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Highlights from New Reports

BOLIVIA

Morales May Not Concede Defeat

On February 21, Bolivia held a nationwide referendum to determine whether President Evo Morales would be permitted to stand for a fourth consecutive term in 2019. In a shocking result, 51.3% of voters rejected the proposal, dealing Morales his first defeat in national balloting since he lost the 2002 presidential election.

Morales' popularity grew during a period of strong economic growth fueled by a global commodities boom, which enabled him to implement redistributive policies that raised millions out of poverty while still sticking to a generally orthodox liberal approach to macroeconomic management. However, the boom is now over, his political base has been fractured as a result of strong opposition among the indigenous population to large-scale mining projects, and, it would seem, many voters simply believe that the president has enjoyed a long run and it is now time for someone else to take the reins.

Voters sent a similar message last year, when the opposition won in eight of the 10 largest cities in municipal elections, a result that Morales initially blamed on an "external conspiracy." Ahead of the referendum, evidence surfaced linking Morales to a paternity scandal, which the president attributed to a "dirty tricks" campaign on the part of the US. The president has reconciled himself to the result of the referendum, but that does not necessarily mean he intends to settle into quiet retirement at the end of his current term in 2020. Morales has no chosen successor, and he has fended off attempts to pressure him to name one. As long as the MAS controls a legislative majority, he will have the option of putting the question to voters again at a later date, perhaps

when the political and economic climate are more conducive to victory.

The chances of that happening will depend on attracting investments in non-export sectors. Signs of a push in that direction have significant political overtones. Morales stressed that his government is seeking investors who are interested in cooperation, rather than "aggression and provocation," a thinly veiled jab at the US. □

BULGARIA

Grassroots Reform Push Bears Watching

The current governing arrangement, under which the minority center-right coalition made up of Prime Minister Boyko Borisov's GERB and the RB is sustained thanks to support agreements with the leftist ABV and the far-right Patriotic Front, is hardly ideal, but it has proven to be more productive than expected. However, the European refugee crisis holds the potential to drive a wedge between the government's leftist and far-right allies, and even Borisov is sending signals that he is not completely confident that his patchwork coalition can hold together.

The Parliament approved a package of judicial reforms late last year, but only after eliminating provisions aimed at reducing the power of the chief prosecutor, a revision that prompted the resignation of Justice Minister Hristo Ivanov. Ivanov's departure prompted the withdrawal of the DSB, one of the parties within the RB, from the governing coalition, but the government's majority is not threatened.

A constitutional amendment dealing with professional rules for the legal system (e.g., career advancement and disciplinary proceedings) is currently making its way through the legislative process. In addition, the Cabinet has approved legislation to establish a new

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anti-corruption body. The reforms will be welcomed by the EC, which, in its most recent twice-yearly review of Bulgaria's reform progress expressed disappointment with the advances made to date. However, it is estimated that more than 150,000 bribes are paid out every month in the country, making the problem as much an issue of administrative capacity as institutional integrity.

Rather unexpectedly, the government is facing the prospect of holding a referendum on political reforms that, if approved, would significantly restructure the government. A grassroots effort has obtained the necessary signatures to force a vote on proposals that would among other things introduce a run-off system for elections, halve the number of seats in the unicameral Parliament, and introduce direct elections for the Interior Ministry's regional and district directors.

For obvious reasons, most of the changes would not be welcomed by the members of the political establishment, which is why the manner in which preparations for the vote are handled will warrant close attention. For example, it would seem logical to hold the referendum concurrently with the presidential election that falls due in October, which would minimize the cost and greatly increase the likelihood that turnout will be high enough to validate the result. In contrast, scheduling a stand-alone vote at a time that is inconvenient for voters could fairly be interpreted as a deliberate attempt to ensure that the reforms are not approved. ✎

COSTA RICA

Fiscal Pressures Mounting

Since 2002, no less than four successive Costa Rican presidents have attempted to implement fiscal reforms that each has warned are essential to preventing an otherwise inevitable crisis, only to find it impossible to build a majority coalition within the fragmented legislature. President Luis Guillermo Solís is faring no better than his predecessors with regard to

securing approval of his fiscal reforms, but neither is he taking other steps to check the steady expansion of the fiscal deficit, which widened to 5.9% of GDP last year, and alarm bells are starting to sound.

The president has attempted to use a ratings downgrade and a gloomy forecast from the comptroller-general as leverage to pressure the legislature into approving his reform proposals. However, all of the legislative parties, including the president's own PAC, have conditioned their support for the fiscal reforms on the replacement of some of the proposed tax hikes with measures that cut spending.

PAC founder Ottón Solís (no relation to the president) has upped the stakes by unveiling his own comprehensive cost-cutting program, which he presented to the Congress in mid-December. The plan boldly calls for shuttering or consolidating prominent national institutions. In a surprise development, Oscar Arias, a two-time former president whose continued popularity sustains his influence, directed the lawmakers from his PLN to consider supporting the plan. The PLN and the PAC control a combined total of 31 seats in the 57-member Legislative Assembly, meaning the reforms could be passed with the united support of both parties.

However, that is unlikely. Numerous lawmakers have voiced strong reservations about the so-called "Cerrar" program, which, by design, would produce a large number of layoffs, making it certain that progress toward legislative approval would trigger a fierce battle with the public-sector unions.

Ironically, the one major reform that has made its way successfully through the legislature is an overhaul of the country's antiquated labor code, with changes including a significant loosening of restrictions on workers' right to strike. In the main, the changes strengthen or affirm the rights of employees, particularly with regard to discrimination and unlawful discharge. As such, they have poten-

tially significant implications for both the frequency of strike activity and the ability of employers to keep the unions at bay at a time when difficult budget decisions create a risk of increased militancy among workers. ✎

GERMANY

Electorate in Danger of Fracturing

The alliance of Chancellor Angela Merkel's CDU and its Bavarian sister party, the CSU, continues to govern in an uneasy coalition with the center-left SPD. Given the procedural impediments to calling an early election, the grand coalition government is likely to remain intact until the expiration of its term in 2017, but the polarizing effect of very liberal Merkel's asylum policy has increased the risk of near-term political instability, at a time when Greece's ongoing debt problems, the possibility of the UK's withdrawal from the EU, and defensive moves by various European countries to halt the westward flow of refugees is greatly straining the unity of the EU.

The social tensions are not surprising, given the problems associated with absorbing an estimated 1.1 million newcomers in such a short period of time. Border controls imposed by Germany's eastern EU partners, although opposed by Merkel, are presently stemming the tide, but around 2.5 million refugees are expected over a five-year period owing to an open-door policy Merkel refuses to fully abandon.

The economic impact is difficult to assess, but independent studies suggest that it will cost upwards of \$57 billion to provide housing, food, education, and job training for refugees in 2016–2017 alone. Germany can afford the expense more easily than most European nations, and the rise in public spending will act as a fiscal stimulus. However, with some projections indicating that only 10% of the immigrants will obtain gainful employment in the near term, the

influx figures to produce a substantial net drain on state resources.

Support for the CDU-CSU is sagging, and the rightist AfD is benefiting the most from disenchantment with Merkel's handling of the refugee crisis, with its support currently at 13%, compared to the 4.7% vote share won by the party at the 2013 parliamentary elections. Primarily a euroskeptic party at its inception, the AfD has become a more traditional nationalist-populist entity that has embraced the anti-immigration and anti-Muslim stances that are characteristic of far-right parties across Europe.

The AfD's potential to achieve a parliamentary presence similar to that of the Greens and The Left has implications for the coalition options that will be available to whichever party wins the 2017 elections. The CDU-CSU remains the favorite, but with support for the SPD also weakening, even a renewal of the partnership of the two largest parties might not be enough to ensure a majority. In a worst-case scenario, Germany could face a dilemma similar to that of Spain, which is preparing to hold its second election in the space of six months in June, after both of the country's traditional leading parties failed to form a viable government.

