

ASIAN ECONOMIC DEVELOPMENT AND INTEGRATION

Fall/Winter 2014 (Thursday 16:40 – 18:20)
Graduate School of Public Policy
University of Tokyo
Offered by Masahiro Kawai and ADBI staff

Course Description

This course will provide an overview of the key factors influencing the rapid growth and development of Asian economies since the 1950s, with a focus on developments since the Asian financial crisis (1997/98). It will examine a range of development challenges that the region has faced, and the response of various economies. The course will draw on diverse country, sub-regional, and regional experience to identify policies that seem to have contributed most significantly to growth and development, examine why they “worked,” and how they might be applied in other developing economies. It will consider current policy debates on a host of “hot” topics including macroeconomic management, trade, financial market development, regional economic integration, and the environment. At the end of the course, students should understand the key drivers of Asian economic growth, development and integration in the past 60 years and be familiar with a range of development issues likely to influence policy options in the region moving forward.

Students are expected to attend all lectures, participate actively in class discussions, produce a lecture note for the session of the student’s choice, write a term paper on any of the lecture topics, and make a class presentation on the paper.

Each student will be assessed as follows:

- 10% - attendance
- 20% - contribution to class discussion
- 20% - production of a lecture note
- 20% - term paper presentation
- 30% - written term paper (individual)

Lecture Note:

- Maximum of 20 pages (Arial font, 1.5 space, 11pt), including tables and figures
- The lecture note is due **26 January 2015 (Monday)**

Term Paper:

- Maximum of 20 pages (Arial font, 1.5 space, 11 pt), including tables and figures
- A term paper proposal is due on **1 Dec. 2014 (Monday) 12pm (noon)**
- An agreed term paper proposal is due on **22 Dec. 2014 (Monday) 12pm (noon)**
- The final term paper is due on **19 Jan. 2015 (Monday) 12pm (noon)**
- Final paper presentation PPT is due by **21 Jan. 2015 (Wednesday) 12pm (noon)**

(For more details on the term paper see the “Term Paper Process and Guidelines” note below.)

Lecturer-in-charge: Masahiro Kawai

Assistant Lecturer-in-charge: Jae-Ha Park, ADBI

Course Coordinator: Khan Kikkawa, Research Associate, ADBI

Lecture Topics and Readings	Lecturer (Date)
<p>[1] Sources of growth and development in Asia</p> <p>The lecture will briefly review economic growth theories; discuss the sources of growth in Asia - why some countries grew fast while others slow; institutional factors, human capital development, policy lessons and growth strategy.</p> <p><u>Readings</u></p> <p>Asian Development Bank (ADB). 2008. <i>Emerging Asian Regionalism: A Partnership for Shared Prosperity</i>. Manila: Asian Development Bank (Chapter 6). http://www.adb.org/Documents/Books/Emerging-Asian-Regionalism/default.asp?p=rcipub</p> <p>Commission on Growth and Development. 2008. <i>The Growth Report: Strategies for Sustained Growth and Inclusive Development</i>. Washington: World Bank (Part 2). http://www.growthcommission.org/index.php?Itemid=169&id=96&option=com_content&task=view</p> <p>Jorgenson, Dale. 2002. <i>Economic Growth in the Information Age</i>. Cambridge: MIT Press.</p> <p>Park, Yung Chul. 2009. <i>The Global Economic Crisis and Rebalancing Growth in East Asia</i>. ADBI Research Policy Brief 31. http://www.adbi.org/files/2009.12.15.rpb31_global.economic.crisis.east.asia.pdf</p> <p>Ros, Jaime. 2000. <i>Development Theory and the Economics of Growth</i>. Michigan: University of Michigan Press.</p> <p>Stiglitz, Joseph E. 1996. "Some Lessons from the East Asian Miracle." <i>World Bank Research Observer</i>, Vol. 11, No. 2 (August). Washington, DC: World Bank.</p>	<p>J.H Park (2 Oct)</p>
<p>[2] Regional cooperation and integration in Asia</p> <p>The lecture will discuss the main pillars of regional cooperation and integration in Asia (trade and investment, money and finance, infrastructure, regional public goods), present an analysis of the Asian approach to regionalism, review recent trends of regional cooperation and integration indicators, and analyze Asia's institutional architecture for regionalism.</p> <p><u>Readings</u></p> <p>Asian Development Bank (ADB). 2008. <i>Emerging Asian Regionalism: A Partnership for Shared Prosperity</i>. Manila: Asian Development Bank. http://www.adb.org/Documents/Books/Emerging-Asian-Regionalism/default.asp?p=rcipub</p> <p>Capannelli Giovanni, Jong-Wha Lee, and Peter A. Petri. 2009. "Developing Indicators for Regional Economic Integration." ADB Working Paper Series on</p>	<p>G. Capannelli (9 Oct)</p>

