



## GLEF 3020 Global and Regional Economic Integration, 2018-19 Term 2

### Course outline

#### Teacher details

Prof. Gene H Chang

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#### TA 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 trade dispute between the U.S. and China, between the U.S. and other countries, the recent capital flight out of China, the increasing share of intermediate rather than final goods in the global trade. 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, global value chain trade, etc. will be our main interests. Recent issues like the valuation of the dollar and Chinese yuan, exploding U.S. twin deficits, China's capital flight, the U.S.-China "trade war" in 2018, 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, but it is not required.

Students who lack the prerequisite 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 9<sup>th</sup> 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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The World Bank et al, *Measuring and Analyzing the Impact of GVCs on Economic Development (Global Value Chain Development Report)*, 2017

[https://www.wto.org/english/res\\_e/booksp\\_e/gvcs\\_report\\_2017.pdf](https://www.wto.org/english/res_e/booksp_e/gvcs_report_2017.pdf)

Reference for GVC and CGE (Computable General Equilibrium) modeling

Gene Chang, *Computable General Equilibrium Modeling and Programming*, 2nd edition, Shanghai People's Press, 2017. (The book is written in Chinese, a reference only for those who choose to do measuring of or a quantitative analysis on GVC for the group projects.)

#### D. Course assessment

Class participation / in-class assignments	13%
Group project	20%
Midterm test	25%
Final exam	42%

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 a topic in global or regional trade organizations or monetary unions, trade issues, and global value chain (GVC). They will submit a background paper and give a ppt presentation based on their. A detailed instruction for the project is attached in Section G. Each group consists of 5 students or less.

Project assignment is due on April 4<sup>th</sup> 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. Global Value Chain: theoretical development and empirical evidence
  20. The Chinese Economy and Global Integration
- 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



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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/>

#### G. Instructions for the group research project

Students will form groups to conduct research on one of the following topics: global or regional trade organizations or monetary unions, trade issues, and, global value chain (GVC). Each group chooses a topic, discussed with and approved by the instructor. The group submits a background paper and gives a ppt presentation based on their research. Each group consists of 5 students or less.

Students should form the groups in the second week. Each group considers possible topics. Students are encouraged to discuss their ideas with the professor. Each group's topic must be different from other groups. The topic should be finalized by the fourth week. Then the group immediately writes a background paper / report. Based on the report, the group would prepare a PPT, and select a representative to present the PPT in the class.

The background paper / report is due on April 4<sup>th</sup>. The group coordinator should email the file to the Professor and T.A. before April 4<sup>th</sup>. Late submission will result in 10% penalty on the grade.

The length of the body of the paper/report should be around 8-10 pages, double spaced, excluding diagrams, tables and references. The paper/report needs to follow the standard format of an academic paper, which includes the following sections: introduction, literature review, research body, conclusions, and reference list. Do not copy any other people's work without indicating the original source. Otherwise, it is plagiarism and the students in the group will be disciplined.

Using advanced approaches such as econometrics or CGE (computable general equilibrium) to conduct analysis and draw conclusions are encouraged but not required.

The group will select a person to present the research in class (PPT). The team members can help answering questions raised by others in presentation. Statistics, tables, diagrams and charts are helpful for the readers and audience. Other visual aids are also encouraged.

Grading on the project is based on both the background paper and ppt work.