

2020

COFACE
COUNTRY
& SECTOR
RISKS
HANDBOOK

**MAJOR TRENDS
OF THE WORLD
ECONOMY**

**ANALYSIS AND
FORECAST FOR
162 COUNTRIES
AND 13 SECTORS**

This handbook is intended for:

- Corporate executives with decisions to make in terms of export, project launches, or investment in high risk countries;
- Managers of risk or international operations in banking, multilateral financial institutions, and insurance or reinsurance companies (acting in a private capacity or on behalf of government);
- Government managers concerned with country risk;
- Consultants and lawyers specialized in international business;
- Researchers, academics, and students interested in country risk.

With contributions from:

– **Coface Economic Research Department:**

Aboubacar Abdoulaye Garba, Khalid Aït-Yahia, Evelyne Banh, Marcos Carias, Carlos Casanova, Aroni Chaudhuri, Martin Chopard, Matthew De Fontes Baptista, Bruno De Moura Fernandes, Dominique Fruchter, Clara Gascon, Seltem Iyigun, Patricia Krause, Mélina London, Erwan Madelénat, Julien Marcilly, Ruben Nizard, Sarah N'Sondé, Grzegorz Siewicz and Christiane von Berg.

– **Coface Information Department**

COFACE
COUNTRY
& SECTOR
RISKS
HANDBOOK
2020

ANALYSIS AND
FORECASTS FOR
162 COUNTRIES
AND 13 SECTORS

Coface cannot be held in any way responsible for opinions expressed by those who have contributed to the preparation of this Handbook.

CONTENTS



P.02

FOREWORD
By Xavier Durand,
CEO of Coface



P.06

**COFACE GLOBAL
ASSESSMENTS**

Tools for identifying, assessing
and monitoring the risks businesses
are facing

P.08

**COUNTRY RISK
ASSESSMENT MAP**

A geographic overview
of the country assessments

P.10

**COFACE COUNTRY RISK
ASSESSMENTS**

Country risk assessment history
of the main economies

P.04

**How to use the
handbook?**

- SECTOR PROFILES

A guide for using the
13 sector assessments

- COUNTRY PROFILES

A guide for using the 162 country
assessments

P.12

**SECTOR AND COUNTRY
ASSESSMENTS CONTENTS**



P.250

GLOSSARY

World trade in the face of political and environmental change

— **Xavier Durand** —
CEO of Coface

The Sino-American trade war, customs duties, sanctions against companies, import quotas... the use of expressions highlighting the rise of trade protectionism and its consequences on international trade has multiplied over the last year. This reflects the reality: the total number of protectionist measures implemented worldwide exceeded 1000 in 2018 and 2019 according to Global Trade Alert, about 40% more than in the previous three years. That said, «only» 23% of all protectionist measures taken between 1st January 2017 and 15th November 2019 were decided by the United States or China. Therefore, protectionism is not exclusive to the world's two largest economies. The desire of many emerging countries to protect a large number of industries, weakened by international competition, will continue to make them cautious about opening up to trade. In this context, despite the willingness of other countries to compensate trade losses by signing new trade agreements, international trade in goods volumes were lower than a year earlier in 2019, for the first time in ten years.

In 2020, the performance of international trade will still largely depend on the political environment: at first glance, while the occurrence of the first concrete effects of the trade war on the American and Chinese economies argues for a gradual easing, the actions of the American president remain difficult to predict in the context of a campaign for re-election, weaker economic growth and a less buoyant job market. Furthermore, fundamental strategic divergences with China will remain: Hong Kong, Taiwan, the South China Sea, the race for innovation in several key sectors of activity... However, this year, the United States will still have room for manoeuvre to put pressure on China. Regarding tariff measures, it is still possible to increase existing customs duties (D. Trump had stated during the 2016 presidential campaign that he would establish customs duties on Chinese imports at 45%!). Non-tariff measures are also possible (sanctions against companies, bans on imports of certain products from specific countries, etc.). In any case, these persistent uncertainties should continue to weigh on company morale.

However, the rise of trade protectionism is not the only reason for this recent inflexion of international trade and industry. Another non-economic factor is



at work: the consideration of environmental risks. As a matter of fact, while the implementation of stricter anti-pollution norms is welcome to reduce these risks in the medium term, it also promotes the rise in credit risk for companies that have difficulty adapting to these short-term upheavals. The recent examples of the automotive sectors in the European Union and China are significant. This year, companies in this sector should be affected in the United States and India. Similarly, in the global shipping sector, the effects of the introduction of stricter anti-pollution standards will also be felt.

On a brighter note, at this stage, the contagion effects of industry on service activities are not very visible in Europe and the United States. In their recent history, industrial recessions have not



“In the emerging world, public and corporate debt will be the main focus in 2020.” — Xavier Durand

always coincided with a recession for the economy as a whole - far from it. In this context, on both sides of the North Atlantic, economic growth is slowing but not collapsing, especially since many central banks have acknowledged this slowdown and announced monetary easing measures. The number of corporate insolvencies is rising, but at a slow pace and often from a low base level.

