

EC 341 – Home Exam (20 points)

The following are the rules relating to the take-home exam.

1. The take-home exam must be returned by 4:00 pm on Wednesday, December 16, 2015. Please bring to my office on that day between 1:00 pm and 4:00 pm. If you wish to hand in early you may place in my mailbox in Sellinger Room 318 or give to me in my office (Room 218D).
2. NO late exams will be accepted and an **exam sent by e-mail will NOT be accepted.**
3. You may not discuss the exam in any way with anyone until the exam period is over.
5. It is required that the exam be typed and preferable in a font size of 12 point. Single or 1.5 spacing is fine. Please make it easily readable.
6. Any violation of the rules regarding consultation with others will be considered honor code violations. In addition, violation of rules regarding consultation, length or lateness will lead to assessment of penalties in grading (regardless of whether honor code action is taken).

Part 1 (6 Points). *Answer the following question based on the article (link also provided) in a MINIMUM of 700 words. Please be specific and don't just copy and paste answers. Write well-thought out responses.*

Question: What do you perceive to be the biggest obstacles to the creation of this economic community? Give specific examples.

<http://www.todayonline.com/world/south-east-asia-creates-economic-community-challenges-remain?page=1>

SE Asia Creates Economic Community, but Challenges Remain

By THE ASSOCIATED PRESS NOV. 22, 2015, 4:21 A.M. E.S.T.

KUALA LUMPUR, Malaysia — Thirteen years after mooted the idea, Southeast Asian leaders on Sunday formally created a unified economic community in a region more populous and diverse than both the European Union and North America, and one that hopes to compete with China and India.

The 10 leaders in the Association of Southeast Asian Nations signed a declaration during their summit establishing the ASEAN Economic Community, as part of a larger ASEAN Community that aims for political, security, cultural and social integration.

The summit's host, Prime Minister Najib Razak of Malaysia, hailed the ASEAN Community as a "landmark achievement," and urged members to accelerate integration. "The region is primed to expand exponentially," he said.

The community, known by its acronym AEC, is already a reality and many of its fundamentals have been applied in the region, including the removal of tariff barriers and visa restrictions. It has also led to greater political and cultural cooperation.

AEC will bolster income and employment, and provide the region with stronger economic muscle in facing the other giants, said Michael G. Plummer, a professor of international economics at the Europe Center of Johns Hopkins University, based in Bologna, Italy.

"ASEAN integration will help balance the economic power of China and India," Plummer said. "Individually, ASEAN countries are, perhaps, too small to be important players in the economic and security game, but as an integrated group of more than half a billion people, they would be in the major league."

But there is a long way to go before the AEC becomes fully functional after becoming a legal entity on Dec. 31. The region's diversity can sometimes be a hindrance. ASEAN has 630 million people, speaking different languages, following various faiths and governed by various systems, including rambunctious democracies, a military dictatorship, quasi-civilian, authoritarian, monarchy and communism.

"The AEC is arguably the most ambitious economic integration program in the developing world," Plummer said. "But implementation of the AEC is increasingly uphill. Much remains to be done and the region faces many challenges in finishing. The AEC is a process."

It falls short in more politically sensitive areas such as opening up agriculture, steel, auto production and other protected sectors. ASEAN citizens will be allowed to work in other countries in the region, but will be limited to jobs in eight sectors, including engineering, accountancy and tourism. This accounts for only 1.5 percent of the total jobs in the region, and host countries still can put up constitutional and regulatory hurdles restricting the inflow of talent.

Intra-regional trade has remained at around 24 percent of ASEAN's total global trade for the last decade, far lower than 60 percent in the European Union.

ASEAN members also struggle to resolve diplomatic flare-ups among each other such as border disputes between Cambodia and Vietnam, or Indonesia's inability to fight annual forest fires that spew noxious haze for months over Malaysia, Singapore and Thailand.

Plummer said progress has been slow in services liberalization. Cross-border flow of investment is also restricted by large exclusion lists and caps on foreign ownership. Government procurement and curbing monopolies by state-owned enterprises are highly sensitive and untouched, he said.

Although the four poorer economies — Cambodia, Laos, Myanmar and Vietnam — have until 2018 to bring down tariffs, economic integration could further reinforce income equalities in the region, he said.

