

Analysis selection for JCC

August 2021

Taliban's control of Afghanistan

3 Sep 2021 - Country Risk | Strategic Report

Taliban fighters captured Afghanistan's capital Kabul on 15 August, concluding a two-week offensive during which nearly all of the country's cities fell to insurgents with limited to no resistance from security forces. On 31 August, US and NATO troops departed from Kabul international airport after the conclusion of evacuation operations, marking the end of the two-decade-long US-led foreign military presence in Afghanistan.

- **The Taliban's political leadership is likely to face internal resistance to implementing a supposedly more-pragmatic domestic and international policy outlook.** Having defeated the Afghan government militarily and negotiated the departure of foreign forces from the country, the Taliban's focus is shifting to forming a government, demonstrating governance capability, and securing international recognition. These objectives are likely to dictate whether Afghanistan successfully transitions to a post-conflict scenario. The Taliban's political leadership has sought to project a pragmatic outlook, outlining an intent to govern the country through consensus, accord rights to women and minorities, and establish positive relations with the country's neighbours, as well as the wider international community. We assess the Taliban political leadership's declared intent to be broadly credible, given that engagement with domestic non-Taliban stakeholders and the international community will be essential if it is to consolidate power in Afghanistan and access international financing. The Taliban's rank-and-file, however, will probably be resistant to the political leadership's adoption of a more pragmatic approach, especially considering the Taliban's comprehensive military success. Lower ranking commanders, especially outside Kabul, are likely to be resistant to overtures for domestic reconciliation, dilution of the Taliban's Islamist social agenda, or attempts curtail the activities of Al-Qaeda-aligned militants in the country.
- **Organised armed opposition to the Taliban appears unlikely in the coming months, but public protests against Taliban rule are.** In contrast to the Taliban's previous tenure in power, the group has taken power throughout the country, including of northern provinces that had previously been a bastion of resistance to the former Taliban government. Key local and ethnic militia leaders who had led previous opposition to the Taliban, including Muhammad Atta Noor and General Abdul Rashid Dostum, fled to Uzbekistan as the Taliban took control of cities. Meanwhile, key Shia Hazara militias – another source of historical opposition to the Taliban in central Afghanistan – joined the Taliban. That said, the vice-president of the fallen Afghan government, Amrullah Saleh, regrouped with a Tajik militia in Panjshir, the only province not controlled by the Taliban. Since then, the Taliban and the militia – along with remnants of the Afghan security forces – have been in negotiations for a peaceful handover of the area, likely in exchange for non-Taliban representation in the Taliban's government. On 1 September, reports emerged of fighting between Taliban and resistance fighters, indicating that negotiations were stalled. Despite resistance in Panjshir, however, effective, long-term, armed opposition to the Taliban appears unlikely without external state support. However, protests against the Taliban in captured urban centres – including in Kabul, Kandahar, Herat, Jalalabad, and Mazar-e-Sharif – will

become more likely, particularly if the Taliban fails to restore the functioning of the state and ensure the provision of basic services, including water, electricity, telecoms, and banking.

- **The Islamic State continues to operate in Afghanistan and is likely to target Taliban/government targets in Kabul, as well as evacuation operations.** The Islamic State is likely to have benefited from the fall of the Afghan government, specifically through the release of likely thousands of its fighters from Afghan jails. The group has been in conflict with the Taliban since its creation and likely will take advantage of any instability to undermine the transition of power to the Taliban. Islamic State fighters have demonstrated the capability to conduct operations in eastern Afghanistan and in Kabul, where the group has staged sophisticated assaults involving vehicle-borne improvised explosive devices (VBIEDs) against government targets and airports. In the short term, while Islamic State fighters are likely to aspire to target evacuation operations in Kabul, potentially with indirect mortar or rocket fire, their capabilities are likely to be limited to mounting suicide IED attacks among crowds outside the airport's perimeter. On 26 August, Islamic State fighters claimed a complex attack against the airport. Two suicide bombers detonated explosives outside the airport's perimeter at Abbey Gate and Baron Hotel, while fighters fired small arms at crowds and security forces managing the airport's evacuation operations. Reportedly, the attack killed at least 130 Afghan civilians and 13 US military personnel, but no aviation assets were damaged.
- **The Afghan economy presents the Taliban with enormous challenges in the near-absence of vital foreign funding and support.** International aid flows, which have financed over 60% of the national budget and the current-account deficit of close to 30% of GDP, are expected to decline sharply. Donor pledges of some USD12 billion made at the Geneva conference on Afghanistan in November 2020, along with the financial assistance from the International Monetary Fund and civilian and military aid from the United States, will be put on hold or cancelled. Afghanistan's official currency reserves, most recently estimated at around USD9 billion and largely held externally in US banks, have been effectively frozen. The Taliban's own revenue streams are assessed to be insufficient to run a functioning government. According to latest UN estimates, the Taliban's income equalled around USD1.6 billion in 2020, or less than 10% of the country's GDP. Cash shortages – both of the US dollar and of the Afghan afghani – are likely to affect domestic and international payments severely, weaken the local currency severely, and trigger hyperinflation. Rapid deterioration in financial and economic conditions will further devastate the Afghan economy, already beset by the coronavirus disease 2019 (COVID-19) pandemic and prolonged drought. IHS Markit's initial projections are for Afghanistan's real GDP to contract by some 16% in 2021, with income per capita expected to decline to the levels last seen a decade ago. Renewed access to foreign financing remains the key condition to restoring a functional economy, while lack of support from the international community would fuel a further reliance on the shadow economy.

