

Session 1A: Energy and Climate Change

Session 1A: Energy and Climate Change

Testing the Causality between Consumers' Environmental Awareness and Fuel Efficiency of Private Automobiles: Case study on Japan and South Korea

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Abstract

Fuel efficiency improvement in passenger automobile reduces the amount of carbon dioxide emissions from passenger transportation sector, and previous research has argued that increasing environmental awareness will increase fuel efficiency. In particular, this study aims to test this statement by specifically examining Japan and South Korea through testing the Granger causality relationship of consumers' environmental awareness level with the private automobile fuel efficiencies. The empirical estimates indicate that in South Korea, environmental awareness affects fuel efficiency while the reverse is true in Japan.

Session 1A: Energy and Climate Change

An Empirical Study on Economic Characteristics of Green Municipals Bonds

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Abstract

Local (municipal) governments have executive and regulatory power over sectors crucial for emission reductions. At the same time, cities' share of CO₂ emissions from energy (both Scope 1 and 2 emissions) is above 70%. However, their huge low-carbon infrastructure investment needs cannot be funded by tax money alone. The green bond market can offer the necessary access to low-cost capital. Fortunately, green bonds are recognized as a valuable tool to access low-cost capital to finance low-carbon and climate resilient infrastructure. Since the emergence of the green bond market in 2008, \$131 billion USD of capital has been raised to finance “green” projects, companies, etc. Issuances have been met with high demand from investors, often oversubscribing at each issuance.

Yet, accessing the green bond market require cities to make a number of important decisions, including identifying appropriate issuers, such as local utility companies, selecting assets fit for the bond, obtaining a second party opinion or a third-party certification and finding an underwriter. Thus this study looks at the U.S. green bond market from 2014 to 2017, to assess whether issuers have been given an incentive or burden to issue green bonds. Controlling for market, issue-and issuer-based bond characteristics, yields of green and non-green bonds are estimated using a simple OLS, to find that green bonds have provided issuers a cost saving of 5 basis points relative to traditional municipal bonds.

Session 1A: Energy and Climate Change

Uncertain climate change, learning, and optimal technology portfolio

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Abstract

How is the design of efficient climate policies affected by the potentials for induced technological change and for future learning about key parameter uncertainties? We address this question using a new integrated climate-economy model incorporating endogenous technological change to explore optimal technological portfolios against global warming in the presence of uncertainty and learning. We explicitly consider the interplays between induced innovation, the stringency of environmental policies, and possible environmental risks within the general equilibrium framework of probabilistic integrated assessment. We find that the value of resolving key scientific uncertainties would be non-trivial in the face of binding climate limits, but at the same time it can significantly decrease with induced innovation and knowledge spillovers that might otherwise be absent. The results also show that scientific uncertainties in climate change could justify immediate mitigation actions and accelerated investments in new energy technologies, reflecting risk-reducing considerations.

Session 1A: Energy and Climate Change

Climate Change and Food Security under the View of Non-traditional Security

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Abstract

Climate change and food security have been studied in many debates recently. Climate change remarkably impacts human security all over the world, strongly impacts human development and food security as well. From the view of non-traditional security, relationship between climate change and food security should be clarified in order to recommend legal framework that is beneficial to solve current challenges

**Session 1B: Poverty, Social Welfare
and Income Distribution I**

Session 1B: Poverty, Social Welfare and Income Distribution I

Corporate social responsibility and privatization policy in a mixed oligopoly

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Abstract

This article formulates a mixed oligopoly in which a public firm competes with two private firms that may adopt corporate social responsibility (CSR), and investigate the optimal privatization policy. We find that, depending on the magnitude of CSR, full nationalization and partial or full privatization can be optimal privatization policies. In particular, we show that the optimal degree of privatization is decreasing in the magnitude of CSR if they have homogeneous objectives. Under significant heterogeneity of the objectives among firms, however, the optimal degree of privatization is non-monotone with the magnitude of CSR. This result suggests that the optimal privatization policy depends on both the magnitude of CSR and the heterogeneity of the objectives among private firms.

Session 1B: Poverty, Social Welfare and Income Distribution I

Intergenerational Transfer-types and Income Path

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Abstract

There are two types of transfers from parents to children: physical transfers and educational investment. While physical inheritance from parents indirectly increases children's income, educational investment indirectly increases the income level of children through the enhancement of their earnings capacity. This paper investigates an intergenerational income path with the two types of intergenerational transfers, and provides a simple simulation to demonstrate the effects of educational investment on the steady state income level. I adopt the values of parameters with reference to the existing studies and some appropriate values in the calculation. The result shows that, as the ratio of educational investment rises, the steady state average income level increases only when the earnings capacity to increase income is highly evaluated.

Session 1B: Poverty, Social Welfare and Income Distribution I

Impact of Microcredit on Women Entrepreneurs: A Case Study of an NGO Microcredit Program in Southern Vietnam

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Extended Abstract

During the 1980s, Vietnam's privatization of the financial sector led to the collapse of traditional banking mechanism in rural Vietnam. The Vietnamese government embraced microfinance in the 1990s to restore financial inclusion of the rural sector. Main channels of public microfinance are Vietnam Bank for Social Policy (VBSP) and Vietnam Bank for Agricultural and Rural Development (VBARD), whose programs are monitored and run by People's Committees in behalf of the banks. Nevertheless, financial inclusion is still considered to be weak in Vietnam. Camara and Testa (2014) and *Global Financial Development Report* (2013) report that formal financial service use is concentrated in firms and the rich. Luan et al (2016) argues that informal finance still plays a major role in rural areas. This implies that credit demand among the poor may be high, and supply of credit through private micro-credit programs in addition to the government run programs are likely to contribute to poverty reduction and/or income increase.

Prior studies of effect of microfinance in Vietnam draw contradictory conclusions. Some studies find positive impact, while others find little impact. Studies using the VHLSS data to evaluate government's micro-credit lending through the VBSP (and other concessional loans) such as Cuong, N (2008) show that these programs targeted non-poor more than the poor, but had positive impact on those who borrowed, and led to lower poverty rates. Duong and Nghiem (2014) find significant increase in household consumption.

Studies of NGO programs such as Swain et al (2008) compare participants, successful graduates and non-participants, and show that asset accumulation is greater among participants and graduates than non-participants. Group activities are shown to have positive effects on social capital such as women fellowship, leadership, and information sharing. Nghiem et al (2012) conducts a pipeline study of an NGO program in the northern and central Vietnam. In this study, microfinance is shown to have a positive effect on income and consumption, but it was not statistically significant. Possibly, the loans may contribute more to income stability rather than income increase.

Most of these studies however, did not address the impact of microcredit programs on the performance of micro-enterprises. This study focuses on an NGO program that mainly aims to support poor women entrepreneurs who are already running their micro-enterprises (family enterprises) to assess the impact of previously unassessed impact of microcredit programs on micro-enterprises. The case at hand is a microcredit program on women entrepreneurs in the Vinh Long Province of Vietnam conducted by a Korean NGO, MYI. MYI's microcredit program in Vietnam began in 2011, and the program was expanded with KOICA's assistance during 2014-2016. Further expansion

of the program has been recently approved to continue beyond 2017.

Microfinance is beginning to take a significant role in Korea's international development cooperation programs. For example, KOICA's rural development project in Myanmar features microfinance as an important component since 2010. KOICA is also actively engaged in supporting public-private partnerships that supply microcredit. For example, the "Global Together" is a microcredit program in Tanzania to combat poverty and empower women, and in Vietnam, apart from supporting MIY, KOICA is cooperating with CJ Vietnam to run microfinance programs to enhance rural value chains during 2014-2017 period.

