Analysis selection for JCC

August 2022

Iraq civil war risks

31 Aug 2022 - Country Risk | Strategic Report

On 30 August, the Shia cleric Muqtada al-Sadr ordered all violence to be halted in a televised speech, prompting his supporters to withdraw from their occupation of the Green Zone (GZ) in Baghdad. Previously, on 29 August, Sadr said he was “retiring” from politics and an hour later his supporters entered the GZ and occupied the presidential palace unopposed by Iraqi Security Forces (ISF). Later at least 10 Sadr supporters were killed, likely by Iraqi Special Forces, and by evening, Sadr’s Saraya al-Salam (SS) militia had entered the GZ and exchanges of fire escalated. Several Katyusha rockets and mortars were fired into the GZ and surrounding areas, continuing overnight and into today, by which time there were 23 fatalities in total. Sadr’s supporters simultaneously occupied local government buildings in Dhi Qar, Diwaniya, Diyala, and Basra provinces with exchanges of fire between SS and Iraqi police in the latter. The offices of rival Iran-aligned factions Asa’ib ahl al-Haq (AAH) and Kata’ib Hizbullah (KH) were reportedly attacked in Baghdad, Maysan, and Basra and members kidnapped in southern Iraq. Oil fields in Dhi Qar and Wasit provinces, the Baghdad-Basra road, and some Iraq-Iran border crossing points were blocked. Sadr’s followers also reportedly blocked access to Umm Qasr port.

- **Sadr’s statement that he had withdrawn from politics was likely intended to distance himself from the planned escalation by his followers and his SS militia.** It was unclear to what extent Sadr was directly in control of his supporters and SS militia after his latest withdrawal from politics, and the violence was likely planned without clear instructions to his followers. However, as exchanges of fire broke out, fatalities (including within the ISF) increased, and his rival Shia parties avoided involvement, he was forced to unequivocally call on his supporters and militia to withdraw. This appears to have averted, for now, an escalation that risked a state response which could threatened his movement. That it was his intervention rather than the actions of Iraqi Security Forces that de-escalated the situation suggests a high likelihood for future outbreaks of armed conflict targeting government buildings in the likely event of further political disagreements between Sadr and his opponents.

- **Sadr’s speech can be seen as a self-preservation measure and likely marks a temporary setback for his movement.** Conversely, his Iran-aligned rivals are likely to have been strengthened as a result and are more likely able to impose their choice of prime minister. Sadr has resorted to protests from late July to obstruct his opponents in the Coordination Framework (CF) from forming a new government. Sadr ultimately intends to expand his influence over government to the detriment of his Shia rivals, many of them closely aligned with Iran, that are broadly represented in the CF. Sadr has, however, likely overplayed his hand given his militia have now attacked Iraq’s security forces. This allows his rivals to portray the confrontation as between the state and Sadr rather than an inter-militia conflict.

- **The ISFs' actions to contain Sadr may serve to discourage further attempts to take control of the political process by force in the 2–3 week outlook.** Until 29 August, the ISFs had actively avoided confrontation with Sadr’s supporters; the eviction of the protesters by Iraqi Special Forces likely came after pressure on Prime Minister Kadhimi to act from political blocs and possibly the army/security forces as Sadr's followers appeared increasingly poised to take over government buildings across the country. Following the withdrawal from the GZ by Sadr's supporters, Kadhimi threatened to resign if a political solution was not found; the Coordination Framework announced its intention to continue with government formation and to hold another parliament session, and President Barham Saleh called for early elections. This is Sadr's preferred choice, however new elections are unlikely to give significantly different results from those of October 2021. Past the 2–3 week outlook, Sadr may be compelled to again mobilise his followers to force his preferred outcome.

- **Sadr's rivals in AAH, KH, and other the Iran-aligned factions will continue to avoid direct confrontation with Sadr's militia.** They will likely seek to avoid retaliating against Sadr directly for the attacks on their offices and members, having shown a preference on 29 August for having state security forces and the official Popular Mobilisation Units (PMUs) – in which SS is also, officially, a component –to lead the security response, an approach that ultimately served their interests.