Indicators of changing risk environment

Increasing risk

- The emergence of anti-Taliban militias, potentially formed from remnant Afghan security forces, and other armed resistance to the Taliban-led government would indicate an increasing risk of continued civil conflict in Afghanistan.
- The formation of militias formed along ethnic Tajik and Uzbek fault lines would increase the likelihood of the anti-Taliban armed resistance being sponsored by foreign actors, particularly Tajikistan, therefore intensifying opposition to the Taliban government.
- Targeting of locals associated with the fallen Afghan government and locals who worked with foreign security forces – as well as punitive policies against women and minorities – under the Taliban government would reduce the likelihood of the new administration gaining early international, particularly Western, recognition.
- Inability to ensure provision of basic services – including water, electricity, telecoms and banking – would be likely to exacerbate public resentment of the Taliban, driving protest and civil war risks.

Decreasing risk

- Policies by the Taliban administration protecting women's and minority rights would increase the likelihood of the Taliban government gaining international recognition.
- An early plan to integrate Taliban fighters and soldiers from the collapsed Afghan military would reduce the likelihood of the establishment of effective armed opposition to the Taliban government.
- A Taliban decision to retain Kabul as the capital, instead of the Taliban's stronghold of Kandahar, would indicate the leadership's intent for a more consensual approach to governance.
- Meaningful representation of Tajik, Uzbek and Hazara groups in government would reduce the risk of organised resistance emerging to Taliban rule.

Haiti's power vacuum

17 Aug 2021 - Country Risk | Strategic Report

Haiti's interim Prime Minister Ariel Henry declared a state of emergency on 14 August following a 7.2 magnitude earthquake that struck the southwest of the country earlier that day, affecting mainly the departments of Nippes, Sud, and Grand'Anse. As of the time of writing, at least 1,419 people have died and more than 6,900 injured. Roads have been destroyed and more than 700 buildings, including hospitals, churches, and hotels, and more than 3,000 homes have collapsed. The natural disaster happened while government authority remains contested following the assassination of president Jovenel Moïse on 7 July by armed assailants who broke into his residence in Pèlerin, Port-au-Prince.

- **The interim government is now very likely to prioritise the provision of humanitarian assistance over preparations for political transition, making an election in 2021 unlikely.** Prior to the assassination of then-president Moïse, presidential and legislative elections and a referendum on a new constitution had been planned for September this year. These were subsequently delayed until November, but IHS Markit assesses that they are now very unlikely to be held in 2021. This would prolong the term of the interim government, further eroding its legitimacy and the functioning of institutions and increasing anti-government protest risks.
- **Supply-chain disruption and looting, especially affecting warehouses, markets, and the transport of basic goods, are likely to increase in the coming months.** The Haitian state lacks the capacity to deal with major humanitarian and natural disasters and is highly dependent on foreign aid. Earthquake damage to the already poor road infrastructure will increase supply-chain disruption and further hinder access of aid from the capital. This will be compounded by the fact that key routes are under the control of criminal gangs, including in Martissant, at the southwest exit of Port-au-Prince. According to media reports, some gangs could have agreed to a temporary truce to liberate the roads, but this is not confirmed. Authorities have so far mobilised aid by air and water. Hospitals, which were already operating above capacity because of an increase in the number of coronavirus disease 2019 (COVID-19) cases, will not be able to assist victims of the earthquake effectively. The lack of basic services raises the risk of looting to warehouses, markets, and trucks transporting basic goods and humanitarian aid.
- **The government's likely failure to provide rapid relief would increase the risk of anti-government protests.** These are likely to escalate if the interim government, which does not count on cross-party support, delays the installation of a consensual transitional government. Protests are likely to include burning barricades, particularly in Port-au-Prince city centre, Delmas, Pétienville, and Boulevard Toussaint Louverture, connecting the capital with the international airport. Demonstrators are likely to throw stones and Molotov cocktails and the police are likely to use tear gas and water cannons. Confrontations are also likely to involve the use of firearms by demonstrators and the police. There is a risk of arson attacks and looting against government and commercial assets.

- **Power vacuum risks strengthening gangs.** Gang violence has increased significantly in Haiti since 2018, with more than 100 gangs operating in the country and effectively controlling at least one-third of the territory, according to the United Nations Office for the Coordination of Humanitarian Affairs (OCHA). The power vacuum created by the absence of an elected president leading the country, and the legitimacy of the interim prime minister being disputed by the opposition and civil society groups are likely to enable gangs to expand their areas of influence by filling in public functions that are left unattended, mainly within the poorest communities, and enhance their dominance through aid distribution and control of roads. Hotspots for gang violence are Martissant, Fontamara, Bicentennial, Carrefour, and Village-de-Dieu in the southern periphery of Port-au-Prince, La Saline port area, Bel Air, Cité Soleil, Delmas, and Croix-des-Bouquets commune. In this scenario, kidnapping risks are likely to increase significantly.

Indicators of changing risk environment

Increasing risk

- The interim government fails to deliver sufficient aid to affected areas, increasing the risks of anti-government protests, which, if they escalate to widespread violence, would make another change of interim government probable in the coming months.
- The healthcare situation deteriorates significantly, compounded by the COVID-19 virus spread and the lack of infrastructure, medical equipment, and medicine, leading to a spike in deaths and prompting foreign intervention, mainly by the United States, France, the United Nations, and the Organization of American States.

Decreasing risk

- International non-governmental organisations and multilateral agencies manage a co-ordinated approach with the interim government to deliver and channel aid efficiently, including a truce with criminal gangs to allow for the free flow of goods.
- Opposition parties make a statement openly supporting interim Prime Minister Henry's management of the crisis, suspending their calls for a change of government.

