

Asia's election outlook 2023

Crucial elections to watch
in the region



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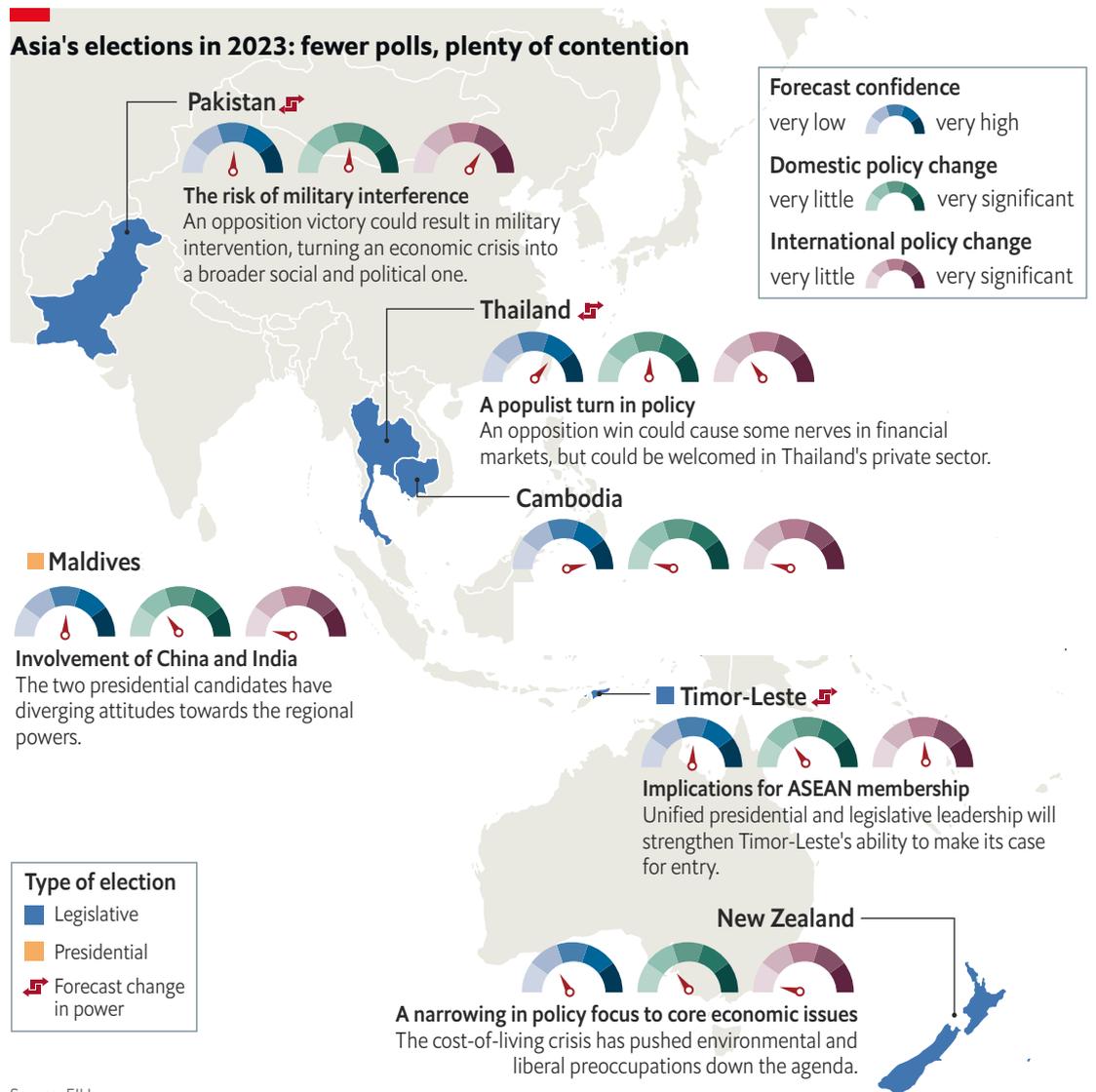
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Fewer elections in Asia in 2023, but plenty of contention

- After several major elections and power transitions in 2022, Asia's electoral calendar this year is quieter. This will reduce uncertainty attached to the regional outlook for policy and political stability.
- Still, the elections that are set to take place are likely to lead to changes, including in some key regional economies, as cost-of-living concerns weigh on the support of ruling parties. EIU's baseline forecast is for opposition victories in the legislative polls scheduled to be held in Pakistan and Thailand.
- The elections are also likely to prove contentious. There is a risk of military interference in Pakistan and Thailand—countries with a history of disruptive army-led coups. Cambodia's legislative election, which will be neither free nor fair, will lead to Western countries debating over the extent to voice criticism as they battle for influence in the country with China.



