

*A Joint Conference of*  
*AKES, KDI, KU-BK21-Economics, KIF, and RCIE*  
**Korea and the World Economy, V:  
Korea and the FTA**  
*July 7 –8, 2006*  
*Inchon memorial Hall, Korea University, Seoul, Korea*

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

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

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

**Program  
Committee**

**Hyun-Hoon Lee**, Kangwon National University (Co-chair)  
**Kar-yiu Wong**, University of Washington (Co-chair)  
**Joshua Aizenman**, University of California, Santa Cruz  
**Baekin Cha**, Korea Institute of Finance  
**Hong-Tack Chun**, Korea Development Institute  
**Charles Harvey**, University of Wollongong  
**Kiheung Kim**, Kyonggi University  
**Sung Tai Kim**, Cheongju University  
**Fukunari Kimura**, Keio University  
**Lawrence Krause**, University of California, San Diego  
**Chung Mo Koo**, Kangwon National University  
**Junggun Oh**, Bank of Korea  
**Yunjong Wang**, SK Telecom Research Institute  
**Insill Yi**, National Assembly

**Local  
Organizing  
Committee**

**Sung Jin Kang**, Korea University (Chair)  
**Hyeon-seung Huh**, Yonsei University  
**Euysung Kim**, Yonsei University  
**Won Soon Kwon**, Hankuk University of Foreign Studies  
**Jaerang Lee**, Bank of Korea  
**Yeonho Lee**, Chungbuk National University  
**Kyung-Mook Lim**, Korea Development Institute  
**Kwanho Shin**, Korea University  
**Joon Mo Yang**, Yonsei University  
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# Overview of the Conference

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

## Friday, July 7, 2006

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

## Saturday, July 8, 2006

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

# Program

Friday, July 7, 2006

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

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

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

*Trade, Investment and Economic Integration between South Korea and China*

**Joon-Kyung Kim** (Korea Development Institute)

**Yangseon Kim** (University of Hawaii, USA)

**Chung H. Lee** (University of Hawaii, USA)

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

*Foreign Labor Inflows and Its Consequences in Korea*

**Chin Hee Hahn** (Korea Development Institute)

**Yong Seok Choi** (Kyunghee University, Korea)

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

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

**Sanghoon Ahn** (Korea Development Institute)

**Siwook Lee** (Korea Development Institute)

**Cheonsik Woo** (Korea Development Institute)

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

**Session 2: Public Finance I**

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

*Fiscal Impacts of Taxation on Pension in Aging Korea*

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

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

*Trends in Intergenerational Income Mobility*

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

**Gary Solon** (University of Michigan and NBER, USA)

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

*Differences in Students' Achievements in Mathematics among Korean Middle Schools*

**Jin-Yeong Kim** (Konkuk University, Korea)

*Discussant: Joyup Ahn* (Korea Labor Institute)

### **Session 3: Regionalism I**

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

*New Regionalism: Overlapping Free Trade Areas*

**Jung Hur** (National University of Singapore, Singapore)

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

*FTA and Income Convergence*

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

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

*Deep Integration and Its Impacts on Nonmembers*

**Hiro Lee** (Kobe University, Japan)

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

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

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

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

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

**Charles Harvey** (University of Wollongong, Australia)

**Mosayeb Pahlavani** (University of Sistan and Baluchistan, Iran)

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

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

**Hyesung Kim** (Seoul National University, Korea)

**Almas Heshmati** (Seoul National University, Korea)

**Dany Aoun** (Seoul National University, Korea)

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

### **Session 5: International Finance**

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

*International Reserves: Precautionary versus Mercantilist Views, Theory and Evidence*

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

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

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

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

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

**Sunil Sharma** (International Monetary Fund)  
**Maria Strmqvist** (International Monetary Fund)  
*Discussant:* **Jaihyun Nahm** (Kookmin University, Korea)

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

**Sang Hoon Kang** (University of South Australia, Australia)  
*Discussant:* **Shini-ichi Fukuda** (University of Tokyo, Japan)

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

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

*Asset Prices and Monetary Liquidity in Korea*

**Kyuil Chung** (Bank of Korea)  
*Discussant:* **Joon-Mo Yang** (Yonsei University, Korea)

*Why Did the Demand for Cash Decrease Recently in Korea?*

**Byoung Hark Yoo** (Bank of Korea)  
*Discussant:* **Chung-Eun Lee**(Hallym University, Korea)

*The Shift to the Service economy: Causes and Effects*

**Hyun-Jeong Kim** (Bank of Korea)  
*Discussant:* **Bongchan Ha** (Korea Institute for Industrial Economics and Trade)

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

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

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

#### **Remarks by Hosts**

**Sung Tae Ro** (President, Association of the Korean Economic Studies)  
**Jung Taik Hyun** (President, Korea Development Institute)  
**Manwoo Lee** (Director, KU Institute of Economic Research)  
**Kar-yiu Wong** (Director, Research Center for International Economics)

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

**Joshua Aizenman** (University of California, Santa Cruz, USA)  
“Ex-ante Carrots Instead of Ex-post Sticks: Two Examples,” *Journal of the Korean Economy*, Volume 6, No. 2, pp 1-29.

