

Country Compliance Risk Index (CRI)

Sources & Methodology

GCSG has developed a Country Compliance Risk Index (“CRI”) that ranks the potential compliance risk of doing business in each country reviewed. We evaluate each country against 4 main areas of risk and use 19 risk sources to evaluate the risk areas. Using our proprietary scoring methodology each country is assigned a risk rating (Low, Moderate, High) for each area of risk reviewed. In addition, each country is given an overall composite score from 1-10 (10 Highest) and then assigned an overall Low, Moderate, or High-risk rating.

Our proprietary risk-scoring methodology uses a combination of factors to score potential risk at the country level. The factors and scoring methodology we use have been developed based off our actual experiences evaluating risks as well as those of well-established international organizations. The list below includes the public risk sources of information we use to help rank the potential risks associated with conducting cross-border trade or business within more than two hundred countries¹.

Each individual country score and rating are assigned within the context of the 200+ countries being evaluated. This results in fewer high-risk results than some of the other similar risk rating tools in the market. But we believe it is a more realistic approach to risk analysis.

Areas of Risk

- Governance and Regulatory
- Bribery and Corruption
- Trade
- Financial

Risk Sources

- World Bank – Ease of Doing Business (EB)
- World Bank – Regulatory Quality (RQ), Government Effectiveness (GE), Political Stability (PS), and Rule of Law (RL)
- The Fund for Peace – Fragile States Index (FS)
- The Heritage Foundation – Index of Economic Freedom (EF)
- World Economic Forum – Global Competitiveness Report (GC)
- Corruption Perceptions Index (CP)
- Trace Matrix (TM)
- Bribe Payers Index (BP)
- Control of Corruption (CC)
- Transshipment Hub (TH)
- Targeted (selective) country sanctions (TS)
- Comprehensive US country sanctions (Embargo) (CS)
- State Sponsor of Terrorism (ST)
- Global Enabling Trade Report (GT)
- Financial Secrecy Index Value (FS)
- Major Money Laundering Country (ML)

(1) Not all of the lists have the same list of countries being evaluated. We apply a default low or moderate value (depending on the list) for countries that are not ranked within a particular individual list.

Governance and Regulatory

*World Bank – Ease of Doing Business (EB)

Source

<https://www.doingbusiness.org/en/data/doing-business-score>

Brief

The Doing Business quantitative report ranks 189 economies on the ease of doing business by measuring regulations that are conducive in fostering business activities and those that constrains it. 11 areas are considered in the recent report: starting a business; dealing with construction permits; getting electricity; registering property; getting credit; protecting minority investors; paying taxes; trading across borders; enforcing contracts; resolving insolvency; and labor market regulation.

*World Bank – Regulatory Quality (RQ), Government Effectiveness (GE), Political Stability (PS), and Rule of Law (RL)

Source

<http://info.worldbank.org/governance/wgi/index.aspx#home>

Brief

WGI (Worldwide Governance Indicators): reports aggregate and individual governance indicators for 200+ economies for six dimensions of government: voice and accountability, **political stability** and absence of violence, **government effectiveness**, **regulatory quality**, **rule of law**, control of corruption. The aggregate indicators combine the views of a large number of enterprises, citizen and expert survey respondents in industrial and developing countries. The individual data sources underlying the aggregate indicators are drawn from a diverse variety of survey institutes, think tanks, ngo's and international organizations.

- **Regulatory quality** captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.
- **Government effectiveness** captures perceptions of the quality of public services, the quality of the civil service, and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.
- **Political stability** and absence of violence measures the perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including domestic violence and terrorism.
- **Rule of law** captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.

*The Fund for Peace – Fragile States Index (FS)

Source

<https://fragilestatesindex.org/>

Brief

Reviews social, economic, political and military indicators faced by 170+ countries to determine the most stable countries versus those at the most risk of collapse and violence.

*The Heritage Foundation – Index of Economic Freedom (EF)

Source

<http://www.heritage.org/index/Ranking.aspx>

Brief

The index covers ten freedom benchmarks and evaluates the economic success of 180+ countries. The benchmarks include: Business Freedom; Trade Freedom; Fiscal Freedom; Government Spending; Monetary Freedom: Investment Freedom; Financial Freedom; Property Freedom; Freedom from Corruption; and Labor Freedom.

*World Economic Forum – Global Competitiveness Report (GC)

Source

<http://reports.weforum.org/global-competitiveness-index-2017-2018/competitiveness-rankings/>

Brief

The Global Competitiveness Report's competitiveness ranking is based on the Global Competitiveness Index (GCI), developed for the World Economic Forum. GCI is based on 12 pillars of competitiveness, providing a comprehensive picture of the competitiveness landscape in countries around the world at all stages of development. The pillars are: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation.

Bribery and Corruption Risk

*Corruption Perceptions Index (CP)

Source

<https://www.transparency.org/cpi2018>

Brief

The CPI is developed by Transparency International. The CPI aggregates data from a number of different sources that provide perceptions of business people and country experts of the level of corruption in the public sector. To read more about them and their methodology click [here](#).

*Trace Matrix (TM)

Source

<http://www.traceinternational.org/trace-matrix>

Brief

The TRACE Matrix® measures business bribery risk in 199 countries. The overall country risk score is a combined and weighted score of four domains – **Business Interactions with the Government, Anti-bribery Laws and Enforcement, Government and Civil Service Transparency** and **Capacity for Civil Society Oversight**, including the role of the media – as well as nine subdomains. Developed in collaboration with RAND Corporation, the TRACE Matrix was originally published in 2014 and is updated every two years by TRACE.

