

Political Risk Update: May 19, 2021

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Chile: Rebuke by voters to all parties raises deep uncertainty about election results

Event

Preliminary results show a sharp defeat for President Sebastian Pinera's government in the elections held on May 15-16 for members of a constituent assembly that will draft a new constitution.

Outlook

The governing coalition appears to have received only about 20% of votes, with independents and leftist parties dominating the new constituent assembly. The apparent broad rejection of traditional parties will have a wider impact, not least on the presidential elections due in November, for which candidates are required to register this week.

Analysis

Out of 138 elected members of the new constituent assembly, around 45 will be independents with no political affiliation. Left and centre-left alliances gained some 53 seats while Pinera's coalition appears to have won 39. A further 17 non-elected seats are reserved for indigenous communities. The government will lack the one-third of seats required to block potentially radical changes to the constitution, prompting concerns over possible moves to change water and land rights. Leftist candidates also appear to have performed strongly in regional and local elections. The elections, held over two days in order to reduce crowding at voting stations in the context of COVID-19, also appear to have seen low turnout although final figures have not been published.

Kenya: High Court deals blow to constitutional reform hopes

Event

On May 13, the High Court blocked plans to amend the constitution in line with the Building Bridges Initiative (BBI), a national reconciliation project launched by President Uhuru Kenyatta

and his former political rival (and now close ally) Raila Odinga, with the court ruling that the process used to frame the amendment was unconstitutional.

Outlook

The government says it intends to appeal the decision but will face a steep challenge in overcoming all the court's many objections. Moreover, even if successful, the appeals process will considerably delay the reform process, which was already on a very tight schedule in an effort to reach completion before the next elections. Meanwhile, if the High Court ruling is upheld, at least on its central points, the bar to amending Kenya's constitution will become higher.

Analysis

The unanimous ruling responded to eight court motions filed against the BBI-inspired reform bill, which was passed by parliament earlier this week. The judges faulted the reform process on multiple grounds, most notably on the basis that the president has no standing to initiate a constitutional reform process, which must emanate from the people or parliament. Moreover, the judges ruled that the BBI institutional architecture lacked legal standing, that the electoral commission had failed to apply standards in verifying signatures supporting the reform proposals, and that any constitutional reform referendum must include distinct questions on each proposed amendment rather than being introduced as a package.

Nepal: Political horse-trading is intensifying

Event

KP Oli was sworn in as prime minister on May 14, days after he was reduced to a caretaker leader after losing a parliamentary confidence vote which he himself had called.

Outlook

The inability of the opposition to form an alternative government is unsurprising, but Oli is not secure. Even if he can heal the rifts within his party, he will still need support from a handful of opposition legislators to win the next confidence vote. His aides will engage in intense horse-trading in the coming days to secure this. However, he would not regard failure as disastrous, as the fresh elections that he has long been seeking would be the consequence of losing that vote.

Analysis

A faction of Oli's Communist Party of Nepal (Unified Marxist-Leninist) abstained from the proceedings. Nepal's president gave lawmakers until May 13 to form a majority government, but Oli's opponents were unable to do this. Oli was therefore reappointed premier, since he leads the largest party in parliament. According to the constitution, Oli must call another vote of confidence within 30 days of his appointment. Rival factions within his party agreed on May 16 to establish a task force to work towards resolving their differences.

Brazil: Environmental anxieties will mount

Event

On May 12, the Lower House approved a bill easing licensing requirements for agricultural, mining and infrastructure projects, and sent the draft legislation on to the Senate.

Outlook

Business opportunities and Brazil's ambition to obtain OECD accession will be at risk if the government does not make changes to tighten environmental policy. Such changes may become more likely as pre-election pressures mount next year.

Analysis

If the bill easing licensing requirements becomes law, various international partners have indicated that they will reconsider their purchases of Brazilian agricultural commodities. President Jair Bolsonaro has pursued 'development' policies aimed at bolstering growth while dismissing international environmental concerns; the emphasis on growth has increased due to the economic impact of COVID-19 and related measures. Economic activity fell by a seasonally adjusted 1.59% month-on-month in March, although it expanded by 2.3% quarter-on-quarter in the first quarter. Bolsonaro's handling of the pandemic has contributed to another sharp fall in his approval rating, which this month reached a record low of 24%.

Azerbaijan: Troop incursion into Armenia tests Russia's mediating role

Event

Interim Armenian Prime Minister Nikol Pashinyan told parliament on May 17 that some of the Azerbaijani troops involved in a three-kilometre advance into Armenia's Syunik region on May 12 are still there.

Outlook

Azerbaijani President Ilham Aliyev's explanation that the troops were involved in a border demarcation project is disingenuous. The incursion is deliberately destabilising and suggests that Azerbaijan feels free to appropriate slices of Armenia itself, especially to gain higher-altitude vantage points, after recapturing land in and around Nagorno-Karabakh.

Analysis

The Azerbaijani incursion is near a lake, Sev Lich/Qaragol, located on Armenia's border with territory that Azerbaijan recovered as a result of the 2020 conflict. Armenia has formally requested the Russian-led Collective Security Treaty Organisation to consider the matter as an encroachment on a member state's territory. Pashinyan said he also asked President Vladimir Putin for military assistance, but the Kremlin denies that he did. Moscow's underwhelming response will worry the already embattled Pashinyan but, to maintain stability, the Kremlin will have to make it clear to Azerbaijan that encroachment on the state border is inadmissible. The

Russian peacekeepers that Moscow has deployed around Karabakh should help it enforce this rule.

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