

**POLITICAL SCIENCE 3206G**  
**Political Risk Assessment**  
**Winter 2018**

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**Office Hours:** WED 3:00- 4:00 p.m. or by appointment  
**Class Meeting:** M 1:30 – 3:30 p.m. SSC 4255

**Course Description:**

This course will explore political risk assessment from a comparative politics perspective. Political risk is understood to include events such as regime change, government expropriation, terrorism, civil strife, revolutions and so-called black swans. With the spread of globalization, policy makers in both business and government have an increasing need to understand the political risks faced in the various countries in which they operate. The course examines the major theories of political risk assessment through the lens of a variety of contemporary case studies. Additionally, we critically evaluate the major cross-national sources of political risk data. Finally, we explore the political risk mitigation strategies employed by organizations such as the Overseas Private Investment Corporation, the Multilateral Investment Guarantee Agency and Export Development Canada.

**Course Materials**

There is no “required text” for this course. It is the students’ responsibility to locate the assigned readings. Course materials may be accessed via the UWO library page (utilizing available full text databases), through print subscriptions held by Western Libraries, or from books held in the UWO library collection. Some course content may be accessed via the course page on the OWL system (<http://owl.uwo.ca/>). Such content could include copies of and/or links to the required readings as well as a variety of other materials including discussion group postings and course change advisories. You should plan to access the course web page on a weekly basis. As always, please be aware of CanCopy regulations.

**Course Requirements**

Participation 30%  
Group Project 25%  
PRA Project Report 25%  
Job Interview 20%

**Anti- and Pre-requisite(s):** Anti-requisites: POL 3411 (Political Risk Assessment). Pre-requisites: Political Science 2231E OR Political Science 2245E or International Relations 2701E AND enrollment in 3rd or 4th year Political Science or International Relations, or permission of the Department for students not registered in those programs.

### **Main Course Texts**

Bracken, Paul J., Ian Bremmer, and David Gordon. Managing Strategic Surprise: Lessons from Risk Management and Risk Assessment. New York: Cambridge University Press, 2008.

Bremmer, Ian, and Preston Keat. The Fat Tail: The Power of Political Knowledge for Strategic Investing. New York: Oxford University Press, 2009.

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

Lu, Kevin W., Gero Verheyen and Srilal M. Perera (eds.). Investing with Confidence: Understanding Political Risk Management in the 21<sup>st</sup> Century. Washington D.C.: The World Bank, 2009.

Taleb, Nassim. The Black Swan: The Impact of the Highly Improbable. New York: Random House, 2007.

### **Participation**

This is a third year **seminar** course. As such, you are expected to read the materials and think about their relevance **before** you come to class. You are expected to attend class and participate in a regular, ongoing fashion. Marking such participation will recognize the extent you are able to demonstrate you have read the required materials, that you have thought about the importance of the readings, that you can link the current readings with readings and ideas discussed in prior classes, and that you can illustrate your understanding of the materials based on the case study on which you are basing your research project. Students who fail to attend at least 70% of the class sessions will be barred from participating in the group project and will receive a zero for course participation.

### **Group Project**

The group project will be discussed in class. The assignment expectations and due dates will be posted on OWL.

### **PRA Project Report**

The PRA project report will be discussed in class. The assignment expectations and due dates will be posted on OWL.

### **Job Interview**

The job interview will be discussed in class. The assignment expectations and due dates will be posted on OWL.

### **Paper Submission Issues**

All written assignments must be submitted in two ways: a paper copy **AND** an electronic submission through the appropriate OWL course page turnitin link. The paper (or text/document submission) copy must be submitted no later than the start of class on the assignment due date. The electronic copy must be submitted through the OWL course page Turnitin link no later than the start of class on the assignment due date. A link for submitting the papers through turnitin will be posted on the course web page. A paper is not considered as submitted (and hence is considered to be a late paper) until it is received in both formats. Late papers will be assigned a penalty of **100%**. Papers handed in after the due date will not be marked for credit. Other rules and requirements regarding papers will be posted on the course webpage in advance of the due dates.

