

Graduate School of Public Policy
The University of Tokyo

SOVEREIGN DEBT

Course No. 5123433
2018A1A2

COURSE SYLLABUS

Time: Period 6 (18:45-20:30), Mondays (unless otherwise announced)
Location: Seminar Room C (1218), 12th floor, International Academic Research Building
Instructor: Toshiro Nishizawa, Project Professor
<http://www.pp.u-tokyo.ac.jp/en/faculty/nishizawa-toshiro/>
http://gsdm.u-tokyo.ac.jp/en/curriculum_coach_Toshiro_Nishizawa.html
<http://pari.u-tokyo.ac.jp/gsdm/en/publication/982/>
TA: None
Credits: 2 credits
Language: English
Category: Practical training
Office: Room 1120, 11th floor, International Academic Research Building
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

This course has three objectives. First, it aims to deepen student understanding about the nature of sovereign debt (*conceptual framework*). Second, it tries to familiarize students with sovereign debt risks based on selected cases (*lessons from history*). Third, it provides students with an opportunity to discuss how we should manage sovereign debt to achieve policy goals (*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 while securing gains from debt. The rationale for this endeavor is the perception that the credit-addicted growth model consequently with a growing public and private debt appears to be one of the challenges we face 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.

Specific reasons for offering this course are 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 debt crises. In addition, there has been an 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. Furthermore, in some of the emerging and developing countries, governments are struggling with debt management while pursuing economic development by accumulating public and private sector liabilities to various creditors.

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* that we could view the economic history as “a war between creditors and debtors” while borrowing and lending are essential for the economy to function and for the government to achieve policy goals.

As any other players in an 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 although 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. We should also look at equity issues from intergenerational perspectives.

Public policy professionals should be aware that sovereign debt could have important *political* and *social*, as well as *economic*, consequences, which require *public policy and legitimacy considerations*.

2. Schedule

| | | | |
|-------|---|---|-----------------------|
| Day 1 | Mon, Oct 1 | Introduction | Nishizawa |
| ... | Fri, Oct 5 | Student submission of research interest | ... |
| ... | Mon, Oct 8 <i>Sports Day</i> | No class | ... |
| ... | Tue, Oct 9 10:30-12:00 Seminar Room A (1213) | Guest Speaker Seminar “Corporate Bond Markets in Asia—‘Original Sin’ and Offshore Corporate Issuance” by Mr. Eli M. Remolona, Chief Representative for Asia and the Pacific, Bank for International Settlements (BIS) | Nishizawa Remolona |

Please attend the seminar if it does not cause a conflict with another class in your schedule.

Oct 2 to Oct 8 Course registration period

| | | | |
|---|--|--|-------------------------|
| ... | Wed, Oct 10 15:00-18:00 | Individual consultation on research interest by appointment | Nishizawa |
| ... | Thu, Oct 11 9:00-12:00 15:00-18:00 | Individual consultation on research interest by appointment | Nishizawa |
| ... | Fri, Oct 12 9:00-12:00 | Individual consultation on research interest by appointment | Nishizawa |
| Day 2 | Sat, Oct 13 Period 4 | History of sovereign debt | Nishizawa |
| Day 3 | Mon, Oct 15 | The nature of sovereign debt | Nishizawa |
| <i>Oct 15 to 18 Course registration withdrawal period</i> | | | |
| Day 4 | Mon, Oct 22 | Review of key concepts and terms | Nishizawa |
| Day 5 | Mon, Oct 29 | The current landscape and challenges | Nishizawa |
| Day 6 | Mon, Nov 5 | Mid-term presentation of term paper proposal | Nishizawa |
| ... | Thu, Nov 8 | No class | ... |
| ... | Mon, Nov 12 | Submission of term paper proposal | ... |
| Day 7 | Mon, Nov 12 | Discussion on policy options for a particular country case | Nishizawa |
| Day 8 | Mon, Nov 19 | One-to-one interview and consultation on the subject chosen for term paper | Nishizawa |
| Day 9 | Mon, Nov 26 | Discussion with a practitioner | Nishizawa Guest |
| Day 10 | Mon, Dec 3 | Discussion with a practitioner | Nishizawa Nakagawa † |
| Day 11 | Mon, Dec 10 | Discussion with a practitioner | Nishizawa Tsuda † |
| Day 12 | Mon, Dec 17 | Presentation of term paper | Nishizawa |
| ... | Tue, Jan 15 | Submission of term paper | ... |

† Guest speakers: Mr. Satoshi Nakagawa (Special Advisor to the President for Global Strategy, Japan Credit Rating Agency, Ltd. and Chairman, Association of Credit Rating Agencies in Asia); Mr. Takahiro Tsuda (International Bureau, Ministry of Finance).

