

Venezuela's parallel government

30 Jan 2019 - Country Risk | Strategic Report

On 23 January, Juan Guaidó, the head of the National Assembly, assumed the position of interim president of Venezuela, invoking the constitution. The proclamation was rapidly recognised by the United States, Canada, most Latin American governments and many European Union countries. President Nicolás Maduro swore himself in for a new mandate on 10 January and currently retains control over the government and military, but is facing economic sanction and threats of a potential US and regional backed military intervention if he refuses to step down.



Hundreds of thousands participated in a mass opposition rally against President Nicolás Maduro in Caracas on 23 January 2019.

Federico Parra/AFP/Getty Images

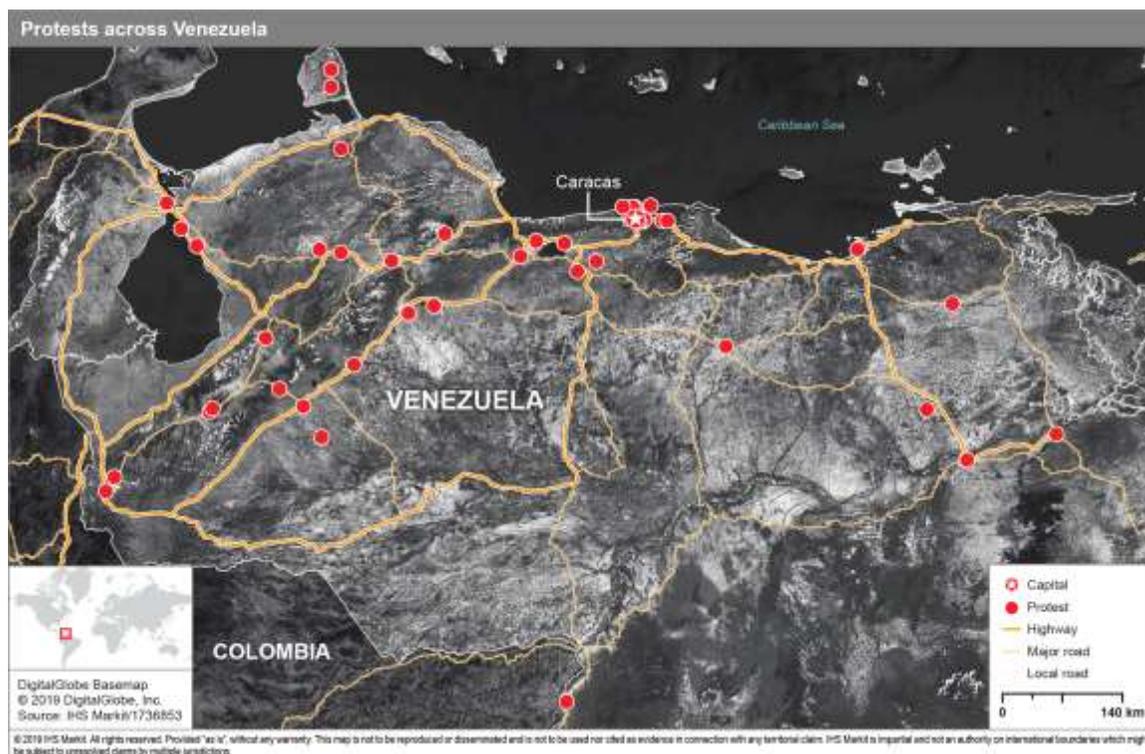
- **Head of the National Assembly – and interim president – Juan Guaidó is likely to continue gaining strong international support.** Guaidó assumed the interim presidency on 23 January, invoking the Venezuelan constitution and immediately received the recognition of

the US, Canada, most Latin American governments and many European Union countries. These countries do not recognise Nicolás Maduro's inauguration for the 2019–25 constitutional term over allegations that he was elected through electoral fraud. Guaidó is already seeing his appointed diplomatic representatives in several countries recognised, with representatives to multilaterals, international institutions, and Venezuelan-owned CITGO in the US to follow. .

