

# Political Risk Update: June 9, 2021

- Peru: Castillo edges ahead in presidential vote count
- Mexico: Election losses will hinder Morena's ability to secure constitutional reforms
- Egypt: Domestic production of Sinovac will help towards ambitious vaccination target
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## Peru: Castillo edges ahead in presidential vote count

### Event

With some 96% of votes counted, leftist presidential candidate Pedro Castillo had edged ahead of right-wing candidate Keiko Fujimori by 50.3% to 49.7%.

### Outlook

Whichever is the final winner, the outcome will prompt disquiet. Investors are concerned about the corruption charges against Fujimori and her association with her father, the jailed former President Alberto Fujimori, but they also worry about Castillo's potentially interventionist agenda.

### Analysis

Fujimori initially had a narrow lead, but rural votes that came in later have favoured Castillo. Some other rural and overseas votes have yet to be counted. Fujimori has already referred to "irregularities" and "signs of fraud" but has produced no evidence. International observers such as the Organization of American States have congratulated the authorities on their conduct of the election despite the challenges posed by COVID-19. However, the closeness of the result will encourage supporters of the loser to reject the outcome. Severe political polarisation, likely protests and impaired governability will remain post-election risks regardless of the result, while much of Congress will be hostile to the winner.

## Mexico: Election losses will hinder Morena's ability to secure constitutional reforms

### Event

Elections were held across Mexico on June 6 for more than 21,000 local, state and federal-level political positions.

## Outlook

Gubernatorial gains across Mexico illustrate the continuing popularity of President Andres Manuel Lopez Obrador's ruling National Regeneration Movement (Morena) but a loss of seats in Congress will hinder its ability to implement constitutional reforms. The government may attempt to pursue changes before the new legislative session begins in September, and further violence is likely as election results emerge and winners take office.

## Analysis

Early results suggest Morena has lost its absolute majority in the lower house of Congress, and the two-thirds majority it held with its Green (PVEM) and Labour Party (PT) allies. The bloc is nevertheless on course, collectively, to maintain an absolute majority. Morena looks to have performed well in gubernatorial elections, with its favoured candidates poised for victory in at least ten of 15 states. Election day was violent in places, with five election workers reportedly killed in Chiapas. Numerous incidences of threatening behaviour were reported, with voting suspended at six locations. The day was nevertheless relatively peaceful given the bloody nature of the campaign period that preceded it.

## Egypt: Domestic production of Sinovac will help towards ambitious vaccination target

### Event

Domestic production of COVID-19 vaccines will be welcome news, not only for Egypt but also for Africa more broadly. However, production may hit bottlenecks amid competition for raw materials and the roll-out could well struggle to reach the government's goal of vaccinating 40% of Egypt's population of some 100 million people by the end of 2021.

## 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

Zayed said the first batch to be manufactured domestically will be two million doses, and raw materials will arrive by the end of the month to produce 4.2 million doses. The presidential advisor for health affairs said last week that the government aims to have 40% of Egyptians vaccinated by the end of 2021 using a combination of imported and locally manufactured vaccines. So far, around 2.3% of the population has been given a first dose and just 0.3% have received a second dose to complete the vaccination process. Separately on June 6, Egypt launched a vaccination campaign in the South Sinai and Red Sea governorates in an effort to restore tourist activity in the region. The government aims to inoculate the whole population of those two governorates by June 30.

## Kazakhstan: Government blocks anti-Western action by Eurasian Economic Union

### Event

In a statement on June 5, the Kazakh foreign ministry made it clear that the country will not take part in a coordinated response by the Eurasian Economic Union (EEU) to Western sanctions.

### Outlook

Kazakhstan's refusal alone should be enough to head off EEU collective action. Belarus used to be an ally for Nur-Sultan in opposing creeping Russian politicisation of the bloc but has now been forced into greater harmony with Moscow. Of the EEU's two small economies, Kyrgyzstan often follows Kazakhstan's lead while Armenia will back Russia but with reservations, given that EEU members offered no support during its war with Azerbaijan last year.

### Analysis

As the statement noted, Kazakhstan is committed to "purely economic" EEU integration, but it remains a fierce opponent of any collective political superstructure or joint action. In addition, it has not shared the Russian and Belarussian experience of Western sanctions. Belarus's forcible diversion of an EU flight has brought renewed action by Western governments, which may have prompted Russian Deputy Foreign Minister Alexander Pankin to say on June 3 that the EEU was working on "counter-measures" to support its members.

## Haiti: Delaying controversial referendum will not calm rising tensions

### Event

On June 7, the Provisional Electoral Council yesterday issued a communique announcing the postponement of a controversial referendum on the establishment of a new national constitution.

### Outlook

The referendum postponement may reduce the level of insecurity temporarily, but any attempt to reschedule will prompt a renewed surge in violence. Even with international assistance, Haiti will struggle to manage the pandemic.

### Analysis

The referendum, which has already been postponed once, was scheduled for June 27; a new date is yet to be announced. The latest delay has been attributed to difficulties in assembling temporary election personnel amid a surge in COVID-19 cases. Security concerns about holding the vote have also been raised, amid a spike in gang crime and the incitement of political violence. The referendum plan has long been divisive, with opponents viewing it as an illegal attempt by President Jovenel Moise to maintain power. Moise claims the vote would be legal and that a new constitution would address political instability and corruption. He insists he will stand down in February 2022, following elections scheduled for September. While those

elections have broad support, the referendum has attracted international criticism the United States, the European Union, and the United Nations, among others.

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