Political Forecasting and the Third World Economies: A Critical Assessment*

KENNETH E. BAUZON

In the context of the globalization process, the enterprise of political risk analysis and the role of political forecasters are critically examined. Although this enterprise has been around for decades, the sophistication of its tools of analysis was due in large measure to the influence of economists. Furthermore, it was geared more towards the study of inter-state actors, emphasizing prediction of events that would impact on foreign policy. In the last two decades or so, we have seen a proliferation of private, for profit political risk management organizations often with the participation of academicians on the side at the service of international business corporations. This shift signified more than the growth of the mother discipline of political science; it reflected the heightened importance of political information in an age when national borders are no longer as significant in determining the extent and nature of global economic relations. Being that political risk analysts are at the vanguard of a business operation — much like an advance party sent to scout an unfamiliar terrain — gathering valuable information in behalf of their corporate clients, this essay assigns to them at least some responsibility for what their clients ultimately decide to do with the information they provide. The essay also examines critically the broader question concerning the relationship between social scientists and society, between social knowledge and its consequences, and what objectivity means to the political risk practitioners in the era of neo-liberalism.

Introduction

Political events and the risks associated with them have long been of interest to political observers, both Western and non-Western. In the olden days of colonialism, European and north American colonial administrators have been concerned about protecting and conserving their political hegemony, military advantage, and economic gains throughout the colonial areas of Africa, Asia, and Latin America. In the post-World War II period, direct political control and manipulation as means of reducing what we call “political risk” was virtually lost with the gaining of independence by most of the colonized peoples. With the demise of old-style colonialism coupled with the growing assertiveness of the newly emergent nations of the Third World, political risk, from the Western point of view, has become more difficult to assess, understand,

*This is a revised and expanded version of the paper prepared for presentation at the Sixth Annual Meeting of the Global Awareness Society International, held in Montreal, Quebec, Canada, on May 23-25, 1997. The author appreciates the Small Grants Award from St. Joseph’s College, Brooklyn, New York, which enabled the presentation of this paper at this said conference.
and manage. With this difficulty came the consequent inability to forecast accurately or with certainty political events that may inevitably prove detrimental, or disadvantageous, to a Western government or, for that matter, a Western-based transnational corporation.

This difficulty was prolonged, in large measure, by the relative disinterest exhibited by political scientists in the political problems confronted by private corporations in their conduct of business abroad. In the years following the Second World War, political scientists were preoccupied with the formalistic problems of setting up a constitutional order and in promoting nation-building in what they regarded as the less developed countries of the world. Thus, the tools and methods they developed in their studies were not geared towards solving the particular problems confronted by the MNCs. The task of searching for solutions was assumed, for the most part, by business and economics professors who were more attuned to these problems.

Within the last three decades, interest in political risk analysis among political scientists has risen dramatically due not only to the growing complementariness of the disciplines but also to the opportunities for consulting, which meant extra source of income, available outside the academia. It was also spurred by the resurgence of the behavioralist movement in the social sciences, generally, and political science, particularly. This movement stimulated experimentation with various formalistic and quantitative approaches to the study of politics, ranging from a study of the decision-making process to an inquiry into the causes of war.

The enhanced interest among political scientists has also contributed to the proliferation of publications, e.g., monographs, books, journal articles, produced by political scientists contributing to the debate and discussion that used to be dominated by economics and business professors. Meanwhile, new professional journals, all of which have relevance to forecasting, cropped up with their titles suggesting their respective area of emphasis, e.g., International Studies Quarterly (founded 1956); Journal of Conflict Resolution (founded 1956), Journal of Peace Research (founded 1964); and Policy Sciences (founded 1969).

In 1982, a specialized journal, the Journal of Forecasting, put out its first volume serving as sort of a central clearing-house for new and recent
researches by academicians from various disciplines, joining more established journals like the Columbia Journal of World Business (founded in 1965), and the much older Harvard Business Review (established in 1922).  

Resurgence of interest in political risk analysis occurred at a time when international political and economic relations were becoming more complex and difficult to manage. This is especially so because the former colonial countries are now themselves active competitors with, rather than remaining as passive subjects to, Western governments, Western-dominated financial institutions, and Western-owned trading and investment corporations. This is evidenced by the formation of trading blocs and free trade zones among contiguous countries of various regions of the Third World designed both for mutual protection and enhanced leverage in dealing with outsiders. In Asia, this trend towards regionalism has been exemplified by the Association of Southeast Asian Nations (ASEAN) and the more broadly-defined Asia-Pacific Economic Cooperation (APEC).

The importance of political risk analysis is not lost both to the Western government and to the Western-based corporation. To the Western government, political risk analysis is geared towards making certain types of decision: whether to intervene at all; with what tool or method to intervene; and what kind of advantage can be derived from such an intervention. To the Western corporation, risk analysis is geared towards a parallel set of decision: whether to invest at all; how much to invest; what to invest; and what kind of advantage can be derived from such an investment given the risks involved.

There is no doubt that analysis of political risk is essential to planning. Knowledge minimizes risks and enhances productivity and the ability to control the environment. It is thus an essential component of decision-making both at the governmental level and at the level of the private corporation in search of opportunities abroad. To the government, it is at the “centre of public policy,” while to the private corporation, accuracy in forecasting is at the “bottom line” much like profit for the Chief Executive Officer is the “bottom line.”

The discussion that follows clarifies what political risk is and distinguishes it from political uncertainty which is here understood as a
subjective evaluation about the nature of political events. It takes us
through an array of more commonly used methods and then to more
specific techniques used by both government and private political risk
analysts, emphasizing the parameters or indicators used to understand
and control political risk. Finally, the efficacy of these forecasting
techniques would be assessed, along with their accompanying
presuppositions.

**Defining Political Risk**

Political risk has been variously defined. One author defines the term
simply as “the likelihood that political events will result in some loss to
investors established in the society managed by a particular political
organization.” As alluded to above, it is not the same as political
uncertainty which is more the result of a conjecture owing to a lack of
adequate information while political risk is a “relatively objective
measurement” of the probability of occurrence of an undesired political
event.

On the other hand, another author distinguishes political risk
between macro- and micro-political risks. Accordingly, at the macro level,
political risks are those “unanticipated and politically motivated
environmental changes broadly directed at all foreign enterprise.” And,
at the micro-level, political risks are those “environmental changes
intended to affect only selected business fields or foreign enterprises with
specific characteristics.” This assumes that political risk — mainly due
to its unanticipated character — will necessarily result in loss to the
business organization.

Yet another observer defines risk not solely in terms of the loss to
business that it may cause but also in terms of the gain that it may bring.
Allan Willett, recognized as one of the pioneers of risk analysis, argues
for the need “to define risk with reference to the degree of uncertainty
about the occurrence of a loss and not with reference to the degree of
probability that it will occur. Risk in this sense is the objective correlative
of the subjective uncertainty.”

The three sample definitions of political risk cited above signify both
the ambiguity and the complexity of the subject matter. The first two of
these emphasize the negative effects of risk to the business enterprise,
e.g., a) the expropriation of property by a government (presumably in the Third World) with no just or adequate compensation; b) the damage to or loss of property, or acts against corporate personnel; c) interference by the government with the provisions of a contract negotiated between two private business entities; d) government restrictions on the remittance of profits; and e) the imposition of discriminatory forms of taxation or other arbitrary requirements on the company.

