

ASIA IN THE WORLD ECONOMY

Module Code: PP5241J

Module Coordinator: Dr. Razeen Sally

Semester: Semester 2, 2016/17

Faculty: Lee Kuan Yew School of Public Policy

Module Schedule: Tuesdays, 2-5 pm, SR2-2

Course description and objectives

This course examines various aspects of Asia in the world economy. The context is political and economic, with a strong policy focus. The geographical focus is on the parts of the continent that are globalising most – east and south Asia. The course is divided into four parts. The first session begins with a historical sweep of Asia in a changing global economic order, and then looks at Asia and economic globalisation today. The second part (three sessions) covers key global economic policy issues with an Asian focus: macroeconomics and finance; trade and investment; and energy and environment. The third part (five sessions) covers countries and sub-regions: China; Japan, Korea and Taiwan; Hong Kong and Singapore; Southeast Asia; and India and the rest of south Asia. The final part (two sessions) highlights two grand themes for the whole region, at the intersection of international politics and comparative political economy. The first is a comparison of national political-economic institutions and how they shape economic policies in Asia. The second concerns geopolitics – the “high politics” of national-security and foreign policy – and how it affects Asia in the world economy.

Prerequisites

None.

Seminar format

Seminars consist of lectures, class presentations and class discussion. Typically, a one-hour lecture is followed by one or two individual class presentations, followed in turn by class discussion. A presentation should last 10-15 minutes (if two are presenting in one session) or 20-30 minutes (if there is only one presenter). Ample time is given to class discussion, which should be genuinely interactive. Core readings for each topic should be done before the seminar in order to facilitate productive discussion. The course has an accompanying speaker series related to the topics covered. Outside speakers – practitioners and academic experts – will join the seminar for most sessions during the semester. Finally, there will be group presentations on selected topics towards the end of the course.

Assessment

Grading consists of one set examination at the end of the course, one analytical essay or policy brief, individual class presentations, group presentations and class participation.

- A three-hour semi-open book examination (40%)
- An analytical essay or policy brief (maximum 3000 words) (30%)
- Class presentations (15%)
- Group presentation (7.5%)
- Class discussion (7.5%)

Syllabus

Week 1: **Introduction and Course Overview** (Shopping Week)

Week 2: **Asia in the World Economy: A Historical Sweep**

This session takes a long historical sweep through the last millennium of world economic history, though it will focus on Asia and post-1945 economic globalisation. How did different parts of Asia interact with each other, and with the rest of the world, through trade and other forms of commercial exchange? How did these interactions change, and how were they transformed, in different periods of the world economy? Asia has “re-emerged” in recent decades. Asian emerging markets, though still mostly far behind, have been converging rapidly with the West. There has been a “shift to the East” in economic gravity. How and why has this happened?

Discussion topics

- Were there “golden ages” of Asian commerce before the Industrial Revolution? What were their driving forces? And what lessons do they offer for Asia today?
- Why did the West leave Asia behind in economic performance before, during and after the Industrial Revolution?
- How and why has Asia “reglobalised” and converged with the West after 1945? Post-GFC, is this process coming to an end, or will it accelerate?

Core reading

- Maddison, Angus (2007), *Contours of the World Economy: Essays in Macroeconomic History 1-2030 AD*, OUP, ch. 3 (“The interaction between Asia and the West, 1500-2003”) (Available on IVLE)
- Wikipedia, “The Great Divergence” http://en.wikipedia.org/wiki/Great_Divergence
- ADB (2011), *Asia 2050: Realising the Asian Century*, especially chs. 1&2, pp. 11-17 http://www.unido.org/fileadmin/user_media/UNIDO_Worldwide/Asia_and_Pacific_Programme/Documents/AsianDevelopmentBankreport_asia-2050.pdf

Background reading

- Finlay, Ronald and O'Rourke, Kevin (2007), *Power and Plenty: Trade, War and the World Economy in the Second Millennium*, Princeton University Press, sections on south, southeast and east Asia in all chapters, especially chs. 7,8,9,10. (See Preface, IISS Discussion Paper 205, February <https://www.tcd.ie/iis/documents/discussion/pdfs/iisd205.pdf>).