*Bribe Payers Index (BP)

Source

https://www.transparency.org/whatwedo/publication/bpi_2011

Brief

The 2011 Bribe Payers Index ranks 28 of the world's largest economies according to the perceived likelihood of companies from these countries to pay bribes abroad. It is based on the views of business executives as captured by Transparency International's 2011 Bribe Payers Survey. The countries and territories ranked in the Index cover all regions of the world and represent almost 80 per cent of the total world outflow of goods, services and investments. The 2011 report examines different types of bribery across sectors – including, for the first time, bribery among companies ('private-to-private' bribery).

*World Bank – Control of Corruption (CC)

Source

<http://info.worldbank.org/governance/wgi/index.aspx#home>

Brief

WGI (Worldwide Governance Indicators): reports aggregate and individual governance indicators for 200+ economies for six dimensions of government: voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, **control of corruption**. The aggregate indicators combine the views of a large number of enterprises, citizen and expert survey respondents in industrial and developing countries. The individual data sources underlying the aggregate indicators are drawn from a diverse variety of survey institutes, think tanks, ngo's and international organizations. **Control of corruption** captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.

Trade Risk

*Transshipment Hub (TH)

Source

April 2012 "Export Controls" [U.S. Government Accountability Office \(GAO\) report \(GAO-12-613\)](#)

Brief

"In July 2010, a senior State official testified that transshipment hubs (i.e., countries or areas that function as major hubs for the legitimate trading and shipment of cargo) with weak controls on imports, exports, and reexports represent an important vulnerability to efforts to prevent illicit proliferation-related trade...According to U.S. officials, Iran has obtained U.S. military and dual-use goods that have been illegally transshipped by firms and individuals through locations in numerous countries, including the UAE, Malaysia, and Singapore. The goods included components for U.S.-built fighter aircraft, electronics, and specialized metals."

This [GAO] review examines (1) agencies' compliance activities to address transshipment risk and (2) the extent to which U.S. agencies assessed the impact of export control reforms on the resource needs for compliance activities. GAO analyzed U.S. licensing data for 13 transshipment countries and visited Hong Kong, Singapore, and the United Arab Emirates.

*Targeted (or selective) U.S., E.U., Canada, and/or Australian country sanctions OR Comprehensive U.S. country sanctions (embargo) in place in the country? (TS & CS)

Source

<https://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>

<https://www.sanctionsmap.eu/#/main>

https://www.international.gc.ca/world-monde/international_relations-relations_internationales/sanctions/current-actuelles.aspx?lang=eng

<https://dfat.gov.au/international-relations/security/sanctions/sanctions-regimes/Pages/sanctions-regimes.aspx>

Brief

The Office of Foreign Assets Control (OFAC) of the U.S. Treasury administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, persons engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States.

OFAC sanction programs fall into two categories: Sanctions that target specific individuals or entities, and sanctions that **target specific countries**. Within country-specific sanctions programs there are comprehensive trade prohibitions and

partial trade prohibitions. These programs 'block' the transfer of assets to designated countries and use other trade restrictions to further U.S. foreign policy objectives. **Comprehensive** sanctions programs, which block all trade with sanctioned countries, are administered against Cuba, Iran, North Korea, Sudan and Syria. **Selective** sanctions, which impose trade restrictions that target specific activities, are administered against countries such as Yemen and Ukraine/Russia.

In addition, Canada, Australia, and the EU maintain sanctions programs. Article 215 of the Treaty on the Functioning of the European Union (TFEU) provides a legal basis for the interruption or reduction, in part or completely, of the Union's economic and financial relations with third countries, where such restrictive measures (sanctions) are necessary to achieve the objectives of the Common Foreign and Security Policy (CFSP) of the EU.

*State Sponsor of Terrorism (ST)

Source

<http://www.state.gov/j/ct/list/c14151.htm>

Brief

Designates countries determined by Secretary of State to have repeatedly provided support for acts of terrorism. Four main categories of sanctions resulting from said designations include restrictions of U.S. foreign assistance; a ban on defense exports and sales; certain controls over exports of dual use items; miscellaneous financial and other restrictions. This factor is only scored if the country is not also currently listed as a US embargoed location. Currently this would only affect Sudan.

*Global Enabling Trade Report (GT)

Source

<http://reports.weforum.org/global-enabling-trade-report-2016/>

Brief

The report features the Enabling Trade Index, which assesses the performance of 136 economies on domestic and foreign market access; border administration; transport and digital infrastructure; transport services; and operating environment.

Financial Risks

*Financial Secrecy Index (FI)

Source

<https://www.financialsecrecyindex.com/en/>

Brief

The Financial Secrecy Index ranks jurisdictions according to their secrecy and the scale of their offshore financial activities. A politically neutral ranking, it is a tool for understanding global financial secrecy, tax havens or secrecy jurisdictions, and illicit financial flows or capital flight. The Financial Secrecy Index is released every two years and it was first launched in 2009.

*Major Money Laundering Countries (ML)

Source

<https://www.state.gov/2019-international-narcotics-control-strategy-report/>

Brief

The International Narcotics Control Strategy Report (INSCR) identifies money laundering priority jurisdictions and countries according to jurisdictions of Primary Concern.