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APEC Study Centers Consortium 2011: Promoting Academic Dialogue Among the APEC Economies

by Vinod K. Aggarwal, Director, BASC
Richard Feinberg, Director, UC-San Diego APEC Study Center

The annual APEC Study Centers Consortium (ASCC) conference convened on September 22-23, 2011, in San Francisco, California, with Vinod Aggarwal of the Berkeley APEC Study Center and Richard Feinberg of the UC San Diego APEC Study Center co-chairing the conference. Within the context of the Senior Officials Meeting (SOM) III, the ASCC 2011 conference brought together scholars from 19 of the 21 APEC member economies as well as scholars from Colombia and Brazil.

Of the approximately 75 scholars who attended the conference, 29 presented papers on three core themes of APEC's agenda for 2011: green growth, regulatory convergence, and trade and regional economic integration. Eight panels discussed the papers, after which an open discussion followed. At a final session, the co-chairs offered a "sense of the meeting" (not claiming a full consensus with every point) with regard to the three themes, which was accepted by the participants. They then presented their conclusions and policy recommendations to the SOM III as a formal agenda item. This exchange between ASCC and APEC senior officials fulfills a

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Photo of San Francisco from Wikipedia.

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APEC Update | Green Growth and Empowerment

*by Andrew Boyce
BASC Research Assistant*

As the global economy moves forward out of the 2008 financial crisis, APEC has emerged as an increasingly essential ingredient and somewhat of a bright spot for stability and growth in a fragile world market. APEC continues to push forward the trend it set in 2010: moving away from the conservative agenda of "growth as usual" by emphasizing fields that include environmental issues and female empowerment. This effort has been spearheaded by the United States which this year hosted APEC for the first time since 1993.

At the three APEC meetings held this year, member nations considered means by which to achieve their ultimate aim of creating a seamless regional economy in the context of three principal priorities: strengthening regional economic integration and expanding trade and investment; encouraging green growth; and advancing regulatory cooperation and convergence to reduce barriers to intra-regional business. APEC has agreed to pursue these priorities while placing particular emphasis on small and emerging businesses.

APEC also threw its weight behind the global call to address climate change. The Asia-Pacific region accounts for roughly 40% of the world's population and 55% of global GDP. Hence, an endorsement from APEC is essential to any such action. At the Senior Officials Meeting (SOM) III in San Francisco, APEC officials brought "green growth" to the forefront of the agenda, discussing ways in which APEC can encourage "environmentally sustainable growth" as well as spur increased trade of environmental goods and services.

Female empowerment is another issue that has been steadily gaining traction in the international arena, and APEC is no stranger to this trend. In mid-September APEC hosted the High Level Policy Dialogue on Women and the Economy, chaired by U.S. Secretary of State Hillary Clinton. In 2010 APEC leaders emphasized the fact that women have great untapped potential to contribute to and positively affect economic development in the Asia-Pacific region. This year, conclusions from preliminary meetings have gone one step further, pressuring APEC leaders to include women's economic empowerment as a 'core component' of their Growth Strategy. The key areas earmarked for improvement were women's access to capital, markets, education and training, employment, technological innovations and healthcare. Other priorities were fostering entrepreneurship and working towards ensuring greater leadership roles for women in businesses and government. To these ends, APEC established the Policy Partnership on Women and the Economy (PPWE), which aims to structure and promote these aims.

The APEC leaders summit in November represented a constructive culmination to a year in which the Asia

Pacific economy has drawn more of the spotlight than ever before. The Trans-Pacific Partnership (TPP), a US-led initiative for a multilateral free trade agreement, gathered steam when leaders of the nine negotiating countries agreed on a framework that they aim to implement within the next twelve months. Meanwhile, Japan, Canada and Mexico expressed their desire to be included in the negotiations, demonstrating the popularity of the TPP and dismissing the skepticism that has often marred previous attempts at establishing similar agreements. The addition of Japan could prove to be particularly significant. With its inclusion, the proposed economic pact would cover a market 40 percent larger than the 27-nation European Union.



President Obama at the 2011 APEC meeting.
Photo from Wikipedia.

Despite all the positive progress, it was not all smooth sailing. Differences between regional superpowers the US and China were certainly brought to light, although none of their disputes created any fresh ground for disagreement in an already delicate relationship. President Obama expressed his displeasure with China's currency policy and increased military experimentation. His counterpart, Hu Jintao, returned the favour by expressing veiled discontent with enthusiasm for the TPP, seen by some as a measure to assert ailing US influence in the region and counterbalance the power of a fast-rising China.

As the prominence of the Asia Pacific region continues to grow, so to does APEC become more and more significant on the global stage. The level of collaboration and sincerity demonstrated at this year's Leaders Summit, particularly in context of a Eurozone crisis and fiercely competing interests in a flourishing region, is a testament to that.

Director's Notes

Dear Readers,

Thank you for your interest in the work of the Berkeley APEC Study Center (BASC). The BASC staff works hard to keep you informed about current developments in APEC and in trade and politics in the Asia-Pacific more generally. We hope you find this newsletter (as well as our blog, website and scholarly publications) informative. In this issue of the newsletter, we bring you articles that are as geographically and topically varied as the Asia-Pacific region itself.

Two articles focus on the US-China relationship. In "The Undervalued Renminbi: Shaping the Trajectory of Sino-American Relations," Daniel Chen describes the pitfalls for policymakers of focusing too much attention on the Chinese currency issue, and argues that recent legislation to address this issue may do more harm than good. A. M. Newhall draws attention to the damaging rhetoric sometimes used in the American media to describe the "China threat," suggesting that this combative language may actually call such a threat into being.

