

Annual Report

2009 - 2010

APEC Study Center

Columbia University



**Asia-Pacific
Economic Cooperation**

Letter from the Co-Directors

Columbia University's APEC Study Center had an active 2009-2010 academic year in which we sponsored ten conferences and symposia as well as ten brown bag lunch seminars. In addition, ASC core faculty participated in numerous meetings and seminars in the United States and across the Asia-Pacific region. We made available three new Discussion Papers, and continued to encourage the study of topics relevant to the Asia-Pacific region by supporting courses at the Columbia Business School (CBS), the School of International and Public Affairs (SIPA), and elsewhere in the University.

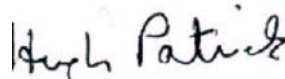
The global economic crisis remained the principal topic in this academic year, and it was reflected in many of the events we organized or co-sponsored. These included several lectures by high-level economists from Asia and a panel discussion on the effects of the crisis on the WTO. We also organized a panel discussion on China's currency, co-sponsored three student-led academic conferences, and collaborated with the Weatherhead East Asian Institute (WEAI) on a series of brown bag seminars on "The Global Financial Crisis: Responses from East and Southeast Asia." Finally, in recognition of Singapore, Japan and the United States as hosts of three consecutive APEC Leaders' Summits (2009-11), we co-sponsored several events with the Japan Society and the Asia Society featuring high-level representatives from each of these countries exploring the agenda and goals of this triple sequence of important APEC chairs.

The Center has an ongoing commitment to increasing understanding of the economies of the Asia-Pacific region in both global and regional contexts. The Center's research program, events, coursework and training on a number of individual countries in the region as well as regional economic arrangements and initiatives have all expanded and deepened. Many of the activities described herein have been undertaken in collaboration with Columbia Business School's Center on Japanese Economy and Business, WEAI, and SIPA's Program in International Finance and Economic Policy.

The Center's accomplishments and activities are made possible by the commitment and energy of the faculty and staff involved, and the support provided by corporations, foundations, and individuals. The Corporate Sponsorship Program of annual contributions has been vital in ensuring the Center's ongoing momentum. In particular, we thank the Lotte Group of Korea for its ongoing support.



Merit E. Janow
Co-Director, APEC Study Center
Professor, International Economic Law
and International Affairs
Director, Program in International Finance
and Economic Policy
School of International and Public Affairs
mj60@columbia.edu



Hugh Patrick
Co-Director, APEC Study Center
R.D. Calkins Professor of International Business
Emeritus
Director, Center on Japanese Economy and Business
Columbia Business School
hpl@columbia.edu

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INTRODUCTION

A. APEC STUDY CENTER AT COLUMBIA

Columbia University established the APEC Study Center (ASC) in 1994 at the request of the U.S. Department of State in response to the APEC Leaders' Education Initiative. This Initiative was introduced by President Clinton and endorsed by the leaders of the other APEC member nations at their historic meetings on Blake Island and in Seattle in November 1993. It calls on institutions of higher education in the United States and throughout the Asia Pacific to collaborate on Asia Pacific policy research, and to help establish, through exchanges, joint research, conferences and other contacts, an emerging region-wide network of personal and institutional relationships for all member economies. The ASC is co-directed by Professors Merit E. Janow and Hugh Patrick.

Columbia University has long been a leading center for the study of China and Japan, with one of the oldest and most highly regarded programs of study in these areas, including one of the nation's largest concentrations of specialists in East Asian affairs. Over the years, the University has built upon its global reputation for academic excellence and policy relevance in these areas, adding the study of Korea, Southeast Asia, India, and U.S. relations with East Asian countries to its core expertise in Chinese and Japanese studies.

The ASC core faculty, representing a number of Columbia's 13 professional schools, is engaged in the study of business, economics, development, health, political science, security, law, and other matters that impact the Asia-Pacific region. Reflecting its broad mandate, the ASC is jointly administered under the School of International and Public Affairs and the Columbia Business School (CBS). The ASC supports such activities where appropriate and requested, but many activities are highly decentralized. For example, Nobel Prize winner Professor Joseph Stiglitz, an ASC faculty member, has made major contributions to macroeconomics and monetary theory, to development economics and trade theory, to public and corporate finance, and to the theories of industrial organization and rural organization. He travels extensively and is actively involved in the Asia-Pacific region.

The ASC enhances the University's rich tradition of research, conferences, lecture programs, and teaching on the Asia-Pacific region by serving as the focal point of study on issues of business and economic importance for the region. The focus of the Center's activities are twofold: the institutional arrangements and public policy issues related to the APEC forum itself; and consideration of the economic, trade, legal and political dimensions of the APEC members and their efforts at increased regional integration and cooperation. In this way, the Center is focused on policy matters affecting the region as a whole and in a multidisciplinary fashion. The ASC works closely with CBS's Center on Japanese Economy and Business (CJEB), of which Professor Patrick is Director and Professor Janow is a core member of the faculty.

For more information, please see the ASC webpage at www.gsb.columbia.edu/apec.

B. APEC: A BACKGROUND

APEC was established in 1989 to further enhance economic growth and prosperity for the region and to strengthen the Asia-Pacific community.

APEC is the only government institution whose membership includes virtually all the economies bordering on the Pacific Ocean, namely in Asia, the South Pacific and the Western hemisphere. APEC's 21 Member Economies are: Australia; Brunei Darussalam; Canada; Chile; People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; The Republic of the Philippines; Russia; Singapore; Chinese Taipei; Thailand; United States of America; and Viet Nam.

APEC is the only inter-governmental grouping in the world operating on the basis of non-binding commitments, open dialogue and equal respect for the views of all participants. Unlike the WTO or other multilateral trade bodies, APEC has no treaty obligations required of its participants. Decisions made within APEC are reached by consensus and commitments are undertaken on a voluntary basis. In addition, APEC has developed sets of basic, non-binding principles and standards to address a range of relevant policy issues.

Since its inception, APEC has worked to reduce tariffs and other trade barriers across the Asia-Pacific region, creating efficient domestic economies and dramatically increasing exports. Key to achieving APEC's vision are the "Bogor Goals," adopted by leaders at their 1994 meeting in Bogor, Indonesia, which advocate free and open trade and investment in the Asia-Pacific by 2010 for industrialized economies and 2020 for developing economies. Over 30 bilateral free trade agreements (FTAs) have been concluded between APEC member economies, and APEC is also pursuing trade and investment liberalization through a Regional Economic Integration agenda.

As a result of these initiatives, average trade barriers in the region decreased from 16.9% in 1989 to 5.5% in 2004; accordingly, intra-APEC merchandise trade grew from \$1.7 trillion in 1989 to \$8.44 trillion in 2007, an average increase of 8.5% per year. Similarly, trade with the rest of the world increased from \$3 trillion in 1989 to \$15 trillion in 2007, an average increase of 8.3% per year, while trade in the rest of the world increased at 7.6% over the same period.

President Bill Clinton hosted the first Summit meeting of APEC member country leaders immediately following the APEC meeting in Seattle in 1993. This annual Summit Leaders Meeting provides an invaluable opportunity for all the leaders to discuss issues of mutual concern, as well as a well-utilized venue for "side-bar" bilateral meetings among major leaders as needed.

Academic support for APEC activities is provided through the APEC Study Center consortium, of which Columbia University is a member; by the tripartite Pacific Economic Cooperation Committee, in which Professors Merit E. Janow and Hugh Patrick have actively participated as U.S. members; and by the policy-oriented academic conferences and networking of PAFTAD (Pacific Trade and Development Program), of which Hugh Patrick was a founding member in 1968 and chair of its International Steering Committee until 2005. Both are also founding members of the U.S. Asia Pacific Council which, along with the East-West Center, now takes an active role in organizing these academic, business and governmental activities, and serves as the U.S. member of the Pacific Economic

Cooperation Council.

For more information about APEC, please see the APEC Secretariat's website at www.apecsec.org.sg.

C. INSTITUTIONAL COOPERATION

There are currently six other active university-affiliated APEC Study Centers in the U.S. They are: Brandeis/Brown University; University of California at Berkeley; University of California at San Diego; University of Hawaii/East-West Center; University of Washington; and Washington State University.

In order to improve interaction among U.S. APEC Consortium members and other individuals and groups concerned with APEC issues, Columbia's ASC collaborates in the development of a range of activities, including the organization of substantive conferences in connection with regular meetings of Consortium members; extending invitations to interested scholars at other APEC Study Centers to attend conferences; compiling information on academic classes on APEC-related subjects; and supporting faculty and student exchanges at universities and institutions that are Consortium members. None of the American ASCs receive direct funding from the U.S. government; their activities are thus constrained by budget limitations.

Internationally, most of the APEC member economies have established their own ASCs, typically funded by their governments and located at government-selected universities or research institutes. As in the United States, their broad purposes are to establish further economic cooperation and provide information to that country's officials, academics, business people, and the public. Columbia's ASC is a member of the international consortium of ASCs.

II. CORE FACULTY

The APEC Study Center draws upon a strong core faculty of Asia and discipline specialists within Columbia University: Columbia Business School (CBS); the School of International and Public Affairs (SIPA); Columbia Law School (CLS); Barnard College; and the Graduate School of Arts and Sciences. Many are also affiliated with the Weatherhead East Asian Institute (WEAI).

