

Political Risk Update: October 11, 2022

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Mexico: Departure of finance minister increases uncertainty

Event

Economy Minister Tatiana Clouthier resigned on October 6 with immediate effect.

Outlook

Clouthier's departure raises some uncertainty about the talks she had been chairing with Canada and the United States over Mexico's approach to the role of private companies in its energy sector. The talks are likely to speed up or slow down depending on the approach taken by her successor, Raquel Buenrostro, who was previously head of the country's tax authority. However, an amicable resolution is in all parties' interests and will probably be reached.

Analysis

Clouthier gave no specific reason for her decision to stand down but there has been widespread speculation that controversial government moves to hand control of the National Guard to the defence ministry were a factor. The direction of Mexican energy policy and trade relations may also have played a part in her decision. Clouthier had co-led international talks aimed at resolving a dispute over Mexico's energy policies, which Washington and Ottawa claim put private companies at an unfair disadvantage in relation to Mexican state-owned bodies and may violate terms of the US-Mexico-Canada Agreement on free trade (USMCA). An agreement was reached last week to extend the talks, postponing the possibility of the dispute being put to an arbitration panel.

Algeria: Relations with Paris are improving quickly

Event

French Prime Minister Elisabeth Borne, accompanied by 15 French ministers, arrived in Algiers on October 9, less than two months after a visit by French President Emmanuel Macron.

Outlook

Relations between Paris and Algiers are warming at a brisk pace. Although agreements may not be easy to reach on difficult subjects, the renewed drive to improve bilateral relations could help prevent vexing subjects from degenerating into crises. As Paris gets closer to Algiers, Madrid seems to be moving further away.

Analysis

Borne's visit advances relations between Paris and Algiers, which had become strained in recent years due to disputes over recent comments by Macron, colonial memories and visas for Algerians. Algiers has already committed to send more gas to France, but greater supplies will need more investment. In the meantime, Algerian national oil company Sonatrach and its Spanish partner Naturgy announced on October 7 that they have agreed to revise the prices of the existing long-term gas supply; these are likely to increase. Algeria and Spain have been at odds since Madrid sided with Morocco over the disputed territory of Western Sahara.

Haiti: Proposed foreign 'rapid action force' would be controversial at home and abroad

Event

UN Secretary-General Antonio Guterres reportedly contacted the UN Security Council on October 9 to suggest that a "rapid action force" be deployed to help restore order in Haiti.

Outlook

External powers will be reluctant to deploy forces for domestic political reasons, and due to historic failings of international operations in Haiti. An action force could improve security short-term, but could also trigger a violent backlash.

Analysis

The Secretary-General's letter, which has not been made public but has been referenced by several news outlets, follows a request by Haiti's government on October 7 for international assistance in addressing gang activity. Gang violence has soared this year and groups have seized control of government buildings and transport links. A sustained blockade of Haiti's main fuel port in recent weeks has exacerbated fuel shortages, causing hospitals and water pumping stations to cease operations just as a cholera outbreak develops. The situation is unfolding amid broader political and economic crises, compounding widespread discontent that is driving regular anti-government protests. Guterres's letter reportedly suggests a force be deployed not by the UN per se but rather by states who would be acting with the UN's blessing.

Brazil: Lula leads but will face governance problems if elected

Event

Two opinion polls on October 11 still suggest that former President Luiz Inacio Lula da Silva will defeat incumbent Jair Bolsonaro in the October 30 run-off, although by differing margins.

Outlook

Opinion polls ahead of the first round of the election, held on October 2, were largely accurate in predicting Lula's vote but significantly underestimated support for Bolsonaro, signalling that many voters did not wish to acknowledge their choice to pollsters. Given his first-round lead and support from most backers of the defeated candidates, Lula remains likely to claim a relatively narrow victory, although the strength of the far right will complicate his legislative agenda in Congress.

Analysis

Ipec gives Lula 51% of voting intentions to 42% for Bolsonaro, with 7% either undecided or saying they would cast invalid votes, and a 2-point margin of error. If only valid votes are taken into account, Ipec's count would give Lula 55% to 45% for Bolsonaro. By contrast, a PoderData survey gives Lula a much narrower lead of 48% to 44% (52% to 48% of valid votes), with a 1.8-point margin of error. Rejection rates for both remain high; according to Ipec, 48% say they would "never" vote for Bolsonaro while 42% take the same view of Lula.

Malaysia: Prime minister takes calculated risk with early general election

Event

On October 10, Prime Minister Ismail Sabri Yaakob announced the dissolution of parliament to pave the way for a general election, which must now take place by December 9.

Outlook

The governing United Malays National Organisation (UMNO) is attempting to win a new term in office without having to rely on some of its current coalition partners. The party may face a backlash from voters who believe it is putting political ambition above public safety and so choose to stay at home, but it would probably benefit from lower turnout.

Analysis

The next election was not due until next year but the prime minister, who is also UMNO vice president, has for months been under pressure from the party president, Ahmad Zahid Hamidi, to bring it forward. The budget which the government presented on October 7 will now have to be presented again to the newly-elected parliament and some in the party and beyond are questioning the wisdom of holding an election in November or December, as these months coincide with the start of the north-east monsoon that often brings heavy flooding, but Zahid is convinced that an early election will help UMNO.

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