

Analysis selection for JCC

June 2021

Emergence of 'self-defence militia' increases likelihood of armed confrontations with fuel theft gangs in Mexico's Hidalgo

2 Jul 2021 - Country Risk | Headline Analysis

Local media outlets on 29 June published a video showing nine masked individuals in military outfit brandishing assault rifles and claiming to be part of a newly formed self-defence militia in Hidalgo state. In the video, the likely leader of the group identifies it as the United Peoples (Pueblos Unidos) and threatens to 'hunt down' and kill a list of more than a dozen individuals allegedly associated with fuel theft gangs operating in municipalities surrounding Tula, Hidalgo state, where one of state-owned oil company Pemex's refineries is located. Besides the list of specific targets, the group's leader also threatened "corrupt local law enforcement officials and politicians" whom he blames for allowing criminals to tap into pipelines in exchange for the payment of bribes. Tula is less than 100 km north of Mexico City, and along with its neighbouring municipalities, has been a hotspot for fuel theft in the last two years. In 2020, Pemex reported 4,994 illegal siphoning spots along its pipelines in Hidalgo state, a 24% increase year on year and the highest number nationwide. A high presence of criminal gangs in the area also poses cargo theft risks, as Hidalgo is located along one of the busiest trade corridors in the country, the 57D motorway, which connects Mexico City to Querétaro, Monterrey, and the Tamaulipas border with Texas.

Significance: Narco banners or videos posted on social media are a common means for established criminal organisations and nascent armed groups alike to warn of forthcoming activities and threaten rivals. The release of the United Peoples's video points to a likely increase in armed confrontations in the coming weeks in eastern Hidalgo state, particularly in Tula, Tepetitlán, Tlaxcoapan, and Tepeji, as well as in neighbouring municipalities of Estado de México, with an increased risk of shootings – mostly with light assault rifles – on roads located near pipelines, presenting a high risk of injury for those in the vicinity of a confrontation. Although the new 'self-defence' group has pledged not to target civilians or federal security forces, previous armed groups that have emerged elsewhere in the country, notably Michoacán and Guerrero states, have made similar claims only to shortly after engage in the same crimes they pledged to halt. If the United Peoples follows this behaviour, it is unlikely that the occurrence of fuel theft will decrease in the six-month outlook regardless of its success in confronting fuel theft gangs, absent a special deployment of security forces.

Risks: Death and injury; Theft

Sectors or assets affected: Oil and gas; Individuals

US-Iran relations

30 Jun 2021 - Country Risk | Strategic Report

Iran has been ramping up its nuclear and regional activity in particular even as it demands that the Biden administration lift all Trump-era sanctions, thus returning to full compliance with the nuclear agreement known as the Joint Comprehensive Plan of Action (JCPOA), for Iran to do likewise. Following Iran's 18 May presidential elections, the P5+1 and Iran are now slated for a seventh round of nuclear talks in Vienna, with US-Iran contacts mediated by the European Union. Iran and the United States have made progress in negotiations, but some obstacles remain, including Iran's growing deployment of advanced centrifuges, non-nuclear sanctions imposed by the Trump administration, and the sequencing of bilateral measures.

