

Joint Master in Global Economic Governance & Public Affairs

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Seminar: 42 hours = 5 ECTS

130 questions on Country Risk & Governance

SESSION 1.0: INTRODUCTION

Quiz 1 - Warming up: 20 + 1 questions to test your Country Risk knowledge

Q1: Your investment strategy aims at the country with the highest “Human development index” as reported by the UNDP currently!

- Tunisia
- Vietnam
- Morocco

Q2: Your ESG investment strategy aims at the country with the lowest corruption score, that is, the best “governance and transparency score”, according to Transparency International’s most recent CPI.

- Tunisia
- Vietnam
- India

Q3: Your global investment fund aims at Latin American countries with the best score of “political stability” according to the most recent World Bank’s Governance Indicators.

- Argentina
- Mexico
- Peru

Q4: Goldman Sach’s chief economist Jim O’Neill came up with the concept of BRICS in a 2001 research paper. The acronym stands for “Brazil, Russia, India, and China”, to which South Africa was added more recently. At end-2025, the BRICS is a group formed by eleven countries: Brasil, Russia, India, China, South Africa, Saudi Arabia, Egypt, United Arab Emirates, Ethiopia, Indonesia, and Iran. It serves as a political and diplomatic coordination forum for countries from the Global South. Clearly, these fast growing countries share a lot of economic, financial, and institutional similarities!

- True*
- False*

Q5: The “Paris Club” is a forum of Debt restructuring negotiations between developing countries and OECD developed country governments under the auspices of the French Treasury’s Secretariat.

- *True*
- *False*

Q6: Economic liberalization leads to rising trade openness ratio (trade flows/GDP) in most developing countries. In addition, trade liberalization coupled with financial deregulation lead to socio-economic development and shrinking wealth gap. Globalization is a development engine for all! Positive sum game!

- *True*
- *False*

Q7: According to the IMF data (WEO 04/2025), the share of 155 developing countries in global GDP is gradually rising and reaches **60% compared to nearly 40%** for so-called 41 “advanced developed countries”, on a PPP basis

- *True*
- *False*

Q8: Socio-political volatility risk and Global income inequality: After declining in the first half of the 20th century, income inequality made a comeback since the mid-1980s in many developed countries. The share of top 1 percent in income distribution reaches nearly 20% currently.

- *True*
- *False*

Q9: Coface is both an insurer and a country risk analysis company that provides ratings and socio-economic analysis.

- *True*
- *False*

Q10: Rating agencies such as Moody’s, Fitch, Coface, INCRA, Dagong, and S&P’s are always reliable sources of early warning of mounting country risk volatility!

- *True*
- *False*

Q11: Is China’s soft economic landing working in 2025? Since 2014, China’s economic and monetary authorities initiated a rebalancing strategy of the country’s economic growth driving engines, by boosting private consumption with lending surge, hence relying less on fixed investment and export revenues. Yet much of the riskiest credit, including loans to local governments, property developers and coal miners, has migrated to the shadow banking system, increasing the risk of a looming financial crisis with slowing down economic growth.

- *True*
- *False*

Q12. China’s growth is projected to slow down between 2024 and 2029, with about 4,5-5% currently, according to a number of forecasts (Goldman Sachs, IMF-WEO, WB, Brookings, OECD). Meanwhile, India’s growth is to reach around 6,5%!

- *True*
- *False*

Q13. What Bouchet calls “**Hyperfinance**” is the byproduct of deregulation and globalization of the financial system since the 1980s. The “too big to fail” systemic risk stems from the rising share of banking assets in GDP, well above 200% in most developed and developing countries, including the EU, China and in Japan.

- True*
- False*

Q14. The IMF’s latest 2025 World Economic Outlook is rather bearish regarding global growth forecast, i.e., about **3 percent in 2025-26**, due to geopolitical, trade and commodities uncertainties. Global growth is slowing down.

- True*
- False*

Q15: Despite the global financial crisis, the number of countries that enjoy a Triple A rating from rating agencies keeps increasing, currently reaching 25.

