

# Center on Emerging and Pacific Economies

# EmPac

2011-2012 ANNUAL REPORT



at the School of International Relations and Pacific Studies

# EMPAC WELCOMES PROFESSOR ULRIKE SCHAEDE AS EXECUTIVE DIRECTOR

EmPac is excited that Ulrike Schaede has joined the program leadership as Executive Director, to further strengthen our activities in the Pacific Fellows Program. Professor Schaede studies Japan's corporate strategy, business organization, management, and regulation. Her latest book *Choose and Focus: Japanese Business Strategies for the 21st Century* (Cornell UP, 2008) argues that Japan's business organization has undergone a strategic inflection point so fundamental that our knowledge of Japanese business practices from the 1980s and 1990s is no longer adequate for a full understanding of Japan. Her current research concerns the management practices of what she calls "New Japan" companies that have assumed global supply chain leadership in 21st century materials and components. She also works on corporate restructuring, changing human resource practices, and entrepreneurship in Japan. Professor Schaede holds a MA from Bonn University, and a PhD from the Philipps-Universität in Marburg, Germany.



Gordon Hanson, Professor

## DIRECTORS' MESSAGE

Globally, economic and political systems are in flux. While America, Europe, and Japan are searching for pathways out of the economic doldrums, emerging economies are providing new sources of dynamism. China, India, Brazil, and other newly rising actors have arrived on the world stage, presenting new opportunities and also challenges. Our mission at the School of International Relations and Pacific Studies (IR/PS) is to understand these new interactions and to help design the new global architecture. At the Center on Emerging and Pacific Economies (EmPac) we engage with global leaders and support cutting edge research. Our center puts UC San Diego at the heart of scholarship and action regarding economic policy, political systems, and international management in the Pacific rim and emerging markets.

The Pacific Leadership Fellows Program is the centerpiece of EmPac's activities. Since 2006, we have welcomed 48 Fellows to our campus. These business leaders, policy experts, public servants, scholars, and entrepreneurs share their knowledge with the UC San Diego community and our faculty and students through public events, seminars, classroom interaction, and informal meetings, thus building relationships that strengthen each year and cement IR/PS's network in the Pacific. As EmPac moves forward, we strive to further expand these connections between UC San Diego and the countries of Asia and the Americas, so that we can fortify IR/PS's capacity to provide cogent analysis and strategic evaluation of the dynamics of the region.

In addition to the Fellows program, EmPac provides startup funds for new research initiatives in economics and public policy. This past year, projects have included an investigation into credit constraints and contract migration from Indonesia, an evaluation of the efficiency of housing markets and why the most standard financial models (such as the CAPM) are unable to explain housing prices, as well as two projects on China — one examining different strategies employed to fight corruption, and one exploring the various incentives to improve sewage treatment in large Chinese cities. As these projects mature, they attract further research support from foundations and other donors, bringing new resources for research and teaching to UC San Diego.

We express our continued appreciation to Joan and Irwin Jacobs for their generous support. Their leadership gift enables IR/PS and UC San Diego to be recognized as centers of reflection and action by leaders of the Pacific region.



Ulrike Schaede, Professor

# CONTENTS

## 4 Year at a Glance

## 5 Pacific Leadership Fellows Program

- 6 DR. MA ZHONG
- 7 DR. XUEDU LU
- 8 MR. JOÃO BATISTA DE REZENDE
- 9 DR. JI ZOU
- 10 DR. SHIGEKI MORINOBU
- 11 DR. RIZAL SUKMA
- 12 DR. JACQUES MARCOVITCH
- 13 DR. FRANCISCO DE PAULA GUTIÉRREZ

## 14 Research Grants

- 14 SAMUEL BAZZI
- 15 JESS DIAMOND, BENJAMIN KAY
- 16 JESSE DRISCOLL, NICOLAI LIDOW, DIMITAR GUEORGUIEV
- 17 KAI OSTWALD, WEIYLI SHI
- 18 JUNJIE ZHANG

## 19 Academic Programs and Events

## 23 Stay Connected

# ACKNOWLEDGEMENT



The Center on Emerging and Pacific Economies (EmPac) and the Pacific Leadership Fellows Program began in 2006 with a gift from Joan and Irwin Jacobs. Dean Peter F. Cowhey communicated his vision for the School of International Relations and Pacific Studies (IR/PS) and our university to contribute to initiatives that would achieve for the 21st century what the post-1945 institutions did for Europe and the world.

The recognition and support of his vision by Joan and Irwin Jacobs made the creation of EmPac possible. Their leadership gift enables IR/PS, UC San Diego, and the greater San Diego region to become a center for reflection and action by leaders from the Pacific. The outstanding faculty and substantial body of research knowledge at IR/PS make it the ideal parent institution for EmPac.