The third definition, on the other hand, assumes that while uncertainty poses a cost on society, its removal or elimination brings potential benefit. This is the essence, for instance, of insurance for, while it does not eliminate risk, it minimizes or regularizes its consequences by distributing these consequences to a large aggregate of insurance holders through the premium that each holder pays voluntarily and periodically.

To avoid ambiguity that may arise from the variety of possible meanings to the term “political risk,” the definition offered by Willett will be adopted here. This definition has the advantage of recognizing that risk could result to both loss and gain; at the same time, it distinguishes between the “objective” and the “subjective” characterization between risk and uncertainty, the former being understood as “objective doubt concerning the outcome in a given situation,” while the latter is understood as “subjective doubt concerning the outcomes during a given period.”

Political Risk Assessment

Political Risk Assessment and Forecasting

The literature does not distinguish much between the phrases “political risk assessment (or analysis),” on one hand, and “political forecasting,” on the other. In fact, many contributors to the literature use interchangeably the two terms as though they share the same meaning. In point of fact, however, the two terms are distinguishable both in terms of their respective meanings and in their intentions.

Political risk assessment is an enterprise or series of activities dedicated mainly to an understanding of the factors that may have consequences for which a government or a private firm may need to be prepared for. The prevailing assumption is that an understanding of these
factors would enable the interested party to prepare for and manage the risks involved and make decisions accordingly. These factors may come in the form of “indicators” and “warnings.” Or, it may come in the form of a general political, social, and even legal climate that define the “rules of the game” under which an actor is expected to play.

Political forecasting, on the other hand, is a series of activities involved in projecting what is likely to happen and, thereby, engages as well in formulating options or alternative courses of future action on the basis of factual information that has been gathered beforehand. Implicitly, forecasting recognizes that on the basis of the record of past events, one can anticipate future events with a degree of certainty and accuracy.

**Political Forecasting and Futurism**

Political forecasting is different from — and it is not the same as — what has come to be known as “futurism.” Despite some resemblances it has with forecasting, futurism has distinct characteristics of its own. Perhaps the most prominent of these characteristics is its conjectural nature in view of which it finds little use either of history or of social scientific methods of prediction and explanation.

Futurism emerged largely in response to what its practitioners regard as potential and actual cataclysms brought about by the Holocaust and the continuing threat to human freedom, the advent of the nuclear age and the dangers to human survival that it poses, and the ecological despoliation which calls into question established assumptions about security, among others. While much of the literature on futurism focuses on the effects of new ideas and innovations at various levels, e.g., social, technological, economic, and cultural, a significant portion has been devoted to “political futurism” which attempts to explore and speculate about a preferred political future. Many practitioners of political futurism are social scientists themselves whose mode of inquiry is in the tradition of political philosophy in which political actors’ motives and behavior, and principles and institutions are related to the pursuit of the “good life.”

If the objectives of political futurism may be synthesized, the following may be culled from its literature:
1. To bring the future of politics and the politics of the future onto the center stage in political science.

2. To remind political philosophers that at its best political philosophy has been future oriented, and that it must continue to deal with coming, as well as current, problems.

3. To strike a better balance between the forces of conservation and the forces of change and to understand the relation between wise conservation and wise change.

4. To encourage political scientists to develop a more imaginative, more realistic theory of social change and a comparable theory of social conservation.

5. To do justice to the powerful forces that have shaped the twentieth century and that will eventually affect the twenty-first century. These forces include constitutionalism, democracy, nationalism, capitalism, socialism, federalism, science, technology, universality, liberation, equality, community, ecology, and excellence.\textsuperscript{15}

It is thus clear from the foregoing discussion that political forecasting is a different enterprise from political futurism. While the former is more immediate in the application of the knowledge derived from it, the latter is concerned more with long-term effects of current trends and ideas.

Insofar as the line between political risk assessment and political forecasting is concerned, it would appear that the former lays down the groundwork upon which the latter bases forecasts or projections. This is so because the same data (such as those pertaining to domestic political climate, economic condition, and foreign relations) generated by a political risk assessment could be used as well for forecasting purposes. Thus, the two sets of activities, while not the same, are nonetheless complementary and supportive of each other.\textsuperscript{16}

**Methods of Forecasting**

The literature on political risk analysis and political forecasting has grown tremendously since the end of the Second World War. Economists have led the way in exploring the various dimensions and impact of a
particular situation on business decisions. The economists have also brought out an arsenal of techniques and methods — both qualitative and quantitative — that have had a heavy influence on forecasters from other disciplines that followed suit.

Among the more current of these methods are the following:

a. Extrapolation

This involves the projection of quantifiable trend to anticipate structural changes that are likely to occur at “constant rate.” The constant rate may refer to rate on increase, the amount of time it takes for the number to double, called doubling rate, the rate of acceleration of increase, and any other quantifiable measure of change that can be presumed constant by the forecaster. A difficulty with this method is that the data rarely arrange themselves into a straight path, thus complicating the procedure for establishing which line best fits the historical data.

b. Regression

Regression analysis is one step towards greater complexity among forecasting methods. This involves basically the prediction of an event on the basis of its presumed relationship with other events. Usually, this presumed relationship follows a linear path, and that any change in the projection would be in proportion to the degree of change in the other trends on which the initial projection is based. Thus, if the projected trend under observation is dependent upon other trends with a degree of consistency, one can presume that this projected trend will continue.

c. Leading Indicators

The use of the leading indicators approach is more modest than the regression analysis. Here, the trend under examination is presumed to depend on prior changes that have occurred in the other trends. The leading indicators are identified through an examination of the time series of a number of other indicators to establish any pattern of consistency, if such exists, before changes in the trend of interest have occurred. This approach is most useful in economic forecasting. In political risk analysis, parallel indicators are searched for in advance of important events, e.g., troop movements, official resignations, street protests, frequency and intensity of official announcements, etc.
d. Complex Models

These models share one common thing: the specification of two or more propositions that share at least one variable. Their combining of these propositions (so that the output of one could also be the output of another, or that one solution could satisfy several problems simultaneously) can suggest feedback, causation, balancing effects and other dynamics. Among the more prominent variations of these models are the econometric models, characterized by their reliance on equations whose constants are estimated on the basis of actually existing data.

e. Judgmental Forecasting

This presumes that forecasting involves an element of judgment on the part of the forecaster. This is premised, further, on the assumption that the human being understands much more about social and political dynamics than it can explicitly explain. In other words, the human being can presumably sense nuances in meaning that formal methods could not determine. Use of this approach by forecasters ascertain the “probability” of their forecast by assessing their own level of confidence, assuming that the forecasters are aware of the extent of their limitations.

And, lastly;

f. Multiple-source Forecasting

As the name suggests, this entails the compilation and processing of information provided by the multiplicity of sources. This information may have been gathered earlier for a different purpose, or it may have been collected specifically for the present project. The range of sophistication could start from “very modest” on the rationalization that “two or more expert heads are better than one” to “very elaborate” efforts to distill and summarize the outcome of expert consultations.

Among the variants of the multiple-source forecasting are: 1) Compilation, whose value in combining several forecasts provides a broader range of possible outcomes; 2) Delphi techniques, which rely on the solicited interaction of participants usually through a prepared questionnaire about which they are given feedback on what the other participants say and why they differ from each other. They are then permitted to modify their own responses until a consensus is formed.
It has been suggested that one’s choice of forecasting method should be determined by whether or not the method possesses the following features:\textsuperscript{18}

1. Plausibility testing;
2. Capacity to display counter-intuitive implications;
3. Explicitness;
4. Comprehensiveness;
5. Sensitivity to nuances;
6. Capacity to incorporate well-founded theory; and
7. Simplicity.

