

**Bankers Trust
Company**



**International
Assessment**

International Economics

280 Park Avenue, New York, N.Y. 10017 U.S.A.

POLITICAL RISK ANALYSIS

**William H. Overholt
Vice President
Political Assessment Group**

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DRAFT

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GENERIC PURPOSES OF POLITICAL RISK ASSESSMENT

RISK AVOIDANCE

OPPORTUNITY SEEKING

COUNTRY PLANNING

INTERNATIONAL ANALYSIS

NEGOTIATING STRATEGY

STRATEGIC PLANNING

INFLUENCING EVENTS

WHY QUANTITATIVE METHODS DON'T WORK

LACK OF THEORY

LACK OF RELIABILITY

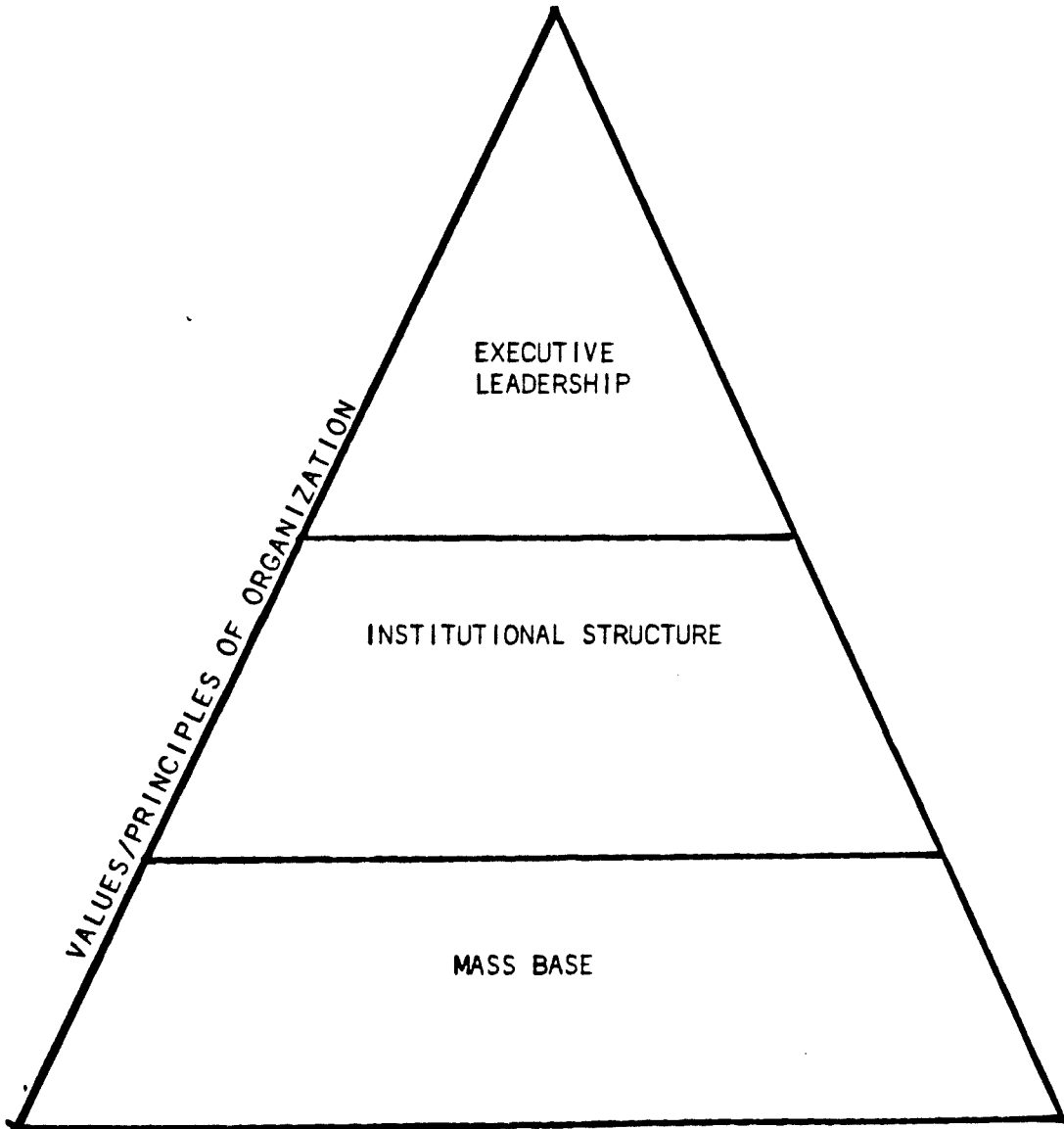