# Year at a glance

2011-2012 HIGHLIGHTS

**Welcomed Eight Pacific Leadership Fellows** from Brazil, China, Costa Rica, Indonesia, and Japan

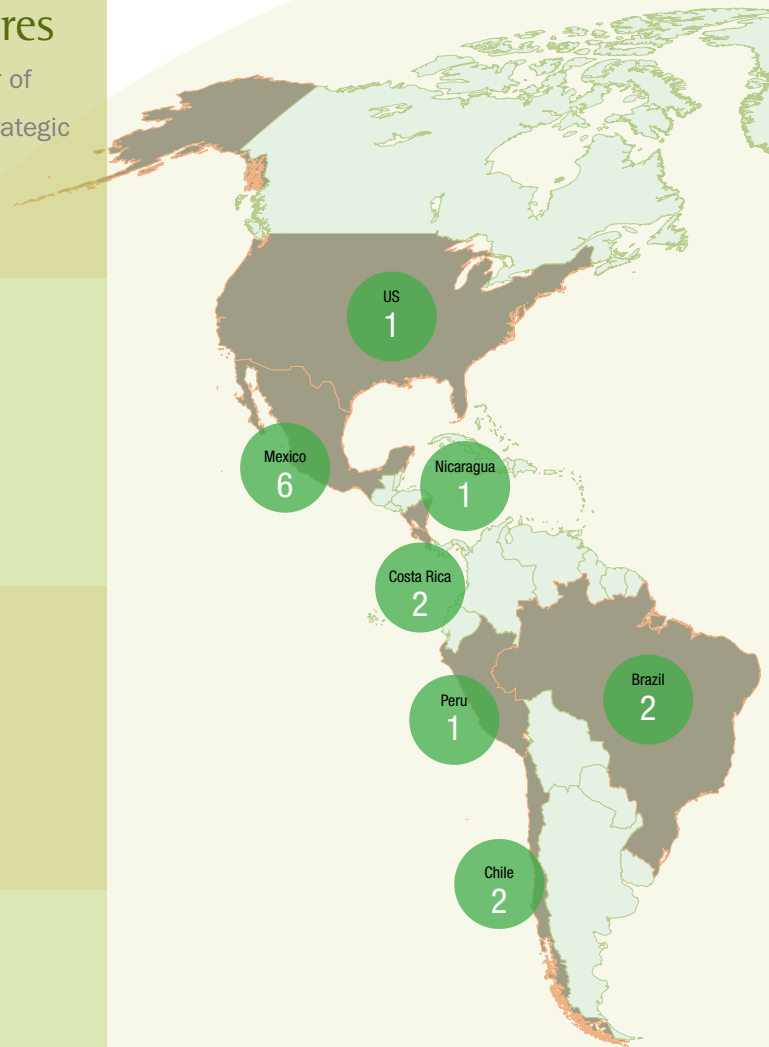
**Fellows included prominent public figures** including the President of Japan Tax Institute, the Former Minister of Finance of Costa Rica, the Executive Director of the Centre for Strategic and International Studies in Jakarta, and the Advisor on Climate Change and the Carbon Market to the Asian Development Bank

**Collaboration with the Center for U.S. – Mexican Studies** at IR/PS on the second annual Mexico Moving Forward event, in which the theme was inspired by a paper written by IR/PS professor Gordon Hanson titled, “Why Isn’t Mexico Rich?”

**Hosted renowned speakers from Cuba, the Philippines, Mexico, and Brazil** who discussed everything from the “Progress of the World’s Women: In Pursuit of Justice” to “The Politics of Economic Reforms in Cuba Today” to “Border Security and Migrant Population”

**EmPac provided seven grants** totaling approximately \$50,000 to fund innovative research by IR/PS professors and graduate students

**EmPac Director Gordon Hanson** welcomed Professor Ulrike Schaede to the EmPac leadership team



# PACIFIC LEADERSHIP FELLOWS Program

The Pacific Leadership Fellows Program at EmPac brings leaders to UC San Diego from around the Pacific region to engage in dialogue, research, and teaching with students, faculty, and the San Diego community.

Fellows are drawn from remarkable scholars and policy makers who shape strategy in their own countries in government, the private sector, and academia, and provide valuable insights into how economic and political systems are evolving.

**Having completed its sixth year, the program has now hosted 48 Fellows from 18 different countries. Each Fellow has brought a wealth of diverse knowledge to the San Diego community.**



**While in residence, each Fellow fulfills a number of responsibilities. Their events and interactions may vary based on the Fellow and length of stay, but each Fellow will:**

- Collaborate with a faculty partner on a project or initiative
- Meet and mentor IR/PS and UCSD students informally and/or in a classroom setting
- Speak at a public program or guest lecture at community events
- Engage with other appropriate UC San Diego departments as applicable
- Spend time interacting with the broader San Diego regional community and appropriate business, government, and/or non-profit leaders
- Spend time getting to know our San Diego community supporters and local community

# Sustainable Development

## China's Sustainable Development in the Context of Rapid Economic Growth

DR. MA ZHONG

November 14 – December 2, 2011

Faculty Host: Professor Junjie Zhang



Ma Zhong is Dean and Professor at the School of Environment and Natural Resources, Renmin University, People's Republic of China, where he teaches environmental economics and policy.

While in residence, Professor Ma presented a public lecture titled, "China's Sustainable Development in the Context of Rapid Economic Growth," as well as guest lectured to students and connected with student leaders. As a guest

lecturer in Professor Josh Graff Zivin's class, "Environmental and Regulatory Economics," Professor Ma connected with several students who continued to meet with him on a regular basis during his residency. In his lecture, he examined how China became the No. 2 economy, and simultaneously, the No. 1 energy consumer and emitter of pollution in the world over the last three decades. Drawing on his research experience, he explained how environmental and economic policies play a role in abating both market and institutional failures regarding environmental protection, and how policy changes might ensure sustainability.

In addition to his talks, he sat on the panel for "Environmental Policy Making in China," which was chaired by the Institute on Global Conflict and Cooperation Director Susan Shirk, met with the Center on Clouds, Chemistry and Climate (C<sup>4</sup>) at Scripps Institute of Oceanography, and met with students from China Focus and Green Tech Student Groups.

Professor Ma works extensively with governments and international agencies on a variety of research projects in China. He also serves as the senior advisor to the China Ministry of Environmental Protection (MEP) and was selected for one of six National Green Awards in 2009. He founded the first education program of environmental economics in China in 1988 and is the leading scholar in China researching and practicing environmental economics and economic instruments of environmental management.



# Climate Change

## The Outcome and Implications of the UN Conference on Climate Change in Durban

DR. XUEDU LU

January 8 – 14, 2012

Faculty Host: Professor Junjie Zhang

Xuedu Lu is Advisor on Climate Change at the Regional and Sustainable Development Department of Asian Development Bank (ADB), providing advice on climate change, carbon market and climate technologies.

As a Fellow, Dr. Lu's public talk highlighted the Durban climate change conference conclusions and its implications. He also introduced ADB's climate change strategy, carbon market program, and activities to support the efforts of developing member countries in Asia and the Pacific region on addressing climate change. Discussions followed on establishing close working relationship between two agencies in future.

