

Business and Policy in the Global Economy

STRT 560 (Module 4, Spring 2022)

Tuesdays, 6:30 – 9:20 PM (Hariri 260)

March 22

March 29

April 5

April 12

April 19

April 26

Instructor Information:

Professor: Dr. Rachel Wellhausen (rachel.wellhausen@georgetown.edu)
Office hours: Hariri 563 or Zoom, Tuesdays 4:00 – 6:00 or by appointment
(calendly.com/rwellhausen)

Course Description

In today's global economy, business is increasingly shaped by nonmarket factors. The competitiveness of firms depends as much on government policies and international rules as on their market strategies. The objective of this course is to survey these nonmarket risks in the global economy, as well as opportunities to which they can give rise. Throughout, we bear in mind developments in business-government interactions as a cause and consequence of the current era of popular backlash against economic globalization.

Learning Goals:

- Understand political goals that motivate governments to open to global business.
- Understand sources of tension between foreign investors and governments.
- Survey informal and formal strategies to mitigate political risk and resolve disputes.
- Recognize the extraordinary variation in regulatory policy across countries.

Administrative Policies:

MSB Policies: You are responsible for reviewing these important student policies and taking any related action in a timely manner. The linked documents below contain information on obtaining academic accommodations for disabilities, following Community Standards of conduct, requesting makeup exams, understanding instructional continuity when campus is closed, reviewing grading scales and max mean policies, missing class commitments for religious observances, and complying with copyright of course materials.

Academic Accommodations (MBA Student Syllabus Policies)

Community Standards (MBA Student Syllabus Policies)

Makeup Exams (MBA Student Syllabus Policies)

Instructional Continuity (MBA Student Syllabus Policies)
Grading Scale (MBA Student Syllabus Policies)
Max Mean Grade Policy (MBA Student Syllabus Policies)
Recording Policy (MBA Student Syllabus Policies)
Religious Holiday Observances (MBA Student Syllabus Policies)
Copyright of Course Materials (MBA Student Syllabus Policies)

Grade Determination:

Participation	30%
Assignments	15%
Quiz 1	10%
Quiz 2	10%
Group Project	35%
<i>Proposal</i>	<i>10%</i>
<i>In-class presentation</i>	<i>15%</i>
<i>Slide deck</i>	<i>10%</i>

Details on grade components:

Participation

Excellent participation means enhancing the experience of your classmates by arriving prepared to answer questions and to collaborate effectively with your peers. While in-class participation is essential, you are also encouraged to experiment with other ways of supplementing your participation, for example, by taking advantage of Canvas tools, organizing out-of-class discussions and study groups, or finding other innovative ways to engage.

As a practical suggestion: You should take time at the beginning of the course to determine your personal participation strategy. At the end of the course, you will submit a brief self-evaluation in which you will describe what your participation strategy was and give precise evidence as to how you carried it out. Your self-reflection will be taken into account in determining your participation grade.

Absence policy: *This is an in-person course and attendance is required. Classes are recorded and made available to be of use as review materials.*

If you are required to miss class due to illness or another emergency, these are the instructions for you to make up for your absence.

- Read and engage with the required materials as usual and watch the recording of the class session.
- Submit a 1 page, double-spaced (max 2 page) reflection on the required materials and the content of the class session. This reflection is intended as a substitute for the participation you would have otherwise demonstrated had you

- been in attendance. Thus, it will be evaluated as a component of the participation grade.
- The reflection is due at the same time as the last class or last class assignment, whichever is later. (Although we strongly recommend that you complete the reflection before the subsequent class session so that you stay current on the materials.)

Assignments

The class will include several short assignments, which are intended to provide low-stakes opportunities to allow you to practice skills and gauge your learning. These will be described further in class.

Quiz 1

Quiz 2

Each quiz is a multiple-choice assessment covering materials on which you have not yet been assessed (that is, the quizzes are not cumulative). You will complete it on Canvas at the time of your choosing in a designated period. While the quiz is timed, the intention is to test knowledge rather than speed. The quiz is open-note but not open-colleague. We will review expectations in class.

Group Project

The intention of this project is for you to apply what you have learned by advising a foreign investor currently embroiled in a dispute with the government of the country in which it invests. To complete this project, you will work in a small group. All students in the group will receive the same grade. Groups will be formed based on mutual interests and/or random assignment as necessary. What follows is an overview of the assignment; we will discuss more in class.

Your group will select an unresolved (pending) Investor-State Dispute Settlement (ISDS) arbitration, in which a foreign investor has sued a host country for compensation over alleged property rights violations under an international investment treaty. <https://investmentpolicy.unctad.org/investment-dispute-settlement>.