With the help of the NGO, the researcher has conducted household level surveys during 2015-2016. Based on the survey results and using panel estimations, the study estimates impact of microcredit on participating households and microenterprises. Initial findings show that microcredit (increase in credit supply) here measured as frequency of borrowing from the same NGO microcredit program, had a positive impact on income change as expected, but was not statistically significant. Among control variables, while household size and age of the borrower were shown to be negatively correlated with income change, asset, gender (with dummy variable = 1 for women), asset, experience, and education were positively correlated with income change. Of these variables, only education was shown to be statistically significant.

Session 1B: Poverty, Social Welfare and Income Distribution I

Market Access for Ethnic Women - Opportunities, Barriers and Strategies for Success: A Case Study of Hmong Women working in tourism in Sa Pa, Vietnam

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Abstract

Since the beginning of the 1990s, tourism in SaPa (a small town in Northwest Vietnam) have been developed rapidly and became a key industry in socio-economy strategy of region. The rapid development of tourism together with new alternative forms of tourism in recent years has opened new opportunities for local people, including opportunities for work. The Hmong in SaPa, like many other ethnic minorities, have taken these opportunities by engaging in different tourism-related work to improve their income. However, since tourism in Sapa is conditioned and endorsed by the State with the limited chances for local people to participate in and as ethnic minority group the Hmong suffered stereotypes and prejudices that make the Hmong women does not gain advantage to benefit from tourism. This paper explores different strategies that Hmong use to do their business and deal with marginality and discrimination. Focusing on agency of women and by “turning back the gaze” (Stronza 2001:272) and concentrating on the origins and motivations of tourism from the locals’ perspectives, my argument is that although tourism in Sapa is market-driven and state-mediated, Hmong people are actively engaged in articulating their intentions, making decisions and strategizing about their livelihood options. They develop their own different strategies in order to achieve economic goals in their relatively weak political and economic positions in relation to other actors in the marketplace. Facing with market uncertainty and risks in tourism market, Hmong women create their own economic space in the tourism market and sustain their distinct cultural practices and institutions to diversify their livelihood and to minimize risks at the same time.

Session 1C: Applied Economics I

Session 1C: Applied Economics I

The Effects of Economic Policy Uncertainty for South Korea's Economic Variables

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Abstract

This paper focus on the point that analyze the influences that an EPU in foreign open economy on the domestic small open economy. Especially, domestic economy influenced by foreign EPU through changing foreign economy. The empirical results show that a positive shock to the EPU decreases domestic/U.S. stock prices, bonds yields, while increases won/dollar exchange rates in the financial markets. When consider the asymmetric shocks to the EPU, a positive EPU shock has the bigger impact on financial variables than a negative EPU shock's. The responses of macroeconomic variables that the industrial gap, inflation, and short term interest rates to an EPU shock are similar to movement in recession. Thus, an EPU shock decreases domestic/U.S. industrial gap and short term interest rates, but industrial gap start to recover slowly after 3 month. Inflation have no significant responses in the long term.

Session 1C: Applied Economics I

Regional Relative Price Disparities and Their Driving Forces

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Abstract

This paper studies the long-run behavior of relative price dispersion among cities in Korea with special emphasis on heterogeneous transitional patterns of price level. Formal statistical tests indicate considerable evidence for rejecting the null of relative price level convergence among the majority of cities over the sample period of 1985-2015. The analysis of gravity model indicates that the effect of transportation costs on intercity price level differentials is limited, while other socioeconomic factors, such as income, input factor prices, demographic structure, and housing price growth, play key roles in accounting for persistent regional price level disparities. Individual price levels are found to be better explained by a multiple-component model, and the deviation from PPP may be attributed to distinct stochastic common trends that are characterized by income and demographic structure.

Session 1C: Applied Economics I

The Effects of Social Security Wealth on Households' Portfolio Choices across Income Groups

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Abstract

This paper studies the effects of social security wealth on households' portfolio choices by using panel regression with Korean Labor Income Panel Survey (KLIPS) data. We find that the crowding-out effects of social security wealth vary across income quintiles and households' indebtedness. Household social security wealth significantly crowds out the net asset holdings of the households and its impacts are lower at the wealthy income quintile. In choice of household portfolio, the crowd-out effects stand out on the long-term deposit, life insurance and real estate. This finding suggests that the national pension service provides households with a partial insurance that insures against the income loss after retirement and that the reverse mortgage loan program might help the current retired smoothing their consumption after retirement.

Session 2A: Monetary and Financial Policy

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Physical investment of Japanese firms during QE and non-QE periods: Did the transmission mechanism work?

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Abstract

This paper investigates whether the quantitative easing policy influenced physical investment decisions of Japanese publicly listed firms through neoclassical and non-neoclassical transmission channels using their financial statement data from 1991 to 2014. Empirical test results indicate that, during the QE period, the neoclassical channel encouraged investment through Tobin's q and the non-neoclassical channel also worked through balance sheet effects. In addition, sales ratio, ownership structure and operating income are also found as determinants of firm investment since 1991 in Japan. In contrast, the effect of financial leverage is estimated to be insignificant on the contrary to conjectures in the recent literature on the lost decades of Japan.

Session 2A: Monetary and Financial Policy

The Impacts of Japan's Negative Interest Rate Policy on Asian Financial Markets

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Abstract

The purpose of this paper is to explore to what spillover effects the Japan's negative interest rate policy (NIRP) had on Asian financial markets. Unlike the Quantitative and Qualitative Monetary Easing (QQE) without a negative interest rate, the NIRP not only had limited impacts on the Japanese economy but also raised a serious concern about profitability of local financial institutions. It is thus likely that its spillover effects were different from those of the QQE without a negative interest rate. In the analysis, we examine spillover effects on Asian stock markets. We find that Japan's long-term interest rate had significantly negative effects on the Asian stock prices in the NIRP period. We also find that the spillover effects were especially significant through a decline of excess returns in Japan's financial sector. The results imply that the NIRP which lowered long-term rate below zero might have benefited Asian economies. We discuss that this might have happened because local financial institutions who lost their profit opportunities in domestic markets explored a new profit opportunity in emerging Asia after the NIRP was announced.

Session 2A: Monetary and Financial Policy

The international spillover effect of macroeconomic policy uncertainty on emerging economies

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Abstract

The article studies the spillover effect of the macroeconomic policy uncertainty from the focus leading economies to emerging markets. Employing a large dataset of emerging economies in different regions, we verify the existence of the spillover effect of the uncertainty from the focus leading economies, including the US, the EURO, and CHINA, on emerging markets. Regarding the spillover channels, we first find that the uncertainty shocks of the focus leading economies are the risks, and thus decline capital inflow, investment, export growth, and thus output of emerging economies. Second, the uncertainty of the focus leading countries has little effect on short and long term interest rate and price index of emerging markets. This is due to the independent rights in establishing the monetary policy of emerging countries. Third, the magnitude of the spillover effect of the uncertainty depends on the level of openness of the economy. In other words, the more countries or regions have a strong linkage with the uncertain economy in terms of trade and financial inflow, the more they are susceptible by its uncertainty shock. Finally, the uncertainty of leading economies has a persistent increase after the global financial crisis 2008-2009, pushing down the global demand in terms of investment and consumption. This in turn causes for the slow recovery of the global economy.