In the emerging world, debt will be the main focus in 2020. For states, public debt is increasing in all regions except Central and Eastern Europe. In Latin America, it is higher than at the end of the 1990s, a period marked by recurring debt crises. In Africa, it is close to the level observed around fifteen years ago, a period of debt write-offs by international and bilateral donors. For companies in these regions, this means that government arrears are likely to increase this year. The only good news is that the structure of the sovereign debt in emerging countries is generally more favorable than twenty years ago: 80% of it is now denominated in local currency. However, that is not the case for companies: since 2007, corporate debt in emerging countries denominated in foreign currency has doubled and exceeded USD 7 trillion, seven times more than the sovereign debt of emerging countries denominated in foreign currency. Naturally, in some countries such as China, corporate debt is admittedly in local currency, but at a very high level.

Speaking of China, the slowdown in growth and its consequences on corporate credit risk are still relevant. The former is taking on new forms: it is no longer solely reflected by the difficulties of companies in sectors of activity constrained by production overcapacity and high debt (construction and metals in particular), since household consumption is also showing signs of fatigue. For example, for the first time in twenty years, the number of car sales fell in 2018 and 2019, a sign that the market is maturing, that household debt is rising, but also that new anti-pollution norms have affected manufacturers. Exporting companies penalized by

US protectionist measures also saw their financial situation deteriorate last year, for instance in the electronics sector. Finally, as in previous years, the health of small and medium-sized banks, considered the most fragile, is to be monitored. The effects of the Chinese slowdown on the rest of the emerging world should continue to draw attention this year. Indeed, many countries would be penalized by a sharper than expected landing of growth in China, through one of the possible transmission channels: direct trade links, investments and loans from the Middle Kingdom abroad, world commodity prices or even a global confidence shock on the financial markets.

Finally, as every year, there will be many political uncertainties in the world. Particularly, the holding of elections or, as we saw in 2019, the introduction of a tax or an increase of a public tariff, may be the straw that breaks the camel's back on political risk, specifically in areas where social frustration is fueled by high unemployment, income inequality, corruption or lack of political freedom. This will be the case (to name the main ones) in Côte d'Ivoire, Chile (referendum on the change of Constitution), Hong Kong, Egypt, Bolivia, and of course the United States, especially since some of these countries are among those where social tensions have already been high last year. Last but not least, in Europe, the fragmentation of political scenes resulting from the rise of non-traditional parties is making governments increasingly fragile. In Italy, will the ruling coalition manage to exist until the end of the year, when early elections (which would probably be favorable to anti-European parties) are inevitable? In Spain, will the formation of a governing coalition finally materialize? Will trade negotiations between the UK and the EU be successful?

The twenty-fourth edition of this guide attempts to answer these questions and discusses many other economic, political, financial, environmental and sectoral risks. I wish everyone an excellent reading of this handbook that Coface publishes every year.

How to use the handbook

SECTORS

1 Sector name

2 Coface Regional Sector Risk Assessments

This assessment indicates the risk presented by companies in the sector in regions around the world as considered by Coface in its quarterly sector assessments.

3 Analysis of Strengths/Weaknesses

A summary of the sector's global strengths and weaknesses.

4 Risk Analysis Synthesis

You will find in this section a synthetic analysis of economic and financial development in the markets as well as main risks in the point sector in terms of global trends. It broadly summarizes insights presented in the Sector Economic Insights section.

5 Sector Economic Insights

This section presents Coface's in-depth analysis of the sector global trends including the outlook for supply and demand for the coming year.

6 Sector Chart

This graph highlights one or more key aspects of developments in the sector.

SECTORS

1 AGRI-FOOD

2

3

4

5

6

SECTOR RISK ASSESSMENTS

| | |
|--------------------------|--------|
| ASIA-PACIFIC | MEDIUM |
| CENTRAL & EASTERN EUROPE | MEDIUM |
| LATIN AMERICA | HIGH |
| MIDDLE EAST & TURKEY | MEDIUM |
| NORTH AMERICA | HIGH |
| WESTERN EUROPE | MEDIUM |

+ Strong demand from emerging countries (notably China and India)

+ Growth of the organic market in advanced economies

- Highly exposed to climatic hazards and biological risks

- At the heart of protectionist tensions

- Volatility of agricultural commodity prices

RISK ANALYSIS SYNTHESIS

The global agri-food sector is one of the industries at the heart of protectionist tensions, while it is also vulnerable to climatic hazards and biological risks. Coface expects that the main risk factors that the sector experienced in 2019 will continue this year.

The trade war between the United States and China gives a very important place to agricultural products, especially soybeans, through China's retaliation measures against the United States. This has contributed to high volatility in agricultural commodity prices, while exerting downward pressure on soybean prices.

