Open University Cyprus **Hellenic *Open University***

Master's join degree/post graduate Programme
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Faculty of Economics and Management
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Master's Thesis

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Political Risks Analysis Using Open Data

Nikolaos Patoulias

Supervisor
Nikitas Koutsoukis

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Summary

Political risk, which often is called country risk, refers to how and how much politics may affect a business or a market in which a business operates, due to acts of political nature such as demonstrations or sanctions etc. In this study we utilized a political risk framework which was “invented” for the needs of the study, using data that already available and accessible by anyone, using Open Data in other words. Open Data is a tendency today, especially in the European The data used in this essay come from institutions like the World Bank, Eurostat, OECD, Elstat and others. In the study we find definitions of Open Data and Country Risk. Subsequently, we present a historical review of Country Risk Assessment from the late 1880 until today. Then we analyze the proposed risk model in every component and then we moving towards an example risk assessment “using” Greece. Finally, the structure of the study ends up to a final chapter in which the conclusions are given.

Περίληψη

Πολιτικός κίνδυνος, ο οποίος συχνά καλείται και κίνδυνος χώρας, αναφέρεται στο πως και στο πόσο η πολιτική μπορεί να επηρεάσει μια επιχείρηση ή μια αγορά μέσα στην οποία μια επιχείρηση δραστηριοποιείται, λόγω πράξεων που έχουν πολιτική φύση όπως είναι για παράδειγμα διαδηλώσεις ή κυρώσεις κ.α. Σε αυτή τη μελέτη χρησιμοποιούμε ένα πλαίσιο πολιτικού κινδύνου, το οπ[οίο επινοήθηκε για τις ανάγκες της εργασίας, χρησιμοποιώντας δεδομένα τα οποία είναι ήδη διαθέσιμα και προσβάσιμα από όλους, χρησιμοποιώντας Ανοικτά Δεδομένα με άλλα λόγια. Τα Ανοικτά Δεδομένα είναι μια τάση σήμερα, ιδιαίτερα στην Ευρωπαϊκή Ένωση Τα δεδομένα που χρησιμοποιήθηκαν σε αυτή την εργασία προέρχονται από ιδρύματα όπως η Παγκόσμια Τράπεζα, η Εύροστατ, ο ΟΟΣΑ, η Ελ.Στατ. και άλλα. Στη μελέτη βρίσκουμε αρχικά ορισμούς για τα Ανοικτά Δεδομένα και τον κίνδυνο χώρας. Στη συνέχεια, κάνουμε μία ιστορική αναδρομή στην εκτίμηση του κινδύνου χώρας από τα τέλη του 1880 έως και σήμερα. Ακολούθως αναλύουμε το προτεινόμενο μοντέλο κινδύνου σε κάθε ένα από τα συστατικά του και εν συνεχεία προχωρούμε σε μια παραδειγματική εκτίμηση κινδύνου «χρησιμοποιώντας» την Ελλάδα. Τέλος, η εργασία κλείνει με την παράθεση των συμπερασμάτων.

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Chapter 1
Introduction

Modern life is a lot different than the one on the past. In the economic and financial landscape globalization is dominant and these facts have led to a cruel competition. Firms and institutes and also organizations are involved in a “war”. The changes in many aspects of life (economy, society, technology) have made the environment uncertain and the financial and business landscape is characterized by instability all around the world. Considering this context everyone can perceive the importance of decision making.

A modern globalized world decision “costs” more than before and the need that arises is the need of “risk free” decision. Of course, is utopia even to consider that a risk-free decision can exist, so the actual need is to minimize the risk in any given decision that we have to make.

The anticipation and management of political risk is quite challenging and difficult, mainly due to its often unpredictable and hard to measure nature. (Lawton, Doh, & Rajwani, 2014; McKellar, 2010). Managers might face a number of unexpected forms of risk, these risks may be financial ones or operational. The effects of the aforementioned risks may could be found in the strategy or even the structure of a firm. The critical question that arises is how a risk associated with a sudden regime or policy change by the government or other reasons can be managed in and by an organization? What can be done to manage the political instability after a terrorist attack or civil unrest? It is widely observed that the strategic importance of political risk is often ignored or underestimated by top managers despite the fact that its impact is extended (Bremmer & Keat, 2010; Czinkota, Knight, Liesch, & Steen, 2010; Lawton, Doh, & Rajwani, 2014). Most companies tend to adopt a more defensive approach towards political risk with the exception of extractive industries mostly and some other industries which have developed mechanism to adjust to political risk and have a different political risk approach in general (Lawton, Doh, & Rajwani, 2014). The existing literature concerning political risk management, mainly focuses on the tendency which is oriented to the avoidance of risk and its reactive rather than proactive (Henisz, Mansfield, & Von Glinow, 2010; Moran & West, 2005; Mortanges & Allers, 1996; Slangen & van Tulder, 2009).

Nowadays the world is lead towards a data driven society. Especially the EU[1] "commits" its members into adopting an approach that favors the use of data and especially the use and exploitation and also capitalization of open data. A lot of actions have already been made in this direction, and a lot of countries have made available to the public a rather large number of data sets. Having that in mind we gravitate towards a need of utilization of this kind of data.

In order to train data analytics aiming at gaining new unveiled insights by foretelling and assessing certain trends or behaviors, a number of countries but also a lot of companies and non-governmental organizations around the world have started to publish government data. This kind of data are statistics, historical time series and similar data sets according to Open Data principles. Open Data represents an interesting potential resource that individuals and businesses may harness to enhance their own datasets, or which can be utilized to develop new and innovative products and services for both, commercial and noncommercial purposes (Skorna, 2018). Main benefits of Open Data seem to be an increase in transparency, stimulation of economic growth and improvement of data and processes. In parallel, the data providing institutions profit from an increased reputation as open and transparent entities (Janssen, Charalabidis, & Zuiderwijk, 2012). Academic research dedicated a lot of decades in studying political risk analysis and it still does. In most cases the focus is an effort to forecast risks that can in a way or another have a negative impact in the profitability of a business and in most cases this forecast is limited only in this field when examining a single country. Today political risk analytic could improve its position when exploiting the available data occurring by the boost provided by the use of computers and the dissemination of internet. The real picture is that many practitioners are challenged by the limited conceptualizations of political risks often even involving not transparent and subjective

[1] See COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS Towards a thriving data-driven economy available here

expert analysis (Brown, Cavusgil, & Lord, 2015). To make export businesses and foreign direct investments easier in the whole world, entrepreneurs should take the specific political risk situation in a country into account, as this risk type is becoming more and more relevant for professional decision-making processes.

Chapter 2
Open Data

2.1 The essence of open data

There is a principle that actually defines what open data is and it consist that some data should be available to anyone who wants it in order to use it in any way he or she can, reuse it and produce extra value by this certain exploitation. It has to be noted that there is a number of definitions available which have some differences between them, the most common is the differences on issues concerning licenses. Nevertheless, we can locate some principles that are common in all the available definitions and through these principles we can understand what open data is. The first common principle deals with the availability and the accessibility of the data. If some data is not available and no-one can access it then this data is not considered to be open. The aforementioned accessibility is better achieved if this data is online, moreover this data should be disposed in a format that is easily accessible and furthermore apart of this, the given format should be easily processing and editable. Another important aspect of what open data is the fact that this data should be up to date and of high quality. In this frame this data should always be checked in both quality and time. This data should be in a format that is readable by a computer, by a machine and should not be owned by anyone. In the same context the aforementioned format should promote the reuse and redistribution of the data. Finally, the reuse should not be clearly stated in a clear license. Very important is the existence of a clear agreement of use between the part of the one that provides the data and the part that uses the data, by this way any concerns about liability will be addressed.

In the context of this essay we refer to the data coming from the public sector and should open. There is a major difference between the right of freedom in information and the openness of data. The freedom in information refers to information that citizens can “extract” freely from public administration whereas open data refers to the accessibility and availability of data. Data and information are two totally different concepts. Information is the outcome of data use. (EUROCITIES, 2013)

2.2 The importance of public data

A number of potential benefits and a lot of potential added value can arise from the collaboration between various sectors by the use of open data. These benefits are not limited to certain sectors but extend to various aspect of life, social, economical, financial, health related etc. Some of these field are the following[2]:

Economic growth

A very notable fact and advantage that can occur by the use of open data is related to the appearance of new business opportunities. European Commission estimates that gains up to 40 billion euros per year could be created by the exploitation of open data, the reuse and redistribution. The added value occurring by the use of open data in business is huge and this refers just to the EU.

