

COUNTRY RISK RATING: ASSESSING GOVERNANCE & INSTITUTIONAL SUSTAINABILITY?



CIFE SEMINAR ROMA-BERLIN-NICE 2023
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1

1

5 OBJECTIVES

1. Observing the role of rating agencies
2. Looking at the pitfalls of rating agencies: Poor track record and shortsightedness!
3. Analyzing rating methodology
4. Focusing on specific country risk ratings
5. Addressing the challenge of governance rating as well as institutional resilience

2

QUANTITATIVE APPROACH: RATING

- ▶ Means: Transforming a number of observations (Delphi method, surveys) or quantitative indicators into **one** single number.
- ▶ The various indicators can be weighted regarding their impact on creditworthiness and risk.
- ▶ **End-product**: one single grade to assess past and current country risk situation with cross-country comparisons across time

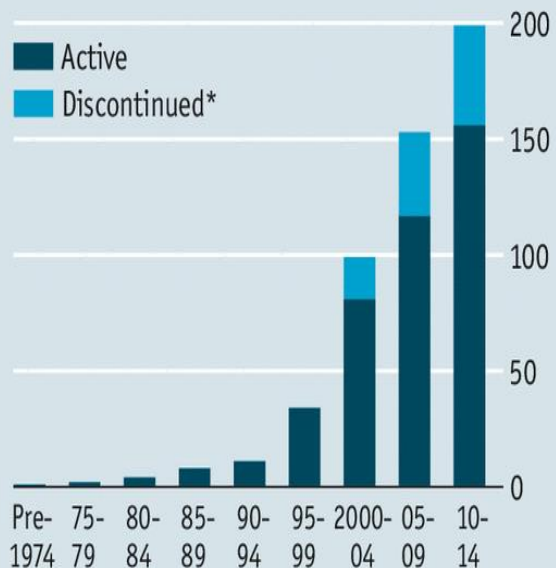
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3

3

RISING NUMBER OF RANKINGS AND RATINGS SINCE THE 1980S SOMETIMES WITH SHAKY NUMBERS, INCLUDING SUBJECTIVE JUDGMENTS AND DIFFERENT CALCULATION METHODOLOGIES ACROSS COUNTRIES

Number of global performance indices



Source: Kelley and Simmons

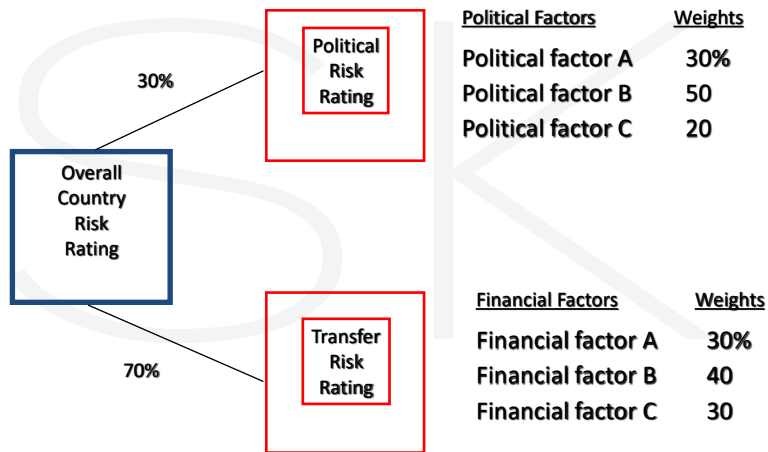
*As of 2011

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4

4

QUANTIFYING COUNTRY RISK: RISK WEIGHTING



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5

MAIN COUNTRY RATING AGENCIES

- S&Ps (1860)
 - **Moody's (1909) 40% market share**
 - Fitch IBCA (1913)
- 90% market share**
- COFACE (1946)
 - A.M. Best Rating (1899)
 - SACE (1977)
 - Dagong Credit Rating Co (1994)
 - Euler-Hermes
 - INCRA (2012)
 - Thomson Reuters
 - EIU
 - Scope-Berlin

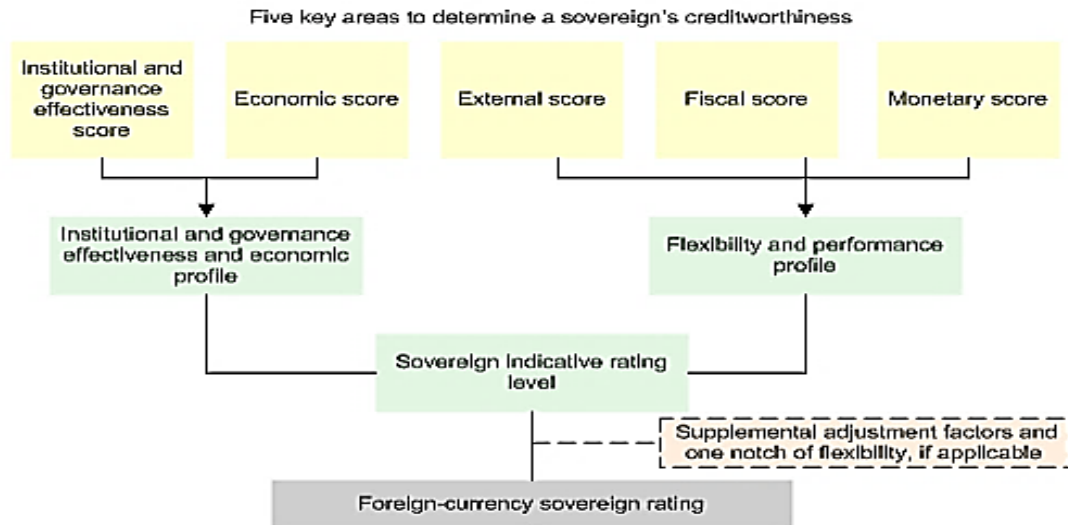
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6

6

EX. : S&P'S COUNTRY RISK ASSESSMENT FRAMEWORK

Sovereign Issuer Credit Rating Framework



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7

7

COUNTRY RISK RATING ?

Advantages/ Pros

- ▶ simple
- ▶ shrinks a large number of variables into one single grade
- ▶ cross-country comparison
- ▶ comparison across time
- ▶ reliable for smooth risk evolution
- ▶ useful for statistical and econometric analysis

Shortcomings/Cons

- ▶ “reductionist”
- ▶ simplistic
- ▶ risk of self-fulfilling prophecy
- ▶ little predictive value
- ▶ weighted average tends to bury salient trends
- ▶ gives “market consensus” often made of herd instinct

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8

SHORTCOMINGS OF RATING AGENCIES?

- ❑ Power without accountability + conflict of interest
- ❑ Conformity bias and herd behavior
- ❑ Sociocultural bias
- ❑ Punishment of disobedient firms/countries that do not request a rating
- ❑ Procyclical bias, hence following the majority opinion of market participants without any early warning signals nor predictability track record
- ❑ Spill-over effect!



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9

9

THE **OCDE** IMPLEMENTS A RATING AND RANKING OF COUNTRY RISK FOR PROVIDING A LEVEL PLAYING FIELD TO EXPORT GUARANTEE COMPANIES WITHIN THE GROUP OF 34 DEVELOPED COUNTRIES AND FOR THE PURPOSE OF SETTING **MINIMUM PREMIUM RATES FOR EXPORT CREDIT TRANSACTIONS**

SOURCE: [HTTP://WWW.OECD.ORG/TAD/XCRED/CRC.HTM](http://www.oecd.org/tad/xcred/crc.htm)

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Country Risk Classifications of the Participants to the Arrangement on Officially Supported Export Credits

Valid as of: 25 June 2018

	Country Code ISO Alpha 3	Country Name ⁽¹⁾	Classification		Notes
			Previous	Current Prevailing	
1	AFG	Afghanistan	7	7	
2	ALB	Albania	6	6	
3	DZA	Algeria	4	4	
4	AND	Andorra	-	-	(9)
5	AGO	Angola	6	6	
6	ATG	Antigua and Barbuda	7	7	(8)
7	ARG	Argentina	6	6	
8	ARM	Armenia	6	6	
9	ABW	Aruba	4	4	
10	AUS	Australia	-	-	(6)
11	AUT	Austria	-	-	(6) (7)
12	AZE	Azerbaijan	5	5	
13	BHS	Bahamas	3	3	
14	BHR	Bahrain	4	4	
15	BGD	Bangladesh	5	5	
16	BRB	Barbados	-	-	(5)
17	BLR	Belarus	6	6	
18	BEL	Belgium	-	-	(6) (7)
19	BLZ	Belize	7	7	
20	BEN	Benin	6	6	(8)
21	BTN	Bhutan	6	6	
22	BOL	Bolivia	5	5	
23	BIH	Bosnia and Herzegovina	7	7	
24	BWA	Botswana	2	2	
25	BRA	Brazil	5	5	
26	BRN	Brunei Darussalam	-	-	(5)
27	BGR	Bulgaria	3	3	
28	BFA	Burkina Faso	7	7	(8)
29	BDI	Burundi	7	7	
30	CPV	Cabo Verde	6	6	10
31	KHM	Cambodia	6	6	

