

Graduate School of Public Policy
The University of Tokyo

SOVEREIGN DEBT

Course No. 5123433
A-Semester (A1/A2) 2016

COURSE SYLLABUS

Time: Period 5, 16:50-18:35, Mondays (unless otherwise announced)
Location: Seminar room No. 3 (Room 710), 7th floor, Administration Bureau Building 2
Instructor: Toshiro NISHIZAWA, Project Professor
TA: Mr. Amir Zhusupov (amir.zhusupov@gmail.com)
Credits: 2 credits
Language: English
Office: Room 624, 6th floor, Administration Bureau Building 2
Office hours: By appointment
Contact info: tnishizawa@pp.u-tokyo.ac.jp; 03-5841-1343

Please feel free to send me e-mails with any question about the course or if you want to make an appointment. To help me not to miss your incoming e-mails, **please start the subject line with the course number 5123433 when you send e-mails.*

1. Course objectives

The course aims to clarify the nature of sovereign debt (*concept*), to familiarize students with sovereign risk assessment methodologies on the basis of particular country cases (*lessons from history*), and to provide students with an opportunity to discuss and consider how government liabilities should be managed and sovereign debt crises should be avoided or dealt with (*policy implications*). More broadly, we will keep in mind how we could pull a particular country or the global economy out of a vicious circle of debt trap since the credit addicted growth strategy with a growing debt, both public and private, as a consequence appears to be one of the challenges we are faced with in today's world. As a practical training course, students will have the opportunity to debate, work in a team, make oral presentation and produce memos and reports.

The rationale for offering this course is as follows.

Since the global financial crisis of 2008-2009 and following the Eurozone crisis, high levels of government debt in advanced economies have raised renewed market concerns over possible sovereign defaults. Furthermore, there has been ongoing debate about how to get under control Japan's sovereign debt which represents more than twice the OECD members' average debt-to-GDP ratio.

A sovereign default is the *failure or refusal* of a government to make payments on its debt obligations to either domestic or external creditors, or to both. In fact, history gives us many precedents of sovereign default by both developed and developing countries as well as of many crisis cases that brought a government to the verge of default.

As financial journalist Philip Coggan described in his book titled *Paper Promises: Money, Debt and the New World Order*, economic history could be viewed as "a war between creditors and debtors" while borrowing and lending are essential to make an economy function.

As any other players in the economy, a government needs to borrow or assume some form of liabilities, both direct and indirect (contingent), when it runs deficits, rescues the financial system, guarantees projects, tries to maintain exchange rates, and so on. As such, the government is not necessarily immune from a struggle with its creditors while the nature of government indebtedness is different from borrowing by private entities.

Furthermore, we should look at the interaction not only between creditors and debtors, but also between creditors as reminded by inter-creditor equity issues in debt restructuring as observed in the recent Greek and Argentine cases. Equity issues could also be discussed from intergenerational perspectives.

The rationale for offering this course, therefore, is based on the presumption that dealing with sovereign debt has serious *political* and *legal*, as well as *economic*, consequences which should require *public policy and legitimacy considerations*.

2. Schedule

Day 1	Monday, September 26	Introduction	Nishizawa
Day 2	Monday, October 3	Key concepts	Nishizawa
...	Monday, October 3 - Friday, October 7—course registration period		
Day 3	Saturday, October 8 Period 5 (16:50-18:35)	Key concepts (continued)	Nishizawa
...	Monday, October 10 National Holiday "Sports Day"	No class	...
Day 4	Monday, October 17	Cases of sovereign debt crisis	Nishizawa
...	Monday, October 17 - Thursday, October 20—course withdrawal period		
Day 5	Monday, October 24	Debate—what determines risks of sovereign default?	Nishizawa
Day 6	Monday, October 31	Student mid-term presentation on term paper proposal	Nishizawa
Day 7	Monday, November 7	Debt sustainability analysis	Nishizawa
Day 8	Monday, November 14	Debt management strategy	Nishizawa
...	Monday, November 21	No class	...

