

Economics 149
Economies of East and Southeast Asia
Mon/Wed 1:00pm-4:30pm
J Baskin Engineering 372
Summer Quarter July 31 to September 1, 2023
University of California, Santa Cruz
Professor K.C. Fung, Ph.D.

Professor K.C. Fung email: kcfung@ucsc.edu
Office Hours: Wednesdays 4:40pm to 6:40pm

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*This is an advanced undergraduate course that studies the various important and timely aspects of selected East Asian and Southeast Asian economies. The class prerequisites are **Economics 1 and Economics 2**.*

K.C. Fung is currently a Professor of Economics at the University of California, Santa Cruz.

I previously taught at Stanford University, University of Wisconsin-Madison, Mount Holyoke College, London Business School-HKU Business School-Columbia University Business School EMBA-Global Asia Program, Seoul National University (South Korea), National Sun Yat-sen University (Taiwan), Nankai University (China), Fudan University-HKU International MBA Program (China), as well as Master of Economics and MBA Program at the University of Hong Kong. I was a Visiting Researcher at the University of Tokyo (Japan), an Invited Visiting Professor at Osaka University (Japan) and a Visiting Scholar at the National University of Singapore.

In addition to academic research and teaching activities, K.C. also has U.S. Government and International Organization experiences.

The topics to be discussed in this class include East Asian and Southeast Asian digital startups, artificial intelligence, economic reforms and structural changes, international trade, foreign direct investment,

economic growth, business management practices, innovation ecosystems and policies, climate change policies, etc.

Economic systems to be examined may include some of the largest East Asian, Southeast Asian and Asia/Pacific economies (based on current official or market exchange rates): [Japan](#), [South Korea](#), [Hong Kong](#), [Taiwan](#), [China](#), [Australia](#); and selected common economic issues such as [U.S.-Asia economic relationships](#), [trade in parts and components](#), [innovation sectors and clusters in Asia](#), [climate change policies](#), [foreign direct investment in Asia](#), [Asian linkages and comparisons with Latin America](#) and [Europe](#), etc.. I will be teaching this class using a variety of approaches, including the economic approach, the business management approach as well as an international and public policy approach.

The requirements for this class include either an in-class midterm (40%), or an in-class individual or group presentation (also 40%), and one required in-class final exam (60%). If both the midterm and the in-class presentation are taken, then extra credits (20%) will be added to the student's grade. Students should inform the Instructor about the topic and the timing of the presentation. In-class presentations can be conducted anytime during class before the last week. The TA will grade the written exams. I myself will grade the presentations and I will deliver the course grades to the Registrar.

For the midterm and final, I will provide [sample questions in advance](#), and I will choose the actual exam questions from these sample tests.

*There are no required textbooks and readings. Lecture materials are provided online or via emails. Students are not required to read all the readings and lecture materials below. Most of the materials are for reference only. Required readings and materials needed for the Midterm and the Final are marked with **.*

I would ask you respectfully [Not](#) to distribute any lecture or discussion materials (including slides) without my consent. Obviously, the class materials can be used for fair educational purposes. In general, I [reserve all intellectual and other property rights](#) over my class materials.

As Economic, Business Management, and Public Policy events in Asia, U.S.-Asia and California-Asia relationships can change rapidly, the

*following outline serves only as a general guideline for our class. Following the wonderful tradition at the University of California, Santa Cruz (UCSC) and other University of California (UC) institutions, I will try to **integrate my research and experiences** into my teaching in this class.*

Course Outline and Some Suggested Readings:

****** *denotes readings relevant for Midterm Sample Questions*

****** *denotes readings relevant for Final Exam Sample Questions*

Topic 1. Introduction I: Economic and Business Trends in the Economies of Asia; Economic and Business Relationships with the State of California and the United States

Lecture and Discussions, Introduction to Asian Economics, Business, Global Public Policy, and class materials, by K.C. Fung, 2023

Sabrina Cervantes, Chair, Assembly Committee on Jobs, Economic Development, and the Economy, “Fast Facts on the California Economy,” November 2022

Recent Economic, Business and Policy Issues related to Asia, lecture and class materials by K.C. Fung, 2023

Topic 2. Introduction II: Economic, Business and Public Policy Analysis of Trade Restrictions; Digital Startups and Digital Trade Policies

