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*Kyung Hee University Summer Global Collaborative 2020*  
***Political Risk Analysis in the East Asian Context***

Monday – Friday, June 29~July 17, 2020

**Course Description**

Imagine yourself as the chief executive of a major corporation seeking to expand your business overseas in the United States, India, Japan, Korea, China, or elsewhere in East Asia. As you look abroad, you see large markets and a world full of opportunity for your company. But you also observe a rapidly changing and sometimes threatening global business environment characterized by political and economic risk and uncertainty. You face foreign publics who are often angry, hostile, and capricious in their tastes; constantly shifting political winds, aggressive and unpredictable regulators, potentially unreliable business partners, economic crises and instability, in addition to the risks of terrorism and political violence.

How will you cope with these problems? What tools and methodologies will you employ to forecast these risks? What actions will you take to manage and mitigate the dangers you face? Enroll in the “Political Risk Analysis” if you want to learn about these subjects. The course will address political risk forecasting and the management methodologies and techniques used in factoring political risks into decisions relating to foreign direct investments. The emphasis on the course is practical and applied. Students will have the opportunity to apply what they learn in real-world case problems and assignments. The political risk forecasting, research, and management methods covered will include Standard & Poor’s and Moody’s Sovereign Ratings Systems, the Delphi Method, The Prince Model, the BERI Model, The Economist Model, The PRS Model, the IES Energy Model, Political Risk Insurance, Integrated Risk Management, and Enterprise-Wide Risk Management.

Political Risk Analysis historically involved the assessment of the environment for doing business abroad and for the execution of international transactions, particularly foreign direct investment and currency management and arbitrage. More recently it has come to embrace problems of insurance and reinsurance, protection of personnel, country risk, and opportunity assessments, scenario building and gaming for strategic planning, and the challenges of compiling and interpreting intelligence data for government and business. It addresses all the “hot button” issues in international relations today: **crisis management** (from Cuban Missile Crisis to the 9/11 terrorist attacks); the increasing centrality of **political-economy** and appropriate methods for integrating political and economic factors in the study of IR (from the pricing of oil...to the risk of doing business in China...to hedging on investments in Latin America...to anticipating swings in currency rates); **globalization** issues in all their multidimensional complexity; and **multinational enterprises** and the challenges of doing business overseas.

War, revolution, terrorism, different forms and changes in government are highly visible examples of the sources of political risks that confront business, organizations and governments every day. This course aims to develop your political risk analysis skills in

several ways by bridging theory and academic practice through the use of case-studies, simulation, and exercises drawn from the real world.

**NOTE: Sequence of classes, course schedules, and assignments may be modified as required by circumstances (breaking news, guest speakers, visit to risk consultancy, etc**

## **Readings:**

Most readings will be available electronically online or by a hyperlink embedded in the syllabus. The readings below are indicative of what is covered in class and some will change by summer session 2020.

### **REQUIRED:**

**The Fat Tail, Oxford University Press, 2010, Ian Bremmer & Preston Keat**

I would like you to purchase through your favorite online bookstore or Barnes & Nobel online or Amazon.com:

<http://www.barnesandnoble.com/w/fat-tail-ian-bremmer/1100258007?ean=9780199737277>

or,

[http://www.amazon.com/Fat-Tail-Political-Knowledge-Uncertain/dp/0199737274/ref=sr\\_1\\_1?ie=UTF8&qid=1421265101&sr=8-1&keywords=The+Fat+Tail](http://www.amazon.com/Fat-Tail-Political-Knowledge-Uncertain/dp/0199737274/ref=sr_1_1?ie=UTF8&qid=1421265101&sr=8-1&keywords=The+Fat+Tail)

### **Recommended (not required):**

Against the Gods: The Remarkable Story of Risk, Wiley Press, 1996 by Peter L. Bernstein. It is available (new and used copies) at Amazon, Barnes and Noble and elsewhere starting at \$7.71.

This is a delightful book about the discovery and use of probability to cope with various risks. Think of it as bedtime reading....

