

BAKER INSTITUTE REPORT

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

FORUM OF FORMER SECRETARIES OF THE TREASURY

While emergency crews were dealing with the aftermath of the September 11, 2001, terrorist attacks, the U.S. secretary of the treasury had to deal with a critical related problem: the potential impact that the loss of the World Trade Center might have on the economy.

At Rice University's Baker Institute on October 5, eight former secretaries of the treasury explained the multiple challenges faced by the current treasury secretary, Paul O'Neill. They were participating in a forum on the role of the secretary of the treasury, which was co-hosted by the Baker Institute and the Woodrow Wilson International Center for Scholars, Washington, D.C.



From left: Rice ambassadors Mahek Shah and Kevin Bailey gather with Wall Street Journal editorial page editor Paul Gigot, former treasury secretaries James A. Baker, III, Michael Blumenthal, Nicholas Brady, William Miller, Lloyd Bentsen, Jr., ABC News veteran Sam Donaldson, former treasury secretaries Donald Regan, George Shultz, and Robert Rubin, and Rice ambassadors Mathias Ricken and Renata Escovar at the forum on the role of the secretary of the treasury.

“Our current secretary first had to figure out how to get back from Japan,” said George Shultz, who served President Nixon as the 62nd secretary of the treasury. Citing O'Neill's travels to Japan as a

marker of what the secretary does, Shultz noted that in addition to having “immense domestic responsibilities,” the treasury secretary also has “tremendous interac-

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PUTIN SHARES VISION FOR RUSSIA'S FUTURE



Vladimir Putin discusses the Russian Federation's progress.

Russia, once a communist stronghold, today seeks membership in the World Trade Organization, wishes to forge stronger relationships with United States businesses, and welcomes increased foreign investment. Citing Russia's low taxes, a reformed business climate, and a growing economy, Russian Federation president Vladimir Putin outlined his vision for his country's future at Rice University on November 14, 2001.

In a keynote address hosted by the Baker Institute, Putin shared

Russia's progress and his ideas for further change with an overflow audience at Stude Concert Hall on the Rice campus. Following his visit to Rice, Putin met with President George W. Bush at his ranch in Crawford, Texas, part of the leaders' three-day summit meetings.

James A. Baker, III, honorary chair of the Baker Institute, welcomed Putin and former President George H.W. Bush, who introduced Putin. Bush commented

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LETTER FROM THE DIRECTOR



Edward P. Djerejian

On September 11, 2001, the heinous terrorist attacks in the United States showed us the other face of “globalization.”

For over a decade we have defined “globalization” in largely economic, financial, trade, technological, scientific, and information-age terms. But what we seemed to ignore are certain concomitant realities: the underestimated role of religion and culture in world affairs, the global danger of unresolved political and regional conflicts, lack of political participation in many countries of the world, and statist and inefficient economic systems that exacerbate social injustice. None of these factors can in any way justify acts of terrorism, but we must understand that extremist groups exploit these realities for their own political ends.

The United States has been combating international terrorism for some time, especially since the 1960s with the hijacking of airplanes and terrorist attacks against American personnel and installations overseas. With the end of the Cold War in the early 1990s, we in the first Bush administration recognized that after communism, the next “ism” that the United States would have to confront would be extremism and terrorism of either a religious or secular cloak (see *Baker Institute Study No. 1*, dated 1995, “United States Policy Toward Islam and the Arc

of Crisis”). In 1993, the attack by terrorists from the Middle East on the World Trade Center proved tragically to be the precursor to the incidents of September 11, 2001. In the wake of this attack on our homeland, President George W. Bush launched a dual-track policy both to enhance our domestic defenses against terrorism

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There is little doubt that the challenges facing the United States and the international community in the campaign against terrorism are great and will test our nation’s political will, determination, and ability to sustain a long-term effort on the domestic and international fronts.

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and to launch a coordinated international effort enlisting coalitions of countries to wage a long-term campaign against “the global reach of terrorism.”

Given these public policy challenges, the Baker Institute has been involved in a number of ini-

tiatives dealing with the issue of terrorism and some of its root causes.

Approximately a year and a half ago, the institute and the Houston municipality agreed that the institute would assume the lead in undertaking an independent and confidential study assessing the City of Houston’s response mechanisms in the event of a terrorist attack, including attacks employing weapons of mass destruction. This project is a collaborative effort among municipal, county, state, and federal agencies, with a key role being played by the medical advisory steering committee of the Houston Medical Strike Team (see article on page 6). The reports, containing findings and recommendations on how to enhance current capabilities, are being prepared for submission to the mayor’s office in early 2002 and will be followed by a public education effort.

Since September 11, the Baker Institute has been involved with other major public policy organizations to provide analysis and recommendations to decision-makers on the challenges posed by global terrorism. For example, the Baker Institute and the Center for Strategic and International Studies (CSIS) in Washington have established a joint Task Force on the Geopolitical Implications of Terrorism, with meetings being held in both Washington and Houston. Also, the institute is participating in the New York Council on Foreign Relations Task Force on

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PUTIN SPEAKS AT BAKER INSTITUTE

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on the “strong working and personal relationship” between Putin and George W. Bush and said, “I can tell you our president respects your broad vision of where our two countries can go in the future.” Also onstage were Rice president Malcolm Gillis and Edward Djerejian, director of the Baker Institute.

In his speech, Putin pointed to common interests of Russia and the United States, particularly the energy and space industries. “The scope for possible cooperation in the exploitation of Russian oil and gas could keep us busy for decades,” he said, speaking through a translator. “A lot has been done already to make sure that relations between Russia and the United States are built, taking into account each other’s interests.” Forging the new relationship includes cooperation in several areas, including science, education, and business.

“Today in Russia we have all the necessary conditions for effective investments in various fields,” Putin stated. He pointed to the high rate of economic growth Russia has maintained in recent years as well as their substantial improvement in the legal conditions for conducting business. The number of business activities requiring licensing, a practice inherited from the former plan-based economy, has been reduced from 2,000 to 104. “Even that is too high a figure,” Putin emphasized, “but we intend to continue to lib-



George H.W. Bush (front left) and James A. Baker, III (front right), greet Vladimir Putin (center) after his arrival by helicopter on the Rice campus.

eralize our economy. We have taken legislative measures to counter the laundering of illicit profits. We have had an open struggle with the black market business that has been eroding the economy.

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— Vladimir Putin

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“And perhaps the most important thing,” Putin stressed, “is that Russia has reduced the tax burden”—something that has been discussed for almost 10 years in Russia with almost no action. “As of January 2002, the profit tax rate will go down from 35 to 24 percent, and all types of preferential treatment will be revoked,” he said. “In other words, we are strengthening the principle of transparency in our business activities.” He added that Russia has the lowest personal income tax rate in Europe—13 percent.

One of Russia’s priorities is entering the World Trade Organization, Putin said. “We deliberately synchronized this process with our domestic reforms, although we are fully aware that this step is associated not only with benefits but also with additional obligations.”

Putin noted that the United

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GREENSPAN ASSESSES FUTURE OF ENERGY INDUSTRY

Alan Greenspan, generally acknowledged as the world's most influential economist, "confessed" to a Rice audience that he began his professional career as a musician in a dance band. His interest in economics, he explained, was sparked by visits to the library during band breaks. He enrolled in New York University for graduate studies, and the rest is economic history.

Chairman of the Federal Reserve since 1988, Greenspan visited the campus November 13, 2001, to deliver a keynote address at Stude Concert Hall hosted by the Baker Institute. Following his introduction by James A. Baker, III, honorary chair of the Baker Institute, and his lecture, Greenspan received the Baker Institute's Enron Prize for Distinguished Public Service. Previous

recipients of the award include Nelson Mandela, former president of South Africa; Eduard Shevardnadze, president of the Republic of Georgia; Mikhail Gorbachev, former president of the Soviet Union; and General Colin Powell. Ken Lay, chairman and chief executive officer of Enron, joined James A. Baker, III, the 61st U.S. secretary of state, in making the presentation.