<p>Regional Economic Integration No. 33. Manila: Asian Development Bank. http://aric.adb.org/pdf/workingpaper/WP33_Developing_Indicators_for_REI.pdf</p> <p>Capannelli, Giovanni. 2011. <i>Institutions for Economic and Financial Integration in Asia: Trends and Prospects</i>. ADBI Working Paper 308. Tokyo: Asian Development Bank Institute. Available: http://www.adbi.org/workingpaper/2011/09/07/4689.economic.financial.integration.asia.trends.prospects/.</p> <p>Capannelli, Giovanni. Forthcoming 2014. "Domestic Reforms and Regional Integration: The ASEAN toward 2030". ADB Working Paper. Manila: Asian Development Bank.</p>	
<p>[3] Asian economic development and integration</p> <p>The lecture will discuss the meaning of development, the main development challenges in Asia, the East Asian miracle experience, the impact of the Asian financial crisis, and the process and form of Asian economic integration.</p> <p><u>Readings</u></p> <p>World Bank. 1993. <i>The East Asian Miracle: Growth and Public Policy</i>. Washington, DC: World Bank. http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187283&theSitePK=523679&entityID=000009265_3970716142516&searchMenuPK=64187283&theSitePK=523679</p> <p>Fukasaku, Kiichiro, Masahiro Kawai Michael G. Plummer, and Alexandra Trzeciak-Duval, eds. 2005. <i>Policy Coherence towards East Asia: Development Challenges for OECD Countries</i>, Paris: Development Centre, Organisation for Economic Cooperation and Development. (Particularly Chapter 1)</p> <p>Asian Development Bank (ADB). 2008. <i>Emerging Asian Regionalism: A Partnership for Shared Prosperity</i>. Manila: Asian Development Bank. (Particularly Chapters 1 and 2) http://www.adb.org/Documents/Books/Emerging-Asian-Regionalism/default.asp?p=rcipub</p>	<p>M. Kawai (16 Oct)</p>
<p>[4] The middle income trap, the People's Republic of China and Asia</p> <p>The lecture investigates the phenomenon of the middle-income trap with particular reference to the PRC and countries in Southeast Asian that might be considered trapped, notably Thailand, Malaysia and Philippines. The concept of the middle-income trap is explored with a discussion of how to determine if a country is trapped, and what are the underlying problems including growth slowdown, low-cost advantage, losing competitiveness as wages rise, and the inability to upgrade to higher value goods and services.</p> <p><u>Required reading</u></p> <p>J. Zhuang, P. Vandenberg, and Y. Huang. 2012. <i>Growing Beyond the Low-Cost</i></p>	<p>P. Vandenberg (Oct 23)</p>

