

Introduction

This publication analyses **Strategic risk index** trends over the past quarter. The index quantifies the level of risk faced by businesses operating in, or considering entering, the world's leading emerging and frontier markets. The resulting scores are compared with developed, 'benchmark' markets, as well as with the global average. Index values are standardised on a scale of 1 to 10, with 1 as the safest and 10 as the riskiest.

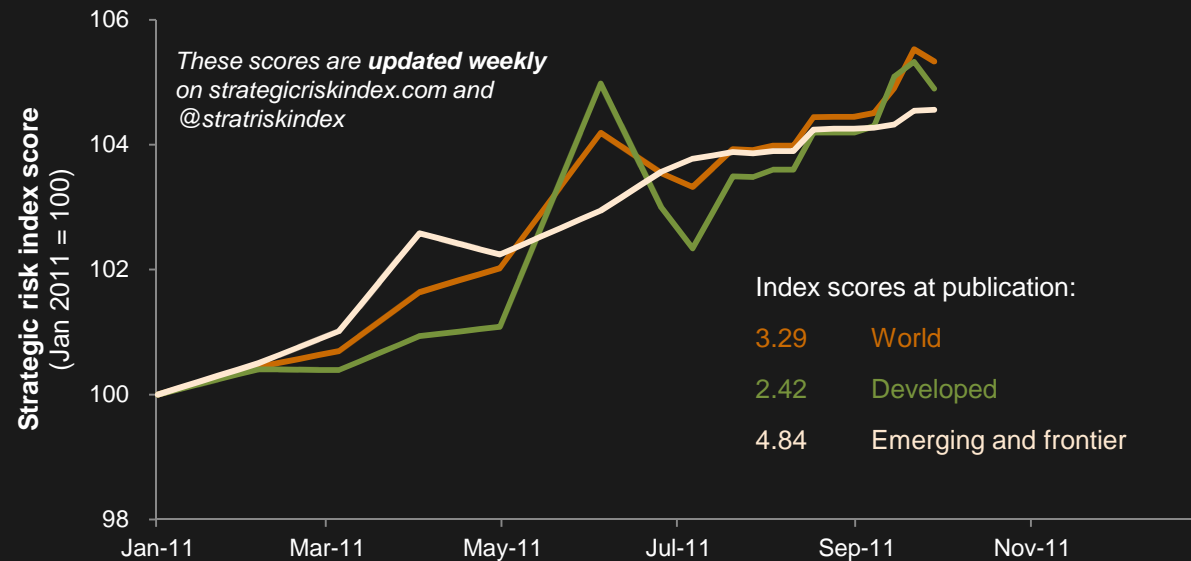
The index is updated weekly on our website. This publication is a quarterly point-in-time review of the scores.

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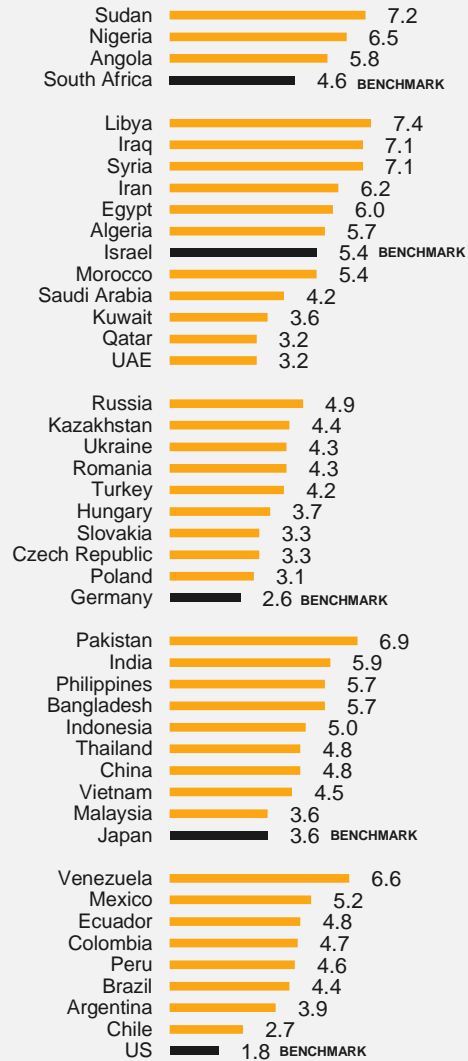
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The Arab world: 2011's geopolitical 'black swan'

The level of strategic risk in the world economy has increased by 5% since the start of this year, with recent financial markets turbulence reflecting the less certain outlook for rich and poor countries alike. Although the Arab world's share of global GDP is too small to be the main driver of the global index score, the level of strategic risk there has increased by 7% so far this year, which is affecting energy prices by creating long-lasting and chronic uncertainty in the key energy source area of the world.