- **Iran is likely to continue advancing nuclear-related measures to press the United States to lift sanctions, dissuade it from addressing non-nuclear issues, and to lock in nuclear advances banned under the Joint Comprehensive Plan of Action (JCPOA).** An extension to an agreement for Iran to allow the International Atomic Energy Agency (IAEA) to access surveillance footage expired on 24 June. President Hassan Rouhani's outgoing government has not yet clarified if it will – as Parliament Speaker Mohammad-Baqer Qalibaf has suggested – reject a further extension. Meanwhile, Iran has either deployed or tested cascades of advanced centrifuges (e.g. IR-2m, IR-4, IR-5, IR-6, IR-9) capable of enriching uranium faster than the IR-1s allowed under the JCPOA, and is currently enriching uranium to different levels of fissile purity, up to 60%. It has also attempted to produce uranium metal, and has successfully recovered enriched uranium by dissolving unirradiated scrap fuel plates used in the Tehran Research Reactor. The use of advanced centrifuges combined with high enrichment levels allow Iran to more quickly obtain the quantity required to fuel one nuclear device, if it decides to further enrich to 90%. With snap inspections and access to surveillance footage curtailed, any Iranian attempt to resume weaponisation work in undeclared sites would also be harder to detect. If negotiations progress, Iran would likely press for concessions outside of the JCPOA's framework, such as the retention of advanced centrifuges, especially if the US demands extensions to the nuclear agreement's sunset clauses.
- **Iran is likely to continue increasing pressure, by proxy, on US forces inside Iraq and US regional allies.** On 28 June, US airstrikes targeted three facilities on both sides of the Syrian-Iraqi border, after an increase in Iran-backed militia attacks involving weaponised drones, in addition to rockets, targeting US force positions at four bases. The strikes, which reportedly killed four militants, were only the second such response under the Biden administration. Iran-backed militias have also employed improvised explosive devices (IEDs) on international coalition convoys in central and southern Iraq. Separately, amid Iran-Saudi attempts at détente, Yemen's Iran-backed Houthi militia continues to target Saudi Arabia with ballistic missiles and weaponised drones. By pressuring the US (notably to withdraw its forces from Iraq) and its allies, these militias likewise allow Iran to accumulate leverage during negotiations. President Biden likely seeks to avoid military escalation and would probably continue with proportional retaliation at most to preserve the minimal conditions for nuclear negotiations, but any militia attack involving US casualties would likely force a more significant US response, raising the risk of sliding into broader armed conflict. Additionally, under President-elect Ebrahim Raisi, who has been sanctions-designated by the Trump administration for human rights violations, Iran is even less likely to accept demands to halt support for regional militias and ballistic missile development, since these give Iran strategic depth and another key means of deterring adversaries.
- **Israel, under the newly inaugurated Bennett-Lapid government, is almost certain to continue covert attacks on Iran, to both degrade its nuclear programme and to pressure the US into adopting a tougher stance in negotiations.** On 23 June, Iran's Atomic Energy Agency announced it had thwarted an attack reportedly by a quadcopter drone launched from nearby and targeting a centrifuge production site near Karaj. Three days before, Iranian media had also reported a brief emergency shutdown at the Bushehr nuclear power plant, citing technical issues. These follow earlier sabotage attacks, attributed to Israel under then-Prime Minister Benjamin Netanyahu, targeting a centrifuge assembly plant at Natanz and subsequently

the same facility's power grid, as well as the assassination of the scientist alleged to have headed the covert aspect of Iran's nuclear programme. Israeli efforts to degrade Iran's influence and presence have also unfolded in other arenas, including through regular airstrikes in Syria, cyberattacks, and sabotage against Iranian vessels. Ongoing Israeli measures against Iran's nuclear infrastructure complicate US-Iran negotiations, but they likely also aim at pressing the US to extract more concessions rather than at categorically disrupting diplomacy.

Indicators of changing risk environment

Increasing risk

- The Biden administration hesitates to respond with sufficient force, preferring low-casualty punitive strikes to avoid undercutting nuclear renegotiations, which in turn encourages Iran-backed militias to intensify attacks against the US and its allies.
- In response to Iran's escalatory measures, the US reinforces sanctions and/or pulls out of nuclear talks.
- Iran increases uranium enrichment to military-grade levels, i.e. around 90% fissile purity, or intelligence reports leak concerning a resumption of Iranian weaponisation work.
- Iran cancels an agreement to allow the IAEA to access withheld surveillance footage, destroys that footage, and categorically denies inspectors future visits.
- Iran/Iran's proxies carry out attacks causing multiple Israeli or US casualties, the latter including through an attack on US aircraft inside Iraq, hindering the Biden administration's ability to advance Iran talks.

Decreasing risk

- The Biden administration verifiably lifts key oil and banking/financial sanctions, facilitating a return to compliance by the US and Iran.
- The Biden administration facilitates Iran's access to a USD5-billion emergency loan it requested from the International Monetary Fund (IMF).
- The Biden administration lifts sanctions designations targeting Supreme Leader Ali Khamenei as well as President-elect Ebrahim Raisi.

Shooting at helicopter carrying Colombian president highlights high risk to helicopters and low-flying aircraft in coca-growing regions

30 Jun 2021 - Country Risk | Headline Analysis

Colombian media published several videos showing the moment a helicopter transporting Colombia's President Iván Duque came under small-arms fire on 25 June, as it approached Camilo Daza airport in Cúcuta, Norte de Santander (NdS). The military Black Hawk UH-60 helicopter suffered minor damage to its rotor and tail, but managed to land safely. Duque, together with Defence Minister Diego Molano and the governor of NdS were flying from the town of Sardinata, located in the Catatumbo region, one of the most dangerous areas in Colombia where insurgents such as National Liberation Army (ELN) and Revolutionary Armed Forces of Colombia (FARC) dissidents, as well as drug trafficking gangs, operate. Duque's visit to Catatumbo reflects the government's significant efforts to tackle criminal violence and drug trafficking there; the region has become Colombia's main coca growing area, with more than 30,000 hectares of coca leaf. The attack against the president's helicopter was launched from a slum complex located next to the airport and according to the Ministry of Defence, the likely perpetrator was the ELN, which is the dominant armed organisation in NdS. This incident follows a terrorist attack with a vehicle-borne improvised explosive device

(VBIED) against the 30th Military Brigade base, in Cúcuta, on 15 June, which left 34 military personnel and two civilians injured.

