

Country Risk Analysis

Bill Block
George Mason University
School of Public, Government, and International Affairs
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Course Overview:

When is a country “risky?” Which economic and political factors cause the risk profile of a country to change? How can country risk analysis help to improve international lending, investment, project, or policymaking decisions? What methods are available for identifying, measuring, and managing country risks?

This course will provide an introduction to the analytical aspects of country risk analysis. While mainly used in international business and finance, country risk analysis is also relevant for foreign policy and security studies as well as work done by international NGOs. The course is thus relevant for students from a wide range of backgrounds and with diverse career goals.

Course Topics:

The course will focus primarily on the economic aspects of country risk. Rather than concentrating on a particular region or country, the course will provide a more general analytic approach and toolkit to risk analysis that can be applied across a wide spectrum of countries. The outline of the course is as follows:

- Unit 1: Introduction to country risk analysis
- Unit 2: Risk indicators and early warning systems
- Unit 3: Country risk methodologies
- Unit 4: Economic growth and country risk analysis
- Unit 5: Fiscal policy and country risk analysis
- Unit 6: Monetary policy and country risk analysis
- Unit 7: Financial systems and country risk analysis
- Unit 8: The balance of payments and country risk analysis
- Unit 9: The current account, financial account, and country risk analysis
- Unit 10: Economic stabilization and country risk analysis
- Unit 11: Sovereign debt and country risk analysis
- Unit 12: Political risk and country risk analysis
- Unit 13: Foreign direct investment and country risk analysis
- Unit 14: Country risk management techniques
Course Perspective:

The perspective taken throughout the course is one of a country risk practitioner whose job is to analyze some specific “real world” aspect of country risk. For example, does Country X or Country Y have greater risk? Do you agree or disagree with the risk rating or risk score that has been assigned to Country X? How would you manage risks that you perceive in Country X?

Course Format:

The course will be taught online and through Blackboard. Although online courses lack the immediacy of in-class teaching, they more than compensate through their increased flexibility. Course communication will take place primarily through videotaped lectures, the Blackboard Discussion Board, and Skype. Students should be aware of the compressed nature of the course owing to the fact that it takes place during the summer term. While the workload is “medium,” only half the amount of time is available in which to cover a full semester of material.

Level of Difficulty and Course Preparation:

The course is taught at an intermediate level. Prior coursework in macroeconomics, finance, and introductory level statistics will be helpful since these topics comprise the core elements of country risk analysis. Although economics material discussed in the class is taught entirely in “plain English,” students should be comfortable with economic concepts and reasoning. Previous coursework in international relations and/or regional studies will also be helpful since country risk is often strongly affected by global and regional political developments. Most importantly, students should have a strong interest in global economic and political issues.

Readings:

Most reading materials will be drawn from electronically available sources provided in the syllabus at the time the course begins. Books used throughout the course will include:

- Country Risk Analysis by Mina Toksöz
- Managing Country Risk by Daniel Wagner
- Argentina and The Fund: From Triumph to Tragedy by Michael Mussa
- Stress Test by Tim Geithner (recommended, not required)
- The Courage to Act by Ben Bernanke (recommended, not required)
Excellent information about country risk also comes from higher-quality economic and financial journalism. Students are thus encouraged to regularly read publications like the Financial Times, The Economist, and The Wall Street Journal.

**Course Requirements:**

Course requirements will include: (1) video lectures; (2) assigned reading materials; (3) 2 exams (multiple choice and/or short answer questions along with a 3-4 page essay on an assigned topic); (4) 1 longer, end-of-term paper (10 pages written in groups); and (3) end-of-week self-assessment quizzes (15-20 short questions) and a short writing assignment (1 page per week). The end-of-week assignments will help to reinforce materials covered that week, assist in exam preparation, and also facilitate general class discussion.