

George Mason University
Institute of Public Policy
International Commerce and Policy Program
ITRN701–B03 Business & Politics in Emerging Markets

	MW	6:00 – 8:45	Sullivan
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Summer Semester, 2003
Arlington Campus Room 253
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Course Overview:

Business and Politics in Emerging Markets is an introduction to the volatile world of developing and transitional economies, with a focus on those countries which are now destination points for international financial flows and foreign direct investment. Emerging markets have become a major influence in the world economy both because of the potential for growth and the downside risks from economic crises. The viewpoint will be based on business considerations and the new institutional economics. The new institutional economics is a combination of economics, economic history, political science, and area studies. However, classroom discussion will be oriented more toward how these materials can be applied to judge risk and reward. Special focus will be placed on countries such as Russia, Mexico, China, India, and other emerging markets though consideration will also be given to all regions.

Readings:

While the reading list is lengthy, many articles are short papers that focus on specific policy issues. In addition, students are encouraged to use the Internet to review web sites that are central to the debates over emerging markets and policy reform. Most of the readings, other than the main text, are available on the web at the sites listed.

Course Requirements:

Students are expected to read all of the required readings and participate in class. Grades will be determined as follows: (1) mid term open book exam (35%), (2) one class presentation (20%), (3) class discussion (10%), and (4) a final closed book exam (35%). A 15 – 20 page research paper may be substituted for the mid-term exam with prior approval of the topic.

Required Books:

- Building Institutions for Markets, World Development Report, 2002, World Bank.
- Hernando de Soto, The Mystery of Capital, Basic Books, 2002, New York.

June 2 (Monday) Introduction

- **Emerging Markets: A Practical Guide for Corporations, Lenders, and Investors, Interview with Jeffrey C. Hooke, CIPE Feature Service, February 8, 2002**
www.cipe.org/publications/fs/articles/article6e03.ht
- Sullivan, John D., “Prospering in the Global Economy” (note: hard copy will be distributed in class) CIPE Feature Service December 2000
www.cipe.org/publications/fs/ert/e35/e35_03.htm

June 4 (Wednesday) – Politics, Economics, and Business – Linkages

Required Reading

- Talbott, John, “Why Many Developing Countries Just Aren’t,” CIPE Electronic Roundtable, June 6, 2002. Listen to the presentation and download the paper by John Talbott and Richard Roll (active link to the paper is at the bottom of the web page)
http://www.cipe.org/whats_new/events/webevents/talbot.htm
- Sullivan, John D., “Democracy, Governance and the Market,”
www.cipe.org/fs/articles/democracymarkets.php3
- Sen, A., “Democracy as a Universal Value,” Keynote address at the Global Conference on Democracy,” New Dehli, Feb. 14-17, 1999
<http://muse.jhu.edu/demo/jod/10.3sen.html>

Recommended

- Zakaria, Fareed, “The Rise of Illiberal Democracy,” *Foreign Affairs*, November/December, 1997.

June 9 (Monday) – The New Institutional Economics

Required Reading

- World Development Report, Chapter 1, “Building Institutions” and Chapter 9, “Norms and Networks”
- Azfar, Omar (2002), “The NIE Approach to Economic Development: An Analytic Primer.” Available online at: www.iris.umd.edu.

Recommended Reading

- Williamson, Oliver E., “The New Institutional Economics: Taking Stock, Looking Ahead,” *Journal of Economic Literature*, Vol. XXXVIII (September 2000) pp. 595-613)
- Students are strongly recommended to visit the web site for the International Society for the New Institutional Economics, www.isnie.org, and scan through the series of papers and research reports on institutional economics.

June 11 (Wednesday) – Emerging Markets: Political Conditions

Required Reading

- World Development Report – Chapter 5 and 6

June 16 (Monday) – Emerging Markets: Business Conditions

Required Reading

- Kuchta-Helbling, Catherine, “Background Paper – Barriers to Participation: The Informal Sector in Emerging Democracies,” November 13, 2000, prepared for The World Movement for Democracy conference in Brazil.
www.cipe.org/efn/informalsector/papers/
- World Development Report, Chapter 3, “Governance of Firms,” World Development Report, Chapter 4, “Financial Systems.”

