Asian companies face increased risk of default as politicians in the region accept more corporate failures, adding to strains as refinancing costs climb.

China is allowing more defaults to happen as it promotes more market-driven pricing in bond markets, while India's overhaul of its bankruptcy courts is forcing large delinquent borrowers into the courts. JPMorgan Chase & Co. has revised its default-rate forecast for Asian high-yield bonds to 2.8 percent, citing negative surprises such as China Energy Reserve & Chemicals Group Co.'s recent debt failure.

"It certainly looks like defaults will pick up in Asia," said David Kidd, a partner at Linklaters, who focuses on restructuring and insolvency matters. "There seems to be a political willingness to allow defaults."

Five companies in the region have defaulted on dollar bonds this year, up from two last year. China Energy Reserve defaulted on its bonds in May, as did Hong Kong developer Hsin Chong Group Holdings Ltd.

A record $282 billion of dollar bonds are due in Asia ex-Japan in the two years through 2020, coming at a time when analysts forecast the 10-year U.S. Treasury yield to rise to 3.56 percent by the first quarter of 2020. The yield has climbed more than fifty basis points this year, exceeding 3.1 percent in May before falling back.

"People are going to refinance at higher rates, so there's going to be a lot more pressure on those companies," said Paul Forgue, managing director and head of Asia restructuring practice at Alvarez & Marsal. "As their debt servicing increases, the risk of default down the road is definitely higher."

S&P Global Ratings sees selective defaults in Southeast Asia, where conglomerates have also become more aggressive in acquisitions, resulting in increased debt loads. Weaker companies in Indonesia would likely face the risk of financial difficulties if the rupiah weakens to over 15,000 against the dollar for six to 12 months, according to Xavier Jean, an analyst at S&P. The rupiah in recent days has traded a little under 14,000. A weaker local currency pushes up the cost to service foreign debt.

"The currency is the big thing to look out for," he said.

Overall, liquidity has tightened in the region compared to last year, and China is focusing on cleaning up debt at local government-related entities, according to Clara Lau, an analyst at Moody's Investors Service. That may trigger defaults this year, she said.

"There should be no assumption that the PRC government will prop up failing companies no matter how large," according to Linklaters' Kidd. "The prevailing view now is that we will see some large defaults."