

# Global Political Risk Index

India inched up one place although its score remained unchanged in the Eurasia Group's latest ranking of 24 nations based on political risk. The country rose to 10th place with a score of 63 as Algeria dropped down to No. 14. Still, India's outlook was cut to neutral from positive. "The government will step up rural spending to alleviate the effects of the weak monsoon," said the Eurasia Group. Any higher spending would strain government finances further. Pakistan maintained its place at the bottom of the rankings, with its outlook reduced to neutral from positive. At No. 1, South Korea replaced Hungary, which dropped to No. 2.

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 (August, in this case), the outlook (positive, negative or neutral) indicates which way the scores will move.

Mint has partnered with the Eurasia Group for Global Political Risk Index (GPRI) and runs this every month. For previous editions of the index, go to [www.livemint.com/gpri](http://www.livemint.com/gpri). Your reactions and comments are welcome at [feedback@livemint.com](mailto:feedback@livemint.com)

## Composite score

Country	GPRI*	Government	Society	Security	Economy	Outlook	What to watch for
SOUTH KOREA	77	■	■	■	■	▲	The ruling party will attempt to weaken the influence of militant unions in auto and other manufacturing sectors.
HUNGARY	76	■	■	■	■	■	Despite Bajnai's reform implementation, opposition party Fidesz's popularity is growing and pressure remains for new elections.
POLAND	74	■	■	■	■	■	The PO government will ramp up privatization efforts to secure new revenues.
BRAZIL	70	■	■	■	■	■	The unfolding Senate corruption scandal will cause prolonged legislative paralysis.
BULGARIA	70	■	■	■	■	■	The new government faces economic challenges, and its political strength will not help much in overcoming them.
MEXICO	67	■	■	■	■	▼	Internal divisions in the ruling PAN reduce the chances of significant fiscal or economic reform.
SOUTH AFRICA	66	■	■	■	■	▼	Further protests over delivery of basic services will increase political pressure on Zuma's government.
TURKEY	65	■	■	■	■	▲	Turkey's EU accession talks will not be suspended despite little progress on Cyprus.
EGYPT	64	■	■	■	■	■	The central bank will likely ease interest rates again in 2009 despite sharply higher food prices in July.
INDIA	63	■	■	■	■	■	Government will step up rural spending to alleviate the effects of the weak monsoon.
RUSSIA	63	■	■	■	■	▼	Debates over the 2010 federal budget, and continued economic and social unrest concerns, will increase political tension.
CHINA	61	■	■	■	■	▼	The central bank moves to slow new lending; top leadership calls for relaxed monetary policy will likely create tension.
SAUDI ARABIA	61	■	■	■	■	■	Some signs of economic recovery will be accompanied by reemerging tension between conservatives and moderates.
ALGERIA	60	■	■	■	■	▼	A ban on consumer lending, tighter import controls and a worsening security outlook bore ill.
ARGENTINA	59	■	■	■	■	■	The government is unlikely to suffer a major defeat in Congress despite growing opposition.
COLOMBIA	59	■	■	■	■	▼	Congressional stalling will probably force Uribe to drop re-election efforts, turning him into a lame duck.
THAILAND	59	■	■	■	■	▲	An approved stimulus Bill and debate about constitutional change gives the government more time to consolidate its position.
INDONESIA	58	■	■	■	■	▲	Yudhoyono's reform efforts are likely to outperform market expectations.
PHILIPPINES	58	■	■	■	■	▲	The clock has run out on constitutional change, and the focus will shift to the 2010 elections.
UKRAINE	58	■	■	■	■	▼	IMF loan approval provides breathing room, but tension with Russia will rise as elections approach.
VENEZUELA	55	■	■	■	■	▼	The government will keep issuing debt to finance spending, or crowding out private investment.
IRAN	50	■	■	■	■	▲	The government has re-established control, but tension will continue amid internal regime fissures.
NIGERIA	48	■	■	■	■	▼	Insecurity will continue to fester because of the anti-Islamist insurgency and a surprise attack on Lagos.
PAKISTAN	44	■	■	■	■	■	A probable government reshuffle will not improve its effectiveness.

\*The GPRI, which is produced by the 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

■ 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.



### Algeria

Score 60

#### STATE BOOSTS ITS ROLE

An increasingly monolithic state-run economy threatens to squeeze out foreign investment and offers little prospect for growth outside the hydrocarbon sector.

The recent attempt to lower import costs and protect domestic manufacturers by banning consumer lending and imposing tighter import controls further confirms the direction the state is taking the economy. In particular, the ban primarily targets car and major appliance purchases. In addition, a worsening security situation could even hurt Algeria's hydrocarbon sector—the economy's mainstay.

dissension within the militia, political realities ahead of the 2011 presidential election and a poor militia response to the presidential amnesty make a comprehensive Niger Delta peace agreement highly unlikely in the near term.

### Russia

Score 63

#### NEW TAX BREAKS HELP BIG STATE COMPANIES

New tax breaks for offshore projects and East Siberian oil fields improve the investment climate, but benefits will accrue chiefly to state companies Rosneft and Gazprom. In early August, the Russian government approved a 15-year tax holiday for fields in the Okhotsk and Black Seas, and a nine-month export duty suspension for 13 large East Siberian fields. However, most of these acreages are controlled by Rosneft or Gazprom—meaning foreign investors would benefit from the tax breaks only in partnerships with those state companies.

resumption of banking activities, the kingdom will remain very cautious about its public spending. The Saudi Arabian Monetary Agency, the kingdom's central bank, will maintain a very conservative monetary strategy, especially given persistent concerns about unemployment and youth disaffection. In the context of rising tension between conservatives and moderates, the priority will be to ensure that disgruntled Saudis do not add fuel to the fire.

### Venezuela

Score 55

#### STEADY AS SHE GOES

President Hugo Chavez is deeply reluctant to make any economic policy adjustments that could hurt his political standing despite declining economic growth and growing foreign exchange imbalances. While the government is expected to increase spending and allow slightly more access to dollars during the second half of the year, it will not liberalize exchange controls or devalue the currency. The government has ample assets to ride out the downturn, but could run these down in the medium term in the absence of major spending cuts or a more aggressive recovery in oil prices.

### Nigeria

Score 48

#### ATTACK CONFIRMS OIL SUPPLY CONCERNS

The 13 August attack on the Utorgu gas plant and the Escravos-Lagos pipeline confirmed fears about the security of oil and gas supplies. Nigeria's total oil production capacity of more than 2.5 million barrels per day (bpd) has already been cut by at least 1 million bpd and another 500,000 bpd remains under threat. Unfortunately, internal

### Saudi Arabia

Score 61

#### SAMA CONSERVATIVE SPENDING CONTINUES TO PREVENT SOCIAL UNREST

Although the Saudi economy is improving due to relatively stable oil prices and the