The instructor will **not** grant extensions unless notified by the appropriate Academic Counselling Office that one is warranted according to University Regulations. If you believe you have legitimate cause for an extension of any kind, please visit your faculty's Academic Counselling Office. All Social Science students should make use of the Social Science Academic Counselling Office, located in Room 2105 in the Social Science Centre. For more information, please visit <http://counselling.ssc.uwo.ca/>.

### **Marking**

Please be aware that several current and former graduate students who have taken this course (or an equivalent one) may assist with marking different parts of assignments.

## Course Schedule

This lecture outline and/or readings assigned for a given topic **will** change throughout the semester at the discretion of the professor. Notice of any changes will be made in class and on the OWL course page at least one week in advance of the relevant class.

### Week 1 – Why Study Political Risk?

LaPalombara, Joseph. 1982. Assessing the Political Environment for Business: A New Role for Political Scientists? *PS* Vol. 15, No. 2 (Spring, 1982), pp. 180-186.

Chambers, Richard and Rachel Jacobs. 2007. Assessing Political Risk. *Internal Auditor* (August): 58-64.

### Week 2 – What is Political Risk?

Bremmer – scan article for industry background

Bremmer and Keat (Fat Tail) – read Ch 1

Ekpenyong – read article

Fitzpatrick – read 249-251

Howell – read 305-308

Yackee – read 477-483

Bremmer, Ian. 2005. Managing Risk in an Unstable World. *Harvard Business Review* 83:6, 51-60.

Bremmer, Ian, and Preston Keat. 2009. *The Fat Tail: The Power of Political Knowledge for Strategic Investing*. New York: Oxford University Press, 2009.

Ekpenyong, David B., and Ntiedo J. Umoren. 2010. Political risk and the business environment: An examination of core challenges. *Journal of Financial Management and Analysis* 23, (1): 27-32.

Fitzpatrick, Mark. 1983. The definition and assessment of political risk in international business: A review of the literature. *The Academy of Management Review* 8, (2): 249.

Howell, Llewellyn D. 2014. Evaluating political risk forecasting models: What works? *Thunderbird International Business Review* 56, (4): 305-316.

Yackee, Jason Webb. 2014. Political risk and international investment law. *Duke Journal of Comparative & International Law* 24, (3): 477-488.

### Week 3 – Measuring Political Risk

Fitzpatrick – scan 251-253

Howell – scan 308-315

Yackee – scan 483-491

Jarvis and Griffiths – read article  
Keat – read Ch 8  
Ramady – read Ch 2 and Ch 5

Scan/Review the methodology description from at least one of the three companies – they are all short – usually 1-2 pages.

Jarvis, Darryl S. L., and Griffiths, Martin. 2007. “Learning to fly: The evolution of political risk analysis.” *Global Society*, 21(1), 5-21.

Keat, Preston. 2008. “What Markets Miss: Political Stability Frameworks and Country Risk,” in Bracken, Paul J., Ian Bremmer, and David Gordon (eds.), *Managing Strategic Surprise: Lessons from Risk Management and Risk Assessment*. New York: Cambridge University Press, 265-286.

Ramady, Mohamed A. 2014. *Political, Economic and Financial Country Risk: Analysis of the Gulf Cooperative Council*. DE: Springer Verlag.

Fitzpatrick, Mark. 1983. The definition and assessment of political risk in international business: A review of the literature. *The Academy of Management Review* 8, (2): 249.

Howell, Llewellyn D. 2014. Evaluating political risk forecasting models: What works? *Thunderbird International Business Review* 56, (4): 305-316.

Yackee, Jason Webb. 2014. Political risk and international investment law. *Duke Journal of Comparative & International Law* 24, (3): 477-500.