Rather than speaking about interest rates and the current state of the economy, Greenspan offered an assessment of what lies ahead for the energy industry. In the wake of September 11 and the current weakened state of the economy, he stressed the need for policies that ensure long-term economic growth. "One of the most important objectives of those policies should be an assured availabil-

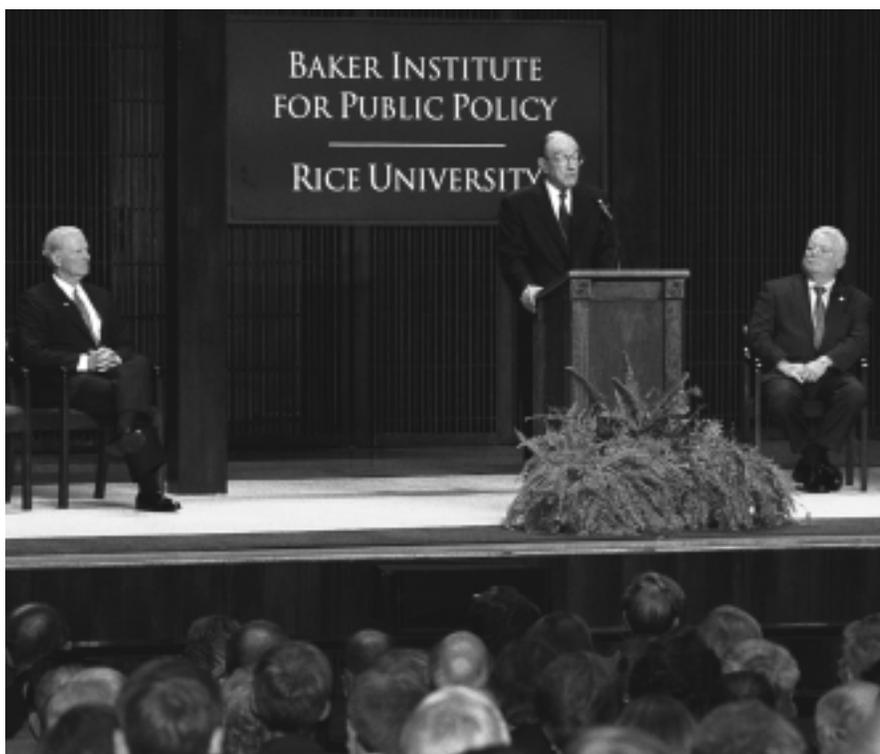
ity of energy," he said.

Greenspan said that this imperative had taken on added significance in light of heightened tensions in the Middle East, where two-thirds of the world's proven oil reserves reside. He noted that the Baker Institute is conducting major research on energy supply and security issues.

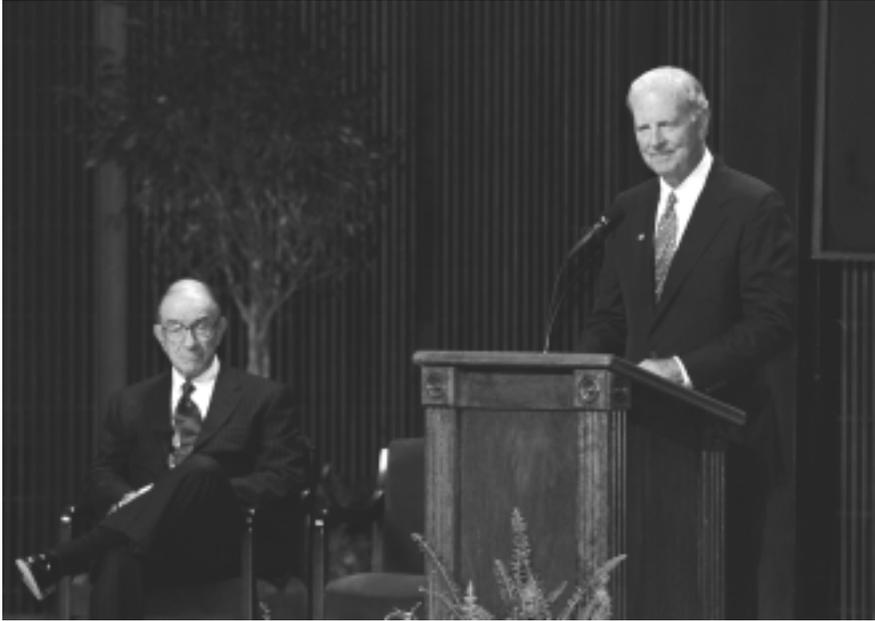
Looking back at the dominant role played by the United States in world oil markets for most of the industry's first century, Greenspan cited John D. Rockefeller and Standard Oil as the origin of U.S. pricing power. Following the breakup of Standard Oil in 1911, he said this power remained with American oil companies and later with the Texas Railroad Commission, which controlled prices by raising and lowering allowable output. This control ended in 1971 when rising demand absorbed remaining excess capacity in the U.S. and oil pricing power shifted to the Persian Gulf.

"The story since 1973 has been more one of the power of markets than one of market power," Greenspan said. He noted that the projection that rationing would be the only solution to the gap between supply and demand in the 1970s did not happen. While government-mandated standards for fuel efficiency eased gasoline demand, he said that observers believe market forces alone would have driven increased fuel efficiency.

"The failure of oil prices to rise as projected in the late 1970s is a testament to the power of markets and the technologies they foster,"



Onstage with Alan Greenspan (at lectern) are James A. Baker, III (left), and Rice president Malcolm Gillis.



James A. Baker, III, introduces Alan Greenspan at Stude Concert Hall.

he said. “It is encouraging that, in market economies, well-publicized forecasts of crises more often than not fail to develop, or at least not with the frequency and intensity proclaimed by headline writers.”

Greenspan touched on recent energy shortages in the United States and how market forces responded. He cited the heating oil shortages on the East Coast, which drove up natural gas prices, resulting in increased production and curtailment of demand. Commenting on California’s electric power crisis earlier this year, he pointed out that once higher prices were passed on to consumers, demand slowed dramatically.

Turning his attention to the long-term prospects for American energy markets, Greenspan addressed the technological changes in the production side of the industry. “The development of seismic techniques and satellite surveillance that are facilitating the discovery of promising new oil reservoirs worldwide has roughly

doubled the drilling success rate for new-field wildcat wells in the United States during the past decade,” he said.

While the shift away from the hit-or-miss wildcat oil-and-gas exploration of the past would indicate declining costs, Greenspan cautioned that there remains the challenge of overcoming increasing costs brought about by more than a century of draining the more easily accessible sources of crude oil. Also, the potential for disruptive turmoil exists in many of the areas where the world’s crude oil reserves lie.

Greenspan touched on the rising demand for natural gas and predicts that higher anticipated needs will force tradeoffs between energy requirements and environmental concerns. As a result, he sees renewed interest in the expansion of coal, especially with new clean-burning technologies, nuclear power, and nonconventional sources of energy. These include renewable energy sources

such as hydroelectric power, energy generated by recycling waste and byproducts, and solar and wind power. Finally, he noted the potential for fuel cell technology and fusion power.

“We cannot say with certainty how these technological possibilities will play out in the future,” he said, “but we can say with some assurance that developments in energy markets will remain central in determining the longer-run health of our nation’s economy.”

Greenspan closed by reminding the audience that national security and environmental concerns need to be addressed in setting energy policy but in such a manner so as not to distort or stifle the meaningful functioning of the markets.

