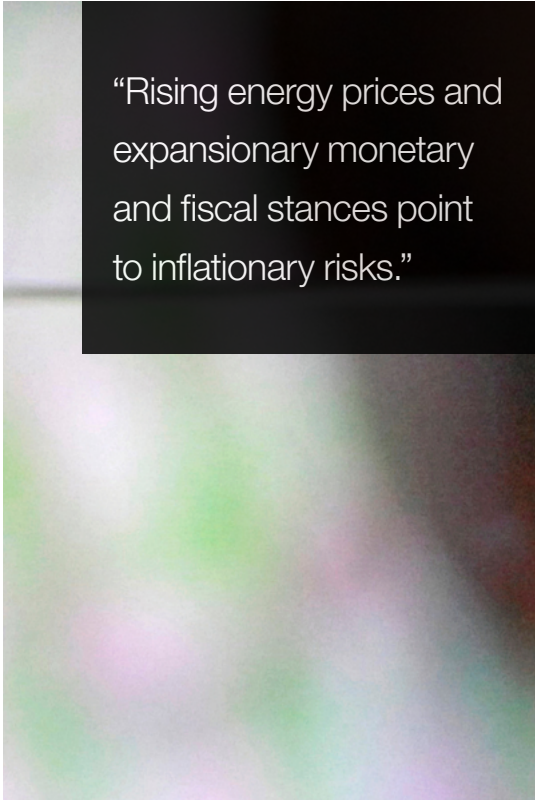


South Asia

Top ten risks in South Asia

1	Failure of national governance
2	Unmanageable inflation
3	Unemployment or underemployment
4	Failure of regional and global governance
5	Cyber-attacks
6	Failure of critical infrastructure
7	Energy price shock
8	Failure of financial mechanism or institution
9	Water crises
10	Large-scale involuntary migration

Note: See Methodology section for details of the survey's coverage in this region.



Political and economic concerns predominate among businesses in South Asia, with cyber-attacks also viewed as a concern.

“Failure of national governance” was ranked as the leading risk to doing business by our respondents in South Asia. This sentiment corresponds with a particularly busy political period in the region: there have been national elections in the past year – in Pakistan in July 2018 and in Nepal in November and December 2017 – and another three are expected by the end of the year – in Bangladesh, Bhutan and Maldives. The election process is often viewed with anxiety in South Asia as it can be accompanied by violence, blockades and other forms of political tension. Elections can also be followed by periods of uncertainty. In Nepal, a new constitution was adopted three years ago that divided the country into seven new federal provinces, but it is still to be seen how the provinces will be governed and how the separation of power will work.

Respondents also pointed to governance issues above the nation-state level, with “failure of regional and global governance” ranking fourth across the region, and featuring most prominently in Nepal and Bangladesh. Refugee and migration issues may be one driver of this, with approximately 700,000 people – mostly Rohingya – having fled from Myanmar to Bangladesh over the past year. In addition, India-Pakistan tensions remained ongoing in 2017, and there have been no bilateral talks between the two countries since 2015.

“Cyber-attacks” ranked as the number five risk across the region, but it topped the concerns of respondents in India, by far the region’s largest country. According to Symantec, India ranks third in the world, after the USA and China, for the volume of cyber threats

detected, and second for targeted phishing attacks. Furthermore, there has been concern in India about the protection of citizens’ personal data in the Aadhaar system (the country’s biometric ID database) following a breach across four government agencies in May 2018 that exposed approximately 130 million accounts. Elsewhere in the region, Pakistan, Nepal and Bangladesh all rank high among countries with computers running Microsoft products that report malware encounters.⁷ Furthermore, Bangladesh is still recovering from a cyber-attack carried out on its central bank in 2016 that stole \$81 million.

Economic risks are a prominent concern across the region. In India, the most prominent risk in this category was “failure of financial mechanism or institution”, which was ranked third by



A currency exchange in Colombo, Sri Lanka. (REUTERS/Dinuka Liyanawatte)

respondents. This reflects region-wide problems: many financial institutions are poorly managed and subject to weak regulatory oversight, and there has been a surge in the volume of non-performing loans over recent years. “Unmanageable inflation” was ranked as the second-highest risk across the region. South Asia benefited from low global oil prices in the 2014–16 period, but a combination of rising energy prices and expansionary monetary and fiscal stances point to inflationary risks. There are already indications of mounting price pressures in some countries: inflation in India increased from 1.5% in June 2017 to 5.1% in January 2018, while, in July this year, Pakistan’s inflation rate reached a four-year high. “Unemployment or underemployment” was ranked as the third leading risk in the region. While projections from the World Bank suggest South Asia is set to remain the fastest-growing region

in the world – with 7.1% economic growth on average in 2019 – there are concerns that the region will struggle to deliver sufficient job creation to meet the needs of a rapidly expanding population.⁸

⁷ Microsoft. *Microsoft Security Intelligence Report Volume*, v23, p.42.

⁸ World Bank. *South Asia Economic Focus: Jobless Growth?*, 2018.