#### Eurasia Group

“Global Political Risk Index”

<http://www.privateequitykorea.com/wp-content/uploads/2010/01/gpri.pdf>

“Comparative Analytics”

<http://eurasiagroup.net/expertise/comparative-analytics>

#### AON

<http://www.aon.com/risk-services/crisis-management/political-risks.jsp>

An example report: “Political Risks in Sub-Saharan Africa” - see p.2

[http://www.aon.com/unitedkingdom/products-and-services/industry-expertise/attachments/power/political-risk-white-paper2014.pdf?utm\\_source=aoncouk&utm\\_medium=homepageuk&utm\\_campaign=power-political-risks-whitepaper2014](http://www.aon.com/unitedkingdom/products-and-services/industry-expertise/attachments/power/political-risk-white-paper2014.pdf?utm_source=aoncouk&utm_medium=homepageuk&utm_campaign=power-political-risks-whitepaper2014)

#### The PRS Group

<https://www.prsgroup.com/about-us/our-two-methodologies>

#### **Week 4 – Regime Type and Change – *The J Curve***

Read Bremmer:

Ch 1- all; Ch 2-5, for each chapter, read the intro and the first case/country; Ch 7 – all; Afterward – all

This may look like a lot of reading, but it goes quick and is not at all “high tech” or methodologically advanced. Remember, if you need to borrow the book, the TAs can help.

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

#### **Week 5 – International Relations and Political Risk**

Bremmer. *Every Nation for Itself: Winners and Losers in a G-Zero World*. 2012. Chapters 1, 2, 3.

Bremmer and Keat *The Fat Tail*. Ch. 3 - Geopolitical Risks

#### **Week 6 – Government Policy and Political Risk**

Bremmer:

Ch 4 – Political Risk and Capital Markets

Ch 7 – Regulatory Risk

Ch 8 - Expropriation

Bremmer, Ian, and Preston Keat. *The Fat Tail: The Power of Political Knowledge for Strategic Investing*. New York: Oxford University Press, 2009.

#### **Week 7 – How to conduct a PRA Project**

Torrens, Cameron, et.al. 2016. *Political Risk Assessment: Mitigating Foreign Investment Risk in the Philippines*. Leadership & Democracy Lab, University of Western Ontario. <http://democracylab.uwo.ca/img/Philippines%20Final%20Report.pdf>

Aribi, I. Jamie, et.al. 2016. *Thinking Ahead: Risk and Mitigation Strategies in the Lebanese Energy Sector*. Leadership & Democracy Lab, University of Western Ontario. <http://democracylab.uwo.ca/img/Thinking%20Ahead%20-%20Risks%20and%20Mitigation%20Strategies%20in%20the%20Energy%20Sector.pdf>

World Economic Forum. *Strategic Infrastructure: Mitigation of Political & Regulatory Risk in Infrastructure Projects*. Geneva: World Economic Forum, February 2015. [http://www3.weforum.org/docs/Media/WEF\\_RM%20Report%202015.pdf](http://www3.weforum.org/docs/Media/WEF_RM%20Report%202015.pdf)

## **Week 8 – Mitigation Strategies**

World Economic Forum. *Strategic Infrastructure: Mitigation of Political & Regulatory Risk in Infrastructure Projects*. Geneva: World Economic Forum, February 2015.

Conway, J. Edward. "The Risk is in the Relationship (Not the Country): Political Risk Management in the Uranium Industry in Kazakhstan." *Energy Policy* 56 (2013): 201-9.

Davies, Warnock. *Beyond the Earthquake Allegory: Managing Political Risk Vulnerability*. 24 Vol. Greenwich: Elsevier Inc, 1981.

Gao, Yongqiang. "Managing Political Risk in Cross-National Investment: A Stakeholder View." *Singapore Management Review* 31.1 (2009): 99-114.