The political risks stemming from the refugee crisis are sufficiently concerning to potentially impact on financial assets, not least if there is a failure to form a new government following next year's elections, or a larger coalition emerges, raising the prospect of greater difficulty achieving policy consensus. But in the short term, the risk of worrisome fiscal imbalances or a reversal of the downward trajectory of the debt-to-GDP ratio remains quite low. 

KENYA

Security Risks Remain High

Corruption and security figure to be at the center of national debate over the coming months, as political parties plot their strategy for presidential and

legislative elections that have been scheduled for August 8, 2017. With the chief threat to the unity of the governing Jubilee coalition eliminated by the declaration of a mistrial in the ICC's prosecution of Vice President William Ruto for crimes against humanity, President Uhuru Kenyatta is favored to win re-election, and he will likely be able to sustain the broader alliance required to ensure a legislative majority as long as he continues to accommodate tribal and regional interests.

Given the deeply entrenched hostility between various ethnic groups, and the close association between ethnic and party affiliation, the possibility that elections will trigger violent conflict between the winners and losers in the battle for political spoils can never be discounted. Scuffles at several campaign rallies ahead of by-elections held in March herald a tense election season, a prospect that may encourage some investors to delay making any major financial commitments over the next 18 months.

Predictably, Kenyatta has pledged to root out corruption, and there have been several high-profile arrests. However, cases against corrupt officials who have both financial means and political connections can drag on for years without resolution, a factor that in part accounts for the country's very low ranking in global corruption indices.

Philip Kinisu, who took over as chairman of the Ethics and Anti-Corruption Commission (EACC) in January, alleges that fully one-third of the annual budget is lost to corruption, while his own agency is underfunded. Finance Minister Henry Rotich contends that Kinisu is grossly overstating the losses from corruption, countering that poor record-keeping contributes to a distorted perception of the prevalence of corruption. Be that as it may, a public opinion survey conducted by EACC found that 75% of Kenyans believe that corruption is widespread.

The killing of at least 63 Kenyan soldiers serving as part of an AU military force in Somalia in mid-January

delivered an unwelcome reminder to voters of the continued strength of the Al Qaeda-affiliated Al-Shabaab militants. Loath to concede that his security policy is a failure, Kenyatta has rejected opposition calls to withdraw the remaining Kenyan troops from Somalia. However, he will have trouble defending his government's record in the event of another high-profile terrorist operation, whether in Kenya or across the border, which is a highly probable prospect.

On the positive side for the government, the Kenyan economy is expected to remain among the top performers in Africa in 2016. Favorable rain patterns will boost productivity in the agriculture sector, reinforcing the beneficial impact of infrastructure investment and low energy prices. Near-term risks include the danger that electoral considerations will weaken the government's commitment to implementing the fiscal consolidation program promised under a recently concluded loan agreement with the IMF, resulting in a loss of confidence that adversely affects both investment flows and currency stability. 

KUWAIT

Government Pushes Reforms

The government has unveiled a package of economic reforms in mid-March that is a direct response to a protracted slump in global oil prices, which has put pressure on the state budget and heightened the risk of domestic dissent. Key proposals include a 10% tax on corporate profits and deep cuts to state spending on subsidies. The Cabinet stopped short of bolder steps, such as introducing an income tax, but officials had earlier indicated that a 5% value-added tax will take effect in January 2018, in coordination with Kuwait's regional partners in the GCC.

The reform plan signals the government's recognition that Kuwait cannot count on an imminent reversal of the slump in oil income. The specific pro-

posals have long been recommended by the IMF, and were heralded by Emir Sabah al-Ahmed al-Sabah back in October 2015, when he warned that deep spending cuts were needed to avoid lasting damage to the country's financial position.

Displaying unusual speed, lawmakers approved increases in the prices of both electricity and water in mid-April. However, lawmakers insisted that Kuwaiti citizens be exempted from the hikes, which will only apply in the case of businesses and residential apartments, which are almost exclusively inhabited by foreigners.

However, in a sign of trouble to come, over 3,000 workers from different oil companies gathered on March 21 to protest against plans to privatize parts of the industry, voicing objections to government plans to unify the pay scale and benefits system for all public-sector employees. The fear of industrial action will make the government reluctant to push too far at a time of rising regional tension and concerns over Islamist extremism and meddling from Iran. Against that background, it is possible that key provisions of the reform plan will be delayed or diluted.

Kuwait's close coordination with fellow members of the GCC on security matters is reflected in the adoption of more combative posture toward Iran and its regional allies, which in turn has resulted in the heightening of sectarian tensions at home. In January, Kuwait joined other GCC members in expelling its Iranian ambassador following a diplomatic row triggered by Saudi Arabia's execution of a leading Shiite cleric, Sheikh Nimr al-Nimr, which prompted Kuwait's Shiite lawmakers to boycott the legislature.

The National Assembly is expected to vote on lifting the immunity of a prominent Shiite lawmaker, Abdulhamid Dashti, over comments critical of Saudi Arabia's intervention in Yemen. The mere fact of the vote is certain to reignite domestic debate on the treatment of Shiites in Kuwait, regardless of the outcome. □

NIGERIA

Buhari Disappoints

President Muhammadu Buhari is approaching the end of his first year in office, and the high expectations that greeted his victory in March 2015 have thus far been largely disappointed. He has made little progress in addressing corruption, the security threat posed by the Islamist militant Boko Haram, or the economic difficulties arising from the steep fall in global prices for oil, a failure due in no small part to a prolonged delay in filling out his Cabinet. Buhari's approval rating has decreased by 20 percentage points since his inauguration in late May 2015, and while it remains fairly high, at 57%, the downward slide is unlikely to be reversed in the absence of tangible successes in dealing with the aforementioned issues.

The risk of destabilizing domestic turmoil was highlighted in March, when the re-run of legislative elections in Rivers State led to gun battles in the Gokana and Khana districts and brutal attacks on supporters of Buhari's APC that resulted in 32 deaths. The main opposition PDP denied any involvement, and attributed the violence to discontent over the federal government's failure to address the problems of corruption, poverty, and rising unemployment.

The outbreak of violence is particularly worrisome because Port Harcourt, the capital of Rivers State, is a key center for the oil industry, the troubled condition of which has contributed to an increase in domestic tensions. Low prices for crude oil have led to shortages of the foreign exchange needed to pay for imports of refined fuel, resulting in long lines at gas stations and logistical difficulties for businesses that rely on diesel fuel for power. Making matters worse, a recent audit of NNPC, the state-owned oil company, revealed that some \$16 billion of income cannot be accounted for, and targeted attacks by militants on oil facilities in the Delta region continue to pose a risk for foreign operators.

A political standoff resulting from Buhari's refusal to sign off on a budget that includes numerous questionable spending measures has given rise to open conflict in the Senate, whether southern Christian representatives are pitted against northern Muslim senators who are backing the president in the budget battle. As the political impasse stokes tensions, rumors are circulating that Buhari and his allies are attempting to divert funds from the south to the north, an uncorroborated claim that could nevertheless become a catalyst for unrest if viewed to be credible among southern Nigerians.

Buhari is intent on maintaining the naira's peg to the US dollar, but in the absence of a strong recovery in oil prices, it seems that the government is merely delaying an all-but-inevitable devaluation. Critics of the current policy argue that maintaining the currency peg produces little benefit for average Nigerians, who are already paying prices determined by the parallel exchange rate, but is harming the economy by undermining the competitiveness of the non-oil exporting firms that are essential to reducing the country's vulnerability to oil-price swings. But opinion is deeply divided within Nigeria, and Buhari gives every indication that he plans to steer a steady course until forced to do otherwise. □

RUSSIA

Signs of Discontent ahead of Elections

Parliamentary elections will be held in less than six months, and President Vladimir Putin is intent on ensuring that the campaign season does not bring a repeat of the anti-government protests that erupted ahead of the last elections in 2011. Toward the end, the date for the vote has been brought forward from December to September, clearly in the hope that Russians will be too busy with holidays and the harvest season to dwell on their political grievances. In addition, changes to election rules approved in 2014 and a new anti-protest

law will both increase the likelihood that Putin's United Russia will retain its majority in the State Duma.