Session 2A: Monetary and Financial Policy

Inflation Targeting, Exchange-Rate Targeting Monetary Policies in an Open NEW Keynesian DSGE Model

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Abstract

Recently after the US economy recovered from the 2007-2016 Great Recession, people have been increasingly paying more attention to the Fed's monetary policy target interest rate, in particular, when the FOMC will raise the targeting federal funds rate. How monetary policy should be publicly disclosed in order to make overall economy achieve a higher social welfare is related to the issue of the monetary policy strategy, including targeting, exchange-rate targeting and the Taylor (see Mishkin and Eakins (2015, Ch.10), Miles, Scott and Breeden (2012, Ch.13). In this study, a dynamic stochastic general equilibrium (DSGE) model is utilized to construct a small New Keynesian open macroeconomic model. Following Gali and Gertler (1999), Gali and Monacelli (2005), Walsh (2010, Ch.8), this model contains a certain degree of price rigidity, and two types of firms with forward looking and backward looking expectations. Then we used a Bayesian approach to estimate the parameters of the model using Taiwan data. We put several shocks onto a number of sectors of the model, and examined the effects of central bank's different targeting policies on the economy. It is found that the economic welfare of the policy target adopted by the central bank depends on the types of shocks. That is, whether the shock is real or nominal is crucial to the welfare of monetary policy implementation.

**Session 2B: Poverty, Social Welfare
and Income Distribution II**

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Borrowing Constraints and School Decisions: Evidence from Malawi

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Abstract

By using the data of 2013 The Living Standards Measurement Study (LSMS) from Malawi, this paper explores the relationship of borrowing constraints and schooling decisions. Indirect and direct methods to identify borrowing constraints are used. It is found that the direct method clearly separates the sample more precisely into 'borrowing-constrained' and 'unconstrained' groups. Based on the direct method of identifying borrowing constraints, this study finds that children from borrowing-constrained households are more likely to be temporarily withdrawn from school. This finding is robust for the model specification which considers the possible endogeneity problem by using a recursive simultaneous bivariate probit model.

Session 2B: Poverty, Social Welfare and Income Distribution II

Globalization, Coordination, and Optimality in the Setup of International Public Goods

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Abstract

For an analysis of international coordination and nationalism, we develop a model of international economic systems (IES) coined by Barrett (2002) and Ferroni and Mody (2002) under uncertainty in a setup of international public goods. Based on the mechanism design theory, we examine IES as coordinating entities for the optimal supply of and demand for international public goods. Specifically, we characterize the environments where such IES could be constructed to internalize economic uncertainty through monetary transfers. By using our IES, the first-best allocation is implemented even though information is asymmetric. For a concrete application of the result on asymmetric information, we investigate incentive compatible mechanisms for the optimal level of globalization. We find that the incentive compatible globalization is possible iff the nation-wise income as well as the global income would be greater than the critical values determined by the parameters characterizing the preferences for globalization.

Session 2B: Poverty, Social Welfare and Income Distribution II

Poverty and Social Mobility of Korean Youth, and Policy Implication

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Session 2B: Poverty, Social Welfare and Income Distribution II

Demand and Supply Outlook for Health Workforce in Korea

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Extended Abstract

The health workforce has a dynamically changing nature and the regular documentation of the regional distribution of health manpower is a persistent policy concern. The aim of the present study is to project the supply and demand of health workforce based on various scenarios.

For supply-side projection, the research employed databases from a handful of bureaus: The Ministry for Health, Welfare and Family Affairs, The Health Insurance Review and Assessment Service, The Ministry of Education, Science and Technology, 14 Korean health workforce associations and The National Health Personnel Licensing Examination Board. The collected databases included the annual numbers of health workforce enrollees, graduates, applicants and successful examinees in the state examination, registered licensees and practicing health workforce. For the demand-side projection, the Health Insurance Review and Assessment Service allowed its internal data on medical utilization rates. The National Statistical Office provided future population estimates and mortality rates.

To project health workforce supply, it was assumed that no change will occur in the current personnel training system until 2030. As supply projection methods, the method of in-and-out moves and demographic method were used. The method of in-and-out moves projects changes in the health workforce in terms of inflow and outflow on the basis of renewal process of workforce. The demographic method used in this research reflects demographic changes in the each workforce population. This demography-based method projects future health workforce supplies by using demographic information about each workforce. The method looks at the number of persons in each workforce supply in a given base year, and their age-structure. It also takes into account workforce increases and declines in years between a base year and a target year. Then, the method produces supply estimates by age, and sums up the numbers, providing a total number of each workforce for future supply. The method that is used to estimate demand depends on the availability of data. This research used the requirement model devised by the Bureau of Health Profession (BHP_r) of the U.S. Health Resources and Services Administration (HRSA), because it was possible to get access to objective data provided by each health workforce. The BHP_r requirement model was invented based on a variety of influential factors, including changes in the population size and structure and changes in the range of health care coverage.

In conclusion, the outlooks for supplies and demands of the medical workforce show that productivity estimate of each health workforce and workday scenarios determine health workforce supplies to be a shortfall or excess. After all, the government's goals for the health care sector and the government and the people's ability to pay for medical costs will determine the selection of an appropriate scenario. In future decades, there are various factors that may exert influence on supply and

demand of the nation's medical workforce such as amendment in the medical delivery system, the expansion of health insurance and payment and reimbursement system (eg., the introduction of RBRVS and/or the extension of DRG system), further the extended collaborative medical practice area of western and oriental medicine, the opening of the medical market to overseas markets, and the reunification of North and South Korea. If some amendments are made in the medical delivery system, medical utilization rates will become different according to the medical institutions and regions, and which will affect the overall utilization rates, leading to changes in supply and demand. Furthermore, the scheme of the supply and demand of the medical services will fluctuate immensely depending on the institutional change such as the specialization of roles and functions among various medical institutions, the activation of specialty hospital system, attending hospital and the home-visiting nurse service system, and the expansion of roles and functions of the public health services. All these points will be considered in the next research.

Session 2B: Poverty, Social Welfare and Income Distribution II

Micro Credit in Rural Vietnam

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Abstract

In addition to official credit institutions, forms of semi-and non-official credit in the models such as borrowings-cum-saving, lending-cum-investment, and rotating saving groups... play an important role in the provision of capital in the rural Vietnam. Beside the enhanced access to official credit by means of improvement of lending procedures to be more simplified and appropriate to the people's level of knowledge, flexible in terms of the repayment time and borrowed amounts, the officialisation of the other credit channels make positive impacts on the creation of sources of capital for rural households, given its efficiency. The efficiency is reflected in the low expenses for the apparatus, the flexibility in terms of the due dates and scales of the loans, the clearly defined purpose of borrowing, and the high feasibility and repayment possibility.

Session 3A: Foreign Trade I

Session 3A: Foreign Trade I

Russia – DPRK bilateral trade under sanctions (2014 – present)

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Extended Abstract

In disregard of the Budapest Memorandum on Security Assurances that provided security assurances and guarantees of territorial integrity to Ukraine, Belarus and Kazakhstan in exchange on nuclear arsenals remained in above-mentioned states after collapse of the Soviet Union and their accession to the Treaty on the Non-Proliferation of Nuclear Weapons, that was signed by three nuclear powers, i.e. the Russian Federation, the United States of America, and the United Kingdom, the Russian Federation started in 2014 the aggression against independent Ukraine. This backstabbing aggression caused annexation of the part of independent Ukraine, the Crimean peninsula and triggered the bloody proxy-war in Eastern regions of Ukraine. In response to the act of a brutal violation of international law the United States government imposed authorizes sanctions on individuals and entities responsible for violating the sovereignty and territorial integrity of Ukraine, or for stealing the assets of the Ukrainian people (by Executive Orders 13660; 13661; 13662 and 13685).

