Imagine yourself as the chief executive of a major corporation seeking to expand your business overseas. As you look abroad, you see large markets and a world full of opportunity for your company. But you also observe a rapidly changing and sometimes threatening global business environment characterized by political and economic risk and uncertainty. You face foreign publics who are often angry, hostile, and capricious in their tastes; constantly shifting political winds, aggressive and unpredictable regulators, potentially unreliable business partners, economic crises and instability, in addition to the risks of terrorism and political violence.

How will you cope with these problems? What tools and methodologies will you employ to forecast these risks? What actions will you take to manage and mitigate the dangers you face? This course will address political risk forecasting and management methodologies and techniques. The emphasis on the course is practical and applied. Students will have the opportunity to apply what they learn in real-world case problems and assignments. The political risk forecasting, research, and management methods covered will include Standard & Poor’s and Moody’s Sovereign Ratings Systems, the Delphi Method, The Prince Model, the BERI Model, The Economist Model, The PRS Model, the IES Energy Model, Political Risk Insurance, Integrated Risk Management, and Enterprise-Wide Risk Management.

Political Risk Analysis historically involved the assessment of the environment for doing business abroad and for the execution of international transactions, particularly foreign direct investment and currency management and arbitrage. More recently it has come to embrace problems of insurance and reinsurance, protection of personnel, country risk, and opportunity assessments, scenario building and gaming for strategic planning, and the challenges of compiling and interpreting intelligence data for government and business. It addresses all the “hot button” issues in international relations today: crisis management (from Cuban Missile Crisis to the 9/11 terrorist attacks); the increasing centrality of political-economy and appropriate methods for integrating political and economic factors in the study of IR (from the pricing of oil…to the risk of doing business in China…to hedging on investments in Latin America…to anticipating swings in currency rates); globalization issues in all their multidimensional complexity; and multinational enterprises and the challenges of doing business overseas.
War, revolution, terrorism, different forms and changes in government are highly visible examples of the sources of political risks that confront business, organizations and governments every day. This course aims to develop your political risk analysis skills in several ways by bridging theory and academic practice through the use of case-studies, simulation, and exercises drawn from the real world.

The course also features prominent guest speakers.

**NOTE: Sequence of classes, course schedules, and assignments may be modified as required by special projects, guest lecturers and outside research or field trips.**

**Readings:**

Most readings will be available either in Blackboard or by a hyperlink embedded in the syllabus.

I would like you to purchase *Against the Gods: The Remarkable Story of Risk*, Wiley Press, 1996 by Peter L. Bernstein. It is available (new and used copies) at Amazon starting at $7.98:


**Session 1: Wednesday, January 14**

1.1 Introduction to Course

- Dr. Plantan Introductions
- Course Content Overview –
- Class Discussion: Why taking course? Interest? Hope to gain?
- Student requirements: Final Project Topics, Course Policies & Grading

**Readings:**

Lecture Outline: Introductory comments on Risk in Asia
Examples of Political Risk in the News

 Assignment: Assignment 1-- Course Preferences and Expectations (see electronic version in Blackboard)

Assignment 1.2: Bring news clipping that illustrates an issue or case of political risk

In-Class Exercise: Team Building [Handout]
No Class Monday, January 19, Martin Luther King Day

Session 2: Wednesday, January 21

2.1 Review:
- Course Issues Discussion (Lecture Outlines, Introduce Examples of Final Projects, Instructional Methods)
- News Article summaries and sharing
- Student Introduction Activity—beginning Team building exercise

2.2 Definitions & Concepts
- Political Risk: Concept & Definition
- Political Risk Definitions Paraphrase Activity
- What is Political Risk?
- Lead-in Class Discussion on Q.
- The World of Risk & Current Examples
- Political Risk Definitions Activity Review & Discussion

Reading:
- Begin to read Against the Gods.
- “Terrorism worries raise oil tanker security on the Delaware River,” Jennifer Lin, Knight Ridder Newspapers, in Philadelphia Inquirer, June 1, 2003
- Yukiko Omura, FDI Magazine, “Take Cover to Reduce Risk,” January 5, 2005

2.3 Dimensions of Risk

Readings:
- 11 Dimensions of Political Risk & Examples

Session 3: Monday, January 26

4.1 Review
- Political Risk Definitions Activity Review
- 11 Dimensions of Political Risk Lecture Review (#1-5)
- 11 Dimensions of Political Risk Lecture, Note-Taking Activity and Discussion (#6-11)

4.2 Value, Risk & Probability I
- Introduction & Definitions
- Fundamental Principles of Risk Management

Readings:
- Taleb and Pilpel, LSE, “Epistemology and Risk Management”
Session 4: Wednesday, January 28

