Analysis selection for JCC

October 2020

US presidential election

5 Nov 2020 - Country Risk | Strategic Report

The United States on 3 November held elections for president, along with 35 Senate contests and all 435 House of Representatives seats.

- **According to the latest returns (as of the morning of 5 November), former vice-president Joe Biden holds a tenuous advantage of 253 to 213 in the electoral college over President Donald Trump.** As counting continues, President Trump held small leads in uncalled critical swing states Pennsylvania, North Carolina, and Georgia, with Biden leading in Nevada and Arizona. If Biden were to win both Western states, he would be likely to obtain the 270 electoral votes needed to win the presidency. However, many of the outstanding ballots in these states still need to be counted and there is a possibility of recounts in some of the closely divided states.

- **President Trump outperformed many polling estimates that suggested that Biden would win easily, as Trump carried toss-up states such as Texas, Florida, and Ohio.** As in 2016, many state polls conducted by private polling companies appear to have been wildly off, including in Florida and Wisconsin. Due to the closeness of the race, Biden would currently need the electoral vote from the second congressional district in Nebraska to reach the necessary 270 votes to avoid the race ending in a tie, as state US House of Representatives' delegations would be expected to break the logjam. If the president wins, it would be the second time that he would have done so while losing the vote nationally, as Biden leads Trump by roughly 2%. Undeclared states were expecting to finish counting votes over Thursday and Friday, but would potentially need to go to the weekend.

- **In the Senate, it appears that an overall majority will only be determined by one or two run-off elections in Georgia in January 2021. Democrats had hoped to obtain a clear Senate majority, but appear to have lost close races in South Carolina, Iowa, and Montana, and were losing in North Carolina and Maine.** However, Democrats did pick up seats in Arizona and Colorado, which means that they are likely to have anywhere between 48 and 51 senators (out of 100) in the new Congress. In the case of a Biden victory, a Republican-held Senate would greatly inhibit his administration from enacting policies, as legislative gridlock would be likely to arise, leaving Biden primarily only with executive orders to enact his overall agenda. Conversely, a re-elected Trump with a slight Senate majority would be likely to result in Republicans seeking to reach an agreement with House Democrats to pass a fiscal stimulus package to assist the business community, although one that would be smaller than March's USD2-trillion stimulus. It is also likely that a narrow Republican Senate and a Trump or a Biden White House would attempt to pass an infrastructure package, an idea for which has rare bipartisan support.

- **As of the time of publication, levels of election-related politically motivated violence have been low, but a contested election would result in a higher likelihood of violent protests and acts of terrorism.** Due to the closeness of the race, isolated altercations between pro- and anti-Trump supporters, as occurred in the run-up to the election, are likely to escalate, especially if the vote counts continue for several days, as is likely. Already in both Phoenix and Detroit, Trump protesters have gathered to complain of alleged voting irregularities or non-transparency at voting counting centres. However, no violence has occurred. Large protests by left-wing groups have been called in many cities following a statement by President Trump, in which he asserted that Democrats are attempting to steal the election. Although the vast majority of protests are very likely to be peaceful, some, as occurred in Portland on 4 November, will result in vandalism to storefronts and office buildings, especially in downtown locations, and altercations between protesters and the police. Isolated looting and arson is also likely in downtown areas in cities such as New York, Washington, Atlanta, Portland, and Seattle, among others. As seen in the arrests of 13 individuals who belonged to a Michigan militia and allegedly intended to abduct the governor of that state on 8 October, the risk of a terrorist attack against politicians, party headquarters, and government buildings has increased and remain elevated. Risks of mass shootings and car rammings of protesters by individuals associated with both right- and left-wing movements will be high in the weeks ahead, especially if continuous state electoral college allocations come down to Supreme Court decisions or state legislatures.

Indicators of changing risk environment

Increasing risk

- Early voting results becoming reversed as mail ballots are counted would increase the risk of violent protests resulting in vandalism and acts of terrorism.
- A Supreme Court decision affirming that all counting should cease with Trump ahead would increase the risk of major labour unions calling for a general strike.

Decreasing risk

- An overwhelming victory by either Trump or Biden in the remaining uncalled swing states would marginally decrease risks of elongated violent protests, especially if neither candidate publicly rejects the outcome.
- A Trump re-election, along with a returning Republican majority in the Senate, would increase the prospects of additional tax cuts.

Terrorist incidents unlikely in Venezuela despite government refinery and petrochemical attack claims; protests over fuel shortages likely

2 Nov 2020 – Country Risk | Headline Analysis

Venezuela's President Nicolás Maduro reported on 30 October that a "terrorist attack" had taken place against the El Tablazo petrochemical plant in the oil-rich Zulia state following an explosion at the facility. According to Maduro, the attack was planned by Colombian President Iván Duque and was directed by the United States; the US and Colombia have denied the claims. Maduro also claimed that a terrorist attack was also responsible for an explosion at the Amuay refinery located in the Falcon state on 28 October. At the time, Maduro reported that there were only 20-day worth of petrol supplies left in the country. National oil company PDVSA reported accidental fires on 13 and 10 October at the Cardon and El Palito refineries, located in the Carabobo and Falcon states, respectively, shutting down petrol production at the facilities.

Significance: Strong military control and presence in critical infrastructure premises, including refineries and petrochemical plants, make it highly unlikely that Venezuela's weak, divided, and unarmed opposition groups may have attempted attacks of this nature and scale with improvised explosive devices or explosives. There are no known domestic anti-government insurgent groups in Venezuelan territory with the capacity or intention to target hydrocarbon assets; a lack of maintenance and infrastructure upgrades is more likely to have caused the fires and explosions. Opposition supporters have been purged in the last two decades, and existing security forces and PDVSA union members are loyal to the government, and therefore, are unlikely to have engaged in acts of sabotage. The US and Colombia, in turn, are more likely to continue using diplomatic and financial pressure in the form of sanctions, rather than by force, to try to force Maduro out of power. As such, while Maduro remains in power, large-scale terrorist incidents targeting hydrocarbon facilities are unlikely in the one-year outlook. President Donald Trump being re-elected in the 3 November US election is likely to signal an increasing likelihood of opposition leader Juan Guaidó (ecognized as interim constitutional president by the US) calling for protests, taking advantage of fuel and food shortages in the country. In the unlikely event that Maduro is forced to step down from power, terrorism risks are likely to increase. This would take the form of pro-Maduro groups known as "colectivos" attempting to stage attacks against government buildings and oil premises, taking advantage of the strong presence of pro-ruling party union members and loyal security forces inside the security perimeter of critical infrastructure. Should US Democratic candidate Joe Biden win, Maduro's rhetoric over US "terrorist attacks" is likely to tone down in an effort to launch a negotiation process with the new US administration, aimed at easing sanctions, and in particular, for the reinstatement of oil-for-diesel swaps as an exemption from US sanctions.

