THE RISKS OF CURRENT POLITICAL RISK MANAGEMENT

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Political risk is a concept traditionally related, on the one hand, to the rational calculation of risk in economic activities and, on the other, to a particular historical moment in which it has taken on the characteristics of an autonomous research field. Risk calculation and the management of lucrative activities have illustrious precedents. At the beginning of the 20th century, Max Weber pointed out the necessity to forecast all the possible risks that come from non-economic factors (such as bureaucracy, uncertainty of law and administrative procedures, and so on) before carrying out an economic investment leading to profit (Weber, 1968). However, the actual starting point of a science, related to the management of political risk, dates back to the 1960s (Sottilotta, 2013). The historical context in which this shift occurred can be found in the Cold War and the decolonization era.

This epoch used to read political risk as the strategic choice of new Asian and African independent states, which could completely reverse the previous decisions on economic policy, introducing nationalization programmes, which were considered very harmful (see the experience of Chile under Allende, or of many African countries, such as all the former Lusophone colonies, Egypt, Ethiopia and others).

Western approach and ideology showed a strong opposition to the interference of government in economic matters (Ady, 1972; Allen, 1973), classifying many measures as socialist and, therefore, high risk. In the 1980s, when the process of aligning the majority of "developing countries" to the liberal or capitalist systems occurred with the intervention of the IMF in the "structural adjustment" policies, political risk expressed a more general concern for the "unstable" environment (rather than an isolated factor) as the pivotal reason for affecting the profit of multinational companies (MNCs) (Robock, 1971; Hofer & Aller, 1980). More recently, a new, global risk has emerged, related to Islamic terrorism.

It is quite clear that the science of political risk assessment and management has been created and developed in accordance with a single view: to calculate and reduce the risk for external investments carried out by MNCs, completely ignoring the perspective and interests of local people.

It is my opinion, that a radical transformation of this concept is necessary. Some data will help to show why and how.

Today, a "developing country" is ranked as "high risk" if it does not accept all the requests, that comes from MNCs, for instance, requests of a fiscal, legal and environmental type. It means that the government of a certain developing country should cede a part of its sovereignty to MNCs, which use their investments to sign lucrative contracts with the host states.

A classic book highlights this philosophy and connected practices. Eiteman, Moffett and Stonheill think that the best plan is to anticipate potentially discriminatory or wealth depriving government regulations, relating to MNCs (Eiteman, Moffett, Stonheill, 2011). They illustrate all the actions MNCs have to carry out to dispute power with local governments, indicating the ways to manage these difficult relations.

PROBLEMS
OF MANAGEMENT
IN THE 21st CENTURY
Vol. 9, No. 3, 2014

From this point of view, when is the country considered reliable? When it is "politically stable"? It means that changes to government majorities must be avoided, as this is classified by international analysts as a "harmful" event; dissent is interpreted as "dangerous" and silenced; economic policy should be "correct". It is as if to say that governments will have to favour foreign direct investments (FDI), as the IMF has explicitly indicated since the 1980s, foreseeing fiscal benefits for MNCs' investments. Today, 52% of FDI inflows goes to developing countries (UNCTAD, 2013). The reproduction of these dependent economies is nourished by the way MNCs conceives and manage political risk.

As a result, most developing countries continue to be ranked as democratically deficient and partially or totally not free. Let us consider the case of Africa. Here, in 2014, only 6 countries have been classified as "completely free"; all the others have been ranked as partially free or not free (Freedom House, 2014). But FDI has been increasing constantly, in the last years, in Africa. "Africa's share of global FDI flows has been improving year on year. In 2013, Africa's share of global FDI projects reached 5.7% — it's the highest level in a decade" (EY, 2014: 6). However, agriculture remains, according to potential investors, marginal behind mining and metal (Idem: 54).

What can we conclude from this short description?

First of all, Africa, the least democratic continent, in which human rights are systematically violated and freedom of expression is seriously limited, represents one of the most important goals for foreign investments. Secondly, the sectors favoured by FDI are the ones, which typically serve the interests of an economy of exportation, systematically ignoring the most important activity for the local population, agriculture. Finally, since MCNs are very relevant actors in this continent, it is hard to imagine that they do not have any influence over the ways of managing democracy and the economy adopted by African governments, their privileged partners.

The science of political risk management is not, of course, the reason that has determined this concerning situation; nevertheless, it represents a central paradigm in which the actual interests of local populations are systematically marginalized in favour of MNCs' business, which African governments use to pander.

So, the question that arises spontaneously is the following: is it possible to conceive a different paradigm of "political risk management"? The answer is affirmative, but with a warning: it is necessary to completely invert its perspective. Instead of thinking of it as a series of measures, conditions and indices focused on protecting MCNs activities and profits, the new point of view should favour local populations. And the new questions will be: how does local government manage power? Or, using operative indicators, how does it deal with the "menaces" of different electoral results? Is it open to accepting criticisms from civil society and protest movements, instead of repressing them with various types of measures, whether it is violent or based on mechanisms of indirect dissuasion? Is it open to changing its economic policies, generally oriented in favour of FDI, leaving the majority of population in conditions of poverty?

Governments that manage power in this manner are certainly "dangerous" for local people. Nigeria, Angola, Equatorial Guinea, Eritrea, the Republic of Central Africa, Zimbabwe, in part Mozambique, and even (in part) South Africa, just to mention a few, have forged an alliance with MNCs, in which the space for discussion is very limited and poverty has become a normal condition for the majority of the population. This situation represents the best guarantee for MNCs.

A new approach to the management of political risk is possible. If governors are perceived as "dangerous" by the governed, it means they are high risk: consequently, a science of political risk management directed towards the interests of MNCs and the local ruling class is a risk for the majority of people living in the developing countries.

PROBLEMS
OF MANAGEMENT
IN THE 21st CENTURY
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