

Annex I. Registration of the Title of the Final Degree Project (TFG)

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Studies: MII + ADE

Class: 7º

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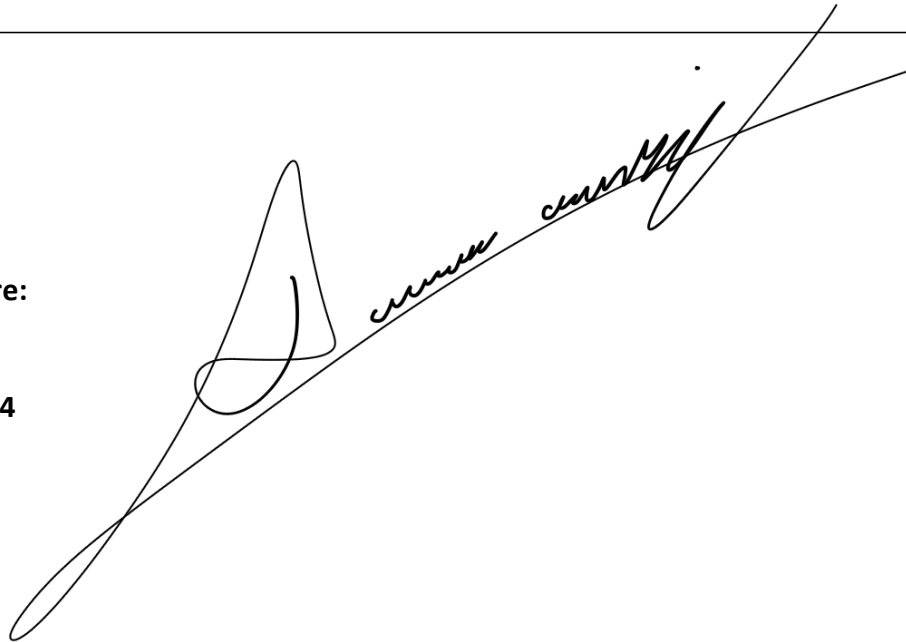
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Last Name Name

Provisional Title:

Policy Constraints: the role of Domestic Uncertainty v
International Geopolitics

Student Signature:

Date: 26/06/2024

A handwritten signature in black ink, written diagonally across the page. The signature is highly stylized and cursive, appearing to read 'Javier Aramburu Anglada'.

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Objectives

The main goal of this project is to continue the research done by Professor Claeys, Professor Gómez-Bengoechea and me in the paper: "Multilateral financial integration and political conflict: a 3-player game of debt negotiation". In this project, I helped Professor Claeys develop a three-player game to explain how countries will interact according to their economic integration. To extend the model we could add:

1. Adding more players to the model could change the outcomes and the likelihood of war.
2. Including international trade as a factor in the model.
3. Include the consequence of default on interest rates and consumption flows.
4. Include strategic negotiations

Therefore, the objectives to achieve in the thesis are:

- Develop a theoretical model based on Peter Claeys' model and incorporate various extensions.
- Compare Matteo Iacoviello's GPRD index with BBVA's new geopolitical index, which uses GLM, to determine which one better represents global and individual country geopolitical risk.
- Compare the results obtained using different regression methods and choose the most suitable one for studying geopolitical risk.
- Propose an international approach for the European Union within the current geopolitical context between China and the United States.
- Apply the model to different historical scenarios to assess its usefulness as a proxy for future conflicts.

Methodology

The methodology will be structured into two parts: a theoretical and an empirical study.

In the theoretical project, we will analyze the current state of the art and then build upon the model. Starting from the work already done, we will include the extensions needed to adjust it more to reality.

Then we will assess if the model is appropriate using a qualitative and quantitative analysis.

- In the qualitative analysis, we will employ it in real historical situations such as the eurozone debt crisis, where we will compare the different approaches to the Greek and Spanish crises.
- For the quantitative analysis, we will conduct three types of regressions: standard regressions, panel regressions, and SUREG (seemingly unrelated regression) analysis. Then we will select which one we find that suits better the scope of the project and we will use the findings to compliment the qualitative analysis.

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ⁱ All the references included are from the paper: “Multilateral financial integration and political conflict: a 3-player game of Debt Negotiation”, its publication has not been confirmed yet. The authors of this project are Peter Claeys, Javier Aramburu and Gonzalo Gómez-Bengochea.