The concern that is motivating the various attempts to create an electoral firewall is understandable. Oil prices remain stuck far below the recent historical trend, and the economy is struggling to escape from recession. Ordinary Russians are feeling the squeeze from a devalued ruble, federal budget cuts, and a ban on food imports from the EU, all of which are contributing to high inflation and uncertainty in the jobs market, especially in the more exposed industrial regions.

Putin remains personally popular, in part because average Russians are

mostly unaware of foreign allegations of corruption and other abuses against the president and his inner circle, thanks to the government's tight control of domestic media, but also because Putin has skillfully exploited nationalist sentiment to distract attention from his government's weaknesses. Nevertheless, there have been overt signs of discontent, and while demonstrations have been small in size and narrow in focus, and there are no signs that the eruptions of anger might coalesce into a broader movement, the danger of such a development will be present as long as the economic hardship persists.

Of greater immediate concern to investors than the elections is the risk posed by an evident strain on government finances, which is compounded by the federal government's pressure on regional administrations to maintain high levels of spending. The pace of economic contraction has eased somewhat of late, and oil prices, while still volatile, had moved above \$45 per barrel as of late April. However, Russia remains shut out of the international debt market and its main reserve fund, which amounts to an estimated 4.5% of GDP, will shrink rapidly in the absence of a more concentrated effort to close the fiscal gap, which is unlikely in an election year. □

Updates to Recent Reports

CONGO REPUBLIC

Restoring Stability a Top Priority

As expected, the presidential election held on March 20 produced a resounding victory for the incumbent, Denis Sassou Nguesso. However, the quick dismissal of the opposition's credible allegations of electoral fraud triggered an outbreak of deadly violence that erupted shortly after the head of the Constitutional Court, Auguste Illoki, confirmed the official results on April 4.

Officials blamed the violence on remnants of the Ninja militias that formed the main anti-government force in the 1997–1999 civil war, and engaged in a limited armed struggle against Sassou-Nguesso's regime from their home base in the southern Pool region in 2002–2003. On that basis, the military carried out air strikes on targets in Pool that Amnesty International claims destroyed churches and schools, and, according to the opposition, resulted in as many as 600 deaths, and left more than 2,000 people displaced.

The violence appears to have been contained, and Guy-Brice Parfait Kolélas, who finished a distant second to Sassou-Nguesso in a crowded field, has declared his acceptance of

the election result. In keeping with his divide-and-conquer political strategy, the president has named a former opposition leader, Clément Mouamba, as his prime minister.

Nevertheless, continued weak oil prices mean that the government will have fewer financial resources at its disposal to soothe public discontent, and economic difficulties could worsen if the regime's heavy-handed response to dissent leads to a loss of foreign aid. In that regard, France's formal suspension of its support for the Congolese government pending an independent investigation of the allegations of military abuses in Pool is a potentially ominous development.

New oil production is forecast to boost the annual real growth rate above 4% in 2016. But with low prices forcing companies to scale back their investment plans, sustaining even that pace of expansion will become more difficult going forward. □

DENMARK

Far Right Pressing Weak Government

Prime Minister Lars Lokke Rasmussen's minority government is approaching its one-year anniversary,

which is a rather remarkable achievement given the fact that the governing Liberal Party has no coalition partners and claims a mere 34 seats in the 179-member Parliament. Rasmussen has relied on the support of the left-leaning SD to ensure passage of EU-friendly legislation and of the populist conservative DF to secure approval of the budget, in every case also depending on the center-right "blue bloc" to achieve the 90-seat minimum required for a bare majority.

However, the European refugee crisis is testing that formula for governance. An EU-wide agreement aimed at spreading the burden of absorbing the flood of immigrants among the members of the bloc has met resistance from the DF, and the government has sought to appease its sometime partner by cracking down on suspected extremists, tightening immigration rules more generally, and, most controversially, passing legislation that permits the seizure of valuables from refugees to help defray the cost of their resettlement, a move that critics have compared to the policies of Nazi Germany.

No general election is required until June 2019, but discomfort among both

the Liberal rank-and-file and the center-right parties over the government's concessions to the DF casts doubt on the sustainability of the current arrangement. Unfortunately, recent polling data suggests that an early election would not necessarily reconfigure the Parliament to an extent that would increase the chances of forming a majority coalition government.

The DF has also used its leverage to force the government to abandon its plan to offset the negative impact of reduced income from oil by holding overall spending at the same level as in 2015. Even within that framework, the minority administration had earmarked additional funds for health care and internal security, but the DF objected to a planned reduction in spending on housing allowances for the elderly. Forced to retreat, the government is now projecting a larger budget shortfall amounting to 2.8% of GDP in 2016, based on assumed real GDP growth of 1.9%. The growth target is almost certain to be overshoot, but there is little danger that Denmark's triple-A credit rating might be jeopardized in the likely event that the deficit exceeds 3% of GDP this year. 

HAITI

No End to Dysfunction

On October 25, Haiti held a first round of presidential voting concurrently with run-off elections to determine the winners for most of the seats in the enlarged 119-member Chamber of Deputies and two thirds of the seats in the 30-member Senate. The hope was that the elections would clear the way for the restoration of a functioning legislature for the first time since January 2015, and produce a legitimate claimant to the presidency before the expiration of Michel Martelly's mandate in early February 2016.

But six months later, there are still 27 vacancies in the lower house and six in the Senate, the executive branch is headed by a temporary president elected by the incomplete legislature,

and there are serious doubts that the patched-together administration will be able to complete the election process before the expiration of its 120-day mandate in early June. Adding to the uncertainty, it is not at all clear what happens if it does not.

Interim President Jocelerme Privert has become embroiled in a controversy over his decision to appoint a commission to verify the disputed results of the October voting, which Jude Célestin, who finished second in the first-round of presidential voting, has made a condition for his participation in the run-off election. Célestin's previous threat to boycott the elections triggered violent protests that forced the cancellation of two previous attempts to hold the vote.

Unfortunately, the leading candidate, Jovenel Moïse, who is running with Martelly's support, suspects a plot to deny him the presidency, and has warned that he will order his supporters into the streets if Privert proceeds with the verification commission. Making matters worse, international donors are pressing Privert to stick with the timetable outlined in the accord.

Facing the prospect of violent unrest either way, it is extremely doubtful that the results of elections held under such conditions would be accepted as legitimate. Parliament will have the option of extending the provisional government's tenure, with the agreement of all parties. The US and other foreign benefactors might not be pleased, but Haiti's lawmakers do not seem to be unhappy with the current arrangement.

Perhaps the most troubling aspect of that prospect is that it could very well be the best-case scenario for Haiti. If nothing else, Privert can at least claim to have the support of a majority in the partial legislature. It is doubtful in the extreme that anyone who assumes the office following what will inevitably be a disputed election will be able to achieve even that much. 

HONG KONG

Activists May Test Beijing's Limits

Elections to the unicameral 70-member LegCo are due in September, and the results of a by-election held in late February points to the potential for a more radical pro-democracy political movement to alter the balance of power between the mainstream reformist parties and a pro-Beijing bloc that currently controls an eight-seat majority. The pro-democracy Civic Party retained the seat vacated by its co-founder, Ronny Tong, who resigned from the party last year, citing his colleagues' rejection of his pragmatic approach to pursuing political reform. More significant was the strong showing of Edward Leung, the candidate of Hong Kong Indigenous, a pro-independence party formed in 2015, who won fully 15.4% of the vote.