Key markets' index scores by region



Sub-Saharan Africa
Regional average: 6.0
Key movers during Q3: ↑ Nigeria; ↓ Sudan

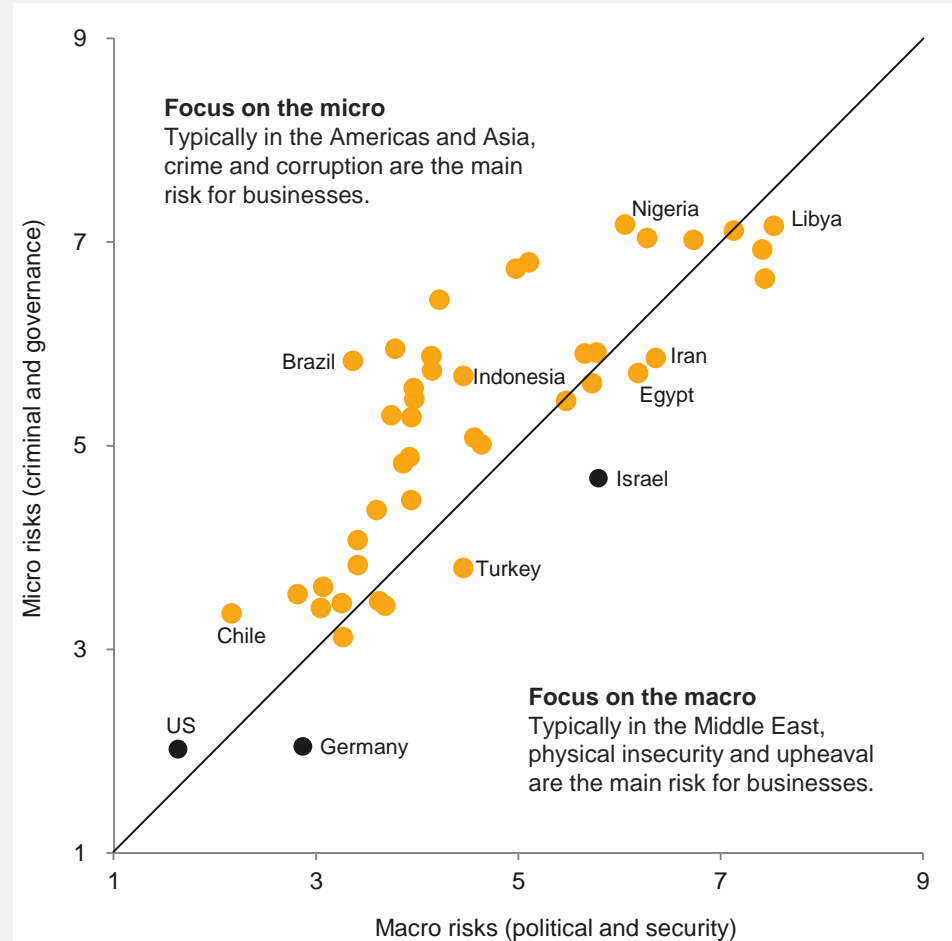
Middle East
Regional average: 5.4
Key movers during Q3: ↑ Libya; ↓ Qatar

Eurasia
Regional average: 3.8
Key movers during Q3: ↑ Slovakia; ↓ Poland

Asia
Regional average: 5.1
Key movers during Q3: ↑ Vietnam; ↓ Pakistan

Americas
Regional average: 4.3
Key movers during Q3: ↑ Mexico; ↓ Argentina

Selected risk category scores by country

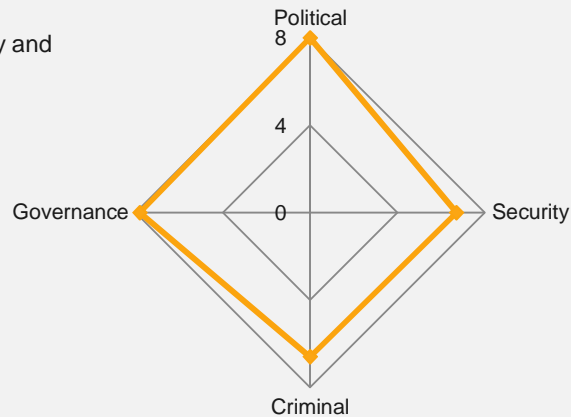


Libya

Trend since Q2 2011 ▲ Outlook from Q3 2011 ▲

Qaddafi is ousted, but can the transition be completed quickly and peacefully?

7.4

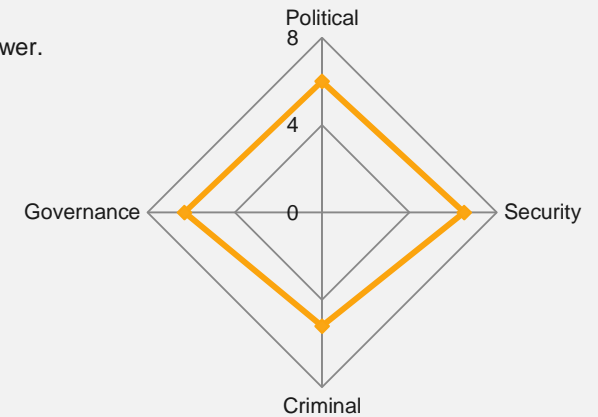


Egypt

Trend since Q2 2011 ▲ Outlook from Q3 2011 ▲

Balancing new hopes with a familiar role as a regional power.

