

**Syllabus**  
**IGA328: Asia in the World Economy**  
(previously BGP-460)  
Spring 2009, 1.0 Credit  
Monday & Wednesday, 1:10PM-2:30PM  
Starr Auditorium, Kennedy School, Harvard University

Lead Instructor: Dennis J. Encarnation  
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Office Hours: Monday & Wednesday, by appointment, before or after class  
Co-Instructor: Edward A. Cunningham  
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Course Objectives

This is a course in applied political economy focusing on the intersection of corporate strategy and public policy in Asia. The course will engage in three interrelated debates: The first addresses the globalization of input (capital, labor, land, technology) and output (goods, services) markets, in response to the argument that the world is increasingly 'flat'. This informs a second debate, which addresses the relative prospects for 'convergence' in business strategies and government policies across Asia and elsewhere. This leads to the third and final debate, which addresses current and future prospects for Asia's competitiveness--specifically, the role that globalization has played in Asia's economic growth and periodic crises. To engage in these debates, the course is expressly historical and institutional, comparative and international--examining over time different levels and units of analysis--in its overall assessment of Asia in the world economy.

Course Outline

The course is divided into six short sections. The first, entitled 'Perspectives', examines Asia's relative position in the world economy, and lays out the principal debates animating the course. The next 3 sections, beginning with 'Energy' and continuing down the value chain through 'Manufacturing' into 'Services, analyzes national, regional and global trends across critical sectors. Here we explore how corporations and governments have worked to shape, and have been shaped by, globalization and convergence. The fifth section addresses 'Future Opportunities and Risks' at 3 levels of analysis--the city, the nation and the region. The course concludes in its sixth and final section with "Student Projects"; here, students organized in industry groupings discuss drafts of their policy memos.

Course Readings

Readings will consist of a broad mixture of analytical papers from leading periodicals (most notably, The Economist) and academic publications, as well as from government, corporate and NGO sources. With a few exceptions, the number of pages to be read for each class is kept short in order to insure that they are read prior to class. This is especially important since readings will serve as points of departure for classroom discussion, not as central topics to be discussed. To maximize flexibility, required readings will be distributed through the IGA328 course web sites at least one week prior to their use, unless otherwise noted. To insure easy access and to reduce the risks

associated with network access, the course maintains 2 web sites with identical downloads: a standard HKS course web site and a backup web site at [www.IGA328.com](http://www.IGA328.com).

### Course Requirements

This is a survey course with no prerequisites. Final grades will be assessed as follows:

1. One-half (50%) for a 5-page policy memo written individually by each student, due April 29th, the last day of the course. Each student is to choose a topic that specifically addresses policy issues affecting their chosen industry from the perspective of a government agency, business enterprise, or non-governmental organization (NGOs) operating within a specific geography or across several geographies.
2. One-half (50%) for class and group participation, divided as follows:
  - a. One-quarter (25%) for in-class participation: Daily participation in class discussions is strongly encouraged, and the display of name cards in class is strongly recommended. Both the quantity and quality of class participation will be assessed daily.
  - b. One-quarter (25%) for group participation. Students in comparable industries will be organized into small groups for the purpose of sharing and critiquing policy-memo outlines, bibliographies, and drafts. Specific classes are devoted to this group exercise (see course schedule below). Along with their final policy memos students will also submit written evaluations on the quality of feedback received from group members.
3. Additional details regarding policy memos and group participation will be provided, and samples of memos from prior classes will be placed on reserve in the HKS Library.

### Course Instructors

The lead instructor for the course is Dennis J. Encarnation. Professor Encarnation just retired from Harvard in his 27<sup>th</sup> year of service: He spent the first half of his Harvard career on the faculty of the Harvard Business School, and the second half at the Kennedy School's Center for Business and Government, where he founded one of HKS's first Asia Programs. Prior to Harvard, he worked at the US Office of Management and Budget, taught at Stanford University, and received his graduate degrees in economics and politics from Duke University. His teaching, research, and writing focus on the intersection of corporate strategy and government policy, especially as these shape foreign investment and international trade. On these topics, he has authored five books and dozens of articles and case studies. Concentrating on Asia, Professor Encarnation has conducted extensive field research from India (beginning with his doctoral research), to Southeast Asia and China (on repeated sabbaticals), to Japan (including a year in the Ministry of International Trade and Industry). Across Asia and elsewhere, Professor Encarnation continues to work as a consultant to multinational corporations, government agencies, and multilateral organizations--all of which creates a practical application of his more academic pursuits.