10

RATING DOWNGRADES AFTER THE GLOBAL FINANCIAL AND PANDEMIC CRISES

FITCH

- USA= AAA
- Tunisia = B-
- Egypt = B+
- Greece = BB

MOODY's

- USA = AAA
- Egypt= Caa1
- Tunisia = B3
- Greece = Caa1

S&Ps

- USA = AA+
 - Egypt = B-
 - Tunisia = B-
 - Greece = B
- « selective default »

DAGONG

- Tunisia = B-
- Greece = CC
- USA = A-

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11

11

DAGONG 2017-21

- Japan A-
- Spain BBB+
- Italy BBB-
- Greece CC
- Chile AA-
- China AAA
- France A+
- Brazil A6
- Germany AA+
- Russia A stable
- USA A- and BBB+ 2018

- Argentina CC-
- Nigeria BB+
- Venezuela BB-
- Turkey BB-
- Ecuador B-
- Malaysia A+
- Thailand BBB-
- Vietnam B+
- Morocco BBB-
- Korea AA-

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12

12

MOODY'S 15 TRIPLE-A RATING COUNTRIES

Sovereigns	Foreign Currency Debt	
Australia	Aaa	ST A
Austria	Aaa	NEG
Canada	Aaa	ST A
Denmark	Aaa	ST A
Finland	Aaa	ST A
Germany	Aaa	NEG
Isle of Man	Aaa	RUR-
Luxembourg	Aaa	NEG
Netherlands	Aaa	NEG
New Zealand	Aaa	ST A
Norway	Aaa	ST A
Singapore	Aaa	ST A
Sweden	Aaa	ST A
Switzerland	Aaa	ST A
USA	Aaa	ST A

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13

RATING = POOR EARLY WARNING SIGNAL?

1997 Asia risk ? « *It's like growth stocks... sovereign risk has never looked better!* »

- Institutional Investor (March 1997)

▶ South Korea was rated as Italy and Sweden until October of 1997... but was abruptly downgraded to junk bond status!

« *There were no early warnings about Korea from us or, to the best of our knowledge, from other market participants, and our customers should expect a better job from us!* » FITCH IBCA January 14, 1998

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14

14

ASIA-1998: LESSONS OF THE CRISIS

- “Any agency which rated the Republic of Korea at the high investment grade rating of AA- (in the case of Fitch IBCA and S&Ps) or A1 (Moody’s) before the crisis, and which now rates Korea at a speculative grade B-, was clearly either wrong initially or subsequently”

Fitch IBCA January 13, 1998

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15

WAS THE 1998 ASIAN CRISIS ANTICIPATED BY RATING AGENCIES?

	Credit Ratings			
	<i>Standard & Poor' s</i>		<i>Moody' s</i>	
	June 1996	June 1997	June 1996	June 1997
Indonesia	BBB	BBB	Baa3	Baa3
Korea	AA-	AA-	A1	A1
Malaysia	A+	A+	A1	A1
Philippines	BB	BB+	Ba2	Ba1
Thailand	A	A	A2	A2

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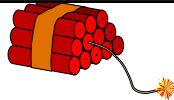
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16

EUROMONEY'S RISK RATING

THE HIGHER THE SCORE, THE LARGER THE RISK

	1996	1997	1998	1999	2000	2005	2009	2010
Korea	28	30	42	44	29	28	40	25
Thailand	45	51	54	49	65	49	60	45
Philippines	55	57	55	53	78	75	77	58
Malaysia	33	35	56	46	46	46	45	60
Indonesia	45	49	91	98	107	81	76	61



Agencies were blind for too long then
hammered the countries with abrupt
downgrading!

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17

17

RATING = POOR EARLY WARNING SIGNALS?

ENRON's collapse in December 2001

- ▶ The credit agencies were still tipping the energy firm as an investment-grade credit four days before it filed for bankruptcy protection on 12/2/2001.
- ▶ Moody's and S&Ps finally downgraded Enron to junk status on 11/28/01
- ▶ « ***The credit raters -despite their unique position to obtain information unavailable to other analyst- were no more astute and no quicker to act than others*** »
 - Senator Joe Lieberman

Source: Credit-October 2006, Vol7, Issue 09

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18

18

RATING = POOR EARLY WARNING SIGNALS?

- ▶ 2007-2008 US Subprime crisis: from Triple A rating of MBS (mortgage backed securities) to junk bonds
 - ▶ 06/2010: Dagong downgrades the US
- ▶ 08/2011: US downgrading to AA+: Political Risks, Rising Debt Burden
 - ▶ Fall 2011: Italy-Spain downgrading
 - ▶ 2012: Greece's multiple downgradings
 - ▶ October 2012: Spain downgrading by S&Ps
- ▶ November 2013: S&Ps downgrading of France: Political Risks, Rising Debt Burden
 - ▶ Summer 2019: Tunisia = Moody's B2 & Fitch B+

06/2013: US GOVERNMENT VERSUS S&PS

- ▶ Civil lawsuit against Standard & Poor's: the US Department of Justice accuses the credit-rating agency to have defrauded federally insured financial institutions... The US complaint alleges that S&P's presented overly optimistic credit ratings as objective and independent when, in truth, S&P's downplayed and disregarded the true extent of credit risk...
- ▶ According to the plaintiff, Standard & Poor's catered rating favors in order to maintain and grow its market share and the fee income generated from structured debt ratings.

09/2013: S&P SUES US GOVERNMENT OVER ALLEGED RETALIATION FOR AAA CREDIT DOWNGRADE



- ▶ "Plaintiff [Justice Department] commenced this action in retaliation for S&P's exercise of their free speech rights with respect to the creditworthiness of the USA"

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21

21

TUNISA 2011- 2023

THE 2011 "JASMIN REVOLUTION": MOODY'S DOWNGRADES TUNISIA'S TO BAA3 NEGATIVE

- ▶ **January 2011:** Moody's Investors Service downgraded to Baa3 from Baa2 the local and foreign currency government bond ratings of the Tunisian government.

Main drivers for the rating action:

- (1) The country's instability due to the unexpected recent regime change, which resulted from the ongoing political crisis that first began as social unrest.
- (2) The significant uncertainties surrounding both the economic and political outcomes.
- (3) The ongoing unrest and the fluidity of the political situation

- **May 2013: new downgrading to Ba2**
 - **October 2017: B1 -**
 - **August 2019: B2 –**
 - **May 2022: Caa1 -**

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22

22

COUNTRY RISK SPECIFIC INDICES: ASSESSING ECONOMIC AND SOCIO-POLITICAL FREEDOM AND SUSTAINABILITY?

World Bank
Euromoney
Institutional Investor
Heritage Foundation
ICRG
Freedom House
FRASER INSTITUTE
UNDP/HDI

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23

23

Singapore	1
New Zealand	2
Denmark	3
Korea, Rep.	4
Hong Kong SAR,	5
United Kingdom	6
United States	7
Sweden	8
Norway	9
Finland	10
Taiwan, China	11
Macedonia, FYR	12
Australia	13
Canada	14
Germany	15
Estonia	16
Ireland	17
Malaysia	18
Iceland	19
Lithuania	20