Viola Tang also focuses on US-Asia ties with a discussion of the KORUS free trade agreement. Despite the recent ratification of KORUS, Tang argues that the debate over it points to a continuing divide on trade issues between different domestic interests within the US. It also highlights the lack of a coherent, long-term strategy with regard to the changing role of the US in Asia.

Do-Hee Jeong discusses South Korean economic integration from another viewpoint, examining the success of the "Korean Wave" in revitalizing the South Korean culture industry and promoting South Korean media abroad. According to Jeong, rather than responding to pressure for economic integration with "cultural protectionism," countries can actually use the competition that results from greater economic integration to make their culture industries more vibrant.

Looking elsewhere in East Asia, Michelle Tan describes the politics of nuclear power in Japan in the wake of the Fukushima Daiichi disaster. She provides a detailed analysis of the social, political and economic cleavages that have emerged over reliance on nuclear energy in the wake of the March 2011 earthquake.

In the book review section, Cindy Li describes the newest edited volume from BASC, *Responding to a Resurgent Russia: Russian Policy and Responses from the European Union and the United States*, published by Springer and currently available from amazon.com. The volume contains papers presented at a BASC conference in April 2009. The conference was part of a two-year project examining the rise of China, India and Russia and how these changes in the international landscape affect the EU-US relationship.

The APEC Update, written by Andrew Boyce, describes the APEC agenda under US leadership. You can also read more about the three pillars of the APEC 2011 agenda—green growth, regulatory efficiency, and economic integration—in the newsletter's opening essay. The essay describes the recent APEC Study Centers Consortium (ASCC) conference, of which Richard Feinberg (UCSD) and I were co-chairs.

The Berkeley APEC Study Center is grateful for support from the Korea Foundation, the Center for Global Partnership of the Japan Foundation, and numerous sources of support at UC-Berkeley, including the EU Center for Excellence, the Institute for East Asian Studies, the Center for Chinese Studies, the Institute of European Studies, the Institute of International Studies, the *California Management Review*, and the Clausen Center for International Business and Policy. We are also deeply grateful for the sustained support of the Ron and Stacy Gutfleish Foundation.

Vinod K. Aggarwal
Director, BASC

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goal of the study centers: to provide a bridge between the academic community and government officials and to have some of the region's best policy research enrich the APEC agenda.

At ASCC 2011, scholars had an opportunity to hear from Ambassador Muhamad Noor, Executive Director of the APEC Secretariat, Senior Official Kurt Tong of the United States, and Senior Official Roberto Zapata of Mexico.

The rest of this section summarizes the major findings and recommendations of the ASCC2011 conference and introduces nine of the essays presented at the conference. All of the conference papers can be downloaded at <http://www.ascc2011.org>.

SUMMARY OF ASCC 2011 FINDINGS AND RECOMMENDATIONS

APEC Institutional Strengthening

ASCC members were pleased at the recent institutional strengthening of APEC, including the multi-year appointment of an Executive Director and creation of the Policy Support Unit (PSU), which is already doing admirable work. The members recommended that the PSU be made permanent and given a firm financial underpinning. The ASCC also called for close collaboration between APEC Study Centers and the PSU. PSU director Denis Hew addressed the ASCC and welcomed the ASCC's expression of interest in collaboration.

The ASCC 2011 agenda concentrated on three key pillars of APEC 2011, with a focus on practical measures and "getting stuff done."

Pillar 1: Trade and Regional Economic Integration

The ASCC expressed support for the fact that many free trade agreements (FTAs) are now deeper and trans-regional (e.g., ASEAN+, and Asia-Latin America). Under some circumstances they can be building blocks of region-wide and global freer trade and liberalization, if they continue to be negotiated to high standards. Some participants expressed concern that the transparency of FTA drafts and of completed agreements was sometimes insufficient, and might create distrust and suspicion. Thus, it would be helpful if APEC made Individual Action Plans (IAPs) and peer reviews more effective regarding FTAs and sought convergence among FTAs toward high standards. To do this, participants suggested that APEC assess FTAs (drafts and completed agreements) for consistency with APEC model measure standards and that the ASCC could play a role in assessing IAPs and FTAs together with other groups.

Pillar 2: Green Growth

The ASCC supports green growth as an APEC pillar. Participants suggested that ECOTECH should put more resources into green growth initiatives and that nondiscriminatory and transparent government procurement should be employed to advance green growth goals. ASCC also suggested that APEC provide support for research and development in science and technology, especially among small and medium-sized enterprises in developing economies. It called for collaboration between APEC and other forums in pursuing green growth, and recommended that members share "best practice" case studies. The APEC Study Centers can assist by preparing independent, credible case studies. With respect to green growth, participants argued that green protectionism that

has no scientific basis must be avoided.

Pillar 3: Regulatory Convergence

The participants found that while various international rankings are useful in affording pro-reform officials political and technical clout, rankings need to be disaggregated with care. In particular, ASCC argued that there is a role for independent analysts to assess and clarify methodologies. Moreover, success in regulatory reform and convergence toward high international standards depends on (1) leadership from the top, (2) internal coordination among ministries, and (3) strong external coordination.

THE ESSAYS

Nine of the best papers presented at the ASCC conference were published and circulated to APEC Senior Officials and are available at <http://www.ascc2011.org>. These exemplary essays highlight some of the key points of discussion within the conference's three primary areas of focus: green growth, regulatory efficiency, and regional economic integration. In regards to green growth, I-Chun Hsiao and Jerry I-H Hsiao argue that APEC has been ineffective at fostering sustainable development because of poor coordination among APEC economies and lack of political will. The authors advocate a new approach that balances APEC's traditional emphasis on trade liberalization with new attention to environmental protection and social equity. And they recommend policies designed to encourage green growth in APEC. In a second paper, Yumiko Okamoto also examines the changing patterns of innovation in the Asia-Pacific region, noting that "there is much less evidence of new innovation capacity in the Asia-Pacific region than is sometimes claimed," that increases in innovation are limited to a small number of countries, and that the gap between these "fast learners" and the rest of the region is growing.

