

Analysis selection for JCC

April 2022

Russia's invasion of Ukraine

5 May 2022 - Country Risk | Strategic Report

On 18 April Russia reportedly began the so-called 'Phase 2' of its 'special military operation' in Ukraine, the Kremlin's stated objective of which is to capture all of the Donbas region. If successful, it would enable Russian President Vladimir Putin to claim 'victory' and call for a ceasefire. On 30 April, Russia's Foreign Minister Sergei Lavrov said that the Russian government was 'not setting any specific dates for its military forces in Ukraine', which indicates the government's acceptance that fighting will be protracted, and that it is managing the Russian public's expectations prior to Putin's address at the 9 May Victory Day' celebrations. The Russian ground forces' ability to achieve this objective within Putin's likely preferred timeline is in doubt, given their performance to date and their substantial losses, and likely combat fatigue, among most of the forces involved. A claim by a senior Russian officer, Major General Rustam Minnekayev, made on 22 April, that Russia's objective is to take control of all of Ukraine's Black Sea coast to the borders of Moldova and Romania, and unexplained security incidents on 25–26 April in breakaway Transdniestria, a pro-Russian entity in Moldova, were probably elements of a deception plan aimed at keeping Ukrainian forces tied down covering the Odesa direction. An operation of this scale, concurrent with the Donbas offensive, would be beyond the capacity of Russian ground forces currently deployed in Ukraine.

- **Russia is now seeking a decisive victory in Donbas.** Following the failure of its initial 'blitzkrieg', Russia has regrouped its ground forces in preparation for an offensive aimed at securing all of the Donbas region. Ukrainian President Volodymyr Zelenskyi announced on 18 April that Russia had begun this offensive in eastern Ukraine. Recourse to chemical weapons (CW) is a likely escalatory pathway, particularly if the Russian offensive in the Donbas becomes bogged down. Given their logistic and command and control shortcomings, and their demoralising losses, the Russian ability to achieve this in Donbas is in doubt. Both Russian and Ukrainian forces are currently redeployed in the Donbas region, where Ukrainian forces on the Line of Contact (LoC) are already coming under pressure from both Russian forces and Russian-backed separatists. Russian media report that approximately 60,000 reservists are being mobilised to improve the combat capabilities of the forces in eastern Ukraine; it is questionable whether they can be deployed in time to be used in the battle for Donbas. In preparation for the likely Russian offensive against the estimated Ukrainian force of 60,000–70,000 in the Donbas, the Russians have intensified the frequency, geographical spread and targeting of Ukrainian defence and civil infrastructure by missiles and long-range artillery. Since 29 April, the UN has been conducting a "safe passage operation" for civilians from the Azovstal steel plant in Mariupol. These evacuations are accompanied by renewed shelling by Russian forces, aimed at terrorising the civilian populations to force the Ukrainian forces to surrender. An alleged, but as yet unverified, small-scale use of CW by the Russians in urban fighting in Mariupol on 11 April would be consistent with Russian CW capability and their use of CW in Syria. The bombardment of cities across Ukraine, increasingly frequent in western Ukraine, is likely to intensify.
- **Ukrainian armed forces and civilians continue to resist Russian advances, thanks to the ongoing weapons resupply from the West.** Ukrainian forces have demonstrated their capability to repel penetration by Russian forces into major cities, helped by the use of modern Western-supplied weapons, such as anti-tank guided missiles and attack UAVs. By 6 April, Ukrainian armed forces had re-established control over areas in Kyiv, Chernihiv and Sumy regions, including the section bordering Belarus. In the last few days, Ukrainian forces have successfully conducted counterattacks near

Kharkiv. Despite Russia conducting strikes on Ukrainian air defences and air force early in the campaign, Russia has not yet achieved air superiority, especially west of the Dnieper River. Russian air and missile attacks on key weapons supply routes from NATO countries into western Ukraine have increased the risk of accidental strikes on NATO countries' territories, and/or killing NATO military personnel involved. In response, NATO has enhanced its force posture, reflected in the deployment of six US Navy EA-18G Growler electronic warfare aircraft to the Spangdahlem airbase in Germany in a deterrent role. The security summit chaired by US Defense Secretary Lloyd Austin and attended by around 40 of the US's allies in Ramstein air base (Germany) on 26 April demonstrated a further commitment by the Western countries to facilitate supply of weapons and training to Ukraine at expedited speed and increased volumes.