- Maddison, Angus (2007), *Contours of the World Economy: Essays in Macroeconomic History 1-2030 AD*, OUP (Available on IVLE)
- Wolf, Martin (2004), *Why Globalisation Works*, Yale University Press (Available at NUS Library)
- Landes, David (1999), *The Wealth and Poverty of Nations*, W.W. Norton, especially chs. 21-23, 27-29 (Available at NUS Library)
- Bernstein, William (2009), *A Splendid Exchange: How Trade Shaped the World*, Grove Press (See Introduction <http://www.efficientfrontier.com/files/trade/ASE-Intro.pdf>)
- Ferguson, Niall (2011), *Civilisation: The West and the Rest*, Farrer, Strauss and Giroux. (Also see presentation slides on “The decline of the West” <http://www.businessinsider.com/niall-ferguson-the-west-and-the-rest-2011-4?op=1>)
- ADB (2001), *Asian Development Outlook: Asia’s Globalisation Challenge*, Part III, pp. 161-193 <http://www.adb.org/sites/default/files/publication/27720/ado2001.pdf>
- Australian Government (2012), *Australia in the Asian Century*, ch. 1, pp. 28-47 <http://pandora.nla.gov.au/pan/133850/20130914-0122/asiancentury.dpmc.gov.au/sites/default/files/white-paper/australia-in-the-asian-century-white-paper.pdf>

Week 3: **Policy Issues: Asian Macroeconomic Policies and Finance**

Asian and other emerging markets were considered passive followers in global macroeconomic policy – following the lead of the West, particularly the USA. But perceptions changed with Asia’s – particularly China’s – growing weight in the global economy. And perceptions changed even more in the wake of the recent global financial crisis – made in the West, and from which the West continues to suffer more than the East. China’s ‘One Belt One Road’ initiative and leadership of the new Asia Infrastructure Investment Bank show its greater financial power. However, the recent emerging-markets slowdown shows continued dependence on macroeconomic policies and economic conditions in the West. This is the context for exploring policy issues concerning financial crises, exchange rates, capital flows and “global imbalances”.

Discussion topics

- What were the causes and consequences of the Asian financial crisis of 1997/8? Why did Asian countries seemingly follow the diktats of the IMF and US Treasury?
- Why was Asia less affected than the West by the recent global financial crisis? What has changed in Asian macroeconomic and financial policies since the crisis?
- Are Asian countries gaining power on macroeconomic and financial issues vis-à-vis the West after the recent global financial crisis? Or do they continue to be passive and dependent on the West?
- What are the prospects for Asian monetary and financial integration?

Core reading

- Eichengreen, Barry (2007), “The Asian financial crisis after ten years”
http://emlab.berkeley.edu/~eichengr/sing_keynote.pdf
- Asian Development Bank (2016), *Asian Economic Integration Report 2016*, “Financial Integration” (pp. 45-75)
<https://www.adb.org/sites/default/files/publication/214136/aeir-2016.pdf>
- Asian Development Bank (2016), *Asian Development Outlook 2016*, Part 2: Asia’s Potential Growth (pp. 41-76)
<https://www.adb.org/sites/default/files/publication/182221/ado2016.pdf>

Background reading

- Estrada, G., Noland, M., Park, D. and Ramayandi, A. (2015), “Financing Asia’s Growth”, *ADB Economics Working Paper Series* no. 438, July
<http://www.adb.org/sites/default/files/publication/162026/ewp-438.pdf>

- Kawai, M. (2015), "From the Chiang Mai Initiative to an Asian Monetary Fund", *ADB Working Paper Series* no. 527, May
<http://www.adb.org/sites/default/files/publication/160056/adbi-wp527.pdf>
- Cyn-Young Park (2011), "Asian financial system: development and challenges", *ADB Economics Working Paper Series* no. 285, November
<http://www.adb.org/sites/default/files/publication/30442/economics-wp285.pdf>
- Rajan, Ramkishen S. (2010). "The evolution and impact of Asian exchange rate regimes," *ADB Working Paper*, 208, July
<http://www.adb.org/sites/default/files/publication/28415/economics-wp208.pdf>
- Morgan, P. (2013), "Monetary policy frameworks in Asia: experience, lessons and issues", *ADB Working Paper* no. 435
<https://www.adb.org/sites/default/files/publication/214136/aeir-2016.pdf>
- Villafuerte, J. and Yap, J. (2015), "Managing capital flows in Asia: an overview of key issues", *ADB Economics Working Paper Series* no. 464, November
<http://www.adb.org/sites/default/files/publication/176836/ewp-464.pdf>

