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Business, Governments and Political Risk in South Asia and Latin America since 1970

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Abstract

This working paper provides a new perspective on how businesses have responded to political risk in South Asia and Latin America over the last half century. The existing business history literature on political risk is focussed on the experiences of Western multinationals in the twentieth century, especially in Nazi Germany and the post-colonial developing world. This working paper is instead focussed on perceptions of political risk by domestic business leaders active in Latin America and South Asia since the 1970s. Employing data from the Creating Emerging Markets oral history database developed at the Harvard Business School, the working paper identifies five major sources of political risk: macroeconomic and policy turbulence, excessive bureaucracy, political instability, corruption, and violence. Employing NVivo coding, marked regional differences were identified. Macroeconomic and policy turbulence was the biggest perceived source of risk in Latin America. Excessive bureaucracy was the biggest source of perceived risk in South Asia. There were regional differences also in how leaders in different regions responded to the same risk. In both regions business leaders reported having to dedicate significant time to navigating government regulations, but interviewees in South Asia frequently reported attempting to steer clear from highly regulated industries, while many interviewees in Latin America discussed how they adapted to heavier government oversight by forming closer ties or working relationships with incumbent administrations.

Business, Governments and Political Risk in South Asia and Latin America since 1970

Geoffrey Jones and Rachael Comunale[1]

INTRODUCTION

This working paper provides a new perspective on how businesses responded to political risk in South Asia and Latin America over the last five decades. Political risk is broadly defined in this working paper as the risk that investor's returns might be damaged by political, economic, or other factors inherent in or impacting on a particular country. There is an extensive business and economic history literature related to political risk as a whole, but it is skewed towards certain topics and time periods. A focus has been foreign multinationals (hereafter MNEs) and political risk, with a special empirical focus on the Nazi era in Europe and the experience of Western MNEs in the postcolonial developing world. This literature has looked especially at corporate strategies and organizational structures employed to manage such risks. A smaller literature has looked at home country political risk, but it is again heavily focused on the Nazi era in Europe.

This working paper draws on insights from this literature, but its focus is novel. It is concerned with domestically-owned, rather than foreign-owned, firms in two emerging market regions. It is also focused on the period after 1970. These decades saw, first, the highpoint of post-colonial government regulations over business, followed by the transition to neo-liberal policies and deregulation. The businesses concerned did not, for the most part, face the expropriation risks of foreign MNEs in the post-colonial period, nor did they face

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such a monstrous regime as the Nazis. Rather, the political risks they experienced were broadly related to high levels of turbulence and unpredictability. This working draws on a new oral history database, which enables a deep dive into how business leaders conceptualized and responded to political risk.

The first section briefly reviews the existing political risk literature in business and economic history. The second section introduces the Creating Emerging Markets (CEM) oral history database employed in this working paper and explains the methodological process used. The third section provides a data analysis exploring the manifestation of political risk in different emerging market economies. A final section concludes and suggests avenues for future research.

POLITICAL RISK IN BUSINESS AND ECONOMIC HISTORY

The business and economic history literature on political risk is heavily focused on the experiences of MNEs, almost entirely in the twentieth century. During the nineteenth century, foreign firms—or more precisely firms based in the dominant Western world—faced limited political risks. Western imperialism and international law largely kept the world safe for such business enterprises. This all changed in the twentieth century. World War I resulted in the unprecedented expropriation of German foreign direct investment in the United States and Britain. The Bolshevik Revolution in 1917 resulted in the expropriation of vast foreign direct investment in Russia, which then remained closed to global business until the 1990s (Jones, 2005). As Jones and Lubinski (2012) argued, after World War I, the management of governments replaced the management of distance as the central challenge faced by Western firms. Even the interwar United States, the world's largest host economy for MNEs, became a minefield of restrictions on foreign firms (Wilkins, 2004). Foreign-owned firms continued to experience restrictions and problems in the United States, as well as in Western Europe, in the decades after the end of World War II (Jones, 2005).

However, it was in the developing world that political risk for foreign firms soared, as a result of decolonization, the spread of Communism, and the widespread adoption of exchange controls and import-substitution regimes. There were many expropriations of, and many restrictions and controls placed on, the operations of foreign-owned firms. Political hostility to global business only waned in the 1980s, with the spread of neo-liberalism and de-regulation. By then, levels of foreign direct investment in most of the non-Western world was low (Jones, 2005; White, 2012).

The most relevant part of the above literature for the present working paper is how firms responded to political risk. A number of managerial strategies have been identified. The first was simply to divest and run from risk (Choudhury et al., 2014). During the 1960s and 1970s, there was a general exodus from many emerging markets. As taxes and regulations grew in India, for example, British firms and shareholders sold their interests and investments to Indian-owned business groups such as Tata and Birla (Jones, 2000). Most major US firms, including IBM, also divested from India in response to government insistence on majority ownership of their affiliates during the 1970s. In Malaysia, British companies remained prominent for some time after independence in 1957, in part because the new ethnic Malay government was concerned to keep a check on the minority, ethnic Chinese business sector. However, the strategies of British firms were moulded by the post-colonial government, and as frustration with the government mounted, and concerns about the future grew, the long-established merchant houses began to seek opportunities outside these countries (White, 2004).

A second strategy was organizational innovation. There is an extensive literature on “cloaking” during interwar years. German firms adopted various organizational forms to try to disguise their ownership to avoid a repeat of the expropriations that had occurred in World War I (Kobrak, 1992; Koeneg, 2001; Aalders and Wiebes, 1996; Jones and Lubinski, 2012). During this period more generally, firms opted for non-equity forms of collaboration, such as international cartels, which enabled them to capture some benefits from international markets without risking capital. During the post-colonial decades, MNEs in natural resources frequently opted to exit direct investments, and instead use non-equity strategies to control markets.

A third strategy that has been identified was for firms to interfere in the political process of host countries. As tensions mounted between governments in developing countries and firms, in occasional but infamous episodes, MNEs sought the assistance of their home governments to resist expropriation. For example, in the early 1950s, United Fruit lobbied extensively, making expert use of public relations consultants, to secure US intervention against the democratically elected government of President Jacobo Arbenz in Guatelama, after he had sought to expropriate the millions of unused lands that they held as part of their banana empire (Jones and Bucheli, 2016). The nationalization of the Anglo-Iranian Oil Company’s oil concession in Iran in 1951 was also eventually met by a British and American orchestrated coup, which overthrew the government in 1953—although in this instance Anglo-Iranian, and its stake in the Iranian oil industry, was marginalized during the years leading up to the coup (Bamberg, 1994). By the 1970s, Western companies were rarely able to directly topple governments, although the role of the US telecoms group IT&T in the coup against the government of President Allende in Chile—and its replacement by the ruthless dictatorship of General Pinochet—remains a much-cited if rare episode (Bucheli and Salvaj, 2013). However, more widespread involvement in the politics of developing countries with fragile governance systems continued.

A fourth managerial strategy was long term and involved constant negotiation, bargaining, and compromise. Most MNEs, if they did not divest, strove to adjust their strategies to postcolonial realities rather than thwart them. In British colonial Africa, there was a widening rift between British firms and colonial governments as states such as Nigeria and Ghana approached independence (Stockwell, 2000; Tignor, 1998). British firms shifted their political networks to the emerging elites of these countries. British banks, traders, and manufacturing companies used their advertising to remould their corporate images as agents of modernity and economic development in West Africa. This strategy met with considerable success—at least until the 1970s, when the spread of dependency and socialist ideologies seriously challenged the legitimacy of capitalist enterprise (Decker, 2007).

There were other strategies, also, to align the interests of MNEs with changing political realities. Among the most important was the localization of staff. The Anglo-Dutch consumer products company Unilever began experimenting with appointing nationals to managerial positions in India and Ghana in the 1930s. The early localization of senior management was critical in providing firms voice, contacts, and legitimacy in foreign countries, embedding the firm in local business and political systems. Unilever identified, and promoted to the most senior positions, some of the best business leaders of their generation in these and other developing countries. This meant not only that Unilever's businesses were managed by good people, but also that it was able to function as a quasi-insider within governmental and business networks in these countries (Jones, 2005b; Jones 2013). This flexibility helped the local managers of the company, especially during the fraught 1970s, to engage in prolonged negotiations to delay government plans for local subsidiaries to become locally-owned. In both countries, as a result, Unilever was able to retain majority control until the early 1980s, when pressures for localization abated (Jones, 2013).