A political movement advocating Hong Kong's separation from China will not be tolerated by Beijing, especially if it manages to establish a toehold in the LegCo at this year's elections. However, recent heavy-handed attempts by the SAR administration to silence dissent may increase the likelihood that Hong Kong Indigenous might do just that.

Critics have protested Beijing's top-down meddling in the affairs of the SAR, and with younger Hong Kong citizens, in particular, apparently prepared to resist, there is an increased risk of more direct interference from Beijing that will undermine the SAR's reputation among investors, compounding the negative economic impact of slower mainland economic growth and the increased attractiveness of competing trade and financial centers in the region, such as Singapore.

Heightened political tensions threaten to obscure the positive steps taken by the SAR administration to create a more hospitable climate for business, including regulatory reforms that have made it easier to start a new business, access credit, and pay taxes, and will also undermine Finance Min-

ister John Tsang's efforts to allay concerns stemming from Moody's recent adjustment of the SAR's long-term debt outlook from stable to negative.

In the near term, the economic slowdown on the mainland will create a drag on expansion in the SAR, holding real GDP growth to less than 2% in 2016. A reduction in the number of mainland visitors contributed to a 20% year-on-year decline in retail sales in February, the largest decrease in 17 years. The Hong Kong Tourist Board has outlined a strategy aimed at attracting visitors from elsewhere in the region, but the results are likely to be disappointing in the event of a further heightening of political tensions. ☞

MEXICO

Hard Times for Peña Nieto

President Enrique Peña Nieto's political fortunes have taken a significant turn for the worse since the legislative coalition of his PRI, the PVEM, and PANAL retained its majority at midterm congressional elections held in June 2015, the result of deepening discontent over widespread corruption, evidence of government incompetence, and a sagging economy. The president's approval rating had already fallen to less than 50% ahead of the 2015 elections, and a Reforma poll conducted earlier this month put his support at just 30%, the all-time low for a sitting president.

Recent developments on the economic front point to a high probability that Peña Nieto's popularity will not recover anytime soon. A steep decrease in oil prices since mid-2014 has compounded the negative impact of a persistent long-term decline in oil output, and state-owned Pemex is carrying a debt burden of \$87 billion, a total that is sure to rise after the company recorded its 13th consecutive quarterly loss in January–March 2016.

At the same time, the fragility of state finances was highlighted on April 1, when Moody's revised the credit outlook for all but one of the country's 31 states to negative. The sovereign rat-

ing was also revised to negative, based on concerns that the government may be forced to bail out Pemex, a step that could become unavoidable if oil prices remain stuck near current levels.

For all his troubles, Peña Nieto still claims a congressional majority, which will enable him to proceed with the implementation of the landmark reforms that were passed in the first half of his term, the most significant of which ended Pemex's monopoly in the energy sector. And there have been some positive developments on that front.

The success of the most recent oil and gas auction in December contrasted sharply with the very disappointing of the first two phases of the opening round, and has reinforced officials' optimism that auctions for deep-water blocks that are scheduled to commence by the middle of this year will attract heavy interest. However, the royalty terms offered by some of the winning bidders have raised questions as to whether the third phase was quite as successful as it seemed. In one case, the company offered an 84% royalty, on top of the 7.5% base royalty, an arrangement that is clearly not economically viable as long as oil is selling near \$30 per barrel. It is possible that at least some firms offered very generous bids in order to win the licenses, gambling that they would be able to renegotiate the terms once they had their foot in the door. ☞

PAKISTAN

Panama Papers Put Sharif on Hot Seat

The success of a military offensive initiated against Taliban forces in mid-2014 contributed to a steep fall in the number of domestic terrorist attacks in 2015, but recent events have underscored the fact that the threat of extremist violence and civil unrest persists. Although the governing PML-N and its allies provide Prime Minister Nawaz Sharif with a solid parliamentary majority, the possibility of a breakdown of order that prompts

intervention by the military, a move reportedly considered by some generals during the height of the tumult in 2014, cannot be discounted.

Following the release earlier this month of the so-called Panama Papers, which provide a detailed record of secret bank accounts set up by a Panamanian law firm to hide the assets of its global clientele, army chief Gen. Raheel Sharif inserted himself into what is shaping up to be a rancorous political debate that poses serious problems for the prime minister.

The leaked data revealed that three of the prime minister's children established shell companies through which they channeled funds that were used to buy residences in London. Amid calls for an independent investigation into possible criminal activity on the part of the prime minister and his relatives, and demands by some opposition parties for Nawaz Sharif's resignation, the military chief publicly called on the government to crack down on corruption, warning that the advances made in the war against extremism will not be sustained if endemic corruption is permitted to erode public trust in the government.

To his credit, Gen. Sharif has taken steps to clean up his own house by sacking 11 high-ranking officers, including two top generals, on the grounds of corruption. But Imran Khan, one of the chief organizers of the mass protests in 2014, has warned that he will call his supporters back into the streets if the government does not follow suit.

The display of public outrage over the recent hanging of Mumtaz Qadri for the 2011 murder of Punjab Gov. Salman Taseer highlights yet another potential source of turmoil risk. Qadri's act was motivated by the perceived threat Taseer posed to Pakistan's controversial blasphemy laws. A march of protest that descended into violence highlighted a previously unrecognized militancy among members of the Barelvi sect of Islam, which was amplified by the central role played by clerics in fomenting the unrest.

Whether there is a basis for cooperation between religious defenders of Islamic law and secular groups fed up with state corruption is an open question, but if it is answered in the affirmative, the prime minister's chances of serving out his full term would diminish significantly. ☞

SURINAME

Bouterse on the Defensive

The collapse of global commodity prices has sent Suriname's economy into a tailspin, and President Desire Bouterse has been forced to approach multilateral lenders with cap in hand less than one-year after leading his NDP to a landslide victory and securing a second five-year term. The initiation of production at a new gold-mining operation is expected to underpin a recovery in 2017, following a real contraction of 2% this year, but Bouterse will have to navigate numerous political and economic hazards in the meantime that will test the one-time military leader's ability to maintain order under adverse conditions while respecting the limits on the use of power inherent in a democratic system.

The central bank finally abandoned its attempt to keep the currency pegged at 3.25 to the US dollar in November, and the devaluation of the local currency has sent inflation soaring. It is worth noting that the last time the economy suffered to a similar degree, in the late 1990s, the government (also headed by the NDP) was rocked by mass street protests that only ended after President Jules Wijdenbosch agreed to hold an early election in May 2000. The NDP's defeat, at the hands of a coalition of parties that form the core of the current V7 bloc, marked the beginning of a decade-long period in opposition for Bouterse's party. The president is fully aware of that history, and is counting on help from the IMF and the IDB to spare his current government a similar fate.

On April 15, the IMF announced the conclusion of a staff-level agree-

ment on the main components of an economic reform program. The government is preparing a supplementary budget that is expected to be unveiled in May, and will factor heavily in the IMF's decision about whether to disburse loans under a standby arrangement.

At the very least, the Fund will be looking for evidence of a commitment to pushing forward with the phase-out of subsidies and a clear timetable for the introduction of a long-promised but repeatedly delayed VAT. Other reforms deemed essential by the IMF are the creation of a sovereign wealth fund to better manage income from mining and the establishment of a separate procurement department with the aim of reducing waste in public-sector purchases.