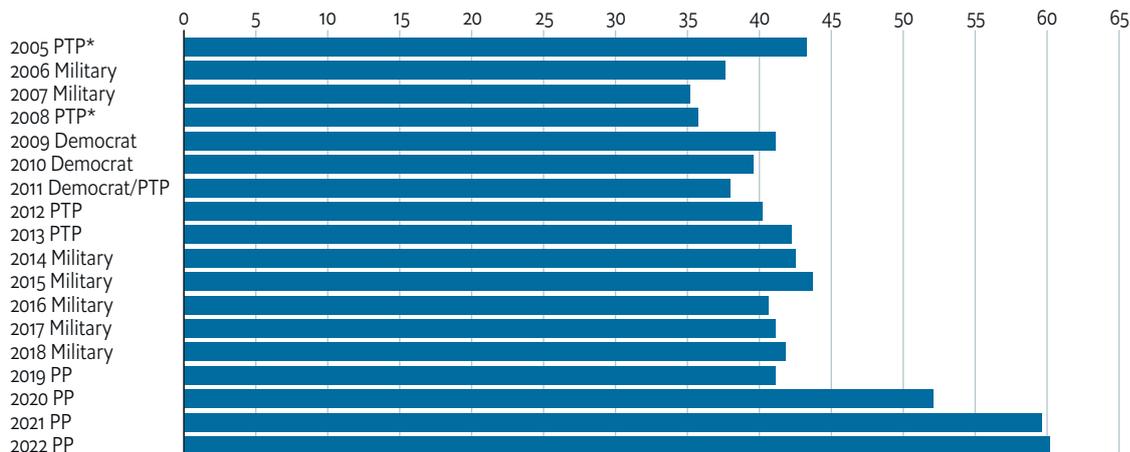
Source: EIU.

Policy to move in populist direction as Thailand's opposition returns to power

- Thailand's lower-house election, due by May, has been thrown open by the country's stretched from the covid-19 pandemic and discord within the military-aligned governing coalition. We expect the main opposition Puea Thai Party (PTP) to emerge as the largest party and for the premiership of Prayuth Chan-ocha, a military general who came to power in a coup in 2014, to end.
- A clean break with the current political set-up is unlikely, however. Thailand's constitution means that military-aligned political forces will still hold powerful levers of influence, including in the hand-picked upper house that influences key appointments. A governing coalition involving the PTP and one or more military-backed political parties is the most likely scenario.
- Still, a return to power for the PTP will prompt changes. Given the party's rural vote base, policy will move in a more populist, left-leaning direction, which will slow fiscal consolidation. However, the party will also promise investors a more dynamic and less intrusive approach to regulation, to kick-start growth. The party is linked to Thailand's exiled former prime minister, Thaksin Shinawatra, a wealthy businessman.

The opposition PTP's populist roots will make it difficult to tackle debt

(public debt as % of GDP under different governments)



Source: EIU.

*Puea Thai Party (PTP) predecessor parties.

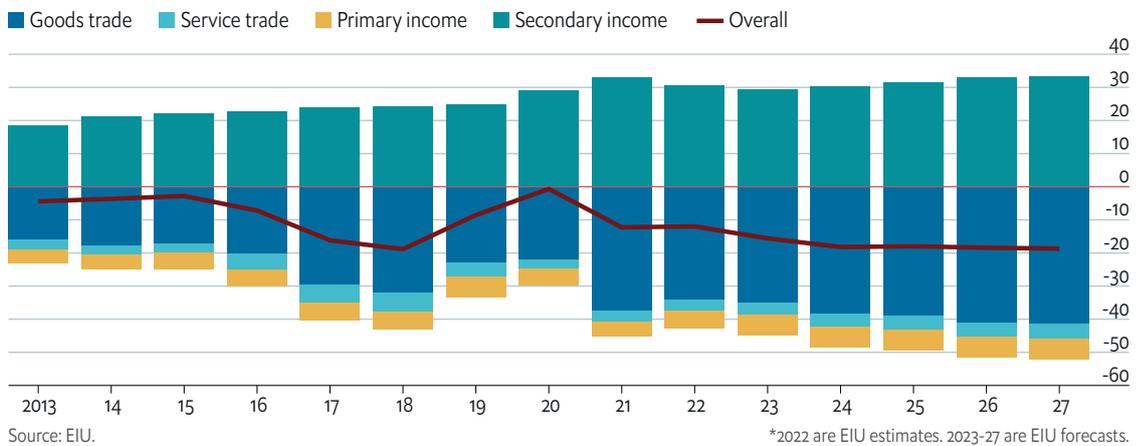
Political uncertainty will add to Pakistan's economic crisis

