Country risk review

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TXF WORLD TOUR 2017
EXPORT & PROJECT FINANCE

FEBRUARY
TXF AMERICAS 2017:
PROJECT, EXPORT &
COMMODITY FINANCE
1 & 2 FEB
PALMS HOTEL, MIAMI

MARCH
TXF AFRICA 2017:
PROJECT, EXPORT
& COMMODITY FINANCE
29 & 30 MARCH
RADISSON BLU,
NAIROBI

APRIL
TXF EXPORT & PROJECT
FINANCE RUSSIA
29 MARCH
MOSCOW

JUNE
TXF VENICE 2017
GLOBAL BORROWERS'
SUMMIT: PROJECT,
INFRASTRUCTURE, EXPORT
& AGENCY FINANCE
7-9 JUNE
HILTON MOLINO
STUCKY, VENICE

SEPTEMBER
TXF MADRID 2017:
EXPORT FINANCE
7 SEPTEMBER
MADRID

SEPTEMBER
TXF GERMANY 2017:
EXPORT FINANCE
DATE TBC
FRANKFURT

SEPTEMBER
TXF PARIS 2017:
EXPORT FINANCE
DATE TBC
PARIS

OCTOBER
TXF MIDDLE EAST 2017
TRADE, EXPORT &
PROJECT FINANCE
DATE TBC
DUBAI

OCTOBER
TXF INTRA-AFRICA 2017:
EXPORT FINANCE
4 & 5 OCTOBER
CAPE TOWN

NOVEMBER
TXF ASIA 2017
EXPORT, AGENCY &
PROJECT FINANCE
DATE TBC
HONG KONG

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VENICE | 5 & 6 JUNE
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HONG KONG | NOVEMBER

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Welcome to TXF's first Country Risk report.
When beginning to assess the risk on any deal, political risk has often proven to be the most difficult to predict. Institutions may involve insurers (ECAs or private companies) to cover this risk, so it is important to understand why and how others assess it.

Our aim is to give a different perspective to complement other sources for assessing political risk.

As such, this report tracks trade indicators as a determinant of political risk. When indicators are exceptionally high, this can mean:

- Arms manufacturers are busy, or
- A country is increasing arms in expectation of conflict

Therefore, we are confident this methodology can pick up the risks others may miss, and identify them at an earlier point.

So why am I receiving it?
At TXF, we are working hard to offer content that is appealing and useful to our readers and subscribers. A very important part of this is sharing what we know based on the data we have collected and to then gather feedback from you. We would love to hear from you.

Who has access to this report?
This new feature is only available to all TXF Premium subscribers – our paid news and data service

How often are we going to update the information?
The data does not display big changes in periods of times shorter than 6 months so this will be updated bi-annually.

Who is Jack Harding?
Jack Harding is Director of Palladium Risk, a company specialising in geopolitical risk measurement and interpretation. He is currently studying for a PhD in European Security and holds an MA in Intelligence and International Security from the War Studies department at King's College London, where he won the prize for best MA dissertation.

We are very much looking forward to hearing your opinions about the report. Please contact us if you have any enquiry.

The TXF Data team.

Methodology

Assumption

Goods trade in certain sectors is assumed to be an observable component of state strategy and thus trends in sectors with military applications will not reflect trends in trade in more conventional economic sectors. This is since states shift priorities and resources in times of crisis. Measuring the gap between economic health (ECON) and geo-political (GPR) sectors provides the foundation of the model – the greater the gap, the less stable the state.

Model Construction

The model is constructed in two main stages: the foundation of the model is based on monitoring trade flows (A), the findings are then moderated by applying the results of more conventional risk indicators (B):

A:

1) ECON sectors are taken from the top-10 imports and exports for each state at 4-digit HS level.
2) GPR sectors are identified by running a correlation of all sectors at 4-digit level (9,999 in total) to assess which have the closest association with arms trade.
3) Regression analysis is then used to demonstrate statistical significance and remove any sectors with spurious correlation.
4) Remaining sectors with the closest association tend to be Dual-Use goods (defined as commodities with civilian and military applications), certain metals, chemicals, explosives, and "commodities not elsewhere specified". These sectors are unique to each state and generally analysis will return a list of over 100 4-digit GPR sectors.
5) The index score is then moderated by applying an average of the scores in the conventional risk sectors (Regime type, Corruption, Level of repression, Internal conflict, Foreign relations, External conflict, Foreign policy, Terror threat, Impact of terrorism – see below for explanation of these indicators).
6) Forecasts for the model are derived in the near term by applying a momentum forecast on monthly data. This approach is highly accurate to six months.

B:

1) We monitor and forecast nine more conventional risk indicators: Regime type, Corruption, Level of repression, Internal conflict, Foreign relations, External conflict, Foreign policy, Terror threat, Impact of terrorism.
2) Although by no means an exhaustive list of risk indicators, in the interest of parsimony, we found limiting the model to nine indicators with a very close association with instability and conflict yields the best results.

Country risk review: March 2017
Country summary

List of countries

		Risk Rating	Change 2017/16	Mandate
1	Ukraine	532.5	-0.8%	Ongoing conflict, country divided on ethnic lines. Source of tension between "west" and Russia. Cease-fire being mooted, but no clear end in sight.
2	Mexico	242.4	6.8%	Serious threat from long-running drug war. Possibility of serious deterioration in relations with US over issues such as the Mexican wall.
3	China	230.1	4.8%	Significant risks. Escalation of South China Sea dispute greatest threat. Uncertainty over US's future role in region. Tensions in Xinjiang worth monitoring.
4	Russian Federation	229.1	4.8%	Russia-US relations the clearest threat to global stability. Involvement in states with high proportion of ethnic Russians should be monitored closely.
5	Saudi Arabia	159.7	7.4%	Serious human rights issues and a high level of repression. Tensions with Iran incredibly high and being played out in "proxy war" in Yemen
6	Kazakhstan	138.4	2.1%	Some risks over corruption, repression and overall terror threat. However, many indicators show declining risk given growing role as regional mediator.
7	Hong Kong	100.0	3.3%	Still very stable, but Beijing's interference in HK's politics is a source of tension. Elections in March - monitor outcome for potential protests.
8	Oman	84.6	2.3%	Stability in Oman is relatively assured in the short term. However, health of Sultan Qaboos should be monitored given lack of clear succession plans.
9	United States of America	79.9	14.0%	Uncertainty over Trump's presidency has increased risks. Foreign policy and foreign relations likely to deteriorate.
10	Brazil	75.7	2.3%	Corruption still a major concern. Political uncertainty after Rousseff's impeachment. Temer will hold office until elections in 2018.
11	Ghana	64.4	9.8%	One of the more stable and democratic African nations. Corruption has declined in recent years. Terror attacks in other west African countries has put Ghana on high alert.
12	United Arab Emirates	46.7	-0.6%	Very stable. UAE has taken a more active foreign policy role and has troops actively fighting in Yemen. Iran still a source of potential tension.
13	United Kingdom	45.3	2.2%	Terrorism and impact on daily lives poses greatest threat. Foreign relations also deteriorating over Brexit and uncertainty over Trump.
14	Germany	41.7	-11.8%	Still very stable, but level of risk has been steadily rising. Terrorism has become a more serious threat and tensions are increasing with US and UK.
15	Singapore	26.2	17.3%	Very stable. Slight concerns over press freedoms.
16	Sweden	25.6	9.1%	Very stable state. Greatest risk increased terror threat in Europe and impact this has on daily lives.
17	Netherlands	17.0	8.3%	Very stable, however possible election of far-right Geert Wilders may damage foreign relations and increase social tensions.
18	Norway	15.4	18.2%	To spur sustainable economic development and social progress in its regional member countries, thus contributing to poverty reduction.
19	Switzerland	15.3	-7.9%	Very stable state. Greatest risk increased terror threat in Europe and impact this has on daily lives.
20	Canada	13.3	-3.1	Very stable. Moderate threat of terrorism and possibility of frostier relations with the US.
21	Luxembourg	11.9	-17.4%	Very stable. Underlying threat from terrorism in Europe generally and impact of threat on daily lives.

Ukraine

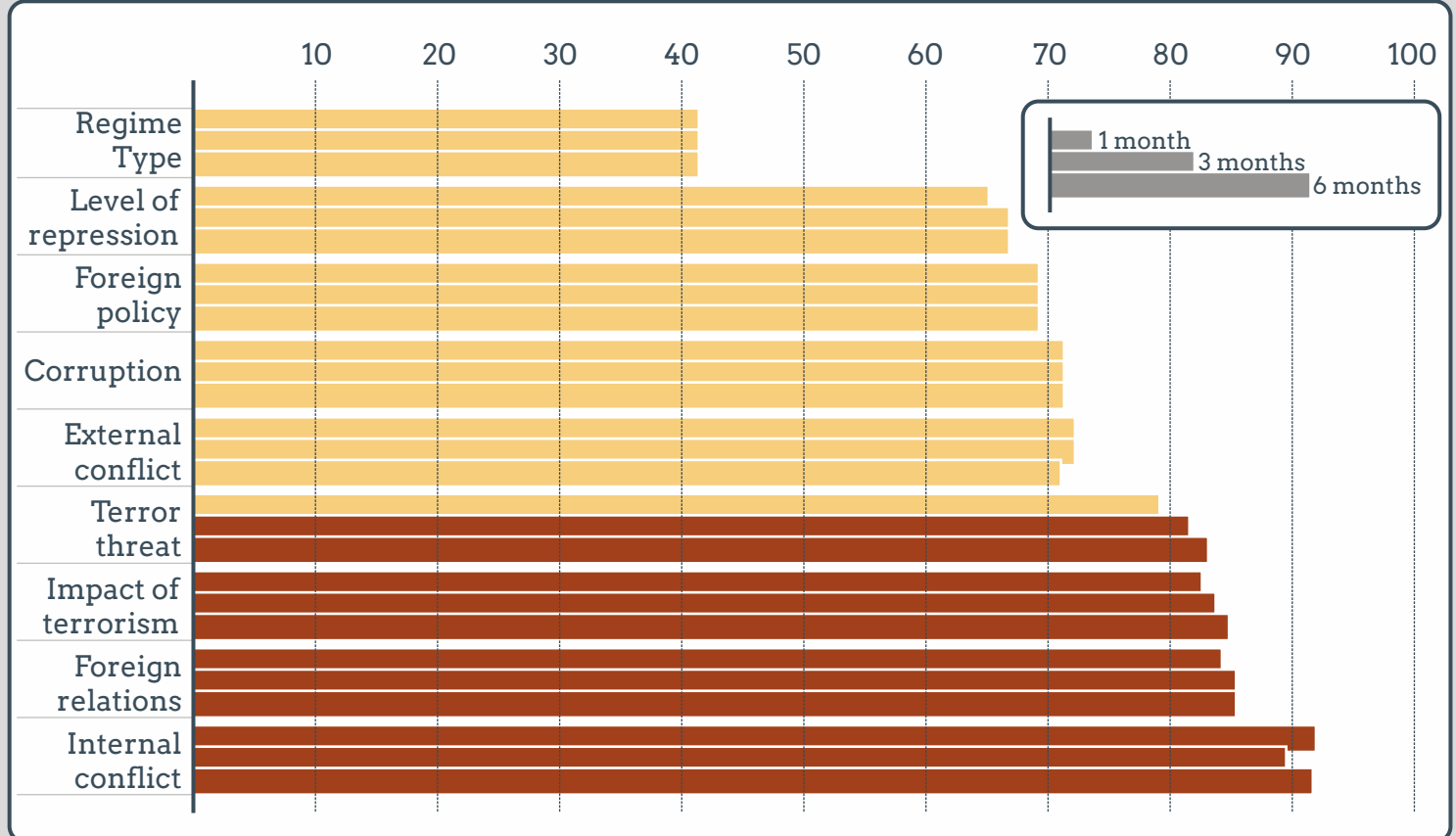| 2017 score	2016 score	% change		OECD
532.5	537.1	-0.8		7

Geo-political Risk

The Ukraine is by far the riskiest of the states in this study. It has been gripped by a conflict since the Crimea was annexed by Russia in February 2014 and civil unrest erupted into a civil war in the Donbass region. The war has claimed thousands of lives and led to the displacement of hundreds of thousands. Several attempted ceasefires, such as the Minsk II, have fallen through after repeated violations including heavy fighting at the beginning of the year. In February 2017, Sergei Lavrov, Russia's Foreign Minister, announced that another ceasefire had been agreed between the Ukraine and the Separatists. Putin also agreed to remove heavy weaponry (although it was unclear whether he was referring to Russian weapons or those of the Separatists).

A reduction in fighting has already been observed and expectations for this ceasefire are high - this is reflected by a slight drop in the three month Internal Conflict indicator. Nevertheless, a ceasefire is not a truce and without a clear peace plan in place, fighting will likely resume very soon.