Significance: According to Colombian intelligence sources, the damage to the helicopter was consistent with small-arms fire, and police said they recovered two AK-47-type assault rifles in the slum bordering the airport. The fact that no anti-aircraft weapons were used suggest that the perpetrator lacked greater capability; however, attacking the aircraft with gunfire still sent a message of intent and portray the security forces' vulnerability. This type of attack is not unusual in Colombia, particularly in coca growing areas, where troops conducting anti-narcotic operations are supported by military aircraft. The Duque government has stepped up operations against the ELN, FARC dissidents, and drug gangs not only in NdS, but also in neighbouring Arauca as well as in Cauca and Nariño in Southwestern Colombia. This highlights the high risk for military helicopters and low-flying aircraft being hit by small-arms fire, particularly when landing or taking off.

Risks: Terrorism; War

Sectors or assets affected: Aviation

US commitment to withdrawal and insurgent ascendancy indicates growing likelihood of Taliban-led interim government in Afghanistan

29 Jun 2021 - Country Risk | Headline Analysis

US president Joe Biden reiterated his administration's intent to withdraw US from Afghanistan in a meeting with Afghan President Ashraf Ghani in Washington, DC on 25 June, urging Afghan leaders to pursue political reconciliation. With a Taliban offensive escalating throughout the country, Ghani is likely to face growing domestic pressure to resign to make way for an interim government and facilitate a ceasefire.

- **Biden's commitment to withdrawing from Afghanistan by September 2021 is unlikely to be affected by Taliban military advances in the coming months.** Biden's decision in April 2021 to delay, but ultimately proceed with, the withdrawal of US forces from Afghanistan reflects the president's personal conviction that US military objectives in the country – specifically to prevent attacks against US territory – have been achieved. Although Biden's pledge to increase developmental and security financing for the Kabul government at the 25 June meeting indicated intent to maintain political support for Ghani, Biden is unlikely to further delay US withdrawal. The withdrawal process is already at an advanced stage, with IHS Markit sources and international media reports suggesting that most US combat troops and air force capability will leave Afghanistan by mid-July 2021. The US reportedly plans to retain several hundred soldiers to protect its Kabul embassy and is considering plans to use carrier-based unmanned aerial vehicles (UAVs) to target transnational militants, but neither are likely to be used against the Taliban.
- **Without continued US military support, particularly air power, Afghan security forces are unlikely to be able to contain the Taliban or defend provincial capitals in the next year.** Between May and June 2021, as many as 100 districts across Afghanistan were captured by the Taliban, including in Faryab, Kunduz, Helmand, Balkh, Zabul, Maidan Wardak, Logar, Pakitia, and Ghazni provinces. Although several have since been re-captured by Afghan security forces, the Taliban clearly has military momentum, facilitated primarily by the Afghan security forces' diminishing access to US and NATO air support. IHS Markit sources with access to the Taliban, moreover, report that these advances have been made without the Taliban's elite fighters – the so-called Red Unit – which have remained in their bases since the start of the year. Instead, Taliban military advances have largely involved local fighters who have been specifically directed not to threaten provincial capitals, which the Taliban leadership perceives would risk delaying US and NATO plans to withdraw. In addition, several key highways, including the Kabul-Kandahar highway and the Northern Highway, have been

blocked by Taliban fighters. Reports of mass surrenders and of soldiers fleeing into Tajikistan from Taliban advances underlines that, despite more than a decade of US financing and training, Afghan security forces are being stretched by insurgent offensives, as happened with the US-trained Iraqi army in the face of the Islamic State offensive in 2014.

