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The media is doing a more than adequate job of covering the futile dance between the Eurozone “leaders” and Greece. But Greece is not the only country facing fundamental economic challenges. This article identifies other countries in the most dire straits and the problems they face.

To select countries, five key indicators were selected: GDP growth rates, unemployment rates, government deficits, government debt, and current account deficits. Declining or negative GDP growth rates are often a precursor of emerging economic problems. High unemployment rates mean problems already exist. High government deficits means a country’s ability to generate additional fiscal stimulus are limited: the deficits lead to higher government debts, debts that can become unsustainable. Current account balances are the sum of trade and capital flows. Countries can only run negative current account balances until they have depleted their international reserves.

The IMF collects these data on 189 countries. For purposes here, countries with populations of less than 500,000 were dropped. Then, the 30 countries with the worst 2014 performance on each of these indicators were selected. That narrowed the list to 74 countries. The list was paired further by choosing countries that performed worst on at least 3 of these 5 indicators. That left 12 countries. Those countries along with three others facing somewhat unique problems – Ecuador, Ukraine and Venezuela – are analyzed below. Libya and Syria are not included. Their serious economic problems are primarily attributable to wars. But at least for now, Libya is still pumping oil and Syria receives substantial economic assistance from Iran.

Countries Without Their Own Currencies

Six countries in our selection use the Euro and Ecuador uses the US dollar. Situations in these countries are most precarious because without having a currency that can weaken, they can literally run out of money. Table 1 lists the six countries in trouble that do not have their own currencies. The numbers in red designate indicators where the country ranked as one of the lowest 30 countries in the IMF database.

Table 1. – Economic Performance Indicators, 2014

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Country (currency)	GDP % Change	Unemployment Rate (%)	Government Balance (% GDP)	Government Debt (% GDP)	Current Account (% GDP)
Greece (€)	0.6%	25.8%	1.5%	174.2%	0.7%
Italy (€)	-0.2%	12.6%	1.9%	136.7%	1.2%
Portugal (€)	1.0%	14.2%	0.3%	131.3%	0.6%
Cyprus (€)	-3.2%	16.6%	-1.0%	117.4%	-1.1%
Spain (€)	1.3%	24.6%	-2.7%	98.6%	0.1%
France (€)	0.4%	10.0%	-4.4%	95.2%	-1.4%
Ecuador ($)	4.0%	5.0%	-3.1%	27.0%	-0.8%

Source: IMF

The countries, ranked by the size of their government debts, all have somewhat different problems. Greece is in a class by itself: 25% of its workforce is out of work and the debt cannot be sustained. But its greatest problem is that its leaders, the European Central Bank, and Eurozone officials are just sparring with no solution in sight. Italy tends to cruise along under the radar. But it is in a recession with a growing unemployment rate and its debt burden is dangerously high. Media reports suggest that Portugal is "out of the woods", but is it? With high unemployment and a heavy debt burden, its future is cloudy at best. Cyprus is in a free fall but does not get much attention because of its size. Spain is using deficit finance to reduce its high unemployment rate and does not yet have a high debt burden. Time will tell on whether it works. In recent years, the French economy has been lackluster and its large government deficit has gotten the attention of Eurozone officials. And its current account deficit is also problematic. On the basis of Table 1 data, Ecuador's problems do not appear serious. Why they are will be explained below.

In order to highlight the problems countries without their own currencies face, consider a simple example – suppose there was only one good produced by all countries. Suppose further that Germany was able to sell sold that good more cheaply than any other country. Everyone in the Eurozone would buy that good from Germany until they no longer had any Euros: in short, until they ran out of money. That is in fact what has happened to Greece and could happen to other countries listed in Table 1.

Table 2 looks more closely at these countries with data on 2014 trade balances and capital flows (as percents of GDP). The Table also includes data on international reserves standardized by months of imports the reserves would cover.

Table 2. – International Finances, 2015

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	Current Account			
Country	Trade Balance	Capital Flows	Net	Intl. Reserves Months of Imports
Greece	-10.0%	10.7%	0.7%	0.1
Cyprus	-20.9%	19.8%	-1.1%	1.5
Spain	-2.3%	2.4%	0.1%	1.7
Ecuador	-2.0%	1.2%	-0.8%	2.1
France	-2.5%	1.1%	-1.4%	2.5
Portugal	-6.1%	6.7%	0.6%	3.0
Italy	2.7%	-1.5%	1.2%	3.4

Sources: IMF and FocusEconomics

The media is reporting Greece will run out of "money" in April. This illustrates why. The positive capital inflows (10.7%) in 2014 came from the ECB/Eurozone/IMF troika. If that stops with Greece's international reserves at only 3 days of imports, Greece will most definitely "run out of money" very shortly. The capital inflows offsetting trade deficits for these other countries come from both foreign assistance and the private sector. In recent months, private capital outflows have been large. And without assistance from the troika…. And in this regard, Ecuador, using the US dollar as its currency, bears watching. The media suggests that China is providing some funding. One wonders how long Ecuador will have positive capital inflows and what will happen if they dry up….
Countries With Their Own Currencies

Table 3 provides data on problematic countries that have their own currencies. And unlike those locked into a currency where the value is determined by other countries, these countries will get some relief as their currencies weaken. And this, in turn, will make their imports more expensive and exports cheaper to other countries.