Risks: Terrorism; Protests and riots; State failure

Sectors or assets affected: All

Islamist-motivated attacks in France

5 Nov 2020 – Country Risk | Strategic Report

At the Notre-Dame Cathedral in Nice, a 21-year-old Tunisian suspect, armed with a blade and later shot and detained by security forces, killed three people, beheading two in a suspected Islamist-motivated terrorist attack on 29 October. On the same day in Avignon, the police shot and killed a man suspected of being a member of the far-right *Génération Identitaire* movement, who had reportedly threatened a Muslim shop owner and the police with a small firearm.

- **President Emmanuel Macron's statements on Islam and defence of the publication of Charlie Hebdo's cartoons are likely to intensify the frequency of Islamist-motivated attacks.** Prime Minister Jean Castex responded to the attack conducted on 29 October by announcing that the government had raised the terrorism threat level to *Urgence Attentat*, the highest on the national security threat scale. This temporary measure would increase the deployment of troops on French soil from the current 3,000 to 7,000. The deployment of military personnel to guard strategic targets and conduct foot patrol will likely remain in place at least in the one-month outlook. The attack conducted in Nice on 29 October follows the beheading of a teacher in Conflans-Sainte-Honorine by an 18-year-old suspect of Chechen origin on 23 October, after the victim had shown satirical cartoons of Prophet Muhammed to his class. In the context of international criticism of Macron's defence of freedom of expression and state secularism, the frequency of Islamist-motivated attacks, particularly targeting churches, schools, or people attending religious functions, is likely to intensify across France at least until the end of 2020. Chechen leader Ramzan Kadyrov and Turkish President Recep Tayyip Erdogan are among those who have ecognized President Macron for defending the publication of the cartoons, while UAE Foreign Minister Anwar Gargash expressed support for Macron's statements and a group of French Muslim leaders issued a joint statement on 2 November condemning terrorism, violence, and the ecognized ion tion of Islam for political aims.

- **Islamist-motivated attacks would likely remain uncoordinated with low-capability, with lone actors using blades, small firearms, improvised explosive devices (IEDs), or vehicle-impact techniques.** The attacks conducted outside Charlie Hebdo's old offices in Paris on 25 September; in Conflans-Sainte-Honorine, Yvelines department, on 23 October; and in Nice on 29 October do not indicate a change in tactics or capabilities of ecognized Islamist individuals planning terrorist acts in France. However, the shortened timeframe means that there is likely to be more urgency; less time to plan; reconnoitre targets, which might be more opportune; and cruder weapons and tactics. This lack of lead time will make them difficult to mitigate, as there is less chance of being detected, but also produce a lower impact on the target. Co-ordinated attacks planned by co-operating Islamist cells remain less likely and would probably be foiled by French security forces, who have increased their capability in intercepting jihadist communication since the 2015 Paris terrorist attacks. Low-capability, lone-actor attacks conducted through arson, with the use of blades, limited use of firearms, low-capability IEDs, or vehicle impact would remain the most likely types of assault. With France going into extensive nationwide coronavirus disease 2019 (COVID-19) virus-related restrictions on 30 October, mass gatherings and tourist sites are less likely to be available to attackers.

- **The low-capability attack in Austria risks inspiring ecognized individuals to attempt copycat attacks in other Western European countries.** A 21-year-old Austrian with dual North Macedonian citizenship, armed with an assault rifle, opened fire outside bars and restaurants in central Vienna on 2 November, killing four people. The gunman was later shot and killed by police. In response to this incident, the United Kingdom's Joint Terrorism Analysis Centre raised the terrorism threat level from "substantial" to "severe", indicating that an attack is "highly likely". Recent Islamist-motivated terrorist attacks in France and Austria have the potential to motivate already-radicalised individuals in Western European countries to attempt to conduct copycat attacks, particularly ahead of the introduction of more stringent COVID-19 virus restriction measures. Would-be assailants, especially those likely to be known by security forces, are likely to attempt to carry out an attack in a short timeframe, seeking to pre-empt the intervention of security forces.

- **Low-capability attacks targeting Muslim individuals and assets, including mosques, community centres, and businesses, would also be likely.** The risk of far-right groups or individuals attacking Muslim assets and individuals in response to Islamist attacks is also heightened. On 21 October, Interior Minister Gérald Darmanin increased security outside mosques in Béziers and Bordeaux after a message appeared on social media calling for the mosques to be burned down. Muslim assets, particularly mosques, would likely be the target of arson or vandalism attacks, while Muslim individuals would more likely be the target of assault with firearms or knives, or vehicle impact attacks during or after Friday prayers, particularly in Paris and other large cities such as Lyon, where local mosques are frequently being the target of vandalism.

Indicators of changing risk environment

Increasing risk

- Charlie Hebdo publishing new satirical cartoons in the wake of the 29 October Nice attack, as well as a guilty verdict in the Charlie Hebdo terrorist trial would probably risk triggering further Islamist-motivated attacks.
- More Muslim leaders, such as Kadyrov and Erdogan, ecognized Macron's stance on state secularism would likely foster anti-French sentiment among ecognized Islamist individuals.
- Measures perceived to be targeting and discriminating against the Muslim community in the draft anti-separatism bill due to be presented in the French National Assembly on 9 December would risk driving more Islamist-motivated attacks.
- Anti-terrorism operations reducing lead time for ecognized individuals would increase the risk of Islamist-motivated attacks in the short term.

Decreasing risk

- Interior Minister Darmanin reaching co-operation agreements with countries such as Russia, Algeria, and Tunisia on the expulsion of individuals suspected of ecognized ion from France and enhanced intelligence-sharing would likely mitigate the risk of Islamist-motivated attacks in the long term.

Armenia-Azerbaijan military escalation

2 Nov 2020 – Country Risk | Strategic Report

A month after the beginning of fighting, Azeri authorities claimed on 27 October that the country's armed forces had gained control of four towns (Jabrayil, Qubadli, Zangilan and Fuzuli) and 165 villages, mostly in the southern part of the Nagorno-Karabakh conflict zone. An attempt at brokering a humanitarian ceasefire (the third) failed within hours of its implementation.

- **The collapse of the third humanitarian ceasefire in less than a month likely indicates that Azerbaijan wants to achieve more territorial gains before agreeing to a halt in military operations.** On 25 October, as a result of negotiations conducted in Washington with the Armenian and Azerbaijani foreign ministers, the US Department of State announced the agreement of a humanitarian ceasefire, effective from 08:00 AM local time on 26 October. Fighting has, however, continued and both sides traded accusations of ceasefire violations. Armenian Prime Minister Nikol Pashinyan declared later that day that the US-brokered ceasefire had failed.

