
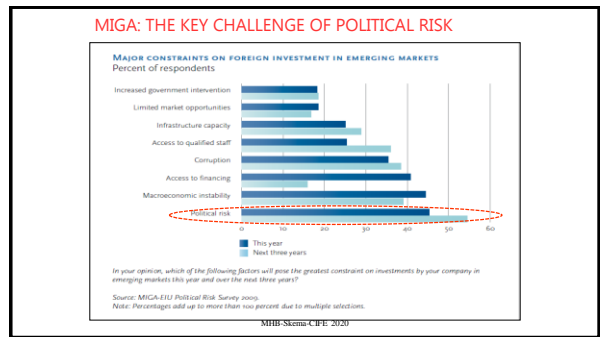
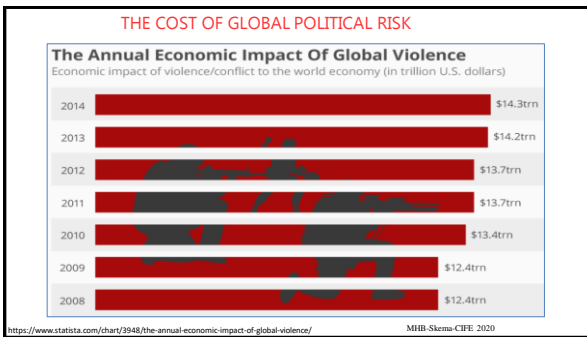


**dif** Centre international de formation européenne  
 100 BERLIN BRUXELLES ISTANBUL

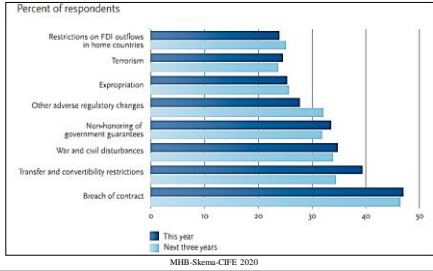
# GLOBAL RISK MANAGEMENT: HOW TACKLING POLITICAL RISK? INTRODUCTION



CIFE SEMINAR NICE MAY 6-8, 2020  
**MICHEL-HENRY BOUCHET**



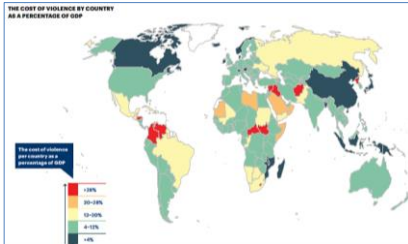
**MIGA: TYPES OF POLITICAL RISK OF HIGHER CONCERN TO MNCs IN EMCS**



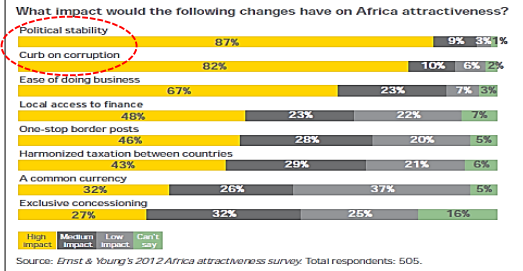
**RANKING OF TOP RISKS REPORTED BY FTSE 100 FIRMS (FT)**

