

## 2.05 Introduction to Geopolitics

### Question 1

Reduction in energy costs due to displacement of gasoline cars is *most likely* a type of:

- A. event risk.
- B. thematic risk.
- C. exogenous risk.

### Question 2

Which of the following is *least likely* a reason for a country to cooperate with its neighbors? The country lacks:

- A. economic resources.
- B. trade protections for domestic producers.
- C. national security and defense capabilities.

### Question 3

A country will *most likely* seek geopolitical cooperation if it:

- A. has a strong military supported by advanced technology.
- B. possesses a seaport that acts as a center for global trade.
- C. engages in many large cross-border financial transactions.

### Question 4

A country is experiencing economic difficulties due to persistent, large balance-of-trade deficits. The most appropriate organization to assist that country is the:

- A. World Bank Group (World Bank).
- B. World Trade Organization (WTO).
- C. International Monetary Fund (IMF).

### Question 5

Three geopolitical risks may affect a country's investment returns:

Event Risk	Likelihood	Velocity	Impact Size	Impact Breadth
A	High	High	Moderate	Discrete
B	Moderate	High	High	Broad
C	High	Medium	Low	Broad

Within the context of a country's investment returns, based on only the above information, which event warrants the highest level of risk assessment?

- A. Event A
- B. Event B
- C. Event C

**Question 6**

The growth in populism is *most likely* consistent with which type of geopolitical risk?

- A. Event
- B. Thematic
- C. Exogenous

**Question 7**

A developing economy needs long-term financing to fund infrastructure improvements and facilitate general economic growth. According to its mission, which of the following organizations is *most appropriate* to provide the financing?

- A. World Bank Group (World Bank)
- B. International Monetary Fund (IMF)
- C. International Trade Organization (ITO)

**Question 8**

Which archetype of globalization and cooperation provides the greatest contrast to multilateralism?

- A. Autarky
- B. Hegemony
- C. Bilateralism

**Question 9**

Which of the following *best* describes the mission of the World Trade Organization? The organization promotes:

- A. the economic development of emerging economies through trade.
- B. exchange rate stability, leading to a greater willingness among countries to trade.
- C. free trade by providing the basic system of global trade rules and dispute resolution.

**Question 10**

Country Z's government recently nationalized the country's largest steel-producing companies and generously compensated those companies' shareholders. This scenario *best* describes the use of a:

- A. cooperative financial tool.
- B. noncooperative economic tool.
- C. noncooperative national security tool.

**Question 11**

Which of the following actions by a country is *most likely* to increase geopolitical risk?

- A. Initiating export subsidies
- B. Eliminating capital controls
- C. Coordinating standardized rules

**Question 12**

Regarding geopolitics, which of the following statements is *correct*?

- A. Nationalization occurs mainly in nonvital economic sectors.
- B. Free exchange of currencies can leave countries vulnerable.
- C. National security tools are used more when state actors cooperate.

**Question 13**

For an investor with a long-term investment horizon, the most appropriate response to a new, high-velocity geopolitical risk is to adjust a portfolio's:

- A. sector allocation.
- B. tactical asset allocation.
- C. strategic asset allocation.