The government has set a target of holding the budget deficit to 2.4% of GDP this year. However, the shrinking economy and rising unemployment both point to weak revenues that are likely to put that goal far out of reach. Under the circumstances, there is a not insignificant danger that the Bouterse administration's efforts will be more than the Surinamese people are willing to tolerate, but not enough to satisfy the IMF. ☞

SWEDEN

Government's Fate in Opposition's Hands

The European refugee crisis has produced negative political reverberations throughout the continent, but Sweden is especially vulnerable, owing not only to the weakness of Prime Minister Stefan Löfven's minority government, but also to the fact that the governing coalition's liberal stance on immigration-related matters is increasingly out of step with popular opinion. Both Löfven's SAP and the Green Party have suffered an erosion of popular support since the general election in September 2014, while support for the far-right SD, which won 12.9% of the vote at the

election, has approached 20% in some opinion surveys.

Recent moves to tighten border controls and asylum rules may help to slow the rightward shift in party support, but at the risk of alienating the junior coalition partner. The unity of the governing coalition could also be tested by the recent resignation of Housing Minister Mehmet Kaplan, a member of the Greens, who stepped down under pressure amid a furor over public comments in which he likened the Israeli government to Germany's Nazi regime. The Greens will hold a party congress in May, and the failure of leaders to rise to Kaplan's defense could cost them their jobs, a development that would bode ill for the survival of Löfven's government.

Even if the SAP and the Greens are committed to sticking it out, the coalition's survival will still hinge on obtaining the votes required to ensure passage of its budgets. The government cannot always rely on the further-left VP to back its proposals, and the VP's support is in any case not sufficient by itself to ensure a parliamentary majority. As a result, Finance Minister Magdalena Andersson faces the challenging task of crafting a spending plan that can satisfy both the VP and the more centrist parties with the four-party opposition Alliance, and failure to find the proper balance would result in the rejection of the budget and the downfall of the government.

To date a strong economy and careful budgeting have brought solid results. The general government deficit narrowed to 1% of GDP last year, and the gross debt burden slipped back below 40% of GDP, after having climbed to almost 45% in 2014. However, much of the improvement last year was attributable to the positive impact of faster economic growth on revenues, which will be less of a factor this year. In fact, the additional spending associated with the integration of refugees will make it all the more difficult to satisfy all of the parties whose support will be required to approve the budget. ☞

Political & Economic Forecast Table

Next to each country name is the date of our last economic update, followed by the 18-month (2nd line) and 5-year (3rd line) political forecasts: the REGIMES most likely to hold power and their PROBABILITIES, risk ratings for TURMOIL (low to very high), and risk ratings (A+ the least to D- the most) for financial TRANSFER, direct INVESTMENT, and EXPORT to the country. When a forecast has changed, the previous rating appears in parentheses. An asterisk means a nonincumbent regime. Our most recent economic data and forecasts include a previous five-year average, a one-year forecast or estimate, and a five-year forecast average. REAL GROWTH of GDP and INFLATION are expressed as percentages, and CURRENT ACCOUNT figures are in billions of US dollars.

COUNTRY REGIMES AND PROBABILITIES	TURMOIL	TRANS- FER	INVEST- MENT	EXPORT	REAL GDP GROWTH	INFLATION	CURRENT ACCOUNT	
Algeria	4/01/16				2011-2015	3.2	4.9	-1.00
*Military-Civilian 50%	High	B	C+	B-	2016	1.5	3.5	-25.40
*Military-Civilian 60%	Moderate	B	B-	B-	2017-2021	2.8	4.9	-14.20
Angola	4/01/16				2011-2015	4.9	10.0	5.28
MPLA 80%	High	B	B-	B-	2016	1.9	22.9	-10.30
MPLA 70%	High	C+	C+	C+	2017-2021	3.4	11.7	-5.90
Argentina	4/01/16				2011-2015	2.9	17.7	-6.23
*Centrist Coalition 50%	Moderate	C	B	C+	2016	-0.7	35.7	-13.30
*Centrist Coalition 45%	Moderate	C	B-	C+	2017-2021	3.3	12.9	-11.70
Australia	4/01/16				2011-2015	2.7	2.3	-52.45
LP-NP Coalition 50%	Low	A	A-	A	2016	2.5	2.1	-53.20
LP-NP Coalition 50%	Low	A-	A	A-	2017-2021	2.6	2.6	-42.60
Austria	2/01/16				2011-2015	1.0	2.1	7.59
SPÖ-ÖVP 45%	Low	A	A	A	2016	1.3	1.5	6.80
*FPÖ-ÖVP 40%	Low	A-	A	B+	2017-2021	1.5	2.0	4.70
Azerbaijan	2/01/16				2011-2015	2.4	3.2	11.19
YAP 80%	High	B	B+	B-	2016	0.7	14.5	1.20
YAP 65%	Moderate	B-	B	B-	2017-2021	3.3	4.6	5.90
Bangladesh	4/01/16				2011-2015	6.3	7.5	0.96
AL-led Coalition 65%	High	C	B-	C+	2016	6.5	6.2	-1.45
AL-led Coalition 45%	High	C+	C+	C+	2017-2021	6.5	6.6	0.55
Belgium	2/01/16				2011-2015	0.9	1.6	-1.60
Center-Right Coalition 60%	Low	A-	A-	A	2016	1.4	1.5	2.90
Center-Right Coalition 50%	Low	A-	A-	B+	2017-2021	1.6	1.7	3.20
Bolivia	4/01/16				2011-2015	5.4	6.0	0.31
Morales Majority 75%	High	B+	B-	B	2016	3.8	3.7	-2.50
*Center-Left Majority 55%	Moderate	B	C+	B-	2017-2021	3.6	5.0	-2.10
Botswana	4/01/16				2011-2015	4.7	5.9	1.13
BDP 75%	Low	B+	A	A-	2016	2.9	3.3	0.65
BDP 65%	Low	A-	A-	B+	2017-2021	3.9	4.2	0.55
Brazil	2/01/16				2011-2015	1.1	6.7	-70.43
*Divided Government 45%	High	C+	B	B	2016	-1.8	8.0	-63.15
*Centrist Coalition 45%	Moderate	C+	B	B-	2017-2021	2.1	5.5	-77.20
Bulgaria	4/01/16				2011-2015	1.6	1.3	0.53
*Center-Right Coalition 40%	Low	A-	A	A-	2016	2.7	0.7	0.45
*Center-Right Coalition 45%	Low	B+ (A-)	B+ (A-)	B+ (A-)	2017-2021	3.2	2.9	-0.55
Cameroon	4/01/16				2011-2015	5.2	2.4	-1.14
RDPC 85%	Moderate	B	B+	B	2016	4.5	2.1	-1.70
RDPC 75%	Moderate	B	B-	B-	2017-2021	5.0	2.5	-1.85
Canada	2/01/16				2011-2015	2.1	1.7	-53.43
Liberal Party 80%	Low	A+	A	A+	2016	1.6	1.7	-40.50
Liberal Party 60%	Low	A-	A	A	2017-2021	2.1	2.1	-34.30
Chile	2/01/16				2011-2015	3.9	3.4	-6.09
Center-Left Coalition 75%	Low	A	A-	A-	2016	2.1	3.8	-3.60
Center-Left Coalition 50%	Low	B+	A-	B+	2017-2021	3.9	3.1	-5.60
China	1/01/16				2011-2015	7.8	2.8	211.20
Pragmatists 80%	High	B	B	B-	2016	6.5	1.8	285.30
Pragmatists 75%	High	B+	B-	B-	2017-2021	5.9	2.2	155.60
Colombia	2/01/16				2011-2015	4.6	3.5	-14.54
Center-Right Coalition 50%	Moderate	B+	A-	B+	2016	2.5	5.9	-16.50
*Divided Government 45%	Moderate	B	B+	B	2017-2021	3.8	3.5	-11.80
Congo	4/01/16				2011-2015	3.7	2.3	-0.33
PCT-led Coalition 85%	Moderate	B+	B-	B	2016	4.4	2.2	-1.85
PCT-led Coalition 80%	Moderate	B- (B)	B	B	2017-2021	3.1	2.4	-0.85