AEC "is not the finished article. Neither is it officially claimed to be. There is much work to be done," said Mohamad Munir Abdul Majid, chairman of a council that advises ASEAN on business matters. "There is a disparity between what is officially recorded as having been achieved ... and what the private sector reports as their experience."

There are also other hurdles, such as corruption, uneven infrastructure and unequal costs of transportation and shipping. A wide economic gulf divides Southeast Asia's rich and middle

income economies — Malaysia, Indonesia, Singapore, Brunei, Thailand and the Philippines — and its four less developed members, Communist Vietnam and Laos, Myanmar and Cambodia.

The AEC was envisaged in 2002 — and a blueprint created in 2007 — to face competition from China and India for market share and investments. While China's economic growth is expected to slow to an average of 6 percent annually over the next five years, India's expansion is likely to pick up to 7.3 percent in the same period, according to the Organization of Economic Cooperation and Development.

The AEC is one of the three pillars of the ASEAN Community, which was created by the signing of the declaration Sunday. The other two pillars are political-security and socio-cultural.

After the ASEAN summit, the 10 leaders huddled with heads of state from four other Asian countries as well as President Barack Obama, Russian Prime Minister Dimitri Medvedev, Australian Prime Minister Malcolm Turnbull and New Zealand Prime Minister John Key for a two-hour East Asia Summit.

They were expected to discuss wider issues, including terrorism.

Part 2 (6 Points). Read the article below (also found at link below) and write a MINIMUM of 700 words in a reaction paper to this article.

The Moral Case Against the TPP

<http://fpif.org/the-moral-case-against-the-tpp/>

The TPP doesn't just put jobs at risk. It rewrites the rules of business for big corporations — just ask Pope Francis.

By [Manuel Perez-Rocha](#), October 9, 2015.

This commentary is a joint publication of [Foreign Policy In Focus](#) and [TheNation.com](#).

Pope Francis [waxed radical](#) on a number of big issues during his recent speech to the U.S. Congress, where he condemned the arms trade, war profiteering, and even the war on terror itself.

But despite the Vatican's previous critical statements about free trade agreements, the Pope chose not to confront Obama's trade agenda in his own backyard.

I wish he had. On October 5, just weeks after Francis' historic visit, the United States and 11 other countries announced that they'd reached an "agreement in principle" on the Trans-Pacific Partnership — a huge "free trade" pact that would set investor-friendly rules in countries making up 40 percent of the world's GDP, many of them at the expense of crucial labor and environmental protections.

Would strong words from Pope Francis have prevented this rush to complete the pact? Probably not. But his moral authority would've given U.S. lawmakers something to think about as they move towards voting on the deal in early 2016.

Naming the Beast

When the pope visited Bolivia last July, he delivered [an unmistakable invective](#) against exploitative economic policies at the World Meeting of Popular Movements.

“Neocolonialism,” Francis said — a term he used 7 times in that speech — “takes on different faces,” including “some treaties named as ‘free trade’ and the imposition of ‘austerity’ measures that always tighten the belts of the workers and the poor.”

Other Vatican officials have spoken out directly against the TPP.

Archbishop Silvano M. Tomasi, the permanent observer of the Holy See in Geneva, has [warned the World Trade Organization](#) against “mega-regional trade agreements such as the Transatlantic Trade and Investment Partnership, or the Trans-Pacific Partnership.”

Tomasi called these pacts “asymmetric” and noted that “among the most damaging concessions developing countries make in regional and bilateral agreements are those enhancing the monopolies on life-saving medicines, which reduce access and affordability, and those that provide excessive legal rights to foreign investors, limiting the policy space for nations to promote sustainable and inclusive development.”

Until they release the TPP text, which (aside from [what’s been leaked by WikiLeaks](#)) has been kept secret from the public and even the parliaments of countries involved in the negotiations, we won’t know for certain what’s in it or how exactly the TPP will affect citizens. But there’s strong reason to assume that the deal will reflect everything the Vatican warned about.

Checking the Fine Print

Following the conclusion of negotiations, the U.S. Trade Representative — the office responsible for negotiating the U.S. position in the deal — quickly produced a [“summary of the TPP”](#) to try to convince Congress and the public of its virtues. And indeed, there are some nice-sounding words in the summary about development and sustainability.

