

# Global Political Risk Index

## Composite score

Country	GPRI*	Outlook	What to watch for
HUNGARY	76	▲	The Bajnai government will continue to implement positive spending and tax reforms.
SOUTH KOREA	75	▲	Corporate restructuring of financially troubled companies will continue in the coming month, but political tension could cause delays.
POLAND	74	■	The Platforma Obywatelska will limit aggressive reforms in the hope of winning the 2010 presidential election.
BULGARIA	70	▲	The new government will assess whether to seek EU and IMF support.
BRAZIL	69	▼	Corruption scandals and a Petrobras investigation will complicate approval of upcoming oil reforms.
MEXICO	67	■	Election results will reduce the chance of strong fiscal reforms, despite the expected 2010 budget gap.
SOUTH AFRICA	66	▲	Labour tension will ease as wage bargaining rounds come to an end.
TURKEY	65	▼	IMF talks will continue but a deal this summer looks unlikely, boosting market concerns.
EGYPT	64	▲	Recent positive data on foreign reserves and Suez Canal receipts boost Prime Minister Ahmad Nazif's reformist government.
ALGERIA	63	▲	Rising oil prices have improved Algeria's fiscal position and will allow it to maintain social spending and keep social unrest at bay.
INDIA	63	▲	The government's continued plans for infrastructure spending and disinvestment will confirm its pragmatic nature.
RUSSIA	63	■	Protectionist rhetoric from a regional government highlights uncertainty despite slow policy making due to the August vacation.
CHINA	62	▼	Lack of consensus on economic policy among the top leadership will slow needed reforms.
COLOMBIA	61	■	Uribe is unlikely to run for a third term, given Congress' dawdling on whether to call a referendum on the issue.
SAUDI ARABIA	61	■	Concerns may grow as financial institutions fail to revive lending activities and stimulate local businesses.
ARGENTINA	58	▼	Despite growing pressure, interior commerce secretary Guillermo Moreno is unlikely to resign, resulting in additional tension.
INDONESIA	58	▲	President Yudhoyono's first-round victory boosts the prospects for economic reforms.
THAILAND	58	■	Short-term stability is aided by the ruling coalition's June by-election loss; longer-term stability remains difficult.
UKRAINE	58	▼	Likely delays in naming permanent ministers of finance, transport, defence and foreign affairs will increase tension.
PHILIPPINES	56	■	Political focus is now shifting to who aligns with what party in preparation for the 2010 general elections.
VENEZUELA	55	■	Congress will approve a new electoral system designed to protect the government's congressional majority in the 2010 elections.
IRAN	49	▲	Ahmadinejad and Khamenei are consolidating their power, but a reinvigorated opposition will continue to challenge the regime.
NIGERIA	48	▼	President Umaru Yar'Adua's amnesty offer to militias is unlikely to gain much traction.
PAKISTAN	44	▲	The Supreme Court's consideration of politically sensitive cases will undermine government policies.

\*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.

Graphic by Paras Jain/Mint

## Inside the index

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



### Argentina

**Score** 58  
**WEAKENED GOVERNMENT UNLIKELY TO CHANGE ECONOMIC POLICY**

The government emerged significantly weakened from the 28 June mid-term elections, losing its majority in both houses, while former President Nestor Kirchner lost in the key Buenos Aires province. The government sees the electoral setback as a result of pressure from the opposition rather than its own mistakes. As a result, few concessions will be made and major changes in economic policy are unlikely. Political tension will grow, depressing economic expectations.

liquidity constraints, and the government has limited tools with which to mitigate these risks.

### Iran

**Score** 49  
**REGIME STABILIZES, BUT OPPOSITION PERSISTS**

The Iranian regime has reestablished firm control following massive protests in the wake of a probably fraudulent presidential election. However, President Mahmoud Ahmadinejad and Supreme Leader Ali Khamenei could face an increasingly active opposition that will focus on the issue of political legitimacy and the importance of the will of the people. The president and the supreme leader will both need to rely more on conservative reactionaries for political support and violence to defend the regime. This will be sufficient to maintain short-term control, but long-term stability is increasingly threatened.

to limit unemployment. On 9 July, a Siberian governor demanded that steelmaker ArcelorMittal, which operates three coal mines in the hard-hit Kemerovo region, continue to operate the currently unprofitable mines or surrender them to the regional government without compensation. The government is very unlikely to expropriate foreign businesses outright, but the episode illustrates how Russian authorities' overriding preoccupation with social stability could hurt foreign business.

### Bulgaria

**Score** 70  
**STRONG SHOWING FOR CENTRE-RIGHT, BUT LIMITED POLICY OPTIONS**

The election of a possibly more cohesive government will have a limited impact on Bulgaria's economy. The centre-right Citizens for the European Development of Bulgaria party won the largest single party vote share in the 5 July election and leads the new government. While the government will likely seek—and receive—external financial support, Bulgaria faces persistent credit and

### South Korea

**Score** 75  
**GOVERNMENT AND CREDITORS AIM TO FIX TROUBLED COMPANIES**

The government and creditors will continue to push for corporate restructuring of financially troubled companies and the sale of their assets to strengthen their balance sheets. Currently, nine major conglomerates, as well as 33 large firms and 113 smaller ones, are proceeding through workout plans with creditors or may be liquidated. In addition, many more restructuring announcements are expected in the coming weeks. Local conglomerates, flush with cash, equity firms and pension funds, are positioning themselves to pick up promising assets.

### Russia

**Score** 63  
**GOVERNMENT MAY PRESSURE FOREIGN INVESTORS**

Foreign investors could be forced to operate Russian subsidiaries at a loss because of political pressure