Transparency

Another big advantage that can occur by the use of open data is transparency. The established trust between the government and citizens can be reinforced by the opening of data. The publication of governmental data can contribute to the establishment of a new way of work in governance towards an open governance. An indicative example is the opening of data concerning budgets and the financial and the economic state of public organizations, by which citizens, and the world in general, can criticize by a fertile manner and also offer new perspectives and ideas. Both central government and local authorities can reap collateral gains by becoming more transparent.

Immediate responses and problem preventing by local authorities

[2] The following information extracted by various sources. Indicatively: (The Participation and Civic Engagement Group of the Social Development Department, 2018; OECD, OECD, n.d.; Involve, 2018; Hughes, Scott, & Maassen, 2018)

Apart from the central government, local authorities can gain by the use of open data. In a number of situations, as is traffic jams or even the climax in electricity use between seasons or even hourly, official can manage better any potential problem or even foresee the situation and manage it in such way that never that prevent the appearance of a problem. Open data use can be made by citizens in order to rise accountability of the city council for example. In the same context it has to be mentioned that a change in how citizens behave considering public issues is noted and expected by the use of open data. Cooperative creation and public innovation are just two of the fields that open data can contribute to in order to max gains by the exploitation of the eventuated information.

Upgraded public electronic services

We live in a world that directs towards digitalization. A merge of digital data can have positive effects in various fields. Different departments that were totally independent could develop synergies that can lead in a more effective administration in the community or in central government and also can lead to an upgrade in given public services.

Social changes

The opening of data will provide serious differentiation in society's build. There are sectors that can be favored by open data. Such a sector is the healthcare system that can improve its position, both financial and in the base of provided services. Environmental applications are another important aspect of social differentiation that arises by the opening of data. Society can have data that are up to date and by this data will able to monitor gas emissions for example and every citizen would be more informed and conscious about environmental pollution. Synergies among public sector, private sector, non-profit organization and citizens would be facilitated and this could have an added value in a number of fields.

"Smart cities" is also a field that is important in the open data environment. European Commission's Smart Cities and Communities Initiative is a field that will gain a lot by open data. What we are used to call smart technologies can thrive and their applications can be found in every given filed. In this context citizens and state can achieve collaborations very important for the public good.

The “birth” of new services and applications

The most obvious effect that occurs from public data opening is the “birth” of new services and applications. When we talk about “services” we mean both the services that are offered to the people by public or private organization and “new and innovative” applications which are exploiting and utilizing open data in order to offer added value to traditional or “modern” offered services. Of course, all the aforementioned should go one step forward and not just use data but also transform data into information and share it with anyone.

It is more than self-evident that potential economic and financial benefits are the filed that draws the attention. For the purposes of this essay we focus on designing a country risk management model.

Chapter 3
Risk Management and Country Risk

3.1 Risk Management

Our first task is to try to find one definition that covers most or all aspects on what is country risk. Transfer risk is the same thing to political risk? What is the difference between country risk and sovereign risk? There are important differences among the aforementioned risks or all of them are used to describe more or less the same thing (Fight, 2004)? Panras Nagy (1984) offered one definition of country risk in *Euromoney*: *"Country risk is the exposure to a loss in cross-border lending caused by events in a particular country which are, at least to some extent, under the control of the government but definitely not under the control of a private enterprise or individual".* In the path we follow we are facing a number of cross roads in our effort to find what country risk is and how a risk in a country can be brought to surface. We can allocate three main categories of events. The first one is political. Here can be found risks that associate to political reasons such as war or revolution and other similar events. A country due these reasons does not serve its obligations concerning its debts. The same result, the failure to pay debts, occurs from factors that are allocated in the economic field, inflation for example or the inability to export combined with import dependency. Finally, the last category, which also end in failure in servicing the debts, is associated with social reasons. These reasons are is the distribution of wealth or even tension that are ethic or even religious and other. All of the reasons in this category may or may not be outcomes of governmental policies and could or could not have be controlled by the government.

3.2 Country Risk

In this chapter we start by "walking" through time stopping in some important stations in the history of country risk assessment. After that some other dimensions of country risk are given.

3.2.1 Historical review of Country Risk Assessments

A study in the development and in the trends, which presented over time, of the field of country risk assessment over time would help to understand how it arrived at its present state. The development of country risk assessment needs to be examined in conjunction with the alternations in the field of international capital flows.

3.2.2 1880 - 1913

Our field of interest, that being country risk assessment, "appeared" for the first time and it is believed by the majority of people that its roots are placed in sovereign credit ratings. This chronically is placed the decades near the end of the 19th century when was noted the first out of four economic prosperities ebullitions based on lending of the twentieth century and specifically between 1880 and 1913 as Eichengreen notes (2003). We also have to point out that a lot of people believe that the field of country risk analysis has an earlier starting point. This starting point may be the lending between countries, a good example for this are the Mediterranean city-states and their financial exchanges in 4 BC (Solberg, 1992), or it also may be the birth in the 16th century, in medieval ages, of international financial system and by international we actually mean European (Bouchet, Clark, & Groslambert, 2003). Credit Lyonnais, a well-known French international bank, was one of the first credit institutes in Europe and in the world that issued sovereign credit ratings. This of course is natural because we have to keep in mind that until 1914 (the years that singles the start of the first World War) the countries that "dominated" in cross border (international in other words) lending activities were mainly France, Germany and Great Britain (Flandreau, 2000). During the period when the gold standard monetary system was applied and extends from 1880 until 1914 (and it is referred to a regime based on a predetermined set of rules under which the government's currency is fixed and may be freely converted into gold), the main source of drawing capital for both governments and foreign investment were individuals who had wealth and firms, privates in other words (Wilkins, 2003). Lending in most cases was based in rather long than short-term loans. It comprised either of investments that came directly from abroad or long-term hands-off or passive investment of securities in a portfolio or both. Cross border lending tendencies moved away from securities publicly guaranteed was a large number of incidences was noted concerning state defaults and at the same time presented brand new international lending opportunities[3]. Moody's, which established as early as 1990, was the first among rating agencies that issued a sovereign rating in 1913. Before the emerge of rating agencies there were agencies related to trade or commerce and various insurance agencies[4].

3.2.3 The Interwar period

In the next period we examine, the interwar (years between the end of World War I, 1919, and 1939 which singles the start of World War II) western developed European countries had not the ability to act as lenders, because of the war. This fact meant western European countries in order to cover their need addressed to the USA for loans. Countries as Belgium, Finland, France, England, Italy, Austria, the Netherlands, Switzerland and others were nations that in the past were acting as lenders, as creditors in these times were seeking funding in order to serve their needs (e.g. to stabilize currency, public and private capital betterments, etc.). The need for these countries was for large supplies of foreign exchange in order to be able to overcame successfully a period that was characterized by instability and insecurity and was rather critical, long term loans were not the tool to handle the situation (Lary, 1943).

Apart from the "ex-creditor" countries, countries in debt as were Bolivia, Brazil, Bulgaria, Chile, Colombia, Germany, Greece, Hungary, Poland, Romania, Serbia, Uruguay and others also turned to the USA for financial help because their normal source of funding could not help them as already mentioned. Almost the whole world was borrowing from the USA and this fact had as a result a shift for the bond market to be noted. The market was "moved" from London to New York. Direct investment, bonds

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[3] see Beers and Chambers (2002) for a list that records the history of government defaults
[4] see Cantor and Packer (1995)

and short-term capital were the main financial products that outflowed from the USA that time. Foreign lending noted a pick in the 1920's.

The years from 1924 to 1928 were exceptionally good ones. To this contributed the fact that there was an important production boost and expansion on bank credits in the US and at the same time many countries were able to recover from the war and prospered. Stable foreign exchange rates also played a critical role to the situation. Private sector (investors and lenders) were mostly "making business" with developing countries (mainly via bonds and equity). During this period the investment banks based in the USA were accused of 'loan-pushing' because they had a rather aggressive approach in their abroad lending policy. The number "speak" for themselves: An increasement to 1.114 billion dollars in 1927 from 500 million the year 1920 the year 1928 to 1.019 billion dollars. The year 1929 a shrank was noted in foreign bond issues which rose just over 400 million dollars ($415 million). The next years bonds regained strengths and rose again to 775 million dollars (Lary, 1943).

In the decade of 1920 it was also noted new defaults. Almost all the countries (developed and developing) were vending American bonds (the goal was to obtain funds that were denominated in US dollars) and this resulted for the countries to be assessed using rating. This rating (the rating of the debt that a government had) was similar to a sovereign rating and included the estimation of the probability for a country to default or not to be able to serve to its incumbency to serve interest payments on its debt.