- **Buoyed by Turkey's support and emboldened by military success, Azerbaijan likely wants to continue the Nagorno-Karabakh campaign, with probable immediate objectives of seizing the city of Shusha and/or cutting off the Lachin Corridor.** The Azerbaijani armed forces will probably focus on gaining control over more land in Nagorno-Karabakh and seven adjacent districts of Azerbaijan occupied by Armenian forces, rather than risk strikes deep inside Armenia, particularly as the latter would risk Russian military intervention. Importantly, the Azerbaijani military re-established control over part of the Zangilan district that borders Iran, including the Agbend settlement, which means that Azerbaijan now controls the entire length of its border with Iran. The city of Shusha, historically significant for the Azeris, is a likely further objective that Azerbaijan will seek to take before agreeing to a cessation of offensive operations, if not of hostilities. In addition, the direction of the thrust from the south suggests that the Azeri forces are approaching the strategically important Lachin Corridor, which connects the breakaway region to Armenia proper. If they manage to cut it off, the Nagorno-Karabakh separatists would be deprived of resupply lines from Armenia, raising the prospect of their encirclement and potential conclusive military defeat.

- **An alleged 17 October missile attack against Azerbaijan's second largest city, Ganja, increases the likelihood of spillover into both Armenia and Azerbaijan proper.** Ganja is located at least 60 km from the current area of hostilities. This was the third attack against Ganja and the most devastating as it resulted in the death of 17 civilians and destruction of at least 20 houses. According to the Azeri Presidential Adviser Hikmet Hajiyev, Armenia used an R-17 (Scud) ballistic missile. In contrast with the first attack on Ganja on 4 October, for which the separatist leader Arayik Harutyunyan claimed responsibility, the Armenian military command and secessionist leadership both denied that they had carried out the third attack on Ganja. If the attack against Ganja occurred without the approval of Prime Minister Nikol Pashinyan, this would indicate that the Armenian central government does not have effective control over the Nagorno-Karabakh separatists, whose unilateral actions are liable, if not deliberately intended, to provoke a wider conflict. In a further attack on an Azeri population centre, on 27-28 October, the Azerbaijani town of Barda, which is near the breakaway region, came under fire from Smerch multiple rocket launch systems, resulting in 14 civilians dead and over 40 wounded. Armenian Defence Ministry spokesperson Shushan Stepanyan denied that either the Armenian armed forces or the Nagorno-Karabakh separatists had attacked Barda.

- **The Turkish government, hoping to increase its influence over the region, has been strident in its support for Azerbaijan.** Turkey's Vice-President Fuat Oktay stated on 22 October that Turkey was ready to render military assistance to Azerbaijan if the Turkish government receives a request from the Azeri authorities. The use of Turkish-supplied Bayraktar unmanned aerial vehicles (UAVs) by the Azeri armed forces has been widely documented during the ongoing military escalation. There is also mounting evidence in open sources suggesting that Turkey has facilitated the transfer of fighters from Syria to Azerbaijan to fight against Armenia. Although these fighters are unlikely to make a significant military contribution to Azerbaijan's campaign, given the quantitative and qualitative superiority of the Azeri armed forces, they are a signal of Turkey's ambition to achieve what it sees as its justified influence over the region and over any settlement of the Nagorno-Karabakh conflict.

Scenarios

- **In Markit Markit's view, there are three main scenario pathways outlining how the situation is likely to develop in the six-month outlook (in descending order of likelihood, from most to least likely):**

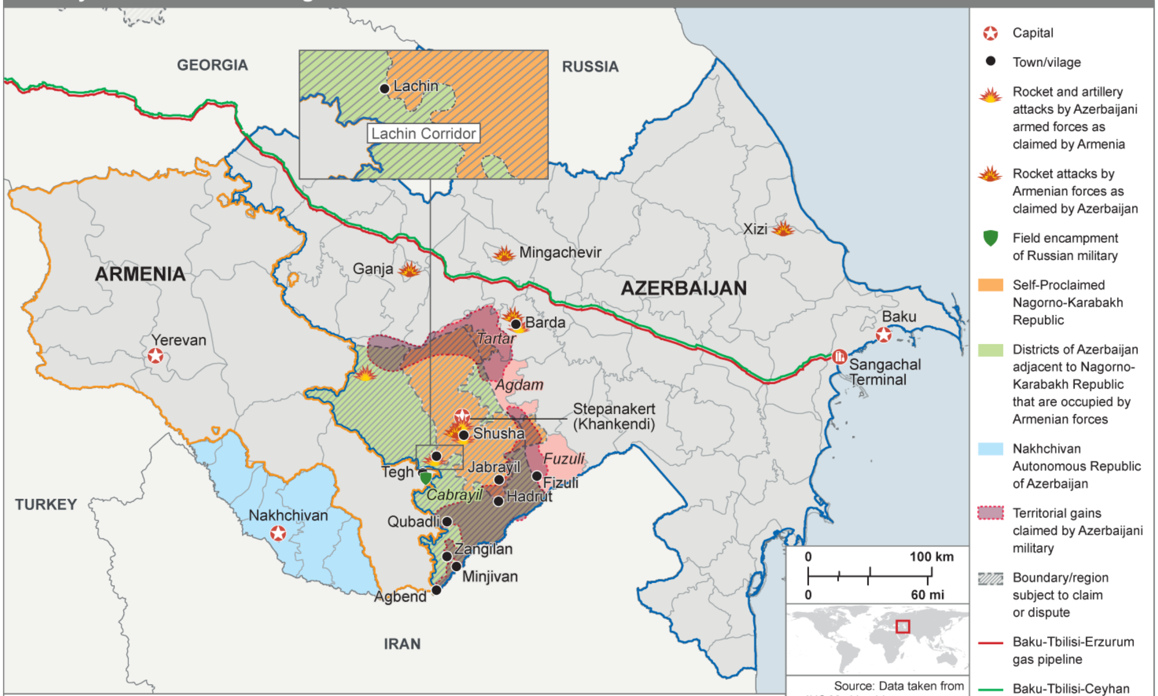
- **Scenario one: A negotiated ceasefire(probability: 60%):** Russia and Turkey (under pressure from Russia) call on both sides to halt fighting. Turkey achieves its objective of increasing its regional influence by its admission to the Minsk Group, becoming the fourth mediator of Armenia-Azerbaijan talks. Azerbaijan retains all territorial gains it has achieved since 27 September and a new de facto Line of Contact is established. The modalities of the new ceasefire agreement are likely to entail deployment of a mixed Russian-Turkish peacekeeping contingent to separate the belligerents.