Compared to the risk for foreign investors, less has been written on home country political risk, the latter being "the risks posed to a company by the politics of the country in which it is incorporated" (Kobrak and Hansen, 2004). Again, much of this research has focused on Nazi Germany (Jones and Lubinski, 2012). The literature on responses to political risk in post-war emerging markets is patchy, but the literature does suggest that local firms, as well as foreign MNEs, were affected by turbulence, albeit it in different ways (Austin et al., 2017). In one case study, Colpan and Jones (2016) examined the response of the Koç Group, the largest diversified business group in Turkey, to home country political risk. The founder carefully navigated power shifts between the 1950s and the 1970s, eventually resigning from an opposition party (but not joining the governing party), while seeking to retain good relationships with the ruling elite, especially the army. There is also a considerable literature on the political risks arising from India's so-called License Raj, which lasted from the 1950s to 1991. The period is a clear example of government policy significantly—and detrimentally—impacting not only foreign, but domestic business activity. A number of scholars have taken a historical perspective, discussing the changing impact of the License Raj on Indian business over time. Majumdar (2004), for example, surveyed businesses founded during three periods of the License Raj—prior to 1956, between 1956 and 1980, and post-1980—to reveal how even subtle changes in policy could have a major impact on a business's growth potential.

In Latin America, more has been written on political risk faced by businesses in the post-World War II era of import substitution and government intervention. Dabós et al. (2007) studied Argentina, Salvatore (2013) examined Colombia, Power (2010) accessed Brazil, and Sepúlveda and Bonilla (2011) investigated Chile, while Jones and Lluch (2015) undertook a comparative analysis of Argentina and Chile. Salamanca et al. (2016) produced a holistic view of political risk in Latin America, synthesizing the most common risk factors in each country in order assess political risk across the region. Their work highlights the importance of several different types of risk in predicting a country's overall political risk levels, including expropriation, policy shifts, manipulation of information, political turmoil, political violence, and macroeconomic turbulence. Much of this work focused on risks to foreign actors rather than domestic ones, however, with the exception of Jones and Lluch (2015), which was concerned with domestic firms.

Through a comparative analysis of political risk in Latin America and South Asia, this working paper will offer new insights on how local business leaders understood and evaluated the degree of risk in their home environments, how they responded to different sources of risk differently, and how, most broadly, political risk operated in and altered these business environments.

METHODOLOGY

This working paper draws on a selection of the nearly 120 oral history interviews (as of May 2018) curated by the Creating Emerging Markets project at the Harvard Business

School. As far as the authors are aware, the CEM database is the largest collection of in-depth, academic interviews with business leaders in emerging markets that currently exists. Interviewees were all either current or former leaders of their respective businesses, and interviews were conducted by current or former Harvard Business School faculty members. The CEM project relied on country and regional specialists to identify the most impactful business leaders of large business enterprises in each geography. The project targeted individuals with between three and four decades of business experience, meaning that most individuals were at least 60 years of age at the time of their interviews (and frequently older), and for the most part, interviewees were active in their respective businesses between the 1960s and the 1990s. These selection criteria were chosen because the project wanted to ensure that interviewees would be able to reflect on changes and developments that took place within their firms over the long-term. It was assumed that older individuals would also have some distance from present-day company operations, reducing respondent bias and encouraging more frank and open discussion. A number of published studies have already made use of different sets of CEM interviews (Jones and Lluch, 2016; Jones and Spadafora, 2016; Gao et al., 2017).

This working paper draws on a sample of seventy CEM interviews done in the regions of South Asia and Latin America. It includes twenty-six interviews of business leaders in South Asia and forty-four in Latin America (Table 1). A handful of CEM interviews from these regions were excluded from this analysis because the interviewee headed an NGO or another non-business activity, such as the arts. These interviews were conducted over a roughly ten-year period, between January 2008 and November 2017. Appendix I lists the individuals, country, age when interviewed, position, firm and industry. The total page length of the sample was 2,082.

Table 1 Descriptive Statistics of Interviews Used in Analysis

	Argentina	Brazil	Chile	Colombia	Mexico	Peru	India	Pakistan	Sri Lanka
Total Interviews	12	7	10	2	6	7	21	2	3
Demographics									
Female Interviewees	1	1	0	0	0	1	4	1	1
Average Age (at time of interview)	68	68	65	74	68	70	74	78	83
By Industry									
Financial Services	1	2	1	0	1	0	1	0	0
Consumer Products and Health	1	0	0	0	1	1	4	0	0
Diversified Business Groups	1	0	1	1	3	2	6	2	2
Agribusiness and Energy	3	1	2	1	0	4	0	0	1
Heavy Manufacturing	3	2	2	0	1	0	2	0	0
Retail	2	1	2	0	0	0	2	0	0
Other	1	1	2	0	0	1	6	0	0

There are a number of biases in the sample, evident in Table 1, that need to be acknowledged. By design, the project sought to capture the memories of business leaders with three or four decades of experience. There was, as a result, an age bias: the median age of interviewees across the entire sample at time of interview was 70. There was also a gender bias. Sixty-one interviewees were male and nine were female. By region, women accounted for 24 percent of interviewees in South Asia, but only seven percent in Latin America. The selection criteria for the CEM project accounts for this gender bias, as there were relatively few senior female business leaders active several decades ago, particularly in Latin America. Finally, the interviewees are not evenly distributed between countries and industries. In the case of South Asia, the sample is dominated by India. This is reflective of the fact that India has a much larger economy, and many more substantive business enterprises. The authors explored whether there was a correlation between the types of risk discussed and the industries and gender of the interviewees. No meaningful relationship could be identified, although the small number of cases limits the possibility of drawing robust conclusions.

Despite these biases, this data set offers a unique opportunity to study political risk in emerging markets. First, there is a high degree of replicability. All of the interview transcripts, as well as supporting resources for each interviewee, are freely accessible on the Creating Emerging Markets project website (https://www.hbs.edu/creating-emerging-markets/Pages/default.aspx). Most transcripts are available for immediate download, with the rest available by request. Second, the interviews were done blind to any eventual uses in research. Therefore, interviewees were never directly asked about political risk as such, which mitigated the chance that they would intentionally over-exaggerate any specific sources of risk compared to any others. Instead, the interviewees for the most part spoke candidly about challenges that they faced, their estimation of the underlying causes or problems, as well as how they responded to them. Thirdly, and more prosaically, alternative sources of information on the subject—such as accessible corporate archives—remain rare in both Latin America and South Asia. There are a number of exceptions in India (especially Tata, Godrej and Cipla) but there are few examples elsewhere.

Nonetheless, this type of data has acknowledged limitations. First, the interviews were semi-structured—meaning that there was no standard set of interview questions posed to all interviewees. Second, the interviews were conducted over a long period of time by different faculty interviewers with different disciplinary backgrounds and other differences (i.e. gender, age, knowledge of the country and industry) that might have impacted the content. Thus, it is to be expected that there would be inconsistences in how interviewees discuss risk during the course of their interviews.

Third, the common criticisms of oral history are well-understood and accepted by the authors (Thomson, 1998; Thomson, 2006; Sheftel and Zembrzycki, 2016; Shopes, 2014; Davies, 2011; Maclean et al., 2014). Personal biases for or against an administration, as well as a desire to present themselves in the best light, may have influenced how interviewees reflected on challenges they faced during the course of their careers, and how they handled them. Moreover, because many interviewees had been retired for several years (or even decades) at the time of their interviews, their memories might have been—whether consciously or unconsciously—altered or influenced by subsequent experiences or events, as well as by hindsight perspective.

However, the interviewees' testimony is not seen as providing an "objective" account of political risk in their environments during their business careers. Because this working paper is focused on perceptions—rather than a reconstruction of historical events in and of themselves—such factors are less critical than in other instances. This working is interested in how business leaders perceived political risk in their home environments, and it is argued that interviewee's memories can offer crucial insights into how individuals understood and assessed developments over time in their domestic economies. It explores discrepancies that arise between interviewees' testimony and the historical record. Indeed, this working paper is as interested in what interviewees *do* discuss, as what they choose to ignore or minimize.