- Pakistan's election is most likely to occur in October, after the end of the current parliamentary term in August, but it could happen earlier given a worsening economic crisis. Looming loan repayments and a lack of foreign-exchange reserves mean the country is teetering on the edge of sovereign debt default. Averting this will require painful economic measures, including severe import repression, that could force an early election.
- The grim economic situation means that our baseline forecast is for Imran Khan, who was prime minister in 2018-22, before being ousted from office through a no-confidence vote, to return to

power. The prospective return of Mr Khan raises the risk of intervention by Pakistan's powerful military, which is concerned about how he has pivoted since leaving office to challenge its influence in the country. An outright military coup would lead to street clashes and violence, given vociferous grass-roots support for Mr Khan, deepening Pakistan's economic crisis.

- The economic challenges faced by Pakistan, driven by its weak balance-of-payments position, will remain, irrespective of who gains power. Mr Khan negotiated with the IMF when in power, securing an ongoing loan arrangement in 2019. He will have little choice but to do so again, even if his inclinations will be in a more populist direction.

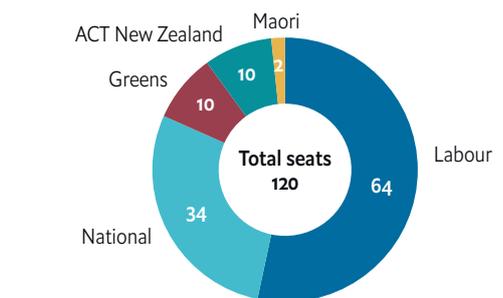
Pakistan's vulnerable external position is not expected to improve
(current-account balance; US\$ bn*)



Return of coalition government in New Zealand will lead to policy compromises

- New Zealand's election in October is likely to be tightly fought. Our baseline forecast is for the centre-left incumbent Labour Party to remain in power, but it will probably need the support of minor parties. While the high cost of living, a slowing economy and rising crime have sapped public support for Labour, the large parliamentary gains required by the main opposition National Party will prove insurmountable.
- The Labour prime minister, Chris Hipkins, who took over following Jacinda Arden's resignation in January, lacks his predecessor's star power but will shore up support for the ruling party by focusing tightly on "bread and butter" economic policy matters rather than big regulatory

While Labour is forecast to lose its outright parliamentary majority, the path to power for National is challenging
(number of seats)



Source: New Zealand Parliament.

reforms. An anticipated easing in consumer price inflation and a pick-up in the economy in the second half of the year will be helpful ahead of the polls.

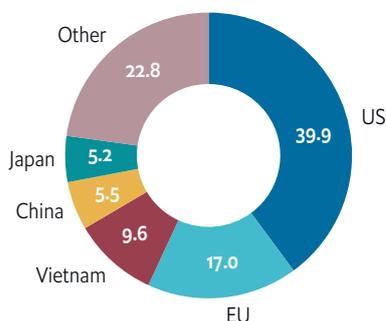
- Minor parties, including the Maori Party, the Green Party and NZ First, will probably hold the balance of power after the next election. Labour will have to make concessions in areas ranging from environmentalism to Indigenous rights in order to secure their participation in government.

