

Political Risk Update: September 30, 2020

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Azerbaijan: Serious escalation in conflict with Armenia risks slide into war

Event: Fighting continued on September 27 and 28 at several points around Nagorno-Karabakh, the territory lying in the disputed area between Azerbaijan and Armenia whose de facto rule by an Armenian administration has been hotly disputed by Baku since the late 1980s.

Outlook: As usual, each government accuses the other of launching an offensive but the use of heavy weaponry indicates a higher level of planning on both sides than was the case in July's border skirmishes. The Azeri president, Ilham Aliyev, has warned he will recapture Karabakh by force if negotiations fail and even small territorial gains at this point would enhance his stature at a time of economic difficulties stemming from low oil revenues. Turkey swiftly expressed support for Azerbaijan, placing more pressure on Moscow to defuse the situation before it escalates into uncontrollable war and invites Turkish intervention.

Analysis

Azerbaijan's military has reported capturing villages close to the Iranian border. Karabakh Armenian forces deny this, although Karabakh leader Arayik Haratyunan admitted the loss of some southern territory. Karabakh officials say that civilians were killed in Azerbaijani shelling of Karabakh's capital Stepanakert, while Azerbaijan claims civilians were killed by Armenian shelling. Incomplete reports suggest at least 30 dead and each side claims to have destroyed tanks, helicopters and other equipment. Azerbaijan has imposed martial law nationwide, while both Armenia and Karabakh have declared martial law and begun a general mobilisation.



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Nigeria: Attacks undermine official claims of security in the north-east of the country

Event: The official convoy of Borno State Governor Babagana Zulum was attacked on September 27 after leaving the town of Baga. An ambush of Borno State officials two days earlier by suspected Islamic State West Africa Province (ISWAP) militants left 18 security officials dead.

Outlook: The latest attack on Zulum's convoy, the third in the past three months, reaffirms the emptiness of repeat official pronouncements of a return to normalcy in the north-east of Nigeria. Tensions between Zulum and the security forces could now rise once more, while internally displaced persons (IDPs) will be even more sceptical of claims that official

resettlement efforts are safe.

Analysis

The September 27 attack on a convey travelling to Baga to mark the official relocation of IDPs from the state capital Maiduguri produced few casualties, with Zulum himself apparently making the journey separately by helicopter. Condemning the deadly attack on September 25, President Muhammadu Buhari through his spokesperson described it as "orchestrated sabotage" intended to undermine the return of IDPs. Zulum's convoy was attacked by suspected ISWAP militants in July during an attempted trip to Baga, with Zulum subsequently rebuking the military for failing to ensure adequate security around the town.

Mexico: Water disputes are likely to worsen at all levels

Event: On September 27, the National Water Commission (Conagua) rejected claims by Chihuahua Governor Javier Corral Jurado that Conagua's failings had generated a new water debt with the United States.

Outlook: The exchange comes amid tensions over Mexican government efforts to meet water sharing quotas despite local shortages. A 1944 treaty sees more water sent south from the United States than is sent north from Mexico, but much of Mexico's contribution comes from drought-prone Chihuahua, the country's largest state, creating difficulties for farmers. The United States is demanding that Mexico pay off a 289-million-cubic-metre shortfall in its quota by October 24. Missing the October deadline would risk tensions with Washington and potentially risks a renegotiation of the 1944 treaty on terms less favourable to Mexico.

Analysis

President Andres Manuel Lopez Obrador (AMLO) intends to honour the October 24 deadline for fear of Washington's reaction. However, the worsening water situation in

Chihuahua will hit AMLO's support there while strengthening Governor Corral and his National Action Party. It is widely accepted that climate change will see droughts worsen in the coming years, driving migration and further conflicts. The opening of the La Boquilla dam earlier in September prompted violent clashes, with farmers ultimately seizing control of the facility. AMLO has blamed the conflict on political opponents, claiming they seek to exploit the situation to their electoral advantage ahead of next year's mid-term elections.

Chile: Latest subsidy package not enough to prevent new protests over job losses

Event: On September 27, President Sebastian Pinera announced a new subsidy plan worth two billion dollars that is intended to save jobs and create up to one million new positions to offset the impact of the pandemic.

Outlook: The latest relief measures will drive a sharp increase in the fiscal deficit this year. If they fail to expedite and sustain a recovery then a return to large-scale anti-government protests is likely, especially amid fears of a second wave of virus cases after the easing of restrictions.

Analysis

Under the plan, for the next six months the government will pay up to 50% of the salaries of newly hired workers (up to a maximum of 317 dollars per month) and up to 20% of the salaries of workers brought back after suspension during lockdown (up to 200 dollars per month); the limit will rise to 60% of the wages of the hardest-hit sectors. Unemployment reached a decade-high of 13.1% in the three months to July with some 1.8 million jobs reportedly lost, and GDP is forecast to contract by around 5% this year. The new package is in addition to earlier relief measures worth a total of some 12% of GDP.

Egypt: Latest anti-government protests will die down but the authorities are worried

Event: A former state contractor, whose corruption allegations triggered rare protests in September 2019, called for a 'day of rage' against the government on September 28.

Outlook: Recent protests appear less significant than those seen last year and are likely to remain small and isolated. In many cases, they are driven more by local factors and individual grievances than by a groundswell of revolutionary sentiment. Ultimately, severe government brutality will mean demonstrations subside. However, the current level of repression will prove difficult to sustain in the long term, and officials are worried that the strain on living standards resulting from policy responses to the COVID-19 pandemic may fuel further discontent.

Analysis

The businessman, Muhammad Ali, initially urged demonstrations on September 20 to mark the anniversary of last year's events. There have been a number of protests over subsequent days, mostly on the outskirts of cities or in rural areas as increased security has made protesting in urban centres more difficult. The scale of the current unrest is difficult to determine as tightly controlled local media have asserted that the call for mobilisation failed entirely, while opposition outlets are exaggerating the turnout. Complicating the issue is that some protests appear to overlap with discontent over the controversial demolition of homes that local authorities say have been constructed illegally.

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