- **The humanitarian situation is likely to deteriorate further in besieged cities, with Russian forces using indiscriminate bombardment to terrorise the civilian population to force their surrender.** Mariupol is now mostly under the control of Russian forces, with the Azovstal steel plant remaining the only Ukrainian strong point. The humanitarian situation in Mariupol, where, according to the city authorities, more than 98% of residential buildings have been destroyed or damaged by Russian shelling, is especially extreme. Russian offers of 'humanitarian corridors' are, as already seen, likely to be part of this strategy, with Russian forces likely to open fire on civilians using supposedly safe routes. On 6 April, Ukrainian Deputy Prime Minister Iryna Vereshchuk urged civilians in Donetsk, Luhansk, and Kharkiv regions to leave urgently for safer areas to the west. On 8 April, Russian forces conducted a missile strike on a railway station in Kramatorsk, Donetsk region, killing 59 and injuring 109 civilians attempting to evacuate, according to the local authorities. According to the United Nations High Commissioner for Refugees (UNHCR), as of 4 May, more than 5.7 million people have left Ukraine, mostly to EU neighbours (Poland, Hungary, Romania, and Slovakia) and Moldova. It is estimated that a further 10 million Ukrainians are displaced internally within the country.
- **Cargo risks across Ukraine are likely to remain severe, especially in eastern, southern, and northern regions affected by the fighting.** Since the Russian invasion of Ukraine in February, the Russian Navy has opened fire on several commercial vessels in the northwestern Black Sea and in the Sea of Azov, with at least 12 ships damaged and two ships sunk. The reported Ukrainian missile strike on Russia's *Moskva* cruiser on 13 April off the coast of Odesa region, which led to its subsequent sinking on 14 April, is a confirmation of high risk for marine assets. The continued Russian military operation against Ukraine, including potential Russian amphibious landings near Odesa, will further elevate risks to commercial marine cargo in the northwestern Black Sea, both at ports and at sea. If amphibious operations develop, both Russian and Ukrainian forces are likely to be exchanging missiles and Russian naval infantry would attempt to take control of major Ukrainian seaports. That said, the reported strike on the *Moskva* cruiser is likely to reduce Russian appetite for an amphibious operation. Airspace over Ukraine is likely to remain closed for the time being. Risks to ground cargo are likely to be severe, especially in regions in the south, east, and north, where fighting continues.
- **The Russian military's use of force in taking over nuclear power plants (NPPs) in Ukraine represents an elevated risk of nuclear contamination.** On 31 March, Russia ceded control of the Chernobyl (decommissioned) NPP site to Ukrainian personnel and withdrew its troops but still occupies the Zaporizhska (operational) NPP. On 25 April, two Russian cruise missiles were reportedly observed flying over Khmelnytska NPP in western Ukraine. There is an elevated risk of deliberate or accidental incidents at any NPP affected by the fighting, leading to radioactive materials being released into the environment, and potentially across the region.
- **The Russian government's readiness to re-engage diplomatically with Ukraine is an indicator of Moscow's tacit acceptance of its inability to achieve its original objective to take over all of Ukraine by military force.** Under pressure from the expenditure of 'blood and treasure', and the growing impact of more robust and wide-ranging sanctions than anticipated, modified Russian objectives are likely to include Kyiv's recognition of Russian sovereignty over Crimea and of the independence of the two separatist entities in Donbas. The Ukrainian government is most unlikely to accept any settlement on these terms, even in the case of its defeat on the battlefield. The impact of unprecedented Western sanctions on the Russian economy, likely to be expanded in the case of further Russian territorial gains in Ukraine, is also likely to have a moderating influence on the

Russian position, especially over the three-month outlook. Continued fighting will increase the likelihood of Russia and Ukraine agreeing on temporary ceasefires, potentially leading to a stalemate 'frozen conflict', with some territories in Ukraine, especially in Donbas and the south, remaining under de-facto Russian occupation.