See: [http://www.amazon.com/Against-Gods-Remarkable-Story-Risk/dp/0471295639/ref=sr\\_1\\_1?ie=UTF8&s=books&qid=1231961481&sr=1-1](http://www.amazon.com/Against-Gods-Remarkable-Story-Risk/dp/0471295639/ref=sr_1_1?ie=UTF8&s=books&qid=1231961481&sr=1-1)

## **SESSION 1 – Monday, June 29**

### 1.1 Introduction to Course

- Dr. Plantan Introduction
- Course Content Overview – Drs. Plantan
- Class Discussion: Why taking course? Interest? Hope to gain?
- Student requirements: Final Project Topics, Course Policies & Grading

- Course Issues Discussion (English Language, Lecture Outlines, Introduce Examples of Final Projects, Instructional Methods)
- Student Introduction and Ice-breaking Activity

Assignment 1-- **Course Preferences and Expectations**

Assignment 1.2: **Bring news clipping that illustrates an issue or case of political risk**

In-Class Exercise: **Team Building [Handout] prepare for next class**

**SESSION 2 – Tuesday, June 30**

2.1 Review:

- Course Issues Discussion (Lecture Outlines, Introduce Examples of Final Projects, Instructional Methods)
- News Article summaries and sharing
- Student Introduction Activity—beginning Team building exercise

2.2 Definitions & Concepts

2.2 Identifying and Interpreting Political Risk

- Political Risk in the East Asian Context Current Examples in the News Discussion
- Political Risk in East Asian Context News Article Assignment

**SESSION 3 – Wednesday, July 1**

3.1

- 3 Political Risk Definitions Activity Review
- 11 Dimensions of Political Risk Lecture Review (#1-5)
- 11 Dimensions of Political Risk Lecture, Note-Taking Activity and Discussion (#6-11)

3.2 Value, Risk & Probability I; and Approaches and Models Used in Risk Analysis

- Introduction & Definitions
- Fundamental Principles of Risk Management

Assignment:

- **Bring news clipping that illustrates an issue or case of political risk**

**SESSION 4 – Thursday, July 2**

In-class activities; collect and review news reports; group meetings on team selection and project selection

4.1 Distribute and Discuss Assignment 1 – Political Risk Model One-Page Summary

4.2 Begin Final Project Proposal Topic Guidance & Discussion

Review and discuss:

- a. Must Specify Organization and Specific Project or Activity
- b. Commercial Orientation is Customary and Preferable
- c. Topic Should Not Be a Conventional International Relations, Diplomacy, or Strategic Studies Question or Subject
- d. Begin With a Risk Inventory
- e. Begin to Compile a Bibliography
- f. Final Project Proposal Team Activity – Specify Company, Project, and Primary Risk
- g. Final Project Proposal Team Activity Discussion

#### 4.3 Overview of Political Risk Models

- BERI model
- Political Risk Model One-Page Summary Group Activity
- (Overview of 4 Leading Political Risk Models Jigsaw Exercise)
- The Economist, IHS, GM, and Prince Models

**Assignment:** Final Project Proposal Guidance and Instructions handout  
Political Risk Model Summaries (Team project)

### **SESSION 5 – Friday, July 3**

#### 5.1 Review

- Discuss Assignment – Political Risk Models One-Page Summary

#### 5.2 Political Risk Models, continued

#### 5.3 Sources & Analytical Methods

- Political Risk Case Study Research Resources
- Content Analysis and Event Data

In-class activities: collect and review news reports; group meetings on team selection and project selection

### **SESSION 6 – Monday, July 6**

#### 6.1. Review

#### 6.2. Two Political Risk Analysis Objectives – Forecasting & Preventing Losses

#### 6.3. Characteristics of Forecasting Methodologies

### **SESSION 7 – Tuesday, July 7**

#### 7.1. Review

- 7.2 Enterprise Wide Approach to Risk Management (ERM)
  - Integrated Strategic Risk Management Plans
  - Posco ERM Plan – Research Plan Examples Discussion

## **SESSION 8 – Wednesday, July 8**

### 8.1 Review

Value, Risk & Probability I

- Introduction & Definitions
- Fundamental Principles of Risk Management

8.2 Delphi Survey Forecasting Method ; Delphi Survey: North Korea exercise and/or terrorism case: How does the situation on the Korean Peninsula affect foreign direct investment into Japan and Japanese overseas direct investment in Korea and China?