Categories	1 month	3 month	6 month
Corruption	71	71	71
Terror threat	79	81	83
Impact of terrorism	83	84	85
Foreign Policy	69	69	69
External conflict	72	72	71
Internal conflict	92	89	92
Foreign relations	85	86	86
Level of repression	64	66	66
Regime type	43	43	43

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Mexico

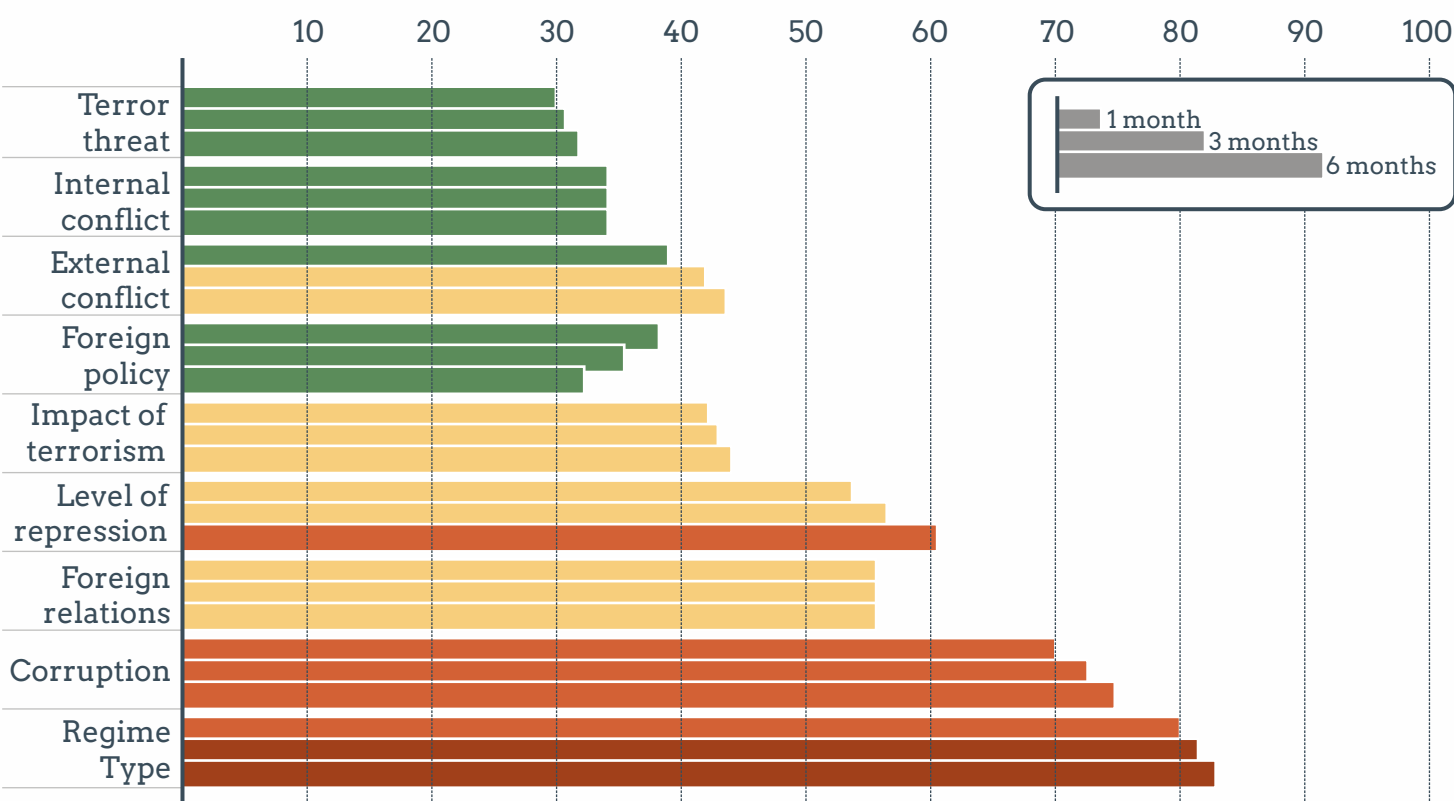| 2017 score	2016 score	% change	OECD
242.4	226.9	6.8% ⬆	3

Geo-political Risk

The GPR index rating for 2017 shows that overall stability in Mexico is likely to decline slightly in 2017. The Drug War which has been raging between the Mexican government and the Cartels for over a decade and has claimed thousands of lives in the process. In spite of some success in capturing drug lords, the violence has not abated significantly leading some to wonder whether the "war" can truly be won. The Mexican people's ongoing struggle with the violence is reflected by the slight increase in the "internal conflict" indicator. Corruption is a further concern, one which aids the Cartels' cause and hinders combative efforts.

The other significant indicator showing signs of deterioration is "Foreign Relations". Unsurprisingly, this is being driven by a likely decline in relations with the US over Trump's controversial immigration policy and insistence that Mexico pays for the construction of a wall along the US-Mexico border.

Categories	1 month	3 month	6 month
Corruption	70	71	73
Terror threat	30	31	32
Impact of terrorism	43	44	45
Foreign Policy	38	41	45
External conflict	38	34	32
Internal conflict	80	81	83
Foreign relations	54	57	61
Level of repression	56	56	56
Regime type	35	35	35

N.B. killings/threats related to Mexican Drug War categorised under Internal Conflict, not terrorism.

China

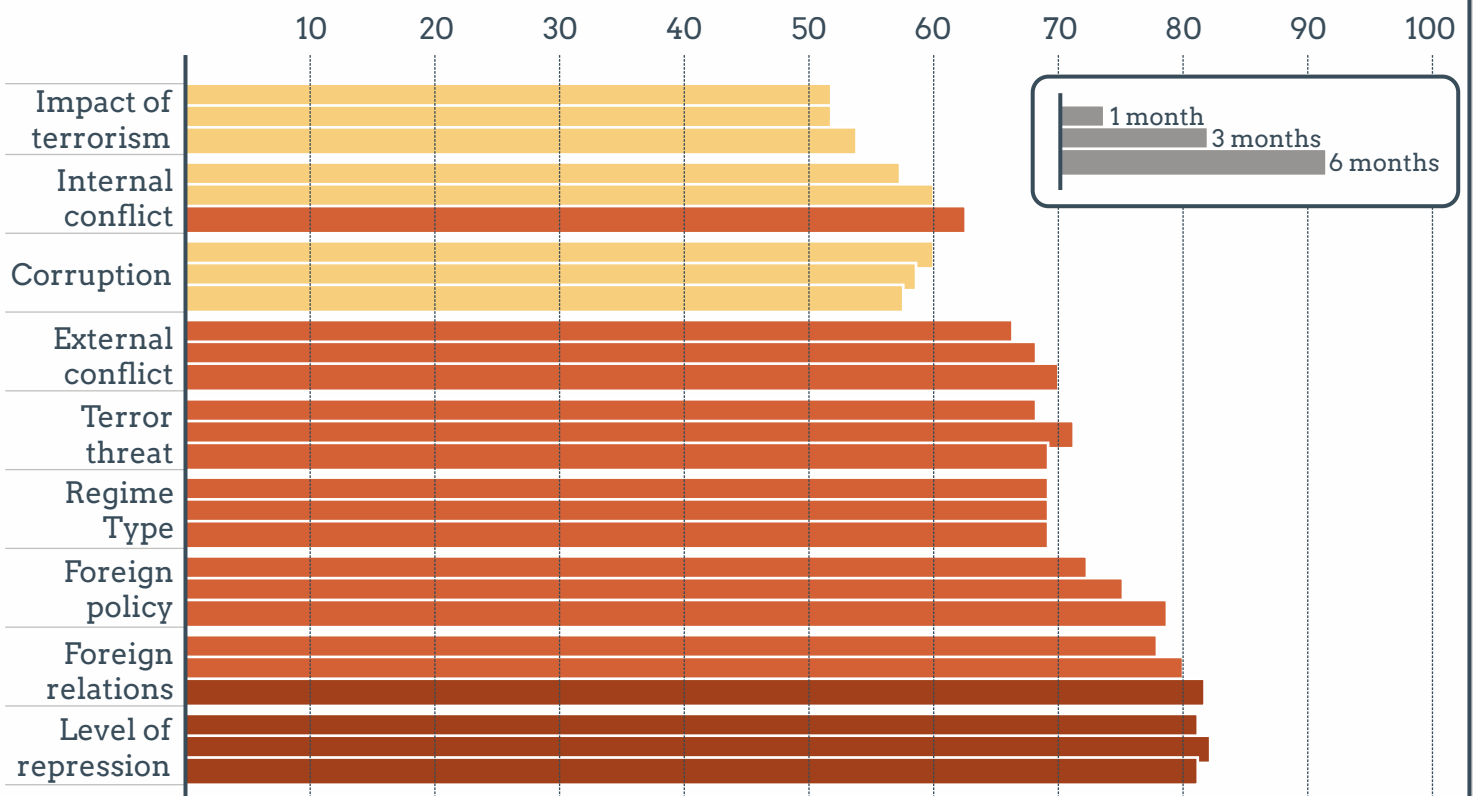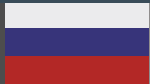| 2017 score	2016 score	% change		OECD
230.1	229.9	0.1% ⬆		2

Geo-political Risk

There are significant risks in China, the most severe of which is the rapidly declining relations with the international community over a more assertive foreign policy. Chinese foreign policy aims are notoriously difficult to gauge, however their construction of islands in the South China Sea has prompted fierce disputes with regional actors who also stake a claim to the territory. In 2017, the threat is likely to increase given uncertainty over what kind of role the US will play in the region - expectations are for more a more assertive stance from the US given recent deployment of an aircraft carrier and warplanes.

In terms of domestic risks, the high level of repression in China means the impact of terrorism is relatively low. However, this does not mean that there is a lower threat from terrorism generally. Xinjiang province is home to a significant number of Muslims (the Uighurs). In the past, China has taken a particularly aggressive stance towards the Uighur people. Instead of limiting the risk of terrorism, the crackdown on religious practices under the 2015 counterterrorism law has created further tensions.

Categories	1 month	3 month	6 month
Corruption	60	59	58
Terror threat	66	71	70
Impact of terrorism	53	53	55
Foreign Policy	72	76	79
External conflict	65	68	70
Internal conflict	56	60	64
Foreign relations	77	80	82
Level of repression	82	83	82
Regime type	69	69	69

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Russian Federation

2017 score	2016 score	% change		OECD
229.1	218.5	4.8% ↑		4

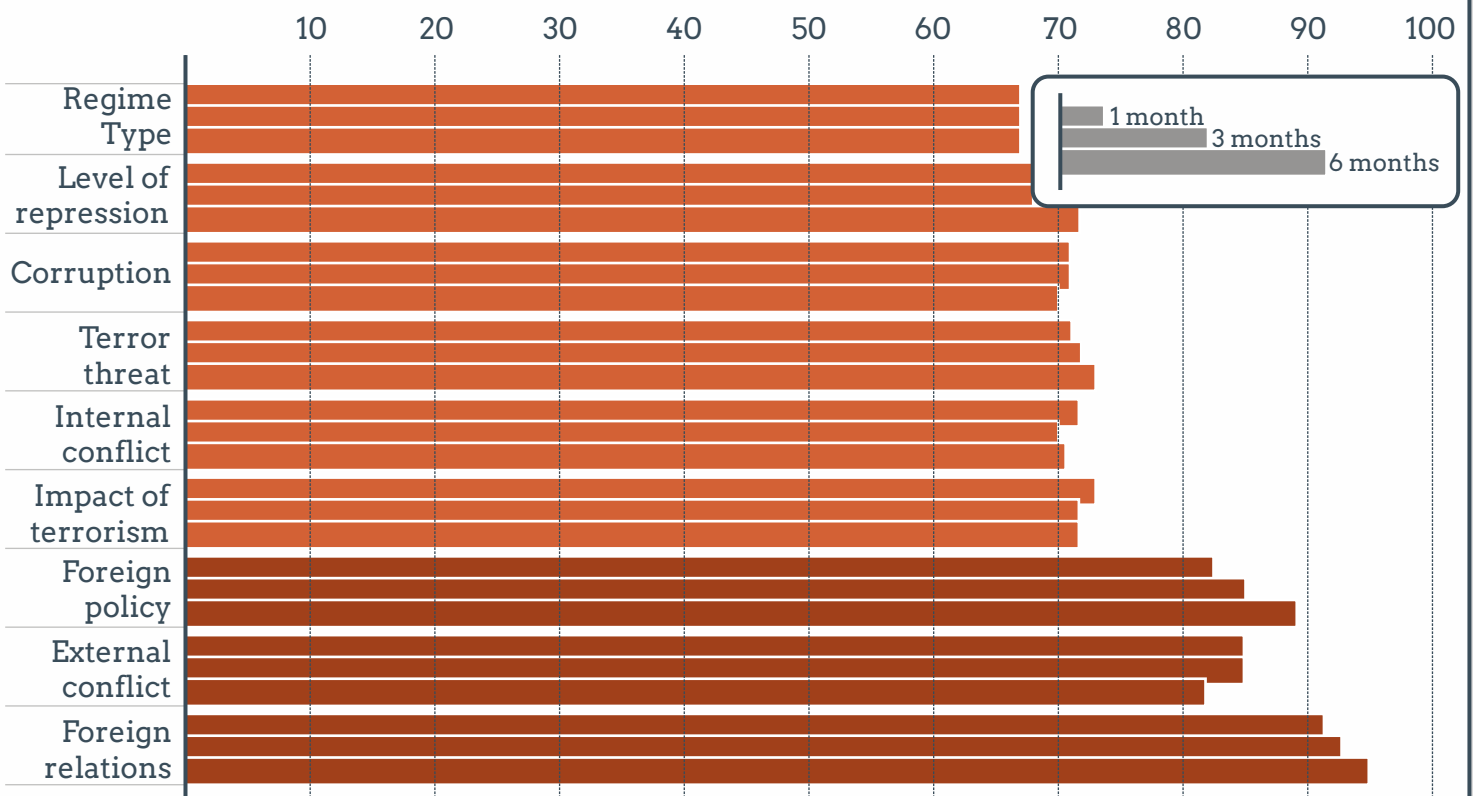## Geo-political Risk

Unsurprisingly, the index shows significant risks in Russia. Relations with the EU and NATO nations have deteriorated significantly in recent years leading to warnings of a new Cold War. Trump's election will do nothing to alleviate these tensions. As such, we expect a further deterioration in foreign relations. Russia's aim is a return to Great Power status and Putin has prioritised a more active foreign policy stance. This is exemplified by Russia's role in the Ukraine crisis and, more recently, in its military support for the Assad regime in Syria. However, Russian involvement in states with a high proportion of ethnic Russians should also be monitored. Kazakhstan, for example, has long been seen as a potential flashpoint for ethnic conflict given that 21% of the population identify as ethnic Russians. Domestically, terrorism remains a serious threat in Russia. not only in the North Caucasus, but also in major cities due to their active role in the war in Syria.