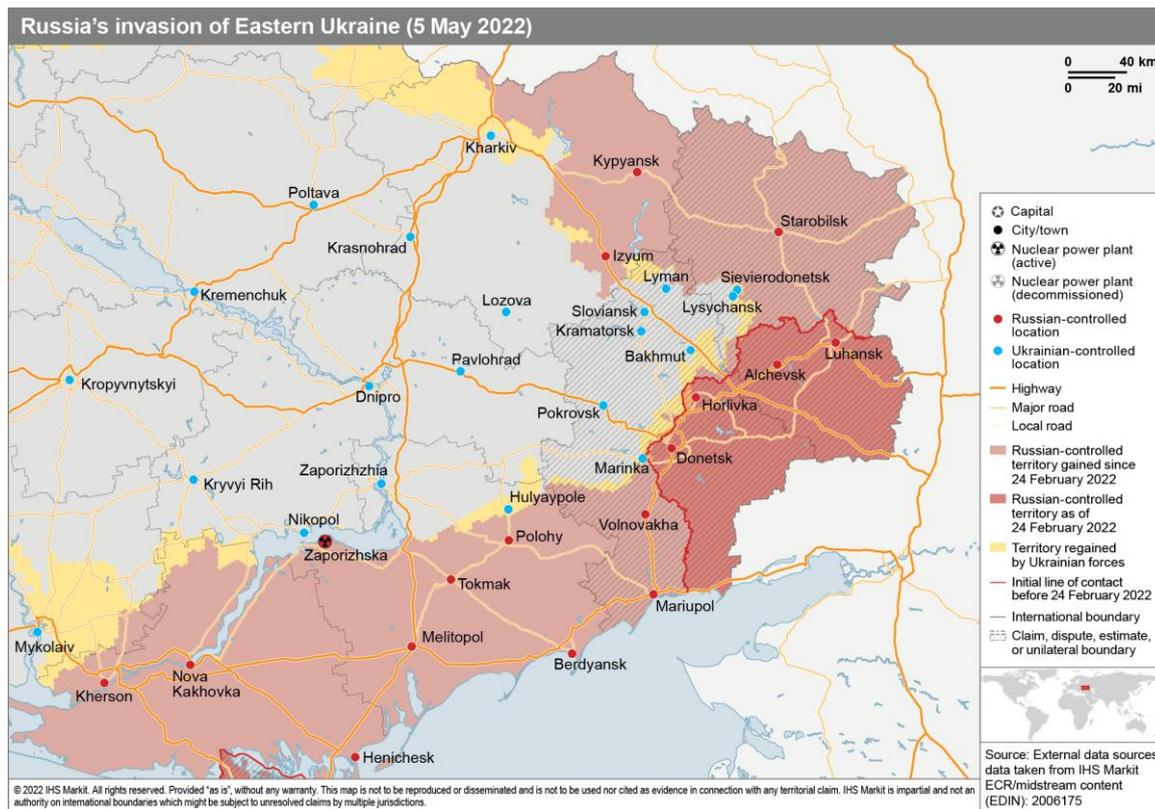
Indicators of changing risk environment

Increasing risk

- If the estimated 60–70,000 Ukrainian forces are cut off in the Donbas conflict zone, this would restrict their potential redeployment, significantly restricting Ukraine's ability to fight in other regions, including Kyiv and the south.
- If Kyiv is taken (now unlikely) by Russian forces and the Ukrainian government is forced to relocate to Lviv, this will be presented by the Kremlin as vindicating the Russian strategy of indiscriminate use of force.
- If Ukrainian armed forces conduct missile/air strikes or insurgent activity on Russian territory or in Crimea, this would elevate the scale and depth of punitive Russian strikes in Ukraine, including against civilian targets (activated 1 April).
- Leaked intelligence/commercial satellites showing additional formations in Russia's Central and Southern Military Districts preparing for additional heavy equipment to be moved by rail would most likely indicate their commitment to the campaign in Ukraine.
- Increased aircraft activity at airfields across the Russian border would indicate that Russian special forces and airborne units are preparing for new operations aimed at taking key airfields in areas currently outside their control for use as airheads through which 'heavy' forces can be air landed.
- Russian government warnings about alleged plans by Ukrainian forces planning to use CBRN weapons against Russian forces would indicate a growing likelihood of Russian forces using chemical weapons against both Ukrainian combatants and civilians.
- Resignation of senior Russian government or central bank officials further narrows in the short term the options for alternative internal views moderating the conduct of the war, but potentially creates a new internal political grouping to challenge Putin.
- If Russian forces conduct successful amphibious landings near Odesa (now unlikely) and occupy significant areas in Odesa region, linking with the Russian forces in the breakaway Transdnistria region in Moldova, the fighting would be likely to spill into Moldova.
- If Russia conducts air or missile strikes on main roads and railways in western Ukraine, near the Polish and Romanian borders, which are used by Western allies to resupply Ukraine, the severity of Western responses to Russian actions will be further elevated, particularly if there are casualties among NATO personnel involved in transporting critical supplies.
- Further Russian allegations that Ukraine or the US are using sites in Ukraine to develop chemical or biological weapons would increase the likelihood of Russia using chemical weapons against either Ukrainian troop concentrations or, more likely, population centres.
- Reports of Russian mobilisation of reservists and/or of delays in demobilisation of conscripts would imply a renewed major offensive by reinforced and fresh ground forces, coupled with an intensification of targeting of population centres and civil infrastructure by long-range missiles and artillery.
- If the reported Russian mobilisation in Transdnistria, a pro-Russian breakaway region in Moldova, succeeds in making a quantum increase in the estimated 1,600-strong force based in the region, this would likely indicate intent to develop the option of a move into Transdnistria if the Russians can capture Odesa in southern Ukraine.

Decreasing risk

- Further successful Ukrainian counterattacks, especially near key urban centres such as Kyiv, Kharkiv, or Mykolaiv, would be likely to modify the Russian position, pushing Moscow towards reaching a ceasefire agreement.
- Continuing Russian failure to capture key targets would elevate the likelihood of the Kremlin offering negotiations aimed to consolidate current gains, moderating risks to people, infrastructure, and assets should an agreement on a ceasefire be made.
- Leaked intelligence reports and/or increasing bilateral contacts signal that Putin is coming under diplomatic pressure from Russia's key partners, China and/or India, to agree to a ceasefire.



Peru's protests

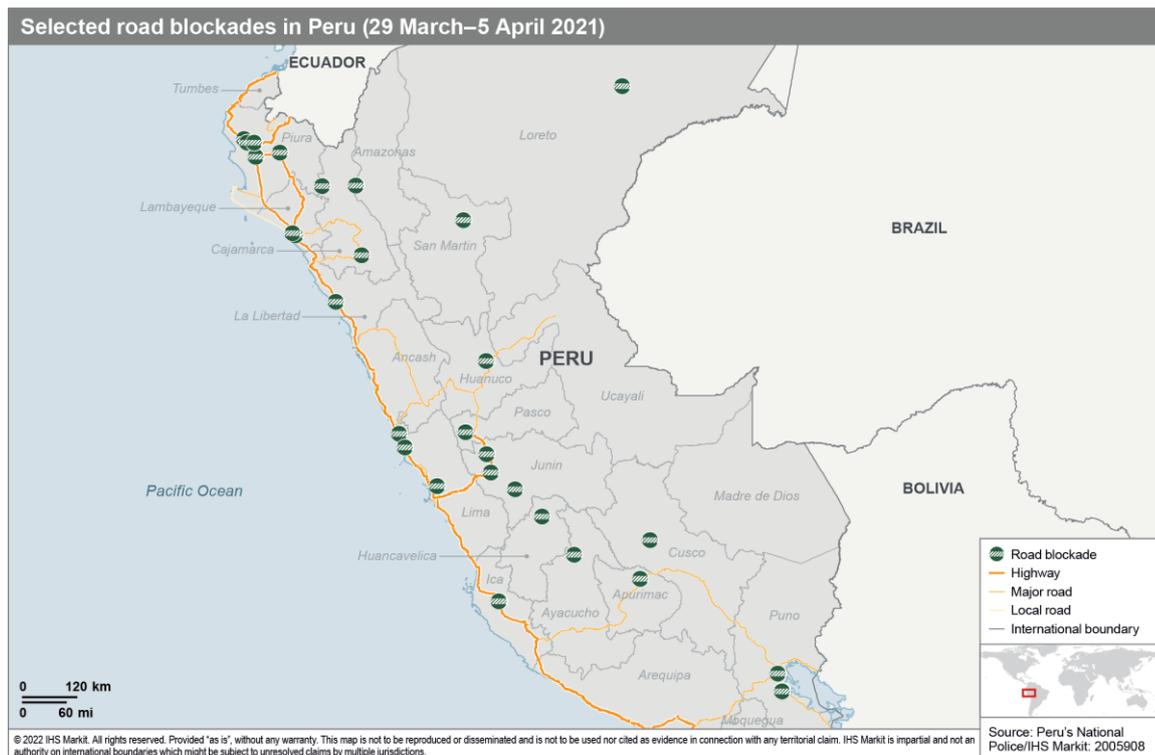
21 Apr 2022 - Country Risk | Strategic Report

Chinese-owned MMG's Las Bambas copper mine in Peru suspended production on 20 April after members of the local Fuerabamba community broke into and occupied its mining site. Las Bambas accounts for 13% of Peru's and 2% of world copper production. Recent blockades cost the company an estimated USD9.5 million a day in lost production. The Las Bambas occupation comes after violent widespread protests erupted in early April, sparked by record-high inflation of 1.5% month on month in March. Wider national protests in Peru have subsided since President Pedro Castillo announced on 7 April a 30-day state of emergency on the national road network, authorising the armed forces to support the national police in lifting road blockades. The protests were the biggest against Castillo since he took office in July 2021.