Joining Professor Encarnation to lead discussions on selected topics will be Edward A. Cunningham--a former Fulbright Fellow based in Beijing, who is completing his PhD in the MIT Department of Political Science. Mr. Cunningham is currently a fellow of MIT's Industrial Performance Center. His primary research interests relate to China's energy reform, political economy, industrial organization, and comparative business-government relations. Mr. Cunningham graduated from Georgetown University, studied at Peking

University and the Michelangelo Istituto di Lingua e Cultura Italiana in Florence, and received an A.M. from Harvard's Graduate School of Arts and Sciences. Subsequently, he served as program officer for the Kennedy School's China Public Policy Program. He is the author or a contributing author of several publications, including: *Global Taiwan* (M.E. Sharpe, 2005); "China's Energy Governance: Perception and Reality", MIT Center for International Studies, (March 2007); *China and East Asian Energy: Prospects and Issues* vol. 2 (Australia-Japan Research Centre, ANU, 2008); "Why Pollute? Explaining the Environmental Performance of Chinese Power Plants", *China Economic Quarterly* (September 2008); and "Greener Plants, Grayer Skies? A Report from the Front Lines of China's Energy Sector", *Energy Policy* (*in press*).

### Course Schedule

#### Section I. Perspectives

- Class#1 January 28 Asia in the World Economy—Comparative Perspectives
- #2 February 2 Output Market: Goods and Services
- #3 February 4 How Firms Compete: Converging vs. Competing Models
- #4 February 9 Input Markets: Capital, Labor, Land, Technology
- #5 February 11 Current Crises: Moving From Input to Output Markets

#### Section II. Energy

- #6 February 18 Energy Demand
- #7 February 23 Energy Supply
- #8 February 25 Case Study: China—Where Supply & Demand Meet

#### Section III. Manufacturing

- #9 March 2 Textiles Industry  
*(Policy Memo: topic due in class)*
- #10 March 4 Electronics Industry  
*(Short group meeting in class)*
- #11 March 9 Auto Industry
- #12 March 11 Emerging Competitors and Access to Capital
- #13 March 16 Aerospace
- #14 March 18 Manufacturing-Related Services  
*(Policy Memo: outline & bibliography due in class)*  
*(Short group meeting in class)*

#### Section IV. Services

- #15 March 30 Financial Services I: Capital Markets
- #16 April 1 Financial Services II: Financial institutions
- #17 April 6 The 'Knowledge Economy': IT, Back-Office & Beyond

#### Section V. Opportunities & Risks

- #18 April 8 Cities: Where Energy, Manufacturing & Services Converge
- #19 April 13 Nations: Economic 'Miracles', 'Crises' & Beyond
- #20 April 15 The Future of the Asia-Pacific Region

#### Section VI. Student Projects

- #21 April 20 The Current Crisis in Perspective
- #22 April 22 Industry Group Meeting: Discussions I
- #23 April 27 Industry Group Meeting: Discussions II
- #24 April 29 *Final Policy Memos Due*

## Reading List

(regularly updated on the IGA328 course web sites)

### CLASS #1: WEDNESDAY, JANUARY 28

Topic: Asia in the World Economy—Comparative Perspectives

Required Reading (download from the course web sites):

- (A) "A Special Report on Globalization" (assorted articles), The Economist, (September 18, 2008)
- (B) "The Alternative Engine", The Economist, (October 19, 2006).

### CLASS #2: MONDAY, FEBRUARY 2

Topic: Outputs—Goods and Services

Required Reading (download from the course web sites):

- (A) Rafiq Dossani, "Globalization and the Offshoring of Services: The Case of India", Brookings Trade Forum, 2005.
- (B) "A World of Work: A Survey of Outsourcing," The Economist, (November 13, 2004).