These sanctions and clear cooling in relations between Russia and Western Powers pushed the former to the East. Actually, this definitely involuntary shift was over-blew by Russian media as propagandistic cliché “Russia pivot to the East” but was nothing more than lousy attempt to find an appropriate shoulder to lean on in the situation of confrontation with the US. Still the idea is really pretty old as an effort to obtain status of miraculous “Eurasian power” connecting Europe and Asia. The question is does Asia really need any kind of “connector” such as Russia would like to claim to be? The case is that the main aim of Russian foreign policy in Asia-Pacific Region is deterrence of China by political means and all talks about some “pivot to Asia” or “Eurasian policy” targeted only one goal that is to keep peaceful relations with Asian giant as long as it could be possible. But besides it Russia is definitely seeking any possibility to put its spoke in wheel of the US and its allies in Asia-Pacific Region and even of Chinese one from time to time. So, geographically Russia just has no possibility to do it other way except to maintain relations with the DPRK. China is more than a match. Japan and South Korea historically are constant friends of the US. The South-East Asia is too remote, complicated and too dynamic region to play some hankey pankey with. But the North Korea is the different case and looks like a best choice to provide “some” foreign policy in the region. Nuclear power that clearly proclaimed self-reliance as the official state ideology Juche appears to a part of Russian politicians as only one state in the North-East Asia that Russia can really influence on. But is it really true assumption?

In this paper we will try to analyze bilateral trade between the Russian Federation and the DPRK since the imposition of the US sanctions in 2014 and under the pressure of economic and financial crisis resulted in the devaluation the Russian ruble beginning in the second half of 2014. In our research we use statistical data for above-mentioned

period from Customs Agencies of 8 federal districts of Russia that although are not the constituent units of the country but exist for the operation of main federal government agencies. We don't use the data from the Russian Federal State Statistics Service that was transferred this April under control of the Ministry of Economic Development as data from this Service doesn't reflect the whole picture due to a lot of missing details and numbers.

Session 3A: Foreign Trade I

China's International Bilateral Trade Costs with its Trading Partners: 2001 -2014

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Abstract

Researches on international trade and trade costs have shown that apart from tariffs applied by countries, other barriers to trade that are usually referred to as non-tariff measures (NTMs) could be even more significant than tariffs. To understand these NTMs is a challenging task itself, measuring them is surely even more difficult. This paper makes use of the trade cost measure introduced by Novy (2013) to estimate China's international trade costs with selected trading partners. Our estimates are consistent with the World Bank's estimates which adopts the same measure, despite we use different data sources. An innovation is made in the present study, which is to extend Novy's trade cost measure to provide estimates of trade costs at China's provincial level – Zhejiang Province's trade with foreign countries. Some of the main findings include an observation of a stable decline in China's overall bilateral trade costs over time with its trading partners. Comparison between trading partners show interesting findings, for example, Australia, despite being one of the furthest countries away from China in terms of geographical distance, its bilateral trade cost with China is one of the lowest among the eight countries chosen in this study.

Session 3A: Foreign Trade I

Comparing Japan and China's Roles in Trade Relationships among Emerging East Asian Countries during the last three decades

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Abstract

The expansion of trade relationship among some of East Asian economies along with the high economic growth rate in these countries within the last three decades has demonstrated their accomplishment in transferring the benefits of trade into their economies and increasing their production capacities. Plaza Accord and the Revaluation of Japan's Yen in 1985, China's Transition over the last 3 decades and banking Crises in 1997-98 are some the main events that affected Japan's and China's influence in the region. In this study, the pattern of trade relationship between EEA economies' network in the past three decades and the role of Japan and China in the region over the mentioned period were analyzed by using real data of Asian input-output tables from 1985 to 2005 and estimating data for 2012. The trend of the Leontief coefficients during 1985-2012 illustrated that the concentration of suppliers has changed gradually due to the emergence of China, South Korea and Taiwan as regional suppliers beside Japan and the United States in 2005. In 2012, China, to some extent, has managed to outperform Japan and the US in the region. The shares of demand countries' final demand in each country's value added which is represented with Contribution Ratios(CR) index showed that Japan and the United States' demand have had the highest impact on the region's value added during 1985-2000. However, since 2005, the highest impact has belonged to China. It was illustrated that during 1985-2012, the shares of Japan and the United States have decreased respectively from 4.6% to 3.1%, and from 8.4% to 4.1%. This is while the shares of China has drastically increased from 1.6% to as high as 6.0% during the same period.

Session 3B: Applied Economics II

Session 3B: Applied Economics II

Firm Heterogeneity in Sources of Total Factor Productivity Growth: Evidence from Japanese Manufacturing Firms

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Abstract

We investigate firm heterogeneity in productivity sources across technology sectors for Japanese manufacturers. Firm heterogeneity in productivity sources conveys more information about firm-specific difference in productivity. In this regard, large firms are more productive largely because they are more innovative, despite they are slow in catching up during booms or they are generally operating at less efficient scale. We find that beneficial impact of exports on productivity is mostly realized when firms become exporters and intrafirm trade causes enough inefficiency to offset salutary effects of trade after certain threshold. Noticeably, firm heterogeneity in productivity varies considerably across technology sectors.

Session 3B: Applied Economics II

Biopolitics, Darwin, Dictators and Democracy: Will China Ever Be the Hegemon?

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Abstract

China is a powerful new emerging market country. In future decades, is China likely to ever succeed the United States as the political and economic hegemonic leader? Oddly there are political and economic insights from biology that bear on this question.

Biopolitics and bioeconomics provide metaphors that are instructive for understanding competition and national fitness among nations. These include the pyramid of nature, trait group selection, dominance hierarchies, and inter-specie competition. In Darwin's language, a hegemonic country's fitness comes from superior political, economic and military institutions.

The idea is that nations are parallel to species. The latter compete for power and resources against other species. Those with more testosterone and greater aggression dominate those with less. The pyramid of nature is structured top-down with carnivores, herbivores and herbs in descending order of power. Carnivore nations have strong militaries based on strong economies. Herbivore nations joining coalitions under the sway of competing hegemonic leaders.

For the last half of the 20 th century, the US and the Soviet Union were rival hegemonic leaders of their respective coalitions. In recent decades, China has become a world economic hegemonic, dominating world markets with its low priced goods. Xi Jinping appears is slowly moving into a hegemonic leadership role in the vacuum of created by Donald Trump's withdrawal of US leadership.

Session 3B: Applied Economics II

Practical Social Discount Rates for Public Projects: Case of Korea

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Abstract

This paper aims to estimate the social discount rate (SDR) rather than dig into its theoretical foundation. As SDRs can be derived by investigating both the rate of return on investment and the social time preference rate, we estimate the marginal productivity of both private and public capital and the time preference rate based on Euler equation. In order to provide a single representative SDR, the weighted averages of the marginal productivity and time preference rate whose weights are determined by the flow of funds data reflecting the social demand of funds are presented.

Based on the empirical results, we argue that the marginal productivity of private capital stands at the middle of the 3% range and that of public capital varies from 4.5% to 8.6%, while the time preference rate has been showing a decreasing trend from 3.2% at the early 2000's to 1.2% around 2030. The single representative SDR or the weighted SDR is estimated around 3.0~4.5% and expected to continue the downward trend for the foreseeable future.

**Session 3C: Poverty, Social Welfare
and Income Distribution III**

Session 3C: Poverty, Social Welfare and Income Distribution III

Human Trafficking in Vietnam: Current situation and policy responses

Dang Nguyen Anh

Vice president of Vietnam Academy of Social Sciences, Vietnam

Session 3C: Poverty, Social Welfare and Income Distribution III

Are Politically Connected Firms More Likely to Export?

Yu Ri Kim

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Yasuyuki Todo

Waseda University, Japan

Abstract

Lack of information is one of the most significant barriers to export and thus access to information plays an important role in facilitating export and developing business. Another common barrier to trade is credit constraints. Both information and financial resources are heavily controlled by the government in developing countries where there are only limited open data and financial market available. In this setting, one common way to access valuable information and credit is through personal connection to politicians and government officials. This paper explores the effects of having political ties on export activities, using firm-level data from traditional apparel and textile clusters in Vietnam. Our results suggest that personal connections to people in government authorities increase the chances to get financial supports from the government. Moreover, politically connected firms are more willing to export. However, such governmental supports and enthusiasm for exports do not lead to the actual export. Likely explanations are that discrimination in favor of personal connections does not result in optimal selection of social programs and generates inefficiencies.