DISAGGREGATING POLITICAL RISK

This working paper used inductive reasoning to identify different sources of and responses to political risk factors in the Latin American and South Asian countries in this sample. A common theme that was immediately apparent in the interviews was the uncertainty of the business environment. Rosario Bazán (2017), who founded the agribusiness company Danper in 1994, described her home environment in Peru as “tremendously uncertain.” Argentine Rodolfo Veigener (2008), former chair and CEO of the faucet and plumbing company Ferrum S.A., commented, in Argentina, “planning is useless, because developments just disrupt all plans.” Sri Lankan tea entrepreneur, Merrill Fernando (2015), similarly observed that “fear of certain things” happening unexpectedly constantly loomed over his business decisions.

Using QSR-NVivo, a powerful qualitative data analysis software package, allowed for a more nuanced understanding of the uncertainties experienced by business leaders. This software was selected because it is well suited to the analysis of large, semi-structured, qualitative data sets—such as the Creating Emerging Markets interviews. Specifically, NVivo allows users to search for and organize information, categorize themes and findings, and explore complex patterns and connections emerging across sources—which was essential to disaggregate trends in political risk across countries and regions. NVivo, however, is not an automated data analysis tool. It requires significant manual intervention—in addition to search queries and other automated functions—to produce robust results. Thus, using NVivo, the authors developed a set of first-order coding to describe and identify different types of political risk cited by interviewees. Each time an interviewee mentioned a source of political risk, it was tagged and counted as one citation. Interviewees did not need to explicitly state that a particular risk factor was present in order for it to be tagged and counted as a citation.

Because NVivo relies on a close-reading of each interview, instances in which interviewees merely described or alluded to phenomena such as corruption—without actually saying words like "corruption," "bribe," etc.—were still identified and tagged appropriately in the coding scheme.

Using this method, thirty-seven discreet examples of political risk were identified. The authors then engaged in repeated cycles of coding in order to refine risk types and develop a second-order set of risk categories. Five categories of risk emerged across the two regions: corruption, excessive bureaucracy, macroeconomic and policy turbulence, political instability, and violence. Each of these categories of risk appeared in both regions and across different countries and industries, but some were more important in certain contexts than others (Table 2).

Table 2 Risk Citations by Region, Country, and Whole Sample (%)

	Political Instability	Corruption	Violence	Macroeconomic & Policy Turbulence	Excessive Bureaucracy
By Region					
Latin America	24	7	15	41	13
South Asia	17	15	7	8	53
By Country					
Argentina	22	12	18	35	14
Brazil	21	6	15	52	6
Chile	28	3	9	43	16
Colombia	7	7	7	50	29
Mexico	25	11	4	49	11
Peru	25	1	23	41	10
India	10	18	3	6	63
Pakistan	50	6	13	25	6
Sri Lanka	32	5	27	9	27
Whole Sample	22	10	12	32	25

In Table 2, the percentage figures describe the proportion of risk citations in each group. Thus, 24 percent of all risk citations from Latin America were related to political instability; 22 percent of all risk citations from Argentina were related to political instability; and 22 percent of all risk citations in the whole sample were related to political instability.

In some cases, these numbers tell a different story than what might be expected given the known histories of these countries. Discrepancies are most pronounced with the risk factors of corruption and violence. In part, these discrepancies may be attributed to the particularities of the data set. As mentioned above, although robust, the CEM database is not evenly balanced across and within geographies, with some countries more represented than others (Table 1). For example, there were 12 Argentinian interviewees and only two Colombian interviewees. The over-representation of certain countries generally correlated with those countries accounting for a greater percentage of risk citations than others (Table 3). Thus, the fact that Colombia accounted for many fewer risk citations than Argentina helps explains why violence—expected to be more prominent in Colombia—was in fact more frequently cited in Argentina.

Table 3 Percent of Total Political Risk Citations by Region and Country (%)

	Latin America	South Asia							
Citations	70	30							
	Argentina	**Brazil**	**Chile**	**Colombia**	**Mexico**	**Peru**	**India**	**Pakistan**	**Sri Lanka**
Citations	26	6	13	2	10	14	23	3	4

However, it must be noted that more interviews did not always correlate with a greater percentage of citations. There were fewer Argentinian interviewees compared to Indian interviewees (Table 1), but Argentina still accounted for a greater percentage of total risk citations than India (Table 3). Thus, although numbers can offer part of the reason for the surprising results, they cannot provide a full explanation.

Indeed, in addition to inherent numerical sample bias, there are several other important factors at work. First, there may have been personal or situational factors that either discouraged or precluded interviewees from discussing certain types of risk, including concerns about personal safety, personal relations with political figures, etc. Second, some types of risk—for example, prolonged periods of violence in Colombia—might have been so endemic that interviewees did not feel it necessary to reiterate their existence. Conversely, some types of risk might have become so common that they were no longer seen as a source of risk, but rather a routine feature of the business ecosystem. Lastly, and most fundamentally, the lack of citations for any given type of political risk in any given environment does not mean that it was absent in that environment. Indeed, it is important to emphasize that political risk citations are not an objective reflection of the extent of political risk in each country *as it actually existed*. As explained in the previous section, these citations represent the memories, understandings, and interpretations of political risk in these business environments as lived and experienced by interviewees—each of whom had a unique set of interests, biases, and preferences.

In the following sections, contextual examples from CEM interviews highlight the importance of historical and situational context in understanding statistical results, and major discrepancies will be discussed in detail under the corresponding sub-headings. Such insights help provide an explanation for seeming statistical anomalies, and in doing so, provide unique insights into how business leaders viewed and analysed political risk through their own subjective lenses—a topic that is seldom studied in the literature. This working paper will explore each risk type in turn, highlighting surprising results and differences between and within regions—both in terms of how risk manifested itself, and how interviewees discussed their own views about how risk impacted their businesses.

Political Instability

Political instability was cited with somewhat similar frequency across South Asia and Latin America—accounting for 22 percent of risk citations across the overall sample, and 17 and 24 percent, respectively, by region (Table 2). Differences emerged, however, in the sources of political instability cited between the two regions, as well as the distribution of risk citations within regions (Table 3).

In most of the Latin American countries surveyed, political instability accounted for roughly one quarter of risk citations (Table 2), and across the region, the most-cited source of political instability was regime change. This finding is not surprising given the frequency of regime change in the region (Lupu and Stokes, 2010). Indeed, in all six countries surveyed, interviewees explained how the rise and fall of different administrations was a source of risk for their business operations.

In Argentina, which had a long history of political turbulence—with at least one political coup every decade between 1930 and 1970 (Holmes, 2001)—interviewees emphasized how regime change affected the legal environment. As Jorge Born (2008), a former president of the diversified business group and trading company Bunge y Born, explained, “you abide by the law, and, all of sudden, there is a new government who wants to revise what the previous government did. Then, you are charged with breaking the law.” Even failed attempts to bring down the incumbent government could cause problems in the Argentine business environment, as explained by Rodolfo Veigener, who recalled that, due to numerous failed attempts to overthrow the regime of General Juan Perón in the first half of the 1950s, the road “was quite bumpy for a while” (2008). He was still young at the time—in his late teens—but already highly attuned to the operations of his family’s business.

In Peru, which experienced massive economic and political turbulence after 1968 that decimated many established business groups (Monsalve, 2016), interviewees described a similarly chaotic and unpredictable political environment. Felipe Antonio Custer (2013), CEO of food and chemicals company Corporacion Custer, led his business during the period from the 1960s to the 1980s—which saw multiple military coups as well as the rise of Shining Path terrorism. He characterized regime change in Peru as a "terrible storm" (Custer, 2013). As a result of such prolonged political tumult, fellow Peruvian José Graña Miró Quesada (2013), chairman of Graña y Montero, warned, "try not to rely on the state too much because the state takes unexpected twists and turns; officials and cabinet members change."

In this risk category, Colombia was an outlier, with political instability accounting for just seven percent of risk citations (Table 2). This is surprising given the decades-long conflict between the Colombian military and the guerrilla forces of FARC (Revolutionary Armed Forces of Colombia)—the longest-running armed insurgency in the Western hemisphere, which began in 1964 and only ended in 2016. However, Colombia experienced fewer instances of regime change than did the other Latin American countries surveyed, and also stood out as having a longer tradition of democratic government—even if, as Mayka (2016) points out, Colombian democracy was not broadly inclusive. Thus, as Jose Alejandro Cortes (2017), President of the diversified Grupo Bolívar, suggested in his interview, although "Colombia is not that different from many other countries that have undergone political changes," the difference was that, in general, "Colombia has not experienced such dramatic changes—its politics have been more stable." This evaluation reveals not only insights into the specific Colombian political environment, but also Cortes' deep awareness of Colombia's regional context.