The 1929 Crash led to the appearance of a global depression in the economic field and resulted to a deterioration of fiscal situation. This happened the year 1930. Government in order to deal with these conditions tried to put their economies back on track by supporting exports via currency depreciation and this had as an effect the danger of a sovereign default to rise. Table 1 shows the countries that were defaulted the following years. In 1931 countries in South and North America defaulted as well as Turkey, in 1932 some European countries and some counties from North and Central America and also Paraguay and Liberia. The "default wave" took Cuba, Guatemala, Panama, Romania, and Uruguay in 1933 and England in 1936.

Year	Countries that defaulted
1931	South America: Bolivia, Brazil, Chile, Colombia, Peru North and Central America:

	Costa Rica, Dominican Republic Asia: Turkey
1932	Europe: Austria, Bulgaria, Germany, Greece, Hungary, Yugoslavia North and Central America: El Salvador, Nicaragua, Panama Africa: Liberia South America: Paraguay,
1933	North and Central America: Cuba, Guatemala, Panama Europe: Romania South America: Uruguay
1936	Europe: Poland

table 1

The question concerning the reasons that sovereign risk assessments and counties ratings were monitored by investors during the interwar years receives an answer by an historian of this period. According to him in the majority of cases when a country defaulted or when governmental loans defaulted, every loan that was granted to this country in the past was affected the same time. Usually the authorities of the defaulting country was prohibiting the transfer of debt payments, and that meant that all loans owed by this country were in default (Mintz, 1951).

3.2.4 World War II

The majority of countries rejected the use of sovereign ratings during the second World War (Eichengreen, 1988), exceptions to this tendency were the USA, Canada and some other countries mostly in S. America (Bhatia, 2002). The probability of sovereign default declined after the build of the international financial system[5] and after the coordination, planning, studying and auditing of capital flows and of the problems in the balance of payment that occurred with it (Kindleberger, 1978). Therefore, the need for assessing a country was no longer as important as it was to the past. What it should be noted is that the past situations had made the creditors reluctant to provide additional funds to countries that defaulted the previous decade (1930s) (Eichengreen, 1988). The following 35 years approximately after World War II were not "default free" but these

[5] This construction includes Bretton Woods, the establishment of the International Monetary Fund (IMF), the establishment of the International Bank for Reconstruction and Development

defaults[6] were the result of an effort to restructure the debt as countries were borrowing money in order to be able to serve previous loans and existing debt (Bittermann, 1973).

3.2.5 The 1950 – 1970 period

In the period from 1950 until the middle of 1970s, official agencies provided external funding to developing countries. this founding had the form of loans (loans with favorable terms) and this fact resulted a lot of analysts and authors to consider country risk assessment as an assessment that has primarily to do with the assessment of the risk of defaulting in the aforementioned loans (Saini & Bates, 1984). The first who presented a registry of factors that are believed to have an effect on a nation's balance of payments and therefore on this country ability to pay its debts was The World Bank (Saini & Bates, 1984). Short-term indicators[7] related to liquidity problems which in turn associated with "weak points" in a nation's balance of payments. Long-term indicators[8] occurred by analyzing the economic growth.

In the decade of 1970 Eurocurrency market provided markets by a large amount of liquidity which had as consequence the improvement of lending to developing countries. Private lending was important and the most notable form was bank loans (coming from commercial and not central banks), via syndicates. The most of these loans were guaranteed by sovereigns, according to the data extracted from the Finance database of the World Bank Global Development. This happened because the governments of developing countries had as a goal the avoidance of internal political fallout that occurred with the required undesirable alternations in the economic backbone of the country's structure required to receive funding from official canals (agencies). Something that worth noting is that developing country's external imbalances were larger than the resources of official agencies (Schroeder, 2008). The use of the aforementioned bank loans allocated to governmental organizations or to governments themselves started earlier than the OPEC's oil revenues recycling. This process resulted to even further bloom and growth of this kind of loans. Apart from commercial banks, official creditors also took part to the lending process to developing countries these years. The type of this granting was either public (lends directly to governments or

[6] Some countries that defaulted this period are some South America countries such as Argentina, Brazil,Colombia, some Asian countries such as India, Philippines, Turkey, Pakistan, Central America countries such as Mexico and European countries such as Yugoslavia

[7] Such indicators are: total exports growth rate, debt service e.tc

[8] Such indicators are for example GDP growth, GDP related investments, inflation

“official” governmental organizations) or publicly guaranteed (lends to organizations that were not public 100% but the government guaranteed for them to pay their debts) by a sovereign. Commercial bank’s willing was to be accommodative to developing countries in dispensing loans, but loans to these countries involved larger capitals, longer maturities and therefore higher interest rates, and different investment projects, elements that commercial banks had no previous experience. Assessing the risk of bankruptcy translated in evaluating a country in general (its performance and management), without forgetting that each and every bank was “obligated” to conduct an assessment of its exposure on its own and thinking how their competitors are doing to the country. This exposure was in financial terms an exposure in foreign exchange. (Friedman, 1981). It is obvious that this period emerged once again the need of country risk assessors. Citibank’s formalization of country risk is the first step towards this emergence (Bouchet, Clark, & Groslambert, 2003). Country risk assessments are crucial in situations where risks of investing overseas are privatized.

Country risk assessors and the services they provide are essential in an environment which is characterized financial structures that expand in an international level. In this environment countries, governments of states to be more exact, only cooperate and work together on a pre-agreed basis having specific purposes (Schroeder, 2008). The usual is the absence of any “common work” in order to “manipulate” the variation on exchange ratings or monitor gow big the flows of capital are, or determine which kind of investments are suitable for supporting the flows. It is obvious that country risk was seen as equivalent if not identical with sovereign risk. The last-mentioned risk has to do with the difficulties that a country faces in issues that are related with problems in the balance of payments. In other words, the risk that a nation is not in position to produce earnings in order to continue to serve payments related to its debt is called credit risk and the risk related to the fact that the nation does not possess sufficient foreign exchange reserves in order to have the ability to convey earnings to international lenders and creditors is called transfer risk or foreign exchange risk.

Both credit and foreign exchange risk together called sovereign risk. Credit risk also, has to do with the health status of the economy and how shielded is on external factors and upsets and foreign exchange risk depends also on payments that a country has to make but are not related to its debt. This kind of payments are mostly reparations, payments related with assistance or aid to associates or friendly countries when alliances apply, budget deficits, current account imbalances e.tc. Two categories emerged in order to audit incidents related the aforementioned risks. These categories were the nation's economic and financial state and how authorities, governmental ones, manage the economy in general. The aforementioned factors are the ones that show a country's ability to be ok with its payments[9].

The violent unrest in Iran on 1978 lead a number of assessors to add another element to the definition of sovereign risk. This element was political risk in which it was evaluated how willing is a nation, a nation's government, to pay its debt. Furthermore, when we talk about political risk, we have to remember that it has to do also with the action taken when a problem occurs which related with the balance of payments and only with default or rescheduling[10]. Willingness to pay becomes a real issue in situations that are already problematic and the nation's government ability to pay is at stake. By that we mean that willing to pay follows other events that precede. These events are the cost that occur when investors lost their confidence in the country, potential large flows of money and reduced trade flows when a country is not honoring its contracts. All of that if reversed then "reappears" the country's willingness to be consistent with its payments (Colgate & Stroombergen, 1993). The third category that added in assessing and monitoring a country's political risk is stability in the political and the social field. Indicators in this category include corruption, unemployment, political stability and other factors that are related with the social and the political field (Schroeder, 2008).

At the end of the decade of 1970 there have been presented three methods of assessing country risk, these three methods are used until today. As Goodman (1977) notes these methods are the qualitative report (which may be structured or fully qualitative analysis), the checklist or rating and quantitative methods. The method of fully qualitative analysis produces and gives data on a "style" or a format that is "unique" as it is no standardized and is more descriptive. The political conditions or the social ones as well as the economic ones are subjects to a freestyle evaluation using a fully qualitative analysis. This kind of analysis is not suitable to give a comparison among countries, a safe comparison. Therefore, the discussion depends on personal opinions and judgments and lacks objectivity as the editor of the report is the one who express opinions which

[9] Economic state includes annual GDP growth rate, inflation and indicators related to the GDP. Government's management deals swap policies, indicators related to external debt, previous defaults, e.tc

[10] These actions include risk of taxation that is too high, not a friendly position towards international financial institutions, stiff labor market regulations and expropriation among others.

may be biased. Similar to t similar to the fully qualitative method is the structured qualitative format. The difference is that the structured qualitative format is more objective as it is, in one extend, standardized and enriched with statistics (economic statistics) and therefore this method provides the ability of comparing two or more countries and also provides the ability of monitoring a country's "risk records" by the years. The format of the checklist technique is the kind in which a country receives a letter or a number which show its rating and performance. This is determined by an analysis which in most cases depends on both quantitative or qualitative pointer, data or variables. In any case there a subjective dimension in the evaluation as each factor's weight is not pre-decided or standard but depends on the person or the people that conduct the evaluation.