- Illegal occupation of major mining sites has disrupted 20% of Peru's copper production.** More than 150 members of the Fuerabamba community in the Apurímac department occupied the Las Bambas site on 14 April to "retake their lands". Fuerabamba sold its lands to Las Bambas in 2014, in exchange for compensation and the acquisition of land elsewhere. Locals allege that the deal on compensation is not being fully honoured, while the company maintains that its implementation is on track. Separately, the government is attempting to broker an agreement between communities in Moquegua and Southern Peru Copper's Cuajone mine, which halted copper production operations on 28 February after the takeover of the mine's water reservoir by local communities. Cuajone's production represents 7% of Peruvian copper exports, equivalent to USD4.8 million per day. The takeover of large mining installations, notably Las Bambas and Cuajone, is an escalatory tactic by local anti-mining protestors in Peru, where road blockades are the normal modus operandi.
- The mining protests highlight the indecision of the government to handle and resolve 'social conflicts'.** They also indicate that the government is unlikely to have the capacity to broker permanent agreements that limit disruption, as seen by its slow response to the Cuajone dispute and to many other 'social conflicts', including a regional strike in Cusco, which took place on 18-19 April and which is likely to resume on 25 April, as well as continuing negotiations with different sectors after

the mass widespread protests in early April. Mining disputes are likely to continue to escalate in the six-month outlook as the October regional and municipal elections approach, as local candidates, some opposed to mining activities, are likely to seek to exploit popular opposition to mining and organise communities in their disputes with mining companies.

- **Differing demands between unions are likely to increase the probability of more widespread protests resuming, as the government will be unable to satisfy all their demands.** The national protests in early April came as inflation spiked in the country; Peruvian consumer prices increased by 1.5% month on month in March, the fastest monthly increase in 26 years, according to the National Institute of Statistics and Information (Instituto Nacional de Estadística e Informática: INEI). The mass protests in Junín department, normally a stronghold of the ruling Free Peru (Perú Libre: PL) party, highlight an increase in public discontent against the government of President Castillo, affecting a range of sectors. Even before the protests, Castillo's approval ratings had fallen to a low of 24% in late March. In an effort to placate protesters' demands, Castillo reduced fuel taxes and increased the minimum wage by 10% over the weekend of 2–3 April. Congress approved on 12 April a plan presented by the government to reduce the general sales tax (Impuesto General a las Ventas: IGV) temporarily on specified food products, in an effort to relieve the impact of inflation. Further demands, such as special concessions to transport unions, were negotiated over a meeting on 8-9 April in Junín, at which Castillo agreed to comply with a number of demands, including a law cancelling traffic fines incurred during the COVID-19 pandemic. However, some concessions that were granted to some transport sectors are likely to be opposed by other transport unions, making it likely that protests will resume.
- **Unions will seek to co-ordinate actions in future protests in an effort obtain more government concessions.** The success in obtaining government concessions after the co-ordination of different unions, particularly transport and agriculture sectors, indicates that protests are likely to become more disruptive in the six-month outlook, including supply chain disruption and opportunistic vandalism and looting. Other unions are likely to join, such as the Unitary Union of Workers in Education of Peru (Sindicato Unitario de Trabajadores en la Educación del Perú: SUTEP) and the Workers' General Confederation of Peru (Confederación General de Trabajadores del Perú: CGTP). As more unions join future protest actions, including regional-based unions, the government is unlikely to be able to meet all the differing demands being made, further complicating negotiated settlements. As inflation continues to rise in the coming months, with IHS Markit forecasting it to peak in the second quarter of 2022 at around 9%, economic concerns will become a source of discontent across a broad base of social groups in the next six months. In addition, any concessions made are likely to need to be backed by the opposition, which holds a majority in Congress and is likely to try to impose its own agenda and continue to press for Castillo's resignation.



Indicators of changing risk environment

Increasing risk

- The election of anti-mining candidates in 15 and 22 May political party primaries for 2 October regional and municipal elections would increase the probability of disruption resulting from more organised opposition.
- Police and armed forces' use of force while lifting blockades during the ongoing 30-day state of emergency is perceived as excessive and widens public support for the protests beyond specific interest groups.
- Public statements by other unions leaders, such as the Callao Maritime and Port Workers' Union (Sindicato Único de Trabajadores Marítimos y Portuarios del Puerto del Callao: SUTRAMPORPC), expressing solidarity to further demonstrations and increasing risks of port workers joining the protests, cause major operational disruption in Peru's largest export port.
- Loss of support of the JPP as a result of new allegations of corruption and related protests against President Castillo would increase the probability of his impeachment over the three-month outlook.

Decreasing risk

- The opposition reaches a deal with the government to end its current blocking of new legislation, including the approval of an agenda particularly in favour of the agriculture sector, such as regulatory changes and the passage of the second agrarian reform presented by Castillo in late 2021.

