



BAKER INSTITUTE REPORT

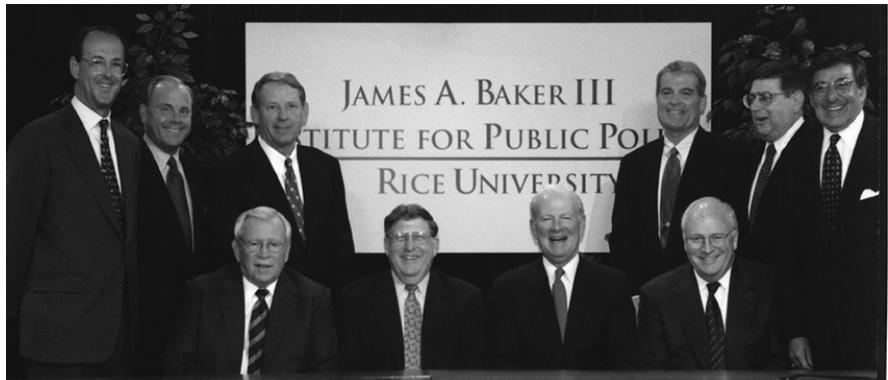
NOTES FROM THE JAMES A. BAKER III INSTITUTE FOR PUBLIC POLICY OF RICE UNIVERSITY

UNIQUE FORUM FOCUSES ON CHIEF OF STAFF'S ROLE

In November, America will elect a new president in a peaceful transition of power as old as the Republic itself. Yet, one morning shortly thereafter, someone will wake up to realize, as 15 other Americans have before, that in a very few weeks he or she will be the new White House chief of staff responsible for leading a team, not yet picked, into the most important nerve center in the world. That too is a tradition, but it is only as old as modern memory—it barely predates the end of the Vietnam War. While everyone knows that the president runs the country, it is a different story inside the White House. The wheels of decision-making there depend heavily on the White House chief of staff.

Helping the new White House team make a successful transition from election to governing is the goal of a far-ranging, privately funded effort by a number of organizations, including the Baker Institute. The principal contribution of the institute to that effort has been to focus attention on the role of the chief of staff in making a successful White House transition and in eventually keeping the White House working effectively for the president and the country.

That contribution culminated in June when the Baker Institute convened an unprecedented gath-



Former chiefs of staff who participated in the Baker Institute forum are (sitting, from left) Howard H. Baker, Jr.; John H. Sununu; James A. Baker, III; and Richard Cheney; and (standing, from left) Erskine Bowles; Thomas F. "Mack" McLarty; Samuel K. Skinner; Jack H. Watson, Jr.; Kenneth M. Duberstein; and Leon E. Panetta.

ering of former White House chiefs of staff to discuss the office and its operations. The Baker Institute Washington Forum on the Role of the White House Chief of Staff was an all-day event held June 15 at the Woodrow Wilson International Center for Scholars in Washington, D.C. The forum was coordinated by Dr. Terry Sullivan, Edwards chair in democracy and research fellow at the Baker Institute, and underwritten by Nancy Crow Allen.

The forum convened 10 of the 14 former chiefs of staff: Richard Cheney (Ford administration), Jack H. Watson, Jr. (Carter administration), James A. Baker, III (Reagan and Bush administrations), Howard H. Baker, Jr. (Reagan administration), Kenneth M. Duberstein (Reagan administration), John H. Sununu (Bush administration), Samuel K. Skin-

ner (Bush administration), Thomas F. "Mack" McLarty (Clinton administration), Leon E. Panetta (Clinton administration), and Erskine Bowles (Clinton administration).

They discussed topics organized in three panels covering the tenure of a White House (starting up, reorganizing, reelection, and closing out) and a final panel on the place of the White House in the larger governing community. They exchanged experiences and summarized lessons they learned as chief of staff. And they commented on the current political situation in Washington that their successors will face.

The second toughest job in Washington: Accomplished as leaders in a wide range of professions—law, business, military

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LETTER FROM THE DIRECTOR



Edward P. Djerejian

The Middle East and the Maghreb are at another historic crossroads. While the major foreign policy issues continue to preoccupy press

and media attention—the Middle East peace process, Lebanon, containment policies in the Gulf directed toward Iraq and Iran, and the Western Sahara—basic socioeconomic forces are at play that not only affect these issues, but will also have an even greater impact on the evolution of the region at a time of generational change in leadership.

Throughout most of the Middle East and North Africa, the rate of demographic growth is high, and increasing numbers of young people are seeking employment in economies that cannot create enough jobs to fill the demand. In some countries more than 50 percent of the population is under 25 years of age. Foreign direct investment in the Middle East remains very low compared to other regions of the world, except for Africa. Many countries are burdened with statist economic structures inherited from the 1950s and 1960s and the legacy of Arab socialism. Accordingly, economic reform and the transition to private market economies have proven to be halting and difficult. The education system, in general, is not geared to produce qualified entrants into the marketplace who can meet these new challenges.

These structural problems are exacerbated by endemic corruption in the public and private sectors of society. Indeed, in certain instances the level of corruption is so high that it is a major factor inhibiting economic and social development. Further, the large gap between rich and poor raises the fundamental issue of social injustice in the region. Indeed, it is this issue more than any other that is the cause of instability and the rise of extremist groups, either secular or religious.

Another major factor is the growing desire for broader participation in the political process of these countries. Younger generations are seeking to have their voice heard through more representative institutions. In this respect, one of the most striking ironies in the Middle East is Iran. Despite the dominant role of the Ayatollahs and clerics in this Islamic regime, there is a real democratic process of elections where the people, especially women and the young, vote in legislative and presidential elections and wherein reformists and conservatives vie for power. Across the Gulf in Qatar, Kuwait, and Yemen, there is movement toward broader and more open local and legislative elections. In Saudi Arabia, the most conservative of the Arab Gulf States, there is recent recognition of the need to broaden the role of the Majlis as-Shura (Consultative Assembly), which is the most important representative and advisory body in the kingdom. In the kingdoms of Morocco and Jordan,

doors have been opened to opposition parties to participate in government and the parliaments. While these developments offer some hope for the future, the compelling need for governments to be more responsive to their people's urgent economic and social needs underscores the magnitude of the challenge to the current regimes in the region.

