

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

## SEMINAR DESCRIPTION

**Lecturer: Michel Henry Bouchet**

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**Roma-Nice**

**November 2023-May 2024**

Seminar: 8 Sessions, 42 hours = 5 ECTS

## Global Risk Management & Governance

**Succinct bio:**

Michel Henry Bouchet is Module Director at CIFE and Distinguished Finance Professor at SKEMA Business School. 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](http://www.developingfinance.org)

# « Learning Framework »

## 1.1 General Learning 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, corruption, 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. Learning Outcomes:

At the end of the course/ seminar, the students will be able 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](http://www.developingfinance.org) ,

Bouchet, Fishkin & Goguel: Country Risk in an age of Globalization, Palgrave-MacMillan, 2020

<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 17 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 6-9, 2023 = 11 hours

November 6 16:00-18:00 PM

### SESSION 1: What is risk? What is uncertainty?

#### Debate & overview of the summary of preliminary readings

- Key topics: Introduction: **The risk of Great Collapse?** The convergence of economic, financial, and security threats at end-2023
- 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](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/>

#### Additional 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 7 : 9:00-12:00 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

Main 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 8 : 9:00-12:00 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

Main preparatory readings :

- Bouchet et alii. Palgrave, chapters 4 & 5
- Sept 27, 2022 : [The cost of China's information vacuum | Financial Times \(ft.com\)](#)
- 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>

**November 9 : 9:00-12:00 AM**

### **SESSION 4: Political risk Risk Assessment**

#### **Where does political risk come from?**

The main indices to measure political turmoil and institutional destabilization

ICRG, Coface, Marsh, AON...

Q&A and debate: Wrap up session and conclusion

## **NICE Seminar April 24-27 2023**

**May 6, 9:00-13:00 AM**

### **SESSION 5: 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.groupegeos.com](http://www.groupegeos.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=xeSFxXlLnZg>

VIDEO : Nassim Taleb: Keynote on Managing Political Risk:

<https://www.youtube.com/watch?v=QCGtfz6TtyU>

## TEST 10: Where does political turmoil come from?

Main 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/](http://markweatherall.wordpress.com/2009/10/12/political_order_in_changing/)

**May 7, 9:00-13:00 AM**

**SESSION 6: 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**

Main 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>

**May 13, 9:00-13:00 AM**

**SESSION 7: 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**

Main 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**

**May 14, 9:00-13:00 AM**

**SESSION 8: Conclusion: Growth, development, and the role of institutions**

How transforming growing GDP into inclusive and sustainable development?  
 Are democratic frameworks more performing to sustain economic growth?  
 What about wealth gaps and socio-political stability?  
 Debate, Q&As, and wrap up

**May 15, 9:00-12:00 AM**  
**14:00-17:00 PM**  
**SESSION 9: Group reports**

**Introducing CIFE Workshop on Institutional stability and State failure**  
**Nice, May, 16 & 17 9:00 AM-17:00 PM**

### Seminar Task Table

	<b>Task</b>	<b>Weight</b>	<b>Task description</b>	<b>Deadline</b>
<b>Task 1</b>	<b>Group oral presentations</b>	20%	Groups of 4-5 students: country risk "hot spots" 15 mns oral presentation with debates	To be discussed with the professor asap
<b>Task 2</b>	<b>Individual summary of two preliminary readings</b>	5%	Within a list of 17 documents ahead of the first session of the seminar, 2-page succinct summaries	To be submitted the week before Session 1 in Roma
<b>Task 3</b>	<b>Final report oral presentation with Q&amp;As</b>	15%	Concluding the Nice seminar, a 15-20 mn presentation of the country risk report with lively debate and ability to tackle questions	May 15
<b>Task 4</b>	<b>Final Group Report</b>	30%	A 10-page risk assessment report, including a cross-country comparison, after submitting the topic of the report to the professor. Written in Chicago 12-size font and spacing of 1.5, 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 24th, the week after end of the seminar
<b>Task 5</b>	<b>Individual Final Exam</b>	30%	The final examination is a quiz based on the issues tackled during the seminar and extracted from the 140 question quizzes available on the DEFI website on Day 1 of the seminar.	On the last day of the seminar: May 16th

		ROMA										
		Monday Nov. 6	Tuesday Nov. 7	Wednesday Nov. 8	Thursday Nov. 9							
16:00 pm	Intro/Program Group work	9:00 AM		Country risk assessment:	Country risk							
	Quiz & Discussion		Global risk and secular stagnation	Information and	institutional							
	What is Risk about?		country risk components	Economic	development							
	Q&As Discussion			Intelligence gathering	and governance							
	Coffee break		Coffee break	Coffee break	Coffee break							
			Measuring income inequality?	Ratings of Governance								
17:00		Global risk and wealth gap?	& Governance of ratings	Class debate								
	What is Country Risk?											
18:00 pm		12:00 AM	Q&A Debate	Class debate	and wrap up							
		NICE										
		NICE										
		Monday, May 6	Tuesday, May 7	Monday, May 13	Tuesday, May 14	Wednesday, May 15			Thursday, May 16	Friday, May 17		
9:00 AM	Country risk assessment III:	Assessment Methodologies:	Where does political turmoil	Development	Group reports	10:00 AM	Individual	Failed States SEMINAR	9:30 AM			
	Ratings and Governance	Refining and Measuring Governance	come from? Political	and Democracy	Report		Quiz					
10:20	& Governance of ratings	for risk analysis and for	risk analysis: structural	Wrap up session	Presentations	12:00 AM	Examination	Coffee break				
		cross-country comparisons	and institutional deficiencies	& Class discussion						12:30 AM		
	Coffee break	Coffee break	Coffee break	Coffee break	Coffee break							
	Doing Business Index				Group reports							
13:00	Case study: Governance of rating		What about early warning signals?		Report	15:00 pm						
	Q&A Debate				Presentations				LUNCH			
				14:00 pm		17:00 pm						
					Group reports						14:00 pm	
					Report			Failed States SEMINAR	Failed States SEMINAR			
					Presentations							
				17:00 pm				Conclusion				
								& Debate		16:30 pm		

## 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 2023, Bouchet NOMOS 2023

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 2023 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 2023-24

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