The volume turns next to regulatory efficiency, featuring two papers on Chinese Taipei's achievements in this area. Eric Yi-Hung Chiou presents a case study of Chinese Taipei's progress in terms of the ease of doing business, and argues that Chinese Taipei's rapid improvements in this area can be attributed to three factors: strong, high-level political support for regulatory reform; a well-organized internal coordinating body (the Council for Economic Planning and Development); and close cooperation with and learning from the best practices of other APEC economies. The second paper likewise points to the important role of APEC as a platform for disseminating best practices to member economies. Christina Ko-Hsin Yang and her coauthors describe a new set of indicators developed to assess Chinese Taipei's progress in developing rule of law, transparency, and other components of good governance, and argue that these indicators could be put to good use by other APEC economies as well.

The remaining five papers address trade and economic integration. Sri Adiningsih and her coauthors argue that since financial market instability can trigger financial crises, it is vital to work toward greater financial integration of APEC economies as a means of ensuring financial market stability. The paper's recommendations include financial market reforms; an improved regulatory framework to enable supervision of short-term capital flows; deposit insurance for investors; and an early

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warning system in the region. Artyom Lukin describes the development of multilateral ties in East Asia as a “game on two chessboards.” He argues that APEC may be a good forum for integrating Russia and the United States into a region that is increasingly dominated by China, and points to the simultaneous development of two distinct tiers of multilateral integration in the region: security cooperation within a “Northeast Asian concert” involving the countries involved in the Six-Party Talks, and economic integration driven by trilateral cooperation between China, Japan, and South Korea.

Ippei Yamazawa describes changes in the Individual Action Plan (IAP) peer review process, and explains how IAPs have enabled progress toward the Bogor Goals. He further argues that APEC must play an “incubator role,” facilitating progress on binding regional trade agreements while itself remaining nonbinding and voluntary. Cai Penghong argues that lack of transparency

and the exclusion of certain countries, including China, from the Trans-Pacific Partnership (TPP) are problematic, and emphasizes the importance of including China in regional integration efforts. Finally, Robert Scollay traces the differing avenues toward regional economic integration in the Asia-Pacific. He analytically examines prospects for deeper ASEAN integration, the ASEAN plus 3 effort to create an East Asian Free Trade Agreement, and the Comprehensive Economic Partnership for East Asia (CEPEA) initiative of the ASEAN plus 6 group. He links these efforts to the TPP and APEC efforts to move toward a Free Trade Area of the Asia Pacific.

BASC Projects | The Asia-Pacific Meets the West

by Sara Newland
BASC Project Director

Another busy year at BASC is coming to a close. As we wrap up some of the projects that have occupied the Center this year, we are excited to tell you about our ongoing work and about the new projects we are planning for 2012.

In March 2011, BASC organized a conference that brought together Chinese, European and American scholars to present research on “China Rising: US and EU Responses to a Changing World Order.” The conference was generously funded by the EU Center of Excellence, the Center for Chinese Studies, the Institute for East Asian Studies, the Clausen Center, the *California Management Review*, and the Berkeley APEC Study Center. The conference included a well-attended public roundtable at the Institute of East Asian Studies, at which David Kang (USC), Sun Jisheng (China Foreign Affairs University) and Oystein Tunsjo (Norwegian Institute of Defense Studies) spoke with the audience about the rise of China and its implications for the West.

The conference represented the culmination of a three-year project, “The Transatlantic Relationship in a Post-

Transatlantic World,” which examined the impact of the rise of India and China and the resurgence of Russia on the transatlantic relationship and on the liberal institutional order established by the traditional Western powers. Springer has just published the papers from the Russia conference in a conference volume, *Responding to a Resurgent Russia: Russian Policy and Responses from the European Union and the United States*, which is available for purchase through Amazon and other booksellers.

In August 2011, BASC organized a follow-up conference as part of an ongoing project, “Linking Trade, Traditional Security, and Human Security: Lessons from Europe and the Americas and Implications for Asia.” The conference was funded by the Japan Foundation’s Center for Global Partnership and the Korea Foundation. It brought together the same scholars who participated in the December 2010 trade-security conference described in last year’s newsletter, along with a set of senior Japanese and American scholars who serve as advisors to the project, for two days of presentations and discussions at the East-West Center in Honolulu. The authors are currently in the process of revising their papers for publication, and during 2012 BASC staff will be busy preparing the final

book manuscript.

This year has been an especially busy one at BASC because the U.S. currently holds the APEC Chairmanship. BASC interns closely followed the developments at the recent APEC meeting in Honolulu, and BASC Director Vinod Aggarwal was interviewed by Reuters about APEC’s agenda under U.S. leadership. To watch the interview, please visit <http://basc.berkeley.edu>. Furthermore, this year’s APEC Study Centers Consortium (ASCC) meeting, which ran concurrently with the APEC Senior Officials Meeting in San Francisco in September, was co-chaired by BASC Director Vinod Aggarwal and Richard Feinberg, Director of the UC-San Diego APEC Study Center. You can read more about the ASCC meeting in the opening article in this newsletter.

Currently, BASC staff members are undertaking research on industrial policy and the Trans-Pacific Partnership, among other topics. The center currently has seven undergraduate interns, who blog about economic and political developments in the Asia-Pacific region at http://basc.berkeley.edu/?page_id=254. We hope you will find their work informative!

