

AKE Political Risk Outlook Q2 - Ones to Watch



Turkey

4.81

AKE has raised the political risk rating for Turkey in Q2 amid shocks to the stability of the ruling AK Party and continued economic weakness. A re-run of the 31 March Istanbul municipal elections saw CH opposition party win by a landslide, in an ostensible reaction against frustration over continued economic weakening and displeasure for the second vote which highlighted AKP's distasteful campaign strategy. Ambiguity over economic policy saw Moody's downgrade Turkey's credit rating, although fears surrounding repercussions over Turkey's acquisition of Russian S-400s are somewhat allayed. Economic ambiguity and weakness will continue as political polarisation compounds in Q3.

Albania

5

AKE has raised the political risk rating for Albania in Q2 as the country's political crisis descended into a constitutional crisis over the 30 June local elections. President Ilir Meta had said they should not go ahead but Prime Minister Edi Rama, his erstwhile ally, overruled him and the constitutional court is not properly constituted given the opposition's months-long boycott of parliament. Several violent protests have broken out, although election day passed more calmly than expected. No resolution is on the horizon, and the crisis means the EU will likely refuse to launch ascension talks for Tirana in October.

Honduras

3.85

AKE has raised the political risk rating for Honduras in Q2 amid a fresh wave of anti-government protests demanding President Juan Orlando Hernandez step down. Incidents of targeted political violence like the burning of at least 30 fruit containers belonging to US Dole Food Company valued at around US\$1.5m could continue to occur over the coming quarters. Hernandez has faced several rounds of protests since being controversially re-elected in November 2017. He has once again deployed the military to quell the disruption. He appears determined to serve out his four-year term. Nevertheless, political instability risks could increase over the coming months.

Zambia

4.9

AKE has raised the political risk rating for Zambia in Q2 as economic prospects darken. The likelihood of sovereign default has increased as has the risk of contract frustration and CEN against foreign investors. On 20 May the government filed a liquidation order for Vedanta Resources subsidiary Konkola Copper Mines, one of the largest players in Zambia's crucial mining industry, over alleged breaches of its operating licence. The move came amid a wider deterioration of the business climate. Further instances of expropriation or licence cancellation cannot be ruled out.

Papua New Guinea

4.77

AKE has raised the political risk rating for PNG in Q2 as the country plunged into a period of political instability in the end of the quarter. Former prime minister Peter O'Neill was ousted on 29 May and parliament elected James Marape as the new prime minister 101 to eight votes. While a semblance of stability has been restored, AKE has not lowered the political risk rating for the country as Marape's position remains precarious amid an inquiry into a contentious UBS loan. Moreover, despite pledges to review LNG projects and the Oil and Gas Act, changes will be minimal and a large degree of continuation from the O'Neill government is expected.

AKE POLITICAL 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