3. Teaching methods

This course will be a series of interactive sessions with introductory lecture followed by

class discussion. Students are required to indicate their research interest in the early stage of the course and to participate actively in discussion based on their reading of assigned materials. Guest speakers will discuss specific issues from various perspectives based on different fields of professional expertise.

4. Course requirements and grading

Students will be required to make brief oral presentations occasionally on a given topic or one of their choice either individually or as a team depending on the total number of registered students. Students are also required to submit a proposal and term paper based on their presentations in the middle and at the end of the course.

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 from the following materials—will be either made available electronically or handed out in class.

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

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

Abbas, S. Ali, Alex Pienkowski, and Kenneth S. Rogoff, ed. 2019. *Sovereign Debt: A Guide for Economists and Practitioners* (forthcoming). Oxford University Press. Accessed September 21, 2018. Draft chapters available on the following link:
<https://www.imf.org/en/News/Seminars/Conferences/2018/05/24/sovereign-debt-a-guide-for-economists-and-practitioners>

International Monetary Fund (IMF). 2018. Lao People's Democratic Republic 2017 Article IV Consultation. IMF Country Report No. 18/84. IMF. Accessed September 21, 2018.

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

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

Attachment (1) Titles of the term papers submitted in AY2013-AY2017

Attachment (2) Detailed Course Syllabus

Attachment (3) Instructor's bio

Titles of the term papers submitted in AY2013-AY2017

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, 2015A1A2)

- 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?

Sovereign Debt (Course No. 5123433, 2016A1A2)

- A medium term debt strategy for The Philippines
- Indebtedness of "energy sector" state owned enterprises and implications for central government's fiscal management
- Philippine sovereign debt analytics—debt level assessment, transmission channels, and policy imperatives
- The resource curse and sovereign debt—the relationship between natural resource wealth and unsound lending
- Venezuela's woes: status, options and implications

Sovereign Debt (Course No. 5123433, 2017A1A2)

- A case of contingent liability spillover: how is the issuance of UDAY affecting states in India?
- Bond market development and central bank functions in Myanmar
- China's efforts to rein in its debt problems
- Japan's controversy over education bonds
- Japan's sovereign debt and tax reform under Abe administration
- On the good use of public debt
- Sovereign debt management for Myanmar in the future
- The impact of external public debt on economic growth of Lao PDR
- The Japanese sovereign debt: lessons from the Greek debt crisis

September 28, 2018

Graduate School of Public Policy

The University of Tokyo

SOVEREIGN DEBT

Course No. 5123433

2018A1A2

By Toshiro Nishizawa

DETAILED COURSE SYLLABUS

Day 1: Monday, October 1

Introduction

The instructor will start an introduction by asking a few questions, including a question about how “sovereign debt” or “government borrowing” could benefit or affect your life, in order to identify policy implications of sovereign debt for a country’s and the global economies.

Required reading

None

Assignment

You should watch a video clip “Opening Remarks by Christine Lagarde, Managing Director, IMF” and also read pages 1-16 of Coggan 2011 (Reading 01) to prepare a one-page note on possible issues of your research interest by Friday, October 5. Based on the note, individual consultation on research interest will be arranged by appointment on either Wednesday, October 10 (15:00-18:00), Thursday, October 11 (9:00-12:00, 15:00-18:00) or Friday, October 12 (9:00-12:00).

Video clip <<https://www.imf.org/external/mmedia/view.aspx?vid=5834882784001>>

You should read a draft chapter “Public Debt through the Ages” of Abbas et al. 2019 (Reading 02) before attending the class on Saturday, October 13.

Day 2: Saturday, October 13, Period 4

History of Sovereign Debt

We will review the historical evolution of sovereign debt with a focus on changing creditor-debtor interactions over time. A few key questions we will ask include how we could manage creditor-debtor interactions while securing gains from debt.

Required reading

“Public Debt through the Ages” in Abbas et al. 2019 (Reading 02)

Assignment

You should read a draft chapter “The Motives to Borrow” in Abbas et al. 2019 (Reading

03) before attending the class on Monday, October 15.

Day 3: Monday, October 15
The nature of sovereign debt

We will discuss the nature of sovereign debt by clarifying the categories and characteristics of sovereign debt as compared to personal or corporate debt.

Required reading

“The Motives to Borrow” in Abbas et al. 2019 (Reading 03)

Assignment

You should read a draft chapter “The Current Landscape” in Abbas et al. 2019 (Reading 04) before attending the class on Monday, October 22.