Bremmer, Ian, and Preston Keat. 2009. *The Fat Tail: The Power of Political Knowledge for Strategic Investing*. New York: Oxford University Press, 2009. Chapter 2

## **Week 9 – Mitigation - Political Risk Insurance**

Read the following three chapters from the Lu, Verheyen and Perera book:

Linking Political Risk Insurance Pricing and Portfolio Management with Economic Capital Modeling: A Multilateral Perspective?

Issues Affecting Pricing in the Political Risk Insurance Market, and a Probabilistic Approach to Measuring Country Risk in a Political Risk Insurance Portfolio

Public Sector Pricing: How to Balance a Public Mandate with Adequate Returns for Political Risk

Lu, Kevin W., Gero Verheyen and Srilal M. Perera (eds.). Investing with Confidence: Understanding Political Risk Management in the 21<sup>st</sup> Century. Washington D.C.: The World Bank, 2009.

## **Week 10 – Forecasting Political Risk & Confronting Black Swans**

Bremmer and Keat. *The Fat Tail*. Ch. 9 - Reporting/Warning

Bremmer. *The J Curve*. Ch. 7 (Conclusion)

Bracken. *Managing Strategic Surprise*. Chapter 2: How to Build a Warning System.

Taleb. *The Black Swan*. Prologue, Chapters 1, 3, 5, 6, 10

## **Week 11 – Group Projects 1**

## Week 12 – Group Projects 2

### **Course Notes**

1. Students are **strongly** advised not to miss class. Some material covered (and tested) will not appear in the readings. During the year, the class will engage in “non-lecture” learning (small group discussion, simulations, etc). Lessons from these exercises will appear on course exams.
2. The act of plagiarism is an academic offence and it is not acceptable in this course. It is the responsibility of the student to understand what is meant by plagiarism and the UWO procedures for addressing acts of plagiarism. A good place to start is with the Scholastic Discipline and Academic Sanctions section in the Handbook of Academic and Scholarship Policy (I believe this is the most recent version but please confirm that for yourself:  
<http://www.uwo.ca/univsec/handbook/appeals/scholoff.pdf>).
3. Written assignments are due at the beginning of class. Late assignments should be submitted personally to the instructor or to your Discussion Group Leader who will note the time and date of receipt. Papers are considered received at the time the later of the electronic or paper copy is received. The Department of Political Science Main Office does not accept papers on behalf of professors. Do not place late essays under a door - they may be misplaced or stolen. In the event that you have received a University sanctioned recommendation for a makeup exam, the dates for those exams are as follows: Midterm makeup – January 11, 2013, Final exam makeup – May 8, 2013. The makeup exams will take place from 10:30am until 12:30pm. You should meet me in my office no later than 10:25am. The questions and format of the makeup exams will differ from the original exams.
4. It is always possible that essays may be lost or stolen, so it is the responsibility of each student to retain a copy of their essays as part of their personal records. If an essay is lost or misplaced, the student must provide a replacement for grading.
5. If you use a computer to prepare your essays, it is your responsibility to ensure that your computer equipment is in proper working order. **“Computer or printer breakdown or problems” will not be accepted as grounds for an extension.** It is the student’s obligation to backup all work in such a way as to prevent problems caused by such breakdowns. To avoid problems, make sure to backup work in more than one location (i.e., some form of memory stick or the University h: drive) on a regular basis while you are working.
6. **If you are having problems with the material, or due to external circumstances that are affecting your academic work, you should see the instructor.**



7. All class members are expected to treat each other with appropriate courtesy. Students not acting in a courteous manner will be expelled from that class session.

8. Cell phones should not be used during class. If you must keep your phone on, for emergency purposes, the ringer should be turned off. Violation of this policy will result in expulsion from the class session. No electronic devices of any type are allowed to be in your possession during any course activity for which you may receive a mark (for example, exams and group quiz activities in class). As possession of such a device during a graded situation enables plagiarism (cheating), we will assume that possession is an indication of plagiarism regardless of whether an instructor or proctors witness the actual act of plagiarism. For group quiz type activities, we will not require students to place their electronic devices at the front of the room; rather we will require them to be out of reach (and beyond the ability to observe any content). If any person violates this prohibition during a group activity, we will assume **the entire group** has benefited from the plagiarism and will bring charges against all group members.

