

Summary:

- With Cambodia's opposition remaining sidelined, risks of violent mass anti-government protests are increasing.
- Nearly all US sanctions against Myanmar were lifted in October 2016, reducing sanctions risk for US and non-US companies operating in the country.
- The risk of miscalculation and escalation towards conflict on the Korean peninsula is elevated in the six-month outlook
- Cancelled elections in Afghanistan likely to damage the government's credibility, but donor pledges will ensure the government remains viable.

Detailed Analysis

Cambodia

With Cambodia's opposition remaining sidelined, risks of violent mass anti-government protests are increasing.

On 12 September, the opposition Cambodia National Rescue Party (CNRP) said it would organise anti-government demonstrations around Cambodia to protest what it calls politically motivated criminal cases against its leaders. The CNRP has also boycotted parliament since May 2016 over those criminal cases. By 6 October, the situation had apparently cooled, with the CNRP claiming it would end its parliamentary boycott on 7 October. However the CNRP did not follow through with ending its parliamentary boycott, suggesting its dispute with the governing Cambodia People's Party (CPP) over those cases is unresolved. If the opposition is unable to challenge the CPP through institutional means, the risk of the planned protests occurring increases. Those protests would potentially number in the mid-thousands of participants, and would likely be held in Phnom Penh, Battambang, and Siem Reap. The CNRP has called for the protests to be peaceful, but security forces are likely to use water cannon, tear gas, and baton charges that risk the protests escalating into fighting between protesters and security personnel. Protests in January and July 2014 escalated into violence and five protesters were killed by police fire. People caught in the upcoming planned protests face similar death and injury risks face. Previous CNRP protests have not resulted in property damage.

Myanmar

Nearly all US sanctions against Myanmar were lifted in October 2016, reducing sanctions risk for US and non-US companies operating in the country.

On 7 October, the United States eliminated nearly all sanctions against Myanmar. This lifts restrictions on US banking in regards Myanmar. It also means US investors can deal with all Myanmar individuals and firms, except the relatively limited number still banned on counter-narcotics grounds. The import of Myanmar jade, rubies and jewelry containing them can also resume. The United States will also extend benefits under the Generalised System of Preferences (GSP) to Myanmar's exports from November 2016. The US arms trade embargo with Myanmar remains. Myanmar's economy and businesses will likely benefit through increased investment by US firms, as well as non-US firms with a US presence since those were also affected by the sanctions. The provision of GSP benefits is likely to boost Myanmar's garment and fisheries sectors as both benefited when EU sanctions were lifted.

North Korea

The risk of miscalculation and escalation towards conflict on the Korean peninsula is elevated in the six-month outlook.

On 20 September, North Korea's KCNA news agency announced that the government had conducted a ground test of a new rocket engine and would launch a satellite "as soon as possible". This followed the 9 September nuclear-explosive device test, similar to the January nuclear test and February satellite launch. Also, in August and September North Korea tested a submarine-launched ballistic missile and previously unseen extended-range scud-type missiles respectively. These are clear indications of North Korea's progress towards developing longer range ballistic missiles and a miniaturised nuclear warhead for inter-continental ballistic missiles. With both official and unofficial channels of communication between the Koreas cut off since the 6 January nuclear test, accidents, convention weapons exchanges, or cyber-attacks are at an increased risk of triggering force, such as artillery fire, over the Demilitarized Zone de facto land border. Likely timing for weapons tests or violent incidents includes during annual US-South Korea joint military drills, which began on 10 October.

Afghanistan

Cancelled elections in Afghanistan likely to damage the government's credibility, but donor pledges will ensure the government remains viable.

Government instability will continue to be high over the next year, though collapse is unlikely. The parliamentary elections were scheduled for 15 October, but political deadlock over electoral reforms delayed them. This constitutes a further delay from the original date of September 2015, and has provoked public criticism of the unity government leadership by the parliament and political figures, placing further pressure on a government that is already becoming increasingly divided. However, the US is likely to intervene diplomatically to ensure deadlock within government does not result in a permanent breakdown. Government stability has also been improved by recent development aid pledges of more than USD 3.5 billion per annum at the Brussels Conference on 5 October, which will ensure the government remains financially viable until at least 2020.