

Joint Master in Global Economic Governance & Public Affairs (GEGPA)

SEMINAR DESCRIPTION

Lecturer: Michel Henry Bouchet

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**Roma-Berlin-Nice
November 2021-May 2022**

Seminar: 30 hours = 4 ECTS

Global Risk Management and Governance

Succinct bio:

Michel Henry Bouchet is Distinguished Finance Professor at SKEMA Business School, and formerly Chief Strategist of North Sea-Global Equity Management. He specializes in country risk assessment and global financial issues. Dr Bouchet has held high-level positions in international banking, including at BNP, the World Bank, and the Institute of International Finance in Washington, D.C., before becoming CEO of Owen Stanley Financial SA., in charge of debt restructuring negotiations with national governments, while acting as senior adviser of ING Barings. Mhb graduated in Economics from the University of Paris-X and from IEP-Paris. He also holds a Master and a PhD in International Relations from USC, Columbia, USA. He got his HDR from Paris-Dauphine University. He has published extensively regarding global finance, governance, and risk management issues in the US, Latin America, and Europe: www.developingfinance.org

Learning goals

1.1 General Objectives :

- Understanding the multi-faceted dimensions of global risk management
- Assessing the root sources of risk in both developed and developing countries
- Identifying the various approaches to global risk management, starting with up to date reliable economic intelligence.
- Understanding the regulatory role of IFIs and its limitations
- Assessing the main risks and opportunities arising from the growing integration of international financial markets
- Assessing governance across countries and across time while understanding the relationships between governance, institutional stability, and country risk

1.2. Specific Objectives

At the end of the seminar, the students will be expected to gauge the risks and opportunities in the global economy, including:

1. To identify the various risks of global volatility and crisis contamination
2. To identify the key sources of information and economic intelligence for the analysis of country risk
3. To contribute substantively to the product of a group and demonstrate leadership skills
4. To implement an enhanced multi-cultural approach to global risk

1.3. Key learning outcomes

At the end of the course/ seminar, the students will be expected to:

1. Analyzing and anticipating how globalization impacts on country risk strategy
2. Understanding the key steps of rising country risk and the emergence of “failed states”
3. Measuring corruption and analyzing governance across time and across countries
4. Analyzing the key issues regarding global governance in a market economic system, in both developed and developing countries

Warming up is recommended to stay abreast of country risk & governance developments with:

www.developingfinance.org ,

Bouchet, Fishkin & Goguel: Country Risk in an age of Globalization, Palgrave-MacMillan, 2019

<https://www.amazon.fr/Managing-Country-Risk-Age-Globalization/dp/3319897519>

+ daily lectures : Financial Times, The Economist, Brookings, World Bank and IMF reports

A **welcome letter** is being sent to each student with a list of recommended readings before the seminar

The seminar is backed up by two MOOC available on UDEMY:

Country Risk: <https://www.udemy.com/course/country-risk-in-the-age-of-global-turbulences/>

Globalization: <https://www.udemy.com/course/globalizationskema/>

Roma Seminar November 10-11-12, 2021 Morning

DAY 1: INTRODUCTION: What is risk? What is uncertainty?

Warming up quiz regarding risk and governance in the global economic system!

- **TEST 1: Warming up -Testing your country risk knowledge in 14 questions**
 - Key topics: Risk versus uncertainty: Where does Risk come from?
 - A historical perspective: Overview of the discovery of risk, from Pascal to Keynes, Knight, Markowics, Taleb, Beck, and Mandelbrot
 - Global spillover and risk contamination: Why is globalization a turbulent socio-economic process? How does globalization impose a full reassessment of country risk?
 - Global risk management and pandemic: Bouchet on “Toward the great collapse?”
 - **TEST 2: Check your understanding of the historical emergence of risk taking: the various stances of Keynes, Knight, Mandelbrot, Stieglitz, and Krugman regarding risk.**
- Case study- Introduction: Solvencia/Rating of governance and governance of rating: Doing Business
 - Group research work introduction: Country report (6 groups)

Background for those who want to get prepared to tackle the challenges of Global Risk assessment!