At the same time, free trade agreements also give this sector a leading role, since in most cases their provisions include trade in agricultural products. This was the case in 2019 for a number of agreements such as the EU-Mercosur Agreement, the EU-Japan Trade Agreement and the CETA signed between Canada and the European Union.

Coface also expects that the biological risks inherent in the sector, recently exacerbated by the African Swine Fever (ASF) epidemic and the consequences of the fall armyworm's spread, will exert downward pressure on global agricultural production this year.

The organic market, mainly concentrated in the European Union, the United States and, to a lesser extent, China, is expanding rapidly. Demand for organic products in these regions is mainly driven by consumers in health-related and environmental grounds, as organic farming limits or does not use pesticides. The European Parliament, for example, defines the absence of pesticides as a basic criterion for organic farming. As a result, organic farming is set to continue to grow in the coming year, despite the global economic slowdown expected this year. Long considered a niche market, the organic market has become increasingly popular, reaching €90 billion in 2017.

SECTOR ECONOMIC INSIGHTS

The production of agricultural commodities remains highly exposed to climatic hazards

World wheat production is expected to increase to 766 million tons for the 2019/2020 season, up by 35 million tons compared to the previous season. This significant increase is mainly linked to a base effect, as the 2018/2019 season's harvest was particularly poor (-4.2% compared to 2017/2018), mainly due to lower production by some of the largest producers, namely Russia, the European Union and Australia, due to adverse weather conditions. This increase in overall wheat production is expected to have a downward impact on prices.

Soybean production is expected to decline for the 2019/2020 season: the US Department of Agriculture (USDA) forecasts a 5.8% decrease mainly due to lower US production (-20%) following bad weather conditions. This drop in production will put inflationary pressure on soybean prices, but this pressure will be offset by the impact of ASF on the one hand and by the trade tensions between the United States and China on the other.

World maize production is also expected to decline in the 2019/2020 season, mainly due to lower production in the United States (-3.3%), again due to adverse weather conditions.

The agri-food sector is both at the heart of protectionist tensions and a key sector in free trade agreements

The soybean market is particularly affected by the trade tensions between the United States and China. In practice, Chinese firms have stopped importing soybeans from the United States, discouraged by the Chinese authorities' decision to impose import duties on the United States in 2018. Chinese imports of American

AGRI-FOOD

4

5

6

AGRI-FOOD

AGRI-FOOD

In October 2019 the United States imposed tariffs on USD 7.5 billion of imports from the EU. The duties, which mainly affect France, the United Kingdom, Germany and Spain, are a response to subsidies deemed illegal by the World Trade Organization (WTO) and feature 25% tariffs on agricultural goods including French and Spanish wine and Scotch whisky. These customs duties could have serious consequences for the agricultural producers of the countries concerned, since the United States is one of their main foreign buyers: in 2017 the United States purchased 22% of the United Kingdom's whisky exports and 18% of French wine exports.

The various treaties and agreements concluded last year between the EU and Mercosur, between the EU and Japan, between the EU and Canada (Comprehensive Economic and Trade Agreement, CETA), and between the United States and Japan, all place great importance on agricultural goods. It should be noted, however, that these agreements have attracted some public criticism and do not necessarily have the support of local producers: the potential negative environmental consequences of these agreements have also been criticised. These four agreements involve the elimination of customs duties on goods traded between the regions concerned, with the aim of encouraging trade between these regions. Agricultural products are a key element of these trade agreements, due to the importance of these regions in the global agricultural market.

ASF and the fall armyworm are the biological risks that will continue to have the greatest impact on global agricultural production in 2020

African Swine Fever (ASF) broke out in Europe and Asia in the summer of 2018. At this stage, the impact in Europe is limited. Germany, France and Spain, the three largest pork producers in Europe, have been spared. Asia is much more affected by the disease, which has spread in the region, causing havoc among pork producers, particularly in China that accounts for 50% of global pork production and consumption. ASF in China has several consequences: the most direct is the increase in Chinese pork imports from the European Union, Brazil and, despite customs duties, the United States. Increased

Chinese demand caused pork prices to surge by 5% in September 2019 year-on-year, after seasonal adjustment. Rising pork prices have prompted some Chinese consumers to switch to other meats. This has led to an increase in external demand for beef and chicken, which has benefited Brazil, Argentina and the European Union (Brazil is the largest exporter of beef and chicken, the European Union is the third largest exporter of beef and the second largest exporter of chicken, while Argentina is the fourth largest exporter of beef). The decrease in Chinese pig heads is leading to reduced demand for soybeans, which are mainly used to feed pigs. According to the USDA, China's pork market is not expected to recover in 2020: production is expected to fall by 20% compared to 2019, while beef, chicken and pork imports are expected to increase by 2%, 20% and 15% respectively.