3.2.6 1980 and on

Econometric and other statistical techniques are used in the quantitative methods. These techniques are trying, by using some set of explanatory variables, to make either directly or indirectly an estimate of how possible is an incident in which a nation will opposite with a debt problem. The techniques mentioned before, are considered to be the most objective and in in order to gain creditworthiness are the most systematic too. Some of the tools, statistical technics to be more exact, that started to be used the first years of the 1980 decade were Monte Carlo simulations, Discriminant analysis, linear-probability analysis, principle components analysis and others. Following the crisis in the Latin America started in 1982, further methods were developed, such as dynamic programming, game theory and, more lately, value at risk (VaR). At this point, it is of significant importance to stress that since immediate default on sovereign debt occurs rarely, the events selected to use in empirical analysis were other reactions difficulties that occurred in the balance of payments that could be causing distress to a commercial bank. After the emerge of the debt crisis in Latin America, an increasement in the issuance of bonds appeared. Liquidity constitutes an obvious stronger position of a bond when compared to a loan. Bank institutions that cooperated to lend countries in South America came across great difficulties in the process of relieve themselves from the "burden" of debts that were under- or nonperforming due to the nonexistence of an alternative market for loans. On the other hand, when it comes to bonds, a bank has the option, when it desires, to "get rid" of its possession in the secondary market. Between 1980 and 1990, commercial bank lending showed a rapid increase of nearly 66%. In absolute numbers that translates to 127.5 billion dollars increasement (from 194.5 to

322 billion dollars) (Global Development Finance, 2001). However, bonds' issuing noted a significant increasement from 13 billion to 108.2 billion dollar (700%). The vast majority of the bonds that were issued, were issued with the guarantee of the state. Furthermore, most of the loans issued by commercial banks were public as well or publicly guaranteed. This kind of debt was constantly increasing, and as a result, debt stock created by governments of developing countries was increasing as well.

Therefore, the definition of sovereign risk was being used to describe the country risk, which meant the situation when a government would not be able to serve its obligations towards its creditors. Capital flows diverged the decade of 1990. In order to come up to safe conclusions we need to bisect this decade into two different periods of time which have as a turning point the Asian crisis. During the first period, lending changed due to the fact that there was an increasement in various sections with most notable the utilization of short-term debt, the increasement in the use of bonds with were directly linked to loans issued by commercial banks and finally the use of vehicle that had to do with debt was not guaranteed. Developing countries were the ones that the aforementioned were the "dominant situation". Especially between the years 1990 and 1996, two things were noted, there was an increasement of almost 90% to all the countries that considered to be under development in short-term debt issued and a simultaneous increasement of its share of total external debt from 16.8% to 20.7% (Schroeder, 2008). Every year until 1998, there was an increasement in the allocation of debt with no guarantee in total private long-term outstanding debt. Since then, the year 1998, the aforementioned allocation, has been stabilized at a level of almost 50% (Schroeder, 2008).

Between the ages 1996 and 2000, the years after the crisis it was noted a decrease in short-term debt which at that time was as high as 13%. Furthermore, banking loans were able to regain their place in their place in the "financial world" as they dominated again over bonds. That meant that shortly after the crisis that outbroke in Asia the composition of the long-term debt stock was on the one hand more private than it was official, and on the other hand was not as guaranteed as before (it has to be mentioned that the aforementioned debt was still mostly public and this means that had the guarantee needed). The tendency of less and less debt to be guaranteed by the public sector lead towards a situation that governments were also less and less responsible for servicing debt commitments and therefore a divergence on what is and what isn't country and sovereign risk arose. The evolution that noted in various fields (especially in technology e.g. cheaper and faster information technology) and with incidents as financial deregulation, the increasement in the rate in exchange flexibility and the increasement in financial innovation had as effect direct investments from abroad, loans from commercial bank and portfolio investment to be “additions” to other financial products (as are currency rate swaps interest rate swaps, repos e.tc. (Kindleberger, International Capital Movements, 1987; Dodd, 1999)). With this variety of financial products combined with the constant evolution of products that oppositely to the past are not guaranteed the question what finally is country risk and sovereign risk keeps ramifying.

3.3 Other dimensions on defining country risk

In the academic world there is a strong tendency(indicatively authors (Bouchet, Clark, & Groslambert, 2003; Meldrum, 2000; Kennedy, 1991; Goodman, 1981) towards a different definition for country risk when referring to firms, different to banks and to other financial institutions. The arguments to that is the fact that financial firms and productive firms aim to different thinks and have different goals. Financial firms “worry” about the risks that occur from international lending or about the performance of investments in their portfolio whereas productive firms “worry” about how their profits and their remittance are affected by condition that are not directly related to the market. In other words, a bank deals with totally different risks, a bank that lends money to countries or entities that qualify for a guarantee, than the risks a firm, which its main focus is direct cross-border investments, deals. It has to be mentioned that debt should be treated differently to other financial products because if a country is exposed to debt then there is as strong possibility a chain reaction to be triggered throughout the banking sector and the banking system to be under threat (Bouchet, Clark, & Groslambert, 2003). On the other hand, there are common difficulties that are being faced by financial firms as well as by productive firms (Goodman, 1981). Such a difficulty or a problem is the incident when a government is not able to correspond to its international payment obligations because of the fact that there is a deficiency in the reserves of foreign exchange. This situation affects equally all the firms, the financial and the productive ones. The fact that common problems occur means that there must be a definition of country risk that corresponds and covers the needs of, if not all, the majority of investors who should be able to utilize and build upon the aforementioned definition according to their adjusted circumstances and needs.

Chapter 4
Country Risk Management

4.1 The country risk assessment model

In order to examine each country‘s political risk we came up with the model with the components of table 2. The components were chosen after studying various risk assessment models and choosing the ones that have the biggest effect. Specifically we chose the following:

- Government stability
- Socioeconomical Conditions
- Investment profile
- Internal Conflicts
- External Conflict
- Corruption
- Military in Politics
- Religious Tensions
- Law and Order
- Ethnic Tensions
- Democratic Accountability
- Bureaucracy Quality

The total points that can be awarded are 100. The most important components have a max of 12 points and the components that are not as important have a max of 6 points. The last component, Bureaucracy Quality, has a max of 4 points because it is the least important and also is the component that is the most difficult to be counted.

Government stability was chosen because the ability of a government to complete its political program and stay in office plays an important role in investments, as does the periodicity of electoral cycles.

Socioeconomical Conditions was chosen because pressures from society can make governmental officials reluctant to continue with the implementation of their policies or may cause public dissatisfaction which may lead to policies that are unfavorable to investments.

Investment profile was chosen because this component is a direct indication to the friendliness of investments.

Internal Conflicts was chosen because violence can be a limiting factor to investments as instability rules and uncertainty is present. The same thing stands for the next of our components, External Conflict, and that's why it was chosen. The aforementioned components are that who weight more in an importance scale in our risk assessment model and that's why they receive a max of 12 points each. The biggest the problems in these components the worst are the prospects for an investment. The next components are important but not as important as the previous ones.

Corruption was chosen because in corrupted country the laws and the rules are not the same for everyone. Because of this an investment can be derailed and an investment project may be cancelled.

Military in Politics was chosen because of the fact that when you have to do "business" with the military it is not certain that stability is granted. Furthermore, military regimes may lead to social and economical tensions.

Religious Tensions was chosen because tension have the ability affect investments as instability grows and a lot of different parties try win their share of the pie.

Law and Order was chosen because if the legal system is not impartial then the rules are not the same for everyone and this risks investments.

Ethnic Tensions were chosen for the same reason that religious tension were chosen but in this case the type of tensions is just different.

Democratic Accountability was chosen because this component indicates, indirectly, who stiff, dogmatic and skewed a government is and that can effect investments and the way things work.

Bureaucracy Quality was chosen because a state that cannot run by itself it difficult to respond to potential problems quickly and affectively and this means that the risk of an investment grows.