<p><i>Advantage: How the People's Republic of China can Avoid the Middle-Income Trap</i>, Manila: Asian Development Bank. (Chapters 1-3) http://www.adb.org/publications/growing-beyond-low-cost-advantage-how-prc-can-avoid-middle-income-trap</p> <p><u>Other readings</u></p> <p>P. Vandenberg, L. Poot, and J. Miyamoto (forthcoming 2014). "Avoiding the middle income trap: Lessons for the People's Republic of China." Draft ADBI Working Paper.</p> <p>J. Felipe. 2012. "Tracking the Middle-Income Trap: What is It, Who is in It, and Why? (Part 1)." ADB Economics Working Paper. http://www.adb.org/publications/tracking-middle-income-trap-what-who-and-why-part-1</p>	
<p>[5] Trade and investment: The rise and impact of production networks</p> <p>The lecture will discuss how production networks have changed trade patterns in Asia and the impact of production networks on trade flows and bilateral trade balances.</p> <p><u>Readings</u></p> <p>Xing, Y. 2010. "How the iPhone Widens the Trade Deficit of the US with PRC." ADBI Working Paper, No. 257. http://www.adbi.org/working-paper/2010/12/14/4236.iphone.widens.us.trade.deficit.prc/</p> <p>Xing, Y. 2012. "Processing Trade, Exchange Rates and China's Bilateral Trade Balances." <i>Journal of Asian Economics</i>, 23:4, pp. 540-547.</p> <p>Xing, Y. 2012. "The People's Republic of China's High-tech Exports: the Myth and Reality," ADBI Working Paper, No. 357. http://www.adbi.org/working-paper/2012/04/25/5055.prc.high.tech.exports.myth.reality/</p> <p>World Trade Organization (WTO) and IDE-JETRO. 2011. <i>Trade Patterns and Global value Chains in East Asia: from Trade in Goods to Trade in Tasks</i>. http://www.ide.go.jp/English/Press/pdf/20110606_news.pdf</p>	<p>Y. Xing (30 Oct)</p>
<p>[6] Trade and development: Key Policies, Approaches and Impacts</p> <p>This lecture will review the role of trade policy in economic development in Asia. Issues include: (i) the theoretical links between trade policy, growth and poverty reduction; (ii) the benefits and costs of alternative approaches to trade policy (unilateral liberalization, WTO multilateralism, and free trade agreement-led regionalism), (iii) the impasse in the WTO Doha Round and the case for WTO reforms; (iv) the spread of free trade agreements, challenges and remedies; (v) the economic effects of the Transpacific Partnership vs. the ASEAN-centered approach to consolidation of free trade agreements; and (vi) adjustment costs of trade liberalization.</p>	<p>G. Wignaraja (6 Nov)</p>

<p><u>Required reading</u></p> <p>Masahiro Kawai and Ganeshan Wignaraja. 2014. "Trade Policy and Growth in Asia" ADBI Working Paper No 495 (August). http://www.adbi.org/files/2014.08.15.wp495.trade.policy.growth.asia.pdf</p> <p><u>Other readings</u></p> <p>Kawai, M. and Wignaraja, G. 2011. "Asian FTAs: Trends, Prospects and Challenges", <i>Journal of Asian Economics</i>, Vol. 22, pp. 1-22.</p> <p>Wignaraja, G. 2011. "Economic Reforms, Regionalism and Exports, Comparing China and India", East West Center Policy Studies No. 60. www.eastwestcenter.org/sites/default/files/private/ps060.pdf</p> <p>Chia, S.Y. 2010. "Trade and Investment Policies and Regional Economic Integration in East Asia", ADBI Working Papers No. 210. http://www.adbi.org/working-paper/2010/04/05/3652.trade.investment.policies.east.asia/</p> <p>World Trade Organization (WTO). 2011. <i>World Trade Report: The WTO and Preferential Trade Agreements: From Co-Existence to Coherence</i>, Geneva: World Trade Organization. http://www.wto.org/english/res_e/publications_e/wtr11_e.htm</p>	
<p>[7] Macroeconomic management</p> <p>The lecture will examine issues of macroeconomic management in Asia after the global financial crisis. Issues include monetary policy, exchange rate management and capital flows, exit strategies, etc.</p> <p><u>Required reading</u></p> <p>Takagi, Shinji. 2009. "The Global Financial Crisis and Macroeconomic Policy Issues in Asia." ADBI Research Policy Brief 32. http://www.adbi.org/files/2009.12.18.rpb32.qfc.macroeconomic.policy.issues.asia.pdf</p> <p><u>Other readings</u></p> <p>Park, Yung Chul. 2009. "The Global Economic Crisis and Rebalancing Growth in East Asia." ADBI Research Policy Brief 31. http://www.adbi.org/files/2009.12.15.rpb31.global.economic.crisis.east.asia.pdf</p> <p>Kawai, M. and M. Lamberte, eds. 2010. <i>Managing Capital Flows: The Search for a Framework</i>. UK: Edward Elgar. http://www.adbi.org/book/2010/12/22/4274.managing.capital.flows/</p> <p>Kawai, M., P. Morgan and S. Takagi, eds. 2012. <i>Monetary and Currency Policy Management in Asia</i>. Cheltenham, UK: Edward Elgar.</p>	<p>P. Morgan (13 Nov)</p>