During the question-and-answer period, when asked to offer advice to young people just entering a shaky job market and economy, Greenspan said he would provide the same answer no matter whether America were in a tight potential labor market or one that is less promising. “I’ve been around for a long number of years—in fact it’s getting to be a long number of decades—and I’ve concluded something that is really quite simple but I think really quite important: that old saw that the great baseball philosopher Leo Durocher used—that nice guys finish last—is really not the way the world ultimately works. I don’t deny that there is an extraordinary amount of activity in the business community which is less than exemplary, and I do not deny that there are innumerable people who succeed in business by

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HOUSTON TASK FORCE ON TERRORISM EVALUATES CITY'S READINESS FOR AN ATTACK

"In the wake of the terrorist attacks in our country on September 11, our society and government—at every level—are seized with the urgent task of enhancing our individual and collective defense against terrorism," Edward Djerejian told journalists at an October 3, 2001, news briefing at the Baker Institute.

Djerejian, director of the Baker Institute, presented an overview of the steps that have been taken by the Houston Task Force on Terrorism to prepare the city to respond to terrorist threats and acts.

A few years ago Houston mayor Lee Brown and Djerejian discussed an initiative to have the Baker Institute assess Houston's response mechanisms in the event of a terrorist attack. Djerejian explained that the Baker Institute is reviewing the likely chronological response to a terrorist incident, from the first report of an event to the first response and then to the request by the city for state and federal resources. The assessment then focuses on the government/public/private response, particularly in the areas of medicine, hazardous materials, and law, and on plans to educate the public and community leaders.

"For the best response to an incident, the responders, both governmental and nongovernmental, must be trained, have adequate equipment and supplies, and regularly use their training in their daily work or regular exercises," Djerejian said. The task force is now trying to identify the



The Task Force on Geopolitical Responses to Terrorism, a joint effort of the Baker Institute and the Center for Strategic and International Studies (CSIS), met for the first time in Washington, D.C., in November. Some of the members are (from left) Zbigniew Brzezinski, former national security adviser; Robert Gates, former director of the CIA; Fred Ikle of the Smith Richardson Foundation and distinguished scholar, CSIS; Ambassador Edward Djerejian, director of the Baker Institute; Ambassador Richard Fairbanks, counselor, CSIS; and Ambassador Teresita Schaffer, director of the South Asia Program, CSIS.

resources and funding that will be required for a thorough and coordinated response within the city as well as the support Houston can expect from state and federal agencies.

Brown noted that the city has accelerated its efforts to actively plan and prepare for any possible incident involving terrorism. Because a multifaceted response is needed, the Houston Task Force on Terrorism has evolved into a collaboration of local, county, state, and federal agencies, the City of Houston, the medical community, including the Houston Medical Strike Team and the Harris County Hospital District, and the Baker Institute.

As evidence of "a truly collaborative effort," Brown cited the involvement of county judge Robert

Eckels and Dr. Ralph Feigin, president and CEO of Baylor College of Medicine and medical liaison for the Houston Medical Strike Force. Eckels noted that Harris County would respond to a terrorist attack in the same way it would to a major chemical incident or plant explosion. The county has been working through the Texas Gulf Coast Emergency Management Association to review oil-safety issues and chemical plants.

"We learned some lessons from Tropical Storm Allison about the ability of our community to respond to an event that has a major impact on our trauma centers," Eckels said. Because flooding hindered access to the Texas Medical Center, the emergency plan must address how better to deliver healthcare services on a broad

scale during a crisis, whether it is terrorist-related or a natural disaster, he said.

Feigin noted that even the most conservative of experts have been reassessing the plausibility of a major biological or chemical attack somewhere in the U.S. Although Houston is probably better prepared than most major cities for such an event because of its experience in responding to refinery explosions and hurricanes, no one can ever be as sufficiently prepared for a chemical or biological attack as they would like to be, Feigin said.

Because symptoms related to a biological attack might not show up until a few days after exposure, all physicians and healthcare workers must be trained to consider diseases such as anthrax and botulism as possibilities and report them to the health department immediately, Feigin explained. "Physicians and healthcare work-

"For the best response to an incident, the responders, both governmental and nongovernmental, must be trained, have adequate equipment and supplies, and regularly use their training in their daily work or regular exercises," Djerejian said.

ers also must become familiar with the appropriate tests to establish diagnosis rapidly and the most effective treatment methods."

Feigin announced the members of the medical advisory steering committee of the Houston Medical Strike Team and noted that Houston is fortunate to have many specialists with expertise in treating patients who have been exposed to hazardous chemicals, radioactive materials, biological agents, and infectious diseases. Members of the committee include James H. "Red" Duke, Jr., professor of surgery, The University of Texas Health Science Center at Houston; S. Ward Casscells, III, professor of medicine and vice president for biotechnology, UTHSC at Houston; Kenneth Mattox, chief of staff and Joint Trauma Training Center director, Ben Taub General Hospital; John Mendelsohn, president, the M.D. Anderson Cancer Center; and James Willerson, president, UTHSC at Houston.

Feigin emphasized the need to educate the lay public about the realistic assessment of risk. "You can't confront terrorist events with panic or fear. You have to confront them with education and training," he said.

The Baker Institute hosted several news briefings related to terrorism during the latter part of 2001 to keep the media updated on the efforts of the Houston Task Force on Terrorism.



Members of the joint Baker Institute for Public Policy-Center for Strategic and International Studies (BIPP-CSIS) Task Force on Geopolitical Responses to Terrorism met at the Baker Institute on December 3, 2001. Participants included (from left) Ambassador Richard Fairbanks, counselor, CSIS; former Israeli prime minister Ehud Barak; Ambassador Edward Djerejian, director of the Baker Institute; Ambassador Marwan Jamil Muasher of Jordan; and Ambassador Nabil Fahmy of Egypt.

PRIME MINISTER OF MONGOLIA DISCUSSES COUNTRY'S PAST, PRESENT, AND FUTURE

Once known far and wide in the 13th century, at the time of Genghis Khan's conquests, Mongolia has since slipped into a relatively quiet existence. But now, 800 years later, said Nambaryn Enkhbayar, prime minister of the Republic of Mongolia, Mongolia's mission is to be known again, this time in a civilized way, as a country of democracy and development.

The prime minister's visit to the Baker Institute November 19, 2001, was co-hosted by the institute and Asia Society Texas. After being welcomed by Charles C. Foster, chairman of the Texas center of the Asia Society, Rice president Malcolm Gillis introduced Enkhbayar as a "dedicated reformer" with "forward-looking policies."

Enkhbayar discussed the relationships Mongolia has with its neighbors Russia and China and Mongolia's emergence as a democracy. Geographically squeezed between those two geopolitical superpowers, Mongolia has shared centuries of relationships with its neighbors.

Mongolia was a Chinese province from 1691 until 1911, when it became an autonomous state under the protection of Russia. From



(From right) Nambaryn Enkhbayar and Malcolm Gillis meet with Rice students.

1919 to 1921, it again was a Chinese province, until the Soviet Russia assisted Mongolia in a revolution against the Chinese and Mongolia became a communist regime.

In the 1990s, democracy came to Mongolia under the influence of Russian perestroika, and Mongolia decided to make changes in its political and economic direction, establishing a parliamentary form of government in 1992.

Enkhbayar attributes his country's smooth and peaceful transition to democracy to many factors, including Mongolians' desire for the "chance to go from somethings to someones." Because Mongolians are nomads, they are accustomed to adapting to a constantly changing outer world. "Democracy was inevitable," he said, "and we realized we were too dependent on one country with an unproductive and unhealthy economy."

During this transition a decade ago, then-secretary of state James A. Baker, III, who is now the honorary chair of the Baker Institute, introduced the concept of a "third neighbor" to Mongolia. The third-neighbor idea is the broad notion

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"This concept of third neighbor is the right concept for us to develop further," Enkhbayar said, "to overcome the negative impact of having been a totalitarian regime."
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ALGERIAN PRESIDENT OUTLINES NEW ENERGY POLICY

Abdelaziz Bouteflika, president of the People's Democratic Republic of Algeria, gave a keynote address hosted by the Baker Institute in which he emphasized that Algeria, the third-largest gas-exporting country in the world, wishes to encourage increased trade and new foreign investments. To that end, the government has crafted a new energy and mining policy, lifting monopolies and establishing market rules ensuring equity and transparency for national and foreign interests.

