

# Political Risk Update: April 28, 2021

- Peru: Castillo's advantage may not be enough to claim second-round victory in June
- Mozambique: Total's decision to declare force majeure will frustrate the government
- India: Government tightens its grip on social media as COVID surges
- Saudi Arabia: Riyadh is trying for greater alignment with the Biden administration
- Chad: Crackdown by new military government may trigger more violence

## Peru: Castillo's advantage may not be enough to claim second round victory in June

### Event

An IEP poll released on April 15 suggests that, of those intending to vote in the presidential run-off election on June 6, 41.5% support left-wing candidate Pedro Castillo and 21.5% back right-wing candidate Keiko Fujimori.

### Outlook

Fujimori will press the comparison of Castillo to the failing Venezuelan government, and concerns about the economy are likely to see her gain support among right-of-centre voters and the business sector. If elected, Castillo may come under pressure from rural supporters to take a more muscular approach to the mining sector.

### Analysis

All polls published to date give Castillo an advantage, although this latest IEP survey gives him the greatest lead so far. However, it also shows that 21% of those intending to vote plan to cast blank or spoiled ballots and 16% are undecided. Castillo, who favours constitutional reform, has rejected attempts by Fujimori and others to compare him with former Venezuelan President Hugo Chavez. He has also tried to play down promises by elements within his Peru Libre (Free Peru) party to nationalise "strategic sectors". He has promised to respect the rule of law and claims to have no intention of nationalising companies.

## Mozambique: Total's decision to declare force majeure will frustrate the government

### Event

On April 26, French energy company Total declared force majeure on its Mozambique LNG project, after withdrawing all of its staff from the construction site following worsening insecurity over the past month.

## Outlook

The company's move poses an existential crisis for the FRELIMO government, with so much of the country's future economic growth, as well as its own political survival, resting on an LNG-related windfall. While a Southern Africa-led security response to the crisis is in gestation, a credible, long-term framework will likely be required to ensure Total's return to operations.

## Analysis

The Total site is on the Afungi peninsula near the town of Palma in northern Cabo Degado province, which has been experiencing a series of Islamist-inspired insurgent attacks since March. A company spokesperson stated that force majeure was "the only way to best protect the project interest, until work can resume". Total had in recent weeks apparently cancelled or suspended contracts with contractors, although Natural Resources and Energy Minister Max Tonela was reported as saying on April 22 that Total's "main contracts" would remain in place with only those of subcontractors being cancelled, and that they were "easily 're-mobilisable'" when work recommenced. However, the invocation of force majeure suggests that the company does not regard a full resumption of operations as likely in the short term.

## India: Government tightens its grip on social media as COVID surges

### Event

On April 26, the Indian government issued a legal order demanding that Twitter remove some tweets criticising Prime Minister Narendra Modi's handling of the pandemic.

### Outlook

Modi is keen to distance himself and his government from the governance failures that have contributed to the worsening pandemic crisis in India; controlling online discourse is an important part of that strategy. The government took the same approach to social media during the farmers protests earlier this year. Such moves not only impinge on democratic freedoms but may also impact India's prospects to partner with Western technological democracies, even though Western capitals are unlikely publicly to criticise steps taken during the current COVID crisis.

### Analysis

Twitter, and other social media, are an important communications platform for Modi, who now has the largest Twitter following (67.4 million) of any serving head of government. Government officials have defended the order by describing it as a necessary action to prevent "unethical" uses of social media and the circulation of "fake news". This comes after the central government in February, via an executive order rather than parliamentary consent, revised the Information Technology Act of 2000. The revisions grant the central government greater leeway in directing online traffic and risk facilitating state surveillance.

## Saudi Arabia: Riyadh is trying for greater alignment with the Biden administration

### Event

At the US-hosted virtual climate summit on April 22, King Salman promised to halve carbon emissions by 2030.

### Outlook

Riyadh is using multiple means to build its relationship with the new Biden White House, moving away from close association with the Trump administration and disavowing human rights abuses that have drawn criticism from Democrats. However, it will also take steps to find alternatives to the US security umbrella as relations with Washington become less assured, as seen in its own back-channel talks with Iran and an April 20 agreement to borrow a Patriot missile defence battery from Greece.

### Analysis

At the climate meeting, the king highlighted a push by his son, Crown Prince Mohammed bin Salman (MBS), to boost renewable energy and plant 50 billion trees; he also promised to host a regional climate summit later in 2021. In another nod to President Biden's environmental agenda, MBS is also planning to build a new, car-less, zero-emissions city. Riyadh is floundering as the Biden administration has reached out to Tehran in an effort to revive the nuclear deal, suspended new Saudi arms deals and stopped military support for the Yemen war. Meanwhile, Yemen's Iran-backed Huthis have stepped up drone attacks, last week targeting a Saudi oil facility. Reports emerged earlier in April that Biden had removed a US Patriot anti-missile battery that had been defending the kingdom.

## Chad: Crackdown by new military government may trigger more violence

### Event

There were renewed protests after the Transitional Military Council (CMT), which took power after the April 20 death of President Idriss Deby, appointed a new prime minister on April 26.

### Outlook

It is unlikely that the CMT will engage in meaningful talks with any opposition movements; they have rejected calls for dialogue from the rebel group that killed Deby and there are rumours of purges within the military. Using deadly force to crack down on protesters will increase violence, at least temporarily, but may be successful in suppressing demonstrations over the longer term.

### Analysis

On April 26, the CMT named veteran politician Albert Pahimi Padacke as prime minister. Padacke ran against Deby in the April 11 presidential poll, coming second with 10% of the vote (compared to nearly 80% for Deby). Nevertheless, Padacke is seen as an insider of the ruling class; he served as premier under Deby during 2016-18 and the fact he was even allowed to

contest the latest election showed he posed no real threat to Deby. Opposition groups quickly rejected Padacke's appointment, arguing a new prime minister ought to be appointed only after consultation, and called for peaceful protest and dialogue.

### About Willis Towers Watson

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has 45,000 employees serving more than 140 countries and markets. We design and deliver solutions that manage risk, optimise benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas — the dynamic formula that drives business performance. Together, we unlock potential. Learn more at [willistowerswatson.com](https://willistowerswatson.com).