



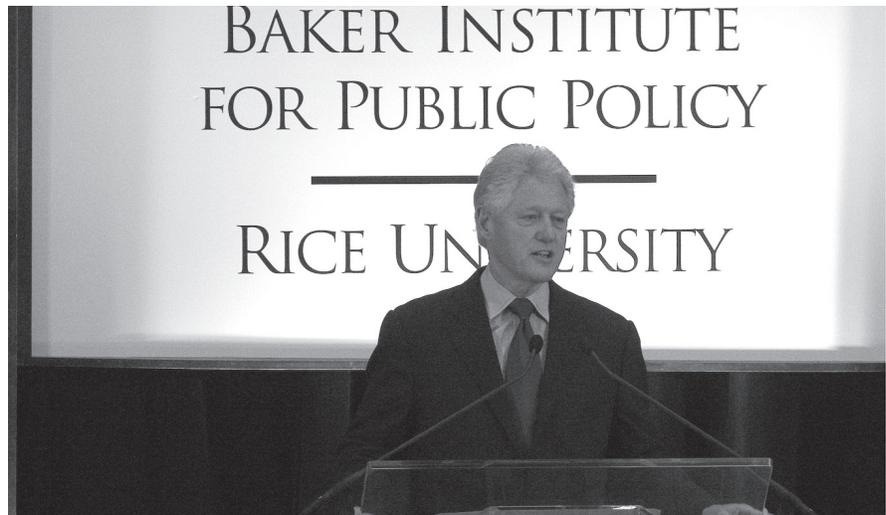
BAKER INSTITUTE REPORT

NOTES FROM THE JAMES A. BAKER III INSTITUTE FOR PUBLIC POLICY OF RICE UNIVERSITY

PRESIDENT CLINTON, HOSTED BY THE BAKER INSTITUTE, ADDRESSES RICE UNIVERSITY

Reprinted with permission from the February 9, 2007, Rice Thresher, Rice University's student newspaper. More than 2,700 students attended the event.

President Bill Clinton spoke about global challenges from terrorism to health care policy to sustainability at a near-capacity crowd at Autry Court yesterday afternoon. The topic of the speech was "Embracing our Common Humanity: Meeting the Challenges of Global Interdependence in the



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Part of the Shell Distinguished Lecture Series, President Bill Clinton addresses a full house at Autry Court.

NATIONAL OIL COMPANIES GAINING MAJOR ROLE

In March the Baker Institute released a groundbreaking study on the role of national oil companies (NOCs) in international energy markets, and it held three major conferences on the topic in Houston, Washington, D.C., and Dubai, the United Arab Emirates (UAE). The study includes 13 historical case studies on 15 NOCs and two proprietary economic modeling studies that assess NOCs' operational efficiency. The Houston and Dubai conferences included keynote speeches by Secretary James A. Baker, III; OPEC president and UAE minister of energy Mohamed Bin Dhaen Al-Hamli; the State of

Qatar's second deputy prime minister and minister of energy and industry Abdullah Bin Hamad Al-Attiyah; and James Mulva, chairman and CEO of ConocoPhillips. Senior industry leaders from the United States, the Persian Gulf region, China, Japan and Europe also participated.

The study, sponsored by the Japan Petroleum Energy Center, is based on two years of original research and analysis. It concludes that the United States and other major consuming countries will be largely dependent on NOCs for future oil supplies, in contrast to the past three decades, dur-

ing which 40 percent of new oil production came from within the industrialized West, with international oil companies (IOCs) making the majority of investment.

The study notes that many governments use NOCs as vehicles to achieve wider, important socio-economic policy objectives. At the same time, some NOCs have recently failed to bring new oil and gas investments to market. "Importing nations may need to adjust their national energy strategies to reduce vulnerability to changes or instability in NOC reinvestment rates," the study advised. (See related articles, pages 6-9.)

LETTER FROM THE DIRECTOR

The Baker Institute, now in its second decade, is expanding its research and programs and widening its global public policy initiatives. In this context, we are very pleased to note the launch of our newly redesigned Web site, and we anticipate our new, state-of-the-art conference facility to be completed shortly.

Our Web site is evolving to better support our activities and foster the community of visitors who rely on the Baker Institute to provide incisive, cutting-edge research and informed points of view. The new site, <http://www.bakerinstitute.org>, was launched in February and represents the first step in a series of planned Web enhancements.

A chief goal is to make information on the institute's fellows' and scholars' research more accessible. A rotating billboard prominently announces important events. Under "Research & Programs," one can retrieve a description of each program, bios of the principal research fellows, scholars and program managers, as well as recent publications. By clicking on "Publications," one can retrieve research publications by program, region, type and year.

Baker Institute fellows will begin to play a larger role as the Web site incorporates more multimedia features. Research, policy briefings and opinion pieces will be presented in multiple formats: video, audio and text. A new feature on the site, "What We're Thinking," showcases fellows' viewpoints on

a particular issue of the day in a concise format. You will also find the first video briefing, a discussion by William Martin, the Harry and Hazel Chavanne Senior Fellow in Religion and Public Policy (please see related article, pages 20–21).

In the future, multiple technologies will make the Web site more usable and convenient. Visitors will be able to customize the Baker Institute's research to satisfy their own interests, and, taking advantage of the latest social software, they will be able to share publications, create reading lists and maintain virtual workspaces. Mobile alerts, subscription to specific areas of the site, and Baker Institute multimedia features will be available in a variety of formats. Since many overseas visitors to the site don't use computers for regular Web access, we will be publishing several formats for easy reading via handheld devices such as PDAs (personal digital assistants) and cell phones.

The Web has increasingly become a primary information and news source. These planned enhancements will ensure that the perspectives represented by the Baker Institute fellows, scholars, visitors and speakers will be freely available and in formats friendly to technologies employed globally. Our goal is to make the Baker Institute Web site a primary source of public policy information for concerned audiences throughout the world.

In another key development that also will extend further the

institute's capabilities, I am happy to report that our third floor conference room is nearly completed. It will have a capacity for 34 participants and feature the very latest in communications technologies. With the provision of two-way videoconference broadcasts anywhere in the world, this facility will be a focal point for workshops, seminars and small conferences. With its added capabilities, it will also provide our speakers with an ever broader and more diverse national and international audience. The conference room is being integrated with the institute's existing Kelly International Conference Facility (ICF). With a generous donation from EDS, the ICF has the capabilities for the institute's fellows and scholars to do live television interviews via satellite with networks worldwide, to simultaneously webcast institute events, and to produce DVDs of the events through its in-house audiovisual editing and mastering facility.

With a leadership gift from Mr. and Mrs. Burton J. McMurtry, the conference room has been named in honor of Mr. R. Stockton Rush. Additional, generous contributions have been received by the Cullen Foundation, the Honorable Hushang Ansary and Mrs. Ansary, the Honorable James A. Baker, III, and Mrs. Baker, Mr. and Mrs. Clive Runnells, the family of Mr. R. Stockton Rush, and an anonymous donor. We are deeply appreciative of their support.

Edward P. Djerejian

NATIONAL HEALTH CARE REFORM: FIVE TOP U.S. HEALTH ECONOMISTS WEIGH IN

Providing health insurance and health care to all Americans will cost an additional \$70 billion to \$100 billion per year. That was one of the significant conclusions from a conference held at the Baker Institute on “National Health Care Reform: Policy Options and Imperatives.” The Health Economics Program invited five of the country’s top health economists to discuss problems and propose solutions for the U.S. health care system in a one-day conference held February 23. “The U.S. spends more than \$2 trillion on health care every year, and we lead the world in innovative medical technologies that save lives,” said Vivian Ho, the James A. Baker III Institute Chair in Health Economics. “Yet we still have more than 40 million uninsured persons,

and the number will continue to grow if we don’t find a way to control the rapid growth in health care costs.”

