

Business and Policy in the Global Economy

STRT 560; Sections 1-4 (Module 1, Fall 2021)

Section	Days	Time	Location
1	MW	14:00 – 15:20	Hariri 490
2	MW	15:30 – 16:50	Hariri 490
3	MW	09:30 – 10:50	Hariri 490
4	MW	11:00 – 12:20	Hariri 490

Instructor Information:

Professor: Dr. Rachel Wellhausen (rachel.wellhausen@georgetown.edu)
Office hours: Hariri 563 or Zoom, Tues 14:00 – 16:00 or by appointment
 (calendly.com/rwellhausen)

TAs: TBD

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.

Grade Determination:

Participation	15%
Quiz 1 (2-3 Sept)	20%
Quiz 2 (16-17 Sept)	20%
Group Project	45%
<i>Proposal (27 Sept)</i>	<i>5%</i>
<i>In-class component (6 Oct)</i>	<i>10%</i>
<i>Deliverable (12 Oct)</i>	<i>30%</i>

Details on grade components:**Participation** **15%**

Excellent participation means enhancing the experience of your classmates by arriving prepared to answer questions and to collaborate effectively with your peers. As a practical suggestion: have at least two comments or questions on the class materials prepared, so that you would have no problem responding to a “cold call.”

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.*

- **One-time exception:** Submit on Canvas a 2-paragraph reflection on the missed content. This, of course, should cover the missed in-class content and assigned readings. The reflection is due prior to the next in-person class session.
- **In the event of extreme circumstances** that generate multiple absences and/or interfere with your ability to be successful in the course, contact us as soon as is reasonably possible, and we will do whatever we can to help you be successful.

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 with me and the TAs. We look forward to your creativity. At the end of the course, you will have an opportunity to review yourself regarding the breadth and quality of your participation. We will take your self-reflection into account when assigning your final grade.

Quiz 1	20%
Quiz 2	20%

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 sample questions and expectations in class.

Group Project **45%**

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 be randomly assigned to work in a small group, and all students in the group will receive the same grade. What follows is an overview of the assignment; we will discuss more in class.

Proposal (5%): Your group will select an unresolved 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>. You will submit a proposal to support your choice of this dispute, in which the group will provide a justification as to why analyzing this dispute will maximize your takeaways from the course (maximum 2 pages). You will also identify and justify a second choice (maximum 1 paragraph). We will grade you on the quality of the justification, and we will lock-in which dispute you will analyze. *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 (10%): In 3 minutes/1 slide, your group will lay out to the class the substance of the dispute and the alleged property rights violation. Your group will then manage a short (time-delimited) class discussion intended to produce two or more generalizable strategies as to how a hypothetical investor might avoid this kind of situation in any given country.

Deliverable: Slide deck (30%): Your final goal is to produce a deliverable in the form of a 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. In your slide deck, 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?
- Does your assessment of the situation match with those in the claimant's and government's legal filings? Why or why not?

Advise on what to do going forward in this situation:

- If the claimant were to invest further in the host country, what strategies should the claimant pursue in order to manage future political risks?
- Supposing political risk and its management were the deciding factor in the claimant's future investment decisions, would you advise the claimant to stay or go (or something else)? Explain.

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 general strategies would you offer to the foreign investor to mitigate political risks in any given host country?

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)

SCHEDULE AND MATERIALS

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

(25 Aug; 30 Aug; 1 Sept)

(25 Aug) Class 1.1: Introduction

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 determinant of policy*

Required reading:

TBA

(30 Aug) Class 1.2: Why governments choose economic openness

Key takeaway: *Global business and government priorities can be mutually reinforcing.*

Framework: *Business as a source of positive externalities for maintaining political power*

Required reading:

TBA

(1 Sept) Class 1.3: What governments do to attract global business

Key takeaway: *At entry, foreign investors hold bargaining advantages that incentivize governments to promise preferred regulatory policies.*

Framework: *Countries compete in a global marketplace for foreign capital*

Required reading:

TBA

(2-3 Sept) ** Quiz on Part 1 (on Canvas) **

(Part 2) Sources of Political Risk for Global Business

(6 Sept [~~Labor Day~~], 8 Sept, 13 Sept, 15 Sept)

(8 Sept) Class 2.1: Operationalizing political risk

Key takeaway: Increasingly broad and deep definitions of political risk make estimates more reliable for global business; however, it also provokes backlash as sovereign governments see more of their policy choices categorized as illegitimate.

Framework: Political risk insurance

Required reading:

TBA

(13 Sept) Class 2.2: The structure of business as a source of political risk

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 reading:

TBA

(15 Sept) Class 2.3: Bilateral relations as a source of political risk

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: Variation in foreign investor nationality

Required reading:

TBA

(16-17 Sept) ** Quiz on Part 2 (on Canvas) **

(Part 3) Political Risk Resolution and Mitigation

(20 Sept) Class 3.1: Suing a host government under international law

Key takeaway: Foreign investors have international legal recourse to seek compensation from host countries for realized political risks – and it is incredibly controversial.

Framework: filing for Investor-State Dispute Settlement (ISDS)

Required readings:

TBA

**** Final group project assigned ****

(22 Sept) Class 3.2: Political risk mitigation strategies

Key takeaway: Foreign investors have developed a myriad of creative strategies to mitigate political risk, the most effective of which are tailored to the specific context of a particular investor-host government relationship.

Framework: “Blue-sky thinking”

To prepare for class: Be ready to discuss one example of (1) a real-world firm’s political risk management strategy, (2) the narrative of how it played out in a specific context, (3) an evaluation of and explanation for its success (or not), and (4) citations and/or details on where you found this information.

(27 Sept) Class 3.3: Risk mitigation through coalition-building?

Key takeaway: *It can be difficult but useful for investors to collaborate with other foreign investors, domestic firms, NGOs, and/or other actors in pursuit of mitigating political risk.*

Framework: *Collective action and collective action problems*

Required readings:

TBA

**** DUE (by midnight): Group project proposal/justification ****

(29 Sept) Class 3.4: Risk mitigation through global governance?

Key takeaway: *Multinational firms are increasingly influential in efforts to harmonize international regulation and shape international economic rules alongside countries.*

Framework: *Public and private goods*

Required readings:

TBA

(4 Oct) Class 3.5: Risk mitigation through engagement with global activism?

Key takeaway: *Consider the potential for mutually beneficial collaboration with activist groups at home and abroad.*

Framework: *Incentive compatibility*

Required readings:

TBA

(6 Oct) Class 3.6: ** Group project in-class component **

(12 Oct, by midnight) ** DUE: Slide Deck **

(13 Oct, by midnight) ** DUE: Self-assessment of participation **