The Delphi Technique (:20)

Delphi Questionnaire Group Activity (:20)

North Korea Delphi Questionnaire Discussion (:15)

8.3 Historical Case: 1997 – 1999 Asian Economic Crisis

## **SESSION 9 – Thursday, July 9**

### 9.1. Review

### 9.2. Cases of Sovereign Risk Rating

National Income Accounting & Balance of Payments

Japan Sovereign Ratings Activity

Sovereign Risk Ratings: Moody's

Familiarization Exercise: Investigate ratings agency's websites:

### 9.3. Exercise

Political Issue Influencing on Japan's Sovereign Rating

Sovereign Rating Question Review and Discussion

### 9.4 Feedback

Final Project Proposal Team Activity – Risk Exposure

Description, Measurement, and Quantification & Risk

Control and Financing Plan

Final Project Proposal Team Activity Discussion – Risk Descriptions & Risk

Control Plans

## **SESSION 10 – Friday, July 10**

### 10.1

- Where to find country risk resources on the internet
- Regulatory Risk, part I
- Team work and Instructor feedback on projects

## 10.2

- Japan's country risk rating
- <http://www.businessmonitor.com/japan>

## 10.3 Regulatory Risk in Japan

### Reading:

- [The Fat Tail](#), Chapter 8, "Regulatory Risk" pp. 143 – 161.

## **SESSION 11 – Monday, July 13**

### 11.1. Review

### 11.2. Regulatory Risk, part II

- Regulatory Risk and Negative Government Actions
- Regulatory Risk Research Resources

Review the following web sites, which are excellent research resources for identification and forecasting regulatory risk:

- Davidson Data Center Network. See: [http://ddcn.prowebis.com/browse\\_subject2.asp](http://ddcn.prowebis.com/browse_subject2.asp)  
See for example the following located by using the search function on the website:  
[http://ddcn.prowebis.com/study\\_detail.asp?studyid=410](http://ddcn.prowebis.com/study_detail.asp?studyid=410)  
and  
[http://ddcn.prowebis.com/study\\_detail.asp?studyid=412](http://ddcn.prowebis.com/study_detail.asp?studyid=412)

Visit these two websites and read the abstracts to see the type or relevant information you can find there pertaining to political risk.

The Competitiveness, Technology and Firm Linkages in Manufacturing Sectors dataset was created from a firm-level survey conducted by the World Bank in 2001. The survey covers 1,500 Chinese firms, across ten sectors, which are evenly distributed across five large cities: Beijing, Chengdu, Guangzhou, Shanghai and Tianjing. Data include information on innovations, market environment, international trade, revenue, costs, and labor force among others. See:

[http://ddcn.prowebis.com/browse\\_featured.asp](http://ddcn.prowebis.com/browse_featured.asp)

The micro panel surveys of Chinese State-Owned Enterprises (SOE) cover the period of 1980 to 1994. See: [http://ddcn.prowebis.com/browse\\_featured.asp](http://ddcn.prowebis.com/browse_featured.asp)

- Review the World Bank Governance Data Sets at:  
<http://www.worldbank.org/wbi/governance/data.html>
- Other World Bank data and information concerning:
  - World Business Environment Survey
  - Investment Climate
  - Doing BusinessSee: <http://info.worldbank.org/governance/wbes/index2.html>

- World Bank Foreign Investment Advisory Service Investment Climate Indicators  
[http://www.fias.net/investment\\_climate.html](http://www.fias.net/investment_climate.html)

Recommended Readings:

## **SESSION 12 – Tuesday, July 14**

### 12.1. Review

### 12.3. Risk Insurance

- Political Risk Insurance
- Trade Credit Insurance

### 12.3. Calculating Policy Premiums

Premium Calculation ICX/Case Study Overviews

### 12.3. TISA Terrorism Insurance and Securities Act 2001

## **SESSION 13 – Wednesday, July 15**

### 13.1. Review

### 13.2. Reputation Risk & Issue Group Campaigns

- How NGOs Influence the Business Environment
- Civil Liability & Tort Actions

## **SESSION 14 – Thursday, July 16**

- Security Risks: Identification, Contingency Planning and Management
- Types of Security Risks & Methods of Identifying Them
- Security Risk Management Tools
- Site Security: Personnel, Plant & Assets
- Personnel Security: Travel, Crime, Kidnap & Ransom