Session 3C: Poverty, Social Welfare and Income Distribution III

Japan's ODA in Globally Integrated CLMV Economies: Aid Effectiveness and Political Economy

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Abstract

The CLMV (Cambodia, Laos, Myanmar and Vietnam) countries have globally integrated in recent years achieving high growth and increasing living standard that are attributable to expanded trade and FDI and especially ODA. To complement other studies on CLMV growth and development causality from an empirical perspective, the paper develops an economic integration model of endogenous growth to study specifically the impact of Japan's ODA on trade and growth in the CLMV countries. The model has the fundamental structure of regional trade agreements or SNA expenditure identity for open economies where trade, FDI and services are postulated as chief drivers of growth and where simultaneous causality between trade and growth in the sense of Marshall and Haavelmo is assumed. Economic conditionality in the form of policy reforms and crises that simultaneously affects trade and growth in the sense of Johansen in credible empirical policy modelling that has been overlooked in the empirical literature is also assumed. The model is then applied to each of the four CLMV countries to investigate the impact of Japan's ODA, openness, and FDI on its growth and trade. The purpose is to provide useful input to support evidence-based policy analysis of ODA, development, trade, and FDI in these countries to meet United Nations 2015 sustainable development goals. The approach and findings are particularly relevant to new emerging donors in Asia such as China and Thailand and especially Korea where outgoing foreign aid has greatly increased since 1987 reaching USD1915.25m in 2015.

Session 3C: Poverty, Social Welfare and Income Distribution III

Rethinking of Women's Economic Roles under the Patriarchal Structure in the Era of Globalization

Nguyen Thi Thu Thuy

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Abstract

The devaluation of women's work has been originated from patriarchal ideology of gender which confines women in domestic tasks. However, these recent researches have also showed that as social actors, women have not been always accepted by male-bias perception of their work as well as their position in workplace and household. With a contribution to debates of women's status in the era of globalization, this paper focused on analyses of women's work and valuation of their work in different contexts and under different viewpoints. The objectives of this paper are: to clarify how the patriarchal ideology of gender effects the perception of women's role in economic development; to demonstrate how women struggle against the patriarchal structure; and to show how women can empower themselves through the struggles.

Session 4A: Foreign Trade II

Session 4A: Foreign Trade II

Taiwan in RCEP's Regional Supply Chain

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Abstract

For the past decades, Taiwan has been specializing in certain specific products, especially in parts and components, which are amazingly dominating the world markets. For example, Taiwan Semiconductor Manufacturing Company (TSMC), also known as Taiwan Semiconductor, is the world's largest dedicated independent (pure-play) semiconductor foundry. Diptronics Manufacturing, Inc. has produced switches which accounts for nearly 50% of notebook market globally. Hence, Taiwan has been a key player in global value chain (GVC).

However, for decades Taiwan's terms of trade have been deteriorating increasingly with its ambitious market penetrating strategies (see below). And, as its economy is more and more relying on world market, it is getting harder and harder to avoid being severely affected by ups and downs in the major markets. Furthermore, with growing trends in negotiating regional or bilateral free trade agreements around the world, which could be regarded as consolidating or rearranging the GVC in various regions, Taiwan is now facing a serious problem in retaining in the GVC and continuing developing its industries based on part and component production since it has been generally excluded from nearly every trade negotiation.

In this paper, the Regional Comprehensive Economic Cooperation, RCEP) initiated in ASEAN plus Three, later to ASEAN Plus Six, is used as a starting point to pinpoint its effects on Taiwan's status in GVC and hence its industrial development. Since Taiwan is especially intensive in network trades, which involve trade in those products crucial in global or regional production networks, it is encountering a prominent challenge of losing its competitiveness by the danger of displacement by other Asia-Pacific economies.

The paper is also arguing why deteriorating terms of trade in Taiwan is significantly related to deteriorating qualities of its exporting products to major market. This will further lower its competitiveness and, therefore, its prospect in industrial development.

Session 4A: Foreign Trade II

Effects of Aid for Trade (AfT) on Foreign Direct Investments: A Comprehensive Analysis

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My Dung Ly

Kangwon National University, Korea

Abstract

This paper empirically evaluates the effects of Aid for Trade (AfT) on foreign direct investment (FDI) flows to the developing and least developing countries (LDCs). Unlike previous studies, we assess the effects of AfT on FDI, distinguishing it, in terms of two different modes (greenfield FDI and cross-border M&A) in three different sectors – primary, manufacturing, and services.

For this purpose, we compile bilateral data for 24 donor and 138 recipient countries for the period 2003-2015. We then estimate the effects of AfT on trade and FDI by applying the “semi-structural” and “full structural” gravity model with Poisson Pseudo-Maximum Likelihood (PPML) estimator proposed by Santos Silva and Tenreyro (2006).

It is found that AfT has a significant positive effect on greenfield FDI in all industries – primary, manufacturing, and services industries, as well as on cross-border M&A in manufacturing and services industries. It is also found that all three components of AfT positively affect greenfield FDI, while aid to infrastructure and aid to trade policy and regulations increase cross-border M&A.

Session 4A: Foreign Trade II

**Determinants and Consequences of CSR: Evidence from the Revision of
the Companies Act in India**

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KIEP, Korea

Session 4B: Applied Economics III

Session 4B: Applied Economics III

Public preference for the attributes of the hydrogen fuel cell vehicle: A choice experiment study

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Extended Abstract

To actively cope with climate change issues, the Korean government has been trying to promote hydrogen fuel cell vehicle (HFCV) for last fifteen years. In fulfilling the promotion successfully, it is needed to examine public acceptance and preference for HFCVs, although there remain technical issues to produce them at a reasonable price.

This paper attempts to investigate the public preference among five attributes of the HFCV (Mileage, Refueling station accessibility, Vehicle form, i.e. sport utility vehicle (SUV) or sedan, Capacity of reducing pollutant emissions, and Purchase price) of HFCV in Korea. To this end, a choice experiment is applied and a multinomial logit model is employed to uncovering how much value each attribute has.

In the multinomial logit model, all the coefficients, except for Capacity of reducing pollutant emissions, are significant at 1% level. To the exclusion of Purchase price, the coefficients of four attribute are positive, which means that a rise in Mileage, Refueling station accessibility, Capacity of reducing pollutant emissions, and SUV rather than sedan increases people's utility, respectively. The coefficient of Purchase price is only negative. Purchase price makes people's welfare decrease according to the interpretation of results in the multinomial logit model. In the multinomial logit model, we find out the positive relationship between four attributes and utility, and it turns out that our selected characteristics are meaningful.

The estimation results show that the major concerning factor is whether it is SUV or not when people buy a new car and the value from choosing SUV rather than sedan is KRW 482.6 (USD 0.43). This result matches up with the fact that all HFCVs in Korea have been in a SUV format. The values for the other three attributes are also positive, on an order of mileage, Refueling station accessibility, and Capacity of reducing pollutant emissions. These values are KRW 64.24 (USD 0.06), KRW 18.21 (USD 0.02), KRW 8.93 (USD 0.01), respectively. All these values are significant at the 5% level.

The result that people place a premium on mileage indicate that people want a cost effective car because all HFCVs are still expensive. This is because people want to maximize their utilities as they spend money. Thus, it is required to improve vehicle technology to make HFCV popular.

