

Political Risk Update: August 23, 2022

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India: Latest farmer protests could quickly intensify

Event

Around 5,000 farmers protested in Delhi on August 22 to press demands including legally guaranteed minimum support prices (MSPs) for agricultural produce and clearance of farm debts.

Outlook

Since the government and farmers are unlikely to find common ground on the MSP issue anytime soon, this latest agitation could mark the start of a new wave of protests. Previous experience suggests this would become a major challenge for the authorities.

Analysis

The farmers say these are among the promises which Prime Minister Narendra Modi's government has failed to fulfil since they agreed to end a year-long protest movement last December. The 2020-21 movement, which included large demonstrations in the capital and elsewhere, forced the government to repeal three farm laws passed in September 2020. The Modi administration said the legislation was aimed at increasing market choice and access for cultivators, but farmers said it favoured corporate players. The government said last month that it has never made any assurances about making MSPs, which currently apply to more than 20 crops, a legal right. It has established a panel made up of various representatives, including farmers, to consider a range of farming issues including how to make the MSP mechanism "more effective and transparent".

Venezuela: Expropriation arbitration award raises issues for Washington

Event

A US district court has upheld a 2019 ruling by the World Bank's International Centre for the Settlement of Investment Disputes (ICSID) that awards USD8.7bn to US-based oil company ConocoPhillips, it was reported on August 22, in addition to some USD1bn in interest due.

Outlook

Washington continues to recognise the parallel government of Juan Guaido and will face pressure to continue backing him ahead of November's US midterms elections, notably in Florida. However, it will also face pressure to facilitate Conoco's award, raising renewed policy difficulties in coming months.

Analysis

The arbitration award, well below Conoco's original USD30bn demand, related to the expropriation of the company's Venezuelan assets in 2007. The district court judge ruled that Venezuela remained bound by the terms of the ICSID Convention, although it withdrew from the body in 2012. In the past, Conoco has sought to seize Venezuelan oil assets in support of its claims; currently Venezuela's only significant overseas asset is US-based refinery Citgo, a subsidiary of state oil company PDVSA. However, Citgo is administered by the parallel government of Juan Guaido, still recognised by Washington as Venezuela's 'interim president', and is protected from creditors by the US Treasury.

Gulf States: Ties with Iran will strengthen

Event

The United Arab Emirates (UAE) announced on August 21 that it planned to send an ambassador to Iran in the "coming days".

Outlook

Iran and the Gulf states are attempting to rebuild relations against the background of the potential failure of the nuclear talks, with Tehran wanting to end its international isolation by strengthening regional ties. The Gulf states believe that Washington's focus on the region has pivoted towards East Asia and are seeking to improve ties with Iran as a consequence. Regardless of the final outcome of the nuclear talks, further steps to improve diplomatic, commercial and security relations between the Gulf states and Iran are expected in the short term.

Analysis

The UAE's ambassador was withdrawn six years ago in protest against Iranians storming Saudi diplomatic missions in Tehran. The UAE started to re-engage with Iran following attacks in 2019 on oil tankers off the UAE's coast, which were blamed on Iran. The UAE's diplomatic rapprochement follows a similar one by Kuwait, which appointed a new ambassador to Tehran last week for the first time since 2016. Relations between Saudi Arabia and Iran have improved following a series of meetings hosted by Iraq.

Pakistan: Clampdown by authorities helps ousted prime minister

Event

Police charged Imran Khan, ousted as prime minister in a parliamentary no-confidence vote in April, under anti-terrorism legislation on August 21 following a rally in Islamabad by his Pakistan Tehreek-e-Insaf party the previous day.

Outlook

Ramping up pressure on Khan will only increase his appeal among his supporters. Khan will characterise the charges against him as evidence that the government is resorting to persecution to silence him. The authorities will have to face down major street protests if he is eventually arrested.

Analysis

In his address to supporters at the rally, Khan condemned the arrest and subsequent treatment in custody of his aide Shahbaz Gill and promised to file legal cases against senior officials of the Islamabad police and a judge involved in the case. In doing so, police say he used words which constituted a threat against public officials. Interior Minister Rana Sanaullah denies that Gill, detained on sedition charges, was tortured. Separately, the Pakistan Electronic Media Regulatory Authority (PEMRA) responded to Khan's rally address by banning live broadcasts of his speeches on satellite TV channels, accusing Khan of hate speech.

El Salvador: Crackdown risks eroding trust in police

Event

President Nayib Bukele tweeted congratulations on August 19 to the National Civil Police (PNC) to mark the 30th anniversary of its foundation.

Outlook

The milestone comes amid a controversial security crackdown in which more than 50,000 people have been detained since late March. The crackdown appears to be suppressing violence, but risks normalising human rights abuses and fostering a disregard for individual freedoms among the PNC. A breakdown of trust between the public and the state would happen gradually but would be very difficult to reverse.

Analysis

The detentions have been made under the 'state of exception' measure, which was extended for a sixth month on August 16. It suspends civil liberties such as the right to a lawyer. Human rights groups have voiced concern about seemingly arbitrary arrests and the conditions in overcrowded prisons. A new facility capable of holding 40,000 inmates is reportedly scheduled for completion this year. On the day before the president's anniversary tweet, the PNC reported an eighth consecutive day with no registered homicides. Such results appear to underpin widespread public support for the security measures, which was at 91% according to a CID

Gallup poll taken in April at the start of the crackdown. El Salvador recorded the world's highest murder rate in 2015.

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