WORLD BANK: « DOING BUSINESS » RANKING 2021

189 Countries
10 Parameters

Russia= 28
China= 31
India= 63
South Af= 84
Brazil= 124

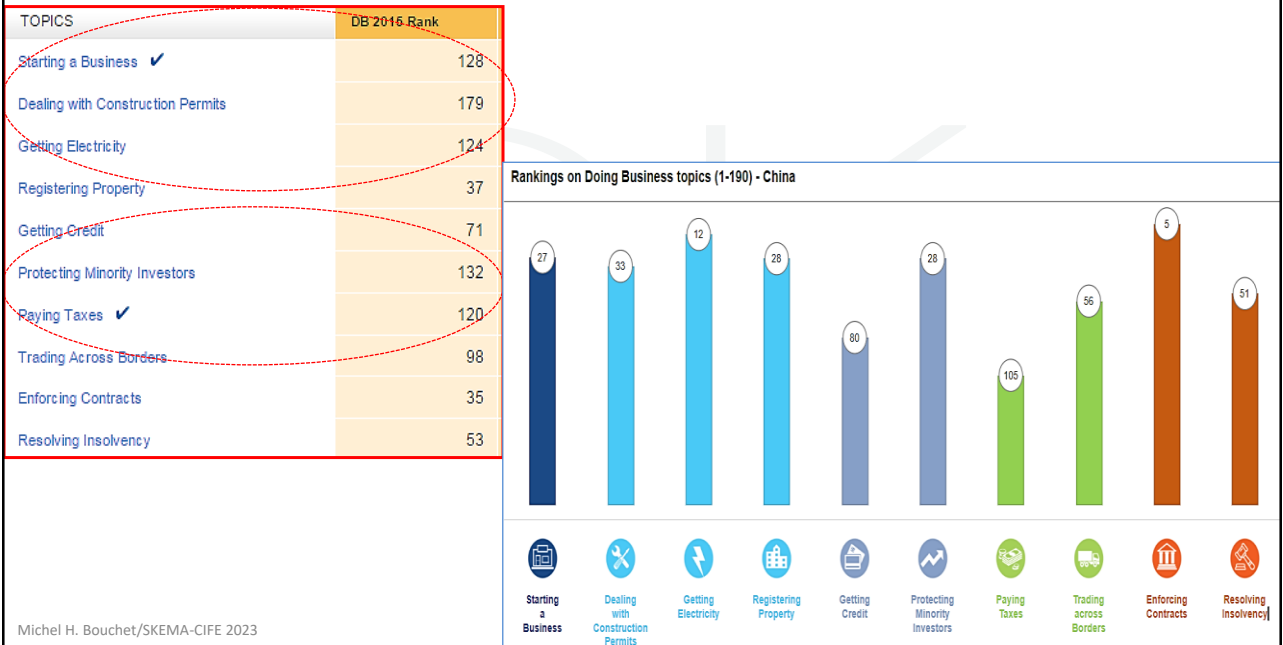
Nigeria	169
Yemen, Rep.	170
Djibouti	171
Cameroon	172
Timor-Leste	173
Bangladesh	174
Syria	175
Congo, Rep.	176
Afghanistan	177
Guinea-Bissau	178
Liberia	179
Equatorial Guinea	180
Angola	181
Haiti	182
Chad	183
Congo, Dem. Rep.	184
Central Af Rep	185
Venezuela	186
South Sudan	187
Libya	188
Eritrea	189

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24

24

DOING BUSINESS IN CHINA 2015-2021?



25

EUROMONEY

EUROMONEY : RATING METHODOLOGY

- ▶ 186 countries
- ▶ 15 criteria
- ▶ Delphi Technique: Panel of 250 leading economists in international financial institutions evaluating performance in the financial markets (market access, bond issue, spreads, selldown, terms and maturity...)
- ▶ Scoring between **100** (excellent) and **0** (high risk)
- ▶ Panel of political analysts to measure short-term risk of destabilization

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26

26

EUROMONEY: RATING WEIGHTS

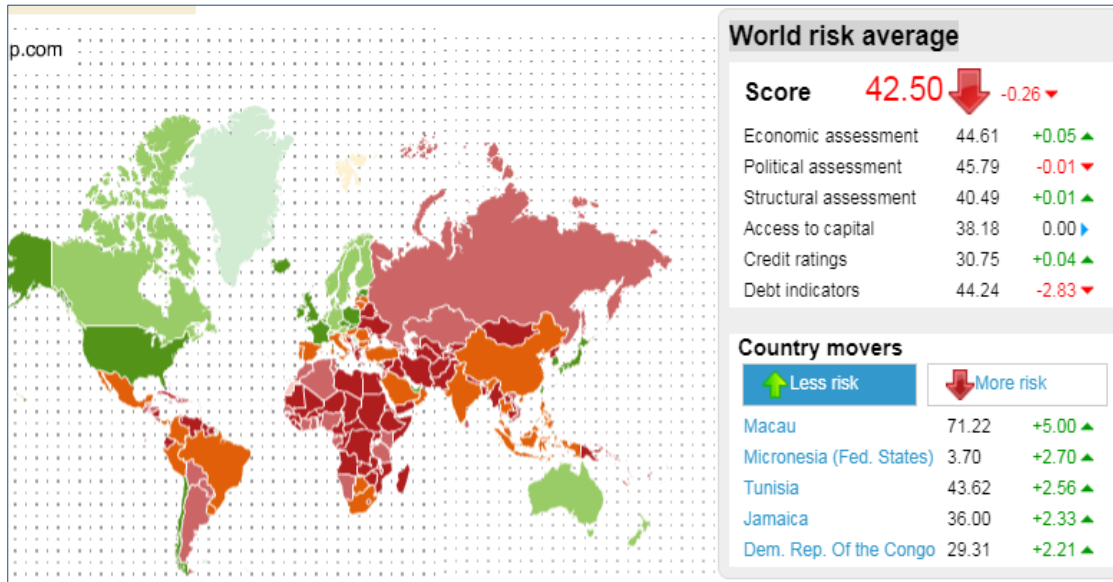
1. Growth performance: 25% (GDP projection)
2. Political risk: 25%
3. External debt indicators: 10% (debt/GDP and debt/X)
4. External payment default and rescheduling: 10%
5. Credit rating Moody's or S&P: 10%
6. Short-term credit market access: 5%
7. Commercial bank MT credit: 5%
8. Capital markets access: 5%
9. Spread over US Treasury bills: 5%

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27

27

EUROMONEY COUNTRY RISK MAP

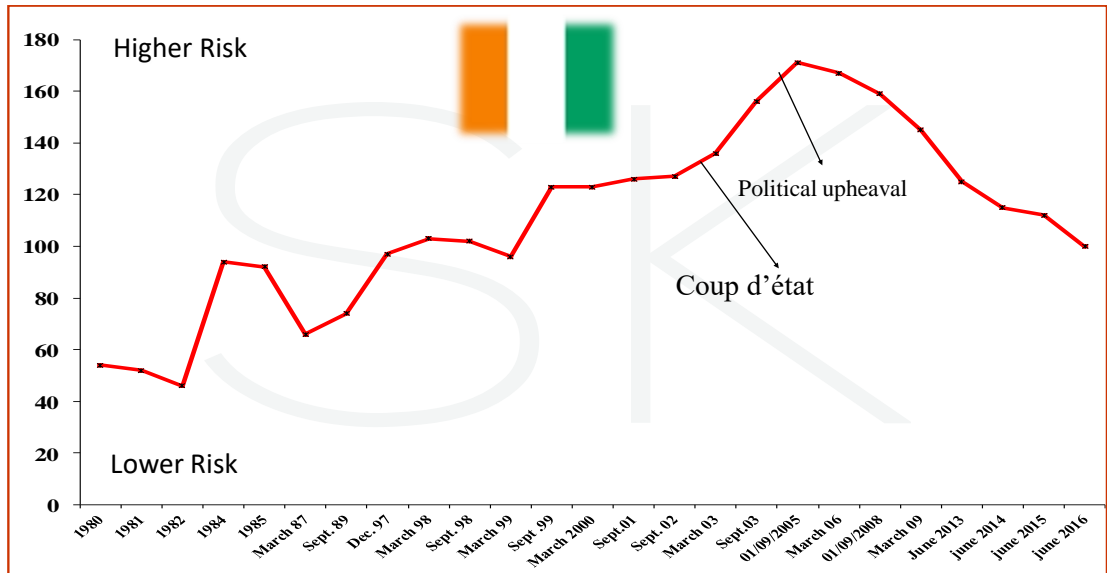


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28

28

EUROMONEY RISK RATING: IVORY COAST 1980-2016



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29

29

SCORING/RATING OF COUNTRY RISK

- ▶ 0-100 semi-annual Rating of 179 countries' creditworthiness based on survey of 100 leading **international bankers**
- ▶ **Best** : Switzerland, Finland, Norway, Germany, Netherlands, France, US, UK, Luxembourg... Singapore, Australia, Taiwan, Chile
- ▶ **Worst**: Cuba, Myanmar, Cambodia, Nicaragua, Rwanda, Sudan, Iraq, Congo, Sierra Leone, North Korea, Liberia