- **Ghani is likely to face growing pressure to resign to make way for an interim government, a key Taliban demand in intra-Afghan negotiations.** Delayed prisoner exchanges and the Taliban's intensification of military operations are among several challenges to intra-Afghan negotiations, but the main obstacle appears to be the Taliban's unwillingness to work with Ghani. The Taliban's central demand for a ceasefire is for an interim government to replace Ghani's administration that has – according to IHS Markit sources – 30–50% representation from the Taliban. We assess that this remains the Taliban's primary political objective and that the insurgent group's leadership is likely apprehensive of taking power militarily, even if it had the capability to do so. According to IHS Markit sources, the Taliban leadership recognises that taking over Kabul by force would delegitimise the resultant government internationally and reduce access to international financing. Should Ghani accept Taliban demands for an interim government, the Taliban leadership has demonstrated enough control of its combat forces to be able to enforce an effective ceasefire. This is likely to be the most acceptable scenario for key foreign powers, including the US, Russia, Saudi Arabia, and Pakistan. Alternatively, the Taliban will likely negotiate with the various factions of the Kabul government, as well as Islamist political parties, to demonstrate support for an interim government, placing greater pressure or forcing Ghani to resign.
- **Although the formation of an interim government with significant Taliban representation is the most likely outcome in the next year, there is still an elevated likelihood of a slide into a multi-fronted civil war.** Should Ghani resist demands for an interim government, and if the Taliban fails to draw support from Afghan political blocs, we assess that fighting is likely to further intensify in Afghanistan in the next year. In this scenario, the Taliban would likely attempt to seize provincial capitals after foreign forces withdraw in September, most notably cities that are already surrounded by the Taliban, including Maimana, Pul-e-Khumri, and Kunduz, or major cities like Kandahar or Mazar-e-Sharif. An escalation of this nature would increase the risk of the civil war disintegrating into a multi-fronted conflict with ethnic Tajik and Uzbek factions deploying militias to defend territories from the Taliban rather than relying on Afghan security forces.

Indicators of changing risk environment

Increasing risk

- Statements by Ghani reinforcing his reluctance to resign from power would increase the risk of the Taliban launching offensives to capture provincial capitals.
- Local Afghan leaders, particularly in northern Afghanistan, deploying militias to defend against the Taliban would indicate fissures within the Kabul government, and an increasing risk of a multi-fronted civil war.
- Although unlikely, any delay to US plans to withdraw from Afghanistan, or US commitment to targeting Taliban forces from abroad, would likely trigger Taliban attacks against foreign interests in Afghanistan.

Decreasing risk

- Growing political pressure from Afghan leaders for Ghani to resign in favour of an interim government that includes the Taliban would increase the likelihood of a nationwide ceasefire.
- The formal resumption of intra-Afghan talks – specifically a delayed conference in Turkey – would indicate momentum in negotiations for an interim government and ceasefire.

Renewed countrywide strikes in Iran's energy sector likely to affect production and exports, but without turning political

29 Jun 2021 - Country Risk | Headline Analysis

Since 19 June 2021, oil, gas, and petrochemical workers have observed a strike dubbed "Campaign 1400" (the current Iranian calendar year) to demand higher, inflation-adjusted wages and better working conditions. Most of those on strike are temporary contract or project-based workers. However, permanent contractors from the National Iranian Oil Company are also, unprecedentedly, joining the strike in solidarity, making up a reported total of 28,000 striking workers from some 65 companies so far. Affected provinces include Khuzestan, Tehran, West Azerbaijan, Esfahan, Ilam, and Bushehr, involving facilities or locations such as Abadan refinery, Esfahan Gas Refinery, Phase 2 of the Bidboland Gas Refinery, Asaluyeh (different phases), Mahshahr, Adish Refinery, Qeshm Island, and Damavand Petrochemicals. On Kharg Island, stoppages reportedly disrupted a tanker's fuel loading operations.

Significance: This is the second occurrence of nationwide energy-sector strikes within a year, following strikes in August–September 2020. Some employees have also staged peaceful gatherings at work sites. Iran's authorities do not recognise independent labour unions, but security forces have so far not intervened. Parliament's Energy Commission and Petroleum Minister Bizhan Namdar Zanganeh are likely to accommodate some wage and benefit increases in the outgoing government's final month. If such measures do not meet strikers' full demands, however, including due to budgetary constraints or discriminatory labour laws vis-à-vis temporary contractors, strikes would likely continue over the coming weeks or months. Risks include disruptions to energy production, exports, and associated shipping, and potentially electricity output, which has already suffered outages partially due to unregulated cryptocurrency mining and a brief emergency shutdown at the Bushehr nuclear power plant. Still, energy-sector strikes remain narrowly focused on labour grievances, and carry low risk of transforming into anti-establishment protests. Triggers for strike action widening into anti-government protests include state suppression and arrests, the emergence of a protest leadership (as opposed to collective labour co-ordination), and the co-occurrence of large-scale strikes in other industries (livestock farmers, for instance, are also increasingly striking in several provinces over high feed costs and low produce prices).

