

Asia-Pacific Economic Association

Fourth Annual Conference

APEA 2008

Central University of Finance and Economics, Beijing, China

December 13 – 14, 2008



Program

December 12, 2008

6:30 pm – 9:00 pm **Welcome Reception**
Lobby of Royal King Residence Hotel

December 13, 2008

The Welcome session and the keynote session are held at the auditorium of the Main Building on the university campus. All other presentations are held in the following rooms on the 3rd floor of Zhongcai Building:

Sessions <i>i</i> -A: Case Study Room 1;	Sessions <i>i</i> -B: Case Study Room 2;
Sessions <i>i</i> -C: Case Study Room 3;	Sessions <i>i</i> -D: Case Study Room 4;
Sessions <i>i</i> -E: Classroom 1;	$i = 1, 2, \dots, 7.$

8:30 am – 9:00 am

Registration

9:00 am – 9:15 am

Welcome Session

Chair: **Jack Zhang**, *University of Hong Kong*

Junsheng Li, Vice President, *Central University of Finance and Economics*

Kar-yiu Wong, President, *APEA, University of Washington and Hong Kong Baptist University*

9:15 am – 10:00 am

Keynote Speech

Chair: **Jack Zhang**, *University of Hong Kong*

Joshua Aizenman, *University of California, Santa Cruz*, “Assessing the Emerging Global Financial Architecture: Measuring the Trilemma’s Configurations over Time”

10:00 am – 10:20 am

Tea/Coffee Break

10:20 am – 12:20 pm

Session 1-A: Issues in Macroeconomics in East Asia (Organized by AKES)

Chair: **Se Young Ahn**, *Sogang University*

Taek-Dong Yeo, *Yeungnam University*, **Min Hwan Lee**, *Pusan National University*, **Young Man Yoon**, *University of Incheon*, and **Chang Yeol Lee**, *Yeungnam University*, “An Empirical Study on the Determinants of Foreign Direct Investment into Korean Service Industry”

Rasoul Rezvani, *Northeastern Illinois University*, **Rima Turk**, *Lebanese American University*, and **Seyed M. Mehdian**, *University of Michigan-Flint*, “Anomalous Behavior in Security Markets: Evidence from Equity Markets of the People's Republic of China”

Seung Rae Kim, *Korea Institute of Public Finance*, “Optimal Environmental Fiscal Policies for Sustainable Development in a Second-Best World”

Session 1-B: Trade and Economic Development

Chair: **Jon M. Ford**

Nguyen Hiep and **Hiroshi Ohta**, *Kobe University*, “Superiority of Exporters and the Causality between Exporting and Firm Characteristics in Vietnam”

Francoise Nicolas, *Institut Francais des Relations Internationales*, “The Rise of Chinese Firms in Europe: Motives, Strategies, Implications”

Kevin H. Zhang, *Illinois State University*, “Financial Development, Financial Innovation, and Economic Growth: Implications for China”

Keisaku Higashida, *Yokohama City University* and **Shunsuke Managi**, *Yokohama National University*, “The Determinants of International Trade in Recyclable

Materials and the Effects on Welfare: Theory and Evidence”

Session 1-C: Financial Issues in Asia (Organized by Claremont McKenna College and Claremont Graduate University)

Chair: **Clas Wihlborg**, *Chapman University*

Hyun-Hoon Lee, *Kangwon National University*, “Two-Way Flows of Cross-Border Transactions in Financial Assets and their Implications for Financial Cooperation in East Asia”

Ke Pang, *Wilfrid Laurier University*, “Financial Integration, Nominal Rigidity, and Monetary Policy”

James R. Barth, Tong Li and Triphon Phumiwasana, *Milken Institute*, “The U.S. Financial Crisis: Credit Crunch and Yield Spreads”

Donghyun Park, *Asian Development Bank*, “Capital Outflows, Sovereign Wealth Funds, and Domestic Financial Instability in Developing Asia”

Session 1-D: Money and Exchange Rates

Chair: **Chen Li**, *Central University of Finance and Economics*

Tamon Asonuma, *Boston University*, **Naoyuki Yoshino**, *Keio University*, and **Sahoko Kaji**, *Keio University*, “Dynamic Effect of Change in Exchange Rate System - From the Fixed Exchange Rate Regime to the Basket-peg or Floating Regime”

DAI Chenyuan and **CHIA Wai-Mun**, *Nanyang Technological University*, “Terms of trade and exchange rate regimes in East Asian countries”