Categories	1 month	3 month	6 month
Corruption	71	71	70
Terror threat	71	72	74
Impact of terrorism	73	73	73
Foreign Policy	83	86	89
External conflict	85	85	82
Internal conflict	72	70	71
Foreign relations	92	93	94
Level of repression	68	68	72
Regime type	67	67	67

Saudi Arabia

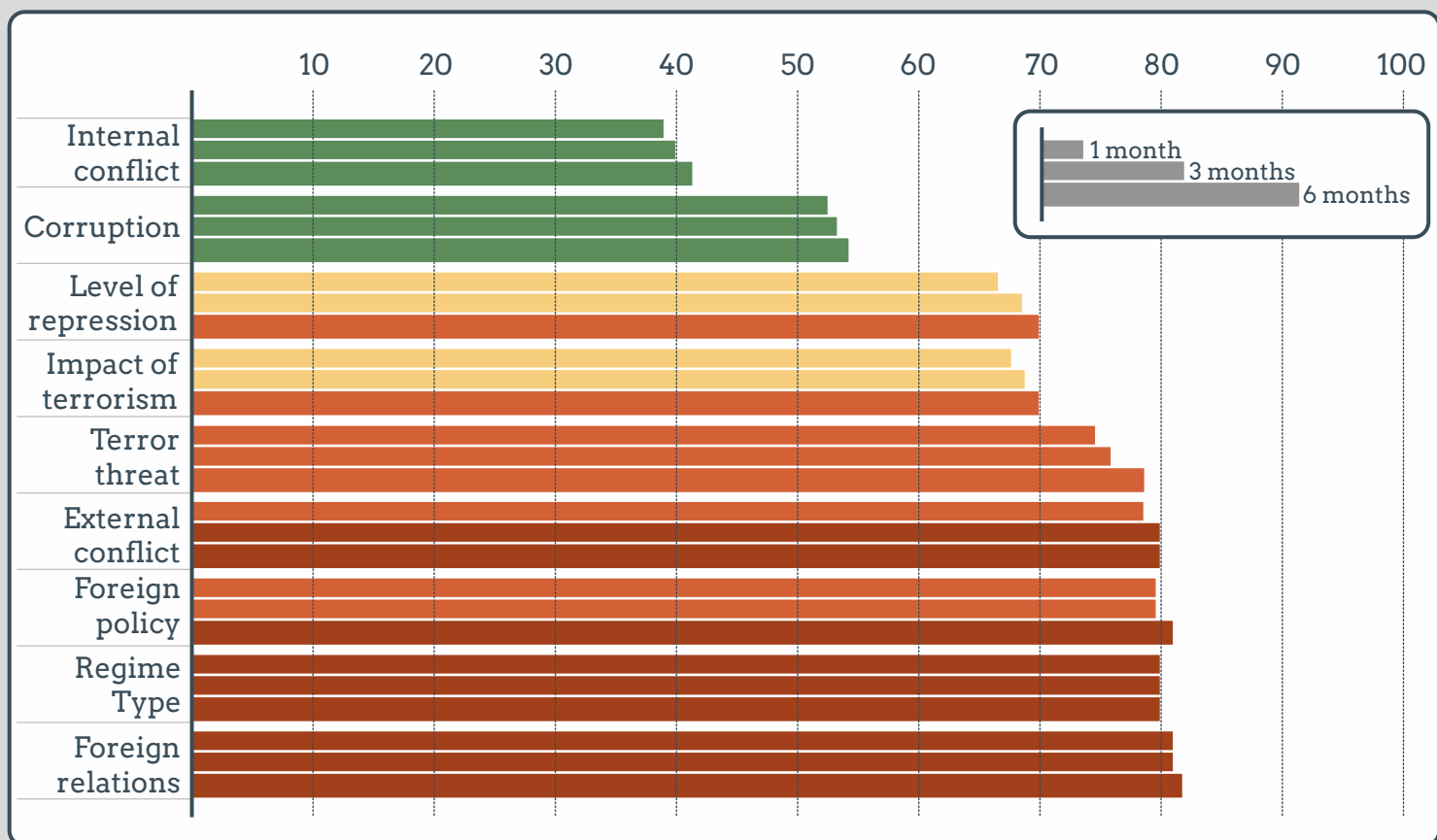| 2017 score	2016 score	% change		OECD
159.7	148.7	7.4% ⬆		2

Geo-political Risk

The domestic political scene in Saudi Arabia is strictly controlled by a centralist government. The government often implements draconian punishments against dissenting voices which has led international organisations to voice their concerns over human rights abuses. While this affords the country a great deal of political stability, there are potentially disruptive flashpoints domestically.

The greatest risk to Saudi Arabia is over rising tensions with Iran. Saudi Arabia is currently leading a coalition of Arab states against Shia Houthi rebels in Yemen and accuses Iran of financial and military support. There is no clear end in sight for the conflict and these concerns are reflected in the index. Saudi Arabia's overall index rating has increased slightly in 2017, although it still ranks as moderately stable.

Categories	1 month	3 month	6 month
Corruption	54	55	56
Terror threat	74	75	77
Impact of terrorism	67	68	70
Foreign Policy	79	79	83
External conflict	78	80	80
Internal conflict	37	40	42
Foreign relations	83	83	84
Level of repression	65	67	70
Regime type	81	81	81

Kazakhstan

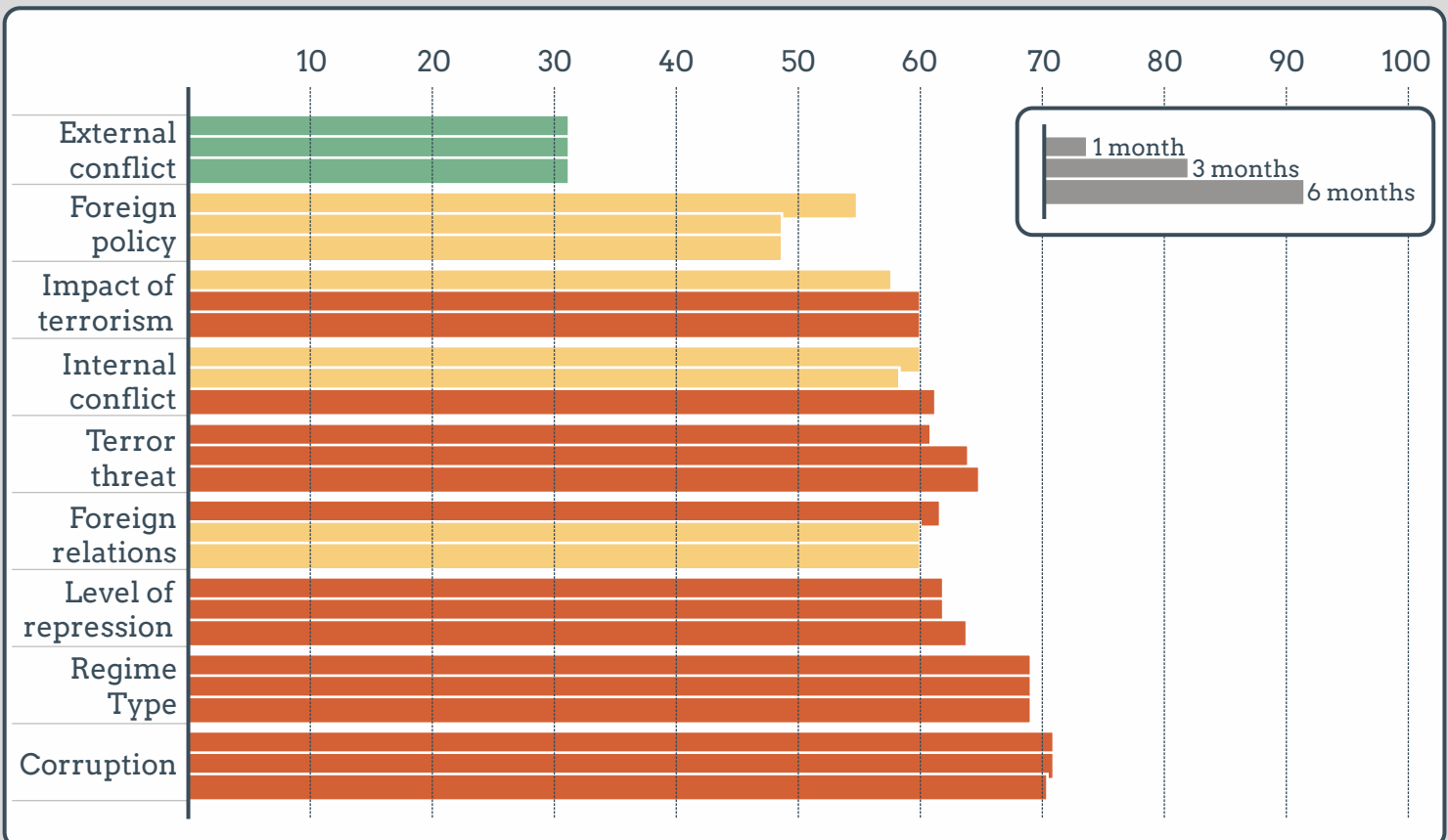| 2017 score	2016 score	% change		OECD
138.4	135.6	2.1% ▲		6

Geo-political Risk

Kazakhstan rates as moderately risky as most of the indicators reflect. Corruption and repression are still serious concerns. Terrorism remains a threat in spite of relatively few incidents having occurred in recent months.

On the plus side, Kazakhstan's foreign policy and relations are both showing signs of improvement. This is due to the role they have begun to carve out as regional mediators. For example, between Israel and Iran and most recently with Syria. One potential flashpoint which should be monitored closely is the potential for ethnic conflict. 21% of the population identify as ethnic Russians - as was witnessed in the Crimea, one of the main Russian objectives is the reintegration of territories formerly thought to be in their sphere of influence. Given a warming of relations between Kazakhstan and Russia of late, the internal situation should be monitored. Although a crisis is not likely to erupt over the next months.

Categories	1 month	3 month	6 month
Corruption	71	71	70
Terror threat	61	66	67
Impact of terrorism	57	60	60
Foreign Policy	55	48	48
External conflict	32	32	32
Internal conflict	60	57	62
Foreign relations	63	60	60
Level of repression	64	64	66
Regime type	69	69	69

Hong Kong

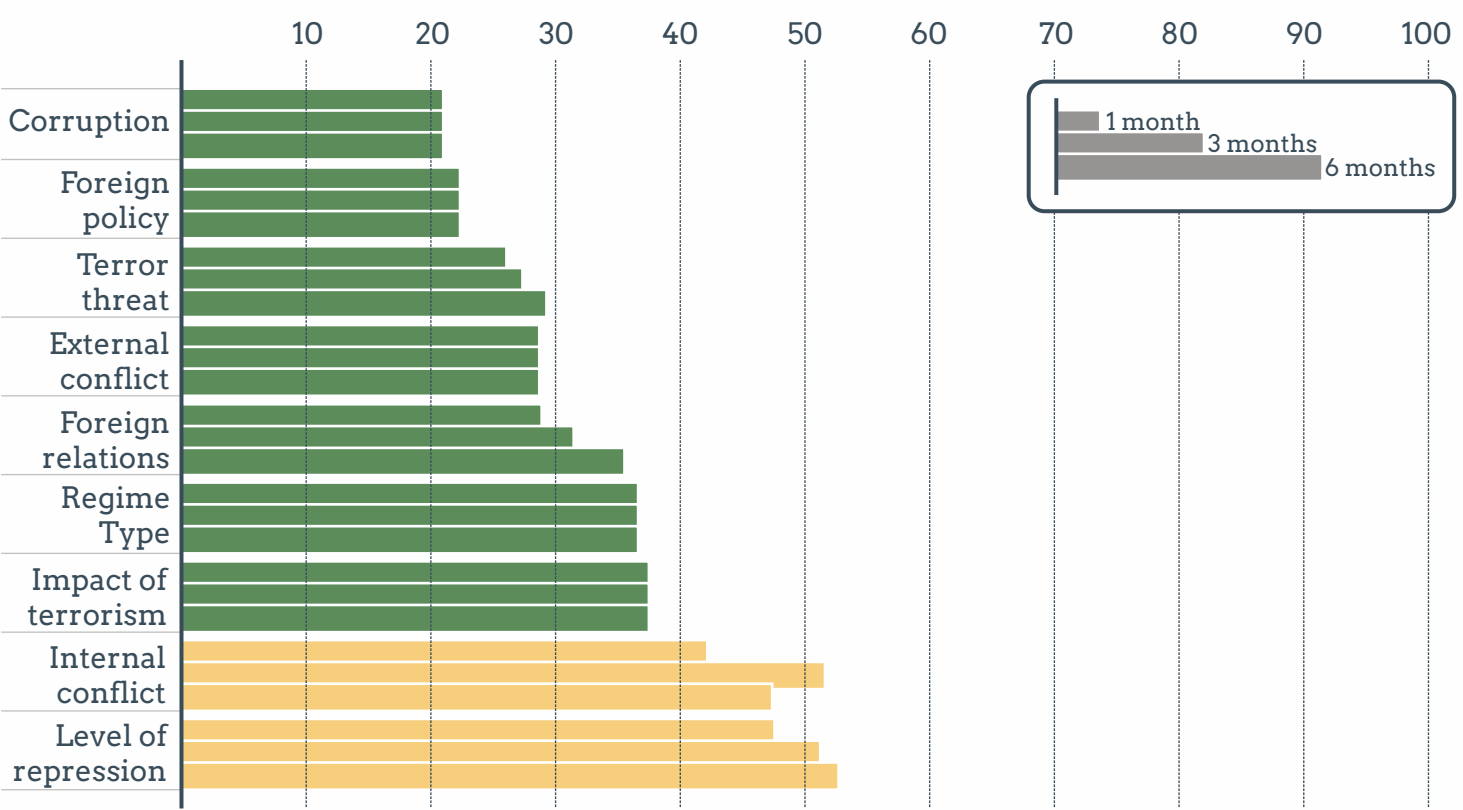| 2017 score	2016 score	% change		OECD
102.8	**96.8**	**3.3%** ↑		**HIGH INCOME**

Geo-political Risk

Generally, Hong Kong is fairly stable. The financial sector is still performing well and attracting workers from all over the globe. Corruption is low as is the threat of terrorism. The main risk stems from concerns over Beijing's interference in the country's political scene. There have been mysterious disappearances of people voicing their discontent and in 2014, when a reform to the electoral process was proposed, the so-called Umbrella Revolution began.