Dr. Lu also gave a guest lecture on carbon market to students. The lecture systematically introduced the economic rationale of carbon market, carbon market development history and progress, experience and lessons, and outlook. He also had two lunch talks with students to provide insight information on climate change business in a multinational development agency. In addition, Dr. Lu met with two center directors at UC San Diego's Scripps Institution of Oceanography (SIO) along with several additional faculty on furthering the exchange of knowledge and research, and on exploring potential cooperation. The two SIO centers were The Center on Clouds, Chemistry and Climate (C<sup>4</sup>) and the Center for Environment and National Security (CENS).

Dr. Lu holds a PhD in engineering from Tsinghua University. He is the adjunct professor of Tongji University and Tianjin University. Prior to joining ADB, Dr. Lu worked as Deputy Director General of the National Climate Center of China, responsible for research, policy and international negotiations on climate change. He was also the Deputy Head of the Office of Global Environmental Affairs at the Ministry of Science and Technology (MOST) of China, leading a team to manage international and national programs on various global environmental issues, including climate change, bio-diversity, desertification, ozone protection and persistent organic pollutants. He crafted government policies and regulations related to these areas and represented the government as chief negotiator in numerous international forums. On the international front, Dr. Lu is one of the inaugural members of the CDM Executive Board established under the Kyoto Protocol and served on the Board for 8 years.



# Technology & Telecommunications

## Brazil's New Wave of Reforms

### MR. JOÃO BATISTA DE REZENDE

January 9 - 13, 2012

Faculty Host: Professor Gordon Hanson



João Batista Rezende is president of ANATEL, the Brazilian telecommunications regulatory agency. Previously, he was chief of staff at the Federal Ministry of Budget and Planning, secretary of finance for the City of Londrina in the southern state of Paraná, and president of Sercomtel Telecomunicações S.A., a telecommunications company.

While in residence, Mr. Rezende discussed in his public lecture that within the last two years, Brazil has embarked on a new wave of telecommunications reforms aimed at increasing competition and penetration of new services. Mobile voice now has more than 200 million subscribers in a population of 191 million, changing the government priorities to broadband access as well as higher computer, tablet, and smartphone diffusion in the society. Regional disparities are also high in the perception of policy makers, with special attention being given to rural coverage, South American interconnection, and long haul broadband access to the Amazon. To achieve these goals, the government is using new tools, allowing telecommunications companies to provide cable TV, licensing new spectrum bands for 4th generation wireless communications, and encouraging infrastructure sharing among service providers.

After meeting with several Qualcomm representatives, Mr. Rezende participated with Qualcomm at the 2012 International CES Conference. The Consumer Electronics Show is owned and produced by Consumer Electronics Association. CEA is the preeminent trade association promoting growth in the \$190 billion U.S. consumer electronics industry. This conference provided a great opportunity for Mr. Rezende to meet, share, and learn from fellow international telecommunication professionals. Keynotes from Ericsson, Ford, Verizon, Xerox, eBay, YouTube and Facebook were among the highlights of 2012 International CES Conference.

Mr. Rezende earned his master's degree in economics from the Catholic University of São Paulo.



# Renewable Energies

## Methodology and Practice in Blueprint Development for Building Up Low Carbon Cities in China

DR. JI ZOU

January 24 – February 3, 2012

Faculty Host: Professor Junjie Zhang

Ji Zou is the China Country Director of World Resources Institute (WRI) and Professor of Environmental Economics and Management at Renmin University of China, Beijing.

While in residence, Professor Zou presented a public lecture titled, “Methodology and Practice in Blueprint Development for Building Up Low Carbon Cities in China,” as well as participated in the 21st Century China Renewable Energy Conference as a featured speaker. He also guest lectured in Professor Junjie Zhang’s class, “International Environmental Policy and Politics” and connected with student leaders. During his residency, he met with leading UC San Diego academics and Qualcomm senior staff.

The urban population has increased and will continue to do so in China as well as in other emerging economies in the coming decades. Cities account for over two-thirds of energy use and carbon emission with a higher share of GDP in China, and the cities’ role in population, energy use, and GDP will continue to rise in the future. This urbanization course has strong environmental, energy, and resource implications. Thus, a strategic design of further urbanization will be needed to make economies shift into low carbon pathways. In his talks, Professor Zou presented these implications as well as strategic methodologies to handle the building up of low carbon cities worldwide, using the results as a model case study.

From 2000 through 2009, Professor Zou served as a negotiator for China in the UN Climate Talks concentrating on such issues as development and transfer of environmentally sound technologies and capacity building in developing countries. Professor Zou received his BA degree in Environmental Engineering and MS in Engineering Economics from Tsinghua University and PhD in Environmental Economics from Renmin University of China. He has interned at the Environmental Directorate-General of European Commission and was a visiting scholar at Harvard University and the London School of Economics and Political Sciences.



## Tax Reform

### A Rubric for Comprehensive Tax Reform in Japan

DR. SHIGEKI MORINOBU

March 5 – 10, 2012

Faculty Host: Professor Takeo Hoshi



Shigeki Morinobu is currently a professor at Chuo University's Law School, President of Japan Tax Institute, and Senior Fellow of the Tokyo Foundation, Japan.

As a Fellow, Shigeki Morinobu provided an overview of reform objectives and options as a rubric for evaluating the proposed tax overhaul and presented a public lecture titled, "A Rubric for Comprehensive Tax Reform in Japan." He shared that there is more to tax reform than consumption tax hikes, although one would never know it from the commentary Prime Minister Yoshihiko Noda's cabinet's "draft plan" has generated to date. In this lecture, Professor Morinobu set out to answer that question by outlining the basic objectives and tools of tax reform and explained how they apply to Japan today. Also during his residency, Morinobu met with Professor Takeo Hoshi's Japan Research Group to discuss "Politics of Fiscal Consolidation."

After earning a law degree from Kyoto University in 1973, Professor Morinobu joined the Ministry of Finance, serving as advisor to the Minister of Finance of Japan in London. He has been a professor at Osaka University and has taught at Princeton University. He has also been president of the Policy Research Institute, visiting professor at the University of Tokyo, and visiting scholar at Columbia Law School. Professor Morinobu retired from Ministry of Finance in 2006.