In addition to ASF, the spread of the fall armyworm (FAW) is one of the major biological risks to the global agri-food sector. FAW is a caterpillar that feeds mainly on maize, but also on rice, sorghum, cotton and other crops. It was first detected in West Africa in early 2016. By the end of 2018, it had spread to most countries in sub-Saharan Africa and Asia. FAW has now reached several Asian countries, including Vietnam, Myanmar, Bangladesh, Indonesia, Taiwan, China, and is potentially spreading to others. China is the world's second largest maize producer, so FAW's presence could lead to inflationary pressures on world maize prices.

AGRICULTURAL COMMODITY PRICES (100 = JANUARY 2019)

Source: Datastream

FRANCE

COFACE ASSESSMENTS

COUNTRY RISK A2

BUSINESS CLIMATE A1

POPULATION
(Million of people) - 2018
64.7

GDP PER CAPITA
US Dollars - 2018
42,953

CURRENCY
Base
EUR

TRADE EXCHANGES

Exports of goods as % of total

| | |
|---------------|-----|
| GERMANY | 18% |
| UNITED STATES | 8% |
| SPAIN | 8% |
| BELGIUM | 7% |

Imports of goods as % of total

| | |
|-------------|-----|
| GERMANY | 18% |
| BELGIUM | 10% |
| NETHERLANDS | 8% |
| ITALY | 7% |
| SPAIN | 7% |

- High-quality infrastructure and public services
- Stable and productive workforce, dynamic demographics
- Weakening level of product sophistication
- Significant focus on innovation
- Low unemployment rate among young people and older workers
- Room for recovery
- High public debt
- Growing private debt

Sector risk assessments

| | |
|------------------|--------|
| AGRI-FOOD | MEDIUM |
| AUTOMOTIVE | HIGH |
| CHEMICAL | HIGH |
| CONSTRUCTION | MEDIUM |
| ENERGY | MEDIUM |
| ICT | LOW |
| METALS | MEDIUM |
| PAPER | HIGH |
| PHARMACEUTICAL | LOW |
| RETAIL | MEDIUM |
| TEXTILE-CLOTHING | HIGH |
| TRANSPORT | MEDIUM |
| WOOD | MEDIUM |

• Information and Communication Technology

COUNTRY PROFILES

| | 2017 | 2018 | 2019 (a) | 2020 (f) |
|---------------------------------|------|------|----------|----------|
| GDP growth (%) | 2.5 | 1.7 | 1.3 | 1.2 |
| Inflation (yearly average, %) | 1.2 | 2.1 | 1.3 | 1.3 |
| Budget balance (% GDP) | -2.8 | -2.5 | -3.2 | -2.5 |
| Current account balance (% GDP) | -0.8 | -0.7 | -0.8 | -0.9 |
| Public debt (% GDP) | 98.4 | 98.4 | 99.1 | 99.2 |

RISK ASSESSMENT

Activity to remain resilient thanks to domestic demand

The French economy will continue to show resilience in 2020, thanks to strong domestic demand. Household consumption is expected to accelerate owing to ongoing job creation and government tax measures to boost purchasing power. In addition, real wages will increase overall in a persistently tight labour market (three quarters of construction companies and half of all industrial firms were awaiting hiring difficulties at the end of 2019), despite an unemployment rate above 8%. Although financing conditions are still favourable, residential investment is expected to continue to slow. The construction sector will therefore once again be driven by the non-residential segment and mainly warehouses, in line with the e-commerce and public works will decline after accelerating sharply in 2019 in the first nine months of 2019 (including a 10% decrease from the United Kingdom after two boom years (+9.5% in 2017 and +7.8% in 2018)), will continue to be held back by the weak global economic situation. The deficit in the balance of goods and services will therefore widen. Since dividends from subsidiaries of French companies abroad support only a small income surplus (3.0% of GDP), the current account will remain in deficit and will be financed by debt or equity issued held by non-residents.

Limited room for manoeuvre to implement reforms after protests

In power since 2017, President Macron and his centre-leftist La République En Marche (LREM) Party enjoy a large majority in the National Assembly, with 304 seats out of 577. However, in the autumn of 2019, President Macron faced widespread popular protests spearheaded by the "yellow vests" movement. While the protests subsided in the spring of 2019, partly because of government measures to increase household purchasing power, President Macron now seeks to have limited room for manoeuvre to implement major reforms. For example, the session reform initially planned for 2019, which involves scrapping special schemes and introducing a generalised system of social security, has been pushed back to the summer of 2020 in order to organise a nationwide consultation. Still, this sensitive reform generated major protests in December 2019. European elections in May 2019 showed that the main moderate opposition parties (Socialist Party on the left and Republicans on the right, which took 8% and 8% of the votes respectively), which have been rebuilding since 2017, continue to struggle. As a result, the main rival of the LREM (RN), which came out on top in the elections taking 28% of the votes, six months on, polls indicated that the political landscape was still largely dominated by the LREM and the RN, with each taking 28% of the votes, compared with 10% for the other main parties.

