

A Joint Conference of
AKES, KDI, KU-BK21-Economics, KIF, and RCIE
**Korea and the World Economy, V:
Korea and the FTA**

July 7 –8, 2006

Inchon memorial Hall, Korea University, Seoul, Korea

Organizers **Sung Tae Ro**, President, Association of the Korean Economic Studies
 Jung Taik Hyun, President, Korea Development Institute
 Manwoo Lee, Director, Korea University Institute of Economic
 Research
 Heungsik Choe, President, Korea Institute of Finance
 Kar-yiu Wong, Director, University of Washington Research Center
 for International Economics

Organizing Units Association of the Korean Economic Studies (AKES)
 Korea Development Institute (KDI)
 Korea University BK21-Economics (KU-BK21-Economics)
 Korea Institute of Finance (KIF)
 University of Washington Research Center for International
 Economics (RCIE)

Supporting Units Bank of Korea
 Kangwon National University Asia-Pacific Leadership Center
 Korea Economic Research Institute
 Korea Eximbank Overseas Economic Research Institute
 Korea Institute for Industrial Economics and Trade
 Korea Institute for International Economic Policy
 Korea Life Insurance Co., Ltd.
 Maeil Business News Paper
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 SK Telecom Research Institute
 Seoul Guarantee Insurance Company
 Trade Research Institute

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For more information, please visit <http://www.akes.or.kr/> or <http://faculty.washington.edu/karyiu/confer/seoul06/index.htm>

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Overview of the Conference

*Otherwise mentioned, all sessions and ceremonies
will be held at **the Incheon Memorial Hall**, Korea University.*

Friday, July 7, 2006

- 08:30-09:00 **Registration**
09:00-10:30 **Session 1 (organized by Korea Development Institute): Korea and the World Economy**
Session 2: Public Finance I
Session 3: Regionalism I
10:30-10:45 **Coffee Break**
10:45-12:15 **Session 4: Korean Economy**
Session 5: International Finance
Session 6: (organized by Bank of Korea): Issues in the Korean Economy
12:15-13:45 **Lunch**
13:45-14:15 **Welcome and Best Paper Award Ceremonies**
14:15-14:45 **Keynote Speech**
14:45-16:15 **Session 7 (organized by Trade Research Institute): Korean Firms and Trade**
Session 8: Labor and Income
Session 9: Korea and FTAs
16:15-16:30 **Coffee Break**
16:30-18:00 **Session 10: Regionalism II**
Session 11: Investment and Investors in East Asia
Session 12: Selected Economic Issues I
18:15-20:00 **Dinner Speech**

Saturday, July 8, 2006

- 09:00-10:30 **Session 13: Public Finance II**
Session 14: Direct Investment and Tariffs
Session 15: Selected Economic Issues II
10:30-10:45 **Coffee Break**
10:45-12:15 **Session 16 (organized by Korea Institute of Finance): Issues in East Asia**
Session 17: Exchange Rate Regime
Session 18: Korea and the Asian Economies
12:15-13:30 **Lunch**
13:30-15:00 **Plenary Session: The Korean Economy and FTAs**
15:00-15:30 **Closing Session**

Program

Friday, July 7, 2006

08:30-09:00 **Registration**

09:00-10:30 **Session 1 (organized by Korea Development Institute): Korea and the World Economy**

Moderator: **Moon Joong Cha** (Korea Development Institute)

Trade, Investment and Economic Integration between South Korea and China

Joon-Kyung Kim (Korea Development Institute)

Yangseon Kim (University of Hawaii, USA)

Chung H. Lee (University of Hawaii, USA)

Discussant: **Insoo Kang** (Sookmyung University, Korea)

Foreign Labor Inflows and Its Consequences in Korea

Chin Hee Hahn (Korea Development Institute)

Yong Seok Choi (Kyunghee University, Korea)

Discussant: **Dae-il Kim** (Seoul National University, Korea)

The Economic Impact of Outbound FDI and Trade: The Case of Korea

Siwook Lee (Korea Development Institute)

