Analysis selection for JCC

July 2022

Escalation in the Taiwan Strait

4 Aug 2022 - Country Risk | Strategic Report

A US congressional delegation led by US House Speaker Nancy Pelosi, in a visit not officially sponsored by the administration of President Joe Biden, arrived in Taipei, Taiwan, on 2 August. Pelosi addressed Taiwan's Legislative Yuan with Taiwanese President Tsai Ing-wen in attendance on 3 August. While considered by the US administration as a sub-diplomatic visit, Pelosi is the highest-level US official to visit Taiwan in 25 years. Within 30 minutes after the delegation arrived in Taiwan, mainland China's Ministry of Defence announced that the Chinese People's Liberation Army (PLA) would commence joint military operations within the waters surrounding Taiwan from 2 to 6 August; these were ongoing at the time of writing.

- **The Chinese government's military response is likely to remain limited to large-scale air and naval incursions, in addition to artillery and missile live firing into the Taiwan Strait up to 10–20 km from Taiwan's main island.** Shortly following the US delegation's arrival, the PLA Air Force (PLAAF) conducted an operation involving 20–30 military aircraft within Taiwan's Air Defence Identification Zone (ADIZ). The Chinese government's response through to 6 August is likely to further include the launching of ballistic missiles into six areas covering the waters surrounding Taiwan in the Southwest, Northwest, and East – as occurred during the second Taiwan Strait crisis in 1995–96. A more provocative response would involve the PLA warships crossing the median line marking the halfway point between Taiwan and mainland China, incursions into Taiwan's airspace, or artillery and missile live firing into the Taiwan Strait. Social media images have shown a significant build-up of PLA armour in Fujian province, neighbouring Taiwan. IHS Markit assesses that mainland China's military response is intended to disincentivise further US or international diplomatic engagement with Taiwan's government, while also demonstrating domestically Chinese President Xi Jinping's commitment to the One China Policy. In a low-probability–high-impact scenario, an increased show of force by the Chinese military could expand to artillery fire or air harassment of Taiwanese warships operating within the Taiwan strait. Such escalation – although less likely and unintended – would be likely to constitute misfires or collisions.

- **Disruptions to the supply chain in the region are likely to be limited to 6 August, when PLA exercises are scheduled to end.** Mainland China's show of military force will serve as a de facto blockade of Taiwan until 6 August – intended to warn Taiwan of the high economic cost of such engagement with the US. Mainland China on 1 August imposed an import ban on about 100 items from Taiwan – primarily agricultural goods – that mainland China said were allegedly due to regulatory non-compliance, but we assess this to be potential political retaliation. As of 3 August, at least 70 flights out of Taiwan's major airports in Taoyuan have been cancelled or delayed and international carriers have announced plans to reroute flights away from Taiwanese airspace through the week in response to the planned military exercises. The supply chain disruption will primarily be felt in East Asia, until the exercises conclude on 6 August. According to Rahul Kapoor from our Maritime and Trade team, at the time of writing there are hundreds of container ships that have scheduled port calls, arrivals, and departures in Taiwan during the period of exercises that are expected to be affected. There have so far not been any official notifications or instructions from flag states and local authorities about any potential risks, and we do not expect widespread diversions from shipping lines. The near-term impact on supply chains is expected to be limited, but any extended disruption would lead to delays and hurt supply chains. The highest impact is expected on energy shipments to Taiwan and Japan, which are expected to be delayed for several days as carriers reroute vessels currently transiting through the Northwest Pacific.

- **Pelosi's visit does not indicate a shift in US–Taiwan relations, and the US is unlikely to respond militarily to the current Chinese exercises.** On 20 July, Biden commented that the US military did not believe that Pelosi's trip was a "good idea". Media reports suggest that multiple US government agencies and national security officials had privately asked that the speaker not visit the island. The stopover by the speaker will now probably hinder temporarily US efforts to work with mainland China on potentially mutually beneficial issues such as the war in Ukraine, climate change, and negotiations regarding North Korea. Although the US already has one aircraft carrier (*USS Ronald Reagan*) and a large-deck amphibious assault ship (*USS Tripoli*) with F-35B fighter aircraft in the region, it is unlikely to attempt to position these assets in a manner that would risk further escalation unless the situation substantially deteriorates – either by unexpected Chinese kinetic activities beyond those previously elaborated or due to an accident. While Chinese military action involving a major and clearly deliberate incursion beyond the median line or the launch of ballistic missiles into the Taiwan Strait would be unlikely to trigger substantial new sanctions or US military retaliation, it would contribute to deteriorating cross-strait and mainland China–US relations, thereby reducing the likelihood of short-term US tariff relief and resulting in calls by Congress to increase weapon sales to Taiwan.