There was further rioting in Mongkok in February 2016. There is still a great deal of underlying tension and further protests cannot be ruled out. Elections for the Hong Kong Chief Executive position were held on 25th March and, as expected, Carrie Lam was victorious. Lam is Beijing's preferred candidate and won 777 of the 1,194 votes cast; however, her victory has stirred up anti-China sentiments. Lam starts her new job in July and the potential for the outbreak of further demonstrations is picked up in the internal conflict and level of repression forecasts.

Categories	1 month	3 month	6 month
Corruption	23	23	23
Terror threat	26	28	29
Impact of terrorism	37	37	37
Foreign Policy	24	24	24
External conflict	28	28	28
Internal conflict	44	54	51
Foreign relations	28	32	36
Level of repression	47	52	54
Regime type	35	35	35

Oman

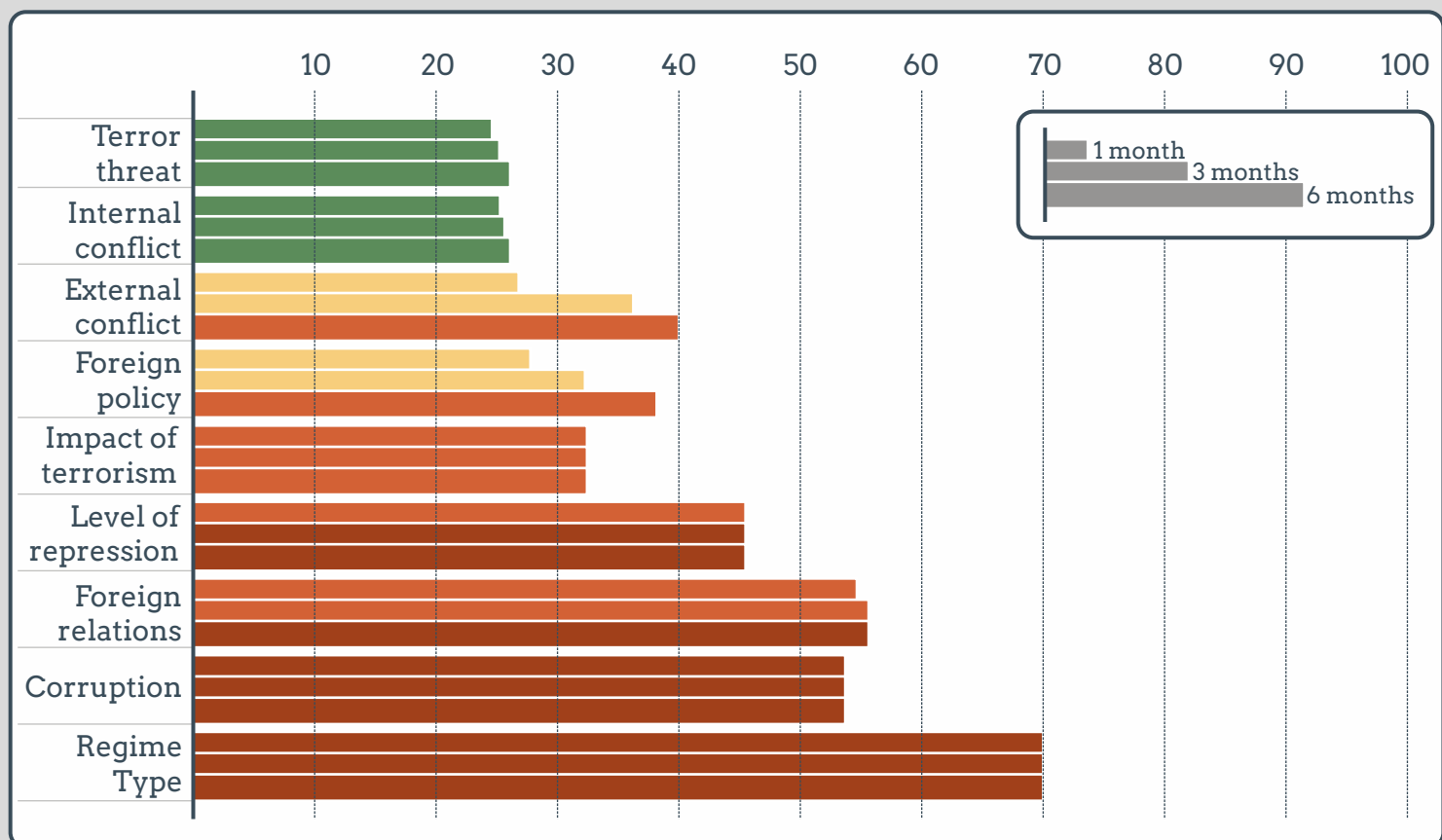| 2017 score	2016 score	% change	OECD
84.6	82.7	2.3% ⬆	3

Geo-political Risk

Oman is one of the more stable Middle Eastern states and has been largely unscathed by the violent upheavals that have afflicted the region. This is mostly due to the rule of Sultan Qaboos who has ruled the country since 1970 - the longest-serving Arab head-of-state. Under Qaboos' reign, Oman's economic fortunes have improved greatly and, through a policy of non-interference, the country has been a relative haven from regional crises. However, recently, Oman has taken a more active foreign policy role by trying to act as mediator between Saudi Arabia and Iran as result of the conflict in Yemen. In late 2015, Oman suggested a seven-point peace plan. Although the plan did not take hold, growing concerns over tensions between Saudi Arabia and Iran, and regional security as a whole, may necessitate a more assertive stance from Oman.

A further potential cause for concern is the issue of succession. There is no clear plan in place for a handover of power in the event of Sultan Qaboos being unable to serve. Given recent concerns over his ill health, there is the underlying potential for a political crisis.

Categories	1 month	3 month	6 month
Corruption	55	55	55
Terror threat	23	23	25
Impact of terrorism	33	33	33
Foreign Policy	28	34	38
External conflict	26	36	40
Internal conflict	23	24	25
Foreign relations	54	56	56
Level of repression	46	46	46
Regime type	70	70	70

United States of America

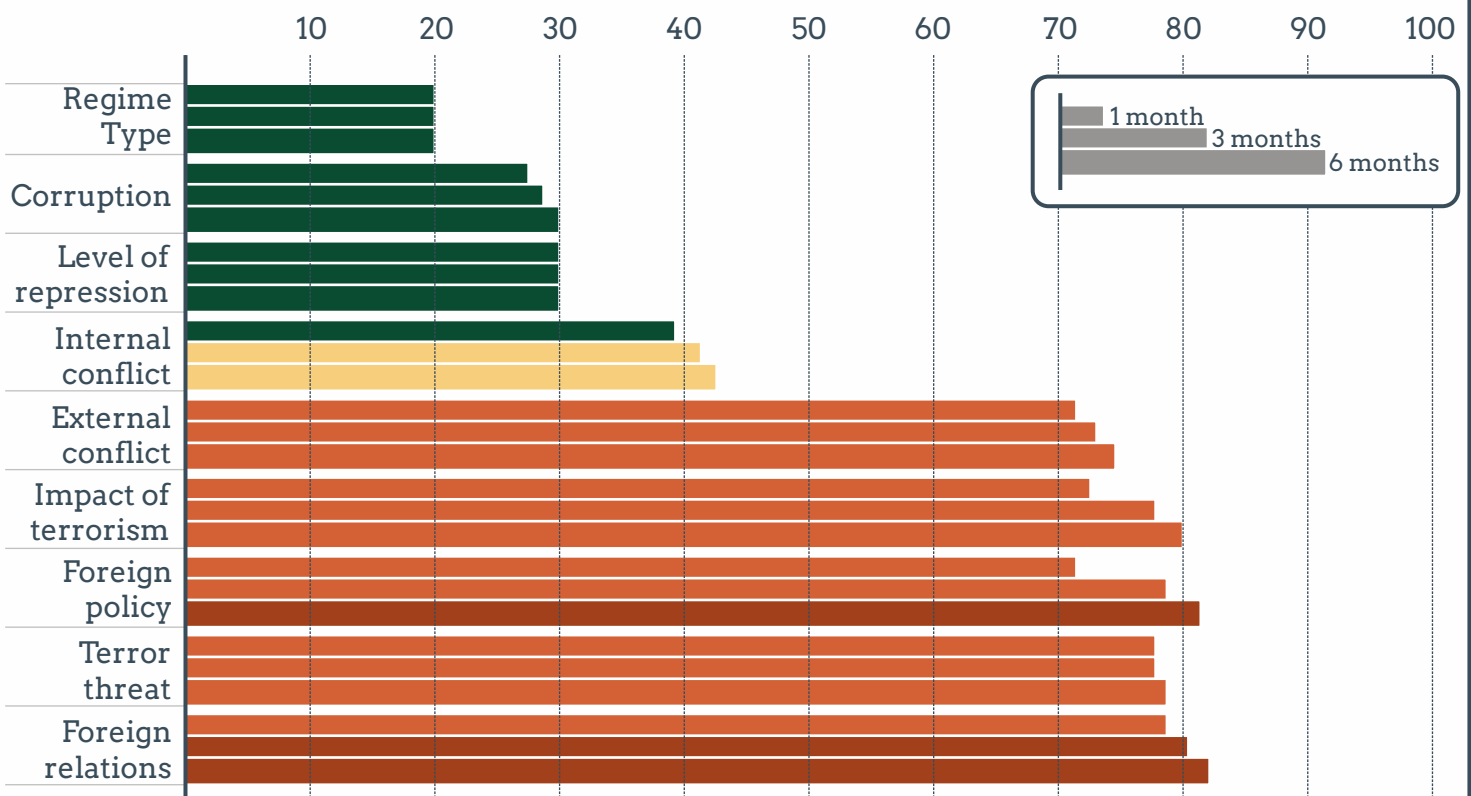| 2017 score	2016 score	% change		OECD
79.9	70.1	14.0%	↑	HIGH INCOME

Geo-political Risk

The 14% change in risk rating is a cause for concern and almost entirely a result of the change in administration. Following his surprise victory in presidential elections in November last year, Trump has stuck to many of campaign pledges and attempted to implement a number of controversial policies. His unorthodox approach has seriously affected the 1, 3 and 6-month risk projections. We expect to see a decline in the US's relations with the international community. In particular, China, Russia and, most worryingly, with key European partners such as Germany. Relations with Israel are also worth monitoring given tensions over the construction of Jewish settlements in the West Bank. The other cause for concern is the steep increase in internal conflict. Although it is still rated as very low risk, it increases by eight percentage points over the six-month period. The underlying data shows this is due to the likelihood of widespread protests as Trump's domestic policies further divide the nation.

If the rate of change in risk maintains its current trajectory, the US will slip into the "moderate stability" rating before the end of Trump's four-year term.

Categories	1 month	3 month	6 month
Corruption	26	28	30
Terror threat	75	75	78
Impact of terrorism	73	77	80
Foreign Policy	72	79	83
External conflict	72	74	76
Internal conflict	38	42	46
Foreign relations	76	80	84
Level of repression	30	30	30
Regime type	19	19	19

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Brazil

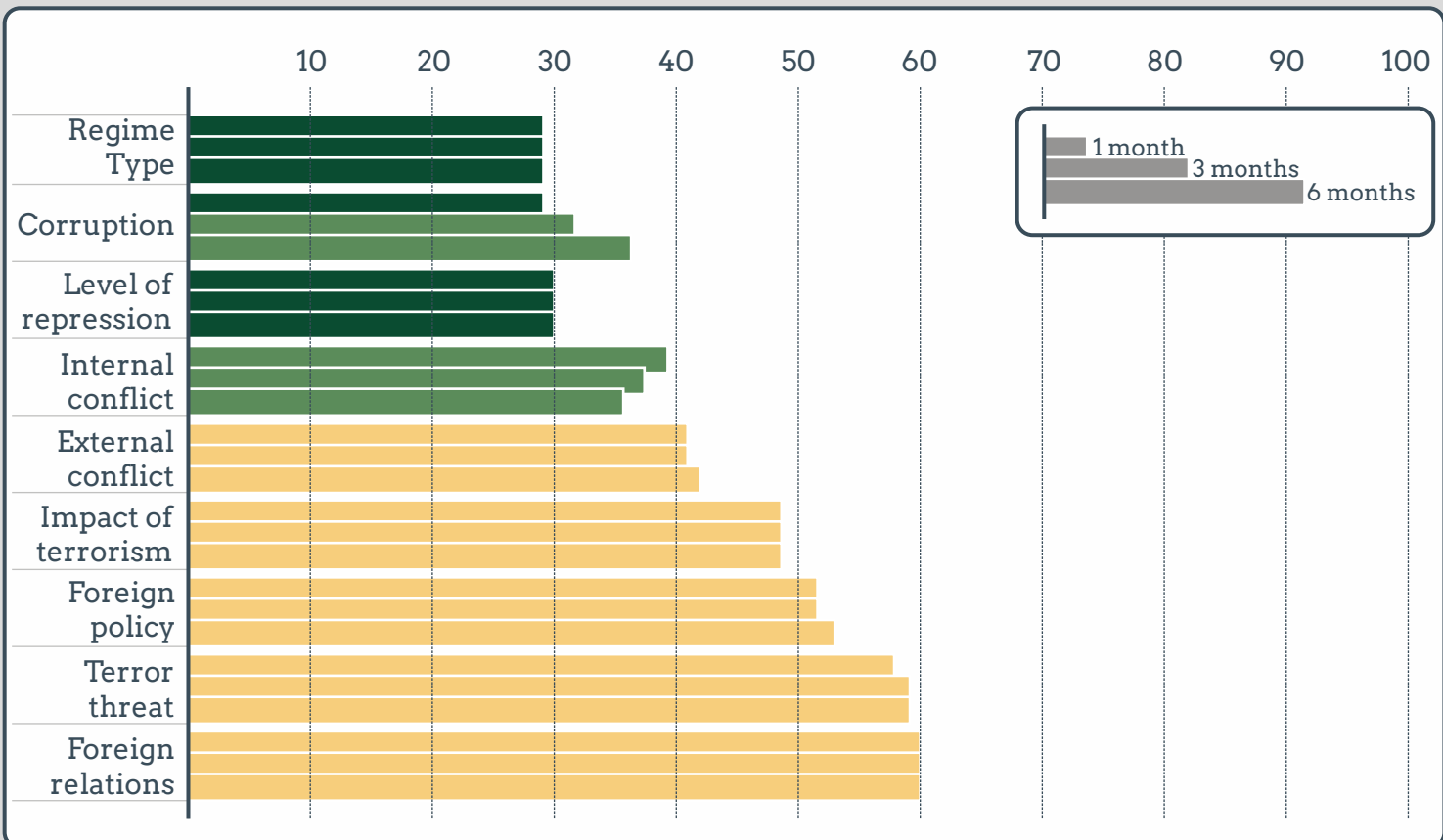| 2017 score	2016 score	% change		OECD
75.7	74.0	2.3% ⬆		5