### CLASS #3: WEDNESDAY, FEBRUARY 4

Topic: How Firms Compete—Converging vs. Competing Models

Required Reading (download from the course web sites):

- (A) Richard Florida, "The World is Spiky", Atlantic Monthly, (October 2005), pp. 48-51
- (B) Samuel Palmisano, "The Globally Integrated Enterprise", Foreign Affairs, (May/June 2006)
- (C) "Multinationals – The Offspring of Globalization", The Economist, (April 4, 2007).

### CLASS #4: MONDAY, FEBRUARY 9

Topic: Input Markets—Capital, Labor, Land, Technology

Required Reading (download from the course web sites):

- (A) UNCTAD, "Overview", World Investment Report, 2008 (Geneva: UNCTC, 2008)
- (B) McKinsey and Company, "Long Term Trends in the Global Capital Markets", McKinsey Quarterly, Economic Studies, (February 2008)
- (C) Richard Freeman, "The New Global Labor Market", Focus, University of Wisconsin-Madison, Vol 26-1, (Summer/Fall 2008).

### CLASS #5: WEDNESDAY, FEBRUARY 11

Topic: Current Crises: Moving From Input to Output Markets

Required Reading (download from the course web sites):

- (A) "China and India", The Economist, (December 11, 2008).

NO CLASS: MONDAY, FEBRUARY 16--PRESIDENT'S DAY HOLIDAY

### CLASS #6: WEDNESDAY, FEBRUARY 18

Topic: Energy Demand

Required Reading (download from the course web sites):

(A) Robert Manning, "The Asian Energy Predicament", *Survival*, (v. 42 #3, Spring 2000), pp. 73-88

(B) IEA, World Energy Outlook 2008, "Demand", pp. 77-89

(C) IEA, World Energy Outlook: China and India 2007, "Demand", pp. 117-134.

CLASS #7: MONDAY, FEBRUARY 23

Topic: Energy Supply

Required Reading (download from the course web sites):

(A) "The Changing Role of National Oil Companies in the International Energy Market", *Baker Institute Policy Report No. 35*, (March 2007)

(B) Vipul Tuli, "Regional Cooperation for Asian Energy Security", RIS Discussion Paper #112, (August 2006).

CLASS #8: WEDNESDAY, FEBRUARY 25

Topic: Case Study – China: Where Supply and Demand Meet

Required Reading

(A) Erica Downs, "Grappling with Rapid Energy Demand Growth", *Brookings Foreign Policy Studies*, (December 2006) (*particularly parts 1,4 and 5*).

(B) Edward A. Cunningham, "China's Energy Governance: Perception and Reality", MIT CIS Audit of the Conventional Wisdom, 07-04 (March 2007). It is directly downloadable at: [http://web.mit.edu/cis/pdf/Audit\\_03\\_07\\_Cunningham.pdf](http://web.mit.edu/cis/pdf/Audit_03_07_Cunningham.pdf) .

CLASS #9: MONDAY, MARCH 2

Topic: Manufacturing Sector - Textiles Industry

Required Reading (download from the course web sites):

(A) "A Stitch in Time: Asian Textiles", *The Economist*, (September 10, 2005)

(B) David Gereffi and Olga Memedovic, "The Global Apparel Value Chain", UNIDO, (2003)

(C) Olga Memedovic, "Inserting Local Industries into Global Value Chains and Global Production Networks: Opportunities and Challenges for Upgrading with a Focus on Asia", UNIDO Conference, (2004).

→ *Policy Memo Topic Due*

Class #10: WEDNESDAY, MARCH 4

Topic: Manufacturing Sector - Electronics

Required Reading (download from the course web sites):

(A) Dieter Ernst, "Innovation Offshoring: Asia's Emerging Role in Global Innovation Networks", East-West Center, (July 2006).

(B) Peter Gourevitch et al., "Globalization of Production: Insights from the Hard Disk Drive Industry", *World Development*, (v. 28, no. 2, February 2000), pp. 301-317.