Ethiopia's expanding domestic conflict

25 Aug 2021 - Country Risk | Strategic Report

Following the withdrawal of Ethiopian National Defence Force (ENDF) and Eritrean troops, the insurgent Tigray Defence Forces (TDF) on 28 June entered and assumed control of the Tigray region's major cities, including the capital, Mekelle, and in July advanced into neighbouring Amhara and Afar regions. The now de-facto governing entity in most of Tigray region is the Government of Tigray (GoT), which includes the TDF leadership and elements of the region's former ruling party, the Tigray People's Liberation Front (TPLF). The leader of Ethiopia's insurgent Oromo Liberation Army (OLA), Kumsa Diriba (alias "Jaal Marro"), announced an alliance with the TDF on 11 August.

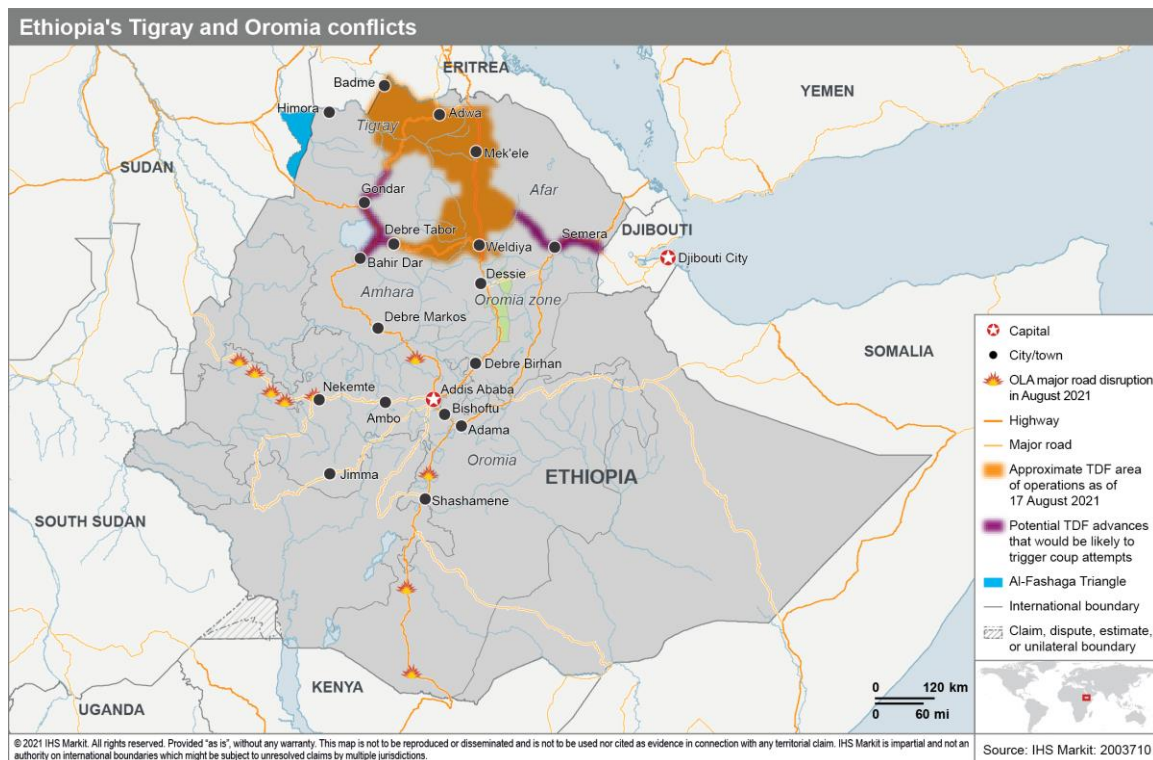
- **We assess that the TDF's offensives outside Tigray are aimed at capturing strategic locations in Afar and Amhara regions in an attempt either to compel Prime Minister Abiy Ahmed's national government to negotiate, or to trigger a coup that replaces him with a more conciliatory administration.** TDF insurgents during July and August advanced along Amhara's B30 road towards the major city of Gondar, the A2 highway past Weldiya and towards Dessie and along the B22 road towards Gondar and Bahir Dar, as well as into Afar's administrative zones 2 and 4, particularly near Arbala in zone 4. Attempts to reverse TDF gains by deploying additional forces from other Ethiopian regions have not yet succeeded in pushing the TDF back into Tigray, although in mid-August pro-government forces prevented the TDF from capturing the town of Debre Tabor and pushed the TDF back along the B22 road. Access to the border with Sudan or Djibouti

would likely enable the GoT to allow the flow of humanitarian aid directly into territory it controls, as well as secure supplies to facilitate its military efforts.