In certain countries, the coming to power of a new generation of leaders (King Abdallah in Jordan, King Mohammed VI in Morocco, Amir Hamad bin Khalifa Al Thani in Qatar, and, most recently, President Bashar al-Assad in Syria) is putting in stark relief the tension between continuity and change. Faced with basic socioeconomic and political problems and the forces of globalization and information technology, these new and younger leaders are creating new expectations for reform and change. This is a particularly difficult mandate because of the need to consolidate their domestic power bases and to assure regime continuity. At the same time, they are pressed to strike a new chord for economic, social, and political reforms.

Regional conflict resolution will also play a key role in the ability of these leaders and countries to meet the rising demands of their citizens. There is no doubt that the heavy burden of defense and security expenditures required in the absence of the peaceful settlement of regional disputes in the Middle East, the Gulf, and the

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Maghreb hinder addressing the pressing socioeconomic issues these countries face. It has been a stark statistic over many years in the Middle East (from Turkey to Iran) that on average for every dollar spent on education, a staggering \$166 has been spent on arms and defense. Therefore, conflict resolution can have an enormous impact on economic and social development, and the highest priority must be given to peaceful and comprehensive settlements on the Israeli-Palestinian, Syrian, and Lebanese fronts as well as a settlement of the Western Sahara issue and the creation of a more stable situation in the Gulf, especially regarding Iraq. The leadership of the Arab countries, of Israel, and of the international community, especially the United States, must demonstrate the necessary political will and determination to bring these conflicts to an end. At the same time, there is a role for nongovernment organizations to help facilitate regional conflict resolution in a manner supportive of the efforts of governments. In this respect, the Baker Institute has been active in initiatives in the region involving conflict resolution, specifically in the Arab-Israeli conflict and the Western Sahara issue.

In one of our earliest Baker Institute studies, we suggested that the United States should, as a consistent policy, urge and work with the governments of the Middle East region to reach out to their societies on the dual track of broadening participatory government and free market forces as ex-

peditionously as their particular circumstances permit. In the final analysis, this would be the most effective approach to diminish the manifestations of social injustice that promote instability and give rise to extremism. In so doing, however, we must be sensitive to the complexities involved. The modernization process of the West is viewed in parts of the world with suspicion and even hostility and as alien to their culture and beliefs. Even in the United States we have seen the opposition to globalization policies at the World Trade Organization meeting in Seattle. In the Middle East context, perceived imposition of secular ideas can lead to resistance. This is certainly the case of those individuals, groups, and classes in these countries who are not sharing the benefits of the modernization process and who see themselves as largely dispossessed victims. Such inequality is the breeding ground of instability and extremism. That is why it is essential in launching and fostering modernization programs to ensure that the fruits of political participation, market reforms, and economic and social development are widely accessible.

Much of the recent history of the Middle East has been characterized by the accumulation and consolidation of state power in these societies. This aspect of continuity in the region has been exemplified by the recent spate of succession politics. But regime survival and the aggrandizement of power have not been matched by equal success in economic and social development policies, and the countries of the region find them-

selves ill-equipped to compete and deal effectively with the forces of globalization and to manage the indigenous forces that see modernization as a threat. This is where the rising expectations of younger generations and the forces of change come into play. With new leaders emerging, a key element will be effective political dialogue between governments and a broad spectrum of their societies. This political track should be coupled with viable economic policies that benefit large sectors of the populations and the creation of strong middle classes.

As for the United States' role in this process, we have important and even vital interests in the region and, therefore, have a stake in its future. Our approach should be tailored to each country with the understanding that we do not try to impose Western political models on many of these traditional societies which have their own forms of political consultation that can be expanded along the lines of more democratic principles. This is where the leaders of the region should place the emphasis. While we must fully support and help to steward these changes, we should be careful to avoid the arrogance of power.

Edward P. Djerejian

CHIEF OF STAFF

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leadership, and politics—the former chiefs of staff agreed when James Baker, who held the position twice, noted that “each of us has held the second toughest job in Washington. And when you realize that that job is just a staff job—it’s right there in the title—then you know that it is not just a tough job, but it is probably the *worst* job in government.” The average tenure in office of a chief of staff is around two years.

Baker emphasized that the chief of staff stands uniquely at the intersection of politics and policy, and they cannot be separated. “It’s the chief of staff’s job to spell out the political meaning of a decision while also understanding the underlying policy implications,” Baker said.

Cheney noted that a strong background in history can benefit the chief of staff “because so much of what you do is shaped and affected by what’s gone before, and there are valuable lessons to be



(From left) Former Indiana Congressman Lee H. Hamilton serves as moderator for a panel that included James A. Baker, III; John H. Sununu; and Thomas F. “Mack” McLarty.

learned in experiences of earlier administrations that you may want to apply.”

The former chiefs of staff noted that constant strategizing and decision-making make the job very difficult. “You make hundreds of decisions for the president that he never even knows about,” remarked Watson. “You’re like a short-stop, cutting short the balls to keep them from getting . . . all the way to the president.”

Former Office of Management and Budget director and former Congressman Panetta likened the job to being a “battlefield com-

mander”—turning grand strategies into on-the-ground tactics that lead to bloody battle scenes. No matter what the specific vocabulary, though, they all agreed it is a thankless job.

The former chiefs also concurred that the high-speed pace defined the job as it defined few others. In fact, many of them commented that the pace of White House operations dwarfed their experiences in business and finance.

“It is so much faster than a dot-com,” remarked businessman and Wall Street financier Bowles. “One minute, it’s health care,” he noted. “The next minute, it’s Kosovo, Iraq, welfare reform, the budget. And, oh, on the side, you deal with a little thing called ‘impeachment.’”

In the end, the decisions made by the chief of staff further the president’s agenda by sacrificing the chief’s own influence and personal standing. Explained Baker, “You walk around with targets on your front and back.”

A commitment to lending their expertise: The former chiefs of staff convened in Washington be-



(From left) Erskin Bowles, Howard H. Baker, Jr., and Leon E. Panetta socialize at the chief of staff forum.

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cause they wanted to share their experiences for the new administration in Washington in 2001.