Kenneth Thorpe, the Robert W. Woodruff Professor of Health Policy Management at Emory University, began the conference with a discussion on the sources of rising health care costs in the United States. Much of the increase is due to a rise over the past two decades in the prevalence of chronic diseases such as hypertension, diabetes and obesity. In fact, obesity accounts for 30 percent of the rise in health care expenditures. Thorpe is working with individual U.S. states and policymakers in Europe to modernize the health care delivery system, including using better information technology and developing more

effective primary care and best practice approaches for reducing the rise in obesity.

Dana Goldman, the director of health economics and the RAND Chair in Health Economics at RAND Corp., subsequently described differences in the prevalence and treatment of these chronic diseases by socioeconomic status. Prevalence of diseases such as diabetes and heart disease is greatest among those with lower income and education in the United States. Unfortunately, poor individuals also lack access to health insurance, and therefore also face greater barriers to treatment. However, Goldman presented remarkable findings showing that relatively inexpensive interventions such as prescription drugs and regular follow-up by primary care physicians can level the playing field and provide significant health improvements for all Americans. He argued that both general education and education provided by clinicians have been undervalued as strategies for improving health status in the United States.

Roger Feldman, the Blue Cross Professor of Health Insurance at the University of Minnesota School of Public Health, explained that consumer-directed health plans (CDHPs) will not be a cure-all for the health care system. He said he has found great willingness by insurers to offer CDHPs, and that



Speaker David Cutler, dean for social sciences and professor of applied economics at Harvard University, takes questions from the audience after his presentation on “The Value Equation in Health Care.”

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MOHAMMED HAFEZ SPEAKS ON SUICIDE ATTACKS IN IRAQ AND THEIR UNDERLYING IDEOLOGY

Mohammed Hafez, a well-known scholar of contemporary radical Islam, spoke at the Baker Institute February 13 on the subject of suicide attacks in Iraq and the ideology that creates them. Hafez, a visiting professor in the department of political science at the University of Missouri, Kansas City, authored the recently published book, *Suicide Bombers in Iraq: The Strategy and Ideology of Martyrdom*, as well as *Why Muslims Rebel: Repression and Resistance in the Islamic World*, and *Manufacturing Human Bombs: The Making of Palestinian Suicide Bombers*. The widely attended talk reflected the public's intense interest in the war in Iraq.

Hafez first detailed all the groups that participated in suicide attacks, and he demonstrated that they were exclusively those insurgent groups that were comparatively weak and had an interest in the collapse of Iraq into chaos—mainly “Sunni supremacists,” as Hafez labeled these insurgents, and some former Ba’thists. Suicide attacks for these groups constitute dramatic publicity for their cause, result in intimidation and mass casualties for their enemies, and lead Iraq deeper into civil war. In general, he said, suicide attacks tend to spike significantly after major U.S. operations, presumably to demonstrate that despite the best American efforts, these groups are still powerful.

But the most unusual element of the Iraqi suicide attack campaign, he said, is the extreme number

of attacks, which totaled approximately 700–750 as of mid-March, and the extremely high number of casualties, totaling about 45,000 over the past three years.

In light of these facts, Hafez detailed the ideology that lures suicide attackers, many of whom come from neighboring Arab countries including Saudi Arabia, Kuwait, Jordan, and also Morocco. This

“In a matter of three or four years, we have seen more suicide attacks in Iraq than we have seen in all other countries and by all other groups combined.”

– Mohammed Hafez

ideology involves appeals to honor, such as protecting Iraqi women; to rally to the defense of Islam, for example, by showing pictures of a Qur’an burning; and to highlight the heroism of the fighters in Iraq. All of these appeals, whether via Web sites, YouTube videos, smuggled videos and sermons, have a very powerful effect and have helped create a culture of martyrdom throughout the region that is difficult to counteract.

“Jihadists weave together emotional narratives about religion,

nationalism and masculinity to foster the myth of heroic martyrdom,” Hafez said, explaining how jihadists can justify suicide and murder civilians and other Muslims, given that the Qur’an strictly prohibits each of these three things. “It is through this kind of discourse that they are able to circumvent the fact that Muslims shouldn’t be killing themselves, that Muslims shouldn’t be killing civilians, and that they shouldn’t be killing other Muslims.”

Hafez faced questions concerning the reasons why it is seen as legitimate for Sunnis to target Shi’ite civilians, who are the overwhelming majority of the victims of suicide attacks; what is the future of the strategy of suicide attacks in Iraq; and whether it would be better for the United States to withdraw from Iraq altogether.

One of the questions asked why, given that the rhetoric used by the radical Muslims responsible for these attacks is largely anti-American and anti-Israeli, suicide bombers primarily target Shi’ites instead of U.S. coalition or multi-lateral forces. Hafez responded, “If the Shi’ites in Iraq did not accept an American plan, if they fought them and joined the ranks of the insurgency ... then we wouldn’t be killing them’—that’s what [the Sunni supremacists] say.”

As for whether it would be better for the United States to withdraw completely, Hafez said that he was undecided on this question.

DIAMOND DETAILS CHALLENGES TO U.S. ECONOMY IN CAPITOL HILL TESTIMONY

John Diamond, the Edward A. and Hermena Hancock Kelly Fellow in Tax Policy, testified before the U.S. House Ways and Means Committee at a January 23 hearing on the U.S. economy.

Diamond testified that the U.S. economy continues to grow at a solid pace and that the U.S. unemployment rate is at or near full employment despite the continued softness in residential construction and the housing sector. He pointed out that reports of the production of services and manufactured output were generally positive. Diamond noted that in spite of all this, the nation

must confront several challenges to maintain a robust level of economic growth.

He testified that the most important of these challenges is the enormous budget pressure associated with the projected increase in entitlement spending which threatens to undermine the strength of the economy. Diamond noted that the tax rate increases scheduled under current law—the expiration of the 2001 and 2003 tax cuts—are almost certainly not consistent with fiscal policy that would support economic growth.

He also noted that given the ever-increasing importance of glo-

balization, especially cross-country flows of both goods and mobile capital, reforming the corporate income tax to maintain the competitiveness of U.S. business is a critical issue that deserves careful consideration. In addition, he pointed out that lowering individual taxation rather than business taxation is problematic in terms of attracting foreign capital.

Diamond also testified that the trend toward globalization presents other challenges such as promoting labor productivity growth, encouraging innovation and entre-

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LANE TESTIFIES THAT SCIENCE RESEARCH AND EDUCATION IS VITAL TO AMERICA

Neal Lane, senior fellow in science and technology policy, addressed the House Committee on Science and Technology at the “Science and Technology Leadership in the 21st Century Global Economy” hearing March 13.

The hearing brought together some of the nation’s top leaders to address the importance of science and technology to the future of our nation based on the 2005 report from the National Academies, *Rising Above the Gathering Storm*.

The report found that lack of decisive action on the govern-

ment’s part is jeopardizing the standing of America as a global leader in innovation and technology, and it suggested some key actions to remedy this, including placing well-qualified teachers in K-12 classrooms and increasing basic research funding.

Lane commented on the enormous challenges that America faces in this century as outlined in *Rising Above the Gathering Storm*.

“Looking into the future, things do not look so golden,” he said. “Many, if not most, of the factors that enabled the United States to be successful no longer apply. The baby-boomer scientists

and engineers are beginning to retire; and the pipeline does not have sufficient numbers to replace them. Furthermore, fewer of the brightest young people from other parts of the world are choosing to study and make careers here.”