- **The US recognition of Guaidó's presidential self-appointment increases the likelihood that the US will look to impose additional targeted sanctions to pressure Maduro to step aside and create the conditions for Guaidó's interim government to gradually assume control of assets and revenues located abroad.** On 28 January, the US imposed sanctions on Venezuela's national oil company PDVSA, freezing its assets and preventing Maduro's administration from accessing revenues from oil sales, including those of CITGO, the US subsidiary of PDVSA. US companies will continue to be allowed to sell Venezuelan oil but the proceeds as well as those of CITGO will be allocated to a US-blocked account. Following this, on 30 January, US President Donald Trump reported that Maduro had agreed to negotiate with the opposition. The United States is likely to continue targeting individuals and firms with ties to the Maduro government with sanctions. Trump warned that "all [economic and diplomatic] options are on the table" in case Maduro refuses to transfer power to Guaidó. Should Maduro seek to retain power, it increases the likelihood that the US will look to apply more expansive measures, including a military intervention. On 27 January, the US Treasury issued a statement saying that, consistent with the recognition of Guaidó as interim president, the US "will use its economic and diplomatic tools to ensure that commercial transactions by the Venezuelan government, including those involving its state-owned enterprises and international reserves" are channelled away from Maduro. US Secretary of State Michael Pompeo said on 25 January that Elliott Abrams would lead the State Department's efforts to support a democratic transition in Venezuela.
- **Civil unrest in capital Caracas, extended to traditionally pro-government shanty towns.** The continuation of unrest in those areas would probably erode Maduro's support among the armed forces. Anti-government protests are likely to escalate in the coming days and weeks, especially in the low-income, western neighbourhoods of Caracas where the Miraflores presidential palace and other key seats of government are located. Violent repression of protesters increases the likelihood of mutinies among the military and police officers reluctant to use violence against civilians. This is likely to cause splits among senior military officers, who so far have supported Maduro unconditionally in return for control of the economy, including oil production, ports, and imports, and some military factions that are involved in illegal mining, fuel

smuggling, and drug trafficking. Statements of support for Guaidó from select military factions or credible evidence of emerging dissident groups being armed would indicate an increasing civil war risk.

- **In addition to the two million Venezuelans who have already left the country, hundreds of thousands more are likely to migrate to Colombia and neighbouring countries if Maduro prolongs his stay in power:** Shortages of food and basic goods, including medicines, are likely to become more widespread if Maduro's increasingly isolated administration survives US sanctions, international pressure, and protests in the three-month outlook. China and Russia will support Maduro in terms of diplomatic statements but are unlikely to provide enough funding to reverse the collapse of the health system and the crumbling of the electricity, water supply, transport, and oil-sector infrastructure; economic contraction of at least 15% in 2019; CPI hyperinflation of 3,000,000%; and an oil production decline to below 900,000 b/d. This will increase migration flows into Colombia and neighbouring countries, undermining their stability as their ability to provide basic services to their own population in border areas would come under enormous stress, while impairing economic growth.



Indicators of changing risk environment

Increased risk

- Anti-government protests involving roadblocks and nationwide events of looting escalating beyond the capacity of security forces to contain them amid intensifying shortages of food and basic goods.
- Deteriorating relations with the United States leading to Venezuela being blacklisted by the US as a country that sponsors terrorism, citing alleged links with Colombian insurgent group Ejército de Liberación Nacional (ELN) and the Lebanese Hizbullah Shia militia group.
- Colombia increasing troop deployments along Venezuela's border in response to a sizeable influx of Venezuelan migrants and alleged presence of ELN insurgents operating from the Venezuelan side of the border.
- The Venezuelan government arresting Guaidó or taking any action that could be seen by the United States as hostile to US diplomatic personnel in Venezuela.