James A. Baker, III, the 61st secretary of state and honorary chair of the Baker Institute, introduced Bouteflika to the audience as a "critical player in the world energy market" at the November 2, 2001, event. Speaking through an interpreter, Bouteflika outlined the Algerian New Energy Policy, saying that at its core is a radical change in the state's role. The role of the state, he said, is to "define the economic policy, assure the means of regulating national monopolies, and monitor the balance of fundamental indicators, while imposing on economic operators the respect for the rules of the game."

Bouteflika explained that new transparent and easy-to-execute contracts will be set for exploration and production of hydrocarbons and ores, with the goal of guaranteeing the upstream and downstream competitive forces of the sector while banning any de facto monopoly. "The aim is to gather the necessary conditions for the good functioning of an open and competitive market economy," he said.

"The American administration will always be concerned with Middle East problems, which from my point of view guarantees the stability of the Arab people and countries," President Bouteflika said.

Under the new policy, state-owned companies will be merged in a transparent legal framework, and exports and imports of crude oil and refined products will be liberalized. Bouteflika said the changes will take shape through the transformation of the role of state-owned companies, which are solely involved in trade activities, and a definition of the role of new state institutions as agencies.

Bouteflika also reviewed Algeria's new economic and na-

tional revitalization policy, which enables large investment opportunities for foreign parties. He detailed how Algeria has reduced foreign debt, stabilized inflation, and obtained a stable macroeconomic framework.

"In regard to the reforms undertaken to move toward a market economy and to go from a monolithic society to a pluralist and democratic society—if you doubt it, it should be clear that we don't have a choice," Bouteflika said. "This is a challenge that we need to meet, and we are ready to do so."

Bouteflika reminded his audience that Algeria produces more than one million barrels of oil per day and is preparing to reach 1.5 million in 2005. It also plans to double its gas capacities. He also expressed satisfaction with trade relations with American companies, particularly in the hydrocarbon sector. "Partnership was and remains an essential link in our approach," he said. "The Algerian New Energy Policy, thanks to all its prospects for partnership, is a clear sign of our determination to



Abdelaziz Bouteflika explains the Algerian New Energy Policy.

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FORUM FOCUSES ON RELIGIOUS FUNDAMENTALISM AND CONFLICT IN THE MIDDLE EAST

Noting that religion can be a “powerful force in its own right... sometimes stronger than government,” William Martin, the Harry and Hazel Chavanne Professor of Religion and Public Policy at Rice, stressed the importance of understanding the religious dimension of Middle Eastern politics.

His comments were made in the introduction to a panel discussion titled, “With God on Their Side: The Impact of Islamic, Jewish, and Christian Fundamentalism in the Middle East,” held October 30, 2001, at the Baker Institute. The discussion inaugurated the 2001–2002 Harry and Hazel Chavanne Lecture Series on Religion and Public Policy.

The first speaker, John L. Esposito, professor of religion and international affairs and of Islamic studies at Georgetown University, argued that to understand the al-Qaeda organization and Osama

bin Laden, it is necessary to understand “political Islam,” which Esposito calls the “Army of God.” It arose during the 1960s and ’70s in reaction to secular, Western-style modernization in parts of the Arab world.

After the Six-Day War of 1967, the Arab–Israeli conflict became “a worldwide issue” for Muslims, Esposito explained, and soon the dominant reality in the Middle East was “revolutionary Islam,” which took the form of militant Jihad groups. Bin Laden, a one-time ally in Afghanistan, turned against the United States, enraged by U.S. policies in the Middle East and elsewhere. In Esposito’s words, bin Laden “hijacked” Islam by putting it in the service of anti-Western terrorism. The danger now is that any effort to broaden the scope of U.S. military operations in Afghanistan or beyond, after the initial, proportionate, fo-

cused strike, might prove counterproductive, in his view.

Marc H. Ellis, professor of American and Jewish studies at Baylor University, argued that Jewish fundamentalism is not the primary problem in the Arab–Israeli conflict. Rather, it is what he called “Settler Judaism.” Ellis provided a detailed analysis of the origin and development of Jewish settlements, which, according to Palestinian estimates, have brought more than 400,000 settlers into Palestinian territory through a series of “steady confiscations of trust.”

Timothy Weber, dean of the seminary and professor of church history at Northern Baptist Theological Seminary, began his talk by noting that Christian fundamentalist groups have given more support to Israel than American Jews. According to Weber, Christian fundamentalists believe that the



Panelists for the forum on religious fundamentalism in the Middle East included (from left) Edward Djerejian, Marc Ellis, William Martin, John Esposito, and Timothy Weber.

state of Israel will play a part in the “Second Coming.” According to the prophetic doctrine known as “dispensationalism,” wars, famine, and anarchy in the Middle East will set the stage for a great war against “God’s people”—Armageddon. Dispensationalists believe that for the “Final Game” to begin, the state of Israel must expand. Thus, when Israel was established in 1948, Christian fundamentalists regarded this development as “the most significant prophetic event of the age,” Weber said. Yet despite their common goal of strengthening the state of Israel, Christians and Jews continue to be divided by a theological gulf. As Weber put it, the attitude of the fundamentalists seems to be, “Israel sí, Jews no.”

The final speaker, Edward Djerejian, director of the Baker Institute, offered his insights on U.S. policy toward the Muslim world based on his experience as assistant secretary of state for Near Eastern affairs and as ambassador to Israel and Syria. Djerejian pointed out that religious extremists and terrorists of either a religious or secular cloak exploit issues such as unresolved regional conflicts, the lack of political participation, and socioeconomic problems for their own political ends. At the end of the day, these groups are interested in political power, overthrowing existing regimes, and diminishing their ties with the West. To counter this threat, he said, a broad and coherent strategy comprising political, diplomatic, economic, financial, intelligence, security, and military options is called for.

TRANSNATIONAL CHINA PROJECT UPDATE

Transnational China Project scholars at Rice will study consumer culture and identity formation in China with a \$150,000 grant from the prestigious Henry Luce Foundation. “Consumer Citizenship: Marketing Civil Society in a Transnational China” is a three-year survey research program that will explore the relationship between advertising and local, national, and transnational identity formation in China and Chinese societies.



The Transnational
China Project

中美跨文化游廊

As China continues to develop a market economy and open up to the global economy, advertisers are making appeals to middle-class lifestyles. What are the values expressed in these appeals? Some lifestyle advertisements tell Chinese to think of themselves as citizens of great cosmopolitan cities, such as Shanghai or Beijing. Others ask consumers to identify with the Chinese nation. Still others appeal to a distinctly unbounded, transnational Chinese middle class. Are these advertisements affecting the way the Chinese identify with each other? This research

project uses a combination of surveys of advertising campaigns in Asia’s urban spaces and surveys of Chinese consumers to explore the impact of consumerism on local identity formation and nationalism.

The Transnational China Project examines how the circulation of people, ideas, values, and technologies among Chinese societies affects contemporary Chinese culture. Reports, transcripts, audio files, and extensive image archives from workshops and public lectures can be found on the project’s bilingual website, <http://www.ruf.rice.edu/~tnchina>. The website continues to receive awards and acclaim.

The Transnational China Project was established with support from Ford Motor Company and PricewaterhouseCoopers and is directed by Steven Lewis, senior researcher at the Baker Institute; Benjamin Lee, Rice professor of anthropology; and Richard Smith, the George and Nancy Rupp Professor of Humanities and professor of history at Rice. The Henry Luce Foundation supports research on a wide range of important public affairs and cultural issues. Find them online at <http://www.hluce.org>.

ENERGY TASK FORCE STRESSES CONTINUED NEED FOR NATIONAL ENERGY POLICY

The easing of energy prices last summer diverted national attention away from the need for a comprehensive national energy policy. The consequences of this neglect could lead to a future energy crisis similar to the one California experienced last winter. This conclusion was made in a report released by two of America's leading energy experts, Edward L. Morse of Hess Trading Company LLC and Amy Myers Jaffe, senior energy adviser and project coordinator of the Baker Institute.

