

Political Risk Update: February 24, 2021

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Ukraine: President's sanctions on Kremlin ally mark a bold and irrevocable move

Event

President Volodymyr Zelensky froze the assets of veteran pro-Moscow politician Viktor Medvedchuk and several associates on February 19.

Outlook

Tackling Russia's principal proxy actor and risking Moscow's retribution is a bold move by any standards. In taking it, Zelensky is signalling that he has ended attempts to engage with Vladimir Putin. He is calculating that the new US administration will approve of his robust approach and also, possibly, that credit earned from standing up to Moscow will offset Western criticisms of stalled reform progress.

Analysis

The measures target 19 companies linked to Medvedchuk, his wife and six other individuals, who are accused of smuggling coal out of rebel-controlled regions and financing pro-Russian TV stations which Zelensky barred from broadcasting in early February. Some of their property, including an oil pipeline, will be seized. The Kremlin described the moves as "alarming". Medvedchuk, influential in Ukrainian politics since the 1990s, heads the Opposition Platform-For Life party and sits in parliament. Since conflict began in 2014, he has articulated the Kremlin's views and obstructed reform efforts, acting as ally and friend of President Putin. He has been untouchable up to now, despite acting in an adversarial state's interests.

Brazil: Changes at Petrobras will revive long-standing concerns about interference

Event

On February 22, Brazil's Securities Commission began an investigation into the removal of Roberto Castello Branco as CEO of state-controlled oil company Petrobras on February 19.

Outlook

President Jair Bolsonaro removed Castello Branco following a dispute over fuel pricing policies, with Petrobras recently moving to raise diesel prices in line with global costs. The shake-up at Petrobras will revive concerns over the company's finances, which have improved under Castello Branco, as well as government interference in its operations more generally.

Analysis

President Bolsonaro made the announcement after markets closed on February 19, having warned the previous day that he planned to make changes to the company's management. Petrobras's shares have fallen sharply in response amid further rumours that Petrobras's executive management may resign en masse as a result of Bolsonaro's decision to replace Castello Branco with former Defence Minister Joaquim Silva e Luna, a retired general. Castello Branco's predecessor left in 2018 after the government forced Petrobras to reverse diesel price rises and the company has long struggled with losses arising from selling fuel domestically at prices below international levels. Silva e Luna, who has no experience in the oil sector, has called for "balance" in fuel pricing.

Thailand: Premier survives non-confidence vote but will need to jettison ministers

Event

Prime Minister Prayut Chan-o-cha survived a parliamentary no-confidence vote on February 20.

Outlook

The vote followed a four-day debate in which opposition MPs were critical of the government's COVID-19 vaccine roll-out and its policies for reviving the pandemic-hit economy. The result is unsurprising, given the majority held by the governing coalition in parliament, but it only partially relieves the pressure on Prayut. The premier will feel compelled to reshuffle his cabinet, despite his claims to the contrary, with the most criticised ministers being replaced.

Analysis

The motion against the premier was supported by 206 lawmakers and rejected by 272, with three abstaining. Education Minister Nataphol Teepsuwan, Labour Minister Suchart Chomklin and Commerce Minister Jurin Laksanawisit (who is also a deputy prime minister) attracted the most criticism. In recent months, the authorities have struggled to face down protesters calling for the resignation of Prayut's administration and reforms to the monarchy. Around 1,000 demonstrators rallied outside parliament following the no-confidence vote. Prayut said he was not considering a ministerial reshuffle, although he indicated that information from the censure debate would be "reviewed".

Myanmar: ASEAN will react cautiously to junta's crackdown

Event

Singapore's Foreign Minister Vivian Balakrishnan held talks on February 18 with his Indonesian counterpart, Retno Marsudi.

Outlook

A statement issued by Singapore's foreign ministry noted that the two believe that ASEAN "can play an important role" in facilitating a return to normalcy and stability in Myanmar. However, any ASEAN meeting on Myanmar would only produce more expressions of support for 'dialogue' and the restoration of 'normalcy', which will have little impact on the junta. The bloc's principle of non-interference in members' internal affairs will prevent it doing more.

Analysis

Balakrishnan and Retno backed calls for an informal ASEAN ministerial meeting on the Myanmar situation. During a visit a day earlier to Brunei, which is ASEAN's 2021 chair, Retno urged Sultan Hassanal Bolkiah to support such an event. Separately, the United Kingdom and Canada have joined the United States in sanctioning senior figures in the Myanmar military over the February 1 coup. But ASEAN will only contemplate backing the sort of punitive action being undertaken by Western powers if there is a violent and prolonged crackdown on anti-coup protesters by the Myanmar authorities.

Lebanon: Political elites will divert the course of the Beirut blast probe

Event

On February 18, Lebanon's highest court of appeal removed Fadi Sawwan from his role as the prosecutor responsible for investigating last August's Beirut port explosion that killed more than 200 people.

Outlook

The investigation will be transferred to another judge, but this demonstration of the power of the elite (together with more direct threats from Syria-linked interests) will be a restraining force. Campaigners despairing of justice inside Lebanon will call for an international tribunal. However, this is unlikely to gain momentum amid the country's many crises, especially as most political forces would fear implication. The ammonium nitrate cargo that caused the explosion had been stored in the port for six years, in unsafe conditions, through several changes of government.

Analysis

The court's move followed a complaint by former public works and finance ministers charged with negligence. It accepted the argument that Sawwan's neutrality was undermined because

his home suffered in the explosion. In December, Sawwan summoned caretaker Prime Minister Hassan Diab and other senior figures for questioning as suspects, at which point the political establishment united in declaring this move to be unconstitutional. Families of the victims and accountability activists, not all of whom had believed Sawwan was doing a good job, have nonetheless come together to denounce the verdict.

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