

POLITICAL RISK ASSESSMENT IV

COMPARING POLITICAL RISK



MICHEL-HENRY BOUCHET
CIFE SEMINAR ROMA-BERLIN-NICE 2026

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COMPARING POLITICAL RISK: FIVE MAIN TAKEAWAYS

1. **There is no single “best” political risk index**
Political risk is measured through dozens of indices (governance, peace, freedom, fragility, violence, corruption), each with different assumptions, weights, and biases. Rankings are *not interchangeable* and must be read comparatively, not literally.
2. **Governance quality is the central driver of political risk!**
Poor governance strongly correlates with fragility, violence, low competitiveness, and weak human development. Institutional strength matters more than income level or growth rates in explaining long-term stability.
3. **Fragile and failed states share clear, recurring features**
High corruption, weak rule of law, capital flight and brain drain, poor public services, demographic pressures, and external intervention cluster together. Fragility is systemic—not accidental.
4. **Quantitative indices often miss turning points and crises**
Many indices failed to anticipate major shocks (Arab Spring, Syria, Ukraine). Like ratings, they tend to describe *existing conditions* better than they predict political ruptures.
5. **Political risk is multidimensional and cumulative**
Conflict risk, democracy erosion, internal violence, economic misery (inflation + unemployment), and poverty reinforce one another. Rising “misery” and institutional decay sharply increase the likelihood of protests, unrest, and regime instability.

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WHY SHOULD WE KEEP A SKEPTICAL EYEBROW RAISED REGARDING MEASURING AND COMPARING POLITICAL RISK ACROSS TIME AND ACROSS COUNTRIES I

1. **Bias sneaks in everywhere:** Political risk isn't measured in a vacuum. It's shaped by:

- Who's doing the rating (Western firms? Regional agencies? Private consultancies?)
- Their clients (investors? governments? insurers?)
- Their worldview (what counts as "stability" or "risk"?)

For example, a country pursuing aggressive redistribution or nationalization might be labeled "high risk" — not necessarily because it's chaotic, but because it threatens certain investor interests.

2. **"Stability" ≠ "Democracy" ≠ "Low Risk":** Some ratings quietly equate:

- Authoritarian stability → low political risk
- Democratic contestation → high political risk

But frequent protests or leadership turnover in democracies can actually signal accountability and institutional resilience. Meanwhile, an authoritarian regime can look "stable" right up until it very suddenly isn't. (e.g., Iran? Venezuela? Cuba? Algeria?) So the definition of "risk" depends heavily on what outcomes matter to the rater.

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WHY SHOULD WE KEEP A SKEPTICAL EYEBROW RAISED REGARDING MEASURING AND COMPARING POLITICAL RISK ACROSS TIME AND ACROSS COUNTRIES II

3. **Methodological opacity:** Too often, many rankings:

- Don't fully disclose how variables are weighted
- Rely on expert surveys without showing sampling details: Who are the experts? Scholars, practitioners, seasoned country risk experts, investors?
- Combine hard data with subjective scoring
- Use proprietary formulas

You end up with a single score like "62.4 – Moderate Risk" and no clear way to reverse-engineer how that number was built. That makes it hard to evaluate reliability or compare across providers.

4. **False precision:** A country ranked 34th vs. 38th — is that meaningfully different? Often not. But the ranking format creates the illusion of sharp distinctions and scientific certainty. Political systems are complex, dynamic, and nonlinear.

Investment funds need risk thresholds, and that can introduce arbitrary frontiers.

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WHY SHOULD WE KEEP A SKEPTICAL EYEBROW RAISED REGARDING MEASURING AND COMPARING POLITICAL RISK ACROSS TIME AND ACROSS COUNTRIES III

5. Cultural and normative assumptions : Concepts like “rule of law,” “governance quality,” or “corruption” can be measured differently across contexts. Clearly, metrics embed value judgments. Western institutional norms often anchor these frameworks, which can:

- Penalize alternative governance models
- Overlook informal political systems
- Misinterpret local political dynamics

6. Incentive distortions: If governments know they’re being ranked:

- They may reform for optics, not substance
- They may game measurable indicators
- They may prioritize what improves scores over what improves citizens’ lives

When metrics become targets, they stop being neutral indicators.

WHY SHOULD WE KEEP A SKEPTICAL EYEBROW RAISED REGARDING MEASURING AND COMPARING POLITICAL RISK ACROSS TIME AND ACROSS COUNTRIES IV

What to do then about political risk ratings and scoring?

1. Treat ratings as one lens, not the truth (add qualitative risk analysis, focused on institutions, governance, power structure, history and traditions)
2. Compare multiple sources (private and official, bilateral and multilateral)
3. Look at qualitative analysis alongside numbers (in-depth risk reports)
4. Always ask: risk for whom? investors? citizens? incumbents? minorities?
5. Look at the risk trajectory and not as the snapshot
6. Look at the rating’s methodology (if possible!) “If you can’t see the recipe, you can’t assess the ingredients.”

Political risk ratings aren’t useless — they’re just not neutral thermometers.

SAMPLE OF POLITICAL RISK INDICES

1. Heritage Foundation
2. Freedom House
3. Fraser Institute
4. AT Kearney
5. Cato Institute
6. Fund for Peace FSI
7. Transparency International CPI
8. PWCs: Opacity Index
9. LB: Legsi
10. Asiarisk
11. Marsh

12. World Bank (Governance)
13. Euromoney ECR (25% political risk) *closed 2020*
14. Institutional Investor (*till 03/2016*)
15. IMD
16. ICRG-PRS (since 1984)
17. MIG
18. WMRC
19. University of Maryland
20. Ibrahim Index of Governance
21. WTW - Political Risk Survey Report
22. Global Peace Index
23. Internal Violence Index
24. S&P Global Ratings
25. DEFI-SKEMA-CIFE

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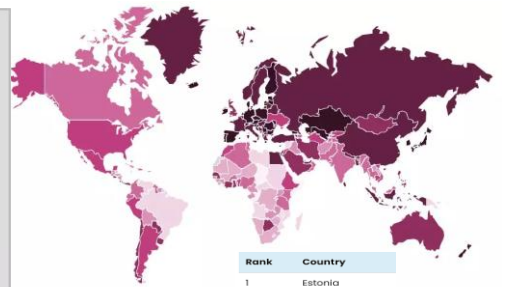
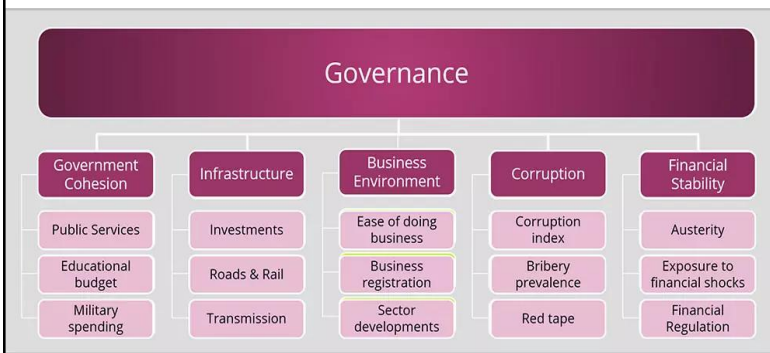
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ASSESSING COUNTRY GOVERNANCE AND SUSTAINABILITY?

► <https://solability.com/the-global-sustainable-competitiveness-index/the-index/governance-capital>

► Governance Index: World Map



Rank	Country
1	Estonia
2	Ireland
3	Czech Republic
4	Finland
5	Germany
6	Japan
7	New Zealand
8	Liechtenstein
9	Iceland
10	Austria
11	Denmark
12	Uzbekistan
13	Spain
14	Slovenia

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GLOBAL PEACE INDEX (INSTITUTE FOR ECONOMICS AND PEACE)

A composite index measuring the peacefulness of countries made up of 23 quantitative and qualitative indicators each weighted on a scale of 1-5. The lower the score the more peaceful the country.

3 sub-indicators:

1. level of Societal Safety and Security,
2. extent of Ongoing Domestic and International Conflict,
3. degree of Militarization

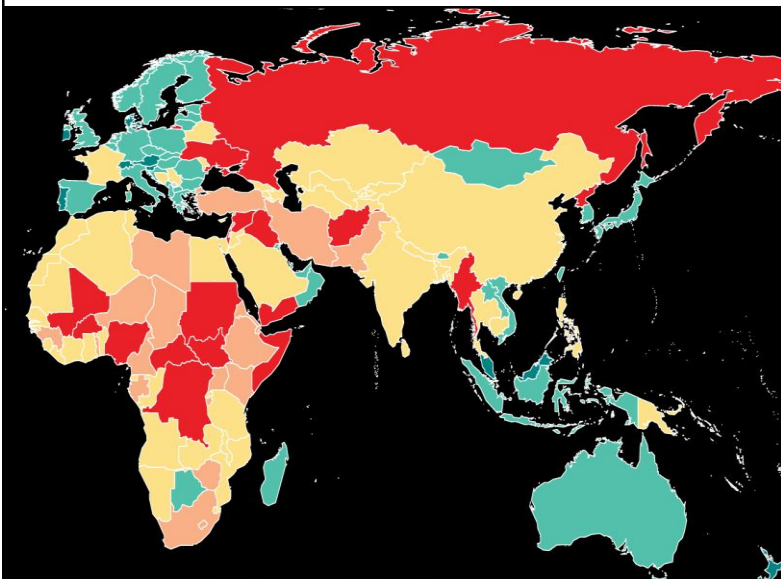
163 countries

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GLOBAL PEACE AND SECURITY INDEX INSTITUTE FOR ECONOMICS AND PEACE (IEP)