Nathalie Aminian, *University of Le Havre*, **K.C. Fung**, *University of California, Santa Cruz*, **Alicia Garcia-Herrero**, *BIS Regional office for the Asia Pacific*, and **Alan Siu**, *University of Hong Kong*, “The Political Economy of Exchange Rates: The Case of the Chinese Yuan”

Session 1-E: Open Economies and International Linkages

Chair: **Weili Liu**, *Shenzhen University and Peking University*

Lingyun Huang, Qinghua Liu, and Xiutai Yang, *Chongqing University*, “Research on the Impact of constructing FTA in East Asia on China’s Economy: Based on the Empirical Analysis of the GTAP Model”

Yan Zhang, *Fukuoka Women’s University*, “Linkage of Stock Prices in Major Asian Markets and the United States”

Mingzhu Xu, *Nanjing University of Finance and Economics*, “The Empirical Analysis of Sino-US Trade Imbalance under the View of Industry Transference”

Rod Tyers, *Australian National University*, “Competition Policy, Corporate Saving and China’s Current Account Surplus”

12:20 pm – 1:30 pm

Lunch

1:30 pm – 3:30 pm

Session 2-A: Issues in Public Economics (organized by AKES)

Chair: **Won Ik Son**, *Korea Institute of Public Finance*

Hyeon Seung Huh, *Yonsei University*, **Hyun Hoon Lee**, *Kangwon National University*, and **Young Youn Lee**, *Kangwon National University*, “Impact of Population Aging on Economic Growth: Results Applying Panel Fixed Effects with Vector Decomposition (XTFEVD) Procedure”

Jin Kim, *Korea Institute of Public Finance*, “Inheritance and Gift Taxes in Korea: Overview and Empirical Result”

Sang Heon Kim, *Seoul National University* and **Won Ik Son**, *Korea Institute of Public Finance*, “Effects of Tax Credits on Firm's R&D Investment: Evidence from Actual Tax Credit Data at the Firm-Level”

Woo Cheol Kim, *Korea Institute of Public Finance* and **Woo Jin Lee**, *University of Massachusetts*, “How Much Do Tax-Benefit Policies in Korea Equalize Opportunities for Income Acquisition among Its Citizens?”

Session 2-B: Corporate Finance and Accounting

Chair: **Pak Hung Mo**, *Hong Kong Baptist University*

Chuntao Li, *Central University of Finance and Economics*, **Frank M. Song**, *University of Hong Kong*, and **Sonia M. L. Wong**, *Lingnan University*, “Audit Firm and Earnings Informativeness: Evidences from China's Listed Firms”

Junning Cai and **Jiameng Zhang**, *Central University of Finance and Economics*, “Measuring Cross Shareholding Linkages Among Companies”

Jian Wang and **Xin-tian Zhuang**, *Northeastern University*, “Multiperiod Optimal Incentive Contract in Capital Market under the Condition of Overconfidence”

Jianpei Li, *University of International Business and Economics*, “Partnership Dissolution and Proprietary Information”

Session 2-C: Trade Patterns, Trade Balance, and FDI

Chair: **Young Man Yoon**, *University of Incheon*

Geun Mee Ahn, *Andong National University*, “The Impact of Trade Openness on the Real Exchange Rate and the Trade Balance: Closed-Form Solutions and Some Evidence”

Heiwai Tang, *Hong Kong University of Science and Technology*, “Labor Market Institutions, Firm-Specific Skills, and Trade Patterns”

Doowon Lee and **Hyeon-seung Huh**, *Yonsei University*, “Economic Impact of Outward FDI: Comparative Analysis of FDI into Developed and Developing Economies across Industries”

Francisco Bribiescas Silvas, *Universidad Autonoma de Ciudad Juarez*, “Descriptive Models in the State of the Art for the Formulation and Development of Manufacturing Strategies”

Session 2-D: Money and FDI

Chair: **Xiaopeng Yin**, *University of International Business and Economics*

Ming Ma, *Beijing Institute of Technology*, “Economic Impact of Outward FDI: Comparative Analysis of FDI into Developed and Developing Economies across Industries”

Yangru Wu, *University of Rutgers* and **Ronald Balvers**, *West Virginia University* and *Central University of Finance and Economics*, “Optimal Transaction Filters under Transitory Trading Opportunities: Theory and Empirical Illustration”

Chen Li, *Central University of Finance and Economics*, “The income and interest elasticity of the transactions demand for cash”

Session 2-E: Oligopoly and Public Enterprise

Chair: **Chung Mo Koo**, *Kangwon National University*

Toshihiro Matsumura, *University of Tokyo* and **Ming Hsin Lin**, *Osaka University of Economics*, “Presence of Foreign Investors in Privatized Firms and Privatization Policy”

Yuanzhu Lu, *Central University of Finance and Economics*, “Does the Relative-Profit-Maximization Objective of Private Firms in a Mixed Oligopoly Affect Endogenous Timing?”