- **The TDF capturing Gondar or Afar region's capital, Semera, and the Semera-Djibouti A1 highway would make a forced change of Ethiopia's government likely in the subsequent one-month outlook.** The most likely forms that such a change of government would take would, in our view, be a coup from within the ENDF; a coup backed by the Amhara region's security establishment and aligned ENDF elements; or Prime Minister Ahmed's resignation in the face of an imminent coup threat or further TDF advances towards Ethiopia's capital, Addis Ababa. The most likely aim of a coup attempt or threat against Ahmed would be to replace him with an interim authority that would negotiate a ceasefire and a subsequent peace agreement with the GoT. The TDF capturing Semera and the A1 highway to Djibouti would curtail Ethiopia's external trade severely, likely causing widespread shortages of imports (such as fuel) in the country, particularly in Addis Ababa. This would increase the likelihood of an anti-Ahmed coup from within the ENDF, particularly if shortages, large spikes in prices of imported essential goods, or discontent over TDF advances triggered widespread protests (with turnouts in the hundreds of thousands) in Addis Ababa and the surrounding central Oromia region.
- **The TDF capturing Gondar or Bahir Dar would increase the likelihood of an Amhara-led coup against Prime Minister Ahmed.** Gondar is a key centre of popular support for Amhara region's territorial claims in western and southern Tigray, and Bahir Dar is the region's capital, and so the capture of either by the TDF would increase the likelihood of Amhara ENDF and regional security forces' elements concluding that Prime Minister Ahmed's administration is incapable of protecting Amhara region, and consequently deciding to remove forcibly Ahmed and his political ally, Agegnehu Teshager, president of Amhara region. However, an Amhara-led coup against Ahmed would probably be rejected by Ethiopia's other regional governments (particularly Oromia), leading to fighting between opposing ENDF elements and Oromia regional security forces in Addis Ababa.
- **The TDF's confirmation of an alliance with the OLA is likely and would indicate a likely co-ordinated attempt by both groups to oust Prime Minister Abiy Ahmed's national government from power.** Announcements of further alliances with existing or newly formed armed groups in other regions, particularly Afar, Amhara (especially recruited from the ethnic Agaw and Qemant communities), Gambella (where the Gambella Liberation Front [GLF] in mid-August announced that it was taking up arms against the region's government, which is aligned with Prime Minister Ahmed), and Benishangul-Gumuz, are likely.
- **The OLA is likely to attempt to block movement along key roads in Oromia, ambushing security forces and disrupting cargo with the subsequent aim of cutting off the flow of fuel and other essentials into Ethiopia's capital Addis Ababa.** OLA operations are currently most concentrated in Oromia's West Wellega, Horo Guduru Welega, North Shewa, Guji, West Guji, and Borena zones, and since the beginning of August, the OLA has been taking control of and staging ambushes along sections of larger roads in these areas. The A1-A5 highways that connect Addis Ababa with Oromia region and the rest of Ethiopia will be key targets for OLA offensives, as well as the A8 Ethiopia-Kenya highway. Increasing disruption on Oromia's roads is therefore likely, with OLA fighters preventing the movement of commercial cargo and ambushing road vehicles with small arms attacks. The OLA cutting off Addis Ababa in this manner for more than two weeks at a time would be likely to trigger a coup within Ethiopia's military to remove Ahmed and replace him with an administration intending to negotiate with the OLA and the TDF, or Ahmed's resignation under threat of this. Amhara region's Oromia zone is a likely focal point for the expansion of fighting between security forces and OLA-aligned militias. Foreign-owned commercial operations and staff are likely to fall within the OLA's target sets for road ambushes, robbery, extortion, and kidnap in their areas of operation.
- **TDF preconditions, as stated on 1 August, increase the likelihood of a new ceasefire and negotiations between Ethiopia's government and the GoT.** On 1 August, TDF leader Tsadkan Gebretensae told

international media that their ceasefire preconditions for the federal government included ending the alleged blockade of Tigray, stopping alleged persecution of Tigrayans, releasing alleged political prisoners, and accepting an inclusive dialogue on Tigray's future. Gebretansae notably omitted previous preconditions, restated by the GoT as recently as 27 July, of a national transitional political process and the withdrawal of Eritrean and Amhara forces from (pre-conflict) Tigray, which Ahmed was less likely to accept.

- **If Ethiopia's Ahmed-led government does not reach a peace agreement with at least elements of the TDF, and continues to prevent humanitarian aid agencies' access to Tigray insurgents, an escalation of sanctions is likely.** European Union sanctions are likely to target Ahmed's close circle with asset freezes and travel bans. The US is likely to impose economic sanctions, probably including the withdrawal of funding support from the US International Development Finance Corporation to private investors bidding for licences to operate in Ethiopia's newly liberalised telecoms sector. These moves would indicate a probable delay to the country's overall privatisation and liberalisation programme and, in turn, delay the improvement of the country's foreign-exchange reserves. If a forced change of government occurs, and a new interim administration seeks to renew the anti-TDF war effort, IHS Markit assesses that sanctions targeted at government figures, and the withdrawal of direct budgetary support and development assistance from international partners will be likely. This will indicate a probable sovereign debt downgrade. If, however, the new interim administration attempts to strike a peace agreement with Tigray insurgents, temporary visa restrictions and asset freezes are likely to be imposed on perpetrators of human rights violations within the ENDF, Amhara, Oromia, and Afar forces.
- **Ethiopia's federal government would be likely to continue attempting to keep TDF-controlled territory isolated even in the event of negotiations and any ensuing agreement, although allowing greater humanitarian aid would be a probable concession.** We assess that Ethiopia's government, and the regional administrations of Afar and Amhara, currently limit imports to humanitarian aid needed to alleviate immediate famine, prevent exports out of Tigray, and have cut off telecommunications and power transmission. We assess that these measures are likely to largely continue, even following negotiations (even if official statements deny this), with the intention of weakening the GoT while Ethiopia's own forces recover from the conflict, and the eventual aim of renewed military operations intended to finally defeat the TDF. If the TDF is able to secure access to the border with Sudan or Djibouti, it will likely use this to circumvent the blockade. Following any peace agreement with Ethiopia's national government, the GoT would be likely to organise a Tigray independence referendum, using the self-determination provisions of Article 39 of Ethiopia's constitution.