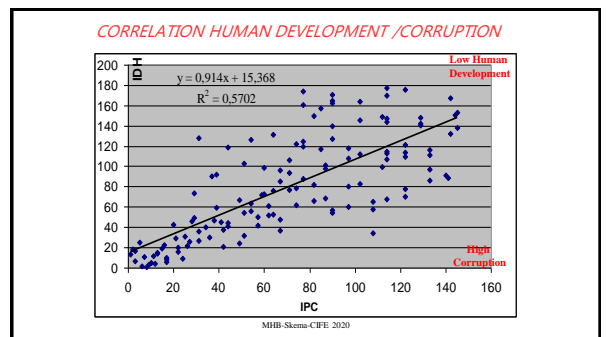
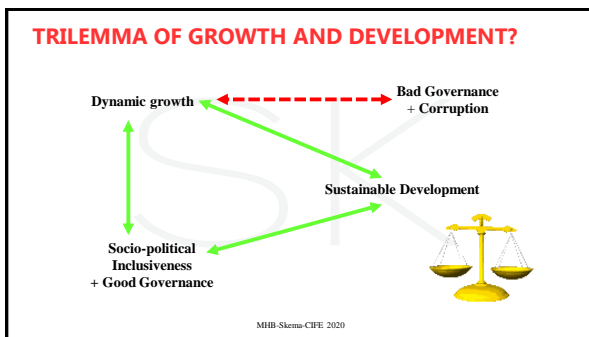
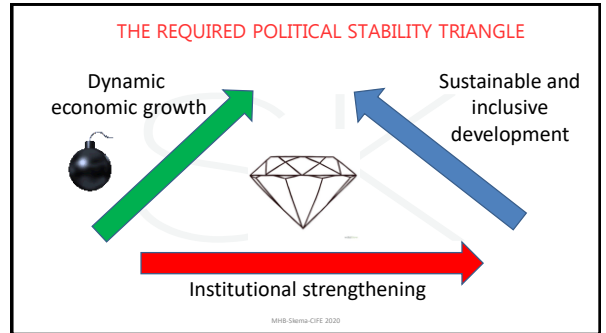
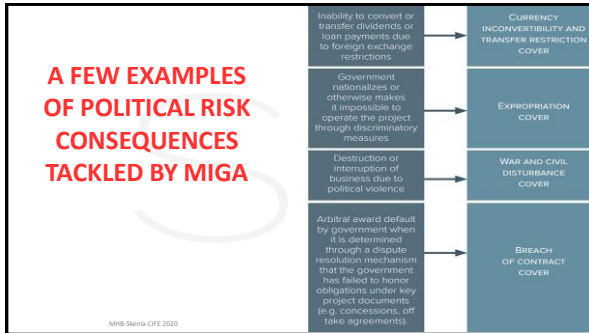


**THE COST OF VIOLENCE IN % OF GDP**  
(WORLD ECON FORUM: THE ECONOMIC VALUE OF PEACE REPORT)

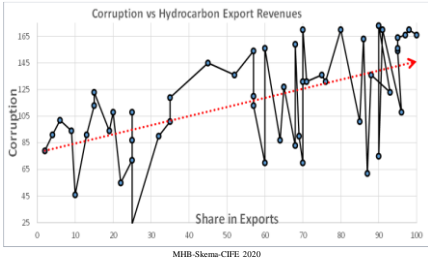


**BOOSTING FDI IN AFRICA?**





**OIL-BASED GROWTH LEADS TO POWER AND WEALTH CONCENTRATION, AND CORRUPTION**



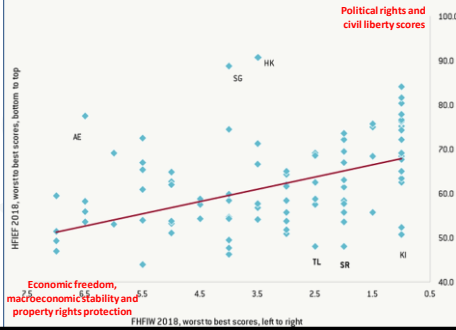
**DEVELOPMENT = ECONOMIC GROWTH + KEY CONDITIONS THAT MAKE IT SUSTAINABLE!**

	CHILE	COSTA RICA	Turkmenistan	GABON
GDP/per capita	\$15,000	\$11,000	\$15,000	\$14,000
Life Expectancy	80	81	68	65
HDI Rank	42	68	108	115

	ARMENIA	SRI LANKA	NIGERIA	ANGOLA
GDP per capita	\$5000	\$5000	\$5000	\$5500
Life expectancy	75	77	54	60
HDI Rank	81	97	158	1489



**IS THERE A CORRELATION BETWEEN POLITICAL FREEDOM & ECONOMIC FREEDOM?**



**HOW MOVING FROM GROWTH TO SUSTAINABLE AND INCLUSIVE DEVELOPMENT?**

**Assumption n°1**

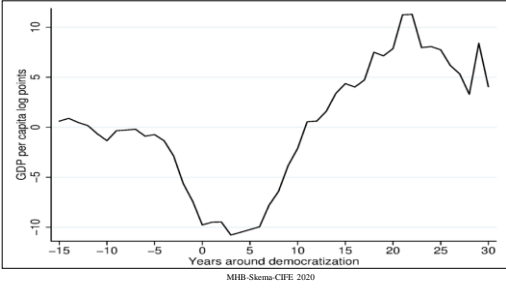
- ▶ Primacy of human capital for both growth and democratization: human and social capital shape both institutional and productive capacities of a society.
- ▶ Growth in income and human capital causes institutional improvement with better political institutions even with pro-market dictators: **policy choices matter** while institutional quality rises as a country grows richer.
- ▶ Economic growth and human capital accumulation cause institutional improvement, rather than the other way around.

