International Finance and Economic Policy Concentration

STUDENT NEWSLETTER

Spring 2015

IFEP TEAM

PROFESSOR RICHARD ROBB IFEP CONCENTRATION DIRECTOR
PROFESSOR ANDREA BUBULA IFEP EXECUTIVE DIRECTOR
CORINA COPP CONCENTRATION COORDINATOR
JENNA BARZELAY, ADAM GOLDSMITH, SARAH HOWE
DEPARTMENTAL RESEARCH ASSISTANTS
Transatlantic Trade & Investment Partnership (T-TIP) Negotiations

Johannes Rüby

Skip Jones, Executive Director for Europe and Eurasia, International Trade Administration, U.S. Department of Commerce, visited SIPA on February 26 to discuss the roadblocks ahead for the Transatlantic Trade and Investment Partnership (T-TIP), a free-trade agreement between the United States and the European Union, currently in negotiations. Mr. Jones plays a key role in the ongoing trade negotiations between the United States and the European Union. Hosted and moderated by Dean Merit Janow, the event opened with her thoughts on the forward movement of regional trade agreements and an introduction for Mr. Jones. Mr. Jones’s remarks stressed that these trade negotiations are special in several ways: First, the scale is unprecedented, as the agreement would include economies that together cover almost 40% of global GDP; second, the negotiations go far beyond lifting tariffs, e.g., they also include
regulations for dispute settlement; and, finally, once it is completed, the agreement is believed to impact future agreements significantly by acting as benchmark.

While Mr. Jones described that the negotiations have made progress, significant hurdles remain. Hurdles include difficult negotiations around agricultural issues (specifically genetically modified organisms [GMOs]) as well as investor-state dispute settlement provisions. Critical discussions with the public are especially fervent in Germany. As time passes, the governments of European nations will need to work on the public dialogue surrounding the issues of the TTIP, as public support is required to move forward.

The Future of the International Trading System & the WTO: 
_The Gabriel Silver Memorial Lecture with Roberto Azevêdo_

_Gabriel Silver Memorial Lecture with Roberto Azevêdo_

Michael S. Higgins

Roberto Azevêdo, Director-General of the World Trade Organization (WTO), gave the annual Gabriel Silver Memorial Lecture this spring. Dean Merit Janow’s introduction highlighted the importance of international trade agreements, particularly
during a time of sluggish economic growth. Azevêdo began the lecture by offering a brief history of the WTO, the successor to the General Agreement on Tariffs and Trade (GATT), a Keynesian legacy of Bretton Woods. He noted that the WTO’s scope has grown significantly over the past twenty years: It now comprises 168 member countries that engage in 98% of global trade. The Director-General also outlined the WTO’s three pillars: (1) dispute settlement; (2) monitoring; and (3) negotiations. While the WTO has achieved success in the first two, the body’s deliberate and unanimous decision-making process has impeded progress in the third. The lecture centered around this aspect, which came against the backdrop of ongoing progress in establishing the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (T-TIP)—both of which are being negotiated outside of the WTO.

Azevêdo stressed the importance of the 2013 Bali Accords as a positive development; and with regard to negotiations outside of the WTO, he remained optimistic that the pro-trade sentiment is “contagious” and nonetheless a good thing. The Director-General emphasized that the WTO can and will play an active and vital role in harmonizing rules and agreements among countries in the future, especially in developing standards for emerging technologies and intellectual property. [Note from the Ed. You can find video of the lecture here.]
Indian Finance Minister Arun Jaitley Visits SIPA

Bikram Chandra

On March 2, just two days after the first full budget was presented for the relatively new government in New Delhi, India, SIPA was fortunate to hear from Mr. Arun Jaitley, India’s Finance Minister and senior member of the Modi government.

The finance minister spoke about the new government, the economy, and the recent budget, and eventually took questions from students. He was emphatic as he defined the main goals of the government to be a high growth rate for the economy and the need to be pragmatic in achieving it. He used China’s average growth rate of 9% over three decades as an example and emphasized that India is in need of a similar rate over the coming years.

India’s budget includes provisions for abolishing the wealth rate, instead placing a 2% surcharge on the high-income bracket. This measure, explained Mr. Jaitley, would not only increase government revenue but also reduce tax evasion through off-shoring. Another important policy change is in cutting corporate taxes from 30% to 25% over three years, while eliminating exemptions at the same time. The effect of cutting the tax would make India more
competitive in the global market while the elimination of exemptions would increase the government revenues and reduce litigation. In short, these measures are directed toward simplifying the tax structure and enabling more transparency. He also welcomed investments from outside of the country and showed government determination to open up to foreign participation in sectors, like insurance. President Bollinger, Dean Merit Janow, Professor Bhagwati, and Professor Stiglitz—along with many faculty and students—attended the well-received talk.

