

## Political Risk Update: September 23, 2020

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### Angola: IMF disbursement offers Luanda breathing room despite China debt issue

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**Event:** On September 16, the IMF approved an immediate disbursement of one billion dollars under its existing Extended Fund Facility for Angola, while expanding the arrangement by 765 million dollars to help cushion the impacts of the COVID-19 pandemic and low oil prices.

**Outlook:** This latest move indicates continued backing from the IMF for President Joao Lourenco's reform-minded administration, despite the fact that progress has slowed in several areas. This support is particularly significant as it seems to have been approved without the Fund reaching agreement with the government on a major restructuring of Luanda's Chinese debts. Up to now, Angola is seen as a potential test case for emerging market debt restructuring with Beijing.

#### Analysis

Angola is the most heavily indebted African nation to China: about one-third of all Chinese lending in Africa has gone to Angola. Angola has applied for debt relief under the Debt

Service Suspension Initiative (DSSI), and it is estimated that potential savings could be as much as 3.1% of GDP, according to the World Bank. However, while the Fund noted that "the authorities have secured debt reprofiling agreements from several large creditors to reduce risks related to debt sustainability", there was no confirmation on whether Luanda had agreed to any significant debt restructuring with its Chinese creditors, most notably the China Development Bank.

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## Thailand: Student-led democracy protest tests government pledge to avoid violence

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**Event:** On September 19, at least 20,000 protesters gathered close to Bangkok's Grand Palace in what was the largest rally in the country since the 2014 military coup.

**Outlook:** With further large rallies planned, the protest movement will continue to grow. The government appears reluctant to crack down on demonstrators, but equally it is unlikely to consider making serious concessions. The tense stand-off will endure so long as protests remain peaceful. If violent unrest were to break out, the likelihood of the military taking back control from the quasi-civilian government would rise sharply.

### Analysis

Protesters are calling for the resignation of the government, which is nominally a civilian administration but dominated by the politically powerful military. They want a new constitution and fresh elections but have gone beyond previous generations of anti-

government demonstrators in openly calling for curbs on the power of the monarchy, at the risk of violating Thailand's lèse majesté legislation. After the latest rally, they left a plaque near the Grand Palace proclaiming that Thailand "belongs to the people and is not the property of the monarch".

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## Chile/Argentina: Environmental court confirms shut down of major mining project

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**Event:** On September 17, Chile's first environmental court yesterday ordered the definitive closure of Barrick Gold's 8.5 billion dollar Pascua Lama gold and silver project.

**Outlook:** Although the project has been definitively abandoned in Chile, there remains some possibility that Argentine operations could be revived as part of government hopes to boost the economy through investment in sectors such as mining. However, strong popular opposition will represent a significant obstacle to any attempt to restart the project.

### Analysis

The Pascua Lama project, on the Chile-Argentina border, prompted strong resistance in both countries owing to its impact on glaciers, river contamination and on scarce water supplies for which it competed with agricultural producers. The potential impact on three nearby glaciers was at the heart of environmental opposition to the project in Chile, where prolonged drought is highlighting public awareness of climate change and environmental issues. The court, which had reopened the case on the orders of the Supreme Court last year, also imposed fines worth some nine million dollars on the company.

## **Algeria: Government may move quickly to hold new elections after referendum**

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**Event:** President Abdelmadjid Tebboune set up a new committee on September 20 to draft revisions to the electoral law that would encourage citizen to participate in elections.

**Outlook:** Setting up a committee to revise the electoral law even before the new constitution has been ratified by referendum on November 1 suggests that President Tebboune wants elections as soon as possible after the referendum, in order to build a sense of momentum for political reform.

### **Analysis**

On coming to office last December following the months of protests that precipitated the ouster of his predecessor, Tebboune vowed to deliver political reforms. Earlier this year, a committee chaired by Ahmed Laraba, a law professor, prepared the proposed amendments to the constitution that are expected to be confirmed in the upcoming referendum. Laraba has now been asked to chair the new committee on electoral law and process, suggesting that Tebboune sees the referendum and subsequent elections as part of the same reform package. At the beginning of the year, Tebboune had said a new constitution would mean that the country would need early local and parliamentary elections, although his office in May indicated that the COVID-19 pandemic had set back these plans.

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## **Bolivia: Incumbent's withdrawal leaves upcoming presidential election more open**

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**Event:** On September 17, Interim President Janine Anez withdrew from the upcoming presidential elections to avoid splitting the vote of those opposed to Movimiento al Socialismo (Movement towards Socialism, MAS) candidate Luis Arce.

**Outlook:** Her move came after opinion polls showed Arce could win in the first round, due to be held on October 18. Anez's withdrawal appears likely to guarantee that the elections will go ahead as scheduled but it may not be enough to avert a second round between Arce and former President Carlos Mesa, the outcome of which could be unpredictable.

### **Analysis**

Anez took over as interim president after flawed 2019 elections saw former President Evo Morales step down. She initially said that she would not stand this year before saying that she would. She explained the latest change of position by saying that she wanted to avoid splitting the vote and so allowing a MAS victory that would allow the exiled Morales to return. However, it is unclear whether her supporters will vote for Mesa, the second-placed candidate, with whom she has tense relations, nor whether other candidates would withdraw in Mesa's favour. The Tu Voto Cuenta (Your Vote Counts) survey gave Arce 40.3% of voting intentions to 26.2% for Mesa; a first-round win requires the leading candidate to gain 40% plus a 10-percentage-point margin over the second-placed contender. Anez herself attracted only 10% support before her withdrawal.

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