Risks: Labour strikes; Protests & riots; State contract alteration

Sectors or assets affected: Oil & gas; Marine cargo; Utilities

Growing COVID-19 infections across southern Africa increase likelihood of lockdown restrictions, border closures, and business disruption

24 Jun 2021 - Country Risk | Headline Analysis

South Africa's president announced on 22 June that the government would review lockdown regulations barely a week after he announced that the country would move to lockdown level three, which involves stricter curfew times and reduced numbers of people in public spaces. The announcement on 15 June was in response to a new surge in infections, which has already been reported in Botswana, the Democratic Republic of the Congo (DRC), Namibia, Zambia, and Zimbabwe.

- **The Delta variant is likely to exacerbate further growing numbers of coronavirus disease 2019 (COVID-19) virus infections across southern Africa.** The latest wave of COVID-19 infections reportedly is partly associated with the emergence of a variant that is up to 50% more transmissible. According to the World Health Organization (WHO), at least a dozen countries have so far confirmed the presence of this variant – now named the Delta variant – which was first detected in India late last year. In 22 African countries, cases

rose by over 20% in the week ending 13 June. During the same week, reported deaths rose by nearly 15% in 36 countries. Southern Africa accounts for 43% of all cases and 49% of reported deaths in Africa. The DRC and Namibia have reported their highest numbers of new weekly cases since the COVID-19 pandemic began. South Africa is officially the worst affected country in Africa, with more than 1.6 million cases and 56,832 COVID-19 deaths to date. On 9 June, South Africa recorded an 80% increase in daily new infections in one day and doctors report that intensive care units are once again full to capacity.

- **Due to the slow rollout of COVID-19 vaccines across the region, stricter lockdown regulations will most likely recur over the next six months.** The spread of the COVID-19 virus is compounded by the extremely slow vaccination process in South Africa, the regional epicentre of the virus outbreak – approximately 1.4 million vaccines have been administered so far. Namibia started its vaccination programme in March and has so far inoculated 4.5% of the 1.5 million people it is targeting. South Africa, in particular, is experiencing a very high rate of infection, which is concentrated in the economic hub of Gauteng. It is very likely that, in the coming days, Gauteng will move to stricter lockdown measures, including restrictions on inter-provincial travel and a limitation on the number of people allowed at workplaces. Zimbabwe's government has tightened lockdown measures in the western part of the country after a local spike in COVID-19 cases. Tough lockdown measures have been imposed in the farming districts of Hurungwe and Makonde, which are top producers of tobacco. This will likely reduce tobacco exports out of the country due to the border closures. The area borders Zambia. The governments of Namibia and Botswana have announced that they are likely to extend their lockdown restrictions, which are due to end in the coming week, and together with Zimbabwe, impose stricter night-time curfews and restrict public transport capacity. Similar restrictions are expected in Zambia and the DRC for up to a month.
- **Travel restrictions and border closures are highly likely, increasing the risk of long delays and cargo theft at border crossings.** Land borders will probably close or be restricted, leading to delays to cargo deliveries across the region of between two and five days. This will also increase the risk of opportunistic cargo theft by gangs around the border gates, as was reported when borders were closed during earlier spikes in infections. Protests against the slow rollout of vaccines and lockdown restrictions are likely in South Africa, led by opposition members asking for the Sputnik V and Sinopharm vaccines to be approved quickly by health regulatory bodies. These protests likely would be peaceful, but would disrupt business operations in Johannesburg and Pretoria.

Indicators of changing risk environment

Increasing risk

- If public transport is banned in Zimbabwe due to infection numbers not subsiding in the next two weeks, then violent protests will be likely against the government by associations in the transport sector.
- In the likely event that there is further evidence of vaccine corruption in the region, this will increase anti-government protests.

Decreasing risk

- A notable acceleration of the vaccine rollout in South Africa in the next month would reduce the need for lockdown restrictions recurring over the next six months.

Growing mistrust between Yemeni government and separatists likely to trigger small-scale fighting but unlikely to endanger ceasefire

23 Jun 2021 - Country Risk | Headline Analysis

The spokesperson of the Southern Transitional Council (STC), Ali al-Kathiri, released a statement on 21 June stating that they had agreed on the return of the Yemeni government to the interim capital Aden from Riyadh. The announcement came after al-Kathiri had announced on 18 June the suspension of consultations with the Yemeni government following the arrest of a prominent STC commander in Shabwa province by the Yemeni army a week prior. Consultations between the Yemeni government and the STC have been taking place since late April in the Saudi capital, with the aim of finalising the implementation of the remaining provisions of the Riyadh Agreement. The agreement, signed in November 2019, stipulated a power-sharing mechanism to end the fighting between the Yemeni army and the secessionist STC in the country's south that started in August 2019. Despite the formation of a new cabinet in December 2020, no significant progress has been made yet on the military aspects of the agreement, especially the integration of STC loyal militias into the army under the command of the ministries of interior and defence.