In reality, however, it is rare that a forecasting method contains all of these qualities. While each of these features considered singly is desirable, not all of them would be considered equal at the same time. This is shown in the discussion that follows about some methods actually in use by academic, corporate, and governmental entities and/or organizations.

### The Practice of Political Forecasting

**The Events Data Research in International Relations**

What has been called “Events Data Research” is a gradual, accumulated set of information systematically collected by a group of scholars based at various research institutions who have become known collectively as “Events Data Analysts.” To these analysts, an event is described as “the unit in which foreign policy behavior is made.” Thus, it involves an actor with motivations, an action guided by a plan, and a target or a goal. Accordingly, the term “event” is defined as a verifiable outcome of decision-making process involving “human actions, rather than ‘acts of nature’”\textsuperscript{19}

Historically, the emergence of this group of analysts follows earlier trends in political science that purported to explain events or occurrences that have cross-national implications. One of these trends, common in the 1950s, concentrated on exploring “the attitudes and perceptions of nations and developed many theories – often grand, sweeping theories – about why nations behave the way they do.”\textsuperscript{20} This was followed by another trend in the late 1950s and early 1960s characterized by a shift
in scholarly attention towards a nation’s “actual behavior.” This led scholars to look carefully at “what nations do to and with each other.” A typical example of this trend is Karl Deutsch’s use of transaction data which he pioneered. Accordingly, any routine occurrences, e.g., flows of trade and mail, could be observed with keen interest as potential indicator of an important event later to follow.

Later scholars have begun to take interest in non-routine and unconventional occurrences, or event/interactions. Charles McClelland is considered the pioneer of this movement.

This events data approach later subdivided into two sets of activities: a) categorizing the events into types of action; and b) scaling them in terms of intensity. McClelland was the main proponent of categorization for the major contributions of his project, the World Event/Interaction Survey (WEIS). This categorization approach enabled him and other researchers to determine the correlation between certain types of action and the responses they generate in various parts of the world on one hand. L.E. Moses, Richard Brody, and their colleagues at Stanford University became interested in the measurement of intensity on the other hand. Their efforts advanced the degree of sophistication in the analysis and prediction of international events. This advance was deemed inevitable as the use of sweeping grand theories declined, and interest in more specific problems and hypothesis testing increased.

However, events data research, in the long run, dealt mainly with the behaviour of states and how their respective foreign policy was affected by the events. Political forecasting was confined to predicting outcomes of events on the foreign policy behaviour of states. It had little utility to the private corporate enterprise whose interest was much closer to the “bottom line.”

**The PRINCE System of Political Forecasting**

While the literature on political risk assessment has evolved in various forms, none, it seems, has blended theory and practice as much as William D. Coplin and Michael O’Leary, a pair of political scientists who wrote a highly practical work, *Everyman’s Prince: A Guide to Understanding Your Political Problems.* The forecasting method developed in this work eventually became the basis for the forecasts contained in the monthly
publication, *World Political Risk Forecast* (WPRF), published by the consulting firm Frost and Sullivan.

The WPRF provides forecasting information to about 60 countries that are of most interest to investors. A group of five of these countries are highlighted each month in a sense that detailed and lengthy description of a number of risk factors present for each country is given. For all of the 60 countries, a summary on a group of four criteria is provided for a short-term forecast (of 18 months), while a summary on another group of four is given for a longer-term forecast (of five years).

For the analysis of each country, WPRF relies heavily on the work of a team of three to five experts. Each expert in a team gathers information independently on a set of political events/factors deemed pertinent to the process. This information is then compared with the information and estimates from the other team members. These pieces of information and estimates are then organized and summarized into the eighteen-month and five-year forecasts.

Sources of information include both archival materials, documents produced by international organizations, news stories provided by news reporting agencies and wire services. But of more important concern is how each expert distills and calculates this information. In interpreting the data, each expert identifies the key players deemed to possibly affect the outcome in a situation, what the options open to each player are, how much resources each player has vis-a-vis the opposition, and the probability that the player will actually move to achieve his/her preferred course of action. The expert projects the trend in which events influenced by these variables will likely to follow.

WPRF prefers to maintain the anonymity of its experts, unless the expert gives permission to reveal his/her identity. The preference for anonymity allows WPRF to access information from otherwise hard-to-access sources, e.g., government intelligence agencies, academicians, and journalists who might not readily agree to announce their ties with the forecasting organization, or who fear that such revelation might compromise any frank, candid, and undistorted information that they might otherwise gather. Anonymity assumes even greater importance in light of the premium that WPRF gives to the quality and integrity of its system. This explains why WPRF invests more energy on the selection of
country experts than on any other segment of the process. In one of its internal documents entitled “The Methods and Procedures Used to Prepare Frost and Sullivan’s Monthly World Political Risk Forecasts (WPRF),” the criteria for the selection of country experts were spelled out. The document states, in part:

That each team contains a balance of experts who have detailed contact with both government and opposition forces in the country. They must also be independent enough to provide objective information about the current conditions and future political prospects of the country. What we have done, in effect, is create a private intelligence system which, for our purposes, is superior to government intelligence services in some respects. In government services one analyst is usually responsible for several countries. In the WPRF network several analysts report independently on one country. Because report is prepared independently, we can quickly identify areas where information is lacking or contradictory.”

At this point, it is well to elaborate a bit on the PRINCE system of political accounting referred to at the head of this section of the essay. First of all, Coplin and O’Leary admit their intellectual indebtedness to Machiavelli who provided a simple and practical guide to dealing with political problems on a daily basis. In the manner in which Coplin and O’Leary summarized this guide, they came up with the acronym PRINCE (in an obvious homage to Machiavelli’s most famous work), which stands for:

1. **Probe** your surroundings to figure who the most important actors are;
2. **Interact** with them to find out their inclinations and influence on the topics important to you;
3. **Calculate** how to get them to behave the way you want;
4. **Execute** the plans you have decided upon.

These set of concepts and analytical procedures are designed to guide and assist the country expert in understanding the political situation as a process and as a particular configuration of groups, interests, and inevitably, power. On the basis of this understanding, the expert then proceeds to estimate how the political actors remedy their weaknesses or, for that matter, consolidate their position. The respective
weaknesses and strengths of the groups, which are taken as functions of how much support and what kind of tools are available to them, are then assigned numerical weight. The resulting information is then combined with data that have been accumulated on past and current conditions of the country. Following this process, the probability of risk from each of the risk factors identified is calculated.

This process is illustrated in Figure 1 below.

Figure 1: Regime Change Model

The above model is used mainly for the eighteen-month projections. For the five-year forecast, four other factors are added, namely: socio-economic conditions, factional activity, political activity, and governmental actions. The trends that these factors, in combination with those in the eighteen-month model, particularly in the ebb and flow of power and importance of the political actors, becomes the basis for the five-year forecast of the Probability of Major Loss (PML) for the business firm.

Ultimately, however, interpretation of risk scores is left up to the individual client. WPRF believes that each client is in a better position to
interpret the results and to determine the extent (or percentage) of acceptable loss to its investment. To assist the client arrive at its decision, WPRF offers a Customized Political Risk Summary (CPRS) in which the client assigns its own numerical weight to some or all of the risk elements, depending on the relative importance attached to them.