Though acknowledging that the energy sector is no longer in the critical condition it was in the spring of 2001—when the Baker Institute and the Council on Foreign Relations released the report of an Independent Task Force on Energy that Morse and Jaffe headed—the follow-up report warned that it would be wrong for the public or policymakers to assume that the energy crisis has been solved or that it was fabricated all along.

Without a national energy policy, the report stated, “energy shortages and temporary dislocations can easily reemerge for any one of a number of reasons: from the resumption of accelerated economic growth, to international political developments, to the weather, to even an accident.” The report added, “It would be unwise to assume—barring interven-

tion—that the world has seen its last California-style blackout.”

Echoing their original independent task force report, Morse and Jaffe reminded policymakers that developing a national energy policy will involve hard choices. The United States will continue to face the threat of energy shortages, the report stated, “if we fail to respond to the strategic challenge of merging a concrete plan for sustainable energy supply with environmental protection and national security.”

Morse and Jaffe gave the Bush administration credit for taking the initiative to adopt a comprehensive national energy policy but suggested that the administration, and Vice President Cheney's energy task force in particular, should refine their energy proposals. The report recommended:

- 1) Developing a stronger lead for U.S. diplomacy in the international environmental arena, and as a trade-off to enhanced exploration and production of hydrocarbons in the short term, offering a serious longer-term commitment to the development, deployment, and promotion of cleaner energy sources.
- 2) Implementing, together with Congress, a more effective and broader use of demand-management strategies and technologies in order to reduce the country's reliance on oil.

- 3) Implementing, also together with Congress, a more effective program to open a broader area of federal lands for exploration and production of hydrocarbons, especially in the lower 48 states.

- 4) Integrating into energy policy substantial efforts to foster the development and promotion of cleaner energy sources, including renewable energy, but also covering new alternative energy technologies, nuclear energy, and clean coal technologies.

- 5) Reviewing the adequacy of current levels of strategic stockpiles, mechanisms for financing their expansion, definitions of an emergency that would justify triggering use of strategic reserves, and arrangements for coordinating stock draws on an equitable basis.

In light of events in Washington since the release of the Baker Institute–Council on Foreign Relations Independent Task Force Report in early 2001, the follow-up report stated that the public debate over the Bush administration's proposal to open some 2,000 acres of the Alaska Wildlife Refuge “is diverting attention from other highly prospective areas that could be opened for fruitful exploration and drilling activities.”

COUNSEL TO PRESIDENT BUSH SPEAKS AT BAKER INSTITUTE

“Serving as the president’s lawyer has got to be one of the best legal jobs in America,” Alberto Gonzales told Rice students, faculty, staff, and other guests at the Baker Institute September 7, 2001. “It’s an incredible feeling to walk into the Oval Office to brief the most powerful person in the world.”

Gonzales, who was appointed counsel to President George W. Bush last January, spoke about the responsibilities of his position, noting the “rewarding combination of law, politics, and policy” that his job entails. He also had private sessions with Rice students to discuss the legal profession and their career aspirations.

“My office supervises the personal background checks of every Bush appointee,” said Gonzales, a 1979 Rice alumnus. “If you’re go-

ing to come work in the White House or be a Bush appointee requiring Senate confirmation, you’re going to undergo an FBI background check. I’ll get to review that, and it’s my decision as to whether you’re suitable for an appointment or employment in the Bush administration.”

Gonzales acknowledged the “tremendous” workload of reviewing the thousands of appointments made at the beginning of a president’s administration. The task is made even more difficult when something shows up in a background check that prevents someone from being hired or appointed.

“We have to respect the privacy of individuals,” he said, “so we cannot reveal matters contained in the FBI report.” Gonzales’s of-

fice can offer only an apology and a generic explanation like “there’s a problem in the background file” without going into detail about the specific reason someone was turned down for a job or an appointment. “It’s a true test of diplomatic skills trying to tell a cabinet secretary they can’t have that superstar that they desperately need because of a background problem that occurred 15 years ago,” Gonzales said.

Because one of the priorities of the Bush administration is the appointment of federal judges, Gonzales has been very involved with efforts to fill the more than 100 judicial vacancies across the nation. He chairs the White House Judicial Selection Committee, which includes senior advisers to the president, senior officials from the Department of Justice, and lawyers from the counsel’s office. The committee reviews names of potential judges, selects candidates for interviews and FBI background checks, and eventually makes recommendations to the president on whom to nominate as federal judges.

“The president understands the importance of federal judges in our government,” Gonzales said. “The number of vacancies that exist means that many people who have valid claims and seek redress in our courts do not have the opportunity to do so because there are no judges to hear the claims.” By the end of August, Bush had made 44 judicial nominations. “During the first year, we fully in-



Alberto Gonzales (left) meets with Rice students at the Baker Institute.

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PEMEX DIRECTOR GENERAL SHARES MEXICAN PERSPECTIVE AT ENERGY FORUM



Raul Muñoz Leos (center) addresses an audience at the Baker Institute, along with Thomas "Mack" McLarty (left) and Robert Mosbacher, Sr.

Mexican state oil monopoly Pemex will seek ways to harness private investment in Mexico's energy sector, new Pemex director general Raul Muñoz Leos told members of the Baker Institute Energy Forum during a visit to the institute on June 22. Muñoz said that investment was desperately needed in order to stave off a petroleum reserve crisis that could create shortages of natural gas in Mexico and possibly even a drop in export levels.

Muñoz was the guest speaker at a special Energy Forum event on "The Mexican Energy Sector" that also included former White House chief of staff and Washington consultant Thomas "Mack" McLarty. Secretary Robert Mosbacher, Sr., hosted the event, which was attended by senior energy industry

executives, media, and Rice university professors and students. A reception and private dinner followed, sponsored by ExxonMobil Corp.

Muñoz spoke frankly about the need for reform in Mexico's energy sector. Already, Mexico is encouraging foreign investment in natural gas infrastructure, such as proposed projects for the construction of liquefied natural gas (LNG) receiving terminals in the country. Pemex is also hoping to shore up its flagging petrochemical sector and would consider selling some facilities in the future once better value could be established from reorganization and reform.

Mexico is also trying to determine how to maintain or expand natural gas production in the

wake of tight government budgets. Light crude oil production has fallen from 1.5 million barrels per day (b/d) to only 1.2 million b/d and has been accompanied by a 400,000 million-cubic-foot-per-day (mcf/d) decline in associated natural gas production since 1997, leaving Mexico increasingly dependent on imports.

Muñoz said it would take more than a \$30 billion hike in upstream exploration and development spending to allow Mexico to raise production to 3.8 million b/d by 2006 from just over 3.1 million b/d currently. Mexico's crude exports total 1.7 million barrels a day.

BAKER INSTITUTE CO-SPONSORS NATURAL GAS ENERGY STUDY

Natural gas is expected to play an expanding role in meeting rising Asian energy demand, and liquefied natural gas (LNG) will be traded under more flexible, market-linked pricing terms and arrangements, concludes a new study by the Energy Forum of the Baker Institute.

The study, "New Energy Technologies in the Natural Gas Sector: A Policy Framework for Japan," was completed over 18 months and was led by Baker Institute senior energy adviser and project coordinator Amy Myers Jaffe. Undertaken as a joint venture with the Petroleum Energy Center of Japan, the study was co-sponsored by the Baker Institute and the Center for International Political Economy.

The study notes that use of natural gas as an energy source in Asia in 1999 was 10 percent of total primary energy use, which was substantially lower than the world average of 23 percent, suggesting tremendous room for growth.

Recent technical innovations have made LNG processing and shipping more affordable, resulting in increased sales in both Asian and Atlantic Basin markets. The end of the Cold War also created new natural gas pipeline opportunities in Northeast Asia.