<p>http://www.adbi.org/book/2012/02/24/5008.monetary.currency.policy.mngt.asia/</p> <p>Ostry, J., A. Ghosh, K. Habermeier, M. Chamon, M. Qureshi, and D. Reinhart. 2010. <i>Capital Inflows: The Role of Controls</i>. IMF Staff Position Note SPN/10/4. Washington, DC: International Monetary Fund. https://www.imf.org/external/pubs/ft/spn/2010/spn1004.pdf</p>	
<p>[8] Financial sector development</p> <p>The lecture will examine the role of the financial sector in economic development, including the evolving role of banks, bond and equity markets over time, access to finance and issues related to the opening of financial markets to external investors. Issues of financial stability will also be considered, including the importance of macroprudential frameworks, management of capital flows and their effectiveness.</p> <p><u>Required reading</u></p> <p>Levine, R. 2011. <i>Finance, Regulation and Inclusive Growth</i> (May). http://faculty.haas.berkeley.edu/ross_levine/papers/2011_OECD_fin_reg_inc_gro_wth.pdf</p> <p>Kawai, M. and P. Morgan. 2012. "Central Banking for Financial Stability in Asia." <i>Public Policy Review</i>, 8:3 (August), pp. 215-246. Tokyo: Policy Research Institute, Ministry of Finance, Japan. [Also in ADBI Working Paper No. 377.] http://www.adbi.org/files/2012.08.28.wp377.central.banking.financial.stability.asia.pdf</p> <p><u>Other readings:</u></p> <p>Park, C-Y. 2011. "Asian Financial System: Development and Challenges." ADB Economics Working Paper No. 285 (November). http://www.adb.org/sites/default/files/pub/2011/economics-wp285.pdf</p> <p>International Monetary Fund (IMF). 2014. <i>Asia and Pacific, Regional Economic Outlook</i> (April). Washington, DC: International Monetary Fund. http://www.imf.org/external/pubs/ft/reo/2014/apd/eng/areo0414.pdf</p>	<p>V. Pontines (20 Nov)</p>
<p>(9) Small and medium enterprises in inclusive economic development</p> <p>SMEs make up a large share of firms in Asian economies. However, the contribution of SMEs to output, trade, and employment is constrained by many factors, including inadequate access to finance and a lack of capacity for research and development (R&D) and innovation. This limits their productivity and ability to pay high wages, which contributes to income inequality. The aim of this lecture is to identify ways to unlock the potential of SMEs to make a greater contribution to economic growth.</p> <p><u>Required Reading</u></p> <p>Yoshino, Naoyuki and Farhad Taghizadeh-Hesary. 2014. "Analysis of Credit Risk for SMEs: Evidence from Asia."</p>	<p>N. Yoshino (27 Nov)</p>

1 December 2014 (Monday): Deadline for submission of term paper proposal.
Email to kkikkawa@adbi.org

[10] Economic integration in ASEAN: A model for Asia?

A. Rillo
(4 Dec)

This lecture will examine recent developments and trends in economic integration in Asia with special focus on ASEAN. In particular, the session will discuss the theoretical basis of economic integration and its benefits as well as costs. Among the issues to be discussed are goods and services liberalization, FDI liberalization, capital market integration, and labor mobility focusing on ASEAN. The session will explore whether the ASEAN Economic Community initiative can be extended beyond ASEAN.

