

Political Risk Update: May 12, 2021

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Pakistan: Economic needs are forcing better relations with Saudi Arabia

Event

Prime Minister Imran Khan completed a three-day trip to Saudi Arabia on May 9.

Outlook

The intensive diplomacy of recent days underscores the eagerness of both Pakistan and Saudi Arabia to reset bilateral relations. For Islamabad, the immediate priority will be to ensure that its long-standing partner helps rather than hinders its efforts to get the country's economy onto a surer footing.

Analysis

Khan met Crown Prince Mohammed bin Salman, the de facto Saudi ruler, during his stay. Qamar Javed Bajwa, chief of the politically powerful army, travelled to the kingdom ahead of Khan's visit and also held talks with Mohammed bin Salman. Pakistan-Saudi ties frayed in 2020 over Islamabad's insistence that Riyadh back its position on Kashmir, over which Pakistan and India dispute sovereignty. However, Riyadh has burgeoning ties with Delhi and does not want to alienate it. Saudi Arabia responded to Pakistan's pressure by calling in part of a loan and allowing an oil credit facility to expire. Separately, the IMF earlier this year resumed disbursements of its latest Extended Fund Facility loan, agreed with Pakistan in 2019 to ease a macroeconomic crisis.

Ethiopia: Port expansion plan will produce regional disquiet

Event

Ethiopian state media reported on May 6 that the government has signed a memorandum of understanding with Emirati state-owned logistics firm DP World to invest approximately 1 billion dollars into supply chain infrastructure linking Ethiopia with Berbera port in Somaliland.

Outlook

The latest agreement with DP World reinforces the viability of Berbera as an alternative export route for Ethiopia, one which can offer it increased flexibility and improved capacity to negotiate the terms of trade. However, it will cause disquiet in Djibouti, which fears a consequent loss in trade revenues, and anger in Somalia, which rejects Somaliland's self-declared independence.

Analysis

The deal reported on May 6 includes improvements to the road network surrounding the port as well as upgrades to its freight facilities and information technology infrastructure. DP World is already managing a project reportedly worth 400 million dollars to upgrade facilities in Berbera port and so increase its freight handling capacity from 3 million tonnes to 18 million tonnes. Ethiopia took a 19% stake in the venture in 2018. Landlocked Ethiopia has long been seeking ways to diversify its access to ports to handle its growing maritime trade, some 95% of which is currently routed through Djibouti. In turn, Djibouti's economy is highly dependent on trade and related services, roughly 85% of which is estimated to derive from Ethiopian trade.

Iran: Hardliners will tighten control of presidential poll

Event

Candidate registration for the June 18 presidential election began on May 11, and in accordance with the Guardian Council's new requirements.

Outlook

The Guardian Council's new rules exclude a number of high-profile older, younger, reformist or populist aspirants. Its requirements signify the conservative establishment's aim of keeping a tighter control on the upcoming poll, which will not also be important in the context of the current US nuclear negotiations but also, possibly, for the selection of the next supreme leader.

Analysis

The rules state that candidates must be aged 40-75 and have a master's degree, senior state or military management experience and no criminal record. This comes as the reformists' possible top candidate, Foreign Minister Mohammed Javad Zarif, faced hostile questioning by the conservative-dominated parliament over a leaked audio recording in which he criticised the military's hijacking of diplomacy. For this, Supreme Leader Ali Khamenei has condemned him. Rumours suggest that there will be an unusual number of military contenders for the presidency this time. However, conservatives are also looking to see whether judiciary head Ibrahim Raisi decides to run. Raisi is using his post to gain credit for anti-corruption moves and on May 8 he issued a popular ruling that renationalises a controversial sugar plant.

Maldives: Suspected assassination attempt will raise short-term tensions

Event

Former President Mohamed Nasheed, who is now the parliamentary speaker and leader of the ruling Maldivian Democratic Party (MDP), was injured in a bombing outside his homes in the capital, Male, on May 6.

Outlook

Some reports say Islamic State has claimed the attack and tensions have increased as authorities seek to determine which group was responsible. If Islamist hardliners are accused, there will be renewed debate about the long-standing problem of local radicalisation. The Maldives will be concerned about possible damage to its image abroad at a time when it can ill afford to lose out on much-needed tourism income.

Analysis

In 2008, Nasheed became the country's first democratically elected president but was then ousted from power in a 2012 coup. He returned from self-exile in 2018, following victory for friend and MDP party colleague Ibrahim Mohamed Solih in that year's presidential election. The MDP went on to have a landslide victory in the 2019 legislative poll. Islamist extremism would be a concern for the Maldivian economy, which is highly reliant on tourism. The country stopped issuing arrival visas in March 2020 in a bid to contain the threat from COVID-19 before reopening its borders in July. The World Bank expects GDP growth of 17% in this year, compared with an estimated 28% contraction in 2020.

Kyrgyzstan/Tajikistan: Shared willingness to end local border conflict

Event

On May 6, officials from Tajikistan and Kyrgyzstan issued a joint statement agreeing to accelerate demarcation of the remaining undefined sections of their frontier, where skirmishes between civilians on either side recently escalated into live fire exchanges between their armed forces.

Outlook

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Analysis

About 470 kilometres of the 980-kilometre border remain unmarked and the resulting perceptions of encroachment by people from the other side often causes friction, though rarely on this latest scale. The officials also agreed on a new road connecting Tajikistan with its exclave Vorukh, a territory inside Kyrgyzstan that has often been the focus of tension.

Demarcation was already taking place but this concerted push is a way of expressing common commitment to de-escalation.

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