Sanghoon Ahn (Korea Development Institute)

D. Lee (Korea Development Institute)

Cheonsik Woo (Korea Development Institute)

Discussant: **Yong-Seok Choi** (Kyunghee University, Korea)

Session 2: Public Finance I

Moderator: **Dong-Kun Kim** (Seoul National University, Korea)

Fiscal Impacts of Taxation on Pension in Aging Korea

Young Jun Chun (University of Incheon, Korea)

Discussant: **Chul-In Lee** (Konkuk University, Korea)

Trends in Intergenerational Income Mobility

Chul-In Lee (Konkuk University, Korea)

Gary Solon (University of Michigan and NBER, USA)

Discussant: **Young Jun Chun** (University of Incheon, Korea)

Differences in Students' Achievements in Mathematics among Korean Middle Schools

Jin-Yeong Kim (Konkuk University, Korea)

Discussant: **Joyup Ahn** (Korea Labor Institute)

Session 3: Regionalism I

Moderator: **DoHoon Kim** (Korea Institute for Industrial Economics and Trade, Korea)

New Regionalism: Overlapping Free Trade Areas

Jung Hur (National University of Singapore, Singapore)

Discussant: **Byung-Kun Rhee** (Pukyong National University, Korea)

FTA and Income Convergence

Chan-Hyun Sohn (Yokohama National University and Korea Institute for International Economic Policy)

Discussant: **Wooseok Ok** (University of Incheon, Korea)

Deep Integration and Its Impacts on Nonmembers

Hiro Lee (Kobe University, Japan)

Discussant: **Kiyoun Sohn** (University of Incheon, Korea)

10:30-10:45 **Coffee Break**

10:45-12:15 **Session 4: Korean Economy**

Moderator: **Hee Yhon Song** (Asia Development Institute, Korea)

Sources of Economic Growth in South Korea: An Application of ARDL Analysis in the Presence of Structural Breaks

Charles Harvey (University of Wollongong, Australia)

Mosayeb Pahlavani (University of Sistan and Baluchistan, Iran)

Discussant: **Jungsoo Park** (Sogang University, Korea)

Dynamics of Capital Structure: The Case of Korean Listed Manufacturing Companies

Hyesung Kim (Seoul National University, Korea)

Almas Heshmati (Seoul National University, Korea)

Dany Aoun (Seoul National University, Korea)

Discussant: **Frank Hsiao** (University of Colorado, USA)

Session 5: International Finance

Moderator: **Jai-Won Ryou** (Konkuk University, Korea)

International Reserves: Precautionary versus Mercantilist Views, Theory and Evidence

Joshua Aizenman (University of California, Santa Cruz, USA)

Jaewoo Lee (University of California, Santa Cruz, USA)

Discussant: **Changkyu Choi** (Myongji University, Korea)

How Do Capital Flows Affect International Reserve Holdings? Evidence from Emerging and Advanced Economies

Woon Gyu Choi (International Monetary Fund)

Sunil Sharma (International Monetary Fund)

Maria Strmqvist (International Monetary Fund)

Discussant: **Jaihyun Nahm** (Kookmin University, Korea)

Long-Term Dependence in the Foreign Exchange Markets: International Evidence

Sang Hoon Kang (University of South Australia, Australia)

Discussant: **Shini-ichi Fukuda** (University of Tokyo, Japan)

Session 6 (organized by Bank of Korea): Issues in the Korean Economy

Moderator: **Junggun Oh** (Bank of Korea)

Asset Prices and Monetary Liquidity in Korea

Kyuil Chung (Bank of Korea)

Discussant: **Joon-Mo Yang** (Yonsei University, Korea)

Why Did the Demand for Cash Decrease Recently in Korea?

