

# Political Risk Update: August 16, 2022

- Mexico: As urban violence surges, opposition grows to use of National Guard
- Iran: Nuclear deal likely to remain unsigned
- Ecuador: Bombing raises concern about urban drug violence
- Senegal: President's hold on new parliament will be fragile
- Egypt: Gulf states will help to cushion economic crisis

## Mexico: As urban violence surges, opposition grows to use of National Guard

### Event

On August 15, former president of the Chamber of Deputies Porfirio Munoz Ledo criticised plans by President Andres Manuel Lopez Obrador (AMLO) to integrate the National Guard (GN) into the defence ministry (SEDENA) amid a surge in urban violence.

### Outlook

Since its establishment in 2019, the GN has remained a civilian entity but AMLO now plans to integrate it into the defence ministry (SEDENA). However, the GN has had little success in pacifying the country and is unlikely to achieve more as part of SEDENA. Integration into SEDENA would merely increase the militarisation of domestic security, and the expansion of the military's remit. In the face of congressional opposition to placing the GN under SEDENA control, AMLO plans to do so by decree.

### Analysis

Porfirio Munoz Ledo used Twitter to urge Mexicans to "denounce and combat by all legitimate means" the militarisation of the country. Munoz Ledo – who in 2020 narrowly lost an election for the presidency of AMLO's National Regeneration Movement (Morena) – is a regular critic of AMLO's style of governing. His latest remarks follow days of violence in north-western Mexico, including the cities of Ciudad Juarez, Mexicali and Tijuana, which saw suspected cartel members block roads and burn vehicles and buildings. At least eleven people are thought to have been killed in the violence, which was directed largely at civilians. AMLO has downplayed the situation, accusing his political opponents of exaggerating the situation and claiming that "there is no major problem".

## Iran: Nuclear deal likely to remain unsigned

### Event

Iran yesterday sent its response to the EU's 'non-negotiable' text for a revived nuclear deal, asking for further talks on three unspecified issues.

## Outlook

Foreign Minister Hossein Amir-Abdollahian warned that any final agreement would not be without its flaws, in a move apparently intended to prepare Iranians for the government being unable to get all it wanted if Tehran signs a deal based on the EU text. This brings a resolution a step closer. The alternative is that the deal will remain unsigned but not yet dead, which is still the most likely scenario. Yet there are serious questions about how long a deal can remain viable in the face of further delays.

## Analysis

Tehran's request for further negotiations is likely to feature a demand that the International Atomic Energy Agency drop its investigation into historical claims about Iran's nuclear programme. Tehran also seeks guarantees that future US administrations will not renege on the deal. Finally, Iran wants the United States to remove the Islamic Revolutionary Guards Corps (IRGC) from Washington's list of foreign terrorist organizations.

## Ecuador: Bombing raises concern about urban drug violence

### Event

Chinese Foreign Minister Wang Yi visited Sri Lanka on January 8-9, holding talks with President Gotabaya Rajapaksa.

### Outlook

Difficult socioeconomic conditions may expedite the growth of organised crime groups. Military-focused responses could bring short-term gains but risk exacerbating instability in the longer term.

### Analysis

Interior Minister Patricio Carrillo has blamed drug-related organised crime for the incident, which he described as "a declaration of war against the state". The government has declared a 30-day citywide emergency, while it enables the establishment of a joint military-police task force to address insecurity. Guayaquil is the main port city in Ecuador and lies on a major drug trafficking route between Peru and Colombia. While the country has largely avoided the widespread political violence that has afflicted its northern neighbour, it has experienced rising insecurity in recent years, reportedly recording almost as many violent deaths in the first six months of 2022 (2,116) as in all of 2021 (2,496). Incidents such as deadly prison riots have become common, but bomb attacks in residential areas are far less so. Survivors of the incident on August 14 have reportedly spoken little about what took place, despite the authorities having offered a USD10,000 reward for information.

## Senegal: President's hold on new parliament will be fragile

### Event

On August 11, the Constitutional Court upheld and certified provisional results from the July 31 legislative election which leave President Macky Sall's governing Benno Bokk Yaakar (BBY) coalition on 82 seats, one short of an absolute majority.

### Outlook

Sall and the BBY's longer-term control over the National Assembly is far from assured. Internal tensions in the ruling party resulting from its losses and continual opposition efforts to attract defectors could change the balance of power in parliament relatively quickly. This will weaken Sall's ability to govern and potentially hurt his prospects of attempting to run for a third term in office.

### Analysis

The two major opposition coalitions, former President Abdoulaye Wade's Wallu Senegal and Yewwi Askan Wi (YAW), collectively won 80 seats. The three remaining parliamentary seats were won by smaller formations. The winner of one of these seats, former Dakar Mayor Pape Diop yesterday declared his willingness to vote with the BBY, giving President Macky Sall's political coalition a technical majority. Despite claiming an overall victory, YAW did not lodge an appeal over the provisional results with the Constitutional Court, claiming that the latter was not a truly independent organ and would automatically rule in favour of the government.

## Egypt: Gulf states will help to cushion economic crisis

### Event

On August 14, President Abdel Fattah el-Sisi swore in 13 new ministers after a cabinet reshuffle involving the ministries of health, tourism, education, culture, local development and irrigation.

### Outlook

Cairo seeks to take advantage of rising global energy prices by rationing domestic consumption to make more production available for sales abroad. Even if it succeeds, however, the economy will struggle under the country's debt burden and the heavy repayment schedule it still faces. Gulf states and the IMF will try to provide Egypt with a sufficient economic cushion to avoid political turbulence.

### Analysis

Egypt announced on August 11 that it would ration electricity domestically in order to increase gas exports. Prime Minister Mostafa Madbouly said that domestic power plants bought gas for electricity generation at one-tenth of the price natural gas could be sold for on international markets. The government hopes to reduce domestic gas consumption by 15% after it avoided raising electricity prices, fearing a public backlash as core inflation rose to 15.6% year-on-year in July from 14.6% in June. Last week, the central bank deputy governor reported that the bank's measures had succeeded in easing external payment pressures. Egypt has also

received an influx of investment from Saudi Arabia; it was announced on August 10 that Riyadh paid USD1.3bn for minority stakes in four Egyptian companies through its sovereign wealth fund.

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