Significance: The growing mistrust between the Yemeni government and the STC, coupled with the minimal influence exerted by both sides on the myriad of local militias included in the deal, has thus far prevented a full implementation of the power-sharing agreement. The STC decision to quickly de-escalate and re-engage in discussions with the Yemeni government, however, indicates its intent to safeguard the agreement and consolidate its position in the unity government. As such, IHS Markit assesses that these disagreements are unlikely to translate into a resumption of full fighting between the Yemeni army and the STC militias, although they entail a high risk of recurring and short-lived small-scale fighting in areas where the STC popular support is stronger, mainly Shabwa, Hadramawt, and the rural areas of Abyan province. The emergence of splinter factions within the STC opposing a return of the government in Aden would be a key indicator pointing to the risk of a resumption of factional fighting in the Yemen interim capital.

Risks: Civil war; Government stability

Sector or assets affected: All

Argentine workers' demands for salary increases and COVID-19 vaccine raise protests and strike risks, likely disrupting supply chains

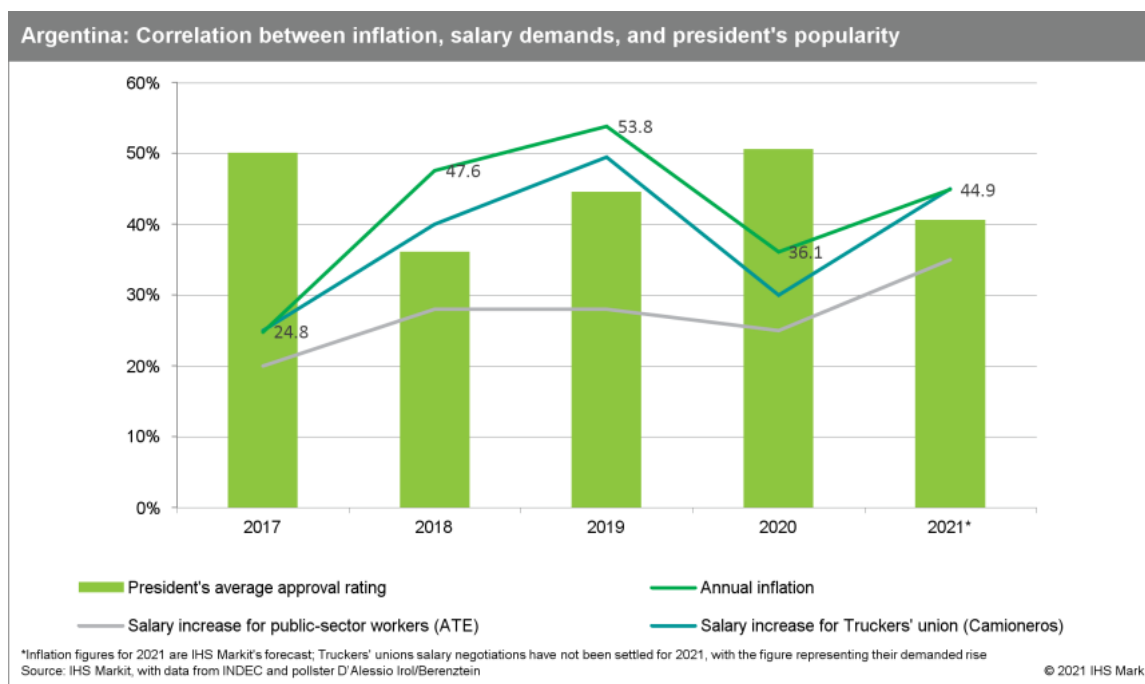
11 Jun 2021 - Country Risk | Headline Analysis

