



Mahidol University  
International College

## ICIR 321 Political Risk, Business and International Relations

### Course Description & Aims:

This course equips students with the ability to understand and analyze the nature and varieties of political risk, how and why it arises, and how to engage and manage it effectively. How political power; interests; values; local culture; systems; technology create risks for international business. Political risk in developed countries; implications for non-western companies overseas. Students will analyze; assess; evaluate how to anticipate; manage; mitigate political risks.

How political power; interests; values; local culture; systems; technology create risks for international business. Political risk in developed countries; implications for non-western companies overseas. Students will analyze; assess; evaluate how to anticipate; manage; mitigate political risks.

Lecturer: James Buchanan

Office number and hours: Students can make an appointment via email

Email address: [j.buchanan@my.cityu.edu.hk](mailto:j.buchanan@my.cityu.edu.hk)

### Assessment

Classroom participation	10%
Midterm examination	20%
Case Study (Group Presentation)	20%
Risk Analysis Report	20%
Final Examination	30%

### Course Learning Outcomes

At the completion of the course the student will be able to:

1. Understand and explain the nature and variety of political risks
2. Explain and analyze how and why political risks change over time
3. Explain and demonstrate how political risks can be negotiated, managed and mitigated
4. Explain how companies, governments, civil society and other actors can work together to establish and maintain mutually-beneficial relations

Topic No.	Topic
1	Risk and the unknown
2	Political risk: history, definitions and change
3	Causes of political risks (1): State risks
4	Causes of political risks (2): Societal risks
5	How and why political risks change
6	Midterm exam and review
7	Case studies of political risk (1)
8	Case studies of political risk (2)
9	Organising to manage political risk
10	Mitigating Political Risk (and Introduction to Risk Analysis Report Assignment)
11	Contemporary developments in political risk
12	The future of political risk

### Assessment Methods & Criteria

#### 1. Classroom Participation (10%)

Students will receive 0-10% depending on attendance and active participation in class (contribution to discussions, asking and answering questions). Coming to **student hours**, or meeting to discuss the course at other times, is also encouraged. There will be a **group debate** on a major issue –details will be given early in the course.

**What are “student hours”?** Student hours (formerly “office hours”) are times a teacher sets aside each week for students to come and ask any questions and discuss any issues they would like. It is time devote solely to student interests and concerns. If you would like to come but cannot make the regular student hours, please contact me to arrange a convenient time to meet.

#### 2. Mid-term examination 20%

Students will be given a take home examination to assess their understanding of the first half of the course. This will take the form of essay questions.

#### 3. Case studies 20%

In weeks 7 and 8, students will research and give a group presentation of a real-world case study of political risk. This will take the form of an oral report of c. 15 minutes.

#### 4. Risk Analysis Report 20%

In week 10, students will prepare a written risk analysis report for a given context. They will identify political risks and outline a strategy to managing and mitigate the identified risks.

#### 5. Final examination 30%

Students will be given a take-home exam to assess their understanding of the whole course. This will take the form of essay questions.

### **Risk and the unknown**

**Topic description:** Students will be introduced to the course outline, course requirements, and their expected input. Basic concepts (politics, markets, risk) are defined and explored and the key actors and their relationships are outlined (states, companies, NGOs, etc). Links to other topics in International Relations (interdependence, globalization, sovereignty, norms etc) are identified and discussed.

**Expected learning outcomes:** For students to understand the basic concepts underlying the study of political risk, and their relationship to the wider discipline of International Relations

#### **Readings and activities:**

- Peter L. Bernstein, *Against the Gods: the remarkable story of risk* (Wiley, 1998)
- Nigel Gould-Davies, *Tectonic Politics: Global Risk in an Age of Transformation* (Washington: Brookings, 2019)

Class discussion: What is risk? Why do people take risks? To what extent is the future predictable? What are some of the “big” political events of the 21st century? What have been the effects of these events?

### **Political risk: history, definitions and change**

**Topic description:** The different forms of political risk: what they share and what distinguishes them from one another.

**Expected learning outcomes:** For students to understand the different forms of political risk involved in doing business in an increasingly globalised world, how “political risk” as a practice and field of study came into being, and how political risk has changed over time.