# Foreign Policy

## Indonesia's Foreign Policy Since 1998: Islam, Democracy and International Aspiration

DR. RIZAL SUKMA

April 23 – May 4, 2012

Faculty Host: Professor Ellis Krauss

Rizal Sukma is currently Executive Director at the Centre for Strategic and International Studies (CSIS), Jakarta and named among the “Top 100 Global Thinkers” according to Foreign Policy magazine. CSIS, which celebrated its 40th anniversary in September 2011, is a non-profit organization dedicated to contributing to improved policy-making through policy-oriented research, dialogue, and public debate.

As a Fellow, Dr. Sukma spoke at two public lectures, both dealing with foreign policy. The first was in collaboration with the Institute for International, Comparative, and Area Studies (IICAS). This talk looked at “Indonesia, ASEAN and Geopolitical Changes in East Asia.” The second public talk was co-sponsored by the International Affairs Group (IAG), and Dr. Sukma talked about Indonesia becoming a democracy within an Islamic majority country.

The common theme during Dr. Sukma's residency was the imperative of understanding Indonesia's foreign policy both within the framework of domestic political context, where democracy and Islam constitute two important factors, and also within the context of geopolitical changes in the Asia-Pacific. Dr. Sukma made several connections with graduate students who are looking for internships at think tanks like CSIS where policy-oriented research is its mission. He also guest lectured in Professor Ka Mi Jong IR/PS Bahasa Indonesia class as well as toured and met with Qualcomm senior staff.

Dr. Sukma received his PhD in International Relations from the London School of Economics and Political Science (LSE), London, in 1997, and has worked extensively on Southeast Asia, Security issues, ASEAN, Indonesia, Defense and Foreign Policy, Military Reform, Islam and Politics, and Domestic Political Changes in Indonesia. He is also Chairman of International Relations, Muhammadiyah Central Executive Board (ostensibly the second largest Islamic organization in the world); and a member of Board of Governor of the implementing agency for the Bali Democracy Forum (BDF), the Institute for Peace and Democracy (IPD).

The CSIS Logo embodies the Centre's philosophy. The disc with an engraving of the globe, the youth with an open notebook on a cloth draped on his lap - combine to project the Centre's nature as an institution where people think, learn, and share their knowledge.



## Environmental Governance

### Measuring Human Development and Environmental Sustainability

DR. JACQUES MARCOVITCH

April 25 – May 4, 2012

Faculty Host: Dean Peter Cowhey



Jacques Marcovitch is Professor of Strategy and International Affairs at the University of São Paulo (Brazil), and a board member at the International Relations and Development Studies Institute (Geneva). While in residence, Dr. Marcovitch met with many faculty, students, and local leaders. As a result, he had three important interfaces at UC San Diego as well as within the local San Diego community.

First, at his public lecture, Dr. Marcovitch highlighted the major environmental changes that have occurred in the last twenty years. He advocated moving from rhetoric to metrics to achieve sustainability goals with distinct, still complementary, measurements for human development and environmental performance. Following up on a related theme, a multi-institutional study on the “Economics of Climate Change in Brazil: Costs and Opportunities” was presented and discussed with faculty and graduate students.

Secondly, in collaboration with the Institute of the Americas (IOA), he met with community members and fellow academics to discuss the challenges of global competition through new linkages to strengthen innovation and competitiveness. The work laid out a vision for the future of Latin America and UC San Diego to deepen relations between Mexico and Brazil, countries that represent half of the total population of Latin America. Such relations would stimulate shared learning on public policy design and implementation as well as on new ways to build mutually beneficial economic ties with Asia.

Third, Dr. Marcovitch met with Qualcomm leading engineers to address Industry-University relations. Among the topics covered were 1) Research, Development & Innovation toward social inclusion, 2) Young talents recruitment practices, and 3) Brazil’s regional sustainable development with focus on the Amazon Biome. Opportunities to reconcile biodiversity conservation with human development through innovative devices and wireless reach were also explored.

Besides his academic pursuits, Dr. Marcovitch is a member of the Global Agenda Council on the Future of Latin America, a network – created in 2008 by the World Economic Forum – of relevant thought leaders from academia, government, business and other fields to capture the best knowledge on each key issues. These are then integrated into global collaboration and decision-making processes to address the foremost topics in the global arena.

Dr. Marcovitch studies business leadership, strategy and innovation with an emphasis in economic development, income distribution, and environmental sustainability. Since 2002, he has researched the implementation of policies to reduce emissions that are a leading cause of global warming.

He is a graduate of Vanderbilt University (USA) in the field of management, and recipient of international recognitions as Doctor Honoris Causa, Université Lumière, Lyon, Officier de l’Ordre des Palmes Académiques and Chevalier de la Legion d’Honneur (France). As a member of scientific institutions, he was awarded Brazilians recognitions as the Grão-Cruz da Ordem de Rio Branco and the Medal of Scientific Merit.

# Economic Policy

## Central America after the Great Recession: Challenges and Opportunities

DR. FRANCISCO DE PAULA GUTIÉRREZ

May 13 - 26, 2012

Faculty Host: Professor Richard Feinberg

Francisco de Paula Gutiérrez is Professor of Economics and Finance at INCAE Business School. He was the Minister of Finance of Costa Rica from 1996-1998 and President of the Central Bank of Costa Rica from 2002-2010.

During his residency, Dr. Gutiérrez spoke on “Central America after the Great Recession: Challenges and Opportunities,” sharing his insights on the current economic situation of the region and each of the countries and the challenges they faced in a slow growth world.

Gutiérrez also had the opportunity to share with IR/PS students his experience of being the president of the Central Bank of Costa Rica during the 2008-09 economic crisis. In the conversation he pointed out that the making of economic policy is seldom a choice between, a “good” road and a “bad” road, instead most of the time it is between two complicated roads with mixed outcomes, where the choice of the “right” course requires a good diagnosis, a recognition of available degrees of action, as well as an understanding of how the policies will affect different groups in the economy, and a good communication of the decisions and their implications. These experiences were also shared with students of the IR/PS Spanish as a Second Language class.

