Political Risk Update: October 14, 2020

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Colombia: Release of former president will sharpen political polarisation

Event: Alvaro Uribe, the former president and until recently a senator, was released from house arrest on October 10 after more than two months of confinement.

Outlook: Uribe is arguably Colombia's most polarising political figure and his release will deepen divisions in the country. It has been welcomed by President Trump and bilateral ties with the United States will endure beyond next month's US elections, though a Biden victory may see aid plans delayed as they are reviewed by the incoming administration.

Analysis

Uribe, who is under investigation for alleged witness tampering, was placed under preventative detention by the Supreme Court on August 4. However, his subsequent resignation from the Senate saw his case pass to the Attorney General's Office and a municipal judge ruled that his detention could not be upheld under these circumstances. Uribe is credited by some for his tough security strategies and condemned by others for alleged human rights abuses during his presidency. US President Donald Trump

congratulated Uribe on his release, calling him "a hero". A new US assistance plan for Colombia has recently been announced, intended to encourage private investment and create opportunities in conflict-hit areas.

Libya: Rising oil output will bring short-term benefits with blockade lifted

Event: The Sharara oil field, with a production capacity of 300,000 barrels per day (b/d), restarted production on October 12.

Outlook: With overall oil production likely to exceed half a million of barrels per day, this will provide some relief for Libya's finances despite low oil prices. How long this level of production can continue will depend on the outcome of talks currently underway between the country's two competing governments.

Analysis

Other oil fields have also come back online in recent weeks, including Sarir with roughly 250,000 b/d maximum production capacity, after the Government of National Accord (GNA) last month reached an agreement to reopen the oil sector with the Libyan National Army (LNA), which controls the oil fields. The agreement has been controversial domestically, as many see it as giving renewed importance to LNA commander Khalifa Haftar after his failed bid to take control of Tripoli. However, both rival authorities faced mass protests against deteriorating socio-economic conditions in September, which are

due in part to the LNA's blockade on oil fields since January. In July, the NOC reported earnings of just 38 million dollars, down from two billion dollars in July 2019.

Haiti: Elections are crucial even with the pandemic but pose serious risks

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Event: On October 7, Dominican President Luis Abinader urged an international response to the crisis in Haiti, saying it represented a regional challenge.

Outlook: President Jovenel Moise has ruled Haiti by decree since January, when the term of the lower house of congress expired, and he has since been accused of colluding with gangs to bolster his position. There is widespread agreement that legislative elections are needed to provide checks on executive power and revive a sense of democratic accountability. This is despite the practical challenges posed by COVID-19 and the likelihood that elections will prompt violence as the country experiences extreme economic challenges that are perpetuating poverty, crime and widespread discontent.

Analysis

Haiti has suffered regular unrest in recent years, driven by anger over issues such as food and fuel shortages, corruption and political gridlock. The assassination of respected lawyer and leading constitutional expert Monferrier Dorval on August 28 has inflamed the situation, triggering violent protests. UN Special Representative Helene La Lime last week warned the Security Council that Haiti was on "the precipice of instability" and stressed the need for an electoral framework and calendar. Moise last month appointed a commission to schedule new elections but has warned that holding a vote during the COVID-19 pandemic would be dangerous.

Jordan: New prime minister will promise change that the country cannot afford

Event: On October 7, King Abdullah appointed diplomat and royal adviser Bisher al-Khasawneh as the country's new prime minister.

Outlook: The outgoing prime minister, Omar al-Razzaz, resigned as expected ahead of the November 10 elections but the king's decision not to wait until after the polls to make a new appointment shows the urgency with which he seeks to separate himself from health and economic policy failures. The king sent a long letter outlining goals for the government that Khasawneh will form, beginning with healthcare but touching on all sectors, including support for the security forces. In practice, though, economic and social constraints are so tight that there is little room for policy change and the new prime minister will at some point be forced to take the blame for lack of progress.

Analysis

Following mass protests in 2018, Razzaz, formerly with the World Bank, was appointed with a mandate to oversee anti-corruption and fiscal reforms. However, the pandemic and related lockdown have stalled these reforms as the economy shrinks and more households fall below the poverty line. Unemployment reached 23% in April-June, and the protests by teachers over salaries that began in late July have gained wider traction, resulting in a security crackdown. In addition, COVID-19 cases are now surging again.

Thailand: Despite new tax breaks the economy will struggle without tourists

Event: On October 12, the cabinet approved recommendations from a special economic task force that will provide income tax deductions of up to 950 dollars for purchasing certain goods and services in October-December.

Outlook: The government says that this move, together with other stimulus measures, will inject 3.85 billion dollars into the economy between now and the end of the year. However, a special visa scheme to attract tourists will instead deter many prospective visitors because of the associated costs. Thailand is counting on domestic consumption to drive post-pandemic GDP but the economic recovery will remain slow until the tourism sector revives.

Analysis

Thailand's GDP has taken a severe hit from the fallout of the COVID-19 crisis. It contracted by more than 12% year-on-year in April-June, and according to various state agencies could shrink by 7-9% over the full year. In 2019, travel and tourism contributed nearly 20% of its GDP, directly and indirectly. Recognising the importance of the sector, the government recently approved a scheme to start reopening the country to foreign visitors. However, applicants for the special tourist visas on offer will have to meet certain conditions that include purchasing adequate health insurance while still having to undergo quarantine upon arrival.

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