#### **Readings and activities:**

- Condoleeza Rice and Amy B. Zegart, *Political Risk: Facing the threat of global insecurity in the 21<sup>st</sup> century* (London: Orion, 2018)
- Robock, Stefan H. "Political Risk: Identification and Assessment." *Columbia Journal of World Business*, July-August 1971, pp. 6-20.
- Georges Dionne, “Risk Management: History, Definition, and Critique,” *Risk Management and Insurance Review* 16:2 (Fall 2013)

Class discussion: How do politics and markets interact with one another?

### **Causes of Political Risks (1): State Risks**

**Topic description:** A closer look at the forms of political risk that arise from sovereign power or challenges to it. How these risks threaten economic activity, and with what consequences. Their relative incidence across time and space.

**Expected learning outcomes:** For students to understand how state-based risks create threats to economic value, and the trends these exhibit.

### **Readings and activities:**

- Raymond Vernon, *Sovereignty At Bay* (New York, 1971)
- Håvard Hegre and others, “Predicting Armed Conflict, 2010–2050,” *International Studies Quarterly* 57:2 (June 2013)
- National Intelligence Council, *Global Trends 2030: Alternative Worlds*, December 2012 ([https://globaltrends2030.files.wordpress.com/2012/11/global\\_trends-2030-november2012.pdf](https://globaltrends2030.files.wordpress.com/2012/11/global_trends-2030-november2012.pdf)); and Human Security Report Project, *The Decline in Global Violence: Evidence, Explanations, and Contestation* (Vancouver: Human Security Press, 2013) ([www.files.ethz.ch/isn/178122/HSRP\\_Report\\_2013\\_140226\\_Web.pdf](http://www.files.ethz.ch/isn/178122/HSRP_Report_2013_140226_Web.pdf))

Class discussion: what clear examples are there of state power (or challenges to it) helping or hindering value creation?

### **Causes of Political Risks (2): Societal Risks**

**Topic description:** A closer look at the forms of political risk that arise from societal pressures and civic regulation. How these risks threaten economic activity, and with what consequences. Their relative incidence across time and space.

**Expected learning outcomes:** For students to understand how societal risks create threats to economic value, and the trends these exhibit.

### **Readings and activities:**

- Condoleeza Rice and Amy B. Zegart, *Political Risk: Facing the threat of global insecurity in the 21<sup>st</sup> century* (London: Orion, 2018)
- John Morrison, *The Social License: How to Keep Your Organization Legitimate* (London, 2014)
- David Vogel, *The Market for Virtue: The Potential and Limits of Corporate Social Responsibility* (Washington, DC: Brookings Institution Press, 2006)

Class discussion: what examples are there of social power helping or hindering value creation?

### **How and Why Political Risks Change**

**Topic description:** The underlying drivers of the full range of political risks, and how these can be related to wider theories about the evolving political economy.

**Expected learning outcomes:** For students to understand how risks have changed over time as the world has gone through periods of colonisation, war, revolution, independence, globalisation and technological disruption.

### **Readings and activities:**

- Chris Hajzler, “Expropriation of Foreign Direct Investments: Sectoral Patterns from 1993 to 2006,” Economics Discussion Paper 1011 (Dunedin, New Zealand: University of Otago, 2010)
- Dani Rodrik, *The Globalization Paradox: Why Global Markets, States, and Democracy Can't Coexist* (Oxford: Oxford University Press, 2011)

Class discussion: What is globalisation? What are the benefits? What are the negative aspects? Is globalisation here to stay? What threats does it face?

### **Midterm Exam and Review**

**Expected Learning Outcomes:** Before the exam: students will consolidate their understanding, especially of topics of which they are less confident. After the exam: students will learn lessons from exam preparation and performance that they can apply to the final exam, and beyond.

#### **Activities:**

Group exercise: Discussion of course material so far. Outline model answers to sample questions.

Group discussion: Review of exams questions, how to tackle them and lessons learned.

#### **Readings:**

Review of course readings to date

### **Case Studies of Political Risk (1)**

**Topic description:** Students will prepare and conduct group presentations on semi-authentic case studies of political risk assessment.

**Expected learning outcomes:** For students to learn to apply their understanding of the nature and causes of political risks to individual, real-world cases, and to begin to formulate solutions.