- True*
- False*

Q16- Russia’s invasion of Ukraine has sent food, energy and other commodity prices soaring, increasing the strains on African economies already hard hit by the Covid-19 pandemic. But Europe’s gas and oil imports will improve the net export revenues in several countries such as Tunisia, Morocco, Kenya, and South Africa!

- True*
- False*

Q17: Over the 2010 decade until 2024, developed countries have boasted substantial current account surpluses, around \$300 billion annually (excepted in 2022-23 of course!), thanks to the EU and Japan, despite the large US structural deficit that has grown to > \$1 trillion in 2024-25. In 2025 and 2026, the advanced economies will face current account deficits due to trade tensions.

- True*
- False*

Q18: Global debt keeps rising due to stubborn budget deficits in both developed and developing countries. In the former group, military spending clearly is a debt growing engine. In the latter, debt refinancing and incompressible imports play a large role. Overall, Global debt hit a record high of \$338 trillion, driven by easing global financial conditions, a softer U.S. dollar and a more accommodative stance from major central banks. The global debt-to-output ratio stands just above 324%, while in emerging markets the ratio hit 242% (IIF).

- True*
- False*

Q19: In a number of emerging market countries, debt crises are looming. All in all, emerging markets face a record high of nearly \$3.2 trillion in bond and loan redemptions at end-2025, according to the Washington-based the IIF.

- True*
- False*

Q20: IMF data reveals the 11 BRICS’ impressive and growing economic power. They accounted for 41% of the global economy (PPP) in 2025

- True*
- False*

Q21. Bonus point: Who is Germany's current president?

- Olaf Scholz
- Frank-Walter Steinmeier
- Joachim Gauck

SESSION 1.1: What is risk? What is uncertainty?

Quiz 2: Check your understanding of the historical emergence of risk taking: the various stances of Keynes, Knight, Mandelbrot, Stiglitz, Taleb, and Krugman regarding risk.

Q1. Keynes emphasizes the non-linear nature of risks and the danger of expecting the future as simple projection of the past, adding the role of animal spirits in volatility spill-over and herd behavior!

- True
- False

Q2. Knight in 1921 stipulates that Risk stems from a deficit of information, hence randomness of results.

- True
- False

Q3. Black swans: Following Mandelbrot, Nassim Taleb concludes that major catastrophes are just events that started small and did not stop growing to develop into extreme sizes. These events are unpredictable, in the sense that the final size of a future event cannot be forecasted in advance

- True
- False

Q4. Minsky considers that global risks can be mitigated by the spontaneous adjustment and self-regulation of global financial markets.

- True
- False

Q5. Joseph Stiglitz (2001 Nobel Prize) concludes that in the long-run market globalization reduces wealth gaps within and between countries.

- True
- False

Q6. Paul Krugman (2008 Nobel Prize) analyzed a number of market crises in Mexico (1994), in Asia (1998), in the US and in Europe (2008-2012) concluding that market globalization and capital liberalization generate volatile capital flows, speculation, deregulation, and costly socio-economic disruption.

- True
- False

Q7. Ulrich Beck stresses the emergence of a Global risk society where current decisions and technological developments trigger long-term global impact, including warming, terrorism, pollution, and financial deregulation.

- True
- False

Q8: According to Alvin Harvey Hansen (Harvard University), the risk of secular stagnation is the byproduct of negative structural forces in the aftermath of the deep recession of the early 1930s

- True
- False

Q9: In a nutshell, the neo-Keynesian schools emphasizes the following key points: No self-correction of markets, hence risk of protracted depression; Governments must inject extra spending to provide stimulus and shorten level and duration of crisis (multiplier); Markets need regulation to correct unequal income and wealth distribution and to promote sustainable full employment; and financial intermediation must be regulated to provide long-term financing to the real economy.

- True
- False

Q10: Stiglitz, Sachs, Krugman, and Dani Rodrik consider that there is a positive loop between openness to global capital flows, higher capital efficiency North-South, technology spillover, and financial market liberalization, all leading to dynamic foreign direct investment, hence higher GDP per capita.

- True
- False

Q11: J. Stiglitz and P. Krugman consider that Globalization increases instability and volatility, makes countries more vulnerable to external shocks, reduces long-term growth, and increases poverty and wealth gaps, hence socio-political turmoil.

