

KEY POINTS

As the COVID-19 pandemic enters its second year, AKE's Special Report helps you navigate a year fraught with electoral uncertainty. The report contains a *selection of key elections* to watch in 2021 around the globe, presented by region in chronological order. Each entry includes the country's AKE Political Risk Rating and a summary of the principal challenges and risks to consider.

- It should be noted that due to the pandemic, electoral schedules risk being altered which could exacerbate the risks examined in this report.
- The AKE Political Risk Rating is a composite measure of five indicators, which comprise an assessment of the economy, confiscation, expropriation and nationalisation (CEN) risk, the likelihood of frustration of process, political instability and political violence. Risk ratings provide an analysis of current political and economic trends. The headline AKE political risk rating scale and that of its components ranges from 1 – 10, with 1 denoting a low political risk environment and 10 a high political risk environment.
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About us

AKE has over 20 years of experience working with the financial sector, providing clients with political and economic risk consultancy. Our experienced team provides tailored analysis and strategic forecasting, allowing our clients to better assess risks in challenging environments.

ASIA PACIFIC

VIETNAM – 25 January to 2 February

AKE Political Risk Rating: 3.4

Potential for leadership transition to break with established norms, leading to further factionalisation

On 25 January the Communist Party of Vietnam started its 13th National Party Congress during which it will unveil the party's new leadership in a once-in-a-decade transition and set out its key economic plans for the next five years. As none of the potential candidates stand out, it is plausible that Party General-Secretary and State President Nguyen Phu Trong stays on as the Party General-Secretary, the most influential role, despite being overage and in poor health. This would mark an unprecedented departure from the established norms for party leaders to retire at the age of 65 and to alternate between candidates from the north and south. The potential consequences include increased factionalism between conservatives and those emphasising economic reforms, a possible hindrance of power transition to a new generation of party leaders and instability within the party due to the underrepresentation of politicians from the south.

HONG KONG, SAR – 5 September

AKE Political Risk Rating: 3.9

Legislative Council election likely to mark the official end of the opposition

Hong Kong's delayed Legislative Council (LegCo) election is scheduled to take place on 5 September, having been postponed due to safety concerns over the COVID-19 pandemic. The upcoming vote will have a profound impact on the city's democracy movement as Beijing intensifies its efforts to suppress pro-democracy politicians and activists under the National Security Law. Winning a majority would allow the opposition to veto legislation and the government's budget which, according to the Basic Law, would force the city's leader to resign. All pro-democracy candidates who took part in the unofficial primary have been arrested. Meanwhile, China's disqualification of four elected democrats, which prompted the mass resignation of 15 others, further undermined the opposition's ability to marshal resistance in the LegCo, which already structurally favours the pro-Beijing camp.



JAPAN – September and 22 October or before

AKE Political Risk Rating: 2.2

Political instability on the rise

Prime Minister Yoshihide Suga faces two major elections in 2021 – the Liberal Democratic Party (LDP) presidential race set to take place sometime in late September and a general election when the term of the House of Representatives, also known as the Diet, expires in October. A snap election remains a possibility should the prime minister dissolve the Diet early. With regards to the LDP presidential race, it remains to be seen whether Suga can secure a new three-year term given the country's factionalised political process. Suga does not belong to any faction and was only elected as LDP president in September 2020 after securing support from five of the party's seven factions. Should the premier's approval ratings continue to fall amid growing criticism of his handling of the COVID-19 pandemic and a plunging economy, his position as LDP head is bound to be challenged.

EUROPE AND EURASIA

KYRGYZSTAN – May

AKE Political Risk Rating: 6.1

Consolidation of presidential powers renders parliamentary elections irrelevant

Parliamentary elections scheduled for May come after a period of political turmoil in the country. Civil unrest following untransparent 4 October 2020 parliamentary elections resulted in the resignation of the president and weeks of constitutionally questionable manoeuvring by the technically invalid parliament. On 10 January presidential elections and a simultaneous referendum on constitutional reform came down heavily in favour of new President Sadyr Japarov and his proposed shift towards a presidential form of government, which will concentrate executive power in his office. Parliament, the Supreme Court and the Central Election Commission have thus far shown little opposition to Japarov, while he retains close relationships with certain top officials. Against this backdrop, the fresh parliamentary elections are of questionable relevance. Even if they are competitive, the country is likely to witness a tilt towards authoritarianism which, combined with Japarov's nationalist tendencies, will complicate the environment for foreign-owned or -run operations.