Economic Analysis and Business Issues related to Digital Startups and Digital Trade Policies, by K.C. Fung, 2023

Economic Analysis of Tariffs: Small Country and Large Country Cases

“Digital Trade: California, Mexico and NAFTA 2.0,” by K.C. Fung, University of California Office of The President, Mexico Initiative, University of California Publication, Oakland, California, USA, 2017

Lecture and Discussions, Economic Analysis and Policy Issues related to Export Restrictions, by K.C. Fung, 2023

Topic 3. The Economy and Business of Japan

3.1 Overview

*******Lecture Slides on the Evolving and Changing Japanese Economy and Business, by K.C. Fung, 2023*

*******“How Japan’s Startup Ecosystem Grew Alongside Its Large Firms,” by Kenji Kushida, Carnegie Endowment for International Peace, August 2022.*

“Japanese-Style Management,” in “Japan’s Lost Decade and Weaknesses in Its Corporate Governance Structure,” by Mitsuhiro Fukao, in Robert M. Stern ed., Japan’s Economic Recovery, Edward Elgar Publishing.

*******“The “S” in ESG: How Japan’s Employment Model Can be a Blueprint for a Post-Covid World,” by Chie Toriumi and Jim McCafferty, Nomura, 2022*

3.2 Japan’s Industry Structure, Trade and Climate Change Policy

*******“Climate Change Policy, Emissions Trading Schemes and Carbon Pricing: California and Tokyo,” by K.C. Fung, Journal of Economics and Public Finance, 2023.*

*******“Silicon Trade Policies” and a Comparative Analysis of China-U.S. and Japan-U.S. Trade Conflicts” by K.C. Fung, Nathalie Aminian, Maggie Fu, Jung Ho Rhee and Chris Y. Tung, Journal of Chinese and Economic Business Studies, vol. 18, 2020.*

“The Political Economy of Exchange Rates: The Case of the Japanese Yen,” by Nathalie Aminian, K.C. Fung, Alicia Garcia-Herrero and Chelsea C. Lin, Japan and the World Economy, 2012.

“Characteristics of Japanese Industrial Groups and Their Impact on U.S.-Japanese Trade,” by K.C. Fung in Robert E. Baldwin ed. Empirical Studies of Commercial Policy, NBER Conference Volume, University of Chicago Press.

3.3 Japan’s Labour Market and the J-Firm

Lecture on the Japanese Labour Market, by K.C. Fung, 2023

“Some International Properties of Japanese Firms,” by K.C. Fung, Journal of Japanese and International Economies, 6, pp.163-175.

“Unemployment, Profit-Sharing and Japan’s Economic Success,” European Economic Review, by K.C. Fung, 33, 783-796

3.4 Applications

Japan-U.S. Economic Issues

White House Council of Economic Advisers (CEA): Reclassification of Japanese Multipurpose Vehicles, Executive Office of the U.S. President, Washington, D.C., USA

White House Council of Economic Advisers (CEA): Meeting with Japanese Government’s Economic Planning Agency, Executive Office of the U.S. President, Washington, D.C., USA

White House Council of Economic Advisers (CEA) : SII: Negotiations with Japanese Government Officials, Notes by K.C. Fung, Executive Office of the U.S. President, Washington, D.C., USA

Topic 4. The Economy and Business of South Korea

4.1 Overview

***Lecture Notes on the Economic Development of South Korea, by K.C. Fung, 2023.*

******“The Changing Face of South Korea’s Business Sector and Global Competition,” by Jung Ku-Hyun, *Carnegie Endowment for International Peace*, November 2022.

4.2 Growth and Management Aspects of the South Korean Economy

Byung-Nak Song, “The Korean and Japanese Growth Patterns Compared” in *The Rise of the Korean Economy*, Oxford University Press, latest edition.

******Byung-Nak Song, “The Korean and Japanese Management Systems Compared” in *The Rise of the Korean Economy*, Oxford University Press, latest edition.

Lecture on Economic Models of Industrial Policies: East Asia, K.C. Fung, 2023.

“The Political Economy of Strategic Trade Policies,” by K.C. Fung, Chelsea C. Lin and Ray-Yun Chang, *Review of International Economics*, 17 (3), 494-509, 2009.