Table 3. – Performance Indicators, 2014

Table 4. – International Finances, 2015

	Current Account			
Country	Trade Balance	Capital Flows	Net	Intl. Reserves Months of Imports
Venezuela	5.8%	1.8%	7.6%	0.1
Ukraine	-5.9%	3.4%	-2.5%	3.1
Egypt	-12.3%	11.9%	-0.4%	3.3
Jamaica	-31.0%	22.7%	-8.3%	4.0
Jordan	-20.9%	10.9%	-10.0%	9.7
Japan	-29.4%	30.4%	1.0%	18.9
Lebanon	-34.1%	21.4%	-12.7%	27.2

Source: IMF

Japan remains an anomaly. With a much higher debt burden than any other country in the world, it is able to "carry on" because its citizens, burned by stock market losses in prior years, buy up most of its debt. It is also notable that despite massive deficit financing, the country has had little growth in the last two decades. Both Jordan and Lebanon must cope with a large influx of migrants from Syria. And both are running large government deficits, offset to some degree by foreign assistance. Lebanon has a much higher government debt burden than Jordan, while both have large current account deficits.

Jamaica is in recession (this is also true of many other Caribbean islands too small to be included here). And with high unemployment and a large debt burden, further deficit financing to stimulate the economy is not an option for Jamaica. Egypt's numbers are also troubling: high unemployment and also a large government deficit. Having its own depreciating currency has helped Egypt by making import more expensive and exports cheaper: there were 5.5 Egyptian £s to the US $ in 2010; that has increased to 7.6 £ today.

According to the US Energy Information Administration, Venezuela has larger oil reserves than any other country in the world. Transparency International ranks it 161st out of 174 countries for economic mismanagement and corruption. And finally, there is Ukraine. Also with plenty of corruption (142 on Transparency International's ranking) and being in a state of war, the economy is understandably declining. But even before this, Ukraine had allowed itself to become dependent on huge Russian energy subsidies. Today, it is increasingly dependent on how much assistance Russia and Western nations are willing to provide.

Table 4 provides data on the international financial situation of these countries. Despite its huge oil reserves, Venezuela has not bothered to build up any financial reserves,

figuring its positive current account balances will provide all the international buying power it needs. Both Ukraine and Egypt will be helped by positive capital inflows. Egypt gets approximately $1.5 billion every year from the US as part of the Camp David Accords.

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Sources: IMF and FocusEconomics

Lebanon is interesting. In 2015, its current account outflows are projected at $6.5 billion but it will still have substantial international reserves, a holdover from earlier years when it was the financial center of the Middle East.

Conclusions on What Countries Face the Most Severe Hurdles

We start by eliminating Japan and Venezuela from further consideration. Each has plenty of assets to “get by”. And among the remaining countries with their own currencies, only Ukraine stands out as facing an extremely dangerous future.

However, in looking at countries without their own currencies, all the Eurozone remain at risk. While Greece is currently getting the headlines in the Eurozone, the other 4 Eurozone countries highlighted here – France, Italy, Portugal and Spain – are in serious trouble. The most worrying point is that the Euro leaders and Greece are in denial and are not discussing what has to be done to resolve the situation. Yanis Varoufakis, the Greek Minister of Finance, recently said: “Five years after the first bailout was issued, Greece remains in crisis. Animosity among Europeans is at an all-time high, with Greeks and Germans, in particular, having descended to the point of moral grandstanding, mutual finger-pointing, and open antagonism.”

Yannos Papantoniou, the former Finance Minister of Greece, recently wrote a piece labeling the situation "unsustainable." He went on to say to openly speculate on how a breakup might take place: "The first step in such a process would probably be the Eurozone's division into sub-areas, comprising countries of relatively equal resilience. As it becomes increasingly difficult to pursue coherent fiscal and monetary policies, the risk of the Eurozone's complete dissolution would grow. Greece's exit could shorten this timeline considerably."

I see the current Euro/Greek negotiations as futile and a waste of time. Greece should be focusing on pulling out of the Eurozone and launching its own currency. And when there is a general realization this will soon happen, other countries might follow.

And Ecuador, the country that uses the US$ as its currency? No real worry: The Chinese are interested in its natural resources.