He praised Chairman Bart Gordon, D-Tenn., and his fellow co-sponsors for understanding the urgency of the recommendations made by the report and moving much of the agenda along by authorizing growth in research budgets of several agencies and funding for several innovative programs aimed to improve teaching

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MAJOR SHIFT IN INTERNATIONAL ENERGY MARKETS FORECAST AT HOUSTON CONFERENCE

A major shift is projected in international energy markets in coming years as national oil companies (NOCs) account for a greater share of the world's energy supply and investment. This was the conclusion of a groundbreaking Baker Institute study and was also the subject of a two-day conference in Houston. The conference, "The Changing Role of National Oil Companies in International Energy Markets," convened government and industry leaders as well as experts from industry and academia at the institute March 1–2.

Driving this shift is the prospect that more than 90 percent of new hydrocarbon supplies will come from the developing world over the next 20 years, according to current projections by the International Energy Agency. The investment for this new oil production will come mainly from NOCs—either traditional, government-owned monopolies or emerging hybrid firms that are part state-owned and either partially or recently privatized.

This is in contrast to the past 30 years, during which privately-held Western international oil companies (IOCs) with publicly-traded shares were responsible for a majority of the world's oil production. Approximately 40 percent of new oil production came from within the industrialized countries of the Organisation for Economic Co-operation and



Peter Hartley, Rice scholar of energy economics at the Baker Institute, presents his data measuring the operational efficiency of the national oil company via an economic modeling exercise at the conference.

Development (OECD), with the majority of investment made by these IOCs between 1970 and 2000.

Baker Institute director Edward P. Djerejian opened the conference by noting that "the rising importance of NOCs will raise questions inside energy consumer nations like the United States on how to best respond to the aspirations of national oil companies and to ensure that global energy markets remain resilient and competitive." Masahisa Naitoh, chairman and CEO of the Institute of Energy Economics, Japan (IEEJ), commented on the supply side as he outlined the fundamental elements that effective energy strategies must incorporate: financial investment, the cultivation of

human capital, and technological development, with the latter offering the largest margin for growth.

Other keynote speakers included James Mulva, chairman and CEO of ConocoPhillips; Baker Botts, L.L.P. senior partner David Asmus; China National Offshore Oil Company Ltd. (CNOOC) senior vice president and general counsel/company secretary Victor Zhikai Gao; Bader Al-Khashti, chairman and managing director, Kuwait Foreign Petroleum Exploration Company (KUFPEC); and Robert Hormats, vice chairman, Goldman Sachs International. The Houston conference was sponsored by Accenture, Baker Botts, L.L.P., Morgan Stanley, Japan Petroleum

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THE CHANGING ROLE OF NATIONAL OIL COMPANIES IN INTERNATIONAL ENERGY MARKETS

The following summary conclusions are excerpted from Baker Institute Policy Report #35 that was published as part of the study:

The overall study findings can be classified into six broad conclusions that help define the emerging role of NOCs [National Oil Companies] in international energy markets.

These include:

(1) NOCs have noncommercial objectives that differ greatly from those of the private international oil companies [IOCs]. These objectives, which go beyond maximization of return on capital to shareholders, include a) oil wealth redistribution to society at large, b) foreign and strategic policy and alliance building, c) energy security, including assurance of domestic fuel supply and security of demand for producing countries, d) wealth creation for the nation, e) participation in national-level politics, and f) industrialization and economic development.

(2) NOCs' noncommercial objectives, while highly important to national goals, tend to interfere with the firms' ability to produce at a technically efficient level and to maximize the overall value that could theoretically be obtained from their oil resources. In particular, a principal finding of the case studies, which is corroborated by theoretical and empirical evidence, is that the extent to which these noncommercial objectives govern the behavior of a NOC has a huge impact on its ability to replace its reserves and

expand its oil and gas production.

(3) Certain institutional structures for NOC organization and regulation help to clearly define the roles and responsibilities of management and can thereby minimize the commercial impact of noncommercial objectives on an NOC's ability to focus efficiently on its core businesses. These institutional structures can greatly reduce the prevalence of corruption and wasteful spending. In addition, the existence of multiple NOCs within a country and/or offering of publicly traded shares of the NOC in Western markets tends to improve the efficiency of the NOC.

(4) An increasing number of NOCs are financing activities through international capital markets and this is helping improve the NOCs' compliance with international standards of corporate responsibility. The pressures of trading in public shares will increasingly bring these international institutional and accounting standards to bear on NOCs.

(5) While certain NOCs are currently enjoying strong control of the upstream sector in international energy markets, downstream refining and marketing assets in key premium consuming markets are still largely disassociated from upstream NOC operations. Thus, NOCs continue to look for opportunities to enhance vertical integration, thereby creating opportunities for IOC/NOC strategic alliances. When a primarily upstream NOC holds

an asset position in the downstream market, it is able to capture the value added from the production and sale of finished products. In addition, a downstream position is a strategic advantage in that it provides security of demand, or access to market.

(6) The growing role of the NOCs in global oil markets has important policy implications for oil importing nations. To begin, if a larger share of global investment in oil production capability will be influenced in the future by non-commercial factors, then importing nations may need to adjust their national energy strategies to reduce vulnerability to changes or instability in NOC reinvestment rates. In addition, consuming nations will also have to debate the benefits and challenges of having NOCs seek security of demand and other benefits of vertical integration by positioning themselves in downstream markets through the purchase of assets in major consuming markets like the United States, Europe, and China. For consuming countries, a desirable policy will be to promote free trade and utilize multilateral frameworks such as the WTO and Energy Charter to press NOCs to adopt institutional structures that will enhance their efficiency, promote market competition, and curb interference in commercial investment decisions by their national governments.

The complete text of the policy report may be found at: <http://www.bakerinstitute.org>.

DUBAI CONFERENCE: THE CHANGING ROLE OF NATIONAL OIL COMPANIES AND THE MIDDLE EAST

The March 12 conference held by the Baker Institute in Dubai, the United Arab Emirates (UAE), on “The Changing Role of National Oil Companies (NOCs) in International Energy Markets” reiterated the themes of the Houston conference (see page 6) and had a special focus on the implications for the Middle East. Senior Middle East leaders as well as industry and academic specialists convened in Dubai to discuss the changing strategies of the region’s NOCs and the subsequent domestic and international impacts. Given the Middle East’s definitive role in the international energy market, the institute’s Energy Forum presented the results of its two-year NOC research study in order to ascertain a regional perspective and gather feedback before its final publication.

Secretary James A. Baker, III, the 61st Secretary of State and honorary chairman of the Baker Institute, opened the conference by noting that the challenge of meeting growing demand for oil will be daunting, with more than \$2 trillion in investment required to meet future oil demand. NOCs will be responsible for a lion’s share of this increased output and investment, Secretary Baker said. He suggested that some governments view their NOCs as a means to enhance their international prominence, increase their influence, and foster strategic alliances. This has led some analysts to specu-

late that geopolitical conflict could arise over scarce energy supplies.

But Baker added, “I am convinced that there exists a broad scope for global cooperation in ensuring a steady supply of hydrocarbons to international markets. This cooperation may begin with governments—like the United States and those here in the Gulf—who share a common interest in regional security and economic growth. But it must also include NOCs and IOCs joining together to bring their unique capabilities to bear in innovative and profitable ways.” Baker concluded by noting that “It is in the vital interest of importing and exporting countries alike that our energy future be based on partnership, not conflict.”

Abdullah Bin Hamad Al-Attiah, the State of Qatar’s second deputy prime minister and minister of energy and industry, explained one of the catalysts driving the changing role of NOCs: “During the last few years, the gap between some national oil companies and international oil companies has narrowed, as NOCs have managed to gain access to technology, skills and capital, which has meant that NOCs can develop more of their own resources.” He added that NOCs are now in a better position to apply their domestic experiences abroad and understand that “competition is good and makes companies more efficient.”