The co-directors, **Merit E. Janow** and **Hugh Patrick**, lead the core faculty. Please see section VI for their biographical summaries. They are also members of the program committee of the U.S. Consortium of APEC Study Centers.

Other APEC Study Center faculty members at Columbia University:

Charles Armstrong, Korea Foundation Associate Professor of Korean Studies in the Social Sciences, Department of History; Director, Center for Korean Research, SIPA; Core Faculty, WEAI

David Beim, Professor of Professional Practice, Department of Finance and Economics, CBS

Jagdish Bhagwati, University Professor, Economics and Law

Gerald Curtis, Burgess Professor of Political Science, Department of Political Science;
Director, Toyota Research Program, WEAI

Carol Gluck, George Sansom Professor of History, Department of History, SIPA; Director,
WEAI Publications Program, WEAI

Glenn Hubbard, Dean, Russell L. Carson Professor of Finance and Economics, CBS

Robert Immerman, Senior Research Scholar, WEAI

Xiaobo Lü, Professor of Political Science, Barnard College; Core Faculty, WEAI

Curtis J. Milhaupt, Fuyo Professor of Japanese Law; Parker Professor of Comparative
Corporate Law; Vice Dean; Director, Center for Japanese Legal Studies, CLS; Core
Faculty, WEAI and CJEB

Frederic Mishkin, Alfred Lerner Professor of Banking and Financial Institutions, CBS

Ann Marie Murphy, Associate Professor, John C. Whitehead School of Diplomacy, Seton
Hall University; Adjunct Research Scholar, WEAI

Andrew Nathan, Class of 1919 Professor of Political Science, SIPA; Core Faculty, WEAI

Joseph E. Stiglitz, University Professor of International Affairs, Economics and Finance,
CBS, Graduate School of Arts and Sciences, and SIPA; Co-Founder and Co-President,
Initiative for Policy Dialogue; Core Faculty, CJEB

Shang-Jin Wei, N.T. Wang Professor of Chinese Business and Economy, Department of
Finance and Economics; Director, The Jerome A. Chazen Institute of International
Business, CBS

David E. Weinstein, Carl S. Shoup Professor of the Japanese Economy, Department of
Economics; Associate Director for Research, CJEB; Core Faculty, WEAI

Madeleine Zelin, Dean Lung Professor of Chinese Studies, Departments of History and East
Asian Languages and Cultures, WEAI; Director, Columbia East Asian National
Resource Center

III. PROGRAMS AND ACTIVITIES

The APEC Study Center organized and sponsored the following conferences, workshops, and lectures in 2009-2010. Reports are available for some of these events at www.gsb.columbia.edu/apec. Many Columbia faculty members are actively involved throughout the year in various dimensions of Asia-Pacific relations, including travel; since those activities are highly decentralized, no effort is made to describe them here.

A. CONFERENCES AND WORKSHOPS

1. *The Great Crash of 2008 and China*, held October 26, 2009, at SIPA. Ross Garnaut, Professorial Fellow at the University of Melbourne and former Australian

Ambassador to China, spoke about the effect of the 2008 economic crisis on China. He addressed China's economic position leading up to the crisis, the country's subsequent response to the crisis, and the long-term implications of the crisis for China and the global political economy. Professor Patrick moderated the event.

Professor Garnaut argued that China's role in global trade imbalances fostered the boom of recent years in the "Anglosphere," as he calls the major English-speaking industrial powers of the world. Professor Garnaut explained that he thought the succeeding economic downturn took China by surprise; as late as August 2008, the People's Bank was still contracting the money supply in reaction to inflation. However, between late September and early October of the same year, the manufacturing export business came to a standstill as factories laid off thousands of workers due to a near-total drop-off in international orders. China's banks were spared much of the devastation that Wall Street and London experienced because the government quickly implemented a massive fiscal stimulus, including a huge monetary expansion.

Professor Garnaut believes that in the future the world will no longer have the same mechanisms of transferring wealth from East Asia to the Anglosphere. Instead, within the next 10-30 years, he envisions the development of a quadri-polar world between China, India, the EU, and the United States.

This event was hosted by the Weatherhead East Asian Institute (WEAI) and co-sponsored by CJEB.

2. ***In the Aftermath of the Global Economic Crisis: Redesigning the WTO for the 21st Century***, held November 9, 2009 at Columbia Business School. Debra Steger, Professor at the Faculty of Law at the University of Ottawa, spoke about the state of the World Trade Organization (WTO) and its future. Michael Ewing-Chow, Professor at the Faculty of Law at the National University of Singapore, provided comments, and Professor Janow moderated the discussion.

Professor Steger was optimistic about the current state of the WTO, affirming that it has developed a strong dispute settlement system and a rules-based system. The WTO is also highly representative and accountable, following a "one country, one vote" policy and a consensus-based decision making process. However, this process is also cumbersome. Furthermore, the WTO's relations with civil society are quite opaque, its negotiating mechanism is not very effective, and it has institutional issues that are overlooked.

Professor Steger noted two areas of concern: the imbalance between the legislative and judicial sides of the WTO, and the explosion of regional trade agreements (RTAs). This imbalance could lead to the WTO appellate court seeing cases which are too big for its original purpose. Professor Ewing-Chow agreed, adding that disputes will be difficult to resolve if the details are not resolved in the rules. Regarding RTAs, Steger believes the key question is, "What should the relationship be between the WTO and RTAs?" The WTO currently has some surveillance capacity, but more may be necessary.

Professor Ewing-Chow delved further into the issue of RTAs in the framework of

three conditions for legitimacy: moral acceptability, comparative benefit and institutional integrity. The WTO has moral acceptability. Since 2001 there has been a 50-60% increase in the number of RTAs. Many nations are now diverting their trade resources to RTAs because they see little progress on the WTO front, demonstrating that they do not believe the WTO provides a comparable benefit. The WTO is also weak on institutional integrity because of difficulty making rules as well as the impasse between developed and newly developing countries.

Professor Janow concluded by acknowledging that, while the WTO's areas of coverage have expanded, it is still structured like its predecessor, the General Agreement on Tariffs and Trade (GATT). GATT recognized that you could come to an agreement on international trade without the harmonization of national economies. Regarding the imbalance of the judicial and legislative branches, the rule-making body should be strengthened rather than weakening the dispute settlement mechanism. When faced with big, political cases, the Appellate Body shouldn't try too hard to stitch together a framework because it could overreach. Janow agreed that the WTO needs to strengthen oversight of RTAs and needs to rethink, more creatively, how to address RTAs.

This event was co-sponsored by the Program in International Finance and Economic Policy (IFEP).

3. ***Economic Recovery and Growth in Asia and the Pacific***, held November 23, 2009 at CBS. Haruhiko Kuroda, president of the Asian Development Bank and former vice minister of finance in Japan, outlined the effect of the global financial crisis on Asia. Shang-jin Wei, the N.T. Wang Professor of Chinese Business and Economy and director of the Jerome A. Chazen Institute of International Business, provided commentary.

Mr. Kuroda said the collapse in global demand hit Asia's exports hard; the region was especially vulnerable because its trade is composed largely of components for supply chains. The most open, trade-dependent economies, particularly the newly industrializing economies and several important Southeast Asian economies, suffered the largest declines.

However, the region has proven resilient. Mr. Kuroda explained that the ADB has revised upward its forecast for developing Asia for several reasons: Asia's banks held very little of the toxic assets that sent the financial world reeling; following the 1997-98 Asian financial crisis, Asian banks made sure its markets were well capitalized, budgets were well managed, and foreign reserves remained high; and because they enacted timely fiscal stimulus and easy monetary policies which proved highly effective in keeping regional growth moving. The key challenge now is to convert the strong rebound to sustained recovery. Stimulus exit strategies must be carefully timed. If left too long, they will be unsustainable; if withdrawn too soon, the region's recovery could be derailed.

Mr. Kuroda stated that Asia has an opportunity to help reform the global economic architecture as well as encourage closer and more systematic regional cooperation for enhanced intraregional trade. He cited the work of regional associations, in

particular, the Association of Southeast Nations plus China, Japan, and South Korea, or ASEAN+3. The Chiang Mai Initiative, a reserve pool that Mr. Kuroda helped establish while working in the Japanese government, can act as a regional supplement to International Monetary Fund policies and monies.

Mr. Kuroda also cited ways to address the issue of global rebalance. Right now, the industrialized world has too much debt, while the emerging economies have too much savings. The latter group needs to encourage domestic demand, which will make them less vulnerable in the event of another slump in demand for Asian exports.

In his commentary, Professor Wei noted that global financial surveillance mechanisms did not fully predict the global financial crisis, citing positive statements made by the IMF on the eve of the crisis. He suggested a need to refocus on other issues affecting global and regional economies. For instance, he questioned whether more flexible exchange rate regimes mean faster current account adjustments. Although there is a connection, a flexible exchange rate regime doesn't automatically mean a balanced current account. Another area for future focus is that of social policy, for instance in China's family planning policy. He linked the 120 men / 100 women ratio to higher personal savings rates, which improve the men's marriage prospects.

Mr. Kuroda and Professor Wei agreed that, while global imbalances contributed to the global financial crisis, imbalances were not the only cause. The world's two largest economies need to address their high debt vs. high savings rates. Shoring up foreign reserves provides some insulation, but does not guarantee a country will not be affected by a global crisis. Furthermore, the possibility appreciating the Chinese renminbi puts it at risk of vaporizing hundreds of billions of dollars in foreign exchange reserves and other dollar assets. These and other thorny issues need to be worked out on the global and regional stages - and because of its growing prominence, Asia is well poised to hold influential positions in these debates.

