

Joint Master in Global Economic Governance & Public Affairs

Michel Henry Bouchet

Roma-Berlin-Nice November 2023-May 2024

Seminar: 42 hours = 5 ECTS

150 questions-Country Risk & Governance May 16, 2024 Quizz

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 GDP per capita ppp (UNDP). Which country boasts the largest per capita income currently in 2023?

- 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.

- *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 leads to socio-economic development and shrinking wealth gap.

- *True*
- *False*

Q5: The share of developing countries in global GDP is gradually rising and today reaches 58% compared to only nearly 42% for so-called 38 "advanced developed countries" of the OECD, 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 rankings.

- *True*
- *False*

Q8: Rating agencies such as Moody's, Fitch, Coface, INCRA, Dagong, and S&P's are reliable sources of early warning of mounting country risk volatility!

- *True*
- *False*

Q9: Is China's soft economic landing working in 2023? 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.

- *True*
- *False*

Q10. China's growth is projected to slow in 2024, about to reach 4,5% at most, according to a number of forecasts (Goldman Sachs, IMF, WB, Brookings, OECD). Meanwhile, India's growth is to reach around 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 2023 World Economic Outlook is rather bearish regarding global growth forecast, i.e., 2,8 percent in 2023 and stabilizing at around 3 percent in 2024, due to geopolitical, trade and commodities uncertainties.

- *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 Congo, Kenya, and South Africa!

- True
- False

Q15: Over the 2010 decade until 2021, 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 \$900 billion in 2022. In 2022, advanced economies are back in deficit and near zero in 2023!

- 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. *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 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 generates 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 globalization

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 actually 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 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 a number of 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 2023, nominal global GDP of \$105,000 billion was still lower than in 2019!

- True
- False

Q9: For GEGPA students, it is crucial to understand the trend volatility in economic and trade globalization since the late 1990s. In 2020, the global trade openness index, that is, the ratio of total exports to global GDP, dropped to only 25,8% though gradually recovering to a meager 30% in 2023, coupled with strong economic, financial, and geopolitical uncertainties!

- True
- False

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

TEST 4: Country risk and wealth gaps

Q1: 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)

- 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

- 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 developing countries is still a bit of a myth, their share in global GDP currently in 2023 is nearly 58% (and only 42% for developed countries), though their share of exports remains at 39%.

- 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

- True
- False

Q2: The BIS, the IMF and the OECD are crucial sources of information regarding real effective 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 4: Country risk assessment Methodologies –Balance of payments analysis (This is to be seen in Berlin and won't be included in the final quiz)

TEST 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: IFIs are always considered domestic residents while tourists are foreign residents if they stay in the reporting country > 1 year

- True*
- False*

Q4: A country that saves > it invests at home sends its surplus abroad to purchase foreign assets or it increases its official reserve assets

- True*
- False*

Q5: The Current account is supposed to play a role similar to a private company's income statement, i.e., a country's economic performance vis-à-vis the rest of the world. The current account, thus, captures the long-term dynamism of developed and developing economies.

- True*
- False*

Q6: A trade imbalance is always rooted in low savings and excessive domestic spending (large "absorption").

- True*

- False*

Q7: Non-financial services include Freight, insurance, passenger services, tourism, and travel.

- True*
- False*

Q8: *Net Investment income stems from ownership of external financial assets and liabilities and payable to residents of another economy, including the by-product of Direct investment, Portfolio investment, and Other investment and reserve assets income (interest, dividends, remittances of branch profits, retained earnings of direct investment; income on equity and investment fund shares, as well as on debt securities from portfolio investment. (IMF)*

- True*
- False*

Q9: Private unrequited transfers refer mainly to immigrant workers' remittances to their country of origin as well as gifts, inheritances, and charitable contributions.

- True*
- False*

Q10: Over the 2010 decade until 2023, developed countries have boasted substantial trade dynamism, with annual export growth of 2,7%, while developing countries' export growth was still higher at 3,2%!

- True*
- False*

SESSION 5: Assessment Methodologies – Capital account, external financing and Country Risk (This is to be seen in Berlin and won't be included in the final quiz)

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

Q1: External financing sources include LT debt, equity/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 quotas

- True
- False

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

Q1: Gross Capital Inflows = Long-term + Short-term capital flows, while Net Flows = Gross Inflows - Debt Repayments

- True
- False

Q2: Net Transfers are equal to Net Flows + Interest Payments

- True
- False

Q3: The Solvency ratio Debt/GDP must always > 75% while the Debt/Exports ratio must always be > 150%

- True
- False

Q4: Liquidity = The Debt Service ratio must remain around < 33% of export revenues!