In South Asia, political instability as a source of risk looked different. The distribution of risk citations varied significantly across the three countries surveyed, as did the sources of political instability discussed by interviewees. In Pakistan, political instability accounted for 50 percent of all risk citations, in Sri Lanka it represented 32 percent, and in India just ten percent (Table 2). As in Latin America, these results largely map on to the historical record. Pakistan cycled between periods of military and civilian rule for decades after 1948, and in their interviews, Pakistani interviewees made frequent mention of the changing governments. Seema Aziz (2016)—founder of the non-profit CARE Foundation (which operates a chain of primary and secondary schools throughout the country), and the high-end clothing retailer Sefam—explained how she navigated Pakistan's uncertain political climate: "Many governments have come and gone since we've been working [with CARE]. We've never gotten close to any government, because the work was important and politics is not what we were interested in."

Moreover, in Pakistan, as in Latin America, frequent regime change could also lead to sudden policy change. In the words of Syed Babar Ali (2016), founder of Packages Limited and the Lahore University of Management Sciences:

> [Former President] Bhutto came in '71 and then he did the reverse thing [of his predecessor, Zahya Khan] and nationalised everything… When Bhutto went out of the scene, there was a sense of relief in the business community [when] Zia ul-Haq tried to undo [Mr. Bhutto's policies].

During this period, Babar Ali became involved working for the government after it nationalized his packages company. This was contrary to Aziz, who preferred to keep distance from the government, even after she began managing formerly public schools. These examples thus provide a glimpse of the range of responses to regime change that appeared within single countries.

Although some Indian interviewees referenced regime change as an obstacle to business operations, they were few and far between. This comes as no surprise given that the Congress Party ruled in India for 49 of the 67 years between 1947 (when Jawaharlal Nehru became the first prime minister of Independent India) and 2014 (when Narendra Modi of the Bharatiya Janata Party became prime minister). However, there were certainly moments of turbulence. Y.V. Reddy (2017)—who was chairman of the Reserve Bank of India during that time—observed that between 1990 and 1993, India "had three prime ministers, three finance ministers, three governors of the RBI, three finance secretaries, and three chief economic advisors." This, he said, made it was extremely difficult for the central bank to pursue consistent policy objectives.

By far the most cited source of political instability in India was weak policy enforcement. As Zia Mody (2017), founder and senior partner at the law firm AZB & Partners, explained, often times, "The law is clear but the implementation has yet to happen." Ratan Naval Tata (2015), chairman of Tata Trust, offered his own view:

> The greatest weakness of India is poor enforcement… Why is the air being polluted? Because people are taking shortcuts on antipollution equipment or scrubbers at power plants and fertilizer plants, etc… While everybody could determine what the cause is, the cause is skirted around… We need to enforce the law where it's necessary, and we should do it irrespective of who is involved.

This source of risk stands in contrast to the types of risk discussed by interviews in Latin America, and even in Pakistan. In those environments, big-picture factors such as stable governments and durable political systems were the primary causes of concern. The details of policy were a related, but inherently lesser issue. As the interviews show, quite the opposite was true in India, where the nuances of policy—and the ability of the government enforce policy—were the primary concerns. These examples thus illustrate that, even though quantitative analysis might suggest a relatively similar degree of political instability in both regions, qualitative analysis reveals that it took different forms in Latin America than in South Asia.

Corruption

In the context of corruption, data gleaned from CEM interviews looked different than might be expected. Corruption accounted for ten percent of risk citations across the entire sample, and 7 and 16 percent of total citations in Latin America and South Asia, respectively (Table 2). Within both regions, there was also significant—and somewhat surprising—variation in the distribution of risk citations between countries. For example, in Latin America, Argentina and Mexico had roughly equivalent levels of corruption citations—each around ten percent of the country total—while in countries like Chile and Peru, corruption accounted for just three and one percent of citations, respectively. In South Asia, India had the highest concentration of corruption citations, at 18 percent, while Pakistan hovered at six percent, and Sri Lanka, five (Table 2).

These results are surprising in a number of ways. First, one might expect corruption to account for a greater percent of risk citations (both across the entire sample and within countries), given that most of the countries surveyed have reputations as being corrupt business environments. According to Transparency International's Corruption Perception Index (2017), only one of the countries surveyed, Chile, ranks in the top thirty "clean" countries—the rest tend towards the "highly corrupt" end of the spectrum. A caveat is that corruption is not a fixed phenomenon—ebbing and flowing with policy change—making empirical measurement exceptionally difficult. In India, for example, corruption levels rose as the Licence Raj developed, especially during the period when Indira Gandhi was Prime Minister from 1966 to 1977 (Agrawal, 2007; Tripathi and Jumani, 2013).

Second, the distribution of corruption citations within individual countries also tells a misleading story. According to CEM coding results, Mexico and Argentina experienced similarly high levels of corruption compared with the other Latin American countries in the sample (Table 2). Yet, according to the Transparency International Corruption Perception Index (2017), Mexico is significantly more corrupt—it ranked as the most corrupt country across the entire survey—and corruption levels in Argentina were in fact on par with corruption levels Brazil, Colombia, and Peru. Similar incongruities appear in South Asian results. In Pakistan—ranked the second-most corrupt country in the world surveyed according to Transparency International (2017)—corruption was among the least-frequently discussed sources of political risk, accounting for just six percent of risk citations (Table 2).

As previously discussed, there are a number of factors contributing to these unusual results. First is the semi-structured nature of the CEM interviews. Because questions were not consistent across interviews, some interviewees were asked directly about their experiences with corruption by the interviewer, some interviewees were probed about corruption after they themselves brought up the topic, and still other interviewees were never asked about—and never themselves brought up—the subject of corruption during the course of their interview.

Second, not all interviewees provided meaningful evaluations of or insights about corruption in their business environments, even when directly asked. For example, some business leaders talked cautiously about the issue. This was the case with Eduardo Hochschild (2017), chairman of Hochschild Group (a major mining and industrial company in Peru), who responded to a question about corruption by saying, “There are all kinds of people in the world, and the fact that one business leader behaves poorly does not mean that all the others do as well." Others confined themselves to asserting that they personally avoided corrupt practices. For example, Erling Lorentzen (2013), former CEO of pulp and paper company Aracruz Cellulose, described his longstanding "insistence on no corruption." "That's what I said right from my first days in Brazil," he explained, "if corruption is needed, just forget me." A number of interviewees downplayed the presence of corruption in the business ecosystem by speaking of corruption as an often essential transaction cost of doing business in emerging markets. Prithvi Raj Singh Oberoi (2015), chairman of EIH Limited, a prominent luxury hospitality and tourism group in India, put it succinctly when he said, "certain things could not be done unless you [engaged in] some sort of corruption. It was not always money—favors."

Third, a distinction has to be made between different types of corruption that an individual might encounter in his or her business environment. According to Transparency International (1998), corruption can be broadly defined as "the misuse of public power for private benefit." This can take many forms, including embezzlement, nepotism, bribery, and others. Within this realm, a distinction has been made in the literature between "grand" corruption—occurring at the highest levels of power—and "petty" corruption—which involves lower level functionaries and is typically associated with facilitating interactions with government bureaucracy (Hardoon and Heinrich, 2011; Rose-Ackerman, 2002; Argandoña, 2005). It has been shown that the prevalence of either type of corruption impacts the mode of entry of multinationals into host economies (Sartor and Beamish, 2018). This distinction may also be a factor influencing how CEM interviewees framed their discussion of corruption.

For example, Oberoi, whose words resonated among many Indian interviewees, described a textbook example of petty corruption in the Indian business ecosystem—something seen as a necessary evil rather than a true risk. Indeed, Anu Aga (2017), chairperson of equipment manufacturing company Thermax Global between 1996 and 2004, echoed such sentiments when she explained the reasons that the company, on occasion, had succumbed to giving bribes, and the factors that caused a shift in their policy in the late 1990s:

> I think during my husband's time and when I first took over, we said we will not succumb to paying bribes except as a last resort. So it wasn't a 100 percent definite no. In India, to be 100 percent honest is next to impossible, so we put up with it as long as the family didn't extract anything for our personal gains. I know many family-owned businesses in India take a lot from the company for themselves. We might have to do it occasionally to secure a business through a third party… But some years ago we were raided… and our executives learnt their lesson.