One-party rule to persist in Cambodia, but a leadership handover looms

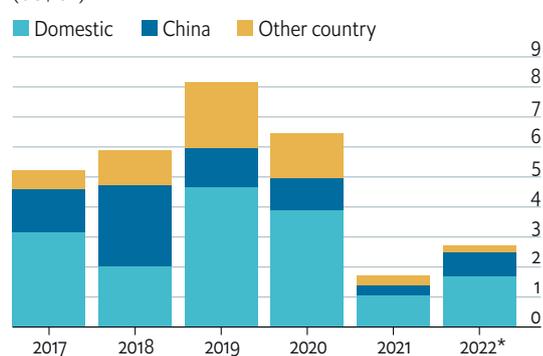
- Cambodia's election in July will result in another overwhelming victory for the ruling Cambodian People's Party (CPP), led by the prime minister, Hun Sen, which currently holds every seat in the national legislature. The CPP will allow the main opposition Candlelight Party, a faction of the now disbanded Cambodia National Rescue Party, to win some seats, but it will ensure that the outcome of the election is not in doubt.
- Modest opposition gains are unlikely to convince international opinion that the electoral process was free or fair. The US and the EU will voice criticism and will hold back on the restoration of Cambodia's previous trade privileges. However, Western countries will fear that going too far in their opprobrium will push Cambodia even closer to China.
- After the election, focus will shift to the timing of the handover of power from Hun Sen to his army general son, Hun Manet, who is set to stand in the polls. Hun Manet's inclinations seem likely to differ from those of his father; he holds several overseas degrees, including from the US military academy, West Point, pointing to potential changes. However, he could face competition within the CPP for the top role if his father is no longer on the political scene to manage the handover.

US is Cambodia's largest market, but China its main source of investment

Destination of Cambodia's goods exports
(share of total, 2022; %)



Approved investment in Cambodia by country
(US\$ bn)



Sources: Cambodian Department of Customs and Excise; National Bank of Cambodia; EIU.

*January-September.

Delayed elections highlight democratic backsliding elsewhere in the region

- Rounding out Asia's elections in 2023 will be polls due in the Maldives and Timor-Leste. Elections that were scheduled for the year in Myanmar and the Solomon Islands have already been delayed until

ASIA'S ELECTION OUTLOOK 2023

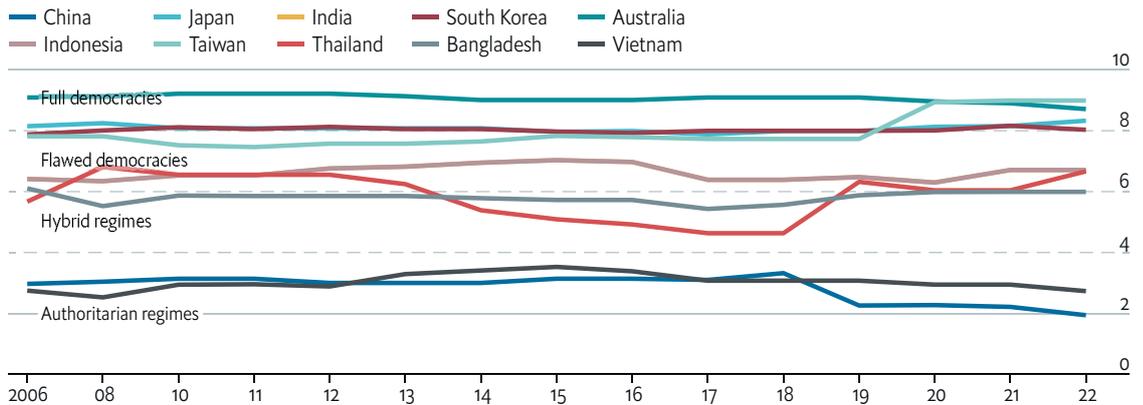
CRUCIAL ELECTIONS TO WATCH IN THE REGION

probably 2024 on dubious grounds, showing weaknesses in democratic institutions in the region that have also been highlighted in EIU's annual Democracy Index.

- In the Maldives, our baseline forecast is for the president, Ibrahim Mohamed Solih, to be re-elected in the presidential poll scheduled for September. A split within the ruling party means that the election will be fiercely contested, however. While Mr Solih backs an "India first" foreign policy, the political opposition favours closer ties with China. Fiscal retrenchment will be a priority, given high levels of public debt and sizable debt-servicing obligations in 2023-24.
- Timor-Leste's parliamentary election, due to be held by May, will probably cement the influence of José Ramos-Horta, who won the presidency in 2022. His government's main preoccupation will be securing membership of the Association of South-East Asian Nations (ASEAN) for the country, which is defined by the UN as "least developed" but holds a strategic regional location as a neighbour of Australia and Indonesia. We believe that Indonesia's presidency of ASEAN this year will help the process, pointing to admission in late 2023 or 2024.

The differing state of democracy in Asia

(EIU Democracy Index score; 10 largest economies in Asia)



Source: Democracy Index 2022, EIU.

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