Addressing the tighter market and increasing capital costs

required to recover oil assets, UAE minister of energy and OPEC president Mohamed Bin Dhaen Al-Hamli noted, “It is as important for producers to be assured of a steady predictable demand for their oil as it is for consumers to receive secure regular supplies.” He explained that the expected OPEC investment contribution of \$50 billion by 2010 and \$270 billion by 2020, “especially in developing countries with acute economic and social development needs, [cannot happen] without assurance that the new production capacity will be utilized.”

Speaking about the experience of the Kuwaiti oil industry, Sheikh Nawaf Saud Nasir Al-Sabah, deputy managing director and general counsel of Kuwait Petroleum Corporation (KPC), attributed the success of Kuwait’s NOC to its ability to distance itself from the intricacies of domestic politics. But Al-Sabah recognized that KPC still plays an integral role in the nation’s economic development and environmental protection in addition to focusing on traditional production and profit concerns.

The Baker Institute study released at the conference includes three case studies on Middle Eastern NOCs: Saudi Aramco, the soon to be reconstituted Iraqi National Oil Company (INOC) and the National Iranian Oil Company (NIOC). These reports emphasize the stark contrast between these NOCs in terms of efficiency, social

responsibility and technical capacity. The effectiveness of both NIOC of Iran and INOC of Iraq suffers from crippling fuel subsidies that not only cut significantly into the companies' revenues but also foster a black market and outright theft.

Saudi Aramco, on the other hand, is largely corporate in nature and focuses its efforts primarily on meeting governmentally directed investment and production targets. In order to become a more effective commercial entity, Saudi

Aramco is working diligently on becoming 50 percent vertically integrated and maintains a long-term market strategy. The study may be found at: <http://www.bakerinstitute.org>.



James A. Baker, III, welcomes senior Middle East leaders and industry and academic specialists to discuss the changing role of national oil companies. Clockwise from top left: James A. Baker, III, H.E. Mohamed Bin Dhaen Al-Hamli, Sheikh Nawaf Saud Nasir Al-Sabah, and H.E. Abdullah Bin Hamad Al-Attiyah.

INSTITUTE RECOGNIZES NEW HEALTHCARE ALLIANCE AND ANNOUNCES HEALTH POLICY FORUM

The Baker Institute recognized the establishment of the newly formed Harris County Healthcare Alliance by hosting a reception in its honor January 22. Initiated by the Harris County Public Healthcare System Council, the alliance aims to facilitate more effective collaboration between public and private health care providers to optimize the efficiency and cost-effectiveness of their services.

Through increased funding and better coordination of services, the alliance's goal is to increase access to care for the uninsured and underinsured population of Houston and Harris County and to improve community health status. As of December 2006, the membership of this independent nonprofit corporation was composed of 29 area health care or health care-related organizations.

The new Baker Institute Health Policy Forum was also announced at the reception. The forum, directed by Vivian Ho, the James A. Baker III Institute Chair in Health Economics, is a new initiative designed to facilitate informed discussion of local and national health policy issues in the Houston community. The forum aims to research the advantages and disadvantages of competitive market forces and government regulation in the health care sector and to provide an outlet for objective analysis of health care reform proposals.

Houston Mayor Bill White and Harris County Judge Robert Eckels, who support the alliance, attended the reception at the institute. Both spoke on the importance of increasing health

insurance coverage in Houston and Harris County and improving universal access to affordable health care.



Top, from left to right: Vivian Ho, Institute Chair in Health Economics, James R. Montague, chairman of the board of Memorial Hermann Healthcare System, and Lewis Foxhall, chairman of the Harris County Health Alliance Board of Directors. Bottom: Houston Mayor Bill White discusses his support for the Harris County Healthcare Alliance and its mission.



STUDENT-LED FORUM ON INTERNATIONAL LEADERSHIP TAKES FLIGHT

In the fall of 2006, a small group of motivated Rice University students came together to discuss the imminent need to learn leadership skills on a multicultural level. As an answer to that need, the International Leadership Competency Forum (ILCF) was formed. Since then, this student-initiated collaborative effort has given students an opportunity to learn global leadership skills directly from a variety of successful international leaders across business, academia, governmental and non-governmental organizations. With the launch of the forum during International Week in November 2006, followed by three sequential lectures in 2007, students gained clarity on the skills necessary to become an international leader as speakers shared their personal experiences and lessons learned.

Adria Baker, director of the Office of International Students and Scholars (OISS) at Rice University, worked directly with the students to help them realize their goal of hosting a leadership forum. "It has been inspiring for me to work with students who are striving to be the best that they can be," she said. "The collaboration, hard work and cooperation of the students, offices and organizations were excellent, and we have all learned so much through the experts in leadership that extends beyond any border."

The first lecture series featured Ambassador Edward P. Djerejian,



Rice University representative, Y. Ping Sun, discusses her own experiences in leadership working with community and nonprofit organizations.

founding director of the Baker Institute, January 30. Ambassador Djerejian shared his knowledge gained throughout his extensive experience in the Foreign Service and offered insightful points on the development of a successful leader in government and the public sector. Most importantly, he noted that vision, passion, dedication, and building expertise in languages and in functional and regional areas are traits necessary to succeed on a global level. He urged students who are interested in public policy to consider public service as a career.

On February 28, Y. Ping Sun, Rice University representative and a trustee on various city and volunteer boards, gave the second lecture on leadership in community and nonprofit organizations. In her speech, Ms. Sun described

what qualities and character traits she believed transcended all geographic boundaries and defined a true leader. "I believe a leader is willing to take risks," she said. "A leader never gives up in the face of difficulties. A leader is a constant learner, and a leader believes in him or herself. A leader makes a positive difference in others' lives."

Concluding the speaker series forum, Pradeep Anand, founding president of Seeta Resources LLC, a Houston-based marketing consulting firm, delivered the third lecture, "Leadership and Entrepreneurship in a Multicultural World," March 28. Born in Bombay, Anand discussed the challenges he faced as an Indian engineer immigrant trying to assimilate into and understand

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CULTURE FAIR 2007 SPOTLIGHTS GROWING INTERNATIONAL STUDENT PRESENCE



Culture Fair 2007, sponsored by the Baker Institute, attracts an international crowd for the diverse display in the student center's Grand Hall.

Rice University's expanding international community was prominent at a festive demonstration and exchange of native cultures at Culture Fair 2007, sponsored March 16 by the Baker Institute. More than 30 international and cultural student organizations participated in the celebratory display of native dress, food, music, dancing, art, maps and spectacular photographs.

The Culture Fair is presented by ADVANCE (Advocating Diversity and the Need for Cultural Exchange), a dynamic program that provides students with opportunities to learn necessary leadership skills and to explore and debate cultural issues for the Rice Community. ADVANCE is led by Catherine Clack, assistant dean of students and director of multicultural affairs at Rice. The Office of International Students and Scholars is a major participant and helps to promote the fair to the

international student community.

The Baker Institute sponsored this year's Culture Fair as an extension of its student outreach program. The Culture Fair supports the institute's commitment to encourage intercultural and interfaith dialogue by building bridges between the world of religious and cultural conflict and the world of tolerance, understanding and peaceful coexistence. More than 500 people attended this year's event.

"I believe that in order to understand the world we need to be exposed to a variety of people and their cultures," said Neelroop Parikshak, a senior at Rice who was a student co-organizer of the event. "Culture Fair is a great way to do this. In one hour you can learn and experience so much ... and hopefully you leave wanting more!"