This event was co-sponsored by CJEB.

4. **APEC 2009 Meeting: Sustaining Growth, Connecting the Region**, at Asia Society, December 1, 2009. The briefing began with a panel of speakers representing the 2009 to 2011 APEC host nations: Singapore, Japan and the United States. Sharon Chan, First Secretary of Political/Economic Affairs at the Embassy of Singapore in the U.S., gave the opening comments. She reaffirmed the core principles of APEC: open trade and markets and a rejection of protectionism. Ms. Chan noted that President Obama endorsed the Trans-Pacific Partnership, which could become the core of the Free Trade Area of the Asia Pacific. Monica Whaley, Executive Director of the National Center for APEC and moderator of the panel, praised Singapore for the flexibility and leadership it displayed during the financial crisis.

Representing Japan was Ambassador Shinichi Nishimiya, Consul General at the Consulate General of Japan in New York. Ambassador Nishimiya offered three reasons that 2010 would be an important year for APEC. First, 2010 is the deadline for achieving the Bogor goals. Second, after the disruption of the world economy, 2010 will be a year to rethink, reset and reconfirm the principles under which world economies are managed. Third, it is the year before the United States will chair

APEC. Ambassador Nishimiya was enthusiastic about this triple sequence of 2009-2011 APEC chairs, seeing it as an opportunity to engage in long-term, strategic thinking for APEC.

The final panelist was Kurt Tong, Economic Coordinator and U.S. Senior Official for APEC at the Bureau of East Asian and Pacific Affairs, Mr. Tong started his comments by reflecting upon the United States' domestic circumstances. He stated that one of President Obama's major goals is to raise exports and create jobs. Therefore, with 2011 would come a reiteration of the shared view in the United States that exports equal jobs.

Mr. Tong stated that APEC is the most important venue for trade in the region, accounting for 53% of world GDP and 58% of purchases of U.S. goods. He also mentioned other upcoming events of global importance, calling on world leaders to reach a conclusion of the WTO Doha Round of trade negotiations in 2010 and to establish clear direction on climate change at the Copenhagen Climate Conference. He emphasized how human security is linked to food security and that now, while there are still sufficient food supplies globally, is a critical time to address food security challenges.

This Asia Society event was also co-sponsored by WEAI, the National Center for APEC, the Asian/Pacific American Institute, and the U.S. Council for International Business.

5. **19th Annual Graduate Student Conference on East Asia**, held February 5-6, 2009 at Columbia University. Nearly a hundred graduate students presented papers on all aspects of East Asian studies, including history, economics, business, political science, literature, art history, and religion. Three panels were related to business, trade or politics: "International Relations in East Asia"; "Contemporary Politics in East Asia"; and "Global Politics and East Asia." This event was co-sponsored by the Department of East Asian Languages and Cultures, as well as several other centers at Columbia. Details can be found at www.columbia.edu/cu/ealac/gradconf.
6. **APEC Japan 2010: In Search of a New Vision**, held March 15, 2010 at Japan Society, New York. This panel discussion explored the unprecedented coordination between Japan and the United States in preparation for the upcoming APEC summits in 2010 (Yokohama) and 2011 (Hawaii). Shigeru Nakamura, Ambassador for International Economic Affairs at the Ministry of Foreign Affairs of Japan and Chair of the 2010 APEC Senior Officials Meeting, and Kurt Tong (see #4 above), reported on the development of the agenda and goals for the meetings. Monica Whaley (see #4) moderated the discussion.

Ambassador Nakamura said that APEC is trying to adapt to a changing world, citing challenges presented by the financial crisis, food security issues, natural disasters, and pandemics. As a result, in addition to its core mission of regional economic integration and promoting balanced, inclusive and sustainable economic growth, APEC will also include an emphasis on human security issues to protect societies against this multitude of dangers. He reviewed several regional free trade agreements under consideration: the Free Trade Area of the Americas (FTAAP); the East Asian Free

Trade Agreement (EAFTA, or ASEAN+3); the Comprehensive Economic Partnership in East Asia (CEPEA); and the Trans-Pacific Partnership (TPP). Ambassador Nakamura also mentioned the program of Economic and Technical Cooperation (ECOTECH), which aims to create capacity building efforts to assist APEC members to reach the Bogor Goals. He explained that the APEC organizers will try to decide which path to promote in the next year. Finally, he stated a desire to strengthen committees within APEC, particularly those associated with business such as the APEC Business Advisory Council (ABAC).

Mr. Tong affirmed the importance of trade with Asia, saying Asia would play a pivotal role in President Obama's goal of a 5% increase in exports. He reiterated that Regional Economic Integration (REI) would be a major focus of the upcoming summits, with food security being a very high priority in that framework.

One questioner asked how to balance the concept of "sustainable growth" with China's "just grow" idea of growth. Mr. Tong said APEC promotes several policies to achieve balanced growth, such as currency policies and domestic economic policies including health care, social safety nets, and corporate governance. Another asked what the links are between APEC and the G20. Ambassador Nakamura said that nine of the 21 APEC countries are members of the G20; APEC is much wider in scope, while the G20 is concerned more with financial and monetary policies.

7. **7th Annual African Economic Forum - Africa Turning Golden: How a Continent is Moving Forward**, held March 26-27, 2010 at Columbia University. This conference has become the largest on Africa at Columbia. Relevant panels to APEC included "Aid vs. Investment," which focused on the comparative effectiveness of aid and foreign investment in achieving economic development and advancing social and economic rights in African nations. Beginning with an examination of recent trends in foreign investment and the objectives and methods employed, participants spoke about the extent to which the incentive to seek profit is an appropriate model for sustaining capital inflow to Africa and laying the bedrock for economic self-sufficiency.

In "China-Africa Trade Summit," speakers sought to address the major challenges and opportunities that lay ahead in trade and investment between Africa and China as they relate to issues of sustainability, economic growth and development and consumer protection. With most of the major economies trying to recover from the global economic crisis, they addressed new questions about the future of trade and investment in the continent, particularly by China, which is now one of Africa's foremost trading partners. What are the implications of this fragile environment for the economies of African countries? How can a mutually beneficial environment for trade and investment both for local African businesses and foreign ones be ensured going forward? Lastly, who will look out for the interest of the African consumer?

This conference was organized by the SIPA Pan-African Network, the African Business Club, and the African Law Students Association, and co-sponsored by several other centers at Columbia. Details can be found at www.africaeconomicforum.com/aef2010.

8. ***China's Currency & U.S.-China Relations***, held April 5, 2010 at SIPA as part of IFEP's Distinguished Speaker Series. Joining as panelists were Robert Z. Aliber, emeritus professor of international economics and finance at the Graduate School of Business at the University of Chicago; Daniel Rosen, adjunct associate professor at Columbia University and visiting fellow with the Peterson Institute for International Economics (PIIE); and Shang-Jin Wei, professor of finance and economics and N.T. Wang Chair in Chinese Business and Economy at Columbia Business School. Professor Janow moderated this panel discussion, which centered on China's currency as pegged to the USD and implications for the future of U.S.-China relations.

Professor Janow opened by briefly noting the escalation of tensions between the United States and China on a number of issues including trade, arms sales to Taiwan, and the yuan. The Chinese yuan has been pegged to the USD since mid-2008 and there exist a variety of views within the United States and China on how much and how soon the yuan should appreciate.

Professor Aliber reviewed China's phenomenal average annual growth rate for the last thirty years of 14 percent in the traded goods sector and eight percent in the non-traded goods sector. He argued that China's large trade surplus, 5% of GDP, combined with massive amounts of international reserve assets, \$2,600 billion, have resulted primarily from China's policies of financial repression which were adopted to maintain its undervalued currency. He believes that as long as China continues to grow rapidly and productivity in the traded goods sector remains strong, the Chinese yuan's real appreciation is inevitable. In the end, the government faces a complex series of trade-offs that involve the nominal appreciation of the yuan, an increase in the consumer price level, and consequences resulting from further financial repression. He argued that financial repression cannot be a long-term equilibrium situation, considering Japan's failed usage of repression policies in the past. If China is not willing to reduce its bilateral trade surplus with the United States, he believes the U.S. government should adopt its own measures to lower the imbalance.

Professor Rosen then outlined the three main allegations against an unappreciated yuan: (1) its contribution to external imbalances in the United States; (2) its role in allowing China to accumulate an unnatural level of power; and (3) its ability to cause global imbalances which prevent the existence of a stable global economy. He then discussed the comparison between China and Japan in the 1980s, the true cause of the U.S.-China trade imbalance, and his recommendations for future policy. He believes that even if the yuan is allowed to appreciate, it will not solve the fundamental trade imbalance between the United States and China. He concluded that the United States needs to consume less, save more, and generate higher GDP growth to shift its net imports lower.

Professor Wei believes that the yuan's appreciation and its effects on the U.S. current account deficit and American job market are greatly exaggerated. Instead he believes there are structural factors behind the imbalances. For example, since the United States has bilateral trade imbalances with 140 economies, a reduction in the yuan may not reduce the imbalance as much as people claim. Furthermore, if the yuan appreciates and China's exports decrease, the jobs will more likely be transferred to Cambodia rather than California, so it wouldn't affect the American job market very

much. Finally, if the yuan appreciates, there will be winners and losers in both the United States and China. In the United States, the winners will be the export firms, while the losers will be the majority of the poor who will no longer be able to buy imports from China at lower prices. In China, the winners will be importers and the majority of the poor while the losers will be exporters. Therefore, the appreciation of the yuan implies a subsidy from the working poor in the United States to those in China.