Aga described an environment in which corruption had become endemic, and in doing so, she shed light on the explanations employed by some for engaging in bribery and payments. Still, she showed that individual leaders could stand out for their conscious decisions to avoid corrupt business activity, whatever the consequence.

This was also the case with Rahul Bajaj, chairman of Bajaj Group from 1965. In his interview, he recounted a phone call he had with the minister of telecommunications, who attempted to use his position of power to influence the company's hiring. Bajaj (2014) told him:

> 'At Bajaj Auto, we deal on merit. I will give it to my marketing chief and tell him that other things being equal, Mr. So-and-So has recommended this case, so we should give him preference, but if somebody else is better, then, you know…' He said, 'Mr. Bajaj, do you know whom you are talking to? I am Minister of Telecommunications.' I said, 'Mr. So-and-So, you can go to hell,' and I put the phone down. I don't tolerate that; I never asked anybody for an undue favor.

In contrast to Oberoi and Aga, Bajaj's testimony is a clear example of grand corruption, and his insights suggest the degree to which some political figures in India felt emboldened to ask favours from major businesses. Like Aga, however, Bajaj himself remained firmly committed to honest practices.

Interviewees in Latin America were, in general, less likely to discuss the topic of corruption in detail—as was the case with Hochschild and Lortenzen. It is possible that both men considered even speaking about corruption to be a risk to their business operations, leading to their equivocal responses. Such fears might suggest the predominance of grand or high-level corruption, which, as Mashali (2012) suggests, tends to be confidential and "unknown to the general public."

Argentinian interviewees were an exception in the region, and many were more open about their experiences dealing with corruption. For example, Alberto Grimoldi (2016), chairman of the shoe and clothes manufacturing and retail company Grimoldi SA, discussed petty corruption. Unlike Aga—who responded by ultimately deciding to refrain from all such activity—he explained in more detail how he decided to adapt his business strategy to cope with it. He described how his company navigated the growth of the informal economy in Argentina in the 1970s by beginning to retail more aggressively in shopping malls. The reason, he explained, was that tax evasion was more difficult in a more formalised setting. Then, Jorge Born (2008) provided a holistic picture of just how far corruption had permeated the business environment in Argentina, shedding light on another example of grand corruption. Born (2008) explained:

> Corruption was rampant. Argentina had gone from one corrupt system to another. When YPF was privatized, bribes were huge – to unions, to these and those… And I told Menem, "This can't be right; this is immoral." And he said, "Look, we have two choices: either we do it like this or we keep losing

> thousands of millions of dollars with YPF. And the same will happen with the railways, telephones, everything else. If you want a 'pure' country, go somewhere else, because it's not going to fly here." I was hesitant, but I had to admit he was right, because he was accomplishing things – he privatized this and that, and he was finally managing to do what we all wanted. We wanted to have telephones that worked… It becomes very hard to isolate your morality.

Unlike Bajaj, who described his complete dismissal of grand corruption, Born shed light on the complex reality of operating in such a highly—and systemically—corrupt environment. His reflections highlight the moral dilemma faced by business leaders who wanted to see progress in public infrastructure, yet who condemned the mechanisms through which it was achieved.

As discussed above, there could be many historical and circumstantial reasons that, on the whole, Latin American business leaders were less forthcoming about their experiences with corruption—whether personal reasons related to security, reputation, or prestige, or social factors such as stigma, reprisals, or punishment. Moreover, it at least partly reflected the fact that the general tone of Latin American interviews tended to be less critical of their countries and governments than, for example, the Indian interviews. Overall, as discussion of corruption varied so significantly between and within geographies, and because reasons and motivations can only be speculated about, one of the most interesting things to be gleaned from these responses is that business leaders—all of whom operated in corrupt environments—evidenced different levels of comfort when discussing that corruption.

Violence

Violence was another prominent source of political risk in both South Asia and Latin America, accounting for 13 percent of total risk citations, and 15 and 8 percent, respectively in Latin America and South Asia (Table 2). Distribution within regions was highly skewed, and as with corruption, results were surprising compared to the historical record. In Latin America, Peru, Argentina, and Brazil had the highest concentrations of violence citations, with 23, 18, and 15 percent, respectively (Table 2). By contrast, in Mexico and Colombia—two of the most violent countries in the region according to the Global Peace Index (2017)—violence accounted for just four and seven percent of citations, respectively (Table 2).

As with corruption, there could be many reasons for these discrepancies. In Colombia, for example, the period of violent conflict spanned five decades from 1964 to 2016. As Antonio Celia (2017) explained, many businesses—though heavily affected—chose to remain in the country during the chaos of FARC terrorism in Colombia:

> We were among the most affected because we were an easy target: a private company operating across 2,000 kilometres—the length of our pipelines. We had—if memory serves—some 25 to 30 bomb attacks over a period of two to three years. It was an extremely difficult situation… those times of extreme guerrilla violence, terrorism proved very, very hard for us... We felt so desperate—we were all threatened, and threats were carried out. Many people… many businessmen chose to leave the country. I decided to stay, [but] we were very, very exposed.

In some senses, violence had become a devastating yet routine part of the business environment, and Celia evidenced persistence and determination in continuing operations despite extremely challenging circumstances.

This stands in contrast to the situation described by interviewees in Argentina and Brazil, for whom violence was described in much more jarring terms. For example, Pedro Moriera Salles (2013), chairman of Itaú Unibanco (one of the largest private banks in Brazil), when discussing the period of military rule that began in 1964, said: “These were complicated years. We’re talking about the military regime. There were issues of personal safety, there were kidnappings.” Kidnapping was also common in Argentina during the 1960s and 1970s, an era which saw an uprising by the Peronist urban guerrilla movement known as the Montoneros. Jorge Born (2008) talked in detail about his own ordeal:

> Everything was more or less pleasant until the times of Argentina's guerrilla terrorism, the violent Peronist years. At that time, many businessmen were kidnapped, and some were killed. I was kidnapped by the Montoneros group, who kept me captive for nine months. In our company, four people were murdered – four former colleagues of mine – under the pretext that foreign capital had to be eradicated – though we were anything but foreign… When I was free[d], the military government immediately sent for me because we had paid a ransom to my kidnappers. That was something the military did with guerrilla members – when they caught one, he was taken by the government, and that was that. When I heard the government was out to get me, I fled to Uruguay. I spent a year there, planning our next move, because we could no longer work in Argentina.

Born and Salles's testimony suggests that interviewees were perhaps more likely to talk about more sensational episodes of violence in their careers—especially, in the case of Born, episodes that forced them flee the country—compared to business leaders in Colombia for whom violence was a more deeply ingrained element of the business ecosystem.

In South Asia, CEM results mapped more closely onto the historical record. In Sri Lanka, violence accounted for 27 percent of citations, in Pakistan 13 percent, and in India, just three percent. As in Colombia, business leaders in Sri Lanka described how they managed to maintain active business operations despite prolonged periods of violence during the civil war that lasted from 1983 to 2009. Aban Pestonjee (2017), who founded the diversified consumer electronics company Abans Group in 1968, explained how she navigated the civil war period : "You get used to it, knowing that one bomb has gone off here, then everything goes down, business gets slack for a month or two, people forget it and then again it starts." Pestonjee was able to maintain normalcy of business operations despite endemic conflict, as evidenced by her detailed understanding of just how episodes of violence would likely impact her company.

India did not suffer prolonged periods of civil war or terrorism, although there were long-running religious and ethnic conflicts in Assam, Gujarat, Punjab, West Bengal and other regions. This is reflected by the fact that, as Table 2 shows, violence accounted for 14 percent of total risk citations in that country. However, violence as a source of political risk was discussed in different terms in India than it was in other countries. Interviewees in India referred not to bombings or kidnappings, but other kinds of violence, specifically, *anticipated* rather than extant violence—for example, the threat of reprisals.