- **In the event of another escalation, further statements by Sadr or an intervention by Ayatollah al-Sistani and the Najaf marja'iya might be made.** Sistani made no statement via his representatives but would have been increasingly likely to do so should inter-Shia violence have escalated. The effectiveness of such an intervention may be limited by the fact that Sadr's largely young followers are unlikely to heed any directives from the marja'iya but it may pressure the government to mobilise ISFs and the PMUs to restore order.

Indicators of changing risk environment

- Tribal groups seek reprisals for deaths, injuries, and kidnappings of members in the aftermath of escalation entailing on-going armed confrontation in Baghdad and South.
- Sadr's rivals in the CF with mediation from Amiri agree to form a new government in which Sadr allies are represented, reducing risk of re-conflagration of protests.
- Sadr continues to insist on dissolution of parliament and holding early elections, further prolonging political deadlock and raising risk of further outbreaks of violence.

Renewed conflict in northern Ethiopia

2 Sep 2022 - Country Risk | Strategic Report

Renewed fighting between the insurgent Government of Tigray/Tigray Defence (GoT/TDF) and pro-government forces (National Defense Force [ENDF] and Amhara regional forces) broke out on 24 August, ending the ceasefire that began in March. By 27 August, the TDF had advanced into Amhara and Afar regions, capturing Kobo, North Wello zone. On 31 August, the Ethiopian government alleged that the TDF had also launched offensive operations into Wag Hemra zone (Amhara region), Western Tigray zone, and into Ethiopia from across the border with Sudan; the GoT denied these claims. On 1 September, TDF military command claimed that pro-government Ethiopian and Eritrean military forces had launched offensive operations in multiple areas across northern Tigray. The ENDF carried out its first airstrikes since January on GoT/TDF-controlled territory on 26 and 30 August, targeting Tigray's capital Mekelle, with the GoT/TDF and UNICEF accusing the former of striking a kindergarten and killing at least four people.

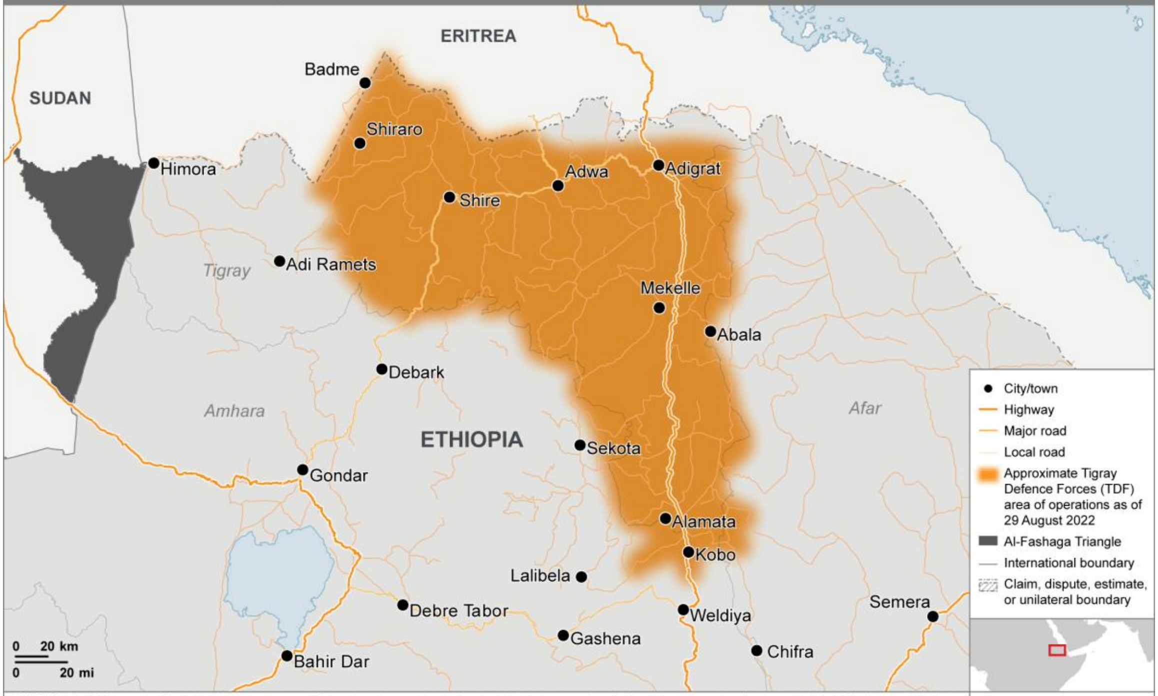
- **Escalatory military operations by both sides indicate a likely geographic expansion of the conflict within northern Ethiopia.** TDF offensive operations are likely to particularly impact Western Tigray zone, Amhara region's North Gondar, Wag Hemra, and North Wollo zones, and Afar region's Zones 2 and 4. Sources close to the insurgency have reported to IHS Markit that the TDF is likely to aim offensive operations at seizing Amhara and Afar territory as leverage to force concessions from the Ethiopian government. This would make offensive operations aimed at approaching the country's capital, Addis Ababa, less likely. Offensive operations by pro-government forces, including Amhara regional forces and the informal "Fano" militias, would most likely begin by targeting North Western, Southern, and South Eastern Tigray zones, as well as areas of northern Tigray adjoining Eritrea. Further ENDF airstrikes will likely target any sites, including former commercial assets and sites in urban areas, that the Ethiopian government alleges are being used by the GoT/TDF (with sites being used for military, high-level political/administrative, communications, and power generation purposes most at risk) across Tigray, as well as TDF fighters in Amhara and Afar. Both sides will very likely make use of heavy weaponry, including tanks, artillery, and Grad-style rockets. Looting, vandalism, and targeted destruction of commercial and public assets is likely by TDF fighters outside Tigray and by pro-government forces inside Tigray. Fighters from both sides are also likely to forcibly seize fuel, medical supplies, communications equipment, and food from "enemy" territory, including from humanitarian operations.