FRANCE

COUNTRY PROFILES

PAYMENT & DEBT COLLECTION PRACTICES IN FRANCE

Payment

Bank cards are now the most commonly used form of payment in France, although cheques are still widely used in rural areas, and cash and transfers are still the most popular forms of payment.

If a cheque remains unpaid for more than 30 days from the date of first presentation, the beneficiary can immediately obtain an enforcement order (without need for further procedures or costs). This is based on a certificate of non-payment provided by the creditor's bank, following a second unsuccessful attempt to present the cheque for payment and when the debtor has not provided proof of payment within 15 days of receipt of a formal notice to pay issued by a bailiff (Article L1173 of the Monetary and Financial Code).

Bills of exchange, a much less frequently used payment method, are steadily becoming rarer in terms of number of operations – although they remain important in terms of total value. Bills of exchange are still an attractive solution for companies, as they can be discounted or transferred and therefore provide a valuable source of short-term financing. Moreover, they can be used by creditors to pursue legal proceedings in respect of "exchange law" (drot cambial) and are particularly suitable for payment by instalments.

Bank transfers for domestic or international payments can be made via the SWIFT electronic network used by the French banking system. SWIFT offers a reliable platform for fast payments, but requires mutual confidence between supplier and their customer. France is also part of the SEPA network.

Debt Collection

Unless otherwise stated in the general sales conditions, or agreed between the parties, payment periods are set at thirty days from the date of receipt of goods or performance of services requested. Interest rates and conditions of application must be stipulated in the contract – otherwise the applicable interest rate is that applied by the European Central Bank in its most recent refinancing operations. Throughout the first half of the year in question, the rate applicable is that in force on January 1 and for the second half year in question, the rate applicable is that in force on 1 July.

Amicable phase

During this phase, the creditor and the debtor try to reach an amicable solution via direct contact in order to avoid legal proceedings. All documents signed between the parties (such as contracts and invoices) are analysed. Where possible, the debtor can be granted an extended time period to pay his debts, with the period's length negotiated as part of the amicable settlement.

Legal proceedings

Order for payment (injonction de payer)

When a debt claim results from a contractual undertaking and is both liquid and undisputed, creditors can use the amicable system of direct contact (injonction de payer). This flexible system uses standard forms and allows the creditor to apply to argue their case before a civil court (with jurisdiction over the district where the debtor's registered office is located). By using this procedure, creditors can rapidly obtain a court order to enforce their claim, without the defendant then having a period of one month in which to dispute the claim.

Fast-track proceedings

Reflexe-provision provides creditors with a rapid means of debt collection. If the debtor neither provides nor represented during the hearing,

a default judgment can be issued. The court then renders a decision, typically within seven to fourteen days (though same-day decisions are possible). The jurisdiction is limited to debts which cannot be materially contested. If serious questions arise over the extent of the debt, the summary judge has no jurisdiction to render a favourable decision. Judgments can be immediately executed, even if the debtor issues an appeal.

If a claim proves to be litigious, the judge ruled competent to proceed (Juge des référés) can urgent matters evaluate whether the claim is well-founded. If appropriate, the judge can subsequently decide to declare himself incompetent to rule on the case. Based on his assessment of whether the case is valid, he can then invite the plaintiff to seek a ruling through formal court procedures.

Ordinary proceedings

Formal procedures of this kind enable the validity of a claim to be recognised by the court. This is a relatively lengthy process which can last a year or more, due to the emphasis placed on the adversarial nature of proceedings and the numerous phases involved. These phases include the submission of supporting documents, written submissions from the litigants, the examination of evidence, various requests for deliberations and, finally, the hearing for oral pleadings (audience de plaidoirie).

Summons are issued through a Writ of Summons (Assignation) which is served on the debtor 15 days before the first procedural hearing. During this hearing, the court sets a time period for the exchange of pleadings and discovery. Decisions rendered do not necessarily have the possibility of immediate execution, in order to be executed, they must first be served on the debtor. They are also subject to appeal.

Enforcement of a Legal Decision

Unless the court decision is temporarily enforceable, enforcement can only commence if no appeal is lodged within one month and must occur within ten days of notification of the court's decision. Compulsory enforcement can be requested if the debtor does not comply with the judgment. Obligations to pay can be enforced through attachment of bank accounts or assets or through a third party which owes money to the debtor (garnishment).

France has adopted enforcement mechanisms for decisions rendered by other EU member countries. These mechanisms include the Payment Order under the European Enforcement Order Decisions rendered by non-EU members can be recognised and enforced, provided that the issuing country is party to a bilateral or multilateral agreement with France. In the absence of an agreement, claimants are obliged to use the French enforcement procedure.

Insolvency Proceedings

French insolvency law provides for six procedures to undertake restructuring or avoid insolvency. These are either assisted proceedings or proceedings controlled by the court.