RANK	COUNTRY	SCORE	CHANGE	RANK	COUNTRY	SCORE
1	Iceland	1.107	↔	29	Spain	1.603
2	New Zealand	1.269	↔	30	Taiwan	1.618
3	Ireland	1.288	↑ 3	31	Romania	1.64
4	Denmark	1.296	↓ 1	32	Italy	1.643
5	Austria	1.3	↑ 2	33	Estonia	1.662
6	Portugal	1.301	↓ 1	34	United Kingdom	1.667
7	Slovenia	1.316	↓ 3	35	Latvia	1.673
8	Czech Republic	1.318	↑ 1	36	North Macedonia	1.704
9	Singapore	1.326	↑ 1	37	Lithuania	1.724
10	Japan	1.336	↑ 1	38	Costa Rica	1.732
11	Switzerland	1.357	↑ 1	39	Kuwait	1.739
12	Canada	1.389	↓ 4	40	Ghana	1.759
13	Hungary	1.411	↑ 2	41	Albania	1.761
14	Finland	1.439	↓ 1	42	Mongolia	1.775
15	Croatia	1.44	↓ 1	43	South Korea	1.779
16	Germany	1.462	↑ 3	44	Vietnam	1.786
17	Norway	1.465	↔	45	The Gambia	1.792
18	Malaysia	1.471	↑ 4	46	Uruguay	1.795
19	Bhutan	1.481	↓ 3	47	Indonesia	1.8
20	Slovakia	1.499	↑ 5	=48	Botswana	1.801
21	Netherlands	1.522	↑ 2	=48	Montenegro	1.801
22	Belgium	1.526	↑ 2	50	Sierra Leone	1.803
23	Qatar	1.533	↑ 6	51	Laos	1.809
24	Bulgaria	1.541	↑ 3	52	Serbia	1.832
25	Poland	1.552	↓ 4	53	Greece	1.838
26	Sweden	1.564	↓ 6	54	Timor-Leste	1.839
27	Australia	1.565	↓ 9	55	Chile	1.84
28	Mauritius	1.57	↑ 2	56	Zambia	1.841

http://www.visionofhumanity.org/sites/default/files/Global%20Peace%20Index%20Report%202016_0.pdf

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GLOBAL PEACE INDEX: INSTITUTE FOR ECONOMICS AND PEACE

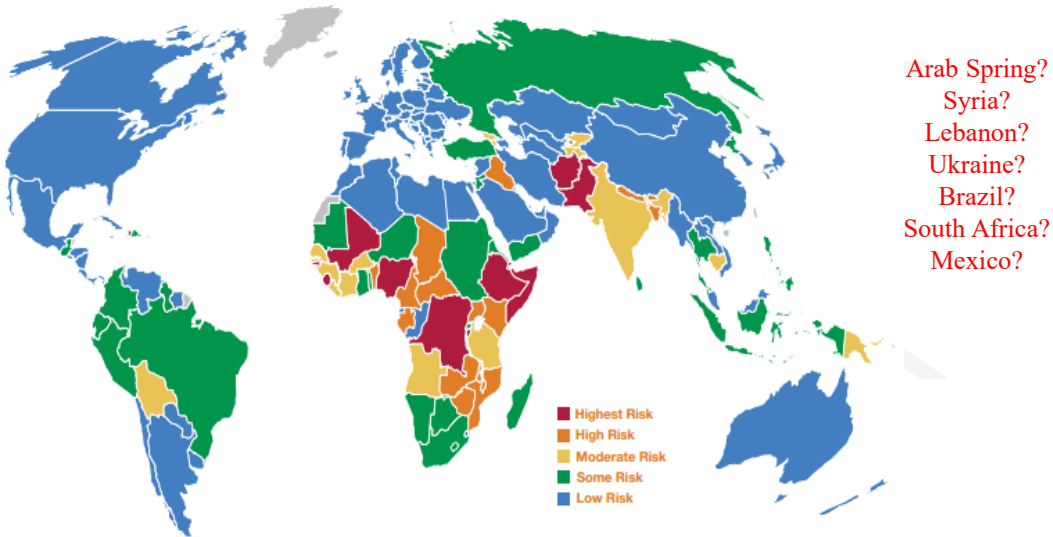
RANK	COUNTRY	SCORE	CHANGE	RANK	COUNTRY	SCORE	CHANGE	RANK	COUNTRY	SCORE	CHANGE
1	Iceland	1.1	↔	29	Qatar	1.605	↑ 2	57	South Korea	1.877	↓ 12
2	New Zealand	1.253	↑ 1	30	Estonia	1.612	↔	58	Tanzania	1.892	↓ 9
3	Denmark	1.256	↑ 2	31	Spain	1.621	↑ 1	= 59	Malawi	1.909	↑ 6
4	Portugal	1.267	↓ 2	32	Italy	1.652	↓ 3	= 59	Moldova	1.909	↑ 4
5	Slovenia	1.315	↑ 5	33	United Kingdom	1.656	↑ 6	61	Cyprus	1.912	↓ 3
6	Austria	1.317	↓ 2	34	Taiwan	1.662	↔	62	Equatorial Guinea	1.915	↓ 9
7	Switzerland	1.323	↑ 2	35	Latvia	1.686	↔	63	Jordan	1.916	↑ 4
8	Ireland	1.326	↑ 3	36	Kuwait	1.688	↔	64	Panama	1.919	↓ 3
9	Czech Republic	1.329	↓ 1	37	Lithuania	1.689	↓ 6	65	Namibia	1.927	↓ 5
10	Canada	1.33	↓ 3	38	Ghana	1.715	↑ 2	66	Greece	1.932	↓ 10
11	Singapore	1.347	↓ 5	39	Costa Rica	1.735	↓ 1	67	Kazakhstan	1.936	↑ 1
12	Japan	1.373	↔	40	North Macedonia	1.744	↑ 11	68	Argentina	1.945	↑ 3
13	Finland	1.402	↔	41	Botswana	1.753	↑ 2	69	Eswatini	1.955	↑ 12
14	Norway	1.438	↑ 1	= 42	Indonesia	1.783	↑ 2	70	Madagascar	1.963	↔
15	Sweden	1.46	↔	= 42	Mongolia	1.783	↓ 1	71	Zambia	1.964	↓ 24
16	Australia	1.47	↓ 2	44	Serbia	1.797	↓ 3	72	Bosnia and Herzegovina	1.97	↑ 2
= 17	Croatia	1.48	↑ 6	45	Laos	1.809	↑ 3	73	Oman	1.982	↑ 2
= 17	Germany	1.48	↑ 1	46	Sierra Leone	1.813	↑ 10	74	Jamaica	1.992	↓ 1
19	Hungary	1.494	↑ 3	47	Uruguay	1.817	↓ 10	75	Paraguay	1.997	↑ 7
20	Belgium	1.496	↓ 3	48	Albania	1.824	↓ 2	= 76	Kyrgyz Republic	1.998	↑ 20
21	Netherlands	1.506	↓ 2	49	Chile	1.831	↑ 1	= 76	Liberia	1.998	↓ 17
22	Bhutan	1.51	↓ 2	50	Vietnam	1.835	↑ 19	78	Cambodia	2.008	↓ 7
23	Malaysia	1.515	↑ 1	51	Montenegro	1.847	↑ 3	79	Morocco	2.015	↑ 9
24	Poland	1.524	↑ 9	52	United Arab Emirates	1.848	↑ 12	= 80	Angola	2.017	↑ 7
25	Romania	1.53	↓ 4	53	The Gambia	1.853	↑ 13	= 80	Kosovo	2.017	↔
26	Slovakia	1.557	↔	54	Senegal	1.864	↑ 1	82	Dominican Republic	2.024	↓ 5
27	Bulgaria	1.577	↑ 1	55	France	1.868	↑ 7	83	Rwanda	2.028	↓ 4
28	Mauritius	1.592	↓ 3	56	Timor-Leste	1.873	↓ 4				

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BLINDNESS? RISK OF FUTURE POLITICAL CRISIS 2010-12 SOURCE: UNIVERSITY OF MARYLAND CENTER FOR CONFLICT MANAGEMENT

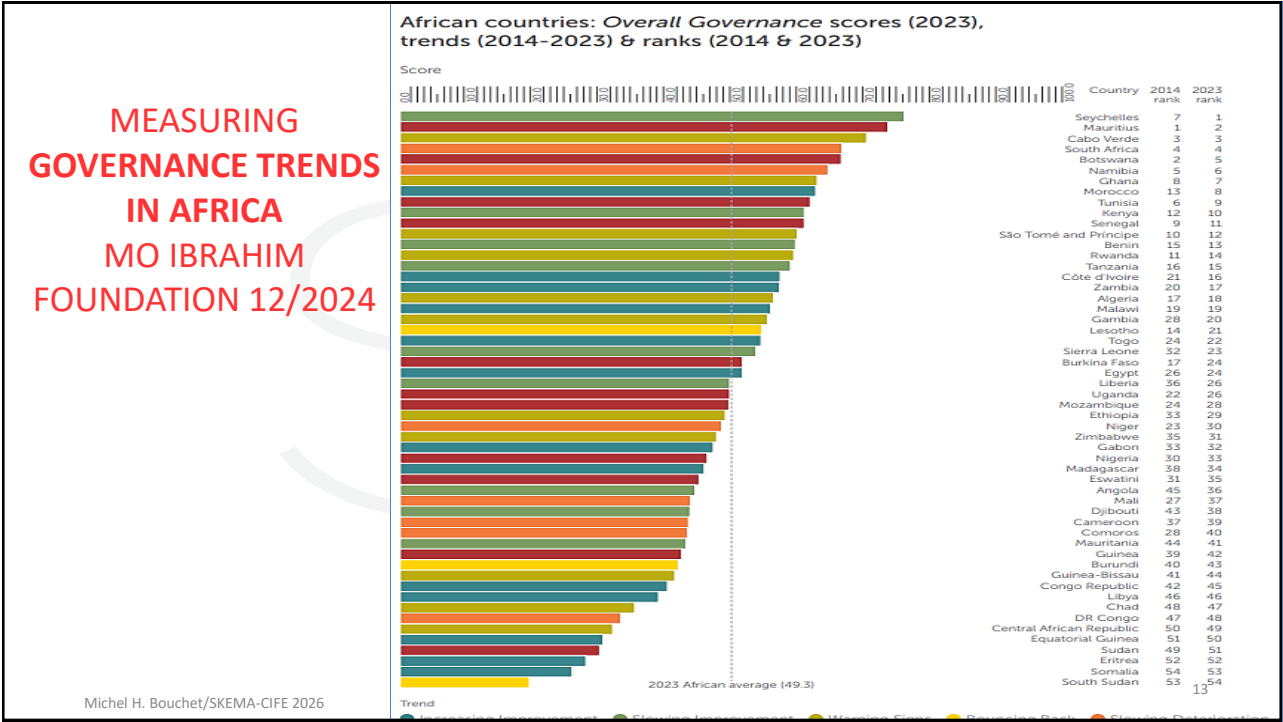
Figure 2.1 Risk of Future Instability, 2010-2012



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THE FRAGILE STATES INDEX (FUND FOR PEACE)