Reduced risk

- The rapid containment of shanty-town protests before they escalate and become widespread, without excessive use of force, would indicate that the military is still in control, loyal to Maduro, and capable of managing any level of discontent within shanty towns.
- Increased economic ties with China and Russia, with the two countries providing a sizeable fresh source for funding, credit, and scope to sell and transport oil outside Venezuela, especially if sanctions are imposed.
- Venezuela continuing trade relations with India, Turkey, and other Latin American and Caribbean countries despite US sanctions on the oil sector and being included in lists of states that sponsor terrorism.
- The High Military Command remaining loyal to Maduro and military commanders successfully purging or removing discontented military mid-ranks and police officials before they can represent a direct challenge to the status quo.
- A successful mediation and dialogue process with opposition groups, the release of political prisoners, and the opening of a humanitarian channel for regional countries and international humanitarian organisations to help supply the population with food and medicines.
- Increasing migration flows of thousands of discontented Venezuelans to Brazil, Colombia, and other Latin American and Caribbean countries, making it easier for the security apparatus to

contain anti-government protests and for Maduro's administration to supply the population with subsidised food programmes (known as CLAPS).

US-China trade negotiations

31 Jan 2019 - Country Risk | Strategic Report

On 29 January 2019, the US Justice Department filed multiple criminal charges against China's Huawei Technologies, its affiliates, and its chief financial officer over alleged bank fraud, wire fraud, and obstruction of justice. The US has also formally requested the extradition of Huawei CFO Meng Wanzhou, who is currently in Canada. In the meantime, delegations from the US and China, led by US Trade Representative Robert Lighthizer and Chinese Vice Premier Liu He, have begun new rounds of trade negotiations. Three potential scenarios for the negotiations are outlined below.

- **Most likely scenario: an extension of the trade truce.** China will likely carry out limited implementations in the purchasing of US goods and commit to addressing broader US grievances during 2019. The US accepts this as meaningful progress and agrees either to maintain current levels of tariffs or to carry out some reduction in tariffs, and to continue negotiations in 2020. The US will probably demand an enforcement mechanism to monitor China's compliance with promised reforms. China is also expected to make small concessions in its industrial policy, including loosening joint venture regulations and a reduction in entrance barriers within specific sectors such as automotive, financial services, and high-tech manufacturing. Both US and European firms operating in economically liberal localities will likely experience better access to local markets and stronger intellectual property (IP) protection. However, US demands that China eliminate state subsidies to priority sectors and support to state-owned enterprises is unlikely to be met, as China has accelerated its drive to become self-reliant in technological "core competencies". Companies in the technology sector will likely face stronger competition from increasingly technologically capable local players.
- **Moderately likely scenario: a breakdown of negotiations.** In this scenario, China will be unwilling to accept US demands on fundamental changes to China's economic strategy, causing negotiations to fail. This indicates a significant breakdown of trust, and a restart of trade negotiations will be highly unlikely in 2019. The US will almost certainly increase tariffs against USD200 billion-worth of Chinese goods from 10% to 25%, and China will retaliate by raising

