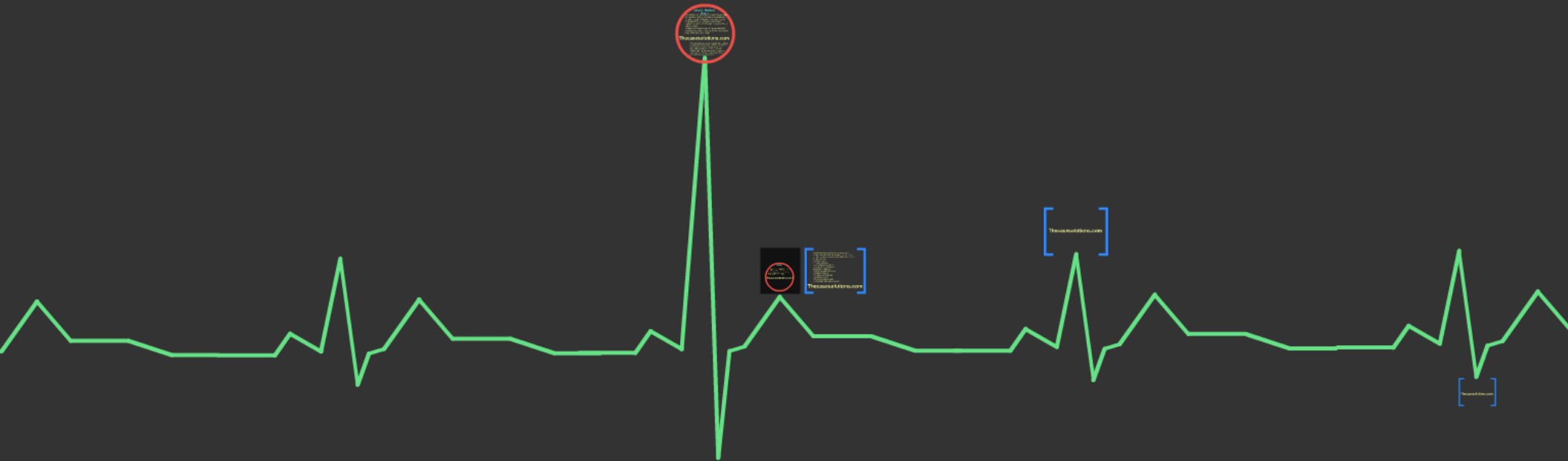


Sherritt Goes to Cuba (A): Political Risk in Uncharted Territory



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what is Political Risk ?

The risk that an investment's returns could suffer as a result of political changes or instability in a country. Instability affecting investment returns could stem from a change in government, legislative bodies, other foreign policy makers, or military control.

Political risk is also known as "geopolitical risk," and becomes more of a factor as the time horizon of an investment gets longer.

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The risk to business interests resulting from political instability or political change. Political risk exists in every country around the globe and varies in magnitude and type from country to country. Political risks may arise from policy changes by governments to change controls imposed on exchange rates and interest rates

Causes

Actions of legitimate governments such as controls on prices, outputs, activities, and currency and remittance restrictions

Political risk may also result from events outside of government controls such as war, revolution, terrorism, labor strikes, and extortion.

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A study by Business International based upon foreign data offers the following list of government actions (reactions in most cases) which can affect the foreign investors:

Important control

Investment barriers

Local equity requirements

Local content requirements

Borrowing restrictions

Profit and royalty remittance

Tax discriminations

Incentives discrimination

Demand for export

Prevention of acquisitions

Expropriation and nationalization

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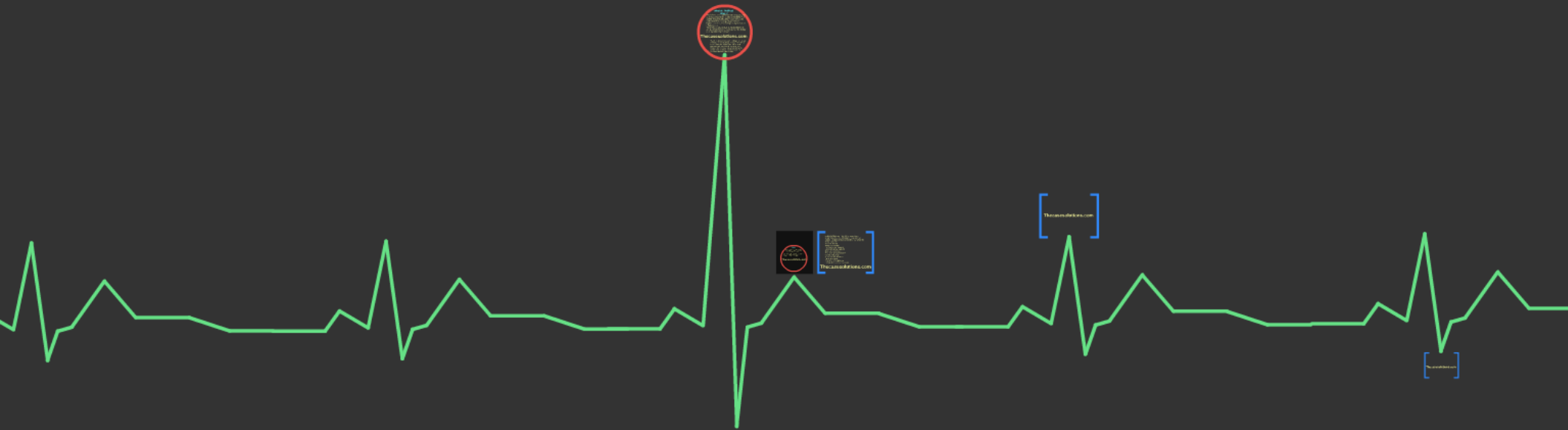
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Thank You!

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