At no time were such threats more potent than during the Emergency in India, or the roughly two-year period from 1975 to 1977, in which Prime Minister Indira Gandhi implemented martial law, suspended elections and civil liberties, imprisoned political opponents, censored the press, and committed massive human rights violations (including mass sterilisation efforts). PRS Oberoi (2015) described feeling great fear during this period: "Pseudo-socialism, hypocrisy, control on everything… [We]…are a democratic country and we had an emergency. [One] couldn't go to a party and talk freely for those 2 to 3 years. We were afraid." Just over two decades later, Anu Aga (2017) reported similar feelings of unease after speaking out against anti-Muslim violence in Gujarat in 2002, which had occurred under the leadership of then-chief minister of Gujarat, Hindu nationalist Narendra Modi (who would became prime minister of India in 2014):

> I was warned that my business would suffer, that my family could suffer… There could have been repercussions for our company. In fact, my daughter confronted me and said, 'Mum, weren't you a bit selfish? You didn't think about the family, my children could be harmed, our company could be harmed.'

In this instance, Aga felt threatened not by actual conflict or war, as in other countries, but by threats feared or speculated—in this case, the government's response to her controversial statements. Thus, although the manifestation of violence as a form of political risk may not have been directly comparable to other settings, Aga and Oberoi's reflections illustrate that even the threat of violence can have significant impacts on business.

Macroeconomic and Policy Turbulence

Among the clearest results is that macroeconomic and policy turbulence weighed more heavily on Latin American business leaders as a source of risk than on those in South Asia. In Latin America, macroeconomic and policy turbulence was the most-cited source of risk, accounting for 41 percent of all citations. This is at least sixteen percent more than any other single risk type. Under the category of macroeconomic and policy turbulence, notable risk factors included inflation, expropriation, and financial crisis—all of which were present across all six Latin American countries in the sample. There were, however, notable differences in the distribution of risk citations across Latin American countries (Table 2). There was also significant variation in the degree of risk over time and within different countries.

Indeed, when studying macroeconomic and policy turbulence in Latin America, periodization is important. A comparison between inflation in Argentina and Chile illustrates this point. Although, as Table 2 shows, these countries evidence the highest degrees of macroeconomic and policy risk, the overall impact that it had on each economy was in fact different. Both countries suffered periods of rampant inflation in the middle of the twentieth century, however inflation rates normalised in Chile in the 1980s, while Argentina suffered from massive hyperinflation that never fully normalised (Jones and Lluch, 2015). This change, although not evident merely by looking at risk citation statistics, is borne out in the testimony of CEM interviewees. Jorge Marín Correa (2008), president of Chile-based

Compañía General de Electricidad S.A., an electricity, natural gas, and energy company that worked actively in both countries, explained the difference in his own words:

> Argentina and Chile [became] worlds apart. The rules of the game in Chile are definitively more stable and reliable in comparison to Argentina, and implicit risks are completely different. Long-term planning in Argentina is almost impossible; this is most regrettable… Chile is different… the country's stability allows you to plan into the future with reasonable certainty.

As this example shows, one must be attentive to historical context when interpreting statistical results.

Indeed, as this working paper has shown, a qualitative analysis is an essential component of the quantitative coding exercise using NVivo. For example, lower percentages of macroeconomic and policy risk citations in some Latin American countries should not be taken to mean that the effects were any less severe. Inflation could have equally devastating effects, at times, in Peru and Brazil, as it did in at times Argentina and Chile. In Peru, José Graña Miró Quesada (2013) described the effects of rampant currency devaluation for his real estate and construction business in the late 1980s and early 1990s:

> It was really absurd… when we got the money, we had to run to the bank to turn it into cash to pay quickly, because it would lose its value in a matter of days, hours even. It was crucial to get a check and take it immediately to the bank without wasting any time.

Similarly, Carlos "Wizard" Martins (2015), founder of Grupo Multi, an English-language training company, described the impact of inflation on the daily operation of his business, as well as its broader impact on the stability of the Brazilian economy in the late 1980s:

> At that time, our inflation was in the neighbourhood of 60 and 70 percent a month, and you can imagine, when you have such…high inflation in a country, every time that you go to the supermarket, you have a new price. At that time, there were no computer systems in place. So from midnight until 6 [a.m.], all the prices had to be changed manually, [and] there are lots and lots of employees within each of the stores because they had to change the label from

> the previous price to the new price. Imagine what a tremendous challenge to the country that was.

Graña and Martins' recollections underscore not only the financial, but the practical ramifications of currency devaluation on the operation of a business, as well as the shortened time horizons created by this type of risk.

Macroeconomic and policy turbulence as a form of political risk looked different in South Asia, where it accounted for just nine percent of all risk citations (Table 2). Distribution of citations across the rest of the region—in India, Pakistan, and Sri Lanka—saw considerable variation (Table 2), as did both the sources of turbulence discussed in each country, and interviewee's reactions to them.

The most common form of macroeconomic and policy turbulence cited in Pakistan and Sri Lanka was expropriation, but unlike in Latin America, interviewees frequently reported having benefitted from it. For example, Merrill Fernando (2015), founder of Dilmah Tea, recalled how, in 1956, after Sri Lanka elected a socialist government, "it was the beginning of an era of painful developments in our beautiful country." "Every possible industry was nationalised," he explained, "including the [tea] plantation industry, and a near-communist regime assumed power." The targets, however, were foreign businesses, and as a result, many foreign investors decided to sell-out and exit the country. Domestic investors like Fernando were perfectly placed to capitalize on this development—indeed, that is how he assumed his first corporate leadership position as sole manager of A. F. Jones and Co. In Pakistan, Syed Babar Ali (2016) explained how, after his packaging business was nationalized by Zulfikar Ali Bhutto (former president, 1971-1973; former prime minister, 1973-1977), the government then offered him the opportunity to manage the company. These are important examples of the fact that how policy is designed and executed—rather than anything inherent in the policy itself—matters when evaluating political risk. Events that disrupted foreign investors could simultaneously benefit domestic actors.

In India, price controls and exchange controls, rather than nationalization, were the most-cited sources of macroeconomic and policy turbulence. This was not surprising given the interview selection criteria. Almost all of the interviewees were in senior positions during the height of government controls in India during the License Raj period. Indeed, only one interviewee, Jerry Rao—a serial entrepreneur who founded first the IT services company Mphasis in 1997, and then a low cost housing business called the Value and Budget Housing Corporation in 2007—started new businesses in the post-1991 liberalization period. (Rao had also spent most of the 1970s and 1980s working for Citibank outside the country).

The experience of price and exchange controls clearly left many business leaders traumatized. Yusuf Hamied (2013), CEO of Cipla pharmaceutical company, characterized the period of price controls in India as "a horror story." Keshub Mahindra (2013), former chairman of the diversified Mahindra Group, offered more details as to how price controls impacted everyday business operations: "You had no control over what you could do. Your profit was determined by government. They set your price structure… There was restriction on capital, administrat[ed] by government [through]… price control. So one was left with no recourse." With regard to price controls, Suresh Krishna (2012), founder of automobile parts manufacturing company Sundram Fasteners in Chennai in 1962, explained how and why artificially pegged currency in the early 1970s represented a major obstacle to his and other Indian businesses. "The market value of the rupee might have been about forty rupees per dollar," he explained, "but officially it was pegged at eight rupees, or nine rupees per dollar. So there was no way you could export profitably because you were total left out of the competition, as far as, say, profitability was concerned." Such feelings of vulnerability at the hands of government appear frequently in discussions of macroeconomic and policy risk among Indian interviewees when looking back at the era of tight government controls before 1991.

Interestingly, although South Asia also experienced some episodes of high inflation, particularly in the 1970s, only three of 26 South Asian interviewees mentioned inflation specifically as a source of risk. One of the three, Y.V. Reddy (2017), the central banker, spoke about inflation only in the context of broader economic policy at the time, not in the course of describing major risk factors to business operation directly. The second of the three, M.V. Subbiah (2016), executive chairman of the diversified Murugappa Group, mentioned rising inflation as one of many workers' grievances that led to strikes in T.I. & M. plants when he worked there as managing director. Only the third, Prathap Reddy (2014), who founded the private healthcare chain Apollo Hospitals in 1983, referred to how inflation negatively impacted his business, however he spoke more to how companies adjusted to normal price inflation rather than periods of extreme fluctuations in inflation rates, as experienced in many Latin American countries. Testimony from Indian interviewees thus offers a unique insight into not just which sources of risk were present in a given environment, but which were seen as being the most burdensome to those who experienced them.

Excessive Bureaucracy

In South Asia, in contrast to Latin America, excessive bureaucracy was the most common source of political risk. Bureaucracy accounted for 41 percent of all citations in the region—over 30 percent more than any other single source of risk. Although it was by far the most-cited risk factor across region as a whole, there was extreme variation across countries, with citations concentrated heavily in India (Table 2).

