

**C.T. Bauer College of Business
University of Houston**



Draft

**FINA 7397 (19139) Selected Topics in Finance:
International Business & Political Risk Management**

**Summer Session 2 2016
06/06-07/09
Mondays and Wednesdays 6:00pm-10:00pm**

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Course Description

Globalization has been defined as the process through which firms increasingly accept political risk in exchange for economic success. As political factors affect the economic environment and play a significant role in determining the success of firms around the globe, it becomes crucial to conduct an accurate political risk assessment and to provide solutions that not only mitigate risk, but transform it into a higher potential for economic rewards. This course operates primarily from an oil and gas perspective to equip students with a set of tools for assessing and managing political risk at the national, supra-national, and sub-national levels and for capitalizing on unexploited opportunities derived from contexts with a high level of political risk. Every class meeting introduces a new set of political risk subtypes and focuses on one region of the world, utilizing plant site, firm, and country case studies to apply the theoretical concepts introduced in the course.

Course Objectives

- Define and classify political risks.
- Evaluate the contribution of political risk to project risk.
- Assess the impact of political risk on international projects, with a focus on the oil and gas industry.
- Acquire tools for managing political risk.
- Integrate political risk into an Enterprise Risk Management process to attain the corporate objectives of alignment of strategic goals, operational efficiency, reliability of reporting, and compliance with applicable laws and regulations.
- Identify and concretize possibilities for turning political risk into opportunities.

Reading Materials

Books:

Howell, Llewellyn, ed. *Handbook of Country and Political Risk Analysis*. 5th ed. East Syracuse: The Political Risk Services Group, 2014.

Luft, Gal and Anne Korin. *Energy Security Challenges for the 21st Century*. Santa Barbara: Greenwood Publishing Group, 2009.

Articles:

Allen, Chris. "Warfare, Endemic Violence and State Collapse in Africa." *Review of African Political Economy*, Sep. 1999.

Anner, Mark. "Industrial Structure, the State, and Ideology: Shaping Labor Transnationalism in the Brazilian Auto Industry," *Social Science History*, Vol. 27, No. 4, 2003, pp. 603-634.

Cook, Maria Lorena. 2002. "Labor Reform and Dual Transitions in Brazil and the Southern Cone." *Latin American Politics and Society*, Vol. 44, No. 1, 2002, pp. 1-34.

Cosset, Jean-Claude and Jean Roy, "The Determinants of Country Risk Ratings," *Journal of International Business Studies*, Vol. 22, No. 1. (1st Qtr., 1991), pp. 135-142.

Frynas, Jędrzej George. "Political Instability and Business: Focus on Shell in Nigeria." *Third World Quarterly*, Vol. 19, No. 3, 1998, pp.457-478.

Howell, Llewellyn and Brad Chaddick. "Models of Political Risk for Foreign Investment and Trade. An Assessment of Three Approaches." *The Columbia Journal of World Business*, Fall 1994.

Jarvis, Darryl and Martin Griffiths, "Learning to Fly: The Evolution of Political Risk Analysis," *Global Society*, Vol. 21, No. 1, January, 2007.

Pearson, Margaret. "The Business of Governing Business in China: Institutions and Norms of the Emerging Regulatory State." *World Politics* 57, January 2005, pp. 296-322.

Ramamurti, Ravi. "The Obsolescing 'Bargaining Model'? MNC-Host Developing Country Relations Revisited," *Journal of International Business Studies*, Vol. 32, No. 1. (1st Qtr., 2001), pp. 23–39.

Course Requirements

- **CLASS PARTICIPATION: 23%**
- **ASSIGNMENTS: 27% (9x3%)**
- **COUNTRY RISK PRESENTATION: 25%**
- **COUNTRY RISK PAPER: 25%**

Country Risk Paper and Presentation

The class will be divided into groups of four. Each group will work on an emerging market country that offers opportunities for investment in the oil and gas sector. Each member of the group will produce an individual paper (15 pages, double spaced) that analyzes short, medium, and long term political risk factors; gives projected outcomes for these risk factors for oil and gas investors; provides recommendations for how investors can manage these risks; identifies an unexploited opportunity related to a risk factor; and generates a value creation strategy for an oil and gas investor based on this opportunity.

On the last day of class, each group will deliver a presentation based on the findings and recommendations of the group members' individual papers.

CLASS SCHEDULE

Date	Topics	Assignments
06/06	Introduction Overview of Enterprise Risk Management The Role of Political Risk in Enterprise Risk Management	Assignment #1: Assessing prior experience with Enterprise Risk Management and setting individual goals for the course
06/08	Approaches to Country Risk Scenario Planning	Assignment #2: Evaluation of one quantitative and one qualitative approach to political risk analysis

06/13	Security Concerns Conflict and Violence Terrorism and Kidnapping Region in Focus: Middle East and North Africa	Assignment #3: Case study
06/15	Labor Unrest Region in Focus: South America	Assignment #4: Case study
06/20	Supply Disruptions Region in Focus: Central Eurasia	Assignment #5: Case study
06/22	Property Seizure Adverse Contract Changes Region in Focus: Central America	Assignment #6: Case study
06/27	Regulatory Environment and Reform Impact and Key Actors Region in Focus: Eastern Europe	Assignment #7: Case study
06/29	Financial Crises and Contagion Geopolitical and Global Macro Risk Region in Focus: Asia	Assignment #8: Case study
07/04	Timing Risk Turning Political Risk into Opportunities Region in Focus: Sub-Saharan Africa	Assignment #9: Case study
07/06	Country Risk Presentations	Final papers due