

Political Risk Update: July 29, 2020

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China: Cancelling legislative elections is an effective block on Hong Kong opposition

Event: The Hong Kong government invoked emergency powers on July 31 to postpone a legislative election scheduled for September by one year, saying that it would be unsafe to hold them on time due to a recent rise in the number of COVID-19 cases.

Outlook: Concerns about safety may be legitimate, but the move is widely understood as a convenient pretext for postponing an election in which the government expects to lose seats. The delay will further undermine the legitimacy of an already unrepresentative legislature. However, it deprives opposition politicians of a formal channel for pursuing their objectives. By next year, the new national security law will have produced a sustained crackdown on activism outside the formal political institutions.

Analysis

Elections in densely populated Seoul and Tokyo went ahead safely in recent months despite outbreaks of COVID-19. Had the Hong Kong legislative elections gone ahead, there was a small but real chance that strong popular opposition to the government would

have given opposition politicians a majority for the first time, despite an election system skewed in favour of pro-Beijing candidates. An opposition-controlled legislature would have democratic legitimacy that the government lacks and a popular mandate to resist Beijing.

Guyana: Final confirmation of results from the March elections will not end tensions

Event: Mohamed Irfaan Ali of the opposition People's Progressive Party/Civic (PPP/C) was sworn in as president on August 2, shortly after the electoral commission ruled that the party had won the general election held in March by some 15,000 votes.

Outlook: Bitter political and ethnic divisions have been exacerbated by tensions over control of oil revenues and the potential exclusion of opponents from the benefits of oil money. However, resolution of the electoral dispute will allow the new government to begin to tackle pending problems including the impact of COVID-19.

Analysis

Outgoing President David Granger of the National Unity-Alliance for Change (APNU-AFC) has continued to claim fraud, although he did not urge supporters to demonstrate against the installation of the new president. The dispute of the outcome of the poll has resulted in regional and international pressures on Granger, who has been accused of trying to subvert the elections in order to retain power. At issue is control over windfall oil revenues, with ExxonMobil having begun production ahead of schedule at its offshore Liza field and now expecting to reach production of 120,000 barrels per day this year. The legal wrangling over the election has prevented Granger from spending oil revenues to date. For his part, Ali has promised to renegotiate the contract with ExxonMobil to ensure more favourable terms for the country.

Argentina: Debt restructuring delay could ultimately strengthen government's hand

Event: The deadline for a restructuring deal for some 65 billion dollars of debt expires on August 4 but acceptance is reportedly only around 35%, well below the amount required.

Outlook: President Alberto Fernandez has indicated that there will be no further improvements to the offer as demanded by large bondholders, potentially implying a hard default. With a double-digit contraction expected this year, the government cannot improve payment terms again. It will seek IMF support, which is likely to be forthcoming, and could restart debt talks next year when bond prices will have fallen and having an IMF deal in place would strengthen its negotiating position.

Analysis

The government is to begin separate negotiations for a new stand-by agreement with the IMF which it hopes will ease the debt repayments schedule over the next three years. Separately, Reuters reported on August 2 that some bondholders had contacted the IMF to seek backing for unspecified changes to the legal clauses involved in the new bonds proposed by Buenos Aires. The government has previously indicated willingness to reopen talks on the legal terms but not on the amounts offered, suggesting that there could still be room for agreement before the final payment date of September 4.

Belarus: Government efforts to smear opposition challenger would be risky

Event: On July 30, between 25,000 and 60,000 people attended the largest rally so far in Minsk in support of presidential candidate Svyatlana Tikhanouskaya ahead of elections on August 9.

Outlook: Tikhanouskaya has little political experience but, unlike many previous challengers to President Lukashenka, she is appealing to the whole of the opposition with an upbeat campaign that has the support of two high-profile figures who are barred from running.

Analysis

With her popularity growing, the authorities are trying to link charges brought against 33 Russians said to be Wagner Group mercenaries to Tikhanouskaya's husband Syarhey Tikhanousky, a popular blogger who planned to stand as a candidate before being arrested. Charges against him have been expanded to include 'inciting social animosity'; the Russians under arrest are accused of 'preparing mass unrest'. Russia's ambassador says they were transiting Minsk for a security assignment in a third country. The foreign ministry in Moscow has denied the men were in Belarus to cause trouble and urged Minsk to stop exciting "negative emotions" in an election period. President Lukashenka appears inclined to use the allegations to launch a crackdown. But attempting to smear Tikhanouskaya via her husband carries risks, both because of the strength of her support and because Moscow may balk at being painted as the villain.

Vietnam: Government should be able to overcome COVID-19 setback

Event: After the country experienced a sharp rise in COVID-19 cases last week, Prime Minister Nguyen Xuan Phuc said on August 3 that this is "the decisive time" to stop a large-scale spread of the virus.

Outlook: On July 25, Vietnam recorded its first locally transmitted case since mid-April. On July 31, it confirmed its first death from COVID-19 and it has now recorded 642 infections and six deaths from the disease. The latest wave of infections will put the government under pressure, but the way in which authorities handled the initial outbreak suggests that they have the capacity to curb the renewed threat. Vietnam will rely above all on its well-proven test-and-trace regime, isolating and quarantining individuals accordingly.

Analysis

In recent days, the authorities have been attempting to contain an outbreak that began in the central city of Da Nang and involves a particularly contagious strain of the novel coronavirus. Vietnam confirmed its first two cases of COVID-19 in late January. Thereafter, authorities moved swiftly to impose travel restrictions, treat infected patients, and then trace quarantine their contacts. Although some people were allowed to quarantine at home, tens of thousands were sent to quarantine camps.

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Company Address

51 Lime Street, London, EC3M 7DQ, United Kingdom

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