A Visit From the Governor of the Bank of Thailand

Adam Goldsmith

On April 14, Governor Prasarn Triratvorakul of the Bank of Thailand made a visit to SIPA. Colleague and friend of SIPA Professor Takatoshi Ito, former Dean of the University of Tokyo’s Graduate School of Public Policy, Triratvorakul addressed students for just over an hour on the merits and drawbacks of our financially integrated world. Hot money flows, sudden stops, macroprudential policy, and capital controls are part of every IFEP student’s studies. As a veteran in monetary policy from the birthplace of the Asian Financial Crisis, Governor Prasarn is uniquely qualified to speak at SIPA; this was also demonstrated by the standing-room-only crowd at 9:00 a.m. on a Tuesday.
After an introduction to the topic, the Governor brought us back to third-century China and the epic battle between the Northern warlord Cao Cao and Sun Quan, of the South. Cao Cao had superior naval forces and tied his ships together for stability. While this plan succeeded in reducing the seasickness of his men, Sun Quan utilized the interconnectedness to set fire to the entire fleet with just a few fireships. The moral of the story was lost on no one. All countries, especially those in the developing world, can benefit greatly from foreign capital. These same countries, however, must guard themselves against the additional risk these benefits bring.

Of particular interest in the Governor’s speech was his conclusion about the role of central banks around the world. We are currently in a situation where imminent tightening of monetary policy in the United States and increasingly slack policy in the Eurozone and Japan are creating massive, destabilizing cross-border flows throughout the world. Governor Prasarn's view is that a more stable financial future lies in central banks’ ability to work together and coordinate monetary policy. Progress on this, as he himself noted, has been very limited.

To round out his thoughts on our current financial landscape, the Governor stated that “the important lesson from the Dutch solution to floods is clear: live with the water, don’t fight it.” As he spoke to a room filled with the economic policy leaders of tomorrow, his message was clear: the future of global finance is
more integration and more capital flows. Sound macroprudential policy and regulation will be paramount to ensure we don’t see our ships set ablaze.

**STUDENT GROUP REPORT**

The MIINT Experience

_Triana Krisandini_

During my last semester at SIPA, I participated in the MBA Impact Investing Network and Training group (MIINT), together with three other SIPA students and three students from the Columbia Business School. The seven of us represented Columbia University in a semester-long project in which we were required to source and conduct diligence on early-stage social impact investments. After a long process of sourcing potential social enterprises, we picked an early-stage company that provides a web-marketplace for mortgage services targeted to the veteran community. On April 18, 2015, our team went to Philadelphia to present our final investment thesis at The Wharton School, competing with other leading business schools (before an investment committee of leading venture capital and banking professionals) for a potential investment of $50,000. Although we didn’t win first place, we made it to the final round of the competition, alongside Wharton, Harvard Business School, and Kellogg. It was such an amazing experience—and one I’ve definitely learned a lot from.
After SIPA, I plan to return to Indonesia to join a private equity company I interned with over the summer; it specializes in growth capital and buyout investments in Indonesia, Singapore, and Malaysia. With an AUM of ~$900 million, it is currently the third-top player in the country. I was assigned to cover its real estate and retail space portfolio where I will execute transactions and devise strategy for the portfolio companies; and make key business decisions that impact the value of our investments.

The Global Risk Society (GRS) is a student-run organization that prepares SIPA students for careers in political risk and economic analysis. Many SIPA students share a passion for using political and economic analytical frameworks to better understand international affairs. Academically, SIPA provides several avenues for students to enhance these separate, but related, skill-sets. However, in professional settings, graduates will be expected to apply these analytical frameworks to global issues in an integrated manner. GRS is intended to serve as a platform to bring together the different disciplines that constitute comprehensive risk analysis.
REPORTS FROM THE FIELD

This semester, the GRS organized three separate discussion sessions, with topics including Russia and Ukraine, the oil and gas sector in the Arctic, and the conflict in the Middle East. The association also had a brown-bag lunch with Gray Newman, former Chief Economist for Latin America at Morgan Stanley, to talk about the primary macroeconomic risk in the region. Finally, the GRS had a visit to UBS offices to hear from Preston Keat, Head of the Political and Country Risk at the bank. At UBS, we participated in an engaging discussion of the seven global risks identified for the coming year and the current needs in the industry in terms of skill-sets and theoretical knowledge.

CAPSTONE REPORT

Morgan Stanley Wealth Management

*Julia Carmo*

For six months, I worked with Morgan Stanley Wealth Management for my Capstone project and I can say with confidence that the knowledge I acquired helped me land my summer job.