Indicators of changing risk environment

- Accidental collisions or misfires during military exercises or provocative manoeuvres within the Taiwan Strait would increase the risk of military escalation, particularly if they resulted in US or Taiwanese military or civilian casualties – wounded and/or killed.
- If military exercises around Taiwan extend beyond 6 August, global supply chains, including energy supplies, would be likely to experience more significant disruption.
- Prolonged Chinese military exercises beyond the currently stated 2–6 August time frame by more than 3–5 days would signal an increased risk of military escalation with greater effect for air and sea shipping operations within the Taiwan Strait. The US then will probably begin moving its naval assets near the Taiwan Strait, increasing the risk of accidental escalation.
- The use of weapons, particularly intermediate-range Dongfeng ballistic missiles, near or over Taiwan's main island, around major cities such as Taipei and Kaohsiung, or artillery bombardment near Kinmen and the Matsu islands would increase the risk of Taiwanese military or civilian casualties.
- Shifts in the generally restrained public messaging of the Taiwanese government, including calls for civil defence preparations and air raid drills or the mobilisation of reserve forces, would signal a domestic perception of rising war risk.
- Public displays of support for Pelosi's visit and further denouncement of Chinese PLA exercises by the historically pro-mainland China engagement Kuomintang (KMT) opposition party will probably deteriorate KMT's relationship with mainland China, thereby reducing the prospect of a political solution to cross-strait disputes.
- If mainland China were to escalate military operations to include seizures of the outlying Taiwan-controlled islands, including Kinmen, the Matsus, or the Pratas Atoll, then calls within Congress for targeted new sanctions on Chinese companies associated with the Chinese military would be likely.

Planned strike at UK's busiest container port increases risk of temporary supply chain disruption across multiple sectors

5 Aug 2022 - Country Risk | Headline Analysis

The United Kingdom's Unite union has announced that its members plan to stage a strike at Felixstowe port in the coming weeks in a dispute between workers and the Felixstowe Dock and Railway Company (FDRC) over wage levels. Unite argues that FDRC's offer to increase salaries by 5% fails to reflect the currently high inflation rate, which is forecast by the Bank of England to peak at 13.3% year on year in October. Felixstowe is the UK's largest and busiest container port, accounting for more than 40% of container trade in the country. Negotiations are ongoing and the exact timing of the envisaged industrial action remains unclear.
Significance: If FDRC and Unite fail to reach an agreement, a strike at Felixstowe port is likely to severely affect road and maritime haulage in the UK and external trade with European Union member states and other countries, at least temporarily. Delays and cancellations of port services and shipping operations would be

likely to disrupt the supply chain for various fast-moving consumer goods, food products, construction materials, electronics, and other commodities while increasing the risk of spoilt perishable goods. The rerouting of containers would also be likely to lead to congestion and delays at other UK ports, particularly in Tilbury, Southampton, and Liverpool. Disruption is likely to last for several days and there is a risk of industrial action continuing beyond August if demands by port workers are not met. Supply chain dislocation risks will expand if strike action is extended from Felixstowe to other UK ports. This appears likely, already indicated by a similar current wage dispute involving around 500 dockworkers in Liverpool. However, if Unite succeeds in gaining concessions and higher salary offers, as in a recent dispute involving British Airways, the port strikes will probably be called off.

Risks: Labour strikes; Infrastructure disruption; Ground; Marine
Sectors or assets affected: Food products; Fast-moving consumer goods; Retail; Construction; Multiple other sectors

Russia’s war in Ukraine

3 Aug 2022 - Country Risk | Strategic Report

More than five months into its invasion of Ukraine, Russia is making slow progress but has not yet fully achieved its modified territorial objectives in Donbas, indicating protracted fighting for at least the three-month outlook. Russia’s stated immediate objective is to capture the entire Donetsk and Luhansk regions in eastern Ukraine, which are subsequently likely to be annexed into Russia. Following the Russian capture of Luhansk region, on 20 July, Russian Foreign Minister Sergei Lavrov said that “Russia had expanded its war goals” in Ukraine, likely indicating an intention to capture and annex more territories in eastern and southern Ukraine outside Donbas. Lavrov’s comments were probably intended to discourage continuing NATO military support for Ukraine, but Russia’s ability to make further significant territorial gains is constrained by the degraded combat capability of the ground forces currently committed in Ukraine, and the lack of reinforcements. The Russians have only been able to strengthen their defences in Kherson region against a likely imminent Ukrainian counter-offensive by redeploying troops from Donbas, weakening their main effort. The fighting in Ukraine is characterised by high attrition rates for both Russian and Ukrainian forces, and by high casualties among civilians, due to the concentrated Russian use of stand-off firepower. The latter includes long-range missile strikes on cities and civil infrastructure deep inside Ukraine, including Kyiv, Lviv, and Odesa, as well as shorter-range bombardment of those cities, such as Kharkiv and Mykolaiv, closer to the front lines. Despite signing a UN-brokered agreement on reopening grain export corridors from three Odesa region ports, Russia is likely to continue conducting strikes on port infrastructure in Ukraine, as demonstrated by the missile strike on Odesa port on 23 July.