- **There is an increasing violent risk to aviation around the conflict area from insurgents and pro-government forces.** The TDF's 1 September statement alleged that Ethiopian Airlines "had ceased all kinds of services as it has been put to military use" transporting personnel and munitions to support pro-government offensive operations, particularly via Lalibela airport (North Wollo zone). The TDF possesses anti-aircraft weaponry, including MANPADs (9K32 Strela-2, 9K310 Igla-1). IHS Markit therefore assesses that, with the renewed fighting, the TDF poses shootdown risks to all low-flying aviation (including Ethiopian Airlines), particularly during landing and take-off, around its area of operations. Furthermore, the Ethiopian government on 24 August made multiple claims, with varying details from different officials, that the ENDF had shot down a plane that had passed through Sudanese airspace transporting supplies to the GoT/TDF, although both Sudanese authorities and the GoT/TDF deny any such events had transpired. Combined with the Ethiopian government's allegations of TDF cross-border attacks from Sudan, we assess that pro-government forces pose shootdown risks to any low-flying aircraft (particularly near or inbound from Sudanese airspace) operating without explicit permission from Ethiopian authorities, as well as a threat of shootdown to authorised aircraft due to misidentification by forces in the field, particularly for non-military and non-Ethiopian Airlines aircraft.

- **Renewed conflict will probably severely disrupt humanitarian aid operations in Tigray, as well as northern Amhara and Afar regions.** The Ethiopian government will likely return to severely limiting ground and air transportation of humanitarian aid and fuel into GoT/TDF territory, blaming this on the fighting and alleged insurgent seizure of these supplies. The United Nations' World Food Programme (WFP) has stated that, on the morning of 24 August, TDF fighters "forcefully entered" WFP warehouses in Mekelle and seized 12 tankers carrying 570,000 litres of fuel intended for use in the distribution of humanitarian aid. However, the GoT has claimed it was only taking back fuel that it had previously loaned to the WFP.