**Assumption n°2**

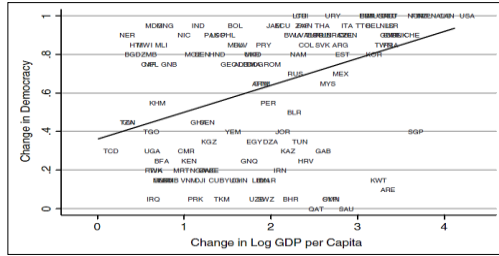
- ▶ Democracy and other checks on government are the key mechanisms for securing property rights and boosting growth
- ▶ Good and stable institutions will enhance the pace and quality of economic growth
- ▶ Robust institutions and good governance matter!

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**DEMOCRACY BREEDS GDP PER CAPITA GROWTH WHILE ECONOMIC GROWTH LEADS TO DEMOCRACY**  
(ACEMOGLU & ROBINSON)

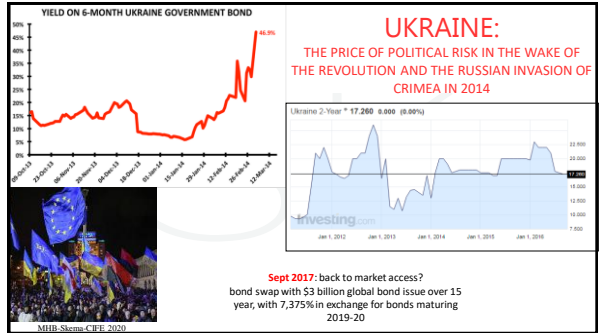


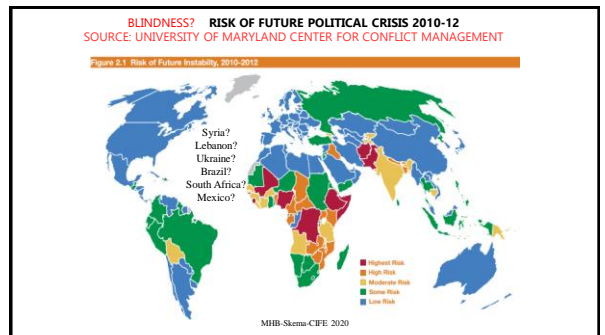
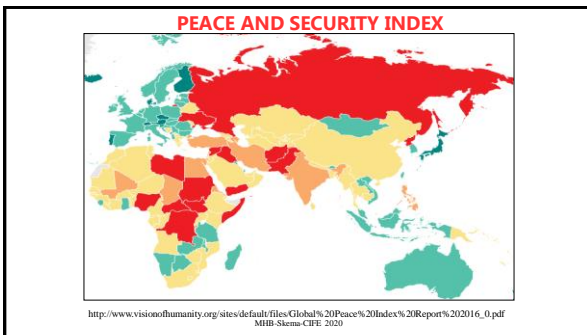
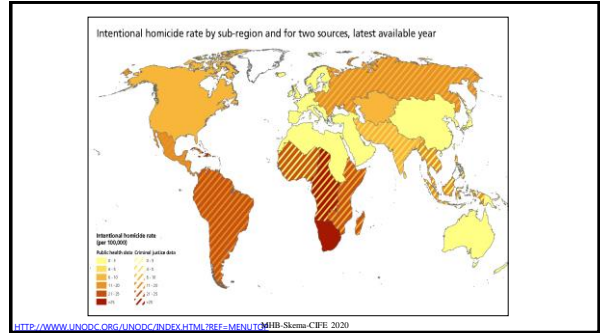
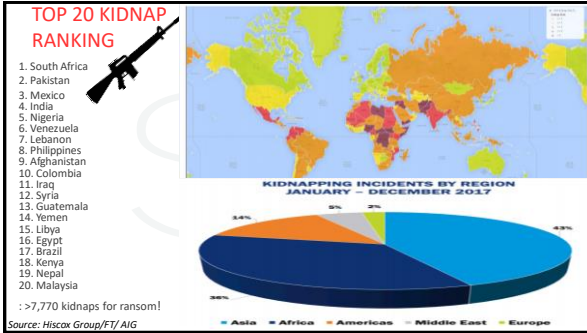
**DEMOCRATIZATION AND INCOME GROWTH 1500-1995**  
INCOME PER CAPITA AND DEMOCRACY ARE CORRELATED BECAUSE ECONOMIC AND SOCIO-POLITICAL INSTITUTIONS TRANSFORM GROWTH INTO SUSTAINABLE AND INCLUSIVE DEVELOPMENT