Week 4: **Policy Issues: Asian Trade and Investment Policies**

Asia's rise is most visible in international trade and foreign direct investment. This started with export-oriented industrialization by Japan and other Northeast-Asian and Southeast-Asian Tigers, and accelerated with China's opening and integration into the global economy. In the meantime, south Asia – India in particular – has also liberalized and integrated into the global economy, though to a lesser extent than east Asia. East Asia is the manufacturing hub for global supply chains, though these have yet to spread to south Asia. China and India are among the “big beasts” in the WTO; preferential trade agreements have proliferated across Asia; and there are several regional trade-and-investment integration initiatives, notably the TPP and RCEP. Finally, Asian trade and FDI growth has slowed down recently, raising questions about the traditional export-led growth model.

Discussion topics

- Is there one east-Asian “model” of trade-and-investment liberalisation? Compare experiences in China, northeast Asia and southeast Asia.
- Why has east Asia but not south Asia integrated into global value chains (GVCs)? And how are GVCs in Asia likely to evolve?
- Evaluate free trade agreements in Asia. With the collapse of the TPP, will China now lead on Asian trade initiatives?

Core reading

- Asian Development Bank (2016), *Asian Economic Integration Report 2016*, “Trade and the Global Value Chain” (pp. 15-38) https://aric.adb.org/pdf/aeir/AEIR2016_2_trade-and-global-value-chain.pdf
- Baldwin, R. (2016), Presentation on *The Great Convergence* <https://piie.com/system/files/documents/baldwin20161115ppt.pdf>
- Plummer, M. (2016), Presentation on mega-regional trade agreements <http://lkyspp.nus.edu.sg/wp-content/uploads/2016/10/Plummer-Presentation-Megaregionalism-and-Developing-Economies-LKW-NUS-161116.pdf>

Background reading

- Asian Development Bank (2009), *Emerging Asian Regionalism: A Partnership for Shared Prosperity*, ch. 3 https://aric.adb.org/emergingasianregionalism/pdfs/Final_ear_chapters/final%20report.pdf
- Baldwin, R., Kawai, M. and Wignaraja, G. eds. (2013), *The Future of the Multilateral Trading System: Asian Perspectives*, CEPR/ADB <https://www.adb.org/sites/default/files/publication/159320/adb-future-world-trading-system.pdf>

- Athukorala, P. and Kohpaiboon (2013), "Trade and investment patterns in Asia: implications for multilateralising regionalism", *ANU Working Papers in Trade and Development* 2013/16
https://crawford.anu.edu.au/acde/publications/publish/papers/wp2013/wp_econ_2013_16.pdf
- Menon, J. (2014), "From spaghetti bowl to jigsaw puzzle? Addressing the disarray in the world trading system", *ADB Working Paper Series on Regional Economic Integration* no. 140, October <http://www.adb.org/sites/default/files/publication/148823/reiwp-140-spaghetti-bowl-jigsaw-puzzle.pdf>
- Kawai, M. and G. Wignaraja (2013), "Patterns of free trade areas in Asia", *East-West Center, Policy Studies* no. 65
<http://www.eastwestcenter.org/sites/default/files/private/ps065.pdf> (Presentation slides
http://www.wto.org/english/res_e/reser_e/wts_future2013_e/Kawai_Wignaraja.pdf)

Razeen Sally's books and papers:

- (2008), *Trade Policy, New Century: The WTO, FTAs and Asia Rising*, London: Institute of Economic Affairs. (The US edition is *New Frontiers in Free Trade*, Washington DC: Cato Institute). Chs. 5&6
<http://www.iea.org.uk/sites/default/files/publications/files/upldbook432pdf.pdf>
- (2011) "Indian trade policy after the crisis", *ECIPE Occasional Paper* 4
http://www.ecipe.org/media/publication_pdfs/indian-trade-policy-after-the-crisis.pdf
- (2011) "The crisis and the global economy: a shifting world order?" *ECIPE Occasional Paper* 3 http://www.ecipe.org/media/publication_pdfs/the-crisis-and-the-global-economy-a-shifting-world-order.pdf
- (2011) "Chinese trade policy after (almost) ten years in the WTO: a post-crisis stocktake", *ECIPE Occasional Paper* 2
http://www.ecipe.org/media/publication_pdfs/chinese-trade-policy-after-almost-ten-years-in-the-wto-a-post-crisis-stocktake.pdf
- (2010) "Regional economic integration in Asia: the track record and prospects", *ECIPE Occasional Paper* 2 http://www.ecipe.org/media/publication_pdfs/regional-economic-integration-in-asia-the-track-record-and-prospects.pdf
- (With Sen, Rahul) (2011) "Trade policies in southeast Asia in the wider Asian perspective", *The World Economy* 34,4, pp. 568-601 (Could be accessed through library)

Week 5: Policy Issues: Asian Environmental and Energy Policies

East and south Asia, for the most part, are scarce in natural resources but abundant in people. As Japan and the other northeast and southeast-Asian Tigers industrialised, they had to import ever-larger quantities of natural resources. This is now happening to China, India, and other parts of the region. Some of their resource imports come from within Asia-Pacific, e.g. Indonesia, Myanmar and Australia. But mostly they come from other resource-abundant regions. That is transforming the international division of labour. At the same time, fast-paced industrialisation is putting greater pressure on the environment. Pollution, deforestation, water scarcity – these are among the major symptoms. Rapid industrialisation also translates into escalating carbon emissions. This brings Asia, particularly China and India, into the heart of the global debate on how to tackle climate change.

Discussion topics

- How is Asian industrialisation changing energy requirements and energy policies? How does it affect relations with trading partners?
- Is Asia's energy-intensive industrialisation economically and environmentally sustainable?
- What is Asia's role in the economics and politics of global climate change? Comment with particular reference to China and India.

Core reading

- Asian Development Bank (2013) *Asian Development Outlook 2013: Asia's Energy Challenge*, Part 2, pp. 51-118
http://www.adb.org/sites/default/files/publication/30205/ado2013_2.pdf
- Mitchell, J. (2010), *More for Asia: Rebalancing World Oil and Gas*, Chatham House, December
https://www.chathamhouse.org/sites/files/chathamhouse/public/Research/Energy,%20Environment%20and%20Development/1210pr_mitchell.pdf
- International Energy Agency (2016), *World Energy Outlook 2016*, Executive Summary
<https://www.iea.org/publications/freepublications/publication/WorldEnergyOutlook2016ExecutiveSummaryEnglish.pdf> (Also see Factsheet
<https://www.iea.org/media/publications/weo/WEO2016Factsheet.pdf> and video presentation <https://www.youtube.com/watch?v=DXXEX8INQao>)

Background reading

- BP (2016), *Statistical Review of World Energy 2016*
<https://www.bp.com/content/dam/bp/pdf/energy-economics/statistical-review-2016/bp-statistical-review-of-world-energy-2016-full-report.pdf>

- (Presentation by Spencer Dale <http://www.bp.com/content/dam/bp/pdf/energy-economics/statistical-review-2016/bp-statistical-review-of-world-energy-2016-spencer-dale-presentation.pdf>)
- International Energy Agency (2015), *Energy and Climate Change* <https://www.iea.org/publications/freepublications/publication/WEO2015SpecialReportonEnergyandClimateChange.pdf>
- Asian Development Bank (2009), *Understanding and Responding to Climate Change in Developing Asia* <https://www.adb.org/sites/default/files/publication/29298/understanding-climate-change.pdf>
- East Asia Forum (2012), *East Asia Forum Quarterly: Energy, Resources and Food*, 4,4, October-December <http://epress.anu.edu.au/wp-content/uploads/2012/12/whole44.pdf>
- Global Warming Policy Foundation – for sceptical reports on the global-warming policy consensus <http://www.thegwpf.org/category/reports/>
- Henderson, David (2010), “Climate-change issues – new developments in a 20-year context”, *Royal Economic Society* <http://www.thegwpf.com/david-henderson-climate-change-issues-new-developments-in-a-20-year-context/>
- Daniel Yergin (2012), “How is energy remaking the world?” *Foreign Policy* July/August [http://www.foreignpolicy.com/articles/2012/06/18/how is energy remaking the world](http://www.foreignpolicy.com/articles/2012/06/18/how_is_energy_remaking_the_world)

