



## Country Risk Quarterly

### Risk Issues You Might Have Missed...



**By: Motria Savaryn-Roy**  
Economist  
Economic and Political Intelligence Center

Concerned about the news coming out of the [UK](#) and the [US](#)? Worried that the world seems to have turned on its head? So are we. A [period of uncertainty](#) appears to have come in like a fog around us with talk of renewed political risk in developed markets, increasingly unpredictable events, and a rise in populism and [protectionism](#). Recent articles have delved into these headline events – but at the same time, other key developments are going almost unnoticed. Here we present other notable country developments included in our newly-released Winter 2017 [Country Risk Quarterly](#) (CRQ), focusing not only on the country issues themselves, but also on governments' responses to events.

**Positive news from Asia:** while the region has had its shares of ups and downs, **Vietnam** has been on a steady path upwards over the past few years due to its relatively stable policies, focus on institutional reforms, and increasingly higher-value export mix. Over the past couple of years headline growth has hit around the 6% mark, making it one of the fastest growing markets in the region. Rapid inward FDI flows have been a crucial part of this story as well; in 2016 FDI inflows witnessed double-digit growth. Supporting this increase has been the greater focus on the privatization of state-owned firms. Its attention to trade negotiations, including with the EU, South Korea and the Eurasian Economic Union, has the potential to extend Vietnam's growth prospects further.

**Second stop: Jamaica.** The country's strong track record of reforms under an IMF Extended Fund Facility has brought about an improved foreign exchange reserve and external position, also supported by lower oil prices. While the sovereign's debt to GDP ratio remains elevated, the outlook is brightening as the ratio is on a downward trend. Jamaica has committed to key reforms to boost employment, economic growth, infrastructure investment and social protection. Importantly, Jamaica has announced it will treat its recently approved IMF Stand-By Agreement as precautionary to be used only in the event of an

external shock – a huge vote of confidence for the market as it demonstrates that the country is in a position where it can leverage 'external support if necessary, but not necessarily external support'. The country is not entirely out of the woods yet, but some significant improvement for a country that underwent two debt restructurings over the past decade.

**In Europe, Serbia's** outlook has also improved considerably. Working with the IMF, the country has made noticeable progress in building the foundations for more stable growth and improved debt metrics. The government is currently engaged in trimming back its involvement in the economy including reducing its ownership in state-owned entities. Growth is projected to be 2.5% in 2016, and will continue improving to post average expansions of 3.5 to 4% beyond 2018. Fiscal discipline has been the driving force behind improved debt metrics, reducing general government debt from a peak of 77% of GDP in 2015 to 65% by 2021. Serbia's economic improvement has been acknowledged by the EU, as the country has been moved through the EU accession process. While there have certainly been positive developments in some markets, lesser-known country risks remain key considerations for Canadian exporters.

**On the African continent,** country risks in the **Democratic Republic of Congo** (DRC) have increased due to ongoing unrest, and a growing probability of serious, violent strife in the capital of Kinshasa and other urban areas due to the country's electoral crisis. The crisis is the result of President Joseph Kabila's government, whose term was set to expire in 2016, delaying elections that were to take place in November of this year. As a whole, the risk presented by the very probable spread of civil strife in the DRC's capital city in the short term has the potential to disrupt revenues, foreign aid and institutional functioning for an extended period, further driving up risks facing companies doing business in the DRC, a key market for companies in the extractive space.

**The bottom line?** While headlines easily catch our attention, particularly the "sky is falling" banter, key country developments that present both risks and opportunities exist beyond the loud exclamations. General uncertainty has business running from a wide array of opportunities. As such, it is crucial for Canadian exporters to maintain a keen eye on markets that may not be as familiar, in order to ensure a readiness to take advantage of developing prospects, or to protect themselves and their investments, assets or contracts. The CRQ and [other EDC materials](#) are provided as a source of just such information.

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