Indicators of changing risk environment

Increasing risk

- Sudanese or Egyptian assistance to the TDF by supplying heavy weaponry to the group would increase the likelihood of the TDF capturing Semera or Gondar.
- Former or serving regional officials, especially individuals originating from central Afar – who have been marginalised since Ahmed’s ruling Prosperity Party consolidated power – calling on the Afar population not to resist the TDF would increase the likelihood of the TDF capturing Semera.
- The establishment of a TDF-backed anti-Ahmed administration in central Afar would increase the likelihood of Djibouti’s Front pour la Restauration de l’Unité et de la Démocratie (FRUD-Armé) armed group, which largely draws its support from the Afar community, receiving cross-border assistance and intensifying its insurgency, particularly in Djibouti’s Dikhil, Tajdoura, and Obock regions.
- An outbreak of widespread anti-government protests in Addis Ababa, Oromia, or Amhara region would indicate an increasing likelihood of a coup attempt against Ahmed.
- Prime Minister Abiy Ahmed refusing outright to formalise Amhara regional claims over disputed areas of Tigray would increase the likelihood of an Amhara-led coup attempt against him.
- The forced removal or resignation of Prime Minister Ahmed would be likely to cause a sharp deterioration in Eritrean-Ethiopian relations, and increasing the likelihood of Eritrean cross-border anti-TDF military operations without the new Ethiopian administration’s approval.
- GoT efforts to establish allied administrations in TDF-controlled areas of Afar and Amhara, or pro-GoT/TDF statements by the OLA’s leadership in Oromia, would indicate an increased likelihood of a wider TDF-led alliance of forces advancing further towards Addis Ababa.
- Any efforts by the GoT/TDF to include in any independence referendum areas of northern Afar which were part of the pre-1992 Tigray province (or territory stretching further to the Djibouti border in northeast Afar) would be very likely to trigger an anti-GoT Afar insurgency.
- New anti-TDF military offensives in Tigray by Eritrean forces (who were reinforced with additional troops in mid-August) would cause renewed widespread heavy fighting in TDF-controlled areas of Tigray.

- Protests in government-controlled areas of Oromia region against alleged forced recruitment of youths into the security forces to fight the TDF would indicate a rising probability of local populations co-operating with the OLA and Oromia security forces personnel defecting to the group, likely widening the OLA's areas of operation and increasing its fighting capacity.
- The redeployment of additional pro-government security forces against the OLA would be likely to cause deteriorations in the security environment from other areas of Ethiopia where they have been moved from.

Decreasing risk

- Amhara regional forces withdrawing from western Tigray to counter the TDF offensive towards Gondar would decrease the likelihood of the TDF capturing the city, with the TDF likely redirecting its offensive to retake western Tigray instead, decreasing the likelihood of an anti-Ahmed coup.
- Renewed use of ENDF air power (particularly, as yet unconfirmed Turkish UAVs) against TDF fighters in Amhara and Afar regions, without the TDF inflicting significant ENDF losses via anti-aircraft weapons, would indicate a likely slowing or ending of TDF advances in these areas.
- New anti-TDF military offensives in Tigray by Eritrean forces (who were reinforced with additional troops in mid-August) would decrease the likelihood of the TDF capturing Gondar and Semera.
- Prime Minister Ahmed's resignation or forced replacement by an interim authority that pledged to negotiate with the GoT would increase the likelihood of a ceasefire and peace negotiations.
- The Ethiopian government accepting international mediate the conflict would indicate a likely ceasefire and subsequent negotiations.
- The restoration of power, telephone, and Internet services, and fuel supplies, to GoT-controlled areas of Tigray would indicate movement towards a peace settlement and normalisation of relations between Ethiopia's government and the GoT.

Incidents of narco-messaging in Mexico's Tijuana indicates likelihood of more frequent armed confrontations affecting bystanders, ground cargo

27 Aug 2021 - Country Risk | Headline Analysis

In southern Tijuana, Baja California state, Mexico, members of Los Cabos criminal gang, a local affiliate of the Sinaloa Cartel, left two narco-messages threatening three individuals from the rival Arellano Félix cartel on 19 August. During the past month, Sinaloa Cartel operatives have displayed threatening messages on at least three occasions, including one along a mutilated body at Guaycura Park on 7 August. Local media suggests that this is an increase over previous months and comes as the number of homicides during June-July increased by 8.7% year on year, with 177 murders in June, the highest monthly figure since August 2019 (183 homicides). Tijuana's criminal economies are disputed between the Sinaloa, the Arellano Félix, and the Jalisco New Generation (Cartel Jalisco Nueva Generación: CJNG) cartels. The city, identified as the most violent municipality countrywide by the federal government, is home to the Otay Mesa port of entry into the United States, which accounted for USD46 billion in international trade flows in 2020, making it the second-busiest land cargo crossing spot along the Mexico-US border.

Significance: The apparent increase in narco-messages with direct threats to individuals points to a likely increase in assassination attempts and street shootouts between rival criminal groups, particularly the Sinaloa and the Arellano Félix cartels, as recent incidents have primarily occurred in Tijuana's southern neighbourhoods, where the two organisations have an ongoing turf war for the control of narcotics and human trafficking networks. Although the most common modus operandi for cartel gunmen in Tijuana is to kidnap their victims, kill them at safe houses, and then deposit their bodies hours later, they occasionally shoot their targets on the street using assault rifles, including in the presence of bystanders. Hotspots in the Sinaloa-Arellano Félix turf war include most of the neighbourhoods between Libramiento Sur and Vía Rápida Poniente avenues – key routes for land cargo moving towards the US border. The neighbourhoods are mostly

residential, but there are two industrial parks (Pacífico I and II) adjacent to Sánchez Taboada, and although they are unlikely to be targeted by criminals, their workers are at risk of collateral harm. A significant deployment of federal security forces to the city in the coming weeks would be likely to inhibit street violence in the short term, but there is no indication that such a deployment will be made, and therefore, the risk of armed confrontations is likely to remain high until at least the end of 2021.

Risks: Death and injury

Sectors or assets affected: All

Further anti-lockdown protests in Australia likely to involve strong police presence and restricted access to city centres

24 Aug 2021 - Country Risk | Headline Analysis

Around 4,000 people, according to police estimates, took part in anti-lockdown demonstrations in Melbourne near Parliament House and inside the Central Business District (CBD) on 21 August, to protest the state government's coronavirus disease 2019 (COVID-19) restrictions. Violence involved altercations between police and protesters, who reportedly threw objects at police and lit flares. Police responded with pepper spray and rubber bullets; 218 people were arrested. While less violent than in Melbourne, there were also altercations during anti-lockdown demonstrations in Sydney, where a significant police presence had been deployed to restrict access to the CBD. Thousands also took part in similar protests in Brisbane, Adelaide, Perth, and Darwin, which were largely peaceful.