Components	Points (max)	Short description of the component assesses
Government stability	12	How able is the government to complete its political program and stay in office. Election cycles.
Socioeconomical Conditions	12	Pressures from society that make governmental officials reluctant to continue with the implementation of their policies or pressures that can lead to public dissatisfaction.
Investment profile	12	The ways and the percentage that legislation affect risk of investments.
Internal Conflicts	12	Violence that originate from groups within the state and has impact on state functions
External Conflict	12	Foreign conflicts that can affect the government and the state
Corruption	6	The level of corruption in public administration
Military in Politics	6	If military armed forces are involved violently in the government and if democracy is threatened or abolished by the army

Religious Tensions	6	The existence of fanatical religious groups that want to take over the government by enforcing religious law
Law and Order	6	How strong and independent the legal system is and how much law abiding are the people
Ethnic Tensions	6	The existence of tensions that originate from divisions based on race or nationality
Democratic Accountability	6	The level of governmental responsiveness to the public
Bureaucracy Quality	4	The level of public administration's independence to politics
Total	100	

table 2 short description of the components of the model

4.2 Model's components

Government Stability – 12 Points

The goal in this category is to assess two things at the same time. How capable is the governing party to accomplish the program that has in the agenda and has make it public on the one hand and government's ability to stay in power on the other. There is also a third part that consist in the general rule of how often there are elections holdings and how high is the popular support. This is because an unstable governmental picture cannot welcome investments as the country is dealing with elections rather than the economy. The total risk assigned in the sum of three parts. How united the government appears to be is the first part. The second part is dealing on the strength of the legislative power and how "easy" is for it to pass a new bill or a law in general. The approval of the citizens majority is the third sub content. The plus one category is the electoral cycles depicts how stable the government are throughout the years. The score climax is diminishing, 3 points are awarded for Very Low Risk and 0 points are given for Very High Risk. A higher risk means higher instability which makes an investment less likely.

<u>Socioeconomic conditions</u> – 12 Points

This category's objective is to evaluate the social and economic conditions and probably pressures that can be found in the social environment of a country and make it difficult for the government to fully carry out its program or "push" towards a general reproach in society. An unstable social environment is likely to discourage potential investors as the circumstances are not suitable for an investment. In order to define more accurately the situation, we divide this category to three sub contents. The first in unemployment and it is equivalent to the dissatisfaction levels. The higher the unemployment rate is, the higher the social dissatisfaction. The same stands for the poverty levels in the country. It is obvious that poverty is the second sub content. Finally, consumer confidence is what closes the category, an index that is very important on the social cohesion and satisfaction of a country. In each sub category a score of 4 points is awarded when a very low risk possibility is estimated and a score of 0 points in a very high risk estimation. All this indicator can make an investment go south really fast.

<u>Investment Profile</u> – 12 Points

The goal in this category is to assess factors affecting the risk to investment that are not included in any other political, economic and financial risk components. A bad investment profile may have as an immediate effect the failure of an investment or a project. Similarly, to the first two categories there are some minor categories which consist the total risk rating. Each of these sub-categories can be awarded with a maximum score of 4 points and a minimum score of 0 points. The score climax is diminishing, 4 points are awarded for Very Low Risk and 0 points are given for Ver High Risk. The parts or subcomponents of this category are:

- Contract Viability, Expropriations
- Profits Repatriation

- Payment Delays

Internal Conflict – 12 Points

The goal in this category is to assess any kind of violence that has political motives and effects, either having bigger or smaller impact, the governance of the country and the society in general. The highest rating equals to the absence of opposition that is armed and the same time the party that is in government does not use any kind of force or illegal violence against the citizens of the same country. Countries that are in civil conflicts receive the lowest rating, also the lowest rating is awarded to countries that have undergo a number of civil wars the last years, because this indicates the absence of stability and there is reassurance for investments. It is easy to understand that violence is a factor that plays a major role in the function of a state. Three sub-components are identified here and apart from civil war, also an important role plays terrorism and civil disorder in general. An awarded score of 3 points equates to Very Low Risk and a score of 0 points to Very High Risk. Specifically, the four categories, subcomponents that are evaluated here are the threat of a coup or a threat or an incident of a civil war, situations that are related to violence that originates by political parties, both legal and illegal, and the presence of terrorism, civil disorder in general and finally, the use of armed forces to maintain stability

External Conflict – 12 Points

The external conflict is a category to measure two things. The first thing is the risk to the current governing party from a number of actions that are not directly related to its policy and are results from actions of foreign governments and from alien political pressures are is for example diplomatic pressures, withholding of aid or sanctions and non-diplomatic relations with other countries. There are also effects that are related to violent alien pressures such as wars and others violent incidents. This is an important category because external conflicts tend to have a notable effect on extrovert business activities. The calculation of total risk is the sum of four sub categories. The first of them is war, it is self-evident that war here has to do with an external war that is happening in another country and not in homeland. The second sub category is Cross-Border Conflicts and the third is the potential pressures in diplomatic levels that a country may face. The fourth and final category is potential non-diplomatic relations with other countries. The first two sub categories have to do with violence where the last two not.

Corruption – 6 Points

This is category that measures the levels of corruption within the political and the administrative system. It is well known that corruption poses a great danger to any kind of investment (foreign or local investments), and at the same time affects the total country risk. This is for several reasons: it creates a disorder in what is perceived as normal in a stable economic environment and healthy financial conditions; it makes governmental tasks and the work of businesses less efficient as make citizens believe that ability play no significant role but power comes with patronage and no transparency. Last but not least what it has to be mentioned is that it introduces a rather "stable condition of instability". Corruption on its most simple form is presented directly in business by the form of financial corruption, by that we mean payments that are "unjustified" to bribes to overcome bureaucratic procedures or to issue licenses faster and other similar actions. The presence of such corruption makes difficult for a business to operate and in some cases may lead a business to abandon activities in a country. A lot of social pressure may be expressed by this kind of corruption which can and will affect business in general and may also lead to a loss of control in the economy and the presence of a black market which rises the pressure to businesses. The extreme situation in case of these kind of events is the country to become ungovernable and the need of a total political reorganization to arise which will render impossible for any business to run successfully for a certain time.

Military in Politics – 6 Points

It is well known that the military, at least the leadership, is appointed and not elected. It also does not give an account to anyone apart from the elected government. A potential interference of the military in politics in every level consist a threat for the democracy. This of course comes with a number of problems in various fields. In the event of military entrenchment in politics serious differentiations occur such as alternation on budget allocations. In some countries the threat of a military coup may "force" elected governments to change their policies which may cause serious implication in a number of fields. In some case may lead to abolition of democracy by the government itself. All of these make it extremely difficult for a business to operate. A military regime on the other hand poses a even greater threat. A regime that is not controlled and it does not answer to anyone makes it impossible for businesses to operate. Main reasons for this is corruption lack of transparency, absence of opposition and lack of liberty in general. It must be pointed out that this section is rather similar to the section concerning internal conflict but it is not.

Religious Tensions – 6 Points

The goal in this category is to assess the possibility of religious tensions. This kind of tensions may originate by the predominance of a certain religion in society which in most cases has fanatic groups. These groups have as a primary goal το impose religious laws and replace the civil ones. Also, another main goal is to take over government and to render the state as a religious state. This has various negative effects in businesses as freedom is actually abolished. In some case these situations have great effect in the foreign policy of the country and also may lead to war with other countries. Religious tensions may occur in certain districts and not in the whole country but in these situations the risk of an outbreak is great and a rather fast escalation is expected. Especially in countries that have a history of "religious" regimes the risks are greater than other countries. There are also some situations in which a country seems to be secular but in reality government acts the orders of religious groups.

Law and Order – 6 Points

"Law and Order" is composed by two different elements and is awarded a single score. Each element is assessed separately and from the sum of these assessments accrues the total score. Each element can be awarded a score from 0 to 3. Score 0 equals with Very High Risk and score 3 equals to Very Low Risk. The elements "Law" has to do with the legal system and especially with the its strength and impartiality. In other words, it has to do with how unbiased, unprejudiced and just is the legal system overall. The element "Order" has to do with the level of "popular commitment" to the public law. In other words, it has to do with the popular observance of the law. It is obvious that a country can have a high score in "Law" and a low score in "Order" and vice versa. For example, the judicial system may work great but the country suffers from an extremely high rate of criminality. Both factors are important because the absence either of those may create a social condition in which the risks of an investment are multiplied by the wills of each and every one.

Ethnic Tensions – 6 Points

This category locates the assessment of national tensions, tensions that "occur" inland. This kind of tension relates to racial, nationality or language division and differentiation. Max score that can be awarded is 6, which means Very Law Risk, to countries where tensions are minimal. Minimum score is 0 and it is given to countries that the risk is Very High because opposite group are intolerant, violent and show no sign or willingness to compromise or conciliate. It worth to mention that the existence of these groups itself is not a factor that leads to low score. Groups that are active without being provocative and show willingness to cooperate are also not a factor for a low score. Interestingly countries that are neighbors but stand oppositely in such matters even if the population composition in similar, may show great differences in their score.