Another barrier to FCV industries is Refueling station accessibility which is asked to huge funding of not only private sector but also public sector. The fact that people are putting a positive value on Refueling station accessibility implies that their utility is linked with convenient refueling. In other words, the value of HFCV partially comes from a refueling system. Therefore, an investment on making a sufficient refueling

system is recommended to the Korean government.

Concerns about CO₂ emission have called on technicians to develop an emission reduction technology and encouraged people in their eco-friendly choice. Developing HFCVs is a potential solution about this. This paper investigated the people's preference for HFCVs in order to give information on public demand for HFCVs. The findings can be a guideline for where HFCV industries will go. This information would be also useful for transportation decision-makers to incorporate their new policy for HFCV into real automobile market.

The sharp depreciation of the yen from the end of 2012 was expected to have a positive impact on the Japanese trade balance, since Japan had recorded large trade deficits since the Great East Japan Earthquake in March 2011. Trade balance tends to deteriorate at the beginning due to the J-curve effect. However, the Japanese trade balance has not shown any signs of improvement, even though one year has passed since the start of the yen depreciation. There is a growing concern that Japanese firms might lose export competitiveness in the global market. This paper empirically shows that Japanese firms expanded overseas production after the sharp appreciation of the yen from 2008 to 2012, which resulted in the increase in Japanese imports of intermediate inputs as well as finished products. The empirical result of an auto-regressive distributed lag (ARDL) model also indicates that the long-run impact of yen depreciation has weakened in recent years. In addition, Japanese manufacturing export prices in terms of the contract (invoice) currency have not changed in response to the large exchange rate fluctuations of the yen, which is empirically confirmed by the time-varying parameter estimation of the exchange rate pass-through analysis. Finally, a comparative analysis of the industry-specific exchange rate between Japan and Korea shows that the recent depreciation of the yen has improved the export price competitiveness of the Japanese manufacturing sectors.

Session 4B: Applied Economics III

Economic Feasibility Analysis on Renewable Energy System with Advanced Technology: Case of Kandooma Island, Maldives

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Abstract

Currently, climate change issues and mitigation of greenhouse gases are emerging as one of key global agenda. Especially, Small Island Developing States (SIDS) are the most vulnerable to climate change and their capacity to adapt climate change is very limited. This is the main reason why the global community pay special attention to SIDS. On Paris' Agreement in 2015, the special treatment of SIDS in terms of financial support and technology transfer was emphasized. Maldives is a typical example of SIDS where ecotourism is the main economic activity. The sustainable and non-fossil fuel energy system is critically important for the economic activities. However unfortunately, Maldives heavily rely on imported oil and fossil fuels for power generation, which means that the energy system of each island in Maldives is sensitive to the volatile oil price. Due to remoteness and less energy demand, it is common to use diesel generators, such small off-grid systems in Kandooma Island, Maldives. The selected site is a resort island where we assume to replace one diesel generator with a solar energy system with Energy Storage System (ESS) in a hotel. For this study, we compare the conventional diesel generation and the solar energy system with the most advanced ESS to demonstrate the application of leap-frogging technology in SIDS. In addition, the result of financial simulation analysis will provide feasible financial options to install the solar energy system in a remote island. The simulation results from HOMER program that is a linear optimization tool to compare various energy systems with concrete system configurations. Once the most optimal energy system is identified, we will conduct simulation analysis for the financial feasibility, using @RISK that is a tool for the financial parameters such as Net Present Values (NPV) and financial internal rate of return (FIRR), depending on the financial schemes. In this study, we propose a solar energy system with ESS as the most sustainable energy system with feasible financial options for a remotod island of SIDS, as well as to tackle and adapt climate change.

Session 4B: Applied Economics III

Divergent effects of US monetary policy and market uncertainty on financial market volatilities of non-US G20 economies

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Abstract

This study examines whether monetary policy changes of the United States and its financial market uncertainty have had divergent effects on volatilities of equity and foreign exchange markets of 9 advanced and 11 emerging economies since the early 2000s. Monthly standard deviations of daily returns are used as the volatility measure for the 2002-2015 period. We estimate two panel regression models using explanatory variables of a set of interest rate spreads vis-à-vis US counterparts, an index variable of the US monetary policy changes, VIX, and exports of each country. The monetary policy index variable enters additively in one model, and short-term interest rate spread interacted with the index enters in another model specification. We find evidence supporting the view that that US monetary policy changes have increased the volatility of emerging economies' financial markets more from the model with interacted policy index variable. US monetary policy changes calibrated to US business cycles, appear to have added more to volatilities of financial markets of emerging economies. Emerging economies' business cycles, which have been out-of-sync with those of the United States, have not justified the implementation of synchronized policy actions that could have neutralized the impacts of US policy actions. At the same time, we find US financial market uncertainty have affected volatilities of financial markets of advanced countries more than emerging economies. This suggests that the degree of financial market coupling between the US and EEs has not been as high as that between G7 and the US.

Session 4B: Applied Economics III

Economic growth and human development in Vietnam

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Abstract

During recent decades, Vietnam has achieved significantly economic growth, which considerably contributes to human development of Vietnam. The statistics on human development of Vietnam indicates that income index has extremely changed and contributed to the improvement of human development index (HDI) of Vietnam. Nevertheless, income inequality has challenged the human development of Vietnam because income influences individuals' capacity in investing on education and healthcare, which are main dimensions of human development.

Session 5A: Foreign Direct Investment

Session 5A: Foreign Direct Investment

Institutional Determinants of South Korean outward Foreign Direct Investment

Nguyen Thi Thanh Huyen

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Extended Abstract

The interest in institutions is well developed in some areas of economics, including the new institutional economics (Coase, 1992; North, 1991; Williamson, 2000), growth and development economics (Acemoglu et al., 2001, 2005; Kaufmann et al., 2003; Rodrik et al., 2004). Defined as “the humanly devised constraints that structure political, economic and social interaction” by North (1991, p. 97), institutions can be formal or informal. Economic institutions establish the incentives faced by not only domestic economic actors but also foreign investors. As such, the role of institutional quality in establishing incentives for investment has gained a growing interest. A large number of economic research investigating institutional quality as determinant of FDI (Ahmad and Ahmed, 2014; Bénassy-Quéré et al., 2007; Buchanan et al., 2012; Busse and Hefeker, 2007; Cezar and Escobar, 2015; Daude and Stein, 2007; Naude and Krugell, 2007; Wash and Yu, 2010; Wei, 2000). However, recent surveys of literature show that evidence in favour of institutional quality remained mixed (Blonigen, 2005). The lack of conclusive evidence has been attributed to institutional measurement, methodology and sample. Therefore, investigating the relationship between institutional quality and outward FDI based on country specific analysis could be worthwhile to provide strong foundations for a policy recommendation.

South Korea is an interesting case study for several reasons. Although being classified as an developing country by UN (2016), FDI outflows from the country increased worldwide approximately twelvefold from \$2.6 billion to \$31 billion during 2001-2014 (UNCTAD, 2002, 2015). Besides, the centralized structure of the political regime of this country in combination with the prevalence of large, diversified business groups has enabled the country to exercise more control over the business sector and to pursue more ambitious industrial policy (Akyuz et al., 1998, p. 7). During Park rule, the government has create institutional favourable conditions to help the state and chaebols investing abroad.

In this context, the purpose of this paper is to examine the determinants of South Korean outward FDI using firm-level data with the key role of institutional quality of host countries. We use the six indicators for governance developed by Kaufmann et al. (2011) in the Worldwide Governance Indicators (WGI) Projects. Thus, our contributions are threefold. First, we use South Korean outward FDI flows for 82 host countries over the period from 2002 to 2014 to examine whether institutional quality is a determinant of South Korean FDI and whether the institutional determinant depends on every sector. Second, we tackle the issue of endogeneity by using panel fixed effects estimation. This method is superior to other estimation methodology such as

Pooled OLS or random effects estimation. Third, to understand the difference of host institutional quality in attracting South Korea's FDI, we divided destinations into developing and developed ones based on UN (2016)'s classification.