Geo-political Risk

Although still rated as stable, Brazil has been gripped by a serious corruption scandal in recent years (Petrobras). The scandal led to the eventual impeachment of President Dilma Rousseff. Michel Temer is now expected to run the country until elections in 2018 - although even Temer has not been immune from accusations of corruption with a recent report claiming he pocketed millions of dollars' worth of campaign donations. The public nature of the scandal is a positive thing in the long term. However, the short-term impact is raising serious concerns over the efficacy of the domestic political scene.

Furthermore, poverty and inequality is widespread and, following the world cup protests, the perceived "cleansing" of the Favelas, and over-the top spending, there is a serious level of tension between the general public and policy elites. While the forecast does not predict any serious upheaval in the next six months, the situation should still be monitored closely.

Categories	1 month	3 month	6 month
Corruption	60	60	60
Terror threat	41	41	42
Impact of terrorism	47	47	47
Foreign Policy	28	28	28
External conflict	38	36	35
Internal conflict	52	52	54
Foreign relations	28	32	38
Level of repression	57	59	59
Regime type	30	30	30

Ghana

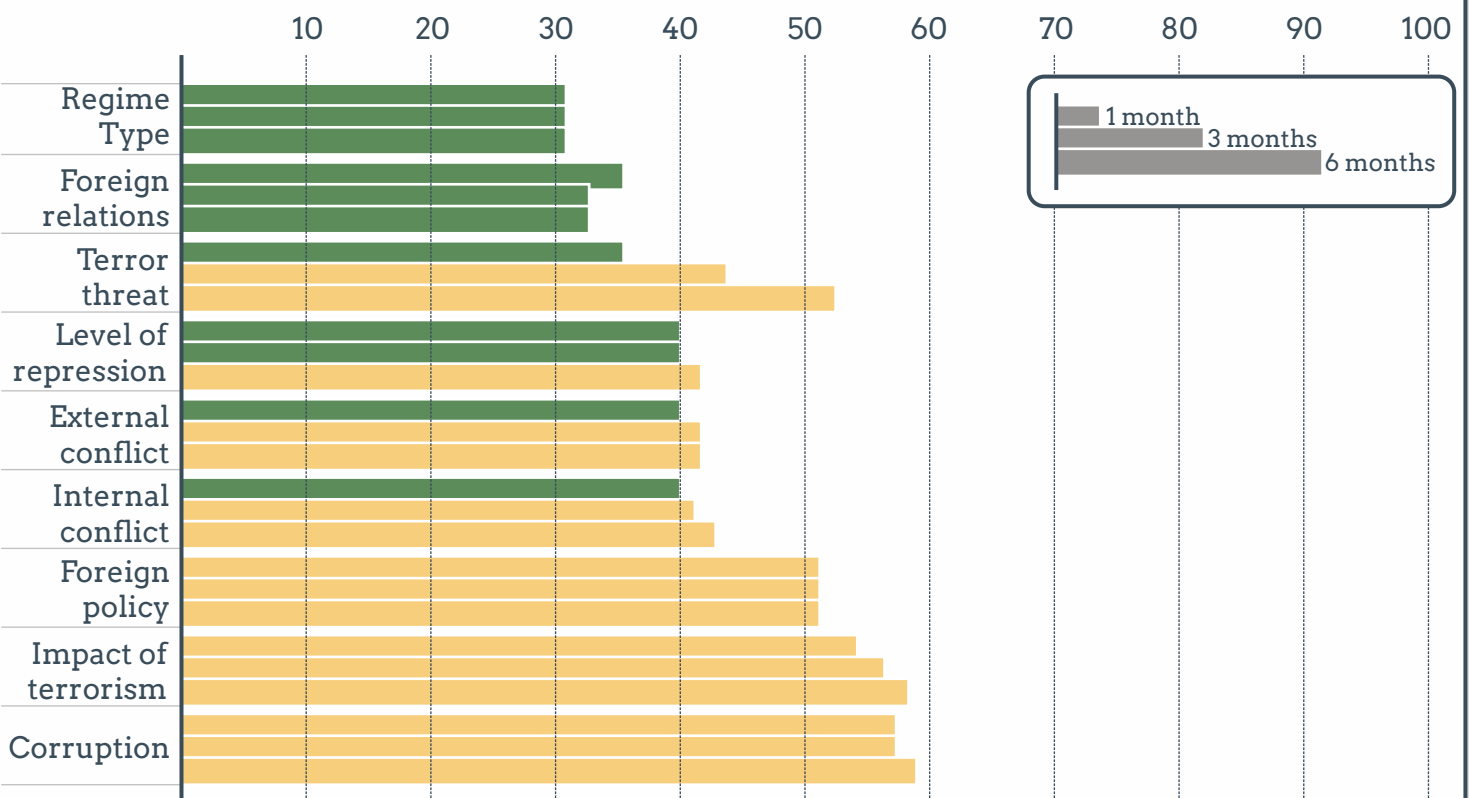| 2017 score	2016 score	% change		OECD
64.4	58.6	9.8% ⬆		6

Geo-political Risk

Despite the fact that Ghana has slipped slightly in the index rating, it still rates as one of the most stable west African nations. Corruption has been steadily declining in recent years (although the corruption indicator is showing a very slight increase at the six month mark) and the country is seen as highly democratic.

Ghana has been unscathed by recent terror attacks in the region, however this is largely by luck rather than design and therefore the possibility cannot be ruled out. Greater cooperation with regional partners through ECOWAS and the AU is likely after President Akufo-Addo pledged greater support. As such an improvement in foreign relations is expected.

Categories	1 month	3 month	6 month
Corruption	57	57	58
Terror threat	37	46	56
Impact of terrorism	53	57	58
Foreign Policy	52	52	52
External conflict	40	42	42
Internal conflict	40	41	43
Foreign relations	36	33	33
Level of repression	40	40	42
Regime type	31	31	31

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UAE

2017 score	2016 score	% change		OECD
46.7	46.9	-0.6%	⬇	2

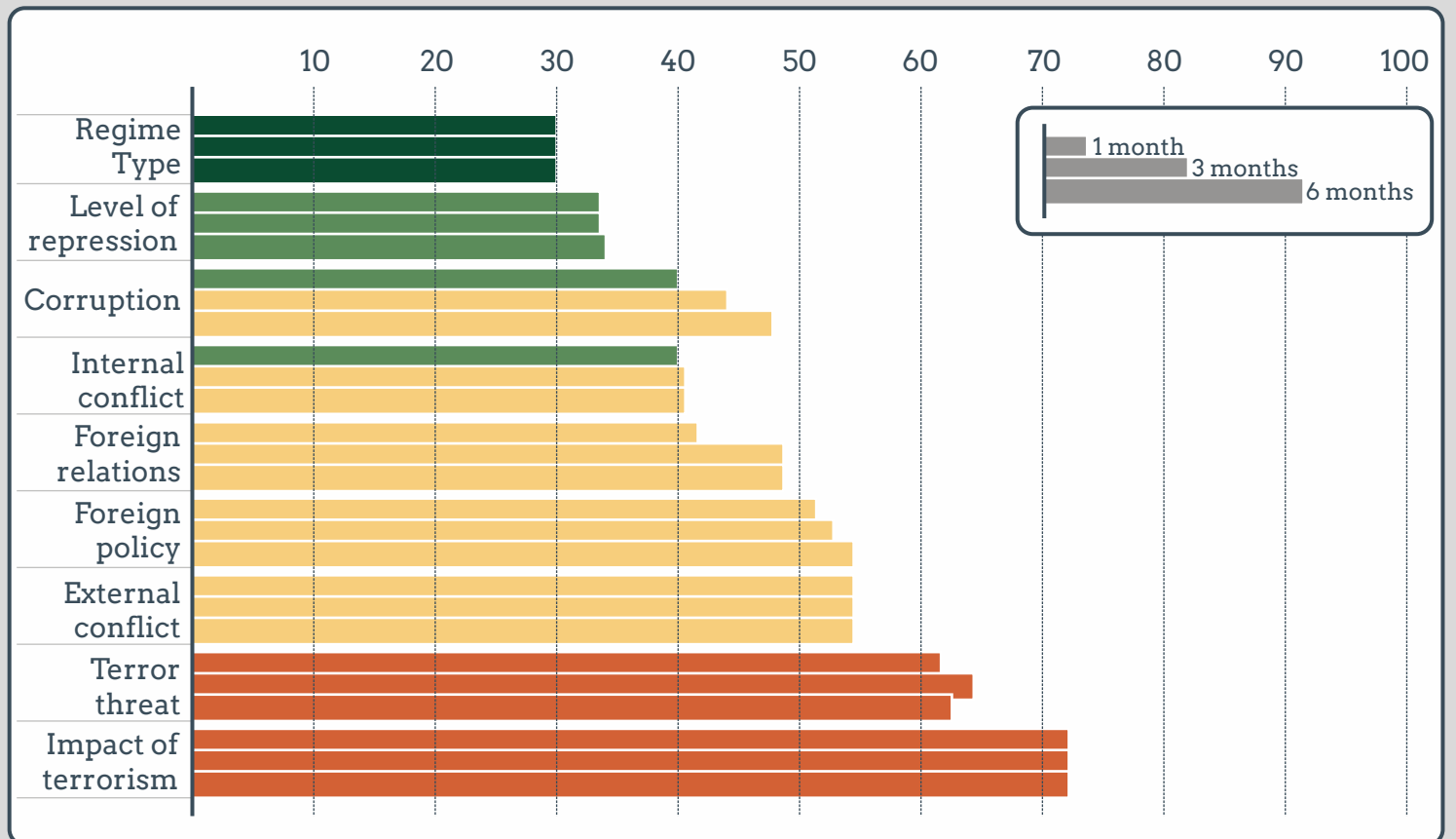## Geo-political Risk

The UAE is very secure and has been largely untouched by regional tensions. Typically, the UAE has chosen to focus on economic growth and has one of the more diverse trade profiles in the region. The stability of the state is clearly reflected in the index rating. However, in recent months, the UAE has begun to play a more active foreign policy role in the region. It is actively involved in Yemen as part of the Saudi led coalition and has been undertaking counterterrorism operations against Al-Qaeda in conjunction with the US. Although the intensity of the fighting has abated from the UAE's point of view as they gradually reduce their troop presence in Yemen, the active role they have played will make them a greater target for terrorism.