Your goal is to produce deliverables in the form of a presentation + slide deck aimed at the claimant's management. To be most successful, the slide deck will reflect that you can appropriately apply and extend material from the class; that you deeply understand the dispute under study and are also able to generalize beyond it; and that your decisions in assembling the deck (re: design, length, etc.) result in concision and clarity **as a presentation tool**. In your project, you will advise the claimant on the following, in whatever order/arrangement you see as appropriate.

Characterize in general terms what went wrong:

- What were the government's interests with regard to the claimant's investment?
- When and how did the claimant's and the government's interests come into conflict?

Advise on what to do going forward in this situation:

- In your assessment, what would need to happen for the government to agree to the claimant's terms and come to a settlement outside of arbitration? How likely is this to happen? Explain your reasoning.
- Now think about the claimant's future in the country. If the claimant were to invest further in the host country, what strategies should the claimant pursue in order to manage future political risks? How likely are these strategies to be successful? Explain your reasoning.

Address the claimant's broader exposure to political risk:

- What potential sources of political risk are most relevant to the claimant in its investments abroad? Explain.
- What strategies would you suggest the claimant pursue in mitigating political risks in any given host country? Explain why those strategies would be useful for this claimant in particular.

Proposal: You will submit a 2-page, double-spaced proposal (max 3 pages) that addresses the following:

- *The main component of the proposal: at a "30,000 foot" level:* What is the dispute about? What is your evaluation of why the conflict emerged?
- How will examining this dispute in more detail allow each member of your group to maximize your takeaways from the course?

The proposal will serve to lock-in which pending dispute you will analyze. Your grade will reflect the quality of your justification. *It is your responsibility to do research to confirm that there exists enough public information on the claimant investor and the dispute that you select for you to successfully complete the project.*

In-class component: Group presentation + class Q&A. (Details TBA in class.)

Slide deck: (Details TBA in class.)

SCHEDULE AND MATERIALS

(Part 1) Politics and Policy as a Cause of Global Business

22 March, Class 1.1: The status quo in economic globalization + political risks in global business

Key takeaway: *Economic globalization is the result of political choices, and ever-expanding global business is not guaranteed.*

Framework: Globalization's "winners" v. "losers" as a driver of government policies + political risks faced by global business.

Required materials: See Canvas

Explained: End-of-course participation self-evaluation

Explained: Final group project

Assigned: Group project "match-making" prep

29 March, Class 1.2: Why governments choose economic openness + government strategies to attract global business

Key takeaway: Governments choose to encourage foreign investment if and when business + political priorities are mutually reinforcing.

Frameworks: Countries compete in a global marketplace for foreign capital.

Required materials: See Canvas

Due: Group project "match-making" prep

Assigned: Group project proposal

**** Quiz on Part 1 (on Canvas): To be completed prior to next class session.**

(Part 2) Sources of Political Risk for Global Business

5 April, Class 2.1: Business strategies as an input to the firm-government relationship.

Key takeaway: Commonplace strategic choices that firms make in order to be competitive can increase nonmarket risks.

Framework: Credibility of the threat of exit

Required materials: See Canvas

Due: Group project proposal.

In-class assignment: Working through concepts in Gould and Winters (2007) reading.

12 April, Class 2.2: Bilateral international politics as an input to the firm-government relationship.

Key takeaway: Home and host governments regularly use targeted, bilateral economic policies – that generate costs for business – as tools in pursuit of foreign policy goals.

Framework: Collective action problem

Required materials: See Canvas

Returned: Group project proposal.

In-class assignment: Working through a collective action + free rider problem.

Assigned: Rough draft list of political risk management strategies relevant to your group project.

**** Quiz on Part 2 (on Canvas): To be completed prior to next class session.**

(Part 3) Political Risk Resolution and Mitigation

19 April, Class 3.1: Political risk management strategies

Key takeaway: *Foreign investors have access to a myriad of strategies to mitigate political risk, and the task is to create the most effective portfolio of strategies for a given setting.*

Framework: *Brainstorming and selecting effective strategies to maintain the firm-government relationship.*

Required materials: *See Canvas*

Due: Rough draft list of political risk management strategies relevant to your group project.

Explained: In-class Q&A assignment for next time.

In-class assignment: Critical feedback on other groups' rough draft lists.

26 April, Class 3.2: Your turn: Identifying what went wrong, and deriving lessons for the firm.

In-class presentations + group Q&A

Due: In-class presentations

In-class assignment: Q&A

3 May, Final due date:

- **Slide deck**
- **Participation self-assessment**
- **Make-up assignments in case of absence**