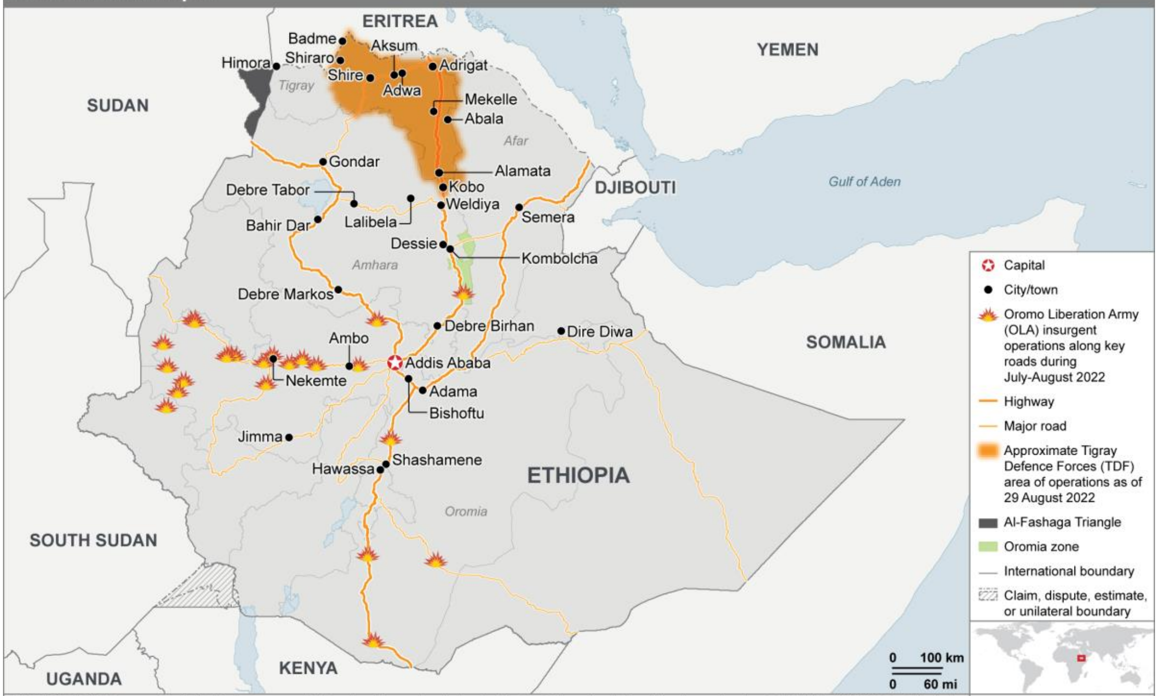
- **The Ethiopian government's ongoing attempts to secure new international donor assistance would probably be negatively impacted if it were to refuse to take de-escalatory steps or if it were repeatedly alleged to be committing abuses against civilians or humanitarian options.** Conversely, the GoT/TDF being perceived in this way externally would decrease the pressure on Ethiopia's government to make concessions before new assistance was offered. Probable difficulty in quickly determining the precise events around the commencement of fighting on 24 August, combined with the mutual allegations of responsibility, will likely cause the United States and other international partners of the Ethiopian government to prioritise pressuring both sides to de-escalate and adopt a new ceasefire. De-escalation of the conflict after a period of up to several weeks of fighting, assuming the GoT/TDF did not make significant military gains during this time, would be consistent with the Ethiopian government's previous strategy of delaying any new concessions to the GoT/TDF for as long as possible, giving it time to rebuild the ENDF's capabilities for subsequent and potentially decisive offensive operations against the GoT/TDF (most probably in 2023).

Conflict in northern Ethiopia



Source: IHS Markit: 2007270

Conflict in Ethiopia



Source: IHS Markit: 2007266

Reduced risk of piracy off Somalia contingent on continued implementation of security measures

30 Aug 2022 - Country Risk | Headline Analysis

The Maritime Safety Committee of the United Nations' International Maritime Organisation (IMO) recommended on 22 August that the "Indian Ocean High Risk Area" should be removed from its list of high-risk areas from the beginning of 2023. The committee justified the decision by explaining that successful anti-piracy efforts have greatly reduced the frequency of piracy attacks in the area compared with the peak of Somali piracy around 10 years ago. Testament to this, in March, the Federal Government of Somalia did not renew a request, under a UN Security Council resolution, for foreign naval assistance to combat piracy in its territorial waters. In addition, in late 2021, foreign counter-piracy missions in the Western Indian Ocean changed their mandates to encompass illegal trafficking and fishing. The last successful attack in the area was the hijacking of a Yemeni dhow on 19 April 2019, and the hijack of the tanker 'Aris 13' in March 2017 is still the most recent hijack of a large commercial vessel.