Global average risk rating as of 03/2000 = 41

Global average risk rating 03/2015 = 45

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30

30

INSTITUTIONAL INVESTOR RISK RATING

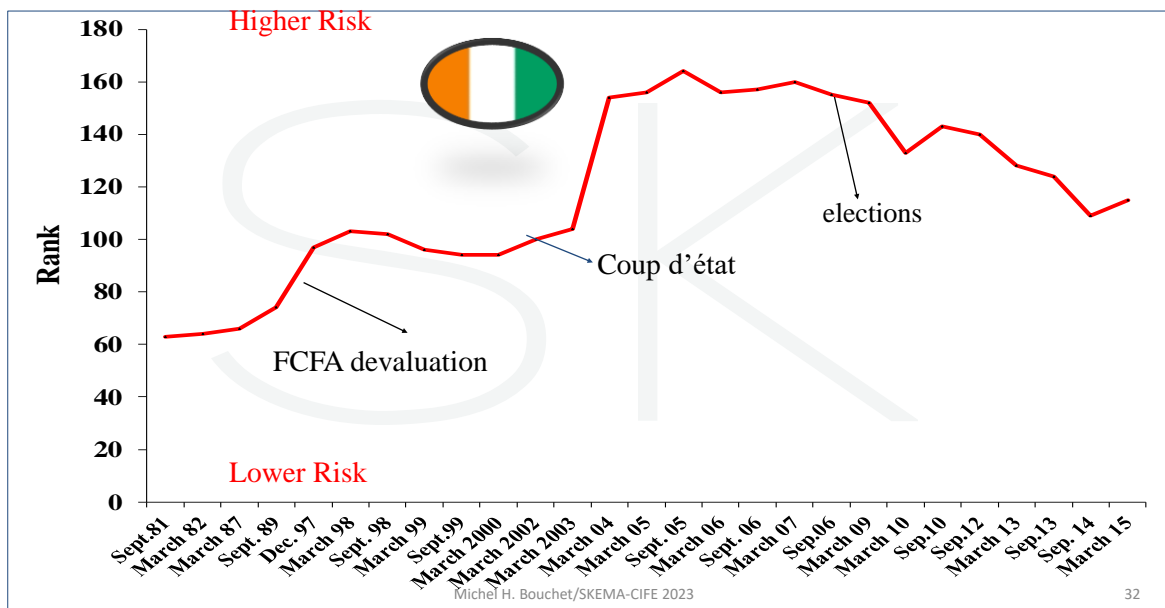
- Information provided by leading international banks.
- Bankers are asked to grade each of the countries on a scale from 0 to 100 (100 = best creditworthiness)
- Sample updated every six months, ranges from 75 to 100 banks, each of which provides its own ratings. The names of all participants in the survey are kept strictly confidential. Banks are not permitted to rate their home country.
- Individual responses are weighted using an *Institutional Investor* formula that gives more importance to responses from banks with greater worldwide exposure and more sophisticated country analysis systems.

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31

31

INSTITUTIONAL INVESTOR RISK RANKING 1981-2015 IVORY COAST



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32

32

INSTITUTIONAL INVESTOR RISK RATING OF ASIA

➤ **Switzerland = 1**

➤ **Norway= 2**

- Singapore = 6
- Australia = 11
- HK= 17
- Japan = 19
- South Korea = 20
- Taiwan = 21
- **China = 26**
- Malaysia= 37
- Thailand= 47
- India= 48

- Philippines=49
- Indonesia= 57
- Vietnam= 73
- Sri Lanka= 103
- Bangladesh= 111
- Cambodia= 119
- Pakistan= 128
- Laos= 136
- Myanmar= 150
- East Timor= 153
- North Korea= 173

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33

33

MEASURING GOVERNANCE & CORRUPTION COUNTRY RISK: GOVERNANCE MATTERS!

- ▶ Governance
- ▶ Corruption
- ▶ Regulatory framework
- ▶ Business conditions
- ▶ Transparency



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34

34

WHAT IS GOVERNANCE?

Governance consists of the traditions and institutions by which authority in a country is exercised.

Process by which governments are selected, monitored and replaced;
Capacity of the government to effectively formulate and implement sound policies; and Respect of citizens and the state for the institutions that govern economic and social interactions among them.

6 dimensions:

1. Voice and Accountability
2. Political Stability and Absence of Violence
3. Government Effectiveness
4. Regulatory Quality
5. Rule of Law
6. Control of Corruption