Responding to a Resurgent Russia

Vinod K. Aggarwal and Kristi E. Govella, eds. *Responding to a Resurgent Russia: Russian Policy and Responses from the European Union and the United States*. New York: Springer, 2011.

by Cindy Li
BASC Research Assistant

With a set of large and increasingly wealthy countries on the cusp of achieving great-power status, the global political landscape is shifting drastically. For the first time in a century, the international order previously defined by the United States and Europe is being challenged. One particularly significant change is the re-emergence of Russia. Its lack of integration with the rest of the world poses challenges to the current power system. The question remains: will the developed world respond with protectionism or accommodation in response to Russia's return?

A new book edited by Vinod Aggarwal and Kristi Govella tackles this question, and evaluates the viability of the current international economic and political order in the face of a resurging Russia. This new volume offers a fresh take on the changes in the international order that may spring from Russia's rise by tackling the issue from multiple perspectives, analyzing the situation from Russia's point of view as well as those of the US and the EU. The authors featured in this volume take a comprehensive approach towards the issue and identify key changes that need to take place for Russia to successfully reintegrate into the current world order, looking at responses from the US and the EU and Russian foreign policy. The work also provides an evaluation of the rise of Russia in the context of larger global issues such as the financial crisis and climate change.

Aggarwal and Govella provide a foundational framework for analyzing Russia's rise, giving readers an overview of Russia's domestic and foreign policy in the post-Cold War period. The two authors give a detailed examination of Russia's turbulent political and economic reforms of the 1990s, the factors behind Russia's rise in the 2000s, the recent global recession, and Russia's current approach to foreign policy.

Mikhail Rykhtik begins the first section of the book which examines "how Russia sees the world." He delves into an analysis of what he considers to be the four pillars of Russian power: geography, the socio-political system, natural resources, and nuclear weapons. He then proceeds to discuss differences in the understandings of the word "security" between Russia and the West. Rykhtik argues that these misunderstandings have prevented better integration between Russia and the West. The chapter ends with an outline of the regional priorities of Russian foreign policy.

Andrei Tsygankov looks specifically at US-Russian relations, reflecting on the causes underlying the lack of cooperation between the US and Russia and recommend-

ing possible ways to move forward. He argues that the US needs to reengage Russia but emphasizes that doing so requires the US to embrace a stance that is more respectful of Russian interests.

The second section of the book focuses on Russia's place in the international political economy. Christopher Granville argues that the trade and capital flows associated with Russia's decade of domestic demand-driven growth make a positive contribution to the international economy, in the sense of contributing to global demand in a way that moderates economic imbalances. Russia's integration with the world economy has helped to mitigate the deterioration of the country's political relations with the EU and the US.

Theocharis Grigoriadis analyzes the political economy of nuclear power regulation in Russia and its implications for Russian foreign policy and domestic economic policy. He shows that nuclear power contracts have played a pivotal role in providing innovation incentives necessary to facilitate sustainable development, contributing to social distribution, and consolidating Russian political influence with key economic powers. Moreover, the centralized nature of nuclear power regulations allows the Russian government to pursue nuclear alliances based exclusively on its material interests, without the interference of domestic or global regulatory norms.

The third section of this book looks at the flip side of relations with Russia, tackling issues from European and American perspectives. Pavel Baev begins by addressing the economic and security dimensions of the complex Russian-European relationship, commenting on Russia's preference for dealing with only the most powerful EU states and the complications presented by the accession of eight East European states to the EU in 2004. He proceeds to examine the balance of energy trade and economic ties between Russia and Europe and also assesses the security agenda with specific attention to the post-war landscape on the Caucasian front.

Robert Legvold discusses the challenges of the US-Russia relationship, describing the general failure of past US administrations to fully understand the stakes involved in maintaining healthy relations with Russia and to have a clear strategic vision for future cooperation, as well as examining the Obama administration's multidimensional and multilevel approach to US-Russian relations. Aggarwal and Govella conclude the volume with an analysis of Russia's changing involvement with international institutions and its relations with the West. The two authors also evaluate Russia's partnerships with other rising powers, and from them pinpoint the alternative international order that Russia may be trying to promote.

Through the in-depth analysis of the factors behind

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Russia's resurgence and the challenges it poses, the authors provide a much broader perspective on the future of international relations and the new political paradigm. As the West steps down from its previous role as the economic and political authority, the former approach to international order will become obsolete. It is evident that all actors need to reevaluate their approach towards cooperation and assimilating Russia into the international community. The authors bridge the void of previous studies by addressing the issue from the Russian and Western perspectives, offering a fresh take on the complexity of the situation and shedding light on what is at stake for both sides. This new publication serves as a pioneering guidebook towards a better understanding of the monumental changes taking place in the global political landscape.

Vladimir Putin's recent announcement of his intention to run for president, his loss of public support in the wake of troubled parliamentary elections, and Russia's admission to the WTO in December 2011 will likely open a new chapter in Russia's relationship with the West. This book provides an exceptional framework for evaluating the impending changes, but new issues will certainly arise as Russia welcomes back President Putin and further integrates itself economically through the WTO. Under Putin's leadership, the question of whether Russia will choose to incorporate itself into Western systems or instead build its own with the developing world is more uncertain. As Russia continues on the path towards reclaiming great power status, the need for Western countries to adapt their approach to Russian relations to the rapidly evolving situation becomes ever more urgent.

KORUS: Time for a New U.S. Strategy in the Asia-Pacific?

