

# Political Risk Update: May 26, 2021

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## Iran: Conservative establishment will keep a tight grip on developments

### Event

On May 25, the Guardian Council approved seven candidates to stand in the June 18 presidential election.

### Outlook

The conservative establishment in Tehran is determined to manage upcoming developments carefully by getting US sanctions lifted under the nuclear agreement but giving ultimate credit to a new conservative president.

### Analysis

The Council's ruling allows conservative frontrunner Ibrahim Raisi, the judiciary chief, to stand for the presidency but not centrist former parliament speaker Ali Larijani, seen as his main rival, or reformist First Vice President Eshaq Jahangiri. However, there is speculation that Larijani's candidacy may be allowed at the last minute to create an impression of flexibility and revive popular interest in the election without necessarily changing the outcome. As expected, most other reformists were disqualified, as was conservative-populist former President Mahmoud Ahmadinejad. Those approved include hardline former nuclear negotiator Said Jalili, conservative Expediency Council Secretary Mohsen Rezaei and Central Bank Governor Abdolnasser Hemmati, who is relatively moderate but likely to be blamed for the dire economic situation.

## Mali: Military detention of the president and prime minister point to army's ambitions

### Event

Transitional President Bah N'Daw, Prime Minister Moctar Ouane and newly installed Defence Minister Souleymane Doucoure were taken to the Kati military camp, near Bamako, on May 24.

## Outlook

The arrests are indicative of the military's reluctance to relinquish power. Malian military leaders may have been encouraged by the quick unwinding of sanctions against them in late 2020 once they agreed to a military-dominated transitional government, and then emboldened by the lack of international pressure on Chad, a fellow Sahelian state, following the coup there a few weeks ago. Political instability in the capital will give fresh impetus to separatist and jihadist elements in the north of the country, which offer an alternative model of governance.

## Analysis

The arrests followed shortly after a government reshuffle that saw Doucoure, the former chief of staff of the Air Force, take over the Defence Ministry from Colonel Sadio Camara, and General Mamadou Lamine Ballo take over the Ministry of Security and Civil Protection from Colonel Modibo Kone. Kone and Camara are said to be close to Colonel Assimi Goita, the leader of the August coup, and the suspicion is that Goita was unhappy with his close associates being removed from positions of power.

## Kyrgyzstan: No clear endgame in government conflict with major gold miner

### Event

After parliament voted on May 17 to allow the government take over management of the Kumtor Gold Company (KGC), which is a subsidiary of Canada's Centerra Gold, the Kyrgyz authorities have imposed temporary external management on the company.

### Outlook

The government's immediate priority is to manage Kumtor for three to six months while seeking a solution to a crisis it has itself precipitated by imposing a fine of three billion dollars at the start of May for alleged environmental infractions. It must also prepare for protracted legal battles as Centerra is unlikely to surrender quietly. However, a last-minute deal with Centerra is possible as KGC is the largest single contributor to the country's economy and both sides want to resume production in order to take advantage of high gold prices.

### Analysis

Although tensions around revenue-sharing from the mine have recurred over many years. However, the government's move to deprive Centerra Gold of control of KGC and the Kumtor mine it operates constitutes an unprecedented and unsophisticated grab for cash and populist support with no regard for the damage being done to Kyrgyzstan's reputation as an investment destination or to future Kumtor revenues. The government denies it intends to nationalise Kumtor but the current president has long campaigned for exactly that outcome.

## Oman: Muscat hopes to manage economic protests quietly

### Event

Protesters returned to the streets in the industrial city of Sohar for a third day on May 25, with protests also evident in other towns.

### Outlook

The numbers of participants appear small, with the focus specifically on a lack of jobs for young people, but demonstrations are so rare in the sultanate that these are causing consternation. The language of the government emphasises the need for young people to be patient and promises economic protection in return, reinforcing Oman's basic political model. However, the sultanate is long overdue to unwind an unsustainable fiscal structure, complicating efforts to deal with the unemployment that is a mounting grievance. Future rounds of protest may escalate.

### Analysis

The recovery of oil prices has eased budgetary pressures to some extent, and the potential return of tourists later in the year will also provide an economic boost. On May 24, police fired tear gas in response to stones being thrown before arresting protest leaders. However, most were quickly released and Sohar police were also recorded distributing water bottles to peaceful sit-in participants. The main driver of public discontent seems to have been layoffs by some large private employers hit by the economic impact of the pandemic, but the government is also seeking to trim the large public-sector wage bill. The recovery of oil prices has eased budgetary pressures to some extent, and the potential return of tourists later in the year will also provide an economic boost, but youth unemployment numbers will not come down quickly.

## Mexico: Morena looks set for mixed results in midterm elections

### Event

The leaders of the opposition Institutional Revolutionary Party (PRI), National Action Party (PAN) and Party of the Democratic Revolution (PRD) signed a manifesto on May 24 that will see them join together in the Va por Mexico (Forward for Mexico) alliance to fight the legislative elections on June 6.

### Outlook

The new alliance will see the parties run together in 218 of 300 first-past-the-post electoral districts, challenging the dominance of the National Regeneration Movement (Morena) in the Chamber of Deputies. However, the alliance's success will depend on the willingness of its would-be supporters to set aside divisions, something that is not assured. Election violence, allegations of corruption and claims of wrongdoing on the part of the electoral authorities continue to pose long-term threats to the legitimacy of Mexican democracy.

## Analysis

Polls suggest Morena will lose its overall majority in the legislature, together with the two-thirds majority it holds with its Juntos Hacemos Historia (Together we make History) allies, but it is expected to retain a simple majority. Morena looks also at risk of losing control of several state legislatures, but is poised to gain governorships. This year's midterm elections are already among Mexico's most violent, with dozens of representatives killed, attacked, or threatened. They have also been marred by several scandals and rising tensions between the government and the electoral authorities.

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