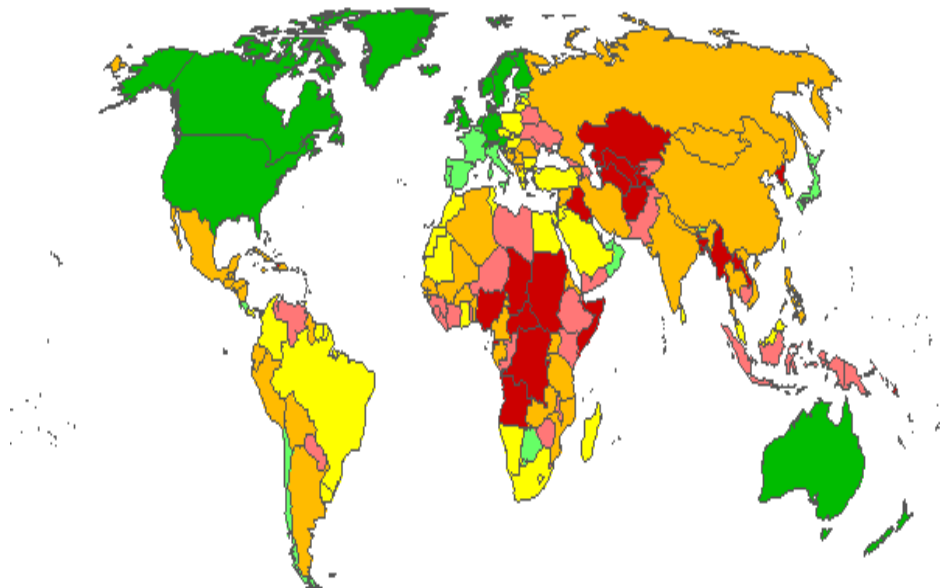
Source: World Bank

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35

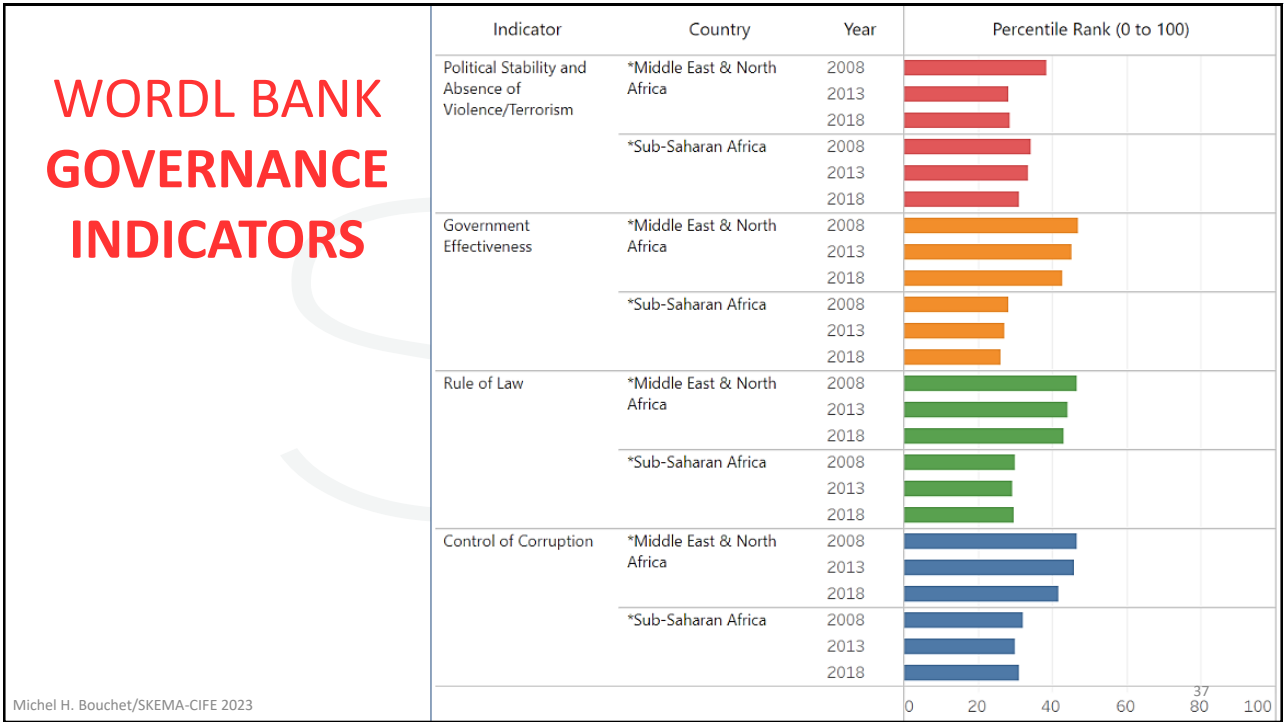
WORLD BANK'S WORLD MAP OF GOVERNANCE



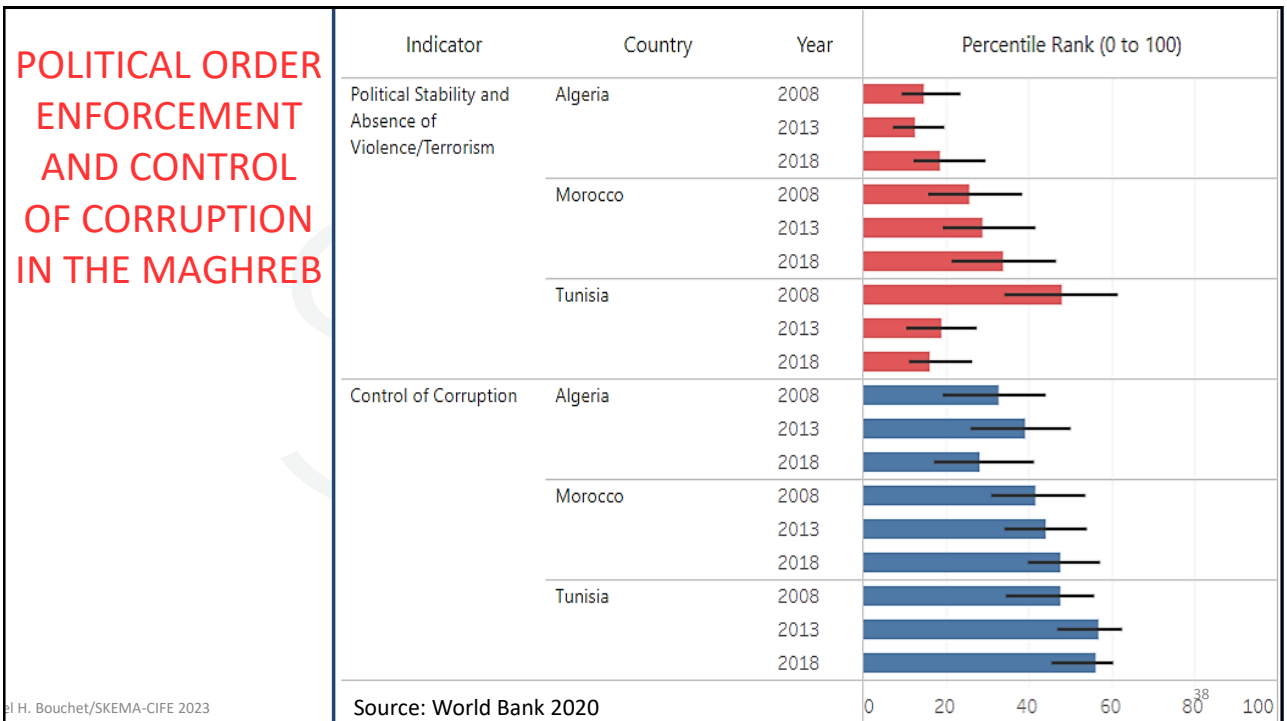
Source: Kaufman, World Bank

36

36



37



38

IBRAHIM INDEX OF GOVERNANCE IN AFRICA

The Index groups governance and political freedom indicators into four main categories:

1. Safety and Rule of Law,
2. Participation and Human Rights,
3. Sustainable Economic Opportunity,
4. and Human Development.

Source: <http://www.moibrahimfoundation.org/en/section/the-ibrahim-index>

39

39

IBRAHIM INDEX OF GOOD GOVERNANCE IN AFRICA

1 Mauritius	83,0	19 Mali	52,9	37 Nigeria	43,3
2 Seychelles	78,5	20 Mozambique	52,1	38 Liberia	43,2
3 Botswana	75,9	21 Burkina Faso	51,9	39 Togo	42,6
4 Cape Verde	75,5	22 Malawi	51,7	40 Niger	42,3
5 South Africa	71,5	23 Libya	51,5	41 Congo	42,0
6 Namibia	67,3	24 Uganda	50,8	42 Angola	39,3
7 Ghana	64,6	25 Swaziland	50,8	43 Guinea-Bissau	39,1
8 Tunisia	62,1	26 Kenya	50,5	44 Côte d'Ivoire	36,8
9 Egypt	60,5	27 Gabon	50,1	45 Guinea	35,6
10 Lesotho	60,1	28 Madagascar	48,7	46 Equatorial Guinea	34,7
11 São Tomé and Príncipe	58,2	29 Comoros	48,5	47 Sudan	32,9
12 Benin	56,6	30 Djibouti	48,5	48 Central African Republic	32,7
13 Morocco	56,6	31 Rwanda	47,2	49 Zimbabwe	32,7
14 Senegal	56,3	32 Sierra Leone	46,0	50 Eritrea	31,8
15 Algeria	55,2	33 Burundi	44,7	51 Congo, Democratic Rep.	31,1
16 Tanzania	55,0	34 Cameroon	44,2	52 Chad	28,8
17 Zambia	54,9	35 Ethiopia	43,5	53 Somalia	7,9
18 Gambia	53,0	36 Mauritania	43,4		

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40

40

MEASURING CORRUPTION?

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41

41

POLITICAL TURMOIL AND CORRUPTION

In 2018-22, public anger and legal action over corruption have toppled political leaders in Malaysia, Peru, Slovakia, South Africa, and other countries.

More than 10 percent of nations around the world have experienced corruption-fueled political change in the last five years (Carnegie, 2018).

In many countries, corruption has fueled terrorist recruitment and sparked violent insurgencies.

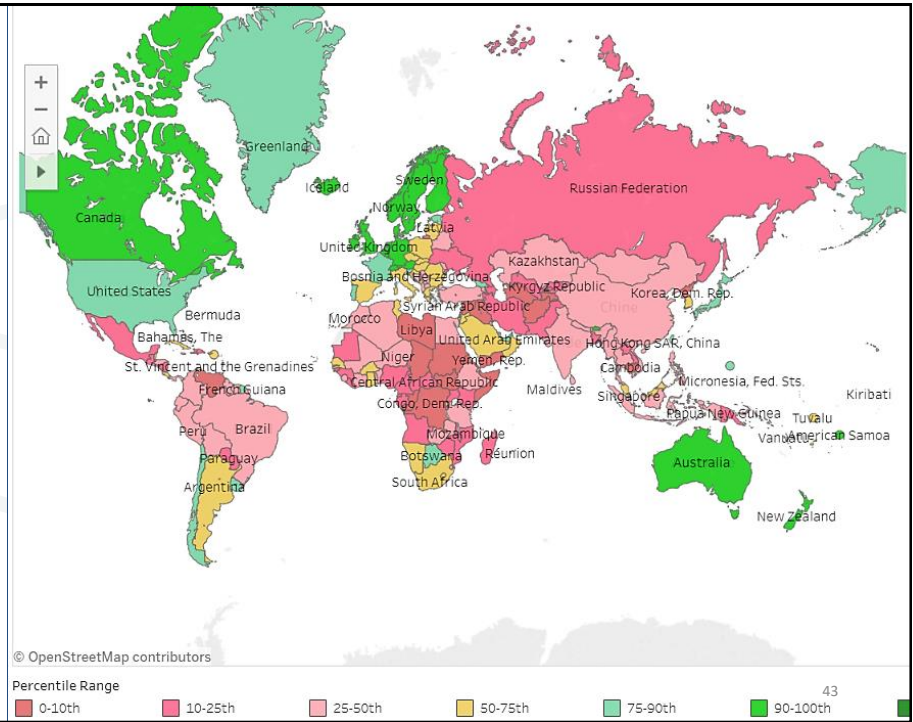
The World Bank estimates \$1.5 trillion in bribes are paid every year, squandering business capital and stymying development.

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42

42

WORLD BANK MAP OF CONTROL OF CORRUPTION



43

ICRG: POLITICAL RISK COMPONENTS

Weights	ICRG's Political Risk Assessment Criteria
12	Government Stability
12	Socio-Economic conditions
12	Investment Profile
12	Internal Conflict
12	External Conflict
6	Corruption
6	Military in Politics
6	Religious Tensions
6	Law and Order
6	Ethnic Tensions
6	Democratic Accountability
4	Bureaucratic Quality
100	Total number of points for weighted influence

Source: www.icrg.com

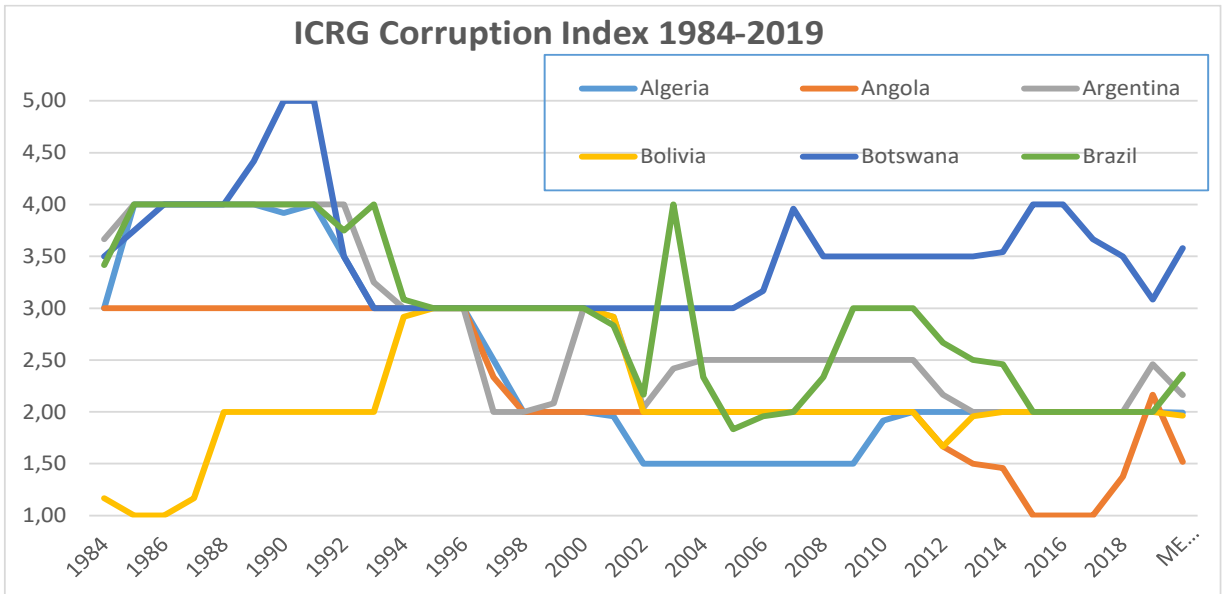
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44