The results of the dynamic panel estimation show that Political Stability and Absence of Violence/Terrorism and Regulatory Quality seem to be the most relevant institutional quality dimensions in attracting South Korean outward FDI. Besides, geographic distance and macroeconomic instability of host countries have a negative impact while the market size and trade openness have a significant positive effect.

Session 5A: Foreign Direct Investment

Border Effects of Trade Flows of Commodity Groups between Iran and Korea

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Abstract

Today trade costs are dealt with an essential factor in trade literature. Broadly defined, trade costs include various costs of engaging in international trade such as transportation costs, tariffs, non-tariff barriers, informational costs, time costs and different product standards, among other. Also the importance of distance for bilateral trade is considered as stylized fact.

The aim of this paper is firstly to review the historical data of Iran's international trade, especially focusing on the bilateral trade relations between Iran and Korea. Then, the determinants of bilateral trade among Iran and its major partners will be evaluated with emphasizing on Border Effects using the relevant disaggregated data of trading commodities. Finally, this study tries to rank potential trade for commodity groups between Iran and Korea and present some suggestions for promoting bilateral trade flows between two trading partners. The disaggregated data for bilateral trade on commodity groups among Iran and its 33 major partners (including Korea) have been used during 1992-2015, and the specified gravity model is estimated by Poisson Pseudo Maximum Likelihood (PPML) approach.

The results show that border effects have had highest on commodity sections 12 (Footwear, Headgear, Umbrellas, Walking-sticks), 13 (Articles of Stone, Plaster, Cement) and 11 (Textiles & Textile Articles) according to the distance and international trade costs. Also, the potential trade ranks in commodity groups represented that sections 6 (Products of the Chemical or Allied Industries), 4 (Prepared Food Stuffs, Beverages) and 15 (Base Metals & Articles of Base Metal) have highest rank to promote bilateral trade between Iran and Korea.

Session 5A: Foreign Direct Investment

The Role of FDI Sector in Enhancing Labor Productivity in Vietnam

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Abstract

After 30 years of Doimoi, Vietnam has attracted a large amount of capital and FDI enterprises to invest in Vietnam. The FDI sector has helped Vietnam to rapidly improve in export value, attract labor and contribute to state budget. More importantly, the incoming FDI sector helps labor move quickly from the agricultural sector, informal sector to the industrial sector. As a result, the FDI sector plays an important role in directly contributing to the growth rate of labor productivity in Vietnam. The contribution of the FDI sector to labor productivity growth is largely due to the shift of labor from the low labor productivity sector to the FDI sector with higher labor productivity. Meanwhile, the contribution to real labor productivity growth from the FDI sector (minus the contribution from labor mobility) is much smaller. At indirect contribution side, the level of backward linkage and linkage between the FDI sector and the domestic sector is almost low in all sectors, especially in the high technology industries. It implies that the indirect effect on labor productivity of the FDI sector through the spillover effect on technology and labor skills is small and weak.

Session 5B: Financial Flow and Cooperation

Session 5B: Financial Flow and Cooperation

A Factor-augmented VAR Analysis of Business Cycle and Inflation Synchronizations in the GCC Member Countries

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Won Soon Kwon

Hankuk University of Foreign Studies, Korea)

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Abstract

The Gulf Cooperation Council (GCC) member countries aspire to establish a Gulf Monetary Union (GMU) and to adopt the single common currency (e.g., *Khaleeji*). There are preconditions, however, to be satisfied as introduced by Mundell (1961) and McKinnon (1963). Some of the criteria for a monetary union have already been met among GCC member countries: 1) the currencies of GCC member countries have effectively or officially been pegged to U.S. dollar, 2) the members are all oil-producing countries, and 3) they share the same language, culture and religion. However, other criteria for forming a monetary union should be tested. The key and most well-understood criterion is the business cycle and inflation synchronizations among member countries. Unlike previous studies, this paper employs a factor-augmented VAR (FAVAR) model that characterizes a large set of 37 foreign and domestic variables simultaneously. Six common (global and regional) shocks are identified, and the study examines how and to what extent these shocks affect each economy in the GCC region. The empirical results indicate that the GDP's of the individual GCC countries show well synchronized responses to the china GDP, oil prices, and the regional GDP shocks which are the three main determinants of fluctuations in the GDPs. The GCC inflation also shows highly synchronized responses to all different types of common shocks but to oil prices shock. These results are different from what Eickmeier (2009) found for the euro-area countries. Overall, the evidence presents positively for consideration of a regional currency union in the GCC region.

Session 5B: Financial Flow and Cooperation

Exchange Rate Volatilities and Regional Business Cycles: Evidence from Asia

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Abstract

The term of business cycles refers to fluctuations in production or overall economic activities over time, while there are several reasons of happening cycles in the world economy to be still under consideration in the literature. Iyetomi et al. (2011), for instant, suggest that the major reason of business cycles is arising from real demand shocks, which are partly from fluctuations in trade and then in exchange rates. Kim and Ahn (2003) conclude that external shocks of exchange rate influence business cycles in developed and emerging economies. Additionally, economists and policy makers increasingly pay attention to exchange rate volatility as an important determinant of international trade.

This paper examines the hypothesis that exchange rate volatilities cause business (GDP) cycles in East and South Asia during the period 1970-2015, implying synchronization between cycles and exchange rate volatilities in the continent. To this end, the paper has analyzed moving correlations dynamically between exchange rate cycles and business cycles in the selected Asian countries by measuring dynamic correlation coefficient to show such synchronization. Accordingly, a spectral causality analysis has been used in order to explore interacted relationship within different low and high frequencies of the variables. The results obtained have confirmed empirically the causality from exchange rate cycles towards GDP cycles during the period under consideration. The implication is that this finding can be arising from different trade regionalization in Asia, which may creates trade diversion.

Session 5B: Financial Flow and Cooperation

Relationship among Consumer Sentiment, Private Consumption and Stock Price in Korea

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Abstract

We examine the relationship among consumer sentiment, stock price, and private consumption in Korea. The data are the consumer sentiment index from the Bank of Korea, KOSPI, and private consumption for the period from 1996 to 2016. We investigate the causal relationships among the three variables based on the directed acyclic graphs (DAG) method, which reveals the contemporaneous causal relations running from stock price to consumer sentiment and from consumer sentiment to private consumption. Since the DAG results provide a reasoning for the identification of a VAR estimation, we apply the ordering of stock price, consumer sentiment, and private consumption as an identifying restriction for the recursive VAR model. According to the impulse response functions and variance decompositions from the VAR estimation, we find a major role of stock price for explaining variations in consumer sentiment. We also find intermediate roles of stock price for private consumption, consumer sentiment for private consumption, and private consumption for stock price. The two controversial issues in the literature are the relation between consumer sentiment and private consumption, and the relation between stock price and consumer sentiment. Our results support a causal relation from consumer sentiment to private consumption, and another relation from stock price consumer sentiment.