- **Russia’s likely minimum objective is to capture all of Donetsk and Luhansk regions, with the latter now under Russian control, which would allow the Kremlin to claim ‘victory’ and annex territory.** The capture of the remaining cities in Luhansk region has been achieved by the Russian forces by establishing a local superiority over the Ukrainians in artillery firepower, with estimated ratios of 10:1–15:1. The Russian forces are likely to adopt a similar strategy in the Donetsk region, which is still 38% under Ukrainian control. Ukrainian forces have been withdrawn from Luhansk region to prepared defensive positions near Bakhmut, Kramatorsk, and Sloviansk, which are likely to be the next objectives for the Russian offensive in Donbas. As of mid-July, the Russian forces are attempting to advance in their direction. Given the Russian forces’ logistic and command and control shortcomings, and their reportedly demoralising losses in personnel and equipment, the Russian ground forces committed in Donbas do not have the ability to advance quickly, indicating likely protracted fighting and attritional warfare with more towns and cities in the region likely to be heavily targeted by Russian firepower. Notwithstanding a pause in Russian offensive operations, on 2 August, the Ukrainian authorities began mandatory evacuation of civilians from government-controlled areas of Donetsk region in an attempt to reduce the number of civilian casualties. While committed to a long war, the Russian government intends to achieve its objectives using only the 120,000–150,000 troops currently dedicated to this operation, without resorting to mass mobilisation of fresh forces, but is instead increasingly relying on retired military, reserve forces and ‘contract’ volunteers to make good its personnel shortages. The attritional nature of the current fighting means that Ukrainian forces are also suffering from the loss of hard-to-replace trained personnel from their most capable combat units, and have to increasingly rely on new, poorly trained recruits, and on the territorial defence forces. These Ukrainian weaknesses are likely to be exacerbated when Ukraine goes on the expected counter-offensive in Kherson region. On the Russian side, the reported redeployment of as many as 18,000 troops from Donbas to the Kherson region, with the likely aim of disrupting any Ukrainian offensive, will divert Russian combat capability and complicate logistical support, likely slowing down the pace of the Russian main effort in Donbas.

- **Western-supplied artillery will disrupt the Russian advance, but these systems will be a priority for Russian targeting.** On 18 July, the Commander-in-Chief of the Ukrainian Armed Forces, Valeriy Zaluzhny said that the US-supplied M142 High Mobility Artillery Rocket Systems (HIMARS) had helped "stabilize the battlefield”. In July, Ukrainian forces used HIMARS and UK-manufactured M270 Multiple Launch Rocket Systems (M270 MLRS) to conduct at least 50 precision artillery strikes on the Russian military bases and ammunition depots, in some cases 60–70 km behind the Russian frontlines. If the Ukrainian forces are able to sustain and increase this targeting of Russian ammunition depots and supply lines in the coming weeks, it will further slow down Russian offensive operations and create conditions for Ukrainian counter-offensives, with a likely focus on the south. In Kherson, the Ukrainian forces have used HIMARS strikes to close the Antonivskyi Bridge over the River Dnieper, which is critical for the Russian supply lines, shaping the battlefield for a likely Ukrainian counter-offensive in the Kherson region in August–September. In response, the Russian forces are likely to disperse their stocks of combat supplies and logistic hubs to mitigate their vulnerability to long-distance artillery. The Western-supplied artillery systems are likely to be a high priority for Russian missile and artillery strikes, and Russian artillery will also likely be redeployed, including from the now fully captured Luhansk region to other areas, including near Kherson and Zaporizhzhia.