Week 6: **Countries and Regions: China in the World Economy**

China's opening to the world economy is the biggest in history. China is now one of the Big Three in the world economy, alongside the USA and EU. More than ever, the rest of Asia revolves around China. It is leading infrastructure development across Asia and elsewhere. Thus China's integration into and transformation of the world economy has given it "great power" clout. But now China's economy is slowing down, with repercussions across Asia and the world. China's industrial policies, its exchange rate, foreign reserves, current-account surplus and financial system – all manifestations of China's "state capitalism" and political system – spill over into international tensions and conflict. What is the balance of forces in China's interaction with the Asian and global economies? And what does that tell us about China's prospects for regional and global economic leadership?

Discussion topics

- Assess the mix of "command-economy" and "market-economy" elements in Chinese economic policy. Is this a "Beijing model" of capitalism? In which direction is it heading?
- How justified are China's activist financial and industrial policies to favour state-owned enterprises? Do they lead to protectionist trade policies?
- How is China exercising regional and global economic leadership?

Core reading

- World Bank/DRC (2012), *China 2030*, Part I, pp. 3-71
<http://documents.worldbank.org/curated/en/781101468239669951/pdf/762990PUB0china0Box374372B00PUBLIC0.pdf>
- Studwell, J. (2013), *How Asia Works*, Profile Books, Part 4: "Where China fits in", pp. 183-219 (Available on IVLE)
- Lardy, Nicholas (2014), *Markets over Mao: The Rise of the Private Sector in China*, ch. 3, Peterson Institute for International Economics
http://www.piie.com/publications/chapters_preview/6932/03iie6932.pdf

Background reading

- Huang, Yasheng (2010), "China's other path", *The Wilson Quarterly*, Spring
http://archive.wilsonquarterly.com/sites/default/files/articles/WQ_VOL34_SP_2010_Aricle_05_03.pdf
- Coase, R. and Wang, N. (2013), "How China became capitalist", *Cato Policy Report*, January/February
<http://www.cato.org/policy-report/januaryfebruary-2013/how-china-became-capitalist>

- De Jonquieres, Guy (2016), "China in the global economy: leaping dragon or paper tiger?" *ECIPE Policy Brief* no. 8, November
http://ecipe.org/app/uploads/2016/11/PB_08_112016_V1.pdf
- Eichengreen, Barry, Park, Dongyun and Shin, Kwanho (2011), "When fast-growing economies slow down: international evidence and implications for China", *Asian Development Bank Economics Working Paper* 262, June
<http://www.adb.org/sites/default/files/publication/28913/economics-wp262.pdf>)
- Lin, Justin (2011), "Demystifying the Chinese economy"
<http://siteresources.worldbank.org/DEC/Resources/84797-1104785060319/598886-1104852366603/599473-1223731755312/Speech-on-Demystifying-the-Chinese-Economy.pdf>
- Perkins, D (2013), *East Asian Development: Foundations and Strategies*, Harvard University Press, ch. 5 ("From command to market economies in China and Vietnam") (Available at NUS Library)

Week 7: Countries and Regions: Japan, South Korea and Taiwan in the World Economy

Japan, South Korea and Taiwan were the first east-Asian Tigers to pursue post-1945 export-oriented industrialisation, while other developing countries insulated themselves from the world economy through “import substitution” and other highly interventionist policies. Rival perspectives contend to explain the northeast-Asian Tigers’ stunningly successful catch-up growth. One set of explanations emphasises market forces, especially openness to international trade. Another emphasises the role of “developmental states” that guide the market through industrial, financial and trade policies. In the last two-and-a-half decades, however, Japan has gone into stasis and decline. South Korea was stopped in its tracks by the Asian crisis, but rebounded quickly and strongly. Taiwan has continued to globalise, but its economic prospects are overshadowed by fraught political relations with mainland China. All three countries have much closer economic links with China through regional production-sharing arrangements. And all three have productivity challenges, ageing populations, and much slower post catch-up growth.