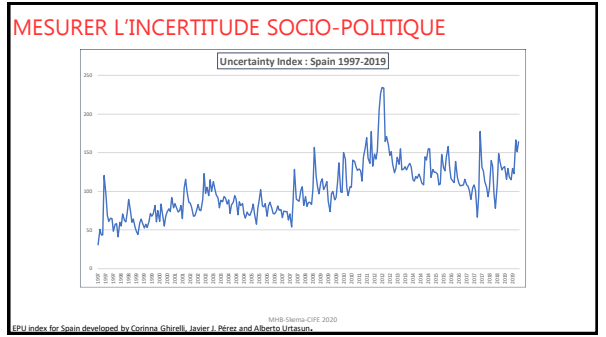
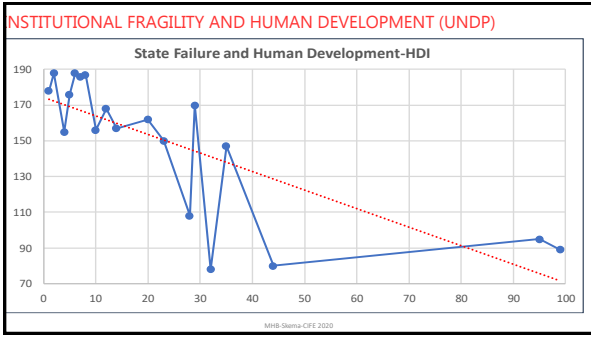
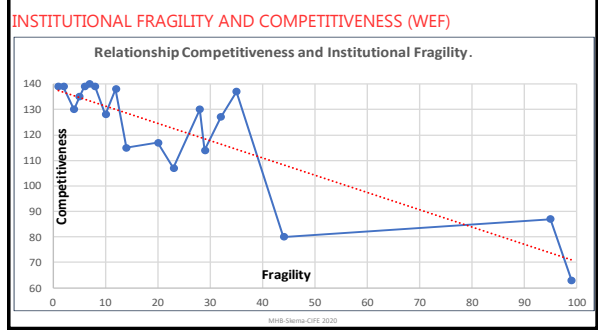
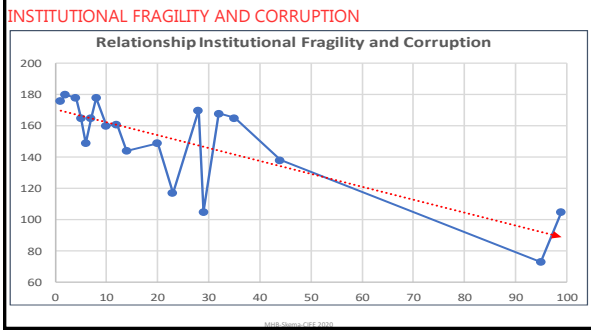


**MEASURING SOCIO-POLITICAL RISK**

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### BETTER OFF IN TUNISIA OR IN ALGERIA ?

**TUNISIA**

- ▶ GDP Per capita = \$10500
- ▶ HDI= 97
- ▶ Life expectancy f = 77
- ▶ Infant mortality= 13
- ▶ Gender inequality: 0,28
- ▶ Doing Business= 77
- ▶ Corruption = 75

**ALGERIA**

- ▶ GDP Per capita=13500
- ▶ HDI= 83
- ▶ Life expectancy= 75
- ▶ Infant mortality= 22/1000
- ▶ Gender inequality: 0,43
- ▶ Doing Business= 156
- ▶ Corruption = 108

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### THE METHODOLOGY BEHIND THE FRAGILE STATES INDEX

The Fragile States Index produced by The Fund for Peace is a critical tool in highlighting not only the normal pressures that all states experience, but also in identifying when those pressures are outweighing a states' capacity to manage those pressures.