Significance: The reduced risk of piracy in the area is contingent on the continued implementation of security measures. So far this year, IHS Markit has recorded six suspicious approaches on commercially significant vessels, most of which were aborted after evasive manoeuvres or a response by armed private maritime security contractors (APMSCs) onboard. Piracy syndicates remain operational, but are deterred by on-board security and the presence of local security forces at ports they previously used to dock ships while negotiating ransoms. The syndicates are currently engaged in the less risky and more profitable practice of smuggling. If security measures were relaxed on vessels transiting the affected waters off Somalia, the risk of suspicious approaches translating into successful boardings would again increase. This, in turn, would incentivise syndicates currently engaged in smuggling to revert to piracy activities. Given the presence of security forces at Somali ports, renewed activity by Somali pirates would most likely concentrate initially on petty theft and kidnap of crew members for ransom, rather than vessel hijack.

Risks: Piracy

Sectors or assets affected: Cargo (marine)

Russia's war in Ukraine

2 Sep 2022 - Country Risk | Strategic Report

Russian forces have made slow progress and have not achieved the Kremlin's 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. Russia's ability to make further significant territorial gains is, however, constrained by the degraded combat capability of the ground forces currently committed in Ukraine, and the lack of reinforcements and replacements. The Russians have only been able to strengthen their defences in Kherson region against the Ukrainian counter-offensive, which began on 29 August, by redeploying troops from Donbas. It is difficult to estimate how much combat power the Ukrainians can bring to bear in the south. But whether or not the Ukrainians can mount an effective counter-offensive, the Russians have reacted by weakening their main effort in Donbas. While this does not necessarily represent a turning point, it is noteworthy that is the first time that the Ukrainians have been able to significantly dictate operations since the Russian attempt to seize Kyiv in February–March 2022.

- **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.** Given the Russian forces' shortcomings, the Russian ground forces committed in Donbas do not have the ability to achieve a major breakthrough, indicating likely protracted fighting for at least the three-month outlook. 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, which would be an open admission that Russia is at war. 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 lightly armed Territorial Defence Forces. These Ukrainian weaknesses are likely to be constrained by the ongoing Ukrainian 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 advances, will continue to divert Russian combat capability and complicate logistical support, likely slowing down the pace of the Russian main effort in Donbas, which has largely halted since mid-July.

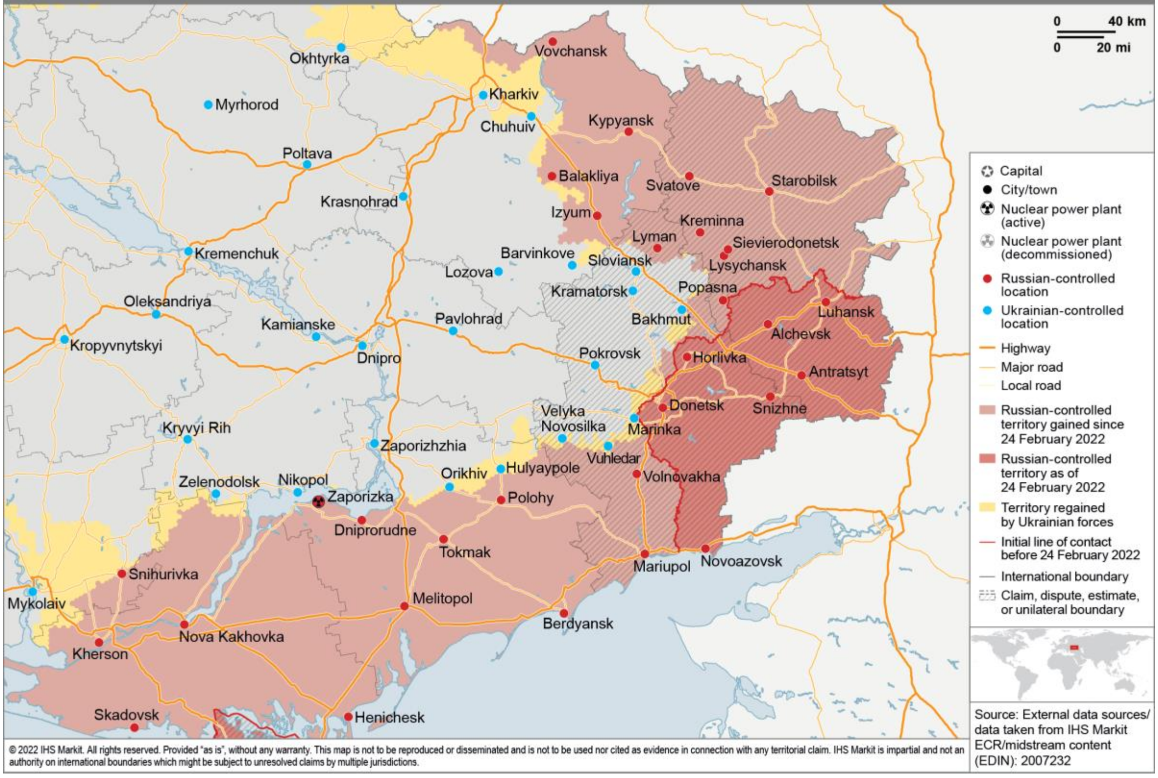
- **In order to sustain the ongoing counter-offensives or draw Russian forces away from their main effort in the east, Western-supplied artillery will continue to disrupt Russian operations, but these systems will be a priority for Russian targeting.** If the Ukrainian forces are able to sustain the integrated use of long-range artillery in the coming weeks, it will further slow down Russian offensive operations and support the ongoing Ukrainian counter-offensives, with the current focus on the south. In Kherson region, the Ukrainian forces have used US-supplied M142 High Mobility Artillery Rocket Systems (HIMARS) strikes to close key bridges, which are critical for Russian supply lines. According to Ukrainian reporting, this triggered the evacuation of senior Russian military commanders and civilian administrators from Kherson to the south bank of the Dnieper river. 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, but this will further slow resupply operations. The Western-supplied artillery systems are likely to be a high priority for Russian missile and artillery strikes. A series of missile and UAV attacks on the Russian military installations, including the airfield in Novofedorivka, indicate Ukrainian intent and capability to strike military assets and supply lines in Crimea, which will likely be critical during the Kherson counter-offensive, initiated since 29 August. These attacks, as well as recapture of territory, are likely to raise Ukrainian morale and draw further Russian formations away from Donbas to the south. On 29 August, Ukrainian forces claimed to have recaptured five villages in Kherson region, and to be advancing on the regional capital. Ukraine's likely objective is to push the Russian forces south of the Dnieper river, forcing their withdrawal from the city of Kherson.