Categories	1 month	3 month	6 month
Corruption	34	34	35
Terror threat	40	44	46
Impact of terrorism	53	55	57
Foreign Policy	41	48	48
External conflict	62	66	64
Internal conflict	30	30	30
Foreign relations	40	42	42
Level of repression	57	57	57
Regime type	73	73	73

United Kingdom

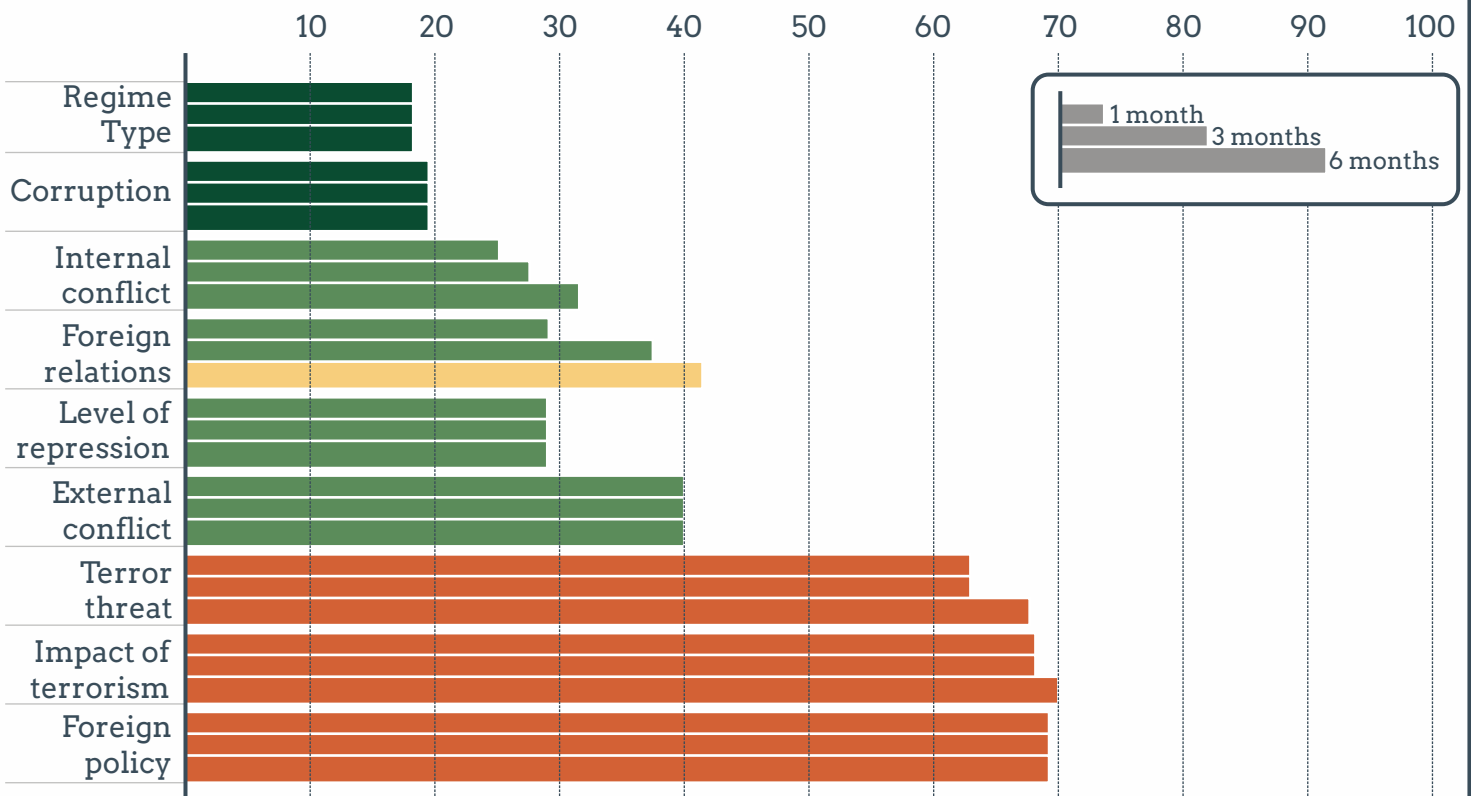| 2017 score	2016 score	% change	OECD
45.3	44.3	2.2% ▲	HIGH INCOME

Geo-political Risk

Overall, the UK is very stable. There has been a marked deterioration in foreign relations over the result of the Brexit referendum and these are likely to fall even further as formal negotiations begin this month.

The greatest current threat to the UK is terrorism. The recent attack in Westminster was the first mass-casualty attack Britain has experienced since the 7/7 bombings in 2005 and British intelligence agencies have stated publicly that the threat is unprecedented. The UK will likely see greater numbers of armed police in public places in the wake of this attack and the permanent arming of the police force is also under discussion. There is also increasing risk of internal conflict over the next few months. This is due to the likelihood of protests as Brexit negotiations begin and, around June when Trump's visit to the UK is planned. Having said this, the risk to stability is still very low implying large-scale, but largely peaceful demonstrations.

Categories	1 month	3 month	6 month
Corruption	19	19	19
Terror threat	66	66	69
Impact of terrorism	67	67	70
Foreign Policy	69	69	69
External conflict	40	40	40
Internal conflict	24	27	33
Foreign relations	28	37	43
Level of repression	29	29	29
Regime type	17	17	17

TXF DATA

Germany

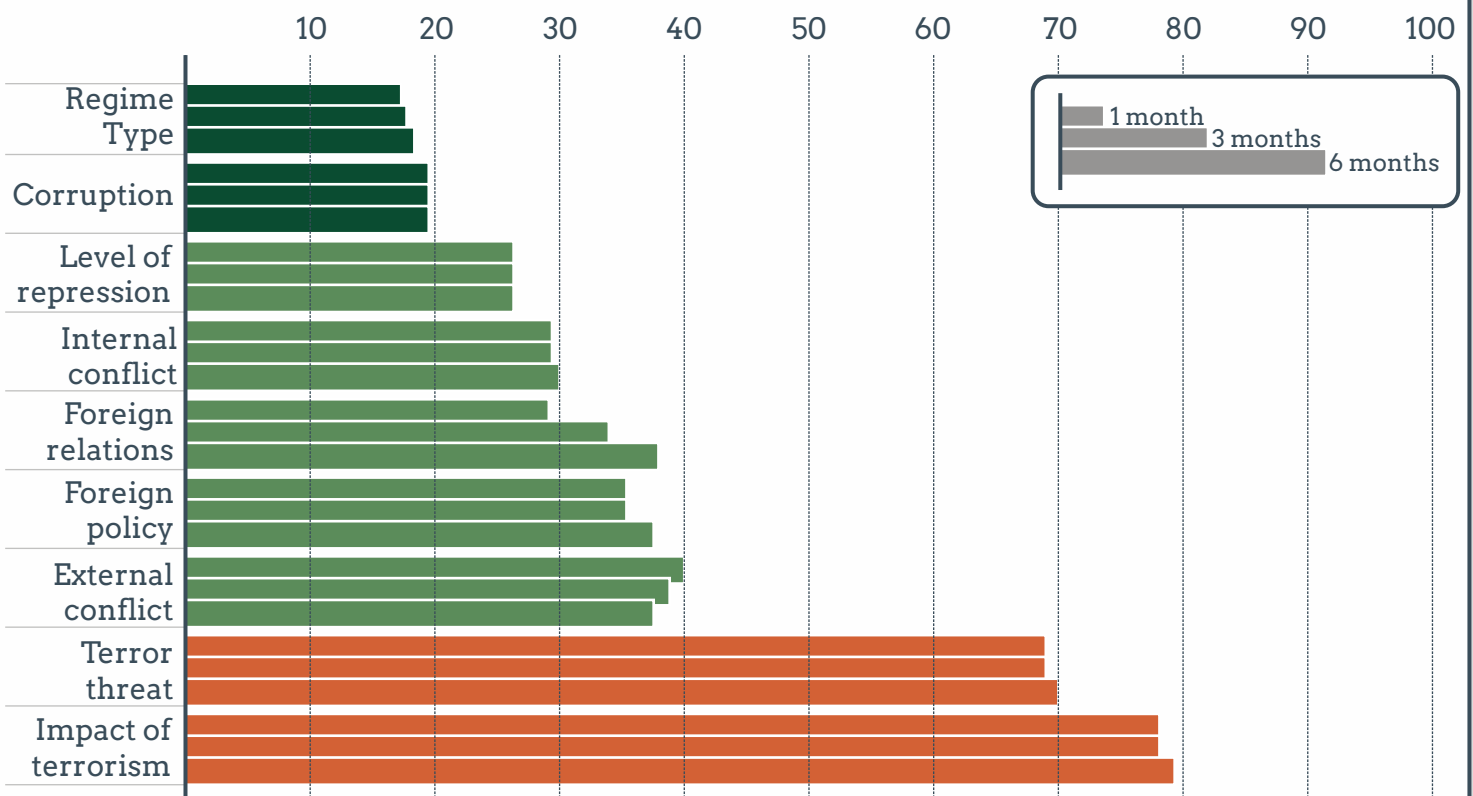| 2017 score	2016 score	% change	OECD
41.7	47.3	-11.8% ⬇	HIGH INCOME

Geo-political Risk

Overall risk in Germany is still very low. However, one potential risk for Germany concerns the federal elections due to be held on 24th September. Merkel has been slipping in the polls due to differing opinions on her Migrant policy and the growing threat from terrorism. This has led to a rise in support for Far-right party, Alternative für Deutschland (AfD).

In December 2016, a truck attack on a Christmas market killed 12 and injured 48. The elevated threat has even led to discussions on the possible loosening of constitutional restrictions regarding the deployment of the Bundeswehr domestically. Foreign relations are expected to decline slightly as result of Trump's recent election and the role Germany will play in negotiations over Brexit. However, this decline is unlikely to be serious or long-term.

Although the index shows a decline in risk in 2017, the risk rating should be reviewed again in six months as the federal election draws closer.

Categories	1 month	3 month	6 month
Corruption	19	19	19
Terror threat	68	68	70
Impact of terrorism	77	77	77
Foreign Policy	34	34	38
External conflict	40	39	38
Internal conflict	28	28	30
Foreign relations	29	33	39
Level of repression	25	25	25
Regime type	14	14	16

Singapore

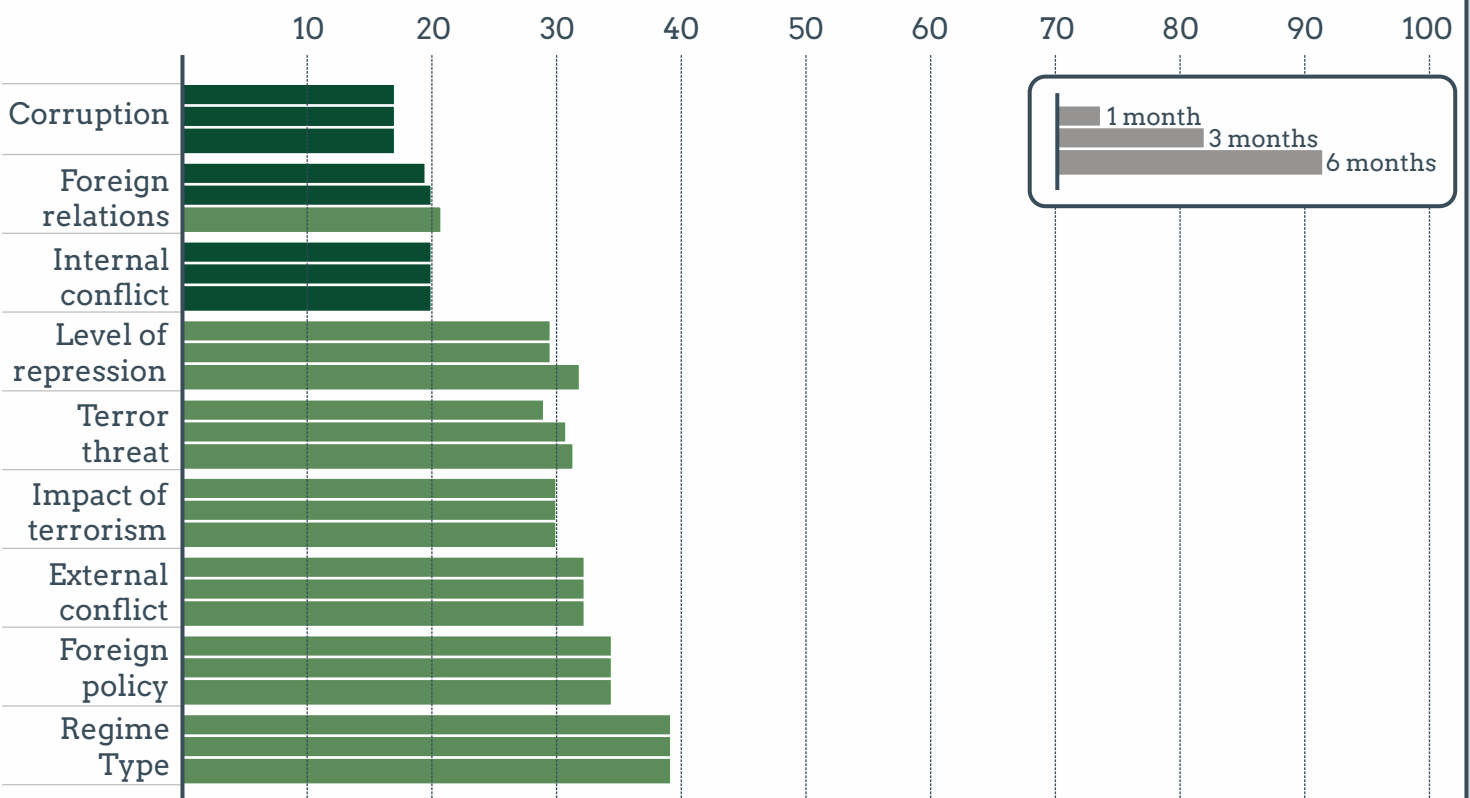| 2017 score	2016 score	% change	OECD
26.2	22.4	17.3% ⬆	0

Geo-political Risk

Singapore is one of the more stable countries in the world and this is reflected in the risk rating and forecasts. There is very little change in any of the indicators across the time period aside from level of repression.

The underlying data show this is being driven by concerns over press freedoms. There is also a very slight decline in foreign relations as a result of Trump's recent election. He recently stated that Singapore, along with China and India, are "stealing" jobs from the US. However, this was more than likely a throwaway comment and will have little impact in the long term.