- **Scenario two: No negotiated ceasefire and hostilities continue, albeit at a reduced level (probability: 30%):** Because of weather conditions (the onset of winter), Azerbaijan suspends offensive ground operations. The Azeri military consolidate their hold on the regained territory by setting up defensive positions along the new de facto Line of Contact. They continue to employ long-range artillery, multiple rocket launcher systems, and UAVs to interdict separatist lines of communication and target infrastructure and the main urban areas in the breakaway enclave (Stepanakert/Khankendi, Martuni/Khojavend, Martakert/Agdere, Shushi/Shusha), forcing further evacuation of ethnic Armenian civilians, but wait for spring to retain the option of another offensive aimed at penetrating further into the separatist-controlled areas surrounding Nagorno-Karabakh. Both sides hold back from the sustained engagement of targets outside the disputed areas and deep in their enemy's national territory. Russia makes no public move towards intervention, as long as it judges that the fighting does not threaten internationally ecognized Armenian territory.

- **Scenario three: Fighting escalates and spills over into undisputed Azeri and/or Armenian territory; Russian military intervention (probability: 10%):** In response to sustained attacks against major cities in Armenia proper by Azerbaijan, Armenia invokes the framework security and defence co-operation agreements with Russia and asks for military support from Russia and the Collective Security Treaty Organisation (CSTO). Russia responds by carrying out selective strikes on military targets in Azerbaijan and increases diplomatic pressure on Azerbaijan to cease hostilities. Turkey increases its direct military assistance to Azerbaijan, short of overt deployment of Turkish forces, turning the military escalation in Nagorno-Karabakh into a proxy war between Russia and Turkey. Under pressure, Azerbaijan ceases offensive operations, leading to a negotiated settlement.

Source: Markit Markit© 2020 Markit Markit

Military escalation in the Nagorno-Karabakh conflict zone



Indicators of changing risk environment

Increasing risk

- Dispatch of more troops to the frontline, including those formed from the recently mobilised reserve officers, would indicate that Azerbaijan is preparing for sustained combat that could last for weeks.
- Use of military aircraft, including fighter jets and bombers, would indicate further escalation of combat along with more frequent use of multiple rocket launch systems, which tend to be less accurate and produce significant collateral damage to the civilian population.
- An increased number of cargo flights from Turkey to Azerbaijan and from Russia to Armenia would indicate an increase in military supplies, needed for sustained combat.
- Azeri armed forces initiate sustained rocket and missile attacks against major cities in Armenia proper.
- The Turkish government dispatches military advisers, if not formed combat units, to provide direct support for Azeri armed forces.
- The Russian military based in Armenia becomes involved in repelling Azeri attacks on Armenia proper.
- The Armenian government recognises the independence of the self-declared Nagorno-Karabakh Republic (a major provocation to Azerbaijan).

Decreasing risk

- Russia intensifies shuttle diplomacy to compel the warring sides to negotiate to work out another ceasefire agreement.
- Russian troops based in Armenia commence joint manoeuvres with Armenian forces in close proximity to the combat areas in the Nagorno-Karabakh conflict zone.
- Russia increases its military presence in Armenia by sending additional troops and equipment to its military base in Gyumri to signal its security and defence commitments to Armenia.
- The Russian and Turkish governments agree on modalities for a new ceasefire agreement, which will entail the deployment of a joint peacekeeping forces to Nagorno-Karabakh.
- Azerbaijan continues to refrain from launching attacks against major cities in Armenia proper.
- Both Azerbaijan and Armenia signal that they would accept the deployment of Turkish and Russian peacekeepers in Nagorno-Karabakh.
- Russia agrees to lower the gas price for Turkey, as a quid pro quo for the Turkish government’s suspension of its military supplies to Azerbaijan and application of pressure on Azerbaijan to halt military operations. The long-term gas supply contract between Turkey’s state-owned Botas and Russia’s Gazprom is set to expire in 2021, and the Turkish government is eager to wrangle price a concession from Russia as difficult negotiations unfold.

Agreement for a permanent ceasefire in Libya unlikely to hold without Turkish-Russian commitment and political roadmap

30 Oct 2020 - Country Risk | Headline Analysis

Acting United Nations (UN) Special Representative for Libya, Stephanie Williams, announced on 23 October that a ceasefire agreement was signed by the 5+5 Joint Military Commission in Geneva, consisting of delegates from the Government of National Accord (GNA) and the Libya National Army

(LNA). The ceasefire was described as a permanent, country-wide agreement with immediate effect and it will serve as a negotiating basis for the upcoming political talks scheduled in Tunis on 8 November.

- **The agreement formalises the unofficial ceasefire holding since late August but it contains major obstacles to its effective implementation.** The agreement provides for the formation of a military force from both parties in a joint operations room, and the departure of all foreign fighters or troops from Libya within three months. It further states that all security and military co-operation agreements with foreign states will be frozen until a new unity government can review them. The clause is detrimental to Turkish interests, as Turkey officially deployed military units in Libya following an agreement with the GNA and signed a maritime agreement with the Tripoli-based government to safeguard its energy and geopolitical interests. Given the level of its commitment in Libya, Turkey is unlikely to be willing to renegotiate these terms with a future government. Moreover, while Turkish forces are officially in Libya, the foreign military contractors backing the LNA, including the Russian-backed Wagner and Sudanese fighters, are not officially in the country and are, therefore, more difficult to be held accountable.

- **The agreement still needs to secure the support of key factions and allied countries inside and outside of Libya, with the more complex issues passed to sub-committees for further work.** Turkish President Recep Tayyip Erdogan claimed on 26 October that the ceasefire deal lacks credibility, and Turkish Minister of Defense Hulusi Akar stated that the training of GNA forces will continue and that the agreement reached in Geneva will not have an effect on the military deals signed between Libya and Turkey. Similarly, key LNA-aligned units and Tripoli-based militias announced that they have no intention of abiding by any agreement reached in Geneva. Furthermore, key issues that have proven to be stumbling blocks to any permanent peace deal in the past, such as the issue of revenue distribution from the sale of oil and the overhaul of the Libyan Central Bank, have not been addressed and passed to sub-committees within the 5+5 Joint Military Commission for further work.

- **The ceasefire agreement is likely to continue freezing the conflict as long as the diplomatic track remains in motion.** IHS Markit assesses that large-scale fighting between GNA and LNA forces is unlikely to resume in the two-month outlook, reducing aviation and marine risks across Tripolitania, the Oil Crescent, and Cyrenaica. Similarly, oil exports are likely to continue. However, the risk of the agreement collapsing after the next round of political talks is likely to remain severe without the formal commitment of Turkey and Russia.

Indicators of changing risk environment

Increasing risk

- The commander of the LNA, Khalifa Haftar, openly denounces the ceasefire proposals and reiterates his commitment to defeating the GNA.
- Fractures emerge within the GNA camp with politicians, militias, and armed groups supporting the GNA rejecting the ceasefire proposal.
- Turkey refuses to withdraw Syrian fighters and military advisors from Libya.
- The Wagner company deploys further assets in the country.
- The GNA signs new security and economic deals with Turkey and Qatar.