- True
- False

Q12: In the 1920s, Keynes coined his famous term: "The gold standard is already a barbarous relic". That being said, gold remains a key early warning signal of volatility and uncertainty in the financial markets: a "safe reserve asset". At end-2025, gold price reached the record level of US\$3800/ounce, i.e., \$125,000/kg.

- True
- False

Q13: Throughout 2022-25, frantic central bank gold-buying combined with the precious metal's soaring price has solidified its position second only to the U.S. dollar as their biggest reserve holding in value terms, close to 20% (47% for US\$). Central banks' gold stockpiles are close to levels last seen in the 1960s, in the heart of the Cold War....

- True
- False

SESSION 2: The key components of Country Risk and the main types of Risk exposure

QUIZ 3-The key components of Country Risk in the global economic system

Q1: In a nutshell, Country Risk is mainly composed of financial risk!

- True
- False

Q2: When looking at long-term macroeconomic growth projections, the three winners are Germany, Japan, and the US!

- True
- False

Q3: To sum up, Country Risk is only a matter of concern for foreign creditors and bondholders!

- True
- False

Q4: Risk rating agencies play a key role in assessing risk but also in worsening country risk due to late overreaction and spill-over effect.

- True
- False

Q5. Country Risk always boils down to debt payment default!

- True
- False

Q6: Domestic economic agents also face Country Risk that stems from inflation, negative real rates of interest, abrupt devaluation, and socio-political turmoil.

- True
- False

Q7: *Exporters are exposed to several risks, including payment delays, capital controls, customs bribes, and exchange rate devaluation!*

- True
- False

Q8: *Since the global financial crisis, with a weak and uneven recovery, one still faces the prospect of long-term stagnation. In 2025, nominal global GDP of \$114,000 billion is still lower than in 2023! Similar situation regarding the global GDP in PPP.*

- True
- False

Q9: *For GEGPA students, it is crucial to understand the trend volatility in economic and trade globalization since the late 1990s. In 2025, the global trade openness index, that is, the ratio of total exports of G&S to global GDP, only reached 27% compared with 31% back in 2022, in a volatile environment of low growth, and strong economic, financial, and geopolitical uncertainties!*

- True
- False

Q10. *Since the 2008 financial crisis, one observes a slowing down of world trade. Its volume grew at an annual rate of 4,2% in 2006-15, dropping to only 2,7% in the 2016-25 period.*

- True
- False

Q11. *In September 2025, Fitch Ratings dropped France's credit rating to « A+ » ; with stable perspective, while increasing Italy's rating to a well-deserved AA+.*

- True
- False

SESSION 2.1: Country Risk and rising wealth gap within and between nations

Quiz 4: Country risk and wealth gaps

Q1: International poverty line: Around 800 million people live today in extreme poverty. According to the World Bank's revised and updated definition, extreme poverty is defined at around \$3/day.

- True
- False

Q2: All in all, the GINI index of revenue inequality has worsened for many OECD countries since the global financial crisis (including France and the United States)

- True
- False

Q3: Overall, secular stagnation is the byproduct of negative economic and demographic structural forces as described by Alvin Harvey Hansen (Harvard University) in the aftermath of the deep recession of the early 1930s. Aging populations tend to save more while one observes a long-term investment decline.

- True
- False

Q4: Since the mid-1980s and the worldwide extension of the market economy, one faces an unprecedented distortion in value-added distribution in developed countries due to the rising share of profits in GDP and the falling share of wages: income equality has worsened!

- True
- False

Q5. According to Bouchet, Hyperfinance's emergence in the 1980s coincides with the shrinking share of income for capital owners and top executives, hence quickly improving income gaps! Good news for more equal wealth distribution!

- True
- False

Q6. Though the global economic catch up of 155 developing countries is still a bit of a myth, their share in global GDP currently reaches 60%, though their share of exports remains at only 39% of total trade, while their share of population reaches 86%.

- True
- False

SESSION 3: Country risk assessment: Information & Economic intelligence gathering

Quiz 5: What are the main sources of information regarding Country risk assessment?