South Africa allocates emergency infrastructure rehabilitation funding, but flooding damage to ports threatens significant delays, contract breaches

28 Apr 2022 - Country Risk | Headline Analysis

South African President Cyril Ramaphosa on 26 April addressed a joint sitting of parliament to discuss recovery measures in KwaZulu-Natal province after recent heavy floods destroyed infrastructure, particularly affecting roads and railways. The president announced the allocation of USD62 million for families affected by

the flooding, with more funding to be provided for business recovery. The provincial premier, Sihle Zikalala, claimed USD1.1 billion would be needed for infrastructure reconstruction. State-owned logistics firm Transnet, which owns and operates South Africa's ports and rail infrastructure, last week declared force majeure and is looking to terminate long-term coal transportation agreements.

Significance: The floods forced the suspension of operations at Durban and Richards Bay ports in KwaZulu-Natal province. Although both ports have since reopened partially, cargo movement has been disrupted significantly for over three weeks. The Port of Durban is the largest shipping terminal in sub-Saharan Africa, handling up to 31.4 million tons of cargo annually. The Richards Bay Coal Terminal is the largest coal export facility in Africa, handling over 77 million tons per year. Although both ports have reopened, the damage caused by the flooding constrains transportation and exports of coal significantly, amid an expanded business interest in exporting coal since global coal prices are 80% higher than in 2021, according to the World Bank. Coal exporters from Botswana, Zambia, and Zimbabwe are also affected by the situation. In addition, in Mozambique, repairs at Beira port and to damaged road and rail infrastructure after Tropical Storm Ana, although advanced significantly, will restrict exports through this alternative route. Transnet is likely to extend its force majeure declaration from Richards Bay to parts of its Durban port operation to ease pressure during recovery, affecting more products. This is also likely to have a spillover effect, with affected companies potentially needing to declare force majeure themselves if unable to meet their supply obligations because of Transnet's action. South African chemicals and energy company SASOL has already declared force majeure, affecting the export of some chemical products.

Risks: State contract alteration; Infrastructure; Cargo transportation

Sectors: All

Additional indicators of state failure in Lebanon highlight rising risk of violent criminality, illegal migration to Cyprus

26 Apr 2022 - Country Risk | Headline Analysis

A boat carrying illegal migrants sank off the coast of Tripoli on 24 April 2022, with at least six people drowned and up to 48 missing. The Lebanese army issued a statement saying that the boat had collided with one of its vessels, while the families of those on the boat claimed that an army patrol boat had deliberately rammed the vessel twice. This triggered a day of unrest by residents of poor neighbourhoods in Tripoli involving road closures, rock throwing against security forces, heavy fire in the air with automatic weapons, and attempts to break into government buildings. Tripoli-based social media claimed that a second boat, carrying 100 migrants, had arrived in Cyprus.

- **The city of Tripoli is especially vulnerable to the collapse of state authority.** Tripoli is the home city of current Lebanese prime minister and Lebanon's richest man, Najib Mikati. It is also home to a number of other billionaires but is at the same time Lebanon's poorest major city. Tripoli, with a Sunni majority population, has a number of Sunni militias, as well as Alawite militias loyal to Syrian President Bashar al-Assad, both of which remain in existence albeit at reduced activity and capacity. The mix of wealth inequality and sectarian divisions makes Tripoli especially vulnerable to being taken over by militias. This is especially so, given that Lebanese security services have seen the dollar value of their wages collapse to a tenth of their original worth and their budget is insufficient to support the strong network of informers needed to maintain order. At a national level, the security forces are estimated by local media to have had thousands of desertions. Protesters attempting to release prisoners from Tripoli's jails would indicate that the Lebanese army faces a long battle to regain control over the city, if it can regain control.
- **Further illegal migration attempts by sea are likely, increasing pressure on Cyprus.** The fact that one boat reportedly succeeded, the public backlash against the security forces, and the latter's growing weakness indicate that further illegal migration attempts are likely out of Lebanon, especially Tripoli. The security forces will likely be hesitant to force the stop of migrant boats, given the scale of violent unrest they potentially face. Lebanon may well use the "threat" of illegal migration to extract concessions relating to economic aid and support from the European Union.

- **Exchanges of small-arms fire in Beirut signal the growing problem of armed family groups, spreading well beyond Hizbullah-controlled areas.** Also on 24 April, two rival families exchanged small-arms fire in Beirut's Aisha Bakkar, close to the shopping district of Verdun and connecting the wealthy area of Ramlet al-Baida to the commercial district of Hamra. It is unusual to have such incidents in this locality; this kind of lawlessness is typically associated with the southern suburbs of Beirut (Dahiyeh) and in Baalbek in the Bekaa, where the absence of state authority has permitted the presence of a number of family-centred criminal gangs that regularly feud with one another. The spread of these shooting incidents to more commercially important areas highlights growing risk of theft, extortion, and infrastructural damage (especially collateral) to commercial property in Beirut.
- **The Interior Ministry's lack of support for re-imposing law and order in Beirut's southern suburb (Dahiya) indicates rising risk of violent criminality.** Local media reported that following an operation by security forces against organised crime in Dahiya, four Internal Security Forces officers were disciplined for having talks with Hizbullah ahead of the operation. This is likely to discourage security forces from addressing the rise in organised crime in that Shi'a part of Beirut controlled by Hizbullah. Criminal gangs typically seek refuge there but operate all over Beirut and Mount Lebanon.

Indicators of changing risk environment

Increasing risk

- Security forces attempting to protect state assets open fire at protesters, driving further unrest.
- The interior minister and the defence minister publicly blame each other over the failure to maintain security, indicating a breakdown in co-ordination between security forces that drives a greater security vacuum.
- Security forces reduce their presence in North Lebanon, relying on forces from the region, indicating that their ability to retain control is decreasing.
- The 15 May elections produce a hung parliament, with no clear majority for any side, making paralysis and continued collapse more likely and making improvement in the living standards and morale of security forces unlikely.
- Government fails to find a mechanism to increase wheat and flour imports, indicating rising risk of looting and criminality due to food shortages, with security forces potentially becoming partners in crime.