#### **Welcome Speech**

**Yoon-Dae Yuh** (President, Korea University)

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

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

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

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

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

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

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

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

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

*Strategic Foreign Investments of South Korean Multinationals*

**Sung Jin Kang** (Korea University)

**Hongshik Lee** (Korea Institute for International Economic Policy)

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

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

**Kazunobu Hayakawa** (Keio University, Japan)

**Zheng Ji** (Keio University, Japan)

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

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

**Session 8: Labor and Income**

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

*Linking Job Openings to Replacement Demand for Labor in Korea*

**Jong Won Lee** (Sungkyunkwan University, Korea)

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

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

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

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

**Woosung Lee** (Science and Technology Policy Institute, Korea)

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

**Session 9: Korea and FTAs**

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

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

**Donghyun Park** (Nanyang Technological University, Singapore)

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

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

**Jong-Hwan Ko** (Pukyong National University, Korea)

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

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

**SangJoon Baak** (Waseda University, Japan)

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

16:15-16:30 **Coffee Break**

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

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

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

**Robert Scollay** (University of Auckland, New Zealand)

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

*Korea's FTA Policy Configuration*

**Young Bae Park** (Dong-Eui University, Korea)

**Sang Bok Moon** (Australian National University, Australia)

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

*East Asian Regional Trade Agreements Promoting Global Free Trade*

**Innwon Park** (Korea University)

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

**Session 11: Investment and Investors in East Asia**

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

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

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

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



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

**Eiji Ogawa** (Hitotsubashi University, Japan)

**Junko Shimizu** (Meikai University, Japan)

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

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

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

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

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

### **Session 12: Selected Economic Issues I**

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

*Dynamic Patterns of Trade Imbalance with Recursive Preference*

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

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

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

**Jae-Ho Yoon** (POSCO Research Institute, Korea)

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

*Instrumental Variables Simulation of a Flexible Nonlinear Model*

**Jae-Ho Yoon** (POSCO Research Institute, Korea)

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

*Discussant:* To be announced.

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

***Dinner Speech***

**Chang-Lok Kim** (Governor, Korea Development Bank)

**Saturday, July 8, 2006**

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

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

*Japan's of Fiscal Policy and Implications for Korea*

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

**R. Todd Smith** (University of Alberta, Canada)

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

*Incentive Mechanisms for International Public Goods under Productivity Uncertainty*

**Jin Kim** (Korea Institute of Public Finance)

**Seung-jin Shim** (Kyungpook National University)

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

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

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

**Gyeong Lyeob Cho** (Korean Economic Research Institute)

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

**Session 14: Direct Investment and Tariffs**

*Moderator:* **Mia Kim** (Prof. Wonkwang University)

*Welfare Enhancing Direct Investment*

**Masao Oda** (Kansai University, Japan)

**Koji Shimomura** (Kobe University, Japan)

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

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

*Imports, Exports and Total Factor Productivity for Korea*

**Sangho Kim** (Honam University, Korea)

**Hyunjoon Lim** (Rochester University, USA)

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

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

**Dug Man Lee** (Kon Kuk University, Korea)

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

**Session 15: Selected Economic Issues II**

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

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

**Wongun Song** (National Assembly Budget Office, Korea)

*Discussant: Illtae Ahn* (Chungang University, Korea)

*Globalization, R&D Policy and Endogenous Choice of Technology*

**Laixun Zhao** (Kobe University, Japan)

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

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

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

**Myung-Hee Kim** (Hanyang University, Korea)

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

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

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

*Moderator: Donghyun Park* (Nanyang Technological University, Singapore)

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

**Yong Sang Shyn** (Korea Institute of Finance)

*Discussant: Taekyu Lee* (Korea Economic Research Institute)

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

**Joonkyung Ha** (Korea Institute of Finance)

*Discussant: Chong Gak Shin* (Korea Deposit Insurance Corporation)

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

**Chang In Yoon** (Korea Institute for International Economic Policy)

**Kiheung Kim** (Kyonggi University, Korea)

*Discussant: Sang-gil Park* (Korea University)

**Session 17: Exchange Rate Regime**

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

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

**Shin-ichi Fukuda** (University of Tokyo, Japan)

**Sanae Ohno** (University of Tokyo, Japan)

*Discussant: Kwanho Shin* (Korea University)

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

**Geun Mee Ahn** (Kwangwoon University, Korea)

**Chung-Han Kim** (Kwangwoon University, Korea)

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

*Markups and Euro*

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

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

### **Session 18: Korea and the Asian Economies**

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

*Global Imbalances and Policy Options*

**Junggun Oh** (Bank of Korea)

*Discussant: Masao Oda* (Kansai University)

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

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

*Discussant: Jaerang Lee* (Bank of Korea)

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

**Lakhwinder Singh** (Punjabi University, India)

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

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

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

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

*Panelists:*

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

**Charles Harvie** (University of Wollongong, Australia)

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

**Chung H. Lee** (University of Hawaii, USA)

**Jong Won Lee** (Sungkyunkwan University, Korea)

**Robert Scollay** (University of Auckland, New Zealand)

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

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