One of the highlights of Culture Fair is the intense but

friendly competition to see which international organization can build the best display. This year's winners exemplified the diversity of the participants. Israel and Saudi Arabia tied for third place, India placed second, and Iran won the competition.

Rice's international students are an elite group that upon graduation will return to their countries to become leaders in government, business and society. Their impressions of Rice University, the Baker Institute, and the United States go back with them, and at the same time Culture Fair is their way of giving the Rice community favorable impressions of their countries and cultures.

The number of international, nonimmigrant students enrolled in the fall totaled 801, or about 15.5 percent of the student body at Rice. They represent 88 countries and regions.

BAKER INSTITUTE STUDENT FORUM SPRING EVENTS

The Baker Institute Student Forum's (BISF) lineup of spring events included a lecture and discussion with NPR and FOX News correspondent Juan Williams on the status of the black community, as well as programs on corporate malfeasance, discrimination in the workplace, and the address by former president Bill Clinton.

Williams came to the Baker Institute March 13 to discuss his controversial new book, *Enough: The Phony Leaders, Dead-End Movements, and Culture of Failure That Are Undermining Black America—and What We Can Do About It*. At the event, which was also co-sponsored by the Black Graduate Student Association, Williams presented his position on the current status of the black community in America and later entertained questions in a lively discussion with the audience.

The BISF hosted a panel discussion March 22 on local discrimination expectations in the workplace. The speakers were Professor Stephen Klineberg of Rice University's sociology department and James Sacher, regional attorney for the Equal Opportunity Commission. Klineberg directs the Houston Area Survey and spoke about the demographics and history of the city. Sacher explained the role of the law in protecting citizens from unfair employment practices and the future changes to the legal system.

Earlier in the semester, on January 23, the BISF hosted a

screening of "Enron: The Smartest Guys in the Room." The documentary presents both the story of the rise and fall of the former energy-trading giant and the biographies of those whose hubris drove the tragic drama. Following the screening, attendees, faculty, and Baker Institute fellows engaged in an active discussion of Enron and, more generally, corporate malfeasance.

The Student Forum also helped support President Clinton's address, which was part of the Shell Distinguished Lecture Series. Thousands of interested Rice stu-

dents attended his talk on pressing global problems and possibilities for their solution.

Created in 2002 by a small group of undergraduates, the Student Forum is dedicated to fostering student involvement in public policy. Since its inception, the BISF has created opportunities for undergraduates, students, and all members of the Rice community to interact with distinguished statesmen, journalists and scholars in the hopes that such interaction can lend a meaningful voice to the country's discourse.



Top: NPR and FOX News correspondent Juan Williams speaks about the status of the black community and his new book at an event that also included a book signing. Bottom: Baker Institute Student Forum members help seat a full house of Rice students for the address by President Clinton at Autry Court.



CLINTON

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21st Century.” [The event was part of the Shell Distinguished Lecture Series.]

Baker Institute Director, Ambassador Edward Djerejian, President David Leebron and former Secretary of State—and Honorary Chair of the Baker Institute for Public Policy—James A. Baker, III, each made opening remarks.

After lamenting the length of time Clinton took to schedule a trip to Rice, Baker drew laughter from the audience by alluding to Senator Hillary Clinton’s presidential bid.

“We’ve been trying to get our speaker here for quite a number of years—we began to think if things dragged on another couple years, we would have to start all over again and invite the next President Clinton,” Baker said, eliciting applause from the audience.

“Please do me a favor,” Baker said to Clinton. “Tell the senator that, of course, cannot be an endorsement.”

Baker acknowledged that he and Clinton often find themselves on opposite sides of issues, but he had no shortage of praise for Clinton, acknowledging his Global Initiative, his work in the wake of the Indian Ocean tsunami and his advice to the Iraq Study Group, which Baker co-chaired. He also stressed some of their common ideals.

“We share a profound appreciation of the imperative of American engagement on the world scene, whether by expanding the exchange of free trade in the Western Hemisphere or by serving as an honest broker in the Middle East,” Baker said.

In opening, Clinton discussed the challenges of globalization. He addressed the audience directly, reminding listeners of their advantageous positions in the global economy and inviting them to keep in mind that framework when they think about global issues, economic and otherwise.

“If we live in an interdependent world, that’s good for us, but not so good for half the people,” he said. “And if it’s unequal, unstable and

unsustainable, it’s clear that what the mission of thoughtful people all over the world is in the 21st century: We have to move from simple interdependence to more integrated communities locally, nationally and globally.”

Clinton elaborated on his conception of interdependence, noting that the best way to achieve global integration is through improved national security, revitalized diplomacy and better economic policies.

Improving policy in these three areas, he said, may improve America’s role in combating three of the largest current global problems: economic inequality, health care and energy resources.

A theme of sustainability permeated Clinton’s speech, although he devoted limited time to strictly environmental issues. He emphasized the urgency of current environmental issues including climate change and resource depletion.

Clinton stressed the importance of building allies against terrorism, in part for the purpose of promoting the sharing of energy resources.

“You do have to have a security policy, but building more and more partners and fewer terrorists is always cheaper than going to war,” he said.

Clinton also discussed the need for health care reform that extends coverage to all Americans and new lifestyle choices among Americans to reduce obesity and violence.

Tying his health care discussion back to the problem of uneven distribution of global resources, Clinton gave a detailed comparison of the United States’ health care policies with those of other countries around the world.



David Leebron, Rice University president, welcomes President Clinton to Rice and notes the role the Baker Institute has played in bringing prominent public figures, such as Clinton, and important issues of the times to the Rice campus. James A. Baker, III, seated at right, introduced President Clinton.

Using a series of paired statistics to show how much more money is spent on health care in America than anywhere else in the world, he concluded that a majority of the wasteful spending is the product of bureaucracy.

“We spend 16 percent of our income on health care. No other country spends more than 11,” Clinton said. “Thirty-four percent of every [U.S.] health care dollar is spent on administrative compliance costs between insurers and providers. Nineteen percent is the next highest number I can find anywhere in the world.”

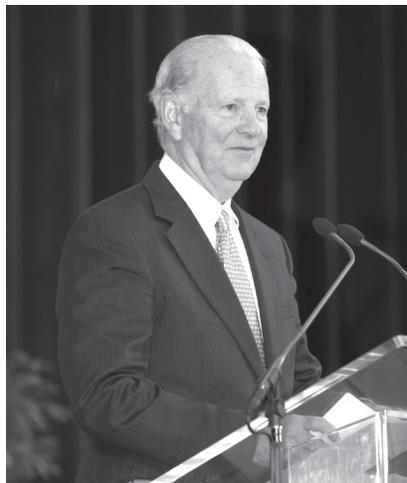
The gross costs of some of these disparities range between \$300 billion and \$800 billion, Clinton said, and he charged the U.S. policy of issuing patents with exclusive production rights to privately owned drug companies with incurring much of this cost.

Clinton discussed the increasing role of non-wealthy Americans in funding humanitarian relief and poverty reduction.

He said the Internet facilitates the speed and ease of making financial donations and gave the example of American donations toward disaster relief after the tsunami in December 2005: More than half of the \$1.2 billion in American donations were made via the Internet.

Clinton appealed to students, especially those in computer-oriented fields, to remember such statistics as they move on in their careers.

He ended his speech by encouraging Rice students to be active global citizens in contributing to solutions to today’s global challenges.



Clockwise from top left: James A. Baker, III, highlights the significance of President Clinton’s Global Initiative, his work following the Indian Ocean tsunami and his advice to the Iraq Study Group; President Clinton discusses the challenges of globalization and its relation to each citizen’s place in an interdependent world; President Clinton answers student questions posed by moderator, Edward P. Djerejian.