RUSSIA – by 19 September

AKE Political Risk Rating: 3.5

Civil unrest expected as state authoritarianism deepens

Despite President Vladimir Putin's United Russia polling at low levels, the party is still expected to acquire at least one-third of the state Duma's seats as the electorate weighs up the lack of any political alternative. A rally-around-the-flag effect in support of United Russia in the face of likely pressure from the United States (US) Biden administration is likely, as is significant voter manipulation and irregularities. The



The Kremlin-managed political system could see several seats lost to other Kremlin-aligned parties, but a broad status quo is likely to be kept. In a bid to show the US that the public backs the Kremlin, United Russia might seek a larger than expected victory. In such an event, a frustrated opposition could turn to mass protests like those seen in 2019 and January 2020. A violent crackdown on civil unrest and dissent is expected as authorities further their attempts to control civil society.

GERMANY – 26 September

AKE Political Risk Rating: 1.5

Political uncertainty likely as government enters post-Merkel era

Chancellor Angel Merkel's elected successor to the Christian Democratic Union (CDU) leadership, Armin Laschet, will face significant challenges ahead of the September Bundestag elections. The CDU and its sister party, the Christian Social Union, have yet to name their joint candidate for the chancellery, with Bavarian premier Markus Soder considered the major contender to Laschet. Two state elections in Rhineland-Palatinate and Baden-Wuerttemberg will be the first major tests for Laschet's leadership. Whether the CDU can maintain its lead in the polls as the popular Merkel prepares to leave office will be crucial. The growing popularity of the Green Party – the CDU's main competitor and most likely coalition partner – and the dwindling but defiant far-right Alternative for Germany could eat into the governing CDU/CSU and Social Democratic parties' support base, leading to a protracted government formation process and making a Greens-led government theoretically possible. Such political disturbance will prove a rocky start to the post-Merkel future.

MOLDOVA – to be confirmed

AKE Political Risk Rating: 5.8

Potential significant policy shift towards reform and a pro-EU platform

Recently elected President Maia Sandu will lead the pro-EU ACUM bloc comprised of her Party of Action and Solidarity and Andrei Nastase's Dignity and Truth Party into parliamentary elections, building on the momentum of her victory in the December 2020 presidential contest. A parliamentary majority could see her lead the most pro-reform and pro-EU government in the country's 30-year post-Soviet history. However, the election is unlikely to see voters completely abandon the ruling Party of Socialists of the Republic of Moldova (PSRM) alongside the former governing Democratic Party. Moreover, voter manipulation is expected. Large PSRM-organised rallies are anticipated in the coming months and clashes with pro-ACUM bloc supporters cannot be ruled out. Whilst no clear winner and a protracted government formation dominated by PSRM and its allies is the most likely outcome, a victory for Sandu's party could see the biggest change in the country's politics in a generation.

LATIN AMERICA

ECUADOR – 7 February

AKE Political Risk Rating: 5.0

Potential shift to the left raises policy uncertainty and risks eroding investor confidence

16 candidates are running for the presidency in a general election that is likely to lead to a runoff vote and result in a fragmented National Assembly, hampering policy making. Centre-left President Lenin Moreno is not running for re-election and has instead focused on managing the country's ongoing health and socio-economic crises, which the next government will continue to face. Moreno is an erstwhile friend and ally of leftist former president Rafael Correa, yet he later moved away from Correa's policies and made efforts to improve the business environment, crack down on corruption and seek support from multilateral lenders including the IMF to address financial and economic challenges. Andres Arauz, former culture minister under Correa, and Guillermo Lasso, who lost the runoff vote against Moreno in 2017, are the most likely candidates to contest the presidency in a potential second round on 11 April. Regardless of the election result, reform projects will likely be met with popular resistance and face heightened political instability risks.



PERU – 11 April

AKE Political Risk Rating: 3.8

Most uncertain election in decades to result in weak government, divided Congress

General elections scheduled for April will be the country's most uncertain in decades following a tumultuous period of political instability which led to Peru having three different presidents in a week in November 2020. Congress' vote to impeach former president Martin Vizcarra on 9 November and the resignation of his successor, Manuel Marino, on 15 November following deadly protests which further escalated socio-political tensions amid a severe economic crisis only five months ahead of the vote. A presidential runoff on 6 June remains highly likely given the absence of a clear frontrunner, although former mayor and professional footballer George Forsyth is leading the polls. The incoming president will face similar legislative gridlock to that which obstructed policy making and reforms during most of Vizcarra's term. Regardless of the result, the fragmentation of the party system and likely dispersion of votes will raise governability risks. Calls for a constitutional reform cannot be ruled out.