4.1 Overview of Political Risk Models

- BERI model
- Political Risk Model One-Page Summary Group Activity
- (Overview of 4 Leading Political Risk Models Jigsaw Exercise)
- The Economist, IHS, GM, and Prince Models

4.2 Begin Final Project Proposal Topic Guidance & Discussion

a. Must Specify Organization and Specific Project or Activity
b. Commercial Orientation is Customary and Preferable
c. Topic Should Not Be a Conventional International Relations, Diplomacy, or Strategic Studies Question or Subject
d. Begin With a Risk Inventory
e. Begin to Compile a Bibliography
f. Final Project Proposal Team Activity – Specify Company, Project, and Primary Risk
g. Final Project Proposal Team Activity Discussion

Readings:
- Final Project Proposal Assignment Guidance and Instructions
- Overview of 15 Leading Political Risk Models (11 pp.)
- Lecture: Political Risk Models Table
- 2a) Review the BERI home page at http://www.beri.com
- The PRS Model in PRS Group, The Handbook of Country and Political Risk Analysis, pp. 291-320 (30 pp.)
- PRS Model applied: Case of Bolivia
- 15 Leading Political Risk Models Internet Links
Dr. Frank Plantan, Jr  
International Relations Program.  
636 Williams Hall/6305  
Tel.: (215) 898-0453  
Email: fplantan@sas.upenn.edu

- BERI sample: China
- BERI sample: Indonesia
- Control Risks Group Model Sample Report – Turkey

Assignment:
- Political Risk Model Summaries (Team project)

Session 5: Monday, February 2

5.1 Review

- Distribute and Discuss Assignment – Political Risk Models
  One-Page Summary

5.2 Political Risk Models, continued

5.3 Sources & Analytical Methods

- Political Risk Case Study Research Resources
- Political Risk Case Study Research Resources
- Content Analysis and Event Data

Reading:

Political Risk Case Study Research Resources
ECCH Case Study materials-I
ECCH Case Study materials-II
Korea-specific Case Studies

[book…..You do not need to read the whole book, only the Appendix and Chapter 5. ]

Session 6: Wednesday, February 4

6.1 Identifying and Interpreting Political Risk

- Political Risk in the East Asian Context Current Examples and Discussion

Session 7: Monday, February 9

71. Review

7.2 Two Political Risk Analysis Objectives – Forecasting & Preventing Losses
Required Readings:

  This article gives an excellent introduction to the problem of forward thinking.
- “Forecast” definitions.

**Session 8: Wednesday, February 11**

8.1. Characteristics of Forecasting Methodologies

In-class activities; collect and review news reports; group meetings on team selection and project selection

**Session 9: Monday, February 16**

9.1. Review

9.2. Delphi Survey Forecasting Method

- Delphi Survey: North Korea exercise and/or terrorism case
  - North Korean Nuclear and Political Situation Delphi Assignment (:10)
  - The Delphi Technique (:20)
  - North Korea Delphi Questionnaire Group Activity (:20)
  - North Korea Delphi Questionnaire Discussion (:15)

Required Readings:

- Lecture: additional and complementary notes
- RAND Delphi Study Sample – Tim H. Murphy and Robert Terry, Jr. “Opportunities and Obstacles for Distance Education in Agricultural Education.
- Ongoing Nuclear Crisis Leads to Rise in South Korean Defense Budget, 9/23/03.
- Newsome, Bruce, “Mass Casualty Terrorism: First Quarter Forecast” University of Reading Terrorism Forecasting Group, March 17, 2003.

[These assignments are being revised]:

- North Korea Delphi Questionnaire and Experts List Assignment Feedback
Session 10: Wednesday, February 18

10.1 Cases of Sovereign Risk Rating

National Income Accounting & Balance of Payments
Influence of North Korean Nuclear Situation on South Korean Sovereign Ratings Activity
Sovereign Risk Ratings: Moody’s

Required Readings:

- International Economics Basic Concepts Reading – Balance of Payments [4 pp.]
- Sovereign Ratings Alignment Key - Moody's, S&P, WMRC
- WMRC Sovereign Ratings Methodology
- Standard and Poor’s Rating Outlook of Korea in 1997
- Ongoing Nuclear Crisis Leads to Rise in South Korean Defense Budget, 9/23/03.
- North Korea Learning the “S” Word (“sale”)
- “South Korea’s Outsized Role” Bloomberg News
- Moody's South Korea Sovereign Rating Press Release
- Bank One’s International Risk Update: Country Risk Management, February 2003 (section on North Korea)

Moody's Kuwait Sovereign Rating Press Release

Research Resources:

1) Moody’s Investors Service Website - www.moodys.com
   a) Register to obtain a username and password for access to the site.
   b) From the Moody’s Investors Services Homepage at www.moodys.com select the About Moody’s link button
      then select the Ratings Definitions button
   c) Read the following sections under Ratings Definitions:

Moody's Credit Ratings
   Introduction
   Long-Term Obligation Ratings
   Medium-Term Note Ratings
   Short-Term Ratings
   Issuer Ratings
Country Ceilings for Foreign Currency Obligations
Country Ceilings for Foreign Currency Bank Deposits
Country Guidelines for Local Currency Obligations

Other Ratings, Policies and Procedures
Watchlist

Ratings Methodology
Understanding Moody's Corporate Bond Ratings And Rating Process
The Bond Rating Process: A Progress Report
The Bond Rating Process In A Changing Environment
The Evolving Meaning of Moody's Bond Ratings

Session 11: Monday, February 23

11.1 Review

11.2 Enterprise Wide Approach to Risk Management (ERM)
   o Integrated Strategic Risk Management Plans
   o Posco ERM Plan – Research Plan Examples Discussion

Required Readings:

- Matheson, David and Jim Matheson, “Get Smart About Big Risks,” Risk Management, (September 1998), pp. 73-76 [3 pp.]
- Enterprise Risk Map Template
- Enterprise Risk Mapping: Alternatives in Practice
  o ERM Techniques and Tools for Effective Implementation From Knowledgeleader by Proviti

Session 12: Wednesday, February 25

12.1 Enterprise Wide Approach to Risk Management (ERM), Continued
   o Integrated Strategic Risk Management Plans
Session 14: Monday, March 2

16.1 Historical Case: 1997 – 1999 Asian Economic Crisis: Korea

Reading:
- “Samsung pleads guilty in US for price fixing”

Session 15: Wednesday, March 4

15.1 Historical Case: Lone Star Capital Case

Readings:
- “Backlash Seen from Lone Star Uproar” Joong Ang Ilbo report
- “Lone Star gets approval to take over KEB”
- “Profit Soars at KEB”
- “Probe Stalls bid to Sell KEB”

Lone Star Fund corporate description

SPRING BREAK No classes March 9 & 11

Session 16: Monday, March 16

19.1 Exercise
North Korean Nuclear Issue Influence on South Korean Sovereign Rating Question Review and Discussion

19.2 Feedback
Final Project Proposal Team Activity – Risk Exposure Description, Measurement, and Quantification & Risk Control and Financing Plan
Final Project Proposal Team Activity Discussion – Risk Descriptions & Risk Control Plans

Session 17: Wednesday, March 18
17.1 Final construction of Delphi Survey

- **Research Resource:** Where to find country risk information on the Internet: “Countryrisk.com”
- **Bank of Korea**

Session 18: Monday, March 23

18.1 Security Risk

- Security Risks: Identification, Contingency Planning and Management
- Types of Security Risks & Methods of Identifying Them
- Security Risk Management Tools
- Site Security: Personnel, Plant & Assets
- Personnel Security: Travel, Crime, Kidnap & Ransom]

Readings:

- Newsome, Bruce, “Expatriate Games” Studies in Conflict and Terrorism, 29: 75 – 89, 2006
- Barth, Steve, „Risky Buisiness Part 3: An Ounce of Prevention“ World Trade Magazine
- http://www.krollworldwide.com/services/security/ (Review all Kroll security services offerings)
- http://www.pinkertonagency.com/
  http://www.pinkertonagency.com/global/global.html
  http://www.pinkertonagency.com/global/services.html
  http://www.pinkertonagency.com/crisis/crisis.html
  o http://www.guardsmark.com/

For an example of a company specializing in catastrophic risks and an example of a probabilistic model for forecasting acts of terrorism, see:

Session 19: Wednesday, March 25

OPERATIONAL SECURITY IN INDONESIA SIMULATION

Session 20: Monday, March 30

Session 21: Wednesday, April 1

Review

21.2. Regulatory Risk

- Regulatory Risk and Negative Government Actions
- Regulatory Risk Research Resources

Review the following web sites, which are excellent research resources for identification and forecasting regulatory risk:

- Davidson Data Center Network. See: [http://ddcn.prowebis.com/browse_subject2.asp](http://ddcn.prowebis.com/browse_subject2.asp)
  See for example the following located by using the search function on the website:
  and

Visit these two websites and read the abstracts to see the type or relevant information you can find there pertaining to political risk.