...	Monday, November 28 (reserved for Friday class)	No class	...
...	Monday, November 28 - Friday, December 2—individual consultation on term paper will be arranged during the period		
Day 9	Monday, December 5	Guest speaker session "Argentine debt restructuring" (TBC)	Nishizawa Hosono†
Day 10	Monday, December 12	Guest speaker session "Sovereign debt market issues" (TBC)	Nishizawa Tsuda†
Day 11	Friday, December 19	Guest speaker session "Sovereign credit rating" (TBC)	Nishizawa Nakagawa†
Day 12	Monday, December 26	Student term paper presentation	Nishizawa
Day 13	Thursday, January 5	Feedback on student term paper presentations and follow-up discussion	Nishizawa
...	Thursday, January 5	End-of-semester evening gathering to be held jointly with Course 5140724 (tentative and optional)	...
...	Monday, January 16	Final report due by 18:00	...

† Guest speakers: Mr. Kenji Hosono (Chief Representative, Representative Office in Buenos Aires, Japan Bank for International Cooperation), Mr. Takahiro Tsuda (Deputy Director, Research Division, Budget Bureau, Ministry of Finance), Mr. Satoshi Nakagawa (Chief Analyst & Special Representative for Asia, Japan Credit Rating Agency, Ltd.)

3. Teaching methods

This course will be organized as a seminar with introductory lecture followed by class discussion. *Active participation in discussion* is expected based on student different backgrounds, life-experiences, knowledge, skills, motivation, and reading of assigned materials. The working language is English.

Guest speakers will be invited to discuss specific issues from various perspectives and/or based on different fields of professional expertise.

4. Course requirements and grading

Students are required to make oral presentations at least twice in the middle and toward the end of the course *either (a) on one of her/his choice from the subjects given by the instructor or (b) on a topic of his/her interest in the context of the course objective as described above*. Each student is also required to submit a proposal and term paper based

on his/her presentations in the middle and at the end of the course.

Furthermore, students are required *from time to time to make a brief oral presentation and/or write a short note (up to 400 or 600 words) about a particular subject.*

The course grade will be based on:

Oral presentations 35% (10% for mid-term and 25% for final)

Term paper 35% (10% for proposal and 25% for term paper)

Participation in discussion 20%

Class attendance 10%

5. Required readings

Required readings, mainly excerpts taken *selectively* from the following reference books and other materials, will be either made available electronically or handed out in class.

Coggan, Philip. 2011. *Paper Promises: Money, Debt and the New World Order*. New York: Penguin Press.

Ferguson, Niall. 2008. *The Ascent of Money: A Financial History of the World*. New York: Penguin Press.

International Monetary Fund (IMF). 1998. *External Debt Histories of Ten Low-Income Developing Countries: Lessons from Their Experience*. IMF Working Paper, WP/98/72, Corrected: 5/26/98. Washington, DC: IMF. Accessed September 16, 2016.
<http://www.imf.org/external/pubs/ft/wp/wp9872.pdf>

International Monetary Fund (IMF). 2013a. *Sovereign Debt Restructuring--Recent Development and Implications for the Fund's Legal and Policy Framework*. Washington, DC: IMF. Accessed September 16, 2016.
<http://www.imf.org/external/np/pp/eng/2013/042613.pdf>

International Monetary Fund (IMF). 2013b. *Staff Guidance Note for Public Debt Sustainability Analysis in Market-Access Countries*. Washington DC: IMF. Accessed September 16, 2016.
<http://www.imf.org/external/np/pp/eng/2013/050913.pdf>

International Monetary Fund (IMF). 2013c. *Staff Guidance Note on the Application of the Joint Bank-Fund Debt Sustainability Framework for Low-Income Countries*. Washington DC: IMF. Accessed September 16, 2016.
<http://www.imf.org/external/np/pp/eng/2013/110513.pdf>