Professor John Williams, in collaboration with Chad Graves, the Executive Director of Morgan Stanley Consulting Group, supervised and directed my team. Our group explored green bonds
from the perspectives of issuers, investors, and the Institute for Sustainable Investing. Our goals were to analyze and solve the main problems of the green bond market and infrastructure projects, which include: i) quantification of intangibles; ii) data accuracy and transparency; and iii) thorough monitoring and reporting. My team’s final objective was to provide better assessment and transparency on green bonds as a viable wealth management product. With this analysis it was possible to better define the value of infrastructure projects contained in a green bond offering, made of the financial and sustainable returns that a project must provide in order to be considered green.

This Capstone project gave me a better understanding of bonds in general, but also made it possible to envision how alternative instruments—in this case, green bonds—might be explored for their capacities to increase investor satisfaction and make our world a better place. By internalizing such knowledge, I was able to make myself a valuable individual for my summer internship company: Opportunity Finance Network. At OFN I will be working at the Community Development Financial Institutions’ Fund Bond Guarantee Program, enacted as part of the Small Business Jobs Act of 2010. This innovative federal credit program offers creditworthy access to affordable long-term capital. Ultimately, my job will enable participants of the program to expand and deepen their work toward economic growth and opportunity for all.
I spent my second year at SIPA interning with the chief economist for Latin America at Standard and Poor’s (S&P). S&P has a small unit that exclusively does economic research. Their team of seven regional economists is responsible for providing macroeconomic forecasts. Among them, you have two economists with prior brief stints at the now-defunct Lehman Brothers, and two Columbia PhDs with World Bank duties; the remaining economist once sat on the board of the ECB. Everyone’s background easily related to the work we were doing (and still do) for Professors Robb, Goldberg, Bubula, and Clarida. My day-to-day was mostly spent compiling large Excel spreadsheets with growth, fiscal, and investment data for the major Latin American economies. I would usually start the day meeting with an economist to discuss upcoming projects, or call into a global conference to discuss shared projects that each economist would contribute to. The project I enjoyed the most was the projection of different scenarios for infrastructure investment as a percent of GDP, and their multiplier effect on the countries. Another highlight was the holiday party, held in one of the ancient gold vaults around the Wall Street area. Free snacks and signature cocktails were included.
Emerging Financial Markets, taught by Professor Charles W. Calomiris, is a survey of emerging markets. Topics covered range from comparing the United States and Canada in the past to more recent changes in Brazil and Bulgaria. Professor Calomiris stresses that banking is driven by political agreements and cannot exist outside of politics; and so the focus of the class is often on the political motivations behind banking markets. He also urges students to look further back than 20 years ago, so we might fully understand the historical context of current markets.

The professor approaches the class with humor and skepticism and his encouragement for the class to “think like crooks” serves as a reminder that institutional corruption and cronyism must be factored into market analysis. His focus on empirical data and well-researched studies makes the class interesting and the arguments lively.

To add to this atmosphere of discussion, there are several cases that he assigns as debates between two teams, and several other case studies are discussed with the class as a whole. These in-depth cases are a lot of reading, but they also provide more concrete examples of emerging markets for students to study.
My First Year in IFEP

Sarah Darwiche

Looking back on my first year at SIPA, I can truly say that I have done my best to make the most out of the program (and could definitely use a long vacation with no deadlines!).

Coming into SIPA, I was excited about joining the International Finance and Economic Policy concentration, given that I came from the private sector but was considering a policy-oriented career in the financial field. Prior to enrolling in the program, I was working in investment management as a fixed-income research analyst, and had previous experience in sales and trading as a global markets analyst. Having experienced both the buy- and sell-side, I wanted to explore a field where the public and private sector could meet to achieve development goals, and I thought the IFEP concentration would be most fitting for these interests.

While at SIPA, I did my best to complement the rigorous coursework with a practical work experience. I spent the spring semester at the Mission of Lebanon to the United Nations and assisted diplomats there in covering the General Assembly’s Economic and Financial Committee. During my time at the UN, my task was to advise the diplomats on the economic and financial
elements of the Financing for Development Conference and the Post-2015 Development Agenda negotiations, while providing the Lebanese Ambassador with necessary background research. Now that the semester is coming to an end, so will my experience at the mission. I am, however, looking forward to my summer internship at the Federal Reserve Bank of New York. I will be working with the Financial Institutions Supervision Group and will help the team assess the international exposure of a Complex Financial Institution. This experience will be a great transition from my previous experience in the private sector and will allow me to see, first-hand, both the implementation of monetary policy, and the regulatory efforts of the Fed.