9. My lectures and lecture materials are copyrighted (copyright held by Peter A. Ferguson). No duplication is allowed. This includes all forms of duplication (at minimum this includes audio, video and written duplication).

Despite the formal tone of this information, I want to emphasize that I welcome the opportunity to speak on a one-to-one basis with you about your assignments, your comprehension of the material, useful courses to take in the future or your academic career. Please make use of my office hours.

**APPENDIX TO UNDERGRADUATE COURSE OUTLINES  
DEPARTMENT OF POLITICAL SCIENCE**

**Prerequisite checking - the student's responsibility**

"Unless you have either the requisites for this course or written special permission from your Dean to enroll in it, you may be removed from this course and it will be deleted from your record. This decision may not be appealed. You will receive no adjustment to your fees in the event that you are dropped from a course for failing to have the necessary prerequisites."

**Essay course requirements**

With the exception of 1000-level courses, most courses in the Department of Political Science are essay courses. Total written assignments (excluding examinations) will be at least 3,000 words in Politics 1020E, at least 5,000 words in a full course numbered 2000 or above, and at least 2,500 words in a half course numbered 2000 or above.

**Use of Personal Response Systems ("Clickers")**

"Personal Response Systems ("clickers") may be used in some classes. If clickers are to be used in a class, it is the responsibility of the student to ensure that the device is activated and functional. Students must see their instructor if they have any concerns about whether the clicker is malfunctioning.

Students must use only their own clicker. If clicker records are used to compute a portion of the course grade:

- the use of somebody else's clicker in class constitutes a scholastic offence,
- the possession of a clicker belonging to another student will be interpreted as an attempt to commit a scholastic offence."

**Security and Confidentiality of Student Work** (refer to current *Western Academic Calendar* (<http://www.westerncalendar.uwo.ca/>))

**Submitting or Returning Student Assignments, Tests and Exams** - All student assignments, tests and exams will be handled in a secure and confidential manner. Particularly in this respect, leaving student work unattended in public areas for pickup is not permitted."

**Duplication of work**

Undergraduate students who submit similar assignments on closely related topics in two different courses must obtain the consent of both instructors prior to the submission of the assignment. If prior approval is not obtained, each instructor reserves the right not to accept the assignment.

### **Grade adjustments**

In order to ensure that comparable standards are applied in political science courses, the Department may require instructors to adjust final marks to conform to Departmental guidelines.

### **Academic Offences**

"Scholastic offences are taken seriously and students are directed to read the appropriate policy, specifically, the definition of what constitutes a Scholastic Offence, at the following Web site:

[http://www.uwo.ca/univsec/handbook/appeals/scholastic\\_discipline\\_undergrad.pdf](http://www.uwo.ca/univsec/handbook/appeals/scholastic_discipline_undergrad.pdf)

### **Submission of Course Requirements**

**ESSAYS, ASSIGNMENTS, TAKE-HOME EXAMS MUST BE SUBMITTED ACCORDING TO PROCEDURES SPECIFIED BY YOUR INSTRUCTOR (I.E., IN CLASS, DURING OFFICE HOURS, TA'S OFFICE HOURS).**

**THE MAIN OFFICE DOES NOT DATE-STAMP OR ACCEPT ANY OF THE ABOVE.**

Note: Information excerpted and quoted above are Senate regulations from the Handbook of Scholarship and Academic Policy. <http://www.uwo.ca/univsec/handbook/>

**Students registered in Social Science should refer to <http://counselling.ssc.uwo.ca/> <http://counselling.ssc.uwo.ca/procedures/havingproblems.asp> for information on Medical Policy, Term Tests, Final Examinations, Late Assignments, Short Absences, Extended Absences, Documentation and other Academic Concerns. Non-Social Science students should refer to their home faculty's academic counselling office.**

## **Plagiarism**

"Plagiarism: Students must write their essays and assignments in their own words. Whenever students take an idea, or a passage from another author, they must acknowledge their debt both by using quotation marks where appropriate and by proper referencing such as footnotes or citations. Plagiarism is a major academic offence." (see Scholastic Offence Policy in the Western Academic Calendar).