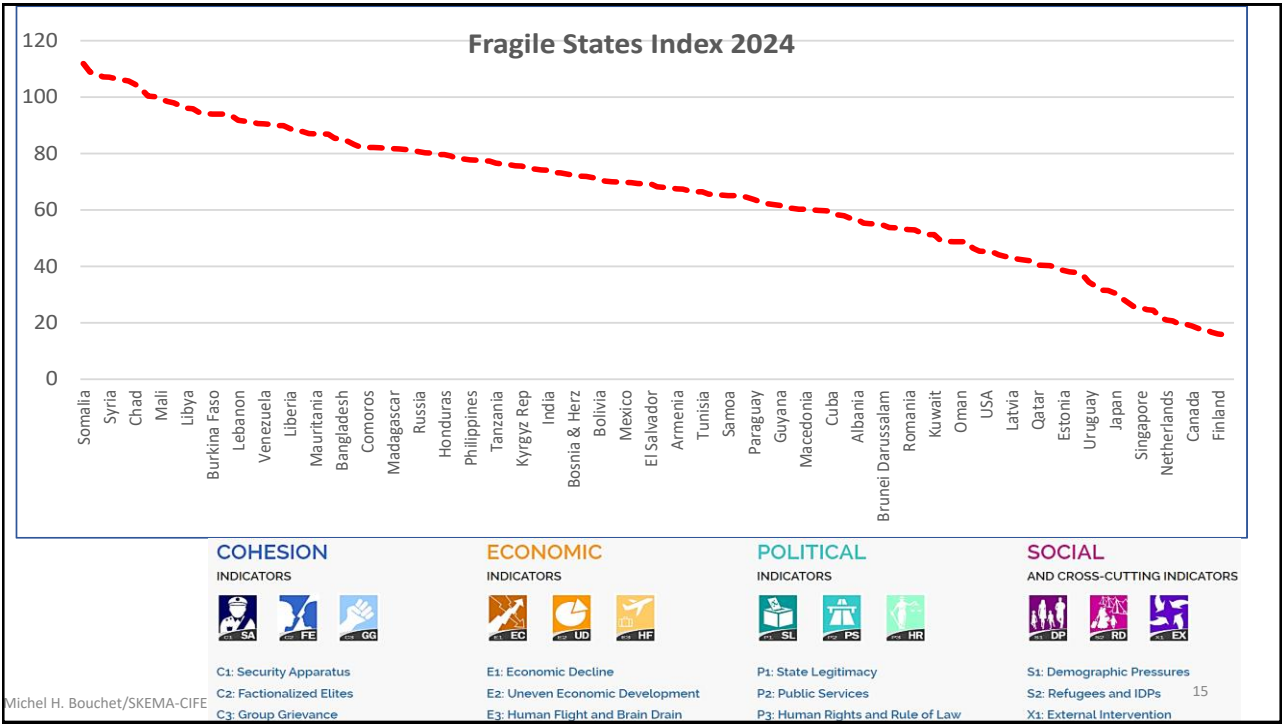
The Fragile States Index = critical tool in highlighting not only the **normal pressures** that all states experience, but also when those pressures are outweighing a states' **capacity to manage** those pressures: assessing the vulnerability of states to collapse.

Annual ranking for 178 countries with 12 political, economic and social indicators and >100 sub-indicators, coupled with qualitative analysis and expert validation:

Economic decline, uneven development, brain drain, state legitimacy, public services, human rights, demographic pressures, refugees, external intervention, rule of law...

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KEY FEATURES OF FAILED AND FRAGILE STATES

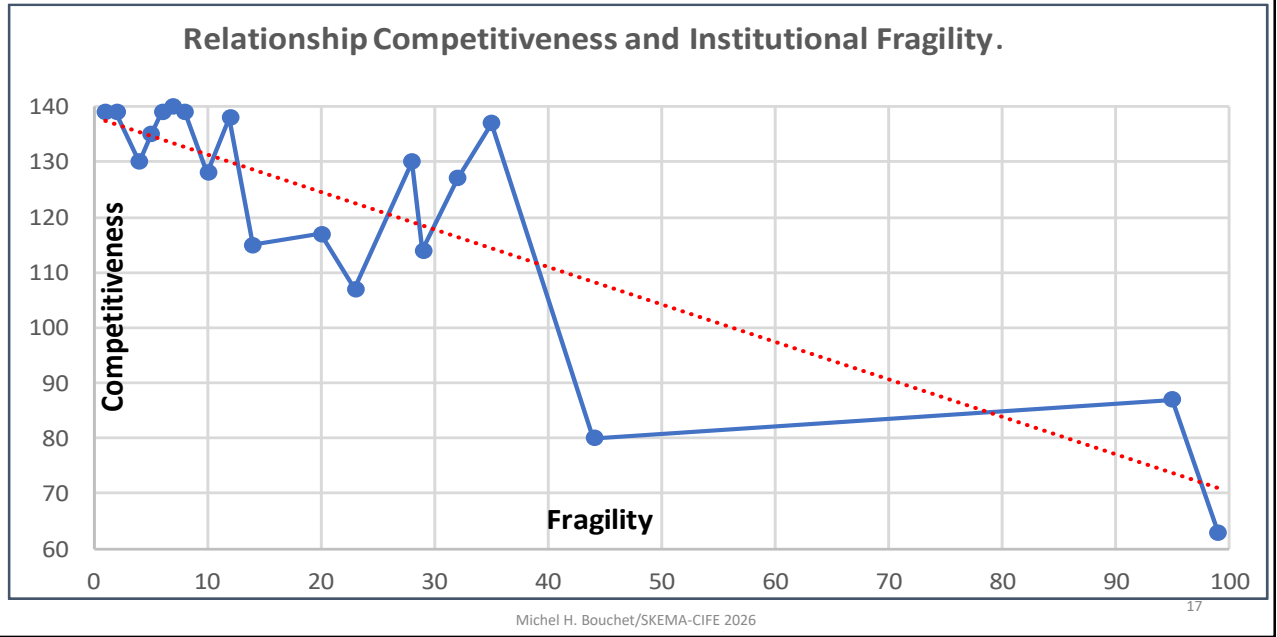
	n/178	Index TI/180	UNDP/188	Index **	WEF 140	KF/GDP%	human flight **	%	% (3 year av.)	
Weak States	Ranking	Corruption **	HDI **	GINI	Competitiv.	Capital flight	& Brain drain	Unempl.	Invest/GDP	Ext Debt/GDP%
Yemen	1	176	178	38	139	2%	7,3	35	12	30%
Somalia	2	180	188	39	139	1%	9,5	6	10	75%
Syria	4	178	155	36	130	3%	8,4	50	10	16%
Congo DR	5	165	176	49	135	39%	7	15	12	20%
CAR	6	149	188	44	139	4%	7,1	7	13	36%
Chad	7	165	186	43,3	140	2%	8,5	6	16	27%
South Sudan	8	178	187	35	139	1%	6,5	15	11	111%
Zimbabwe	10	160	156	43	128	5%	7,6	10	12	77%
Haiti	12	161	168	61	138	3%	8,4	15	25	30%
Nigeria	14	144	157	49	115	3%	6,9	23	15	70%
Uganda	20	149	162	42	117	3%	7,3	5	24	40%
Pakistan	23	117	150	33,5	107	1%	6,8	6	16	31%
Libya	28	170	108	42	130	22%	6,3	20	15	20%
Côte d'Ivoire	29	105	170	42	114	2%	7,3	5	16	37%
Venezuela	32	168	78	40	127	23%	6,1	35	14	33%
Angola	35	165	147	43	137	11%	6,9	9	24	57%
Lebanon	44	138	80	32	80	17%	5,6	9	20	200%
Tunisia	95	73	95	40	87	5%	5,9	16	21	90%
Peru	99	105	89	44	63	5%	7,1	10	21	35%

* Nonbank private deposits in international banks/BIS A6-1
 ** the higher, the worse

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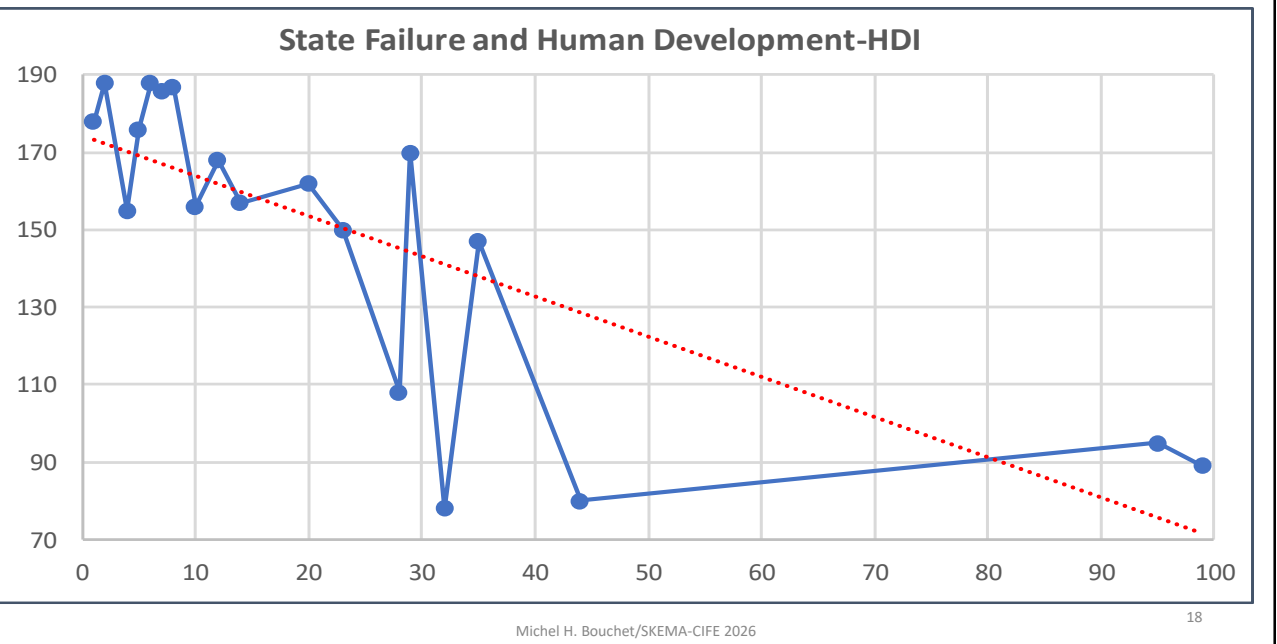
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INSTITUTIONAL FRAGILITY AND COMPETITIVENESS (WEF)



