

Question #1 of 15

Question ID: 1573048

A country whose actions reflect nationalism is *least likely* to behave in ways that exhibit:

A) bilateralism.



B) autarky.



C) hegemony.



Explanation

Hegemony refers to behavior that reflects globalization and noncooperation. Autarky and bilateralism both refer to behavior that reflects nationalism.

(Module 16.1, LOS 16.b)

Question #2 of 15

Question ID: 1573057

A high-net-worth investor has a long time horizon of approximately 25 years before he will shift his allocations more in favor of safer, low-risk investments. The likelihood of this investor reacting to an event categorized as a black swan risk by changing his allocations is:

A) high.



B) low.



C) moderate.



Explanation

A black swan risk is an exogenous risk with a low likelihood of occurrence, but a high short-term impact. If an investor has a long time horizon (and 25 years is considered long) before he plans to shift allocations, an event that would be categorized as a black swan risk would not cause the investor to react in any way. Reactions to these events are much more likely for investors with short time horizons.

(Module 16.1, LOS 16.d)

Question #3 of 15

Question ID: 1573053

Settling trade disputes and establishing agreements between trading partners *most accurately* describe the activities of the:

A) International Monetary Fund.



B) World Bank.



C) World Trade Organization.



Explanation

The World Trade Organization (WTO) deals with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably, and freely as possible.

(Module 16.1, LOS 16.c)

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Question ID: 1573051

The *most accurate* description of the relative roles played by the International Monetary Fund, World Bank, and World Trade Organization is that the only one explicitly focused on:

A) expanding international trade is the World Trade Organization.



B) providing funding to member nations is the International Monetary Fund.



C) reducing poverty is the World Bank.



Explanation

The World Bank has the explicit mission of fighting poverty. Both the WTO and IMF work to expand international trade. Both the World Bank and IMF provide funds to member nations, the World Bank for development and the IMF when member nations experience balance of payments difficulties.

(Module 16.1, LOS 16.c)

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Question ID: 1573052

Promoting international monetary cooperation, promoting exchange stability, and assisting members experiencing balance of payments difficulties are the goals of the:

A) World Bank.



B) International Monetary Fund.



C) World Trade Organization.



Explanation

The IMF's main goals are promoting international monetary cooperation; facilitating the expansion and balanced growth of international trade; promoting exchange stability; assisting in the establishment of a multilateral system of payments; and making resources available (with adequate safeguards) to members.

(Module 16.1, LOS 16.c)

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Question ID: 1573047

A country that generally engages in bilateralism is *best* characterized as exhibiting:

A) cooperation and nationalism.



B) non-cooperation and globalization.



C) cooperation and globalization.



Explanation

Archetypes of geopolitical behavior by countries include bilateralism (cooperation and nationalism), autarky (non-cooperation and nationalism), hegemony (non-cooperation and globalization), and multilateralism (cooperation and globalization).

(Module 16.1, LOS 16.b)

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Question ID: 1573059

If the country of Smithia enacts sanctions against the political leaders of Jonesia, Smithia is said to be using:

A) a financial tool of geopolitics.



B) an economic tool of geopolitics.



C) a national security tool of geopolitics.



Explanation


Sanctions refer to restrictions on the financial interests of specific geopolitical actors and are considered a financial tool of geopolitics.

(Module 16.1, LOS 16.e)

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Question ID: 1573049

A country with little or no external trade is *most likely* one that practices:

- A) multilateralism. 
- B) autarky. 
- C) hegemony. 

Explanation




Autarky refers to a policy of seeking self-sufficiency by engaging in little or no external trade.

(Module 16.1, LOS 16.b)

Question #9 of 15

Question ID: 1573050

The primary goals of the International Monetary Fund (IMF) include:

- A) promoting exchange rate stability. 
- B) reducing global poverty. 
- C) resolving trade-related disputes among nations. 

Explanation




The primary goals of the IMF are to promote international monetary cooperation, facilitate growth of international trade, promote exchange rate stability, assist in establishing a multilateral payment system, and provide resources to members with balance of payments difficulties. Reducing global poverty is a role of the World Bank. Resolving trade disputes is a role of the World Trade Organization.

(Module 16.1, LOS 16.c)

Question #10 of 15

Question ID: 1573054

Exogenous geopolitical risk factors are *best* described as those that are:

- A) known or anticipated long-term effects. 
- B) unanticipated. 
- C) known in terms of timing but not outcome. 

Explanation




Exogenous risk refers to unanticipated geopolitical events. Thematic risk refers to factors with known or anticipated long-term effects. Event risk refers to factors that are known in terms of timing but not outcome.

(Module 16.1, LOS 16.d)

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Question ID: 1573060

Geopolitical risks are *best* described as having:

- A) broad impacts on countries or regions, rather than discrete impacts on specific companies. 
- B) impacts that are not typically captured by scenario analysis. 
- C) greater impacts during recessionary phases of business cycles. 

Explanation




Geopolitical risks often have greater impacts during recessions than they would likely have during expansions. Geopolitical risks may have discrete impacts on specific companies or industries as well as broad impacts on countries and regions. Scenario analysis is a technique for modeling the potential impacts of geopolitical risks.

(Module 16.1, LOS 16.f)

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Question ID: 1573056

Black swan risk refers to exogenous geopolitical risks that have substantial:

- A) short-term effects and a low probability of occurrence. 
- B) long-term effects and a low probability of occurrence. 
- C) long-term effects and a high probability of occurrence. 

Explanation




Exogenous risks relate to unanticipated geopolitical risk. A black swan risk is an exogenous risk with a low likelihood of occurrence, but a high short-term impact.

(Module 16.1, LOS 16.d)

Question #13 of 15

Question ID: 1573055

With respect to analyzing geopolitical risk, velocity *most likely* refers to the speed with which:

- A) geopolitical events occur. 
- B) mitigation strategies can be put into place. 
- C) investment values reflect the effects of a risk. 

Explanation

The effects of geopolitical risk on investments can be analyzed in terms of likelihood (probability of occurrence), impact (magnitude of the effects on investment outcomes), and velocity (speed with which investment values reflect these effects).

(Module 16.1, LOS 16.d)

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Question ID: 1573046

A country joins a free trade agreement with its surrounding countries. The country also enacts a law prohibiting its domestic manufacturers from exporting military technology. In terms of geopolitics, which of these actions is considered cooperative?

- A) Only one of these actions. 
- B) Neither of these actions. 
- C) Both of these actions. 

Explanation


In the context of geopolitics, "cooperation" refers to interaction and engagement among countries. While participating in trade agreements is considered cooperative, banning exports of a particular good is considered non-cooperative.

(Module 16.1, LOS 16.a)

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Question ID: 1573058

A geopolitical risk that will have the biggest impact in the environmental, social, and governance realm will *most likely* have a velocity classification that is:

- A) medium. 
- B) low. 

C) high.



Explanation

A low-velocity classification describes a geopolitical risk that will take a long time to impact investment values. Risks that land in the environmental, social, and governance area tend to be low-velocity risks.

(Module 16.1, LOS 16.d)