Democratic Accountability – 6 Points

In this category the size that is measured is the level of responsiveness by a country's government to its people. The main and basic assumption here is that the level of responsiveness from a government to its citizens is indicative to the "wellbeing" of the government itself, the less responsive, the more likely to fall. This can lead to two scenarios, to peaceful democratic elections is democratic and "stable" countries and to violent riot or to elections of dubious quality in non-democratic countries. This category is indirectly connected with the first one. There is a maximum of 6 points that can be awarded here. The type of governance is the key factor for the procedure of awarding points to each country. It has been made a classification of various types of government in order to be facilitated the rendering of points. Analytically:

- The first type of government is Alternating Democracy. One of the main characteristics is that the government is not power for more than two times (two terms) one after the other. The election must be conducted in terms that are specified by the constitution and apart from free are also fair. A multiparty condition, with the existence of active parties, is another characteristic and the opposition is also active and essential to the political system. There is an established separation between the legislative body, the executive body and the judicial one. The liberties of people are protected by the country and the country acts as a guarantor for the protection of all liberties.

- The second type of government is Dominated Democracy. The most of its characteristics are identical to the Alternating Democracy. One of the main characteristics is that the government is not power for more than two times (two terms) one after the other, the government or an executive. The election must be conducted in terms that are specified by the constitution and apart from free are also fair. A multiparty condition, with the existence of active parties, is another characteristic and the opposition is also active and essential to the political system. A difference is that there is not an established separation between the legislative body, the executive body and the judicial one but there are evidence of checks and balances among them. Finally, the liberties of people are protected by the country and the country acts as a guarantor for the protection of all liberties as in Altering Democracy.

- Another type of government is De Facto One-Party State. One of the main characteristics is that the government is not power for more than two times (two terms) one after the other, the government or an executive but in this situation, there is provision by the political or the electoral system to favor the domination of one party in order to make a stable government. The elections must be conducted in terms that are specified by the constitution and apart from free are also fair. There are some indications that restrictions are placed on the activity of non-government political parties. These restrictions vary from constrains in media access, to harassment against the member, the leaders and the supporters in general of parties that do not participate in the government, also have the form of frauds that have to do with the results of the elections, etc.

- Another type of government is De Jure One-Party State. The main features of this type of state are actually two. The first is that a constitutional provision is needed that specifically indicates that there can be only one governing party. The second is the absence of other legal political parties as well as absence of legally recognized opposition in general.

- Finally, the last type of government is. Autarchy. In this type of state, the state has a leader a group of certain people or a single person. This leadership is made without being subject to any kind of control or audit. Furthermore, the leader has not come to power with the help of the military or without having an inherited right. In an autarchy, the leadership might give some process that seem to be democratic but in reality, are not. Sometimes it approaches the form of de jure or de facto one-party state when the assembly, existence and active involve of other political parties is allowed. The main feature that allows us to understand the kind of government is elections. If there are elections and political opponents to the current leadership are allowed to participate then the type of government is not Autarchy, in any other case it is.

Having clarified these, the higher points are awarded in Altering Democracies, meaning that there is Very Low Risk, and the lowest points are awarded to countries that the form of state is Autarchy, meaning that there is a Very High Risk.

Bureaucracy Quality – 4 Points

The goal of this category is to measure how strong is bureaucracy in a country and how qualitative is. This is a factor that tends to minimize big differentiations in policies when there is a government change. It is obvious that higher points are awarded to countries where bureaucracy is able and has the capability to continue its works without suspensions in the operations of governmental action. In these situations, bureaucracy is presented to be autonomous and unaffected from political pressures and to have a certain and stable mechanism for human resources management. A lack of a strong bureaucracy lead to lower points because there can occur significant changes in policy formulation and execution when the governing party change and also there is a very big effect to day to day administrative functions. The max awarded points are 4 and the lowest is 0 depending to the level of bureaucracy. Information on the subject can be extracted from the World Bank (Schwab, 2018).

4.3 Assessing Political Risk

The sum of the aforementioned points is 100. By summing the points awarded in each category we end up to score that is indicative for the risk in this country. It has to be mentioned that this rating model only provides a general guideline, if someone need more precision should deconstruct the category that is needed and move towards a thorough assessment by analyzing deeper some aspects that in this specific model are only touched epidermically. In this model a score under 49/100 indicates a very high risk. A score between 50/100 and 59/100 indicates high risk, where as a score from 60/100 to 69/100 indicates medium risk. Scores from 70/100 to 79/100 and from 80/100 to 100/100 indicate low and very low risk respectively. A low score in a certain category is not condemned to the overall score as bad "performance" in a category can be "revised" by the awarded points in another category.

4.4 Model specifications

For each one of the categories that we mentioned earlier is rather easy to find data that are going to help us classify every country. The data that we are going to find in most cases are open, at least when we talk about European countries as we can take for granted the will of EU to move towards an open data model and an open data government (Commission). The same stands for OECD as we already mention on the chapter regarding open data. In the Greek case most of the data that we retrieved were found in ELSTAT or in EUROSTAT as well as in reports published by independent authorities like the Bank of Greece, the World Bank, the European Central Bank, OECD, etc.

Chapter 5
Applications of the model

This model is applicable to any country under the condition that there are available data that are open. It is more than obvious that the model can also work even if the data that we have in our possession is not open and we have obtained them by research. In most cases the data used are coming from studies and reports from OECD, The World Bank, Eurostat and ELSTAT.

5.1 Greece

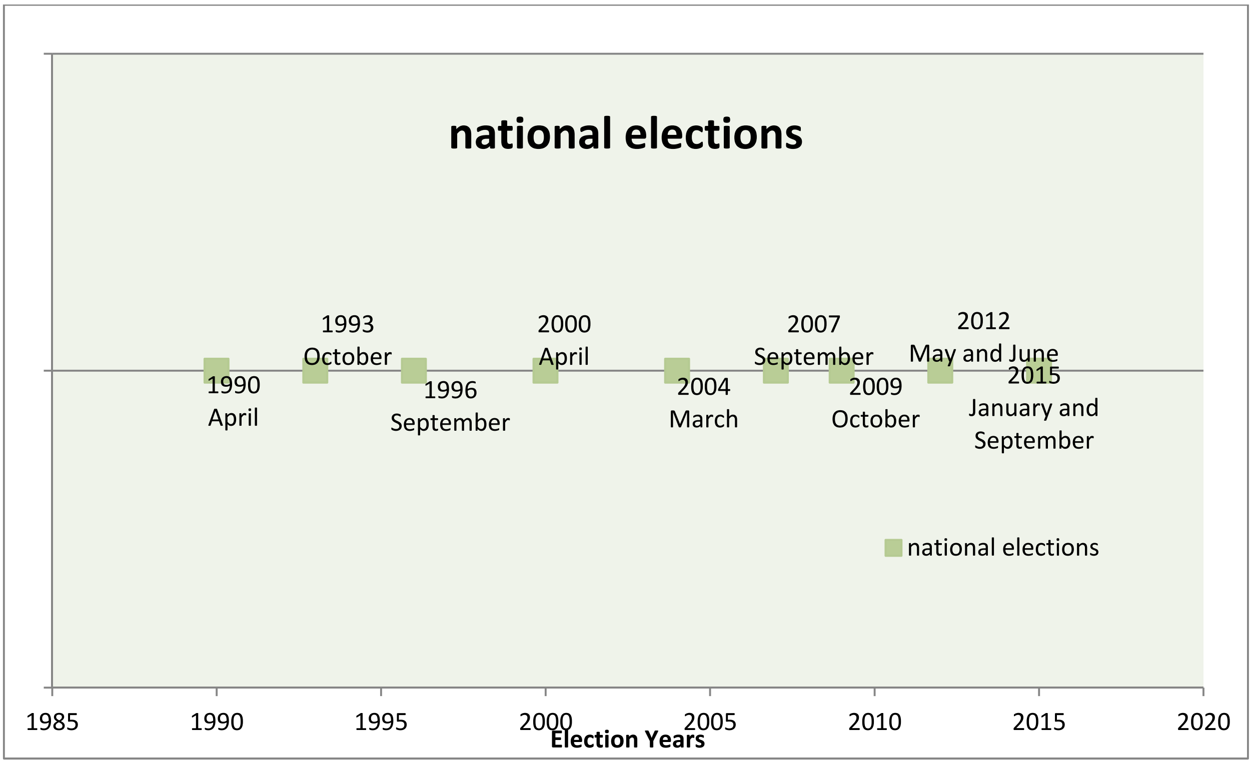
In order to make the model more understandable the decision made to take a country as an example. The chose country is Greece. The application of the model is as follows.