Discussion topics

- Compare the post-war catch-up growth experiences of Japan, South Korea and Taiwan. What were the main causes of successful growth?
- Why is Japan now a less important player in the world economy? Can it rebound?
- Compare South Korea’s and Taiwan’s fortunes in the world economy since the Asian crisis of the late 1990s. What are their prospects?

Core reading

- Wade, Robert (2005), “Bringing the state back in: lessons from east Asia’s development experience” <http://library.fes.de/pdf-files/id/ipg/02860.pdf>
- Yoshino, N. and Taghizadeh-Hesary, F. (2015), “Japan’s lost decade: lessons for other economies”, *ADBI Working Paper Series* no. 521, April <http://www.adb.org/sites/default/files/publication/159841/adbi-wp521.pdf>
- Perkins, D (2013), *East Asian Development: Foundations and Strategies*, ch. 3 (“Government intervention versus *laissez faire* in northeast Asian economies”) (IVLE)

Background reading

- World Bank (1993), *The East Asian Miracle*, OUP, Overview and chs. 2&7 http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/1993/09/01/000009265_3970716142516/Rendered/PDF/multi_page.pdf
- Weiss, John (2005), “Export growth and industrial policy: lessons from the East Asian Miracle experience,” *ADBI Working Paper*, February http://siteresources.worldbank.org/EXTEXPCOMNET/Resources/2463593-1213975515123/17_Weiss.pdf

- Studwell, J. (2013), *How Asia Works*, “Introduction” (pp. xiii-xxv), Parts 1,2,3
- Patrick, Hugh (2016), “Japan’s Abenomics bumps along”, *Centre on Japanese Economy and Business Occasional Paper Series* no. 74, <https://academiccommons.columbia.edu/catalog/ac:194322>
- Wade, Robert (2003), *Governing the Market: Economic Theory and the Role of Government in East Asia’s Industrialisation*, Princeton University Press, especially Introduction <http://press.princeton.edu/chapters/i4724.pdf>
- World Bank (2009), “Industrial policy and the role of the state in promoting growth: a panel discussion” (papers by Justin Lin and Ha-Joon Chang) [http://siteresources.worldbank.org/INTMACRO/Resources/LinChangeDPRDebateIndustrialPolicy&HarrisonRodriguezClareIndustrialPolicyNBERWP\[1\].zip](http://siteresources.worldbank.org/INTMACRO/Resources/LinChangeDPRDebateIndustrialPolicy&HarrisonRodriguezClareIndustrialPolicyNBERWP[1].zip)
- East Asia Forum (2014), “A Japan that can say Yes”, *East Asia Forum Quarterly*, 6,3, September <http://www.eastasiaforum.org/quarterly/>

Week 8: Countries and Regions: Global Cities -- Hong Kong and Singapore in the World Economy

Hong Kong and Singapore are the latter-day successors to the thriving coastal “port-polities” that dominated Asian ocean-going trade before Western colonisation. Both British colonial creations, they flourished through extreme openness to trade, capital and people; and they found their niches in global “entrepôt” trade. They seem to embody the classical-liberal trinity of small government, free markets and free trade. Yet they have their differences. Hong Kong’s state is more “liberal” and less “interventionist” than Singapore’s, while Singapore’s political system is more “democratic” than Hong Kong’s. These two “global cities” occupy different niches of economic activity and have different geopolitical environments. Finally, neither is truly *laissez faire* – not even Hong Kong, which has cartelised local markets, especially for land.

Discussion topics

- Compare the post-war growth experiences of Hong Kong and Singapore. What are their similarities and differences?
- What are Hong Kong’s and Singapore’s prospects in the 21st-century global economy?
- What lessons do Hong Kong and Singapore have for other cities?

