

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

SEMINAR DESCRIPTION

Lecturer: Michel Henry Bouchet

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Roma-Berlin-Nice

November 2022-May 2023

Seminar: 8 Sessions, 28 hours = 5 ECTS

Global Risk Management & Governance

Succinct bio:

Michel Henry Bouchet is Distinguished Finance Professor at SKEMA Business School, and Module Director at CIFE. 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 sovereign debt restructuring negotiations, 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. 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
- Where does turmoil stem from (Ukraine, global recession threats, debt crisis?)
- 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
5. To write a high-quality report on country risk assessment, with clear conclusions and recommendations

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 22-23-24, 2022

November 22 10:00-13:00 AM

SESSION 1: What is risk? What is uncertainty?

Debate & overview of the summary of preliminary readings

- Key topics: **The risk of Great Collapse?** The convergence of economic, financial, and security threats at end-2022
- Risk versus uncertainty: **Where does Risk come from?** Risk & Globalization: an echo chamber?
- 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?

Warming up Test 1 -Testing your country risk knowledge in 15 questions

TEST 2: Check your understanding of the historical emergence of risk taking: the various stances of Keynes, Knight, Mandelbrot, Stieglitz, and Krugman regarding risk.

Group research work introduction: **Country risk & governance report** (6 groups of 4/5 students)

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

- Deloitte 2022 and beyond risk survey:
<https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/risk/deloitte-uk-global-digital-risk-survey-2022.pdf>
<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
- 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 Mandatory preparatory readings:

- Bouchet et alii. Palgrave, 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>

November 23 10:00-13:00 AM

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

2 out of 7 Mandatory preparatory readings:

- Bouchet et alii. Palgrave, chapter 2 & 3
- <https://www.weforum.org/reports/global-risks-report-2022/> Report Summary
- <https://www.eurasiagroup.net/issues/top-risks-2022> Overview
- <https://www.marshmcclennan.com/insights/publications/2022/january/global-risks-report.html> Marsch Global Risk Report 2022-23 Key takeaways !
 - Globalization and Inequality : <https://www.aeaweb.org/research/globalization-income-inequality-trade-policy>
 - COFACE 2021 (PDF) <https://www.coface.com/News-Publications/Publications/Country-Risk-Assessment-Map-Q2-2022>
 - IMF World Economic Outlook Summer-2022: Overview <https://www.imf.org/en/Publications/WEO/Issues/2022/07/26/world-economic-outlook-update-july-2022>

Optional reading for the bravest:

- OECD Inequality : <https://www.oecd.org/els/soc/dividedwestandwhyinequalitykeepsrising.htm> and <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 : <https://wid.world/methodology/>

November 24 : 8:00-10:00 AM

SESSION 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)

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

2 out of 5 Mandatory preparatory readings :

- Bouchet et alii. Palgrave, chapters 4 & 5
- Sept 27, 2022 : [The cost of China's information vacuum | Financial Times \(ft.com\)](https://www.ft.com/content/2022/09/27/the-cost-of-china-s-information-vacuum)
- IMF: Definition and Measurement of Sovereign Risk :
<https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr1191>
- 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 2023 On-line sessions

February 13 9:00-11:30 AM

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?
- **Group research reports background**

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

1 out of 4 Mandatory preparatory readings:

- Bouchet et alii. Palgrave, chapter 8
- <https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/39/Debt-Sustainability-Framework-for-Low-Income-Countries>
- <https://www.moneyandbanking.com/commentary/2018/6/24/sudden-stops-a-primer-on-balance-of-payments-crises>
- <https://data.imf.org/?sk=7A51304B-6426-40C0-83DD-CA473CA1FD52>

March 13 9:00-11:30 AM

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=4pSfw3Bvlwv>

1 out of 4 Mandatory preparatory readings:

- Bouchet et alii. Palgrave, chapters 11 & 12
- 2022 BOC Report : <https://www.bankofcanada.ca/wp-content/uploads/2022/08/san2022-11.pdf>
- <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>

NICE Seminar April 24-27 2023

April 24, 9:00-13:00 AM

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, PRS-ICRG, Euromoney and Institutional Investor, Transparency International, Opacity Index, and Heritage Foundation.
- ✓ Sources for country's political analysis : Frost & Sullivan, EIU, CIA, PRS/ICRG, Coface, Credit Risk International, www.groupepegeos.com
- ✓ Rating of governance and governance of rating: World Bank 's Doing Business meltdown

Political risk videos: VIDEO-X: FT Business <https://www.youtube.com/watch?v=xesFxxLnZg>

VIDEO : Nassim Taleb: Keynote on Managing Political Risk:
<https://www.youtube.com/watch?v=QCGtz6TtyU>

TEST 10: Where does political turmoil come from?