Familiarize yourself with these private security firms and the services they provide:

- <http://www.krollworldwide.com/services/security/> (Review all Kroll security services offerings)
- <http://www.pinkertonagency.com/>  
<http://www.pinkertonagency.com/global/global.html>  
<http://www.pinkertonagency.com/global/services.html>  
<http://www.pinkertonagency.com/crisis/crisis.html>  
<http://www.ci-pinkerton.com/news/globalPS.html>
- <http://www.guardsmark.com/>

For an example of a company specializing in catastrophic risks and an example of a probabilistic model for forecasting acts of terrorism, see:

- [http://www.air-worldwide.com/\\_public/html/about\\_air.asp](http://www.air-worldwide.com/_public/html/about_air.asp)

## **SESSION 15 – Friday, July 17**

- . Lone Star Case

## **SESSION 16 – Friday, July 17**

### **FINAL EXAM DAY**

#### *Assignments and Deadlines*

Final Project Proposal—TBA

Delphi Exercise --TBA

**Final Exam – Friday, July 17**

**Final Project – TBA**

- [Final Project Assignment and Instructions](#)

Key in-class written assignments:

Course and syllabus familiarization

Political Risk definitions and dimensions of risk

Delphi Questionnaire construction

Political Risk Section of an Enterprise Risk Management Plan

#### *Course Policies and Grading*

#### Philosophy and Objectives

The objective of *Political Risk Analysis in Korea and East Asia* is to teach students to apply social science theories and concepts to the challenges of addressing international political risks to the continuity, effectiveness, and profitability of the operations of business, government, and other organizations. The pedagogical philosophy of the course is decidedly practical and applied. Our aim will always be to apply the techniques of political risk analysis we study to real-world problems in the realm of business and government operations.

#### Instructional Methods

The course will seek to impart knowledge and develop skills by presenting students with a balanced instructional regime consisting of lectures, discussions, in-class exercises, individual and group assignments, simulations, and interactions with practicing professionals. Students and the instructors will also participate in social and recreational activities to facilitate friendship and teamwork.

#### Attendance



Attendance at all class sessions and associated special functions is mandatory and will be weighed significantly in grading. Many of our learning activities will require extensive coordination among students, instructors, and our outside partners. Your consistent attendance is crucial to our ability to achieve our objectives.

### Conduct

We will maintain the highest standards of professionalism. This includes being fully prepared for class, timely completion of reading materials and assignments, active engagement in all class discussions and exercises, and consistent attendance. Students are expected to express well-thought out personal Again, these factors will be carefully monitored and weighed significantly in determination of grades.

### Requirements and Grading

Students will be evaluated on all activities and assignments throughout the term and all such evaluations will be considered in the determination of course grades. Students will be evaluated according to their performance in four categories and grades will be a determined according to the following formula:

- 1) Student Engagement & In-Class Exercises and Assignments - 30%  
Student engagement refers to the quality of contributions to class discussions, exercises, and collaborate projects; student citizenship, collegiality, and supportiveness of colleagues; leadership, followership, cooperativeness, attitude and class preparation. Performance on in-class written exercises, activities, and assignments is also a critical element of this component of the course grade.
- 2) Delphi exercise—10%
- 2) Final Project Proposal & Final Project Individual Grade – 10%
- 3) Final Project & Final Project Team Grade - 30%
- 4) Final exam – 20%

Students will receive a letter grade on each assignment in each category. Grades for all assignments in each category will be averaged and the final grade will be determined by a weighted sum according to the formula set forth above. Students may receive both individual and team or group grades on selected assignments.

The class project will be an 8-10 page report that employs one or more of the risk models or methodologies to the analysis of an international political risk problem. Students will have wide latitude in choosing the methods they employ and the case or cases to which they apply them. The parameters of the semester project will be specified at mid-semester. All proposal topics must be approved in advance by Dr. Plantan.