- True
- False

Q5: Stabilizing solvency ratios requires a diversified export base, diversified markets as well as long-term debt maturities and no currency mismatch!

- True
- False

Q6: Emerging markets and developing economies have managed to stabilize their financial account balances between 2010 and 2023, shifting to a substantial surplus in 2022 of roughly \$600 billion, mainly due to rising commodity prices and despite shrinking direct investment inflows!

- 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 2023-24, Greece 's Debt/GDP ratio is still close to 170% while the Euro area average reaches 90%

- True
- False

Q4: In 2023-24, the combination of higher interest rates together with uneven growth (and volatile trade and investment) and higher oil and commodity prices, increases the threat of large-scale defaults

- 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 in 1997 and Brazil in end-2016, as sizeable lender 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 (with Bouchet as Senior Economist 😊), the IIF represents a key source of Country risk intelligence.

- True
- False

Q10: The US government debt to GDP ratio in 2023 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

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 2020-25 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, about 75% of total employment is at risk of being replaced by machines over the next two decades, with disastrous 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

SESSION 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 includes 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 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: 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

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 devaluation and the banking crises.

- True
- False

Q2: Capital flight in both developed and emerging market countries respond to underlying both push and pull forces

- True
- False

Q3: Capital flight is an elusive concept and by definition cannot be measured 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. The EU economy will expand by just 0.8% in 2023 and 1.4% in 2024, with high prices hitting consumer spending across the bloc; German economy now expected to shrink in 2023. The EU economy has lost momentum.

- True
- False

Q8. A debt crisis is looming in Africa in 2024-25 due to a "debt wall" that falls due shortly and with higher rates of interest and declining trade revenues. Public debt to GDP ratios are now back to >60%.

- 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

SESSION 9.1. Country risk seminar: Wrap up Session!

FINAL TEST 14: Overall check of your understanding of the whole issue of Country Risk Assessment

Q1: In the most recent corruption perception ranking of Transparency International of 180 countries in 2023, Brazil, South Africa and India have better rankings than China!

- *True*
- *False*

Q2: 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*

Q3: All in all, assessing Country Risk requires a combination of market consensus (rating agencies), macroeconomic analysis, balance of payments analysis: liquidity & solvency, socio-political analysis, business environment (corruption, bureaucracy, institutions, transparency), and Economic Intelligence!

- True*
- False*

Q4: Coface is both an insurer and a country risk analysis company that provides ratings and rankings.

- *True*
- *False*

Q5: Overall, looking at a number of sovereign debt crises, one can conclude that rating agencies (i.e., Moody's, Fitch, S&P's) have sent reliable and helpful early warning signals!

- True*
- False*

Q6: In the BOP, non-financial services include freight, insurance, passenger services, tourism, and travel.

- True*
- False*

Q7: According to Bouchet: “Country risk stems from a complex mix of institutional, socio-political, and economic inputs where governance plays a key role!”

- True*
- False*

Q8: The Institute of International Finance is the world's global association of financial institutions. Created in 1983 in response to the international debt crisis (with Bouchet as former Senior Economist 😊), the IIF represents a key source of country risk intelligence.

- True*
- False*

Q9: The "Paris Club" is a forum of Debt restructuring negotiations between developing countries and OECD developed country governments

- *True*
- *False*

Q10: In the BOP, interest payments on external debt can be found in the capital account!

- True*
- False*

Q11: A reliable source to assess and measure private capital outflows comes from the Basel-based Bank for International Settlements

- True*
- False*

Q12: According to Daniel Bell, polarization and social tensions between work and consumption create social pressures: capitalism is inherently instable!

- True*
- False*

Q13. Overall, looking at a number of sovereign debt crises, one can conclude that rating agencies (i.e., Moody's, Fitch, S&P's) have sent reliable and helpful early warning signals!

- True*
- False*

Q14: MIGA (established in 1988) is the investment insurance affiliate of the World Bank. It provides investors political risk insurance against non-commercial risks (currency transfer restriction, expropriation, breach of contract, war and civil disturbance).

- True*
- False*

Q15: Stabilizing solvency ratios requires a diversified export base, dynamic markets as well as long-term debt maturities and no currency mismatch!

- True*
- False*

Q16: The most recent corruption perception ranking of Transparency International of 180 countries in 2022 shows that France does not manage to fight corruption efficiently, given that its ranking remains stubbornly at around 21, well below that of Japan, UK, Germany, Belgium, and Scandinavia!

- True*
- False*

Q17- 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 Congo, Kenya, and South Africa!

- True*
- False*

Q18: 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*