Natural gas is mainly used in Asia for electricity generation and petrochemical feedstock. The report finds that if natural gas can be imported after converting it into ordinary-temperature liquid fuels, the use of gas in the trans-

portation sector could increase substantially. The authors conclude that because 70 percent of the increase in international oil use is expected to come from the transportation sector over the next decade, the ability to utilize plentiful natural gas supplies in manufacturing transportation fuels would greatly contribute to enhanced energy security and environmental protection.

An expected surplus in Asian gas supplies is spurring an interest in other supplemental technologies for additional uses of natural gas. This study investigates the prospects for increased LNG and natural gas pipeline shipments to Japan and the policy framework that is needed to promote augmented utilization of natural gas there.

The study also forecasts increased demand for natural gas in the United States market, and a natural gas supply deficit that could grow in the coming decade to as much as six to seven trillion cubic feet in 2010 under high-demand growth scenarios. The study suggests that the U.S. will have to turn to more pipeline imports from Canada and LNG from a variety of Atlantic Basin or Pacific Rim producers to meet the projected rise in natural gas demand. To fill the supply gap, the U.S. might be looking at importing up to four trillion cubic feet, or in terms that the producers use, 80 million tons of LNG per year under high-growth scenarios. However, the study concludes that even

at the most optimistic U.S. demand rate, a surplus of LNG on global markets will remain, leaving plenty of supply to make its way to Asia and avoiding the kind of buyers' bidding war that could substantially raise prices.

The report authors also predict that the Asian and Western markets will begin to look more alike over time. Already, Japanese customers are asking for more flexible terms in their arrangements with traditional suppliers. U.S. gas consumers and marketers are beginning to sign long-term agreements rather than depend solely on spot and short-term arrangements. The authors predict that eventually both will adopt portfolio strategies, assembling a blend of supply and transportation arrangements that fit all needs.

Japan, in particular, will be looking for more flexible terms, to include both spot and term contracts, to offset unexpected disruptions in supply and help build markets there.

The full report includes legal, regulatory, and infrastructure changes that must be made to facilitate increased market penetration of natural gas in Japan, including new supplies from the Sakhalin Islands. It also covers innovative technologies that might broaden the sectors in which natural gas can replace other fuels.

The study concludes that Japan's energy security and environmental goals would benefit

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NOTEWORTHY BAKER INSTITUTE ACTIVITIES

Baker Institute director Edward Djerejian met with Rice students at the institute September 20, 2001, for a discussion about terrorism and the challenge to U.S. policy. Students were encouraged to express their views and concerns in the wake of the national tragedies that occurred on September 11.

Neal Lane, senior fellow at the Baker Institute, presented “A View from Rice after Seven Years in Washington” to the Baker Institute Roundtable on October 18, 2001. Lane served as assistant to the president of the United States for science and technology and as director of the U.S. Office of Science and Technology Policy before rejoining the Rice faculty in January 2001. He also is former director of the National Science Foundation.

A workshop titled “Nanotechnology and Environment: An Examination of the Potential Benefits and Perils of an Emerging Technology,” which was held at Rice December 10, 2001, included a presentation by Lane. Organized by Rice’s Environmental and Energy Systems Institute, the event brought together experts from Rice and the Office for Science and Technology of the Embassy of France in the U.S. to discuss whether new nanotechnologies aimed at cleaning up the environment might also harm it. Lane discussed the implications of nanotechnology for environmental policy and society.



Former president George H.W. Bush introduced James A. Baker, III (left), honorary chair of the Baker Institute, who presented a keynote address on “Diplomacy and Coalition Building for the Gulf War” at Texas A&M University’s George Bush Presidential Library Center at College Station, Texas, October 26, 2001.



Joseph Kabila (left), president of the Democratic Republic of Congo, visited the Rice campus November 2, 2001, to meet with James A. Baker, III, honorary chair of the Baker Institute.



Notable events filled the fall 2001 schedule at the Baker Institute, and for anyone who was not able to attend them or would like to view them again, the institute’s website features downloadable video of the archived events. Speeches and briefings alike are available on the webpage, <http://www.bakerinstitute.org>. Users will need the free RealPlayer 8 basic software. For help with downloading the events and software, go to <http://www.rice.edu/webcast/>.

DIRECTOR'S LETTER

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America's Response to Terrorism.

The institute's Conflict Resolution Forum continues its work on Arab-Israeli issues involving scholars and officials from both sides in its deliberations both at the institute and in the Middle East region. Further, the institute has hosted a series of workshops and panels on the role of religion in politics, including a session on fundamentalism in the Middle East. Special events with Rice Uni-

versity students have been organized after September 11 to discuss terrorism and United States policy options.

There is little doubt that the challenges facing the United States and the international community in the campaign against terrorism are great and will test our nation's political will, determination, and ability to sustain a long-term effort on the domestic and international fronts. There will be no decisive victory over terrorism, *per se*. What is required are coherent and well-coordinated

domestic and foreign policy approaches that not only address the immediate goals of bringing terrorists and those who support them to justice but also investigate some of the causes underlying this phenomenon. It is hoped that public policy institutes such as ours will be able to make a contribution to this effort and help facilitate the task of decision-makers in the government who bear the heavy responsibility of planning and executing the nation's policies in this critical campaign.

ENERGY STUDY

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from increased use of natural gas in the energy mix. A combination of LNG and pipeline gas imports would enhance natural gas trade in smaller volume increments, increasing the number of sectors that might use natural gas. It would also increase competition and likely lower costs without jeopardizing supply stability and security. Government support of research in emerging natural gas technologies could also help spread use of gas to new sectors in Japan.

Study recommendations include:

- In order to facilitate the augmentation of gas markets, regulatory changes to Japan's existing gas law are needed. The preparation of new laws, regulations, and procedures should not be allowed to impede the efficient introduction of new fuels and the expansion of natural gas pipelines.
- The introduction of new fuels

such as gas-to-liquids (GTL) and dimethyl ether (DME) and the construction of international pipelines were not considered in the formation of existing laws and regulations. An effort to adapt these products and the building of pipelines to present laws will likely result in a good deal of confusion and many delays. Thus, adjustments to these laws, regulations, and procedures should be made quickly to enhance the introduction of new fuels and facilities.

- Administration of laws and regulations should be made in a non-discriminatory manner where all market players, including new entrants into a liberalized market, compete on equal terms. New entrants should be allowed access to gas infrastructure but at a price that includes a fair return to investors for access to infrastructure. Market transparency and agreed network codes can then maintain a level playing field.
- All prices, of both natural gas as

well as its competitive fuel alternatives, need to be market-based and transparent such that interfuel and gas-to-gas competition will establish the most competitive delivered price to the end-user.

In addition to Jaffe, members of the research team were Dagobert Brito, the George A. Peterkin Professor of Political Economy, Rice University; Peter Hartley, professor of economics, Rice University; Ed Jones, coordinator, Lawrence Livermore National Laboratory; Robert Schock, nuclear physicist, Lawrence Livermore National Laboratory; Barbara Rhines Shook, Houston bureau chief, Energy Intelligence Group; and Ronald Soligo, professor of economics, Rice University.

The study is available online at <http://www.rice.edu/projects/baker/>. In the Research section, follow links to Foreign Policy, Energy Forum, and scroll to "Baker Institute Study Number 18."

SECRETARIES

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tion all over the world.”

Because the economy was already in trouble before September 11, “you could see immediately that the trouble would get more serious,” Shultz said, and the secretary of the treasury had to take a lead in helping the president formulate a program to aid the economy.

Robert Rubin, who served President Clinton as the 70th secretary, said that after the September 11 tragedies, the treasury secretary needed to meet with the president and his economic team to determine the economic impact of the events and the changes that the secretary would like to make in response.

“The other thing you need to do is figure out how to discuss the economy in the public domain in a way that on the one hand is serious and thoughtful, and on the other hand provides reassurance,” Rubin said.

Donald Regan, who served President Reagan as the 66th secretary, noted that the treasury secretary has to look after the money markets and the stock market. “Those are the two barometers that the world is watching—what’s happening to the dollar and what’s happening to the stocks,” he said.

