

Graduate School of Public Policy  
The University of Tokyo

## SOVEREIGN DEBT

Course No. 5123433  
2019A1A2

### COURSE SYLLABUS

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Time: Period 6 (18:45-20:30), Mondays (unless otherwise announced)  
Location: Seminar Room C (1218), 12<sup>th</sup> floor, International Academic Research Building  
Instructor: Toshiro Nishizawa, Professor  
<http://www.pp.u-tokyo.ac.jp/en/faculty/nishizawa-toshiro/>  
TA: None  
Credits: 2 credits  
Language: English  
Category: Practical training  
Office: Room 1120, 11<sup>th</sup> floor, International Academic Research Building  
Office hours: By appointment  
Contact info: [tnishizawa@pp.u-tokyo.ac.jp](mailto: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.*

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#### 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.

Background observations 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 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, Sep 30	Introduction	Nishizawa
<i>Oct 1 to Oct 7 Course registration period</i>			
Day 2	Mon, Oct 7	The nature of sovereign debt	Nishizawa
...	Fri, Oct 11	Submission of an issue or issues of <i>tentative</i> research interest through Google Forms (access will be given on Days 1 and 2)	...
Day 3	Sat, Oct 12 Period 4 14:55-16:40	History of sovereign debt	Nishizawa
...	Mon, Oct 14	No class	...

Sports Day			
<i>Oct 14 to 17 Course registration withdrawal period</i>			
Day 4	Mon, Oct 21	The current landscape	Nishizawa
Day 5	Mon, Oct 28	Challenges ahead and selected issues	Nishizawa
...	Fri, Nov 1	Submission of a one-page <i>draft</i> term paper proposal	...
...	Mon, Nov 4 Culture Day (substitute)	No class	...
...	Tue, Nov 5	Feedback on a one-page <i>draft</i> term paper proposal	...
Day 6	Mon, Nov 11	Presentation of a one-page term paper proposal	Nishizawa
Day 7	Wed, Nov 13	Discussion on policy options for a particular country case—Lao PDR	Nishizawa
Day 8	Mon, Nov 18	Discussion on policy options for a particular country case—Lao PDR (continued)	Nishizawa
...	Mon, Nov 18	Feedback on a one-page term paper proposal	...
Day 9	Mon, Nov 25	Selected issues in preparation for discussion with practitioners	Nishizawa
Day 10	Mon, Dec 2	Discussion with a practitioner	Nishizawa Hosono <sup>†</sup>
Day 11	Mon, Dec 9	Discussion with a practitioner	Nishizawa Nakagawa <sup>†</sup>
Day 12	Mon, Dec 16	Discussion with a practitioner	Nishizawa Tsuda <sup>†</sup>
Day 13	Mon, Dec 23	Presentation of a <i>draft</i> term paper	Nishizawa
...	Mon, Jan 6	Feedback on a <i>draft</i> term paper	...
...	Tue, Jan 15	Submission of a term paper	...

† Guest speakers: Mr. Kenji Hosono (Director General, Country Credit Department, Japan Bank for International Cooperation; 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); and Mr. Takahiro Tsuda (Director for Policy Coordination, Planning and Administration Division, 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. Students are also required to submit a term paper proposal and term paper while being asked to present their *drafts* in the middle and at the end of the course. A term paper should be written either individually or as a team depending on the total number of registered students.

#### Main deliverables are:

An issue or issues of *tentative* research interest (due on Friday, October 11)

A one-page *draft* term paper proposal (due on Friday, November 1)

A one-page term paper proposal (due on Monday, November 11)

A *draft* term paper (due on Monday, December 23)

A term paper (due on Tuesday, January 15)

#### The course grade will be based on:

Oral presentations 30% (10% for mid-term and 20% for final)

Term paper 30% (10% for the proposal and 20% for the paper)

Participation in discussion 30%

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.

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 23, 2019. 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>

Abbas, S. Ali and Kenneth S. Rogoff. 2019. A Guide to Sovereign Debt Data. IMF Working Paper WP/19/195. September 13, 2019. IMF. Accessed September 23, 2019.

<https://www.imf.org/en/Publications/WP/Issues/2019/09/13/A-Guide-to-Sovereign-Debt-Data-48611>

Eichengreen, Barry, Asmaa El-Ganainy, Rui Pedro Esteves and Kris James Mitchener. 2019. Public Debt through Ages. IMF Working Paper WP/19/6. January 15, 2019. IMF.

Accessed September 23, 2019.

<https://www.imf.org/en/Publications/WP/Issues/2019/01/15/Public-Debt-Through-the-Ages-46503>

International Monetary Fund (IMF). 2019a. Lao People's Democratic Republic 2019 Article IV Consultation. IMF Country Report No. 19/267. IMF. Accessed September 23, 2019.

<https://www.imf.org/en/Publications/CR/Issues/2019/08/08/Lao-Peoples-Democratic-Republic-2019-Article-IV-Consultation-Press-Release-Staff-Report-48577>

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Attachment (1) Titles of the term papers submitted in AY2013-AY2018

Attachment (2) Detailed Course Syllabus

Attachment (3) Instructor's bio

### **Titles of the term papers submitted in AY2013-AY2018**

*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

*Sovereign Debt* (Course No. 5123433, 2018A1A2)

- Balancing investment and debt consolidation in Germany
- Diversification of Japanese Government Bond (JGB) investor base
- Geopolitical and economic interests behind China’s loans
- Implicit debt risk of local government in China
- Myanmar sovereign debt and its trend
- On the verge of the debt crisis: debt implications from the Belt and Road Initiative to Kyrgyzstan, Tajikistan, Pakistan, and Mongolia
- Sovereign debt borrowing by rail based MRTS projects of India and its implications
- Sovereign default: as disastrous as presented?: the case of Greece
- Systems of government and sovereign debt crisis
- The European Union’s fiscal rules and France sovereign debt
- The impacts of external debt on the economic sector

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September 27, 2019

Graduate School of Public Policy  
The University of Tokyo

**SOVEREIGN DEBT**

Course No. 5123433

2019A1A2

By Toshiro Nishizawa

## DETAILED COURSE SYLLABUS

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### **Day 1: Monday, September 30**

#### **Introduction**

The instructor will give 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) before attending the class on Day 2 (Monday, October 7).