Besides sharing views of the current world economic situation with several professors at UC San Diego, Dr. Gutiérrez had the opportunity to attend a seminar on “Economics of Religion” and a well-structured conference on “Cuba Today,” that discussed the options and challenges of the country as it moves in its reform path.

Dr. Gutiérrez has been a member of the board of directors of several organizations and companies in Costa Rica and has served as a consultant to international organizations. Currently he is the president of Consejeros Economicos y Financieros, S.A. (CEFSA), a well-known consulting firm devoted to the analysis of the Central American economies. He holds a PhD in Economics from the University of Pennsylvania.

Pictured at right are the new banknotes of (currency) of Costa Rica. Notable for their bold and significant design, the new bank notes include images depicting the country's biodiversity, with drawings representative of six ecosystems. The front of each note also features important historical figures that have contributed to Costa Rica's democracy. Currently, the \$1000, the \$2 Million, and the \$20 Million are in circulation, note that these bills were developed while Dr. Gutiérrez was the Minister of Finance.



# Research Grants

Every year EmPac participates in academic inquiry by offering grants to fund innovative research of IR/PS professors and those working with PhD candidates. This year, funding supported research on issues revolving in or around China, Indonesia, Malaysia, Singapore, Somalia, and the United States. This year's research, among others, included the weight of credit constraints and investment in international contract migration by PhD Candidate, Sam Bazzi; efficiency of housing markets conducted by Jess Diamond and Benjamin Kay, both PhD Candidates; and the drivers of sewage treatment provision among cities in China by Professor Junjie Zhang.



## SAMUEL BAZZI

PHD CANDIDATE, UC SAN DIEGO DEPARTMENT OF ECONOMICS

### **Credit Constraints and Investment in International Contract Migration: Theory and Evidence from Indonesia**

Several million individuals from less-developed countries migrate abroad on temporary labor contracts each year. Many of these migrants come from rural areas where weather and commodity price volatility have large and diverse welfare consequences. As demand for foreign labor grows in rich countries and as sending-country governments strive towards more effective emigration policies, it is important to understand how financial and other barriers to migration determine who is able to access high return jobs abroad.

Samuel Bazzi's research sought to address two questions: 1) How do (unexpected) changes in

household income affect the decision to undertake temporary contract migration, 2) What do these household responses tell us about the relative importance of different types of economic shocks in affecting migration flows from developing countries?

The research findings offer robust new evidence on the extent to which financial barriers limit international migration flows from low-income settings. Samuel plans to graduate in 2013, and this project contributes to his dissertation, which provides novel insights on some classic questions in development economics.



**JESS DIAMOND**  
 PHD CANDIDATE,  
 UC SAN DIEGO  
 DEPARTMENT OF ECONOMICS



**BENJAMIN KAY**  
 PHD CANDIDATE,  
 UC SAN DIEGO  
 DEPARTMENT OF ECONOMICS

## Insights into Efficiency of Housing Markets

A central question in the economics of finance is “how much is an asset worth?” While most economists would agree on a common framework to answer this question, they have found it difficult to decide which specific models are correct. One problem is that research in this area has focused on securities markets. While securities would appear to be an obvious application for such research, they may not be the best area in which to decide which models are most appropriate. A better area in which to search for the correct models to price assets may be the housing market. This is because housing is of greater importance to the wealth of households than stocks or bonds, and housing markets are local rather than national, allowing a comparison of how strong or weak markets affect households differently.

Data for the housing market that can be used to answer such questions have now become available, overcoming a central problem to research in this area. Using this data, we will be able to investigate questions such as “how do changes in peoples’ attitudes towards risk affect the prices of houses?”

or “how would house prices change if regulators forced home-buyers to put down a larger down payment?” It would also allow researchers to look backward and understand how people expected the value of their homes to change over time during the housing boom of the mid-2000s.

Diamond and Kay’s project sought to expand this area of research on the relatively unexplored housing market that has the potential to lead to important insights about the nature of not only the housing market, but also financial markets in general.

Building on research from Ben’s doctoral dissertation and using new housing market data that has become available only in recent years, they show that the most popular model in finance (the CAPM) is unable to explain housing prices. This implies that there are large and potentially dangerous pitfalls from applying popular models from finance in their current form to housing prices. Their next step will be to investigate why housing behaves so differently from stocks and bonds.





**JESSE DRISCOLL**  
IR/PS PROFESSOR OF  
POLITICAL SCIENCE



**NICOLAI LIDOW**  
PHD CANDIDATE, UC SAN DIEGO  
DEPARTMENT OF ECONOMICS

## The Price of Instability: Markets and State Capacity in Somalia

The humanitarian consequences of civil war extend far beyond the fighting and violence. By some estimates, acts of physical violence account for less than 10% of war-related deaths. Chronic malnutrition is an under-studied scourge of war. Currently more than \$10 billion per year is spent on humanitarian aid to mitigate the effects of war-induced hunger and disease. Yet relatively little is known about how insecurity, violence, and the delivery of aid affect civilians' access to food and other essentials.

Over the long run, the hope is that by comparing market conditions, we will be able to isolate the civilian welfare effects of 1) episodic local violence, 2) the identity of the faction controlling the territory, and 3) the quantity of international aid delivered to Somalia.

Despite ongoing conflict and recent famine, more than 80% of residents of Somalia's capital Mogadishu rely on local markets for food and essential goods, according to the first representative survey of the city in 25 years. By contrast, only 12% of the city's population reported receiving food aid.

This project provided valuable data and Driscoll and Lidow are now analyzing data from the first representative survey of Mogadishu since the 1980s, which they conducted in March of this year. They hope this data will also assist policymakers trying to understand how indirect foreign policy instruments can improve the lives of people affected by war.



**DIMITAR GUEORGUIEV**  
PHD CANDIDATE, UC SAN DIEGO DEPARTMENT OF POLITICAL SCIENCE

## Budget Democracy: Trials in China

Anti-corruption efforts in China are a crucial component of the ruling regime's claim to legitimacy. However, despite the publicity these efforts have received in the press and academic journals, there is still no systematic assessment of the different strategies being employed to fight corruption.

