

Political Risk Update: June 2, 2021

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Argentina: Political trends may curtail debt talks as CFK's influence increases

Event

According to a survey published in Clarin on May 31, 55.4% of those asked now believe that Vice-President Cristina Fernandez de Kirchner (CFK) is the most powerful member of government, to 28.3% for President Alberto Fernandez.

Outlook

CFK's perceived increasing weight will lend strength to proposals to suspend repayments to the IMF and Paris Club during the pandemic. While the government's handling of the pandemic has become increasingly controversial, there is already significant public support for suspending debt payments in the present economic and health crisis, potentially scuppering ongoing negotiations. This will undermine investor sentiment at a time when Argentina's recovery prospects are already among the bleakest in the G20.

Analysis

CFK has consistently been seen as more powerful than the president, but these latest findings represent a new low for President Fernandez. However, Fernandez retains a higher approval rating than CFK, at 35.4% to 28.6%, although he has suffered a continuing drop owing in large part to the handling of COVID-19. The vaccine campaign is slow and record daily cases and deaths have prompted new restrictions. Among opposition leaders, Buenos Aires Mayor Horacio Rodriguez Larreta is regarded as the most influential with a substantial lead over former President Mauricio Macri.

Slovenia: Controversial prime minister backs enlarging EU to Western

Event

Justice Minister Lilijana Kozlovic resigned on May 27 over the coalition government's failure to approve her nominees for the European Public Prosecutor's Office.

Outlook

Slovenia's EU presidency during the second half of 2021 could be turbulent as Prime Minister Janez Jansa has Donald Trump's penchant for provocative social messaging. Backing wholesale Western Balkan enlargement within current borders could be his way of denying that he was responsible for a notorious 'non-paper' advocating Balkan territorial make-overs. Equally, he may calculate that adding six more members to the EU at once would obstruct Brussels' claims of federalism by making unanimity even harder.

Analysis

Journalists asked Jansa about the nominees issue at his virtual meeting with the European Parliament's agenda-setting body on May 26, but he evaded their questions, pleading communication problems. Presenting his country's upcoming European Council presidency at the meeting, Jansa suggested all six Western Balkan candidates for EU membership might join together, in order to counter external influence and use the "EU perspective" to settle border issues. He also proposed a European constitutional law institute to adjudicate rule-of-law disputes between Brussels and national capitals, in order not to rely on the Council of Europe's Venice Commission. Hungary and Poland, among EU member states most insistent on national sovereignty, have made a similar proposal.

Brazil: Pandemic protests will rise along with COVID cases

Event

Major protests against President Jair Bolsonaro's handling of the COVID-19 pandemic were held in at least 16 cities on May 30, with some demanding his impeachment.

Outlook

The continuing outbreak and scrutiny of Bolsonaro's responsibility for the scarcity of vaccine, attributed by some commentators to his preference for gaining herd immunity by allowing the virus to spread, will complicate governance in coming months, especially if new cases continue to rise.

Analysis

Bolsonaro faces a continuing Senate probe into his government's pandemic handling which could in theory see him impeached. The weekend protests passed off peacefully in most cities despite clashes with police in Recife. The protests come as Brazil has passed 460,000 COVID-19 deaths and 16.5 million cases. Despite the continuing gravity of the situation, it was announced yesterday that Brazil would host the Americas Cup football tournament from June 13 - July 11 after both the original hosts withdrew: Colombia cancelled its participation as a result of continuing protests, while Argentina pulled out at the weekend owing to a severe second wave of COVID-19 that prompted new lockdown measures. Some 70% of Argentine public opinion reportedly rejected plans to hold the tournament; Bolsonaro's enthusiasm for hosting the matches in Brazil has been met with similar anger.

Russia: Support for Belarusian leader may dissipate

Event

There were no dramatic announcements after Belarusian President Alexander Lukashenka's May 28 meeting with his Russian counterpart President Vladimir Putin.

Outlook

Lukashenka will argue that he is essential to Putin in his role as leader of a fellow state beleaguered by the West. This may not be the optimal long-term solution from Putin's perspective, as Lukashenka remains an ally, but erratic, unreliable and domestically unpopular. If accounts of the meeting are accurate, Putin is not putting heavy pressure on Lukashenka to comply with Russian demands, but he will consider options for replacement, perhaps when conditions in and around Belarus are stabler.

Analysis

The subjects discussed at the meeting were familiar: progress on implementing the Union State treaty between the two countries, discussion of oil and gas supplies, and confirmation of the second 500 million dollar tranche of a loan approved in December. There were no requests from Lukashenka for "additional economic assistance", at least according to the Kremlin. However, the business-as-usual mood was deceptive: Lukashenka has long fended off Russian demands for greater influence, but his scope for resisting them by engaging with the West has disappeared after months of post-election protests and repression, and now the forced diversion of a Ryanair plane and arrest of two of its passengers.

Peru: Pre-election report admits dramatic COVID toll

Event

On May 31, the government increased its official figures for COVID-19-related deaths from 69,342 to 180,764 following a review involving local and international advisers.

Outlook

The revised figure implies that Peru now has the highest death rate per capita in the world. The new data come days before the polarised June 6 presidential run-off between leftist Pedro Castillo and right-wing Keiko Fujimori. Castillo's distance from the political elite could boost his support in some sectors, not least owing to the inadequate response to COVID-19, but governability will be fragile regardless of the election outcome.

Analysis

The new figures include "probable" cases as well as those who have tested positive, owing to limited testing and claims that many of the tests administered were 'sub-standard'. The extent of the informal economy, lack of vaccines and limited hospital treatment facilities are factors in the severity of the outbreak, which has further damaged the credibility of an already discredited political class -- not least owing to scandals over priority vaccination for influential figures. A

debate between Castillo and Fujimori on May 31 again focused on corruption allegations against Fujimori and claims that Castillo has had links to violent armed groups -- claims given increased attention following recent killings attributed to Shining Path.

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