Assisted proceedings

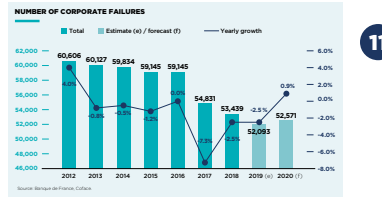
These can be either mandated ad hoc or via conciliation proceedings. Both are informal, amicable proceedings, where creditors cannot be forced into a restructuring agreement and the creditor's management continues to run the business. These negotiators are governed by contractual law throughout their duration. The proceedings are conducted under the supervision of a court-appointed practitioner (a mandataire ad hoc, or a conciliator) in order to help the debtor reach an agreement with its creditors. Both of these types of proceedings are confidential but conciliation can eventually be made public if the debtor or the approval of the commercial court. Nevertheless, the terms and conditions of agreements remain confidential and can only be disclosed to regulatory parties.

Court-Controlled proceedings

The four types of court-controlled proceedings are judicial reorganisation, judicial liquidation, safeguard, and accelerated Financial Safeguard proceedings (AFS).

In all four proceedings, any pre-filed claims are automatically stayed. Creditors must file proof of their claims within two months of publication of the opening judgment, or four months for creditors located outside France. Debts which arise after proceedings commence are given priority over debts incurred beforehand. Certain types of transactions can be set aside by the court, if they were entered into by the debtor during a hardening period (before a judgment opening a judicial reorganisation or a judicial liquidation).

With Court-Controlled proceedings there can be variations in the extent of involvement of the court-appointed conciliator. The safeguard and AFS proceedings are debtor-in-possession proceedings, but with judicial reorganisation, the court can decide whether to set aside the company's managers. The role of management is particularly reduced in cases of judicial liquidation, as the debtor company usually ceases to conduct business. Nevertheless, the court can decide for a business to continue operating under a court-appointed liquidator.



COUNTRY PROFILES

- 1 Country and location**
A map allows you to locate the country.
- 2 Country risk assessment**
"Country Risk" indicates the average risk presented by firms in a country as part of their short-term commercial transactions.
- 3 Business climate assessment**
This assessment, which complements the country assessment, measures the quality of the country's business environment: overall reliability of company accounts, legal system, institutional and regulatory environment.
- 4 Population, GDP, and Local Currency**
This box shows the population of the country in 2018, the GDP per capita in 2018, and the local currency as well as its ISO code.
- 5 Exports and imports**
Distribution of exports (or imports) by country of destination (or origin). The sources used are IMF and UNCTAD statistics for 2018.
- 6 Analysis of strengths/weaknesses**
A summary of the country's strengths and weaknesses.

- 7 Sector risk assessment**
This assessment indicates the level of short-term risk for 13 sectors of the country's economy.
- 8 Economic indicators**
At a glance, see the major macroeconomic aggregates essential to understanding the economic environment in a country as well as forecasted changes.
- 9 Risk assessment**
In this section you will find a macroeconomic and microeconomic analysis of the country, as well as the most important prospective elements for the current year.
- 10 Payment and collection practices**
This section is a valuable tool for corporate financial officers and credit managers. It provides information on the payment and debt collection practices in use in the country.
- 11 Business insolvencies**
Total number of business insolvencies and its yearly growth rate.

TOOLS FOR IDENTIFYING, ASSESSING AND MONITORING THE RISKS BUSINESSES ARE FACING

As a credit insurer, Coface's added value comes from its ability to proactively provide its clients with detailed risk analyses, allowing them to make the right decisions at the right time and prevent credit risks. Its analyses include country and business climate assessments for 162 countries, as well as sector risk, and assessment of companies default rate. Regular economic publications supplement these assessments developed by Coface.

Country risk assessment*

The country assessment provides an insight into the average payment incident level presented by companies in a country in connection with their short-term trading transactions. More specifically, this assessment measures the way in which company payment behaviour is influenced by a country's economic, financial, and political perspectives, as well as by the business climate. It is based on three pillars: macroeconomic, financial and political analysis, business climate assessment by Coface's entities across the world, and Coface's payment behaviour experience as recorded in its worldwide database. The country risk assessment covers 161 countries on an 8-step scale: A1, A2, A3, A4, B, C, D, E, in order of increasing risk.

Business climate assessment*

This makes it possible to see whether company accounts are available and reliable, whether the legal system ensures fair and effective protection of creditors, whether the country's institutions provide a favourable framework for B2B transactions and whether the domestic market is easy to access. The assessments are based on data from international organisations, but also, and primarily, on the experience of Coface's entities across the world. This assessment, integrated in the country assessment, covers 161 countries on an 8-step scale: A1, A2, A3, A4, B, C, D, E, in order of decreasing business climate quality.

Sector risk assessment*

Every quarter, Coface reviews the assessments of 13 sectors throughout 28 countries (representing approximately 88% of global GDP) in 6 major regions of the world. In order to assess these risks, Coface relies on its own methodology based on four cornerstones: an estimate of corporate defaults (by country) payment periods recorded by buyers (aggregated by sector), financial results enterprises (aggregated by sector), and payment experience recorded by Coface for each sector. The sector risk assessment is on a 4-step scale: low, medium high, very high, in order of increasing risk (see p. 14).