Categories	1 month	3 month	6 month
Corruption	16	16	16
Terror threat	29	30	31
Impact of terrorism	30	30	30
Foreign Policy	34	34	34
External conflict	33	33	33
Internal conflict	20	20	20
Foreign relations	18	20	21
Level of repression	29	29	34
Regime type	39	39	39

TXF DATA

Country risk review: March 2017
Country details

Sweden

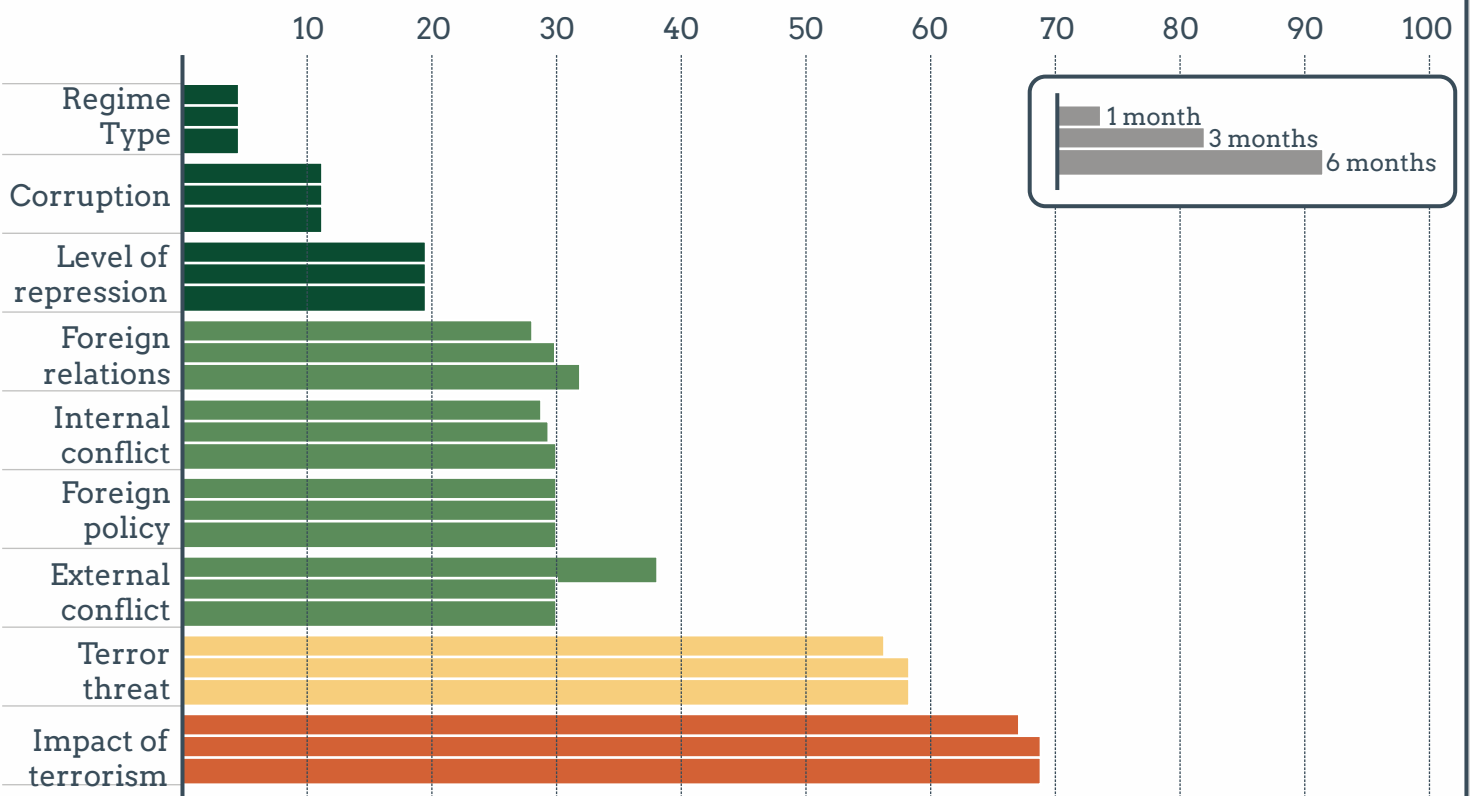| 2017 score	2016 score	% change		OECD
25.7	23.5	9.1% ↑		HIGH INCOME

Geo-political Risk

Generally, Sweden is very stable and this is reflected by very little change across the indicators. The decline in foreign relations is being driven by uncertainty over the US. For example, Trump's recent criticisms of Sweden's immigration policy. However, it is still rated as very low risk.

In 2015, Sweden took in an estimated 160,000 asylum seekers; this was double the number in 2014. Despite being widely recognised as a country of tolerance, the increase in numbers has exposed some underlying social tensions.

The greatest threats are from terrorism and the impact of terrorism. It is estimated that Sweden has taken in the largest number of fighters returning from Syria. This has led to an increase in the terror threat and impact of terrorism indicators and to the 9.1% increase in risk in the index overall.

Categories	1 month	3 month	6 month
Corruption	12	12	12
Terror threat	59	59	62
Impact of terrorism	67	68	68
Foreign Policy	31	31	31
External conflict	38	34	34
Internal conflict	27	28	30
Foreign relations	27	30	36
Level of repression	18	18	18
Regime type	6	6	6

The Netherlands

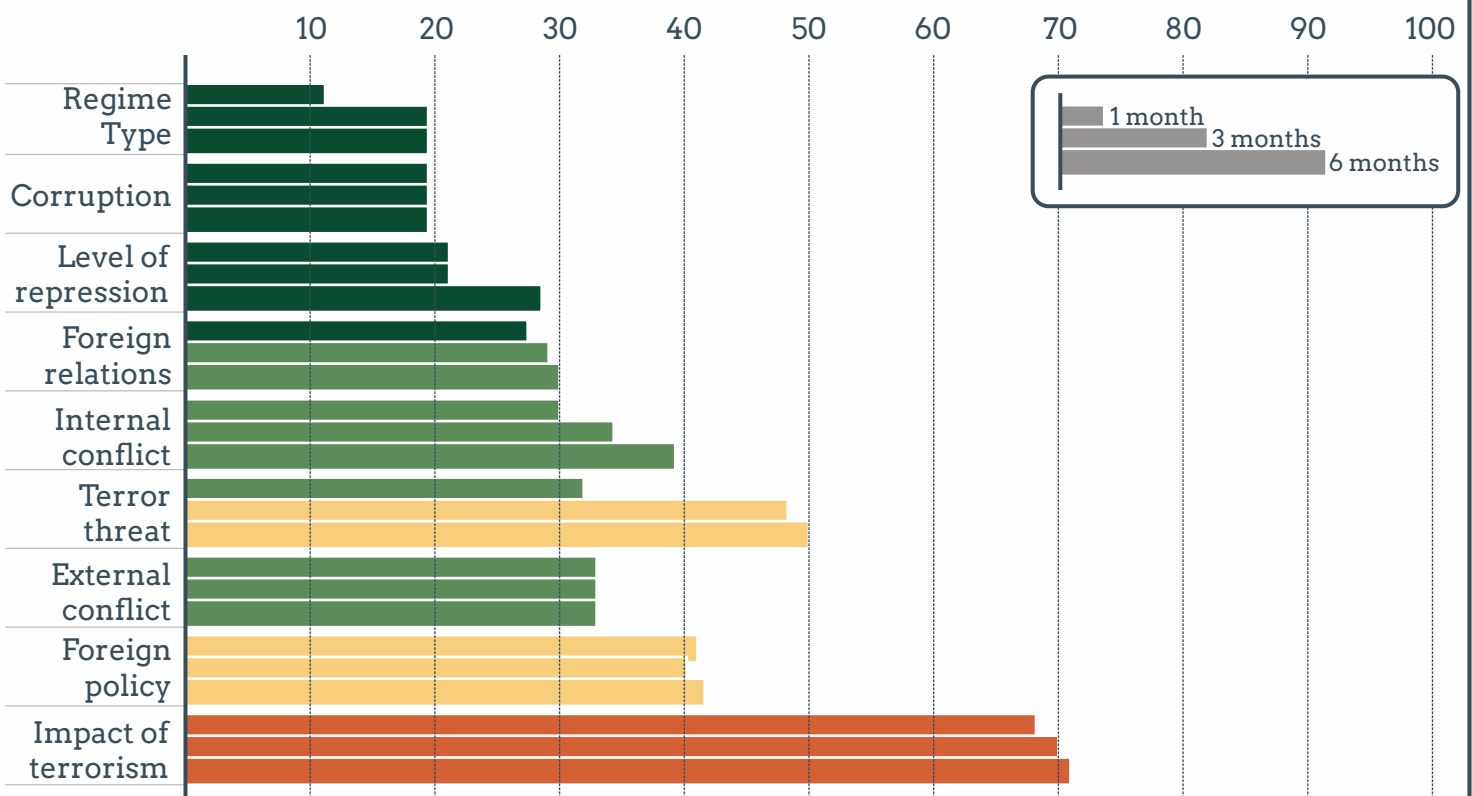| 2017 score	2016 score	% change
17.0	15.7	8.3% ↑

OECD
HIGH INCOME

Geo-political Risk

Although generally extremely stable, there are concerns in the Netherlands over a rising threat from terrorism. However, the indicators show that it is the reaction to the perceived threat which is having the greatest impact. This fear has led to a wave of populism and the increased popularity of Geert Wilders's far-right PVV party. According to most of the polls for the general elections next month (March 17th) Wilders is leading the race. Ironically, if Wilders were to win, his controversial views on immigration and Islam would increase the likelihood of the Netherlands as a target as well as creating more social tensions; this is affecting the 1, 3, and 6-month risk forecasts. Increased social tension.

Categories	1 month	3 month	6 month
Corruption	17	17	17
Terror threat	34	47	50
Impact of terrorism	67	70	73
Foreign Policy	41	41	45
External conflict	34	34	34
Internal conflict	30	33	38
Foreign relations	26	29	30
Level of repression	22	22	27
Regime type	11	17	17

TXF DATA

Norway

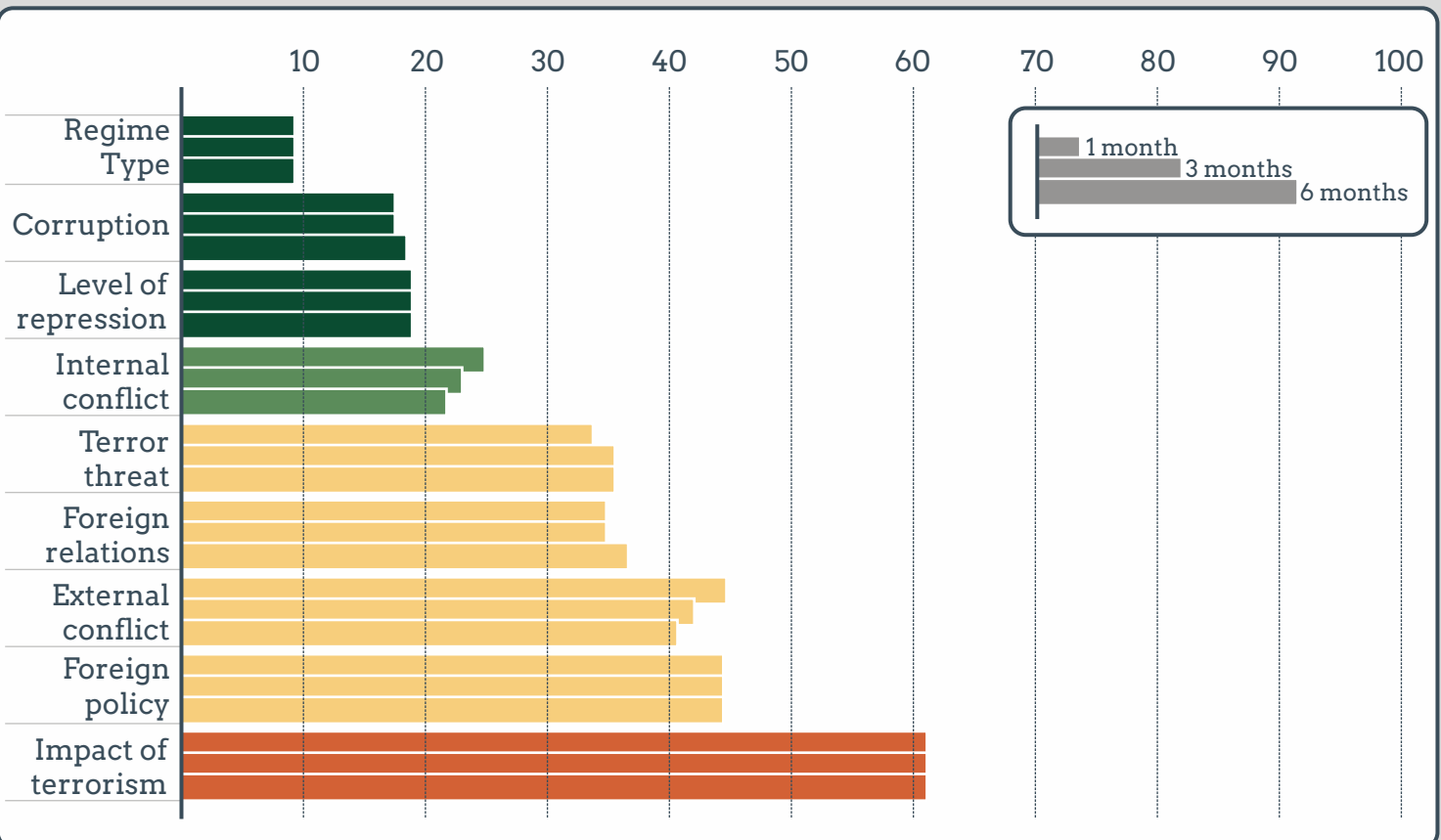| 2017 score	2016 score	% change		OECD
15.4	13.0	18.2%	▲	HIGH INCOME

Geo-political Risk

Norway is one of the most stable states in the world. It is highly democratic with very low levels of corruption. Elections are due to take place in September 2017 and although it unlikely that the populist Centre Party will be victorious, they have enjoyed a surge in the polls of late while the Labour Party (Norway's largest) has slipped. The growing populist sentiment which seems to be sweeping Europe and the US is a potentially destabilising factor although Norway will not likely be too affected.