Government Stability – max 12 Points

In Greece government's ability to carry out its declared program is not really high. The legislative strength on the other hand is really high as if a bill does not pass this means that Greece goes to elections (Παντελής, 2007). Popular support is also a problem as recent polls show that the governing parties lose strength. The years that governmental elections were held are shown in graph 1.The results of these election can be found in the official site of the Greek Ministery of Interior (Αποτελέσματα Εκλογών, 2019) The points of each sub content according to the evaluation of the aforementioned are:

- Government Unity 2
- Legislative Strength 3

- Popular Support 1
- Electoral Cycles 1

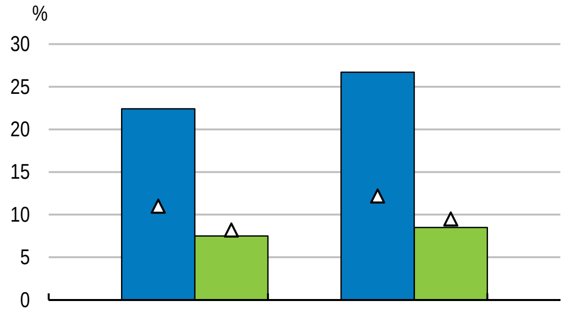


graph 1 Election Years

<u>Socioeconomic conditions</u> – max 12 Points

The socioeconomic pressures at work in society are rather high in Greece this period. Unemployment shows signs of improvement but still is very high. Poverty is an important issue Almost 1.5 million Greeks live in extreme poverty. Consumer Confidence is an indicator that is getting better but still is not good. The points of each sub content are:

- Unemployment 2
- Consumer Confidence 2
- Poverty 1



graph 2 Percentage of Poverty in Greece

<u>Investment Profile</u> – 12 Points

The other factors that can affect investment are significant but do not pose as a threat, so the score is rather high. The points of each sub content are:

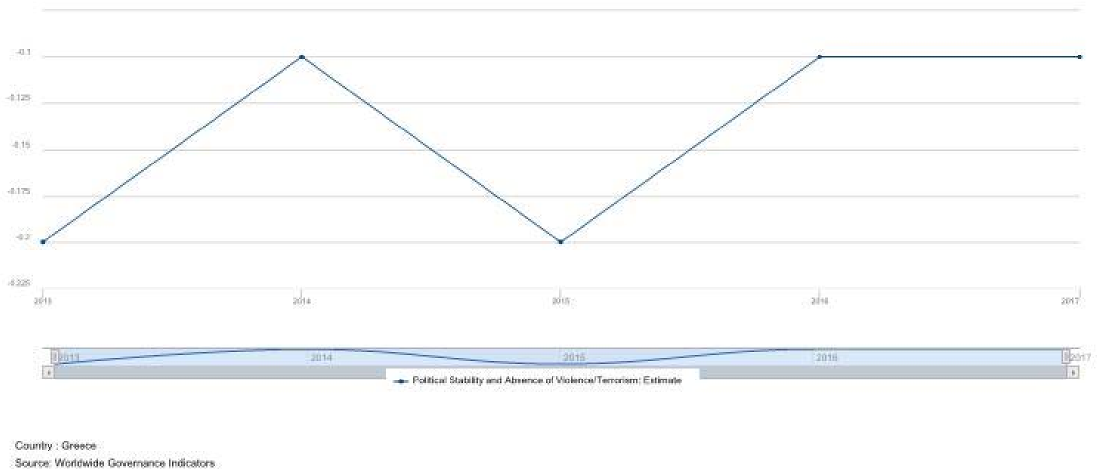
- Contract Viability 4
- Profits Repatriation 3
- Payment Delays 2

<u>Internal Conflict</u> – max 12 Points

Apart from terrorism and violence that can be characterized as political in Greece there is no major internal conflict. Greece's score in this category is high. The points of each sub content are:

- Civil War or Coup Threat 3
- Terrorism and Political Violence 1
- Civil Disorder 3
- Armed forces to maintain stability 3

A graph with the estimation on Violence and Terrorism take the World Bank follows:



graph 3, Source: World Bank Governance Indicators, Political Stability and absence Of Violence

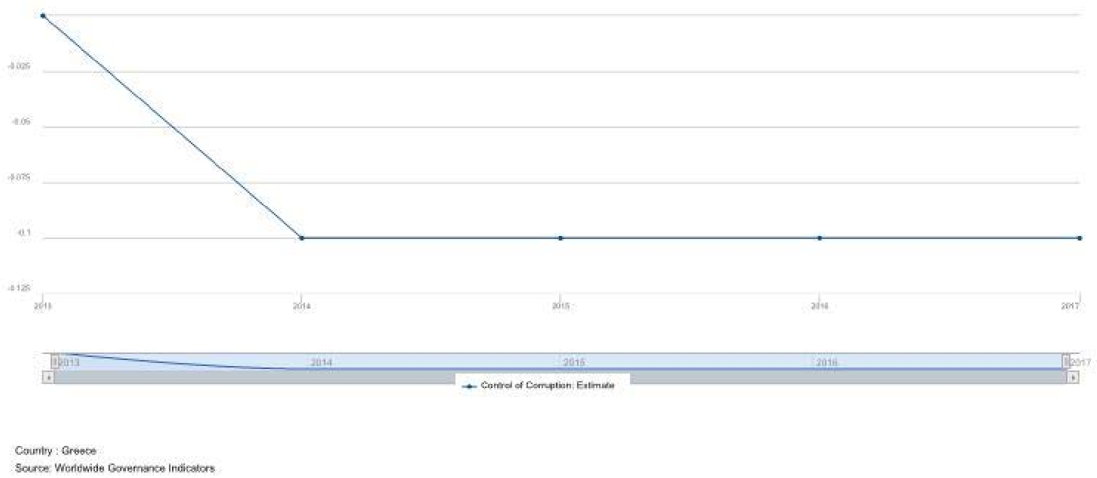
External Conflict – max 12 Points

Latest years Greece's position in the international scenery met a lot of up and downs. Today the Greek state is a good position as we can from the points awarded. The participation in the EU and the progress made in many unsolved issues improve Greece's place. The points of each sub content are:

- War 3
- Cross-Border Conflict 2
- Foreign Pressures 2
- Non-diplomatic relations with other countries 3

Corruption – max 6 Points

As far as corruption Greece has a very poor record. A lot of reports and surveys shows that Greece has is very low in every list that has to do a lot to improve its position. The points awarded are 0. We see Greece's performance in the following graph:



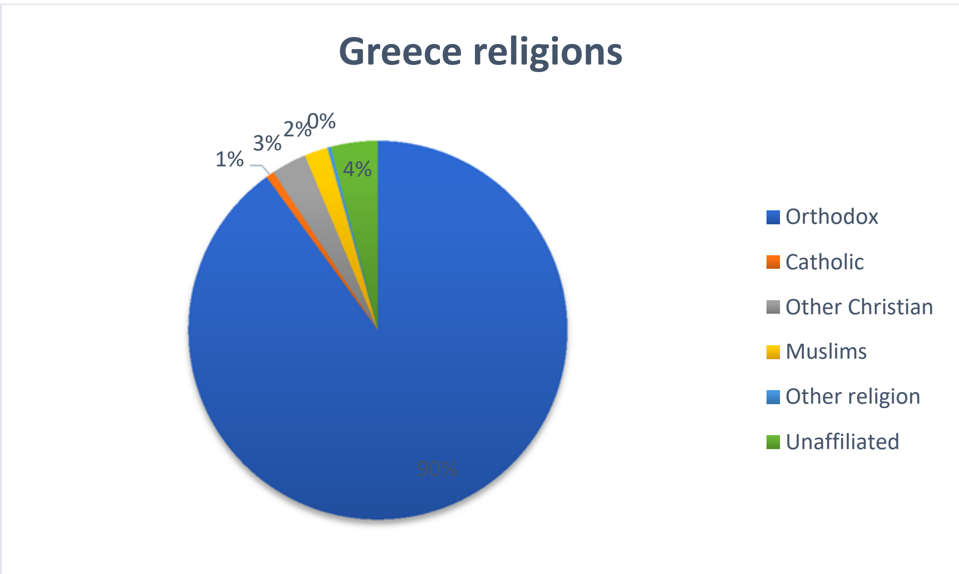
graph 4, Source: World Bank Governance Indicators, Control of Corruption

Military in Politics – max 6 Points

6 points awarded in this category as there in no military in politics in Greece

Religious Tensions – max 6 Points

There are no significant religious tensions in Greece. The population is Greek Orthodox in an amount of 98%, and only 2% belongs to other religions (1,3% Muslims and 0,7% other). The reason for not awarding 6 points is the fact that recently there has been an effort to divide state and church and this effort has detonated a large discussion over the matter. 5 points awarded.



