INTRODUCTION

Elections can have significant private-sector consequences. The transfer of executive or legislative power can create new regulatory risks triggered by shifts in government priorities and intensify market volatility by creating general investor uncertainty. In 2019, some of the largest emerging economies in Asia, Africa and Latin America could undergo disruptive political changes, while populist and anti-establishment parties are set to expand their reach in the European Union. This article provides a preliminary assessment of the policy implications of these elections and the risks for global financial institutions.

INDONESIA

Date: April 17, 2019

With a population of approximately 263,991,379 million (2017) and a GDP of $1.016 trillion (Current USD 2017), Indonesia is the largest Muslim country and third largest democracy in the world, and is the leading economy among the Association of South East Asian Nations (ASEAN). For years, Indonesia has been second only to China in economic performance among the G20 nations with an average 5% growth rate. Although there has been more than a 50% decrease in the nation’s poverty rate since 1999, the residual proportion in this income category still amounts to more than 25.9 million people.

The upcoming general elections in Indonesia pit the sitting President Joko Widodo (“Jokowi”) and his Democratic Party of Struggle (PDI-P) against challenger Prabowo Subianto and the Gerinda Party. In his last campaign, the openly secular Jokowi won support from liberal Indonesians but has since shifted his political positioning in an effort to gain support among the country’s more conservative Muslim population. Jokowi’s running mate is Ma’ruf Amin, a Muslim cleric with a reputation for controversial views, an appointment interpreted as a strategic maneuver to placate hardline religious constituencies empowered by social media and political decentralization. Beyond questions of faith, Jokowi has pushed for expanded infrastructure and social spending, while his opponent has argued for tax cuts and national self-sufficiency in food and fuel production. Key policy issues upon which the result could hinge include tax rates, resource nationalism and public debt levels.

In recent polls, Jokowi leads with 58% support to Subianto’s 42%, while the PDI-P is anticipated to secure 40.5% of the popular vote in the legislature versus 25% for Gerinda. Given that Subianto takes a significantly more nationalist approach to economic issues, protectionism is likely to increase under his leadership, while the election could instigate a shift toward religious conservatism no matter the outcome.

INDIA

Date: April/May, 2019

India is both the second largest country and the single largest democracy in the world. It’s population of 1.339 billion (2017) and growing is set to exceed China’s by 2024, while its 7.3% real GDP growth rate ranked among the highest globally in 2018. Furthermore, over the coming year, the...
$2.6 trillion Indian economy (current U.S. prices in 2017)\(^{18}\) will surpass that of the United Kingdom by market exchange.\(^{19}\)

Indian voters will head to the polls this year to choose new representatives for the lower house of the nation’s parliament, the Lok Sabha. The contest will focus on Prime Minister Narendra Modi and his Bharatiya Janata Party (BJP) and the Indian National Congress, led by Rahul Gandhi,\(^{20}\) with core election issues likely to include the economy, nationalism and development and welfare.\(^{21}\) Voting will be a multi-day process, scheduled for dates that range from April 11\(^{th}\) to May 19\(^{th}\), with the final tabulation set for May 23\(^{rd}\).\(^{22}\) While Modi’s agenda may have initially instilled confidence in the business community when he first entered office, his term has been marked by several economic blunders including an overly complex national sales tax and a failed demonetization scheme.\(^{23}\) Standing by his record, Modi has described the BJP’s platform for 2019 as a plan for “...development, fast development and development for all...”,\(^{24}\) while the opposition has seemingly focused on criticizing the PM at the expense of a clear policy proposal.\(^{25}\) However, Modi has still remained ahead of Gandhi in popularity polls.\(^{26}\) Support for him even surged after a military exchange with Pakistan, triggered in February by a terrorist attack on Indian troops stationed in the contested Kashmir border region.\(^{27}\)

SOUTH AFRICA

Date: May 8, 2019

With a population of 56.52 million (2017)\(^{28}\) and GDP of $349.3 billion (current USD 2017), South Africa ranks as the Continent’s second largest economy after Nigeria (as per IMF data),\(^{29}\) although these positions are inverted if petroleum is excluded from the calculation.\(^{30}\) The economic growth rate reached 1.3% in 2017 and forecasts project a 1% figure for 2018 and 1.9% for 2019 (as per World Bank data). Poverty increased from 16.9% to 19% between 2008 and 2018, while general unemployment stood at 27.2% in Q2 of 2018 (approx. 50% for youths).\(^{31}\)

