

# THE GLOBALIST

Dear Friend,

On May 26, Brandeis University celebrated its 50th Commencement and GSIEF its 8th. Ninety-three men and women earned degrees in GSIEF's Lemberg MA, MBA, MSF and PhD programs.

We have come a long way since the first nine students graduated in 1989. Sachar was filled with proud students and their parents and relatives from every corner of the world. The photographs hopefully capture a bit of this special day.

The School's commencement address was delivered by Mr. Yutaka Kawashima, who served as Japan's Vice-Minister for Foreign Affairs from 1997 until 2001. As Japan's highest-ranked career diplomat, Mr. Kawashima had witnessed and helped to shape wide-ranging economic and political changes in East Asia and the world in the last 25 years. In his talk, Mr. Kawashima focused on the inter-relationship between democratization and economic development. He spoke about the critical role of the United States in world affairs, and outlined ways that United States and other countries will need to cooperate to meet the difficult challenges of the new century. Mr. Kawashima was introduced by Mr. John Usdan, President, Midwood Management Company, the Chair of the GSIEF Board of Overseers.

With congratulations to the new graduates, and best summer wishes to all.



Peter Petri  
Dean and Carl J. Shapiro Professor  
of International Finance

## *Facing the Challenges of the New Century* May 26, 2002

*Mr. Yutaka Kawashima, Japan's Vice Minister for Foreign Affairs 1997-2001*

I should like to share with you something of my modest encounter with history, because your generation is the one that will be in charge of charting the course of history until at least the middle of the 21st century or, given our greater longevity, well into the latter part of the century.

Of course you are familiar with the cliché that history repeats itself. This is simply because the human gene responsible for decision-making does not change, even though other things are changing constantly. Nowadays, since things are changing at truly exponential speed, I believe it is all the more important to be equipped with a sense of history.

So I wish to tell you about my own experience in grappling with the problems and the challenges that East Asia has faced in the past couples of decades. Until the end



Erik Rios,  
MAief '02,  
Student commencement  
speaker

of the 1970s, East Asia was a strategically precarious region. Two major wars, the Korean War and the Vietnam War, were fought. As I served in Saigon as a youngish diplomat soon after the Tet Offensive, I still vividly remember the sense of crisis occasioned by the domino theory, which foresaw the possible communist takeover of much of East Asia. In those days we used to hear all sorts of slogans in the region such as "people's liberation", or "revolutionary power encircling the bastion of capitalism".

However, toward the end of the 20th century things started to change dramatically. Practically all the countries in the region, perhaps with the exception of the North Korea, started to attach the highest national priority to the pursuit of economic development. Furthermore they started to do so by promoting effective functioning of the market economy, and by starting to hook their



Left to right: Prof. Laarni Bulan, Prof. Blake LeBaron, Prof. Tren Dolbear, Dean Peter Petri, Mr. John Usdan, Mr. Yutaka Kawashima, Prof. Shih-Fen Chen



countries, market mechanisms did not function in an ideal manner because of arbitrary intervention by government officials who expected heavy bribes. During the financial crisis of 1997 and 1998, the defects of crony capitalism and the lack of systemic transparency were widely observed.

But at least the shared perception emerged in the region that unless these problems were squarely addressed, one could not expect continued dynamic growth, and that systemic corruption in particular could seriously undermine the legitimacy of the incumbent power. There is also a widespread understanding in the region that the rule of law is absolutely indispensable for sustainable economic growth.

I must also stress that the US has consistently played a crucial role in maintaining peace and prosperity in the region. The US military presence in the Asia Pacific has been the key to its peace and security. And East Asians have benefited immensely from the international trade and financial systems that were created by the US, as well as from continued access to the US market.