NICARAGUA – 7 November

AKE Political Risk Rating: 4.7

Daniel Ortega set to squash dissent, consolidate autocracy

President Daniel Ortega of the leftist Sandinista National Liberation Front (FSLN) is determined to secure his fourth consecutive and fifth overall term in the 7 November general elections. The vote is likely to be neither free nor fair and intimidation tactics are set to increase over the coming months. The FSLN-controlled National Assembly recently passed four highly controversial laws which consolidate Ortega's autocracy and his drive to quash



dissent, including the possibility of banning the opposition from running in the upcoming vote. Although the two main opposition groups – the Civic Alliance for Justice and Democracy and the Blue and White National Unity – are planning to form a coalition, the new legislation severely curtails their chances to freely campaign and participate. Dozens of key government figures remain under US sanctions and further targeted pressure is expected. Politically motivated and state-led violence risks intensifying ahead and after the vote.

CHILE – 21 November

AKE Political Risk Rating: 3.2

General elections while drafting a new constitution raise heightened uncertainty and unrest risks

Presidential and congressional elections will take place amid a constitutional reform process which will stoke policy uncertainty at least over the next two years in a country long considered a regional beacon of stability. The risk of unrest will persist and could further



increase should the reform fail to address the grievances that underpinned the protest movement which started in October 2019. The outcome of the upcoming November elections will be highly influenced by the reform process, which will be lengthy and complicated given that the main areas of reform have not yet been made clear. On 11 April Chileans will elect the 155-member constituent assembly tasked with rewriting the constitution. The composition of the constituent assembly, likely to lean to the left, will set the tone for the November vote. Even though the new constitution, to be approved in 2022, will maintain Chile as a republic governed by democratic principles, significant reform should be expected.

MIDDLE EAST AND NORTH AFRICA

ISRAEL – 23 March

AKE Political Risk Rating: 3.4

Fourth election in two years; newly formed parties may help break political impasse

As Israelis go to the polls for the fourth time in two years, two newly formed parties alongside the established ultra-orthodox and right-wing parties could give incumbent Prime Minister Benjamin Netanyahu the seats needed to form a right-wing coalition. This would break the political impasse, underscored by the collapse of Israel's seven-month-old emergency unity government in December. The main contenders are Netanyahu's Likud party, leading the polls, and two newly formed parties. Likud defector and erstwhile Netanyahu ally Gideon Sa'ar's New Hope is polling alongside Yesh Atid-Telem, both seeking to erode Netanyahu's base from the right. Netanyahu must maintain the support of ultra-orthodox parties – whose communities continue to breach COVID-19 lockdowns and clash with police – while distracting from his criminal indictments. Nonetheless, opposition from the centre-left is fragmented and Netanyahu has made significant geostrategic gains for Israel in 2020 and prior years. Despite ongoing popular protest against him, he will therefore likely lead in these elections.

SYRIA – April – May

AKE Political Risk Rating: 7.5

Vote to show high turnout and win for regime leader Bashar al-Assad, rubber stamping presidency

The outcome of the 2021 Syrian elections is a foregone conclusion: a strong win with a high voter turnout for Bashar al-Assad. Assad has been in power since 2000 after his father ruled from 1971. He led the country into what has now become a 10-year civil war after a series of peaceful uprisings in 2011. In 2014



Assad won the presidency with 88 per cent and over 70 per cent voter turnout. In 2007 it was over 99 per cent, impossible figures. In 2014 2.5 million Syrians of an estimated 23 million were refugees who sought to vote from abroad. Domestic and foreign-based opposition groups boycotted that vote, and voting did not occur in areas under rebel and Kurdish control. The elections are a rubber stamp seeking to legitimise Assad's presidency, in advance of new UN-brokered talks though all international election observers decry them as neither free nor fair.

IRAN – 18 June

AKE Political Risk Rating: 6.3

Choice of new president indicative of how Tehran will re-engage with the US and the nuclear deal

The outcome of the Iranian presidential elections will set the tone for how Tehran and the new United States (US) Biden administration will engage in returning to the 2015 nuclear deal and in alleviating sanctions against the Islamic Republic. Since President Hassan Ruhani – seen as a moderate – took office in 2014, sentiment in Tehran has shifted further to the right under economic decline exacerbated by US sanctions. Presidential potentials include State Auditing Organisation head Mehrdad Bazrpash, a 'young revolutionary' and ex-Basij militia member. State TV IRIB Chief Ezzatollah Zarghami, a hardliner-cum-civil rights proponent may also run. Brigadier General Hossein Dehghan is another contender, an Iran-Iraq war veteran, former IRGC air force general and former defence minister, with close links to Supreme Leader Ayatollah Ali Khamenei. Finally, hardline ex-president Mahmoud Ahmedinejad could run. However, the decision ultimately falls to Supreme Leader Ali Khamenei.