**The Overseas Private Insurance Corporation (OPIC) Program of Political Accounting**

Traditionally, the US government has had interest in protecting investments abroad by its citizens. In fact, it has been suggested that the major determinant in US foreign policy has been and remains the foreign investment exposure of US-based and -owned MNCs.\(^\text{26}\) Such policies as the “Monroe Doctrine” and the “Open Door” towards Latin America and China, respectively, during the 19\(^{\text{th}}\) century were undeniably motivated by economic interest.

As the present century comes to an end, the protection of US economic interests abroad is pursued with no less vigor than in previous periods. This is especially true as US dependence on strategic raw materials from abroad continues: more than 90 percent of bauxite, chrome, cobalt, manganese, platinum, and tin; more than 75 percent of antimony, gold and nickel; more than 50 percent of iron ore, petroleum and lead ore; and more than 20 percent of copper and mercury. Additionally, the US has become a primary exporter not only of high-technology products but also of semi-manufactured goods and food products.

The main conduit through which the US imports its needed raw materials and exports both capital and finished goods are the US-based MNCs. While many MNCs preferred to operate in other industrialized countries, many have chosen to maintain or open operations in Third World countries, lured by the promise of lucrative business and the abundance of cheap labor and raw materials.

The competitiveness and profitability of US-based MNCs in the Third World, however, are affected by political uncertainties brought about by forces hostile to the host government and by a general atmosphere in the host country unconducive to the operations of foreign-owned companies. Further, fluctuations in the structure of the global economy — especially
as Third World countries bargain with the industrialized countries for a “New International Economic Order” — confound the problems that the MNCs face in doing business abroad. And, thirdly, despite their best efforts at risk avoidance (which is at the core of their political forecasting program such as the one described in an earlier section), many risks remain and could not possibly contend with them all simultaneously. In view of these uncertainties, the MNCs have sought — and got — “protection” against political risk from the US government in the form of insurance in the event such risks translate into loss of assets.

In the years following the Second World War, the US took the lead in providing assistance for the rebuilding of the war-ravaged countries of Western Europe and Japan. This assistance program was embodied by the Marshall Plan established in 1948. As part of this plan, an insurance program was instituted designed to protect US-based MNCs from certain risks. Under this program, to be administered by the US Agency for International Development (USAID), these MNCs would be protected from “risks of inconvertibility of assets, expropriation and war, revolution, or insurrection.” Throughout the 1950s and 1960s coverage was expanded to include investments in the Third World.

In 1969, at the behest of US President Richard Nixon, the function of providing insurance and investment incentives was transferred to a quasi-governmental and non-profit organization called the Overseas Private Investment Corporation (OPIC). The creation of OPIC, its functions and authority were provided for in the Foreign Assistance Act passed by Congress that same year. Section 231 of this law states that OPIC’s overall purpose was to “mobilize and facilitate the participation of US private capital and skills in the economic and social progress of less developed friendly countries and areas, thereby complementing the development assistance objectives of the United States.” As such, OPIC serves the dual function of securing US market share in, and supply of raw materials from, these countries at the same time that it serves as a vehicle in the delivery of assistance to these countries. Although the cost of coverage differs from one industry to another and on the amount of risk insured, the relatively low insurance premium offered by OPIC coupled by the unwillingness and/or inability of private insurers to insure MNCs operating in the Third World from catastrophic losses has bolstered its importance.  

27
28
Turning to the criteria or principles used by OPIC in its insurance program, one bears in mind that the legacy of the USAID persists. Furthermore, it operates as an insurance company guided by basically the same risk management principles that guide other insurance companies. As mentioned earlier, it provides coverage for a company of up to 90 per cent for the following risks: inconvertibility of assets, war, and expropriation.

Inconvertibility of assets occurs when a host country’s central bank refuses to convert the company’s local currency into dollars. The risk of war occurs when the company’s assets are lost in the course of open hostilities between the host country and another. And, expropriation happens when a host country takes over the company’s assets — especially physical assets — without just compensation. In recent years, as outright expropriation by foreign governments went out of fashion, companies and their underwriters have began to worry about so-called “creeping expropriation,” a term used to describe regulatory and administrative processes used by governments which blur the distinction between “normal” and “extraordinary” risks and which have the ultimate effect of negatively affecting the company’s cash flow.  

In practice, OPIC has been more rigorous than the USAID in applying its risk management principles. These principles are outlined by Julian G.Y. Radcliffe, Director of Lloyd’s Hogg Robinson (Overseas), Investment International, in the following fashion:

<table>
<thead>
<tr>
<th>Principles of Risk Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analysis</td>
</tr>
<tr>
<td>Quantification/ Evaluation</td>
</tr>
<tr>
<td>Mitigation</td>
</tr>
<tr>
<td>Transfer</td>
</tr>
<tr>
<td>Self-assumption</td>
</tr>
</tbody>
</table>
Loss Management Contingency planning, salvage/recoveries, loss negotiations with underwriters/resumption of trade

The shift in emphasis from economic development preferred by USAID to financial self-sustainability under an autonomous OPIC management with stricter adherence to these management principles is understandable. Exposure to catastrophic losses became a major concern for OPIC. It realized that the potential for such losses was “contingent on the concentration of insurance by country and industry and the size of the investments insured.” Consequently, during its first five years, OPIC exercised great selectivity in choosing which companies to insure and where these companies invested with the further consequence that fewer companies were insured operating in fewer countries but with greatly increased volume of coverage.

Following some criticisms of its restrictiveness, especially as the congressional review of its performance in 1977-78 approached, OPIC gradually took steps to expand its operations in the Third World. In 1975, OPIC developed an “Investment Mission” concept for the purpose of acquainting ranking company executives contemplating investing in the Third World. This program contained three basic elements, namely:

1. Investigation of investment potential and other conditions in selected countries by a team of OPIC officials.

2. Promotion of identified investment opportunities with US companies considered to be capable of implementing the desired projects.

3. Organization of an investment “mission” to bring top business executives into direct contact with US and local officials in the host country. Concurrently, OPIC also took steps to limit exposure in high-concentration countries by taking more into account the nature of investments and the amount invested as well as the political and economic viability of the host country on a case-by-case basis. Investments in extractive industries were particularly of concern because of their requirement for large investments and their socio-political impact on the host country which make them susceptible to political risks.
The efforts to limit concentration was accomplished through use of two major methods, namely: a) the partial insurance of investments and the encouragement of investment in less developed sections or areas of the host country; and b) the implementation of the Retrospective Premium Adjustment Program (RPAP). The RPAP permitted OPIC to continue coverage in high-exposure countries but with the added caveat that large investors desiring OPIC coverage agree to share in all losses exceeding $100 million.33

Today, OPIC continues to operate as it tries to fend off criticisms from the labor sector and the US Congress that what it does is, in the words of John R. Kasich, Republican Congressman from Ohio, part of a “welfare system that we have created... that provides welfare to the rich and welfare to the well-off.”34 In the wake of a belt-tightening mood in the US Congress, an unlikely coalition of conservative and liberal members of the House in September 1996 defeated by a 157-260 vote the bill that would have, for the next five years, “gradually raised the statutory limits on the agency’s ability to issue risk insurance to $25 billion from $13.5 billion and its financing authority to $20 billion from $9.5 billion.”35 Ironically, as one observer notes, “The likelihood that the agencies will survive made it much easier for many members to oppose the authorization bill.”36 Supporters of the bill are undaunted that the bill would be successful in 1997 while its strongest opponents wonder whether their coalition could sustain its strength and momentum through the next legislative battle.37