*by Viola Tang
BASC Research Assistant*

After years of political stalemate and negotiations, the U.S. Congress approved three free trade agreements with South Korea, Colombia and Panama on October 13, 2011. Though lauded by supporters as the "biggest opening of markets for American companies in almost two decades," the timely passage of the agreements amid rising tensions between the U.S. and China calls into question the U.S.'s strategic plan for trade and security.^[1]

KORUS, the biggest free trade agreement signed by the U.S. since NAFTA in 1994, represents a potential \$10.9 billion immediate boost in U.S. exports in the first year of implementation. The agreement removes tariffs on more than 95% of industrial and consumer exports within five years, and supporters argue that it will prevent the loss of 380,000 jobs.^[2] However, the FTA with South Korea highlights the key policymaking issues that have led to multiple market disappointments in recent years. These issues include antagonistic domestic interests, foreign policy costs, and a lack of vision for U.S. involvement in Asia.

Despite years of discussions, there remains a large rift between supporters and opponents of KORUS. Corporations such as Ace Ltd., Citigroup Inc. and Pfizer Inc. led the case for KORUS.^[3] Consequently, key industries that stand to gain from the agreement include U.S. chemical, automobile, medical device and drug companies, as well as meat, dairy, vegetable, fruits and nuts producers. Banks and communications companies would also benefit from reduced regulatory barriers.^[4] However, the deal was harshly opposed by labor unions such as the AFL-CIO, which claimed that 159,000 jobs would be lost to overseas competition. Conflicting interests within industries such as agriculture and textile that stand to benefit from the agreement also remain to be resolved.

Furthermore, the process of KORUS negotiations contains a number of implicit foreign policy costs for the U.S. The long delay in passing the agreement has "dampened the enthusiasm



President Obama edits a speech announcing the KORUS FTA.
Photo from Wikipedia.

of foreign governments for talks with America."^[5] This increases the difficulty for Washington of deepening ties with other countries via trade links—one of its traditional foreign policy tools. The narrow focus on South Korea also sends mixed signals to other economies in Asia Pacific. "Japanese companies will be put in a further disadvantageous position compared with South Korean competitors in the U.S.," explains Yoichi Kaneko, a ruling Democratic Party of Japan lawmaker.^[6] A clear foreign policy cost is a web of intra-regional trade agreements in Asia Pacific without the U.S.; the Council on Foreign Relations has already published that "Asian countries have concluded or are negotiating nearly 300 trade deals – none of which include America."

Finally, KORUS brings to light the U.S.'s lack of leadership and strategic planning for its involvement in the Pacific Rim. As Washington struggles with domestic political gridlock, fiscal difficulties, and its defense and foreign aid involvements,

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Asian countries foresee a disengaged America in the region relative to a rising China. While the U.S. has achieved sizeable agreement with South Korea, the lack of a coherent vision for the region and the continued gridlock on pending agreements such as the TPP, represent a stark contrast to China's aggressive promotion in the region. Re-evaluating America's footprint in the region would restore a balance of national security and economic interests, thus engaging Asia's rising state in a new game.

[1] Eric Martin and William McQuillen. "South Korea, Colombia, Panama Trade Accords Clear U.S. Congress," *Bloomberg*, October 14th 2011.

[2] Eric Martin and William McQuillen. "Congress Approves Biggest U.S. Trade Agreement Since 1994," *Bloomberg*, October 13th 2011.

[3] Ibid.

[4] Ibid.

[5] Richard Fontaine. "America's Not-So-Strategic Trade Policy in Asia," *The Wall Street Journal*, October 26th 2011.

[6] Eric Martin and William McQuillen. October 13th 2011.

Whither Nuclear Japan?



Anti-nuclear protests are now common in Japan.
Photograph from Flickr Creative Commons.

by Michelle Tan
BASC Research Assistant

On 11 March 2011, Japan experienced the magnitude 9.0 Tōhoku earthquake, the most powerful known earthquake ever to have hit Japan. It triggered powerful tsunami waves, which knocked out cooling systems and backups, thus causing meltdowns at three reactors in the Fukushima Daiichi Nuclear Power Plant. The Japanese nuclear regulator, the Nuclear and Industrial Safety Agency, estimates that 770,000 terabecquerels of radiation escaped into the atmosphere following the disaster,^[1] which is the world's worst nuclear accident since Chernobyl in 1986.^[2] Currently, close to two million people in Fukushima are living in areas where the annual radiation dose exceeds the one millisievert per year safety target set by the government, and it is unclear how radiation has entered the food supply and into unborn babies. Therefore, anxiety about the long-term health effects of the disaster remains high among the general population in Japan.^[3] In the aftermath of Fukushima, Japan's future nuclear policy still remains in doubt and will largely be a product of interactions between weak politicians, the powerful nuclear industry, and an anti-nuclear population that is tired of government cover-ups.

In July, then-Prime Minister Naoto Kan pushed for the com-

plete elimination of Japan's dependence on nuclear energy, to much support from the public. "We will aim to bring about a society that can exist without nuclear power," he said. Kan called for the scrapping of a plan to increase Japan's use of nuclear power to 53% by 2030, up from the pre-quake level of approximately 30%. He also took a stand against the government's long-peddled slogan about the safety of nuclear power, which allowed for the construction of 54 reactors over four decades.^[4] A poll by Japan's Kyodo News Agency showed that 75% of respondents favored Kan's plan to phase out nuclear power.^[5] However, Kan resigned from office in August 2011, despite having won widespread popular support for his plan to phase out nuclear power. He had been severely criticized for his early handling of the nuclear accident and the slow pace of reconstruction efforts.