IRAQ – 16 October

AKE Political Risk Rating: 6.1

Despite new parties, Shi'ah blocs to dominate; violence, protracted government formation likely

Iraq's 2021 elections may result in a popular shift from the current status quo, given that new political parties have sprung up from the country's long-running protest movement. This is encouraged by small electoral reforms by Prime Minister Mustafa al-Kadhimi. Elections were brought forward from 2022 due to the demands of protesters campaigning since October 2019



for political change and an end to the country's crippling socio-economic deprivation. However, 2018's elections saw widespread accusations of vote tampering, voter intimidation, miscounts and a hangar full of ballots going up in flames during a recount. Out of 260 parties registered to compete, around 60 are new and originate from the 2019 protest movement. The Sa'irun bloc, headed by populist cleric Muqtada al-Sadr, continues to wield significant support. However, competing factional agendas mean that government formation will take months. Targeted assassinations of activists and election violence could escalate in the run-up to the vote.

SUB-SAHARAN AFRICA

SOMALIA – February/March

AKE Political Risk Rating: 6.7

Chaotic polls could jeopardise national cohesion, create inroads for al-Shabaab

The upcoming parliamentary and presidential polls will put Somalia's fledgling government structures to the test. Originally due by late 2020, a lack of funding, political deadlock and the COVID-19 pandemic have led to repeated delays. It remains uncertain whether the current timetable, which schedules parliamentary elections for between 9 and 21 February and the presidential vote for early March, can be met. Divisions run between the government and opposition, along clan lines and between Mogadishu and the country's renegade states. President Mohamed Abdullahi Farmajo's opponents accuse him of staffing electoral committees with his allies, sacrificing national cohesion for his own ambitions. Plans to reintroduce universal suffrage – one of Farmajo's key election promises – have been scrapped. A military standoff between federal and regional forces in Jubaland and a security vacuum created by the withdrawal of US and African forces further complicate the situation. A chaotic vote could allow Islamist militant group al-Shabaab to expand its influence.

ETHIOPIA – 5 June

AKE Political Risk Rating: 5.8

Erstwhile peace broker's transformation could spark more violence

The widening gulf between Prime Minister Abiy Ahmed and Ethiopia's ethnic constituencies signals a risk of intensifying violence before and after the parliamentary elections set for 5 June. The vote was originally scheduled for August 2020 but was delayed due to COVID-19 concerns, prompting anger from opposition parties. Abiy's credentials as a peace broker and reformer have been marred by a war with the Tigray People's Liberation Front, triggered by regional elections in Tigray which Addis Ababa deemed illegal. An ensuing humanitarian crisis has killed thousands and displaced millions of civilians. Abiy's Prosperity Party faces multiple further challenges from ethnic nationalist and separatist movements, including a growing insurgency in Oromia, civil unrest in Amhara and clashes in the Benishangul-Gumuz region. With demands for greater regional autonomy on multiple fronts remaining unsatisfied, the elections are likely to aggravate ethnic and regional disputes, potentially sparking a relapse into war.

ZAMBIA – 12 August

AKE Political Risk Rating: 5.4

Sovereign debt crisis and democratic backsliding raise risk for contentious elections

Incumbent President Edgar Lungu will face his long-time rival Hakainde Hichilema in general elections on 12 August amid acute political tensions and an ongoing sovereign debt crisis. Lungu, of the ruling Patriotic Front, narrowly won closely contested presidential elections in 2016 which Hichilema, of the opposition United Party for National Development, disputed citing electoral irregularities. Since then, signs of democratic backsliding and increasing authoritarianism have multiplied. Lungu has cracked down on political dissent, culminating in Hichilema's detainment for four months in 2017. The president's recent effort to discard the voter register, forcing citizens to re-register to be eligible to vote, has raised concerns of impending voter fraud. Whoever wins the election will be faced with the challenge of managing the fallout of Zambia's November 2020 default. The next government will have to convince creditors and the IMF to engage with Lusaka to restructure its 120 per cent of GDP debt.