Closing the stock market the rest of the week after the events of September 11 was an appropriate response, Regan said. “They needed the time not only physically, because their plant was wiped out and a lot of their communications gear was not working, but also they needed time to breathe, to think.”

William Miller, who served President Carter as the 65th secretary, pointed out that the secretary of the treasury also has responsibility for the Secret Service. In the wake of the terrorist attacks, the secretary also had to be concerned about protecting the president and government property and making sure security was in place.

“But at the same time, he

needed to be in contact with a multiplicity of avenues to create confidence and stability,” Miller said, adding that members of the Department of the Treasury probably contacted their foreign counterparts to alert them about the events and assure them the secretary would coordinate a policy to deal with the markets and avoid any danger of collapse.

Nicholas Brady, who served Presidents Reagan and Bush as the 68th secretary, noted yet another responsibility the secretary of the treasury has to fulfill after an incident like the destruction of the World Trade Center towers. “Something enormously important is to assure liquidity in the system so the trades that were being conducted do settle on time,” he said. “The thing that scares people the most is when they don’t get paid and they owe other people money.”

Because a record-breaking \$80 billion of liquidity—more than 10 times the amount that had ever taken place before—was



Former secretaries of the treasury discussed the economy with regard to the tragic events of September 11, 2001.

injected into the system by the Federal Reserve Bank of New York and the Federal Reserve Board, liquidity was maintained—"a remarkable performance," Brady said.

Michael Blumenthal, who served President Carter as the 64th secretary, said O'Neill's concern about liquidity was not just domestic. "He had to remember that the psychological shock was not only great in this country but equally great around the world."

O'Neill most likely contacted his principal international colleagues by phone or e-mail in an effort to maintain liquidity not only in the United States but worldwide, according to Blumenthal. The secretary of the treasury had to give "some reassurance to the global system that the U.S. is handling the problem and doing its job," he explained.

James A. Baker, III, who served President Reagan as the 67th secretary and is honorary chair of the Baker Institute, observed that the various comments offered by the panelists demonstrate the wide range of functions and responsibilities of the treasury secretary.

"You've got to deal with your law-enforcement function, so you would be talking to the White House on that," Baker said. "You would have to deal with the function of coordinating with the Federal Reserve and injecting liquidity, and you would have to be very diligent in talking to your counterparts overseas to make certain that they understand that the United States is going to deal with this in a rational, reasonable, and successful way."

The panelists also shared their

opinions about how fiscal policy should be managed in the aftermath of September 11.

"To suddenly try to do something within a matter of several weeks or by a deadline of the middle of the month is much too soon for deep policy that is going to have an effect not only on our immediate life, but on our lives for years to come," Regan said. "It's been my experience in Washington as well as in Wall Street that if you make a hasty decision, chances are it's going to be a wrong decision."

Miller shared the concern about haste. "We shouldn't act hastily, but be willing to act promptly and make it temporary so we have time to reexamine whether we want permanent change," he said.

Ruben stressed the importance of distinguishing between long-term and short-term fiscal positions. "The more people have confidence in our long-term fiscal well-being, the more flexibility it gives us to deal with the short term and to put in a fiscal stimulus without having a significant adverse impact on interest rates," he said.

Blumenthal cautioned policy makers not to overshoot or overreact in their efforts to restore consumer confidence. He warned that many lobbyists might try to use this emergency as an opportunity in the fiscal-policy area to fund the same "pet projects" that they've wanted all along.

Brady observed that the economy was already headed down before September 11. "You have to analyze why we are where we are," he said. "What we're involved with now is reversing out of

the boom, putting a bubble in reverse." He said monetary policy has been "great," favoring the tax cut made earlier this year and advocating fiscal spending at the present time.

Shultz, on the other hand, had a different view on spending. "History shows that you can't spend your way out of recession," he said. "When it comes to the broad rhythm of economy, the most important arena is monetary policy."

Baker offered another strategy: "Convince the American people that we are winning the war on terrorism both internationally and at home. That is the most important thing we can do to restore our economy."

Lloyd Bentsen Jr., who served President Clinton as the 69th secretary, also attended the forum.

ABC News anchor Sam Donaldson and Wall Street Journal editorial page editor Paul Gigot served as moderators for the forum, which gave the former secretaries a chance to reminisce about the bureaucracies, politics, personalities, and policies they encountered during their years with the Department of the Treasury and express their opinions of tax reform, recession, and other aspects of the economy.

Edward Djerejian, director of the Baker Institute, Rice University President Malcolm Gillis, and Steven Kotler, president of the Wilson Council, presented introductory and welcoming remarks.

The Carlyle Group and The Shell Oil Company Foundation sponsored the forum, which was the third in a series of joint programs between the Baker Institute and the Woodrow Wilson Center.

PUTIN

continued from page 3

States, in terms of direct investment to Russia, has fallen behind the Netherlands, Cyprus, and Germany. Pointing especially to Germany as an indicator of Europe's interest, Putin said he hopes that Americans will accept this as a challenge. "There are many stable sectors in Russia that are becoming an element of sustaining the overall security system," he said, referring to its energy resources. "Russia continues to be a reliable and predictable partner as a supplier of world oil and other natural resources." He named the Caspian Sea oil pipeline, which involved U.S. investment, as a success story.

Yet barriers still remain in the trade and economic fields, which "should be removed definitively," Putin said. In particular, he mentioned the Jackson-Vanik trade sanctions, imposed on Russia due to past oppression of ethnic and religious minorities. "[The sanc-

"We have prepared very serious, qualitative changes that correspond to the realities of today.... If we act together, we could make the world a much safer place than the world we have now."

— Vladimir Putin

tions] are just a symbol, no one knows of what," he said. "For our part we have already taken steps to overcome the obstacles of the past," he said, "and now we expect the constructive steps to be taken not just by the U.S. administration but also by the American business community."

Putin concluded by saying that in the Russian market, "your risks are much lower than a couple of years ago. I think this is absolutely obvious." He then added: "Texas cowboys have the heels of their high boots slanted inward to make sure that when they work at the

ranch they don't get stained by mud, and the same applies to international relations. Cleanliness is a good symbol."

During the question-and-answer period, Putin expressed his keen interest in NATO, saying, "There is no reason why Russia and NATO shouldn't pull our efforts together, and why we shouldn't do it today." Russia is currently working with the alliance through a council framework. "We are prepared to expand our cooperation with NATO," he said.

Putin provided his assessment of the situation in Afghanistan and



Vladimir Putin speaks to an audience at Rice in the company of (from left) James A. Baker, III, George H.W. Bush, Rice president Malcolm Gillis, and Edward Djerejian.



Edward Djerejian (right) reads questions from the audience to Vladimir Putin.

outlined Russia's position just as he had outlined it in a recent meeting with the Northern Alliance leadership: the Taliban must not be represented in the future leadership of Afghanistan, and the new leadership should be representative of all ethnic groups living there and have support of neighboring countries and the United Nations. He noted that the U.S. and its allies are attaining goals of liberating regions from the Taliban and must now turn attention to the problem of a political settlement. "At this point, the situation is being kept under control, and indications are that we are achieving our objectives," he said. "We are coordinating our efforts, and we'll continue to do so." He also supported continued efforts in bringing in the people responsible for the terrorist attacks.

When asked whether the United States and Russia are truly on the threshold of a new strategic relationship in regard to nuclear armaments and changes in the anti-

ballistic missile treaty, Putin said, "We have prepared very serious, qualitative changes that correspond to the realities of today.... If we act together, we could make the world a much safer place than the world we have now."

Lastly, Putin answered a question from a Rice student about the land-reform effort in Russia, saying that it is not only a legal and political issue but also an emotional one. The lack of "trade land" has been a serious impediment to the economy, he said. The new law passed for free land trade in cities and townships is the right move, but complicated ownership arrangements in agricultural lands mean that they must proceed carefully in those areas.

