



香港中文大學
The Chinese University of Hong Kong

GLEF 4010 China and Global Economy
2020-21 Term 2
Course outline

Class time and location

Time: Wed 14:30-17:15

Instructor

LYU Dan
ELB 911
Email: danlyu@cuhk.edu.hk

Teaching assistant

Zhu Zhitao, Email: zhuzhitao@link.cuhk.edu.hk

Mode of Teaching

In view of the risk of the spread of COVID-19, the course will be conducted online through Zoom including all lectures, and presentations.

To note: face-to-face teaching and assessment may be resumed when the pandemic stabilizes.

Course overview and learning outcomes

This course is an advanced undergraduate course targeting to students interested in current theoretical and applied work in China and global economy.

China's economic growth and integration with the world economy has been an important and defining economic event of the last twenty-five years. It has been characterized by a substantial rise in income, a large increase in international trade, persistent and large trade surpluses, the accumulation of substantial net foreign assets, and important swings in the real exchange rate. It has also been politically contentious with politicians, particularly in the US, linking China's sustained trade surpluses to its trade and commercial policy.

This course introduces students to the most recent work in China and global economy. The topics we will cover include: Why countries trade in a global economy and why China has a huge increase in trade? What are the consequences for the world of trading with China, and what are the consequences for the rapid growth of China? Why countries run deficit and surplus? Should we concern by the huge deficit of the US/huge surplus of China? Would depreciation always lead to more exports? Why China has been growing very fast? Why are the saving rates so high in China?

This course introduces students to the most recent work in China and Globalization, and we will also emphasize how the analysis connects to current events. After successfully completing the course, students should be able to analyze the related issues.



GLEF 4010 China and Global Economy

2020-21 Term 2

Course outline

Prerequisites

The materials we will cover are relied on formal economic modeling. It is important that students be familiar with economic tools that have learned in previous courses (Intermediate Macro and Microeconomics). I will cover the key macroeconomic concepts in class, but in a manner that brings us to international applications quickly.

Textbook

This course does not follow a textbook. For some trade topics, I recommend (but do not require) Paul R. Krugman, Maurice Obstfeld and Marc Melitz, *International Economics: Theory and Policy*, 2011(K-O-M). For some macro concepts, I recommend *Macroeconomics*, by Stephen D. Williamson. Other readings and notes will be available online.

Course requirements and grading

Your final grade will be based on

Homework	25%
Open book take-home Midterm	10%
Short presentation in class	15%
Final exam	50%

- *Homework.* Homework assignments are due at the beginning of the class period. Late submissions will not be accepted. Homework must be neat and legible. You must turn in your own work for homework assignment although you can work together. Identical (or essentially similar) assignments will all receive a grade of zero.
- *Exams.* The midterm exam will be an open book take-home exam. Final exam will be scheduled centrally by the University. No substitute exams will be offered. Final exam is closed book and you may not use any electronic wireless receiver/transmitter. Anything mentioned in the notes, in the required readings or in class is a legitimate subject for an exam question.
- *Presentations.* Students will form groups to prepare presentations on one of the topics and issues that related to the courses. Each group consists of 3 students or less. Group members work together to write a background paper and slides. Presentation slides are required to be neat and simple, and supplement materials can be included in the background paper and submit with the slides. The group will select one person to present in class and group members can help with answering questions.



GLEF 4010 China and Global Economy

2020-21 Term 2

Course outline

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. Details on university policy and regulations on honesty in academic work, and the disciplinary guidelines and procedures applicable to breaches of such policy and regulations can be found at <http://www.cuhk.edu.hk/policy/academichonesty/>.

Tentative agenda

Week 1: China and globalization overview: a substantial rise in income, a large increase in international trade, persistent and large trade surpluses, the accumulation of substantial net foreign assets, and important swings in the real exchange rate

- Trade flows: Why countries trade with each other? Why China trade so much?
- Comparative advantage

Week 2: What are the effects of China's growth on other countries?

- Common misconceptions in international economics
- Foreign competition is unfair when is based on low wage? Or trade exploits third world country?
- Would third world growth hurt first world prosperity?

Week 3: Why China has been having a lot of trade?

- Comparative advantage and H-O Model
- Who are the winners and losers from international trade?
- References: K-O-M Chapter 5

Week 4: Who are the winners and losers from international trade?

Week 5: Inequality and globalization

- Skill premium in developed and developing countries
- Offshoring/Outsourcing and skill premium in China

Week 6: What does a trade deficit or surplus mean?

- International financial flows, current account deficits and the balance of payments

Week 7: Midterm Review

Midterm

Week 8: International borrowing and lending

- Consumption-Saving decision and credit market
- A two-period model of consumption-savings decision



香港中文大學
The Chinese University of Hong Kong

GLEF 4010 China and Global Economy

2020-21 Term 2

Course outline

Week 9: Why China run huge surplus and the US run huge deficit?

- Current account deficits and the balance of payments
- China's foreign asset position. Shall we concern about the large surplus?

Week 10: Why China has been growing very fast?

- Facts on world growth. Economic growth and international convergence
- Catch up growth and openness

Week 11: Growth models and growth accounting

Why are the saving rates so high in China?

Week 12 : **Review**

Week 13 : Students presentations