In the case of India, the fact that most of the interviewees were running businesses during the License Raj period meant that many interviewees appeared almost traumatized by the negative dimensions of bureaucratic intervention in India. In contrast to the close intertwining of political and business elites in Latin America, there was considerable distance between the socialist-leaning Congress Party and most business leaders. Prathap Reddy (2014) offers a sense of what it was like to navigate the regulatory maze:

> I think, I cannot put words to say how difficult or how impossible it was—the bureaucracy… I used to go every Thursday evening to Delhi from Chennai; come back on a Sunday morning, week after week, meet 10, 12, 15 babus [bureaucrats] each time; then meet some of the ministers. To get each one of these [to agree] to import the medical equipment, 360 [kinds of] equipment, I had to make 12 applications and please 12 of them.

Reddy's reflections convey the frustration expressed by many Indian interviewees at the extent of government bureaucracy. Indeed, not only was regulation overwhelming in its volume, but it also changed rapidly—sometimes with detrimental consequences. Sunil Mittal experienced this in one of his early ventures before he launched the major telecommunications company, Bharti Enterprises, in 1976. "One fine day," explained, "the government decided to ban imported generators, and so they were banned. I mean, I couldn't get one more shipment in, and so I had no business. Overnight, I had no business. I had to find something else" (Mittal, 2017). Taken together, these experiences offer an explanation for why India accounted for such a staggering amount—90 percent—of all excessive bureaucracy risk citations for South Asia.

In addition, close analysis of CEM interviews adds depth to understandings how the License Raj period impacted Indian businesses by revealing that consequences could take many forms beyond just loss of profits. Some interviewees focused on intellectual limitations. For example, Zia Mody (2017) recounts how, when she first returned to India after studying abroad in the United States and Britain, she was struck by the fact that creativity and creative problem-solving were “muzzled” by “so much paper pushing and so much box ticking.” Ranjan Kapur, former country manager of the British advertising agency WPP Advertising, drew a similar comparison between India and the West during the License Raj. “I was so disappointed,” he recalled. “I felt hemmed in coming back from the United States, where there is such freedom to express yourselves” (Kapur, 2015).

Another common theme was the loss of time spent on navigating endless bureaucracy—both on a day to day basis (as was the case with Prathap Reddy), and in the long term. For example, Rahul Bajaj (2014) explained the ramifications of the ten-year backlog in the production and sale of Bajaj scooters due to quota restrictions in place between the 1970s and 1990s:

> You couldn’t get married in northern India, in a middle-class family, unless the girl’s family was ready to give a Bajaj scooter. Now, that would be a ten-year delivery period. So, there were only two ways to do it: people started booking a Bajaj scooter the moment they had a child born in the family, or people purchased through the black market.

Bajaj’s testimony revealed not only the frustrating limits imposed on businesses, but also the broader social consequences of such policies.

Taken together, these examples underscore the broad impact that License Raj-era bureaucratic constraints had on Indian business—from stifling creativity, to reducing productivity, and suppressing entrepreneurial growth. As a result of such constraints, many interviewees actively avoided diversifying into highly regulated industries. As Suresh Krishna (2012) explained:

> One of the policies of the group has been, regardless of however attractive it is, to stay away from any industry which is under the control of the government. We have not gone into telecommunications, we have not gone into cement, we have not gone into paper, we have not gone into iron ore mining… We only choose areas over which government has no control. It makes life much easier for us.

This example reveals that bureaucratic risk could not only have a negative impact on productivity and profits, but could actually alter the trajectory of growth for businesses like Krishna's.

In Pakistan, which did not have such an all-encompassing planning regime, bureaucratic risk was a more marginal concern, accounting for just six percent of risk citations. Nevertheless, as in India, Pakistani interviewees still expressed a desire to keep a distance from government bureaucracy. For example, Syed Babar Ali (2016) explained that, after working directly for the Pakistani government for many years, he learned that it "was the last place…one wanted to be…on a long term." Thus, when he began working to found LUMS, he said, it was essential that he secure a charter for an independent school, so that he wouldn't "be bogged down by the regulations of the higher education commission." Taken together, the Indian and Pakistani examples reveal that, at a broad level, regulation and bureaucracy had a direct impact on which opportunities were seen as desirable, and, at the company level, they show how businesses adapted to avoid government interaction—something which is not often discussed in the literature.

Excessive bureaucracy as a form of political risk looked different in Latin America, where it accounted for just 13 percent of all risk citations (Table 2). Except for brief periods in Chile and Peru, there were no long-running anti-capitalist governments like India's Congress Party. The small political and business elites in most Latin American countries, (although not in Argentina), were closely integrated, quite unlike the situation in India. Yet

Latin America also had its own forms of government interventions and interviews certainly included criticism of government interventions on occasion, and in certain circumstances. Not surprisingly, these were most frequent in Argentina (Table 2).

Some Argentine interviewees, like Arturo Acevedo (2008) (president of the national steel and mining company ACINDAR, since 2008 part of Arcelor Mittal), reported merely that the military government under President Alejandro Lanusse vetoed a potential business opportunity in 1972-73. “The government decided that bringing foreign knowledge and an American company into Argentina to enter into a joint venture in the steel industry was an inconvenient strategic move,” he explained, and “The project was rejected.” Thomas Hudson, president of the Argentinean subsidiary of Britain’s Imperial Chemical Industries between 1971 and 1992, suffered more intrusive intervention. In his interview, he explained that, under the military regime in Argentina in the early 1980s, his company was “assigned a military overseer, a colonel from Fabricaciones Militares” who became intimately involved with all aspects of company operation (Hudson, 2008). This was a unique example due to the fact that Hudson was working for a foreign MNE, however his experience still underscores the intrusive nature of the Argentinian state at that time.

Fellow Argentinian Jorge Born (2008) escaped a military overseer, however he explained that the extent of bureaucracy was so extreme that his predecessor as president of Bunge y Born “spent 90% of his time trying to find out what the government was going to do next. He had informants in each administration, who would tip him off.” As this example suggests, many business leaders adopted strategies to manage potential bureaucratic risk. In Brazil, Paulo Cunha explained how not only he, but many business leaders in the country, became more intimately involved with the repressive military regime in the country during the

1970s, during a period of heavy state intervention. He described the relationship between business and the state as "an intense joining together," and commented that having such connections "made things much easier for our relationship with the government" (Cunha, 2013).

As these examples illustrate the smaller share of risk citations in Latin America compared to South Asia, should not be taken to mean that bureaucratic risk was absent in these settings. Quite the contrary, testimony from CEM interviews indicates that it was still seen as a significant risk factor, and that it could have major implications on business operations.

CONCLUSION

This working paper has sought to contribute to the literature on political risk in business and economic history by examining both new perspectives (risk encountered by companies domestically, rather than risk for foreign investors) and new settings (emerging markets economies in Latin America and South Asia). It makes use of the Creating Emerging Markets oral history database to examine business leaders' perceptions of political risk over time, employing NVivo coding of the dataset to move beyond simple descriptive use of the content.

The working paper identified five major sources of risk operating in both geographies, although these were not evident in equal force across both regions. Macroeconomic and policy turbulence emerged as the biggest source of risk for Latin Americans, while excessive bureaucracy was the biggest source of risk for South Asians. Together, these two factors accounted for over 50 percent of total risk citations from the interview sample. Political instability was the most evenly distributed source of risk, with 17 and 24 percent of citations in South Asia and Latin America, respectively—accounting for 22 percent of risk citations across the entire sample. Corruption and violence were each more markedly skewed, towards South Asia and Latin America, respectively, however overall, they each accounted for under 15 percent of total citations.

The working paper examined not only the types of risk found in different environments, but also how interviewees discussed and responded to risk. In the case of corruption, CEM interviews revealed that, although most countries surveyed had similarly high levels of corruption, it manifested itself differently in different regions. This was evidenced by the fact that interviewees showed varying comfort levels discussing not only specific instances of corruption, but even how the phenomenon manifested itself in their business environments at a broad level. This study also revealed new insights into the way business leaders in emerging markets think about violence, suggesting that endemic or long-term violence was seen as less of an operational risk than bursts of guerrilla violence.

