

## Interview with MHB for the GEGPA/EUDIPO blog (Dec 2021)

### “Michel-Henry Bouchet in a nutshell”

#### Abstract for the News section

In an interview with Tatjana Kuhn, Prof. Dr. Michel-Henry Bouchet, lecturer in the Joint Master programme Global Economic Governance and Public Affairs (GEGPA), provides intriguing insights into his research interests on country risk management and global governance as well as on his engagement with CIFE students. He explains what failed states are and how the process of state failure can be anticipated and monitored. Moreover, he elaborates on the structure of his CIFE seminar and on currently pressing research questions that students could tackle in their Master thesis. Prof. Dr. Michel-Henry Bouchet is “Professor Emeritus” at the SKEMA Business School and Strategy Adviser of investment funds. He specializes in global financial issues, governance and country risk assessment. Read the whole article with him here.

#### Full interview

**1. Professor Bouchet, can you tell us in a nutshell how and why your academic and professional trajectory has led you to intervene in the CIFE programs?**

Well, I have always had both admiration and dismay for those of my colleagues who teach negotiation without having negotiated practically, financial analysis while not having run a portfolio, and risk management without having tackled the volatility in global markets. More modestly, I have tried to teach what I practice while practicing what I teach, that is, country risk management, and issues related to governance, institutional stability, and debt crisis. Since my days at BNP, ING, and at the World Bank, and later as chairman of Owen Stanley Financial (sovereign debt restructuring negotiations), I have tried to wear two hats, namely an operational and an academic one. It is challenging and exciting and creates a strong network of close links with former students and colleagues.

**2. How do you manage to combine teaching, research, and working on the issues of global governance and sustainability? Is it a wide gap or actually mutually reinforcing activities?**

It is definitely mutually reinforcing. Two examples. Firstly, if an academic research is “off ground” and abstract, that will draw the interest of a minuscule group in the scholarly community, without enriching neither the teaching nor the students’ knowledge. If on the contrary, research is based on market expertise, it can shed light on upcoming risks and risk mitigation strategies, while providing students with better understanding of global issues, such as how to anticipate institutional turmoil and socio-political crisis. This is the case of our research on corruption and capital flight that we discuss in a number of case studies in the CIFE seminar. Secondly, combining research, teaching and market focus makes academic debates richer and better focused, hence our annual seminar on failed states and global governance where we invite colleagues for lively exchanges. CIFE students expect a combination of theoretical framework, practical examples, and the personal inputs of the professor’s expertise.

**3. Can you tell us how do you plan to address these important issues with the CIFE students?**

The Global Risk Management and Governance seminar unfolds on three campuses, namely in Rome, Berlin and Nice over the October-May 2022 period, which gives a large margin to combine on-site teaching, case studies, group work, and a research report, not mentioning the final thesis. The seminar, thus, provides a great opportunity for in-depth analysis of the root causes of failed states and of the consequences of institutional weaknesses, while offering a practical understanding of the range of policies for official and private agencies and business in fragile states. It invites participants to observe critically current policy responses to socio-political upheaval in conflict areas. The seminar leads participants to assess the range of risk mitigation options to strengthen business efficiency, boost governance quality, protect local population's well-being, and enhance security in fragile states. One of the key issues that I stress is the so-called "good data challenge", i.e., how students gather and analyze data (a raw material) to transform information into knowledge, that is, robust economic intelligence regarding corruption, governance, and institutional strength. That requires cross-country comparison, and critical thinking. Easier said than done!

**4. From your professional point of view, what are the greatest current challenges in the field of the governance of sustainable development?**

The greatest current challenge today is the impact of the pandemic on institutional stability in both developed and developing nations. In other words, the pandemic can create a destabilizing factor with large internal and external consequences. Today, it looks like the outpost of an unprecedented structural shock that will unfold for years. This shock knows no boundaries. Globalization, a sort of echo chamber, leaves no place to hide. The question is: could the COVID-19 crisis create a « precipitation » of accumulated institutional and structural weaknesses to trigger a systemic shock, a sort of dreadful crystallization, in a nutshell a Great Collapse? Many economies had pre-existing vulnerabilities which are now intensifying, representing potential headwinds to any sustainable and inclusive recovery. One only needs to look at Venezuela, Lebanon, Brazil, South Africa, and most sub-Saharan countries for that matter. But state failure is not a monopoly of turbulent emerging market countries. When you have more than 5 million deaths due to the COVID pandemic, most countries have failed "somewhere".