The Competitiveness, Technology and Firm Linkages in Manufacturing Sectors dataset was created from a firm-level survey conducted by the World Bank in 2001. The survey covers 1,500 Chinese firms, across ten sectors, which are evenly distributed across five large cities: Beijing, Chengdu, Guangzhou, Shanghai and Tianjing. Data include information on innovations, market environment, international trade, revenue, costs, and labor force among others. See: [http://ddcn.prowebis.com/browse_featured.asp](http://ddcn.prowebis.com/browse_featured.asp)


• Other World Bank data and information concerning:
  o World Business Environment Survey
  o Investment Climate
  o Doing Business

• World Bank Foreign Investment Advisory Service Investment Climate Indicators
  [http://www.fias.net/investment_climate.html](http://www.fias.net/investment_climate.html)

Recommended Readings:


**Session 22: Monday, April 6 (Sec Risk Symposium)**

[Participate in Symposium; volunteer/work; networking session for internships, resume sharing]

**Session 23: Wednesday, April 8 (Sec Risk Symposium)**

  . Risk Insurance
    o Political Risk Insurance
    o Trade Credit Insurance

Readings:

  o MIGA Teams Up with Korean Export Insurance Corporation: Agreement to encourage Korean investment into developing countries
  o www.opic.gov
  o www.miga.org
  o [http://www.finvera.fi/index.cfm?id=1712](http://www.finvera.fi/index.cfm?id=1712)  (includes premium calculator and excellent definitions and bullet points summarizing risks covered)

**Session 24: Monday, April 13**

  . Calculating Policy Premiums
  Premium Calculation ICX/Case Study Overviews

**Session 25: Wednesday, April 15**
TISA Terrorism Insurance and Securities Act 2001

Readings:
- “Terrorism Insurance Coming Out of the Shadows” *Asia Insurance Review, March 2003*

Session 26: Monday, April 20

13.2. Reputation Risk & Issue Group Campaigns
- How NGOs Influence the Business Environment
- Civil Liability & Tort Actions

Readings:
- Naughton, Philippe, “Yahoo Blamed for Jailing of Chinese Reporter,”
  http://www.business2.com

Session 27: Wednesday, April 22
Session 28: Monday, April 27

Make-up session and wrap-up with review.

- Security Risks lecture notes and URL links

Assignments and Deadlines

Final Project Proposal—TBA
North Korean Nuclear Issue Delphi Exercise --TBA
Final Exam – WEDNESDAY, MAY 6, 2009

Final Project – Monday, April 27, 2009
- Final Project Assignment and Instructions

Key in-class written assignments:

- Course and syllabus familiarization
- Political Risk definitions and dimensions of risk
- Delphi Questionnaire construction
- Political Risk Section of an Enterprise Risk Management Plan

Course Policies and Grading

Philosophy and Objectives

The objective of Political Risk Analysis is to teach students to apply social science theories and concepts to the challenges of addressing international political risks to the continuity, effectiveness, and profitability of the operations of business, government, and other organizations. The pedagogical philosophy of the course is decidedly practical and applied. Our aim will always be to apply the techniques of political risk analysis we study to real-world problems in the realm of business and government operations.

Instructional Methods

The course will seek to impart knowledge and develop skills by presenting students with a balanced instructional regime consisting of lectures, discussions, in-class exercises, individual and group assignments, simulations, and interactions with practicing professionals. Students and the instructors will also participate in social and recreational activities to facilitate networking and teamwork.
Attendance

Attendance at all class sessions and associated special functions is mandatory and will be weighed significantly in grading. Many of our learning activities will require extensive coordination among students, instructors, and our outside partners. Your consistent attendance is crucial to our ability to achieve our objectives. **There will be course related activities and events outside the regularly scheduled class time.**

Conduct

We will maintain the highest standards of professionalism. This includes being fully prepared for class, timely completion of reading materials and assignments, active engagement in all class discussions and exercises, and consistent attendance. This is particularly important with regard to team projects and group activities. Students are expected to express well-thought out personal opinions based on evidence and where necessary, sound argumentation in support of subjective weighing and valuation of factors. You will be carefully monitored and your engagement, participation and team contributions weigh significantly in determination of grades.

Requirements and Grading

Students will be evaluated on all activities and assignments throughout the term and all such evaluations will be considered in the determination of course grades. Students will be evaluated according to their performance in four categories and grades will be determined according to the following formula:

1) **Student Engagement & In-Class Exercises and Assignments** - 30%
   Student engagement refers to the quality of contributions to class discussions, exercises, and collaborate projects; student citizenship, collegiality, and supportiveness of colleagues; leadership, followership, cooperativeness, attitude and class preparation. Performance on in-class written exercises, activities, and assignments is also a critical element of this component of the course grade.

2) Delphi exercise—10%

3) Final Project Proposal & Final Project Individual Grade – 10%

4) Final Project & Final Project Team Grade - 30%

5) Final exam – 20%

Students will receive a letter grade on each assignment in each category. Grades for all assignments in each category will be averaged and the final grade will be determined by a weighted sum according to the formula set forth above. Students may receive both individual and team or group grades on selected assignments.

The semester project will be a 20 – 50 page report that employs one or more of the risk models or methodologies to the analysis of an international political risk problem.
Students will have wide latitude in choosing the methods they employ and the case or cases to which they apply them. The parameters of the semester project will be specified at mid-semester. All proposal topics must have prior approval by Dr. Plantan.