But a key question is which parts of the deal will be legally binding for all parties and which will be merely voluntary. For example, the summary provides a description of the “Development Chapter,” which will be presented as an innovation in these types of agreements. It lists “three specific areas to be considered for collaborative work once TPP enters into force.”

And they’re hard to disagree with. They include:

“(1) broad-based economic growth, including sustainable development, poverty reduction, and promotion of small businesses; (2) women and economic growth, including helping women build capacity and skill, enhancing women’s access to markets, obtaining technology

and financing, establishing women’s leadership networks, and identifying best practices in workplace flexibility; and (3) education, science and technology, research, and innovation.”

The fine print, however, makes clear that the committee established to promote these priorities focuses only on “voluntary cooperative work in these areas and new opportunities as they arise.” That’s hardly an impressive commitment.

Stacking the Deck

These voluntary developmental objectives contrast sharply with the enforceable protections transnational corporations would receive, including “the basic investment protections found in other investment-related agreements.”

Those standards are exactly what made past “free-trade” agreements so exploitative.

According to the U.S. summary, parties will essentially be required to treat transnational corporations the same as local companies, despite the asymmetries between the two. The deal bans “performance requirements” that could require the local sourcing of labor or technology, and restricts capital controls that could ensure investments promote development in the countries where they’re made. The agreement will also “prohibit the expropriation of corporate resources that are not for public purposes” — a provision which, under other agreements, has led corporations to characterize environmental protections and other regulations as “expropriation.”

In simpler words, as the pope said in Bolivia, rules like these ensure that “transnational companies are becoming stronger to the point that local economies are subordinated, especially weakening the local states, which seem ever more powerless to carry out development projects in the service of their populations.”

Rewriting the Rules

These corporate protections are enforced by an obscure process called the “investor-state dispute settlement system,” which has allowed major corporations to sue scores of countries in little-known World Bank tribunals for millions and even billions of dollars.

This system thwarts the ability of governments to regulate in the public interest — including on health, safety, and environmental protection, although the U.S. summary of the TPP claims the contrary — by allowing corporations to claim damages for public interest regulations that they claim impact their profits.

Take [the El Salvador case](#) that’s been in the World Bank court’s dock for six years. The small country was sued by the multinational Pacific Rim-Oceana Gold company for \$300 million simply for protecting its primary watershed from poisonous gold mining. That’s just one of scores of cases stemming from the U.S.-led DR-CAFTA deal, which has chilled the regulatory environment

Canada and Mexico, meanwhile, have lost many regulatory cases under [NAFTA’s investment rules](#).

The TPP must be stopped — not simply because it could put jobs on the line. It needs to be stopped because it rewrites all the rules in favor of big corporations, allowing them to circumvent regulations for the public good — even as its backers claim they’re doing the opposite.

The pope knows it. Obama must know it. Even Hillary Clinton, if you can believe it, [says she knows it now](#). And if the texts are ever released, we’ll know it for sure, too. No wonder there’s a growing global backlash to this unjust system.

It’s a pity the pope didn’t try to talk some sense into U.S. policymakers on the issue of trade. But it’s not too late for him and others to make the moral case against the Trans-Pacific Partnership.

Manuel Perez-Rocha is an associate fellow at the Institute for Policy Studies.

Part 3 (8 points total) – Shorter Questions

1. (3 points). Write a 250 word comment on the cartoon below. Give some examples.



2. (3 points) We all know how much everyone enjoyed the presentations and they provided a great deal of information and surely piqued your curiosity about many of the issues.

For this question, choose one presentation that you found particularly interesting (other than your own) and:

a) Briefly summarize the problem and solutions offered (100 words).

b) Comment on the feasibility of the solutions offered and offer some solutions of your own. (MINIMUM 250 words)

3. (2 points). Assume that China is more aggressive in asserting its claims to the islands in the South China Sea? What do you believe would be the effect of such a policy? Justify your answer. (MINIMUM 300 words).

4. (1 points). Do you think what you learned in this course will be useful for you in the future or will you forget everything as soon as the class is over? Why or why not?