

AKE Political Risk Outlook Q4 2020 - Ones to Watch



Morocco 3.7

AKE has raised the political risk rating for Morocco in Q4 as conflict erupted in the disputed Western Sahara between Sahrawi independence movement Polisario and Rabat. On 13 November Moroccan security forces deployed to Guerguerat to disperse a protracted blockade. Polisario considered this a violation of the 1991 peace agreement and violence broke out along the 2,700 km defensive wall. The timing appears deliberate, responding to the increased vulnerability of the Sahrawi amid the COVID-19 fallout and cratering commerce, coupled with a lack of UN representation in advance of the incoming US administration. The conflict may be assuaged in Q1 2021.

Costa Rica 3.2

AKE has raised the political risk rating for Costa Rica in Q4 as the country faced an unprecedented wave of disruptive anti-government protests. The protests forced President Carlos Alvarado to backtrack on an austerity plan aimed at securing a US\$1.75bln IMF loan to mitigate the economic impact of COVID-19. Alvarado, who suspended the talks with the Fund, plans to resume them in Q1 2021 amid growing pressure stemming from a fiscal deficit likely to have reached around 10 per cent of GDP. GDP in turn is estimated to have contracted by around 5 per cent in 2020. Financial challenges, policy instability and unrest-related risks will persist at least in Q1 2021.

South Sudan 7.2

AKE has lowered the political risk rating for South Sudan in Q4 as the country makes continued – if precarious – gains toward political stabilisation following the formation of a national unity government in February 2020. Thanks to nascent reconstruction efforts and the resumption of oil production, South Sudan is one of the few countries in the region that is likely to have seen substantial economic growth in 2020 despite COVID-19. Nonetheless, widespread insecurity, political uncertainty and the risk of a fresh economic downturn as the positive effects of the unity government taper off present substantial risks to the medium-to-long term.

Armenia 4.8

AKE has raised the political risk rating for Armenia in Q4 as the peace agreement to end conflict with Azerbaijan over the disputed territory of Nagorno-Karabakh resulted in a political crisis in the country. The peace agreement, which cedes a significant amount of formerly Armenian-controlled Nagorno-Karabakh territory to Azerbaijan, has been widely considered a betrayal by Prime Minister Nikol Pashinyan. Yerevan has seen large civil unrest as the opposition calls for Pashinyan's immediate resignation. Although there is no clear opposition candidate with universal approval to challenge Pashinyan, his position will continue to remain uncertain through Q1.

Malaysia 4.6

AKE has raised the political risk rating for Malaysia in Q4. Although the country has stabilised, with the economy slowly recovering from COVID-19 and a budget passed, an increase in debt means that major projects and contracts are likely to be suspended – with a high-speed rail project to Singapore already cancelled. Prime Minister Muhyiddin Yassin, who came to power in a fractious coalition split less than a year ago, has faced repeated challenges but looks likely to stave off immediate further threats to his leadership. Nonetheless, Muhyiddin could call a snap election in the coming months and the party and coalition affiliation remains fluid.

AKE POLITICAL RISK RATING SCALE