Recommended

- Brunetti, Aymo, Gregory Kisunko, and Beatrice Weder, “Institutional Obstacles to doing Business,” World Bank Background Paper. 1997. May be downloaded from <http://econ.worldbank.org/docs/875.pdf>

June 18 (Wednesday) - Economic Reform

Required Reading

- Nancy Birdsall, “Washington Contentious”, Carnegie Endowment for International Peace www.cgdev.org/other/WashCont.pdf

- Rodrik, Dani, “Institutions for High-Quality Growth: What they are and How to Acquire Them,” IMF Seminar 1999.
www.imf.org/external/pubs/ft/seminar/1999/reforms/rodrik.htm

Recommended Reading

- Brautigam, Debora, “Managing Economic Reform in New Democracies,” *Economic Reform Feature Service*, 1997

June 23 (Monday) - Economic Reform Continued – The Development Debate

- James D. Wolfenson, “A Partnership for Development and Peace,” March 6, 2002, World Bank www.worldbank.org/html/extdr/extme/jdwsp030602.htm
- Monterrey Conference on Financing for Development, The Monterrey Consensus, 2002 - <http://www.un.org/esa/ffd/aconf198-3.pdf>

June 25 (Monday) – Mid Term Exam

A mid term exam will be administered that will present a set of real world problems that should be subject to analysis based on the materials presented to date. Credit will be given for those who most consistently apply the theories and tools advanced in the readings. There are no right or wrong answers per se, grades will be based on the soundness of the analysis and the degree of insight into the political and economic issues.

June 30 (Monday) – Transitions from Socialism

Required Reading

- World Bank, *Transitions: The First Ten Years*, 2002, can be downloaded from:
<http://lnweb18.worldbank.org/eca/eca.nsf/General/D902E8CAF401B76E85256B410081DF03?OpenDocument>

Recommended Reading

- Anders Aslund, “[Facing New Challenges: Development in Former Soviet States](#),” 2002 CIPE
www.cipe.org/publications/fs/articles/article190a.htm
- Auslund, Anders, “Building Capitalism: Lessons of the Postcommunist Experience,” Carnegie Endowment, 2001 www.ceip.org/files/pdf/Policybrief10.pdf

- Stiglitz, Joseph, “Whither Reform? Ten Years of the Transition,” Annual Bank Conference on Development Economics,” World Bank, 1999. Found at: www.worldbank.org/research/abcde/washington_11/stiglitz.html
- Kolodko, Grzegorz W., “Ten Years of Post-Socialist Transition: Lessons for Policy Reform,” World Bank, 1999. <http://www.worldbank.org/html/dec/Publications/Workpapers/wps2000series/wps2095/wps2095.pdf>
- Aslund, Anders, “Why has Russia’s Economic Transformation Been So Arduous?” Annual Bank Conference on Development Economics, World Bank, 1999. www.worldbank.org/research/abcde/washington_11/pdfs/aslund.pdf

July 2 (Wednesday) Latin American Trends and Prospects

- Inter-American Development Bank, “Competitiveness: The Business of Growth” Economic and Social Progress in Latin America, 2001 Report, Part I, “Dimensions of Competitiveness,” (Note: read chapters 1 and 2. Recommended Chapters 3 and 4). www.iadb.org/RES/index.cfm?fuseaction=Publications.View&pub_id=B-2001E
- Paul Holden, “Did the Market Economy Fail in Latin America? The Second Generation of Institutional Reform” CIPE, 2003 www.cipe.org/publications/fs/articles/holden.htm
- Nancy Birdsall and Miguel Szekely, “Poverty, Equity and Social Policy in Latin America,” The Center for Global Development, February 2003, www.cgdev.org/

July 7 (Monday) New Emerging Markets: Africa and the Middle East

Required Reading

- New African Partnership for Development, [NEW PARTNERSHIP FOR AFRICAS DEVELOPMENT \(NEPAD\) engl. Version](http://www.avmedia.at/nepad/indexgb.html) found at www.avmedia.at/nepad/indexgb.html
- Basu, Anupam; Srinivasan, Krishna, “Foreign Direct Investment in Africa--Some Case Studies,” IMF Working Paper, www.imf.org/external/pubs/ft/wp/2002/wp0261.pdf
- Fawzy, Samiha, “The Business Environment in Egypt, 1997, Egyptian Center for Economic Research. www.eces.org.eg/Downloads/ECESwp34.pdf