44

ICRG CORRUPTION AND GOVERNANCE INDICES

ICRG Corruption Index 1984-2019



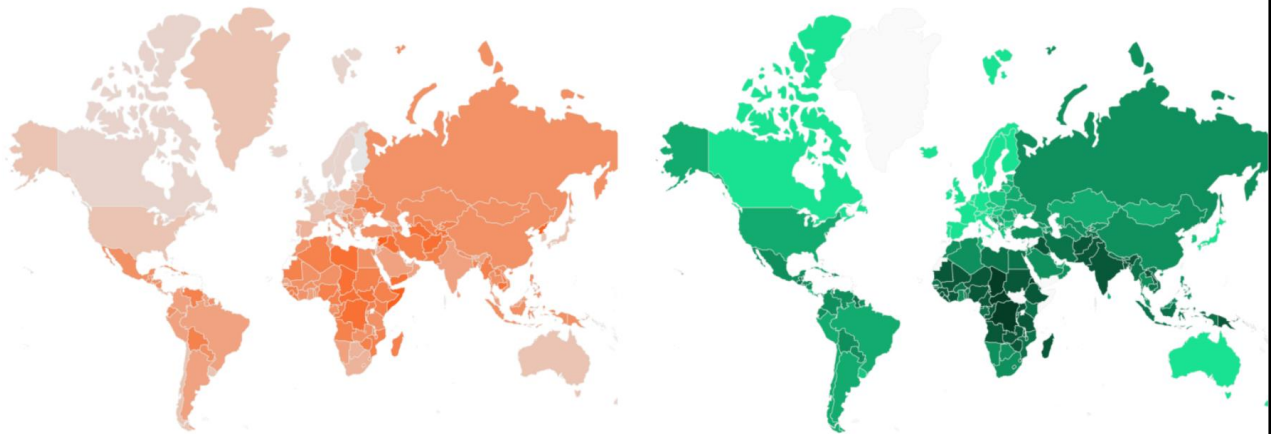
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45

45

ASSESSING CORRUPTION: GLOBAL CORRUPTION INDEX (198 COUNTRIES)

The GCI focuses on corruption (in both the public and private sectors) to offer a comprehensive approach by including other white-collar crimes variables. It covers various criteria such as fraud, money laundering and terrorism financing. <https://globalriskprofile.com/interactive-risk-indices/>



Interactive Global Corruption and ESG Risk Indexes:

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46

46

HOW ASSESSING CORRUPTION? TRANSPARENCY INTERNATIONAL'S CPI

- ▶ Germany-based NGO, founded in 1993
- ▶ Global network with national chapters in >70 countries
- ▶ Annual **Corruption perception index** ranking 180 countries
- ▶ Annual Bribe index

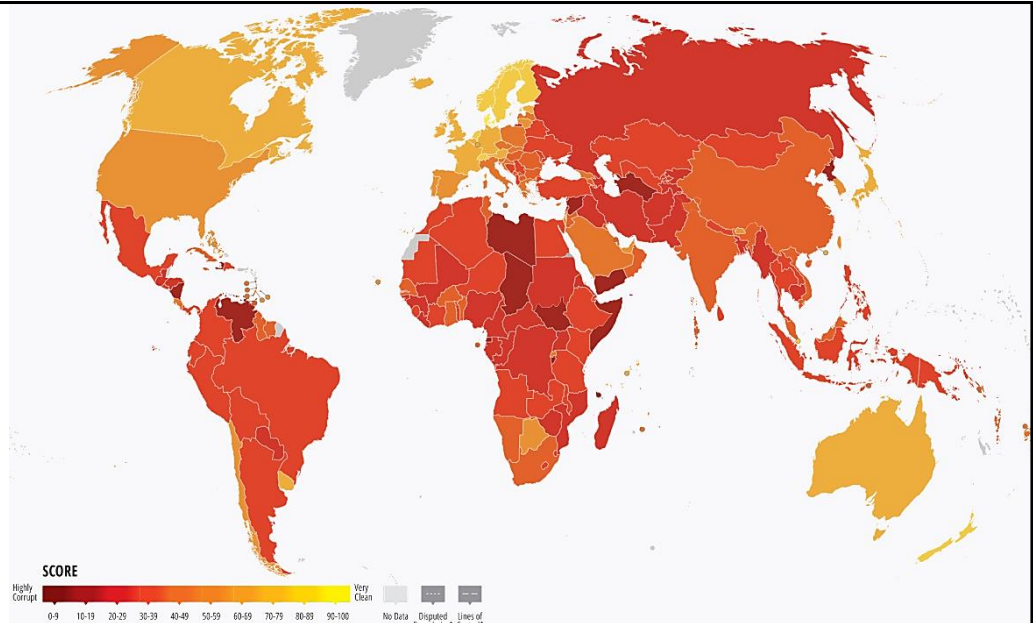
CPI is a composite index: poll of polls conducted over a 3-year period, drawing on 13 surveys from 8 independent organizations

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47

47

TI 2023 WORLD MAP OF CORRUPTION



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48

48

MEASURING CORRUPTION? TRANSPARENCY INTERNATIONAL CPI

1	New Zealand
2	Denmark
3	Singapore
3	Sweden
5	Switzerland
6	Finland
6	Netherlands
8	Australia
8	Canada
8	Iceland
11	Norway
12	Hong Kong
12	Luxembourg
14	Germany
14	Ireland
16	Austria

France = 21

China = 65

South

Africa = 72

India = 85

Brazil = 94

Russia = 137

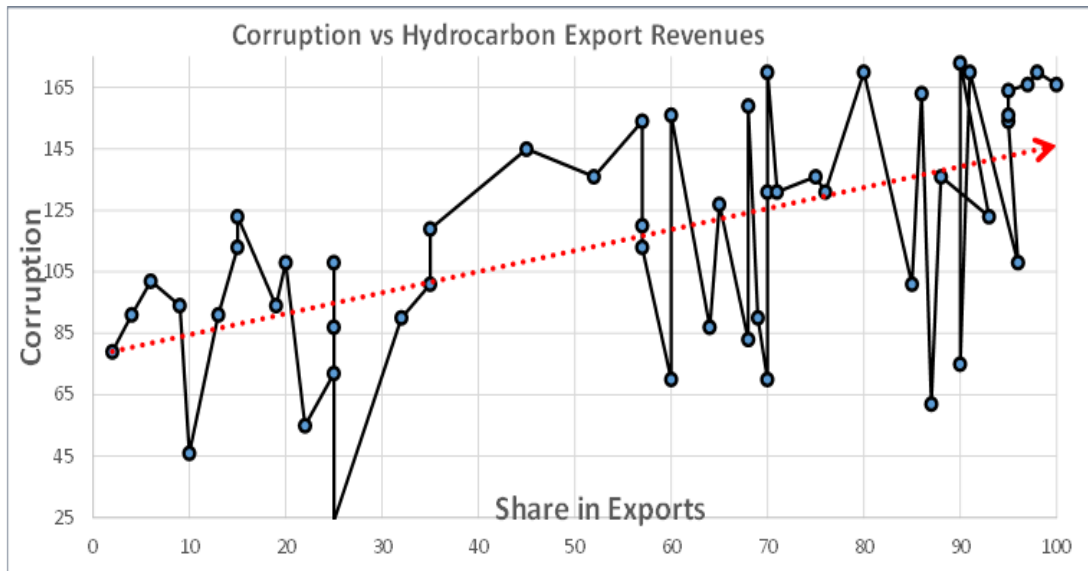
162	Guinea-Bissau
162	Kyrgyzstan
162	Venezuela
168	Burundi
168	Equatorial Guinea
168	Guinea
168	Haiti
168	Iran
168	Turkmenistan
174	Uzbekistan
175	Chad
176	Iraq
176	Sudan
178	Myanmar
179	Afghanistan
180	Somalia



49
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49

OIL-BASED GROWTH LEADS TO POWER AND WEALTH CONCENTRATION, AND CORRUPTION (EXCEPTED IN NORWAY!!?)



