

IFEP Newsletter

Spring 2017



IFEP TEAM

Professor Richard Robb **Concentration Director**

Professor Andrea Bubula **Executive Director**

Corina Copp **Concentration Coordinator**

Juan Pereira, Ingrid Tang **Departmental Research Assistants**

Leadership and Policy Development With Secretary Lew

Former Secretary of the Treasury **Jacob Lew** joined SIPA shortly after his mandate finished at the Treasury Department in January 2017. His first course as a professor at Columbia was called “Leadership and Policy Development,” and in it, he went through some of the most pressing issues he has had to deal with during his career.

A group of 20 students with diverse backgrounds were selected to discuss a series of national and international topics that ranged from business tax reform and the debt ceiling in the United States, to international crises like those that have occurred in Ukraine and Puerto Rico, to global currency wars.

Secretary Lew tended to go through the main elements of the topic and then open the floor for debate, a flexible format that helped the class to be very dynamic and interactive, enriching the learning experience for all participants.

Personally, it was an honor to have the opportunity to learn from someone who, until very recently, had been directly involved in leading the U.S. government, but what I found most interesting was how his personal background (as former White House Chief of Staff, Director of the Office of Management and Budget) has shaped how he confronts and analyzes situations. I think I speak for everyone in the class when I say that our main takeaway was Lew's oft-repeated advice, inherited from

Former House Speaker Thomas P. O'Neill, Jr., for whom Lew worked early in his career: "As a junior political advisor you must make sure never to mix up policy and politics. I want your memos to be on policy; leave the politics to me."

–Gonzalo Fernández

Tax and Trade in the Trump Administration: What's Ahead?

IFEP co-sponsored an event about the new administration's policies

On April 17, IFEP students were invited to attend a workshop convened by Dean Merit Janow called "**Tax and Trade in the Trump Administration: What's Ahead?**" The workshop allowed for a timely discussion of the trade agenda in a new political context. For instance, the discussion went into the new United States administration's decision to not pursue block trade negotiations, and the threat of a U.S. withdrawal or renegotiation of the North American Free Trade Agreement (NAFTA).

The workshop was divided in two sessions. The first one focused on the domestic and international implications of the border tax adjustment proposal, which would strip away tax breaks from American companies that import goods. While there was a common agreement that a border

tax adjustment, as proposed, could breach international commitments and be easily challenged at the World Trade Organization (WTO) dispute settlement mechanism (allowing other WTO members to retaliate), the visions differed in terms of the possibility that this would persuade the U.S. government in approving such an adjustment. The second session focused on the approaches to regional, multilateral, and bilateral trade agreements. Participants submerged themselves in the world of trade acronyms: WTO, TPP, TTIP, NAFTA, RCEP, TISA, among others. The withdrawal of the U.S. from Trans-Pacific Partnership (TPP) has opened the doors to consider alternative approaches at the regional and bilateral level, and the opportunity for China to lead the trade agenda in Asia, through the Regional Comprehensive Economic Partnership (RCEP) and the China-led Belt and Road Initiative (B&R), which could even include Europe.

The workshop lasted only a half-day, which was too brief to have a deeper discussion about what is going on in the tax and trade policy under the current U.S. administration. Nonetheless, it was clear that more events like this should be organized to bring together scholars, business executives, and former trade officials for an open and constructive dialogue.

–Diego Llosa

A Talk With Pieter Bierkens: Capital, Liquidity, and Regulation

A Special IFEP Brown-Bag Lunch



On April 6, SIPA Alumnus **Pieter Bierkens** visited a group of IFEP students for lunch. Pieter currently works for the Commonwealth Bank of Australia in its regulatory division and he came to talk about his work and his career path after SIPA.

During his 45-minute presentation, we learned about how the new Basel III bank regulation framework has various unintended consequences. We specifically talked about the covered interest rate parity and how this formerly firm law of international finance has been broken since 2014. Various regulations such as the Liquidity Coverage Ratio and the Supplemental Leverage Ratio have restricted banks' ability to do arbitrage trades. Financial regulation has recently obstructed arbitrage because it has restricted the size of the balance sheet of arbitrage traders. The size of the covered interest rate parity violation is often called "the basis." We saw evidence of how the hedging demands in various currencies drive the size of this basis.

Hedging demands have always been a key driver in currency markets but never before has the covered interest parity been broken. Regulation causes this. However, a breakdown in a former firm relationship between process is not necessarily a bad thing. Regulators always face the trade-off between efficient markets and stability-inducing regulations. Policymakers often choose the less efficient but safer option, with good reason.

In a room full of future central bankers, regulators and markets players, Pieter's analysis resonated deeply. The discussion quickly centered on what the right level of regulation was and what kind of trade-offs governments are facing. The twenty-so students left the room with new perspectives on policy and a good insight into the potential work of IFEP candidates.

–Frederik Vitting Hermann

The SIPA Bump: A Summer Internship at the Fed



Everyone knows that networking is important, but if we are honest with ourselves, it takes multiple weeks of constant pressure from Professional Development instructors to get us to do it. No doubt the push to meet and speak with people at the **Federal Reserve Bank** before the three interviews helped me land the internship. But when the joy of receiving an internship offer subsides, one worries about how to keep pace in an institution with many Economics Ph.D.s with the demanding goal of

attaining economic stability in the U.S., while considering the spillovers in the rest of the world.