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INSTITUTIONAL FRAGILITY AND HUMAN DEVELOPMENT (UNDP)

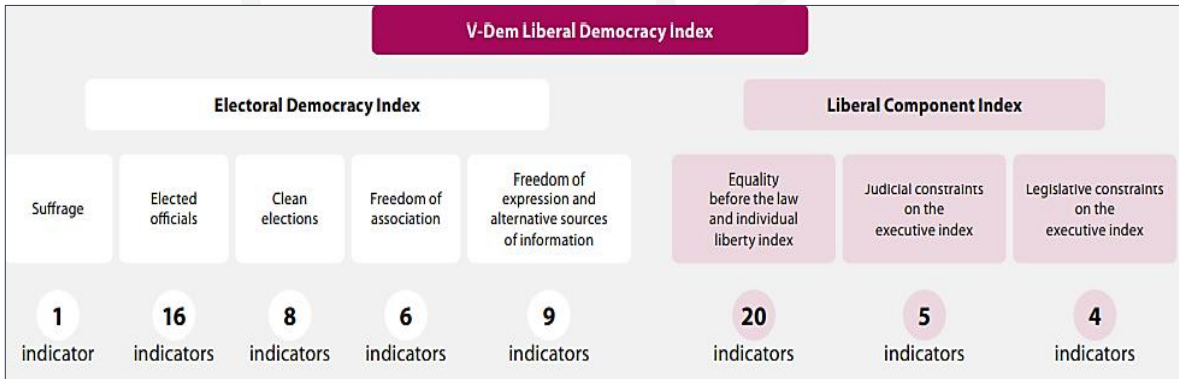


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THE DEMOCRACY INDEX (GOTHENBURG UNIV)

The V-Dem Liberal Democracy Index (LDI) captures both liberal and electoral aspects of democracy based on 71 indicators included in the Liberal Component Index and the Electoral Democracy Index.

Objective: capturing the limits placed on governments in terms of protection of individual liberties, and the checks and balances between institutions!

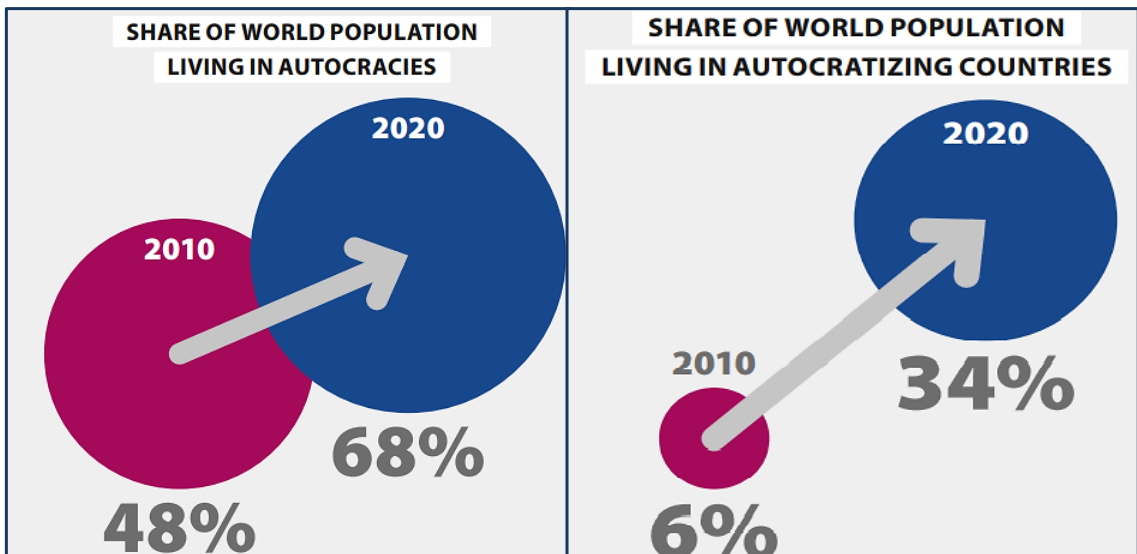


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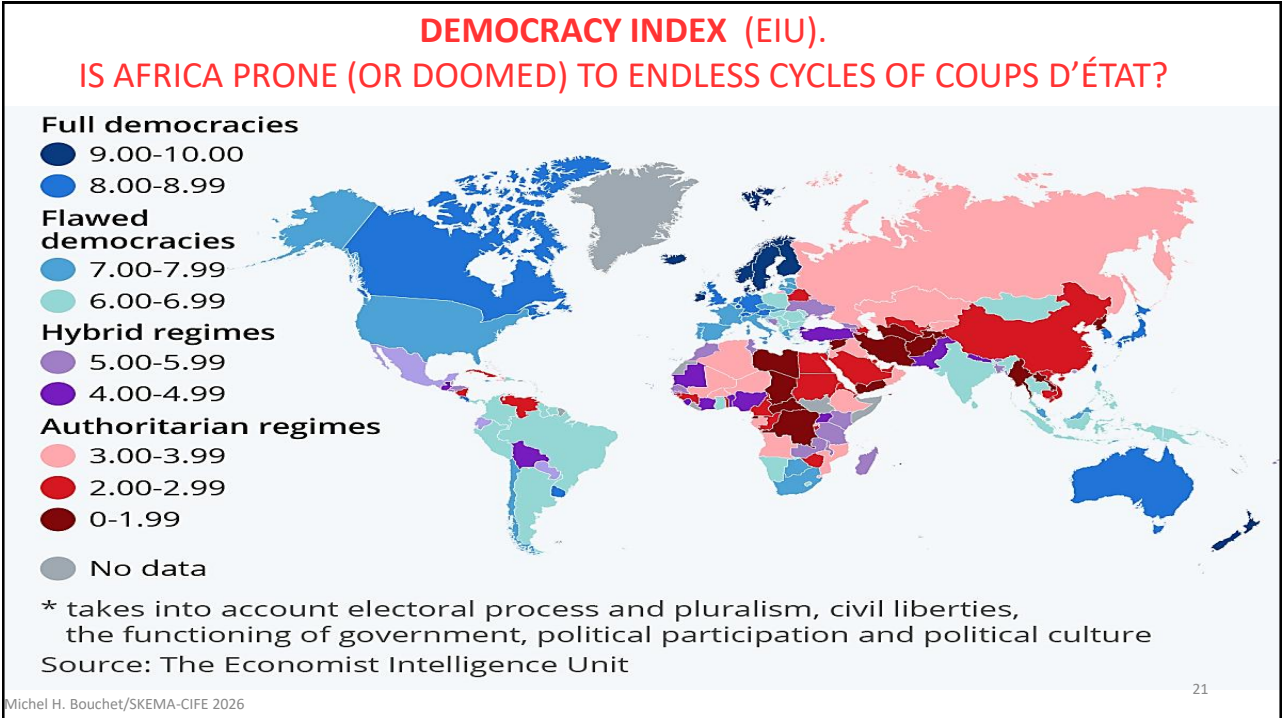
THE DEMOCRACY INDEX (GOTHENBURG UNIV)



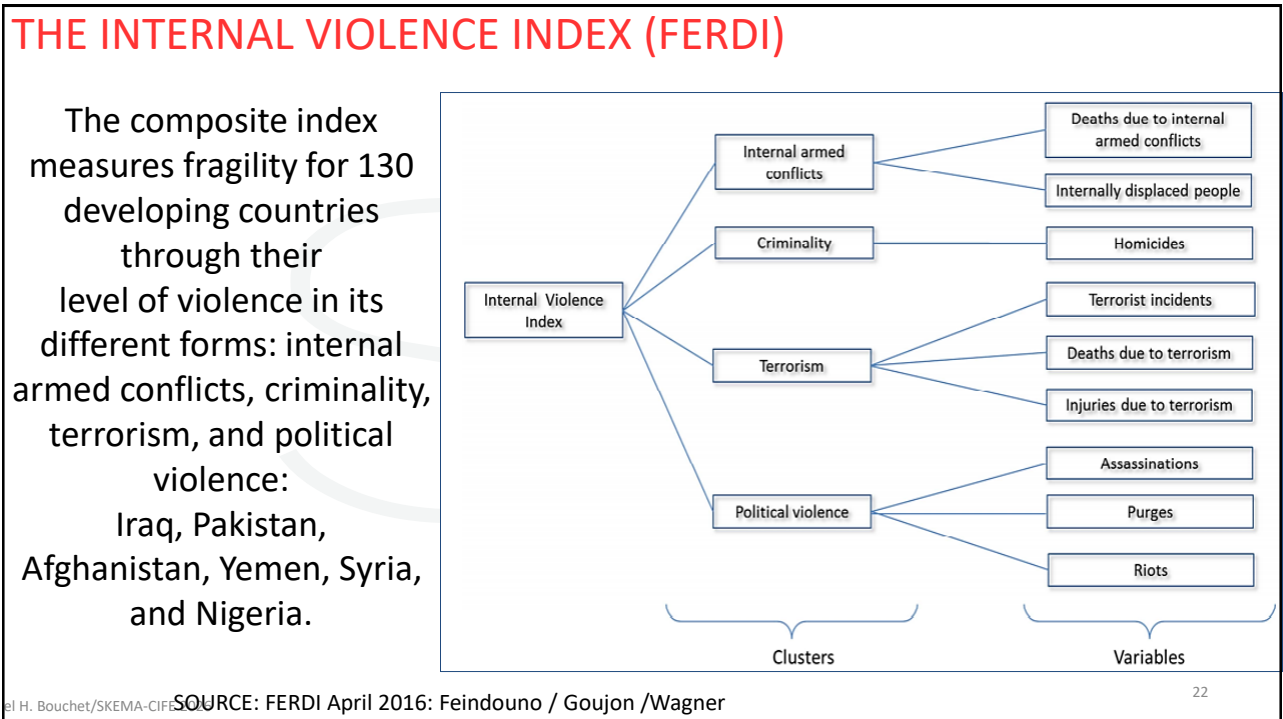
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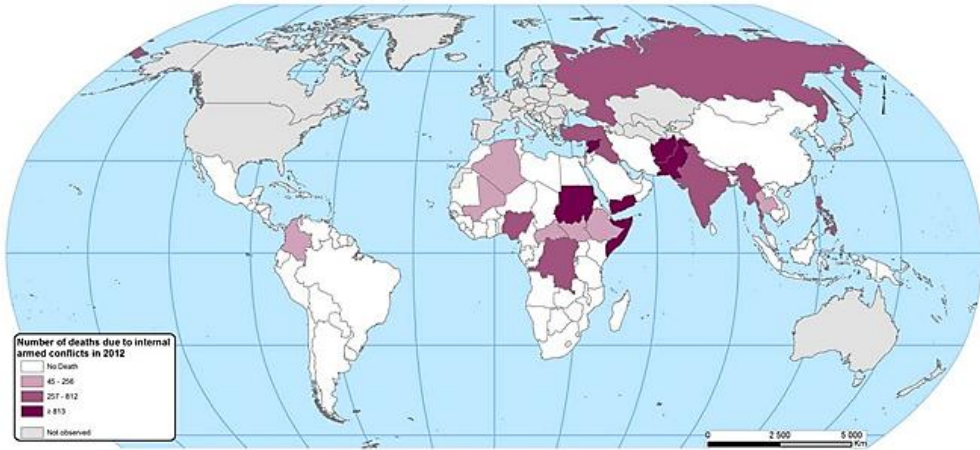