The panel discussion ended with a lively question and answer session. Ultimately, while there were varied opinions on how the U.S.-China bilateral trade imbalance can be resolved, Professors Aliber, Rosen, and Wei were all in agreement that the yuan should be allowed to appreciate and that policies must be made on both sides of the Pacific to resolve the growing trade imbalance.

This event was co-sponsored by IFEP.

9. ***Asia's Recovery and Macroeconomic Policy Challenges***, held April 22, 2010 at Columbia Business School. Dr. Jong-Wha Lee, Chief Economist of the Asian Development Bank (ADB), made a presentation about the economic recovery in Asia, possible risks to the recovery, and macroeconomic policy recommendations.

Dr. Lee declared that Asia has already started to recover from the financial crisis. The ADB's GDP growth projections for Asia showed a low in 2009, but 7.5% growth in 2010 and 7.3% growth in 2011. He then divided the region into countries, and GDP growth into its components. He showed that export-oriented markets such as Singapore, Malaysia, and South Korea were hit hardest by the crisis when trade collapsed and investment in these countries stopped. However, countries with large domestic markets such as China and Indonesia continued to attract investment, and still have positive investment. At present there is only mild recovery in external demand, so it cannot be depended upon as a source of recovery. Dr. Lee noted that Asian governments used substantial fiscal stimulus to accelerate recovery, and, like Western countries, they face the problem of unwinding the stimulus and shifting demand from the government to the private sector.

Dr. Lee also addressed concerns about inflation in Asia's economic outlook. 2009 had an unusually low rate of inflation because Asia was operating below capacity. Inflation is expected to increase to 4% in 2010 as the recovery continues; inflation pressures are emerging, but still manageable. Regarding risks, Dr. Lee said that the largest risk to the recovery in Asia is the global economy itself, since Asia is export-driven.

The final portion of Dr. Lee's presentation focused on macroeconomic policy. First and foremost, he claimed that it is essential to reaffirm sound fiscal and monetary policy. Macroeconomic policies need to adjust to the changing environment following the crisis. He praised Asian countries for achieving not only high growth, but high stability as well. He recommended that monetary policy should be coordinated with financial regulation and exchange rate rigidity should be reduced; exchange rates need to reflect market fundamentals to avoid disturbances. There should also be a gradual appreciation of currencies, as increased exchange rate flexibility is in Asia's interest.

Finally, Dr. Lee encouraged policy coordination and regional and global cooperation. He asserted that the role of Asia will grow, and that emerging markets will have an increased proportion of world GDP. Cooperation is required to make the world economy stronger.

This event was co-sponsored by the Jerome A. Chazen Institute of International Business and the ADB.

10. **Oscar Lee Symposium of Undergraduate East Asian Studies**, held April 30, 2009 at Columbia University. This half-day conference, organized by the Columbia Undergraduate East Asian Studies Initiative (EASI), gathered diverse Columbia student groups, academic departments, and institutes into a collaborative and multi-disciplinary effort toward furthering the undergraduate interdisciplinary study of East Asia. Eight paper writers presented their research findings and received constructive criticism during three panel sessions. One relevant paper was “Changes in Chinese Consumer Behavior: Repercussions of Sino-Japanese Political Conflict and Negative Country Image and Japanese Business Response.”

ASC support for the EASI also contributed to publication of the Columbia East Asian Review, an annual, online, peer-review academic journal dedicated to furthering knowledge of East Asia through the promotion of research and interdisciplinary dialogue. It can be accessed at www.eastasiareview.org, and the symposium at www.eastiasymposium.org.

This conference was co-sponsored by WEAI, the Department of East Asian Languages and Cultures, and the Columbia College Student Council.

B. BROWN BAG LUNCH LECTURE SERIES

The APEC Study Center co-sponsors and actively promotes “Brown Bag” luncheon seminars, which are organized with the Weatherhead East Asian Institute and held at the School of International and Public Affairs. These highly informative, informal gatherings usually run from 12-1:30 pm, including a question-and-answer session. This year, the APEC Study Center engaged in a collaboration with WEAI on a very popular and well-attended series titled “The Global Financial Crisis: Responses from East and Southeast Asia.” These and other collaborations resulted in a total of ten seminars in 2009-10:

1. **Resurgent China: Issues for the Future**, September 21, 2009. Mr. Nazrul Islam, Senior Economic Affairs Officer at the UN Department of Economic and Social Affairs, reviewed the topics in a recently published book he edited, “Resurgent China: Issues for the Future.” After three decades of fast economic growth, China is now the world’s largest exporter and second largest economy (in PPP terms), and is expected to become the largest economy in the world. Mr. Islam explored the likelihood that China would sustain the momentum, saying it depends on whether or not it will be able to deal successfully with a host of issues, ranging across demographics, industrialization / urbanization strategy, regional integration, inequality, productivity, resource constraint, and environmental impact. Mr. Islam, who also wrote the introductory first chapter of the book, used the interconnections among these issues to identify several clusters and suggested various options that China has for resolving these issues. This talk was moderated by Professor

Denis Simon, Professor at the School of International Affairs, Penn State University, who was visiting WEAI as a Senior Research Scholar. It was co-sponsored by the Greater China Initiative at SIPA.

2. ***Korea's Exit Strategy***, October 12, 2009. Doowon Lee, Professor at Yonsei University's School of Economics and WEAI Visiting Scholar, gave a presentation about Korea's response to the financial crisis of late 2008. Korea had a capital account deficit of \$50.9 billion and current account deficit of \$6.4 billion, it had to pay back \$10 billion to U.S. banks, and its stock market lost about a third of its value between September and November 2008. However, it fared better than many countries, hitting bottom in February or March of 2009, and is now on the way to recovery.

Korea took several steps to manage the crisis. It offered guarantees to assuage creditors; it increased liquidity in the financial sector; it restructured troubled industries; and it strengthened the social safety net. It also benefited from China's \$60 billion stimulus package, with a high percentage for infrastructure, for which many Korean businesses were able to offer their services and materials. In all, Korea's GDP dropped by just over one percent, which is the second best of the OECD countries.

Professor Lee then drew comparisons between the 1997 and 2008 financial crises. They were similar in that there was significant exchange rate depreciation due to a surge of foreign debt; there was a sharp drop in foreign reserves; and there was a domestic credit crunch. However, there were many differences as well: in 2008 Korea had abundant foreign exchange reserves and a strong corporate sector, which was not the case in 1997; whereas the 1997 crisis was an Asian regional problem, the 2008 crisis was caused by the U.S. financial sector; the debt/equity ratio was much lower in 2008; there were no major bankruptcies in 2008, versus five major banks in 1997; and in 2008 Korean banks increased BIS ratios by reducing loans, while in 1997 it used government injection of funds.

Finally, Professor Lee forecast Korea's exit strategy, in which it would increase the interest rate, take back the tax cuts or restructure government spending, and let the Korean won appreciate. He said the trick was not to exit "too early or too late," as Japan had in 1997 when it added a consumption tax (too early) and the U.S. had in 2004 when it increased the interest rate (too late). Lee then laid out some policy implications and goals following the crisis, including restructuring the financial supervision system, regaining fiscal discipline, establishing a new growth model that depends more on domestic demand, establishing the Korean won as an international reserve currency, and the possible establishment of an Asian Monetary Fund (AMF). The prospects for an AMF are much higher now than a few years ago, when the U.S. and the IMF actively opposed the idea. This event was moderated by Professor Charles Armstrong, Associate Professor of History and Director of the Center for Korean Studies, and co-sponsored by WEAI as part of the "Global Financial Crisis" series.

3. ***Global Crisis and Exchange Rates in East Asia***, November 5, 2009. Takatoshi Ito, Professor at the Graduate School of Economics at The University of Tokyo and former Deputy Vice Minister for International Affairs at the Ministry of Finance of Japan, spoke about the effect of the recent global financial crisis on East Asian currencies. Professor Ito first pointed out that during the height of the recent financial crisis, no Asian countries went to the IMF for assistance, nor suffered serious strains on their currencies. Given this background, he focused on what happened during the financial crisis, the movement and

level of volatility in East Asian currencies after mid-September 2008, and the prospects for currencies in the short and long term.

Professor Ito said that before the collapse of Lehman Brothers Holdings Inc. on Sept. 15, 2008, some financial experts predicted an impending crisis but believed that only the U.S. would be impacted. Afterwards, many global financial institutions had trouble finding liquidity and Asian economies' growth rates declined. Professor Ito said he believes that the Asian economic slowdown was caused by financial spillovers which impacted Asian exports, rather than by disadvantageous exchange rates (except for the South Korean won).

Professor Ito maintained that after the Asian financial crisis of 1997, Asian countries learned lessons that allowed them to protect most of their financial institutions from liquidity loss. For example, governments were not obligated to save failing institutions; they learned that political agendas influencing capital inflow could be dangerous and should be controlled; and issuance of local-currency bonds to raise capital was encouraged. In addition, Ito discussed his analysis of the AMU (Asian Monetary Unit) against various Asian currencies, the USD, and the euro, and provided reasons why the won and yen fluctuated before and after the Lehman collapse. He also talked about the development of Asian cooperation after the 1997 Asian Financial Crisis, including the 2003 Asian Bond Markets Initiative and the 2007 Chiang Mai Initiative.