Political Forecasting and Economic Development in the Context of Contemporary Globalization: Some Critical Reflections

At this juncture, the role of political forecasting in economic development in the Third World in the context of what has been termed globalization will be critically examined. Thus far, the discussion has dealt with the nature and varieties of forecasting techniques and methodologies, but a critique of the assumptions — either political or ideological — underlying the enterprise of political forecasting and implicit in the mainstream literature on the subject is yet to be undertaken. This section of the essay aims to fill the void.
The political and ideological assumptions implicit in the literature may be classified in terms of what Thomas S. Kuhn many years ago referred to as “paradigms.” Paradigms, according to him, are “universally recognized scientific achievements that for a time provide model problems and solutions to a community of practitioners.” In this model, the practitioners share common assumptions about the nature and the definition of the problem to be solved, the solution with which to solve this problem, and the tools and/or methods with which to bring this solution about. There may be identifiable variants in the way in which a practitioner regards the problem, solution, and tools; at the fundamental level, however, there is no difference. Hence, their consensus attains the status of what Kuhn has termed “normal science” or the prevailing, dominant, and standard explanation that gives coherence and unity to a series of interconnected events or phenomena. This standard explanation — which finds its way in mainstream academic journals, college textbooks, and trade publications — prevails until an “anomaly” occurs in which an event or a phenomenon is not accounted for satisfactorily, giving rise to an insurgent paradigm to challenge the normal explanation’s hegemony and to offer its own explanation. The dialectical relationship between a prevailing paradigm, on one hand, and an insurgent paradigm, on the other, becomes then the basis for the growth of knowledge which, according to Kuhn, is revolutionary rather than cumulative, depending on the advances in the development of tools used in the acquisition of new knowledge as well as in the strength with which these new tools can account for any apparent anomaly. Kuhn’s approach intersects the sub-discipline sociology of knowledge to the extent that, while Kuhn helps us understand how knowledge originates, sociology of knowledge points to the social location as well as the political uses of knowledge.

In assessing the enterprise of political forecasting and the body of literature that has grown over the years explicating its nature and purposes, tools used to carry it out as well as the motives and social position of its practitioners, the use of Kuhn’s paradigmatic approach would be totally appropriate. In fact one observation that could be made in assessing the literature on political forecasting is that this author — in his survey of the vast literature — has not come across a single piece that assesses this literature in terms of the Kuhnian approach. Further, it may be said that there is an apparently broad unanimity among the practitioners of, and authors in the mainstream literature on, political
forecasting in their assumptions about the nature of the broader reality — which encompasses the political, economic, and social aspects — and the place of the political forecasting enterprise in it.

To make the assessment more manageable, assumptions on economic development in the Third World implicit in the literature would be analyzed. This is an appropriate area to focus on in that it is currently the battleground on which competing paradigms are staking their claims to legitimacy and hegemony as “normal science.” The dominant paradigm, which shall be referred to here as liberal (along with its neo-liberal variant), will be elaborated on while focusing on its assumptions about the nature of the global economy and the role that transnational firms play in it.40

The Liberal and Neo-Liberal Paradigms

a. Classical Assumptions

Much of the presuppositions of the classical liberal paradigm crystallized during the ideological debates of the 19th century underwent further refinements as events unfolded particularly in the late 20th century leading to the emergence of what is now called the neo-liberal variant.

The core principles of the liberal paradigm are, of course, already well-known in the West. These include Adam Smith’s notion of laissez faire which assigned to the private entrepreneur virtually the whole realm of economic activities, limiting the role of government only to the promotion and enhancement of these activities rather than the interposing of encumbrances that limit them. The establishment of a laissez faire regime presupposed free and unhindered competition between and among individuals considered theoretically equal in the eyes of the law. It presupposed further the establishment of a liberal political structure that would ensure — through constitutional guarantees — society’s basic rights, including the right to private property and the right to make free choices in the marketplace.

In the US, abuses associated with stock market manipulation and the rise of monopoly capitalism which skewed the distribution of wealth and
resources in favor of the rich during the first quarter of the 20th century led to state intervention in the economy. The policies and programs representing this intervention came to be known collectively as the New Deal, undergirded by Keynesian principles after the British economist, Lord Maynard Keynes. Keynesianism, as these principles were referred to, inspired a whole new generation of economists and policy-makers who were apparently committed to reform measures oriented around providing welfare to the less privileged sectors of the society but without fundamentally altering the basic structure of private property relations.

The Neo-Liberal Reaction

After about half a century as the dominant force in the intellectual landscape in the US, a sort of a mini-revolution occurred within the liberal paradigm leading to a critique of Keynesian principles as no longer adequate or appropriate — to the extent that it imposed regulatory policies that assigned to the government the power to control the market particularly with regards to prices, profits, wages and the direction of capital — in the context of contemporary globalization. The phenomenon of globalization is distinguished by a number of characteristics including: a) the onset of “unlimited” and “borderless” competition; b) the dawn of the so-called information age; c) the decline of the sovereign state; d) the ascendancy of a global trading regime represented by the World Trade Organization (WTO); and e) the emergence and persistence of regional economic blocs like the North American Free Trade Area (NAFTA), the European Economic Union (EEU), and the Asia-Pacific Economic Cooperation (APEC).41

Neo-liberalism provides the ideological basis for globalization, and neo-liberals, at the interstices of the academia, government, and the corporate world, are the drivers of this movement. Basically, the neo-liberal paradigm advocates the unhindered movement of capital, goods, and services.42 Its advocacy of free trade, in which the economies of countries around the world are cracked open for competition, is motivated by the desire to give capital a free reign as in the form of “runaway shops” relocating to areas of cheaper and unorganized labor and accessible raw materials, or in the unrestricted repatriation of profits from areas of investment. To accomplish these, neo-liberalism advocates the ideological “neutralization” of the state and the elimination of the government’s
power to regulate particularly in welfare states, e.g., the Scandinavian countries, as well in the remaining centrally planned economies, e.g., China, Cuba, and Vietnam. It promotes as well the denationalization and privatization of the exchange of goods and services, relying instead on the “invisible hand” to determine the pace and direction of economic growth. Economic growth and development, accordingly, are considered both natural and logical consequences of these processes to which all countries are enjoined if they are to form part of a “new world order.”

To mitigate any adverse consequences of the neo-liberal model, certain mechanisms are provided for through the WTO, the enactment of social assistance programs, and adherence to certain codes of “corporate social responsibility.” Certain concepts are likewise redefined including those of competition, discipline in the work place, pragmatism, and the emphasis on the individual rather than the group, e.g., labor union, as the proper intermediary between economy and society. This redefinition is necessary supposedly to expand and enhance the ability to compete in the international marketplace.

The implementation of neo-liberal policies has undergone roughly three stages since the end of the 1960s and the beginning of the 1970s. These stages are associated with what has been referred to as “restructuring” in the global capitalist economy in response to the recession felt particularly in the Western industrialized economies. In the first stage, focus was placed on battering down the protectionist policies of many countries as they tried to shelter their domestic industries from foreign competition through import substitution. Ironically, neo-liberals considered Third World protectionism as at least partly responsible for the stagnation in Western economies due to lack of competition as well as the inflation resulting from efforts by Third World governments to stimulate their own economic growth.