Significance: Violent protests are unusual in Australia, where even large demonstrations are generally peaceful and rarely require police to make widespread use of non-lethal weapons to disperse crowds. Further demonstrations to protest expansions and/or extensions of COVID-19 measures by state governments, including restrictions on non-essential businesses and curfews, are probable in the coming weeks, most likely at the weekend. These would probably be concentrated in Melbourne, near Flinders Street train station in the CBD and outside Parliament House, and in Sydney's CBD around Victoria Park and on Broadway. Further violent confrontations are probable, raising the risk of minor collateral damage to nearby buildings. IHS Markit expects that additional police forces, including mounted riot police, are likely to be deployed in large numbers if more protests are planned, however, as was the case in Sydney on 21 August. Police in Sydney and Melbourne would probably block major thoroughfares, as well as suspend public transport, for several hours to restrict access to city centres. Individuals with legitimate reasons to travel to city centres would likely be affected, and operations at essential business in the city centre, which are exempt from COVID-19 restrictions, would likely be disrupted. Confrontations between protesters and police blocking access to city centres would raise the likelihood of violence, particularly if police attempt to carry out arrests.

Risks: Protests and riots

Sectors or assets affected: Transport; Property

Mexican cartel activity in Guatemala raises extortion, marine and land cargo risks in border and coastal departments

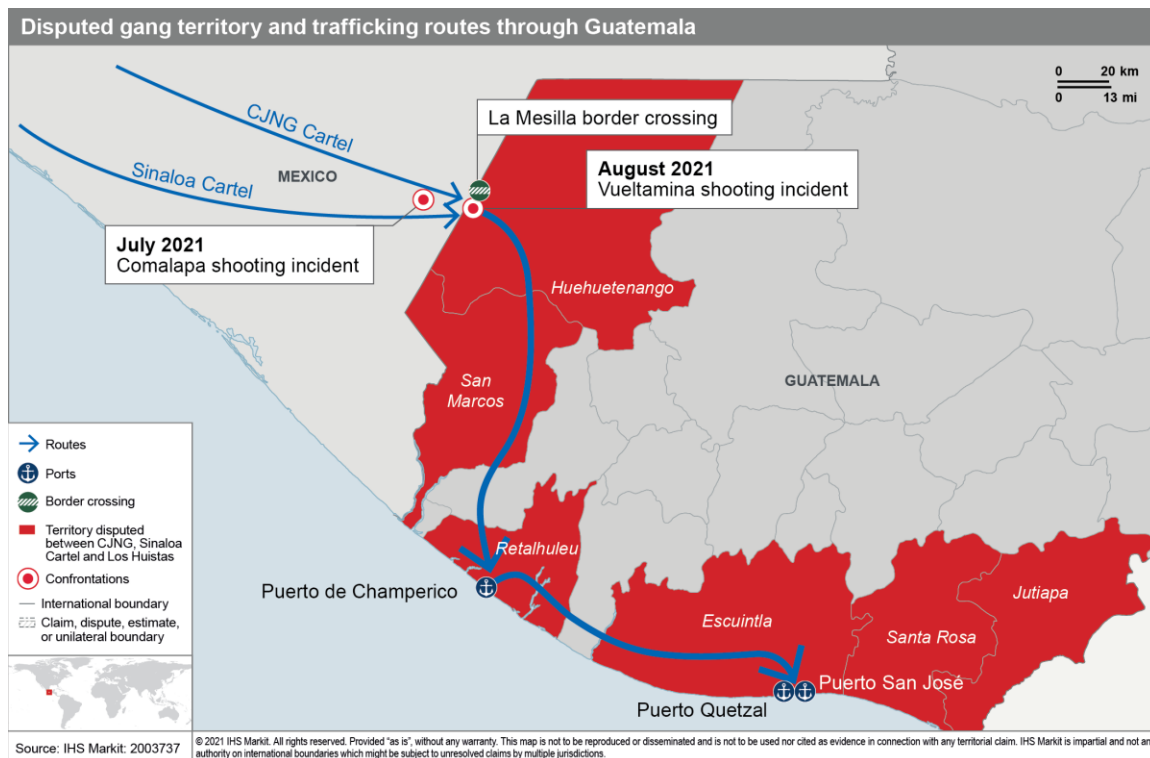
20 Aug 2021 - Country Risk | Headline Analysis

Mexican and Guatemalan officials reported an exchange of automatic arms fire between rival criminal groups on 12 August. Media reports differ over the exact location and events, but it was in the area of the La Mesilla

border crossing between Mexico and Guatemala. Despite ambiguity in narratives, the incident nonetheless indicates an escalation of violence amidst a turf war for the control of transborder drug-trafficking routes.