Professor Ito expressed concern that U.S. officials believe the worst of the recession is over and that they will treat financial markets the same as before the crisis – increasing interest rates prematurely and thus slowing down the recovery. Ito also recommended that U.S. officials pressure China to appreciate its currency by de-pegging the RMB from the USD, which would prevent China's economy from overheating and reduce its trade surplus. This talk was moderated by Professor Patrick, and co-sponsored by CJEB and WEAI as part of the "Global Financial Crisis" series.

4. ***Policy Responses to Bubbles in Japan and the U.S.***, November 16, 2009. David Weinstein, Carl S. Shoup Professor of the Japanese Economy at Columbia University and Associate Director of Research at CJEB, discussed central banks' monetary policy responses to recent bubbles in the U.S. and Japan. Specifically, he examined lessons from the 1989 Japan bubble and their application to the current financial crisis.

Comparing the activity on the Nikkei 225 and the S&P 500 exchanges, Professor Weinstein observed that, over a ten-year period, the returns of the two exchanges were remarkably similar. Both crises first percolated in the housing sector, expanding later into other areas of the economy. Despite these similarities, the policy responses by the Bank of Japan and the U.S. Federal Reserve were quite different. In the United States, after the economic downturn was identified as a recession, the Federal Reserve quickly lowered interest rates to almost 0%, where they remain today. By contrast, the Bank of Japan took a more gradual approach to lowering interest rates. Also, because of the difference between the two countries' financial systems, the Bank of Japan was able to artificially stabilize the unemployment rate by subsidizing wages throughout Japan's "lost decade," while the U.S. crisis moved swiftly throughout the economy and required near-immediate U.S. government intervention.

Professor Weinstein also compared the effects of the current financial crisis on Japan and the United States. He noted that while U.S. stock markets peaked in October 2007, the

Nikkei had reached its apex a little earlier in the same year. Moreover, GDP decline in Japan as a result of the crisis was significantly greater than that experienced by the United States. Both economies recorded similar growth rates until the fourth quarter of 2007; however, Japan saw a reduction in GDP by 13% annualized in its worst quarter, double the 6-7% GDP decline in the United States. While Japan has begun to recover the earliest of the major OECD economies, it has a much greater GDP loss percentage to overcome. This talk was moderated by Professor Patrick, and co-sponsored by CJEB and WEAI as part of the “Global Financial Crisis” series.

5. ***Political Tsunamis and Financial Meltdowns: Malaysia and the World***, November 30, 2009. Thomas Pepinsky, Assistant Professor of Government and Faculty Member of the Southeast Asia Program at Cornell University, talked about the political economy of crises and transitions, using Malaysia as his case study. The 'standard story' about the relationship between economic crises and political crises is that usually one precedes the other. An economic crisis may lead to a political crisis. Likewise, many economic crises are caused by political instability. What is peculiar about the current dynamics in Malaysia is the fact that the political crisis predates the global economic turmoil. It is primarily a story of ethnic politics, although economic concerns are probably also relevant.

Similarly, the great meltdown of 2008 is unrelated to Malaysian politics. While the current crisis has led to the worst economic contraction in Malaysia since 1998, it is unrelated to policy decisions by the Malaysian government. The counter-intuitive trends of current political developments in Malaysia are shown by the fact that they do not follow patterns the 'standard story' would have predicted. These predictions would have been that an energized opposition capitalizes on economic dislocation, and that frightened incumbents would lash out against the opposition and against each other. Consequently, economic conditions would continue to deteriorate, resulting in a deep-reaching economic and political crisis.

While the opposition has indeed started to criticize the ruling coalition, the economy in Malaysia has not deteriorated, incumbent politicians have not attacked the opposition and intra-elite tensions are low. Overall, there is no deep-reaching economic and political crisis in Malaysia. These unexpected dynamics are largely a consequence of a swift intervention of the incumbent government in Malaysia's economy when the crisis hit. In addition, it was also easy for the Najib government to reject responsibility for the crisis. The global economic downturn is perceived as a problem originating in the United States and not Southeast Asia. The economic recovery that has occurred over the last few months has subsequently led to a political recovery. This talk was co-sponsored by WEAI as part of the “Global Financial Crisis” series.

6. ***Impact of the Global Crisis on Cambodia's Politics and Economy***, January 28, 2010. Kheang Un, Assistant Director of the Center for Southeast Asian Studies at Northern Illinois University, spoke about the impact of the global financial crisis on the economics and politics of Cambodia. Although it was not greatly affected by the 1997 economic crisis in East Asia, over the past decade it has become integrated into the global and regional economy. As a result, the 2008 crisis has greatly affected Cambodia's economy, particularly its export sector and foreign direct investment, with the garment, tourism, and construction industries feeling the greatest impact.

Professor Un illustrated how the Cambodian garment industry relies primarily on exports to the United States and Europe; its tourist industry relies on U.S., South Korean, and

Japanese tourists; and its construction industry relies on Chinese and South Korean direct investment. All of these foreign markets were harmed by the financial crisis, and thus the effects were felt in the Cambodian market.

The Cambodian People's Party has recently become more popular electorally, despite a poor record on civil and political liberties, due to the party's ability to provide rapid and sustained economic growth until 2008. Its popularity also derives from its ability to preside over a neo-patrimonial state through provision of gifts and infrastructure from government officials, business tycoons, and multilateral and bilateral assistance. The recent economic downturn, then, may have affected the CPP's legitimacy. Un argues that this is unlikely because the government has been able, with assistance from multilateral institutions, to set up relief programs including material assistance and social and construction projects, most of which are carried out in neo-patrimonial fashion. Further, overseas development assistance, bilateral assistance and investment from China help to act as leverage against the impact of the global economic and financial downturn.

Professor Un believes the government seems to be moving from a patron-based system to a more pragmatic focus on service delivery and social safety. The financial crisis and Cambodia's increasing interconnections with the region and world have made such government reform even more necessary. The challenge is that the government has to strengthen its revenue collection which has been affected by widespread corruption. This talk was co-sponsored by WEAI as part of the "Global Financial Crisis" series.

7. ***Is China a New Growth Engine for the World Economy?***, February 17, 2010. Columbia Law School professors Benjamin Liebman and Owen Nee, SIPA professor Daniel Rosen and CBS professor Shang-Jin Wei made their observations about China and its role in the world economy to an overflow crowd. Professor Nee began the discussion by explaining the transformation of the Chinese attitude toward foreign investors. It has become much more difficult for foreigners to enter the Chinese market because government bureaucrats no longer promote investment in Chinese corporations, and state-owned enterprises only want to interact with foreign technology suppliers. While Chinese entrepreneurs are open to cooperation, be it legal or illegal, they too are no longer open to foreign ideas.

Professor Wei emphasized that an overconfident China, in the wake of its successful response to the financial crisis, may see little need for continued reforms. In addition, while past growth has been spurred by imitation of others, the Chinese are now confronting the difficulty of innovation, and it is possible that they will be unable to maintain similar growth rates. Despite these internal risks, China's current demographically male-dominant population supports an increasingly strong labor output as men strive harder to find and attract wives.

Professor Rosen presented the least optimistic analysis, focusing on rising tensions that have emerged over the last year, contrasting with the earlier consensus in Washington that economic cooperation with China will lead to mutual accommodation. Citing Obama's treatment by the Chinese on his trip to Beijing, China's aggression at Copenhagen and its threatened boycott of Boeing, Rosen sees China playing games with European and U.S. economic interests. Pairing the deterioration in Sino-U.S. and Sino-E.U. relations, China will have difficulty maintaining the trust of either as it seeks continued growth. However, on the bright side, all three panelists forecasted that China will come to embrace intellectual property rights over time, as both government and

entrepreneurial investment demand that domestic innovation be protected. This talk was co-sponsored by WEAI as part of the “Global Financial Crisis” series.

8. **Thailand's Crisis: Who Cares About the Economy?**, February 25, 2010. Duncan McCargo, Professor of Southeast Asian Politics at the University of Leeds's School of Politics and International Studies, provided his views about the economy and the tumultuous political situation in Thailand. Despite the global economic downturn, Thailand has been convulsed since mid-2008 with internal political problems which have culminated in dramatic and highly damaging events such as the November 2008 Bangkok airport occupation and the abandoned Pattaya ASEAN summit of April 2009. Protestors on both sides of the yellow/red, pro-Thaksin vs pro-monarchy divide have acted in complete disregard for business considerations such as the need to sustain tourism and the desire to maintain levels of international investment. Professor McCargo argued that recent developments in Thailand illustrate the limitations of economic arguments as explanations for political behavior; the Thai elite and much of the country's populace have demonstrated a persistent preference for 'irrational' over 'rational' choices, acting contrary to their collective and individual economic interests because of an over-riding sense of intense political polarization.

The ongoing political turmoil in Thailand is the result of a deep rooted conflict within Thai society surrounding the legitimacy of the Thai state, Professor McCargo explained. Does the legitimacy of the Thai nation lay with the Thai people or the monarchy? As long as this conflict remains unsolved, the political situation in Thailand will remain volatile. This talk was co-sponsored by WEAI as part of the “Global Financial Crisis” series.

