

Political Risk Update: June 30, 2021

- Iran: Strike by energy workers may act as a safety valve
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Iran: Strike by energy workers may act as a safety valve

Event

Reports on June 28 suggested that a new strike launched by energy sector workers on June 22 was spreading, with similar action now taking place at some engineering companies.

Outlook

The government will seek to broker compromises between the strikers and their employers. Hoping for the lifting of US sanctions soon, it will expend economic resources to contain the industrial action and is likely to be successful. President-elect Ibrahim Raisi may even choose to express support for the workers to burnish populist credentials ahead of his August 5 inauguration. Overall, the strikes are likely to act as a safety valve, allowing public complaint without threatening the establishment.

Analysis

Tehran's oil refinery is a key location for the strikers, although refineries, gas facilities and oil terminals across the country have also seen industrial action. Most of those striking appear to be contract workers complaining of low pay and conditions amid the ongoing economic constraints that the country is experiencing. So far, better-treated permanent employees have held back from taking action. Oil Minister Bijan Zanganeh on June 27 promised to consider workers' demands and said that unpaid wages will come through by July 22. The strikes are attracting widespread support on social media from across the political spectrum.

Brazil: Severe drought will hold back economic recovery

Event

President Jair Bolsonaro signed a temporary executive order on June 28 that creates a new Chamber of Exceptional Rules for Hydro-energy Management (CREG) to address the consequences of the severe drought that is affecting both hydroelectric generation and agriculture.

Outlook

The current drought, said to be the worst in 90 years, will add to uncertainties surrounding economic recovery from the pandemic because of the impact on agriculture and the risk of energy rationing. With inflation already far above target, higher electricity costs as thermal replaces hydro generation may drive further price rises and limit manufacturing output.

Analysis

The CREG will be authorised to establish temporary reductions in the flow to hydro plants, taking into consideration the competing requirements of "energy, water resources and environmental policies". The government will also be authorised to acquire electricity from private companies. Mines and Energy Minister Beto Albuquerque has announced plans to encourage companies to increase their energy consumption outside of peak hours and called on consumers to limit their use of both water and electricity. Although he stopped short of announcing rationing of either at this stage, Albuquerque warned that consumers would face higher energy prices owing to the increased costs implied by the measures.

Nigeria: The government will resist renewed threats to oil assets

Event

On June 27, presidential spokesperson Femi Adesina described as "curious" a threat the previous day by the Niger Delta Avengers militant group to attack oil installations in the Niger Delta region.

Outlook

The government is unlikely to yield to militants' demands, and local communities are unlikely to secure the 10% share of regional oil revenues that they are demanding. Instead, the federal government will increase pressure on the state government and local leaders to dissuade militant groups from resorting to violence at a time when Nigeria's economy can ill afford further shocks.

Analysis

The threat of attacks was issued shortly after a meeting in Abuja between President Muhammadu Buhari and leaders of the Niger Delta and Ijaw National Congress which covered a range of issues including the way in which the country's oil wealth is shared. With Nigeria's petroleum laws set to be revised, oil communities are demanding a 10% share as opposed to the 2.5% proposed in the current bill. The last attacks by the Niger Delta Avengers were in 2016, leading to an almost 50% cut in Nigeria's oil production. Since then, the group has yet to follow through on intermittent threats to resume attacks.

Colombia: Attack on presidential helicopter demonstrates leadership's vulnerability

Event

A helicopter carrying President Ivan Duque, Defence Minister Diego Molano and other government officials came under fire over the city of Cucuta, close to the Venezuelan border, on June 25.

Outlook

Although no one was injured, the attack demonstrates the vulnerability of government officials and the deteriorating security environment in Cucuta. The apparent discovery of Venezuelan military equipment after the event does not necessarily suggest direct involvement, but it will add to bilateral tensions.

Analysis

The government has suggested the attack may have been carried out by members of the National Liberation Army (ELN) and dissidents of the Revolutionary Armed Forces of Colombia (FARC) working together, although several other non-state armed groups are also known to operate in the area. Two firearms, one with Venezuelan military markings, were reportedly recovered after the attack, which follows a bombing at a Cucuta military base earlier this month. Cucuta sits within a coca growing region on the Venezuelan border, several sections of which have become particularly violent as rival armed groups vie to control smuggling routes. The US Office of National Drug Control Policy recently reported that Colombian coca cultivation and potential cocaine production hit record levels in 2020.

Swaziland: Escalating protests threaten the monarchy

Event

Escalating protests in Eswatini, formerly known as Swaziland, led to unconfirmed reports on June 29 in local and foreign media that King Mswati III had fled the country.

Outlook

Uncertainty surrounding the king's current location and the unprecedented intensity and depth of the protest movement call into question the sustainability of the country's absolute monarchy. If he is unable to suppress the protest movement -- and assuming that he manages to maintain his position as king -- Mswati will be forced to offer democratic reforms. Growing international pressure, especially from neighbouring South Africa, may encourage this process.

Analysis

King Mswati rules as Africa's only absolute monarch and has banned any opposition political parties from contesting elections. Protests began last month among students in response to the death of Thabani Nkomony, a 25-year-old law student and prominent youth democracy activist, which protesters blamed on police brutality. The protests then spread to rural areas as activists

demanded an elected prime minister and government. Last week Mswati banned the demonstrations under the 2008 Suppression of Terrorism Act, since when violence has become widespread as the police and military intensified their crackdown on protesters.

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