- Khataab, Mokhtar, “Constraints to Privatization: The Egyptian Experience, May 1999, Egyptian Center for Economic Research,
www.eces.org.eg/Publications/Index3.asp?11=4&12=1&13=38

Recommended Reading

- Islam, Democracy, and the Market Economy, An electronic roundtable discussion with Dr. Ozdem Sanberk, Turkish Economic and Social Studies Foundation, and Dr. Laith Kubaa of the National Endowment for Democracy, Nov. 7, 2000
www.cipe.org/publications/fs/articles/articlee371.htm
- De Soto, Hernando, “Dead Capital and the Poor in Egypt,” Egyptian Center for Economic Studies, Vol 1 and Vol 2 data appendix
www.eces.org.eg/Publications/Index3.asp?11=4&12=3&13=11

July 9 (Wednesday) – China and Asian Trends

Required

- Qian, Yingyi, “The Institutional Foundations of China’s Market Transition,” Annual Bank Conference on Development Economics, World Bank, 1999.
http://www.worldbank.org/research/abcde/washington_11/pdfs/qian.pdf
- Cao Siiyuan, “The ABCs of Civilization: A compendium of Chinese political reforms,” CIPE 20003 www.cipe.org/publications/fs/articles/cao.htm
- Locovico, Amadeo et al., “India – From emerging to surging,” The McKinsey Quarterly, 2001, No. 4 (note you will be required to register prior to downloading, no cost) www.mckinsey.com/knowledge/mgi/India/index.asp
- Soesastro, Hadi, “Globalization: Challenges for Indonesia,” **Economic Reform Today, 2000.** www.cipe.org/publications/fs/ert/e35/e35_10.htm

Recommended

- Pei, Minxin, “Future Shock: The WTO and Political Change in China,” Carnegie Endowment for International Peace, February 2001
<http://www.ceip.org/files/PDF/dem.PolBrief3.pdf>
- Kartasmita, Ginandiar, “Globalization and the Economic Crisis: The Indonesia Story,” Harvard, December 2001, www.wcfia.harvard.edu/papers/420__01-03Kartasmita.pdf

July 14 (Monday) – Corporate Governance and Anti-corruption

Required Reading

- “Corporate Governance: A Handbook,” Center for International Private Enterprise. www.cipe.org/pdf/programs/corp_gov/CGHANDBOOK.pdf
- Sandholtz, Wayne and William Koetzle, “Accounting for Corruption: Economic Structure, Democracy, and Trade,” *International Studies Quarterly*, Vol. 44, 31-50, 2000 www.democ.uci.edu/democ/papers/wayne.htm
- Corporate Governance: An Antidote to Corruption. Conference Report from the Transparency International 2001 Prague Conference. <http://www.cipe.org/programs/corruption/index.htm>

Recommended Reading

- Sullivan, John D., “Anti-Corruption Initiatives from a Business View Point” Speech to the Harvard International Development Conference, April 8, 2000 www.cipe.org/programs/corruption/initiatives.htm
- General Motors Corporate Governance Guidelines, www.cipe.org/publications/fs/ert/e18/gm1.htm
- **Students are encouraged to go to the World Bank’s web page, www.worldbank.org, to find the link to the corporate governance section, click on <http://www.worldbank.org/html/fpd/privatesector/cg/index.htm>**
- Also, those interested in corruption can review the web site for Transparency International www.transparency.org, the premier site for information on corruption and anti-corruption initiatives.

July 16 (Wednesday)– Effecting change: Democratic Development and Market Reform

Required Reading

- Carothers, Thomas, “The End of the Transition Paradigm,” *Journal of Democracy*. Available at www.journalofdemocracy.com/thomas_carothers.pdf
- Diamond, Larry, “[What Civil Society Can Do To Reform, Deepen, and Improve Democracy](#)” Paper presented to the Workshop on “Civil Society, Social Capital, and

Civic Engagement in Japan and the United States.” (June 2001) Download from
www.stanford.edu/~ldiamond/papers.html

Recommended Reading

- World Movement for Democracy, Workshop Reports cover a variety of topical issues ranging from the role of civil society to political party development.
http://www.wmd.org/second_assembly/workshops.html

July 23 (Wednesday) --- Final Exam