Global Political Risk Index

India ranks 12 in Eurasia Group's ranking of 24 countries based on their political risks. The outlook is neutral for India, which had a composite score of 62 in the latest monthly Global Political Risk Index (GPRI) compiled by Eurasia Group, a political risk consultancy, which expects the government to push the new US administration to exert pressure on Pakistan for extraditing militants.

Only one Asian country—South Korea—is in the top 10 of the rankings at third place (behind Hungary and Poland) and with a positive outlook. Pakistan ranked last, with a negative outlook, as it faces international pressure to either extradite or prosecute militants, heightening "the risk of regional tension and domestic turmoil".

The index is a composite measure of a country's government, society, security and economy. While the score indicates stability or instability for the month gone by (January, in this case), the outlook (positive, negative or neutral) indicates which way the scores will likely move.

Mint has partnered with the Eurasia Group for GPRI and runs this every month. Mint carried the previous GPRI on 7 January. For that and previous editions of the index, go to **www.livemint.com/gpri**. Your reactions and comments are welcome at **feedback@livemint.com**

Composite score

Country	GPRI*	Outlook	What to watch for
HUNGARY	77	▲	The Russia-Ukraine gas crisis highlights the vulnerability of local industries to their dependence on Russian gas.
POLAND	74	▼	Poland will probably rule out the possibility of entering the eurozone by the 1 January 2012 target date.
SOUTH KOREA	74	▲	Party gridlock could slow controversial legislative efforts but stimulus spending will ease the severity of the recession.
BULGARIA	70	■	Concerns about economic pressure may be eased by heightened expectations that the European Union (EU) will provide balance of payments support.
BRAZIL	69	■	Conflicts within the ruling coalition over who will take congressional leadership positions will not disrupt the legislative agenda.
MEXICO	67	▲	Security issues related to ongoing drug violence will dominate the congressional agenda.
SOUTH AFRICA	64	▼	Finance Minister Trevor Manuel's thirteenth and possibly final budget will focus on social priorities.
EGYPT	63	▼	Anti-Israel demonstrations will challenge the Egyptian government, which has concerns about an influx of Palestinians.
ALGERIA	62	▼	Low oil prices will squeeze Algeria's budget and limit Bouteflika's prospects.
ARGENTINA	62	▼	Tension with farmers will intensify given the government's reluctance to lower export taxes.
CHINA	62	▲	Stimulus spending will help dampen any social instability that might emerge from the economic slowdown.
INDIA	62	■	India will push the new US administration to press Pakistan to extradite Islamists.
RUSSIA	62	▼	Declining economy will continue to fuel social tension.
TURKEY	62	▼	The ongoing Ergenokon investigation will raise political tension ahead of critical local elections in March.
THAILAND	60	▲	The ruling coalition's victory in January by-elections reduces the probability of near-term political conflict.
SAUDI ARABIA	59	▼	Government stimulus spending may be insufficient to secure ongoing economic growth and job creation, adding to social tension.
COLOMBIA	58	■	Work on the legislative agenda will be slowed by continuing uncertainty about Uribe's presidential intentions.
PHILIPPINES	58	▼	Lower tax revenues and steady spending will boost the budget deficit.
UKRAINE	57	▼	The natural gas dispute with Russia will put pressure on the fragile government coalition.
INDONESIA	56	▲	Yudhoyono's stimulus package will boost his re-election bid.
VENEZUELA	53	▼	Chavez's expected loss in a February referendum to lift term limits will weaken his authority.
IRAN	52	▲	Economic data hint that Iran's financial position may be better than feared.
NIGERIA	45	▼	Low oil prices and domestic inflation will undermine Yar'Adua's attempts to revitalize his political agenda.
PAKISTAN	43	▼	International pressure to either extradite or prosecute Islamists heightens the risk of regional tension and domestic turmoil.

*The GPRI, which is produced by Eurasia Group, measures a country's ability to absorb political shocks. The higher the number, the more stable the country.

Graphics by Paras Jain/Mint

■ Government ■ Society ■ Security ■ Economy ▲ Positive outlook ▼ Negative outlook ■ Neutral outlook

Inside the index

In the following briefs, Eurasia Group analysts highlight the connections between stability and key political issues in important emerging markets.

China

Score 62

STIMULUS SPENDING SHOULD HEAD OFF CONCERNS

New stimulus spending should boost employment and address concerns about falling wages, layoffs and rising social instability. Beijing will focus its spending in early 2009 on bolstering key industries such as the automotive, steel, light manufacturing and machinery sectors. An increase in the amount of affordable housing should help maintain employment in the construction industry. These measures should strengthen China's longer-term economic outlook, despite the short-term domestic slowdown.

Saudi Arabia

Score 59

DOWNWARD BUDGETARY ADJUSTMENTS WILL BE NECESSARY

While the details of the 2009 Saudi national budget confirm the government's desire to stimulate the economy by maintaining a high level of spending, project financing is expected to be tight and some major infrastructure developments and energy-related ventures could be delayed or cancelled. Although low oil prices will affect Saudi Arabia's economic outlook and are causing serious concern among senior members of the royal family, the situation will not generate near-term political instability.

Hungary

Score 77

RECESSION LIMITS SPENDING

Following years of poor fiscal management, Hungary finds itself in a precarious position. The government turned to the International Monetary Fund in 2008 for help combating a potential run on the currency and it must now rein in spending. The 2009 budget is on track, which means that Hungary may be able to enter the eurozone earlier than expected. While this is good for stability and market perceptions, it also means dramatic cutbacks in government spending that will only worsen the ongoing recession and possibly produce social tension.

South-East Asia

INFRASTRUCTURE PROJECTS FACE DELAYS

Major economies in South-East Asia will increase their infrastructure and welfare spending throughout the year to compensate for slowing external demand, as part of efforts to head off unrest. The increased spending will range from slightly less than 0.5% to 1.5% of GDP across the region, although there will be marked differences in the quality of spending. Thailand will focus more on direct benefits to the consumer, while Indonesia, Malaysia, Vietnam and the Philippines will favor infrastructure spending and businesses incentives.

South Korea

Score 74

GOVERNMENT ACTIVELY PROMOTES GROWTH, WITH UNCERTAIN RESULTS

South Korea's planned $107 billion (Rs5.34 trillion) stimulus package includes spending, tax cuts and additional liquidity for troubled sectors. The package will help ease the severity of the economic downturn in 2009, but it is unclear whether the country will avoid a recession. The government intends to spend up to 70% of its budget during the first six months and invest significantly in highways, dams and transportation networks to bolster the economy and create 950,000 jobs over the next four years. However, plummeting exports, lower private capital spending and consumption mean that the package may not be enough.