

## **CAREER OPPORTUNITIES IN POLITICAL RISK ANALYSIS**

### **Description of the Field**

The term ‘political risk’ refers to the possibility that investors will lose money or make less money than expected due to political decisions, conditions, or events occurring in the country or emerging market in which they have invested. Specific problems include government instability, currency inconvertibility, nationalization, and expropriation. Additionally, political risk analysis examines social conditions such as crime levels – the number of recent kidnappings, for example – and land rights issues when evaluating the level of risk associated with any investment.

Typically, ‘political risk analysts’ gather information on an area or a country, determine the causes and sources of any related risks and forward their findings to those making investment decisions. Analysts may also be asked to prescribe risk management solutions and to offer recommendations to clients hoping to invest in a specific area of the world. Although political risk analysis has been developing as a field since the 17<sup>th</sup> century, it has seen a dramatic increase in importance only in the past 20 years.

While the political risk divisions of large consulting and insurance companies have traditionally been most involved with this field, today’s analysts may find employment with international organizations, smaller financial companies, rating services, energy firms, and online sites specializing in the sale of political risk information. Additionally, three departments within most large banks perform political risk analysis: Credit, Fixed Income and Equities. The Equity Department support Equity Research Analysts by forecasting key economic variables and may require advanced economic skills, often on the PhD level.

Those employed in rating agencies, lending institutions and organizations such as the State Department may be required to make in-depth economic analysis and would be classified as ‘specialists.’ Analysts with more general knowledge about countries, legal systems and business practices may find employment with smaller consulting companies that gather and analyze information and then sell their findings to others.

### **Career Paths and Entry Salaries**

Internships are strongly recommended, especially if they strengthen accounting and financial skills or offer some insight into the political process. Prior experience is becoming increasingly important in finding employment in certain organizations, such as the World Bank. Requirements appear to be more flexible for employment with smaller companies, particularly those that are Internet-based.

Salaries are competitive but vary widely depending on experience and on the type of organization. The smaller firms and governmental organizations offer anywhere from \$30-50,000 for an entry position, and larger consulting and insurance firms pay \$60,000 and above.

## **Demand / Trends**

With globalization and increasing levels of foreign direct investment, forecasts for jobs in this field seem strong. Additionally, the increasing number and types of firms practicing political risk analysis ensure that this field will be attractive to many different types of people.

## **Qualifications Necessary to Enter the Field**

Political risk analysts typically hold degrees in business, international relations or related areas but may also have backgrounds in law, intelligence, journalism or law enforcement. Representation of investigative journalists and former intelligence agents is particularly high in online companies specializing in political risk information. Banking experience is always beneficial and may be required for those students hoping to work in a financial company.

Excellent research, analysis, and decision making abilities as well as good communication and writing skills are necessary to succeed in this field. Companies look for well-informed people who themselves may be described as “intelligent risk takers.”

Language skills, especially in reading and speaking, may be helpful when working in a position that is focused on a particular region, but the lack of such skills will not preclude one from employment in the field in general. In addition to language skills, some positions may require knowledge of a region that can only be obtained from having lived or worked there for a longer period of time.

The ability to decipher a balance sheet, understand a country’s balance of payments or offer insight into the politics of a particular region will be very useful. Therefore, it is recommended that students interested in pursuing a career in political risk analysis take classes in finance, monetary economics, trade and political science. The latter will be most useful for entry-level positions, while business-related classes will help those pursuing a more specialized track. Specific classes that were named include the following: Accounting, Corporate Finance, Private Sector Project Finance, International Monetary System and Country Risk Analysis.

Although concentrating in an area study will certainly be useful, many analyst positions will focus on more than one area of the world. Successful analysts excel at adapting their knowledge to new and uncertain situations. Additionally, employers will value the analyst’s ability to write concise and lucid reports.

## **Sample Group of Employers**

### ***International/Governmental Organizations***

- World Bank/MIGA - The Multilateral Investment Guarantee Agency  
[www.miga.org](http://www.miga.org)
- OECD - The Organization for Economic Co-operation and Development  
<http://www.oecd.org>
- OPIC - The Overseas Private Investment Corporation [www.opic.gov/Insurance](http://www.opic.gov/Insurance)

### ***Private Sector***

- AIG Global Trade and Political Risk Insurance Company - <http://tradecredit.aig.com/>
- Andreae Vick & Associates - [www.avallc.com](http://www.avallc.com)
- Aon Corporation - [www.aon.com/intelligence](http://www.aon.com/intelligence)
- Bloomberg Financial News - <http://www.bloomberg.com>
- BPAmoco - [www.bpamoco.com](http://www.bpamoco.com)
- Business Monitor International - <http://www.businessmonitor.com>
- Chubb - <http://www.chubb.com>
- CountryWatch.com - [www.countrywatch.com/about/cwmanagement.asp](http://www.countrywatch.com/about/cwmanagement.asp)
- Control Risks Group - [www.crg.com](http://www.crg.com)
- Deloitte Touche Tohmatsu - [www.deloitte.com/emergingmarkets](http://www.deloitte.com/emergingmarkets)
- Eurasia Group - [www.eurasiagroup.net](http://www.eurasiagroup.net)
- ExxonMobil - [www.exxonmobil.com](http://www.exxonmobil.com)
- Fitch IBCA Credit Rating Agency - [www.fitchibca.com/about](http://www.fitchibca.com/about)
- J.P. Morgan - [www.jpmorgan.com/careers](http://www.jpmorgan.com/careers)
- Kroll Associates - [www.krollworldwide.com](http://www.krollworldwide.com)
- Marvin Zonis + Associates, Inc. - <http://www.marvinzonis.com>
- MasterCard - [www.mastercard.com](http://www.mastercard.com)
- Medley Global Advisors - [www.medleyadvisors.com](http://www.medleyadvisors.com)
- Moody's Investors Services - [www.moodyiskmv.com](http://www.moodyiskmv.com)
- Morgan Stanley Dean Witter - [www.msdw.com](http://www.msdw.com)
- Newlink Business Intelligence - [www.newlink.net](http://www.newlink.net)
- Oxford Analytica - [www.oxan.com](http://www.oxan.com)
- Profound Online Business Services - [www.profound.com](http://www.profound.com)
- S. J. Rundt & Associates - [www.rundtsintelligence.com](http://www.rundtsintelligence.com)
- Smith Brandon International - [www.smithbrandon.com](http://www.smithbrandon.com)
- Sovereign Risk Insurance Ltd. - [www.xlcapital.com/](http://www.xlcapital.com/)
- Standard & Poor's - [www.standardandpoors.com](http://www.standardandpoors.com)
- Stratfor - [www.stratfor.com](http://www.stratfor.com)
- World Markets Research Centre - [www.wmrc.com](http://www.wmrc.com)
- Zurich Re - <http://www.zurich.com>

### **Resources for Additional Information**

#### ***Professional Associations***

- Association of Professional Insurance Women - <http://www.apiw.org/default.asp>

#### ***Internet Resources***

- GRA Research Hotlinks - <http://www.grai.com/links.htm>
- PRS Group - <http://www.prsgroup.com/>
- Risk World - <http://riskworld.com>