COUNTRY REGIMES AND PROBABILITIES	TURMOIL	TRANS- FER	INVEST- MENT	EXPORT	REAL GDP GROWTH	INFLATION	CURRENT ACCOUNT	
Congo DR	3/01/16				2011-2015	8.0	5.7	-2.44
*Presidential Majority 45%	Very High	B-	C-	C	2016	6.4	2.3	-3.75
*Presidential Majority 40%	High	C	C-	C	2017-2021	6.2	4.8	-3.40
Costa Rica	4/01/16				2011-2015	3.9	4.0	-2.26
Divided Government 65%	Low	B-	A-	B+	2016	3.3	1.5	-2.25
Divided Government 55% (65%)	Low	B- (B)	B+	B- (B)	2017-2021	4.1	4.5	-2.80
Côte d'Ivoire	1/01/16				2011-2015	5.8	2.2	0.29
National Unity Coalition 75%	High	B+	B	B	2016	7.8	1.6	-0.82
National Unity Coalition 60%	Moderate	B-	B-	B-	2017-2021	6.7	2.1	-1.25
Cuba	3/01/16				2011-2015	2.7	5.1	-0.41
Raúl Castro 70%	Low	D+	C+	C	2016	2.0	4.1	0.11
*Reform Communist 65%	Moderate	C+	B	C+	2017-2021	5.3	4.0	-2.20
Czech Republic	4/01/16				2011-2015	1.3	1.5	-1.44
Broad Coalition 65%	Low	A-	A	A	2016	2.6	0.7	1.20
*Center-Right Coalition 45%	Low	A	A+	A	2017-2021	2.4	2.0	-0.45
Denmark	4/01/16				2011-2015	0.7	1.4	20.86
Center-Right Minority 50%	Low	A (A+)	B+	A	2016	1.1	0.7	24.90
Center-Right Minority 45%	Low	A	A-	A-	2017-2021	1.8	1.7	21.40
Dominican Republic	4/01/16				2011-2015	5.3	4.1	-2.86
PLD 60%	Moderate	B-	B+	B-	2016	5.0	2.6	-0.85
PLD 55%	Moderate	B-	B	B-	2017-2021	4.4	3.4	-2.40
Ecuador	1/01/16				2011-2015	4.4	4.0	-0.98
*Center-Left Coalition 55%	High	C	C	C	2016	-0.5	3.1	-2.65
*Center-Left Coalition 45%	Moderate	C	C	C+	2017-2021	2.2	3.3	-1.55
Egypt	1/01/16				2011-2015	2.5	9.6	-7.43
Military-Civilian 80%	Very High	C-	C+	C+	2016	4.0	10.9	-11.10
Military-Civilian 70%	High	C	C+	C+	2017-2021	4.5	9.3	-9.40
El Salvador	4/01/16				2011-2015	2.1	1.6	-1.24
Divided Government 65%	High	B-	B+	B	2016	2.4	1.6	-1.10
Divided Government 45%	Moderate	B-	B	B-	2017-2021	2.3	2.1	-1.50
Finland	3/01/16				2011-2015	0.0	1.7	-3.89
Center-Right Coalition 45%	Low	A	A-	A	2016	0.4	0.7	-1.25
*Broad Coalition 45%	Low	A	A	A	2017-2021	1.6	1.7	-1.50
France	4/01/16				2011-2015	0.8	1.1	-22.93
Center-Left Coalition 50%	Low	B	B+	B+	2016	1.2	0.2	-12.70
*Divided Government 45%	Low	B+	B+	B+	2017-2021	1.6	1.4	-14.60
Gabon	2/01/16				2011-2015	5.4	1.8	2.00
Reformist PDG 60%	Moderate	B	B	B-	2016	3.0	2.5	-1.10
Reformist PDG 50%	Moderate	B-	B	B-	2017-2021	4.3	2.9	-0.55
Germany	4/01/16				2011-2015	1.5	1.3	250.07
Grand Coalition 65%	Low	A (A-)	A-	A-	2016	1.5	0.4	283.70
Grand Coalition 40%	Low	A	A-	A	2017-2021	1.7	1.6	278.20
Ghana	2/01/16				2011-2015	7.5	12.3	-4.01
*NPP 50%	High	C+	B+	B-	2016	3.7	15.0	-2.80
*NPP 50%	Moderate	C+	B	C+	2017-2021	4.9	8.6	-1.90
Greece	3/01/16				2011-2015	-3.8	0.2	-6.25
Left-Right Coalition 40%	Moderate	C-	B+	C+	2016	-0.6	0.1	-0.22
*Broad Coalition 40%	Moderate	C	B+	C+	2017-2021	1.5	1.3	-2.85
Guatemala	1/01/16				2011-2015	3.8	4.0	-1.45
Divided Government 65%	High	B	B	B	2016	3.5	2.8	-1.70
Divided Government 60%	High	C+	B-	B-	2017-2021	3.3	4.4	-1.50
Guinea	2/01/16				2011-2015	2.2	13.1	-1.22
RPG Coalition 65%	High	C	B-	C	2016	3.7	6.8	-1.75
RPG Coalition 55%	High	C-	C+	C-	2017-2021	4.4	7.4	-1.35
Guyana	1/01/16				2011-2015	4.5	2.2	-0.35
APNU-AFC 70%	Moderate	B-	B	B-	2016	3.0	0.6	-0.14
APNU-AFC 60%	Moderate	B-	B-	B-	2017-2021	4.1	3.5	-0.43
Haiti	4/01/16				2011-2015	3.4	6.9	-0.51
Divided Government 65% (45%)	High	B-	B-	C+	2016	2.6	10.9	-0.45
Divided Government 45% (40%)	High	C+ (B-)	C+ (B-)	C+ (B-)	2017-2021	3.1	6.3	-0.40
Honduras	2/01/16				2011-2015	3.5	5.3	-1.48
*Divided Government 60%	High	B-	B	B-	2016	3.4	4.2	-1.35
*Divided Government 55%	Moderate	B-	B-	B-	2017-2021	2.7	6.0	-2.15