Guangliang Ye, *Southwestern University of Finance and Economics*; and **John S. Heywood**, *University of Wisconsin-Milwaukee*, “Mixed Oligopoly and Spatial Price Discrimination with Foreign Firms”

Ninghua Du, *Shanghai University of Finance and Economics*, “Incentive Contracts in a Mixed Duopoly: An Experimental Study”

3:30 pm – 3:50 pm

Tea/Coffee Break

3:50 pm – 5:50 pm

Session 3-A: Issues in the Korean Economy (organized by AKES)

Chair: **Yun-Hui Won**, *Korea Institute of Public Finance*

In Sill Yi, *Sogang University* and **Yong Il Jeon**, *Sungkyunkwan University*, “The Effects of Increased Foreign Ownership on Bank Performance in Korea”

Keunjae Lee and **Byungho Choe**, *Pusan National University*, “Vertical Integration, Revenue Sharing Scheme and Run-length in Korean Movie Industry”

Hahn S. Lee and **Woo-Hyung Hong**, *Sogang University*, “International Transmission of Swap Market Movements: The US, Korea, and China”

Session 3-B: Financial Markets in Japan and World Economy (organized by the Institute

of Statistical Research and TCER)

Chair: **Eiji Ogawa**, *Hitotsubashi University*

Eiji Ogawa, *Hitotsubashi University* and **Junko Shimizu**, *Senshu University*, “A Role of the Japanese Yen in a Multi-step Process toward a Common Currency in East Asia”

Kentaro Iwatsubo, *Kobe University* and **Yoshihiro Kitamura**, *University of Toyama*, “Liquidity, Volume and Informational Efficiency: Evidence from High-frequency FX Data”

Yuri Sasaki, *Meiji Gakuin University*, “Japan’s Discretionary Policies on Basel Accord: Simultaneous Equation Analysis of Japanese Banks’ Capital Ratio”

Shin-ichi Fukuda, *University of Tokyo*, “The Role of Monetary Policy under Quantitative Easing in Japan”

Discussants: **Guonan Ma**, *BIS*

Doo Yong Yang, *KIEP* and *ADB*

Qing-yuan Sui, *Yokohama City University*

Masaharu Hanazaki, *Development Bank of Japan*

Session 3-C: Issues in Open Economies

Chair: **Junning Cai**, *Central University of Finance and Economics*

Suresh Moktan, *Nagoya University*, “Assessing the Economic Impacts and Welfare Implications of SAFTA and SAFTA+3+2: The South Asian Experience”

Pak Hung Mo, *Hong Kong Baptist University*, “Impossible Trinity, Capital Flow Market and Financial Stability”

Miaojie Yu, *Peking University*, “Trade Liberalization, Firm Dynamics, and Productivity: Evidence from Chinese Plants”

Henry Wan, Jr., *Cornell University* and **An-Chi Tung**, *Academia Sinica*, “Revisiting The Outsourcing Controversy - The East-Asian Perspective”

Session 3-D: Trade and Financial Issues in China and East Asia (Organized by Claremont McKenna College and Claremont Graduate University)

Chair: **Junji Xiao**, *Shanghai University of Finance and Economics*

Yi Feng, *Claremont Graduate University*, “Political Business Cycle in China? An Empirical Analysis of Output, Inflation and Unemployment”

Moonsung Kang, *Korea University*, **Hongshik Lee**, *Inha University*, **Joonhyung Lee**, *University of Texas at Austin*, and **Hyuk-Hwang Kim**, *KIEP*, “Regional Production Networks, Service Offshoring, and Productivity in East Asia”

Honglei Chen, *Jinan University*, “On the International Competitiveness of China’s Textile Industry”

Jie Li, and Wukuang Cun, *Central University of Finance and Economics*, “The Dual Self-Augmented Processes: Foreign Reserves in China and Asset Prices in US”

6:00 pm – 8:00 pm

Dinner, Royal King Residence Hotel

December 14, 2008

9:00 am – 10:45 am

Session 4-A: Business Cycles in the Globalized Economy

Chair: **Kazumi Asako**, *Hitotsubashi University*

Tsutomu Miyagawa, *Gakushuin University*, “Globalization and Firm’s Investment Activity”

Yasuyuki Komaki, *Nihon University*, “On Comovement and Disarray of Business Cycles in EU Area”