“You’re at a great university, you’re supposed to be learning,” Clinton said. “You have more power to do than any group of Americans ever had, and there’s plenty of doing that needs to be done.”

Following the speech, there was a question and answer session. Students had submitted their questions to the Baker Institute via e-mail prior to the speech.

Six questions were asked and answered on topics including international policy in the Middle East, nuclear development in Iran and presidential term limits.

Clinton emphasized the necessity for a comprehensive peace agreement between Israelis and

Palestinians in improving ties with other Middle Eastern nations.

Prior to the speech, Clinton made an appearance at Baker Hall, where he visited Baker’s office and took pictures with several groups, including one with 30 students invited by the Baker Institute.

The students lined up for the picture in the International Conference Facility and waited for Clinton. When he arrived, Clinton posed in the middle of the group for three photographs before the students were quickly ushered out.

Rice Vote Coalition Chair Claire Randall said Clinton was kind and charismatic.

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HEALTH CARE

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buyers appear ready to accept the product. However, research so far suggests that highly compensated workers are most likely to elect CDHPs. To reduce the number of uninsured, Feldman argued that one must use tax credits or some other policy option to make CDHPs more attractive to lower-income populations. In addition, the early research does not find conclusive evidence that CDHPs can restrain health care costs, as many policymakers had hoped.

Alan Garber, the Henry J. Kaiser, Jr. Professor and a professor of medicine at Stanford University, proposed a new paradigm for controlling health care expenditures in the United States: cost-conscious coverage. Garber, who is also the director of the Center for Health Policy and the Center for Primary Care and Outcomes Research at Stanford, described how both Medicare and private insurers focus primarily on the effectiveness of new medical treatments when deciding what to cover without considering whether these interventions are of high- or low-value to the patient. This approach leads to coverage of some interventions that provide little benefit in terms of survival or quality of life, yet dramatically raise health care expenditures and health insurance premiums due to their high costs. Garber proposed that we invest more resources both in measuring the cost-effectiveness or value of treatments to patients and in disseminating this information

to consumers. Consumers could then choose which low-value interventions they would be willing to exclude from their health insurance policies in order to obtain more affordable insurance premiums. An added benefit is that this approach encourages innovation in high-value products and services.

David Cutler, the dean for social sciences and the Otto Eckstein Professor of Applied Economics at Harvard University, ended the conference on an optimistic note by demonstrating that Americans obtain excellent value for many of the costly health care interventions purchased today. For example, the advances in treatment of heart disease that have been achieved since the 1950s far outweigh their costs. There still exists wasteful use of resources in the health care system, however, and financial incentives often discourage the provision of optimal health care. To control health care costs, Cutler offered

three suggestions: (1) introduce pay for performance in Medicare so that providers are rewarded for the quality, rather than the quantity of services provided; (2) provide incentives for rapid adoption of information technology, which lowers health care costs; and (3) focus on sensible cost sharing, such as eliminating the “donut hole” in the Medicare Drug Benefit.

Ho said she plans to make this conference on national health care reform a biennial event at the Baker Institute. “We are aiming to become a national resource for thoughtful and objective information on the issue of health care reform,” she said. “Many innovative proposals for reform are being put forward by both academics and policymakers. But it’s difficult to get an unbiased, expert evaluation of more than one or two proposals at a time. This is a void in health policy that we plan to fill.”



Speaker Kenneth Thorpe, the Robert W. Woodruff Professor of Health Policy Management at Emory University, discusses the sources of rising health care costs.

LANE

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of math and sciences in America.

Lane applauded the chairman and co-sponsors of legislation HR 363, which authorizes 10 percent increases per year for five years for basic research for the National Science Foundation (NSF), the Department of Energy's (DOE) Office of Sciences, the National Institute of Standards and Technology, the National Aeronautics and Space Administration, and the Department of Defense (DOD).

"I want to state unequivocally that if this bill passes and funds are appropriated, America's future competitive position in the world will look much brighter than today," Lane said.

He went on to describe how those agencies that will receive increased funding all have "excellence" in common, although he would like the House committee to consider also increasing appropriations for the National Oceanic & Atmospheric Administration (NOAA) given the importance of its National Weather Service.

"NOAA, in particular the National Weather Service, has the responsibility to produce official forecasts, and NOAA experts need the observational data and computer modeling capability to do this well."

Lane argued that the ability to better predict weather in a more timely and accurate manner would substantially reduce financial costs induced by natural disasters such as hurricanes, blizzards, floods and



Neal Lane, senior fellow in science and technology policy, testifies at the "Science and Technology Leadership in the 21st Century Global Economy" hearing before the House Committee on Science and Technology on March 13.

droughts.

He also noted that the National Institutes of Health (NIH) budget has been flat for almost four years, and even though NIH is not strictly under the attention of this committee, it is important that it receives attention and funding for its research programs.

Lane gave four reasons in support of the proposed legislation. First, NSF has decades of experience working with school districts and teachers; second, only by getting researchers in touch with teachers can teaching and learning be improved; third, NSF has close ties with researchers in math and sciences in universities and colleges where teachers receive their education; and finally, NSF and DOE science programs use competitive peer review to maintain high standards.

Lane concluded that given the green light and the funding, these agencies, working with universities and colleges, can dramatically improve the education (and retraining) of future math and science teachers. Therefore, he said this legislation will ensure that increased funding is well-used.

Also present at the hearing were Norman Augustine, retired chairman and CEO of Lockheed Martin Corp. and chair of the National Academies report; Harold McGraw III, chairman, president and CEO of the McGraw-Hill Cos.; and Craig Barrett, chairman of Intel Corp.

Chairman Gordon and fellow committee members were expected to continue to advance HR 362 and HR 363. Full House consideration for the bill was expected in the coming months.

HOUSTON

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Energy Center and the Baker Institute Energy Forum.

During the conference, CNOOC's Gao and KUFPEC's Al-Khashti related their personal experiences involving the expanding role of NOCs. Gao explained that CNOOC is striving to meet the exponential growth in demand taking place in China's domestic energy sector through partnership with NOCs and IOCs in CNOOC's local offshore ventures as well as in its recent international endeavors. Al-Khashti discussed the Kuwaiti experience which strives to effectively break into the global market through vertical integration and increasing international exploration.

In addition to discussing the emergence of NOCs as the major players in the international energy sector, keynote speakers also touched on the need for the United States to adequately adjust to changing market conditions. Mulva of ConocoPhillips emphasized in his opening address that the United States must find "a way to balance its need for national security with its need for foreign investment" if it is to effectively participate in a changing energy market where "Big Oil" is not quite so big when compared to NOCs." He pointed out that "the notion that U.S. companies are allowed, and encouraged, to invest abroad but NOCs cannot invest in our markets is simply out of sync with the global energy market."

Hormats of Goldman Sachs

International argued that "since 1973, the United States has not had an energy policy worthy of the name." He emphasized that energy independence is merely a falsehood, and the country has a vested interest in the global system operating effectively. He called on the United States to instead "spend its efforts focusing on areas of convergence."

Thomas Langford, managing director of Morgan Stanley and global co-head of its Global Energy Group, provocatively suggested that, "given the overcapacity of the IOCs and the recent M&A (merger and acquisition) trends, the formation of a U.S. NOC is not unfathomable if the public believed it was necessary for U.S. energy security." He qualified his statement, saying that domestic politics and the marketplace would of course have to evolve accordingly, but the reevaluation of emerging markets risk and the possible creation of "super NOCs" would lend credence to this claim. Accenture senior manager Claire Lawrie confirmed the increasing market savvy of some NOCs, noting that "technology and capital no longer separate" IOCs and NOCs, as NOCs also place high value on "basic operational excellence, consistency in value distribution, and upstream-downstream integration."