Byoung Hark Yoo (Bank of Korea)

Discussant: **Chung-Eun Lee** (Hallym University, Korea)

The Shift to the Service economy: Causes and Effects

Hyun-Jeong Kim (Bank of Korea)

Discussant: **Bongchan Ha** (Korea Institute for Industrial Economics and Trade)

12:15-13:45 **Lunch**

13:45-14:15 **Welcome and Best Paper Award Ceremonies**

Moderator: **Euysung Kim** (Yonsei University, Korea)

Remarks by Hosts

Sung Tae Ro (President, Association of the Korean Economic Studies)

Jung Taik Hyun (President, Korea Development Institute)

Manwoo Lee (Director, KU Institute of Economic Research)

Kar-yiu Wong (Director, Research Center for International Economics)

2006 Best Paper of *The Journal of the Korean Economy*

Joshua Aizenman (University of California, Santa Cruz, USA)

“Ex-ante Carrots Instead of Ex-post Sticks: Two Examples,” *Journal of the Korean Economy*, Volume 6, No. 2, pp 1-29.

Welcome Speech

Yoon-Dae Yuh (President, Korea University)

14:15-14:45 **Keynote Speech**

Moderator: **Hyun-Hoon Lee** (Kangwon National University, Korea)

Prizes for Basic Research Human Capital, Economic Might and the Shadow of History

Joshua Aizenman (University of California, Santa Cruz, USA)

14:45-16:15 **Session 7 (organized by Trade Research Institute): Korean Firms and Trade**

Moderator: **Oh-Seok Hyun** (President, Trade Research Institute, Korea)

Effects of Economic Policy Change and Global Shocks on Korea's Trade and Growth

Tran Van Hoa (Victoria University, Australia)

Discussant: **Moonsung Kang** (Korea University, Korea)

Strategic Foreign Investments of South Korean Multinationals

Sung Jin Kang (Korea University)

Hongshik Lee (Korea Institute for International Economic Policy)

Discussant: **Young-Han Kim** (Sungkyunkwan University, Korea)

Are Korean Firms Doing Well? Evidence from Shandong Province in China

Kazunobu Hayakawa (Keio University, Japan)

Zheng Ji (Keio University, Japan)

Fukunari Kimura (Keio University, Japan)

Discussant: **Si Joong Kim** (Sogang University, Korea)

Session 8: Labor and Income

Moderator: **Tadashi Inoue** (Hiroshima Shudo University, Japan)

Linking Job Openings to Replacement Demand for Labor in Korea

Jong Won Lee (Sungkyunkwan University, Korea)

Sang Don Lee (Korea Research Institute for Vocational Education & Training, Korea)

Soo Jeoung Sohn (Science & Technology Policy Institute, Korea)

Discussant: **Jaeho Keum** (Korea Labor Institute)

*Structural Changes in Income Elasticities of Korean Sectorial Exports:
Reflections of Asia-Pacific Regions' Industrial Structure Changes*

Woosung Lee (Science and Technology Policy Institute, Korea)

Discussant: **Hyeon-seung Huh** (Yonsei University, Korea)

Session 9: Korea and FTAs

Moderator: **Chang Jae Lee** (Korea Institute for International Economic Policy)

Is the ASEAN-Korea Free Trade Area (AKFTA) an Optimal Free Trade Area?

Donghyun Park (Nanyang Technological University, Singapore)

Discussant: **Jongkyou Jeon** (Kyung Hee University, Korea)

A Study on Economic Impact of Korea-the U.S. FTA: A Dynamic CGE Approach

Jong-Hwan Ko (Pukyong National University, Korea)

Discussant: **Backhoon Song** (Korea Institute for International Economic Policy)

The Impact of the Chinese Renminbi on the Exports of Korea and Japan to the U.S.

SangJoon Baak (Waseda University, Japan)

Discussant: **Dick Beason** (University of Alberta, Canada)

16:15-16:30 Coffee Break

16:30-18:00 Session 10: Regionalism II

Moderator: **Ryuhei Wakasugi** (Keio University, Japan)

New Trading Arrangements in the Asia Pacific Region: Convergence or Divergence?