“These men are extraordinarily busy,” Sullivan noted. “Among them are former cabinet secretaries: secretary of defense, secretary of state; former members of Congress: Senate majority leader, House minority whip, House budget chairman. Many of them now direct companies, Fortune 500 firms, and national law firms.”

Baker confirmed their commitment in his opening remarks by noting that the former chiefs of staff had convened in order to facilitate the task for the next member of their exclusive fraternity. “Every time history repeats itself,” he noted, “the price goes up. Clearly, that aphorism was written for the White House staff. In our modern world, White House mistakes reverberate loud, long, and . . . at the speed of light.”

Lessons learned: Among the lessons they agreed were central to



Participating in a panel discussion are (from left) Richard Cheney; Jack H. Watson, Jr.; James A. Baker, III; and Kenneth M. Duberstein.

governing from the White House:

- There are literally hundreds, if not thousands, of claimants on the president’s time, and somebody has to say “no.” A big part of every chief of staff’s job is keeping the White House focused on the president’s agenda. Others in the Washington community, in Congress, among organized interest groups, all want to add their favorite policy to

the national agenda, and the quickest way to get there is through a White House endorsement. These issues dilute the administration’s influence by drawing off the president’s sparse resources. Preventing that drain and keeping the president’s agenda from drifting off course is the chief of staff’s responsibility.

- When people can wander in and out of the Oval Office, it means that the president does get information out of context. And, therefore, he doesn’t make as good decisions, and it takes longer to make decisions. The president’s decisions depend on a process that guarantees he will get the widest range of opinion presented to him on any single issue. Others, of course, want an opportunity to short-circuit the system and get the president to commit to a decision they prefer. Assuring the president that he has seen the range of judgment on the decision before



(From left) Former chief of staff Thomas F. “Mack” McLarty and CBS White House correspondent Bill Plante meet with Baker Institute scholar Dr. Terry Sullivan, who coordinated the chief of staff forum.

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BAKER INSTITUTE ENERGY FORUM RELEASES ANNUAL ENERGY STUDY

Japan should continue to restructure its domestic energy sector away from intrusive government involvement to market-conforming regulation.

That is a major conclusion of a yearlong energy study released by the Baker Institute.

The study also recommended that Japan should pursue a multilateral approach toward energy security in Asia. Such cooperation could involve the creation of Asian emergency oil stockpiling systems, a maritime organization for cooperation on sea lane safety and environmental protection, and pursuit of major regional natural gas projects.

Titled "Japanese Energy Security and Changing Global Energy Markets: An Analysis of Northeast Asian Energy Cooperation and Japan's Evolving Leadership Role in the Region," the study included 21 published working papers—more than a dozen by Rice University faculty, four from Japan, two from the People's Republic of China, and one from the United Kingdom. The results of this fourth major study on energy by the Baker Institute were released May 18 at a briefing for energy industry executives, representatives from the Departments of State, Energy, and Defense, energy analysts, academic energy experts, and media representatives.

The research project, conducted in close cooperation with the Petroleum Energy Center in Japan, was funded by the Center for International Political Economy of

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The Baker Institute's energy studies are multidisciplinary and provide in-depth analysis of the economic, political, social, technological, environmental, and cultural factors that will influence global energy markets in the coming decades.
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New York. Researchers and representatives from Japan, China, South Korea, and Russia attended a workshop held at Rice in December to exchange views on the project. Rice professors Dr. Peter Hartley and Dr. Fred von der Mehden and the Baker Institute's senior energy analyst, Amy Jaffe, joined other U.S. researchers for a reciprocal visit to Japan in February.

The Baker Institute's energy studies are multidisciplinary and

provide in-depth analysis of the economic, political, social, technological, environmental, and cultural factors that will influence global energy markets in the coming decades. Topics covered in this year's study include:

- Japan's relations with primary energy suppliers
- Chinese power projection in historical perspective
- The future of multilateral security cooperation in the Asia Pacific
- The U.S.-Japan security alliance
- Forecasts on Japan's and China's future energy requirements and energy mix
- Russia's potential as a major energy supplier to China, South Korea, and Japan
- Japanese nuclear energy policy and public opinion
- Prospects for energy deregulation in Japan
- Cultural security perspectives in Northeast Asia.

The complete study, including the Japanese translation of the executive summary, is available on the Baker Institute's Website at <http://rice.edu/projects/baker/index.html> along with previously released energy studies on the Persian Gulf (1997), the Caspian Basin (1998), and China (1999).

BAKER INSTITUTE AND OVERSEAS DEVELOPMENT COUNCIL ANALYZE NEED FOR U.S. MULTILATERAL ENGAGEMENT

A forum for a bipartisan dialogue on America's national interest in multilateral engagement was cosponsored by the Baker Institute and the Overseas Development Council (ODC) April 9-10.

The forum was part of an effort by the ODC to place this theme on the agenda of the presidential candidates and to prepare for the September 2000 United Nations Millennium General Assembly. This Baker Institute event featured a dinner address by Undersecretary of Defense for Policy Walter Slocombe and two panels, one on counterterrorism and the other on international peace and security. In May, Harvard's John F. Kennedy School also held a pair of panels that are part of the overall program.

Secretary Slocombe's speech focused on the conditions under which the United States should work with other countries and international actors to pursue its foreign policy. He began by stating that if it can be shown that U.S. interests are at stake, the American people will support engagement, even with the prospect of American casualties. He then noted that the specifics of the situation facing the U.S. should determine whether (and if so, how) it works with others. Some problems, such as terrorism, require a multilateral response and a significant involvement by the United States. On other problems, while the U.S. may have an interest, it need not take the lead, such as the situation in East Timor. But for many issues,

it is important that the United States work closely with the United Nations. Often the U.N. provides international authority and legitimacy for U.S. actions even if there is no direct involvement by that international organization. Slocombe also noted that it will be a continual challenge for the government to sustain political and public support for U.S. engagement in the world.

Princeton Lyman of the ODC chaired the panel on counterterrorism, which featured Graham Allison of the Kennedy School, Michael Wermuth of the RAND Corporation, Martha Crenshaw of Wesleyan University, and Paul Bremer of Kissinger Associates.