- **CJNG's challenge to Sinaloa Cartel's dominant position in Chiapas is raising the risk of escalating armed confrontations between gang members across the state.** In October 2020, the Mexican Finance Ministry's Financial Intelligence Unit (UIF) acknowledged that three major criminal organisations had presence in Chiapas state, Sinaloa, Golfo, and Jalisco Nueva Generación (CJNG) cartels, with the first being the strongest given its historical predominance over transborder drug-trafficking routes from Central America. During 2021, the CJNG has increasingly challenged Sinaloa's position in Chiapas, driving a rise in violent crime. According to official data, murders rose 18% year on year in the first half of 2021. On 7 July, CJNG gunmen carried out a targeted killing of a Sinaloa criminal gang member in public in the state capital Tuxtla-Gutiérrez, prompting an exchange of gunfire between small groups of cartel members, which resulted in four deaths. Although armed attacks directly tied to CJNG have so far been mostly limited to Tuxtla-Gutiérrez and rural areas of the Los Altos region in central Chiapas, it is likely that CJNG affiliates were involved in the incident that took place on 12 August, indicating a growing desire to challenge the Sinaloa Cartel for control of the region.
- **The presence of CJNG is encroaching on existing agreements between the Sinaloa Cartel and Guatemalan drug trafficking organisation Los Huistas.** The Guatemalan department of Huehuetenango is controlled by Los Huistas, which have established long-standing agreements with Mexico's Sinaloa Cartel. These have allowed the Sinaloa Cartel to operate in Guatemalan territory, using the country as a transit route to ports on the Pacific Coast. However, as the CJNG has expanded in Mexico, it is also seeking control over border crossings and trafficking routes to ports. As a result, the CJNG is disrupting agreements and increasingly engaging in confrontations with both the Sinaloa Cartel and Los Huistas on the Guatemalan side of the border. This is likely to continue as the CJNG looks to expand its influence in Guatemalan territory. Extortion is not a major modus operandi of the Sinaloa Cartel, although Los Huistas use the tactic extensively in Huehuetenango, Retalhuleu, and San Marcos departments. The CJNG also has extortion among its revenue streams, increasing both the risk of further exchanges of gunfire between rival groups and of competing extortion demands to businesses in the area.
- **Security forces' willingness and ability to counter gang activity in Chiapas and Huehuetenango is low.** The Guatemalan army and government have both denied the incident that took place on 12 August, despite publicly available proof and Mexican official statements confirming the confrontation. The denial is a strong indicator of a lack of political willingness to combat criminal violence along this section of the border. In Huehuetenango, Los Huistas provide services to the population and community support and affiliates across the country have allowed the group to develop a reliable intelligence network, providing advance warning of police presence and granting protection. This is reinforced by successful infiltration of political systems, affording them impunity from investigation and prosecution. In Mexico, federal security forces are currently overstretched, having been deployed to criminal hotspots elsewhere in the country, and their presence in Chiapas state is mostly focused on curbing unauthorised migrant flows. The federal government recently made the decision to cede nationwide control of customs administration to the military and on 10 July an additional 100 National Guard troops were deployed to Chiapas. Despite these measures, security forces are unlikely to secure territorial control given the presence of multiple non-state armed groups across the state, including paramilitary organisations and indigenous self-defence militias.
- **Growing CJNG influence and conflicts over territorial and port control increase risks to road and maritime cargo.** The Guatemalan navy has acknowledged the presence of both CJNG and Sinaloa cartels in Guatemalan territory and warned that the groups were not only fighting over control of land territory but also over the control of ports. The government announced on 19 August that 80 days had passed without recorded movements of drug-trafficking planes and lauded this as a sign of decreasing criminal activity. However, combined with the heightened activity of Mexican gangs and the statement from the navy, this is more likely to

signal a shift in modus operandi with increasing focus on land and sea routes. Risk is therefore increasing for marine cargo, with criminals likely to attempt to infiltrate companies to smuggle drugs in legitimate cargo, particularly at Guatemalan Pacific coast ports Puerto Quetzal, Puerto San José, and Champerico, and to a lesser extent in Caribbean ports.



Indicators of changing risk environment

Increasing risk

- Local criminal gangs in Chiapas’ major cities display signs of allegiance to CJNG, suggesting a major shift in cartel balance of power in the state and raising instability of the agreements between the Sinaloa Cartel and Los Huistas in the border area.
- Increased extortion threats in port towns indicating growing CJNG presence at marine terminals.
- Confrontations between CJNG and Mexican armed groups at Gracias a Dios or El Ceibo crossing points, indicating that the CJNG is seeking control of routes to the Caribbean coast.

Decreasing risk

- Corruption investigations in both Guatemala and Mexico targeting political leaders with links to gangs, indicating increased political willingness to counter impunity.

Paraguayan truck drivers’ strike extends nationwide, causing severe disruption to agribusiness exports

10 Aug 2021 - Country Risk | Headline Analysis

Leaders of the associations of truck drivers of Paraguay, which have been staging intermittent roadblocks over recent weeks, warned on 7 August that their protest would be indefinite, unless Congress approved measures to support the sector. The protests started on 28 July over sharp increases in fuel and reductions in

the cargo tariffs paid by agribusiness companies. The protests have now extended nationwide; on 2 August, protesters organised a convoy that reached the capital Asunción. Hundreds of trucks have now been parked on Costanera Avenue in central Asunción and the strike leaders have warned that they are ready to use them to stage a lockdown in the capital if Congress fails to pass a bill proposing the introduction of a minimum cargo tariff. The agribusiness associations – comprising soy, corn, meat, and milk producers – oppose such a bill, arguing that it would be unconstitutional, as cargo tariffs should be determined by market forces. Attempts at negotiations brokered by the central government have failed; on 6 August, the leaders of the agribusiness associations left the negotiating table, arguing that the truck drivers had failed to honour their undertaking not to block roads while negotiations were in progress.

Significance: The collapse of negotiations, and the uncompromising public stance of the agribusiness associations on the issue of a minimum cargo tariff, make increased disruption more likely. On 5 August, the Senate approved a first reading of the bill, but the final ratification vote has been scheduled for 10 August. The truck drivers are likely to step up the strike by activating road blockades to put pressure on the Senate; hitherto such blockades have been intermittent, with disruption to road traffic lasting at most one hour; Ángel Zaracho, one of the main leaders of the truck drivers' association has, however, now said that they are ready to step up the stoppages. There are already shortages of fuel in some parts of Asunción, Ciudad del Este and Alto Parana. Stepping up the blockades would pose a risk of severe cargo disruption to the main ports on the Rivers Parana and Paraguay, the country's main export routes. Paraguay is a key exporter of soy, which accounts for 25% of total exports; it is also the world's eighth largest exporter of meat.