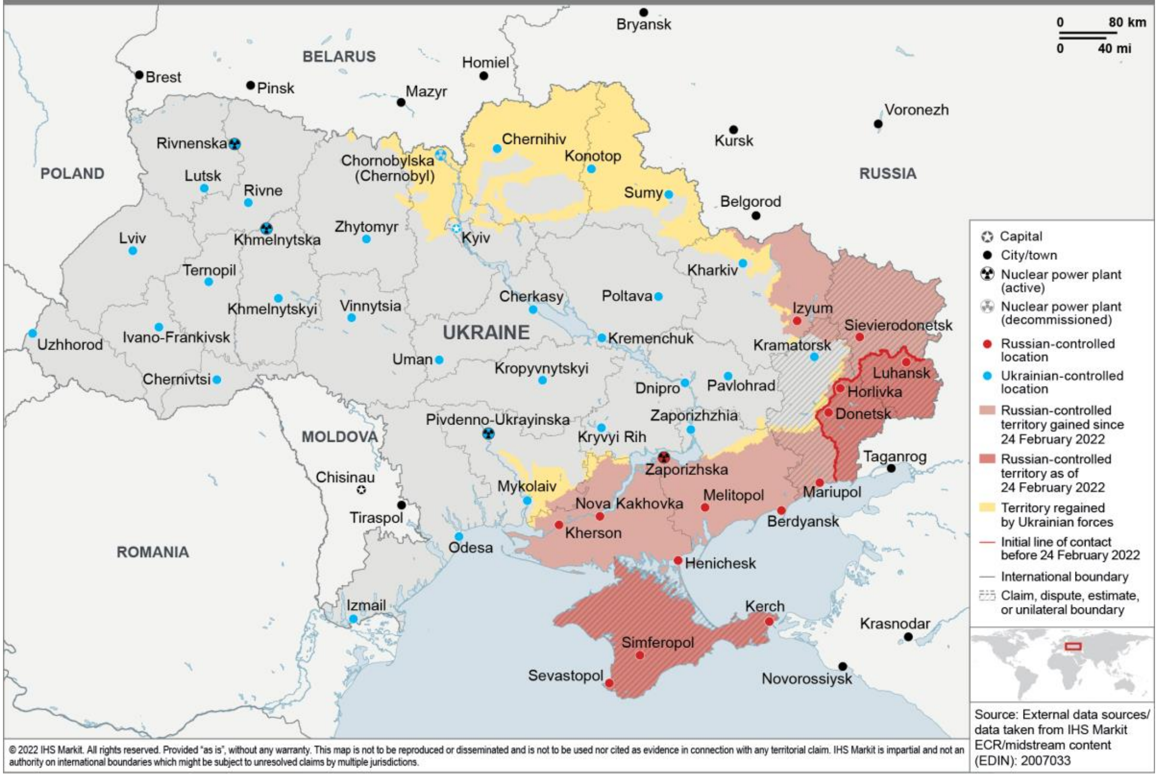
- **As both Russia and Ukraine are committed to achieving mutually exclusive political objectives, a negotiated settlement is unlikely in the three-month outlook**. Russia is likely to unilaterally annex Donetsk and Luhansk regions, as well as parts of Kherson and Zaporizhzhia regions, later in the year, incorporating them into the Russian Federation. This move will not be recognised by Ukraine or most of the rest of the world, but is likely to complicate Ukrainian attempts to retake these areas militarily in the future. For its part, the Ukrainian government currently rejects any settlement that would leave Russian forces in occupation of Ukraine’s sovereign territory, as such concessions would not be acceptable to the majority of the electorate. If, however, Ukraine’s Western allies were to reduce their commitment to supporting Ukraine, financially and militarily, this would increase the likelihood of the Ukrainian government’s reluctant agreement to a ceasefire. A continued indecisive war of attrition in Donbas will increase the likelihood of Russia and Ukraine lowering the intensity of fighting and not pursuing significant terrain seizures, especially during the winter months. Some territories in Ukraine, especially in Donbas and the south, are likely to remain under de-facto Russian occupation for the foreseeable future.

Indicators of changing risk environment

- If reinforced Russian forces take or bypass Mykolaiv and capture the bridge, or establish pontoon crossings across the Southern Buh River, this would increase the likelihood of Russia conducting combined ground and amphibious operations to capture Odesa.
- Russian government warnings about alleged plans by Ukrainian forces to use chemical, biological, radiological and nuclear (CBRN) weapons against Russian forces would indicate a growing likelihood of Russian forces using chemical weapons against both Ukrainian combatants and civilians.
- 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 would be further elevated, particularly if there are casualties among NATO personnel involved in transporting critical supplies.
- Currently unlikely, reports of large-scale 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.