**Plagiarism Checking:** "All required papers may be subject to submission for textual similarity review to the commercial plagiarism detection software under license to the University for the detection of plagiarism. All papers submitted for such checking will be included as source documents in the reference database for the purpose of detecting plagiarism of papers subsequently submitted to the system. Use of the service is subject to the licensing agreement, currently between The University of Western Ontario and Turnitin.com ( <http://www.turnitin.com> )."

**Multiple-choice tests/exams:** "Computer-marked multiple-choice tests and/or exams may be subject to submission for similarity review by software that will check for unusual coincidences in answer patterns that may indicate cheating."

Note: Information excerpted and quoted above are Senate regulations from the Handbook of Scholarship and Academic Policy. <http://www.uwo.ca/univsec/handbook/>

### **PLAGIARISM\***

In writing scholarly papers, you must keep firmly in mind the need to avoid plagiarism. Plagiarism is the unacknowledged borrowing of another writer's words or ideas. Different forms of writing require different types of acknowledgement. The following rules pertain to the acknowledgements necessary in academic papers.

**A. In using another writer's words, you must both place the words in quotation marks and acknowledge that the words are those of another writer.**

You are plagiarizing if you use a sequence of words, a sentence or a paragraph taken from other writers without acknowledging them to be theirs. Acknowledgement is indicated either by (1) mentioning the author and work from which the words are borrowed in the text of your paper; or by (2) placing a footnote number at the end of the quotation in your text, and including a correspondingly numbered footnote at the bottom of the page (or in a separate reference section at the end of your essay). This footnote should indicate author, title of the work, place and date of publication, and page number.

Method (2) given above is usually preferable for academic essays because it provides the reader with more information about your sources and leaves your text uncluttered with parenthetical and tangential references. In either case words taken from another author must be enclosed in quotation marks or set off from your text by single spacing and indentation in such a way that they cannot be mistaken for your own words. Note that you cannot avoid indicating quotation simply by changing a word or phrase in a sentence or paragraph which is not your own.

**B. In adopting other writers' ideas, you must acknowledge that they are theirs.**

You are plagiarizing if you adopt, summarize, or paraphrase other writers' trains of argument, ideas or sequences of ideas without acknowledging their authorship according to the method of acknowledgement given in 'A' above. Since the words are your own, they need not be enclosed in quotation marks. Be certain, however, that the words you use are entirely your own; where you must use words or phrases from your source, these should be enclosed in quotation marks, as in 'A' above.

Clearly, it is possible for you to formulate arguments or ideas independently of another writer who has expounded the same ideas, and whom you have not read. Where you got your ideas is the important consideration here. Do not be afraid to present an argument or idea without acknowledgement to another writer, if you have arrived at it entirely independently. Acknowledge it if you have derived it from a source outside your own thinking on the subject.

In short, use of acknowledgements and, when necessary, quotation marks is necessary to distinguish clearly between what is yours and what is not. Since the rules have been explained to you, if you fail to make this distinction your instructor very likely will do so for you, and they will be forced to regard your omission as intentional literary theft. Plagiarism is a serious offence which may result in a student's receiving an 'F' in a course or, in extreme cases in their suspension from the University.

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Adopted by the council of the Faculty of Social Science, October, 1970; approved by the Dept. of History August 13, 1991

**Accessibility at Western**

Please contact [poliscie@uwo.ca](mailto:poliscie@uwo.ca) if you require any information in plain text format, or if any other accommodation can make the course material and/or physical space accessible to you.