



## Course and Examination Fact Sheet: Autumn Semester 2017

### 7,394: Practical Project: Analyzing Political Risk

ECTS credits: 4

#### Overview examination/s

(binding regulations see below)

Decentral - Group examination paper with presentation (all given the same grades) (80%)

Decentral - Active participation (20%)

#### Attached courses

Timetable -- Language -- Lecturer

[7,394,1.00 Practical Project: Analyzing Political Risk](#) -- Englisch -- [Habegger Beat](#)

#### Course information

#### Course prerequisites

None

#### Course content

Political risk is the likelihood that a political development will affect a company's balance sheet. Events and developments of the past years have reminded the business world that politics shapes markets and can thus be highly relevant for any commercial enterprise. A good example is the Arab Spring revolutionary upheaval of 2011, which brought down governments and cast a long shadow over energy security to the global economy. In the developed world, it was the public debt burden of Eurozone countries and the political battles around the bail-out packages and the future governance of the EU/euro area that highlighted how much the international financial markets can depend on political agendas, decisions and actions. Later, the annexation of the Crimea and the secessionist rebellion in Eastern Ukraine showed that geopolitics is not a thing of the past. And lastly, the Brexit referendum or the election of Donald Trump have injected a fair amount of uncertainty into the future of the European Union and the US willingness to provide leadership across the globe.

From a corporate perspective, such events and actions can cause business discontinuities, financial losses, or reputational damage. In this course on 'analyzing political risk', we will look both at 'macro' and 'micro' political risks: Macro political risks are events or developments that affect all participants of the market as part of the wider setting in which business takes place. Examples include war and peace, sanctions and corruption, the quality and predictability of the rule of law, or the reliability of government commitments. Micro political risks on the other hand embrace specific events, which affect only a given number of exposed stakeholders and businesses rather than the market at large. Even if of smaller scale, they can also result in significant losses.

In this course, students will learn

- what political risks are in a business context (with a special focus on the insurance industry)
- why it is important to consider political risks in the overall context of corporate risk management
- what tools and methods are available to identify and assess political risks.

The course draws on the lecturer's practical experience in corporate and public sector risk management and will be developed around 'real-life cases'. Guest lecturers add insights from various industries and corporate functions that require taking into account the impact of politics on Business.



## Course structure

### Introduction to political risk management

- What is risk? Key concepts and methodological approaches
- What is political risk and how is it managed?
- The relevance of political risk in (corporate) risk management

### Analyzing political risk

- Political risk intelligence, ratings, the language of risk; building a career in political risk analysis
- Multi-dimensional political risk analysis (e.g., security & political violence, trade & investment, reputational risk)

### Political risk briefings

- Students will prepare (in groups of two) a political risk briefing. The lecturer will provide a list of possible topics, while students are invited to propose a topic of their choice. The key findings will be presented in class.

### Guest presentations

- Professionals with practical experience in analyzing political risk in the private sector will be invited for guest lectures.

## Course literature

Bremmer, Ian (2005). „Managing Risks in an Unstable World.“ *Harvard Business Review*, June 2005, pp. 2-9.

Bremmer, Ian/Keat, Preston (2009). *The Fat Tail: The Power of Political Knowledge for Strategic Investing*. Oxford: Oxford University Press, in particular chapters 1 and 2, pp. 1-36.

Chipman, John (2016). „Why Your Company Needs a Foreign Policy.“ *Harvard Business Review*, September 2016.

Garver, Patrick (2009). „The Changing Face of Political Risk.“ In: Lu, Kevin W./Verheyen, Gero/Perera, Srilal M. (eds.). *Investing with Confidence: Understanding Political Risk Management in the 21st Century*. Washington DC: The World Bank, pp. 81-88.

Jarvis, Darryl S. L./Griffiths, Martin (2007). „Learning to Fly: The Evolution of Political Risk Analysis.“ *Global Society*, 21(1), pp. 5-21.

Keat, Preston (2008). „What markets miss: political stability frameworks and country risk.“ In: Bracken, Paul / Bremmer, Ian / Gordon, David (eds.). *Managing Strategic Surprise: Lessons from Risk Management and Risk Assessment*. Cambridge: Cambridge University Press, pp. 265-286.

MIGA (2013). *World Investment and Political Risk* (Chapter 3: The Political Risk Insurance Industry.) Washington D.C., pp. 27-38.

Parker, Kirsten (2012). Avoiding Common Pitfalls of Analysis. *Exclusive Analysis*.

Parker, Kirsten (2012). The Language of Risk. *Exclusive Analysis*.

Rybach, Manuel/Buholzer, René (2008). „Political Risk and Public Policy Management at Credit Suisse.“ In: Habegger, Beat (ed.). *International Handbook on Risk Analysis and Management*. Zurich: Center for Security Studies ETH Zurich, pp. 185-201.

Sharma, Ruchir (2014). „The Ever-Emerging Markets: Why Economic Forecasts Fail.“ *Foreign Affairs*, 93(1), pp. 52-56.

Tanner, Rolf/Lier, Marco (2007). *Political Risk and Insurance: Challenges and Opportunities in a Globalised World*. Zurich: Swiss Reinsurance Company.

Toksöz, Mina (2014). *Guide to Country Risk: How to Identify, Manage, and Mitigate Risk of Doing Business Across Borders*. London: Economist Books, in particular chapters 1, 2, and 6.