Assessment of company default rate

The DRA (Debtor Risk Assessment) measures the default rate of companies all over the world. It is calculated on the basis of indicators such as financial soundness, profitability, solvency, as well as the company's environment and management. The assessment scale ranges from 0 (company in default) to 10 (best possible rating). The DRAs are made available to Coface clients on a dedicated website: Cofanet.

Economic publications*

Coface regularly publishes economic publications that deal with country risk, sector risk, and the risk of company insolvency.

* Assessments and studies available on <http://www.coface.com/Economic-Studies-and-Country-Risks>.

A

ACA: Affordable Care Act (also known as Obamacare)

ADB: Asian Development Bank

AFD: Agence française de développement (French Development Agency)

AfDB: African Development Bank

Afreximbank: African Import-Export Bank

AFTA: ASEAN Free Trade Area

AGOA: African Growth and Opportunity Act - allows sub-Saharan African Country that are part of the scheme to export duty-free on the American market.

AIIB: Asian Infrastructure Investment Bank - multilateral financial institution created in 2014 to address infrastructure needs in Asia, which has since expanded to include members on all continents.

AMISOM: African Union Mission in Somalia

APEC: Asia-Pacific Economic Cooperation

AQIM: Al-Qaeda in the Islamic Maghreb

ASEAN: Association of Southeast Asian Nations

AU: African Union

B

B2B: Business-to-Business

BCEAO: Banque Centrale des États de l'Afrique de l'Ouest (Central Bank of West African States)

BDI: Baltic Exchange Dry Index - Maritime transport price index that takes into account 3/4 of ore and 1/4 of loose agricultural products flow

BEAC: Banque des États de l'Afrique Centrale (Bank of Central African States)

C

CAFTA-DR: Dominican Republic-Central America FTA

CAR: Central African Republic

CARICOM: Caribbean Community and Common Market - Organisation bringing together 15 Caribbean states or dependencies with the aim of economic integration

CARIFORUM: Caribbean Forum of African, Caribbean and Pacific states (ACP) linked to the European Union

CBO: Congressional Budget Office

CDF: Cancer Drug Fund

CEMAC: Central Africa Economic and Monetary Community

CETA: Comprehensive Economic and Trade Agreement (EU-Canada)

Chaebols: Large industrial conglomerates that are run and controlled by a South Korean owner (typically families)

CICE: Crédit d'impôt pour la compétitivité et l'emploi (Competitiveness and Employment Tax Credit)

CIS: Commonwealth of Independent States

CLS: Continuous Linked Settlement System

COFFI: Committee on Forests and the Forestry Industry

COLA: Cost of Living Allowance

CPEC: China-Pakistan Economic Corridor

CPTPP: Comprehensive and Progressive Agreement for Trans-Pacific Partnership

CSG: Contribution Sociale Généralisée (Generalised Social Contribution)

E

EAC: East African Community

EBRD: European Bank for Reconstruction and Development

ECB: European Central Bank

ECF: Extended Credit Facility - IMF programme that provides financial assistance to countries with protracted balance of payments problems. The IMF's main tool for providing support to low-income countries, created under the PRGT.

ECOWAS: Economic Community of West African States

EEU (or EAEU): Eurasian Economic Union

EFSD: Eurasian Fund for Stabilization and Development

EFTPOS: Electronic Funds Transfer at Point of Sale

EIA: US Energy Information Administration

EIB: European Investment Bank

EITO: European IT Observatory

EMU: Economic and Monetary Union

ERM II: European Exchange Rate Mechanism

EU: European Union

F

FAO: United Nations Food and Agriculture Organisation

FARC: Fuerzas Armadas Revolucionarias de Colombia (Revolutionary Armed

Forces of Colombia)

FDA: US Federal Drug Agency

FDI: Foreign Direct Investment

Fed: Federal Reserve of the United States

FOMC: Federal Open Market Committee

FTA: Free Trade Agreement

FY: Financial Year

G

G20: A group of the heads of state or of government, finance ministers and central bank governors of 19 countries: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, South Korea, Mexico, Russia, Saudi Arabia, South Af

G5 Sahel: Institutional framework for development and security cooperation regrouping Burkina Faso, Mali, Mauritania, Niger and Chad.