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THE INTERNAL VIOLENCE INDEX



Source : Calculs des auteurs à partir des données Uppsala Conflict Data Program (UCDP/PRIO) Armed Conflict Dataset

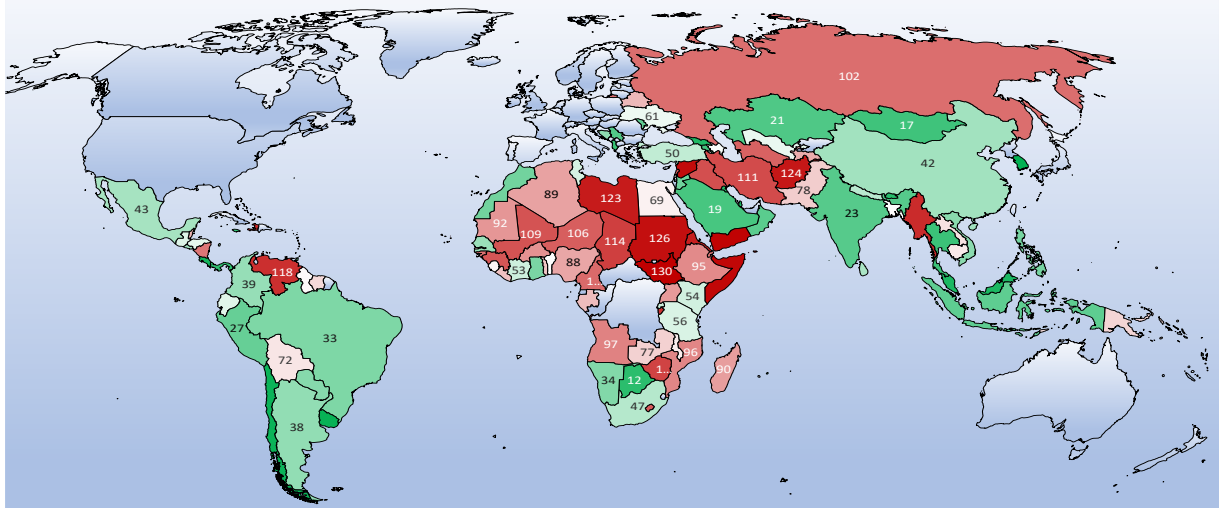
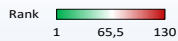
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THE DEFI-CIFE GLOBAL GOVERNANCE INDICATOR 2024-25

DEFI-CIFE Global Governance Meter 2025 (130 EMCs)



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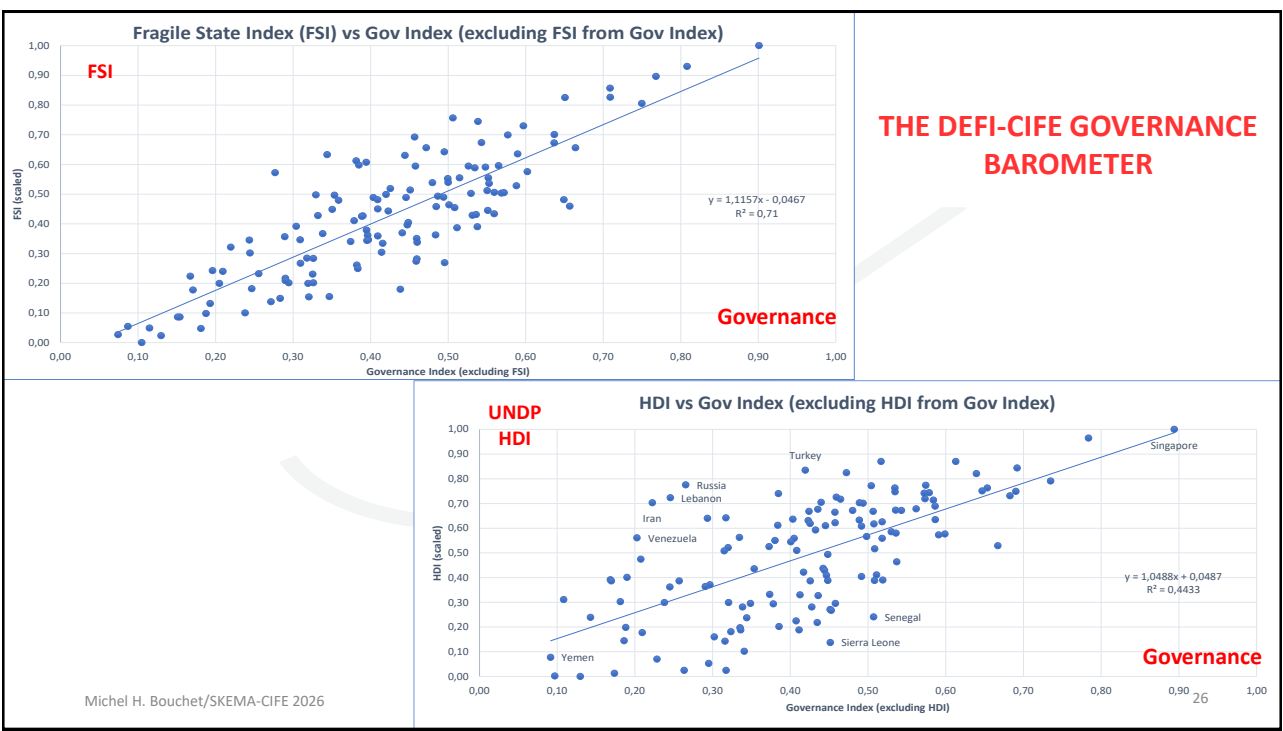
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FOUR MAIN GOVERNANCE CATEGORIES				April 2025			
Reliable transparency & governance-enhancing frameworks		Regulatory opacity and stubborn corruption		Weak governance standards & socio-political tensions		Deeply-rooted corruption and authoritarian regimes	
Singapore	1	Paraguay	35	Guyana	67	Djibouti	99
South Korea	2	Vietnam	36	Sierra Leone	68	Nicaragua	100
Uruguay	3	Bosnia-Herzegovina	37	Egypt	69	Guinea-Bissau	101
Chile	4	Argentina	38	Malawi	70	Russia	102
Mauritius	5	Colombia	39	Cambodia	71	Cameroon	103
Costa Rica	6	Senegal	40	Bolivia	72	Lebanon	104
Qatar	7	El Salvador	41	Laos	73	Turkmenistan	105
Malaysia	8	China	42	Timor Leste	74	Niger	106
Georgia	9	Mexico	43	Suriname	75	Lesotho	107
Kuwait	10	Sri Lanka	44	Papua New Guinea	76	Guinea	108
Bhutan	11	St Vincent	45	Zambia	77	Mali	109
Botswana	12	Vanuatu	46	Pakistan	78	Iraq	110
Panama	13	South Africa	47	Gambia	79	Iran	111
Jamaica	14	Nepal	48	Togo	80	Comores	112
Albania	15	Grenada	49	Liberia	81	Zimbabwe	113
Thailand	16	Turkey	50	Gabon	82	Chad	114
Mongolia	17	Maldives	51	Belarus	83	Equat. Guinea	115
Armenia	18	Rwanda	52	Belize	84	Rep. Congo (Brazzaville)	116
Saudi Arabia	19	Cote d'Ivoire	53	Kiribati	85	Burundi	117
Dominican Rep	20	Kenya	54	Tajikistan	86	Venezuela	118
Kazakhstan	21	Tunisia	55	Sao Tomé	87	Myanmar	119
Serbia	22	Tanzania	56	Nigeria	88	Haiti	120
India	23	Guatemala	57	Algeria	89	RD Congo (Kinshasa)	121
Oman	24	Ecuador	58	Madagascar	90	Eritrea	122
Indonesia	25	Honduras	59	Uganda	91	Libya	123
Moldova	26	Uzbekistan	60	Mauritania	92	Afghanistan	124
Peru	27	Ukraine	61	Burkina Faso	93	CAR	125
Trinidad	28	Dominica	62	Cabo Verde	94	Sudan	126
Jordan	29	Samoa	63	Ethiopia	95	Syria	127
Morocco	30	Azerbaijan	64	Mozambique	96	Somalia	128
Philippines	31	Benin	65	Angola	97	Yemen	129
Ghana	32	Bangladesh	66	Tonga	98	South Sudan	130
Brazil	33						
Namibia	34						

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FRASER INSTITUTE- ECONOMIC FREEDOM

- ▶ 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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FRASER INSTITUTE'S ECONOMIC FREEDOM WORLD MAP