**Annual ranking for 178 countries with 12 political, economic and social indicators** and >100 sub-indicators, coupled with qualitative analysis and expert validation:

Economic decline, uneven development, brain drain, state legitimacy, public services, human rights, demographic pressures, refugees, external intervention, rule of law...

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#### KEY FEATURES OF FAILED AND FRAGILE STATES

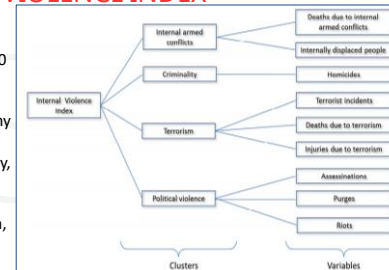
Weak States	n/178	Ranking	Index TI/180	UNDP/188	Index **	WEF 140	KF/GDP%	Human flight **	%	% (3 year av.)	Est Debt/GDP
		Corruption **	HDI **	GINI	Composite	Capital flight	& Brain drain	Unempl.	Invest/GDP		
Yemen	1	176	178	38	139	2%	7,3	35	12	30%	
Somalia	2	180	188	39	139	1%	9,5	6	10	75%	
Syria	4	178	155	36	130	3%	8,4	50	10	16%	
Congo DR	5	165	176	49	135	39%	7	15	12	20%	
CAR	6	149	188	44	139	4%	7,1	7	13	36%	
Chad	7	165	186	43,3	140	2%	8,5	6	16	27%	
South Sudan	8	178	187	35	139	1%	6,5	15	11	111%	
Zimbabwe	10	160	156	43	128	5%	7,6	10	12	77%	
Haiti	12	161	168	61	138	3%	8,4	15	25	30%	
Nigeria	14	144	157	49	115	3%	6,9	23	15	70%	
Uganda	20	149	162	42	117	3%	7,3	5	24	40%	
Pakistan	23	117	150	33,5	107	1%	6,8	6	16	31%	
Libya	28	170	108	42	130	22%	6,3	20	15	20%	
Côte d'Ivoire	29	105	170	42	114	2%	7,3	5	16	37%	
Venezuela	32	168	78	40	127	23%	6,1	36	14	33%	
Angola	35	105	147	43	117	11%	6,9	9	24	57%	
Lebanon	44	138	80	32	80	17%	5,6	9	20	200%	
Tunisia	95	73	95	40	87	5%	5,9	16	21	90%	
Peru	99	105	89	44	63	5%	7,1	10	21	35%	

\* Nonbank private deposits in international banks/BIS A6-1  
\*\* In the index, the worse

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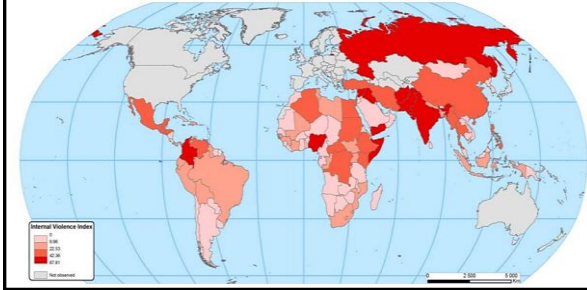
### THE INTERNAL VIOLENCE INDEX

The composite index measures a narrow concept of fragility for 130 developing countries through their level of violence in its many different forms: internal armed conflicts, criminality, terrorism, and political violence: Iraq, Pakistan, Afghanistan, Yemen, Syria, and Nigeria.



MHB-Skema-CIFE 2020. SOURCE: FERDI April 2016: Feindouna / Goujon /Wagner

### THE INTERNAL VIOLENCE INDEX



### AON POLITICAL RISK MAP

- ▶ The Aon Political Risk Map measures political risk in 163 locations and territories.
  - ▶ Risk ratings are standardized across each location, on a six-point scale ranging from low to very high, with all risks updated once per quarter.
  - ▶ EU and OECD countries are not rated in the map!!
  - ▶ Political risk is calculated as a simple average of six core risk measures :
    1. • Political Violence
    2. • Exchange Transfer
    3. • Sovereign Non-Payment
    4. • Political Interference
    5. • Supply Chain Disruption
    6. • Legal & Regulatory
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### MAPPING OUT POLITICAL RISK: FRANCE AS RISKY AS BRAZIL?



### MARSH RISK MAP 2019