In the second stage, more draconian measures were advocated to open Third World economies as wide as possible to foreign capital. These measures are particularly associated with the monetarist policies particularly through the influence of a group of economists from the University of Chicago known collectively as the “Chicago Boys.” A necessary precondition advocated by this group, at least for the Third World, is a strong regime that would regulate the domestic economy and carry out policies, e.g., repression of labor, implementation of an
austerity program, the object of which is to make the domestic social and political conditions conducive to foreign investments. The declaration of martial law in the Philippines in 1972 followed by the establishment of military juntas in Chile in 1973 and in Argentina in 1976 appear to be the most prominent experimental grounds for these policies.

The third stage came in the mid-1980s as the debt crisis in the Third World was coming to full maturity and as international lending institutions — most prominently the International Monetary Fund (IMF) — used their financial and political leverage to press Third World governments into accepting painful structural adjustment programs. Third World countries that complied, while gaining access to Western capital to jump-start their broken economies, have to contend with conditionalities that virtually meant cession of national sovereignty to external forces. On the other hand, those that failed to comply — particularly those that asserted their political and ideological independence from the US and other industrialized countries whose monetary contributions to the lending institutions determined their voting clout — were practically regarded as international pariahs and were subjected to a relentless de-stabilization program induced either internally, e.g., Chile in 1973 and Nicaragua during the Contra war in the 1980s, or externally, e.g., the almost four-decade old embargo against Cuba.

Today, even after a wave of democratization movements that swept away harsh dictatorships throughout the Third World, occurring almost simultaneously with the collapse of actually existing socialist regimes in Eastern Europe and the former Soviet Union, and faced further by a vigorous challenge from the emergent industrialized countries of the Asia-Pacific region, neo-liberals are finding a way to assure their ideology’s continued predominance. Their goal in this current stage is to deepen the integration and cooptation of the economies of countries around the world into the capitalist network. This is being accomplished principally through the promotion of an international economic division of labor based on comparative advantage in which the traditionally dominant industrial countries of North America, Western Europe, and Japan would maintain their hegemony over capital, high technology, and military power while the rest of the countries of the world — save for the newly industrialized countries of the Asia-Pacific region — would serve basically as suppliers of cheap labor, raw materials, and as market for finished products. The agricultural economies of the Third World would be
integrated more deeply into, rather than estranged from, the capitalist global economy through modernization so that their products would fit more nicely in Western markets and adapt better to Western taste. The WTO assures this when it includes a provision in its founding charter calling for the lowering of tariffs and/or the abolition of import duties not just on industrial goods associated with the industrial countries but also on so-called tropical products associated with the agricultural economies of the Third World.\(^47\) Equally significant is the accelerated pace with which much of the productive systems in the Third World are taken over by the transnational enterprise either directly or indirectly through subsidiaries and other structures. Those that are either unproductive or too expensive to operate due to outdated technology are either outrightly destroyed, abandoned, or replaced by new but more expensive imports.

What makes all of these neo-liberal agenda items possible is, of course, the role played by a supporting cast of institutions, most prominently the World Bank, the IMF, the US Agency for International Development, and other US taxpayer-funded trade promotion agencies, e.g., the OPIC, the Trade and Development Agency, and the International Trade Administration. Each of these institutions and agencies have been well-known in their role as conduits for the transmission of capital and as extensions of the US diplomatic and ideological agenda.

**The Rise and Dominance of the Multinational Enterprise**

Playing a central role in the globalization process is the multinational enterprise (MNE). Sometimes referred to as transnational enterprise, the MNE’s origins may be traced to the Industrial Revolution in England during the first half of the last century. Conceptions about the nature and organization of the MNE have been influenced by competing views about nature and society that have had a legitimizing role in the history of Western society as a whole. First was the mechanistic view which regarded society as a structure of interrelated and coordinated parts governed not by free will but, rather, by the causal laws of nature.\(^48\) Then the organismic view emerged, influenced by achievements in the biological sciences, promoting a notion of society as like any other living creature imbued with various interdependent components, each with an assigned function and a corresponding structure the ultimate aim of which is the persistence of the organism as a whole, not necessarily that of its individual parts.\(^49\)
A third view which has gained particular currency during the contemporary period is the notion of organization. Influenced by the view that modern society is a complex and differentiated organization, this notion differs from the mechanistic and organismic views mentioned earlier in that, while it is purposive, it allows for and recognizes the purposiveness of its individual members in the context of a given environment. This environment affects the organization and vice versa.

To maximize the benefit to the organization arising from its interaction with its environment, management is seen as having the primary function of satisfying what one author refers to as “stakeholders”: persons within and outside of the organization with whom it interacts and are directly affected by it. These include employees, suppliers, customers, investors, creditors, debtors, and the government. An indispensable tool with which management seeks to accomplish this function is planning, herein understood not merely as an activity that contributes to the development of the organization’s external environment but, also, to its own internal growth and development measured in terms of size and/or performance in the areas of sales, market share, size of employees, and in net earnings. Hence, planning is defined as “a participative way of dealing with a set of interrelated problems when it is believed that unless something is done, a desirable future is not likely to occur, and that if appropriate action is taken, the likelihood of such a future can be increased.” With this notion of planning — nurtured and emphasized in management classes in colleges and universities — gaining popular currency among corporations and organizations, the motto that has come to typify their corporate ethos has been “Plan or be planned for.” It is in this context that political risk assessment and political forecasting may be understood as they are an indispensable part and parcel of the corporation’s goal of understanding not only the present but also the future political contexts in which it operates. As one author writes, “To the extent that we can control the future we do not have to forecast it.... To the extent that we can respond rapidly and effectively to changes that we neither control nor expect..., we need not forecast them. The better we can adapt to what we do not control, the less we need to control.”

However, it is not only the political environment that the corporation needs to understand and deal with. It is after all an economic device whose primary locus of operation is the marketplace where it also has to contend with competitors. If it becomes inefficient, its competitors will
force it out. The imperative of the market, therefore, leads it to plan not merely to survive but also to become a dominant force, indeed to become a giant, with whom others have to contend. To accomplish this, the corporation has, in the course of this century, acquired characteristics which enhance its competitiveness. For instance, it has gone public for the most part in a sense that its stock is publicly traded. In another instance, it has also for the most part separated management from ownership to enhance autonomy and flexibility. And, thirdly, it has become largely multinational not only in a sense that it maintains production sites and offices abroad but also that it conducts extensive business dealings abroad, includes employees and managers of different nationalities, and its ownership base may now include citizens of various countries. Indeed, as one author writing in the early 1970s explains, many MNEs have “embarked on massive reorganizational programs, reflecting the rapid expansion of foreign operations and prospects of an even greater commitment of the corporation’s resources abroad in the future. There is a distinct trend within companies very active in the international investment field to realign the company’s organizational responsibilities based on a worldwide concept of operations.”

This rapid expansion has contributed inexorably to the globalization of the capitalist economic system with the MNE becoming its most visible symbol. Furthermore, this expansion is accompanied by a shift in marketing strategy from an emphasis on the customer or the product to that of the corporation’s external environment. Justifying this, one textbook writer explains: “Knowing everything there is to know about the customer is not enough. To succeed, marketers must know the customer in a context which includes the competition, government policy and regulation, and the broader economic, social, and political macro forces that shape the evolution of markets.”