- **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, incorporating them into the Russian Federation before the end of 2022. This 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. In an address on 7 August, Ukrainian President Volodymyr Zelenskyi stated that the holding of 'illegal' referenda would put an end to any prospect of negotiations with Russia; however, he is likely to find this stance difficult to maintain if Ukraine fails to retake significant territory and in the event of pressure from the US or the West to negotiate. 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. The US administration's announcement on 24 August to allocate an additional USD2.98 billion in military aid to Ukraine will likely strengthen Ukrainian resolve to seek to regain further territory on the battlefield ahead of any negotiations. A continued indecisive war of attrition in Donbas in the coming months, and the approach of winter, will increase the likelihood of Russia and Ukraine lowering the intensity of fighting and reducing both sides' capabilities to pursue significant terrain gains, notably 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 *(counter-offensive in Kherson region activated on 29 August)*.
- If the Ukrainian forces are successful in their counter-offensives in southern Ukraine, this will increase the likelihood of malign Russian action at the Zaporizka nuclear power plant in Enerhodar, increasing the risk of radioactive contamination of large areas in the wider region, including across international borders.
- 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.
- Increased asymmetric attacks by the Ukrainian resistance activity in occupied areas in south and the east, including IED attacks on railway lines, ammunition, and fuel depots, would disrupt Russian supply lines, reducing their capacity to sustain offensive operations *(activated since July 2022 and ongoing)*.
- 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)*.
- Evidence that Russia is, as Ukrainian intelligence has forecast, relocating ammunition stocks from Belarus to southern Russia, to support operations in the Donetsk or Kherson regions of Ukraine, would reduce the likelihood of a renewed ground offensive from Belarusian territory against Kyiv.

