson (2007). "Are High Foreign Exchange Reserves in Emerging Markets a Blessing or a Burden?," US Treasury Occasional Paper No.6.

<http://www.treas.gov/offices/international-affairs/occasional-paper-series/docs/reserves.pdf>

Kern, S. (2007). "Sovereign Wealth Funds: State Investments on the Rise", Deutsche Bank.

[http://www.dbresearch.com/PROD/DBR\\_INTERNET\\_EN\\_PROD/PROD000000000215270.pdf](http://www.dbresearch.com/PROD/DBR_INTERNET_EN_PROD/PROD000000000215270.pdf)

### **Week 13: Final Exam (Dec.3)**

*Note: This schedule is tentative and could undergo some changes over the course of the semester (for instance, there may be guest lectures, there may be a new and interesting and relevant topic that has gained importance, etc.)*