At the conference, the Energy Forum presented its new study on the role of NOCs. Amy Myers Jaffe, the Wallace S. Wilson Fellow in Energy Studies, noted that the tightening energy market and geographical distribution of oil and

gas resources will require NOCs to effectively balance their pressing domestic socioeconomic responsibilities against the pressures of meeting rising global energy demand.

The study notes that many governments use NOCs as a tool to achieve wider, important socioeconomic policy objectives, including income redistribution, industrial development, energy security and other geopolitical goals. At the same time, some NOCs have failed in recent years to bring new oil and gas investments to market, as civil unrest, corporate inefficiency, government interference, corruption, and diversion of funds to social programs have hindered them from adequately performing their core oil and gas business functions. The list of NOCs whose production has been stagnant or falling in recent years is long and includes diverse, oil-rich regions such as Iraq, Venezuela, Russia, Iran, Mexico and Indonesia.

The institute's energy team also presented its findings in a special briefing to Washington policymakers March 8 at the Carnegie Endowment for International Peace. Speakers included Amy Myers Jaffe, Joe Barnes, Matthew Chen, and Steven Lewis, as well as NOC case study authors Martha Brill Olcott, Donald Hertzmark, Sumit Ganguly, Daniel Brumberg and Ariel Ahram. The study may be found at: <http://bakerinstitute.org>.

DIAMOND

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preneurialism, and increasing the economic security of U.S. workers. Diamond urged the members of the committee to think carefully about these issues since it is imperative that U.S. fiscal policies support long-term economic growth and ensure that U.S. businesses remain competitive at home and abroad.

FORUM

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the culture, lifestyle, and professional path vital to succeed in the oil service industry in Texas.

As the series concluded for the current academic year, one of the original founding students, Rice International Students Association president, Kadim Tasdemir, said that the students had in part accomplished their objectives in starting the ILCF. He said that many international students who

He noted that labor productivity growth has been roughly 3 percent annually or higher from 2002 to 2005. However, an anomaly is that monetary wages have not been increasing at a similar pace. This is partly explained by increases in nonmonetary compensation in the form of benefits. Diamond urged policymakers to focus on policy issues, such as immigration and competition from abroad, and propose legislation that will

arrive at Rice after having made important leadership and other contributions to society in their own home countries feel a gap after coming to the United States. "As Rice students, we believe that the ILCF provided the opportunity to help, not only the international students, but also [those in the greater] Rice community discover and develop their own leadership capacities by learning global leadership skills from successful international leaders in academia, business, governmental and nongov-

increase real wages in the long term and reduce the widening of the income gap between high- and low-income households. He argued that drastically increasing taxes on the rich would not be a desirable or effective means of attempting to reverse the effects of increased competition from foreign workers on the widening gap in household incomes.

ernmental organizations," he said. "By sharing their personal experiences, our speakers, Ambassador Edward Djerejian, Y. Ping Sun, and Pradeep Anand, clarified the skills necessary to be an international leader and were inspirational models for us to become one."

The ILCF is co-sponsored by the Baker Institute, the Rice International Students Association, Leadership Rice, the Graduate Students Association and the Office of International Students and Scholars.

CLINTON

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"I kind of looked at him and said 'Hi,'" Randall, a Brown College junior, said. "I wasn't forceful enough. Some people went in for the kill, and I was just kind of star struck."

Baker Institute Student Forum member Christina Lagos said the buildup to Clinton's arrival made the photo shoot exciting but that she wished the students could have interacted with Clinton in a "coffee talk" setting.

A more meaningful moment of the event, she said, came when Djerejian asked a question Lagos submitted. The question addressed how Clinton's Global Initiative seeks to minimize governments' corrupt use of aid.

Lagos, a Wiess College junior, said Clinton gave a more thorough answer than she expected.

"I was expecting an answer similar to what I had read on the Clinton Global Initiative Web site," Lagos said. "I was really pleased he gave such examples of how he deals with leaders and how he explained

that any deviations from the programs' guidelines end the support."

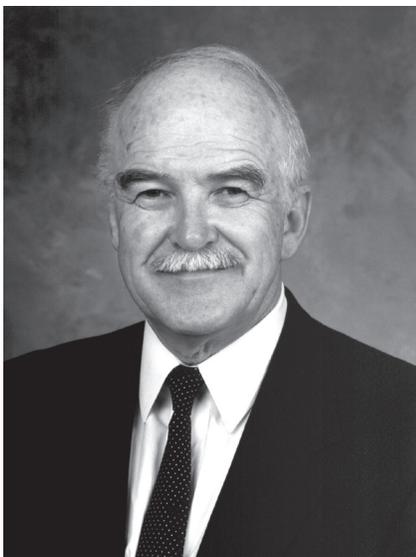
Clinton gave an example of an unnamed, newly elected foreign head of state who requested Clinton's help in buying drugs for his government because of a corrupt health ministry.

"He said, 'I've got a problem with this ministry, and I have to fire a bunch of people ... So will you buy these drugs for four months until I get around to cleaning it out?'" Clinton said. "He understood how committed we were to ending corruption."

WHAT WE'RE THINKING: POLICY WITH A POINT: CLEAN NEEDLES FOR DRUG ADDICTS

On March 16, William Martin, the Harry and Hazel Chavanne Senior Fellow in Religion and Public Policy, published the following opinion piece under a new feature on the Baker Institute Web site called "What We're Thinking." This piece has also been published on the site as a video briefing, accessible via webcast both from the rotating graphic and the "What We're Thinking" feature. Each opinion piece runs with a disclaimer that the research and views expressed in the opinion piece are those of the individual researcher(s), and do not necessarily represent the views of the Baker Institute.

We need better ways to provide clean needles to injecting drug users because this is a major way of reducing the spread of blood-borne diseases, primarily HIV/AIDS and hepatitis C, which is the most deadly variant of hepatitis. We know that



Chavanne Senior Fellow in Religion and Public Policy, William Martin, shares his viewpoint on needle exchange programs in the institute's first video briefing for the Web site.

this works. There have been major scientific studies all over the world, eight of them in the United States, and they have unanimously, without exception, shown that needle exchange programs, greater access to sterile syringes, reduce the spread of disease without encouraging or increasing drug abuse.

A Political and Moral Dilemma

I think one of the reasons that politicians have tended to ignore this, or to reject this, is that the people who are most affected by these diseases don't have much voice. They're not going to raise much opposition; they don't have people in their corner fighting for them to a great extent. So it's easy to ignore them. Part of the resistance, I think, is that politicians feel they'll be vulnerable at election time, because an opponent will say, well this person voted to encourage drug abuse. But I think part of it is people genuinely feel that this will be condoning drug usage, and that it sends the wrong message. But what we ought to think about is the message we now send:

"We know a way to dramatically reduce the chances that you will become infected and spread this disease to other people. It will also dramatically reduce the cost that society is going to have to spend on you. But because we believe what you are doing is illegal, immoral, and sinful, we're not going to do what we know works. As upright,

moral, perhaps sincerely religious people, we prefer that you and those in your social circle die."