LACK OF VALIDITY

LACK OF RECENCY

LACK OF COMPLEXITY

EXCESSIVE GENERALITY

ORGANIZATION OF A POLITICAL REGIME



KEY EXECUTIVE LEADERSHIP QUALITIES

PATRIOTISM

HONESTY

PRIORITY FOR ECONOMICS

SKILL

STRENGTH

UNITY

TIES TO INSTITUTIONS AND SUPPORT GROUPS

CRITERIA FOR JUDGING INSTITUTIONS

PERSONNEL

PERFORMANCE

COHERENCE

CRISIS ADAPTABILITY

CANDIDATE GROUPS
FOR SOCIAL COALITIONS

MILITARY

CIVIL SERVICE

INTELLIGENTSIA

STATE FIRMS

INDUSTRIALISTS

SMALL BUSINESSMEN

SKILLED WORKERS

UNSKILLED WORKERS

LANDLORDS

PEASANTS

ETHNIC GROUPS

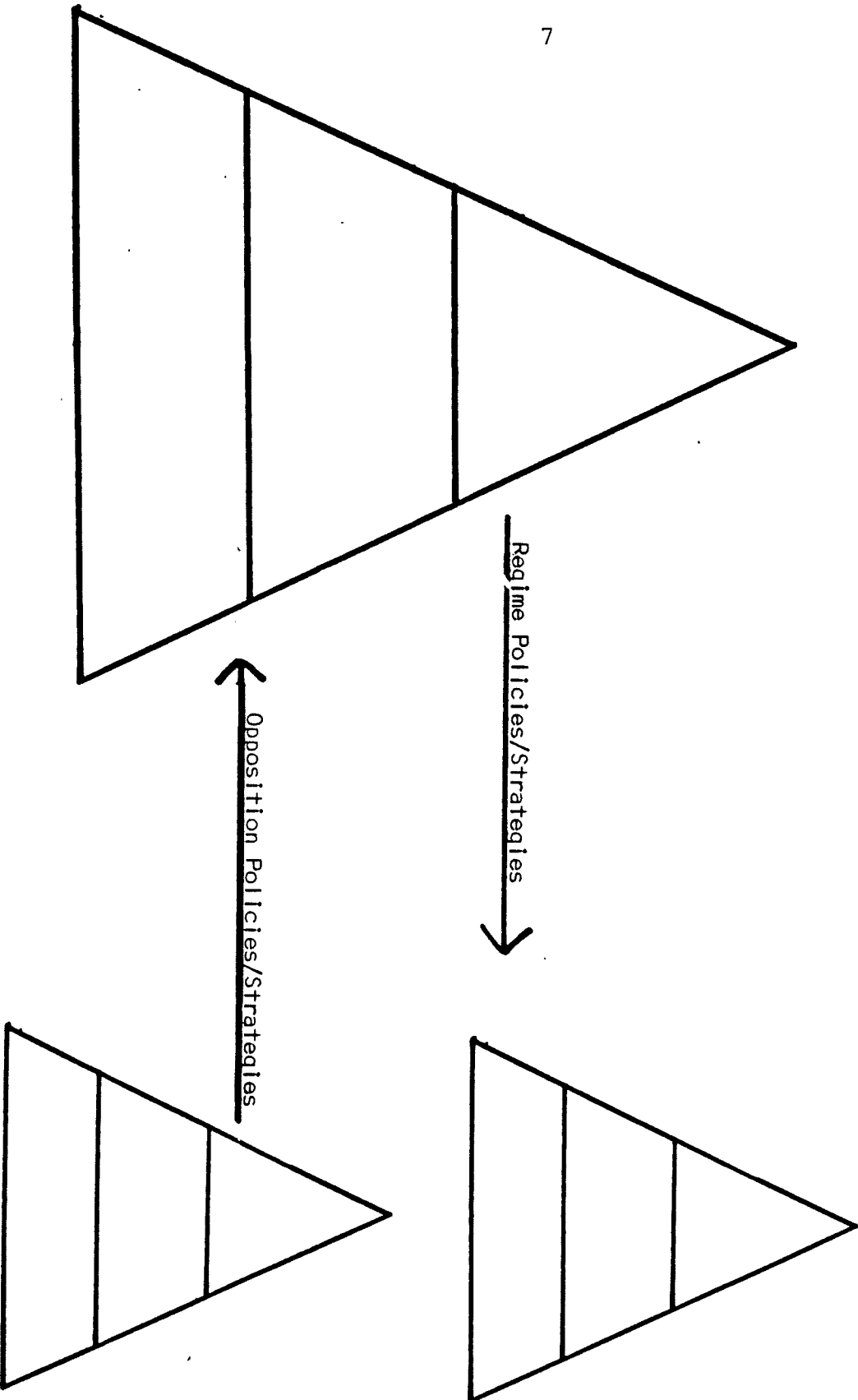
RELIGIOUS GROUPS

