**CLASE COUNTRY RISK**

**25 DE MARZO DE 2014**

1. Independent analysis in International business.
* To provide proper consel, the professionals and advisers must make independent analysis of the situation to be considered.
* We must be over and above of our personal feelings and passions.
* We must overcome our own personal views and opinnion.
* Tools to be considered:
	+ Jump high.
	+ Duc in altum.
	+ Art 1444 Chilean Civil Code.
1. A case to be considered: Sentence Intenational Court of Justice. Peru v/s Chile.
* The Court admitted the basic principles sustained by Chile.
* Basically, the limit is in the paralel.
* However, the Court ruled that it has an extension of only 80 miles instead of 200 miles.
* ¿Why?
* Peru is partner of Chile in the Pacific Alliance.
* However, the claim against Chile had a tint of aggressivness.
	+ The claim started with a very strong description of the Pacific War.
	+ The northern part of the Chilean territory was a acquired as a consecuence of the Pacific War.
	+ Peru tried to demostrate that Chile is a very strong commercial and military power.
	+ Peru based its claim in the application of principles of equity and legal imagination.
* The sentence of the Court starts with a mention to the Pacific War.
* Many of the justices of the Court based their rulings upon the application of principles of equity.
* Conclusion:
	+ Beware of International partners.
	+ Beware of International justices.
	+ Reinforce independant and cool analysis in front of any International scenario.
	+ Be prepared to be judged by different criteria.
1. Country risk analysis
* Countries, like students, are subject to classification.
* Some of them perform well, some do not.
* ¿What is a good performance for a country?
	+ There may be opinnions.
	+ Opinnions may vary,depending on political, religious, military and other factors.
* The most considered: Compliance with obligations.
* Another, repayment of debts.
* Other considerations.
	+ Policital stability.
	+ Free elections.
	+ Alternance in Government.
	+ Liberty of speach.
	+ Open markets and free competition.
	+ Economic growth.
	+ Inflation.
	+ Unemployement.
	+ Distribution of wealth.
1. Concept of country risk.
* It considers the posibility of damages or loses that may arise out of any International transaction to take place with a party domiciled in any different country, where the compliance to the obligations generated by that transaction (International contract) may be subject to different legislation, language, Courts or any other particular institution that may impide such compliance, totally or partially.
* The country risk clasification tryes to measure the potential damages that may face a party when entering into that type of International contract.
* A low risk means that the potential damages of making contracts in a country are rather low.
1. Country risk classification.
* International agencies.
* International Banks.
* Governments.
* International organizations.
1. OECD Clasification. Published in the web page of OECD.

Country Risk Classification

Last Updated: 18 October 2013

The country risk classifications of the Participants to the Arrangement on Officially Supported Export Credits (the "[Arrangement](http://www.oecd.org/tad/xcred/theexportcreditsarrangementtext.htm)") are one of the most fundamental building blocks of the Arrangement rules on minimum premium rates for credit risk. They are produced solely for the purpose of setting minimum premium rates for transactions supported according to the Arrangement and they are made public so that any country that is not an OECD Member or a Participant to the Arrangement may observe the rules of the Arrangement if they so choose. Neither the Participants to the Arrangement or the OECD Secretariat endorse nor encourage their use for any other purpose.

The country risk classifications are meant to reflect **country risk**. Under the Participants’ system, country risk is composed of transfer and convertibility risk (*i.e.* the risk a government imposes capital or exchange controls that prevent an entity from converting local currency into foreign currency and/or transferring funds to creditors located outside the country) and cases of force majeure (*e.g.* war, expropriation, revolution, civil disturbance, floods, earthquakes).

The country risk classifications **are not** sovereign risk classifications and should not, therefore, be compared with the sovereign risk classifications of private credit rating agencies (CRAs). Conceptually, they are more similar to the "country ceilings" that are produced by some of the major CRAs.

According to the rules of the Arrangement, two groups of countries are not classified. The first group is not classified for administrative purposes and is comprised of very small countries that do not generally receive official export credit support. For such countries, Participants are free to apply the country risk classification which they deem appropriate.

The second group of countries is comprised of High Income OECD countries and other High Income Euro-zone countries. Transactions involving obligors in these countries (and any countries classified in Category 0) are subject to the market pricing disciplines set out in Article 24c) and Annex XIII of the Arrangement.

All other countries (and a limited number of supranational multilateral/regional financial institutions) are classified into one of eight categories (0-7) through the application of a two-step methodology:

1.      The Country Risk Assessment Model (CRAM) produces a quantitative assessment of country credit risk based on three groups of risk indicators (the payment experience of the Participants, the financial situation and the economic situation).

2.      A qualitative assessment of the CRAM results by country risk experts from OECD members, considered country-by-country to integrate political risk and/or other risk factors not taken (fully) into account by the CRAM.

Accordingly, the final country risk classifications are achieved through a thorough discussion amongst experts and a consensus-building process.

The country risk experts meet several times a year. These meetings are organised so as to guarantee that every country is reviewed whenever a fundamental change is observed and at least once a year. Although the meetings and details of the CRAM are confidential and no official reports of the deliberations are made publicly available, the list of country risk classifications is published after each meeting.

Please note that the Participants’ Country Risk Classifications came into existence in 1999 when the Knaepen Package on minimum premium rates was agreed; accordingly no historical classifications are available for prior years.

Current Country Risk Classifications

[Prevailing Country Risk Classification (PDF)](http://www.oecd.org/tad/xcred/cre-crc-current-english.pdf)

[Prevailing Classifications of Multilateral/Regional Financial Institutions](http://www.oecd.org/tad/xcred/cre-crc-mli-current.pdf)

[Historical Country Risk Classification](http://www.oecd.org/tad/xcred/2014-01-31-cre-crc-historical-internet-english.pdf)

[Historical Risk Classifications of Multilateral/Regional Financial Institutions](http://www.oecd.org/tad/xcred/cre-crc-mli-historique.pdf)