

**-(DRAFT)-**

## **EE363: Economic and social development in East and Southeast Asia**

Name of instructor Professor Rogier B.P.M. Busser

Time for the course July – August 2024

The first part of the course is online.

### Course description

This *seminar* course introduces the debate on economic development in East Asia. Is the organization of the East Asian economies similar to the types of organization applied in Europe and the US? How does the distinction between the private sector and the government work in Asian economies? Does industrial organization in East Asia differ from the way industries are organized in Europe? To find answers to these questions we analyze East Asian economic development models, financial policies, industrialization processes, employment systems, labor issues, environmental governance, and regional economic integration. We make use of macroeconomic analysis and apply political economy theories. The focus is on China, Japan, and South-Korea but the increasing integration between the East Asian economies and the ASEAN economies is also discussed as the regionalization of the Asian economy is becoming more intense. Finally, we will analyze to what extent the decoupling of the American and Chinese economies, affects the ASEAN region. We use Chinese, Japanese, Korean, Thai, American and continental European perspectives to understand the dynamics of economic development in East Asia.

### Learning objectives

Upon completion of the course, students will be expected to successfully:

- Understand and critically discuss major issues, debates and theories on economic development models used in East Asia.
- Identify the most important components of financial policies, industrialization policies, employment systems, labor issues, environmental governance, sustainability and regional economic interaction in East Asia.
- Be able to describe the historical economic development of the East Asian economies.
- Have shown proficiency in reproducing theories of economic development in East Asia.

### Course type

Seminar course. The course starts with a number of two-hour lectures online. Thereafter we have three-hour sessions consisting of a short lecture class, student presentations, discussions, and panels.

Students will make presentations (individually or in pairs of two) on a topic related to this course. A list of possible topics will be provided.

### **Sessions**

*Session 1 + 2* (2 times 2 hours)

Topic: Course introduction: Incomes and welfare of East Asians today.

Readings:

Naughton: Introduction (1-19) and Chapter 10 Living standards: incomes, inequality and poverty (237-256).

Hiroaki Watanabe: *The Japanese Economy (2020): Introducing the Japanese Economy* (1-21), Agenda Publishing, UK.

*Session 3+4* (2 times 2 hours)

Topic: Industrialization in East Asia. From pre-modern industrialization towards industrial revolutions in Japan, China and Korea: industrial policies.

Naughton: Chapter 2 The Chinese economy before 1949 (43-64).

Flath: Chapter 2 Economic history: The Tokugawa period and the Meiji period(21-42) and Chapter 3 The Twentieth century (43-70).

Chung: Chapter 2 Economic Development and structural changes (7-12)

Core questions:

When did the industrial revolutions take place in Japan, Korea and China? And why in this sequence?

Explain the driving factors behind these revolutions in Japan and China?

*Session 5 + 6* (2 times 2 hours)

Topic: Economic Development Models in East Asia

Some models to understand economic development in East Asia: The Developmental State model, Network consensus model, Pluralist model and State-led model.

C. Johnson: *The Developmental State: Odyssey of a Concept* in M. Woo-Cumings, *The Developmental State* (1999).

S. Hayashi: *The developmental state in the era of globalization: beyond the Northeast Asian model of political economy* in *The Pacific Review*, Volume 23, Issue 1, 2010.

Wade, Robert H. (2017) The developmental state: dead or alive? *Development and Change*, 49 (2). pp. 518-546. ISSN 0012-155X

Justin Yifu Lin: The comparative advantage-following development strategy, in *Demystifying the Chinese Economy*, Cambridge University Press. 2012

Core question: Explain the Developmental State model as presented by Johnson?

*Session 7+8 (2 times 2 hours)*

Topic: Industrial Organization. Cooperation and competition within industries, the role of supporting industries, Keiretsu and Chaebol, the relationship between firms and markets in East Asia.

Kaname Kukita and Yoshihiro Yamazaki :How Has the Theory of Industrial Organization Become an“Empty Box”? Graduate School of Economics Fukuoka University, 2019

Naughton: Chapter 3 The Socialist Era 1949-1978: Big push industrialization (65-94).

Flath: Chapter 12 Industrial organization (271-294).

Eun Mee Kim and Gil-Sung Park, The Chaebol in The Park Chung Hee Era edited by Byung-Kook Kim and Ezra F. Vogel (Harvard University Press, 2013).