#### **Readings and activities:**

- Daniel Litvin, *Empires of Profit* (Acorn Press, 2011)
- Condoleeza Rice and Amy B. Zegart, *Political Risk: Facing the threat of global insecurity in the 21<sup>st</sup> century* (London: Orion, 2018)
- Case study materials to be circulated

### **Case Studies of Political Risk (2)**

**Topic description:** Students will prepare and conduct group presentations on semi-authentic case studies of political risk assessment.

**Expected learning outcomes:** For students to learn to apply their understanding of the nature and causes of political risks to individual, real-world cases, and to begin to formulate solutions.

#### **Readings and activities:**

- Daniel Litvin, *Empires of Profit* (Acorn Press, 2011)
- Condoleeza Rice and Amy B. Zegart, *Political Risk: Facing the threat of global insecurity in the 21<sup>st</sup> century* (London: Orion, 2018)
- Case study materials to be circulated

### **Organising to Manage Political Risk**

**Topic description:** The key requirements of effective political risk management. The mindset and attributes of political risk managers, and how these can differ from other core corporate

roles. How political risk management can be integrated effectively, and what can happen if it is not. The possibilities and limits of political prediction. Examples of good and bad practice.

**Expected learning outcomes:** For students to understand how companies can develop an organization and culture to see, monitor and address political risk. Implications for current corporate practice.

**Readings and activities:**

- Condoleeza Rice and Amy B. Zegart, *Political Risk: Facing the threat of global insecurity in the 21<sup>st</sup> century* (London: Orion, 2018)
- Nigel Gould-Davies, *Tectonic Politics*, chapters 1 and 5.
- Philip Tetlock and Dan Gardner, *Superforecasting* (New York, 2015)

Class discussion: Why do companies often get political risks wrong?

**Mitigating Political Risk (and Introduction to Risk Analysis Report Assignment)**

**Topic description:** What companies can do to avert, anticipate, mitigate and engage political risk. What forms negotiations can take and the issues that can arise. The role of states, civil society, local communities and the media. Strategies and tactics for resolving them. Good and bad examples. Students will be given instructions on how to write their own graded risk analysis report.

**Expected learning outcomes:** For students to understand the variety of methods for handling political risk, especially engagement and negotiation. Ways to approach and conduct these, and lessons from past practice.

**Readings and activities:**

- John Browne, *Connect: How Companies Succeed by Engaging Radically with Society* (London: W.H. Allen, 2015)
- Michael E. Porter and Mark R. Kramer, “Strategy and Society: The Link between Competitive Advantage and Corporate Social Responsibility,” *Harvard Business Review* (December 2006); and “Creating Shared Value,” *Harvard Business Review* (January–February 2011)

**Contemporary Developments in Political Risk**

**Topic description:** How has political risk changed in recent years? What have been the political risks in the era of right wing populism and a “new cold war” between the West and China. How this creates the new challenges for companies and markets, and how effectively they are responding.

**Expected learning outcomes:** For students to understand how and why political risks are now evolving around the world, and how companies can meet them.

**Readings and activities:**

- John Elkington, *Cannibals with Forks: The Triple Bottom Line of 21st Century Business* (Oxford: Capstone Publishing, 1999)
- *The Vanishing Allure of Doing Business in China*, *The Economist*
- Other newspaper articles on recent cases, to be circulated

**The Future of Political Risk**

**Topic description:** How and why political risks might evolve in coming decades, especially the rise of civic regulation, the digital economy and the possible of a new “moral economy of reason”. Implications for different sectors and countries. What states can do to help their companies.

**Expected learning outcomes:** For students to understand the potential development of political risks, their causes and impact, and responses to them.

**Readings and activities:**

- Anthony Giddens, *Runaway World: How Globalisation Is Reshaping Our Lives* (London: Profile Books, 2002)
- Jamie Susskind, *Future Politics* (OUP, 2018)
- Ronald Inglehart and Wayne E. Baker, “Modernization, Cultural Change, and the Persistence of Traditional Values”, *American Sociological Review*, 65:1 Feb 2000

Class discussion: choose a company or sector that interests you. What are the potential political risks over the next five years? What can you do to manage and mitigate them?