“K-Pop’s Global Success and Its Innovative Production System,” by Joseph Kim and Seung-Ho Kwon, *Sustainability*, September 2022.

Midterm (In-Person): August 16, 2023

Topic 5. Innovation and Growth in Asia

******“How Japan’s Startup Ecosystem Grew Alongside Its Large Firms,” by Kenji Kushida, *Carnegie Endowment for International Peace*, August 2022.

******“The Changing Face of South Korea’s Business Sector and Global Competition,” by Jung Ku-Hyun, *Carnegie Endowment for International Peace*, November 2022.

******“Digital Trans-Pacific Silk Road and Phases of China-Latin American Connectivity: From Silver to AI,” by K.C. Fung, Yue Lin

and Le Xia, to be published in a Special Issue, *The Chinese Economy*, 2023.

**“Silicon Trade Policies” and a Comparative Analysis of China-U.S. and Japan-U.S. Trade Conflicts,” by K.C. Fung, Nathalie Aminian, Xiaoqing (Maggie) Fu, Jung Ho Rhee and Chris Y. Tung, *Journal of Chinese Economic and Business Studies*, 2020.

**“Digital Silk Road, Silicon Valley and Connectivity,” by K.C. Fung, Nathalie Aminian, Maggie Fu and Chris Y. Tung, *Journal of Chinese Economic and Business Studies*, vol. 16, 2018.

“China Needs to Let Its Silicon Valley-Like Companies Grow,” by K.C. Fung, *Nikkei Asian Review*, March 6, 2015

“Some Characteristics of Innovation Activities: Silicon Valley, California, China and Taiwan,” by K.C. Fung, Nathalie Aminian and Chris Y. Tung, *Economic Change and Restructuring*, June 2016.

“East Asian Growth Accounting,” Lecture by K.C. Fung, 2023

Topic 6. The Economy and Business of Australia

Lecture on the Australian Economy and Business, by K.C. Fung, 2023.

Australian Government, *Australia in the Asian Century*, White Paper, Department of the Prime Minister and Cabinet Canberra: Australia, October 2012

Factsheet on the Australian Economy, Australian Government, 2023

**“Dutch Disease in Australia: Policy Options for a Three-Speed Economy,” by W. Max Corden, University of Melbourne, Working Paper No. 5/12

Topic 7. The Economy and Business of New Zealand

Factsheet on the New Zealand Economy, Australian Government, 2023

*******Lecture Notes on the Economy of New Zealand, by K.C. Fung, 2023*

“How Indigenous People are Reshaping Modern Economies,” by Darren Godwell and Asha Nooh, World Economic Forum, 2022

Topic 8. The Economy and Business of China

8.1 Overview

Lecture and class materials on the Chinese Economy, by K.C. Fung, 2023

*******“The Rise of China and Its Implications for Economics and Other Developing Countries,” by Justin Yifu Lin, Area Development and Policy, 2017.*

8.2 External and Other Aspects of China; China and East and Southeast Asia; China and Latin America

Reading Materials:

*******“Digital Trans-Pacific Silk Road and Phases of China-Latin American Connectivity: From Silver to AI,” by K.C. Fung, Yue Lin and Le Xia, to be published in a Special Issue, The Chinese Economy, July 2023.*

*******““Silicon Trade Policies” and a Comparative Analysis of China-U.S. and Japan-U.S. Trade Conflicts,” by K.C. Fung, Nathalie Aminian, Xiaoqing (Maggie) Fu, Jung Ho Rhee and Chris Y. Tung, Journal of Chinese Economic and Business Studies, 2020.*

“Introduction to Special Section on Global Trading System with the New American Administration: China, United States and Europe,” by

K.C. Fung, *Journal of Chinese Economic and Business Studies*, 19:3, 173-179, 2021.

**“Digital Silk Road, Silicon Valley and Connectivity,” by K.C. Fung, Nathalie Aminian, Maggie Fu and Chris Y. Tung, *Journal of Chinese Economic and Business Studies*, vol. 16, 2018.

**“Internationalization of the Use of Chinese Currency: Perspectives from the New and the Ancient Silk Roads” by K.C. Fung, Nathalie Aminian, Maggie Fu and Iikka Kornhohen, *Journal of Chinese Economic and Business Studies*, vol. 16, 2018.