Tomomi Miyazaki, *Nagoya Gakuin University*, “The Effects of Fiscal Policy in the 1990s in Japan: A VAR Analysis with Event Studies”

Shoichi Hisa, *Hitotsubashi University*, “Trade Patterns and Needs of Infrastructure in East Asia”

Discussants: **Kazumi Asako**, *Hitotsubashi University*

Miho Takizawa, *Toyo University*

Liu Zhentao, *Xiamen University*

Hisao Amao, *Sakushin Gakuin University*

Session 4-B: Stock Markets and Information

Chair: **Ronald Balvers**, *West Virginia University*

Jiandong Li, *Central University of Finance and Economics*, “The Correlation between Stock and Bond Markets”

Hua Wen and **Wenwen Zhang**, *Central University of Finance and Economics*, “Institutional Ownership and Stock Volatility in China”

ZHU Manling, *Harbin Institute of Technology*, “Based on spatial analysis to study transmission from Chinese stock market to others”

Session 4-C: Globalism and Regionalism in Asia

Chair: **Chuntao Li**, *Central University of Finance and Economics*

Kankesu Jayanthakumaran and **Shaw Wei Lee**, *University of Wollongong*, “The Complementarities of multilateralism and regionalism and income convergence: ASEAN and SAARC”

Chin-Yoong Wong and **Eng Yoke-Kee**, *Universiti Tunku Abdul Rahman*, “Globalization of production structure and macroeconomic dynamics”

Nan Geng, *University of California, Santa Cruz*, “Trade Liberalization, Market Efficiency, and Productivity Growth: A Smooth Transition Approach on Indian Firms”

Session 4-D: Productivity and Economic Growth

Chair: **Shenghui Tong**, *Central University of Finance and Economics*

Yang Yao, *Peking University*, “The Disinterested Government: An Interpretation of China’s Economic Success in the Reform Era”

Somesh Mathur, *IIT Kanpur*, “THE ICT SECTOR ACROSS COUNTRIES: PRODUCTIVITY ANALYSIS USING DEA AND MALMQUIST INDEX”

Pingsheng Dai and **Wuyi Zeng**, *Xiamen University*, “Efficiency Comparison of Higher Education in Different Provinces of China: An Empirical Analysis Based Modified Quadriform”

Kunrong Shen and **Ru Zhang**, *Nanjing University*, “Dynamic Evolution of Regional Growth Disparity in China: Provincial Empirics from 1978 to 2005”

Session 4-E: Macroeconomics and Industries

Chair: **Alan Wong Wing Keung**, *Hong Kong Baptist University*

Seiichi Katayama, *Kobe University* and **Ngo Van Long**, *McGill University*, “A Dynamic Game of Status-Seeking with Public Capital and an Exhaustible Resource”

Yasuyuki Komaki, *Nihon University*, “Productivity Improvements in India and China for Manufacturing and Services Sector: A DEA and MALMQUIST APPROACH”

Xiaopeng Yin, *University of International Business and Economics*, “Endogenous Business Cycles with Knowledge Externalities”

10:45 am – 11:00 am

Tea/Coffee Break

11:00 am – 12:45 pm

Session 5-A: Macroeconomic Dynamics

Chair: **Sheng Li**, *Central University of Finance and Economics*

Been-Lon Chen, *Academia Sinica*, **Mei Hsu**, *National Taipei University*, and **Chia-Hui Lu**, *National Taiwan University*, “The Dynamic Welfare Cost of Inflation Tax and Consumption Tax in a Cash-in-Advance Model”

Shun-Fa Lee, *Tamkang University*, “Tariff, Growth and Welfare”

David Kim, *University of Sydney*, “Country Spread, Yield Spread and Real Activity: Korean Evidence”

Session 5-B: Issues in Asian Economic Integration (Organized by Claremont McKenna College and Claremont Graduate University)

Chair: **Art Denzau**, *Claremont Graduate University*

Clas Wihlborg, *Chapman University*, **Apanard Angkinand**, *University of Illinois*, and **Orawan Parmpoon**, *Ministry of Finance*, Thailand, “The Impact on Trade of Exchange Rate and Monetary Regimes; Lessons from Europe for Asia?”

Doo Yong Yang, *KIEP and ADBI*, “Why is there so Little Regional Financial Integration in Asia?”