Q1: The Bank of International Settlements (BIS) provides key sources of Country risk intelligence including its International Banking statistics (quarterly) and the Annual BIS report (total bank loans and deposits, hence capital flight)

- True
- False

Q2: The BIS, the IMF and the OECD are crucial sources of information regarding debt, balance of payments and exchange rates fluctuations!

- True
- False

Q3: The Paris Club is an ad-hoc forum of debt negotiations between OECD country creditors and sovereign debtors. It only deals with official or officially guaranteed credits (Coface, Hermes, ECGD, SACE, US Eximbank...).

- True
- False

Q4: The NY-based UNDP provides GEGPA CIFE students with the annual human development index that measures corruption in developing countries.

- True
- False

Q5: GEGPA CIFE students can find in the World Bank's Doing Business index a comprehensive, fully objective, and highly reliable measure of the business, governance, and regulatory conditions in 190 countries.

- True
- False

Q6: At COFACE, country risk analysis is expressed in a rating/ranking format but based on a qualitative analysis aimed at integrating the socio-political and economic specificities of each country.

- True
- False

Q7: PRS (Political Risk Services) has developed since the mid-1980s a comprehensive measure of country risk for 140 countries, including its economic, socio-political, and financial components, namely ICRG (International Country Risk Guide).

- True
- False

Q8: Geneva-based UNCTAD (CNUCED) maintains the largest global databases on FDI and TNC activities, containing information on more than 200 economies covering a period of 40 years. It's today the most authoritative international source on FDI/TNC data.

- True
- False

Q9: Over the last 25 years, the Edelman Trust Barometer has been a useful analytical tool to measure the erosion in institutional strength and trust in government, business and media.

- True
- False

SESSION 4: Country risk assessment –Balance of payments analysis

Quiz 6: Understanding the balance of payments in country risk assessment

Q1: The BOP is the accounting record of all economic and financial flows that take place between residents of the reporting country and the rest of the world

- True
- False

Q2: Changes in the stock of reserve assets, emergency financing, payment arrears... or debt default, will balance the national accounts!

- True*
- False*

Q3: A country that saves > it invests at home can export and invest its surplus abroad to purchase foreign assets or it increases its official reserve assets

- True*
- False*

Q4: A trade imbalance is rooted in low savings and excessive domestic spending (large absorption).

- True*
- False*

Q5: Non-financial services include Freight, insurance, passenger services, tourism, and travel.

- True*
- False*

Q6: Private unrequited transfers refer mainly to migrant workers' remittances to their home country as well as gifts, inheritances, and charitable contributions.

- True*
- False*

Q7: The trade openness ratio is a key indicator of countries' trade fragility. Simply, it is the trade balance (exports - imports)/GDP

- True*
- False*

Q8: In the BOP, interest payments on external debt can be found in the capital account!

- True*
- False*

Q9: Since 2015 until 2025, China boasted a comfortable current account surplus, in the neighborhood of 5% of GDP.

- True*
- False*

Q10: Since 2015 until 2025, Mexico has enjoyed a large current account surplus, thanks to Pemex' oil exports and a weak peso, in the neighborhood of 2% of GDP.

- True*
- False*

Q11: Since 2015 until 2025, SubSaharan African countries have faced a stubborn current account deficit, around 2,5% annually on average, due to energy and food imports!

- True*
- False*

SESSION 5.1: Assessment Methodologies – Capital account, external financing and Country Risk

Quiz 7: Understanding the role of balance of payments in external deficit and debt crisis!

Q1: External financing sources include Long-term debt, FDI, international borrowing in the capital markets (Eurobonds, Eurocredits), official financing, ODA, and short-term flows

- True
- False

Q2: A country's official reserves include hard currency assets + Monetary gold (gold held by the authorities as a financial asset) + SDRs

- True
- False

Q3: Net errors and omissions (E&Os) are statistical gaps involved in gathering balance of payments data. Other sources of E&Os are leads and lags in trade flows, underinvoicing of exports, overinvoicing of imports, and undeclared short-term capital movements, i.e., capital flight!

- True
- False

Q4: Special drawing rights (SDRs) are reserve assets created by the United Nations and the World Bank. They are credited to the accounts of member countries according to national GDP.