“Mexico, Brazil and Chile: Potential Links with China and South Korea,” by K.C. Fung, Hsiang-Chih Hwang, Jesús Seade and Rocky Tong, *Journal of Chinese Economic and Foreign Trade Studies*, vol. 9, Issue 3, 190-212, 2016.

“Introduction: Special Issue on Two-Way Trade Flows on China and Latin America,” by K.C. Fung and Carlos M. Urzúa, *Journal of Chinese Economic and Foreign Trade Studies*, Vol 9, No. 3, 2016.

“Beyond Minerals: China-Latin American Trans-Pacific Supply Chain,” by K.C. Fung, Alicia Garcia-Herrero and Jesús Seade, *BOFIT Policy Brief*, No. 5, 2015.

United States Direct Investment in China, by K.C. Fung, Lawrence J. Lau and Joseph Lee, with a Foreword by Former U.S. Secretary of State George P. Shultz, American Enterprise Institute Press, Washington, D.C., 2004.

“Domestic Value Added and Employment Generated by Chinese Exports: A Quantitative Estimation” by Xikang Chen, Leonard Cheng, K.C. Fung, Lawrence J. Lau, Jiansuo Pei, Yun-Wing Sung, Zhipeng Tang, Yanyan Xiong, Cuihong and Kunfu Zhu, *China Economic Review*, 2012

8.3. Applications:

8.3.1. China-U.S. Economic Issues

“The China Trade Shock: Studying the Impact of China’s Rise on Workers, Firms, and Markets,” August 2016

www.chinashock.info/

United States House of Representatives, Committee on Ways and Means, Official Request for a Study on U.S.-China and U.S.-Asia Trade and Investment, 2006

U.S. Congressional Commission on US-China Security and Economic Review "Trade and Investment: China, the United States and the Asia/Pacific Economies," invited testimony by K.C. Fung, Hearings on China as an Emerging Regional and Technological Power, the United States Congress, U.S. Government Printing Office, Washington, DC., USA, 2004.

http://www.uscc.gov/hearings/2004hearings/hr04_02_12.phper

United States International Trade Commission “How Vertically Specialized is Chinese Trade,” USITC Discussion Paper 08-09D, by Judith Dean, K.C. Fung and Zhi Wang, The United States Government, Washington, D.C., USA, 2008; paper presented at the IMF, Washington, D.C., April 6, 2007, online at http://www.usitc.gov/ind_econ_ana/research_ana/research_work_papers/documents/EC200809D.pdf

White House Council of Economic Advisers (CEA), China 301 Market Access, Executive Office of the President, Washington, D.C.

Bank of Finland, “Vertical Specialization in Chinese Trade,” by Judith Dean, K.C. Fung and Zhi Wang, BOFIT Online, Helsinki, June 2009.

U.S. Congressional Commission on US-China Security and Economic Review "U.S.-China Bilateral Investment" invited testimony by K.C. Fung, Hearings on Chinese State-Owned Enterprises and U.S.-China Bilateral Investment, the United States Congress, Washington, DC., USA, 2011

http://www.uscc.gov/hearings/2011hearings/written_testimonies/hr11_03_30.php

8.3.2. Other Applications

*Presentation to **CTBC Bank**, Taiwan, December 2019, K.C. Fung*

*Presentation to the **OECD**, Paris: France, June 2014, K.C. Fung*

*Presentation to the **World Trade Organization**, WTO, Geneva: Switzerland, June 2013, K.C. Fung*

*“Silk Road and China,” Presented to **London Business School-Hong Kong University Business School-Columbia University Business School EMBA-Global Asia**, Lecture by K.C. Fung, 2017.*

Topic 9. The Economy and Business of Hong Kong

8.1 Overview

Lecture and class materials on the Hong Kong Economy, by K.C. Fung, 2023

Factsheet on Hong Kong, Australian Government, 2023

8.2 Other Aspects of the Business and Economy of Hong Kong

Lecture and class materials on the Hong Kong Movie Industry.

Business and Cultural Aspects of Hong Kong

Final Exam (In-Person): August 30, 2023, 1:00pm-3:00pm