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

### **Day 2: Monday, October 7**

#### **The nature of sovereign debt**

We will discuss the nature of sovereign debt on the basis of an economic history described by financial journalist Philip Coggan as “a war between creditors and debtors” and the implications of borrowing and lending for the functioning of the economy and for the government to achieve policy goals.

#### *Required reading*

Pages 1-16 of Coggan 2011 (Reading 01)

#### *Assignment*

You should read Eichengreen *et al.* 2019 (Reading 02) and the summarized version (Reading 03) before attending the class on Day 3 (Saturday, October 12, period 4).

### **Day 3: Monday, October 12, Period 4 (14:55-16:40)**

#### **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*

Eichengreen *et al.* 2019 (Reading 02) and the summarized version (Reading 03)

*Assignment*

You should read a draft chapter “The Current Landscape” in Abbas *et al.* 2019 (Reading 04) before attending the class on Day 4 (Monday, October 21).

**Day 4: Monday, October 21**

**The current landscape**

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

*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 Day 28 (Monday, October 28).

**Day 5: Monday, October 28**

**Challenges ahead and selected issues**

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*

You are required to prepare a one-page term paper proposal to be submitted on Friday, November 1 as a draft. Your proposal should include *your main research question* together with *the reason why you think it is worth asking, a tentative outline (e.g., introduction, method, issues to be discussed, conclusion)* together with *a list of main reference materials*.

**© Friday, November 1**

**Submission of a one-page *draft* term paper proposal**

You are required to submit a one-page *draft* term paper proposal as will be instructed on Day 5 (Monday, October 28).

**Day 6: Monday, November 11**

**Presentation of a one-page term paper proposal**

You should present a one-page term paper proposal within five minutes, followed by

questions and answers. You might wish to use power point slides (not more than 10 slides), but only to include key messages. 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.

*Required reading*

None

*Assignment*

You should read pages 4-19 of Lao People's Democratic Republic 2019 Article IV Consultation (Reading 06) before attending the class on Day 7 (Monday, November 13).

**Day 7: Wednesday, November 13**

**Discussion on policy options for a particular country case—Lao PDR**

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 4-19 of Lao People's Democratic Republic 2019 Article IV Consultation (Reading 06)

*Assignment*

To be announced

**Day 8: Monday, November 18**

**Discussion on policy options for a particular country case—Lao PDR (continued)**

*Required reading*

To be announced

*Assignment*

To be announced

**© Monday, November 18**

**Feedback on a one-page term paper proposal**

**Day 9: Monday, November 25**

**Selected issues in preparation for discussion with practitioners**

The instructor will discuss selected issues, including sovereign risk assessment methodology, credit rating and sovereign debt markets, in preparation for discussion with guest speakers.

*Required reading*

To be announced

*Assignment*

To be announced

**Day 10: Monday, December 2**  
**Discussion with a practitioner**

*Required reading*

To be announced

*Assignment*

To be announced

**Day 11: Monday, December 9**  
**Discussion with a practitioner**

*Required reading*

To be announced

*Assignment*

To be announced

**Day 12: Monday, December 16**  
**Discussion with a practitioner**

*Required reading*

To be announced

*Assignment*

You are required to prepare a draft term paper for presentation and submission on Day 13 (Monday, December 23). The format should be as follows.

- ✓ **Font type and size: Cambria 12 points (for header and footer: Cambria 11 points)**
- ✓ **Line height: 1.0**
- ✓ **Paper size: A4 (210mm x 297mm)**
- ✓ **Top, bottom, left, and right margins: 25mm**
- ✓ **The number of pages: not more than five pages (not more than about 2,500 words)**

**Day 13: Monday, December 23**  
**Presentation of a term paper**

You or your team should present a *draft* policy paper within five minutes (to be decided depending on the number of registered students), followed by questions and answers. You might wish to use power point slides (not more than 10 slides), but only to include key messages. 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.

**© Monday, December 23**  
**Submission of a *draft* term paper**

You are required to submit a *draft* policy paper with not more than five pages.

**© Monday, January 6, 2020**  
**Feedback on a *draft* term paper**

**© Tuesday, January 15, 2020**  
**Submission of a term paper**

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September 27, 2019

**Instructor's bio**

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

Mr. Toshiro Nishizawa is Professor at the Graduate School of Public Policy (GraSPP) of the University of Tokyo. Immediately prior to his current position, he was Project Professor (2015-19) and Professor (2013-15) at the GraSPP 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 (2014-15); as the lead researcher of Working Group 1 (Fiscal and Debt Management) under Joint Policy Research and Dialogue Program for Fiscal Stabilization in Lao PDR (2018-); and as the chief advisor to Feasibility Survey for Micro Investment Crowdfunding to Support Local Micro Small and Medium Businesses in Peru (2018-).

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.

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