Required readings

Runchana Pongsaparn and Olaf Unteroberdoerster. 2011. "Financial Integration and Rebalancing in Asia", IMF Working Paper WP/11/243, IMF Asia and Pacific Department
<http://www.imf.org/external/pubs/ft/wp/2011/wp11243.pdf>

Eduardo Borensztein and Prakash Loungani. 2011. "Asian Financial Integration: Trends and Interruptions". IMF Working Paper WP/11/4
<https://www.imf.org/external/pubs/ft/wp/2011/wp1104.pdf>

Other readings

Asian Development Bank (ADB) and ASEAN. 2013. *The Road to ASEAN Financial Integration: A Combined Study on Assessing the Financial Landscape and Formulating Milestones for Monetary and Financial Integration in ASEAN*
<http://www.adb.org/sites/default/files/pub/2013/road-to-asean-financial-integration.pdf>

Asian Development Bank Institute (ADBI). 2014. *ASEAN 2030: Toward a Borderless Economic Community*. Tokyo: Asian Development Bank Institute.

[11] Climate change, environment and trade

M. Helble
(11 Dec)

This lecture will provide an overview of the main trends and topics in the areas of climate change and environment in Asia. It will discuss the implications for economic growth, regional integration as well as for international trade.

Required readings

Asian Development Bank (ADB) and Asian Development Bank Institute (ADBI). 2013. *Low Carbon Green Growth in Asia: Policies and Practices*. Tokyo: Asian Development Bank Institute. (Chapter 2 and Chapter 5)

Westphal, Michael I., Hughes, Gordon A., and Brömmelhörster, Jörn, eds. 2013. [Economics of climate change in East Asia](#).

Mandaluyong City, Philippines: Asian Development Bank.

Chapter 1: Climate Change Impact on East Asia

Chapter 8: Climate Change Policy in East Asia

<p>World Trade Organization (WTO). 2009. Trade and Climate Change, <i>WTO/UNEP Report</i>, Geneva: World Trade Organization. Read: Part II: Trade and Climate Change: Theory and evidence.</p>	
<p>[12] Public health challenges in Asia</p> <p>This lecture will discuss the major public health challenges that Asia is facing. Issues include (i) the shift towards non-communicable diseases (ii) the remaining threat from communicable diseases (iii) health financing (iv) regional public health issues.</p> <p><u>Required reading</u></p> <p>Huang, Yanzhong; Moser, Patricia; Roth, Susann. Health in the Post-2015 Development Agenda for Asia and the Pacific. ADB Sustainable Development Working Paper Series, No. 28. September 2013.</p>	<p>M. Helble (18 Dec)</p>
<p>22 December 2014 (Monday): Deadline for submission of agreed term paper proposal. Email to kkikkawa@adbi.org</p>	
<p>[13] Infrastructure development and connectivity in Asia</p> <p>This lecture will discuss the impact and needs of infrastructure investment in Asia. It will also evaluate the specific new sources of infrastructure finance by examining their merits and demerits, including the impediments and challenges in tapping into these new sources of finance.</p> <p><u>Required readings</u></p> <p>Asian Development Bank (ADB) and Asian Development Bank Institute (ADBI). 2009. <i>Infrastructure for a Seamless Asia</i>. Tokyo: Asian Development Bank Institute.</p> <p>Estache and M. Fay. 2007. Current Debates on Infrastructure Policy. World Bank Policy Research Working Paper 4410. http://elibrary.worldbank.org/doi/pdf/10.1596/1813-9450-4410</p> <p>Asian Development Bank (ADB). 2013. Asian Bond Monitor chapter on Bond Financing for Infrastructure. http://www.adb.org/sites/default/files/pub/2013/asia-bond-monitor-september-2013.pdf</p> <p><u>Other reading</u></p> <p>Estache. 2010. A Survey of Impact Evaluations of Infrastructure Project, Programs and Policies. ECARES WP 2010-005. http://www.ecares.org/index2.php?option=com_docman&task=doc_view&gid=86&Itemid=20</p>	<p>V. Pontines (8 Jan)</p>
<p>[14] Post-global financial crisis challenges for Asia</p> <p>The lecture will discuss the impact of the global financial crisis and policy</p>	<p>M. Kawai (15 Jan)</p>