International Monetary Fund (IMF). 2014. *Revised Guidelines for Public Debt Management*. IMF Policy Paper. Washington, DC: IMF. Accessed September 16, 2016.
<http://www.imf.org/external/np/pp/eng/2014/040114.pdf>

International Monetary Fund (IMF). 2015a. *Staff Guidance Note on the Implementation of Public Debt Limits in Fund-Supported Programs*. Washington DC: IMF. Accessed September 16, 2016.
<http://www.imf.org/external/np/pp/eng/2015/052715.pdf>

International Monetary Fund (IMF). 2016. *Greece: Preliminary Public Debt Sustainability Analysis—Updated Estimates and Further Considerations*. IMF Country Report No. 16/130. Washington DC: IMF. Accessed September 16, 2016.

<http://www.imf.org/external/pubs/ft/scr/2016/cr16130.pdf>

Japan Credit rating Agency, Ltd. (JCR). 2014. *Rating Methodology: Sovereign and Public Sector Entities*. Tokyo: JCR. Accessed September 16, 2016.

http://www.jcr.co.jp/english/coc/coc14_3.pdf

Kolb, Robert W., ed. 2011. *Sovereign Debt: From Safety to Default*. Hoboken, NJ: John Wiley&Sons.

Reinhart, Carmen M., and Kenneth S. Rogoff. 2009. *This Time Is Different: Eight Centuries of Financial Folly*. Princeton: Princeton University Press.

Standard & Poor's Ratings Services. 2016. *Default, Transition, and Recovery: 2015 Annual Sovereign Default Study and Rating Transitions*. New York: Standard & Poor's Ratings Services. Accessed September 16, 2016.

<http://img.en25.com/Web/StandardPoorsRatings/2015%20Sovereign%20Default%20Study.pdf>

Standard & Poor's Ratings Services. 2014. *Sovereign Rating Methodology*. New York: Standard & Poor's Ratings Services. Accessed September 16, 2016.

https://www.globalcreditportal.com/ratingsdirect/renderArticle.do?articleId=1377165&SctArtId=288448&from=CM&nsI_code=LIME&sourceObjectId=8950072&sourceRevId=2&fee_ind=N&exp_date=20241223-20:52:02

Sturzenegger, Federico, and Jeromin Zettelmeyer. 2006. *Debt Defaults and Lessons from a Decade of Crises*. Cambridge, MA: The MIT Press.

I would suggest that you read chapters (particularly, Chapters 1, 2, 5, 6 and 7) of the following reference book. This is one of the widely-known classical reference books to help students or professionals to do research and to write a good research paper. You can easily purchase one from amazon.com (¥1,777) or borrow one from Nishizawa.

Turabian, Kate L. Revised by Booth, Wayne C., Gregory G. Colomb, Joseph M. Williams, and the University of Chicago Press Editorial Staff. 2013. *A Manual for Writers of Research Papers, Theses, and Dissertations*. 8th ed. Chicago: University of Chicago Press.

Attachment (1) Detailed Course Schedule (to be provided separately)

Attachment (2) Titles of student final papers submitted in AY2013-AY2015

Attachment (3) About the instructor

Graduate School of Public Policy
The University of Tokyo
Sovereign Debt
Course No. 5123433
A-Semester (A1/A2) 2016
By Toshiro Nishizawa

Titles of student final papers submitted in AY2013-AY2015

Sovereign Defaults: Lessons from History and Future Implications (Course No. 5123430, Winter 2013)

- Factors leading to sovereign default crisis
- Greece debt sustainability: uncertainties and recent improvements
- HIPCs and development finance: an analysis of debt
- Lessons from Greek sovereign debt restructuring
- Rethinking debt swap: to what extent can it aid in government liability management?
- Sovereign debt crisis in Italy
- Top rating agencies: power and regulation
- Treatment of sovereign risks in international financial regulation

Sovereign Debt: Lessons from History and Future Implications II (Course No. 5123432, Summer 2014)