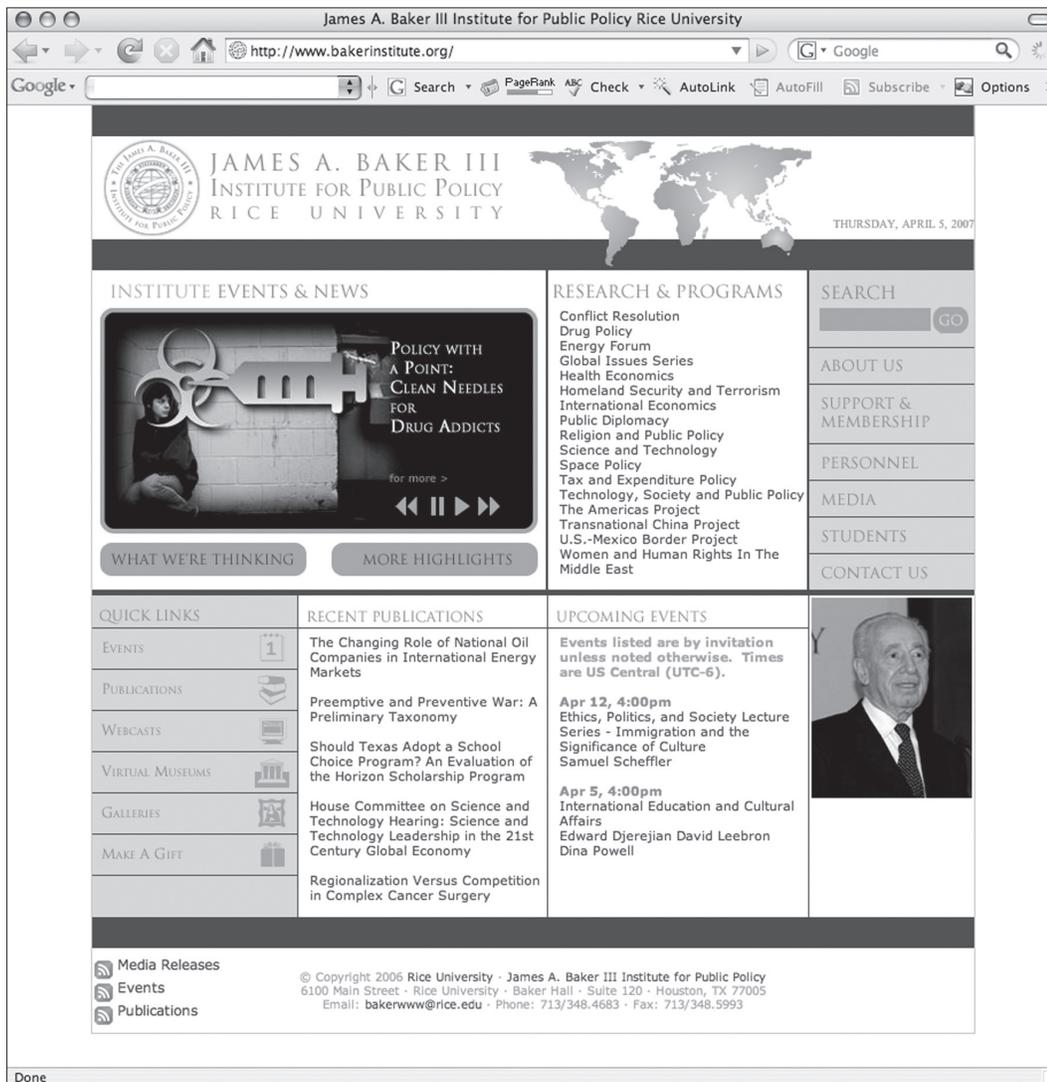
That's the message we now send.

Hepatitis C & HIV/AIDS: Both Blood-Borne Diseases

Generally the incidence of hepatitis C is about six times that of HIV/AIDS, it's much easier to catch—the virus will live on an infected needle for about four days. The reason it's important to consider both HIV/AIDS and hepatitis C together is that, even though they're different diseases, both of them are blood-borne diseases. They are spread from the blood of one person to the blood of another. That blood is spread commonly, among injecting drug users, on the needles, and the hepatitis C virus, for example, can live for four days on a needle. So if someone uses a needle, and even up to four days later, uses that needle after trying to sterilize it, there is still a good chance it's going to carry that disease.

Where Texas Ranks

Texas ranks fourth in the United States in having the [greatest] numbers of HIV/AIDS cases, with 56,000 currently. Some say it's more than that, but at least that many. This is not a race we want to win. It also is extraordinarily expensive—from 2001 to 2005 Texas spent \$316 million just on Medicaid funds in the treatment of



A snapshot of the home page for the Baker Institute Web site shows some of the new features. William Martin's video briefing can be accessed by clicking on "for more" from the billboard graphic on the top left or the "What We're Thinking" button underneath.

HIV/AIDS. That doesn't include private payers, private insurance, veterans' administrations, civil service, or any other forms—it's extraordinarily expensive.

Australia's Experience: A Model for Texas

Australia, two or three years ago, issued a report, in which [researchers] studied not only their own country, but they had surveyed 103 cities, some without and some with needle exchange programs. They found that in cities without needle exchange programs the

incidence of HIV/AIDS increased annually 18 percent. In cities with these programs, they decreased annually about 8 percent. Australia and Texas have approximately the same populations, and almost exactly the same number of injecting drug users, about a hundred thousand each. We have 56,000 cases of HIV/AIDS in Texas, 14,000 in Australia.

Needle Exchange Programs: Good Public Policy

No responsible person wants to encourage drug abuse. No fiscally

prudent person wants to spend money unnecessarily. No compassionate person wants to consign people unnecessarily to a life of living hell or to death. Fortunately by providing people with greater access to sterile needles, we can be both rational, prudent and compassionate. Those are admirable criteria for good public policy.

NEW PUBLICATIONS

To download the complete text of these publications and others, please visit our Web site at <http://bakerinstitute.org> and look under Publications.

“Policy with a Point: Clean Needles for Drug Addicts”

Opinion Piece

March 2007

William Martin, PhD (Baker Institute)

“House Committee on Science and Technology Hearing: Science and Technology Leadership in the 21st Century Global Economy”

Testimony

March 2007

Neal Lane, PhD (Baker Institute/Rice University)

“Financial Integration and Cyclicity of Monetary Policy in Small Open Economies”

Research Paper

March 2007

Yossi Yakhin, PhD (Baker Institute)

“Regionalization Versus Competition in Complex Cancer Surgery”

Research Paper

March 2007

Vivian Ho, PhD (Baker Institute/Rice University/Baylor College of Medicine)

“Testimony Before the Committee on Ways and Means”

Testimony

March 2007

John Diamond, PhD (Baker Institute)

“The Changing Role of National Oil Companies in International Energy Markets”

Policy Report #35

March 2007

Baker Institute Energy Forum

“When You Have Not Decided Where to Go, No Wind Can Take You There: A Strategy to Achieve a Comprehensive Israeli-Arab Peace”

Research Paper

February 2007

Yair Hirschfeld, PhD (Baker Institute)

“Preemptive and Preventive War: A Preliminary Taxonomy”

Research Paper

February 2007

Joe Barnes (Baker Institute),
Richard J. Stoll, PhD (Rice University)

“Statement by James A. Baker, III, and Lee Hamilton, Co-Chairs of the Iraq Study Group, before the Committee on Foreign Relations”

Testimony

January 2007

ZODROW APPOINTED FELLOW AT OXFORD UNIVERSITY

George Zodrow, Baker Institute Rice scholar and a principal contributor to the Tax and Expenditure Policy Program, was appointed international research fellow at the new Oxford University Centre for Business Taxation. The Centre, located at Oxford's Said Business School, is an independent research centre which aims to promote effective policies for the taxation of business.

The Centre undertakes and publishes multi- and inter-disciplinary research into the aims, practice and consequences of taxes which affect business. Although it engages in debate on specific policy issues, the main focus of the centre's research is on long-term, fundamental issues in business taxation. Its findings are based on rigorous analysis, detailed empirical evidence and in-depth institutional

knowledge.

The Centre said it intends to appoint a limited number of international research fellows. These honorary positions are awarded to leading international researchers in a field relevant to business taxation. They will normally, though not in all cases, hold an academic position outside the United Kingdom.

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