- More successful Ukrainian counterattacks in the north or south, especially near key urban centres such as Kharkiv or Kherson, would threaten Russian supply lines and be likely to modify Russia's war objectives, pushing Moscow towards some form of agreement or lowering their tempo of operations.
- Continuing Russian failure to achieve a decisive victory in Donbas in the preferred timescale would increase 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.
- Evidence of the Russian Ministry of Defence’s failure to generate sufficient trained manpower to sustain its operations in Ukraine, either for gaining new territory or for protracted occupation, would force the Russian leadership to further moderate its strategic objectives *(Active since 25 May, with continuing Russian media reports of criticism from retired officers’ associations and defence think tanks about the conduct of the war, and the government’s failure to generate the resources needed to win it)*.

Russia’s invasion of Ukraine (30 July 2022)



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UN-brokered Black Sea agricultural export agreement does not reduce collateral damage risks to vessels at Ukrainian ports

26 Jul 2022 - Country Risk | Headline Analysis

Russia’s defence minister Sergei Shoigu and Ukraine’s infrastructure minister Oleksandr Kubrakov signed agreements with the United Nations and Turkey on 22 July in Istanbul. These agreements intend to establish a marine cargo corridor from three Ukrainian ports in the Odesa region to Turkey, allowing for a resumption of exports of Ukrainian grains and other agricultural goods. Ahead of the agreement, the US Treasury confirmed that it had not imposed sanctions on Russian agricultural supplies including fertilisers.

- **A maritime corridor to Ukrainian ports is likely to be established by the end of August, but individual vessels will probably test the mechanism sooner.** According to the UN, the initiative allows for the export of “grain and related foodstuffs and fertilisers, including ammonia” from the Ukrainian ports of Odesa, Chornomorsk, and Pivdennyi (Yuzhnyi), aiming to restore pre-war levels of exports at 5 million tonnes per month. Ukraine will maintain authority and responsibility for security in Ukrainian territorial waters. A joint coordination centre (JCC) will be established in Istanbul and JCC inspection teams will operate from Turkey to confirm the absence of unauthorised cargoes or personnel in the vessels using the corridor. All vessels involved will be subject to inspection at the Turkish ports of Haydarpasa on the Bosphorus or Ambarli in the Sea of Marmara. Ukraine reportedly expects all three ports to be ready to process grain shipments in two weeks' time, and the first shipment to depart from Chornomorsk as early as this week.

- **Commercial vessels participating in the initiative remain at elevated risk from drifting sea mines in the Black Sea when using the corridor.** The agreement states that vessels will not be escorted through the maritime corridor, but will be monitored remotely. No military vessels or aircraft will be allowed to approach the corridor without prior authorisation from the JCC, although Ukrainian pilot vessels will guide ships through mine-cleared approaches to the ports. The absence of naval escorts at sea means that vessels passing through the corridor face an elevated risk from sea mines, several of which have been observed drifting in the Black Sea as far south as the Turkish coast in recent months. Minesweeping operations mitigate the risk but do not eliminate it entirely. Contact with a mine would be likely to result in an explosion large enough to disable, if not sink, a large commercial vessel.

- **There is a high risk of collateral damage to commercial vessels participating in the initiative from Russian air and missile strikes, particularly at Odesa port, which is Ukraine's main naval base.** The signatory parties agreed to "not undertake any attacks against merchant vessels and other civilian vessels and port facilities engaged in this initiative". On 23 July, however, Russian forces conducted a missile strike on Odesa port. Ukraine claimed that the hit damaged a grain silo, while Russia insisted that its missiles had hit military targets. On 25 July, Russian foreign minister Sergei Lavrov defended the strike against Odesa port and emphasised that the agreement contained no clauses that would prohibit Russia from striking Ukrainian military targets. This demonstrates that Russia is still likely to conduct missile and air strikes on Ukrainian port infrastructure, despite the deal. Russia is unlikely to intentionally target commercial vessels loading grain, but will probably accept the risk of collateral damage in order to conduct strikes on other nearby targets.

- **Russia will likely seek to continually disrupt the operation of the corridor with actions it can blame on Ukraine.** We assess that Russia's primary motivation for supporting the resumption of Ukrainian grain exports is to avoid being held responsible for global food shortages and price inflation. This gave Russia an incentive to sign the agreement, but does not necessarily indicate that Russia is dedicated to supporting its continued operation, which would provide the Ukrainian government with a significant source of revenue. Russia will likely attempt to continually disrupt the corridor's operations over the coming weeks and months with actions it can blame on Ukraine, such as releasing sea mines into the corridor or finding "prohibited shipments" during inspections.