Core reading

- Bell, D. and De-Shalit, A. (2011), *The Spirit of the City: Why the Identity of a City Matters in a Global Age*, chs. on Singapore and Hong Kong (pp. 78-139) (Available on IVLE)
- Low, D. and Vadaketh, S.T. eds.(2014), *Hard Choices: Challenging the Singapore Consensus*, “Introduction” (pp. 1-13) and ch. 15 (pp. 209-225) (Available on IVLE)
- Sally, R. (2013), “Singapore” in World Economic Forum, *The Competitiveness of Cities*, pp. 32-35
http://www3.weforum.org/docs/GAC/2014/WEF_GAC_CompetitivenessOfCities_Report_2014.pdf

Background reading

- Young, Alvin (1992), “A tale of two cities: factor accumulation and technical change in Hong Kong and Singapore” <http://www.nber.org/chapters/c10990.pdf>
- Vietor, R. and White, H. (2014), “Singapore’s ‘mid-life crisis’?” *Harvard Business School Case 9-714-039* (Available on IVLE)
- Lim, L. (2014), “Singapore’s success: after the miracle”, in R. Looney ed. *Handbook of Emerging Economies*, pp. 203-226 (Available on IVLE)
- Yusuf, Shahid and Nabeshima, Kaoru (2012), *Some Small Countries Do It Better: Rapid Growth and its Causes in Singapore, Finland and Israel*, World Bank

<https://openknowledge.worldbank.org/bitstream/handle/10986/2243/668140PUB0EPI0067848B09780821388464.pdf?sequence=1&isAllowed=y>

- Dodwell, David, Enright, Michael and Scott, Edith (1997), *The Hong Kong Advantage*, OUP (Available at NUS Library)
- Enright, M., Scott, E. and Chang, K-M (2005), *Regional Powerhouse: The Greater Pearl River Delta and the Rise of China*, John Wiley (Executive Summary <http://www.2022foundation.com/pdf/ESA-GPRDRC-Summary-2005-05-04%20for2022FoundationWebsite.pdf>)

Week 9: Countries and Regions: Southeast Asia in the Global Economy

Southeast Asia is far from an integrated region. The ten members of ASEAN are at very different stages of economic development, with a wide diversity of historical and cultural backgrounds, political systems and institutional capacity. But nearly all have become much more open and globally integrated. Singapore – always the chief exception in the region – has been globally integrated since the nineteenth century. The older ASEAN members liberalised trade and investment significantly from the 1970s and 80s, thereby inserting themselves into global manufacturing supply chains. Vietnam followed from the late 1980s, followed later by Cambodia and (to a lesser extent) Laos. Only Myanmar remained isolated, but it is now opening up. As for ASEAN, what was a loose collective security arrangement has become a vehicle for regional economic integration through a free trade agreement (AFTA) and now the ASEAN Economic Community. ASEAN is also a hub for the proliferation of FTAs in east and south Asia. But resulting integration has been “shallow” rather than “deep” to date.

Discussion topics

- Summarise the development and global-integration experiences of the ASEAN countries since the 1970s and 80s. How does that compare with the track records of other east-Asian countries (China, Japan, South Korea, Taiwan, Hong Kong and Singapore)?
- How successful has ASEAN economic integration been so far? What are its prospects?
- What are the primary economic challenges facing southeast Asia, sandwiched as it is between China and India?

Core reading

- Asian Development Bank Institute (2014), *ASEAN 2030: Towards a Borderless Economic Community*, Executive Summary
<http://www.adb.org/sites/default/files/publication/159312/adbi-asean-2030-borderless-economic-community.pdf>
- Perkins, D. (2013), *East Asian Development: Foundations and Strategies*, ch. 4 (“Successes and failures in southeast Asia”) (Available on IVLE)
- Hill, H. (2014), “Is there a Southeast Asian development model?” *ANU Working Papers in Trade and Development* 19, December
https://crawford.anu.edu.au/acde/publications/publish/papers/wp2013/wp_econ_2013_19.pdf

Background reading

- Studwell, J. (2013), *How Asia Works*, Introduction and Parts 1,2,3 (selected pages on southeast Asian countries) (Available on IVLE)
- Hill, Hal (2012), “The best of times and the worst of times: Indonesia and economic crises,” *ANU Working Papers in Trade and Development* 03, March

http://www.crawford.anu.edu.au/acde/publications/publish/papers/wp2012/wp_econ_2012_03.pdf