Decreasing risk

- The government and the International Monetary Fund (IMF) reach an implementable agreement, indicating that economic reforms that improve the living standards of security forces and therefore their ability to maintain order are likely.
- A clear majority wins the 15 May parliamentary elections, allowing it to implement a programme of economic and security management that preserves the integrity of security forces.

Likely differences between Chihuahua and Mexico's federal government on border security co-operation to raise export disruption risk

25 Apr 2022 - Country Risk | Headline Analysis

Governor Maria Eugenia Campos of the Mexican state of Chihuahua on 20 April formally launched her government's flagship security policy – Centinela Platform – in border city Ciudad Juárez. Centinela consists of a statewide network of around 8,000 surveillance cameras, which reportedly use artificial intelligence algorithms, to be installed across Chihuahua's 13 largest urban centres to enhance policing capabilities, including through tracking cargo vehicles that cross the border. Chihuahua is among the five Mexican states that concentrate half of the total number of nationwide murders.

Significance: Governor Campos's act came a week after her Texas counterpart Greg Abbott imposed additional security inspections on Mexican cargo vehicles crossing into the United States from Chihuahua,

Coahuila, Nuevo León, and Tamaulipas states to curb drug smuggling and illegal migration. The inspection regime lasted between 6 and 15 April and caused USD42 million in losses from export disruption, according to Mexico's National Chamber for Road Cargo Transport (Cámara Nacional del Autotransporte de Carga: CANACAR), as well as protests from Mexican truckers at the border crossings. It was lifted after the governors of the four affected Mexican states signed agreements with Abbott to step up efforts to tackle crime and irregular migration. Campos on 12 April said that she would be willing to share with "US agencies" information generated through forthcoming Centinela's infrastructure to improve border security co-operation. A willingness to set up state-level mechanisms for security co-operation with Texas is likely to be shared by the governments of Nuevo León, Coahuila, and Tamaulipas. However, such an approach is likely to draw adverse reactions from the Mexican federal government, which has espoused a nationalist stance regarding security co-operation with the US and has shut down several existing channels enabling it. Conflicting security policy directives and eventual administrative disputes between Mexican border states and the federal government regarding border security is likely to hinder counter-criminal efforts in Chihuahua, particularly in Ciudad Juárez, increasing the risk of Texas occasionally resorting to the extra inspection regime, with the ensuing export disruption.

Risks: Policy direction; Crime

Sectors and assets affected: Ground cargo; Manufacturing

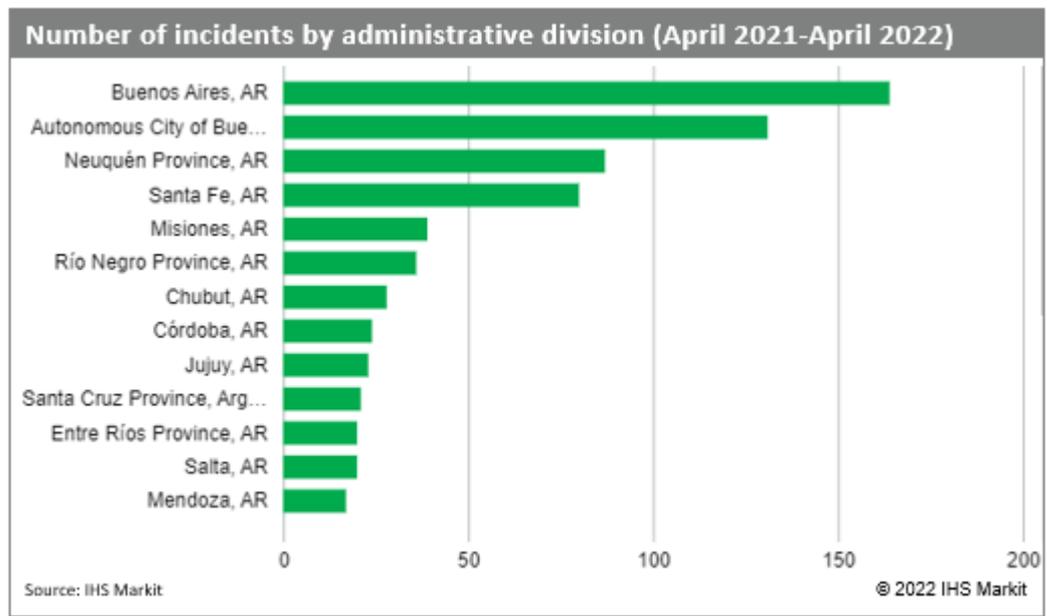
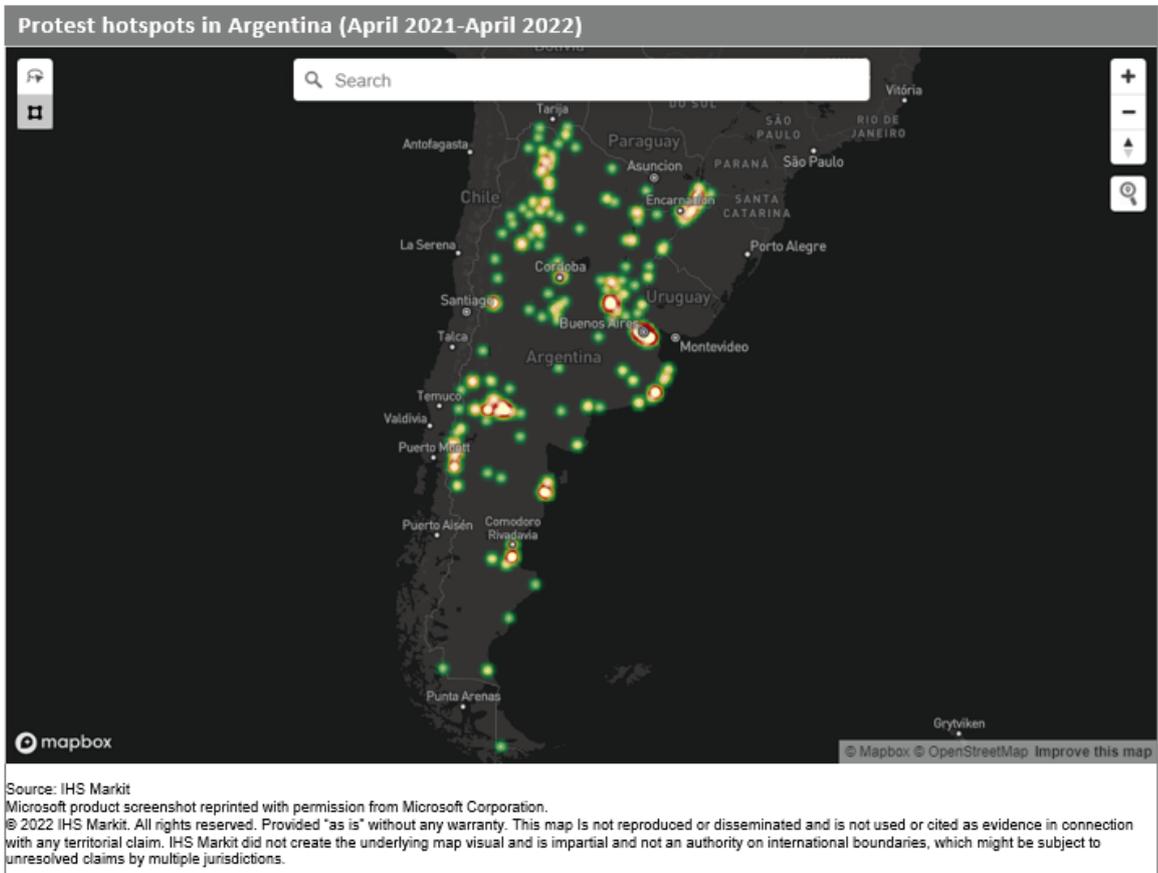
High inflation and fuel scarcity raise unrest risks in Argentina, supply chain disruption and labour strikes likely