- True
- False

Quiz 8: Check your understanding of external financing, liquidity and solvency ratios

Q5: Gross Capital Inflows = Long-term + Short-term capital flows, while Net Flows = Gross Inflows - Debt Repayments

- True
- False

Q6: On average, the Solvency ratio Debt/GDP must always > 75% while the Debt/Exports ratio must always be >66%%

- True
- False

Q7: Liquidity = The Debt Service ratio should remain < 33% of export revenues, though one key is also the sustainability and diversification of export flows as well as the average rate of interest!

- True
- False

Q8: Stabilizing solvency ratios requires a diversified export base, diversified markets as well as long-term debt maturities and no currency mismatch!

- True
- False

Q9: Emerging markets and developing economies face economic and financial threats in 2025-26 due to a combination of higher real interest rates and trade tensions, as well as volatile direct investment!

- True
- False

Q10: A sharp deterioration in the US Current account deficit has occurred since 2017, leading the deficit to reach >4% of GDP at end-2024 and 2025. (US FRED & IMF)

- True
- False

Q11: Leaving beyond one's means!? The latest current account surplus in the US Balance of Payments occurred in Q1-1991=0,6% (US FRED) How nostalgic!

- True
- False

SESSION 5.2: Country Risk and Debt Restructuring

Quiz 9: Understanding the complexity of external debt negotiations

Q1: Private sources of external financing include FDI, Portfolio Investment, London Club (International bank loans), Working capital lines, ST Trade credits, as well as Bonds & International debt securities

- True
- False

Q2: Default, Debt cancellation, and Payment Arrears are also external deficit financing sources!

- True
- False

Q3: In 2025, Greece 's public Debt/GDP ratio is still close to 150% while its total (private + public) debt ratio reaches around 270%.

- True
- False

Q4: In 2024-26, the combination of high real interest rates together with uneven growth (and volatile trade and investment) and higher oil and commodity prices, increases the threat of large-scale defaults in developing countries.

- True
- False

Q5: Official bilateral debt (government to government) is renegotiated under the auspices of the Paris Club since 1956. As of today, the 21 Paris Club creditors have reached around 480 agreements concerning 102 debtor countries, roughly \$615 billion.

- True
- False

Q6: Though the Paris Club includes mainly OECD countries, Russia joined as observer in 1997 and Brazil in end-2016, as sizeable lenders in African countries such as Nigeria, Angola and Mozambique.

- True
- False

Q7: The Paris Club preserves the comparability of treatment between different creditors: The debtor country cannot grant to another creditor a treatment less favourable for the debtor than the consensus reached in the Paris Club.

- True*
- False*

Q8: Since the 1970s, countries facing default have used the London Club process to restructure sovereign debt owed to banks. The London Club has evolved as an ad hoc forum for restructuring negotiations. Each London Club is formed at the initiative of the debtor country and is dissolved when a restructuring agreement is signed.

- True*
- False*

Q9: The Institute of International Finance, Inc. (IIF), is the world's only global association of financial institutions. Created in 1983 in response to the international debt crisis, the IIF represents a key source of Country risk intelligence (for member banks only!)

- True*
- False*

Q10: The US government debt to GDP ratio in 2025 is around 120% while that of Japan is still higher, namely 250%, but these two countries can borrow and repay in their own currencies, a formidable privilege, while the debt of Japan is mainly held by national residents!

- True*
- False*

Q11. Though liquidity and solvency ratios are useful debt analysis tools, one should look at the composition of the debt (maturities, creditors, rates of interest) while focusing on the quality and market diversification of export revenues. Thus, two countries with the same ratio might have two different economic, financial and debt trajectories!

- True*
- False*

Q12. By looking at the trade balance, the current account, and the capital account (inflows & outflows), the debt analyst can quickly generate a number of useful liquidity (flows) and solvency (stocks) ratios.

- True*
- False*

Q13. Thanks to Germany's whose debt ratio is currently around 66%, the EU countries' average debt/GDP ratio stands at 88% in 2025 (public debt only!)

- True*
- False*

Q14. On average, the Euro Area's "public gross debt ratio" has stabilized over the 2005-2025 period at 88%, despite a sharp rise in 2020-21!