Especially informative was the issue of bureaucratic risk. It emerged that excessive bureaucracy manifested itself quite differently in the two geographies, and with different consequences. Although interviewees in both regions reported having to dedicate significant time to navigating government regulation, interviewees in South Asia frequently reported attempting to stay away from highly regulated industries, while many interviewees in Latin America discussed how they adapted to heavier government oversight by forming closer ties or working relationships with incumbent administrations. This was suggestive of both the close intertwining of political and business leaders in Latin America, and the historical anti-business bias distinctive of policy-makers in India (especially before 1991, and to a lesser extent subsequently). However, further research might also probe this seeming correlation between political risk and business-government relations further, to understand whether political risk factors played a role in determining the nature of this relationship.

The CEM interviews demonstrate the many ways that oral history testimony can deepen and nuance current understandings of the evolution of business in emerging markets over the last half century. It can shed light on sensitive topics that are hard to study using written sources alone—when such sources exist and are made available to researchers—and it can also add nuance to phenomena commonly surveyed or measured qualitatively. In the case of political risk, the CEM interviews reveal the significant ways in which the lived experience of business leaders deviated from traditional narratives. As such, these oral history sources offer exciting new opportunities for future scholarship on the business history of emerging markets.

Appendix 1. Interviewee Demographics

Name	Country	Age Date Interview	Position/Firm	Industry
Arturo Acevedo	Argentina	58	President,Grupo ArcelorMittal (Acindar)	Steel and Mining
Anu Aga	India	72	Chair,Thermax Private	Equipment Manufacturing
Abbas Akbarally	Sri Lanka	82	Chair, Akbar Brothers	Tea; Diversified
Robertode Andraca	Chile	74	Chair, Cap S.A.	Steel
Roberto Angelini Rossi	Chile	60	Chair, Empresas Copec S.A. and AntarChile S.A.	Petroleum, Forestry, and Fishing
Seema Aziz	Pakistan	65	Founder,CARE Foundation; Managing Director, Sefam	Education and Retail
Syed Babar Ali	Pakistan	90	Founder,Lahore Universityof Management Sciences	Education; Government
Alberto Baillères	Mexico	82	CEO, Grupo Bal	Diversified
Rahul Bajaj	India	84	Chair, Bajaj Group	Diversified
Rosario Bazan	Peru	56	Danper	Canning, Agriculture
Alberto Benavides	Peru	93	Founder/Chair, Compañía de Minas Buenaventura	Mining
Jorge Born	Argentina	74	FormerPresident, Bunge y Born (now Bunge Limited)	Agribusiness, Food
Federico Braun	Argentina	60	President/Chair, Sociedad Anónima Importadoray Exportadora de la Patagonia(La Anónima)	Supermarkets
Antonio Celia	Colombia	60	CEO, Promigas	Natural Resources
Subhash Chandra	India	66	Chair, Essel Group	Media, Entertainment
NalliKuppuswami Chetti	India	74	Chair, Nalli Silk Sarees	Textiles, retail

Name	Country	Age Date Interview	Position/Firm	Industry
Ricardo Claro	Chile	68	Chair, Claro Group (Compañia Sud Americana de Vapores S.A.)	Shipping
Jose Alejandro Cortes	Colombia	87	President, Board of Directors,Grupo Bolívar	Diversified
Paulo Cunha	Brazil	73	Chair, Grupo Ultra	Natural Gas; Chemicals
Felipe Antonio Custer	Peru	59	CEO,Corporacion Custer	Food and Chemicals
William Engels	Argentina	49	Board, Bunge Limited	Agribusiness
Merrill Fernando	Sri Lanka	85	Founder/Chair, MJF Group	Tea
Dionisio Garza de Medina	Mexico	59	Former President and CEO, Alfa S.A.B. de C.V.	Diversified
Jorge Gerdau	Brazil	77	Chair, Gerdau Advisory Council; former CEO, Grupo Gerdau	Steel
Adi Godrej	India	71	Chair, Godrej Group	Diversified
José Graña Miró Quesada	Peru	68	Chair, Graña y Montero	Construction,Real Estate
Alberto Grimoldi	Argentina	74	Grimoldi, S.A.	Clothing,Shoes, Retail
Rafael Guilisasti	Chile	55	ViceChair,Vina Concha y Toro S.A.	Wine
Yusuf Hamied	India	77	CEO, Cipla	Pharmaceuticals
Eduardo Hochschild	Peru	54	Hochschild Group	Mining
Ricardo Huancaruna	Peru		PeralesHuancaruna S.A.C.	Agribusiness
Tomás Hudson	Argentina	76	President,Imperial Chemical Industries (ICI)(laterAkzo Nobel)	Chemicals
Shahnaz Husain	India	72	Founder/CEO, Shahnaz Herbals Inc.	Beauty
Suresh Krishna	India	76	Chair,Sundram Fasteners	Metal products
Ritu Kumar	India	71	Ritika Private Limited	Fashion, textiles, retail

Name	Country	Age Date Interview	Position/Firm	Industry
Amalia Lacroze de Fortabat	Argentina	87	FormerPresident/ Chair, Loma Negra Cia Industrial Argentina S.A.	Cement
Agustin Legorreta	Mexico	78	Former President, Banco Nacional de Mexico	Financial Services
Andronico Luksic Craig	Chile	54	Vice Chair, Banco de Chile and Quiñenco S.A.	Banking; Mining
Antonio Madero	Mexico	76	Founder/CEO, SANLUIS Corporación S.A. de C.V	Automotive Parts
Keshub Mahindra	India	90	Former Chair, Mahindra Group	Diversified
Jorge Marín Correa	Chile	48	President, Compañía General de Electricidad S.A. (CGE)	Electricityand Natural Gas
Carlos "Wizard" Martins	Brazil	59	Founder, Grupo Multi	Education
Eliodoro Matte Larraín	Chile	63	President, Empresas CMPC S.A.	Pulp and Paper
Sunil Mittal	India	60	Founder and Chairman, Bharti Enterprises	Telecommunications
Zia Mody	India	61	AZB & Partners	Corporate Law
Guillermo Murchison	Argentina	67	formerCEO, Murchison, Estibajes y Cargas S.A.	Shippingand Logistics
Prithvi Raj Singh Oberoi	India	86	Executive Chairperson,EIH Limited	Hospitality, tourism
Luis Alejandro Pagani	Argentina	51	CEO, Grupo Arcor	Food Production
Horst Paulmann Kemna	Chile	73	President, Cencosud S.A.	Retail
Aban Pestonjee	Sri Lanka	81	Founder/Chair, Abans Group	Diversified
Aroon Purie	India	73	Chairman and Editor-in-Chief, India Today	Media, Entertainment

Name	Country	Age Date Interview	Position/Firm	Industry
Jaithirth (Jerry) Rao	India	64	Founder/Chairman, Value and Budget Housing Corporation	Real Estate; IT; Banking
Prathap C. Reddy	India	82	Founder and Chair, Apollo Hospitals	Healthcare
Y.V. Reddy	India	76	Reserve Bank of India	Banking
Manuel Sacerdote	Argentina	65	Former Regional President, BankBoston (Argentina)(nowICBC)	Financial Services
Ricardo Salinas Pliego	Mexico	58	CEO, Grupo Salinas	Diversified
Pedro Moreira Salles	Brazil	54	Chair, Itaú Unibanco	Financial Services
Daniel Servitje Montull	Mexico	54	CEO, Grupo Bimbo	Food Production
Roberto Setubal	Brazil	59	President/CEO, Itaú Unibanco	Financial Services
Devi Shetty	India	64	Founder/Chair, Narayana Health	Healthcare
Reinaldo Solari	Chile	83	Chair, S.A.C.I. Falabella	Retail
M.V. Subbiah	India	77	ExecutiveChair, Murugappa Group	Sugar, Agribusiness, Bicycles, Insurance
Ratan Naval Tata	India	78	Chair, Tata Trust	Diversified
Luiza Helena Trajano	Brazil	62	President,Magazine Luiza	Retail
Rodolfo_Rodolfo	Argentina	69	Former President, FV S.A.; Former Chair/ CEO, Ferrum S.A.	Faucetsand plumbing products
Sven Von Appen	Chile	74	Chair,Ultramar Agencia Maritima	Shippingand Logistics
Julio Werthein	Argentina	90	President,Grupo Werthein	Diversified
Augusto Felipe Wiese de Osma	Peru	89	CEO, Grupo Wiese	Diversified

Note: Spanish surnames are ordered by first surname (apellido paterno).

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