

Israel 1.72

AKE has raised the political risk rating for Israel in Q4 following a deterioration in political stability after the resignation of the Defence Minister in November and dissolution of the Knesset in December. Snap elections were called for April 2019 by Israeli Prime Minister Benjamin Netanyahu who is campaigning to run for a fifth consecutive term, but there is little oppositional consolidation. Furthermore, three charges of graft were filed against Netanyahu in late December and the uncertainty of how the case will progress will exacerbate political instability in the run-up to the elections in April. Despite this, Israel's functional political institutions mitigate a wider fall-out.

# AKE Political Risk Outlook Q4 2018—Ones to Watch



Romania 2.99

## Romania

AKE has raised the political risk rating for Romania in Q4 after the government introduced a new tax measure in late December specifically targeting foreign businesses. This caused a cratering of the share price of a number of foreign businesses with significant operations in the country and also negatively impact local markets. The government has also seized control of the National Anti-Corruption Directorate (DNA), which had arguably been its most successful independent institution, and is due to introduce a set of judicial reforms that will risk further undermining the judiciary's independence. As a result, the outlook for 2019 is poor.

Mexico 3.54

AKE has raised the political risk rating for Mexico in Q4 as leftists President Andres Manuel Lopez Obrador (AMLO) took office on 1 December 2018 and move fast to start fulfilling electoral promises which include reviewing contracts suspected of corruption and respect the result of controversial public consultations on key infrastructure projects that have led to significant cancellations, such as the new Mexico City international airport, which was already under construction. A heightened risk of frustration of process and further contract reviews/cancellations, particularly but not exclusively in the oil and gas sector, should be expected in Q1 2019.

Gabon 5.27

AKE has raised the political risk rating for Gabon in Q4 as the risk of political stability, already heightened since the tightly contested and violent 2016 presidential elections, further increased after President Ali Bongo suffered a stroke in October. Bongo's continued absence has raised uncertainty over his government's future, undermining its legitimacy. An attempted coup on 7 January 2019, although unsuccessful, evidences Bongo's weakening grip, and could signal increasing challenges to his rule. The Constitutional Court's ruling to install Vice President Pierre-Claver Maganga Moussavou as de-facto leader in Bongo's absence – seen as illegitimate by parts of the opposition – in November further increased political tensions.

Sri Lanka 5.3

AKE has raised the political risk rating for Sri Lanka in Q4 as the political environment deteriorated significantly following a seven week-long constitutional crisis triggered by the ousting of Prime Minister Ranil Wickremesinghe in October during which President Maithripala Sirisena attempted to dissolve parliament. The recent political crisis undermined investor confidence as evidenced by large capital outflows from Sri Lanka and a depreciating exchange rate. Wickremesinghe, now reinstated, said in early 2019 that his government was struggling to service its foreign debt. Colombo faces US\$5.9bln in foreign debt repayments in 2019 and there is a notable risk of default, as reflected by the country's cratering credit ratings.

### AKE SECURITY RISK RATING SCALE

0.0 - 2.5

2.6 - 3.5

3.6 - 4.2

4.3 - 5.2

5.3 - 6.9

7.0 - 10.0