*(Short Group Meeting in class)*

Class #11: MONDAY, MARCH 9

Topic: Manufacturing Sector - Autos

Required Reading (download from the course web sites):

(A) "Asia and Australasia – A Regional Overview", The Economist, (January 2007)

(B) Eric Thun, "Special Report: China's Auto Industry", China Economic Quarterly, Q4, (2005).

Class #12: WEDNESDAY, MARCH 11

Topic: The Financial Crisis and Asian Manufacturers: Early Thoughts on Impact of Capital Markets on Strategic Responses

Required Reading (download from the course web sites):

(A) Pankaj Ghemawat and Thomas Hout, "Tomorrow's Global Winners: Not the Usual Suspects?," *Harvard Business Review* (November 2008)

(B) Pankaj Ghemawat, "Aggregation, Adaptation, Arbitrage", *Harvard Business Review* (March 2007).

Guest Speaker: Charles Bralver, Tufts University

Class #13: MONDAY, MARCH 16

Topic: Manufacturing Sector - Aerospace

Required Reading (download from the course web site):

(A) McKinsey and Company, "The Growing Role of Emerging Markets in Aerospace", McKinsey Quarterly, Economic Studies, (April 2008)

(B) Peter Nolan, "Globalization Challenge for Large Firms from Developing Countries: China's Oil and Aerospace Industries", European Management Journal, Vol. 21, No. 3, pp. 285–299, (2003).

Class #14: WEDNESDAY, MARCH 18

Topic: Manufacturing-Related Services

Required Reading (download from the course web sites):

(A) Tao and Wong, "Hong Kong: From an Industrialised City to a Centre of Manufacturing-related Services", *Urban Studies*, Vol. 39, No. 12, (2002).

→ *Policy Memo: Outline and Bibliography due in class*  
(Short Group Meeting in class)

NO CLASS: MONDAY, MARCH 23--SPRING BREAK

NO CLASS: WEDNESDAY, MARCH 25--SPRING BREAK

Class #15: MONDAY, MARCH 30

Topic: Financial Services I: Capital Markets

Required Reading (download from the course web sites):

(A) REREAD McKinsey and Company, "Long Term Trends in the Global Capital Markets", McKinsey Quarterly, Economic Studies, (February 2008)

(B) Matthew Higgins and Thomas Klitgaard, "Reserve Accumulation: Implications for Global Capital Flows and Financial Markets", *Current Issues in Economics and Finance*, Federal Reserve Bank of New York, Vol. 10, No. 10, (September/October 2004).

Class #16: WEDNESDAY, APRIL 1

Topic: Financial Services II: Financial Institutions

Required Reading (download from the course web sites):

(A) Gordon de Brouwer, Masahiro Kawai and Jay Rosengard, "National Markets and Institutions to Support Financial Development in East Asia", (November 2003)

(B) Richard Patten, Jay Rosengard and Don Johnston, "Microfinance Success Amidst Macroeconomic Failure: The Experience of Bank Rakyat of Indonesia During the East Asian Financial Crisis", *World Development* Vol. 29, No. 6 pp1057-1069, (2001).

Guest Speaker: Jay Rosengard, Kennedy School of Government

Class #17: MONDAY, APRIL 6

Topic: The 'Knowledge Economy': IT & Back-Office and Beyond

Required Reading (download from the course web sites):

(A) Survey - "Technology in India and China", *The Economist*, (November 7, 2007)

(B) "The Next Wave: India's IT and Remote Service Industries", *The Economist* (December 17, 2005)

(C) Rafiq Dossani, "Globalization and the Offshoring of Services: The Case of India", *Brookings Trade Forum*, (2005).

Class #18: WEDNESDAY, APRIL 8

Topic: Cities: Where Energy, Manufacturing & Services Converge

Required Reading (download from the course web sites)

(A) Survey – "Cities", *The Economist*, (May 3, 2007).

Class #19: MONDAY, APRIL 13

Topic: Nations: Economic 'Miracles', 'Crises', and Beyond

Required Reading:

(A) Dominic Barton, "Taking Stock: Ten Years After the Asian Financial Crisis", *McKinsey Quarterly*, (December 2007).