Indicators of changing risk environment

- A Ukrainian counter-offensive leading to the recapturing of significant territory in Kherson region, including Kherson city, would indicate an increasing probability of Russia seeking to undermine the Black Sea export initiative.
- A Ukrainian strike on the Kerch Strait bridge, disrupting maritime access to Russian ports in the Sea of Azov, would probably cause Russia to unilaterally abandon the Black Sea export initiative.
- The deployment of naval patrols or escorts along the maritime corridor would reduce the risk of sea mines drifting into the corridor undetected.

Escalating violence during Brazil favela police operations increasing risks of military aircraft shoot-downs and public transportation disruption

29 Jul 2022 - Country Risk | Headline Analysis

Rio de Janeiro's Public Defender Office said on 26 July that it would represent the family of a bystander, among 18 people who were killed during a police operation carried out in the favelas of Complexo do Alemão on 21 July. The operation was targeted at drug trafficking gangs and it lasted 12 hours, involved 400 military and civil police agents, and led to the killing of 16 alleged criminals, a police officer, and the passer-by. This is the fourth deadliest police raid in the city’s history and the third deadliest since 2021. Videos show the intensity of the confrontation, including hundreds of military-grade rounds fired at a military helicopter; according to police sources, a .50-calibre machine gun that was capable of shooting down a helicopter was also seized during the operation. Residents of Complexo do Alemão have staged protests over alleged police brutality.

Significance: Police readiness to use lethal force is usually met with similar violence by the gangs, with no scope for negotiations and therefore an escalation of violence. The gangs fight back rather than surrender, expecting to be killed if they did so; this results in high numbers of casualties, including bystanders. Complexo do Alemão is 500 metres away from a major road leading to Rio de Janeiro’s international airport, on the other side of which is located the large favela of Maré. Operations there are therefore likely to spill over into Maré, causing disruption to the road to the airport and the shutdown of main bus and cargo routes. The escape of gangs to Maré heightens the likelihood of further operations targeting gangs fleeing there. Complaints of police brutality are likely to lead to favelas seeking to prevent police from entering by placing burning debris and blocking roads, contributing to further disruption. These confrontations are becoming larger in size and more deadly, exacerbating commercial and transport disruption; additionally, the use of military weapons raises shoot-down risk for military aircraft involved in the operations.

Risks: Organised crime; Death and injury
Sectors or assets affected: Public transportation; Airports

Hizbullah’s renewed threats against Israel’s offshore gas infrastructure likely mainly aimed at expediting US-mediated border agreement

28 Jul 2022 - Country Risk | Headline Analysis

Lebanese Hizbullah leader Hassan Nasrallah on 25 July threatened war if Israel, which recently deployed a floating production storage and offloading (FPSO) vessel to the offshore Karish gas field, begins extraction operations in September before a border deal is reached.

Significance: The Karish dispute allows Hizbullah to again depict itself as the defender of Lebanon’s national interests, which justifies its ongoing opposition to Israel and the United States, and independent – if domestically controversial – arsenal, particularly following some bloc-level losses in the May parliamentary elections. Nasrallah’s statements are very likely aimed at pressuring the US, which is mediating the dispute, to facilitate a deal that would allow Lebanon to exploit potential offshore energy resources, which would then demonstrate Hizbullah’s ability to also rescue Lebanon’s economy. Hizbullah’s negotiation tactic has parallels in the Joint Comprehensive Plan of Action (JCPOA) nuclear talks, where Iran – Hizbullah’s patron – has been expanding its nuclear activities primarily to pressure the US into conceding to its demands. However, having threatened conflict (or, in Iran’s case, nuclear threshold status) to induce compromise, Hizbullah increases the likelihood of escalation should Israel (or, in Iran’s case, the US) not accept the terms – at sea with armed unmanned aerial vehicles (UAVs) and later potentially across land borders with surface-to-surface precision missiles – and if no deal emerges by September (for Iran, nuclear advancements rendering the JCPOA moot would significantly increase interstate war risks). US international energy envoy Amos Hochstein, whose Israeli Jewish origins compound Hizbullah’s suspicions of US partiality, will reportedly return to Beirut in the coming days to finalise terms of a deal, likely involving Israel and Lebanon respectively receiving the Karish and Qana fields, after Lebanon relinquished its earlier maximalist demarcation overlapping with Karish field’s northern half. Although both Israel and Lebanon’s governments appear optimistic on a deal, if talks remain inconclusive, including over intractable lower-level issues, Hizbullah will likely in the near term (before September) again send harassing UAVs towards Karish field, which are, however, likely to be mitigated by Israeli counter measures.