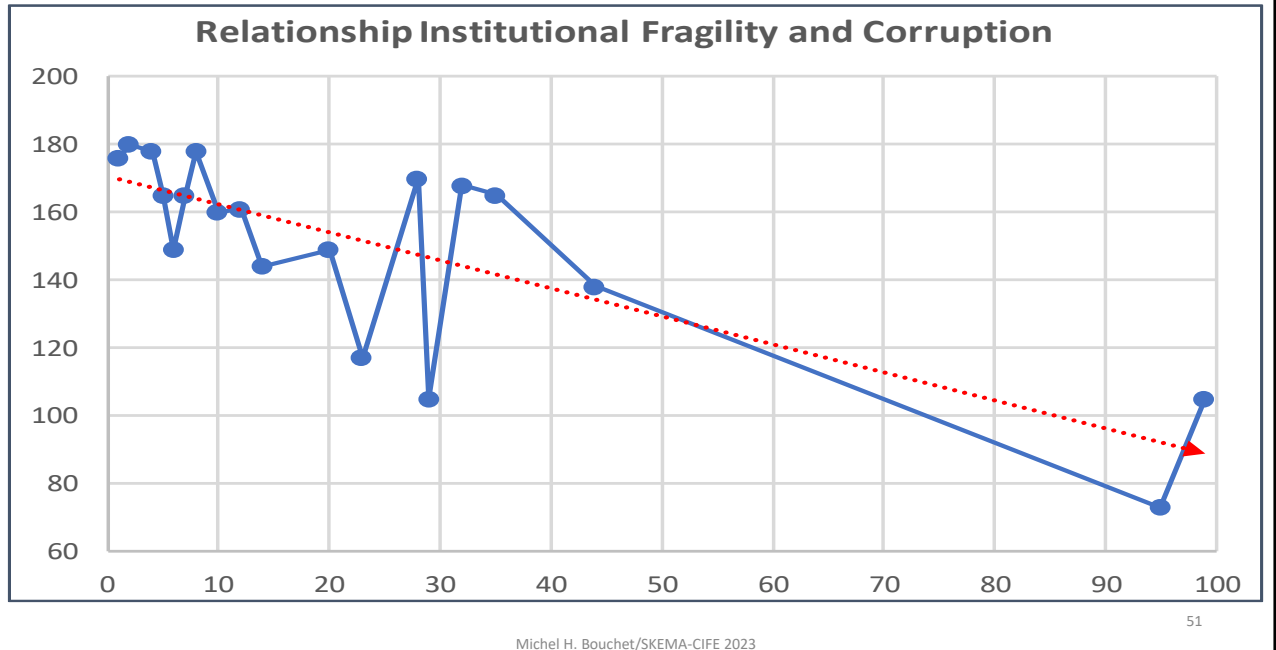
Source: Bouchet & alii Palgrave 2019

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50

50

INSTITUTIONAL FRAGILITY AND CORRUPTION



51

HERITAGE FOUNDATION: INDEX OF ECONOMIC FREEDOM

- ▶ **Economic freedom** = *absence of government coercion or constraint on the production, distribution, or consumption of goods and services beyond the extent necessary for citizens to protect and maintain liberty itself.*
- ▶ The Index includes a broad array of institutional factors determining economic freedom: corruption, non-tariff barriers to trade, the fiscal burden of government, the rule of law, regulatory burdens, restrictions on banks, labor market regulations, black market activities...

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52

52

CRITERIA OF ECONOMIC FREEDOM

- To measure economic freedom and rate each country, the *Index* is based on 50 independent economic variables within 10 broad categories of economic freedom:

1. Trade policy,
2. Fiscal burden of government,
3. Government intervention in the economy,
4. Monetary policy,
5. Capital flows and foreign investment,
6. Banking and finance,
7. Wages and prices,
8. Property rights,
9. Regulation, and
10. Black market activity

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53

53

HERITAGE FOUNDATION 2021 INDEX OF ECONOMIC FREEDOM				HERITAGE FOUNDATION 2021 INDEX OF ECONOMIC FREEDOM				HERITAGE FOUNDATION 2021 INDEX OF ECONOMIC FREEDOM			
Rank	Country	Overall Score		Rank	Country	Overall Score		Rank	Country	Overall Score	
1	Singapore	89.7		65	Mexico	65.5		129	São Tomé and Príncipe	55.9	
2	New Zealand	83.9		66	Albania	65.2		130	Egypt	55.7	
3	Australia	82.4		67	Barbados	65.0		131	Sri Lanka	55.7	
4	Switzerland	81.9		68	Italy	64.9		132	Comoros	55.7	
5	Ireland	81.4		69	Jordan	64.6		133	Mali	55.6	
6	Taiwan	78.6		70	Bahamas	64.6		134	Tajikistan	55.2	
7	United Kingdom	78.4		71	Oman	64.6		135	Burma	55.2	
8	Estonia	78.2		72	Costa Rica	64.2		136	Maldives	55.2	
9	Canada	77.9		73	Philippines	64.1		137	Eswatini	55.1	
10	Denmark	77.8		74	Kuwait	64.1		138	Kenya	54.9	
11	Iceland	77.4		75	Guatemala	64.0		139	Guinea-Bissau	54.9	
12	Georgia	77.2		76	Turkey	64.0		140	Angola	54.2	
13	Mauritius	77.0		77	Cabo Verde	63.8		141	Laos	53.9	
14	United Arab Emirates	76.9		78	Kyrgyz Republic	63.7		142	Lesotho	53.5	
15	Lithuania	76.9		79	Croatia	63.6		143	Brazil	53.4	
16	Netherlands	76.8		80	Montenegro	63.4		144	Cameroon	53.4	
17	Finland	76.1		81	Morocco	63.3		145	Malawi	53.0	
18	Luxembourg	76.0		82	Bosnia and Herzegovina	62.9		146	Afghanistan	53.0	
19	Chile	75.2		83	Namibia	62.6		147	Dominica	53.0	
20	United States	74.8		84	Paraguay	62.6		148	Argentina	52.7	
21	Sweden	74.7		85	Moldova	62.5		149	Ecuador	52.4	
22	Malaysia	74.4		86	Mongolia	62.4		150	Sierra Leone	51.7	
23	Japan	74.1		87	Fiji	62.2		151	Ethiopia	51.7	
24	Korea, South	74.0		88	Dominican Republic	62.1		152	Pakistan	51.7	
25	Austria	73.9		89	Samoa	61.9		153	Mozambique	51.6	
26	Israel	73.8		90	Vietnam	61.7		154	Lebanon	51.4	
27	Czech Republic	73.8		91	Côte d'Ivoire	61.7		155	Haiti	50.8	
28	Norway	73.4		92	Russia	61.5		156	Congo, Rep.	50.7	
29	Germany	72.5		93	Tanzania	61.3		157	Nepal	50.7	
30	Latvia	72.3		94	El Salvador	61.0		158	Chad	50.4	

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54

FREEDOM HOUSE:

POLITICAL FREEDOM IN THE WORLD ANNUAL REPORT

- ▶ Since 1972, Freedom House has published 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 that are derived from the Universal Declaration of Human Rights. Each country is assigned a rating for PR and a rating for CL based on a scale of 1 (best) to 7 (worst).
- ▶ <http://www.freedomhouse.org/ratings/index.htm>

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55

55

FREEDOM HOUSE:

FREEDOM IN THE WORLD ANNUAL REPORT

Free countries (89)

- ▶ Australia
- ▶ Finland
- ▶ Malta
- ▶ Slovenia
- ▶ Uruguay
- ▶ Bulgaria
- ▶ Chile
- ▶ Costa Rica
- ▶ Mauritius
- ▶ Poland

Not Free countries (47)

- ▶ Cameroon
- ▶ Congo
- ▶ Haiti
- ▶ Iran
- ▶ China
- ▶ Vietnam
- ▶ Burma
- ▶ Cuba
- ▶ Saudi Arabia
- ▶ Syria
- ▶ Turkménistan

