

Americas

Escondida copper mine declares force majeure amid indefinite strike

Sectors: *mining*

Key Risks: *force majeure; strikes; labour unrest*

In **Chile**, miners at BHP Billiton's Escondida copper mine launched an indefinite strike on 9 February following the collapse of collective wage talks with the company. Escondida, majority-owned by BHP, with Rio Tinto and Japan's JECO also holding stakes, is the world's largest copper mine. On 10 February BHP Billiton declared force majeure on shipments from the mine. Copper prices on the London Metal Exchange rose 4.5 per cent to hit US\$6083 a tonne, their highest since June 2015. The miners' union stated the strike could be long and started building a workers' camp outside the mine reportedly designed to last at least two months. Labour grievances at Escondida could be a sign of difficult impending negotiations at other mines in Chile. Associated incidents of unrest related to the ongoing strike action cannot be ruled out, particularly if the strike protracts.

Asia-Pacific

Jakarta's gubernatorial election to reveal the political mood

Sectors: *all*

Key Risks: *political instability*

On 15 February up to 41 million eligible **Indonesians** will choose seven provincial governors, mayors and regents in 18 cities and local leaders for 76 districts. While the authorities are on high alert regarding elections in West Papua, where there is a small risk that pro-independence groups may disturb proceedings, the Jakarta gubernatorial election is undoubtedly the most significant. The incumbent governor Basuki Tjahaja 'Ahok' Purnama was formerly President Joko 'Jokowi' Widodo's deputy before the latter used the office as a springboard for the presidency, indicating the role's importance. Ahok's challengers are Agus Yudhoyono, son of the former president Susilo Bambang Yudhoyono, and Anies Baswedan, a former education minister backed by Prabowo Subianto. Both Subianto and the elder Yudhoyono are influential political opponents of Jokowi and voting in the gubernatorial election will provide a litmus test for the political mood ahead of general elections in 2019.

Eurasia

Moscow's tolerance of opposition continues to wane

Sectors: *media*

Key Risks: *protests, confiscation, expropriation*

On 8 February, Alexei Navalny, arguably **Russia's** most prominent opposition figure, was found guilty by a regional court in the Kirovles case. The European Court of Human Rights ruled Navalny's original trial violated his rights in November 2016, prompting the retrial. His suspended sentence and prohibition from running for office were almost identical to his 2013 conviction and are widely seen as an effort to bar his participation in the 2018 presidential election. On 10 February, media watchdog Roskomnadzor sent a letter to prominent Moscow radio station Ekho Moskvyy demanding it prove compliance with media ownership laws passed in 2014. The company is majority owned by Gazprom Media but US investors own a 19.92 per cent stake. The laws formally limit foreign-ownership of media outlets to 20 per cent and station chief Alexei Venediktov warned the letter could indicate a new interpretation of the law further limiting foreign ownership.

Europe

Juncker warns of internal EU divides, as former Irish PM warns of physical barriers

Sectors: *all*

Key Risks: *political instability, frustration of process*

European Commission President Jean-Claude Juncker announced that he would not seek a second term in 2019, hinting he would give way to a more unifying candidate capable of maintaining the European Union's (EU's) effectiveness amid increasing illiberal populism across the bloc and the wider world. Juncker also stated that he feared it would be difficult to maintain EU unity on negotiations with the United Kingdom over leaving the EU, which could increase the likelihood that Britain will crash out of the bloc rather than secure the extended unravelling of ties that **British** Prime Minister Theresa May has envisaged. Meanwhile, former **Irish** prime minister Bertie Ahern warned that he saw indications May was changing her wording on the future of the Irish-UK border. Re-borderisation could violate the Good Friday Agreements and destabilise Northern Ireland.

MENA

Increasing inflation puts more pressure on Omani government

Sectors: *energy; transport; industry*

Key Risks: *economic risks; civil unrest*

The National Centre for Statistics and Information of **Oman** announced year-on-year inflation in January 2017 of 1.79 per cent. The two most marked sectoral increases were a 9.02 per cent increase in the cost of products and services in the transport sector, and a 2.01 per cent increase in housing, utilities and fuels. These were sharply affected by globally-increasing oil prices, which impact Omani consumers directly following the lifting of fuel subsidies in January 2016. Protests broke out in criticism of the prices of vehicle fuels, after the two unleaded and diesel fuels reached their highest prices ever. The Shura Council, a consultative body, voted to fix the prices of fuels for the most vulnerable, a measure partially approved by the Council of Ministers. Pressure on the government to alleviate inflation will continue.

Sub-Saharan Africa

#SONA2017 EFF-up

Sectors: *all*

Key Risks: *political uncertainty; dampening investor confidence; credit-rating downgrade*

On 9 February, **South Africa's** President Jacob Zuma's annual State of the Nation address descended into chaos as members of the radical leftist Economic Freedom Fighters (EFF) party brawled with security guards before being ejected from parliament. The EFF branded Zuma a 'constitutional delinquent' given the 783 corruption charges levied against him. Zuma is expected to announce a cabinet reshuffle imminently, fuelling speculation over the looming succession battle within the ruling African National Congress (ANC) as it appoints a new leader. Nkosazana Dlamini-Zuma, former AU Commission Chair and Zuma's ex-wife is expected to be given a position on the front bench, and while those proven disloyal to Zuma are likely to be dismissed, this is unlikely to include Finance Minister Pravin Gordhan given the market turmoil and likelihood it would prompt a credit rating downgrade. Nevertheless, political uncertainty will mount over the coming months.