- Pre-pandemic global outlook and risk forecasts: <https://etudes-economiques.credit-agricole.com/en/Publication-EN/2019-Decembre/World-Macroeconomic-Scenario-for-2020-2021-a-delicate-balance>
- Deloitte 2021 and beyond risk survey: <https://www2.deloitte.com/us/en/insights/industry/financial-services/global-risk-management-survey-financial-services.html>
- Accenture Global Risk Management survey: “In a world of risk, pace comes from preparation”: https://www.accenture.com/_acnmedia/PDF-159/Accenture-2021-Global-Risk-Management-Study2.pdf#zoom=40
- The “Modern risk society” Ulrich Beck: <http://www.nextreformation.com/wp-admin/resources/risk-society.pdf>
- Mandelbrot and Nassim Taleb: Mastering Uncertainty in a world of volatility : FT March 24, 2006 Part II <http://steveambler.uqam.ca/6080/articles/mandelbrot.taleb.2006.pdf>
- Why Growth in Emerging Economies Is Likely to Fall (Anders Aslund, Peterson Institute for International Economics-) <http://www.iie.com/publications/interstitial.cfm?ResearchID=2513>
- Summers on secular stagnation: <http://larrysummers.com/2016/02/17/the-age-of-secular-stagnation/>

2 out of 7 Recommended Readings:

- Bouchet et alii. Palgrave 2019, chapter 1
- IMF : Risk and Complexity (PDF)
<https://www.imf.org/external/pubs/ft/fandd/2017/09/goldin.htm>
- Peter Bernstein: “Against the Gods: The Remarkable Story of Risk”. From Fermat and Pascal to Keynes and Markowitz: <http://www.ams.org/notices/199901/rev-zabell.pdf>
- Ulrich Beck: “World at Risk”. Modernization challenges the institutions and structures of traditional societies in the name of individual freedom and autonomy. : <http://www.nextreformation.com/wp-admin/resources/risk-society.pdf>

- Mandelbrot-Taleb: <http://steveambler.uqam.ca/6080/articles/mandelbrot.taleb.2006.pdf>
- B. Mandelbrot & Nassim Taleb: Fractal approach to risk and crisis: Book review: <https://www.fooledbyrandomness.com/mandelbrotandhudson.pdf>
- J. Stiglitz: Homepage : <http://www-1.gsb.columbia.edu/faculty/jstiglitz/>
<http://www.anderson.ucla.edu/faculty/sebastian.edwards/Stiglitz.pdf>

Day 2- : What is Country Risk all about?

- ✓ The key components of Country Risk and the main types of Risk exposure
- ✓ Country risk, sovereign risk and the various types of cross-border risk: economic, sovereign transfer, socio-political, legal and regulatory, regional and systemic.
- ✓ Country risk is not the monopoly of cross-border exposure: domestic economic agents also face country risk. Country risk is not the monopoly of emerging market countries
- ✓ Global risk, secular stagnation, and mounting wealth gaps

TEST 3: The key components of Country Risk in the globalization
and the main categories of risk faced by economic agents
TEST 4: Country risk and wealth gaps

2 out of 5 recommended Readings:

- Bouchet et alii. Palgrave 2019, chapter 2 & 3
- <https://www.weforum.org/reports/the-global-risks-report-2021>
- http://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2021.pdf
- <https://www.eurasiagroup.net/issues/top-risks-2021>
<https://www.eurasiagroup.net/files/upload/top-risks-2021-full-report.pdf>
- Globalization and Inequality : <https://www.aeaweb.org/research/globalization-income-inequality-trade-policy>

3 suggested additional reading for the bravest:

- US Office of the Comptroller of the Currency: International risk management : <https://www.occ.treas.gov/publications/publications-by-type/comptrollers-handbook/country-risk-management/pub-ch-country-risk.pdf> (PDF)
- OECD Inequality in 2021: <https://www.oecd.org/social/inequality.htm> and How measuring inequality? <https://data.oecd.org/inequality/income-inequality.htm>
- Risk and Inequality: World Wealth and Income database 2021 : <https://wid.world/methodology/>

DAY 3-: Country Risk Assessment

Information and Economic intelligence gathering

- ✓ Uncertainty = a by-product of a deficit of information and economic intelligence
- ✓ Key Public information sources: IFIs & Regional development banks (World Bank, UNCTAD, UNDP and IMF)
- ✓ National sources, central banks and Paris Club, National intelligence agencies
- ✓ Key Private sources: Private commercial and investment banks: the role of the IIF
- ✓ Specialized agencies, ratings and rankings, think tanks, and NGOs (IIE, Heritage, Coface, Cato, Euromoney, and Brookings)

Case study discussion: Solvencia

TEST 5: The main sources of information regarding Country Risk assessment

2 out of 7 Suggested Readings:

- Bouchet et alii. Palgrave 2019, chapters 4 & 5
- IMF: Definition and Measurement of Sovereign Risk :
<https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr1191>
- COFACE 2021 (PDF) <https://cofaceitfirst.co.uk/wp-content/uploads/2021/02/202102CofaceCountrySectorRisksHandbook2021EN.pdf> (first 15 pages!)
- IMF World Economic Outlook mid-2021: <file:///C:/Users/bouchetm/Downloads/text.pdf>
- <http://www.imf.org/external/np/sec/pr/2011/pr1191.htm>
- D. Strauss-Kahn: Peace and Economic Stability are interconnected
<http://www.imf.org/external/pubs/ft/survey/so/2009/NEW102309A.htm>
- KPMG: Global Financial Crisis (PDF):
<https://assets.kpmg/content/dam/kpmg/au/pdf/2017/global-financial-crisis-10-years-on.pdf>

Berlin Seminar Q1 2022 On-line & face-to-face

SESSION 4: Assessment Methodologies I– Balance of payments analysis

- Balance of payments approach and country risk assessment
- Solvency and liquidity ratios
- Deficit financing: How much is too much?
- Solvencia Case Study

TEST 6: Understanding the balance of payments in country risk assessment

1 out of 3 suggested Readings:

- Bouchet et alii. Palgrave 2019, chapter 8
- <https://www.moneyandbanking.com/commentary/2018/6/24/sudden-stops-a-primer-on-balance-of-payments-crises>
- <https://www.brookings.edu/policy2020/votervital/how-worried-should-you-be-about-the-federal-deficit-and-debt/>

SESSION 5: Assessment Methodologies II–

Country risk and debt crisis: From liquidity to solvency crisis

- ✓ Debt crisis and thresholds: Have developing countries the monopoly of external financing trouble?
- ✓ Debt sustainability and the global pandemic 2020-22
- ✓ Debt Restructuring negotiations: London and Paris Clubs of external creditors

TEST 7: Understanding the role of the Capital Account in Country Risk!

TEST 8: Check your understanding of liquidity and solvency ratios

Debt crisis video: The impact of politics and policy choice on sovereign credit ratings
Watson Institute for International and Public Affairs
<https://www.youtube.com/watch?v=4pSfw3Bvlvw>

1 out of 4 suggested Readings:

- Bouchet et alii. Palgrave 2019, chapter 11 & 12
- <https://blogs.imf.org/2021/04/20/a-future-with-high-public-debt-low-for-long-is-not-low-forever/>
- Federal Reserve Bank of Minneapolis : Research Department Staff Report 515
<https://www.minneapolisfed.org/research/sr/sr515.pdf>

SESSION 6: Assessment Methodologies III – Governance and Political risk analysis

- ✓ Defining and measuring Political risk: ratings and the Prince Model
- ✓ What about governance and corruption?
- ✓ Sources for political risk ratings: OECD, World Bank's governance indicators, ICRG, Euromoney and Institutional Investor, Transparency International, Opacity Index, and Heritage Foundation.
- ✓ Sources for country's political analysis : Frost & Sullivan, EIU, CIA, Credit Risk International, www.groupepegeos.com: Established in 1998 due to companies' increased exposure to political, criminal and business risks and the lack of available resources to protect against these threats

Political risk videos: VIDEO-X: FT Business <https://www.youtube.com/watch?v=xeSFxXlLnZg>
VIDEO : Nassim Taleb: Keynote on Managing Political Risk:
<https://www.youtube.com/watch?v=QCGtfz6TtyU>
TEST 10: Where does political turmoil come from?

2 out of 5 Recommended Readings:

- Bouchet et alii. Palgrave 2019, chapters 9 & 10
- MIGA REPORT: <https://www.miga.org/Pages/Resources/AboutPoliticalRiskInsurance.aspx>
- Marsh Political Risk map : <https://www.marsh.com/us/services/political-risk/insights/political-risk-map-2021.html>
- <http://www.vcc.columbia.edu/content/how-bric-mnes-deal-international-political-risk>
- Samuel P. Huntington: "Political order in changing societies":
(PDF)http://markweatherall.wordpress.com/2009/10/12/political_order_in_changing/

NICE Seminar May 2022

SESSION 7: Assessment Methodologies: Defining and Measuring Governance for risk analysis and for cross-country comparisons

- Ratings and Rankings
- Where does political turmoil come from?
- The challenge of measuring governance: Country's rating agencies: Moody's, S&Ps, Fitch, DAGONG, Euromoney, Institutional Investor, COFACE, ICRG, CPI, World Bank, Marsh, WEF, INCRA: a non-profit country risk rating agency: <http://www.incraglobal.org>

TEST 11: Risk ratings, country rankings, and crisis prediction

2 out of 8 Suggested Readings:

- Bouchet et alii. Palgrave 2019 Chapter 6
- WEF 2021: The Fraying Fundamentals: Risks to Economic Stability and Social Cohesion pp.18-27
- <https://www.marshmcclennan.com/content/dam/mmc-web/insights/publications/2020/january/WEF%20-%20Global%20Risks%20Report%202020%20-%20full%20-%20web.pdf#page=23>
- World Bank-IFC: Doing Business 2021
- World Bank and Governance: <https://www.worldbank.org/en/topic/governance/overview>
- OECD Country risk rating 2021: <http://www.oecd.org/trade/xcred/crc.htm>
- <https://www.transparency.org/en/publications/gcb-european-union-2021>
- Transparency International Global Corruption Barometer in the EU 2021

**SESSION 8: Country Risk & Governance –
In search of early warning indicators**

Wrap up and Q&As

- Financial crisis, country risk volatility and the search for early warning signals
- The pitfalls of country risk ratings!

TEST 13: Check your understanding of the links between corruption, governance and country risk

1 out of 3 Suggested Readings:

- Bouchet et alii. Palgrave 2019 Chapter 14
- Goldman Sachs: Damocles sword and Early Warning Indicator: <https://finance.yahoo.com/news/goldman-sachs-bear-market-indicator-112923817.html?guccounter=1>
- Bouchet and Kharrat: Governance and Capital Flight: Econometric analysis

FINAL TEST 14: Wrap up time: an overall check of your understanding of the whole issue of Country Risk Assessment

SESSION 9: Conclusion, Group reports and Solvencia Case study

Wrap up, Q&As, and debate

Introducing CIFE Workshop on Institutional stability and state failure

	ROMA			
	Wednesday Nov. 10	Thursday Nov. 11	Friday Nov. 12	
9:00 AM	Intro/Program Group work	What is Country Risk?	Country risk assessment	
	Quiz & Discussion	Global risk and secular stagnation	Information and	
	What is Risk about?	country risk components	Economic	
	Q&As Discussion		Intelligence gathering	
10:20	Coffee break	Coffee break	Coffee break	
12:30	Presentation: case study : Solvencia/Ratings of Governance & Governance of ratings	Measuring income inequality? Global risk and wealth gap?	The role of IFIs in country risk monitoring	
		Q&A Debate	Q&A Debate	
	BERLIN			
	Monday Febr. 21	Monday, April 4	Tuesday, April 5	
9:00 AM	Country risk assessment I: Balance of payments analysis Liquidity and solvency crisis	Country risk assessment II: The root causes of debt crisis In search of debt thresholds	Country risk assessment III: Ratings and Governance & Governance of ratings	
	10:20	Coffee break	Coffee break	Coffee break
12:30	Debt ratios in OECD and EMCs Solvencia Case Study	Debt restructuring negotiations	Doing Business Index Case study: Governance of rating	
	Q&A Debate	What about debt relief?	Q&A Debate	
	NICE			
	Monday, May 16	Tuesday, May 17	Wednesday, May 18	Friday, May 20
9:00 AM	Assessment Methodologies: Defining and Measuring Governance for risk analysis and for cross-country comparisons	Where does political turmoil come from? Political risk analysis: structural and institutional deficiencies	Defining Failed States? Institutional weaknesses, governance and country risk crisis	Workshop on Institutional stability, Governance, and State failure
	10:20	Coffee break	Coffee break	Lunch
12:30		What about early warning signals?	Solvencia Case Study Group reports	Afternoon
			Debate and Conclusion	Debate and Conclusion

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10 Suggested research topics in Global Risk & Governance

1. Governance, corruption and socio-economic inclusiveness: the correlation between bad governance, income inequality and wealth gap, and sustainable development. A cross-country comparison!
2. Ratings of governance and governance of ratings: Doing Business
3. Does a debt crisis “always” lead to socio-economic development recovery? A study of successful debt restructuring negotiations paving the way toward sustainable development recovery?
4. Does a debt crisis “always” lead to socio-economic crisis? A study of debt restructuring failures paving the way toward a cycle of borrowing, financial crisis, and economic recession
5. Is China showing the path toward a new model of socio-economic development with its centralized decision-making system?
6. What about the Maghreb revolutions ten years after? A cross-country comparison: Egypt-Tunisia-Morocco
7. Capital flight in emerging market countries. A study at African countries combining poverty, wealth gaps, corruption, and capital flight
8. Pandemic, institutional stability, and socio-economic development: where state failure come from?
9. In search of early warning signals of socio-political crisis in emerging and developed countries: A cross-country comparison
10. Has the global pandemic increased the roots of state failure in a number of developed and developing countries?