

Global Political Risk Index

India's position remained constant in Eurasia Group's latest ranking of 24 countries based on political risk. The country's score stayed at 63 in September, with an outlook that had in the previous month been reduced to neutral from positive. "The government will release food from warehoused stocks and increase imports to moderate food inflation," said Eurasia Group. Inflation, which climbed to 0.93% based on wholesale prices in the week ended 3 October, is a key determinant of the direction of interest rates as economic growth accelerates. South Korea maintained its place at the top and Pakistan at the bottom of the rankings.

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

Mint has partnered with Eurasia Group for the Global Political Risk Index (GPRI) and runs this every month. For 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*	Government	Society	Security	Economy	Outlook	What to watch for
SOUTH KOREA	77	■	■	■	■	■	The government may begin to debate stimulus strategies, balancing the trade-off between higher inflation and quicker recovery.
HUNGARY	75	■	■	■	■	■	Despite its minority status, the current government will have enough support to pass the 2010 budget.
POLAND	75	■	■	■	■	■	Concerns about government policies will be eased by delayed euro adoption (until 2014) and moderately expansionary fiscal policy.
BRAZIL	70	■	■	■	■	▼	The nationalist oil reform proposal will limit increases in oil production over the long term.
BULGARIA	70	■	■	■	■	■	The new government faces major fiscal challenges that will complicate policymaking efforts.
MEXICO	68	■	■	■	■	■	The opposition probably won't support broadening the tax base but more moderate reforms can close the 2010 budget gap.
SOUTH AFRICA	66	■	■	■	■	▼	The finance minister will increase the deficit projection in the 27 October budget policy statement, raising fiscal fears.
TURKEY	66	■	■	■	■	▼	Ongoing political concerns are making a deal with the International Monetary Fund (IMF) increasingly unlikely.
EGYPT	64	■	■	■	■	▲	Cairo's confidence that the economy is on the mend will sustain reform efforts.
INDIA	63	■	■	■	■	■	The government will release food from warehoused stocks and increase imports to moderate food inflation.
RUSSIA	63	■	■	■	■	▼	The 2010 budget will boost tension among the elite but overall stability is not in peril.
COLOMBIA	62	■	■	■	■	■	The constitutional court's consideration of Uribe's presidential reelection bid will keep political uncertainty high.
CHINA	61	■	■	■	■	■	The Communist Party will coalesce behind a clean government and anti-corruption agenda at the fourth plenum.
SAUDI ARABIA	61	■	■	■	■	■	The assassination attempt on Prince Muhammad bin Nayef highlights growing yet still manageable security concerns.
ALGERIA	60	■	■	■	■	▼	President Abdelaziz Bouteflika is grooming his brother Saïd to succeed him, raising risk of greater tension with the military.
ARGENTINA	59	■	■	■	■	▼	Congress will likely approve a controversial media law that could give the government more control over the sector.
THAILAND	59	■	■	■	■	▼	Debates over constitutional change go nowhere in September, hurting the best near-term chance for sustained stability.
INDONESIA	58	■	■	■	■	■	Yudhoyono's new government holds promise for ongoing reforms.
PHILIPPINES	58	■	■	■	■	▲	The chance of a negative election outcome is decreasing as Noli de Castro fades in the polls.
UKRAINE	57	■	■	■	■	▼	October's start to the official presidential campaign will further intensify tension among top leaders, hurting policymaking efforts.
VENEZUELA	55	■	■	■	■	■	The government will boost spending financed by new debt, while refusing to liberalize controls or devalue the currency.
NIGERIA	51	■	■	■	■	▲	A crackdown on corrupt elites will boost public support for President Umaru Yar'Adua.
IRAN	49	■	■	■	■	■	Negotiations with the international community will delay sanctions talk, but a nuclear breakthrough is unlikely.
PAKISTAN	44	■	■	■	■	■	The constitutional committee will fail to agree on democratic reforms, fueling tension between the PPP and the opposition.

*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 Yogesh Kumar/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.



▲ Colombia

GPRI 62

Uribe moves closer to third term

President Alvaro Uribe is inching closer to running for a third consecutive four-year term in May after overcoming strong resistance in Congress to a referendum to lift term limits. The Bill has now gone to the constitutional court, which is likely to rule before the end of the year on whether a referendum can go ahead or not. The odds are slightly in Uribe's favour. Approval would ensure further government stability in the short term but poses a long-term risk to Colombia's institutional checks and balances, as well as the quality and autonomy of the decision-making process.

pace and depth of changes in critical areas such as energy, infrastructure and governance. Too many political nominees could blunt the impetus for reform, while too few could reduce Yudhoyono's ability to build support in the legislature for his agenda.

promarket government and the best macroeconomic fundamentals in emerging Europe. It is the only country in the region expected to see growth in 2009 and 2010 while keeping control of both inflation and deficits. However, there are some concerns, of course. Many observers feel that the treasury ministry would be more effective with a new head. Additionally, any delays in the privatization of Enea SA would signal problems for the sale of state assets.

▲ Philippines

GPRI 58

Election outlook improves

A relatively competent set of candidates will compete in the 2010 presidential elections, promising an end to the policy stagnation and instability of the past few years under President Gloria Macapagal-Arroyo. In particular, vice-president Noli de Castro, whose competence remains in question and generates substantial concern with the middle class, is probably out of the race. This leaves at least two experienced politicians as the likely frontrunners: a successful property developer and the son of former president Corason Aquino.

▼ Ukraine

GPRI 57

Election campaign will complicate IMF deal

Increased political fragmentation ahead of the January presidential election will complicate the upcoming October IMF review of its \$16.4 billion loan to Ukraine. Political leaders are increasingly attacking each other over problems in the economy. The top candidates, Prime Minister Yulia Tymoshenko, President Viktor Yushchenko and opposition leader Viktor Yanukovich, are trying to avoid being blamed by voters for not responding adequately to the economic downturn of the past year.

▲ Indonesia

GPRI 58

Cabinet makeup signals reform prospects

The composition of President Susilo Bambang Yudhoyono's cabinet, due between 1 and 20 October, will indicate the prospects for reform in his second term. The balance between technocrats and nominees of political parties along with the specific personalities appointed to each portfolio will shape the

▲ Poland

GPRI 75

Poland is a bright spot in Eastern Europe

Poland continues to be one of the better stories in Europe. It has a stable