The IFEP curriculum helped by emphasizing technical skills and theoretical understanding. Last semester's rigor of Andrea Bubula's Macroeconomics class has imparted a lot of confidence. We learned what the balance sheet of a central bank would look like, the various methods with which it can meet its mandate of economic stability, and all done in an historical context. This semester, one of the economic core courses is International Finance and Monetary Theory, taught by Professor Daniel Waldman. The final paper requires us to follow a central bank for the semester and discuss what actions were taken and why. It is hard to imagine a better way to prepare for an internship at a central bank. In all, perhaps I will not be leading the meeting anytime soon, but I could stay afloat while economic and financial terms are splashed around.

Nerves and excitement bubble together when thinking about starting my internship; at such a renowned institution my knowledge and abilities will be tried and tested. SIPA has delivered on its promise so far: The PD course helped me land the internship, and the IFEP curriculum has prepared me well for it.

–Luke Johnson

A Summer Internship at Standard Chartered



Prior to coming to SIPA, I had experience connecting and promoting better relations between the United States and Asia by radio broadcasting; managing a Korea-U.S. cultural exchange and leadership program; conducting research on China at think tanks in Washington, D.C.; and advising chief technology officers (CTOs) on research, development and innovation. Through all these experiences, I gained a better understanding of how various players interact, affect, and help shape international relations from political, business, and cultural angles.

I came to SIPA to get a better understanding of the economic and financial relationship between the U.S. and Asia. I believe this economic

relationship can bolster integration when political and diplomatic issues otherwise threaten the countries.

Courses at SIPA and at the Columbia Business School opened my eyes to more career paths within the private sector, and specifically within financial institutions where I could have an impact on facilitating financial and economic ties between the two regions. After talking with alumni, attending career events, and browsing jobs on *SIPALink*, I came across **Standard Chartered Bank**, and it ended up being a great fit for my aspirations and skill-set.

The bank focuses almost exclusively on emerging markets in Asia, Africa, and the Middle East, so I will be able to draw on my experience working across East Asia. The Transaction Banking division provides U.S. companies that have offices, or that are expanding in emerging markets, with liquidity, cash management, and trade financing to support their operations abroad. The internship will give me a great perspective into how U.S. firms think about the emerging market environment as well as hands-on experience with the tools and financing structures necessary to make their operations in Asia successful. I'm hoping to leverage the internship into a full-time role at Standard Chartered after graduation to gain expertise and a better understanding of the financial service sector's role in the U.S.-Asia relationship, and hope to have the opportunity to work in both the U.S. and Asian headquarters. In the long term, my goal is to become an influential senior executive in this space, who is called upon to advise APAC government officials on deepening economic and financial relations.

–*Minjun Chen*

The 70th Anniversary of SIPA



This year of 2017 saw the **70th anniversary of SIPA**. The milestone was celebrated by many events, starting March 30 through April 2. Activity highlights included the Dinkins Forum, the SIPA Alumni Reception, the SIPA Forum, and our Global Leadership Awards Gala. More than 700 members of the SIPA community participated in the celebration and alumni ranged from the most recent graduates to a gentleman who graduated in SIPA's first class in 1947. I was lucky enough to attend the SIPA Alumni Reception and the Gala.

The SIPA Alumni Reception took place on Friday night, March 31, in Columbia's Low Library. Opening remarks were made by former SIPA Dean, John Coatsworth, and were followed by remarks by the current Dean, Merit E. Janow. This event provided a relaxed atmosphere for

current students to connect with alumni interested in hearing more about present-day SIPA, and for alums to catch up with friends they have not seen for months or years. Alumni traveled from all around the world.

Saturday night was the Global Leadership Awards Gala at St. John the Divine. This gala honors individuals and organizations that have made important contributions to the global public good through their work in public policy. A reception was held at the beginning of the event and allowed for more networking as well as the opportunity to marvel at the architectural interior of St. John the Divine. During dinner, guests were seated strategically at each table to include students, professors, alumni, and donors, for maximum engagement. Opening remarks for the evening were made by none other than the newly appointed Secretary General of the United Nations, António Guterres, and there were two award recipients for the evening. The first was Dr. Zbigniew Brzezinski, former National Security Advisor to Jimmy Carter, recipient of the Presidential Medal of Freedom, and the Herbert Lehman Professor of Government at SIPA from 1960 to 1989. [Ed. note: Brzezinski passed away on May 26, 2017.] The second was the Fundação Lemann (Lemann Foundation), Jorge Paulo Lemann's foundation in Sao Paulo, which focuses on improving education in Brazil.

Overall, the SIPA 70th-anniversary weekend experience was very fulfilling. Students were able to hear about the accomplishments of many distinguished alumni and further their connections to the SIPA community.

–Karen Chen

Markets Discussions and Spring Social Events



Like every semester, the IFEP concentration held many events and discussions about finance-related topics, and many social events.

One of the activities we organize regularly are the **Markets Discussions**. Since Spring 2014, IFEP and non-IFEP students gather regularly to share expertise, opinions, and experiences about the world of finance and economics. These activities were held on a biweekly basis this semester; and we went into topics like Brexit, the Brazilian economic recovery, the

future of trade agreements in an anti-trade political environment, and the Mexican economy under the Trump administration.

And these were not the only IFEP events during the semester. The concentration also co-organized its traditional Trivia Night, in this case with the SIPA Finance Society (SFS) and the Columbia European Union Student Association (CEUSA).

The Committee Meetings, held during the lunch hour throughout the semester, and the Spring end-of-semester party were also events organized by the concentration; and as always, they provided a place for IFEP students to talk, coordinate, think critically, and have a good time.

–Juan Pereira