Rabin Hattari, *World Bank* and **Ramkishen Rajan**, *George Mason University*, “Sources of FDI Flows to Developing Asia: The Importance of Distance and Time Zone”

Eiji Ogawa, *Hitotsubashi University* and **Kentaro Iwatsubo**, *Kobe University*, “External Adjustments and Integration in Asia-Pacific”

Session 5-C: Public Finance

Chair: **ZHOU Yuegang**, *University of International Business and Economics*

MILCENT Carine, *Paris School of economics and Chinese Academy of Social Sciences*, and **CHENGWU Jin**, *Chinese Academy of Social Sciences*, “Health Expenditure: to Dwell or Not to Dwell”

YANG Zaigui, *Central University of Finance and Economics*, “Life Expectancy, Population Growth Rate and Public Pension Replacement Rate in China”

XING Weibo, *Central University of Finance and Economics*, “Tax-Sharing System, Transfer Payment and Regional Risk Sharing in China”

YANG Zaigui, **FANG Kezeng**, and **YU Feifei**, *Central University of Finance and Economics*, “Improving the Urban and Rural Public Pension Systems in China”

12:45 pm – 2:00 pm

Lunch

2:00 pm – 3:45 pm

Session 6-A: Financial Markets in East Asia

Chair: **Surasak Ngammekchai**,

Guonan Ma, *Bank for International Settlements* and **Tae Soo Kang**, *Bank of Korea*, “Growing credit card markets in Asia: challenges to policymakers”

Alan Wong Wing Keung, *Hong Kong Baptist University*, “A Pseudo Bayesian Model in Financial Decision Making with implications to Market Volatility, Under- and Overreaction”

Young-Jae Kim and **Soo Nam Park**, *Pusan National University*, “The Volume Effect on the Volatility in Japanese GB Futures Trading”

Session 6-B: Political Economy and Public Policy in East Asia

Chair: **Yangru Wu**, *Rutgers University*

Zhaohui Bi, *Kobe University*, “Coups Threat and Income Redistributive Policy of Post-Democratization”

Katsuzo Yamamoto, *Kobe University*, “Tariff Setting under Incomplete Information and Lobbying as Signals”

Kazuyuki Ishida, *Tokushima University*, “The Marginal Cost of Public Fund and the Efficiency of Tax Competition under the External Diseconomy”

Chuntao Li, *Central University of Finance and Economics*, **Chen Lin** and **Ping Lin**, *Lingnan University*, and **Frank Song**, *University of Hong Kong*, “R&D Activity in Chinese Manufacturing: The Roles of Firm Ownership and CEO Characteristics”

Session 6-C: Trade and Exchange Rate Issues in Asia (Organized by Claremont McKenna College and Claremont Graduate University)

Chair: **Arthur Denzau**, *Claremont Graduate University*

Sven W. Arndt, *Claremont McKenna College*, “Production Networks, Trade Patterns, and Exchange Rates”

Willem Thorbecke, *George Mason University and REITI*, “Production Sharing, Exchange Rate Changes, and the Trade Balance: Evidence from the East Asian Electronics Industry”

Mitsuyo Ando, *Keio University* and **Akie Iriyama**, *SUNY Buffalo*, “International Production Networks and Export/Import Responsiveness to Exchange Rates: The Case of Japanese Manufacturing Firms”

Kui-Wai Li, *City University of Hong Kong*, “The Three Episodes of Currency Attack in Hong Kong’s Linked Exchange Rate System”

3:45 pm – 4:05 pm

Tea/Coffee Break

4:05 pm – 5:50 pm

Session 7-A: Exchange Rate and Monetary Issues in Asia (Organized by Claremont McKenna College and Claremont Graduate University)

Chair: **Sven W. Arndt**, *Claremont McKenna College*

Ramkishan Rajan, *George Mason University* and **Victor Pontines**, *Carnegie Mellon – Adelaide*, “Fear of Appreciation not Fear of Floating”

Hans Genberg, *Hong Kong Monetary Authority* and **Pierre Siklos**, *Wilfrid Laurier University*, “Revisiting the Shocking Aspects of Asian Monetary Unification”

Charles Adams, *National University of Singapore*, “Sovereign Wealth Funds”

Session 7-B: International Trade and Foreign Aids

Chair: **Seiichi Katayama**, *Aichi Gakuin University*

Lex Zhao, *Kobe University*, “Pollution, Wind Direction and International Trade”

Junko Doi, *Kansai University*, “Immigration Conflicts”

Yunfang Hu, *Tohoku University*, “Short and Long Run Effects of Foreign Aids on Economic Growth”

Akihiko Yanase, *Tohoku University*, “Indeterminacy with Consumption Externality in a Small-Open Economy”

Discussants: **Yonghong Long**, *Renmin University of China*
Qingjie Xia, *Peking University*
Yunxian Wu, *China University of Political Science and Law*
Seiichi Katayama, *Aichi Gakuin University*