Russia's invasion of Eastern Ukraine (25 August 2022)



Crimea military airfield attack indicates Ukrainian forces possess capability to at least disrupt Kerch Strait bridge

11 Aug 2022 - Country Risk | Headline Analysis

On 9 August, at the Russian air force base Saky, near Novofedorivka in Russian-occupied Crimea, multiple near-simultaneous explosions occurred, starting a large-scale fire at the military facility. Visual evidence of satellite imagery on 10 August suggested that the explosions destroyed or seriously damaged at least four Su-30SM fighters and seven Su-24M(R) reconnaissance aircraft. Satellite imagery also shows three similarly sized large craters, as well as badly damaged buildings on the base. Novofedorivka is located approximately 200 km southeast from the nearest Ukrainian positions. Ukraine did not claim responsibility for the explosions and the Russian Ministry of Defence said that it was an accidental fire due to negligence.

Significance: While it is not immediately evident what caused the explosions at Novofedorivka, the Russian claim of an accidental fire appears highly unlikely. IHS Markit assesses that the explosions were caused by Ukrainian forces either using domestically manufactured Hrim-2 short range ballistic missiles, an unidentified western supplied system or uncrewed aerial vehicles (UAVs)/loitering munitions, possibly directed by a close-range irregular group. Evidence of large craters makes missiles a more likely delivery method than UAVs. Unconfirmed reports suggest there were a significant number of casualties among air and ground crew, with maintenance, fuel and munition supplies likely to have been seriously affected. This incident likely indicates Ukrainian intelligence and targeting capability to strike military assets and supply lines in Crimea, which will be critical during the anticipated Kherson counter-offensive. Russian forces have likely suffered a serious setback in air power projection, and will have to reorganise air defence and rear area protection which will add to their logistical burden. Targets in Crimea are likely to include military airfields, bases, ammunition and fuel depots, and also railways, including the Kerch Strait bridge. If the bridge is seriously damaged by such a Ukrainian attack, it would disrupt Russian supply lines to Crimea and Kherson, and restrict or close navigation between the Sea of Azov and the Black Sea via the Kerch Strait.

High vandalism, business disruption, and injury risks in Bolivia’s northeast and central La Paz during ongoing coca grower protests

24 Aug 2022 - Country Risk | Headline Analysis

Coca growers from Los Yungas in La Paz department, Bolivia, renewed protests on 22 August against what they consider an “illegal” coca market operating in Villa El Carmen since the end of July. Bolivia’s General Coca Law authorises the operation of only two coca markets nationally – located in Villa Fátima in La Paz, and Sacaba, Cochabamba. The Los Yungas growers, affiliated with the Departmental Association of Coca Producers (Asociación Departamental de Productores de Coca: ADEPCOCA)’s President Freddy Machicado, who have traditionally opposed the ruling party, Movement Toward Socialism (Movimiento al Socialismo: MAS), accuse the government of supporting the Villa El Carmen market via police protection and failing to intervene in the conflict. The government denies responsibility and is encouraging dialogue between the opposing pro and anti-government factions of the ADEPCOCA. There have been outbreaks of violence involving Yungas growers and security forces since 2018; the latest protests began at the end of July and resumed on 22 August after dialogue attempts broke down.

Significance: Protests are likely to continue in the northeast of La Paz city (Villa El Carmen and Villa Fátima), while the Machicado-affiliated ADEPCOCA members refuse to participate in dialogue and the government refuses to intervene in the dialogue or limit the rival markets’ operations. The protests will involve school and business closures and high risks of collateral injury as well as vandalism and superficial damage to local businesses, houses, and police vehicles because of the frequent use of dynamite and improvised explosive devices. They will also involve confrontations, with the police using tear gas and paint pellet guns. If they become prolonged, they are likely to spread to La Paz city centre including around the Special Force of the Fight against Crime (FELCC)’s offices, Plaza Murillo, the Ministry of Rural Development, and police stations, raising vandalism and business disruption risks. Risks of travel disruption and police searches will also be high on highways into La Paz city, particularly on Route 3. Risks of further geographical spread of the protests will increase if other anti-government civic or transport groups join protests in other areas such as Santa Cruz or Potosí, as called for by the ADEPCOCA on 21 August.