<p>responses Asian economies have taken in the region, e.g. growth rebalancing, closer economic integration, etc. It also examines various development challenges many Asian economies face moving forward.</p> <p><u>Required reading</u></p> <p>Kawai, Masahiro and Jong-Wha Lee, eds. (Forthcoming 2015). <i>Rebalancing for Sustainable Growth: Asia's Postcrisis Challenge</i>.</p>	
<p>19 January 2015 (Monday): Deadline for submission of Term Paper. 21 January 2015 (Wednesday): Deadline for submission of Final Paper Presentation PPT. Email to kkikkawa@adbi.org</p>	
<p>[15] Student Term Paper Presentations</p> <p>Students will make presentations based on their Term Papers. This session will be held at ADBI and may be out of regular class hours. A schedule will be finalized with students.</p>	<p>M. Kawai (22 or 23 Jan)</p>
<p>26 January 2015 (Monday): Deadline for submission of Lecture Note. Email to kkikkawa@adbi.org</p>	

Process and Guidelines for Lecture Note and Term Paper

Students are required to prepare a lecture note and a term paper and make a presentation on the term paper. Production of a lecture note accounts for 20% of student grades. Submitting the term paper accounts for 30% of student grades and presenting it accounts for 20% of student grades. The term paper should examine a topic covered in or closely related to the course materials. The paper should be a maximum of 20 pages (Arial font, 1.5 space, 11 pt) including figures and tables.

Process:

1. Each student selects a topic on one lecture and produces a **lecture note**, having attended the lecture. A good lecture note should be logically consistent and supported by evidence (data) and past literature.
DEADLINE: 26 January 2015 (Monday) by 12pm (Noon)
2. Each student selects a topic and submits a **"term paper proposal"**.
DEADLINE: 1 December 2014 (Monday) by 12pm (Noon)
 - (a) The term paper proposal should be no more than two pages. It should include: paper title, short abstract highlighting the key question(s) to be addressed in the paper, approach or methodology, and initial literature review.
 - (b) Each student's proposal is assigned to a relevant lecturer who will serve as student advisor. Students are to initiate communication with the assigned advisor, agree with the assigned advisor on a final proposal, and submit the **final term paper proposal** to the course coordinator.
DEADLINE: 22 December 2014 (Monday) by 12pm (Noon)
 - (c) Students should consult their advisor as needed during preparation of their term paper.

The **final term paper** should be submitted to the course coordinator.
DEADLINE: **19 January 2015 (Monday) by 12 pm (Noon)**

- (d) Each student will make a **presentation** based on his/her term paper in the final class, to be held at ADB Institute. Each presentation will be a maximum of 15 minutes and should be supported by relevant materials, i.e. powerpoint slides etc. Comments and questions from course lecturers will follow. Presentation materials should be submitted to the course coordinator prior to the presentation.

DEADLINE for **submission of presentation materials: 21 January 2015 (Wednesday) 12 pm (Noon)**

Guidelines on the term paper:

In preparing their **term paper** students should consider the following guidelines.

- The paper should ask a question(s) that is (are) interesting and relevant to economic growth, development and integration in Asia and the Pacific. It can be on a sub-topic e.g. macro, finance, trade, infrastructure, etc., but the paper must pose a clear question and present a hypothesis that it wants to support or reject.
- The paper should attempt to answer the question(s) in a methodical/analytical way. Basic econometrics is sometimes useful to answer the question(s) but is not always necessary. Simple analysis of trends, or a good analysis of what others have done before, can sometimes be appropriate. The student must show that he/she has an ability to define and think about an issue, examine it in some depth, and draw important implications and conclusions from his/her investigation.
- The paper should include a review of literature that places the research in the context of what other people have done and makes clear why this paper is a contribution (no matter how small) to the body of knowledge. Through the review, the student should explain why the paper is worth doing. The review is not a simple listing of other people's work. It should examine how this work relates to the question the student is investigating.

TERM PAPER PROPOSAL

Asian Economic Development and Integration

Graduate School of Public Policy

University of Tokyo

October 2014 – January 2015

This proposal should be a maximum of two pages. It should be submitted to afujimoto@adbi.org by 1 December 2014. Please put “[Your name] University of Tokyo Term Paper Proposal” in the subject line of your email.

Student name:

Term Paper Title:

Abstract:

[The abstract should briefly outline the key question(s) to be addressed in the paper, the approach or methodology to be used, and how the paper will contribute to knowledge in the selected topic area.]

Initial Literature Review:

[The literature review should indicate main papers, books, texts you plan to use in developing your term paper. Please list a maximum of five.]