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56

56

FRASER INSTITUTE

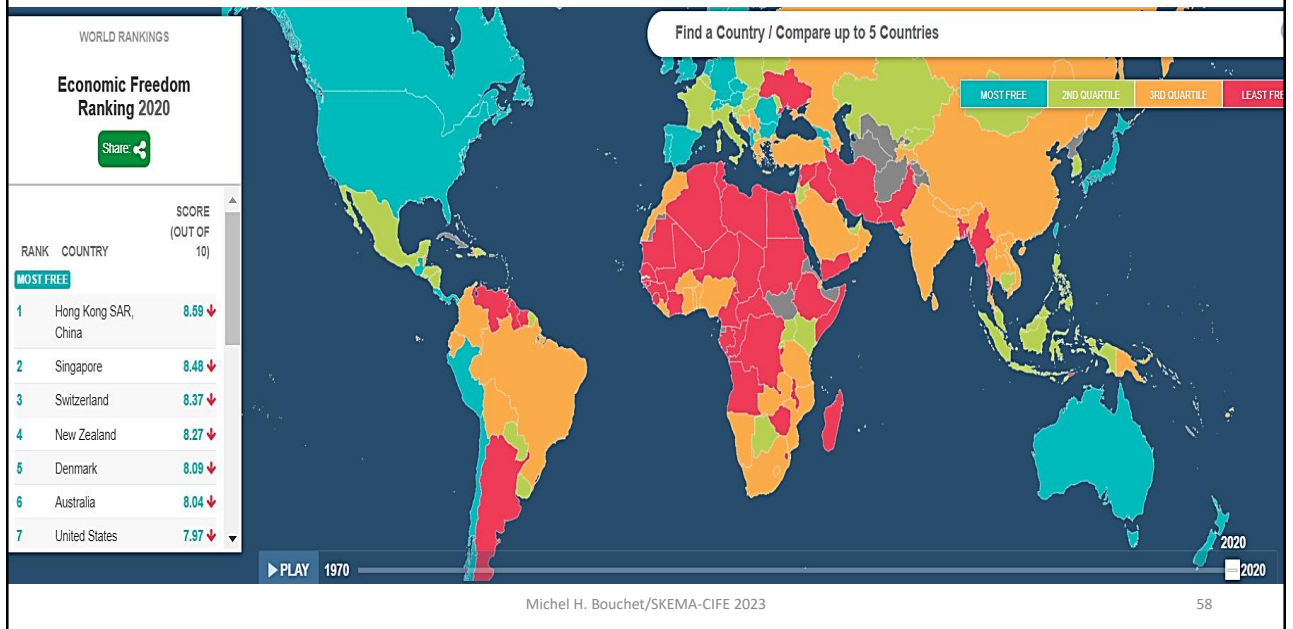
- ▶ Since 1975
- ▶ Annual Indices of Economic & Human Freedom in the world: reliable measure of cross-country differences in economic freedom, using third-party data to help ensure objectivity
- ▶ **Criteria:** government quality, legal structure, security of property rights, access to sound money, personal choice, freedom to exchange with foreigners and to compete in markets, quality of regulations and institutional strength...
- ▶ **The Economic Freedom Annual Report** is the measurement of **economic freedom**, ranking countries based on five areas: size of government, legal structure and security of property rights, access to sound money, freedom to trade internationally, and regulation of credit, labor and business. The report compares 165 countries and territories

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57





57

FRASER INSTITUTE'S ECONOMIC FREEDOM WORLD MAP



58

FRASER INSTITUTE'S ECONOMIC FREEDOM 2023

WORLD RANKINGS	COUNTRY INFO	WORLD RANKINGS	COUNTRY INFO	WORLD RANKINGS	COUNTRY INFO	WORLD RANKINGS	COUNTRY INFO	
 Italy 2020 2ND QUARTILE		 France 2020 2ND QUARTILE		 South Africa 2020 3RD QUARTILE		 Tunisia 2020 LEAST FREE		
44 RANK	7.40 SCORE (OUT OF 10)	54 RANK	7.33 SCORE (OUT OF 10)	99 RANK	6.55 SCORE (OUT OF 10)	128 RANK	6.09 SCORE (OUT OF 10)	
SCORE (out of 10)	CATEGORY	SCORE (out of 10)	CATEGORY	SCORE (out of 10)	CATEGORY	SCORE (out of 10)	CATEGORY	
135	5.30	Size of Government	150	4.92	Size of Government	140	5.18	Size of Government
39	6.51	Legal System and Property Rights	24	7.19	Legal System and Property Rights	86	5.08	Legal System and Property Rights
60	9.18	Sound Money	64	9.15	Sound Money	111	8.01	Sound Money
9	8.34	Freedom to Trade Internationally	16	8.21	Freedom to Trade Internationally	128	5.70	Freedom to Trade Internationally
41	7.66	Regulation	64	7.20	Regulation	122	6.48	Regulation

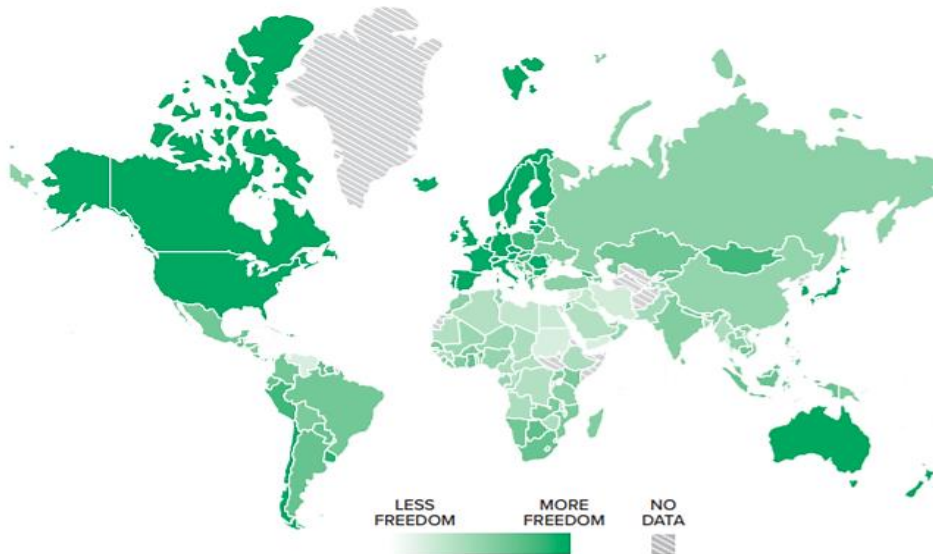
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59

59

FRASER & CATO INSTITUTE: HUMAN FREEDOM INDEX

The index ranks 165 countries and jurisdictions based on 79 indicators of personal, civil and economic freedoms (joint project with the Cato Institute in the U.S. and Germany's Friedrich Naumann Foundation for Freedom)



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60

60

Freedom Rank Change (2017–2018)					Freedom Rank Change (2017–2018)				
Rank	Country/Territory	Personal Freedom	Economic Freedom	Human Freedom	Rank	Country/Territory	Personal Freedom	Economic Freedom	Human Freedom
1	New Zealand	9.21	8.53	8.87	131	Nigeria	5.16	6.93	6.05
2	Switzerland	9.20	8.43	8.82	132	Tunisia	6.00	6.07	6.04
3	Hong Kong SAR, China	8.53	8.94	8.74	133	Oman	5.26	6.79	6.03
4	Denmark	9.35	8.10	8.73	134	Eswatini	5.76	6.27	6.02
5	Australia	9.12	8.23	8.68	135	Brunei Darussalam	5.41	6.60	6.01
6	Canada	9.10	8.17	8.64	136	Niger	6.09	5.85	5.97
7	Ireland	9.11	8.13	8.62	137	Mali	5.90	5.93	5.92
8	Estonia	9.12	7.96	8.54	138	Tajikistan	5.49	6.05	5.77
9	Germany	9.19	7.85	8.52	139	Bangladesh	5.30	6.04	5.67
9	Sweden	9.46	7.58	8.52	140	Pakistan	5.21	6.07	5.64
11	Finland	9.21	7.76	8.49	141	Chad	5.47	5.71	5.59
11	Japan	9.10	7.88	8.49	141	Zimbabwe	6.06	5.12	5.59
11	Luxembourg	9.22	7.75	8.49	143	Congo, Rep.	5.99	5.03	5.51
14	Netherlands	9.14	7.82	8.48	144	Angola	6.21	4.75	5.48
15	Austria	9.09	7.80	8.45	145	Cameroon	5.07	5.85	5.46
15	Norway	9.29	7.60	8.45	146	Guinea	5.32	5.57	5.45
17	United Kingdom	8.79	8.08	8.44	146	Myanmar	5.08	5.81	5.45
17	United States	8.66	8.22	8.44	148	Burundi	4.90	5.94	5.42
19	Taiwan	8.90	7.94	8.42	149	Ethiopia	5.18	5.61	5.40
20	Iceland	9.06	7.71	8.39	150	Mauritania	4.56	6.22	5.39
21	Lithuania	8.64	8.10	8.37	151	Congo, Dem. Rep.	5.42	5.15	5.29
22	Latvia	8.78	7.89	8.34	151	Saudi Arabia	4.26	6.31	5.29
23	Malta	8.72	7.94	8.33	153	Central African Republic	5.22	5.27	5.25
24	Czech Republic	8.76	7.81	8.29	154	Algeria	5.42	4.97	5.20
25	Belgium	8.99	7.56	8.28	155	Iraq	4.18	5.61	4.90
26	Korea, Rep.	8.85	7.69	8.27	156	Libya	4.93	4.72	4.83
26	Portugal	8.94	7.60	8.27	157	Egypt, Arab Rep.	3.95	5.38	4.67
28	Singapore	7.77	8.65	8.21	158	Iran, Islamic Rep.	4.26	4.80	4.53
29	Spain	8.67	7.73	8.20	159	Yemen, Rep.	2.83	5.51	4.17
30	Chile	8.40	7.96	8.18	160	Venezuela, RB	4.81	3.34	4.08
31	Italy	8.72	7.51	8.12	161	Sudan	3.81	4.21	4.01
					162	Syrian Arab Republic	2.49	5.45	3.97

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61

61

CONCLUSION: ASSESSING COUNTRY RISK?

1. Market consensus: rating agencies
2. Macroeconomic analysis
3. Balance of payments analysis: liquidity & solvency
4. Socio-political analysis
5. Business environment: corruption, bureaucracy, institutions, transparency
6. Economic Intelligence!

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62

62