Decreasing risk

- Russia, Turkey, and Egypt jointly sponsor a political process between the LNA, the eastern-based parliament, and the GNA, with a view towards writing a constitution that divides energy revenues between provinces based on their size and population.

- Italy and France succeed in putting together an EU peacekeeping mission to be deployed in Libya and to monitor the ceasefire.

Polish abortion ruling triggers widespread protests; increased EU scrutiny, healthcare-sector legal uncertainty, and cargo disruption likely

27 Oct 2020 - Country Risk | Headline Analysis

Tens of thousands of people have been staging daily protests in Warsaw and across Poland after the Constitutional Court ruled on 22 October that abortions for cases with foetal defects are unconstitutional.

- **Protests are likely to continue for weeks, with significant disruptions to road transport and cargo.** Protests are widespread, having expanded well beyond Warsaw, with 90% of protests staged in cities with under 100,000 inhabitants, towns, and villages. Physical confrontations between demonstrators and police are likely as seen during rallies staged on 23–25 October, with police forces potentially deploying tear gas and detaining activists, particularly if protesters attempt to protest near Law and Justice (Prawo i Sprawiedliwość: PiS) leader Jarosław Kaczyński's residence in Warsaw. Blockades of key roads and roundabouts are very likely, with demonstrators blocking main roads in person or with private vehicles. This would increase the risk of death and injury stemming from traffic accidents, as seen during an incident in Warsaw on 26 October, when a car hit and wounded two female demonstrators. Activists are also likely to target churches and disrupt religious services. Women's activist groups including Strajk Kobiet (Women's Strike) so far have announced daily rallies at least until 30 November and are planning to strike from 28 October, significantly affecting business operations across economic sectors, including retail, agriculture, and manufacturing.

- **The Constitutional Court's ruling temporarily increases legal uncertainty for healthcare providers.** The ruling, which is final and cannot be appealed, was based on a request filed by a group from the ruling PiS MPs to rule on the constitutionality of the law on abortion. However, the ruling will only come into force once published in the Journal of Laws (Dziennik Ustaw). It is unclear when Prime Minister Mateusz Morawiecki will decide to proceed with such publication, which can technically take place immediately after the ruling and is likely to be announced within two weeks. Although the current law remains in place temporarily, some hospitals have announced their intention to stop abortions immediately, which increases legal uncertainties for operators in the healthcare sector, especially those that continue providing abortions, and patients, both of whom could face prosecution.

- **EU scrutiny is likely to increase.** The status of the Constitutional Court itself has remained under EU scrutiny since PiS introduced contentious changes to its functioning as part of its ongoing judicial overhaul in 2015. The changes allowed the party to nominate new judges, including the Court's President Julia Przyłębska, who announced the abortion ruling and has close ties to Kaczyński. The ruling risks being challenged because of concerns over the functioning of the court, as a September 2020 report by the European Commission found that "concerns over the independence and legitimacy of the Constitutional Tribunal" were still unresolved. A bill to change the Constitution would require the approval of two-thirds of the lower house or an absolute majority in the Senate. PiS currently lacks the required number of deputies or senators to adopt such changes alone. The Constitutional Court's ruling is also likely to increase pressure from EU bodies towards Poland over concerns relating to the rule of law and fundamental rights. The Commission is in the process of introducing a potential linkage between the disbursement of EU funds and compliance with EU rule-of-law standards. In addition, the European

Union in July already refused to grant EU funds to Polish towns that declared themselves as “LGBT-free zones”, and Poland’s clampdown is likely to generate widespread opposition within the European Parliament and other EU bodies, which remain sensitive to areas such as women’s rights.

Indicators of changing risk environment

Increasing risk

- A widespread detention of activists, deaths or injuries involving demonstrators during road blockades, or violent confrontations would likely result in expanded protests across the country.
- Hospitals refusing to perform abortions before the publication of the ruling in the Journal of Laws would increase the risk of protests targeting healthcare facilities.
- An extension of the planned strike across multiple economic sectors and state-owned companies would increase negative impacts on business operations.
- Statements from European Commission President Ursula von der Leyen or other EU officials objecting to the ruling would indicate increased EU concerns over the rule of law and fundamental rights in Poland.

Decreasing risk

- The publication of the ruling in the Journal of Laws would reduce legal uncertainty for healthcare firms by bringing the law into force, although the legitimacy of the Constitutional Court remains disputed by the Commission.
- The introduction of a state of emergency to reflect the recent surge of coronavirus disease 2019 (COVID-19) cases would allow the government to enforce stricter measures on movement and public gatherings, which are likely to reduce the number of protesters.

Opposition rejection of Guinea’s presidential election results increases risks of violent protests in capital, parties’ other strongholds

26 Oct 2020 - Country Risk | Headline Analysis

Guinea’s Independent National Electoral Commission (CENI) on 24 October released provisional presidential election results indicating that incumbent President Alpha Condé of the Rally of the Guinean People (Rassemblement du Peuple Guinéen: RPG) party had won an outright majority in the first round of the 18 October poll with 59.49% of the vote. The principal opposition leader, Cellou Dalein Diallo of the Union of Guinean Democratic Forces (Union des Forces Démocratiques de Guinée: UFDG), won 33.5% in the provisional results. Diallo has rejected the results, alleging voter fraud at polling stations, and declared himself the winner on 19 October. Diallo is under house arrest, according to media reports. In a statement, CENI’s vice-president and opposition representative, Bano Sow, has called for a re-run of the election due to anomalies, media reports state. Condé, 82, who has been in office since 2010, had his candidacy challenged by opposition and civil society groups following a constitutional amendment which reset term limits and permitted him to run for a third term. Diallo has stated his intention to challenge the presidential election results at the Constitutional Court.

Significance: IHS Markit sources in Conakry, the capital, indicate that the Constitutional Court is unlikely to overturn the election results without the opposition showing clear evidence of fraud, backed by significant international pressure on fraud allegations. Diallo has called for street protests, while opposition coalition the National Front for the Defence of the Constitution (Front national de la défense de la Constitution: FNDC), which has organised well-attended protests numbering thousands in the past year, has announced nationwide demonstrations from 26 October demanding Conde's departure from office. Between 18 and 23 October, at least 17 people were killed in violence between protesters and police, according to reports. On 23 October, the train line operated by Russian aluminium company Rusal was blocked and carriages set on fire by demonstrators in the Sonfonia neighbourhood of Conakry. There is a high likelihood of violent confrontations between RPG and UFDG supporters, as well as with security forces, at protest hotspots in the one-month outlook while the Constitutional Court adjudicates the electoral dispute. Hotspots include Conakry's Ratoma commune, as well as Nzérékoré, Mamou, Labé, and Kindia. Traffic disruption is likely along the Route le Prince and N1 highway near Conakry International Airport, also disrupting cargo movement to and from the port for several hours at a time. Such violent demonstrations are highly likely to cause collateral damage to nearby commercial assets and government buildings and involve looting.