Day 4: Monday, October 22
Review of key concepts and terms

We will review and clarify key concepts and terms related to sovereign debt and discuss how we could use them for analytical and policy planning purposes.

Required reading

“The Current Landscape” in Abbas et al. 2019 (Reading 04)

Assignment

You should read a draft chapter “Challenges Ahead” in Abbas et al. 2019 (Reading 05) before attending the class on Monday, October 29.

Day 5: Monday, October 29
The current landscape and challenges

We will discuss a multifaceted nature of sovereign debt problems not only with economic but also political consequences.

Required reading

“Challenges Ahead” in Abbas et al. 2019 (Reading 05)

Assignment

Preparation for mid-term presentation of term paper proposal

Day 6: Monday, November 5
Mid-term presentation of term paper proposal

You should give a mid-term presentation of your term paper proposal within five minutes, followed by questions and answers. If you form a group, the group can use three minutes multiplied by the number of group members. You might wish to use power point slides (not more than 10 slides), but only to include key messages. In your

presentation, you should state *your main research question* together with *the reason why you think it is worth asking*, and include *a tentative outline* (e.g., introduction, method, issues to be discussed, conclusion) together with *a list of main reference materials*. Unless you are a very experienced and skilled speaker, you should prepare talking points as well as a Power-Point presentation or handouts. Punctuality is required so that you might be asked to stop even in the middle of your presentation.

Following your mid-term presentation, you are required to submit by Monday, November 12 your term paper proposal (not more than 1,000 words or about two pages long, excluding a list of main reference materials) based on your mid-term presentation. One-to-one interview and consultation on Monday, November 19 aims to give oral feedback on the term paper proposal. Written feedback on the term paper proposal will be provided individually by Monday, November 26.

Required reading

None

Assignment

You should read pages 4-22 of Lao People's Democratic Republic 2017 Article IV Consultation (Reading 06) before attending the class on Monday, November 12.

Day 7: Monday, November 12

Discussion on policy options for a particular country case

We will discuss possible policy options for fiscal stabilization and improved debt sustainability with a view to contributing input into an ongoing policy dialogue with the government of Lao PDR, where the instructor serves as the lead researcher in a Working Group responsible for fiscal and debt management.

Required reading

Pages 4-22 of Lao People's Democratic Republic 2017 Article IV Consultation (Reading 06)

Assignment

None

Day 8: Monday, November 19

One-to-one interview and consultation on the subject chosen for term paper

The instructor will ask a few questions to solidify student understanding of key concepts and terms related to sovereign debt and give oral feedback on the term paper proposal.

Required reading

None

Assignment

To be announced

Day 9: Monday, November 26
Discussion with a practitioner

Required reading

To be announced

Assignment

To be announced

Day 10: Monday, December 3
Discussion with a practitioner

Required reading

To be announced

Assignment

To be announced

Day 11: Monday, December 10
Discussion with a practitioner

Required reading

To be announced

Assignment

Preparation for presentation of term paper

Day 12: Monday, December 17
Presentation of term paper

You should give a presentation of your term paper within 10 minutes, followed by questions and answers. If you form a group, the group can use five minutes multiplied by the number of group members. You might wish to use power point slides (not more than 20 slides), but only to include key messages.

Following your final presentation, each of you or your group is required to submit by Monday, January 15, 2019 your term paper based on your presentation. A single-author report should have no more than 3,000 words. The multiple-author report should read as a single product prepared in a well-coordinated fashion by the group members while each of the group members should be responsible for at least one of the chapters or sections as the primary author. A multiple-author report should have not more than 6,000 words.

September 28, 2018

Instructor's bio

Project Professor & Chair, International Affairs Committee
Graduate School of Public Policy
The University of Tokyo

Mr. Toshiro Nishizawa is Project Professor at the Graduate School of Public Policy (GraSPP) of the University of Tokyo. Immediately prior to his current position, he was Professor at the GraSPP (2013-15) after serving as Director General of Country Credit Department at the Japan Bank for International Cooperation (JBIC). 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 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.

Mr. Nishizawa has been actively engaged in policy dialogue and research activities with the main focus on emerging and developing economies in Asia. He has published a number of articles and written a chapter in a few publications on 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 lecturer to teach PPPs at GraSPP (2010-13) and invited as a visiting professor by Chulalongkorn University in Thailand and by the Escola de Administração de Empresas de São Paulo da Fundação Getulio Vargas (EAESP-FGV) in Brazil, both in 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 (2013-14), 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.

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.
