**Country Risk Analysis**
George Mason University  
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**Overview:**
When is a country “risky?” What causes country risk to change? How can country risks be anticipated and managed?

Country risk analysis is primarily used in the area of international commerce and finance. Importers and exporters analyze country risk to monitor the risks of non-delivery or non-payment. Multinational corporations make use of country risk analysis as they evaluate buying or building foreign companies. Global asset managers rely on country risk analysis when deciding whether to buy or sell foreign portfolio securities.

Topics we will examine in our course include: sovereign debt analysis and default risk, trade deficits, capital flow “sudden stops,” foreign exchange controls, expropriation, tariffs and non-tariff restrictions, currency devaluations, and various types of macroeconomic imbalance risks. Students will see that country risk analysis involves quantitative as well as qualitative analysis and that there is no country risk “cookbook” or “formula” that can be simplistically followed.

**Student Learning Outcomes:**
By the end of this course, students will have a solid and comprehensive introduction to country risk analysis. Specific learning objectives for our course include an understanding of:

- The main responsibilities of a “country risk analyst”
- Different ways of understanding what “country risk” is
- Key substantive issues involved in country risk analysis
- Analyzing different country risk issues and risk scenarios

**Course schedule and topics:**
Each week will consist of two units or topics for a total of 14 units. Apart from the condensed time period required by the summer term, our course is identical to a normal semester course.

Unit 1: Introduction to country risk analysis  
Unit 2: Country risk indicators and scenarios  
Unit 3: Economic growth and country risk  
Unit 4: Fiscal policy and country risk  
Unit 5: Monetary policy, financial system risk, and country risk  
Unit 6: External risk (balance of payments) and country risk  
Unit 7: Exchange rates and country risk  
Unit 8: The current account balance and country risk
Unit 9: The financial account balance and country risk
Unit 10: Sovereign debt, external debt, and country risk
Unit 11: International trade policy and country risk
Unit 12: International investment policy and country risk
Unit 13: Political risk and country risk
Unit 14: Country risk management strategies

Our approach to country risk analysis will emphasize analytics and principles rather than case studies. In week #1, students will select a country you will monitor throughout our course and which will serve as your “case study” for the various risk topics we examine each week.

Level of difficulty and course prerequisites:
This is an intermediate-level course. Students should have had at least one prior course in macroeconomics. Introductory statistics is also required. Basic knowledge of finance is not required but is helpful. Students should be familiar with Excel and able to calculate basic statistical functions using it – e.g., a standard deviation or the present value of an investment.

However, beyond introductory statistics, the technical demands of our course are minimal. No math or econometrics is used and we will emphasize risk concepts rather than calculations. Although taught entirely in “plain English,” the course will challenge you to think carefully about country risk concepts and analyze risk under different conditions and scenarios.

Course requirements:
The course is entirely online. Course materials will mainly consist of three parts:

- Weekly video lectures – each lecture is broken down into 10-15 sections or modules
- Weekly assignments (≈ 25-30 multiple choice questions and a short writing assignment)
- Three exams (≈ 25-30 multiple choice questions and a short writing assignment)

Exams will be “open book.” You will not be expected to memorize any materials or formulas but will instead be tested on your ability to interpret risk concepts and scenarios. Exams and weekly assignments will follow the same format – multiple choice questions and a short essay.

Grades will be based on a class curve and include the following elements:
Pre-course survey 5 points
Class participation 15 points
Weekly assignments 50 points (5 assignments worth 10 points each)
Exams 180 points (3 exams worth 60 points each)
Total 250 points

Exams are notionally scheduled for week #4, #6, and #8.

Late submissions of assignments and exams are accepted for health, family, religious, or other exceptional reasons. Otherwise, course deadlines are strictly enforced out of fairness to other
students who submit their assignments by the deadline. If you will require an extension, please contact me in advance.

Although an online course, students are encouraged to actively participate through the course discussion forum. To stimulate discussion, I will post questions and short articles intermittently and encourage students to exchange your thoughts.

**Readings:**
There are no required books. Readings will be recommended and posted throughout the course as we examine a specific topic. Video lectures will comprise most of the material we cover. Data sources we rely on will mainly include the International Monetary Fund and Standard & Poor’s.

Excellent sources of country risk analysis include The Economist, Financial Times, and The Wall Street Journal – you are encouraged to read them regularly. Although journalistic rather than academic, each publication provides a large and regular flow of news stories that are excellent opportunities for “hands on practice” in applying various risk topics we will discuss.

For students who want a general introduction to country risk analysis, you might consider:

Toksoz: Guide to Country Risk (The Economist series)
Bouchet, Fiskin, and Goguel: Managing Country Risk in an Age of Globalization

**Office Hours:**
Since this is an online course, office hours will be appointment – please reach out at any time if you wish to schedule. I am generally flexible and happy to schedule whenever it is mutually convenient. I do expect to be on travel during parts of our course and will occasionally be working from different times zones other than EST.

**Special Student Needs:**
If you are a student with a disability and you need academic accommodations, please see me and contact the Disability Resource Center (DRC) at 993-2474. All academic accommodations must be arranged through the DRC.

**Statement on Academic Integrity:**
Faculty in the Schar School have zero tolerance for academic dishonesty and will strictly enforce Mason’s honor code.

**Time Commitment:**
Please ensure you allocate sufficient time to complete all weekly videos and assignments and fully understand the materials. Our course is fast-paced. GMU guidelines state the expected workload for a normal semester-long course is 8-10 hours per week – with our abbreviated summer schedule, this is equivalent to **16-20 hours per week.**