Risks: Government instability; State failure; Infrastructure disruption; Protests and riots; Civil war; Death and injury

Sectors or assets affected: Ground; Government buildings; Defence and security forces

Baloch separatist attack on state exploration company convoy underlines growing threat to commercial transport in southern Pakistan

23 Oct 2020 - Country Risk | Headline Analysis

The Balochistan Liberation Front (BLF) – one of several separatist groups operating in Pakistan's southwestern province of Balochistan – on 20 October claimed that its fighters had killed 61 Pakistani soldiers in 20 attacks from July–August 2020. The BLF is part of an umbrella group of separatists – the Baloch National Freedom Movement (Baloch Raji Ajohi Sangar: BRAS) – which claimed the 15 October attack against a convoy of the state-run Oil and Gas Development Company Limited (OGDCL) employees traveling to Karachi from Gwadar. At least seven soldiers and seven private security guards were confirmed as having been killed in the ambush.

Significance: Although the BLF's claims are likely exaggerated, they reflect a broad increase in the frequency and sophistication of Baloch separatist activity, which has likely been driven by growing co-ordination between the disparate separatist groups through BRAS and with counterpart Sindhi separatist groups. The OGDCL convoy attack, moreover, underlines that Pakistani state and Chinese commercial activity are primary targets for Baloch separatists, second only to security forces. However, Baloch separatists have had limited success in causing damage to fixed assets with recent high-profile attacks, such as the June 2020 assault against the Pakistan Stock Exchange in Karachi, in which meaningful damage to buildings was minimal. We therefore anticipate that separatist attacks will predominantly target assets and individuals in transit over the next year, rather than project sites or secured locations. Government and military-run commercial companies such as OGDCL and the Frontier Works Organization, and all Chinese companies, face a particularly high risk of being targeted in ambushes by militants using small-arms and rocket-propelled grenades (RPGs) or roadside improvised explosive device (IED) attacks, particularly along the Makran Coastal Highway connecting Balochistan and Sindh provinces.

Risks: Terrorism; Ground

Sectors or assets affected: Oil and gas; Construction; Chinese assets; Security forces

LNG tanker attack indicates increasing piracy and kidnap risks affecting onshore assets in Equatorial Guinea

21 Oct 2020 - Country Risk | Headline Analysis

The Equatoguinean government on 17 October announced that armed pirates attacked the Marshall Islands-flagged LNG tanker *Methane Princess* in anchorage. The pirates reportedly boarded the vessel at the Punta Europa LNG Terminal off Malabo on Bioko Island, Equatorial Guinea's main LNG marine pier, while it was completing a cargo operation. Reports indicate that the attackers took hostages, including an Equatoguinean and a Filipino, while another Equatoguinean citizen suffered minor injuries. The latest incident follows a growing trend of piracy and kidnap-for-ransom by criminal gangs in Equatoguinean maritime waters and the wider Gulf of Guinea, with similar piracy incidents reported close to Lomé in Togo and Takoradi in Ghana. In May, gunmen boarded the Comoros-flagged general cargo vessel *Rio Mitong* at anchor near Malabo and foreign and local crew members were abducted. In addition, the Equatorial Guinea-flagged ro-ro vessel *Djibloho* was attacked off the coast of Luba, Bioko Island, in the same month. Likewise, pirates attacked oil-supply vessel *Pacific Warden* near Luba in November 2019 and abducted seven out of 15 crew members. In May 2019, pirates boarded heavy-load carrier ship *Blue Marlin*, but later fled following a gunfight with the Spanish and Equatoguinean navies, with 10 pirates being arrested.

Significance: The latest attack at the LNG terminal indicates growing operational reach and capability of these mostly Niger Delta-based assailants, while exposing security shortcomings at a strategic national asset. IHS Markit assesses that such attacks are likely to increase in frequency and would involve crew abductions and robbery of valuables other than fuel cargo. Such attacks are likely to be driven by increased investments in major energy infrastructure projects, such as the proposed development of a Gas Mega Hub. Improved funding for the navy, including the use of private security guards to protect merchant vessels, is likely to be an effective mitigation measure in reducing the likelihood of a hijack being successful.

Risks: Kidnap and ransom; Death and injury; Marine

Sectors or assets affected: Marine cargo; Oil and gas; Defence and security forces

RISK NOTE: Tankers at Lebanese ports at increased risk of seizure due to investigations into fuel smuggling to Syria

14 Oct 2020 - Country Risk | Headline Analysis

The oil products tanker Jaguar S (IMO 9175169) was detained at Lebanon's Zahrani Terminal and Lebanese authorities arrested its captain and shipping agent on 6 October, charged with attempting to smuggle fuel to Syria. No comment had been issued by the ship's owner at the time of writing.

- The Jaguar S had its Automatic Identification System (AIS) tracker deactivated before arriving in Lebanese waters, and has a history of transporting fuel to Syria in contravention of US sanctions. It was identified in satellite imagery off Syria's Baniyas Oil Terminal on 13 June. The vessel's most recent journey appears to have begun in Istanbul, calling at the Kali Limenes fuel storage and bunkering station in Crete, before arriving off the coast of Lebanon in late September, loaded with 4 million litres of petrol.

- Lebanon has been suffering from fuel shortages in the last three months, despite a 9% increase in imports of gasoil and diesel in the first nine months of 2020 compared with the same period last year. Incidentally, this occurred during a major economic downturn in Lebanon, indicating that much of the fuel imported by Lebanon was for re-export. A large proportion of imports are most likely being smuggled by road across the border into Syria to avoid the more stringent US Caesar Act sanctions imposed in June. Fuel smuggling has become a lucrative business with rival organised crime groups fighting for control of border areas. The Zahrani Terminal is located off Sidon, where Iran-backed Hizbullah wields extensive influence. Hizbullah has both financial and political incentives to facilitate fuel smuggling into Syria.

- Lebanese authorities are likely to increase their efforts to intercept and deter fuel smuggling to Syria via Lebanese ports over the coming months. This will carry a growing risk of delays due to enhanced inspections, and risk of seizure, for all tankers calling at Lebanese ports. Seizure risks will be highest for vessels with non-transparent ownership structures, and particularly any vessels with a history of operating in the eastern Mediterranean with their AIS transponders switched off.