Session 5C: Applied Economics IV

Session 5C: Applied Economics IV

Forecasting Inflation in the GCC using Commodity Prices and Structural Break Models

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Abstract

Inflation in the six GCC countries is difficult to forecast because their economies are connected to international markets and economies and their univariate inflation models do not outperform the random walk model. However, the GCC inflation series for the GCC countries share similar patterns and trends among themselves, although their rates are diverse. Given the strong dependency of the GCC economies on commodity imports and exports, this study examines individual GCC inflation series by first testing for structural breaks. It then embeds the structural breaks into the inflation models, estimates 32 inflation models using monthly data for the period of 1994:1-2015:3 and forecasts inflation out of sample, using seven CRB commodity group prices and growth rates of money supply and government spending. The results find strong evidence of structural breaks ranging from two to four breaks and their inclusion considerably reduces RMSE, and they also have significant results for the commodity groups. The out-of-sample forecasts show that all commodity prices help to predict the GCC inflation rates, particularly at longer horizons, even when the models control for the other determinants of inflation, such as money supply and government spending. The results also find that inflation in United Arab Emirates is the most difficult to forecast, while it is the least difficult for Saudi Arabia. Policy implications regarding the exchange rate peg, the prolonged inflation periods and the future structural economic models for the GCC are also provided..

**Monetary Policy Reaction Functions of the TICKs:
A Quantile Regression Approach**

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Abstract

The purpose of this study is to investigate how the four nations of Taiwan, India, China and Korea (i.e., the TICKs member states) set interest rates in the context of policy reaction functions. It adds to the previous literature in that the empirical estimates are conducted not only at the central mean of interest rate but we also take into account the response of interest rate to inflation, output and exchange rate at various points on the conditional distribution of interest rates, hence offering the possibility to test predictions of greater or lesser aggression at different bounds of interest rate. Our results indicate the tendency of a milder response to inflation at low interest rates and greater response at higher quantiles of interest rates, where inflation is presumably higher than desired for China and South Korea and hence offers evidence for non-linearity. While the response to inflation over the quantiles is significant for India, yet the Taylor principle is less likely to hold. For Taiwan, the results imply that another instrument is employed to deal with its official managed floating currency.

Session 5C: Applied Economics IV

Impacts of fluctuations in Oil Prices and Production on Arab Macroeconomies Using the Wavelet-Based Quantile

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Abstract

This paper aims to examine the impact of drops in oil prices and other influential macroeconomic variables on economic growth (EG) in the oil-exporting and oil-importing Arab nations under different economic conditions and time investment horizons. We use a relatively novel approach, namely the wavelet-based quantile method, to achieve this goal. Using quarterly data (1990Q1-2014Q4), the results show that a decrease in oil prices affects negatively EG at the intermediate horizon but the relationship is positive at the long-term horizon and negative or insignificant at the short horizon for almost all countries. Furthermore, the world's oil production affects positively (negatively) EG at different term horizons and during economic busts for almost all oil-importing (exporting-) countries. Concerning the other macroeconomic factors, gold prices (except for Algeria, UAE, Kuwait and Egypt), the world's industrial production index and country real government consumption improve the EG for all importing and exporting Arab countries especially in the long-term horizon. Furthermore, exports of goods and nonfactor services show a positive effect for all considered countries at all horizons, while imports have only a negative impact on EG for Tunisia and Morocco at the long-term horizon. While the empirical evidence of the wavelet-based quantiles is mixed, there is clear evidence that real economic growth responds to key macroeconomics factors especially oil prices and production. These results have several important implications for oil-importing and oil-exporting Arab countries in the cases of steep spikes and falls in oil prices.

Session 6A: Labor Economics

Session 6A: Labor Economics

Lifetime employment in 21st century Japan: employment trends among research intensive firms

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Abstract

After the rapid appreciation of the yen after the Plaza Accord (1985) and the collapse of Japanese asset markets at the end of 1989 many observers expected dramatic transformation of the Japanese labour market, especially in terms of the system of permanent employment. As the 'lost decade' of the 1990's dragged on, however, there was a growing consensus that Japanese firms were unable or unwilling to restructure. From the end of the 1990's to the present, Japanese firms have undertaken many changes in order to adapt to the low growth environment. Among these has been a steady increase in the utilization of temporary employees. Despite this trend, we find that permanent employment continues to be important for research intensive firms. Such a finding is consistent with an environment where human capital acquisition is more 'firm specific,' as a way to avoid the loss of proprietary technologies.

Session 6A: Labor Economics

A study on the analysis of Korean Neet and Its implications

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Session 6A: Labor Economics

Foreign Labor in Vietnam under the Context of Increasing Protectionism

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Abstract

Foreign labor is one of the issues that has been particularly concerned in many countries in the context of increasing protectionism, including Vietnam. In Vietnam, three emerging issues in management of foreign labor are interested by policy makers and managers as follows: mobility of foreign labor, treatment of foreign labor on the relationship between foreign labor and domestic labor, authenticating equivalence degree level among foreign and domestic labor. The paper focuses on these three aspects and recommends legal policies regarding the management of foreign labor under the context of increasing protectionism in Vietnam.

Session 6B: Economic Development

Session 6B: Economic Development

Can Environment Quality Improve Happiness?

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Sun Lee
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Session 6B: Economic Development

Government Expenditures and the Types of Aging Problems

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Abstract

The focus of this study is to understand the role of government investment (GI) and government consumption (GC) in determining the types of aging problem. Define $APR = AGED/POP$, where AGED is the number of population over 65 years old, while POP is the total population. A country with rising APR can be caused by the growth rate of AGED is higher than that of the POP. We called this type of aging problem the '**happy aging problem**' when the country is also enjoying higher GDP growth and life expectancy. On the other hand, a country having decreasing APR can be the result of the rate of decrease in the AGED due to lower life expectancy is higher than that of POP while GDP growth is low and the baby boom cohort proceeds to the AGED group. This is called the '**sad aging problem**'. In the estimations, we conclude that GI contributes to generate a happy aging society while GC vice versa.

Session 6B: Economic Development

Quantifying the Impact of Structural Reforms - Empirical Implications for South Korean Economy

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Extended Abstract

This paper empirically investigates the impact of structural reforms on economic performance such as TFP (Total Factor Productivity), capital deepening and employment rate. For the empirical study, various fields of cross-country panel data (OECD countries, 1990-2010) are used. They are categorized in five groups: public, business, education, finance and labor sectors. Based on the panel data, empirical results of ECM (Error Correction Model) reveal that some of indicators for structural reforms in each sector have significant and robust relationship to economic performance. Empirical examination using panel ECM has an advantage on that it can analyze short-term and long-term effects of structural reforms separately. For the public sector structural reforms, SOC regulation and rule of law index have significant impacts on TFP, and public sector openness has significant impacts on capital deepening. Rule of law index and regulatory quality also have significant impacts on employment rate.

For the business sector structural reforms, quality of competition legislation and degree of public sector openness are important factor on TFP, and degree of business freedom is important factor on capital deepening. Degree of business freedom is also important factor on employment rate. For the education sector reforms, enrollment ratio for tertiary education and year of education show significant relationship to TFP, and government expenditures on education has significant relationship to capital deepening. Enrollment ratio for tertiary education and year of education also show significant relationship to employment rate. For financial sector, household debt ratio has significant relationship to TFP, and financial funding condition is important factor on capital deepening. Easiness of access to loan is important factor on employment rate. For the labor sector structural reforms, government compensation of employees and degree of labor market freedom are significantly related to TFP. ALMP (Active labor market policies), public expenditures on creation employments, and strictness of employment protection are significantly related to capital deepening. Labor tax wedge, compensation ratio on unemployment and government expenditures on unemployment are significantly related to employment rate.

In this paper, threshold regression and interaction term of structural reforms and South Korea country dummy are used for analyzing country specific effects of structural reforms. The empirical results of threshold regression find that some structural reform indicators such as product market regulation and economic openness have relatively more significant impacts when economic boom while other structural reform indicators such as rule of law index and ALMP (Active Labor Market Policies) have more significant impacts when economic recession.

The empirical results using interaction term of structural reforms and South Korea country dummy find some specific indicators of structural reforms in South Korea have relatively more significant impacts on economic performance compared with other countries. For instance, SOC regulation and share of part time employment have relatively more significant impacts on TFP in South Korea.