Robert Scollay (University of Auckland, New Zealand)

Discussant: **Chan-Hyun Sohn** (Yokohama National University, Japan and Korea Institute for International Economic Policy)

Korea's FTA Policy Configuration

Young Bae Park (Dong-Eui University, Korea)

Sang Bok Moon (Australian National University, Australia)

Discussant: **Fukunari Kimura** (Keio University, Japan)

East Asian Regional Trade Agreements Promoting Global Free Trade

Innwon Park (Korea University)

Discussant: **Tran Van Hoa** (Victoria University, Australia)

Session 11: Investment and Investors in East Asia

Moderator: **Elias Sanidas** (University of Wollongong, Australia)

What Drives Foreign Investment in Southeast Asia? A Dynamic Panel Approach

Tobias S. Blattner (European Central Bank)

Discussant: **Jong-Hwan Ko** (Pukyung National University, Korea)

The Core-AMU Denominated Asian Bonds for Local Investors in East Asia

Eiji Ogawa (Hitotsubashi University, Japan)

Junko Shimizu (Meikai University, Japan)

Discussant: **Doo Yong Yang** (Korea Institute for International Economic Policy)

FDI, Exports, and Growth in East and Southeast Asia – Evidence from Time-Series and Panel Data Causality Analyses

Frank S.T. Hsiao (University of Colorado, USA)

Mei-Chu W. Hsiao (University of Colorado, USA)

Discussant: **Beom Cheol Cin** (Kyonggi University, Korea)

Session 12: Selected Economic Issues I

Moderator: **Young-Kwang Lee** (Kyonggi University, Korea)

Dynamic Patterns of Trade Imbalance with Recursive Preference

Tadashi Inoue (Hiroshima Shudo University, Japan)

Discussant: **Guangsug Han** (KERI, Korea)

The Co-movement of Inflation and the Real Growth of Output

Jae-Ho Yoon (POSCO Research Institute, Korea)

Discussant: **Young Wook Han** (Hallym University, Korea)

Instrumental Variables Simulation of a Flexible Nonlinear Model

Jae-Ho Yoon (POSCO Research Institute, Korea)

Young-Wan Goo (Korea National Defense University, Korea)

Discussant: **Mei-Chu W. Hsiao** (University of Colorado, USA)

18:15-20:00 **Dinner Speech**

Saturday, July 8, 2006

09:00-10:30 Session 13: Public Finance II

Moderator: **Joosung Jun** (Ewha Women's University, Korea)

Implications of the Debt Crisis and Failure of Fiscal Policy in Japan for Korea and the Asian Trading Area

Dick Beason (University of Alberta, Canada)

R. Todd Smith (University of Alberta, Canada)

Discussant: **Daechang Kang** (National Assembly Budget Office, Korea)

Incentive Mechanisms for International Public Goods under Productivity Uncertainty

Jin Kim (Korea Institute of Public Finance)

Seung-jin Shim (Kyungpook National University)

Discussant: **Biung-Ghi Ju** (Korea University)

A Policy Simulation Analysis on Parts and Material Industry in Korea Using A Computable General Equilibrium Model

Sung Tai Kim (Cheongju University, Korea)

Gyeong Lyeob Cho (Korean Economic Research Institute)

Discussant: **Hakuyu (Hiro) Lee** (Kobe University, Japan)

Session 14: Direct Investment and Tariffs

Moderator: **Kangchun Lee** (Dongwoo Capital, Inc., Korea)

Welfare Enhancing Direct Investment

Masao Oda (Kansai University, Japan)

Koji Shimomura (Kobe University, Japan)

Ryuhei Wakasugi (Keio University, Japan)

Discussant: **Tobias S. Blattner** (European Central Bank)

Imports, Exports and Total Factor Productivity for Korea

Sangho Kim (Honam University, Korea)

Hyunjoon Lim (Rochester University, USA)

Discussant: **Ryuhei Wakasugi** (Keio University, Japan)

The Dynamic Structure of Optimal Tariff on Timber Imported: A Differential Game Approach