Risks: Death and injury; Property damage; Protests and riots

Sectors or assets affected: Transport; Retail; Defence and security forces

RISK NOTE: Chinese military response to US Taiwan delegation restrained but continued visits likely to worsen US–mainland China relations

16 Aug 2022 - Country Risk | Headline Analysis

A bipartisan delegation consisting of five US lawmakers led by junior US senator Ed Markey arrived in Taiwan for a two-day visit beginning on 14 August, during which they discussed issues related to US–Taiwan trade and security co-operation with officials from Taiwan Semiconductor Manufacturing Company (TSMC) and Taiwanese President Tsai Ing-wen. Mainland China’s foreign ministry has condemned the visit. Taiwan’s Ministry of Defence reported a large People’s Liberation Army Air Force (PLAAF) incursion (comprising about 30 aircraft) into Taiwan’s Air Defence Identification Zone (ADIZ) on 15 August, with 14 fighter aircraft’s flight paths crossing beyond the median line between Taiwan and mainland China. Since the visit of US Speaker of the House Nancy Pelosi, there have been daily incursions beyond the median line, albeit not on this scale.

- Although the Chinese government responded to Pelosi’s 2–3 August visit with live-fire exercises, the launch of short-range ballistic missiles over Taiwan’s main island, and regular incursions across the median line, the Chinese reaction to the latest visit was limited to joint air and sea incursions into Taiwan’s ADIZ. This comparatively restrained response suggests that although incursions closer to Taiwan’s main island will become more common, future congressional delegations, such as those planned by the US and the UK later in August and September, are less likely to incite major live-fire manoeuvres on the scale witnessed from 4 to 8 August.

- Notably, the Chinese military response on 15 August did not involve the temporary establishment of blockade-like “closure zones” around Taiwan’s main island and caused no reported disruption to maritime shipping and air traffic. The military activity was also not accompanied by additional targeted sanctions on Taiwanese food imports to mainland China, as occurred previously over the Pelosi visit. Regardless, the Taiwanese government is likely to continue working with the US on initiatives to diversify supply chains crossing through the Taiwan Strait, particularly pertaining to semiconductors, in anticipation of future disruption.
- The latest visit indicates that members of the US Congress will continue to visit Taiwan, regardless of the potential Chinese reaction or opposition from the White House. The visit also demonstrates that Congress will continue to seek to influence US policy towards Taiwan despite the president’s constitutional foreign policy authority. Such efforts include the passage of the Taiwan Policy Act of 2022, which would promote Taiwan to non-NATO ally status, despite serious White House concerns that this legislation and further congressional visits to Taiwan would negatively affect overall US–mainland China bilateral relations.

Low water level disruption to Germany’s Rhine shipping likely to last through to October, primarily affecting energy supplies

11 Aug 2022 - Country Risk | Headline Analysis

Following weeks of dry weather, the water levels of the Rhine river have reached a critically low point. According to the Federal Waterways and Shipping Administration, water levels will drop below the critical level of 40 cm on the morning of 12 August, dropping even further the following day. This will make sections of the river unpassable to commercial shipping. Cargo barges on the Rhine require a water level of at least 150 cm to operate fully loaded. Shipments are currently requiring up to three vessels in place of one to transport the same cargo. There is no indication of an end to the dry weather in the coming weeks, and water levels in the Rhine normally reach their lowest levels in the late summer and autumn.

Significance: There is a high probability of low water levels causing persistent disruption to commercial shipping on the Rhine river until October, particularly affecting cargo passing through the Middle Rhine Valley between Coblenz and Mainz. Nearly 200 million tons of cargo annually are transported on Germany’s river and canal network, including about 30% of Germany’s coal, crude oil, and natural gas transport volumes. Most of this passes through the Rhine at some point. Disruption will affect a broad array of businesses in Germany and neighbouring countries, including companies such as BASF and Thyssenkrupp, whose production facilities are dependent on fuel and raw materials supplied via the river. Sectors likely to be most affected by disruption to Rhine shipping include coal mining, automotive, food, and chemicals. Energy production is also likely to be affected to a degree that overall output will be cut. The use of alternative transport routes via rail and road is likely to have a knock-on effect on road and rail capacity and costs, and will probably lead to temporary regulation prioritising the transport of certain goods such as coal to the detriment of lower-priority produce. Disruption caused by low water levels in the Rhine is likely to become more frequent and severe in the coming years owing to shrinking Alpine glaciers and resultant decreased water quantities reaching the Rhine over the summer months.

Risks: Infrastructure disruption; Ground; Marine

Sectors or assets affected: Energy, Mining; Chemicals; Automotive; Food products; Multiple other sectors

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

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