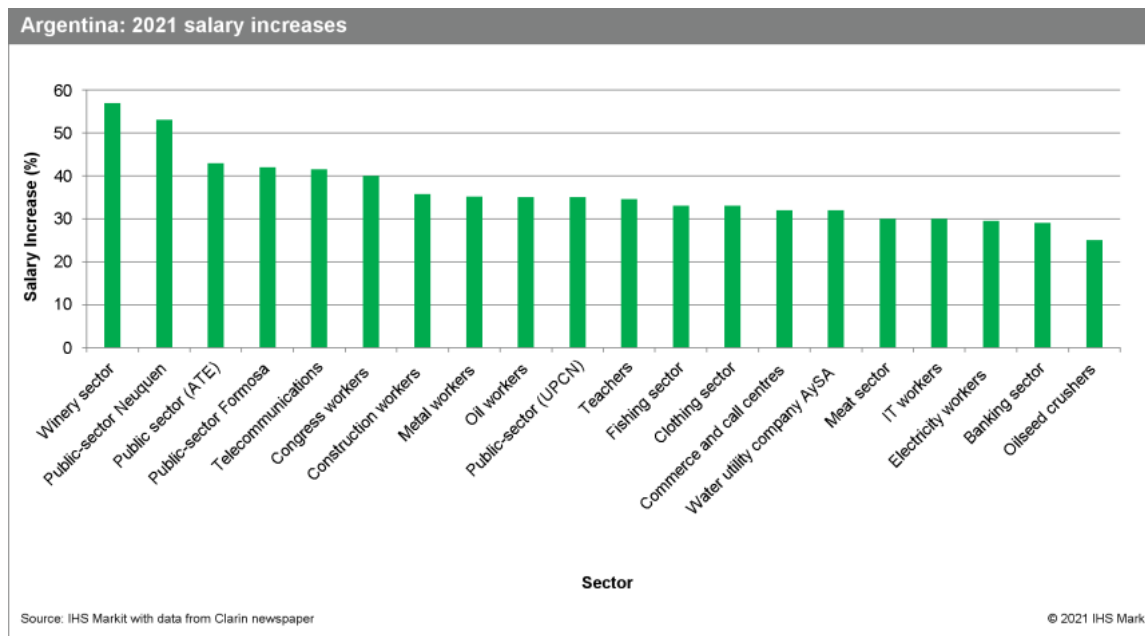
A national strike by the Argentine customs union (Sindicato Único del Personal Aduanero de la República Argentina: SUPARA) on 7 June paralysed operations nationwide, particularly affecting grain shipments, for seven hours, as workers increase pressure on the government to receive the coronavirus disease 2019 (COVID-19) vaccine.

- **The slow COVID-19 vaccine rollout raises the likelihood of strikes in the port and exporter sectors.** Other unions demanding to be given priority in the inoculation programme are the oilseed crushers union (Sindicato de Obreros y Empleados Aceiteros: SOEA), grain receivers (Unión Recibidores de Granos: URGARA), port workers, oil-sector workers, and truck drivers. Argentina has been severely hit by a second COVID-19 wave, with 4 million cases since the beginning of the pandemic. The vaccination programme started in December 2020 but rollout has been slow. By early June, 25% of the population had received the first dose of the vaccine, and 6.7% two doses. The process has been hindered by vaccine shortages, shortcomings in the negotiations with laboratories, and irregularities, including figures close to the government obtaining the jab before vulnerable groups, as has been admitted by those vaccinated. The rollout is likely to

be accelerated as almost 3 million doses arrived in early June, and authorities have agreed with some unions that they will receive the vaccine swiftly, with workers being part of the government’s support base. However, priority will be given to seniors receiving their second dose, while the looming winter season threatens to increase transmission rates. This would delay the government’s offering to port, transport, and agribusiness workers, raising the risk of frequent strikes affecting supply chains, taking place on a weekly or bi-weekly basis. Strikes are likely to involve paralysation of operations, delaying loading and unloading at ports, and roadblocks disrupting the passage of trucks, including to the Rosario export hub, from where 80% of Argentina’s agriculture exports are shipped. Strikes normally last between a few hours to several days, but a delay in the government’s dispatch of vaccines would likely extend them for weeks. In December 2020, a month-long nationwide strike at ports by oilseed workers and grain receivers caused an estimated USD1.9 billion in lost export revenue, according to the Buenos Aires Cereals Exchange.

- High inflation is driving further salary demands, with unions reopening wage negotiations and threatening industrial action.** At the same time, other unions are demanding the reopening of annual salary negotiations (paritarias), claiming that rising inflation has significantly eroded their purchasing power. Many unions accepted lower-than-demanded pay rises in 2020 owing to the pandemic, and some sectors, including hospitality, tourism, and entertainment, suspended the negotiations altogether. As a result, workers are stepping up their demands in 2021. Most of the agreements in the first months of the year took into account the government’s inflation estimate in the 2021 National Budget of 29%. However, as it looks more likely that the actual rate will be much higher, with IHS Markit projecting inflation at 44.9% in 2021, above the 40.5% figure of 2020, many unions are demanding further increases and threatening industrial action. The influential truckers’ union (Camioneros) is demanding a 45% pay rise. Truckers’ strikes are very disruptive, particularly as other unions are likely to join, causing major disruption to transport, commerce, and government services for 24–36 hours, particularly in Buenos Aires and other cities, such as Córdoba, Rosario, and Santa Fe. Delays on the routes to ports in Rosario and Buenos Aires are also likely.