Kan's successor, Prime Minister Yoshihiko Noda, is much more amenable to the idea of continuing to use nuclear power, and this has left Japan's future nuclear policy in doubt. In his first days in office, he started to deliver the message that nuclear power is needed for the economy and Japan's post-crisis recovery. An energy white paper approved by the Japanese Cabinet at the end of October seeks to restart idled nuclear reactors once their safety is ensured. However, at the same time, Noda's approval rating dropped to 55% in a Yomiuri Shimbun poll,^[6] showing that he will need to win over the Japanese public in or-

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der to maintain political longevity. Even the opposition Liberal Democratic Party, a strong supporter of nuclear power during the many years it ran Japan, is reassessing its view on nuclear energy to ensure that its candidates do not get attacked over the issue.^[7]

Nuclear power in Japan is backed by Japan's powerful nuclear industry, which has huge political power. A clear example is how prior to the Fukushima disaster, a utility had been able to barrel ahead with building the Kaminoseki nuclear power plant by reclaiming land from an inland sea which was a designated National Park. This was despite extremely fierce opposition, including protests and a petition with 860,000 signatures.^[8] Nuclear energy also has a powerful backer in the form of Japan's Ministry of Economy, Trade and Industry, which promotes nuclear energy as a source of economic growth.^[9] Japan's Nuclear and Industrial Safety Agency is a unit under the Ministry, thus hampering a quick response due to its lack of independence.

Big business is also a strong advocate of returning to the use of nuclear power, which is relatively cheap and provides energy security for Japan. This summer, only 16 out of 54 nuclear reactors were running, because Japanese communities balked at restarting reactors idled for routine inspections. Japan was able to avoid a power crunch due to energy saving measures and increasing the production of more expensive gas and coal energy. However, the big-business lobby Keidanren said this is unsustainable because companies were paying extra to also generate power at in-house facilities and were hesitant to invest because of uncertainty about Japan's energy security.^[10] Many business figures have called for an urgent restoration of shut-down nuclear power plants, and the resumption of Japan's nuclear policy.

On the other end of the spectrum, the Japanese public is now strongly anti-nuclear. Sixty-eight percent of respondents to an Asahi newspaper poll published in August said they wanted Kan's successor to continue the policy of phasing out atomic energy.^[11] Japanese residents do not want to risk the repeat of Fukushima again. Several radiation hot spots have been found as far away as in Tokyo (125 miles from Fukushima), months after the nuclear crisis, and this has sparked great fears of radiation and contamination, and a lot of psychological damage.^[12]

Therefore, the outlook for nuclear energy in Japan is uncertain. Prime Minister Noda has to strike a careful balance between ensuring Japan's energy security, placating the nuclear industry and big businesses, and managing the fears of the populace. Noda has his work cut out for him to convince the Japanese that their health and wellbeing are not being made secondary to the interests of industry or the economy.

[1] "Japan 'unprepared' for Fukushima nuclear disaster," *BBC News*, June 7th 2011. Accessed at <<http://www.bbc.co.uk/news/world-asia-pacific-13678627>>.

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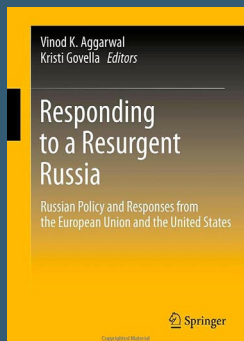
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Cultural Protectionism in Free Trade: Only a Short-Term Solution?

by Do-Hee Jeong
BASC Research Assistant

Free traders have pitched battles against labor interests, environmentalists and human rights advocates. However, behind these more publicized contestations, defenders of culture have also staged a challenge against the liberalization of trade. Echoing similar arguments against environmental or labor protection, proponents of free trade often raise concerns about culture serving as a smokescreen to hide the true intent: protecting domestic cultural industries. They further argue that consumers should have the freedom to choose without the government limiting individual agency, which would border on censorship and thereby undermine democratic values. The supporters of cultural protectionism offer a normative counter-argument that culture cannot be reduced to a mere commodity. Culture should be exempt from trade liberalization under the legitimate interest of preserving national identity and heritage, and thus the world's cultural diversity.

This debate came into focus in February 2006, when an unlikely coalition of over 3000 rice farmers and filmmakers, actors, singers and comedians gathered in the public square in front of Seoul city's administration offices for a mass candlelight "Rice and Cinema" rally to protest the government's agreement to reduce the screen quota and open the rice market to US FTA demands.^[1] In response to the government's announcement to cut the quota designed to mitigate the flood of Hollywood blockbusters in half – from 146 days or 40 percent reserved for domestic films to 73 days or 20 percent – directors, actors and movie professionals, allied under the

Coalition for Cultural Diversity in Moving Images remained defiant to maintain the quota.^[2] They argued that the concession is an anti-cultural coup that would not only jeopardize the cinema but also the whole cultural industry in Korea.

However, are culture and commerce inherently in conflict? Does liberalization always jeopardize the culture of a country due to the effects of globalization, ultimately threatening the world's cultural diversity? I believe that trade liberalization may not always homogenously globalize the culture of a country. Rather, in some instances, reducing barriers may create constructive competition that incentivizes a country to formulate new strategies to promote and foster its domestic culture against the "threat" of globalization.

For example, Sean A. Pager argues that instead of the European "state patronage" system that predominates today, we should embrace a "diversity through trade" model that would both advance the goal of cultural protection and avoid

Pager concludes that a more decentralized and market-oriented approach in Korea ironically achieved the effects of cultural protectionism better than the European patronage model that actively shields its cultural industry. Europe's protectionist policies and heavy subsidies for its audiovisual industry have undermined the creative and commercial dynamism that allowed for the survival of unpopular productions, lessening the competitiveness of Europe's film industry against Hollywood.^[3]