Core questions:

Understand the key concept of Keiretsu and Chaebol in the framework of industrial organization

Explain the differences in industrial organization between the case of Chinese economic policies in the socialist era (1949-1978) and the Developmental state in Japan and South-Korea (1955-1990).

*Session 9+10 (2 times 2 hours)*

Topic: Financial Systems in China, Korea and Japan

The role of financial intermediaries, banks, insurance companies and financing of SME's.

Naughton: Chapter 19 Financial system (479-513).

Flath: Chapter 14 Finance (333-351).

Chung: Chapter 5 Domestic Financing of Business and Public Investments (115-174)

Core question:

What role do different financial intermediaries play in the financial systems in Japan, China and South-Korea?

Midterm essay

*Session 11* (3.5 hours)

Topic: Labor

Employment systems, human capital formation in East Asia.

Naughton: Chapter 8 Labor and human capital (209-236).

Hiroaki Watanabe: *The Japanese Economy (2020): The Human and Labour Factors of the Japanese Economy* (89-136), Agenda Publishing, UK.

Flath: Chapter 15 Labor (351-376).

Core questions:

How did labor markets develop in China and Japan?

How is the position of female workers?

Which human capital formation policies can we distinguish in China and Japan?

Student presentations

*Session 12 + 13* (two times 3.5 hours)

Topic: Saving and capital accumulation

Explanations for high savings ratio's in East Asian societies, capital accumulation and investment capital.

Naughton: Chapter 18 Macroeconomic policy: instruments and outcomes (453-478).

Flath: Chapter 5 Saving (98-109)

Chung: Chapter 7 Domestic saving and income distribution (213-263)

Optional reading: C.Y. Horioka and A. Terada-Hagiwara, *The determinants and Long-term projections of saving rates in developing Asia*, NBER Working Paper Series, November 2011.

Core questions:

What are the drivers behind the high savings ratio's in China and Japan?

How did government policies influence the savings patterns?

*Session 14 + 15* (two times 3.5 hours)

Topic: Integration and Regionalization

Facilitating governmental policies: monetary integration, trade integration, construction and infrastructure. Special attention to the development of the Greater Mekong Sub-region and ASEAN.

Masahisa Fujita · Nobuaki Hamaguchi, Japan and economic integration in East Asia: post-disaster scenario, in *The Annals of Regional Science*, 2012, Vol.48(2), pp.485-500.

Siow Yue Chia: The Emerging Regional Economic Integration Architecture in East Asia in *Asian Economic Papers*, January 2013 (1-43).

Core questions:

In what ways are the Chinese, Japanese, Korean and ASEAN economies integrating?

How is the pattern of trade integration shaped?

What is the role of FDI in the economic integration process?

Topic: Integration and Regionalization II

Firm level: Value chains, regional production networks and FDI.

P. Das (2013) The Role of China in Asia's Evolution to Global Economic Prominence in *Asia & the Pacific Policy Studies*, vol. 1, no. 1, 216–229.

H. Kim, Location Choices of Korean MNEs in East Asia: Escaping the Nutcracker and T. Gokan, Location Choices of Japanese MNEs in East Asia in M. Fujita (2008) *Economic Integration in East Asia*.

Core questions:

What is the role of MNC's in regional economic integration process in East Asia?

Do MNC's contribute to industrial upgrading in East Asia?

Are there distinctive investment patterns among Japanese, Korean and Chinese investors?

*Session 16* (3.5 hours)

Topic: The current state of the Chinese, Japanese and Korean economies

Hiroaki Watanabe: *The Japanese Economy (2020): A Distinctive Japanese Economic Feature: "Galapagos Syndrome"* (145-160), Agenda Publishing, UK.

Advancing China's Sustainable Economic Growth, Remarks by the Managing Director Kristalina Georgieva at the China Development Forum, March 24, 2024, Beijing.

<https://www.imf.org/en/News/Articles/2024/03/24/sp032424-md-cdf-remarks>

Section 17 (3.5 hours)

Rounding up, conclusions, tips and consultation for the research paper.

### Assessment

Class preparation and classroom participation 20%

Attendance, participation, homework and in class discussions.

Oral presentation(s) 15%

Students will do presentations (15 minutes per person or two students together 25 minutes) on topics related to the content of this course. During week 2 we will discuss the topics and assign the timeslots for the presentations. This depends on the number of students in the course.

Midterm essay 25%

After the midterm essay, we will discuss the essays.

Research paper 40%