In South Africa, political uncertainty is on the rise as incumbent President Cyril Ramaphosa, recently appointed after the ousting of his predecessor Jacob Zuma, faces a test at the ballot box.\(^{32}\) Challengers to Ramaphosa and his African National Congress (ANC) in the forthcoming election include Mmusi Maimane, leader of the centre-right Democratic Alliance (DA), and Julius Malema, head of the hardline Economic Freedom Fighters (EEF).\(^{33}\) Inequality and corruption are key election issues.\(^{34}\) Although the DA seemingly proposes more moderate policies in response to core public concerns, the EEF takes a much bolder approach,\(^{35}\) an example of which is its call for the complete nationalization of mines.\(^{36}\) Ramaphosa has already shifted his political positioning in an attempt to hedge against the EEF, including a land reform proposal that mirrors its call for forced reclamation.\(^{37}\) If the Freedom Fighters or ANC make political gains, there could be an accompanying increase in protectionism that disadvantages foreign investors.

EUROPEAN UNION

Date: May 23-26, 2019

Measured as a single economic bloc, the EU maintains its position as the second largest economy in the world by nominal GDP (2017).\(^{38}\) With 512,461,290 (2017) inhabitants and $17.282 trillion in GDP (USD current prices 2017),\(^{39}\) it is also the second largest consumer market.\(^{40}\) However, the EU continues to grapple with a series of politically and economically disruptive variables, including the ongoing Brexit saga, rising populist influence (Fidesz in Hungary, The League/Five-Star Movement in Italy, the Law and Justice Party in Poland, Alternative for Deutschland in Germany), global trade tensions and the ongoing reverberations from the refugee and migrant crisis.
The upcoming election represents a watershed moment for the European Union. 705 seats will be contested among the 27-member states of the bloc. Several key leadership positions in the EU bureaucracy will also be made vacant, including the presidencies of the European Parliament, the European Commission and the European Council. The elections boil down to a contest between two political factions: the so-called “establishment” parties at the ideological centre, consisting of the European People’s Party (EPP) and the Party of European Socialists (PES); and insurgent parties of various stripes, including the populist Italian League and the Sweden Democrats. Recent polling indicates that the centrist parties will lose their majority and the Eurosceptic right-wing will make significant gains. Despite the common perception that conservative populist leaders in Europe actively seek to erode Brussels’ power and influence, however, it is possible that they will seek to work within the existing political system and amend it to fit their objectives rather than disengage. The top challenges to the EU as prioritized by voters include immigration, terrorism, climate change, the economy and national public finances. Some right-wing parties believe that unelected EU bureaucrats have captured the decision-making process with respect to these and other concerns at the expense of the electorate, and so anti-establishment parties in this group may seek to devolve more political powers from the Union down to the state level, creating new incongruities in governance and regulation.

ARGENTINA
Date: October 27, 2019
With a population of approximately 44 million and a GDP of $637.43 billion USD (current prices), Argentina remains the third largest economy in Latin America. The country’s poverty rate stood at 27.3% (4.9% extreme) as of the first half of 2018, while its unemployment rate hit 9.6% in Q2. Although it posted a 2.9% growth rate in 2017, the economy slowed to the point of a possible recession in the later stages of 2018. Argentina has a long history of financial instability, including the 2001 debt crisis that relegated it to a near pariah in global markets. However, its reputation may be in a state of recovery: In June 2018, MSCI announced that it would promote Argentina from its “frontier” to “emerging” market index. This autumn, sitting President Mauricio Macri representing the Cambiemos coalition must defend his record against the populist Peronist movement. When first campaigning for office in 2015, Macri ran on a free-market platform, a reversal of the more state-driven, protectionist agenda furthered by his predecessor, Cristina Fernández de Kirchner. However, the incumbent president has also faced significant monetary challenges throughout his term; the Argentine peso depreciated by 50% in 2018 alone, inflation has reached the highest levels in nearly thirty years, and the country has received two bailouts from the International Monetary Fund totaling $57 billion; the largest loan ever issued by the lender to a single nation. De Kirchner remains the most viable candidate for the Peronist Party and will likely serve as Macri’s most prominent contender in the upcoming elections. She is reportedly planning to enter the presidential race with an emphasis on increasing consumer spending power. A Poll in late 2018 pinned investor confidence in Macri’s re-election at 56% compared to 22% for de Kirchner (the remaining percentage accounts for alternative Peronist candidates). However, if de Kirchner is successful, she could force a retrenchment from Argentina’s recent economic liberalization, reject the terms of IMF funding and return to a course of protectionism.
ENDNOTES

7 Sipahutar, “Jokowi On Course To Win Indonesia’s April Election, Survey Shows.”
19 Simon Cox, “A Successful Chase,” The Economist Year in 2019, 56.
23 Max Rodenbeck, “The Struggle For India’s Soul,” The Economist Year in 2019, 49.


Refer to “GDP (current $US),” The World Bank – Data.


Ibid.