12 Apr 2022 - Country Risk | Headline Analysis

Argentina's labour unions launched on 11 April the annual salary negotiations ("paritarias"), which are likely to be complicated in a context of high inflation, forecast by IHS Markit at 63.7% for 2022. On the same day, grain transport workers began an indefinite strike over fuel scarcity, while in late March, left-wing organisations rallied tens of thousands to protest Argentina's new deal with the International Monetary Fund (IMF). These issues are likely to drive higher protest and strike risks nationally, affecting transport and cargo.

- **Unions will demand above 50% increases, raising the likelihood of industrial action by sectors; national strikes are less probable.** At least one-third of Argentina's workforce and employers will seek salary agreements in April, some following the scheduled calendar and 26 in early negotiations, with the aim of settling before inflation increases further. Unions that will start negotiating in the coming weeks include truckers, bankers, construction, commerce, healthcare, entertainment, and food workers. Employees are likely to demand increases well above 50% or even 60%, with companies trying to cap the pay rises at 50%. This increases the likelihood of only partial agreements settled in the first half of 2022, to be re-negotiated in the second half, maintaining high strike risks throughout the year. Industrial action is likely to include marches and stoppages per sector, lasting 24–72 hours. However, umbrella labour unions General Confederation of Labour (Confederación General del Trabajo: CGT) and Argentine Workers' Central Union (Central de Trabajadores de la Argentina: CTA) are unlikely to call for national strikes as they remain close to Peronist President Alberto Fernández and have indicated their support for the new deal with the IMF, given that it does not include labour reform. The higher salary demands will add to an approved 45% minimum wage increase, to be implemented gradually beginning from April, from ARS33,000 (USD293) to ARS47,850 (USD425) in December, raising costs for companies.
- **Protests by social organisations against the IMF deal will disrupt transit in the centre and entrance of Buenos Aires.** Although the new IMF programme does not demand deep economic adjustment or structural reform, left-wing social organisations such as Polo Obrero, Barrios de Pie and Bloque Piquetero will protest against it and demand increased social assistance. According to private estimates quoted in the local media, 2021 had the highest number of social protests in nine years (6,658), of which 1,550 were staged by social organisations. On 30 March, approximately 30,000 people set up camp at the Obelisk in Buenos Aires city centre for 48 hours, in a new modus operandi that completely disrupted the main 9 de Julio Avenue. Most actions by these groups consisted of marches gathering thousands, disrupting traffic for a few hours only. Other protest hotspots in Buenos Aires are Plaza de Mayo, in front of the presidential palace Casa Rosada, the Ministry of Social

Development, and outside Congress. Roadblocks at the entrance of the city, such as the Pueyrredón bridge, La Noria bridge, and Saavedra bridge are also likely, lasting for several hours. Occasionally, these protests turn violent, with demonstrators throwing sticks and stones at government buildings and the security forces, and the police using tear gas and water cannon, causing some minor property damage, such as windows being broken. Protests in other large cities, such as Córdoba and Rosario, are also likely.



- **Roadblocks by agriculture producers and truckers are likely to disrupt supply chains nationwide.** The agribusiness sector is likely to continue to confront the government over export restrictions and higher export taxes (“retenciones”), particularly as the Russia-Ukraine conflict has increased food prices. They are likely to stage “tractorazos”, protest action consisting of driving hundreds of tractors very slowly on main routes in provinces such as Buenos Aires, Santa Fe, and Córdoba, disrupting supply chains for 24 to 48 hours. Further disruption is likely as the Russia-Ukraine conflict is also leading to fuel scarcity and higher prices. On 11 April, grain transport workers (Federación de Transportadores Argentinos: Fetra) launched an indefinite strike at 19 ports over fuel scarcity, including in the Rosario export hub, significantly delaying movement of cargo trucks. On 5-6 April, truckers in Córdoba blocked roads in areas such as Sampacho, Río Cuarto, Las Vertientes, and Vicuña Mackenna to demand guarantee of fuel supply. Prolonged fuel scarcity will trigger further action, threatening to expand geographically and across sectors, such as agribusiness and port workers, significantly increasing risks of supply chain disruption. Government negotiations with neighbouring countries Brazil, Bolivia, and Chile to increase gas imports are likely to help mitigate this risk.