Dimitar Gueorguiev's research project digs down to the grassroots of anti-corruption policy and governance reform in China. The project sent a team of graduate students armed with cutting-edge survey research techniques to explore how bottom-up public oversight is changing the patterns of corruption during the next round of budget deliberations in several coastal townships. This sensitive issue requires carefully randomized policy treatments and assessments.

In short, a survey was conducted on randomly selected Chinese citizens who were given an opportunity to participate in the annual budget. Led by Gueorguiev, the team randomly surveyed

non-participants so that there would be a control and treatment group. The findings are robust and compelling. Not only do treated participants express greater approval of the local government, they are also more willing to invest locally and consider higher-level township elections as more meaningful than lower level village elections. Perhaps a more interesting finding is that treated participants experience a dramatic change in how they evaluate government. Whereas control group respondents identify economic performance as being the main governance characteristic they value, treated participants identify accountability as being most important.

Gueorguiev argues that this is a direct cause of being involved in what is now a transparent local budget and having rich information on how the money will be spent in addition to some modicum of influence in how it will be spent.





## KAI OSTWALD

PHD CANDIDATE, UC SAN DIEGO DEPARTMENT OF POLITICAL SCIENCE

### Public Policy and Ethnic Fractionalization in Singapore and Malaysia

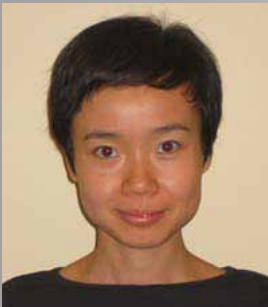
Conflict between ethnic groups can impose significant costs, both in terms of human lives and disrupted development. Yet not every ethnically diverse population is stricken with conflict, and some, in fact, seem to gain strength from diversity. While we understand many of the factors that contribute to this difference of outcomes, there remain important unanswered questions.

This is particularly the case regarding the efficacy of domestic policies and programs implemented in order to reduce the likelihood of ethnic conflict. Kai Ostwald's project examined the effects of political mobilization and key domestic policies on economically and politically relevant aspects of individual level ethnic identity.

While there are many assumptions on the relationship between politics and ethnic identity, few have been empirically tested in a systematic manner.

The project faced two fundamental requirements to make progress on key questions. The first involved isolating the effects of politics and policies from those of other influential factors. This is done by exploiting policy and demographic variations in selected areas of Singapore and Malaysia, as these countries share key similarities in terms of ethnic makeup, but vary considerably in terms of policy approaches. The second involved effectively measuring ethnic identity, which made is inherently difficult by its multifaceted and context dependent nature.

The project employed multiple innovative measurement approaches; all designed to indirectly capture different elements of ethnic identity. These included running survey experiments and experimental games, as well as analyzing network structures using social networking data.



## WEIYLI SHI

PHD CANDIDATE, UC SAN DIEGO DEPARTMENT OF POLITICAL SCIENCE

### Risky Business: Governance of China's Outbound Investments

Companies from emerging economies are increasingly investing overseas. China's global quest for natural resources in particular has attracted a multitude of media attention. The investment decision and management processes, however, remain vaguely understood at best. This project was designed to shed light on how China's global investors operate and understand them in the context of prevailing international practices.

Weiyli Shi believes that this new research will contribute primarily to the international political economy literature. Much has been written on how the host countries' governance influences FDI (Stasavage, 2002). The economics literature has also examined how characteristics of the firms (e.g. firm organization, productivity, global value chain) impact firms' decisions to invest abroad (Helpman, 2006). Less is known about how the political systems of the home countries influence the firms'

investment behaviors. China's outbound investments, a significant portion of which is carried out by state-owned enterprises, may well defy the existing theoretical models on FDI.

Shi's research seeks to provide more nuanced understanding of how domestic politics influences firms' global strategies. Using cross-national data, Weiyli has tentatively identified the empirical regularity that investors from autocratic countries such as China invest in riskier destinations. As her dissertation proceeds, Weiyli hopes to differentiate among different types of Chinese firms and identify the causal mechanisms behind Chinese investors' seemingly greater appetite for risks. She is currently working with scholars at Tsinghua University in Beijing to implement a survey of Chinese enterprises to study their perception and mitigation of risks when investing overseas.



## JUNJIE ZHANG

IR/PS PROFESSOR OF ENVIRONMENTAL ECONOMICS

### Fiscal Incentives and Infrastructure: The Case of Sewage Treatment in China

Water pollution in China is extensive and serious. It is documented that 90% of aquifers in China's cities are polluted, 54% of China's rivers are not fit for consumption, and water pollution-related damages to health alone cost China 9.47 billion RMB in 2003. Water quality is an important public health issue in China. Approximately 300 to 500 million Chinese lack access to piped water, and only 28% of rural households had access to improved sanitation.

Professor Zhang's project aims to explore the drivers of sewage treatment provision among cities in China, and argue that China's decentralized system of decision-making, as embodied in its system of tax revenue sharing, is a possibly significant explanation for the different levels of provision of environmental public infrastructure.

This research has demonstrated that cities in China respond to higher fiscal incentives by building more sewage treatment infrastructure. This suggests

that financial incentives might be part of the solution to pressing water pollution treatment issues. While city-level fiscal incentives are too broad, targeted financial incentives might be provided to cities in key geographic areas, such as those upstream from large populations, or to cities sharing a common-pool water resource.

More broadly, results indicate that China has seen an increasing devolution of expenditures to local authorities, coupled with an increasing centralization of revenues to the central government. If fiscal incentives are an important driver of local government behavior, decreasing the local share of revenues may have significant unintended consequences. Since, on the margin, local governments will participate less in the gains of their investments, they may choose to invest less of their scarce resources in important infrastructure projects.



# Academic Programs and Events

EmPac engages with other research based centers, universities, corporations and government agencies to provide a forum for dialogue.