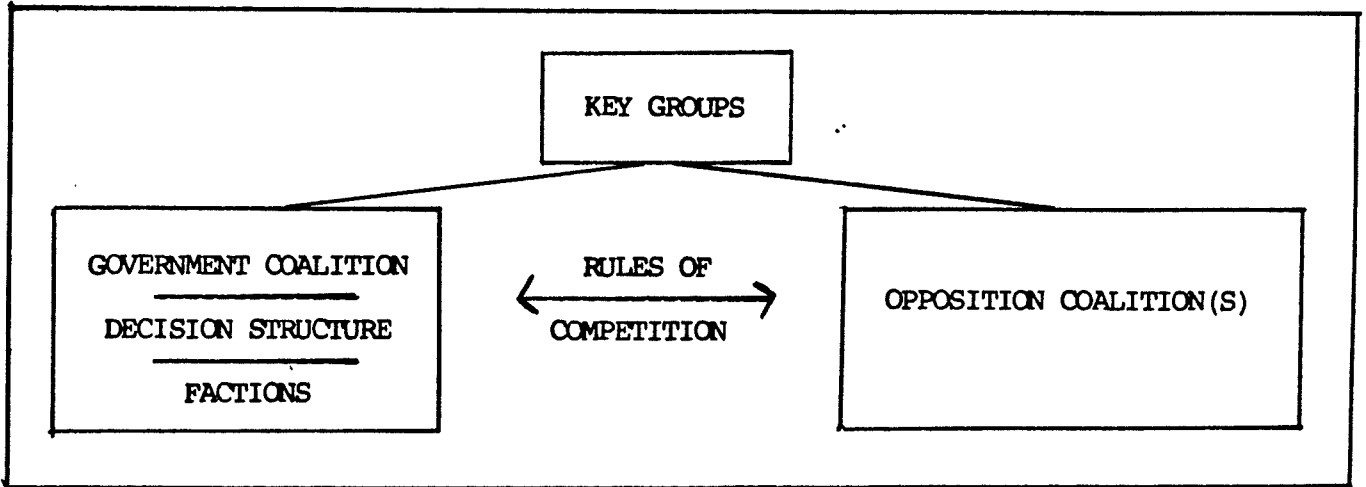
(FOREIGN SUPPORT)

POLITICAL COMPETITION

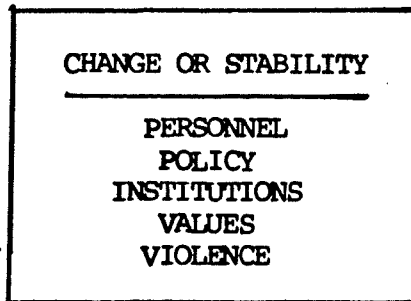
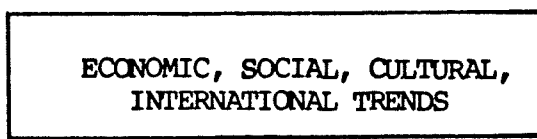
REGIME

OPPOSITIONS





+



VARIETIES OF MISMANAGEMENT

SUBSIDIES

- HUMANITARIAN
- FAILURE TO ADJUST

INEFFICIENCY

- SUBSIDIES
- PROTECTION
- FAVORED SECTORS

DISTORTED PRICING

- LOSS OF MARKETS

CURRENCY OVERVALUATION

- LOSS OF EXPORTS

OVER-INVESTMENT

MISPLACED INVESTMENT

SYNDROMES OF MISMANAGEMENT

AFRICAN URBANIZATION

POLISH PRODUCTIVITY

ASIAN CORRUPTION

TURKISH CIVIL SERVICE

ARGENTINE MILITARY

MEXICAN MACHO

THIRD WORLD RADICALISM

DIFFERENTIATING RISKS I:

DIFFERENTIAL NATIONALIST SENSITIVITIES

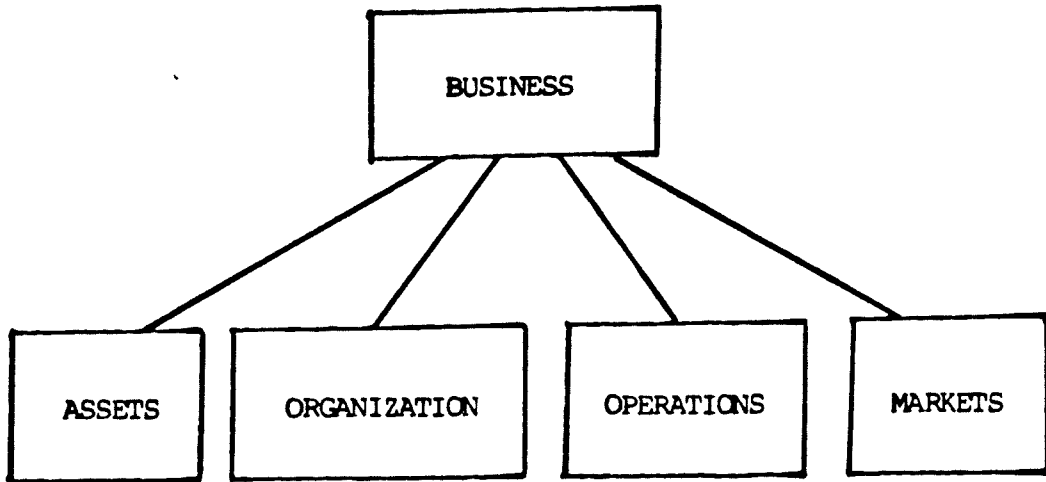
- A. MILITARY PROJECTS
- B. NATIONAL COMMUNICATIONS & TRANSPORTATION
- C. LAND
- D. NON-RENEWABLE NATURAL RESOURCES
- E. RENEWABLE NATURAL RESOURCES
- F. MANUFACTURING & SERVICES

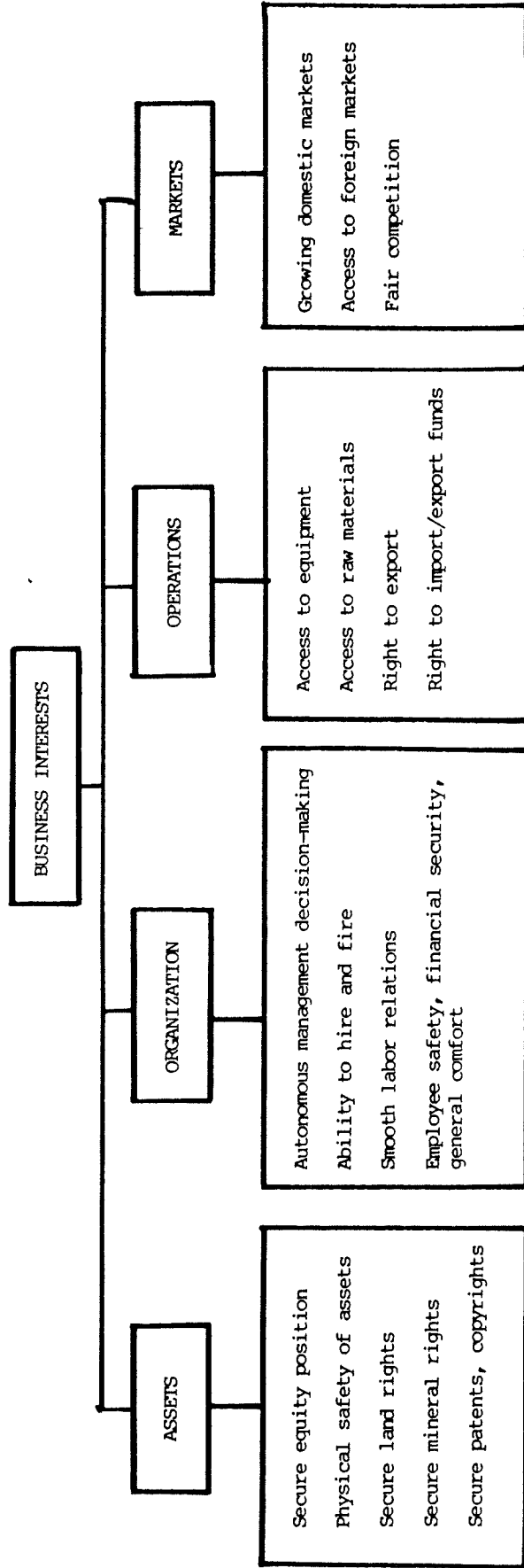
DIFFERENTIATING RISKS II:

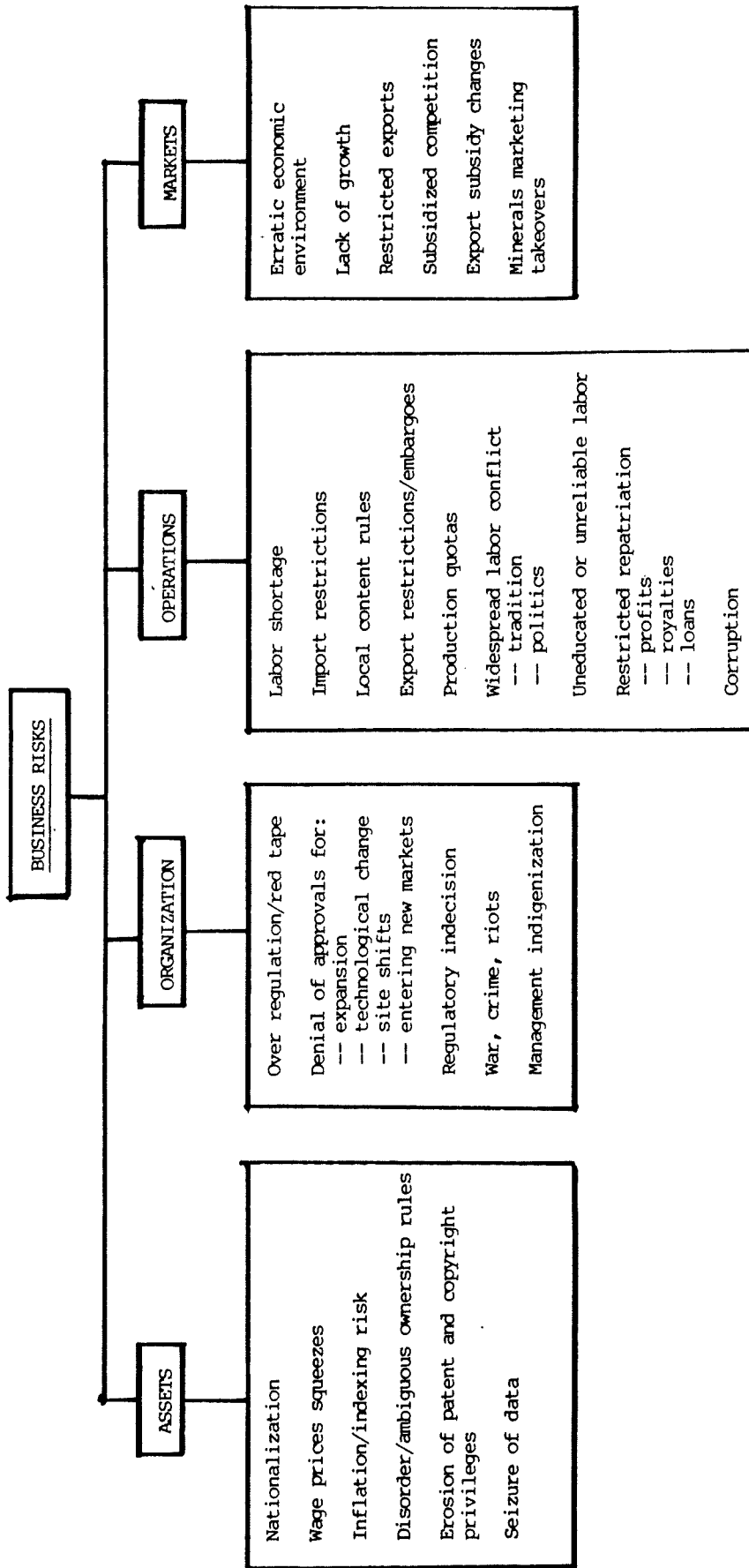
DIFFERENTIAL VULNERABILITIES

- A. LONG-TERM VS SHORT-TERM COMMITMENTS
--OR LONG VS SHORT PAYBACK PERIODS
- B. SMALL VS LARGE PARTNERS
- C. SINGLE VS MULTIPLE PARTNERS
- D. SIMPLE VS COMPLEX MARKETS
--GOLD VS CHROME
--MINING VS FINANCE
- E. LOW VS HIGH TECHNOLOGY
- F. SLOW VS RAPID TECHNOLOGICAL CHANGE
- G. LOW VS HIGH EMPLOYMENT