Panelists noted that there is a broad spectrum of threats from terrorism. The most likely events are not the "doomsday" scenarios epitomized by incidents such as the Oklahoma City bombing or the terrorist attack on the Japanese subway system. It is far more likely that terrorist incidents will be smaller and use only conventional weapons.

In the U.S., extensive resources have been devoted to counterterrorism, but significant prob-

lems of coordination remain, for example, determining who is in charge and specifying the boundaries of responsibility between groups and organizations. Devising an adequate response is difficult because terrorism is an international problem that does not respect jurisdictional boundaries and because the nature of the terrorist threat changes through time.

Compared with the past, the number of terrorist incidents is down, but those that do take place are more lethal. As well, the differences between international and domestic terrorism are decreasing. This has significant implications for intelligence gathering and law enforcement as well as for prevention. Finally, the motives of terrorists have changed through time from political goals to goals that are both more personalized and more unique. In the 1970s and 1980s, terrorists targeted the U.S. because of whom we supported. Now they target the U.S. because of who we are. As well, terrorist groups today are less likely to want to gain political power, and this leads to fewer self-imposed con-

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Graham Allison (left) and Paul Bremer served on the panel on counterterrorism at the forum.

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straints on inflicting casualties.

To deal with these changes, the U.S. must reassess its concept of security. More than ever, successfully defeating terrorism requires international cooperation and solidarity. Fortunately, the international climate for confronting terrorism has improved. The United Nations can play an important role in the global struggle against terrorism, both by playing an active role in coordination and by providing international legitimacy for these efforts.

Stephen Rosenfeld, a former editor of the *Washington Post*, chaired the panel on international peace and security. Panelists were Bill Maynes of the Eurasia Foundation; Jeffrey Laurenti of the United Nations Association of the United States; Bruce Jentleson of Duke University; and General Charles Boyd (retired), executive director of the U.S. Commission on National Security in the 21st Century.

Panelists noted that the U.S. has maintained an ambivalent attitude toward working with the U.N. Consequently, we have witnessed both periods when the U.N. takes little or no role in international crises, as well as times when the U.N. is a key actor in orchestrating an international response to a problem. This difference can be seen most recently by comparing September 1998, when the U.N. was not involved in Western actions in Bosnia or Kosovo, to September 1999, when the U.N. was involved in peacekeeping in Kosovo at the same time it was

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U.S. national security strategy typically involves both elements of strategic realism (which assumes that the U.S. should not get involved unless the situation clearly engages U.S. interests) and neo-Wilsonian interventions (which places a heavy stress on multilateral initiatives such as those that involve the United Nations). The U.S. needs a clearer vision of the criteria for intervention in a world that features both of these elements, although it may be very difficult to clearly delineate the conditions under which the U.S. should become engaged. Nonetheless, the U.S. will also continue to have both a need to take action unilaterally and to work with the institutions of the international community to advance its interests and achieve its goals.

While panelists reflected different points of view, the consensus that emerged from the conference was that the United States is not faced with a world of simple choices. The U.S. must remain engaged internationally and act in an appropriate manner. Sometimes the U.S. should act unilaterally. Sometimes it should act with the authority and legitimacy of the United Nations. At other times, it should act in concert with the U.N. Finally, sometimes it should stay on the sidelines and let the U.N. and other countries lead the way. A major challenge of the 21st century for the United States is making the correct choice from these policy options.

WERMUTH ASSESSES PREPAREDNESS FOR TERRORIST THREATS

Local organizations need to develop the ability to lead the response to terrorist incidents rather than rely on federal resources, according to Michael Wermuth.

Wermuth is senior policy analyst at the RAND Corporation and coordinator of the U.S. government's Advisory Panel to Assist Domestic Response Capabilities for Terrorism Involving Weapons of Mass Destruction. He discussed the work of the advisory panel with a group of local officials at the Baker Institute February 17 as part of the institute's counter-terrorism policy initiative. This initiative is designed to analyze and assess the preparedness of Houston and the surrounding areas to handle major terrorist inci-

dents. It involves the participation of the mayor's office, the Texas Medical Center, and many local and federal agencies.

Before the ability to respond to an incident can be assessed, a common understanding of the possible terrorist threats must be developed. Wermuth's presentation was the group's first major step toward developing this understanding.

Wermuth noted that the focus in the United States has emphasized the worst-case scenarios, particularly those involving large-scale use of chemical, biological, nuclear, or radiation devices. But the advisory panel believes that conventional and/or smaller-scale incidents are far more likely. The

panel sees a need for more focus and coordination in Congress (there are currently 44 different Congressional committees addressing the issue of terrorism) and for more information-sharing among levels of government. National standards for dealing with terrorist attacks are needed so teams of responders can move easily from their own city to another city and have an immediate impact on the situation.

Future meetings of the counter-terrorist study group will move to establish a concrete assessment of the threat to Houston, evaluate the current ability of Houston to respond to the threat, and put together a plan for public education on this topic.

MIDDLE EAST PEACE REQUIRES COMBINATION OF ELEMENTS

Peace in the Middle East can be achieved only through a just and fair process, the Egyptian minister for foreign affairs told an audience at the Baker Institute March 22.

Amre Moussa shared his thoughts on "The Middle East Peace Process" after being welcomed by Edward Djerejian, director of the Baker Institute, and introduced by James A. Baker, III, 61st U.S. secretary of state.

Moussa cited two distinct elements—peace itself and the process of peace—and noted that the process has its own *modus operandi*. "That process must not be a zero-sum game," Moussa said.



Amre Moussa (center) spends time with student ambassadors at Rice.

"Progress is achieved when the code of conduct is upheld."

Past failures have been characterized by procrastination and vio-

lation of the principle of land for peace, and successes have been a

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MIDDLE EAST PEACE

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result of courage. To achieve a just and lasting peace, all elements must come together, Moussa said. And the Arab side must be steadfast in its commitment to peace.

"Egypt is ready to help," he said. "This is a golden opportunity that must not be missed." To reach peace, "all matters must be addressed equally," Moussa said.

A final and important point concerning the peace process, he said, is that "the role of the United States is crucial and pivotal. It is inescapable that the U.S. remain involved in the process in the

months ahead. The logic and rationale of the process as designed [at the Madrid Peace Conference] are sound if adhered to."