- True*
- False*

SESSION 6: Assessment Methodologies - Political risk analysis

Quiz 10: Where does political turmoil come from?

Q1: Sustained economic growth remains the single most important determinant of rising societal living standards. GDP growth has led to higher living standards for millions of people in EMCs, particularly in India & China, though with a growing wealth gap!

- True
- False

Q2: According to S. Huntington's "Political order in changing societies", violence and instability stem from rapid social change and the mobilization of new groups into politics coupled with the slow development of political institutions. The primary problem of politics is the lag in the development of political institutions behind social and economic change.

- True
- False

Q3: Aging will reduce aggregate annual economic growth by almost one percentage point in 2025-30 in both developed and emerging market economies, due to shrinking labor force, decline in household savings rates, and falling fertility rates. However, this declining trend does not affect countries such as Germany, Russia, Japan, and China.

- True
- False

Q4: In the US the labor force participation rate (share of working population in total population) is declining to around 62%, back to its level in the mid-1970s!

- True
- False

Q5: In China, despite the aging process in China's population, the working age population keeps increasing and the demographic dynamics will sustain economic growth at least till 2050.

- True
- False

Q6: In the US, more than half of total employment is at risk of being replaced by AI & machines over the next two decades, with large impact on low-skilled jobs.

- True
- False

Q7: According to Daniel Bell, polarization and social tensions between work and consumption create social pressures: Market capitalism is inherently instable!

- True
- False

Q8: Political risk includes the following threats: Contract repudiation, capital controls, currency inconvertibility, sham contracts and bribery, corruption, blocked funds, ideological shift, political upheaval, strikes, expropriation, nationalization, coup d'état, martial law, and revolution!

- True
- False

Q9: Freedom House publishes an annual assessment of the state of freedom in all countries in the world, based on a checklist of questions on political rights and civil liberties

- True*
- False*

Q10: TRANSPARENCY INTERNATIONAL's CPI measures long-term socio-economic development variables of both industrial and developing countries.

- True*
- False*

Q11: Bouchet defines sustainable development as Economic growth + those conditions that make growth sustainable over the long-term, that is, life expectancy, education, health, infrastructure, institutions, and good governance

- True*
- False*

Q12: The IBRD's Worldwide Governance Indicators combine six dimensions of governance for over 200 economies over the period 1996–2023, namely, Voice and Accountability, Political Stability and Absence of Violence/Terrorism, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption.

- True*
- False*

7: Assessment Methodologies : Ratings and Rankings

Quiz 11: Risk Ratings and crisis prediction: Test yourself on the accuracy and usefulness of risk rating agencies!

Q1: EUROMONEY's Rating included a 75% weight for political risk!

- True*
- False*

Q2: PRS' International Country Risk Guide (ICRG) rating comprises 22 variables in three subcategories of risk: political, financial, and economic, for roughly 140 countries.

- True*
- False*

Q3: Governance is based on Corruption, Institutional strength, Regulatory framework, Business conditions, Transparency, as well as Corporate and sovereign rules and regulations.

- True*
- False*

Q4. Overall, looking at a number of sovereign debt crises, one can conclude that rating agencies (i.e., Moody's, Fitch, S&P's) have always sent reliable and helpful early warning signals!

- True*
- False*

Q5: The annual HDI is published by the UNDP. It is a composite index measuring average achievement in three basic dimensions of human development—a long and healthy life, knowledge and a decent standard of living.

- True
- False

Q6: Institutional Investor from the late 1970s until 2016 published a semi-annual Rating of 179 countries' creditworthiness based on survey of 100 leading international bankers

- True
- False

Q7: In the aftermath of the global financial crisis, the number of countries that enjoy a Triple A rating from rating agencies dropped, currently reaching 11. (S&Ps)

- True
- False

Q8: PRS (Political Risk Services) has developed since the mid-1980s a comprehensive measure of country risk for 140 countries. Institutional stability is measured by various indices such as government stability, investment climate, corruption, as well as internal and external conflict.