- European debt crisis
- Sovereign debt in Thailand: how to live with "Rice Scheme"
- Towards a new sovereign debt paradigm
- Will Japan default?: analysing sovereign risk of Japan

Sovereign Debt: Lessons from History and Future Implications I (Course No. 5123431, Winter 2014)

- A sustainable external borrowing strategy to enhance Myanmar's development potential
- Is the Bank of Japan distorting the JGB market? Is the Bank of Japan financing the country's budget deficit? *
- Japanese ODA flows to Myanmar and public debt management
- Public debt in Vietnam: current status and possible solutions *
- Real estate bubble and sovereign debt: comparison between Japan and China
- The Japanese sovereign debt: pessimistic and optimistic views
- The sustainability of US debt and the dominant status of US dollar
- The US debt "problem" *

*: Group work completed by two students

Sovereign Debt (Course No. 5123433, A Semester 2015)

- Creditability of credit rating agencies—Why the S&P's rating of Brazil sovereign debt is unreliable?
- Debt management strategy for Myanmar

- Japan: Debt and deleveraging
- Malaysian government debt: In pursuit of strategic borrowing
- Sovereign debt in Rwanda: Towards a new phase
- The impact of domestic and external debt on the economic development of Myanmar
- The local characteristics of Chinese sovereign debt
- Will China fall into a debt-deflation trap?

About the instructor

Mr. Toshiro NISHIZAWA is Project Professor at the Graduate School of Public Policy (GraSPP) of the University of Tokyo. Immediately prior to taking his current position, he was Professor at the GraSPP from July 2013 to July 2015 after serving as Director General of Country Credit Department at the Japan Bank for International Cooperation (JBIC) from April 2011 to June 2013. He also served as Deputy Director General of JBIC Institute (the research department) and Director of Asia Department II at the Japan Center for International Finance (JCIF).



He was involved in JBIC's country operations as Deputy Director General of International Finance Department I (Asia and Oceania) (2004-06), and served as Chair of the UNEP FI Asia Pacific Task Force Outreach Group (2005-06). He held various positions including: loan officer in charge of lending operations at the Export-Import Bank of Japan; researcher in the Economic Cooperation Bureau of the Ministry of Foreign Affairs; economist in the Policy Development and Review Department of the International Monetary Fund (IMF); and advisor in the Private Sector Development Department of the World Bank.

He has been actively engaged in policy dialogue and research activities with the main focus on emerging and developing economies in Asia. Mr. Nishizawa has published a number of articles and written a chapter in a few publications on economic and financial issues, including Asian economies, financing for development, Public-Private Partnerships (PPPs) and sovereign risk assessment.

Mr. Nishizawa was a guest lecturer and professor at the Osaka School of International Public Policy (OSIPP) of Osaka University (2004-14) and was a visiting lecturer at Kobe University and Chuo University. He was also a part-time practitioner faculty member to teach PPPs at GraSPP from October 2010 to June 2013. He was invited as a visiting professor by Chulalongkorn University in Thailand in March 2014 and by the Escola de Administração de Empresas de São Paulo da Fundação Getulio Vargas (EAESP-FGV) in Brazil in July 2014.

He served as a member of the Expert Group on Financial Cooperation with Asian Countries under the Council on Customs, Tariff, Foreign Exchange and Other Transactions (December 2013-September 2014), and has been a member of the IMF Study Group and a senior visiting fellow at Policy Research Institute (PRI) of Japan's Ministry of Finance (MOF). He was also invited by the Japan International Cooperation Agency (JICA) to serve as a member of the Support Committee for the Project for Capacity Building of Public Private Partnership in Mongolia (April 2014-May 2016).

Mr. Nishizawa holds a BA in Latin American studies from Tokyo University of Foreign Studies (1982), a BA in economics from the University of Tokyo (1984) and an MSc in economics from the University of Wisconsin-Madison (1988).

Mr. Nishizawa was born in Tokyo, Japan in 1959 and is married with two children.