A hopeful Moussa also looked beyond the peace process to other concerns of the region. "However peace in the Middle East is achieved, the success must not be the end of the road but a start," he said.

The post-peace process efforts will include regional security and economic growth in a global market, he said, singling out armaments as one of the most important matters that must be resolved.

"Any security will not stand unless the armament issue is addressed," Moussa said. "We must

ensure equal security, arms control, and weapons reduction."

An era of interaction and integration must cement the peace, and the region must reach a stage in which there is flow of trade, capital, and investment. "We must make it unaffordable for anyone to threaten peace," he said.

As minister for foreign affairs of the Arab Republic of Egypt since 1991, Moussa has played a key role as facilitator in establishing talks among Israel, Syria, and the Palestinians.

Moussa's speech was part of the Baker Institute's Shell Oil Co. Foundation Distinguished Lecture Series.

FORMER U.S. SECRETARY OF DEFENSE SHARES LESSONS FROM VIETNAM WAR

The coauthors of a book about the Vietnam War hope that lessons learned from that war will prevent the tragic loss of life witnessed during the 20th century.

Robert McNamara, U.S. secretary of defense during the escalation of the Vietnam War, believes historians, scholars, and the country's leaders should examine history and learn from past mistakes, especially the Vietnam War. He discussed his 1999 book, *Argument Without End: In Search of Answers to the Vietnam Tragedy*, at the Baker Institute February 28.

Coauthors James Blight, professor of international relations at the Watson Institute for International Studies at Brown University and director of the institute's Vietnam War Project, and Robert

Brigham, professor of history at Vassar College, also were present to discuss the book.

They explained how they employed a unique approach in developing the book. They drew

American and Vietnamese officials who were involved in the war together with scholars for a series of meetings to probe its causes and draw lessons from the conflict.

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James A. Baker, III (left) chats with Robert McNamara, who visited Rice to discuss his book about the Vietnam War.

BAKER INSTITUTE HOSTS WORLD ENERGY CONFERENCE

Identifying the optimum policy framework to ensure adequate development of oil reserves in the 21st century was the goal of the World Energy Conference held at the Baker Institute May 19.

Titled "Running on Empty? Prospects for Future World Oil Supplies," the conference was hosted by the Baker Institute's Energy Forum in cooperation with the Petroleum Industry Research Foundation (PIRINC).

Three high-level panels consisting of energy experts from the government and private industry addressed questions about which determinants—geology, technology, or politics—will play the most important role in determining future world oil supplies and whether the international political and financial environment will favor timely resource development.

Bruce Riedel, special assistant to the president and senior director of Near East and South Asian affairs at the National Security Council, gave the luncheon address on "U.S. Oil Sanctions



Rice economics professor Dr. Robin Sickles makes a presentation at the energy conference.

Policy." Although many in the audience doubted their effectiveness, Riedel argued for the necessity of the United States' policies on oil sanctions. While conceding that sanctions policies might result in higher energy prices and can be detrimental to the global competitiveness of American energy companies, Riedel said that the price was a small one to pay when

considering the larger picture of national security and effective foreign policy toward states that sponsor terrorism abroad and are ruthless at home. He said that the present oil embargo against Iraq was essential to demonstrating our resolve to support international law and that relations with Iraq can never improve so long as Saddam Hussein is still in power. The improving political conditions in Iran, however, offer hope that we might see improved relations and possibly the reestablishment of energy cooperation in the future. Riedel noted that the sanctions policy toward Libya serves as a model of effective sanctions policy implementation.

James Bodner, principal deputy undersecretary of defense for policy, delivered the afternoon keynote speech, "Security Issues in the Oil Market." He spoke about

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Amy Jaffe (left) greets guests at the energy conference.

ENERGY CONFERENCE

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the ability of the United States to protect and defend its sources of energy both at home and abroad. He explained how the U.S. is better prepared today than ever before to prevent disruptions of energy resource supplies, whether at their source or in their transportation to market. He noted that the U.S. now has new bilateral agreements that give the U.S. military access to facilities in all the countries of the Gulf Cooperation Council, unlike the 1980s when access was more limited.

Edward Djerejian, Baker Institute director, and John Lichtblau, PIRINC chairman, welcomed a near-capacity, distinguished audience to the conference, which included officials from the Departments of State, Energy, and Defense; executives from many of the world's major energy companies; and other international energy experts.

Amy Jaffe, Baker Institute energy program coordinator, opened

the conference with an overview of the political and economic factors that contributed to a tightening of international oil markets this year. She noted that current spare oil production capacity within the Organization of Petroleum Exporting Countries (OPEC) is the lowest since 1973. Past low oil prices, social pressures in the Persian Gulf and Venezuela, and U.S. oil sanctions policy have combined to limit the amount of investment being made in oil exploration in key prolific oil provinces.

In the first panel, "The Geological Possibilities," Dr. Thomas Ahlbrandt, project chief for the USGS World Petroleum Assessment 2000, presented a preview of the soon-to-be-released report on world energy reserves. Ahlbrandt reported an increase in undiscovered oil of about 20 percent from previous reserve estimates, although estimates of undiscovered natural gas slightly decreased. Matthew Simmons, president of Simmons and Company International, warned about the implications of increased demand.

Simmons predicted increasing, perhaps even insurmountable, problems in the energy industry, including shortages of qualified personnel and equipment and building the massive infrastructures that will be required to satisfy the increasing demand for energy resources. Jack Zagar of Malkewicz-Hueni Associates, Michael Lynch of WEFA, and Roger Anderson of Columbia University also made presentations on panel one.

Dr. Manik Talwani, Rice's Schlumberger professor of geology and geophysics, moderated the second panel, "The Role of Technology." Art Green, chief geoscientist, ExxonMobil, presented pictures of untapped oil and gas reserves from the latest radar imagery and declared that there are plenty of resources available in reservoirs at 60,000 feet deep just waiting for the technology to be developed to produce it. Green questioned where the energy industry would find the engineers and geologists that will be required to train in the new technologies. B.N. Murali of Halliburton and Pete Fontana of Deep Vision also discussed the increasingly difficult and complex drilling and exploration requirements and the rapidly declining knowledge base in the energy industry. Everyone agreed that new and advanced technological breakthroughs are essential elements to achieve the projected increases in exploration and production.

