香港中文大學
The Chinese University of Hong Kong

GLEF 3020 Global and Regional Economic Integration
2017-18 Term 2
Course outline

Teacher details

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A. Course description and learning outcomes

The world is more integrated now than ever before. The Asian financial crisis in 1997, the burst of the American stock market bubbles and banking crisis in 2008, the fiscal problem of Greece, the oil price fluctuation, the recent capital flight out of China, etc., have generated great impacts on both individual Asian countries as well as the global economy. These are the subjects that this course studies.

We will focus on global trade, finance, and other economic and financial issues. Modern approaches will be utilized to gain a deep understanding and insight of the theory for complicated multinational economic relations. Topics such as gains from trade, foreign exchange markets, balance of payments, fiscal and monetary policies in the open economy, international monetary systems, etc. will be our main interests. Recent issues like the valuation of the dollar and Chinese yuan, the U.S. stock bubbles, the exploding U.S. twin deficits, and China's capital flight, will also be discussed.

This course provides students with both the knowledge about the global economy and regional integration, as well as the basic economic theories to understand the above issues.   After successfully completing this course, students should understand the basics of the global economy and be able to apply theories to analyze the related basic problems.

B. Prerequisites

Students should have the background of principle microeconomics, equivalent to completing one semester course such as DSME1030 or ECON2011.   Some knowledge of basic college calculus is helpful for understanding the theoretical part of this course, although it is not required.

Students who lack the prerequisites should discuss the issue with the instructor.

C. Reading assignments

This class does not strictly follow one textbook but mainly relies on the ppt presented in the class, and instructor's lectures. The textbooks and references listed below are very helpful for students who wish to enhance their learning of the relevant topics discussed in the class.

Textbook:
Krugman, Paul and Maurice Obstfeld, *International Economics: Theory and Policy,* 10th edition, Prentice Hall., 2014. (You may get the older editions such as 9th edition, which would save your money).

Readings:
Caves, Frankel and Jones, *World Trade and Payments---An Introduction*, 10th edition, Addison Wesley, 2006.
The World Bank, World Development Report, Oxford University Press, recent issues
Asian Development Bank, Asian Economic Integration Report, recent issues

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Textbook and references for CGE (Computable General Equilibrium) modeling (Only for those who choose to work on a CGE project):

Gene Chang, Computable General Equilibrium Modeling and Programming, 2nd edition, Shanghai People's Press, 2017.

D. Course assessment

Class participation / in-class assignments	10%
Group project	20%
Midterm test	25%
Final exam	45%

Note: As a department policy, the final exam is scheduled centrally and no substitute exams will be offered.

Regarding the group project:

Students will form groups to conduct research on global or regional trade organizations or monetary unions, submit a background paper and give a ppt presentation based on their research OR optionally a CGE simulation. Each group will choose a topic from a list given by the instructor.   Each group consists of 5 students or less.

Project assignment is due on April 4th and the presentation will be scheduled right afterwards.

E. Course outline and readings (some topics may be adjusted in due course)

1. Introduction: Globalization and Integration
2. International Trade: Geography and Regional Integration
3. Comparative Advantage, Specialization, and Increasing Costs
4. The Heckscher-Ohlin Model and Factor Intensity
5. Economic Scale and Imperfect Competition
6. Empirical Evidence of the Trade Theories
7. Trade and Economic Growth: Theory and History
8. Trade Policies: Protection and Related Issues
9. Global and Regional Agreement to Promote Free Trade
10. Trade Policy Simulation Models
11. National Accounting and Balance of Payments
12. Foreign Exchange and Exchange Rate
13: Case study: the Chinese RMB issue
14. International Monetary System and Policies, Monetary Integration
15. Forward Market and price determination
16. Income Transmission and Foreign Trade Multiplier
17. Capital Mobility and Interest Rates
18. Stabilization Policies under Fixed and Flexible Exchange Rates
19. The Chinese Economy and Global Integration
20. Computable General Equilibrium Models for Trade Policies (optional)

Group projects/presentations

F. Academic honesty

The Chinese University of Hong Kong places very high importance on honesty in academic work submitted by students and has a policy of zero tolerance on academic dishonesty. Any academic dishonesty including plagiarism, cheating in tests, undeclared multiple submissions and other act of dishonesty will not be tolerated and will result in penalty and discipline.

Please note: http://www.cuhk.edu.hk/policy/academichonesty/