**5. What do you mean by weak and failed state?**

Look, a state is expected to deliver common goods necessary to sustain social cohesion in the process of socio-economic development. For instance security, social welfare, healthcare, political stability, and inclusive growth. This is the cornerstone of resilience. A "weak state » is unable or unwilling to provide these public goods due to institutional flaws. But these common goods are precisely crucial to transform economic growth into equal development opportunities. Failed states can no longer perform basic functions, usually due to fractious violence, weak institutions, and corruption. Their governments lose both internal and international legitimacy. Foreign governments can also knowingly destabilize a state by fueling ethnic warfare or supporting rebel forces, causing it to collapse (think of Russia). That being said, many countries that fall apart fail not in an explosion of war and violence, but by being unable to take advantage of their society's economic potential for growth, condemning their citizens to a lifetime of poverty and repression (think of Congo, Burma, Gabon, Cameroun, Sudan, Ethiopia...). Often mining resources-based growth leads to economic and political power concentration which leads to wealth gaps that create frustrations and disorder. The ensuing crisis of social mediations leaves many countries with a cycle of socio-political

upheaval, repression, violence, and declining living standards. Overall, there are rich countries with poor people.

**6. And how can one monitor and maybe anticipate the process of state failure?**

Pinpointing which of the weakest countries are prone to fail in the next couple of years requires thresholds and indicators, but we surely need to avoid simplistic categories, such as developed/emerging, industrialized/developing, or North/South. As I suggest throughout the CIFE seminar, there are three drivers that today can precipitate a structural crisis in weak states, i.e., declining growth, large wealth gaps, and bad governance. To sum up, many countries might fall in deep economic and social distress during 2022 and beyond. At the frontline are those countries which suffer from a massive commodity shock and weak health systems, coupled with informal economies, capital flight, brain drain, and a large debt burden. But there are also those more developed countries which show less resilience, and weaker social mediations, including those countries that can borrow in their own currencies, in a nutshell, in the EU.

**7. Practically speaking, what are the policy challenges for public and private institutions in weak and failed states?**

Well, failed states imply three strategy and policy challenges. The first one is detecting signs of institutional collapse with a number of reliable early warning signals. This is a matter of country risk assessment. Looking at a large spectrum of historical examples of state failures, institutional crisis is usually homemade and gradual, linked to low growth and mediocre investment, large unemployment, corruption, as well as brain drain and capital flight. The second challenge is identifying the main consequences, both domestic, regional, and international, including deeper poverty and larger wealth gap, as well as mass migration. Fragile states contribute to regional and global instability and violence. This is a matter of country risk analysis and strategy planning for national and multilateral agencies as well for private investors and NGOs, which must focus on the risk of spillover effect of social and political turbulences. And the third challenge is implementing flexible policy responses to limit negative consequences both on the most vulnerable segments of the domestic population as well as on the foreign agencies, including donor institutions, investment funds and investors, and other private companies such as NGOs. This is a matter of country risk management. Think of Lebanon, Libya, or Syria, and to a lesser extent, Tunisia). Practically speaking, the dilemma for public and private institutions then is deciding whether to shun corrupt governments or to protect the poorest and most vulnerable segments of the population. Not an easy decision!

**8. Which “controversial” questions and research topics are currently shaping your field of research? Which topics would you recommend Master students to tackle?**

A research thesis should tackle controversial questions and shed light on thorny issues of large public interest. For example, I can recommend focusing on (1) official debt cancellation and bad governance in developing countries, (2) EU countries’ mounting indebtedness in an environment of secular stagnation, and the question (3) to what extent the ECB could or should cancel the debt of Euro-zone member countries. I stand ready to provide guidance and assist CIFE students in these exciting issues.