9. **Fighting Corruption in Thailand: Thaksin as a Case**, April 5, 2010. Medhi Krongkaew, a Commissioner of the Anti-Corruption Commission of Thailand, discussed the creation of the National Anti-Corruption Commission (NACC) in Thailand, the need for the NACC, and how the NACC has impacted the government of Thailand.

The impetus for a special organization to handle public sector corruption occurred in 1975, after Thailand moved from a military dictatorship to a democracy. Unfortunately, because the agency was not independent from the Prime Minister's Office, it was primarily considered a 'paper tiger' for nearly 25 years. Moreover, the agency only was given the power of recommendation, not punishment. In 1997, a new Constitution was drafted and enacted; it included extensive popular participation and it allowed for the establishment of the current NCCC (National Counter Corruption Commission) in 1999. Consisting of 9 members, the first NCCC worked for 4.5 years according to the provision in the Constitution. The Second Commission began work in 2004, but its members were disbanded and arrested within the year on illegality charges. It was not until after the coup in 2006 that the Third Commission took office. Because the coup leaders appointed the whole Commission, the group has suffered various threats and abuses, including witch doctor curses, lawsuits, and bombings. In 2008, the Commission was renamed the National Anti-Corruption Commission (NACC) to better reflect the agency's function.

Professor Krongkaew believes that the NACC has a strong role to play in regulating the Thai government because of the high rate of corruption in the country. Fortunately, the NACC has significant power, with jurisdiction over all state officials; it can subpoena relevant documents and require officials to submit their assets and debt declarations. This requirement is important because, within Thailand, if a state official cannot explain the

source of their income/wealth, they can be charged with having 'unusual wealth' and their assets can be confiscated.

Lastly, the NACC has left a strong impact on Thailand's government through its indictments of higher-level politicians, which the Commission prefers to deal with since they have the ability to set precedents for Thailand's legal system. The NACC's largest case thus far has been the indictment of former Prime Minister Thaksin Shinawatra in 2008 on various counts of corruption.

Despite the antagonistic environment in which the Commissioners are working, Krongkaew believes that they must uphold the three guiding principles ("the three Ps") of the NACC: Punishment, Prevention, and Promotion. Apart from the corruption cases, he stressed that the NACC's most significant contribution is the promotion of honesty and integrity among the general public. This event was moderated by Michael Buehler, Postdoctoral Fellow in Modern Southeast Asian Studies at the Weatherhead East Asian Institute, and co-sponsored by the Southeast Asian Student Initiative (SEASI).

10. **Recent Violence in The Philippines**, April 6, 2010. Lotta Hedman, Senior Research Fellow at IDEAS at the the London School of Economics and Political Studies, discussed the growing number of internally displaced persons (IDPs) within the Mindanao and Sulu Archipelago regions of the Philippines. By looking at the historical context of these Southern regions, from violent conflicts in the 1970s to the 'Total War' in 2000, Hedman argued that the key to understanding the high levels of IDPs stems from the patterns of national integration and electoral contests in the Philippines.

Dr. Hedman noted the awkward and incomplete pattern of integration of the Muslim minority, referred to as *moros*, into the Republic of the Philippines dating as far back as the mid-sixteenth century. When the Philippines achieved independence in 1946, national integration took place through elections and the Muslim politicians from the Southern regions combined easily with Catholic politicians in Manila.

However, with the declaration of martial law by then-President Ferdinand Marcos in 1972, Moros began to mobilize to support an independence movement in parts of Muslim Mindanao and the Sulu Archipelago. Soon there was a full-scale armed separatist movement supporting an independent Moro homeland, under the newly formed Moro National Liberation Front (MNLF). By the mid-1970s, around 75% of the Armed Forces of the Philippines (AFP) were deployed to Mindanao and the Sulu Archipelago—resulting in over 50,000 casualties and hundreds of thousands of IDPs. While an uneasy and unsteady equilibrium developed after the Libya-brokered ceasefire in 1976, the Moro Islamic Liberation Front (MILF) arose out of the MNLF.

It was not until Marcos was ousted in 1986 that integration with the Muslim minorities and the greater Philippine state was attempted. Unfortunately, strides toward a potential Autonomous Region of Muslim Mindanao (ARMM) were disrupted by national and international developments in the late 1990s. Joseph Estrada, who was elected President in 1998, waged a 'Total War' against the MILF in 2000. These actions built the basis for violent retaliations in the name of the Moro people. One particular group, the Abu Sayyaf Group, founded by a returning member of the *jihād* in Afghanistan with links to Al-Qa'ida, persistently promoted the idea that Islamist terrorist networks had penetrated the Southern Philippines. This development, combined with the events of September 11th in

the United States, gave the government further reason to wage the war against MILF and the MNLF—the ‘Total War’ became a ‘Global War on Terror’ in the region.

In contrast, when the Arroyo Administration came to office, Arroyo tried hard to convince the United States not to label the MILF a terrorist organization, since she wanted to secure Muslim votes. She was ultimately successful, and a Memorandum of Understanding was drafted to provide a formal reconciliation between the government and communities in the Southern Philippines. However, politicians who claimed to represent Christian communities in Mindanao appealed to the Supreme Court to prevent the Arroyo administration from signing the Memorandum, the talks broke down, and armed groups affiliated with local Christian politicians and the MILF clashed.

In the end, Hedman believes that the structure of electoral contests and minority integration in the Philippines can explain much of the growth of IDPs in Mindanao and the Sulu Archipelago. Unfortunately, Hedman does not see prospects for the safe return of IDPs in the near future but only continued conflict, violence, and displacement. This event was moderated by Dr. Michael Buehler and co-sponsored by SEASI.

C. OTHER PROGRAMS AND MEETINGS

The APEC Study Center faculty members participate in a wide range of Asia-Pacific academic activities, including meetings and conferences, which are too numerous to list in detail. Some of those events that involved the APEC Study Center specifically and/or its co-directors or core faculty are listed below.

1. ***Association for Asian Studies Finance Committee Meeting***, New York, NY, September 18, 2009. Professor Patrick chaired this meeting, in which the Committee met with Douglas Kelly of Legg Mason Investment Counsel to evaluate the AAS portfolio in advance of the AAS Board of Directors meeting in October.
2. ***Guest Lecture at Carnegie Mellon University***, Pittsburgh, PA, September 21, 2009. Professor Patrick gave a lecture via videoconference to Associate Professor Lee Branstetter’s class, “Rise of the Asian Economies.” He discussed the lessons of Japan’s recession in the 1990s, the 2003-2007 recovery, and the current recession.
3. ***How Quickly Can We Recover from the Global Financial Crisis?***, Washington, DC, September 22, 2009. Professor Patrick took part in a panel discussion at this afternoon symposium, which was the inaugural symposium of the U.S.-Japan Research Institute. Other panel topics included “Banking Crises and Underlying Global Imbalance: Political Economy Perspectives” and “Climate Change for the U.S. and Japan.”
4. ***Japanese Perspectives on APEC: Singapore 2009, Yokohama 2010 and Beyond***, Japan Society, New York, NY, October 6, 2009. Professor Janow moderated this presentation by Hidehiko Nishiyama, Director-General for Trade Policy, METI and the chairman of Japan’s APEC delegation. Mr. Nishiyama highlighted issues to be discussed at the upcoming 2009 APEC Summit meeting in Singapore. Among these, Mr. Nishiyama cited three pillars on which economic growth and prosperity in the region depend: proliferation of FTAs among APEC member countries, achieving sustainable growth throughout the region, and impediments to growth in Asia such as social instability and security concerns. Mr. Nishiyama also shared his views on trade policies and approach to international cooperation within the Obama administration and Japan’s then-incoming DPJ

administration, and remarked on the influence these relative newcomers will have on framing the debate leading to the 2010 APEC summit in Yokohama.

5. ***Building the Financial System for the 21st Century: An Agenda for Japan and the United States***, Armonk, NY, October 23-25, 2009. Professors Janow and Patrick attended this meeting, which included panels on: “The Future of Banking and Securities Regulation”; “Crisis Management and Resolution: What is the Role of the Central Bank”; and “How Should the U.S. Respond to the Financial Crisis – Lessons from Japan.”
6. ***University Seminar on Southeast Asia in World Affairs***, New York, 2009-2010. Professors Hugh Patrick, Ann Marie Murphy of Seton Hall University, and David Denoon of New York University co-chair this seminar. Members include academics and professional specialists in business, law, the media, and the non-profit world. There were four meetings held during this academic year on the following topics and with the following presenters:
 - a. “The Economics of the ASEAN Economic Community,” Mike Plummer, Professor of International Economics, School of Advanced International Studies, Johns Hopkins University, November 2009
 - b. “Asian Financial Cooperation and Integration,” Takatoshi Ito, Professor, University of Tokyo, Visiting Professor, CBS, December 2009
 - c. “Indonesian Update 2010: Trends in Domestic Politics and Foreign Policy,” Michael Buehler, Postdoctoral Fellow in Modern Southeast Asian Studies, Columbia University, and Ann Marie Murphy, Assistant Professor, Whitehead School of Diplomacy and International Relations, Seton Hall University, March 2010
 - d. “Professor Soldiers, or Dirty Old Men? SBY, Pre, Ramos, and the Limitations of the ‘Reformist Officer’ Myth in Southeast Asia,” John Sidel, Sir Patrick Gillam Professor of International and Comparative Politics, London School of Economics, April 2010
7. ***Presentation to the JCCI Board***, New York, NY, November 17, 2009. Professor Patrick gave a presentation to the board of the Japanese Chamber of Commerce and Industry of New York, Inc. about President Obama’s trade policy and the domestic macroeconomic recovery.
8. ***Summit on the Global Agenda***, Dubai, United Arab Emirates, November 20-22, 2009. Professor Janow attended as a member of the International Trade Council of the World Economic Forum’s Global Redesign Project. This project was created in response to the financial and economic crisis, which highlights the need for change in our global systems, institutions and processes. The crisis revealed how vulnerable the world is to interlinked risks and challenges that transcend geographical or system boundaries, and how greater global cooperation is required to resolve the current crisis and other important global challenges. The organizers believe that, at this critical juncture, the world needs not a patchwork of reforms but an integrated strategy to create a revamped financial system. Therefore, this project aims to provide a fresh, bottom-up rethinking of the nature of the systems, institutions and processes of global cooperation that the world needs in order to respond to 21st-century challenges.
9. ***Entrepreneurship and Innovation in Japan***, Stanford, CA, February 26-27, 2010. Professor Patrick served as a discussant for a panel in which two papers were presented: “A Study of Investment Behavior by Family-Majority-Owned Businesses in the Japanese