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OVERALL RANK ◊	COUNTRY NAME ◊	YEAR ◊	OVERALL SCORE ◀	SIZE OF GOVERNMENT ◊	LEGAL SYS & PROP. RIGHTS (ADJ.) ◊	SOUND MONEY ◊	TRADE INTERNATIONALLY ◊	REGULATION
1	Hong Kong SAR, China	2022	8.58	7.34	7.49	9.53	9.66	8.86
2	Singapore	2022	8.55	7.32	8.40	8.71	9.56	8.73
3	Switzerland	2022	8.43	7.60	8.92	9.55	8.11	7.98
4	New Zealand	2022	8.39	6.39	9.00	8.83	8.94	8.78
5	United States	2022	8.09	7.35	7.78	8.53	8.11	8.66
6	Ireland	2022	8.02	6.33	7.88	8.63	8.98	8.29
6	Denmark	2022	8.02	5.34	9.10	8.78	8.94	7.94
8	Canada	2022	7.99	6.44	8.30	8.55	8.53	8.14
9	Australia	2022	7.98	6.14	8.58	8.80	8.15	8.23
9	Luxembourg	2022	7.98	5.39	8.64	8.70	8.97	8.19
11	Japan	2022	7.90	5.85	7.70	9.55	8.50	7.93
12	United Kingdom	2022	7.88	6.18	8.01	8.71	8.75	7.75
13	Finland	2022	7.87	5.06	8.86	8.52	8.67	8.22
14	Iceland	2022	7.84	6.03	8.77	8.66	8.41	7.32
15	Malta	2022	7.82	6.61	6.77	8.79	9.02	7.90
16	Germany	2022	7.80	5.78	8.15	8.60	8.73	7.75
17	Mauritius	2022	7.79	7.98	7.00	8.25	8.76	6.96
18	Netherlands	2022	7.74	4.92	8.66	8.34	9.15	7.61
19	Taiwan	2022	7.71	7.47	7.35	8.00	8.20	7.53

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151	Chad	2022	5.05	7.54	2.45	5.66	5.23	4.37
152	Congo, Dem. Rep.	2022	5.02	5.98	2.59	5.95	5.61	4.94
153	Central African Republic	2022	4.92	6.65	2.03	6.02	5.13	4.76
154	Congo, Rep.	2022	4.89	6.02	2.78	5.39	5.74	4.53
155	Angola	2022	4.79	7.50	3.17	5.00	2.97	5.30
156	Yemen, Rep.	2022	4.68	8.31	2.40	4.98	4.61	3.11
157	Libya	2022	4.65	3.62	2.50	7.03	5.76	4.32
158	Iran, Islamic Rep.	2022	4.63	6.99	3.26	5.95	2.48	4.47
159	Argentina	2022	4.55	6.22	4.95	2.55	4.22	4.80
160	Myanmar	2022	4.54	6.75	3.02	4.77	3.48	4.67
161	Algeria	2022	4.46	4.45	3.82	6.37	3.14	4.51
162	Syrian Arab Republic	2022	4.28	6.31	2.26	6.57	3.13	3.15
163	Sudan	2022	4.11	8.04	2.03	1.25	5.24	3.99
164	Zimbabwe	2022	3.53	5.63	3.54	1.25	3.03	4.20
165	Venezuela, RB	2022	3.02	4.50	2.29	0.74	5.03	2.54

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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*
- ▶ 12 freedoms in 184 countries
- ▶ Broad array of institutional factors determining economic freedom: corruption, non-tariff barriers to trade, fiscal burden of government, rule of law, regulatory burdens, restrictions on banks, labor market regulations, black market activities...

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THE HERITAGE FOUNDATION: ECONOMIC FREEDOM INDEX

We measure economic freedom based on 12 quantitative and qualitative factors, grouped into four broad categories, or pillars, of economic freedom:

1. **Rule of Law** (property rights, government integrity, judicial effectiveness)
2. **Government Size** (government spending, tax burden, fiscal health)
3. **Regulatory Efficiency** (business freedom, labor freedom, monetary freedom)
4. **Open Markets** (trade freedom, investment freedom, financial freedom)

Each of the twelve economic freedoms within these categories is graded on a scale of 0 to 100. A country's overall score is derived by averaging these twelve economic freedoms, with equal weight being given to each. More information on the grading and methodology can be found in the appendix.

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CRITERIA OF ECONOMIC FREEDOM

► To measure economic freedom and rate each country, the *Index* is based on 50 independent economic variables, with **four key aspects** of the economic and entrepreneurial environment:

1. Rule of law,
2. Government size,
3. Regulatory efficiency
4. Market openness

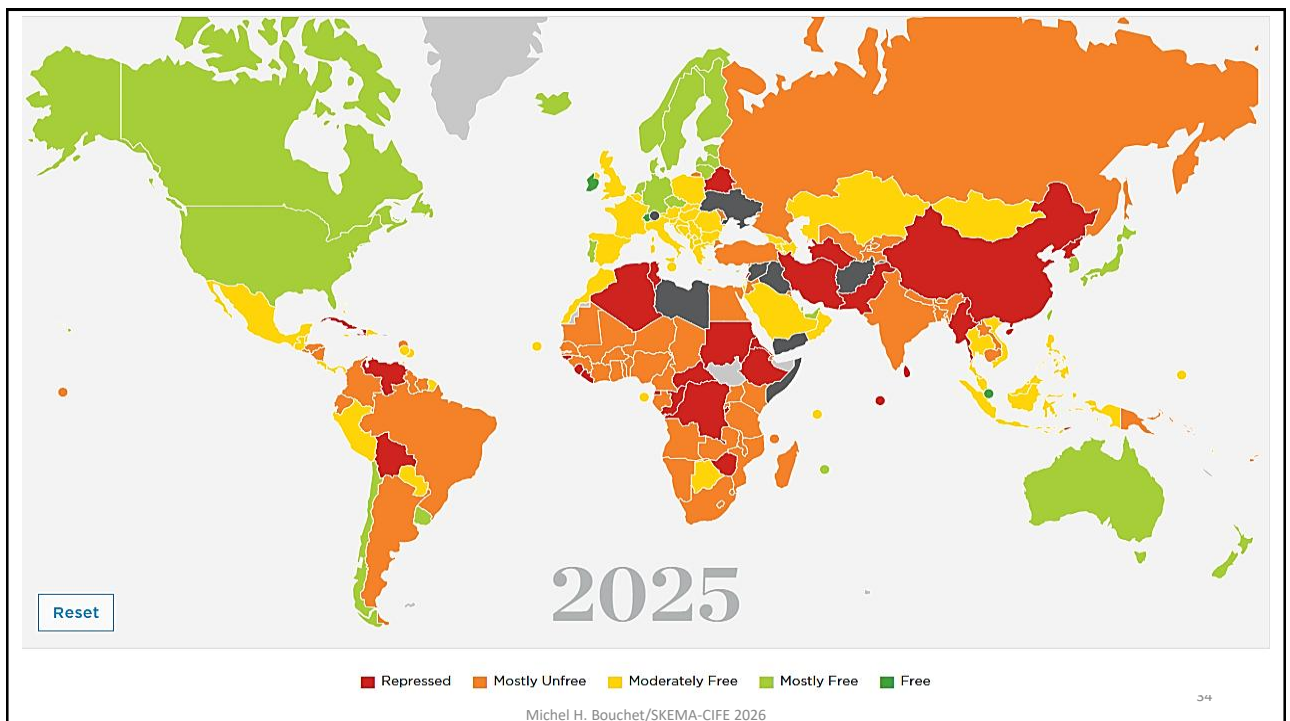
And **12 broad categories of economic freedom:**

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
11. Public Services
12. Government Integrity

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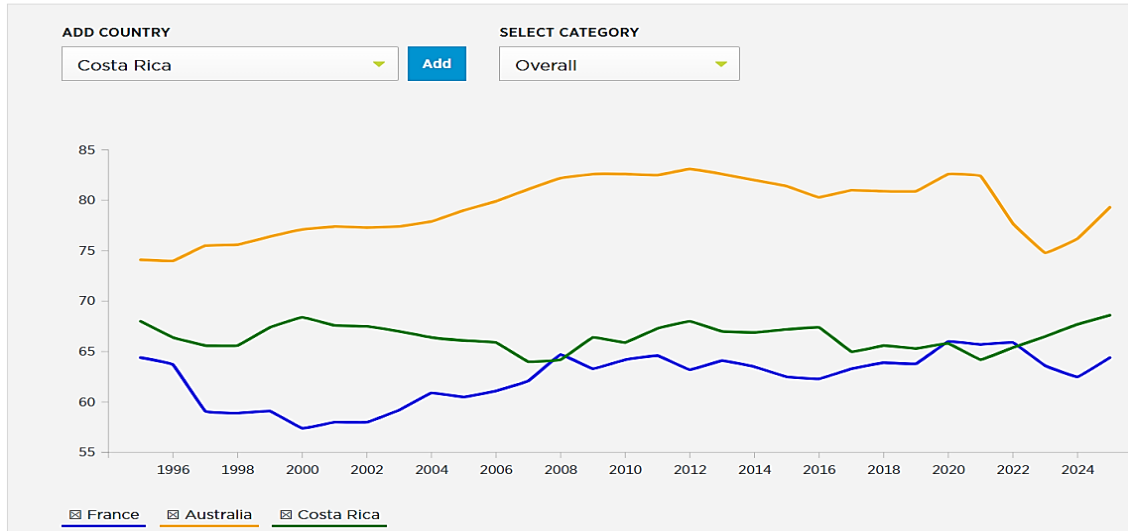
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ECONOMIC FREEDOM: CROSS-COUNTRY COMPARISON

COMPARE COUNTRIES



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INDEX OF ECONOMIC FREEDOM

« THE BEST »

Rank	Country	Overall	Change	rank	Country	Overall	Change
1	Singapore	83.9	-0.5 ▼	3	Ireland	82.0	0.0 —
2	Switzerland	83.8	-0.4 ▼	4	Taiwan	80.7	+0.6 ▲
MOSTLY FREE (79.9-70)							
5	New Zealand	78.9	-1.7 ▼	17	Latvia	72.8	-2.0 ▼
6	Estonia	78.6	-1.4 ▼	18	Cyprus	72.3	-0.6 ▼
7	Luxembourg	78.4	-2.2 ▼	19	Iceland	72.2	-4.8 ▼
8	Netherlands	78.0	-1.5 ▼	20	Lithuania	72.2	-3.6 ▼
9	Denmark	77.6	-0.4 ▼	21	Czech Republic	71.9	-2.5 ▼
10	Sweden	77.5	-0.4 ▼	22	Chile	71.1	-3.3 ▼
11	Finland	77.1	-1.2 ▼	23	Austria	71.1	-2.7 ▼
12	Norway	76.9	0.0 —	24	United Arab Emirates	70.9	+0.7 ▲
13	Australia	74.8	-2.9 ▼	25	United States	70.6	-1.5 ▼
14	Germany	73.7	-2.4 ▼	26	Mauritius	70.6	-0.3 ▼
15	South Korea	73.7	-0.9 ▼	27	Uruguay	70.2	+0.2 ▲
16	Canada	73.7	-2.9 ▼				

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INDEX OF ECONOMIC FREEDOM 2025

« THE WORST »