COMPONENTS OF BUSINESS







FROST & SULLIVAN ANALYSIS OF
THE CONTINUATION OF MARCOS REGIME

CURRENT ESTIMATES

ORIENTATION, CERTAINTY, POWER, SALIENCE*

+ Supports 1 Little/None 4 High
0 Neutral 2 Slight 5 Extremely High
- Opposes 3 Moderate

ACTOR	ORIENTATION	CERTAINTY	POWER	SALIENCE	PRINCE SCORE
Benigno Aquino	- x 5	x 2	x 5	=	-50
Armed Forces	+ x 4	x 3	x 4	=	+48
Cardinal Sin	- x 5	x 1	x 5	=	-25
Christian Left	- x 5	x 1	x 3	=	-15
Economic Elite	+ x 4	x 3	x 2	=	+24
Moderate Opposition	- x 2	x 2	x 3	=	-12
Labor	- x 3	x 1	x 3	=	- 9
Raul S. Manglapus	- x 5	x 1	x 3	=	-15
Ferdinand Marcos	+ x 5	x 5	x 5	=	+125
Moro National Liberation Front	- x 3	x 2	x 2	=	-12
New People's Army	- x 5	x 2	x 2	=	-20
Cabinet	+ x 5	x 2	x 4	=	+40
Overseas Opposition	- x 2	x 1	x 3	=	- 6

PROBABILITY EQUATION:

$$\frac{E W_s}{E W_t} = \frac{\text{Sum of Total Positive Actor Scores (Including 1/2 of each Neutral Actor Score)}}{\text{SUM OF ABSOLUTE VALUE OF ALL ACTOR SCORES (Including Neutral Actors)}} = \frac{237}{401}$$

PROBABILITY = 59%

From: William D. Coplin and Michael K. O'Leary, "Systematic Political Risk Forecasting," March 9, 1982, mimeo.

THREE BASIC KINDS OF SCENARIOS

BUSINESS-AS-USUAL

SURPRISE-FREE

SURPRISES

PHASES OF SCENARIO WRITING

- I. HISTORICAL TREND ANALYSIS
- II. EXPANDING THE OPTIONS
- III. BOILING DOWN THE CENTRAL POSSIBILITIES
- IV. IDENTIFYING SURPRISES

CENTRAL ISSUES OF GLOBAL POLITICS

- I. WEST-WEST AND EAST-EAST
 - A. POLITICAL COHESION
 - B. ECONOMIC VITALITY
 - C. INSTITUTIONAL STRUCTURES & TRENDS
--NATO, WARSAW PACT, EEC, CMEA...

- II. EAST-WEST AND NORTH-SOUTH
 - A. STAKES OF CONFLICT
 - B. STRATEGIES OF CONFLICT & COOPERATION
 - C. TONE OF RELATIONSHIPS
 - D. RELATIVE COHESION, VITALITY, BARGAINING POWER

- III. MILITARY - PRIMARILY EAST-WEST
 - A. COMPARATIVE STRATEGIES
 - B. TECHNOLOGICAL DEVELOPMENTS
 - C. LOCAL CONFLICTS WHICH COULD SPREAD
 - D. ARMS TRADE
 - E. NUCLEAR PROLIFERATION

- IV. GLOBAL ECONOMY
 - A. GROWTH RATE
 - B. STRUCTURE
 - C. TECHNOLOGIES
 - D. DISTRIBUTION
 - E. DEMOGRAPHY
 - F. TRADE
 - G. INSTITUTIONS

KEY RISK STUDY TECHNIQUES

EARLY WARNING INDICATORS

EXPERT CONSULTATIONS

- ORAL
- WRITTEN
- VICARIOUS

PIGEON-HOLED STAFF

STAFF-SUPPORTED DECISION-MAKING

STAFF-LINE INTEGRATED ANALYSIS

STAFF-LINE INTEGRATED PLANNING