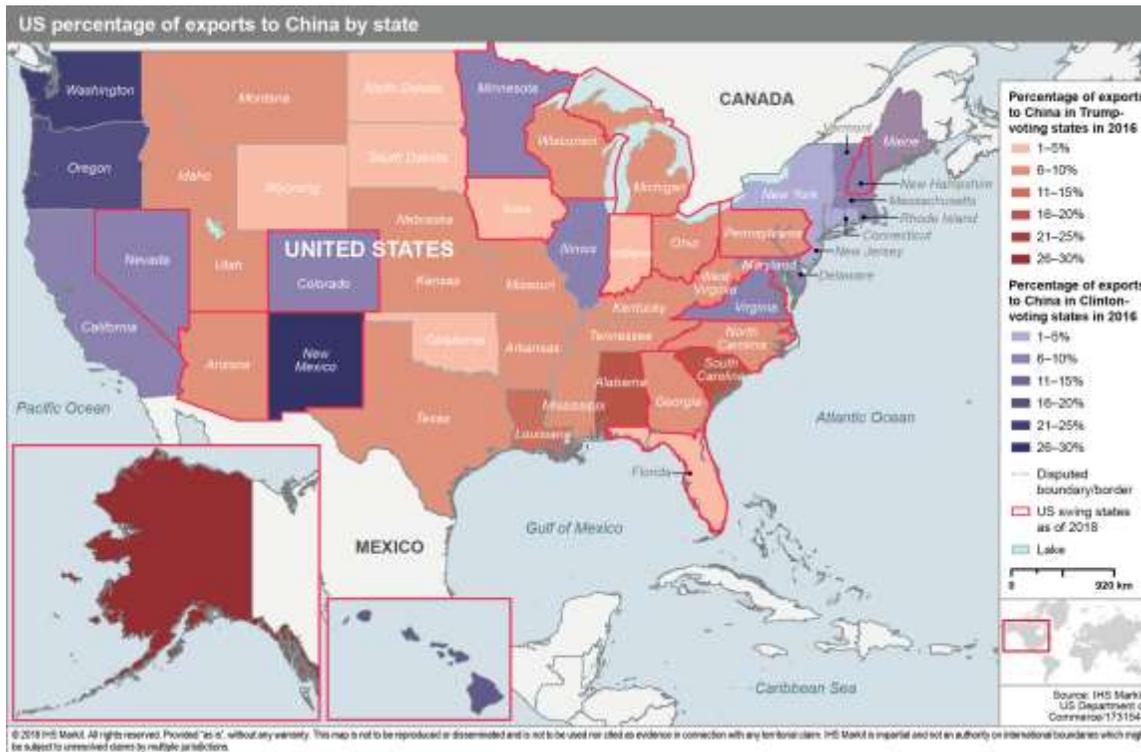
tariffs and will likely renege on previous market-opening measures for US companies. There will be a heightened risk of nationalistic protests and boycotts against US companies, and a more hardline approach in diplomatic issues related to North Korea, Taiwan, and the South China Sea. Fiscal and monetary stimulus measures will intensify and policy priorities such as financial deleveraging and strengthening environmental regulations will likely be de-prioritised to focus on preventing further economic deceleration.

- **Less likely scenario: a comprehensive agreement to resolve trade and economic issues.** This scenario will likely involve compromises on both sides, with the US delegation agreeing to drop some demands and accepting China's future commitment to reforms. This is the most favourable case for China: it would implement most of its agreed concessions gradually, as they are likely to fit with the country's development strategy. A comprehensive agreement will signal de-escalation of China-US economic confrontation, indicating significant opportunities for international companies operating in China, particularly in sectors related to technology, health innovation, financial services, and some consumer products. However, companies should still expect a continued trend of increased oversight by the Communist Party of corporate governance, including stronger influence of Party groups and a high likelihood of intervention by regulatory authorities. China is also likely to continue its diversification away from US suppliers and partners, and to develop its own domestic capacities through supporting Chinese companies. Competition will likely intensify in the medium term.
- **Current negotiations do not address the deeper technological rivalry between China and the US.** The US's continuous targeting of the technology sector is likely regarded by the Chinese government as a politically charged initiative to prevent China's development of next-generation technological advancements. The US and its allies are likely to continue to block Chinese technology and telecommunications deployment citing national security grounds. Companies will be pressured to move supply chains out of China and will likely face higher costs. In addition, there will be a higher risk of an adverse regulatory environment from both sides, and decreased cross-border technological exchange. Chinese companies will likely enjoy significant efficiency gains from first-mover advantages in some sectors such as 5G capability, probably by 2020 as commercial deployments accelerate. This is likely to feature in China's continued build-up of influence in the Asia-Pacific region through the Belt and Road Initiative to export its own technological standards to neighbouring countries.