Categories	1 month	3 month	6 month
Corruption	15	15	16
Terror threat	34	36	36
Impact of terrorism	63	64	64
Foreign Policy	45	45	45
External conflict	44	42	41
Internal conflict	23	22	21
Foreign relations	35	35	37
Level of repression	17	17	17
Regime type	8	8	8

Switzerland

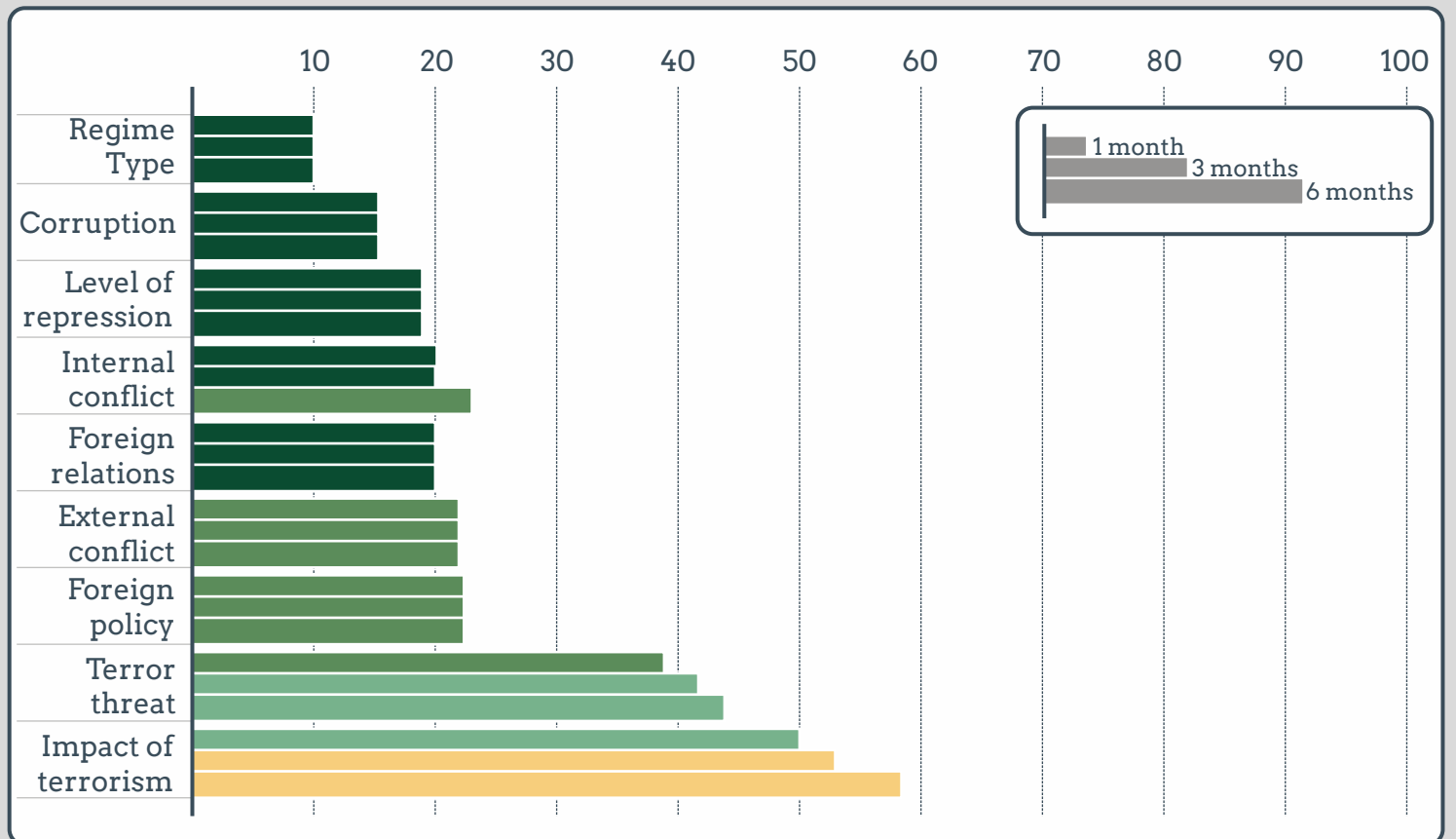| 2017 score	2016 score	% change
15.3	16.6	-7.9%

OECD
HIGH INCOME

Geo-political Risk

Switzerland is one of the more stable European states. Due to a policy of neutrality, it remains unaffected by many external political factors. Fears over the "migrant crisis" led to stricter policies on refugee intakes and, in the federal elections in 2015, immigration concerns pushed support for the SVP, a far-right party, to record levels; the 29.4% share of the vote was the highest proportion of any Swiss party since 1919.

Categories	1 month	3 month	6 month
Corruption	26	28	30
Terror threat	75	75	78
Impact of terrorism	73	77	80
Foreign Policy	72	79	83
External conflict	72	74	76
Internal conflict	38	42	46
Foreign relations	76	80	84
Level of repression	30	30	30
Regime type	19	19	19

TXF DATA

Canada

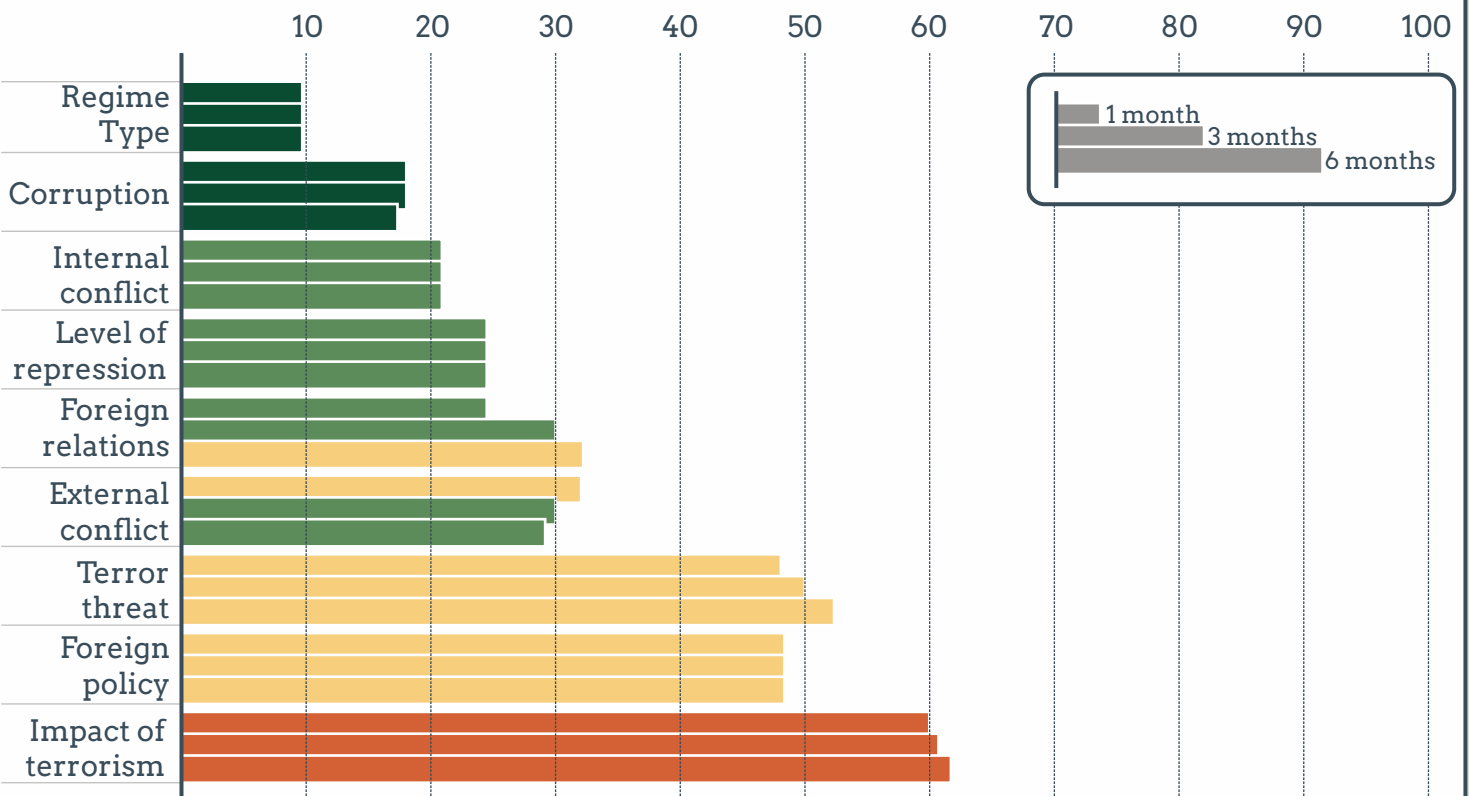| 2017 score	2016 score	% change		OECD
13.3	**13.7**	**-3.1%**		**HIGH INCOME**

Geo-political Risk

Canada is an incredibly stable state. Justin Trudeau's administration is very popular, particularly with the younger generation. There is a slight decline in foreign relations due to Trump's very different views on immigration. However, the US is still a vital partner for Canada and therefore diplomacy will prevail. This is exemplified by the slight drop (-3.1%) in the GPR rating in 2017.

As with most "western" nations, there is an increased risk of terrorism. Most recently six worshipers at a Mosque were shot and killed. Further attacks in Canada cannot be ruled out.

Categories	1 month	3 month	6 month
Corruption	18	18	17
Terror threat	47	50	53
Impact of terrorism	60	62	63
Foreign Policy	48	48	48
External conflict	32	30	28
Internal conflict	22	22	22
Foreign relations	24	30	33
Level of repression	24	24	24
Regime type	9	9	9

Luxembourg

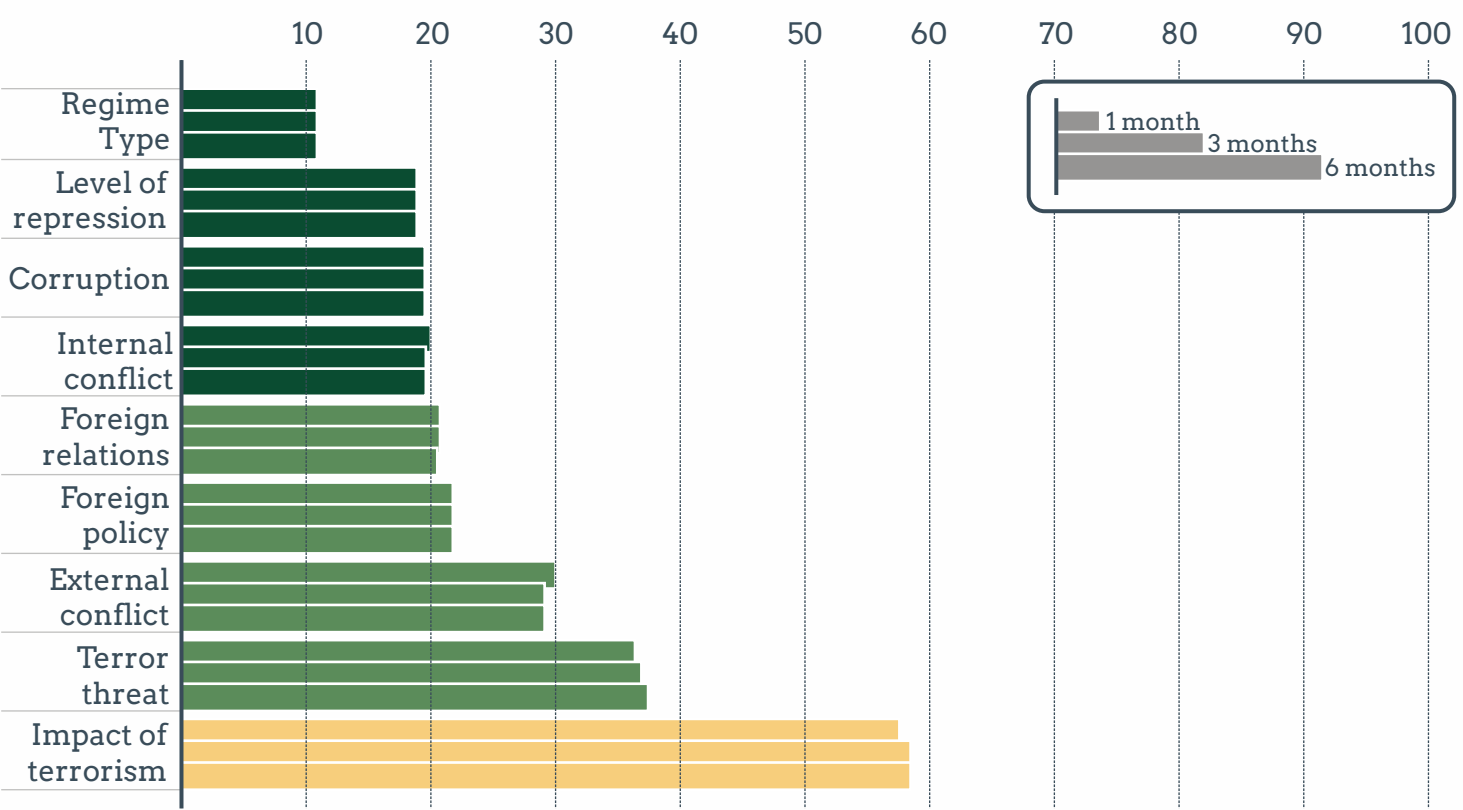| 2017 score	2016 score	% change
11.9	14.4	-17.4%

OECD
HIGH INCOME

Geo-political Risk

Overall risk in Luxembourg is extremely low and this is reflected in the indicators. As with most European nations, the threat from terrorism is higher than usual and therefore this indicator is increasing slightly. However, it is the perception of the threat which is having the greatest impact on daily lives. All of the other indicators are expected to either stay the same or decline slightly in risk. As a result, the overall index rating is showing a decline in risk compared with 2016. Municipal elections are due to be held in October this year.

Categories	1 month	3 month	6 month
Corruption	19	19	19
Terror threat	34	36	37
Impact of terrorism	57	58	58
Foreign Policy	24	24	24
External conflict	30	28	28
Internal conflict	20	19	19
Foreign relations	22	22	21
Level of repression	19	19	19
Regime type	11	11	11

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