## Asian Concerns Related to Global Re-balancing: Perspectives from the Philippines

November 7, 2011

In this time of severe economic imbalance, testing the very foundations of globalization could not be more relevant. Mr. Frances G. Estrada spoke on the fundamental issues underlying the prevailing prescriptions to the current economic crisis.

Mr. Estrada serves as Chairman of the Board of Trustees at De La Salle University, a leading Philippine private university. He was the first alumnus to be elected President and Chief Executive Officer of the Asian Institute of Management and was named “Most Outstanding Alumnus” in 1989.

Upon his return to the Philippines in 1997, after 22 years overseas, Mr. Estrada co-founded and served as Chairman of General Partner of Equity Managers Asia, Inc. (Philippines), a financial and investment advisory boutique. He holds Bachelor of Arts (Literature) and Bachelor of Science (Business Administration) degrees from De La Salle University (Philippines), and a Master in Business Management, “with Distinction,” from the Asian Institute of Management. He completed the Advanced Management Program at the Harvard Business School in 1989. He has traveled widely and speaks Pilipino, English, Spanish, and some Bahasa Indonesia/Melayu.



## U.S. - Mexico Security Buildup and its Consequences for the Migrant Population

November 15, 2011

From Border Patrol agents to local police to the National Guard, the Bush and Obama administrations have dramatically increased the security personnel, technology, and operations along the U.S.-Mexico border. Meanwhile, Mexico, with U.S. assistance, has increased its own security presence in the border zone in order to confront drug trafficking and organized crime.

A panel of officials and experts from the United States and Mexico met to discuss whether the increased security investment is working. The conversation among panelists and guests focused on the buildup's intended and unintended consequences – overall patterns, humanitarian and human rights concerns – for migrants seeking to enter the United States from Mexico.

### PANEL SPEAKERS INCLUDED:

Gordon Hanson, Professor, School of International Relations and Pacific Studies, UC San Diego  
Maureen Meyer, Senior Associate for Mexico and Central America, Washington Office on Latin America (WOLA), Washington D.C.

María Dolores Paris Pombo, Professor, Colegio de la Frontera Norte (COLEF), Tijuana, Mexico  
Minister Enrique Rojo Stein, Coordinator of International Security Cooperation, Secretariat of Foreign Affairs, Government of Mexico

Stephen Martin, Chief, Yuma Sector of the U.S. Office of Border Patrol

## Progress of the World's Women: In Pursuit of Justice

January 9, 2012

Dr. Rebecca Reichmann Tavares spoke on the findings of the UN Women's first major report "Progress of the World's Women: In Pursuit of Justice," followed by a discussion of women's access to justice and the work of the UN to support women's human rights since the launch of UN Women in early 2011.

The report recognizes the positive progress made — 139 countries and territories now guarantee gender equality in their constitutions, for example — but also shows that too often, women continue to experience injustice, violence, and inequality in their homes, in their workplaces, and in politics and public life. To ensure justice becomes a reality for all women, UN Women calls on governments to repeal laws that discriminate against women, support innovative justice services, put women on the frontline of justice, and invest in justice systems that can respond to women's needs.

Rebecca Reichmann Tavares is Representative, Brazil and Regional Programme Director, Brazil & Southern Cone, for UN Women, the United Nations Entity for Gender Equality and the Empowerment of Women. Previously, she was Executive Vice President of Tavares Associates, an international consulting firm. She helped to found and was Executive Vice President of the New Americans Museum in San Diego, and served as Vice President, Programs at the San Diego Foundation. A native of Southern California, Dr. Reichmann Tavares graduated from Yale University and holds a doctorate from the Harvard Graduate School of Education.





