

# Political Risk Update: March 17, 2021

- Ukraine: Government moves against Chinese tech company should please Washington
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## Ukraine: Government moves against Chinese company should please Washington

### Event

On March 11, the head of Ukraine's Security and Defence Council announced that the Motor Sich aircraft engine plant would be nationalised.

### Outlook

The Ukrainian government is keen to win support from the new Biden administration so the decision to prevent a Chinese company from taking full control makes sense politically. Controlling the Ukrainian engine manufacturer would offer China some valuable designs, and US concerns on this score are more than academic. In addition, Moscow will not be unhappy that China is prevented from acquiring a plant and technologies that Russia regards as historically its own.

### Analysis

China's Skyrizon company, which has a majority stake in Motor Sich, has been in dispute with Ukrainian government agencies since 2017. The company's backers filed a USD3.5bn lawsuit against Kyiv in December arguing that a 2018 freeze on its Motor Sich shares constituted expropriation. In January, the US government blacklisted Skyrizon on the grounds that its investment and resulting technology acquisition created an "unacceptable risk of diversion to military end use" by China. Motor Sich specialises in engines for civilian planes and military helicopters as well as scaled-down jet engines for cruise missiles.

## Argentina: President Fernandez attacked by anti-mining protesters in Chubut

**Event**

President Alberto Fernandez was attacked by anti-mining protesters in Chubut province during a visit on March 13.

**Outlook**

Fernandez favours an expansion of mining activity as a means of increasing export revenues. However, macroeconomic instability, popular resistance and a history of regulatory changes will reduce the credibility of a new legal framework for the sector and undermine the industry's potential.

**Analysis**

The protesters were angry over the 'pro-mining' policies of Chubut Governor Mariano Arcioni, who is said to favour a return to open-pit mining. This includes the use of cyanide, which has been banned in the province for more than a decade after protests over its impact on agriculture and tourism. Fernandez cut short his visit following the incident after overflying areas of the province recently affected by wildfires and promising some relief measures for those affected. Arcioni had already been the target of protestors prior to the president's arrival, while local anti-mining groups claim to have been attacked by members of the construction union Uocra. Chubut has large deposits of gold, silver and uranium but anti-mining legislation has been in place since 2003 following a referendum on the development of a gold mine in Esquel.

**Sri Lanka: New anti-terrorism regulations raise concern about human rights****Event**

President Gotabaya Rajapaksa on March 12 issued regulations that allow a person suspected of causing "acts of violence or religious, racial or communal disharmony" to be sent to a dedicated "reintegration centre" to undergo a "rehabilitation programme".

**Outlook**

The regulations will play well with the president's base but are already prompting outrage among human rights groups, who argue that the measures are less about promoting deradicalisation and more about allowing lengthy detention of terrorism suspects without trial.

**Analysis**

A magistrate can now refer a detainee to such a programme for one year in cases where the attorney general decides that this is an alternative to criminal proceedings. With extensions, the rehabilitation period could last up to two years. The president's regulations come under the 1979 Prevention of Terrorism Act, which has long attracted criticism from human rights organisations over its severe provisions. Rajapaksa won the presidential election in November 2019 and appointed his brother, Mahinda, as prime minister soon afterwards. The Rajapaksas' party, which is popular among the country's ethnic Sinhalese, Buddhist majority, went on to a

landslide victory in the August 2020 legislative polls and the government will face little political push-back on the new regulations.

## **Bolivia: Arrest of former president will deepen political divisions**

### **Event**

Jeanine Anez, the country's interim president until last November, was arrested on March 13 on charges of terrorism and sedition relating to the unseating of her predecessor Evo Morales in 2019.

### **Outlook**

Former justice and energy ministers Alvaro Coimbra and Rodrigo Guzman were detained the day before on similar charges, with several other former ministers face arrest warrants. These arrests will feed political polarisation over whether the events of 2019 constituted a coup. That could foster solidarity among an otherwise disunited opposition. Further arrests are likely, with the apparent politicisation undermining the credibility of the justice system.

### **Analysis**

Evo Morales, of the Movement towards Socialism (MAS), stood down as president in November 2019, amid protests over contested elections the previous month. The interim administration that followed pulled politics to the right, while Morales, in exile, was accused of terrorism and sedition. Elections last October saw the MAS regain the presidency and maintain legislative control. Opposition parties nevertheless secured important gubernatorial and mayoral posts in subnational elections this month. Former President Carlos Mesa has denounced Anez's arrest as "arbitrary" and "illegal", accusing the government of trying to use false claims of a coup to distract from accusations of fraud. International concerns have also been raised about the arrests, with EU Foreign Affairs Minister Josep Borrell among those calling for "transparent" justice.

## **Brazil: Lula's possible return and continuing COVID concern polarise election outlook**

### **Event**

On March 12, the Prosecutor-General's Office appealed the decision by a Supreme Court justice to overturn the corruption convictions of former President Luiz Inacio Lula da Silva..

### **Outlook**

If the appeal is successful, Lula would again be barred from running in next year's presidential elections. If Lula does run against President Jair Bolsonaro, who will be seeking a second term, it will mean a contest between two controversial candidates with high disapproval ratings.

Bolsonaro's re-election is likely to depend on an economic rebound and a dramatic improvement in the health crisis.

### **Analysis**

Two new polls published since the Supreme Court decision show that Bolsonaro would narrowly defeat Lula in a run-off if elections were held now, with 54% of those surveyed in one poll opposing the overturning of Lula's convictions. However, Bolsonaro's approval ratings continue to fall over his handling of the pandemic, which has seen more than 2,000 daily deaths for several days and an average of 69,000 new cases daily despite a sharp fall in COVID-19 testing. Also on March 12, it was announced that the health regulator had given final approval to the Oxford/AstraZeneca vaccine, to be produced by Fiocruz in Rio de Janeiro, and that the Health Ministry had purchased 10 million doses of the Russian Sputnik V vaccine, to arrive by the end of June.

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