

Weekly Focus

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TRENDS TO KEEP AN EYE ON

Romania – rated investment-grade again; **Switzerland** – banks are rapidly losing their once impeccable reputation; **Turkey** – a new Cabinet and a parliamentary boycott by the opposition.

AFGHANISTAN

The government is risking a cash crunch by refusing to conduct thorough investigations into two banks said to be in trouble because of high-level corruption. A crisis is not imminent, but longer-term relations with aid donors are at risk. This is the more unfortunate as President Obama's military pullout plan is too hasty.

MOROCCO

The constitutional changes approved in a referendum last Friday are not quite as sweeping as some protesters would have wanted them to be, but they constitute a significant concession by the King and represent a big step toward a more democratic environment that should keep calls for regime change at bay.

NIGERIA

An effort is underway to rebuild the country's foreign-exchange reserves with the help of tightened fiscal spending, the elimination of a restriction on capital inflows, and the establishment of a new sovereign wealth fund. The outlook for the economy is good and the consolidation of the banking sector is making progress.

PORTUGAL

The job of getting the country back on its feet economically, an enormously difficult challenge to begin with, has just become even more daunting with Moody's decision to cut the nation's debt rating. Portugal is not Greece, but the Hellenic nation's travails have now clearly complicated matters for Lisbon.

SPAIN

The government has approved a fresh round of fiscal spending cuts. While there are a number of reasons for believing that Spain should be able to get through its present difficulties without having to follow Greece and Portugal to an EU/IMF bailout, no one can be certain just yet.

THAILAND

A stock market selloff that preceded the elections was abruptly reversed. Over the longer run, much will depend on the Cabinet Ms. Shinawatra chooses, how she fulfills her expensive campaign promises, and, above all, whether serious attempts will be made to bring her brother back from exile.

UNITED KINGDOM

Public sector workers have begun to join their counterparts in other EU countries in striking to protest the government's fiscal belt-tightening, and economic data have been relatively weak. But this is not to say that H.M.G. had an alternative route they could have safely taken.

VENEZUELA

The markets have been interpreting President Chavez' illness as good news for investors, hoping it will bring a change to a more business-friendly regime. But critics should be careful what they wish for. The best thing for Venezuela would be if Chavez were able to contest next year's presidential election, and lost.

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