Name ▽△	Index Year ▽△	Overall Score ▽△	Property Rights ▽△	Government Integrity ▽△	Judicial Effectiveness ▽△	Tax Burden ▽△	Government Spending ▽△
Bolivia	2025	44.1	19.9	27.3	29.4	88.8	61.8
Burma	2025	43.7	17.3	18.7	4.2	88.6	84.0
Guinea-Bissau	2025	43.6	26.5	20.4	14.0	88.9	84.5
Central African Republic	2025	42.8	6.9	19.6	4.0	65.5	89.8
Iran	2025	42.5	23.3	16.3	18.6	81.3	94.0
Burundi	2025	39.7	28.6	14.2	7.4	76.1	71.1
Eritrea	2025	38.6	6.1	14.5	3.8	80.3	62.3
Sudan	2025	35.3	12.0	15.6	4.0	84.7	95.7
Zimbabwe	2025	35.1	20.7	20.7	15.8	73.6	87.6
Venezuela	2025	27.6	0.7	6.7	4.1	75.9	93.8
Cuba	2025	25.4	29.9	33.4	14.3	51.9	0
North Korea	2025	3.0	15.7	4.0	5.9	0	0
Afghanistan	2025	N/A	7.4	14.1	2.7	N/A	N/A
Iraq	2025	N/A	6.3	19.9	7.1	N/A	N/A
Libya	2025	N/A	5.7	11.7	3.6	N/A	N/A
Liechtenstein	2025	N/A	94.4	82.4	86.7	N/A	N/A
Somalia	2025	N/A	0	8.2	1.6	N/A	N/A
Syria	2025	N/A	2.6	3.3	3.7	N/A	N/A
Ukraine	2025	N/A	21.5	35.4	29.9	N/A	N/A
Yemen	2025	N/A	5.1	6.1	8.3	N/A	N/A

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HERITAGE FOUNDATION INDEX OF ECONOMIC FREEDOM

MODERATELY FREE (79.9-70)

▶ Trade + Fiscal Burden, + Government Intervention, + Monetary Policy, + FDI + Inflation + External Competitiveness + Banking sector

Rank	Country	Overall	Change
28	United Kingdom	69.9	-2.8 ▼
29	Barbados	69.8	-1.5 ▼
30	Portugal	69.5	-1.3 ▼
31	Japan	69.3	-0.6 ▼
32	Bulgaria	69.3	-1.7 ▼
33	Slovakia	69.0	-0.7 ▼
34	Israel	68.9	+0.9 ▲
35	Georgia	68.7	-3.1 ▼
36	Qatar	68.6	+0.9 ▲
37	Slovenia	68.5	-2.0 ▼
38	Samoa	68.3	0.0 ▬
39	Jamaica	68.1	+0.7 ▲
40	Poland	67.7	-1.0 ▼
41	Malta	67.5	-4.0 ▼

rank	Country	Overall	Change
56	North Macedonia	63.7	-2.0 ▼
57	France	63.6	-2.3 ▼
58	Serbia	63.5	-1.7 ▼
59	Saint Vincent and the Grenadines	63.5	-2.2 ▼
60	Indonesia	63.5	-0.9 ▼
61	Mexico	63.2	-0.5 ▼
62	Colombia	63.1	-2.0 ▼
63	Bosnia and Herzegovina	62.9	-0.5 ▼
64	Guatemala	62.7	-0.5 ▼
65	Dominican Republic	62.6	-0.4 ▼
66	Micronesia	62.6	+1.6 ▲
67	The Bahamas	62.6	-6.1 ▼
68	Bahrain	62.5	+0.5 ▲
69	Italy	62.3	-3.1 ▼

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ECONOMIC FREEDOM



Damned! Hello GEGPA students!
How can you explain that the US **Economic Freedom Index** is worse than Chile!

Hello GEGPA Students! How can you explain that Italy's index of Economic Freedom is worse than Guatemala!?



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POLITICAL FREEDOM INDEX

- ▶ Since 1972, Freedom House has published an annual assessment of the state of freedom in 195 countries, based on a checklist of questions on **political rights and civil liberties** (Universal Declaration of Human Rights).
- ▶ A country/territory is awarded 0 to 4 points on each of 25 indicators, for a maximum score of 100 points.
- ▶ These indicators, which take the form of questions, are grouped into the categories of Political Rights (0–40) and Civil Liberties (0–60).
- ▶ The two score totals are then weighted equally to determine a country/territory's status of Free, Partly Free, or Not Free.

<http://www.freedomhouse.org/ratings/index.htm>

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FREEDOM IN THE WORLD: SEVEN CATEGORIES

Political institutions

1. Electoral Process: executive and legislative elections, and electoral framework
2. Political Pluralism and Participation: party system, competition, freedom to exercise political choices, and minority voting rights
3. Functioning of Government: corruption, transparency, and ability of elected officials to govern in practice

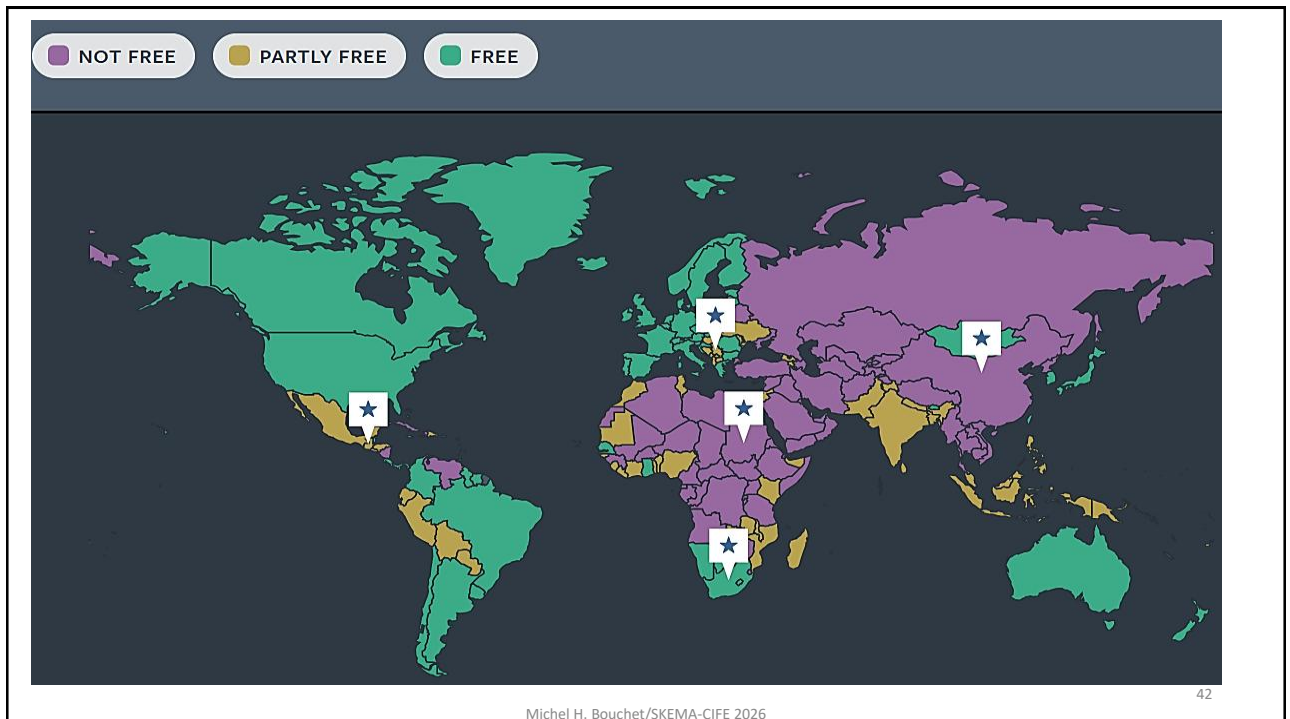
Civil liberties

4. Freedom of Expression and Belief: media, religious freedom, academic freedom, and free private discussion
5. Associational and Organizational Rights: free assembly, civic groups, and labor unions
6. Rule of Law: independent judges and prosecutors, due process, crime and disorder, and legal equality
7. Personal Autonomy and Individual Rights: freedom of movement, property rights, personal and family rights, and freedom from economic exploitation