On the other hand, while US pressures to ease restrictions on foreign audiovisual content in the 1980's with Korea's democratization and socioeconomic liberalization led to a sudden decline of Korea's cultural industry, the government's strategic policies to develop its audiovisual industry starting in 1994 eventually led to its success.^[4] While the Korean government also supported its industry (as demonstrated by the screen quota above), it relied on indirect subsidies that

encouraged private investment and upgrading technical capabilities, and a domestic screen quota system that fostered competition among domestic firms to not only create productions attractive in a domestic but also international settings.^[5] The Korean case demonstrates that liberalization may ironically protect a country's cultural industry by providing an opportunity for governments to enhance their policies that foster the growth and longevity of competitive cultural products through its appeal among consumers both at home and abroad. While the Korean culture industry is not completely devoid of government protectionism, Korea's overall policy is more market-based and open to the dynamics of globalization than Europe's, providing one example of how liberalization and the protection of domestic culture may coexist. While the passage of the KORUS FTA will test the competitiveness of Korea's culture



The Busan Cinema Center hosts the Busan International Film Festival (BIFF) in Korea, the largest film festival in Asia. The 16th BIFF in 2011 showcased 307 films representing 70 countries, showing the continuing growth of the Korea cinema industry.

Photo from <http://english.busan.go.kr>.

conflict with international trade law.^[3] Using South Korea's successful cultural industry that blossomed internationally into the "Korean Wave"^[4] as an example,

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industry, many film-related professionals also point out that the Korean film and cultural industries are competitive enough to confront the reduction in screen quota, and will continue to attract a large group of consumers.^[8]

The brief comparison between Korea and Europe provided in this article is in no way promoting a complete laissez-faire approach to protecting one's local culture – the Korean case is not a perfect counterexample to the European model. While a market-based approach may work in some contexts, a protectionist or mixed method may be better suited for other situations. The policies a country adopts to protect its cultural industry depend on its unique circumstances. The purpose of this article is rather to provide an example that expands the discourse of cultural protectionism beyond the simplistic dichotomy between safeguarding one's culture and liberalizing trade, and reconciling this division. Especially with increasing advancements in communications technology, culture easily and almost inevitably leaks through governmental protections suggesting that perhaps cultural protectionism embedded in trade agreements can only provide a short-term solution. At a time when the type of linkages made with free trade arrangements are growing, the European and Korean models provide timely comparative examples that may shed light on how a country

can protect its culture in the long run without undermining the integrity of trade liberalization.

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[5] Pager, 33.

[6] *Ibid.*, 38.

[7] *Ibid.*, 39 and 42.

[8] "Screen Quota Cut Clears Way for Trade Deal with U.S.," *Chosun Ilbo*, January 26th 2006.

The Undervalued Renminbi: Shaping the Trajectory of Sino-American Relations

by Daniel Chen
BASC Research Assistant

In October 2011, the United States took a very precarious and divisive posture toward China when the Senate passed the Currency Exchange Rate Oversight Act. The bill, which garnered bipartisan support and passed with sixteen Republican votes,^[1] would require the Commerce Department to institute tariffs in the event that the Treasury Department found that the Chinese government was improperly valuing the renminbi for economic gain.^[2] For the senators and a wide range of American workers, the undervaluing of the renminbi unfairly subsidizes and promotes Chinese exports, leading to massive American job hemorrhages, especially in manufacturing. However, this dominant paradigm of viewing Sino-American trade relations as zero-sum is neither accurate nor sensible. While currency reform is indeed an integral component for reducing American current account deficits, it will not be a panacea for bringing manufacturing jobs back home. Instead, the Senate bill and similar measures only serve to deepen existing divisions and hurt prospects for future constructive collaboration.

At first glance, given the recent news re-

garding party polarization and legislative gridlock, the bipartisan support behind this bill appears to be a positive moment for the United States. However, this vote does not bode well for the Chinese and American economies. Sixteen Republicans, from the more moderate members like Scott Brown, Olympia Snowe, and Susan Collins to arch-conservative firebrands like Jeff Sessions, all voted for the Currency Exchange Rate Oversight Act, helping pass it by a margin of 63 to 35.^[3] Because unionized labor is one of their core constituencies, Democratic politicians generally and understandably take a harsher labor stance toward China. However, given that the Republican Party

champions and carries the mantle of free(r) trade, the bipartisan coalition for this bill is troubling.

Of the sixteen Republican senators, three (Brown, Collins, and Snowe) hail from states that have voted for the Democratic presidential candidate during the last five elections.^[4] Thus, their votes are certainly understandable, especially Senator Brown, who faces reelection in 2012. Other senators, such as Robert Portman of Ohio, come from Rust Belt states with large manufacturing interests. Likewise, these votes

are understandable.

However, for conservative states outside traditional manufacturing areas, this vote may be a signal of future economic tensions between China and



Photo from Free Malaysia Today.

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America. While these states, such as Georgia where manufacturing employs 9.1% of the workforce,^[5] may have significant employment in manufacturing industries, it appears that these specific industries are not the focal point pushing them toward Chinese opposition. Rather, the poor jobs situation in the United States has pushed some people, like the typically conservative Senator Sessions, to remark, "China is the second-largest economy on Earth and yet it refuses to abide by the rules that govern responsible economic and diplomatic relationships. Not only does China break the rules through its currency devaluation, but they engage in intellectual property theft and pursue economic ties with rogue nations."^[6] As the Chinese economy continues to move forward amidst a stall in the American job recovery, our citizens and political leaders may increasingly turn toward scape-goating, a most unfavorable outcome. While some leaders may claim China's economic policies hurt "our besieged middle class,"^[7] selective memory seems to forget the fact that cheap Chinese labor also means more affordable goods that help our middle class.