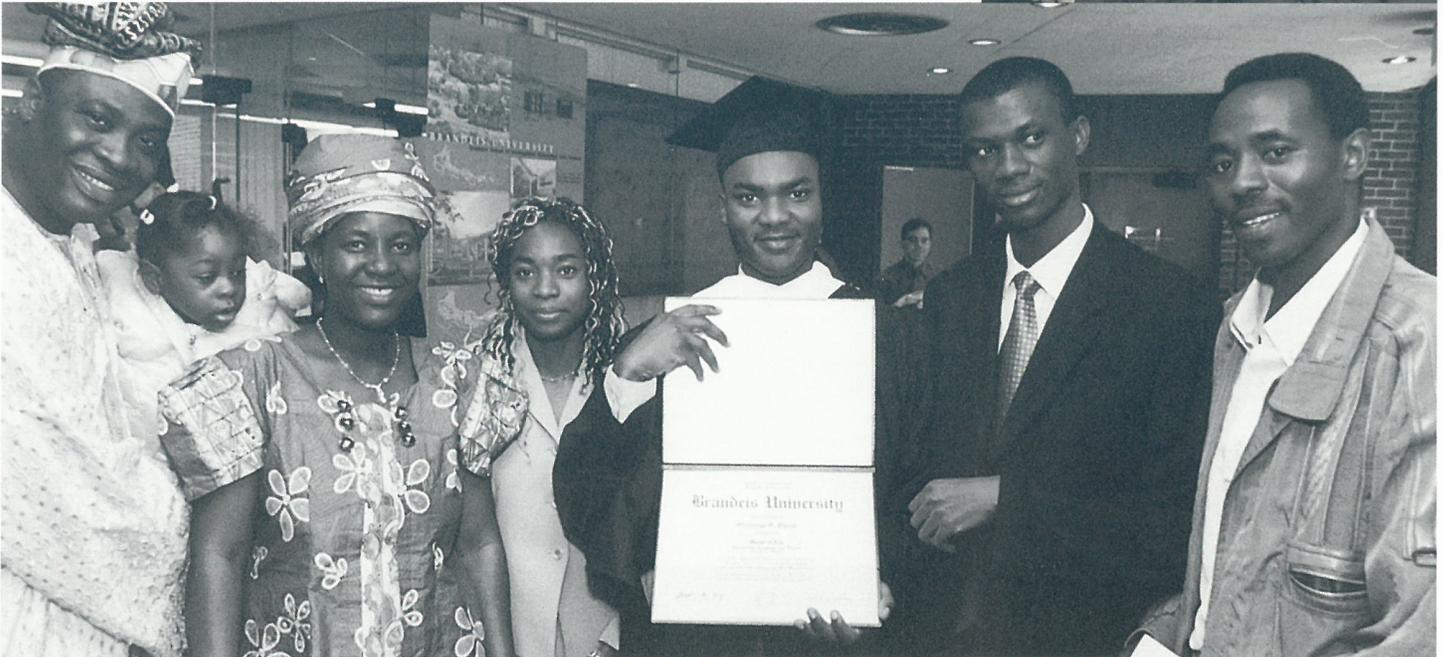
Now some lessons from what I have just described.

In coming years we have to maintain and strengthen an international system that can assure the peace and the prosperity of mankind. And such a system would obviously function more effectively if it were based not only on shared interest but also on shared values. As far as the pursuit of prosperity is concerned, globalization predicated on market mechanisms is the only option.

Today, we frequently witness ferociously aggressive anti-globalization demonstrations when international conferences on economic issues are convened. Nobody, though, can be better off simply by stopping all aspects of globalization, by cutting off economic interaction with others, and

instead trying to take the path of autarky.

The difficulty is that, market mechanisms as such are not designed to look to fairness and compassion, which are key considerations for human beings. About a century ago, socialism was presented as an alternative system that would take those factors into account. But as I described, socialism proved to be unworkable.





Nevertheless it is evident that, if billions of people remain at horrifying levels of poverty, and have no hope for the future, then we are not only looking at a humanitarian crisis, but also at a situation that is extremely dangerous. This dichotomy between the robust pursuit of prosperity through market mechanisms and the realization of fairness and compassion will remain an extremely challenging agenda for your generation.

Secondly, globalization does not mean the homogenization of political culture among

nation states. As ideology has become irrelevant, nationalism is likely to become the only unifying glue and the only source of political legitimacy. As long as we enjoy economic prosperity, it will be manageable. But economic hardship can be easily translated into all sorts of political confusion that can trigger negative outbursts of nationalistic sentiment, bordering on xenophobia or ethnic hatred. The more mature a democracy is, the easier it will be to contain that kind of ugly consequence. Still, we always need to be wary of this sort of volatile scenario.

Finally, I wish to tell American students that the leadership of the US is essential in charting our future course. These days we often hear about American military preponderance. And some argue that the alliance is only needed as window dressing. But the reason why many foreigners, including me, are

quite comfortable with and indeed supportive of American military dominance is simply because of the values, ideals and cultural dynamism that America embodies.

I trust in the wisdom of your generation. I am confident that with all these precious values and ideals, your generation will succeed in defining this new century as a truly wonderful one for all mankind.

Good luck and God bless you.



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