6.0

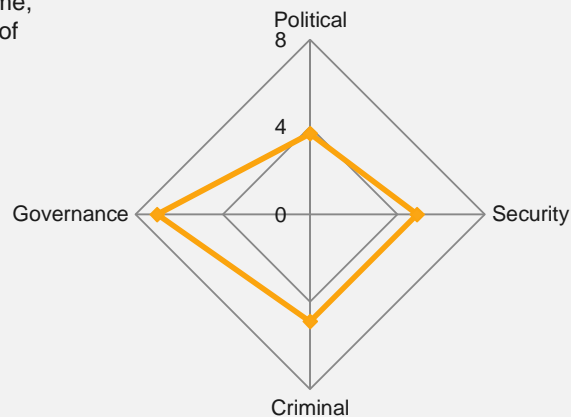


Russia

Trend since Q2 2011 ▲ Outlook from Q3 2011 ▲

Energy giant grapples with crime, corruption and the challenges of presidential succession.

4.9

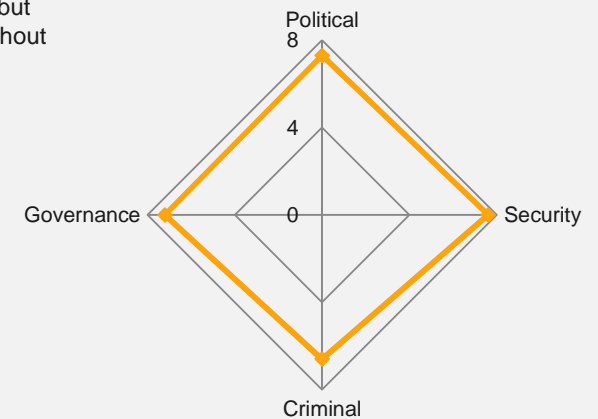


Sudan

Trend since Q2 2011 ▼ Outlook from Q3 2011 ▲

Division was largely peaceful, but can new borders be settled without conflict?

7.2



About the index

This publication analyses *Strategic risk index* trends over the past quarter. The index has been developed by Aegis Advisory and Integro Insurance to quantify the level of strategic risk in the 40 large emerging and frontier markets, and compare it to the riskiness of developed economies and the world average. Index values are compiled from scores from the unique Aegis Strategic Risk Assessment (ASTRA) model, a risk profiling service that quantifies risk levels by examining a broad range of factors. ASTRA, which covers over 130 countries, is constantly updated by Aegis Advisory analysts in London and around the world.

ASTRA computes over 30 factors that are marked from 1 to 10 which, when weighted, produce overall country risk scores for:

- **macro risks:** political and security; and
- **micro risks:** criminal and governance.

The composite indices shown on page 1 comprise the following countries' scores weighted by their share of GDP at market exchange rates:

- **Emerging and frontier:** the 40 markets covered by this report
- **Developed:** Australia, Canada, Japan, Switzerland, US and the EU15 member states prior to the 2004 enlargement
- **World:** all the material economies, together comprising over 99% of world GDP

Rather than simply echoing events, ASTRA scores measure the underlying strategic risk trends in any given market. For the purposes of this index they are weighted to stress the risks to companies' staff and physical assets.

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4 October 2011 strategicriskindex.com

AEGIS Advisory

Aegis Advisory is a specialist consultancy that supports businesses in assessing and adjusting their exposure to risk by providing privileged insights and timely intelligence. We offer the following services:

Enhanced due diligence

In-depth intelligence from human sources on the companies, organisations and individuals that matter

Strategic risk analysis

The Aegis Strategic Risk Assessment tool delivers a customisable framework for assessing country risk

Operational risk analysis

Helping clients to understand day-to-day aspects of risk in unfamiliar places and to navigate new markets

Maritime intelligence services

Mapping and analysing maritime risk worldwide to help clients assess threats and plan accordingly

Aegis Advisory in Iraq

Helping clients enter and operate in Iraq through advisory services from detailed market research to due diligence

Market entry consulting

Advising clients on strategies, tactics and opportunities as they look to enter new markets

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INTEGRO INSURANCE BROKERS

Integro Insurance provides insurance solutions for complex risks in frontier and hostile environments. The Special Risks Team, based in London, arranges insurance for political risks, corporate liabilities and loss to human/physical assets emanating from exposure to cross-border risk. We offer the following specialist insurance products:

Investment loans

Protecting lenders against loan default caused by host government confiscation, nationalisation, expropriation, deprivation and acts of political violence

Mineral extraction operations

Protecting revenues and assets from operational losses including acts of war and terrorism

Logistics and construction

Protecting corporate liabilities and duty of care responsibilities for projects and deployments to semi-permissive environments

Physical security

Protecting contractual and asset exposure of security firms and their clients worldwide, including the Gulf of Aden and other hostile waters

Media

Protecting deployed staff and contractors from risks of kidnap, death and disablement, as well as sickness and medical evacuation in the course of their reporting

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