

Political Risks in the post-Soviet Region: Geopolitical Risks, Country Risks, and Business Management Strategies

The Routledge Handbook of Political Risk

Twenty-Ninth International Conference of Europeanists

University of Iceland | Reykjavik, Iceland

June 27-29, 2023

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EUCON



With the support of the
Erasmus+ Programme
of the European Union

Presentation

- I. Reference Literature – Categorization
- II. Subchapters
- III. Methodology
- IV. Soviet Legacy determining regional risk characteristics
- V. Geopolitical- / International Level
- VI. Country Level
- VII. Management Strategies

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Political Risk Factors

Level of Analysis

Geopolitical Risk Factors (MIGA 2015)

Macropolitical Risk Factors (Robock, 1971; Alon & Martin, 1998)

Internal (de la Torre et al 1988)

State Capture:

Systemic Corruption
(Meissner 2017)

Systemic Favouritism
(Meissner 2017)

Institutional Ambiguity
(Meissner 2017)

External (de la Torre et al 1988)

**Regional, Bilateral
Conflicts and Diplomatic
Ties** (Alon & Martin 1998)

**Host country's attitude
towards international
companies** (Kobrin 1980)

Micropolitical Risk Factors (Robock 1971, Alon & Martin 1998)

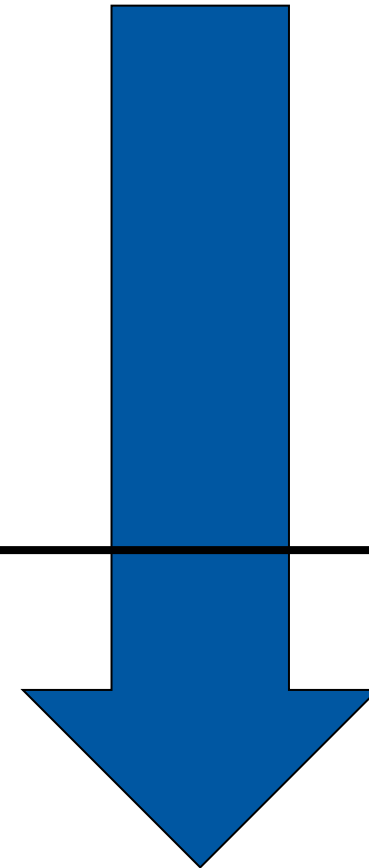
Four Levels of Analysis

Global and International Level
international trade treaties,
protectionism, sanctions, terrorism,
conflicts, etc.

Country Level (Internal & External)
regime type, instability, political leadership,
the regulatory framework, property rights,
attitude towards foreign companies

Informal Factors
state capture, clientelism,
institutional ambiguity, systemic corruption

Characteristics of Post-Soviet Region



**Management
Strategies**

Subchapters

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Subchapters

- Focus on **regional characteristics of political risk** and **empirical evidence**
 - Subchapter 1: **Soviet Legacy**: Literature Review
 - Subchapter 2: **Geopolitical Risk** in the region: Literature review, empirical data
 - Subchapter 3: **Country Risks (Country Level/Informal Level)**: Literature review, empirical data
 - Subchapter 4: **Management Strategies**: Literature review, empirical data

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Methodology

- Empirical data from field research in the region between 2009-2023: Ukraine (2012, 2017, 2021), Azerbaijan (2013), Turkmenistan 2009, Georgia (2016, 2019), Kazakhstan and Uzbekistan (2019, 2023), Russia (2019)
- qualitative-interpretive research methodology
- Reference Study: 10 qualitative interviews in Kiev in October 2022 on geopolitical vs. country risk
- (1) the manager of a consulting group, (2) the manager of an insurance company, (3) the country representative of an international business association, (4) the manager of a US multinational company, (5) the manager of an Austrian based industry company, (6) the manager of an Austrian agricultural company, (7) the manager of a technology company, (8) the manager of a high-tech company, (9) the executive from a consumer electronics company, (10) the manager of a water-technology company.

Reference Study, Kiev, Oct. 2021

- In what ways are companies confronted with political risks related to competition and conflict in the course of EU-EEU relations?
- How do they perceive the conflict in general?
- How do they manage the risks? How do they evaluate the potential for cooperation?
- Additionally, we were interested in the managers' perceptions of the root causes of the conflict between Russia and the EU as well as their ideas on future cooperation and convergence between EU and the EEU.

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Soviet Legacy

- **Key argument:** Soviet legacy predominant, establishes the post-Soviet space as a region, and determines political risks in the region
 - At country level and international/geopolitical level
 1. **Deficient and centralised state institutions**
 2. **State capture: Elite power in the state and the economy**
 3. **Clientelism and corruption**
 4. **Conflicts and wars**
 5. **Russian hegemony and imperialism**

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Geopolitical/International Level

- Political risk category: **Sanctions, „economic warfare“, hostility towards foreign enterprises** from „unfriendly countries“
- Significantly rising since 2014, related to Russia
- Belarus since 2020
- EUCON research: dominant risk category in Ukraine even before the war in autumn 2021
- **EUCON research:** associated with reputation risks
- **EUCON research:** problem particularly high when post-Soviet region as one business region, supply and distribution chains in the entire region, and Russia most important market;

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- **Informal Level of high importance: State capture**
 - Systemic corruption, systematic favouritism vs. Disfavouritism
 - Institutional ambiguity associated with deficient bureaucracy, low guarantee of property rights, weak legal framework
 - However, country differences: various forms and different degree of informality (Turkmenistan worst, Georgia to a lesser degree; Ukraine before war: decentralised, vs. Azerbaijan and Belarus: centralised, etc.
- **EUCON research:** still high risk under Selensky; failed reforms
- Political instability/colourful revolutions: companies confronted with new informal networks and practices

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- **Categories: Avoidance, Mitigation, Transfer**
- Ukraine war and **geopolitical conflict** as a game changer
- **EUCON research:** geopolitical risk: before war: avoidance and „wait and see strategy“ predominant;
- Transfer: risk insurance
- **Country risk:** Transfer and mitigation through cooperation with the right partners
- Since war: Only 7% of business on EU average withdrew from Russia; wait and see; but longlasting conflict/no way back: reorientation within the region (Kazakhstan and Uzbekistan) vs. Alternative markets (CEE, SEE, USA, Latin America; Africa as a newcomer?)

- Thank You!