2 out of 6 Mandatory preparatory readings:

- Bouchet et alii. Palgrave, chapters 9 & 10
- <https://www.controlrisks.com/our-thinking/insights/the-ukraine-russia-conflict-reawakens-business-to-the-importance-of-political-risk>
- 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/

April 25, 9:00-13:00 AM

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

- Ratings and Rankings: a critical approach
- 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, PRS-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 7 Mandatory preparatory readings:

- Bouchet et alii. Palgrave Chapter 6
- WEF 2022: 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 : <https://www.worldbank.org/en/programs/business-enabling-environment/alternative-existing-indicators>
- World Bank and Governance: <https://www.worldbank.org/en/topic/governance/overview>
- OECD Country risk rating: <http://www.oecd.org/trade/xcred/crc.htm>
- <https://www.transparency.org/en/gcb/eu/european-union-2021>

April 26, 9:00-13:00 AM

**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!
- Converging warning indicators and the crucial issue of “crisis trigger”
- Country risk and capital flight

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

1 out of 3 Mandatory preparatory readings:

- Bouchet et alii. Palgrave 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

April 27, 9:00-12:00 AM

SESSION 9: Conclusion, Group reports

Final examination

Wrap up, Q&As, and debate

Introducing CIFE Workshop on Institutional stability and State failure

Nice, April 28, 9:00 AM-17:00 PM

	Task	Weight	Task description	Deadline
Task 1	Group oral presentations	25%	Groups of 4 students: country risk "hot spots" 15 mns oral presentation	To be discussed with the professor asap
Task 2	Individual summary of one preliminary reading	1 full bonus point – 1 point	Within a list of 15 documents ahead of the first session of the seminar, 2 page succinct summary	To be submitted the week before Session 1 in Roma
Task 3	Individual report on a country risk issue	15%	In the aftermath of Berlin seminar's first session, balance of payments analysis: 2-page report (March 6th)	To be submitted the week before Berlin's second session
Task 4	Final Group Report	35%	A 10-page risk assessment report, including a cross-country comparison, after submitting the topic of the report to the professor. Written in Times New Roman, a 12-size font and spacing of 1.0, with charts, tables & graphs to make the analysis as clear as possible (Chicago Manual of Style for citations). The report will be graded based on the technical understanding of the subject, the cited sources, the originality of the arguments, and a clear-cut conclusion regarding risk and opportunity issues in each of the two countries under study.	To be submitted on May 2 nd , the week after end of the seminar
Task 5	Individual Final Exam	25%		On the last day of the seminar: April 27th

		ROMA		
		Tuesday Nov. 22	Wednesday Nov. 23	Thursday Nov. 24
10:00 AM	Intro/Program Group work	What is Country Risk?	Country risk assessment:	8:00 AM
	Quiz & Discussion	Global risk and secular stagnation	Information and	
	What is Risk about?	country risk components	Economic	
	Q&As Discussion		Intelligence gathering	
11:20	Coffee break	Coffee break		10:00
13:00	Presentation: case study : Solvencia/Ratings of Governance & Governance of ratings	Measuring income inequality? Global risk and wealth gap? Q&A Debate		
		BERLIN		
		Monday Febr. 13	Monday, March 13	
9:00 AM	Country risk assessment I:	Country risk assessment II:		
	Balance of payments analysis	The root causes of debt crisis		
	Liquidity and solvency crisis	In search of debt thresholds		
10:20	Coffee break	Coffee break		
	Debt ratios in OECD and EMCs	Debt restructuring		
	Solvencia Case Study	negotiations		
11:30	Q&A Debate	What about debt relief?		
		NICE		
		Monday, April 24	Tuesday, April 25	Wednesday, April 26
9:00 AM	Country risk assessment III:	Assessment Methodologies:	Where does political turmoil	Group reports
	Ratings and Governance & Governance of ratings	Defining and Measuring Governance for risk analysis and for	come from? Political risk analysis: structural	Report Presentations
10:20	Coffee break	Coffee break	Coffee break	
	Doing Business Index			
	Case study: Governance of rating		What about early warning signals?	
13:00	Q&A Debate			

10 Suggested research topics in Global Risk & Governance

The following research topics are suggested for a Master thesis:

1. Governance, corruption and socio-economic inclusiveness:
Possible research questions: the correlation between bad governance, income inequality and wealth gap, and sustainable development. A cross-country comparison!
Background readings: Bouchet Springer, 2019, Piketty 2022, World Bank report
2. Ratings of governance and governance of ratings:
Possible research questions: what about the governance issue in the World Bank Doing Business Report?
Background readings: World Bank 2021-22 alternative risk indicators
<https://www.worldbank.org/en/programs/business-enabling-environment/alternative-existing-indicators>
3. Does a debt crisis “always” lead to socio-economic development recovery?
Possible research questions: A study of successful debt restructuring negotiations paving the way toward sustainable development recovery?
Background readings: PRS-ICRG
4. Does a debt crisis “always” lead to socio-economic crisis?
Possible research questions: A study of debt restructuring failures paving the way toward a cycle of borrowing, financial crisis, and economic recession
Background readings: Rogoff and Reinhart
5. China’s “new model of socio-economic development” with its new external creditor status: **Possible research questions:** Is China showing the path toward a new model of socio-economic development with its centralized decision-making system and its external financial extension in EMCs?
Background readings: <https://carnegieendowment.org/chinafinancialmarkets/87007>
6. What about the Maghreb revolutions ten years after? Protracted turmoil, enforced stabilization, or inclusive development?
Possible research questions: A cross-country comparison: Egypt-Tunisia-Morocco
Background readings: Brookings, World Bank, IMF, Bouchet
7. Capital flight in emerging market countries.
Possible research questions: A study at African countries combining poverty, wealth gaps, corruption, and capital flight
Background readings: Bouchet’s papers and research
8. Pandemic, institutional stability, and socio-economic development:
Possible research questions: where state failure come from?
Background readings: CIFE Seminar research references!
9. In search of early warning signals of socio-political crisis in emerging and developed countries: A cross-country comparison
Possible research questions: how anticipating turmoil and turbulences before a full-fledge crisis?
Background readings: List of references in Bouchet’s seminar
10. Has the global pandemic increased the roots of state failure in several developed and developing countries?
Possible research questions: health crisis as revelatory of institutional deficiencies?
Background readings: Bouchet’s Cife papers