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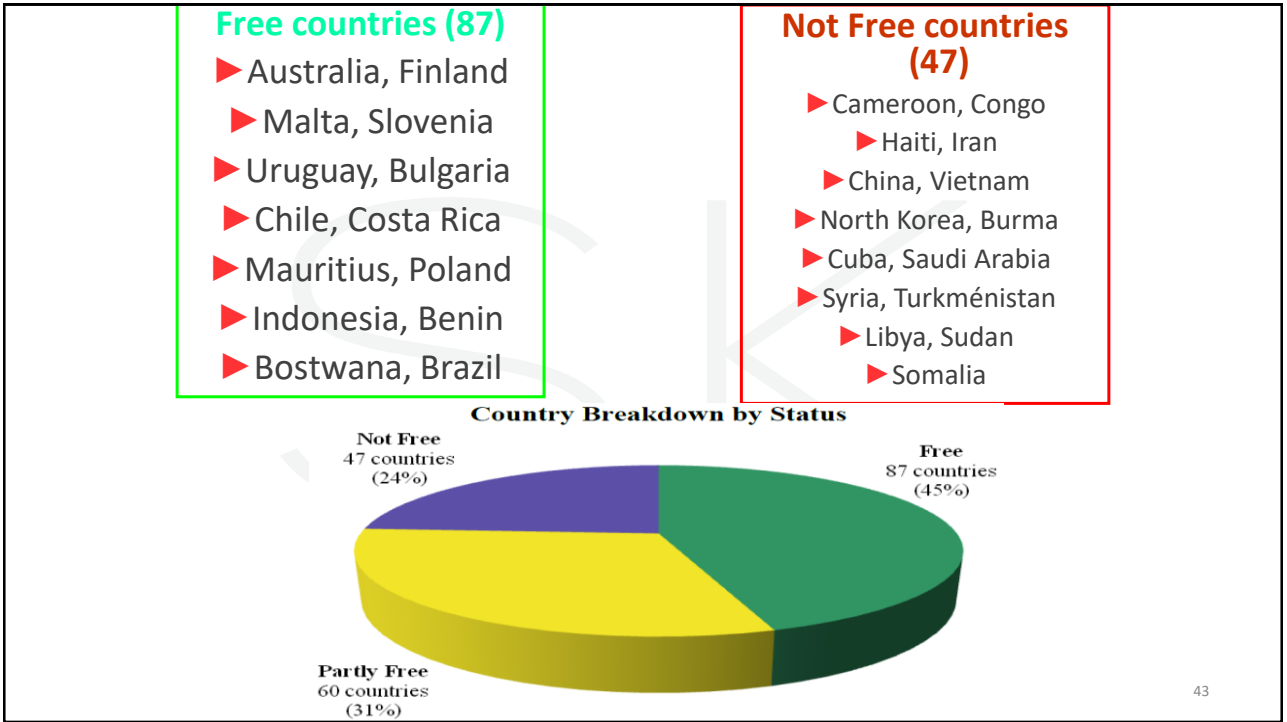
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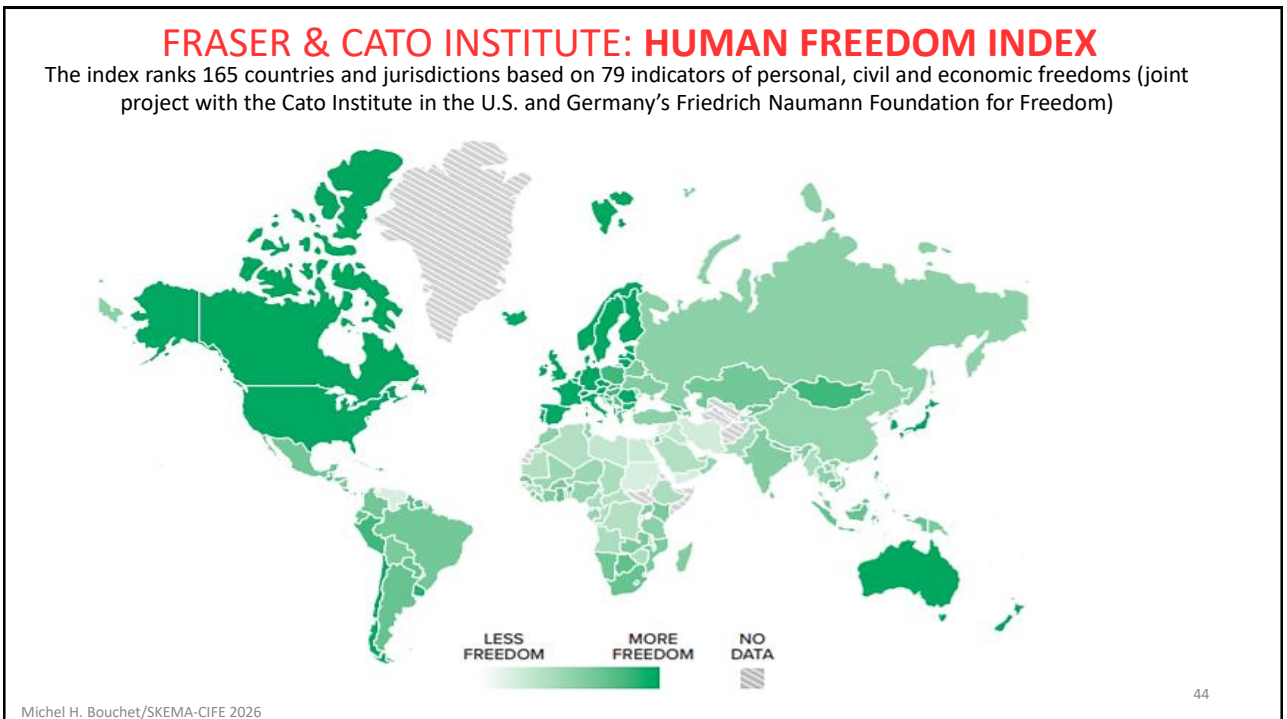
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GLOBAL CONFLICT RISK INDEX

DRMKC - Disaster Risk Management Knowledge Centre

The GCRI covers 22 variables in 6 dimensions (social, economic, security, political, geographical/environmental, demographic) reflecting structural conditions correlated to the occurrence of violent conflict.

The GCRI uses historical data since 1991 to forecast conflict risk in the next 1-4 years.

Conflict risk scores relate to 4 types of conflict: (1) Any conflict, (2) State-based conflict, (3) Non-state conflict and (4) One-sided violence.

Variable	Relative Score (0-100)
DEMOCRACY	~45
STATE CAPACITY	~85
REPRESSION	~75
CORRUPTION	~55
RECENT INTERNAL CONFLICTS	~70
YEARS SINCE LAST CONFLICT	~95
NEIGHBORING CONFLICT	~90
HOMICIDE RATE	~50
FEMALE EMPOWERMENT	~65
ETHNIC EXCLUSION	~80
TRANSNATIONAL ETHNIC TIES	~85
FOOD SECURITY	~75
UNEMPLOYMENT	~60
GDP PER CAPITA	~65
INCOME INEQUALITY	~55
TRADE OPENNESS	~60
OIL EXPORTS	~80
DROUGHTS	~65
TEMPERATURE CHANGE	~80
POPULATION	~65
YOUTH BULGE	~75
CHILD MORTALITY	~85

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THE MISERY INDEX =

SUM OF INFLATION AND UNEMPLOYMENT RATES; A CRUDE METRIC OF PAIN FOR THE AVERAGE CITIZEN

PROTESTS HAVE MANY DRIVERS (INEQUALITY, CORRUPTION, POLITICAL EXCLUSION) BUT HIGH MISERY INCREASES THE RISK OF PROTESTS

MISERY INDEX LEVEL SHOULD BE CONSIDERED RELATIVE TO RECENT HISTORIC PEAKS

Misery index in EM: Absolute metric for protest risk

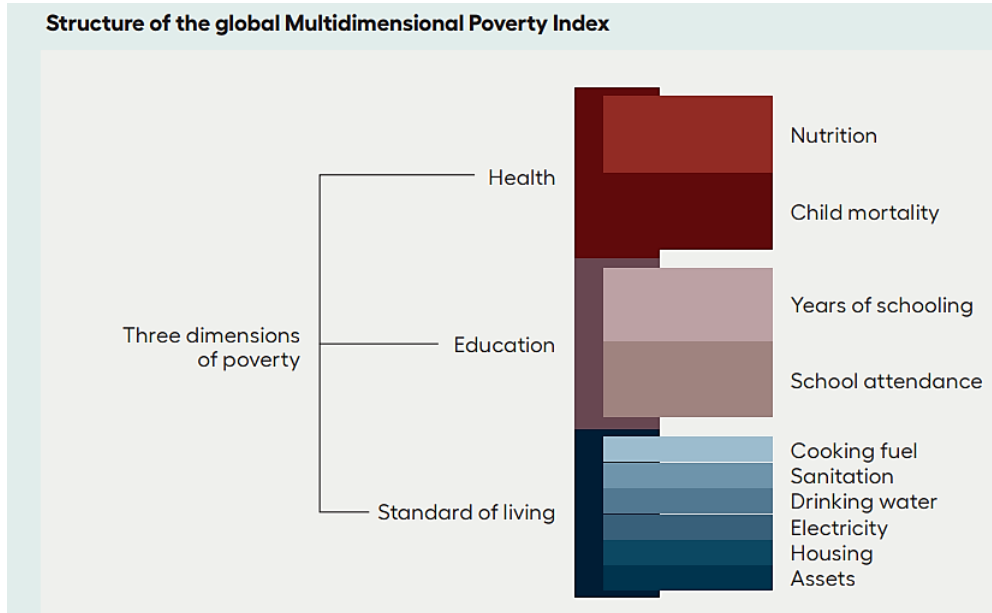
Inflation rate plus unemployment rate (2022f, %)

Country	Misery Index (2022f, %)
Europe	12
US	9
Turkey	64
Argentina	59
South Africa	41
Iran	40
Russia	33
Jordan	27
Nigeria	25
Tunisia	25
Sri Lanka	22
Ghana	21
Brazil	20
Iraq	20
Pakistan	20
Colombia	19
Georgia	18
Egypt	18
Jamaica	17
Mauritius	16
Morocco	16
Greece	15
Hungary	15
Kenya	14
India	14
Kazakhstan	13
Peru	13
Romania	13
Chile	13
Iceland	12
Poland	11
Bangladesh	11
Mexico	10
Indonesia	10
Saudi	10
Philippines	10
Tanzania	9
Bahrain	9
Ivory Coast	8

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UNDP: HDI AND THE GLOBAL MULTIDIMENSIONAL POVERTY INDEX



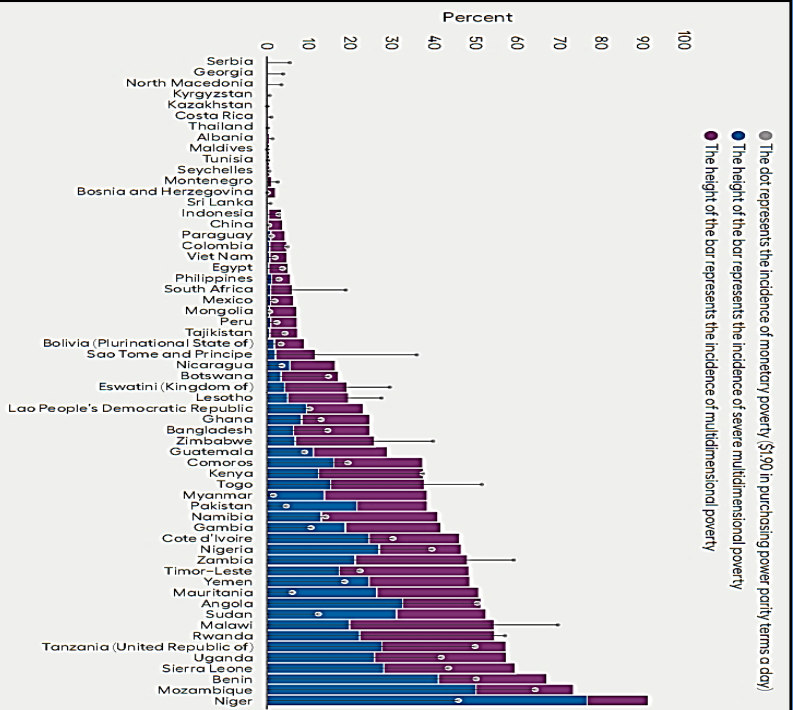
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INDEX OF MULTIDIMENSIONAL POVERTY

THE POOREST OF THE POOREST COUNTRIES ARE ALSO THE MOST CORRUPT AND INSTITUTIONALLY FRAGILE: FAILED STATES AHEAD!



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