## The Politics of Economic Reforms in Cuba Today

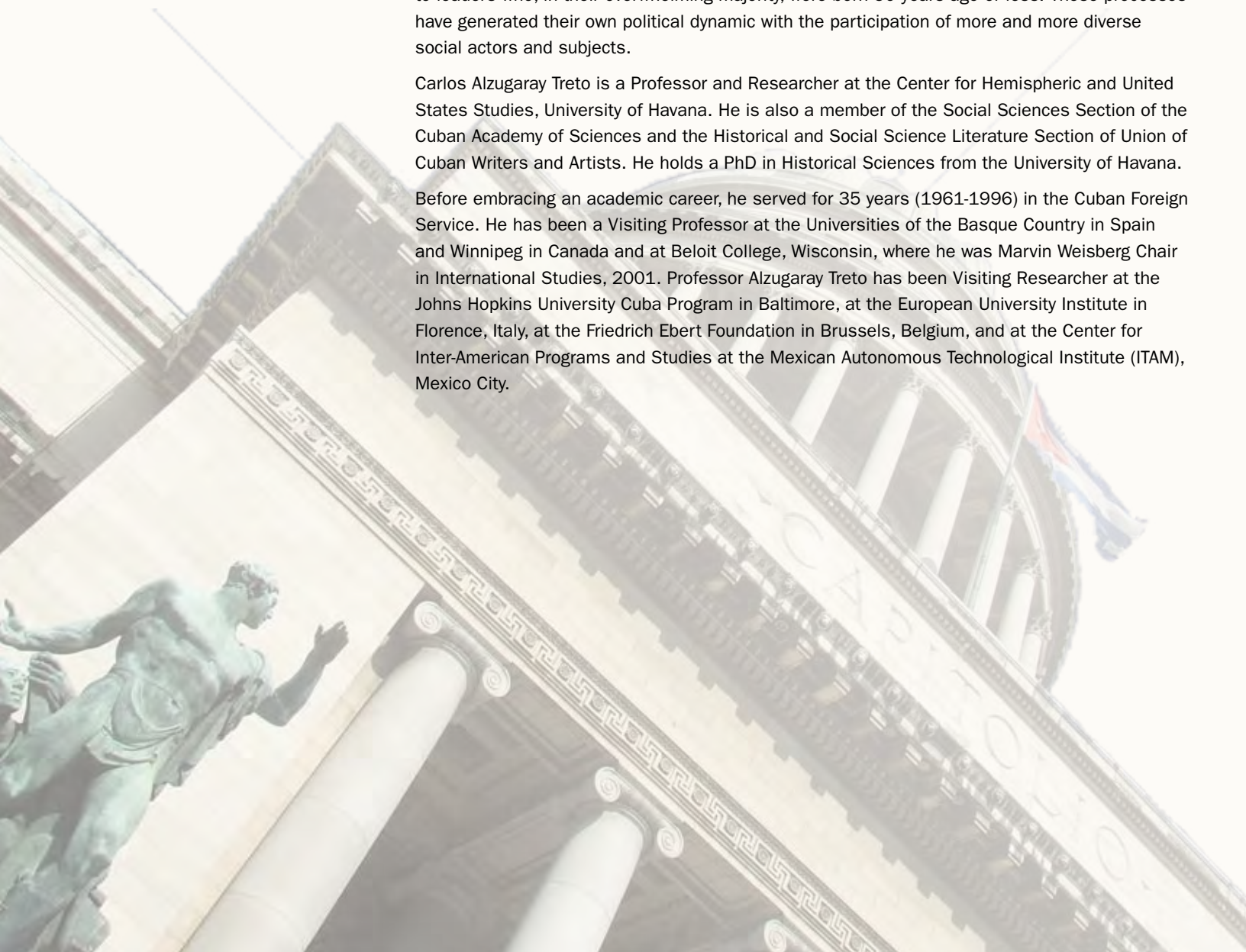
January 25, 2012

Although the Cuban Government has launched its reform process under the banner of “the updating of the economic model,” a profound reform of the whole governance regime is taking place in Cuba. Dr. Carlos Alzugaray Treto spoke on this issue from the perspective that there will be a degree of continuity and a much greater degree of change in Cuba during the next few years.

Alzugaray Treto discussed how the proposed reform will not be possible without doing something similar with the political system, but also because it involves three different processes, as defined by President Raul Castro, which are essentially political in their nature: decentralization, transformation of old mentalities, and institutionalization. It must be added that the internal political context is defined by another fundamentally political development – the passing of government and party authority from the historical generation that founded the Cuban Revolution to leaders who, in their overwhelming majority, were born 50 years ago or less. These processes have generated their own political dynamic with the participation of more and more diverse social actors and subjects.

Carlos Alzugaray Treto is a Professor and Researcher at the Center for Hemispheric and United States Studies, University of Havana. He is also a member of the Social Sciences Section of the Cuban Academy of Sciences and the Historical and Social Science Literature Section of Union of Cuban Writers and Artists. He holds a PhD in Historical Sciences from the University of Havana.

Before embracing an academic career, he served for 35 years (1961-1996) in the Cuban Foreign Service. He has been a Visiting Professor at the Universities of the Basque Country in Spain and Winnipeg in Canada and at Beloit College, Wisconsin, where he was Marvin Weisberg Chair in International Studies, 2001. Professor Alzugaray Treto has been Visiting Researcher at the Johns Hopkins University Cuba Program in Baltimore, at the European University Institute in Florence, Italy, at the Friedrich Ebert Foundation in Brussels, Belgium, and at the Center for Inter-American Programs and Studies at the Mexican Autonomous Technological Institute (ITAM), Mexico City.





# Mexico

## MOVING FORWARD



## Mexico Moving Forward: Charting a Path to Prosperity

Center for U.S. - Mexican Studies

May 3, 2012

Hundreds joined this daylong symposium to engage with prominent scholars and experts, discussing issues focused on the economic prosperity of Mexico and the key determinants to achieving success by addressing issues of regulation, human capital, social protection, informal economy, and entrepreneurship. The theme was inspired by a paper written by Gordon Hanson, director of EmPac, titled “Why Isn’t Mexico Rich?”

Participants heard success stories of business models that succeeded against all odds. They learned about new alternative strategies that are financially viable and socially conscious for Mexico and enjoyed cultural activities at the Mexico Street Fair and the Best of Baja expo.

### PANEL SPEAKERS INCLUDED:

Margarita Barney Almeida, Founder and Executive President, GRUPEDSAC

Carlos Danel, Executive Vice-President and Co-founder, Banco Compartamos

Alberto Díaz-Cayeros, Director, Center for U.S.-Mexican Studies, UC San Diego

Gabriela Enrigue González, Founder, Prospera

Exequiel Ezcurra, Director, University of California Institute for Mexico and the United States

Gordon Hanson, Director, Center on Emerging and Pacific Economies, UC San Diego

Gabriel Lagos, Sustainability Coordinator, Casas GEO

Victor Legorreta, Partner, Legorreta + Legorreta

Santiago Levy Algazi, V.P for Sectors and Knowledge, Inter-American Development Bank

Beatriz Magaloni, Director, Poverty and Governance Program at the Center for Democracy, Rule of Law and Development, Stanford University

Francesco Piazzesi, Founder and Director, Échale a Tu Casa

Joel Suárez Aldana, CEO, GRUMA

Mónica Tapia, Founder and Executive Director, Alternativas and Capacidades



# Stay Connected

EmPac wants to keep you informed. Many of our events are filmed and recorded to make the information accessible to anyone who is interested. Please visit our website for the most current video and audio podcasts, pictures, stories, and interviews. [empac.ucsd.edu](http://empac.ucsd.edu)



Explore new ways to connect with other members of our global community and keep up to date with the latest events and news items using social media at EmPac and IR/PS. Follow IR/PS faculty and alumni news, and view public lectures and interviews.



Emerging Research

Rapid Growth Politics

Government Economics

Affecting Change

Social Science

Pacific Region Influence

Community Relations

Academic Global Impact

Strategic Policy Makers

# CONNECTING ACADEMIC INQUIRY & GLOBAL POLICY ANALYSIS



University of California, San Diego  
9500 Gilman Drive, MC 0519  
La Jolla, California 92093-0519  
(858) 822-3103  
[empac.ucsd.edu](http://empac.ucsd.edu)



MIX  
Paper from  
responsible sources  
FSC® C013371