- Hill, Hal (2010), "Malaysian economic development: looking backwards and forward", *ANU Working Papers in Trade and Development* 2010/13
http://www.crawford.anu.edu.au/acde/publications/publish/papers/wp2010/wp_econ_2010_13.pdf
- Hill, H. (2013), "The political economy of policy reform: insights from southeast Asia", *Asian Development Review* 30,1, March, pp. 108-130
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2592089
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Week 10: Countries and Regions: India and South Asia in the World Economy

In the past two-and-a-half decades market reforms have opened India to the world -- to the extent that India aspires to be a global power, in addition to being an Asian power. Reforms have been patchy, proceeding in stops and starts. India has not followed the “east-Asian model” of labour-intensive, export-oriented industrialisation, rather relying on domestic consumption and niche-specialisation in parts of services and manufacturing for growth. It has not joined global manufacturing supply chains; and poverty reduction, while substantial, has not been as successful as it has been in east Asia. Nevertheless, optimists point to India’s stable democracy and “demographic dividend” as foundations for fast catch-up growth. India’s neighbours in south Asia have widely differing political and economic conditions. South Asia is perhaps the least economically integrated region in the world, beset by tariff and non-tariff barriers between its constituent countries. India has testy relations with several neighbours, most conspicuously so with Pakistan.

Discussion topics

- Summarise India’s experience with liberalisation and global integration since the early 1990s. How does it compare with east-Asian experiences – China in particular?
- Can India become an Asian and global economic power alongside China?
- Why is south Asia perhaps the least economically integrated region in the world? What are the prospects for greater south-Asian economic integration?

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Week 11: Grand themes: comparative institutions, geopolitics and Asia's future in the world economy

This final topical session picks out two cross-cutting themes. One is the nature of political-economic institutions in terms of their mix of “state” and “market”. Of course, this mix differs widely across countries in east and south Asia. Institutions in some countries have been successful at delivering fast catch-up growth and at integrating rapidly into the global economy. Other countries have been less successful. What lessons can be drawn from such institutional comparisons for Asia's future in the world economy? Are Asia's institutions capable of improving sufficiently to go beyond catch-up growth to deliver the sophisticated growth associated with more mature, advanced economies? Or, if institutions prove resistant to change, will Asian economies get stuck in a “middle-income trap”?

The second theme concerns geopolitics. As economic gravity shifts to Asia, so does geopolitical attention. Asian countries have closer economic links with each other, but they also have enduring tensions across land borders and seas. Rivalries between Asia's big three powers -- China, India and Japan—come to mind, as does the admixture of the USA as the region's “balancing power”. Institutionalised cooperation in Asia remains weak. How do such geopolitical forces affect Asia in the global economy? Finally, Asian countries have long been followers, not leaders, in international economic institutions such as the IMF, World Bank and WTO. But China is asserting regional leadership with its trade and infrastructure initiatives, as well as an increasing naval presence, while there are signs of US strategic weakness in the region. How is this landscape changing?

Discussion topics

- Are Asia's political-economic institutions only capable of delivering catch-up growth? Will institutional backwardness slow down growth and block a transition from middle-income to higher-income economies?
- How is Asia's geopolitics changing and how does it affect Asia in the global economy?
- Are Asian powers capable of leadership in global economic affairs? Or are they doomed to “followership”? How might they reshape the hitherto US-led liberal international economic order?

Core reading

- Rodrik, Dani (ed.) (2003), *In Search of Prosperity: Analytical Narratives on Economic Growth*, Introduction <http://press.princeton.edu/chapters/s7518.pdf>
- Mahbubani, Kishore (2008), “The case against the West”, *Foreign Affairs* May/June <http://www.foreignaffairs.com/articles/63402/kishore-mahbubani/the-case-against-the-west>
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- ADB (2012), *Asia 2050: Realising the Asian Century*, especially chs. 1&2, pp. 11-17 http://www.unido.org/fileadmin/user_media/UNIDO_Worldwide/Asia_and_Pacific_Programme/Documents/AsianDevelopmentBankreport_asia-2050.pdf
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- Mahbubani, Kishore (2013), *The Great Convergence: Asia, the West and the Logic of One World*, Public Affairs (Available at NUS Library)
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Weeks 12 & 13: **Group Presentations and Review Session**

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