Indicators of changing risk environment

Increasing risk

- Upcoming IMF reviews of the new programme determine that Argentina is failing to achieve its targets and demand deeper economic adjustment, increasing protest risks.
- The government fails to present a clear strategy for social programmes, cutting assistance to lower income groups, raising risks of unrest.

Decreasing risk

- Argentina’s macroeconomic indicators show compliance with the IMF programme, including a trend towards downward inflation, mitigating the risk of unrest.
- The end of the Russia-Ukraine conflict would reduce pressure on domestic food and fuel prices, as well as protest risks.

Cargo theft frequency in Brazil’s Mato Grosso to rise further, driven by high grain and fertiliser prices

11 Apr 2022 - Country Risk | Headline Analysis

Data from Brazilian Mato Grosso’s State Department of Public Security (SESP) show a 92% increase in the number of truck and cargo thefts since the start of 2022 compared with the same period of last year. Between January and February 2021, 13 truck thefts were recorded in the state, compared with 25 in the same period in 2022. In addition, 23 loads of cargo were stolen in the whole of 2021, compared with 42 in just the first two months of 2022. The Civil Police of Mato Grosso arrested nine people on 22 March. Suspects were accused of kidnapping truck drivers over several days and stealing their vehicles. They often lure drivers to certain locations, where they hold them hostage until the cargo is moved elsewhere. Anecdotal evidence shows that occasionally, drivers are part of the theft scheme by pretending to be victims. On 15 February, a driver was arrested after reporting his own false kidnapping; on 29 March, another driver made a similar claim. Both were transporting soybean cargo worth about USD20,000 each.

Significance: Cargo theft in Brazil is a common occurrence, but the number of incidents have been declining nationwide since 2018, particularly in Rio de Janeiro. The recent increase in Mato Grosso seems to reflect the sharp increase in the prices of food commodities, as most of the reported cases involved grain cargo, as well as fertilisers; in March, police reported the seizure of 490 tons of fertilisers stolen from five different farms. Mato Grosso is a major producer of grain; its soybean production alone is expected to reach 11.2 million metric tons in 2022. A Foreign Agricultural Service (FAS) report released on 6 April shows a 110% increase in wheat prices, a 140% increase in corn and vegetable prices, and a 90% increase in soybean prices over the past 18 months. The war in Ukraine has exacerbated the trend. The price increases and potential future shortages of fertilisers, which have tripled in price, provide additional incentives to not only cargo theft gangs

operating in Mato Grosso, but also in the states of São Paulo and Goiás, the other major Brazilian grain producers, where several incidents of theft of soybean cargo were reported in 2021.

Risks: Organised crime

Sectors or assets affected: Road cargo; Agribusiness

Foreign troops' reduced mandate in Mozambique's north likely to result in more-frequent insurgent attacks

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The Southern African Development Community (SADC) agreed on 3 April to extend its mission in Mozambique until 15 July 2022, but changed its mandate to focus less on offensive operations and more on localised peacekeeping from 15 April. South African Foreign Affairs and Cooperation Minister Naledi Pandor stated that additional non-lethal military equipment from the African Union's African Standby Force Continental Logistics Base in Douala, Cameroon, was available, and that member states had pledged an unspecified number of additional troops. There are currently around 3,000 troops deployed by the Southern African Development Community Mission in Mozambique (SAMIM). Pandor added that the European Union had approved funding for SAMIM under the framework of the African Union Early Response Mechanism, which focuses on non-military interventions, but she did not specify how much money had been pledged.

Significance: Under the new mandate, SAMIM is to focus on guarding areas within its designated areas of responsibility and conduct fewer patrols. We assess that insurgents are likely to gain more freedom of movement in Macomia and Meluco districts in Cabo Delgado province, northeast Mozambique, where SAMIM forces are concentrated, and to take back control of the areas' villages. In addition, insurgents are likely to stage continually hit-and-run small-arms attacks on SAMIM forces, villages, and ground cargo. Mozambican forces will probably attempt to fill the gap left by SAMIM, but their poor operational record suggests that they are unlikely to halt insurgent advances in areas where SAMIM scales back operations. Increasingly promoting local-based security initiatives, Police Commander Bernardino Rafael has reactivated the Community Security Councils in Cabo Delgado province and launched 13 special units tasked with protecting administrative posts in Palma, Mocimboa, Muidumbe, Nangade, and Quissanga districts in Cabo Delgado. However, continued reliance on local self-defence militia carries an ongoing risk of abuses of power, such as extortion of civilians along main routes and in villages. The 2,000 Rwandan troops deployed in northeastern Cabo Delgado are among the more-capable security forces; however, regardless of the status of SAMIM, they are likely to remain focused on defending their areas of responsibility in Mueda, Pemba, and the Afungi peninsula, where French multinational energy company TotalEnergies is developing a major liquefied natural gas (LNG) project. Although EU financial assistance was forthcoming to enable the extension of SAMIM's mandate, the downgrade from full enforcement to peacekeeping highlights ongoing external funding constraints. SAMIM is likely to face difficulties in securing funding once its new mandate expires in July 2022, and it is likely to remain limited to a localised peacekeeping role or to reduce troop numbers thereafter.

Risks: Terrorism

Sectors or assets affected: Cargo (ground); Defence and security forces; Individuals; UN and peacekeeping missions