Panel three focused on the topic "Will It Happen? Political and Policy Issues in Translating Resources into Supply, and Security



Baker Institute research fellow Joe Barnes (center) shares thoughts with others attending the energy conference.

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Policy Implications.” Peter Davies, chief economist, BP Amoco, spoke on the apparent abundance of oil in the foreseeable future due to improvements in the technology of exploration and production. Davies cautioned policy makers not to panic about a lack of reserves but to base their policies upon nonintervention by governments in the market while giving support to technological advances. Steve Grummon, State Depart-

ment; Martha Brill Olcott, Carnegie Endowment for International Peace; and David Epstein, Pentagon, generally supported Riedel’s assessment of geopolitical realities in the energy industry, warning of instability in oil-producing regions and the importance of keeping shipping lanes open. Grummon indicated that keeping a check on Islamic fundamentalism would be a key component in maintaining good relationships with energy exporters in

the Middle East. Nawaf Obaid, Harvard University, noted that Saudi Arabia is the country with the largest excess capacity for oil production. He said that despite recent economic troubles, the Saudi regime is well-entrenched and stable and will be able to provide for the economic well-being of its citizens by reaping a windfall from privatizing its industries, particularly its energy sector.

CONFERENCE ANALYZES NORTH KOREAN ECONOMY

Although spontaneous markets have arisen in North Korea as the state distribution system collapsed, economic reforms will not succeed unless they are accompanied by the development of social, capital, and legal institutions.

Experts from around the world shared this observation in March at the second conference on North Korea convened within two years by the Baker Institute.

Organized by Rice economist Dr. Suchan Chae, the conference focused on a number of issues related to the current and future political and economic status of North Korea. The main themes of the conference were socioeconomic development in North Korea, development strategies for economies in transition, the economic integration of North and South Korea, long-term strategies toward North Korea, and U.S. and South Korean policies toward North Korea.

Participants noted that because of the great military and eco-

nomical risk that would be created by a North Korean collapse, the countries critical to the future of North Korea should pursue a policy of gradualism to improve conditions in North Korea. President Kim Daejung’s Sunshine Policy is designed to lift external threats perceived by North Korea so it can pursue a policy of opening. The success of the Sunshine Policy, however, is not assured because the North Korean leadership’s will to reform is still in doubt. Nevertheless, it is hoped that recent developments, including a meeting of the presidents of North and South Korea, will help lead to the stabilization of the Korean peninsula and help pave the way toward economic development and reforms in the North.

The presentations at this conference will be published as a Baker Institute working paper. The Baker Institute, the Asia Research Fund and the Korea Economic Institute/Korea Foundation cosponsored the conference.



Mexican Secretary of Energy Luis Tellez engaged in a private discussion with members of the Baker Institute’s Energy Forum April 12. Tellez reviewed the recent history of the world energy market, highlighting Mexico’s actions and explaining his country’s perspective. He also related the changes in the market for energy to world economic conditions.



Former executive chairman of the United Nations Special Commission (UNSCOM) and chief arms inspector in Iraq, Ambassador Richard Butler (right) addresses Dr. Richard Stoll (left of Butler), associate director of the Baker Institute, and students December 9, 1999. Butler was at the Baker Institute for a joint program with the Council on Foreign Relations to lead a roundtable on "Dealing with Rogue States: The Iraq Case."

WORKSHOP ADVOCATES STUDIES ON CHILD DEVELOPMENT

Scientists who specialize in child development discussed the need for more research on the biological and social factors that shape children's development at a workshop cosponsored by the Baker Institute and The University of Texas-Houston Health Science Center January 18-21.

Dr. Alvin Tarlov, the Sid Richardson and Taylor and Robert H. Ray senior fellow in health policy at the Baker Institute, said research on this subject is critical to developing sound public policies, and he called for continued support of research at a high level.

Among the needs he cited are greater family planning, prenatal services for all, parent education, developmental day care, a greater investment in public education, en-

hancing the community's role in child development, and a national program for "brain fitness," similar to physical fitness programs.

Tarlov called for conversions of research into knowledge and knowledge into action. As a starting point, he suggested creating a coalition of scientists who will take on the task of providing information in lay terms to the general public and facilitating the transformation of research into action.

In discussing the social and biological factors that shape childhood development, researchers at the workshop raised issues such as influences of developmental timing and the long-term consequences of various problems.

One topic emphasized at the close of the workshop was the

need to conduct more long-term follow-up studies to determine how factors such as low birth weight affect development over a lifetime.

The workshop included distinguished faculty from American and Canadian institutions and covered neuro-biological, behavioral, social, and health policy aspects of child development. It was the first major event of the Baker Institute's health policy initiative, which is led by Tarlov.

A grant from the National Institutes of Health's National Institute of Child Health and Human Development funded the workshop.

Plans are under way to publish the presentations from the conference in a special issue of the *Journal of Developmental Neuropsychology* in the latter part of 2001.

TRANSNATIONAL CHINA PROJECT EXAMINES CHANGES IN CULTURE

Although some “traditional” cultures are finding it hard to compete with global commercialization, Chinese culture is responding with vigor and in unexpected ways.

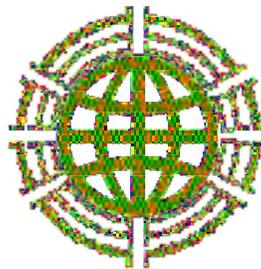
That is the conclusion of the distinguished scholars, professional researchers, artists, and writers who came to the Baker Institute to participate in the spring 2000 series of research workshops and public lectures organized by the institute’s Transnational China Project.

The project examines how the circulation of people, ideas, values, and technologies among Chinese societies affects contemporary Chinese culture.

Changing Chinese values: The opening up of China has created generations and groups who have widely varying views about nation, culture, and governance. Chinese youth highly value Western films, technology, and educational degrees, yet they are much more “nationalistic” in their foreign policy orientations than are older generations. Surveys also show they have high expectations that the Chinese government will be able to protect and advance their international status economically and politically. Overall, however, Chinese society is converging in terms of what people expect from government—especially public services—although widely different views on which mix of political and economic organizations is best-suited for the task still exist.