Another textbook, suggesting in its lead chapter the “global imperative” and declaring to its readers that “the world is your marketplace,” asserts: “Marketers have no choice. Globalization is an inevitable process. The world is becoming more homogeneous, and distinctions between national markets are not only fading but, for some products, will disappear altogether. This means that marketing is now a world encompassing discipline. To survive, we have to understand every market open to our companies and to our competitors. Without this knowledge, we’re doomed.”
The Role and Nature of Social Science

One may say that at the forefront of the corporation’s participation in the globalization process are the social scientists providing indispensable information, intellectual guidance, and direction. Imbued with the value of objectivity, they carry out their task of providing intelligence to the corporation using the standard tools and methods of social science analysis. This means that its methods may be replicated and that its conclusions confirmed independently by others. Further, they reflect the assumption that empirical reality has a particular causal order or pattern waiting to be discovered and mastered. The value of objectivity itself reflects the notion that this reality is divided into a realm of facts and of values. Of these two realms, the more important is the realm of facts in that it is observable, quantifiable, and verifiable. The realm of values, on the other hand, is largely dismissed because of its subjective, fluid, and indeterminate character. Thus, social science is thought to be value-free: political, ideological, and even moral/religious considerations have little or no role to play in the conduct of study and in the formulation of decisions. This notion has permitted social scientists to be relatively free from considering otherwise difficult moral, ethical, and ideological issues in the environment in which they operate. At worst, many of these social scientists — along with their corporate clients — have not even bothered to wrestle with these issues; they have simply abandoned them. Consequently, they and their clients refuse to acknowledge the deleterious consequences of their actions, i.e., the externalities, particularly on both the physical and the social environment. This may be explained further in terms of what Alfred North Whitehead has referred to as ‘the fallacy of misplaced concreteness’ – the tendency to deduce from abstractions as though they were the definitive reality in and of themselves.57

These views about the role and nature of social science permeate all three examples discussed earlier illustrating the uses of political forecasting: in the events data analysis among international relations scholars, in corporate risk assessment, and in overseas private investments insurance underwriting.

Events data analysts have been more concerned with the collection and interpretation of data that would reveal patterns of international relations that may be useful to government policy-makers. Earlier foci of analysis were on conflicts involving two or more actors — state or non-state. Later, attention was also trained on non-conflictual but nonetheless
politically significant events, again involving international actors, that may show a pattern that sheds light on the present or on the prediction of the future. In either case, the use of formal methods of analysis is indispensable, almost an assumed component in the research enterprise. Furthermore, while they have their base for the most part in the academia, many events data analysts are at the employ of the government as expert consultants because of the policy significance of their work.

Political risk analysts, on the other, while working for the corporation, are wedded to social science and to the academia where they were trained.\(^{58}\) The role they have chosen to play, i.e., as practitioners of political risk analysis, makes them caterers of knowledge for sale to the corporate bidder. The price that they extract for the knowledge they sell is justified not only by the value to the corporation of the information they provide but also to the fact that, just like in any army, they represent an advance team to scout the terrain and assess the risks and benefits that may help the corporation manage or cope with a particular situation with the end in view of raking in as much profits as could be taken.

Finally, the public underwriters of overseas private investments insurance through the OPIC operate under principles developed in the business management sciences akin to the social sciences. These principles highlight the maximum rational and efficient utilization of resources, the distribution of risks among subscribers, and the minimization and control of risks. While not directly involved in the management decisions of the corporation, insurance underwriters, through their application of risk management principles, affords the corporation an opportunity to concentrate on business activities and on the formulation of decisions to enhance its competitiveness in the marketplace.

It is evident in all three examples that social science plays an indispensable role in the acquisition of knowledge useful not just to the social scientists themselves but also to government and the corporation. While social scientists may not concern themselves directly with the formulation of either government policy or corporate decision, it is clear that the knowledge they contribute often forms a basis for any policy or decision taken at either the government or corporate level. At first glance, their role may be seen as objective and dispassionate. Underneath appearances, however, the objectivity that they claim to characterize their work is actually non-existent. Or, at least, if we are to consider the
paradigmatic approach outlined earlier, the liberal and neo-liberal practitioners may be allowed to claim “objectivity” but only within — and not outside — the context of the presuppositions of their paradigm. As insights from the sub-discipline of sociology of knowledge reveal, knowledge originates from a particular conceptual framework the comprehension of which requires an application of “the way in which this perspective leads to a problem for investigation, set [sic] standards for their solutions, directs observation and the collection of evidence, and set [sic] goals and expectations for inquiry.”

Thus, while initially appearing to be inconsistent with the value of objectivity, the practitioners may, in fact, be “objective” within walls of the liberal democratic edifice which constitutes the weltanschauung whose legitimacy they never question and within which political framework their enterprise as producers of knowledge flourishes. But this notion of objectivity is limited, self-serving, and destructive.

**Conclusion**

As a final note, while it is generally acknowledged that management of risk is preferable on the part of both the majority of corporations doing business in the Third World and their host governments, risk is not at all such a bad word to an emerging breed of speculative investors. These investors invest so-called “hedge funds,” a type of high-risk, short-term mutual funds requiring at least a million dollars as initial investment. As explained by David C. Korten, aggressive hedge funds often “leverage investor money to borrow as much as $10 for every investor dollar.”

Such is the case of George Soros’ Quantum Fund, reputed to be the biggest of hedge fund investors, which controls more than $11 billion of investor money. Quantum Fund potentially controls as much as $110 billion. Korten explains that this situation has the effect of tying up “the funds of the banking system in activities that are of questionable benefit to society when the credits of home buyers, farmers, and productive businesses go unmet.”

Further, signals sent by these speculative investors on prices are often taken as cues by other investors which may suffer “catastrophic losses” if the cues happen to be wrong.

Needless to say, the predatory activities of these investors in many Third World countries are responsible in large measure to the financial volatility that have recently been experienced in Argentina, Indonesia,
Hong Kong, Mexico, and Thailand, among many others. In contrast to productive investments in terms of goods and services which by themselves cause enough headache in the Third World, speculative investments thrive in instability and are putative to the neo-liberal conception of globalization.

Under these circumstances, one may ask whether there is a escape at all for the struggling peoples of the Third World who now find themselves hemmed between the proverbial rock and a hard place: under conditions of predictability, they suffer at the hands of corporations who prefer stability, and, under conditions of volatility, they are vulnerable to the sleight of hands by speculative investors.

Endnotes


4 Worth mentioning as another example of the growing interest in political risk analysis is the publication of the multi-volume *Global Risk Assessment: Issues, Concepts and Applications*, published by the California-based Global Risk Assessments, Inc. As described in an announcement soliciting contributions for possible inclusion, this


11 For c, d, and e, see Dan Haendel, Foreign Investments and the Management of Political Risk (Boulder, Co.: Westview Press, 1979), 206 pp.


17 The following summaries were distilled from William Ascher and William H. Overholt, Strategic Planning & Forecasting; Political Risk and Economic Opportunity (New York: John Wiley & Sons, 1983), Chapter 3, “Forecasting Methods: Review and Appraisal,” pp. 59-93.

18 Ascher and Overholt, ibid., p. 61.


20 Edward E. Azar and Joseph D. Ben-Dak, “Preface,” in Theory and Practice of Events Research: Studies in Inter-Nation Actions and Interactions, Edited by Edward E. Azar


Coplin and O’Leary, op., cit., p. 7.

See, for instance, the 1973 congressional testimonies before Senate Foreign Relations Committee, Sub-Committee on Multinational Corporations, Hearing on the International Telephone and Telegraph Co. and Chile, 93rd Congress, 1st Session. See also Anthony Sampson, The Sovereign State of ITT (New York: Stein and Day, 1973).


