

PSC 503  
Political Risk, Early Warning, and Conflict Management  
MW 6:00-7:50 PM  
Spring, 2012

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## **COURSE SYLLABUS**

### **COURSE OBJECTIVES**

This is an introduction to the study of political risk, a subject that is still in its infancy. It is rather like intelligence in that facts abound, but nobody knows how to connect them. When you complete this class, you will (1) know the various types of political risk analysis, (2) be able to identify the type of thinking that can lead to erroneous analysis, and (3) have a “feel” for this elusive field.

### **COURSE ORGANIZATION**

Readings and topics appear in the course outline (pages three and four of the syllabus). For each class session, do the readings before class and come prepared to discuss them. At the same time, each student should follow major world events. We will be looking at current events and discussing them as they happen, with an eye toward forecasting domestic or international stability or instability.

As the course progresses, events may cause some adjustments to the schedule that appears at the end of this syllabus. Some events, like coups and other disruptions, will be discussed as they happen, which will alter the schedule. The course enrollment may also affect the schedule of student presentations. Be prepared to amend the course schedule accordingly.

The course will have a midterm and final exam (both take-home), plus two papers. Descriptions of these papers appear after the course outline.

### **TEXTS**

Bremmer and Keat, [The Fat Tail](#)  
Gale, [Political Risk and International Business: Case Studies in Southeast Asia](#)  
Howell, Ed., [The Handbook of Country and Political Risk Analysis](#)  
McKellar, [A Short Guide to Political Risk](#)  
Zonis, et. Al., [The Kimchi Matters](#)

## **CLASS PRESENTATIONS**

After Spring Break, we will begin a series of class presentations involving actual political risk firms. These presentations are intended to give students some experience preparing and presenting material, but are also meant to generate discussion in class in preparation for a writing assignment that is due after presentations have been completed. The assignment of topics for presentation will depend on the enrollment in the class, but in some cases the presentations will involve more than one person.

The paper will be an overall analysis of the various firms discussed in presentations, and will therefore be based on those presentations.

Students will be graded on the quality of their presentation and the quality of the analytic paper produced after all presentations have concluded.

## **EVALUATION**

Class participation	10%
Presentation/analysis	20%
Paper	20%
Midterm	20%
Final	30%

## COURSE OUTLINE

DATE	TOPIC	ASSIGNMENT
1/18	Introduction and discussion of globalization	Z, introduction
<u><i>Part One: Political Stability and The Limits of Globalization</i></u>		
1/23	Corruption, ethnic conflict, and social/economic change	Z, pp. 1-51
1/25	Discontent and the state	Z, pp. 53-102
1/30	Leadership, succession and the masses	Z, pp. 105-152
2/1	Instability	Z, pp. 153-194
2/6	Internal and external economic problems	Z, pp. 195-240
2/8	Institutionalization, wrap-up	Z, pp. 241-289
<u><i>Part Two: The Importance of Political Risk Analysis</i></u>		
2/13	The problem, and faulty thinking	B, pp. 1-36
2/15	Geopolitical risk and capital markets	B, pp. 37-81
2/20	HOLIDAY	
2/22	Violence	B, pp. 83-121
2/27	Risk from government action: expropriation, regulation	B, pp. 123-161
2/29	Identifying and responding to risk <b>MIDTERM HANDOUT</b>	B, pp. 163-198
3/5	Group exercise	No assignment
<u><i>Part Three: Political Risk Analysis and its varieties</i></u>		
3/7	Overview of risk analysis <b>MIDTERM EXAMS DUE</b>	M, 1-3; H, Ch. 1
3/12-16	SPRING BREAK	

## COURSE OUTLINE (continued)

3/19	Risk assessment	M, Ch. 4
3/21	Risk management	M, Ch. 5
3/26	Other issues in political risk	M, chs. 6-7
3/28	<i>The Economist</i> and ICRG: basic examples	H, Chs 2,4
4/2	BERI and EIU (presentations)	H, pp. 159-207
4/4	SJ Rundt and Euromoney (presentations)	H, pp. 208-248
4/9	Standard & Poor's, Moody's (presentations)	H, pp. 249-320,
4/11	PRS and IHS Energy Group (presentations)	H, pp. 321-378
4/16	Eurasia Group and CRG (presentations)	H, pp. 379-430
4/18	VRA and additional groups (presentations)	H, pp. 23-40
Part Four: The micro environment		
4/23	Risk in Southeast Asia	G, Chs. 1-2
4/25	Busted in Laos and the Philippines	G, Chs. 3-4
4/30	Messed up in Indonesia and Thailand	G, Chs. 5-6
<b>FINAL EXAM HANDOUT</b>		
5/2	Concluding Remarks, final exam discussion	G, Ch. 7

**FINAL EXAMINATION WEDNESDAY, May 9, 6:00-8:00 PM.**

**Final exams will be due on that date; a class session will be held.**

## PAPER ASSIGNMENT

1. Identify an event from the recent past relevant to political risk assessment. This can be a nationalization of enterprises, hostile action by a government toward a specific firm or group of firms, an unscheduled transfer of power (coup, revolution, etc.), or a period of instability (unsuccessful revolt, terrorism, civil strife). Alternately, it can be the threat of instability or government action that never materialized. Identify an approximate time period where the events occurred.

2. Gather as much evidence as possible from the year preceding the event. Decide whether news sources overestimated, underestimated, or correctly estimated the actual threat.

a) If the event came as a surprise, could this event have been anticipated given the facts you have gathered? If so, explain how. If not, describe what information would have been needed to make an accurate assessment beforehand.

b) If the event was merely a threat that was never realized, explain why the threat was exaggerated. What information or knowledge could have prevented the misunderstanding.

Make sure you tie this information to the material contained in the Zonis (Kimchi Matters) and Bremmer (Fat Tail) books.

3. Write a paper of approximately 10-20 pages describing all of your research.

The paper is due on March 26

## PRESENTATION AND ANALYSIS ASSIGNMENT

Each student will be assigned one of the following risk assessment reporting groups, depending in part on class enrollment:

Business Environment Risk Intelligence (BERI)  
Economist Intelligence Unit (EIU)  
S.J. Rundt and Associates  
Euromoney  
Standard & Poor's  
Moody's  
PRS Group  
IHS Energy Group  
The Eurasia Group  
Control Risks Group (CRG)  
Political and Economic Risks Consultancy (PERC), Hong Kong  
Any other firm involved in international political risk

The assignment is to read through the material in the Howell reader on the specific firm (unless you choose PERC or another firm you find), and then do independent research to find out additional facts relevant to the firm, including, but not limited to:

- The background of the leadership of the firm
- Approximate size of the firm, in terms of volume of revenues and employees
- Successes or failures the firm has had in the past

I recommend corresponding with the firm if at all possible, especially with the firms that do not appear in the Howell reader.

In addition, each student should prepare a critical analysis of the firm's output – limitations and shortcomings of the methodology, and the assumptions of the methodology itself. If there are any unexplained methods, identify those and speculate on how those are actually incorporated into the firm's analysis.

During the class sessions identified, each student or group of students will prepare an oral presentation about the firm, and the additional research done on the firm.

On April 23 (after the presentations are done), each student will turn in a written report on the firms. A set of guidelines on the written report will be distributed two weeks before then.