Moving forward, we must understand that Chinese economic policies, while not perfect, certainly have benefits for American consumers. Not only that, but a revaluation of

the renminbi is also in China's best interests. In order to perpetuate its economic growth, China must tap into its own domestic market. However, by artificially undervaluing the renminbi, China loses around \$240 billion a year because its amassed reserves of U.S. dollars gradually lose value versus the renminbi.^[8] In response, the central bank keeps domestic interest rates low, so low that they are below the inflation rate. As a result, Chinese savings actually lose value and consumers cannot spend because imports are too expensive and the Chinese currency too weak.^[9] Thus, to end these financial distortions, Chinese leaders must allow the renminbi to appreciate so that domestic consumers can spend to help economic development. This is something that the United States should work constructively with China to achieve.

Instead of viewing Sino-American economic relations with an "us-versus-them" mentality, we should see that our economic ties need be neither zero-sum nor mutually exclusive. A robust China means a prosperous America, and measures like the recently passed Senate bill do nothing to help the American economy and can only hurt one of our most important trading partners. This new century requires a collaborative union between the world's two largest economies; instead of passing Smoot-Hawley II or running around in desperation, the United States should focus on integrating

China into a world economic system so that its interests continue to converge with ours. Now more than ever, we must work with China to demonstrate our commitment to cooperative economic development.

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Corporate Constructivism: Linking the F-35 Lightning II to the China Threat

by A. M. Newhall
BASC Research Assistant

At the "China Rising: European Union and United States Responses to a Changing World Order" conference hosted by the Berkeley APEC Study Center in April 2011, Professor Sun Jisheng of the China Foreign Affairs University convincingly argued for one of the tenets of constructivism. Focusing on language analysis in international relations, Sun contrasted "the discourse of China's peaceful rise from the Chinese perspective" with "the discourse of China's uncertainty and threat from the American perspective."^[1] Sun cautioned Americans to be more aware of how negative words and imagery might impact America's future relations with China. The importance of this warning is exemplified by a controversial anti-Chinese advertisement that appeared in U.S. media several months prior to the conference.^[2] Launched in October 2010 and entitled "Chinese Professor," the advertisement is a prime example of non-state actors using words and imagery to shape international dialogue and bilateral relations between states.^[3]



Lockheed Martin's F-35 Lightning II fighter. The fighter's engine is contracted to Pratt & Whitney. Photo from Wikipedia.

Set in a fictional 2030 Beijing, the advertisement portrays
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a Chinese professor explaining the downfall of the once great United States to a lecture hall of supercilious Asian pupils. The lecture hall displays images many Americans fear: Immense 1950s Red Art posters of Chairman Mao and a Communist soldier smashing symbols of a decadent West. As the professor explains that health care legislation and bailouts destroyed the United States, beloved symbols of our homeland flash across the screen: The White House; the Lincoln Monument; the Stars and Stripes waving in the breeze. After the professor mocks the United States and the Chinese actor-audience laughs on cue, China's flag replaces America's patriotic imagery. This message leaves one wondering: Who paid for this advertisement and what was the expected gain from such an aggressive media campaign?

At first glance the advertisement's anti-health care legislation and anti-economic stimulus message appears to be a Tea Party-funded warning about the evils of wasteful government spending. However, ratcheting up tension between global superpowers in order to curb U.S. spending has never been a Tea Party tactic. Instead, the advertisement – produced by a lobbying firm known as the Citizens Against Government Waste (CAGW) – was allegedly solicited by Pratt & Whitney, an international armaments manufacturer. Pratt & Whitney holds the primary U.S. government engine contract for the Lockheed Martin F-35 Lightning II Joint Strike Fighter.^[4] Coincidentally, the “Chinese Professor” media blitz commenced just prior to a crucial Congressional vote for continued funding of the aforementioned aircraft program. The F-35 Lightning II is a fifth-generation stealth fighter touted by the U.S. military as “our last line of defense” in the event of war. In fact, Michael Wynne, the United States Secretary of the Air Force, specifically cites the rise of China as the *raison d'être* for the existence of the F-35 program.^[5] After the plane received poor performance marks by unbiased experts, a skeptical U.S. Congress considered scaling back funding for the multi-billion dollar contract.^[6] This was the atmosphere in Washington when CAGW began its media blitz drumming up anti-Chinese fears that bolstered the perceived need for the F-35 fighter.

CAGW has backed legislation beneficial to corporations that made sizable contributions to its coffers in the past; for example, it supported legislation favorable to the tobacco industry.^[7] The “Chinese Professor” advertisement reaches a similar level of moral bankruptcy. And while a privately produced advertisement maligned China, it is the United States that reaps what has been sown: The advertisement was widely criticized in

mainland China as an example of hate-sowing Americans who refuse to allow China to peacefully take its place in a future global order.^[8] In short, America is now perceived by many Chinese as willing to resort to force if necessary to preserve its hegemony.

This was the state of affairs when Sun cautioned Americans to be more aware that non-state actors will often use negative words and imagery for a variety of reasons, and the “Chinese Professor” advertisement is a prime example. And although lobbyists likely have pocketed millions of dollars as payment for this propaganda campaign, their gain came at the cost of increased tensions between the United States and China.

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[2] <http://swineline.org/media/?page_id=68>.

[3] <<http://www.cagw.org/newsroom/releases/2011/cagw-re-releases-chinese-prof-ad.html>>.

[4] Collusion between CAGW and Pratt & Whitney is not unique. In 2009 CAGW allegedly paid for a \$2 million media campaign urging Congress to cease funding General Electric's second engine for the F-35. Both P&W and CAGW claimed the credit was an error; however, suspicions remained. G.E. spokesman, Rick Kennedy, claimed G.E. had long suspected that Pratt & Whitney used CAGW as a blunt instrument to push G.E. out of the picture. See “F-35 subject of watchdog's media blitz,” *The Hill*, October 23rd 2009. Accessed at <<http://thehill.com/homenews/administration/64441-f-35-is-subject-of-consumer-watchdogs-big-media-blitz>>.

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