COUNTRY REGIMES AND PROBABILITIES	TURMOIL	TRANS- FER	INVEST- MENT	EXPORT	REAL GDP GROWTH	INFLATION	CURRENT ACCOUNT	
Hong Kong	4/01/16				2011-2015	2.9	4.2	7.68
Limited Autonomy 80%	Low	A+	A	A+	2016	2.1	2.5	11.30
Limited Autonomy 70% (75%)	Low	A	A	A-	2017-2021	2.9	2.7	8.70
Hungary	4/01/16				2011-2015	1.7	2.2	3.27
Fidesz 85%	Low	B-	B+	B+	2016	2.5	0.5	4.10
Fidesz 55%	Low	B	B+	B	2017-2021	2.4	2.5	3.00
India	3/01/16				2011-2015	6.7	8.4	-50.10
Divided Government 60%	High	B	B+	B	2016	7.6	5.3	-28.50
*BJP Majority 45%	Moderate	B-	B	B-	2017-2021	7.2	5.2	-43.20
Indonesia	1/01/16				2011-2015	5.7	5.7	-19.16
Divided Government 65%	Moderate	B	B-	B-	2016	5.2	5.7	-22.50
Divided Government 70%	Moderate	C+	B-	B-	2017-2021	5.4	5.5	-18.70
Iran	3/01/16				2011-2015	-0.3	24.0	25.75
Conservative 55%	High	C+	C	C	2016	5.0	12.3	12.60
Conservative 50%	High	B-	C+	C+	2017-2021	5.1	10.7	4.20
Iraq	3/01/16				2011-2015	4.4	3.4	4.46
National Unity Coalition 40%	Very High	C-	C-	C-	2016	5.3	2.8	-11.50
National Unity Coalition 40%	High	C-	C-	C-	2017-2021	3.7	3.9	4.20
Ireland	4/01/16				2011-2015	3.4	0.9	4.16
*Fine Gael-Fianna Fáil 45%	Low	B	A-	B+	2016	4.6	0.3	10.30
*Fine Gael-Fianna Fáil 45%	Low	B+	A-	B	2017-2021	3.1	1.5	9.40
Israel	1/01/16				2011-2015	3.2	1.3	8.37
Right-Wing Coalition 45%	High	B+	A-	B+	2016	2.8	0.2	14.50
*Centrist Coalition 40%	High	B+	B+	A-	2017-2021	4.4	2.3	15.90
Italy	2/01/16				2011-2015	-0.7	1.5	1.62
Center-Left Coalition 50%	Moderate	B-	B+	B	2016	0.9	0.4	33.10
Center-Left Coalition 45%	Moderate	B-	B	B-	2017-2021	1.0	1.1	19.80
Jamaica	3/01/16				2011-2015	0.6	6.8	-1.23
JLP 60%	Moderate	B-	A-	B	2016	2.2	6.3	-0.45
JLP 45%	Moderate	C+	B+	B-	2017-2021	1.9	6.5	-1.25
Japan	3/01/16				2011-2015	0.6	1.3	78.47
LDP Coalition 80%	Low	A-	A	A+	2016	0.8	0.4	162.30
LDP Coalition 55%	Low	A-	A-	A-	2017-2021	1.2	1.1	126.70
Kazakhstan	4/01/16				2011-2015	4.8	7.9	2.20
Nazarbayev 70%	Low	B	B	B	2016	-0.2	13.9	-3.90
Nazarbayev 60%	Moderate	B	B	B	2017-2021	2.3	7.9	2.80
Kenya	4/01/16				2011-2015	5.5	8.5	-4.77
Kenyatta Majority 55%	High	B	B	B	2016	5.9	5.5	-4.45
Kenyatta Majority 45%	Moderate	B-	B- (B)	B- (B)	2017-2021	6.0	5.1	-3.95
Kuwait	4/01/16				2011-2015	2.6	3.4	56.58
Al-Sabah Family 70%	Moderate	A	B	A-	2016	1.5	3.7	-5.10
Al-Sabah Family 65%	Low	A- (A+)	B+	A- (A)	2017-2021	2.8	3.6	19.70
Libya	4/01/16				2011-2015	0.2	7.1	-1.88
*Military-Civilian 45%	Very High	D-	D+	D	2016	-4.6	10.9	-14.60
*Military-Civilian 45%	High	D	D+	D+	2017-2021	5.5	9.1	-5.90
Malaysia	4/01/16				2011-2015	5.3	2.4	16.61
UMNO-led Coalition 70%	Moderate	B+	B+	A-	2016	4.4	2.8	8.30
UMNO-led Coalition 60%	Low	A	B+	A-	2017-2021	4.9	2.7	6.80
Mexico	4/01/16				2011-2015	2.8	3.6	-23.22
PRI Coalition 60%	High	B+	A-	B+	2016	2.3	3.0	-34.80
*Divided Government 40%	Moderate	B (B+)	A-	B+	2017-2021	3.2	3.4	-25.30
Morocco	3/01/16				2011-2015	3.9	1.2	-6.61
Mohamed 75%	Moderate	B-	B	B-	2016	3.0	2.3	-2.80
Mohamed 70%	Moderate	B-	B	B	2017-2021	4.2	2.5	-5.40
Myanmar	4/01/16				2011-2015	7.6	6.0	-3.21
Military-Civilian 75%	Moderate	C+	B-	C+	2016	8.1	11.3	-6.30
Military-Civilian 65%	Moderate	C	B-	C+	2017-2021	7.6	6.7	-7.10
Netherlands	4/01/16				2011-2015	0.5	1.8	82.03
VVD-PvdA 45%	Low	A	A-	A	2016	1.7	0.5	79.40
*Broad Coalition 45%	Low	A	A	A-	2017-2021	1.8	1.5	78.60
New Zealand	1/01/16				2011-2015	2.2	1.6	-6.19
National Minority 75%	Low	A-	A+	A-	2016	2.5	1.1	-6.10
National Minority 55%	Low	A-	A	B+	2017-2021	2.7	2.2	-8.90

COUNTRY REGIMES AND PROBABILITIES	TURMOIL	TRANS- FER	INVEST- MENT	EXPORT	REAL GDP GROWTH	INFLATION	CURRENT ACCOUNT	
Nicaragua	4/01/16				2011-2015	4.9	6.2	-1.07
FSLN 80%	Moderate	B+	B+	B+	2016	4.0	4.3	-1.00
FSLN 70%	Moderate	B	B-	B-	2017-2021	4.2	5.7	-1.45
Nigeria	4/01/16				2011-2015	4.8	9.7	8.48
APC Majority 60%	Very High	B-	C+	C	2016	2.2	11.6	-19.40
APC Majority 45%	Very High	C- (C)	C	C- (C)	2017-2021	3.9	9.8	-12.60
Norway	1/01/16				2011-2015	1.7	1.8	50.72
Center-Right Minority 55%	Low	A+	A-	A+	2016	1.4	2.2	36.80
*Center-Left Minority 45%	Low	A	A-	A	2017-2021	2.0	2.4	41.30
Oman	4/01/16				2011-2015	4.2	1.8	2.95
Qaboos 65%	Moderate	A	A-	A	2016	1.6	0.6	-12.70
Qaboos 45%	Moderate	A-	B+	A-	2017-2021	2.9	2.6	-7.10
Pakistan	4/01/16				2011-2015	3.9	7.8	-3.03
PML-N 50%	High	D+	B-	C-	2016	4.7	3.9	-2.45
*PML-N Coalition 40%	High	D (D+)	C+	C-	2017-2021	4.8	5.7	-3.20
Panama	3/01/16				2011-2015	8.2	3.7	-4.71
Centrist Coalition 50%	Moderate	B+	A-	B+	2016	6.5	1.8	-5.20
Centrist Coalition 45%	Moderate	B	B+	B	2017-2021	6.2	3.1	-3.70
Papua New Guinea	4/01/16				2011-2015	9.3	5.1	0.37
PNC-led Coalition 75%	Moderate	B	B-	B	2016	3.7	6.7	0.40
*Reformist Coalition 60%	Moderate	B	B-	B	2017-2021	3.9	5.8	0.75
Paraguay	3/01/16				2011-2015	4.9	4.6	-0.03
Divided Government 60%	Moderate	B+	B+	B	2016	2.8	4.1	-0.22
Divided Government 50%	Moderate	B	B	B	2017-2021	4.3	4.6	-0.45
Peru	1/01/16				2011-2015	4.7	3.3	-6.92
Divided Government 50%	Moderate	B+	A-	B+	2016	3.1	3.5	-7.80
Divided Government 60%	Moderate	B	B+	B	2017-2021	4.3	3.0	-8.50
Philippines	4/01/16				2011-2015	5.9	3.3	8.22
Reformist Coalition 55%	Moderate	B+	B	B	2016	6.0	1.7	9.90
Reformist Coalition 55%	Moderate	B+	B+	B+	2017-2021	6.1	3.1	11.20
Poland	4/01/16				2011-2015	3.1	1.6	-13.50
PiS 45%	Low	B+	A-	A-	2016	3.5	-0.3	-5.10
*Center-Right Coalition 50%	Low	B+	A-	B+	2017-2021	3.4	2.0	-13.70
Portugal	4/01/16				2011-2015	-0.9	1.4	-2.96
PS Minority 40%	Low	C+	A-	B	2016	1.3	0.4	1.90
PS Minority 40%	Low	B	A-	B	2017-2021	1.6	1.4	-0.40
Romania	1/01/16				2011-2015	2.3	2.7	-4.00
*Center-Right Coalition 45%	Low	B	A-	B+	2016	3.6	-0.5	-4.75
*Center-Right Coalition 45%	Low	B	A-	B	2017-2021	3.4	2.4	-4.00
Russia	4/01/16				2011-2015	1.2	8.2	64.41
United Russia 65%	High	C	C-	C	2016	-1.0	6.9	51.30
United Russia 60% (50%)	Moderate	C	C	C+	2017-2021	1.6	5.8	69.50
Saudi Arabia	4/01/16				2011-2015	4.7	3.0	95.81
King Salman 50%	High	A	B	A-	2016	1.2	4.3	-58.70
*Younger Al-Saud 50%	Moderate	A-	B	A-	2017-2021	2.7	3.4	-6.30
Singapore	4/01/16				2011-2015	3.6	2.3	57.18
Lee Hsien Loong 85%	Low	A+	A	A+	2016	1.8	-0.5	63.70
Other PAP 50%	Low	A+	A	A	2017-2021	3.2	1.7	52.40
Slovakia	4/01/16				2011-2015	2.4	1.7	-0.24
*Center-Left Coalition 40%	Low	A-	A-	A-	2016	3.1	0.1	-0.80
*Center-Left Coalition 40%	Low	A-	A-	A-	2017-2021	2.9	1.8	-1.05
South Africa	4/01/16				2011-2015	2.1	5.4	-17.44
Pragmatic ANC 60%	Moderate	B-	B	B	2016	0.7	6.6	-11.80
Pragmatic ANC 50%	Moderate	C+	B-	B-	2017-2021	2.3	5.7	-18.70
South Korea	4/01/16				2011-2015	3.0	1.9	68.20
NFP 65%	Moderate	A-	A-	A-	2016	2.7	1.3	104.20
NFP 55%	Moderate	A-	B+	A-	2017-2021	3.2	2.1	83.10
Spain	3/01/16				2011-2015	-0.1	1.2	-0.05
*Broad Coalition 40%	Moderate	B-	A-	B	2016	2.5	0.2	14.90
*Broad Coalition 40%	Low	B	A-	B	2017-2021	1.9	1.5	7.50
Sri Lanka	4/01/16				2011-2015	6.0	5.1	-3.06
Unity Coalition 45%	Moderate	B-	A-	B	2016	5.0	2.5	-1.25
*UNP-led Coalition 55%	Moderate	C+	B+	B-	2017-2021	6.1	3.9	-2.10