Putin's visit was part of the Baker Institute's Shell Oil Company Foundation Distinguished Lecture Series and was co-hosted by the Baker Institute, the Russian-American Business Council, and the U.S.-Russia Business Council.

GREENSPAN

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being less than wholly ethical. But I will say to you that those are the rare examples; the best chance you have of making a big success in this world is to decide from square one that you're going to do it ethically, because what you're going to find is not necessarily that if you are ethical you will succeed, but the probability that you will is significantly greater than if you are not. And I think you will find that if you succeed, and probably even if you do not, you will have gone through a life in the business world which has been a satisfying one, because you've lived by set principles which you thought were right."

He continued: "I don't know what the job market is today, but it's not important. It will take you a little longer to get a job but that's all it is, it's a little longer.

"Be sure that irrespective of what job you get involved with, that you state right off at square one what it is you want out of life," he said. "I'll tell you it's been my experience that it really works to be as ethical as one knows and to define one's values in a very succinct way. Set up a set of principles that you're willing to live with, and that will give you the greatest success and achievement in this world."

Greenspan's address was part of the Baker Institute's Distinguished Lecture Series sponsored by the Shell Oil Company Foundation.

MONGOLIA

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that Mongolia can look beyond geography to the United States, Europe, Japan, Korea, and other countries as “neighbors.”

“This concept of third neighbor is the right concept for us to develop further,” Enkhbayar said, “to overcome the negative impact of having been a totalitarian regime.” Enkhbayar is also proud of opinion polls that indicate that more than 80 percent of Mongolians consider the move to democracy and a market-oriented economy to be the right choice for the nation.

Mongolia has increased privatization by changing property laws and developing a legal system to protect private property. Future plans include a national highway system and development in the oil and energy sector. Some six billion barrels of oil might reside beneath Mongolia’s surface, and Enkhbayar hopes to capitalize upon this resource, strengthening both Mongolia’s economy and its relationships with other countries.

Mongolia, once considered a “buffer” to China and Russia, is uniquely situated, Enkhbayar said, and is learning about being a “buffer state” to other countries. The country is helping smoothe cultural differences among Muslim communities to its west, communist Confucian China to its south, Orthodox Christian Russia to its north, and within its own borders as a Buddhist nation.

Mongolians are sometimes referred to as “Asian Europeans”

because of their ties to Europe, a connection the prime minister hopes will aid their development and ability to serve as mediator to regional countries. Enkhbayar also hopes Mongolia will serve as an example to other small countries, such as North Korea and Afghanistan: “You have a chance to develop, to be part of the civilized world. You have a chance to be respected by other nations. But to achieve that, you have to be democratic, be market-oriented, and have the same values as other civilized countries.” The agenda of smaller nations is becoming very important, he noted, and “there shouldn’t be any forgotten countries.”

In response to a question from a member of the audience, Enkhbayar pointed out that before the September 11 tragedies, the United States was spending \$70 million annually in humanitarian aid to Afghanistan, but now it’s spending \$1 billion per month to wage a war on the Taliban and al-Qaeda terrorists. “It’s not advice, just a natural conclusion, that maybe it’s better to spend more before, to spend less after,” he said.

Following his speech, as a sign of Mongolia’s support of the United States, Enkhbayar presented Gillis and Foster each with a commemorative stamp Mongolia issued following the September 11 tragedies.

Enkhbayar’s address was part of the Baker Institute’s Shell Oil Company Foundation Lecture Series.

BOUTEFLIKA

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anticipate the change in order to be among the prominent actors on the international oil-and-gas scene.”

In response to audience questions, Bouteflika commented on the role of the United States and the conflict in the Middle East. “The American administration will always be concerned with Middle East problems, which from my point of view guarantees the stability of the Arab people and countries,” Bouteflika said. It is in the United States’ interest that the problems be resolved not only between Israel and Palestine, but also between Israel and Syria and Lebanon, he said. “This is the price, and only then will Arabs be convinced that it’s the right way.”

Regarding his role in the conflict in the Western Sahara region, Bouteflika said it is easier to act as an intermediary in a different region from one’s own. He emphasized that Algeria, the U.S., and the United Nations have all worked “day and night” to resolve the issues in the Western Sahara, and though it may be difficult, he said a solution might exist to the problem there. He firmly condemned the invasion of the Western Sahara.

The president ended by saying, “We can’t say terrorists in Afghanistan are bad terrorists while other terrorists in Western capitals are good terrorists.”

Bouteflika’s presentation was part of the Baker Institute’s Shell Oil Company Foundation Lecture Series.

GONZALES

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tend to make over 100 nominations,” Gonzales said.

His office is also responsible for ensuring that members of the White House staff comply with ethics laws and regulations. “This is an area that is a popular weapon of choice for opponents of recent administrations to cause embarrassment to the president, because even the appearance of impropriety can generate a news story or—at worst—a Congressional inquiry and investigation,” Gonzales said. “We try to be very diligent in reminding folks about the ethics rules.”

Advising the president about exercise of privilege is another duty of the counsel. Complaints have been made about secrecy at the White House. Gonzales described the tension between the executive branch’s need to keep certain information confidential, so that candid and open discussion is not deterred, and Congress’s need to review the executive branch of decision making. “My job is to review each case carefully, make an evaluation as to when it is appropriate to release information, and make that decision,” he said, adding that he tries to find a way to accommodate both the executive and legislative branches.

Gonzales stressed that his office does not make litigation decisions—those are left to the Department of Justice. But he does review and provide input on all major legislation, especially when constitutional issues are implicated.

.....

“I ask those students here tonight, ‘How big can you dream?’ Because that answer tells me more than anything else about how successful you’re going to be, because that is really the motivation behind your success,”

Gonzales said.

.....

The counsel has a secondary role in the development of policy. The president’s lawyer also makes recommendations regarding clemency requests and provides legal advice on national security matters. “People tend to forget that there are many legal issues relating to foreign-policy decisions made by the president,” Gonzales said.

Rice president Malcolm Gillis introduced Gonzales at the Baker Institute event, noting that

Gonzales received a B.A. in political science with honors from Rice before enrolling at Harvard Law School and later becoming a justice on the Supreme Court of Texas.

Gonzales said his dream of attending Rice originated during his childhood years when he was a boy selling soft drinks at Rice Stadium. “I always felt that to have a dream meant to have hope,” he said. He encouraged Rice students to hold onto their dreams. “I ask those students here tonight, ‘How big can you dream?’ Because that answer tells me more than anything else about how successful you’re going to be, because that is really the motivation behind your success.”

Gonzales’s visit was part of the Baker Institute’s Shell Oil Company Foundation Lecture Series.

Baker Institute Report

Editors - Lia Unrau and
B.J. Almond

Photographers - Tommy LaVergne
Jeff Fitlow
Liz Lynch

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For further inquiries and address changes, we may be reached by phone (713) 348-4683, fax (713) 348-5993, or e-mail bipp@ruf.rice.edu.



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FROM THE UNITED NATIONS TO THE BAKER INSTITUTE



United Nations secretary-general Kofi Annan, at left on the video screen, addresses an audience at the Baker Institute during a teleconference October 11—one month after the terrorist attacks on the World Trade Center and the Pentagon. Shown watching the teleconference is William H. Luers, chairman and president of the United Nations Association of the United States of America (UNA-USA). Presented in the format of a town hall meeting, the teleconference was broadcast by satellite to 10 cities: Atlanta, Boston, Chicago, Denver, Los Angeles, Minneapolis, Seattle, St. Louis, Tampa, Fla., and Houston. Annan took questions from a member of the audience in each of the participating cities. The event was co-sponsored by the United Nations Association—Houston, the World Affairs Council, and the League of Women Voters and produced by the Better World Campaign, a project of the Better World Fund, which is a sister organization to the United Nations Foundation.



JAMES A. BAKER III
INSTITUTE FOR PUBLIC POLICY—MS 40
RICE UNIVERSITY
P.O. BOX 1892
HOUSTON, TEXAS 77251-1892

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