

Political Risk Update: July 15, 2020

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Russia: Regional anger poses direct challenge to Kremlin

Event: As many as 30,000 people marched through the far eastern city of Khabarovsk on July 11 to protest against the arrest of regional governor Sergey Furgal on charges related to the murder of several businessmen fifteen years ago.

Outlook: Demonstrations took place in other Khabarovsk region cities and continued during July 12 and 13. Police did not intervene. Protesters directed their anger against President Vladimir Putin personally, telling Moscow to keep its hands off a governor they elected in 2018 when voters inflicted a surprise defeat on the Kremlin candidate. Furgal belongs to the Liberal Democratic Party, whose leader Vladimir Zhirinovskiy denounced the authorities' "Stalinist" behaviour in parliament and asked why Furgal was now being arrested on charges that stem from events in 2004-5.

Analysis

The timing of Furgal's arrest on July 9 was intended to warn regional political leaders that the Kremlin is more fully in control than ever after the constitutional referendum. The

degree of support for Furgal was unanticipated and the Kremlin will hope this multifaceted crisis calms down by itself, as it recognises that a tougher police response would be a high-risk move. Moreover, the parachuting in of an interim figure pending elections could backfire if local resistance remains strong as there is little time to carry out the substitution before the run-up to September's regional polls. While Zhirinovsky is too compliant to make his criticism of the move of any danger to the Kremlin, his core arguments about its presumptuous behaviour contain uncomfortable truths that will resonate with many Russians.

Mali: Political crisis grows amid new demonstrations

Event: Four people were killed and at least ten injured in clashes between security forces and protesters in Bamako on July 10, reportedly after police shot at demonstrators.

Outlook: President Ibrahim Boubacar Keita appears to be following a carrot-and-stick approach, hardening the security response to protests and arresting organisers while offering deeper concessions. However, security forces lack discipline and reports of human rights abuse have been increasing recently. Keita's strategy, together with the opposition's apparent refusal to accept anything short of the president's resignation, risks escalating tensions further.

Analysis

This rally on July 10 was the third massive demonstration organised by the June 5 Movement-Rally of Patriotic Forces (M5-RFP), a coalition of three organisations asking for the resignation of President Keita. The violence was followed by arrests of several movement leaders. The trigger for the protests was a result of the March/April legislative elections; the Constitutional Court overturned early results to give Keita's party several seats they appeared to have lost in the earlier tallies. On July 12, Keita offered more concessions, including replacing the members of the Constitutional Court and rerunning

the elections in the disputed constituencies, but the opposition quickly rejected the proposals.

Argentina: Latest protests point to deepening political polarisation

Event: Anti-government protests were held in Buenos Aires, Cordoba, and other cities on July 9, the country's Independence Day.

Outlook: Demonstrators demanded 'liberty and justice' as they protested against the continuing COVID-19-related lockdown and the government's earlier proposal to expropriate the cereals exporting company Vicentin. Earlier cross-party support for the government's anti-coronavirus measures has fractured, and Fernandez's hopes for achieving consensus around moderate policy positions appear increasingly illusory as political polarisation and economic angst grow quickly.

Analysis

President Fernandez is facing the widespread perception that the economic impact of the lockdown restrictions is outweighing their ability to limit the spread of the virus, particularly as a record 3,663 cases were confirmed on July 9. The government is also dealing with the rejection of its 'final' debt restructuring offer by the two largest bondholder groups which together account for a third of the 65 billion dollars in bonds that need to be restructured. The groups have threatened to resume litigation in US courts unless the government reopens negotiations, even though the G20 and the IMF have both urged creditors to accept the government's offer.

Ivory Coast: Death removes frontrunner from October's presidential election

Event: Prime Minister Amadou Gon Coulibaly, 61, died on July 8 after falling ill during a cabinet meeting.

Outlook: In March, Gon Coulibaly was chosen as the presidential candidate for the ruling Rally of Houphouetists for Democracy and Peace (RHDP) as incumbent president Alassane Ouattara decided not to seek a third term. As Ouattara's preferred successor and facing a field largely made up of long-time presidential challengers from an older generation, Gon Coulibaly was expected to win a relatively quiet election, especially as Guillaume Soro, the former House speaker and would-be candidate, was convicted of embezzlement in absentia and sentenced to 20 years in jail in April.

Analysis

The prime minister had only returned to the country on July 2 after two months in Paris for medical treatment for his long-standing heart condition. With a candidacy deadline looming, Defence Minister Hamed Bakayoko is one possible RHDP alternative. While Ouattara is likely to be hesitant about reversing his decision not to run again, especially given the inevitable domestic and international criticism of moving beyond two terms, pressure could grow within the RHDP for him to run again or, more likely, to delay the election so that the new RHDP candidate has more time to campaign.

Brazil: Government will ensure deforestation rises despite international pressure

Event: The Brazilian space research agency INPE said on July 10 that preliminary estimates showed deforestation rising by 25% year-on-year in the first half of 2020, following an already sharp increase in 2019.

Outlook: The pace of deforestation in the Amazon is again becoming a significant commercial issue, with domestic companies, foreign importers of Brazilian products, and investment funds all warning of negative consequences if the government does not do more to combat it. President Jair Bolsonaro's policy of prioritising economic development over environment concerns appears increasingly counter-productive in economic terms.

Analysis

June marked a 14th consecutive month of increases in the area deforested, with a 10.7% year-on-year rise. For the first half of the year, deforestation reached 3,066 square kilometres (km²). The Amazon Environmental Research Institute estimated that the full-year figure could reach some 15,000 km², up from a 14-year high of 10,129 in 2019. Vice-President Hamilton Mourao said on July 10 that deforestation was likely to rise this year because the government had not deployed the military to Amazonia to combat fires and deforestation until May, even though the operation should have begun in December 2019.

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