North Korea's new strategic missiles indicate probable increase in capabilities, likely aimed at coercing US into negotiations

13 Oct 2020 - Country Risk | Headline Analysis

North Korea included what appears to be two new weapon systems in a military parade marking the 75th anniversary of the founding of the Korean Workers Party on 10 October: a road-mobile liquid-propellant intercontinental ballistic missile (ICBM) and a new solid-propellant submarine-launched ballistic missile (SLBM). IHS Markit had previously assessed that a new strategic missile demonstration was likely before end-2020 given senior personnel appointments and announcements by Supreme Leader Kim Jong-un and other senior members of the North Korean leadership.

Significance: While the new SLBM's contribution to North Korea's existing ballistic missile capabilities is probably only marginal, the new ICBM is believed to be the largest-known road-mobile liquid-propellant ICBM in the world. Images of the new ICBM paraded on 10 October appear to show that the weapon delivery system is double in size of the Hwasong-15 (previously the largest nuclear-capable missile in North Korea's arsenal), indicating increased payload capability. However, there are credible doubts about its range capability as well as vulnerabilities related to mobility and response time. IHS Markit assesses that the new ICBM demonstration is part of an existing provocation strategy aimed at coercing the US to change its “all or nothing” negotiating position regarding complete North Korean denuclearisation in exchange for sanctions relief. The new ICBM demonstration was very likely intended to signal to the US that technological weapons modernisation continues unabated. The North Korean leadership is likely seeking to elevate the North Korean issue in the agenda of the successful US presidential candidate ahead of elections in November. Assuming the ICBM is viable, the decision to demonstrate it through a military parade rather than a test indicates a measured approach towards the US while also offering North Korea the option to escalate its rhetoric. If negotiations fail to progress under a new US administration, then North Korea is likely to resort to a test launch of the new ICBM as its next step, probably in the first quarter of 2021. A test would deliver increased certainty of the new ICBM’s capabilities.

Risks: Interstate war; Marine

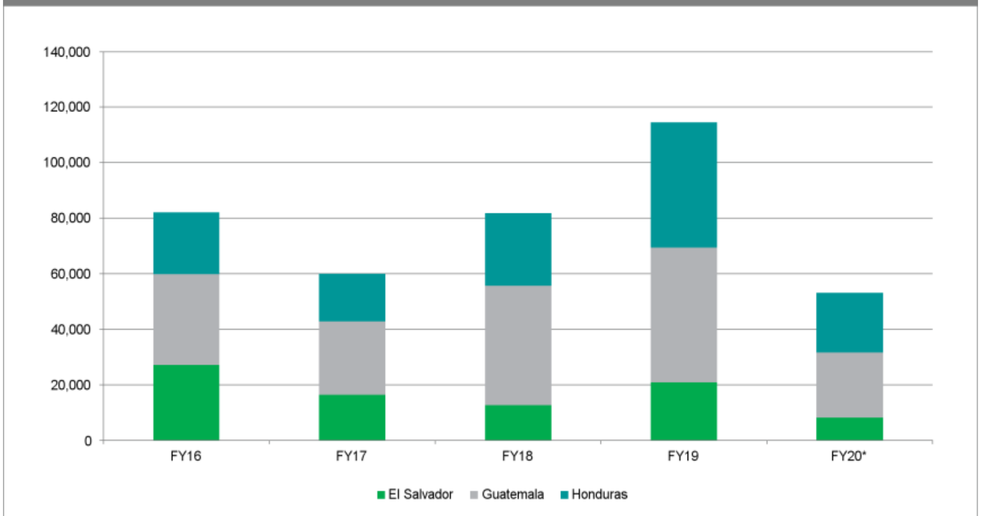
Sectors or assets affected: All

Central American migrations into Mexico likely to rise in 2021, increasing supply-chain disruption risks at border crossings

9 Oct 2020 - Country Risk | Headline Analysis

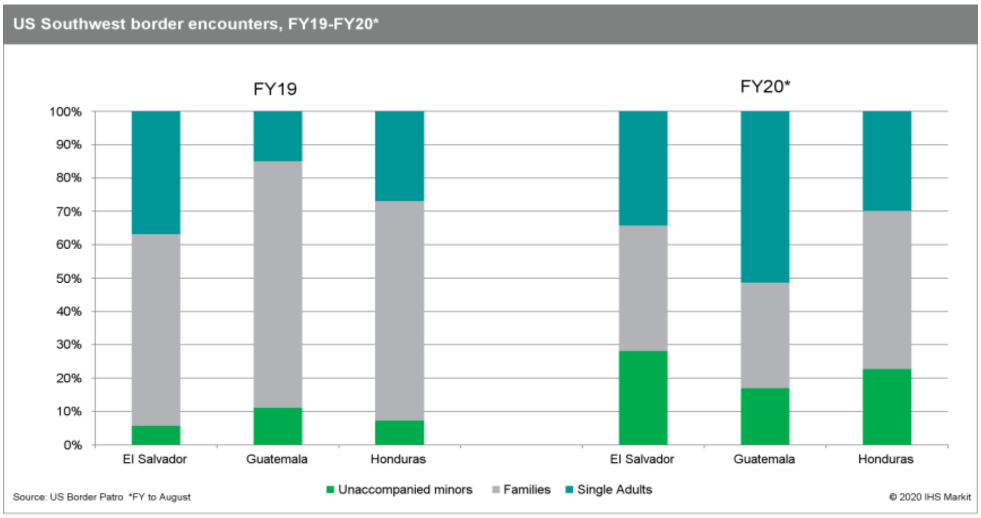
Mexican President Andrés Manuel López Obrador thanked the Guatemalan government on 7 October for preventing a migrant group (caravan) from reaching the border with Mexico and returning many of the participants to Honduras. More than 3,300 individuals had left San Pedro Sula in Honduras on 1 October with the goal of reaching the United States; the migrant caravan is the first mass movement of Central American migrants since the onset of the coronavirus disease 2019 (COVID-19) virus pandemic, coming two weeks after Guatemala reopened its land borders.

