

# Joint Master in Global Economic Governance & Public Affairs

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Seminar: 42 hours = 5 ECTS

## 150 questions on Country Risk & Governance

### SESSION 1: INTRODUCTION

**Quiz 1-** - Warming up: 15 + 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: 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. Clearly, these five fast growing countries share a lot of economic, financial, and institutional similarities!

- *True*
- **False**

Q3: 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*

Q4: 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!*

- *True*
- **False**

Q5: According to the latest IMF data (WEO 04/2025), the share of 155 developing countries in global GDP is gradually rising and today reaches **60% compared to nearly 40%** for so-called 41 “advanced developed countries”, on a PPP basis

- **True**
- *False*

Q6: 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*

Q7: Coface is both an insurer and a country risk analysis company that provides ratings and socio-economic analysis.

- **True**
- *False*

Q8: 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**

Q9: Is China's soft economic landing working in 2024-25? 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*

Q10. 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 at least 6%!

- **True**
- *False*

Q11. 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*

Q12. The IMF's latest 2025 World Economic Outlook is rather bearish regarding global growth forecast, i.e., about **2,8 percent in 2025**, due to geopolitical, trade and commodities uncertainties. Global growth is slowing down.

- **True**
- *False*

Q13: 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**

Q14- 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**

Q15: Over the 2010 decade until 2024, developed countries have boasted substantial current account surpluses, around \$300 billion annually, thanks to the Euro area and Japan, despite the large US structural deficit that has grown to more than \$972 billion in 2022. In 2024, the group of advanced economies showed a substantial --roughly \$400 billion surplus despite trade tensions. That will not last in 2025-26!

- ☐ **True**
- ☐ *False*

Q16. Bonus point: Who is Germany's current president?

- Olaf Scholz
- **Frank-Walter Steinmeier**
- Joachim Gauck

## **SESSION 1.1: What is risk? What is uncertainty?**

TEST 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. Stiglitz concludes that in the long-run market globalization reduces wealth gaps within and between countries.

- *True*
- ***False***

Q6. Krugman 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.*

- *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, hence socio-political turmoil.*

- ***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 \$113,000 billion is still lower than in 2020! 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 2024, the global trade openness index, that is, the ratio of total exports to global GDP, only reached 29%% 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**

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

### **TEST 4: Country risk and wealth gaps**

Q1: International poverty line: Around 700 million people live today in extreme poverty.

According to the World Bank, since Sept. 2022, extreme poverty is defined at around \$2,15/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!

- ☐ **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

TEST 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**

## SESSION 5.1: Country Risk and Debt Restructuring

TEST 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 2024-25, Greece 's public Debt/GDP ratio is still close to 160% while its total (private + public) debt ratio reaches 250%.*

- **True**
- False

*Q4: In 2024-25, the combination of high 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 of the balance of payments, and the capital account (inflows & outflows), the debt analyst can quickly generate a number of very useful liquidity (flows) and solvency (stocks) ratios.

- ☐ **True**
- ☐ **False**

## **SESSION 6: Assessment Methodologies - Political risk analysis**

TEST 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 dropping to around 63%, 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: 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

## **7: Assessment Methodologies : Ratings and Rankings**

TEST 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: The 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, 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 publishes 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**

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

*Q1: National and international private and public insurance agencies such as OPIC, 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 is the Overseas Private Investment Corporation: Independent US Federal government agency in Washington, D.C., that 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!

TEST 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 respond to underlying both push and pull forces, included in 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 a >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 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 GDP 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
- ☐