- True
- False

SESSION 8: Country Risk mitigation strategies

Quiz 12: Check your understanding regarding managers' risk mitigating options

Q1: National and international private and public insurance agencies such as OPIC- US International Development Finance Corporation (DFC), MIGA, Platus, Lloyds, Berne Union (ECAs), Hiscox, COFACE... provide insurance coverage against political risk

- True
- False

Q2: The ICSID is the International Center for the Settlement of investment disputes. It represents an autonomous international institution established under the Convention on the Settlement of Investment Disputes with 155 signatory States. The multilateral treaty was formulated by the Executive Directors of the World Bank. It entered into force on October 14, 1966

- True
- False

Q3: OPIC (Overseas Private Investment Corporation: Independent US Federal government agency in Washington, D.C.), today US International Development Finance Corporation (DFC) provides political risk insurance to encourage and assist US private investment in 160 developing nations.

- True
- False

Q4: MIGA (established in 1988) is the investment insurance affiliate of the World Bank. It promotes the flow of capital and technology into developing countries by providing political risk insurance against non-commercial risks (currency transfer restriction, expropriation, breach of contract, war and civil disturbance) and technical assistance.

- True
- False

SESSION 9: CONCLUSION: Country Risk - In search of early warning indicator!

Quiz 13: Check your understanding of the links between corruption, governance and Country Risk

Q1: Clearly, the 1998 Asian crisis was anticipated by rating agencies that downgraded the Asian countries well before the sharp devaluations and the banking crises in Thailand, South Korea, Vietnam, and the Philippines.

- True
- False

Q2: Capital flight in both developed and emerging market countries responds to underlying economic and political push and pull forces, in close relation with governance!

- True
- False

Q3: Capital flight is an elusive concept and by definition can never be measured nor approached, given that private capital outflows use illegal channels.

- True
- False

Q4: Capital flight can be tackled by focusing on private deposits in international banks

- True
- False

Q5: A reliable source to assess and measure private capital outflows comes from the Basel-based Bank for International Settlements

- True
- False

*Q6. The so-called **Washington consensus** stipulates that globalization is >0 sum game. Since the 1980s Reaganomics & Thatcherism imposed the dominant political idea that smaller states can do less and tax less! The benefits of a borderless market economy stem from dynamic cross-border investment and trade liberalization under IFIs' monitoring and guidance.*

- True
- False

*Q7. In the EU, **economic growth belongs to the past**. Growth is declining. The EU economy might expand by roughly 1% in 2025-26, with prices hitting consumer spending across the bloc; Germany's economy might remain weak until 2029 according to the IMF. Trade tensions add headwinds! Overall, the EU's economy has lost much momentum.*

- True
- False

Q8. A debt crisis is looming in several countries in Africa in 2025-27 due to a "debt wall" that falls due in the next few years, coupled with higher rates of interest and declining trade revenues. Public debt to DGP ratios are now rising again (>70%)

- True
- False

Q9. *Russia's invasion of Ukraine and rising tensions between the west and China have prompted many governments to expand their military capabilities. But spending on healthcare and pensions must continue to increase sharply. The old age dependency ratio (% of people > 65 compared with the number aged 20 to 64) is set to rise across the OECD, from 33 per cent in 2023 to 36 per cent in 2027 before rising to 52 per cent by 2050. Overall, Macroeconomic policy is to become more political!*

- True
- False

Q10. According to Vaclav Havel in a meeting with B. Obama: "After WWII, the cold war simplified the global system. Today, autocrats are more sophisticated, allowing parliamentary elections but undermining democratic institutions. They rely on market-based economy while favoring crony capitalism, corruption, opacity, and "autocratization". Good governance is declining! "

- True
- False

Q11. The value of military spending globally has grown steadily in the past years and reached 2.7 trillion U.S. dollars in 2024. But spending on healthcare and pensions continues to increase. The old age dependency ratio (% of people > 65 compared with the number aged 20 to 64) is set to rise across the OECD, from 33 per cent in 2023 to 36 per cent in 2027 before rising to 52 per cent by 2050: Macroeconomic policy is to become more political!

- True
- False

Q12. The IMF closely monitors the slowing down of global economic growth. After growing at a rate of roughly 3,5% between 2000-2016, global output growth hardly reached 2,4% between 2017 and 2025.

- True
- False