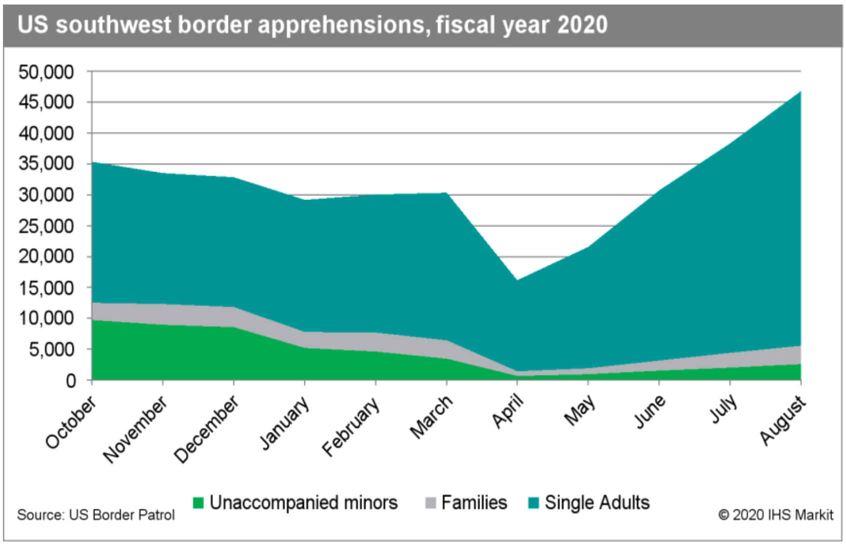
US Southwest border single adult encounters by country, FY16-20*



Source: US Border Patrol *FY20 to August

© 2020 IHS Markit





- **The renewal of the migration caravan phenomenon is likely to be driven by a weak economic outlook.** Associated high levels of formal and informal unemployment and rising rates of criminal activities including extortion, robbery, and forced gang recruitment will also be driving factors. The shifting composition since May of those detained at the US border towards a higher rate of single adults is a likely indication that Central American families are also looking to stabilise finances through increased remittance-sending capabilities. IHS Markit currently projects 2020 GDP contractions in Central America of 2.76% in Guatemala, 5.36% in Honduras, and 7.6% in El Salvador, but we expect to make further downward revisions in the next forecast round based on worse-than-expected second-quarter data. We still expect modest rebounds in 2021, but this is heavily dependent on a US recovery. Migrant flows are more likely to remain lower than historical trends if post-COVID-19 relief programmes to counter this poor economic outlook are extended for small and medium-sized enterprises (SMEs) as well as low-income families into the first half of 2021.

- **Guatemala's commitment to limiting northward migration was demonstrated in October with its rapid confront-and-deport security response, but the government lacks resources to sustain such operations for extended periods.** Encouraged by an Asylum Cooperative Agreement (ACA, or "safe-third-country" agreement) with the United States, in place since November 2019, Guatemalan President Alejandro Giammattei mobilised an undisclosed number of police and military personnel to counter the migrant inflow and sent more than 2,800 people back to Honduras within a five-day period. Guatemala's security forces are capable of rapidly deploying up to 3,500 personnel for under 30 days, under executive emergency orders. The country's ability to sustain this emergency response force for a longer period is limited by shrinking fiscal resources, rising domestic anti-crime policing demands, and the need for approval from the opposition-led Congress for longer-term operations, which Giammattei will struggle to obtain in his minority position. Mexican personnel deployed to northern and southern borders are also likely to struggle to contain northward migrant flows in 2021. Dedicated Mexican security personnel numbers have been reduced from 27,000 deployed in June 2019 to 8,809 as of 18 September 2020. Even if Mexico reallocates additional National Guard or Army (SEDENA) personnel to migration management, these efforts will probably be insufficient to stop northward migration.

- **Cargo vehicles are likely to face increased delays if migrant caravans successfully pass through Guatemala, resulting in growing numbers of migrants seeking passage at border crossings, particularly along the Mexico-Guatemala border.** Effective bi-national Guatemala-Mexico security operations restricting cross-border movements, particularly at Tecún Umán I and El Ceibo, would not immediately affect cross-border foreign trade, which mainly comprises processed foods and raw materials for the textile industry; Mexican exports to Central America are typically processed at nearby Tecún Umán II. Cargo carriers would be more likely to face border-crossing delays if migrant and smuggler-related protests at the border were to escalate and block access to roads, including those leading to Tecún Umán II, although physical damage risks to vehicles and cargo remain during confrontations between police and protesters, which often include the use of projectiles such as rocks by protesters and tear gas by police. Such protests in November 2019 and August 2020 resulted in damage to both border crossings at Tecún Umán, closing customs offices for between half a day and one week and redirecting cargo traffic to other crossings such as El Carmen, extending processing times at those points. Since October, cargo transport drivers in Guatemala have also reported increased numbers of requests, offers of cash of around USD15 per person, and intimidation including death threats issued by individuals with firearms, to transport smaller groups of the migrant caravan north, a trend which, if continued, will increase damage and delay risks for cargo in transit in 2021.

Central American migrants' likely movement trajectories through Mexico to the border with the United States

Sources: Esri/Maxar Technologies/Earthstar Geographics/CNES/Airbus DS/GeoEye/USDA FSA/USG/Getmapping/Aerogrid/IGN/IGP/GIS User Community/Unicef/Medicos Sin Fronteras/Amnesty International/
IHS Markit: 2001410

Indicators of changing risk environment

Increasing risk

- Government failure to implement and extend post-COVID-19 relief measures for lowest-income groups, a lack of an informal and formal employment rebound in 2021, and a poor 2020–21 harvest season prompt Hondurans and Guatemalans to launch new migrant caravans.
- Reports of increasing forced gang recruitment of minors act as a motivator for rising numbers of unaccompanied minors participating in migrant caravans, particularly from Honduras and El Salvador.
- A limited response from the Honduran government to stop the formation of caravans leads Giammattei to temporarily shut Guatemalan-Honduran border crossings, leading to USD2.03million per day in losses for Honduran cargo transporters.
- A growing number of Central American migrants crossing into Mexico prompts a US renewal of threats to impose tariffs or commodity surcharges on Mexican and Guatemalan exports.
- Increased caravan sizes lead to expanded high-intensity security deployments to the Mexico-Guatemala border, increasing the probability of violent incidents between civilians and security personnel as well as border closures of up to seven days.
- Reports of COVID-19 infections rising in communities passed by migrant travellers, increasing risks of protests and riots as well as hate crimes against migrants.
- Reports of COVID-19 infections among migrant groups, leading residents to block cargo vehicles suspected of transporting migrants and also increasing suspicion against the road transportation sector, resulting in cargo delays and growing damage risks to cargo vehicles.

Decreasing risk

- Mexico and the US fast-track the distribution of economic and social development funds promised in 2018 and 2019 to Central American countries to slow migrant departures in 2021. Mexico has promised USD30 million for youth job creation in El Salvador and Honduras, as well as similar commitments to Guatemala under the “Sowing Life” and “Young People Building the Future” programmes. The US has committed about USD500 million to the Northern Triangle countries since the signing of the ACA and similar migration agreements for which it certified approval in June. It further signed the USD60-billion “America Crece” initiative in December 2019 for loans, capital contributions, and pre-investment projects with specific provisions for communications, transportation, and energy infrastructure in Latin America.
- The rapid implementation or distribution of food and utility payment relief to the lowest-income groups in Honduras, Guatemala, and El Salvador results in fewer migrant caravans departing from mid-2021. Reduced frequency and size of migrant caravans by end-2020 because of counter-migration operations serving as a successful deterrent to migration, decreasing border disruption and delay risks into 2021.