During the 1973 congressional review of OPIC’s operations, it was mandated that OPIC look into the prospects of privatization so that, by the end of 1980, it would become a “reinsurer” with only a limited liability. However, in view of the grave reluctance of private insurers to assume “political risks”, the privatization mandate was abandoned during subsequent congressional review in 1977. Some reasons advanced for the reluctance of the private insurance industry to provide insurance for political risks include: a) the difficulty in establishing an actuarial-based calculation of reserves required to deal with catastrophic losses; b) lack of evidence that political insurance would have a profitable market. For more discussion, see Haendel, ibid., p. 51.


“Political Risk and Foreign Investment,” op. cit., p. 97. Alan Shapiro notes, though, that not all companies are susceptible to political risk of this kind as it depends on the nature and size of the industry as well as on the type of ownership and level of technology. Thus, Shapiro posits, “In general, the greater the perceived benefits to the host economy and the more expensive its replacement by a


32 Ibid., p. 30.

33 Ibid., p. 28.

34 See Carroll J. Doherty, “House Refuses to Reauthorize Trade Promotion Agencies,” Congressional Quarterly Weekly Report, 54,37 (September 14, 1996): 2584. (Henceforth referred to as Doherty, “House Refuses to Reauthorize.”) Also, “In OPICle,” *The Economist*, September 21, 1996, p. 80. Criticism from the labor sector has been aired by the AFL-CIO which argued that while the US taxpayers ultimately have to compensate losses incurred by the MNCs in foreign countries, the American workers, whose jobs had been exported in “runaway” industries “pay double - once for lost employment and again through Treasury repayments.” See Labor Looks at the 93rd Congress (a legislative report) (Washington, D.C.: AFL-CIO Department of Legislation, February 1975), p. 32.

35 Doherty, “House Refuses to Reauthorize,” op. cit. Defeat of this bill likewise meant two other similar agencies — the Trade and Development Agency and the International Trade Administration — failed to get reauthorization for their operations. However, a quirk in the legislative process allows all these agencies to continue beyond their authorization date of September 30 through the Appropriation Committee’s waiver of the authorization requirement until the bill, in modified form, gains enough votes for a reconsideration. Supporters of the bill, including the Clinton administration, are confident that an authorization bill would pass in 1977. Supporters are especially fearful that another defeat for OPIC would spell trouble in the future not only for the agencies covered in this bill but also for a host of other programs like the Export-Import Bank, which gives credits and loan guarantees to US exporters, and the Market Access Program of the Department of Agriculture, which helps promote US agricultural products abroad.

36 Doherty, ibid.

37 Due to limitations of space, no detailed evaluation of OPIC’s performance can be done here. For assessment, see Rebecca M. Summary and Larry J. Summary, “The Overseas Private Investment Corporation and Developing Countries,” *Economic Development & Cultural Change, 12, 4* (July 1994).


39 Kuhn, ibid., p. viii.

For elaboration, see Kenneth E. Bauzon, “The Global Migration of Capital and the Asian Diaspora,” a paper prepared for presentation at the Second International Conference on Contemporary Diaspora on the theme “Beyond Diaspora from the Global Perspectives Focusing on Asia Pacific,” held at the University of Tsukuba, Tsukuba, Japan, March 10-12, 1997. 31 pp. (Typescript)


The new meanings of these terms are apparent in the discourse on competitiveness in mainstream publications. For example, see Competitiveness: An International Economics Reader (New York: Council on Foreign Relations, Inc.), 79 pp.


This view is best represented by Isaac Newton whose rationalistic view of nature led him to investigate only those accessible to “natural reason” in search for a “causal order” in which the universe is regarded as the “Great Machine.” For further discussion, see Basil Willey, The Eighteenth Century Background: Studies on the Idea of Nature in the Thought of the Period (Boston, Mass.: Beacon Press, 1961), 302 pp.


A large body of literature has emerged elaborating on the various aspects and types of organization. For a representative work, see D.S. Pugh, ed., Organization Theory (Baltimore, Md.: Penguin Books, Inc., 1971), 382 pp.


Ibid., p. 52.

Ibid., p. ix.


See his Science and the Modern World (New York: Macmillan, 1925). This fallacy is taken up to help explain contemporary situation by the award-winning book by Herman E. Daly and John B. Cobb, Jr., For the Common Good: Redirecting the Economy Toward Community, the Environment, and a Sustainable Future (Boston, Mass.: Beacon Press, 1989), particularly Part 1, “Economics as an Academic Discipline,” pp. 25-117.


Ibid. p. 6.
References

A. Books and Monographs


Bello, Walden, with Shea Cunningham and Bill Rau. *Dark Victory: The United States, Structural Adjustment, and Global Poverty* (Oakland, Ca.: The Institute for Food and Development Policy, 1994).


Daly, Herman E. and John B. Cobb, Jr. For the Common Good: Redirecting the Economy Toward Community, the Environment, and a Sustainable Future (Boston, Mass.: Beacon Press, 1989).
Kuhn, Thomas S. The Structure of Scientific Revolutions (Chicago, Ill.: University of Chicago Press, 1970 ed.).


Riemer, Neal and Douglas W. Simon. The New World of Politics: An Introduction to Political Science (Alta Loma, Ca.: Collegiate Press, 1997 ed.).


B. Periodicals


Berger, Mark T. “Post-Cold War capitalism: modernisation and modes of resistance after


Brohman, John. “Economism and critical silences in development studies: a theoretical
__________________________________________.
“Universalism, Eurocentrism, and ideological bias in development studies:

Cohen, Joshua and Joel Rogers. “Knowledge, Morality and Hope: The Social Thought of

147-55.

__________________________________________.
“Shifts in the Balance of Communication Flows: A Problem of Measurement

Devlin, John F. and Nonita T. Yap. “Sustainable development and the NICs: cautionary tales
for the South in the New World (Dis)Order,” Third World Quarterly, 15, 1 (March 1994):
49-62.

Doherty, Carroll J. “House Refuses to Reauthorize Trade Promotion Agencies,” Congression-

Duncan, Otis Dudley. “Social forecasting – the state of the art,” Public Interest, no. 17 (Fall

Gills, Barry. “Dependency and world systems,” (Feature review), Third World Quarterly, 16,


37-46.

Habermas, Jurgen. “What Does Socialism Mean Today? The Rectifying Revolution and the
Need for New Thinking on the Left,” New Left Review, no. 183 (September/October

Halliday, Fred. “An Encounter with Fukuyama” (review), New Left Review, no. 193 (May/June

__________________________________________.
5-23.


Howell, Llewellyn D. and Thomas J. Sadler. “Event Data for Area Studies Applications:
Behavioral Patterns and Issue Domains for Malaysian Foreign Policy Behavior,” Inter-
national Studies Notes, 18, 2 (Spring 1993):21-33.

Howell, Llewellyn D. “Political Risk and Foreign Investment in ASEAN States,” Papers in
Asian Studies, 2, 3 (January 1981).

Jessop, Bob, Kevin Bennett, and Simon Bromley. “Farewell to Thatcherism? Neo-Liberal-

Jones, Jr., Randall J. “A Model for Predicting Expropriation in Latin America Applied to

(September/October 1990): 75-94.

Klein, L.R. “The Importance of Forecast,” Journal of Forecasting, 3, 1 (January-March
1984).


Monthly Review, 46, 6 (November 1994). (Special Issue Commemorating Harry Braverman’s Labor and Monopoly Capital).


C. Unpublished Manuscript