- The combined action of different unions significantly raises supply-chain disruption risks in Argentina in the coming months.** Strikes by other unions, either over pay rises or demand for vaccines, such as public-sector workers, bankers, teachers, and bus drivers, also have the potential to be very disruptive through 2021. Protests are likely to involve thousands gathering in Buenos Aires city centre, completely disrupting transit in the main 9 de Julio Avenue, particularly near the Obelisk. Demonstrators are also likely to stage roadblocks at Pueyrredón Bridge, 25 de Mayo motorway, and General Paz, blocking entrances to the city. Roadblocks are also likely in other provinces, such as Córdoba, Santa Fe, and Neuquén. In April, healthcare workers in Neuquén carried out three weeks of protests in demand for higher salaries. They blocked roads across the province, including entrance to state-owned energy firm YPF, costing USD250 million to oil companies for forgone production and causing fuel shortages in Neuquén and neighbouring provinces. The roadblocks were lifted after authorities offered a 53% pay rise.
- Transport disruption will be compounded by protests over unemployment and poverty increase, particularly in Buenos Aires.** The loss of people’s purchasing power amid high inflation, unemployment, and rising poverty are triggers for social protests, particularly organised by left-wing organisations, such as Corriente Clasista Combativa (CCC) and Polo Obrero. Most protests take place in Buenos Aires city centre, particularly at the main 9 de Julio Avenue, Plaza de Mayo, and around the Congress building, causing severe traffic disruption. Occasionally, they end in confrontations, with demonstrators throwing sticks and stones and the police using tear gas and water cannon. In this case, minor property damage is likely, such as windows of nearby buildings being broken or rubbish bins being set on fire.

Indicators of changing risk environment

Increasing risk

- Argentina reaches a deal with the International Monetary Fund (IMF), which includes economic adjustment. This would increase the likelihood of the umbrella labour union, the General Confederation of Labour (Confederación General del Trabajo: CGT), calling for strikes or a general strike.
- Upcoming “paritarias” result in salary increases of above 50%, prompting unions with lower raises to step up their demands.

Decreasing risk

- The government publicly accepts that the inflation target set in the National Budget will not be met and agrees to review wage negotiations.
- The government prioritises port and agribusiness unions in the vaccine programme after the most vulnerable population receives their second dose, reducing the likelihood of them calling for strikes in the coming months.

Formal investigation into X-Press Pearl environmental disaster likely, triggering protests and strengthened regulations for Sri Lankan shipping

7 Jun 2021 - Country Risk | Headline Analysis

On 7 June, former prime minister and opposition leader Ranil Wickremesinghe called for a parliamentary investigation into the sinking of the MV X-Press Pearl container ship off the coast of Colombo Port. The incident started as a fire onboard the vessel on 27 May, which lasted 12 days before the ship began sinking, exposing the local marine ecosystem and nine kilometres of coastline to spillage of plastic pellets, chemicals, and oil. Government officials claim the incident could be the worst ecological disaster in Sri Lankan history.

Significance: While the state's immediate focus will be on facilitating clean-up operations, the sinking of the MV X-Press Pearl is likely to evolve into a contentious issue for Sri Lanka's Podujana Peramuna (SLPP), government given that it affects Sri Lanka's tourism, shipping and fishing industries. Tourism is the second largest contributor to Sri Lanka's economy in terms of GDP and has recently struggled because of the coronavirus disease 2019 (COVID-19) virus pandemic, while fishing communities constitute an important vote bank for the ruling party. A formal parliamentary investigation therefore appears likely, and already has broad support, including from unions representing port workers. We expect an investigation to take more than a year to be completed and will periodically trigger largely peaceful protests by affected parties, including fishing communities and port workers, demanding compensation, but these would be unlikely to cause delays to port operations of more than a few hours. The government is also likely to review requirements for companies to register as an official Shipping Agent, potentially leading to an increase in indemnity insurance levels for shipping companies to ensure adequate clean-up funds in the event of future accidents. Additionally, the government will probably review legal and financial punishments for shipping operators in Sri Lanka. In the short term, shipping and cargo activities at Colombo and Negombo ports are likely to be delayed because of more stringent safety requirements for vessels. A growing perception domestically that the SLPP government failed to prevent the disaster would force the government to review recently passed environmentally controversial policies – including to changes to regulations that make it easier for companies to obtain licences to mine sand or carry out deforesting activities.

Risks: Regulatory burden; Protests and riots; Government instability

Sectors or assets affected: Shipping; Tourism; Fishing