Dug Man Lee (Kon Kuk University, Korea)

Discussant: **Jung Hur** (National University of Singapore)

Session 15: Selected Economic Issues II

Moderator: **Insill Yi** (National Assembly Budget Office, Korea)

Determinants of TOEFL Score - A Comparison of Linguistic and Economic Factors

Hyun-Hoon Lee (Kangwon National University, Korea)

Myung-Hee Kim (Hanyang University, Korea)

Discussant: Joshua Aizenman (University of California, Santa Cruz, USA)

Globalization, R&D Policy and Endogenous Choice of Technology

Laixun Zhao (Kobe University, Japan)

Discussant: Yong-Jin Kim (Ajou University, Korea)

The Role of Information Costs in the Political Effectiveness of the Interest Group

Wongun Song (National Assembly Budget Office, Korea)

Discussant: Illtae Ahn (Chungang University, Korea)

10:30-10:45 **Coffee Break**

10:45-12:15 **Session 16 (organized by Korea Institute of Finance): Issues in East Asia**

Moderator: Chung Mo Koo (Kangwon National University, Korea)

Korea-USA FTA : What will matter in Financial Service Sector

Yong Sang Shyn (Korea Institute of Finance)

Discussant: Taekyu Lee (Korea Economic Research Institute)

The Openness of the US Financial System and the Korea-US TFA

Joonkyung Ha (Korea Institute of Finance)

Discussant: Chong Gak Shin (Korea Deposit Insurance Corporation)

Comparative Advantage of Services and Manufacturing Industries of Korea, China and Japan, and Implication of its FTA Policy

Chang In Yoon (Korea Institute for International Economic Policy)

Kiheung Kim (Kyonggi University, Korea)

Discussant: Sang-gil Park (Korea University)

Session 17: Exchange Rate Regime

Moderator: Yunjong Wang (SK Telecom Research Institute, Korea)

Post-crisis Exchange Rate Regimes in ASEAN: A New Empirical Test Based on Intra-daily Data

Shin-ichi Fukuda (University of Tokyo, Japan)

Sanae Ohno (University of Tokyo, Japan)

Discussant: Kwanho Shin (Korea University)

Trade Openness, Real Exchange Rates, and the Exchange Rate Regime Choice

Geun Mee Ahn (Kwangwoon University, Korea)

Chung-Han Kim (Kwangwoon University, Korea)

Discussant: **Seok-Dong Wang** (Hankook University of Foreign Studies, Korea)

Markups and Euro

David Cook (Hong Kong University of Science and Technology, China)

Discussant: **Woon Gyu Choi** (International Monetary Fund)

Session 18: Korea and the Asian Economies

Moderator: **Sung Tai Kim** (Cheongju University, Korea)

Global Imbalances and Policy Options

Junggun Oh (Bank of Korea)

Discussant: **Masao Oda** (Kansai University)

The Long Term Fate of Korea and Other “Small” Economies in East Asia: Economic Development, Integration Issues, and Political Power

Elias Sanidas (University of Wollongong, Australia)

Discussant: **Jaerang Lee** (Bank of Korea)

Innovations and Economic Growth in a Fast Changing Global Economy: Comparative Experience of South East Asia

Lakhwinder Singh (Punjabi University, India)

Discussant: **Won Soon Kwon** (Hankuk University of Foreign Studies, Korea)

12:15-13:30 **Lunch**

13:30-15:00 **Plenary Session: The Korean Economy and FTAs**

Moderator: **Sung Tae Ro** (Korea Economic Research Institute)

Panelists:

Joshua Aizenman (University of California, Santa Cruz, USA)

Charles Harvie (University of Wollongong, Australia)

Fukunari Kimura (Keio University, Japan)

Chung H. Lee (University of Hawaii, USA)

Jong Won Lee (Sungkyunkwan University, Korea)

Robert Scollay (University of Auckland, New Zealand)

Kar-yiu Wong (Research Center for International Economics, USA)

15:00-15:30 **Closing Session**