Risks: Labour strikes; Protest and riots

Sectors or assets affected: Cargo; Agribusiness

Israel-Hizbullah border exchange slightly raises risks of war by miscalculation, and risks of civil war in Lebanon

9 Aug 2021 - Country Risk | Headline Analysis

On 4 August, militants in south Lebanon – most likely Palestinian factions – fired three rockets into northern Israel, one of which landed on open ground in Kiryat Shmona. Israel responded with artillery fire and, subsequently, airstrikes in south Lebanon. On 6 August, Hizbullah publicly retaliated for the airstrikes with a 19-rocket attack, most being intercepted with only fires, and no casualties reported.

- **Rocket fire from Lebanon regardless of factional provenance, if continued, raises the likelihood of heavier Israeli retaliation, particularly in the form of an air campaign, and subsequent tit-for-tat escalation.** In a speech on Hizbullah's al-Manar channel, although he threatened he could escalate, the Shia militia's leader Hassan Nasrallah nonetheless indicated the group would respond with proportionality, that is "open ground" for "open ground", but also by implication, fatalities for fatalities. Both sides have indicated they do not seek escalation. Israeli authorities assess that Hizbullah intentionally aimed at open ground, although they have not said why there was need for the Iron Dome to intercept 10 rockets (the system normally only intercepts rockets aimed towards populated, strategic, or commercial locations). According to *Al-Sharq al-Awsat*, the United States persuaded Israel's Prime Minister Naftali Bennett to refrain from a harsher response, particularly in light of continuing nuclear talks with Iran. But if further exchanges of fire – whether by Hizbullah or Palestinian factions with Hizbullah's consent – incur casualties/fatalities or damage to critical infrastructure, the likelihood of miscalculation and an uncalibrated slide towards war would rise. Furthermore, although the Bennett government now conducts airstrikes for every incendiary balloon dispatched by Gaza's militants in the south, it would likely find itself under criticism by the Likud-led opposition for being "soft" on security, and hence, under pressure to establish its security credentials with a tougher line in the north.

- **Israel-Hizbullah war risks would more likely remain subsidiary to direct hostilities between Israel and Iran, especially if the ongoing Iran-P5+1 nuclear negotiations break down.** Lebanon's ongoing multiple national crises, particularly since the Beirut Port explosion a year ago, have so far appeared to raise the costs of military adventurism for Hizbullah, including in the form of unprovoked rocket launches or cross-border raids. However, the militia's own socioeconomic and patronage networks eclipse in organisation and provision those of Lebanon's other factions, giving it better resilience. Portraying itself as Lebanon's defender, and relatively less constrained by Lebanon's hardships, Hizbullah is likely to increasingly countenance greater risks of a diversionary war. Besides retaliation, Hizbullah's rocket attacks probably also served two other objectives. Firstly, to test the Bennett government's resolve. And secondly, to re-establish "extended deterrence" in case Israel militarily retaliates against Iran, which is newly under hardline conservative President Ebrahim Raisi, for the 29 July fatal unmanned aerial vehicle (UAV) attack on the Israeli-managed MT Mercer Street in the Gulf of Oman, and as Israel expands its multi-front pressure against Iran. Israel has identified the head of Iran's Islamic Revolution Guards Corp (IRGC)'s Aerospace Force Brigadier-General Amir-Ali Hajizadeh, and specifically the head of its UAV command, Saeed Aghajani, for the Mercer Street attack. Hajizadeh has threatened a "harsh response". Should a broader regional war between Iran and Israel (or the US) break out, Hizbullah would almost certainly constitute the first line of Iranian retaliatory action against Israel.
- **Renewed, sustained hostilities between Israel and Hizbullah would raise the likelihood of another Lebanese civil war.** As Hizbullah rocket operatives pulled back on 6 August through Chouaya in Hasbaya district, local Lebanese Druze angered by the Shia militia firing from near their village reportedly stopped and assaulted them. Additional Hizbullah-Druze disputes or scuffles reportedly occurred in Sidon and Saoufar (Mt. Lebanon). This is likely indicative of a broader, underlying pushback among some Lebanese sects – particularly among the Druze, Christians (notably the Lebanese Forces), and some Sunnis – against Hizbullah potentially taking Lebanon into another war with Israel. Furthermore, some of Hizbullah's opponents have blamed it for the ammonium nitrate stockpile that caused the Beirut Port explosion. Israel officially holds the Lebanese state responsible for not preventing acts of aggression against Israel by Hizbullah or other militias. If war ensued, even if Israel exercised more restraint by avoiding non-Hizbullah Lebanese civilians and infrastructure (unlike in 2006), its strikes, especially in southern Lebanon, southern Beirut, and the Bekaa, would still likely impact areas inhabited by other sects, drawing their anger as much towards Hizbullah as towards Israel.

Indicators of changing risk environment

Increasing risk

- Israel retaliates militarily against Iran for the Mercer Street incident or other attacks; if covert, Iran determines Israeli authorship with high confidence, raising the risks of a proxy response through Lebanese Hizbullah.
- Hizbullah continues to approve, or refuses to restrain, Palestinian rocket fire, prompting escalatory action from Israel.

Decreasing risk

- Hizbullah stops further rocket fire from Palestinian factions, returning calm to the border.
- Government formation occurs in Lebanon, accompanied by reinforced military deployments and patrols in southern Lebanon to suppress rogue rocket fire.

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