Electric Machinery Industry” by Shigeru Asaba of Gakushuin University; and “Returns on Entrepreneurship in Japan” by Jess Diamond and Ulrike Schaeede of the University of California at San Diego.

10. ***The World Trade Organization After the Global Financial Crisis***, New York, NY, April 7, 2010. Professor Janow gave the Otto L. Walter Annual Lecture at the Center for International Law at New York Law School.
11. ***Meetings***, Seoul, Korea, April 28 – May 7, 2010. On behalf of the APEC Study Center, Professor Patrick met individually and jointly with Korean business leaders, policy makers, and academics, and met with students at Seoul National University.
12. ***U.S.-Asia Pacific Relations: Transition In a New Era***, Washington, DC, May 6, 2010. Professor Janow participated in the 7th annual East-West Center / U.S. Asia Pacific Council conference, with sessions on “China and the United States Congress”; “Uncharted Waters: The Search for ‘Balanced, Sustainable, and Inclusive Growth’ in the Asia-Pacific Region”; “U.S. Alliances and Partnerships”; “A Trade Agenda for APEC: The Way Forward”; and “Democracy, Information Flows, and Human Rights.”
13. ***Meetings***, Beijing, PRC, May 7-14, 2010. Professor Patrick gave talks and met with students at Tsinghua University and Peking University, and met with Chinese business leaders, policy makers, and academics.
14. ***The Future of Central Banking Under Globalization***, Tokyo, Japan, May 26-27, 2010. Professor Patrick participated in this conference held at the Institute for Monetary and Economic Studies of the Bank of Japan. Panels included “The Future of Central Banking: A Lesson from United States History”; “Can Cross-Border Financial Markets Create Good Collateral in a Crisis?”; “Alternative Perspectives on Macroeconomic Theory and Some Policy Implications”; “Banking Globalization and International Business Cycles”; “Globalization, Pass-Through and Inflation Dynamics”; and “Financial Regulation Going Forward.”

D. GRADUATE STUDENT FELLOW PROGRAM

The ASC runs a successful Graduate Student Fellow (GSF) program. GSFs attend and report on various conferences and brown bags throughout the year, and help promote events to their fellow students. Two graduate students served as GSFs this year: Jennifer Su and Joyelle Lee, students at the School of International and Public Affairs (SIPA) with a concentration in International Finance and Economic Policy.

IV. DISCUSSION PAPERS

The APEC Study Center added three Discussion Papers to its series during 2009-10:

65. ***Juche and North Korea’s Global Aspirations*** by Charles K. Armstrong, Korea Foundation Associate Professor of Korean Studies in the Social Sciences, Columbia University, December 2009

66. ***Exports and Financial Shocks*** by Mary Amiti, Research Officer, Federal Reserve Bank of New York and David E. Weinstein, Carl S. Shoup Professor of the Japanese Economy, Director of the Program for Economic Research, Columbia University, Research Associate, Federal Reserve Bank of New York, December 2009
67. ***Investment, Production and Trade Networks as Drivers of East Asian Integration*** by Keiko Ito, Associate Professor, Faculty of Economics, Senshu University and Ralph Paprzycki, Research Fellow, Institute of Economic Research, Hitotsubashi University, January 2010

V. ACADEMIC COURSES

There are a substantial number of courses taught at Columbia Business School (CBS), Columbia Law School (CLS), and the School of International and Public Affairs (SIPA) that are directly relevant to the APEC Study Center through the combinations of their substantive and country specific or regional focus. In addition to courses in history and political science, the following graduate courses, offered during the 2009-10 academic year, are particularly relevant for students interested in APEC.

CHINA IN THE WORLD TRADE ORGANIZATION

This two-credit seminar will be offered in the fall by CLS, and deals with particular topics raised by China's integration into the world trading system. It is co-taught by Professors Benjamin Liebman, Professor of Law and Director of the Center for Chinese Legal Studies, Petros Mavroidis, Edwin B. Parker Professor of Foreign and Comparative Law, and Professor Merit E. Janow (see section VI for bio), and is open to students from the School of Law, SIPA and the economics department. The seminar will take up a number of key issues facing the international trading system by China's entry into the WTO, the disputes that have arisen between China and its trading partners, and certain cutting edge legal issues having to do with China as an important global player in international trade and investment. The seminar will pay particular attention to areas such as the following: cases before the WTO, China's internal market distribution, intellectual property issues, competition law, currency matters, and investment law and policy matters. Other key areas such as climate and bilateral U.S.-China issues will also be examined. In each such area, the seminar will bring leading experts and practitioners to participate in the seminar, discuss select papers with the faculty and students and critically examine the existing international legal regime as well as national and regional legal and policy issues. The course is inter-disciplinary but centered on legal analysis.

CHINA'S NEW MARKET PLACE

This seminar has been offered at SIPA in the fall semester since 2001, and will continue in the fall of 2010. It is taught by Daniel Rosen, who is an adjunct associate professor at SIPA, visiting fellow at the Peterson Institute for International Economics in Washington and Founder of Rhodium Group, a macro-strategic advisory firm focused on China, India and climate policy based in New York. Students examine the most pressing economic and commercial policy issues affecting China today, and develop applied commercial and economic insights for the real world.

CHINESE LAW AND SOCIETY

This colloquium was offered by CLS during the spring semester. It is taught by Benjamin Liebman (see above) and Madeleine Zelin, Professor of History and East Asian Languages and Cultures. The course introduced students to current scholarship on Chinese law, society, and governance, examining both China's legal history and its contemporary legal evolution, with particular attention to themes that link historical and contemporary developments. Topics included the criminal justice system, the legal profession, the role of constitutional law, the roles of courts and other legal institutions, the development of corporate law, and the influence of rights consciousness and of social protest.

ECONOMIC DEVELOPMENT OF JAPAN

This lecture course is offered by the Department of Economics in the fall semester, and is taught by Professor Weinstein. Professor Weinstein focuses on the growth and structural changes of the post-World War II economy; its historical roots; interactions with cultural, social, and political institutions; and its economic relations with the rest of the world.

ECONOMIC ORGANIZATION AND DEVELOPMENT OF CHINA

This lecture course is offered by the Department of Economics in the spring semester, and is taught by Carl Riskin, Senior Research Scholar and Adjunct Professor of Economics. Professor Riskin conducts an analytical survey of the economic history of China since 1949, with some initial discussion of major issues in China's pre-Communist economic history. Principal themes of the course include the evaluation of the development record of the Maoist period and exploration of China's unique approach to the transition from central planning to a market economy.

ECONOMIC REFORMS IN TRANSITIONAL ECONOMIES

This lecture course is offered by the Economics Department in the spring semester, and is taught by Padma Desai, Gladys and Roland Harriman Professor of Comparative Economic Systems. Professor Desai covers reform issues in transition economies such as price liberalization, currency reform, asset privatization, macroeconomic stabilization, trade liberalization and exchange rate policies, and foreign resource flows. She uses examples from the experience of the transition economies of Russia, the post-Soviet states, East-Central Europe, China and Vietnam, including discussion of the recent financial crisis.

INTERNATIONAL BANKING: VALUE AND RISK

This course is offered during both semesters by CBS, and is taught by Robert E. Fallon, adjunct professor in the Department of Finance and Economics and former Chairman and CEO of Korea Exchange Bank. The course examines both the theory and the practice of international banking: the value of banks and the management of banking risk. Banking is a business in transition from information-intensive relationship lending to market-risk management. Technology and deregulation are undermining bank franchise value, and banks increasingly make money by taking risk. Particular attention is paid to the problem of bank value. A benchmark is the "market bank," which buys market assets and sells market liabilities. By understanding the characteristics of this model, the actual sources of value in real banks are more clearly seen. The course also emphasizes VaR analysis, RAROC, and the international rules for bank capital, as well as the evolving markets for loan trading and collateralized loan obligations (CLOs). It ends with a review of the institutional evolution of international banking in recent decades, including the impact of the "sub-prime" credit crisis. It utilizes case studies and other materials on various APEC economies.

