

HONG KONG STILL RULES

Once again Hong Kong has placed first in the Milken Institute's annual Capital Access Index rankings. But the Index, which rates the efficiency of national capital markets, did change considerably this year. Singapore slipped from 2nd to 4th, while Sweden, Finland, Israel and Lithuania all recorded big gains. For the full story, check the rankings at www.milkeninstitute.org.

MILKEN DOES ISRAEL

Chairman Mike Milken capped a banner year for the Milken Institute Israel Center in December when he met with Prime Minister Ehud Olmert, President Shimon Peres and Israel's top scientists in an effort to galvanize the country's efforts in biotechnology. The capstone to the visit was a Financial and Pol-

icy Medical Innovations Lab in Jerusalem, attended by some 100 scientists, business leaders and policymakers.

Milken noted that Israel has more scientists per capita than any other developed country. However, he warned that the weaknesses of Israel's education system needed to be swiftly addressed to avoid depreciation of these vital assets.

President Peres called for more regulatory flexibility and financial support for Israel's entrepreneurs. He also pointed out that the demand for medical services in Asia presents a key opportunity for Israel. Prime Minister Olmert, for his part, called the gathering "one of the most important seminars, in terms of practical ramifications for the Israeli economy, [to have] been held in Israel in many years."

For more information, visit www.milkeninstitute.org.

NEW PUBLICATIONS

For more information on all Milken Institute publications, visit www.milkeninstitute.org.

- ***"Entrepreneurship in Emerging Domestic Markets: Barriers and Innovation"***

This report explores key issues surrounding EDM entrepreneurship. Leading researchers and practitioners from the fields of finance, entrepreneurship, economics and government identify the barriers to reform and pose workable solutions.

- ***"Perspectives on the Subprime-Mortgage Market"***

Milken Institute researchers James R. Barth, Tong Li, Triphon Phumiwasana and Glenn Yago offer four essays on the factors that led to the subprime-mortgage woes and an analysis of the numbers behind the meltdown (see pages 90-93 of this issue).

The Review rarely plugs publications on subjects outside the realm of public policy – in particular, we leave practical advice on business decision-making to others. But we’re making an exception (on grounds of pride) for Global Edge: Using the Opacity Index to Manage the Risks of Cross-border Business, a new book by Milken Institute stars Joel Kurtzman and Glenn Yago. Herewith, a bit of the introduction to whet your appetite. – the editors

When one of us was a young economist at the United Nations, Sir Brian Urquhart, an undersecretary-general, told a story about how he jumped out of an airplane over France during World War II, only to find that his parachute would not open. As luck would have it, he landed on a haystack that cushioned his fall. After six months in an army hospital, Sir Brian went on to do great things. Even so, Sir Brian never advised people interested in skydiving to forego the use of parachutes. He realized that while he was profoundly lucky, he was really only a data point of one. Most people falling through the air with a chute that won’t open will proceed to the ground with an entirely different result. It is those people we worry about, and *those* people for whom this book was written.

Our aim for this book is to help people understand and prepare for the everyday risks they might encounter when they do business around the world. In our view, understanding and “pricing” those risks is more important than ever. A great deal is at stake. For portfolio investors searching the world for returns, understanding risk differentials on a country by country basis can provide extra insight to help build winning portfolios. Our work, we believe, can also be of service to portfolio managers, particularly in the United States, who invest money for state and private pension funds. The pension funds we have advised are often at the mercy of state legislatures that require them to screen their investments along a variety of dimensions. The Opacity Index, which we will discuss, with its five CLEAR factors (corruption, the legal system, enforcement policy, accounting standards and governance, and regulation) satisfies many pension fund screens.