GAFTA: Greater Arab Free Trade Area

GCC: Cooperation Council for the Arab States of the Gulf, know as the Gulf Cooperation Council

GDP: Gross Domestic Product

GNP: Gross National Product

GRAINE: Gabonaise des Réalisations Agricoles et des Initiatives des Nationaux Engagés (Gabonese Initiative for Achieving Agricultural Outcomes with Engaged Citizenry)

GST: Goods and Services Tax

H

HDI: Human Development Index created by the UN

HIPC: Heavily Indebted Poor Countries (Initiative)

HOPE (act): Hemispheric Opportunity Through Partnership Encouragement

I

IATA: International Air Transport Association

ICC: International Criminal Court

ICJ: International Court of Justice

ICSID: International Centre for Settlement of Investment Disputes

ICT: Information and Communication Technology

IMF: International Monetary Fund

L

LNG: Liquefied Natural Gas

London Club: Informal group of private bank creditors that deals with public sector debt

M

MDRI: Multilateral Debt Relief Initiative

MERCOSUR (or MERCOSUL): South American Common Market - includes Argentina, Brazil, Uruguay, Paraguay and Venezuela

MSR: Maritime Silk Road

N

NAFTA: North American Free Trade Area

NAHB HMI: National Association of Home Builders Housing Market Index

NATO: North Atlantic Treaty Organisation

O

ODA: Official Development Assistance

OECD: Organisation for Economic Cooperation & Development

OPEC: Organisation of Petroleum Exporting Countries

OSCE: Organisation for Security and Co-Operation in Europe

P

Pacific Alliance (Alianza del Pacifico): Trade agreement including Chile, Colombia, Peru and Mexico

Paris Club: Official creditor's informal grouping

PDVSA: Petróleos de Venezuela, S.A. (Petroleum of Venezuela) - Venezuelan state-owned oil and natural gas company

Petrocaribe: Energy cooperation agreement between Caribbean countries and Venezuela enabling the former to buy oil on preferential terms

PPP: Public-Private Partnership

PRGT: Poverty Reduction and Growth Trust - IMF's special low-interest lending programme for poor countries with structural balance of payments difficulties

PVC: Polyvinyl Chloride

R

R&D: Research and Development

S

SACU: South African Customs Union of five southern African countries (South Africa, Lesotho, Botswana, Namibia, Swaziland), created in 1969

SADC: Southern African Development Community

SAR: Special administrative region

SCFI: The Shanghai Shipping Freight Index reflects the export rate of the containers transportation. It includes freight rate (Shanghai) indices of 15 maritime roads and a composite index (Freight indices reflect the maritime freight and other maritime road tax

SDR: Special Drawing Right

SEPA: Single Euro Payments Area

SMEs: Small- and Medium-sized Enterprises

SOCAR: State Oil Company of Azerbaijan Republic

SOE: State-Owned Enterprises

SOFAZ: State Oil Fund of Azerbaijan

SWF: Sovereign Wealth Fund

SWIFT: Society for Worldwide Interbank Financial Communication - an organisation with a system for the electronic transfers of funds between member banks in Europe and North America

T

TANAP: Trans-Anatolian Natural Gas Pipeline

TAP: Trans Adriatic Pipeline

TPP: Trans-Pacific Partnership

TTIP: Transatlantic Trade and Investment Partnership

U

UK: United Kingdom of Great Britain and Northern Ireland

UN: United Nations

UNASUR: Union of South American Nations

UNECE: United Nations Economic Commission for Europe

UNMIL: United Nations Mission in Liberia

UNSMIL: United Nations Support Mission in Libya

US(A): United States (of America)

USDA: United States Department of Agriculture

USMCA: United States-Mexico-Canada Agreement

V

VAT: Value Added Tax

W

WAEMU: West African Economic and Monetary Union

WB: World Bank

WTO: World Trade Organization

DISCLAIMER

The Country & Sector Risks Handbook reflects the opinion of Coface's Economic Research Department at the time of writing and based on the information available. The information, analyses and opinions contained herein have been prepared on the basis of multiple sources considered reliable and serious; however, Coface does not guarantee the accuracy, completeness or reality of the data contained in this guide. The information, analyses and opinions are provided for information purposes only and are intended to supplement the information otherwise available to the reader. Coface publishes this guide in good faith and on the basis of commercially reasonable efforts as regards the accuracy, completeness, and reality of the data. Coface shall not be liable for any damage (direct or indirect) or loss of any kind suffered by the reader as a result of the reader's use of the information, analyses and opinions. The reader is therefore solely responsible for the decisions and consequences of the decisions he or she makes on the basis of this guide. This handbook and the analyses and opinions expressed herein are the exclusive property of Coface; the reader is authorised to consult or reproduce them for internal use only, provided that they are clearly marked with the name "Coface", that this paragraph is reproduced and that the data is not altered or modified. Any use, extraction, reproduction for public or commercial use is prohibited without Coface's prior consent. The reader is invited to refer to the legal notices on Coface's website: <https://www.coface.com/Home/General-informations/Legal-Notice>

Design and production: **côtécorp.**

Printed in France by: Imprimerie de Champagne -
Rue de l'Étoile de Langres - Z.I les Franchises - 52200 Langres
Photo credits: Shutterstock, Alexandra de Csabay

Legal deposit: January 2020

ISSN: 2606-7323



THE INFORMATION CONTAINED
IN THIS HANDBOOK IS UPDATED
REGULARLY AT WWW.COFACE.COM