These conclusions of research

were presented at the workshop, “Chinese Values and Attitudes in the Era of Economic Reform: The State of the Art in Polling and Survey Research in the PRC,” held in March at the Baker Institute. The workshop advanced the project’s role as a pioneer in multi-disciplinary cultural research by bringing together for the first time Chinese and American scholars and professional pollsters to share research analysis and meth-



odologies.

Participants included Jie Chen (Old Dominion), Dr. Steve Lewis (Rice), Stanley Rosen (USC), Dr. Richard Smith (Rice), Dr. Randy Stevenson (Rice), Wenfang Tang (Beijing Univ. and Univ. Pittsburgh), American pollster Lance Tarrance, Ying Xiao (PricewaterhouseCoopers, Shanghai), and Yue Yuan (Horizon Research, Beijing).

The workshop’s discussion of survey methods also revealed that polling in China is much more sophisticated than is commonly understood outside China. Privatization of the workplace and

housing present polling obstacles unique to China, but methodologists agreed that these have largely been overcome by creative interviewing methods and advanced statistical analyses. The experiences of the pollsters also showed that many segments of Chinese society, including state enterprises and government agencies, are now frequent sponsors of private surveys, spurring the development of a very competitive and sophisticated domestic polling industry.

Redefining culture: In China, the term “culture” is itself changing. Popular conceptions of culture today refer less to traditional intellectual elite values and more and more to economic issues and policy debates. The establishment of the 40-hour work week in urban areas and the introduction of competition from transnational capital have facilitated popular discourse on “leisure culture” and “local tourist culture.”

In her April talk, “The Changing Concept of the Key Word Culture in 1990s China,” Duke University professor Jing Wang mapped the ways in which Chinese corporations and local governments have used advertising and popular media to advance new “corporate identities” and a “local image culture” that help them tap into the newfound leisure time and increased consumer power of the Chinese people. As a result, Chinese now think of “culture” as being more economic and less elite and intellectual.

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CHINA

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Transnational Chinese public art: Chinese art is becoming more transnational in form as more and more artists circulate among the Chinese societies of China, Hong Kong, Singapore, and Taiwan, but globalization has actually reinforced the prominence of certain fundamental Chinese aesthetic principles.

In his April talk, "Chinese Culture and Public Art," Singaporean sculptor Yu-Li Sun emphasized the importance of Taoist principles in the creation of Chinese art that is truly transnational. He described how he uses balance and juxtaposition in modern forms to try to induce viewers to engage in a distinctly Taoist critical process of "sober self-reflection." Sun argued that this tie to traditional Chinese philosophical principles explains his unique success in placing his pieces in museums and public spaces in Beijing, Hong Kong, Taipei, and Singapore. Sun's pieces also served as a backdrop to a performance of contemporary Chinese dance at Houston's Wortham Center. Sun also shared his expertise in art with Rice sculpture students and faculty.

Transnational Chinese aesthetics and literature: Chinese critical aesthetics and Chinese literature are becoming more and more transnational. Critics, academics, and writers in the Chinese societies no longer operate within narrow national borders; instead, they are interacting with and engaging counterparts and readers in the

Chinese youth highly value Western films, technology, and educational degrees, yet they are much more "nationalistic" in their foreign policy orientations than are older generations. Surveys also show they have high expectations that the Chinese government will be able to protect and advance their international status economically and politically.

other Chinese societies and the West. This interaction has led to a richness and diversity in views that did not exist before and also to the creation of a global Chinese literature marketplace. These

trends were discussed in separate roundtables with two internationally recognized experts: Zehou Li, former director of the Institute of Philosophy of the Chinese Academy of Social Sciences in Beijing, and Taiwan novelist and scholar Hsien-Yung Pai. They discussed these and other trends in contemporary Chinese cultural studies with Rice Chinese literature faculty Dr. Nanxiu Qian, Dr. Chiu-Mi Lai, and Dr. Marshall McArthur. Both events were cosponsored by the North American Chinese Writers Association of Houston.

In the next year, the Transnational China Project will identify the cultural values reflected in advertising in Chinese societies and their relationship to a transnational Chinese identity. It will also build exchange ties to the University of Hong Kong to facilitate long-term study of the relationship between culture and capital in Chinese societies. Reports, transcripts, audio files, and image archives from workshops and events can be found on the project's acclaimed bilingual Website, <http://www.ruf.rice.edu/~tnchina/>.

The Transnational China Project is generously supported by Ford Motor Co. and PricewaterhouseCoopers, and it is directed by Dr. Steven Lewis, senior researcher at the Baker Institute; Dr. Benjamin Lee, professor of anthropology; and Dr. Richard Smith, George and Nancy Rupp Professor of Humanities and professor of history.

EURO MARKS WATERSHED IN EUROPEAN ECONOMIC HISTORY

The successful introduction of a common currency, the euro, represents one of the greatest achievements in modern European economic history, according to Christian Noyer, vice president of the European Central Bank, who spoke at the Baker Institute on "The Euro from A to Z" January 11.

"As investor confidence grows and as more European Union member states join the euro area, the euro's role as an international currency is destined to gain in importance," he said.

Noyer's presentation was co-sponsored by the Baker Institute and the European Institute in Washington, with support from the Shell Oil Co. Foundation, Barclays Capital, and the European Commission.

"The European Union, even though it lacks international personality, is characterized by a substantial and growing degree of political cooperation and coordination. This applies to justice and home affairs as well as to foreign and security policies. The common currency will encourage more political cooperation and harmony," Noyer said.

The groundwork for the euro "lay in the ruin following World War II" when six countries signed the Treaty of Paris in 1951 to establish the European Coal and Steel Community. That treaty led to the creation in 1957 of the European Economic Community, which fostered the creation of a common market for goods, capi-

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tal, and labor.

The European Union is now a highly integrated single market with about 380 million people. It combines the economies of 15 European countries. While the European Union is composed of 15 member states, only 11 have adopted the euro. The Treaty of Maastricht led to the creation of the necessary framework and timetable for the creation of the Economic and Monetary Union in Europe with a single currency.

The Eurosystem, a "user friendly" way of referring to the European Central Bank and the 11 national central banks of those countries that have adopted the euro, Noyer explained, is modeled after the U.S. Federal Reserve. The role of the 11 national central banks is the implementation of monetary policy and other tasks, including issuing money.