Risks: Terrorism; Interstate war; Policy direction; Death and injury
Sectors or assets affected: Oil and gas; Marine; Environment; Defence and security force

Jihadist targeting of bridges in Burkina Faso likely to affect food security, cargo risk across West Africa

26 Jul 2022 - Country Risk | Headline Analysis

Suspected jihadists on 16 July blew up two strategic bridges in northern Burkina Faso, preventing the passage of a food supply convoy headed for the town of Djibo, capital of Soum province. The destruction of the bridge at Woussé on the Koungoussi-Bourzanga axis, which caused the military-escorted convoy to turn back, was followed closely by an explosion at the bridge at Naré, which cut the main road between the towns of Kaya and Dori, in a likely co-ordinated attack. The same bridge was targeted unsuccessfully using an improvised explosive device (IED) on 30 June. Separately, humanitarian agencies report that jihadists have targeted over 32 water sources, mostly in the north of the country, ranging from direct attacks on water trucks to contaminating the supply.

Significance: The destruction of the bridges has stopped road transport between Burkina Faso’s capital, Ouagadougou, and the country’s northern Sahel region, cutting the region off from the rest of the country. Jihadist groups, whose secure bases originally were in northern and eastern Burkina Faso, have expanded their operations southwards, as indicated by recent attacks on security forces and villages in border areas with Benin and Togo. Jihadists previously have used the tactic of destroying bridges in Mali, where major roads, particularly the RN15 route towards Burkina Faso, are often affected. Road closures are likely to prove even more disruptive in Burkina Faso, due to their impact on regional routes to the coast and the armed forces’ low capability to secure key routes or repair badly damaged infrastructure. The attacks follow the Burkinabé government’s establishment of special military zones in the north and they are probably aimed at disrupting this strategy. No group has yet claimed responsibility for the bridge attacks, but both Al-Qaeda- and Islamic State-affiliated groups are active in Burkina Faso, with relentless propaganda and attacks by the latter, in particular, indicating the main effort is now focused on West Africa. In the likely event of an increase in bridge attacks, as well as sabotaging of water points and other utility services, the geographical impact of transport disruption will probably spread from Burkina Faso across the coastal countries of Benin, Togo, Ghana, and Côte d’Ivoire. The impact of the disruption is also likely to spread to Burkina Faso’s land-locked neighbours, reducing port services and forcing increased use of limited-capability air transport.

Risks: Terrorism; Ground transport
Sectors or assets affected: Cargo; Utilities; Road infrastructure; Security and defence forces; Aviation; Aid agencies; Ports

Tribal violence likely to continue to escalate across Sudan, affecting sectors including cargo, mining, and agriculture

22 Jul 2022 - Country Risk | Headline Analysis

Sudanese authorities reported that at least 105 people were killed, 225 injured, and 14,000 displaced in intercommunal violence in the Blue Nile state towns of Ganis and Ar Rusayris on 14 and 15 July. The fighting involved local Berta and Hausa tribal communities (originating from Nigeria) over land ownership. In response, the local governor prohibited all gatherings and imposed a curfew.

- **Tribal fighting is likely to continue to escalate in the coming months, as the military is accused of fomenting rivalries to secure its interests and the political stalemate heightens popular uncertainty over resources and political representation.** The leading Sudanese civilian opposition groups, the Forces for Freedom and Change (FFC) and the Resistance Committees, issued a joint statement on 19 July condemning the tribal violence in Blue Nile state and accusing the ruling military of encouraging ethnic rivalries for “personal gain”, particularly since the October 2021 military coup. Following then-president Omar al-Bashir’s ousting in 2019, most of Sudan’s armed groups signed a peace agreement in 2020, but rivalries have not been resolved and have re-emerged since then.

- **Anti-military-rule protests are likely to escalate in the coming months, with civilian opposition groups refusing any negotiations with the military.** Anti-military-rule protests have continued on a weekly basis since the coup, and past attempts at United Nations-backed mediation have been rejected by the civilian opposition. Protests are likely to continue to escalate as communal violence over natural and mineral resources, such as water, arable land, and gold, is likely to intensify. Nationwide anti-military protests accuse the army of fomenting tribal violence, and while so far the protests have been peaceful, they are likely to become more violent as the stalemate continues and security forces use lethal force against protesters. On 19 July, Hausa people set fire to several government buildings in Kassala state, and similar protests took place in the eastern Sudanese state capitals of Gedaref, Kassala, and Port Sudan, a key area for Sudan's external and maritime trade.