COUNTRY REGIMES AND PROBABILITIES	TURMOIL	TRANS- FER	INVEST- MENT	EXPORT	REAL GDP GROWTH	INFLATION	CURRENT ACCOUNT	
Sudan	4/01/16				2011-2015	2.0	29.3	-4.21
NCP 45%	High	C-	C	C	2016	3.4	13.4	-5.20
*Military-Civilian 50%	High	C-	C+	C	2017-2021	3.8	10.3	-4.70
Suriname	4/01/16				2011-2015	3.0	6.4	-0.12
NDP-led Coalition 65% (80%)	Low	B	B	B+	2016	-2.0	38.7	-0.35
NDP-led Coalition 40% (70%)	Moderate	B- (B)	B (B+)	B- (B+)	2017-2021	3.2	6.2	-0.10
Sweden	4/01/16				2011-2015	2.0	0.7	32.19
Center-Left Minority 45%	Low	A+	A-	A	2016	3.2	0.8	29.50
*Center-Right Coalition 50%	Low	A	A	A	2017-2021	2.8	1.7	28.90
Switzerland	4/01/16				2011-2015	1.5	-0.4	67.24
Centrist Coalition 60%	Low	A+	A-	A	2016	1.1	-0.6	69.60
Centrist Coalition 60%	Low	A+	A-	A	2017-2021	1.7	1.1	73.80
Syria	2/01/16				2011-2015	-15.2	33.7	-4.73
Assad 55%	Very High	D-	C-	D	2016	-10.0	33.0	-1.35
Assad 45%	High	D+	C-	C-	2017-2021	1.3	15.3	-2.70
Taiwan	3/01/16				2011-2015	2.6	1.0	56.84
*DPP 70%	Low	A-	A	A-	2016	1.0	1.4	71.50
*DPP 55%	Low	A	A	A	2017-2021	2.5	1.5	63.40
Thailand	4/01/16				2011-2015	2.9	2.0	10.50
Military-Civilian 55%	Moderate	B+	B	B	2016	2.9	0.2	26.50
*Reformist Coalition 55%	Moderate	A-	B+	B+	2017-2021	3.3	2.3	10.40
Trinidad & Tobago	4/01/16				2011-2015	0.5	6.0	1.12
PNM 75%	Moderate	B+	B+	A-	2016	-1.1	4.2	-1.05
PNM 65%	Moderate	B+	B	B+	2017-2021	1.7	4.7	-0.80
Tunisia	4/01/16				2011-2015	2.0	4.9	-3.87
Reformist Coalition 45%	High	C+	B	C+	2016	2.1	3.6	-3.70
Reformist Coalition 45%	Moderate	C+	B-	C+	2017-2021	3.5	4.2	-3.80
Turkey	2/01/16				2011-2015	4.4	7.7	-53.38
AKP 65%	High	B-	B+	B	2016	3.2	8.5	-36.70
*AKP Coalition 40%	Moderate	C+	B-	C+	2017-2021	3.7	5.8	-43.60
Ukraine	3/01/16				2011-2015	-2.4	13.8	-9.18
Reformist Coalition 45%	Very High	C-	C+	C	2016	1.0	23.0	-2.90
Reformist Coalition 40%	High	C-	C+	C-	2017-2021	2.7	9.4	-5.60
United Arab Emirates	2/01/16				2011-2015	4.3	1.9	54.33
Union 85%	Low	A-	A-	A	2016	2.9	3.1	4.90
Union 85%	Low	A-	A	A	2017-2021	3.8	3.2	14.30
United Kingdom	4/01/16				2011-2015	2.1	2.3	-110.49
Conservative Party 80%	Low	A-	A	A-	2016	1.9	0.6	-128.00
Conservative Party 65%	Low	A	A	A-	2017-2021	2.2	1.8	-137.00
United States	1/01/16				2011-2015	2.0	1.8	-430.79
Divided Government 55%	Low	B+	A	A-	2016	2.2	1.4	-440.00
Divided Government 60%	Low	B+	A	A-	2017-2021	2.2	2.0	-390.00
Uruguay	4/01/16				2011-2015	3.9	8.5	-2.24
FA 60%	Low	B+	A-	B+	2016	1.2	10.3	-2.40
FA 45%	Low	B+	B+	B	2017-2021	3.0	7.3	-2.60
Venezuela	1/01/16				2011-2015	0.3	52.7	1.91
*Divided Government 55%	Very High	D-	D+	D+	2016	-8.1	330.0	-11.30
*Reformist Coalition 50%	Moderate	C-	C	C	2017-2021	1.9	55.0	1.90
Vietnam	4/01/16				2011-2015	5.9	7.8	5.49
CPV Mainstream 60%	Low	B-	B	B	2016	6.4	1.6	1.20
CPV Mainstream 60%	Low	B	B+	B	2017-2021	6.6	4.4	-0.90
Zambia	1/01/16				2011-2015	6.2	7.5	0.09
*Divided Government 50%	Moderate	B	B	B	2016	3.2	24.3	-0.95
*Divided Government 50%	Moderate	B-	B-	B-	2017-2021	5.2	8.3	-0.35
Zimbabwe	4/01/16				2011-2015	6.4	1.2	-3.08
ZANU-PF 60%	High	D	D+	D	2016	2.9	1.3	-2.55
*ZANU-PF Coalition 45%	High	C-	D+	C-	2017-2021	3.3	1.8	-2.85

Additional Data is available online for all countries covered in the Political Risk Letter at www.prsgroup.com. Current and historical financial, economic, and social data is just a click away.