Noyer emphasized the importance of sound budgetary and structural policies that are now in place, but he also pointed out the challenges facing the Eurosystem.

"The most important challenge to the Eurosystem was the definition of the appropriate monetary policy of the euro area as a whole. The Eurosystem had to navigate uncharted waters since it could neither build upon practical experience with policies for the euro area as a whole nor on any reputation of its own. In fact, apart from theoretical considerations and econometric test runs, we had, in

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EURO

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that sense, to start right from scratch.”

Noyer noted that recent travelers to Europe, having noticed the French francs, Deutsche marks, and Italian liras are still changing hands, might have asked them-

selves about the euro currency.

“While national banknotes and coins remain in circulation for the time being, they are no longer, despite appearances, actual currencies in their own right. They are, in fact, subunits of the euro, waiting to be replaced by euro banknotes and coins as soon as these

are introduced at the beginning of 2002. Only then, I suppose, will we have finally completed one of the greatest achievements in modern European history, that is, the introduction of the euro,” Noyer concluded.

HARMON ADVOCATES CHANGES IN INTERNATIONAL TRADE

The United States must adapt to globalization and develop new ways to fight for a “level playing field” in international trade, argued James Harmon, president and chairman of the Export-Import Bank, in a roundtable discussion with researchers, faculty, and students March 14 at the Baker Institute.

Harmon compared the struggle to maintain export competitiveness with international arms negotiation efforts. The United States favors the elimination of all export-import banks, he said, but in the absence of such “multilateral disarmament,” the U.S. must keep up with the aggressive export-support institutions of Japan and Europe. On one key “battlefield,” the effort to force other countries to adopt the stricter environmental protection standards used by the Export-Import Bank (commonly called the “Exim Bank”) has seen only gradual progress.

Harmon pointed out that export subsidies and promotions are a little-known yet very important part of the global economy, and

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role in expanding exports.*

such subsidies exceed World Bank development projects in value. And with the growth of smaller development projects, the Exim Bank has found itself developing a portfolio made of loans and guarantees to small and medium-sized companies.

Although he argued that the Exim Bank has been successful in streamlining its services and making them user-friendly through the use of its online application process, Harmon said that organizational obstacles still hinder the bank’s role in expanding exports. The Exim Bank and other agencies of the federal government need much more coordination in dealing with other nations, and the bank itself needs to change an organizational culture that favors large projects and large corporations, Harmon said.

The Baker Institute and the Jesse H. Jones Graduate School of Management at Rice cosponsored Harmon’s visit.

VIETNAM WAR

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“The 20th century was the bloodiest century in human history,” McNamara said. “Roughly 160 million human beings were killed in conflict. If similar conflicts were to extend into the 21st century, the numbers would be far larger. Is that what we want in the 21st century? I think not. If we don’t want it, I want to suggest that the first step in our process of avoiding it would be a better understanding of what happened in the 20th century.”

The number of deaths that occurred during the Vietnam War alone is staggering. The Vietnamese lost 3.8 million and the United States lost 58,000, according to McNamara.

After their meetings, United States and Vietnamese officials identified opportunities that were missed. “We did examine why they were missed and we did come to conclusions that I think can apply to the future,” McNamara said.

He noted that the United States should learn the following lessons from the Vietnam War:

- Understand the mindset of your adversary.
- Communicate with your adversary.
- Never unilaterally apply military power.
- Understand that there are some problems for which there may be no solution.

The Baker Institute event was cosponsored by the Shell Oil Co. Foundation Distinguished Lecture Series and the Fondren Library.

CHIEF OF STAFF

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him falls to the chief of staff.

- While you are powerful, you are not a principal. The chief of staff must keep a low profile. He must brief the press to get out the president’s message, but always on background. He must negotiate with Congress without forgetting that they are elected and he is not.
- While the chief of staff must act as an “honest broker” preserving the system of advice, at the end of the day he must also give the president his own judgment on things. In some instances the chief of staff must have the influence to “walk the President back” from harmful decisions. The chief of staff must be strong enough to tell the president “no.”
- A critical problem in dealing with the president’s cabinet is what is called “Oh, by the way” decisions. These are hasty decisions the president makes when cornered at a meeting or a social occasion by one of his cabinet officers. When faced with the pressure to say “yes” to “Oh, by the way, Mr. President, don’t you think it is a good idea to go ahead with . . .?” the president might end up supporting ill-conceived policies. The chief of staff must devise a system to stay informed about such decisions and to “staff them out” so that the president is protected from bad decisions.
- There are so many advocates pursuing so many ill-advised or special interests that a chief of

staff must protect the president by clearly identifying such proposals.

- Whether domestic or international in nature, crises threaten to bring the White House to a grinding halt, pulling everyone into the issue. The chief of staff must avoid this distraction by walling off the crisis, and he does it by identifying a limited number of staff to handle all aspects of the crisis while leaving the rest of the staff relatively free to act.

A Baker Institute study on the chief of staff forum will be published, and information about the forum will be posted on the institute’s Website at <http://www.rice.edu/baker/>. In addition, Sullivan, associate director of the White House 2001 Project, plans to write a book based on the forum.

Baker Institute Report

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FOREIGN RELATIONS GROUP CONSIDERS FUTURE OF BORDER CONTROL

Combining modern technology with an incentive system for companies might be a way to keep the U.S. border open to commerce while preventing the illegal entry of goods and people, according to Stephen Flynn, senior fellow for national security at the Council on Foreign Relations (CFR) and project director of their Globalization and the Future of Border Control.

Flynn suggested this approach at the Baker Institute February 7.

He moderated a session on his CFR paper, "Drugs, Thugs, and Trade: Border

Control in an Era of Hemispheric Economic Integration."

Starting from the premise that the U.S. border is essentially open and that this will continue to be the case, Flynn discussed a variety of ways that might be used to reduce the entry of undesirable individuals (such as terrorists) and goods (such as drugs) without reducing commerce across the border.

Texas members of the CFR and several faculty from Rice attended the closed session, which Flynn held to get reaction to his paper that will be incorporated in a book he is researching about globalization and the future of border control.

More information about this CFR project can be found at the CFR Website: www.cfr.org.



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