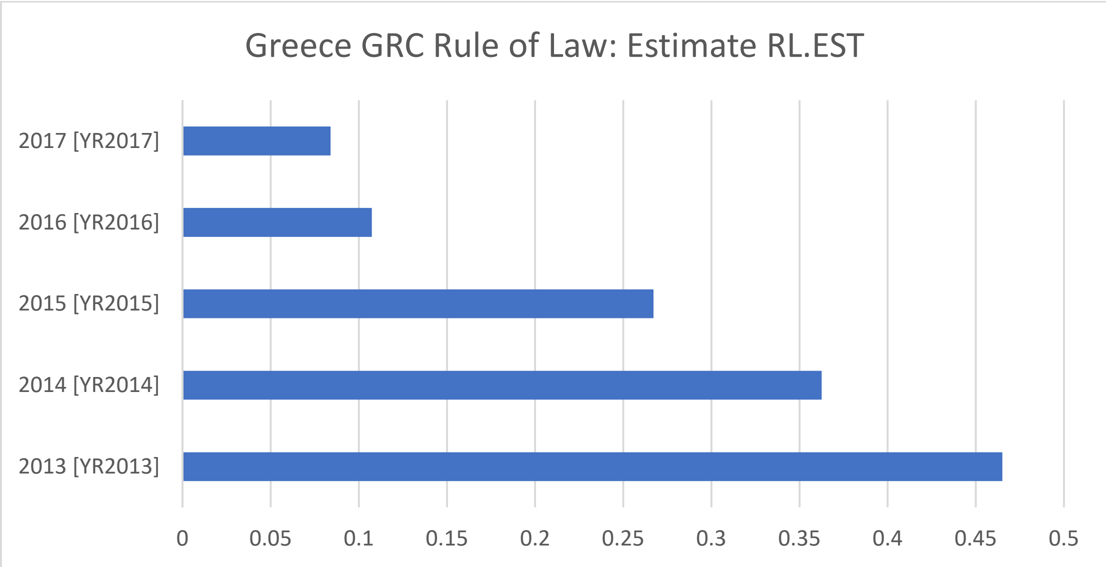
graph 5, religions in Greece, data from Rew Research Center

Law and Order – max 6 Points

The strength of law is high in Greece but not high enough as final court decisions are abolished by national laws. The same stands for order.

Law 2

Order 3



graph 6, data extracted from The World Bank Governance Indicators, Law and Order in Greece

<u>Ethnic Tensions</u> – max 6 Points

No significant ethnic tensions are met in Greece. There are some minorities in Greece but there is no evidence that serious tensions may arise in the future. The economic crisis and immigration have altered the situation and some ethnic tensions have arisen.

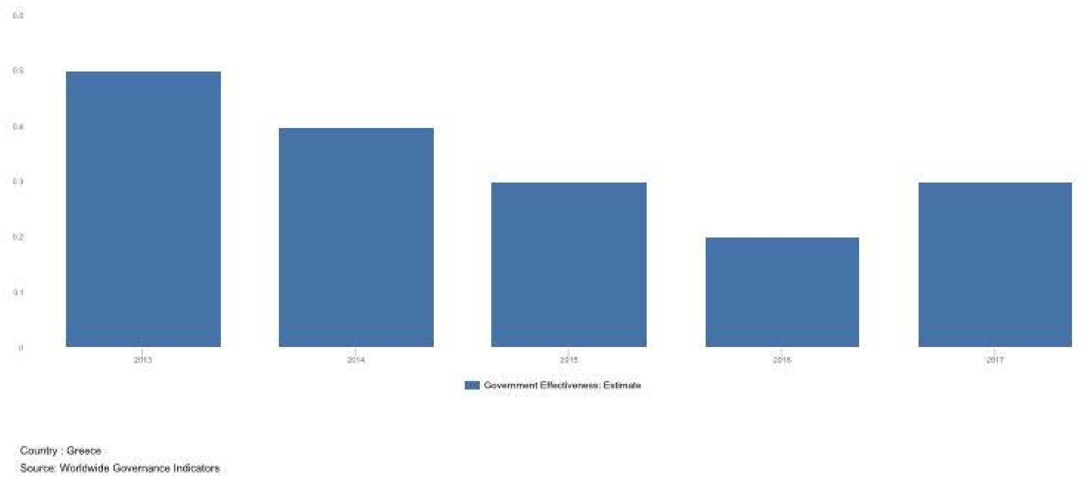
5 points awarded

<u>Democratic Accountability</u> – max 6 Points

6 points awarded for the democratic accountability in Greece.

<u>Bureaucracy Quality</u> – max 4 Points

The Bureaucracy quality is Greece in rather low as in every report is has very poor records. 1 point awarded in this category.



graph 7, Source: World Bank Governance Indicators, Government efficiency

5.2 Total assessment table

All the aforementioned data are gathered here in the following table. In the first column we see each component, in the second column we see the points awarded and in the third column we see how the points awarded, the data used in order for the points to be given.

Components	Points	Sources which their information lead us to awarded points.
Government stability	Government Unity 2 Legislative Strength 3 Popular Support 1 Electoral Cycles 1	A number of different sources with data that are open (Carr, 2018; Interior, 2018; Metron Analysis, 2018; Ace project, 1998)
Socioeconomical Conditions	Unemployment 2 Consumer Confidence 2	A lot of researches in this field (OECD, OECD Economic Surveys Greece, 2018;

	Poverty 1	Ματσαγγάνης, Λεβέντη, Καναβιτσά , & Φλεβοτόμου, 2016; ΟΑΕΔ, 2018; Eurostat, Eurostat, 2018; Eurostat, Eurostat, 2018; ΕΛΣΤΑΤ, 2018; Economics, 2018)
Investment profile	9	Researches and surveys (OECD, OECD Economic Surveys Greece, 2018; Bryant, 2018; MSCI, 2018)
Internal Conflict	Civil War or Coup Threat 3 Terrorism and Political Violence 1 Civil Disorder 3 Armed forces to maintain stability 3	Reports (OECD, OECD Economic Surveys Greece, 2018; Globsec, 2018)
External Conflict	War 3 Cross-Border Conflict 2 Foreign Pressures 2 Non-diplomatic relations with other countries 3	Reports (OECD, OECD Economic Surveys Greece, 2018; The Henley Passport Index, 2018)

Corruption	0	Corruption within the political system from various reports (The World Bank, 2018; Transparency International, 2017).
Military in Politics	6	There is no specific data
Religious Tensions	5	Articles is various newspapers (Χαραλαμποπούλου, 2018; Λακασάς, 2018; TNH Staff, 2018)
Law and Order	5	(Latest Laws, 2018; Tsikrikas, 2016; OSAC, 2018; Europe, 2016)
Ethnic Tensions	5	(Minority Rights, 2018)
Democratic Accountability	6	Reports (SGI network, 2018)
Bureaucracy Quality	1	Reports and researches (Gothenburg, 2010; Teorell, et al., 2018; Charron, Dahlberg, Holmberg, Rothstein, & Khomenko, 2016)
Total	69	

The total of the points gathered is 69. These points belong to the region between 60% and 70% which means that the risk is moderate.

Chapter 6
Conclusions

Political risk or country risks refers to how and also to how much politics may affect a business or a market in which a business operates. This happens due to reasons that have a political dimension and specifically due to political acts (acts that that have a political nature for example demonstrations or various sanctions). As globalization is present and dominates in our everyday activities' decision making is really important and we are all trying to "eliminate" risk from our decisions. Political risk makes it difficult to anticipate and manage the unpredictable. A lot of decisions are based to the ability of prediction. In order to predict fact firms and businesses in general have to poses data.

There is a tendency towards the open data today especially in the European Union. This is believed to have a number of advantages in the future. Economic growth, transparency, quick responses to rapidly evolving problems, addressing social challenges, the emergence of new services are just some of the future advantages that will be brought by the exploitation of open data. It is important to understand that the worth of open data is constantly rising.

A model that consist from 12 components is proposed by this essay for assessing a country's risk management. The components are: Government stability, Socioeconomical Conditions, Investment profile, Internal Conflict, External Conflict, Corruption, Military in Politics, Religious Tensions, Law and order, Ethnic Tensions, Democratic Accountability, Bureaucracy Quality. All of these components have a have some points awarded, the more points awarded the "lower" is the risk. To award these points we extract data from sources that provide open data. We also provided an example using Greece.

It is obvious that there is no model that is 100% accurate and safe. Furthermore, in every given model a key role plays the man responsible of collecting the data and awarding the points (as in our case) or analyzing and evaluating the data. A risk-free decision is impossible to be achieved. In some cases, decision that were considered risky were safer that others that were "sure". That we always have to keep in mind is that the human factor is extremely important. In the bottom line we do not must forget that a decision that factors as experience or "hunch" may prove to be more valuable "allies" than any model. The role of a manager is always a key factor in any kind of decisions, especially when we are dealing a constantly altering world.

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