INTERNATIONAL BUSINESS

This lecture course is offered by CBS in the fall and spring semesters, and is taught by Shang-Jin Wei, N.T. Wang Professor of Chinese Business and Economy and Professor of Finance and Economics. At the dawn of the 21st century, nations are more economically integrated than at any other point in human history. This presents business leaders with unprecedented opportunities and challenges. On the one hand, the opportunity to sell to global markets rather than a single national market increases the potential profitability of nearly every kind of business activity. On the other hand, globalization increases the number and range of potential competitors in nearly every industry, and the challenges of effectively managing a multinational enterprise can be substantially greater than those confronting a firm largely based in a single country.

This course seeks to equip future business leaders to exploit these opportunities and cope with these challenges. The course will accomplish that goal by providing students with a systematic understanding of the fundamental aspects of the global business environment that influence business decisions and behavior. Managers must understand the structural economic factors that determine locational advantages, the way government policies both promote and restrain the integration of national economies with the global economy, and the impact of volatility in the global macroeconomic environment on international business strategy.

JAPANESE LAW AND LEGAL INSTITUTIONS

This course is offered by CLS in the spring semester, and is taught by Curtis Milhaupt, Fuyo Professor of Japanese Law, Parker Professor of Comparative Corporate Law, Law School Vice Dean, and Director of the Center for Japanese Legal Studies. The course provides a critical introduction to the institutions and actors that comprise the Japanese legal system. Topics covered include the legal profession, formal and informal dispute resolution mechanisms, employment law, corporate law and governance, and economic regulation. Major theoretical debates about the role of law in Japan are examined in connection with each substantive topic. Throughout the course, law is placed within the context of Japanese social, political, and economic institutions.

LAW AND LEGAL INSTITUTIONS IN CHINA

This lecture course is offered by CLS in the fall, and is taught by Professor Liebman (see above). This course surveys contemporary Chinese legal attitudes and institutions in historical and comparative perspective. The course begins with a brief examination of certain key themes and practices in China's traditional legal order and an appraisal of China's early-twentieth-century effort to import a Western legal model. The major portion of the term is devoted to a study of formal and informal legal institutions and procedures in the criminal and civil processes of the People's Republic of China and China's contemporary legal reform efforts. Topics will include an examination of the roles of the legal profession and the judiciary, the sources of law in contemporary China, efforts to use law to address China's growing environmental problems, and the development of China's legal framework governing financial markets.

MAJOR ISSUES IN U.S. FOREIGN ECONOMIC AND TRADE POLICY

This large lecture course, offered for a number of years at SIPA, is taught by Professor Janow (see above). This course covers multilateral, bilateral and regional trade arrangements and also considers selected topics in international trade such as intellectual property, telecommunications and investment.

THEORY OF INTERNATIONAL TRADE

This lecture course is offered by the Department of Economics in the fall semester, and is taught by Donald Davis, Kathryn & Shelby Cullom Davis Professor of Economics & International Affairs. Professor Davis discusses the theory of comparative advantage, the gains from trade, trade and income distribution, international factor mobility, and growth and trade.

WORKSHOP IN INTERNATIONAL ECONOMIC POLICY

This workshop in international economic policy is offered during the spring semester by Professor Janow (see above) with three institutional clients: the World Bank, the InterAmerican Development Bank, and Citigroup. Teams of students undertake projects that consider diverse subjects such as sovereign wealth funds, China's development experience and its relevance for Africa and entrepreneurship in India and Latin America.

WORLD TRADE ORGANIZATION LAW

This course is offered by CLS in the fall semester, and is open to law, SIPA and economics students. It is taught by Jagdish Bhagwati, University Professor, Economics and Law, Professor Mavroidis (see above), and Professor Janow (see above). It offers a detailed introduction into the law and economics of the WTO, divided into three parts: trade in goods, services and dispute settlement. Students are also made aware of the criticism against the legal regime as it stands, and/or as it has been interpreted by WTO adjudicating bodies.

VI. CO-DIRECTORS AND PROGRAM OFFICER

MERIT E. JANOW is Professor of International Economic Law and International Affairs and director of the Program in International Finance and Economic Policy at Columbia University's School of International and Public Affairs (SIPA). Professor Janow teaches graduate courses in international economic and trade policy at SIPA and international trade law and comparative and international antitrust at Columbia Law School. She serves on the faculty of Columbia's Weatherhead East Asian Institute and the Center on Japanese Economy and Business at Columbia Business School. In December 2007, Professor Janow completed a four-year term as the North American member of the Appellate Body of the World Trade Organization (WTO). The Appellate Body hears final appeals on issues of law and legal interpretation in international trade disputes between countries that are members of the WTO. For two years, ending in March 2000, Professor Janow served as Executive Director of a new International Competition Policy Advisory Committee to the Attorney General and Assistant Attorney General for Antitrust at the Department of Justice, Washington D.C. This was the first such committee established by the Department of Justice to consider international antitrust matters. Before joining Columbia University, from 1989 to 1993, Professor Janow served as the Deputy Assistant U.S. Trade Representative for Japan and China at the Office of the U.S. Trade Representative, Executive Office of the President in Washington D.C. She was responsible for developing, coordinating and implementing U.S. trade policies and negotiating strategies towards Japan and China. Prior to her tenure in government, she was an Associate at Skadden, Arps, Slate, Meagher & Flom, specializing in corporate mergers and acquisitions. She is a member of the Board of Directors of Japan Society,

Chairman of the Nasdaq Exchange LLC, a board member of the fund in the American Funds family and Trimble Navigation, and a member of the International Advisory Board of the China Investment Corporation, China's sovereign wealth fund. Professor Janow received a B.A. in Asian Studies from the University of Michigan and a J.D. from Columbia Law School. She is the author of three books and numerous articles, and is fluent in Japanese.

HUGH PATRICK is Director of the Center on Japanese Economy and Business and R.D. Calkins Professor of International Business Emeritus at Columbia Business School, and Co-Director of Columbia's APEC Study Center. He joined the Columbia faculty in 1984 after some years as Professor of Economics and Director of the Economic Growth Center at Yale University. He completed his B.A. at Yale University in 1951, earned M.A. degrees in Japanese Studies (1955) and Economics (1957) and a Ph.D. in Economics at the University of Michigan in 1960. He has been a visiting professor at Hitotsubashi University, University of Tokyo and University of Bombay.

Professor Patrick has been awarded Guggenheim and Fulbright fellowships and the Ohira Prize. His professional publications include sixteen books and some sixty articles and essays. His major fields of published research on Japan include macroeconomic performance and policy, banking and financial markets, government-business relations, and Japan-United States economic relations. His most recent book, co-authored and co-edited with Takatoshi Ito and David Weinstein, is *Reviving Japan's Economy: Problems and Prescriptions* (MIT Press, September 2005). Other publications include: *Crisis and Change in the Japanese Financial System* (with Takeo Hoshi); *The Japanese Main Bank System* (with Masahiko Aoki); *The Financial Development of Japan, Korea and Taiwan* (with Yung Chul Park); *Pacific Basin Industries in Distress: Structural Adjustment and Trade Policy in Nine Industrialized Economies*; *Regulating International Financial Markets: Policies and Issues* (with Franklin Edwards); *Japan's High Technology Industries: Lessons and Limitations of Industrial Policy*; and *Asia's New Giant - How the Japanese Economy Works* (with Henry Rosovsky).

Patrick is actively involved in professional and public service. He served as one of the four American members of the binational Japan-United States Economic Relations Group appointed by President Carter and Prime Minister Ohira, 1979-1981. He has testified before Congressional committees on numerous occasions. He has been a member of the Council on Foreign Relations since 1974. He is on the Board of Directors of the United States National Committee for Pacific Economic Cooperation, and the U.S. Asia Pacific Council. He succeeded Dr. Saburo Okita and served as chairman of the International Steering Committee for the conference series on Pacific Trade and Development (PAFTAD) between 1985-2005, having served on the Committee since PAFTAD's inception in 1968. He was on the Board of the Social Science Research Council, 1982-88, and served as its chairman 1985-88. He was a member of the Board of Directors of the Japan Society for seven three-year terms. In November 1994 the Government of Japan awarded him the Order of the Sacred Treasure, Gold and Silver Star (Kunitō Zuihōshō). He was awarded an honorary doctorate of Social Sciences by Lingnan University, Hong Kong in 2000.

ANDY WANNING is the ASC's Senior Program Officer, and has been with the Center since 2001. He is currently pursuing an M.S. in Sustainability Management at Columbia's

Earth Institute. He completed his B.A. in Anthropology & Sociology at Lafayette College, and has been active with non-governmental organizations at the United Nations. He spent a year teaching English in Costa Rica with WorldTeach, a non-profit organization based at the Center for International Development at Harvard University.

VII. PROGRAM SUPPORT

Resources for the APEC Study Center's basic infrastructure are provided by Columbia University. Corporation and foundation support in the United States and Asia are sought for specific programs and projects. The APEC Study Center especially thanks The Lotte Group of Korea for their support.

For more information, please contact:

Andy Wanning
Senior Program Officer
APEC Study Center
Columbia University
3022 Broadway, 322 Uris Hall
New York, NY 10027-6902
aw2040@columbia.edu

Tel: 212-854-3976 Fax: 212-678-6958

Website: www.gsb.columbia.edu/apec