- **Weapons proliferation and pro-military alliances across Sudan increase the likelihood of widespread fighting across the country, with multiple groups opposing military rule.** IHS Markit sources from Sudan have reported a significant increase in small-arms, rocket-propelled grenade (RPG), and hand grenade proliferation across the country, suggesting that this has been enabled by existing smuggling networks (notably through Eritrea) and encouraged by the powerful General Hemedti, the deputy head of the Sovereign Council and head of the paramilitary Rapid Support Forces (RSF). The RSF, largely made up of former militiamen, has been recruiting armed militias over the past year and Hemedti has been seeking alliances across the country, especially in strategic area such as eastern Sudan, Darfur, Blue Nile, and Sourth Kordofan. These are respectively important for regional and international trade, agriculture, and gold mining. This was notably the case in eastern Sudan in 2021, when Beja tribesmen provided vital backing to the military by putting pressure on the then civilian leadership by blocking access to Port Sudan, ultimately facilitating the military takeover in October. Weapons proliferation across Sudan is likely to result in more frequent and violent fighting between rival groups, as is currently happening in Darfur, making it difficult to control by the regular army, the Sudanese Armed Forces (SAF). General Hemedti is also likely to use his RSF, as well as peripheral fighting and local armed militias, to pressure the SAF leadership into concessions. A notable likely hotspot for violence is South Kordofan state, which is believed to have some of Sudan's largest gold reserves. Hemedti already controls Sudan's largest gold-mining operations in Darfur and northern Sudan, and now in eastern Sudan, and he is highly likely intent on extending his control to the operations in South Kordofan, indicating risks of renewed fighting in the state despite the current ceasefire.

Indicators of changing risk environment

- Issues such as annual flooding, famine, and worsened shortages of basic goods (food and fuel) exacerbated by the lack of government are likely to fuel more-violent anti-military protests.
- Notable armed groups, such as the Sudan People's Liberation Movement-North (SPLM-N) faction led by Al Hilu, which is militarily highly capable, formally decide to end the ceasefire agreement to 'defend' their areas in South Kordofan, indicating likely regular fighting against rival groups and the state (the military leadership)
- Hemedti uses his position in government to grant formally mining concessions without the consent of local tribal leaders.
- The military leadership agrees formally to step down and key figures such as General Burhan, who heads the transition, resign from office.
- Civilian Resistance Committees and the FFC launch a series of sit-ins and encourage labour strikes, as occurred in 2019, disrupting several sectors, including public administration, transport, banking, utilities, healthcare, and education, forcing the authorities into concessions.

Protests across Panama, including blockades and looting, to increase in frequency and duration throughout 2022 over inflation

15 Jul 2022 - Country Risk | Headline Analysis

Panama's President Laurentino Cortizo announced on 11 July the freezing of prices for petrol and 10 basic food bundle products, as well as several austerity measures, including a 10% reduction in the number of state employees. The announcement came in response to five consecutive days of nationwide protests, which included several blockades along the Pan-American motorway and strikes by several labour unions. The protests have disrupted ground cargo, as well as sectors such as retail, agribusiness, and, among others, construction. Although the Panama Canal has not been affected directly, the road blockades have caused indirect disruption to maritime cargo. The government's announcement, however, did not quell the unrest as protests have continued until the time of writing. Demonstrations and blockades have been registered in 9 out of the 10 provinces, with blockades severely disrupting supply chains of basic goods and causing shortages at several retailers in Panama City, according to media reports.

Significance: The government's failure to de-escalate the protests with its announcement indicates that its credibility among the population is at its lowest level since Cortizo assumed office in 2019; an April CID Gallup poll showed presidential approval at 28%. Moreover, recent precedents of Cortizo conceding to protesters' demands suggest that unions are likely to believe that they will be able to extract additional concessions from the government if they maintain protest actions. Therefore, it is highly likely that large demonstrations in major cities, as well as blockades along the Pan-American motorway, will continue for at least several days, increasing disruption to the supply of basic products and to ground-based international trade with neighbouring Costa Rica. So far, beyond minor vandalism incidents against public transportation infrastructure, protests have remained mostly peaceful. An indicator of unrest turning violent would be if the government orders riot police to dissolve a road blockade by force, which would be likely to trigger violent responses by protesters, including arson, vandalism of government buildings, and limited exchanges of gunfire. If, in addition, shortages of basic supplies continue, the risk of protesters turning to looting would increase significantly, particularly in Panamá City and Colón. Even if the current wave of unrest subsides, it is likely that protests will increase in frequency and duration for the remainder of the year, as inflation is unlikely to recede in the six-month outlook.

Risks: Protest and riots; Labour strikes; Supply chain disruption
Sectors or assets affected: Retail; Agriculture; Ground transport; Property

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