### Complementary reading

Bernstein, Peter L. (1996). *Against the Gods: The Remarkable Story of Risk*. New York: Wiley.

Boggs, Danny J. (1985). „When Governments Forecast.“ *Futures*, October 1985, 435-439.

Bremmer, Ian (2006). *The J Curve: A New Way to Understand Why Nations Rise and Fall*. New York: Simon & Schuster.

Bunn, D.W./Mustafaoglu, M. M. (1978). „Forecasting Political Risk.“ *Management Science*, 24(15), 1557-1567.

Conklin, David W. (2002). „Analyzing and Managing Country Risks.“ *Ivey Business Journal*, pp. 37-41.

Denk, Christoph (2003). *Politische Risiken für Banken: Charakter, Typologie, Management*. Bern: Paul Haupt Verlag.

Habegger, Beat (ed.) (2008). *International Handbook on Risk Analysis and Management*. Zurich: Center for Security Studies ETH Zurich.

Jarvis, Darryl S. L. (2005). „Political risk analysis.“ In: Griffiths, Martin (ed.), *Encyclopedia of international relations and global politics*,



London: Routledge, 655-667.

Marsh (2013). *Social Media Heightens Political Risks in Emerging Markets*. October 2013.

Nye, Joseph S. (1994). "Peering into the Future." *Foreign Affairs*, 73(4), pp. 82–93.

OECD (2009). *Innovation in Country Risk Management (OECD Studies in Risk Management)*. Paris: OECD.

PWC Advisory/Eurasia Group (2006). *How Managing Political Risk Improves Global Business Performance*. New York.

Tetlock, Philip E. (2005). *Expert Political Judgment: How Good Is It? How Can We Know?* Princeton: Princeton University Press.

## Additional course information

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## Examination information

### Examination sub part/s

#### 1. Examination sub part (1/2)

##### Examination time and form

Decentral - Group examination paper with presentation (all given the same grades) (80%)

##### Remark

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##### Examination-aid rule

Term papers

- Term papers must be written without anyone else's help and in accordance with the known quotation standards, and they must contain a declaration of authorship.
- The documentation of sources (quotations, bibliography) has to be done throughout and consistently in accordance with the APA or MLA standards. The indications of the sources of information taken over verbatim or in paraphrase (quotations) must be integrated into the text in accordance with the precepts of the applicable quotation standard, while informative and bibliographical notes must be added as footnotes (recommendations and standards can be found, for example, in METZGER, C. (2015), *Lern- und Arbeitsstrategien* (11th ed., 4th printing). Aarau: Sauerländer).
- For any work written at the HSG, the indication of the page numbers both according to the MLA and the APA standard is never optional.
- Where there are no page numbers in sources, precise references must be provided in a different way: titles of chapters or sections, section numbers, acts, scenes, verses, etc.
- For papers in law, the legal standard is recommended (by way of example, cf. FORSTMOSER, P., OGOREK R. et SCHINDLER B. (2014, *Juristisches Arbeiten: Eine Anleitung für Studierende* (5. Auflage), Zürich: Schulthess, or the recommendations of the Law School).

##### Supplementary aids

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##### Examination languages

Question language: English

Answer language: English

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#### 2. Examination sub part (2/2)

##### Examination time and form

Decentral - Active participation (20%)

##### Remark



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## Examination-aid rule

Practical examination

No examination-aid rule is necessary for such examination types. The rules and regulations of the University of St. Gallen apply in a subsidiary fashion.

## Supplementary aids

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## Examination languages

Question language: English

Answer language: English

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## Examination content

Students will prepare (in groups of two) a political risk briefing and present their key findings in class.

## Examination relevant literature

### Required reading

Bremmer, Ian (2005). „Managing Risks in an Unstable World.“ *Harvard Business Review*, June 2005, pp. 2-9.

Bremmer, Ian/Keat, Preston (2009). *The Fat Tail: The Power of Political Knowledge for Strategic Investing*. Oxford: Oxford University Press, in particular chapters 1 and 2, pp. 1-36.

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Bunn, D.W./Mustafaoglu, M. M. (1978). „Forecasting Political Risk.“ *Management Science*, 24(15), 1557-1567.

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Jarvis, Darryl S. L. (2005). „Political risk analysis.“ In: Griffiths, Martin (ed.), *Encyclopedia of international relations and global politics*, London: Routledge, 655-667.

Marsh (2013). *Social Media Heightens Political Risks in Emerging Markets*. October 2013.

Nye, Joseph S. (1994). „Peering into the Future.“ *Foreign Affairs*, 73(4), pp. 82-93.

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Tetlock, Philip E. (2005). *Expert Political Judgment: How Good Is It? How Can We Know?* Princeton: Princeton University Press.

### Please note

We would like to point out to you that this fact sheet has absolute priority over other information such as StudyNet, faculty members' personal databases, information provided in lectures, etc.

When will the fact sheets become binding?

- Information about courses and examination time (central/decentral and grading form): from the start of the bidding process on 24 August 2017
- Information about decentral examinations (examination-aid rule, examination content, examination relevant literature): after the 4th semester week on 16 October 2017
- Information about central examinations (examination-aid rule, examination content, examination relevant literature): from the start of the enrolment period for the examinations on 06 November 2017

Please look at the fact sheet once more after these deadlines have expired.