	China's Ministry of Foreign Affairs / Ministry of Commerce	US White House Statement
Tariff reduction	Both sides agreed that the tariff increase from 10% to 25% for USD200 billion of Chinese goods will be delayed and no new tariffs will be issued; US highlighted a 90-day timeline for negotiations, China's Ministry of Commerce also acknowledged the deadline	
Negotiation process and end goals	Work towards cancellation of all added tariffs	Immediate start of negotiations on structural change
Chinese commitment on imports and market access	<ul style="list-style-type: none"> Purchase of "marketable goods" from the US and to gradually ease the trade imbalance China will boost market access 	<ul style="list-style-type: none"> Substantial purchase of agricultural, energy, industrial, and other products; US president highlighted automobiles and agricultural sectors
Intellectual Property protection	Not mentioned, statement focused on consensus on trade issues	
Alleged technology transfer & cyber theft		
State-sponsored economic model		
Chinese appeal to Trump administration's policies	<ul style="list-style-type: none"> Tighten regulation of fentanyl Support for meeting between US and North Korean leaders 	
Other issues	<ul style="list-style-type: none"> US commitment to pursue the One China policy Trump and Xi Jinping will visit each other's countries The US will welcome Chinese students to live and study there 	Chinese openness to reconsider the Qualcomm-NXP merger deal
Chinese industrial policy	Not mentioned	Not mentioned

Source: IHS Markit, China Ministry of Foreign Affairs, US White House

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Indicators of changing risk environment

Increasing risk

- Canada extraditing Meng Wenzhou to the US to face trial would signal a significant deterioration in US-China and Canada-China relations, and increase the difficulty of a mutually agreed trade agreement; there will be increased likelihood of anti-US sentiment among the Chinese

population. It would also almost certainly invite Chinese retaliatory action against Canada, likely through a halt in Canadian exports, reductions in Chinese investment (Huawei, for example, has investment planned in Ontario), and boycotts against Canadian companies, mostly in the energy, education, and agriculture sectors. A decision by Canada to follow the US and Australia in restricting Huawei's business operations would also increase the risk of Canadian nationals being targeted in China.

- Further US restrictions of Chinese technological development, such as the Trump administration signing an Executive Order to restrict Huawei and ZTE services in the US, will pressure China to directly retaliate against US companies, especially in the technology sector.
- Strengthened restrictions on Chinese investments and business activities in the US, such as through the Committee on Foreign Investment in the United States (CFIUS).
- Continued US provocation through the US Navy's freedom of navigation operations (FONOPs) in the South China Sea, increased arms sales to Taiwan, or interference in Xinjiang or Tibet would increase the risk of boycotts or targeted disruptions to US businesses operating in China.

Decreasing risk

- China proceeding with cutting tariffs on US agricultural products (especially soybeans and sorghum) and automobiles would indicate its commitment to follow through on US demands.
- China's senior leadership addressing issues related to forced technology transfer and cyber espionage, or making commitments on specific market-opening measures during key political events such as a potential fourth plenum of the 19th Party Congress, during which senior party leaders gather to discuss development issues.
- A significant decline in US economic indicators, for example through manufacturing activity, business investment growth (which declined to 0.8% in the third quarter of 2018), a revision of GDP growth projection for 2018, or higher inflation rate, will also pressure the Trump administration to quickly resolve trade disputes with China.
- A joint statement between China and the US clarifying stances on issues such as China's structural change would indicate a higher likelihood of consensus on end goals.

Security in the Philippines

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The ratification of the landmark Bangsamoro Organic Law will begin the gradual demobilisation of the largest fighting group in the Philippines' 50-year Moro insurgency. However, increasingly marginalised Islamic State-linked groups will continue to attack security personnel and civilians in Sulu province, and the New People's Army's insurgency in northwest Mindanao continues unabated.



Soldiers frisk residents who flocked to polling precincts to cast their votes on 21 January 2019 in Cotabato City, southern Philippines.

Jes Aznar/Getty Images

- **Landslide support for the Bangsamoro Organic Law (BOL) reflects strong public will to end Mindanao's 50-year ethnic-Moro insurgency and mandates the demobilisation of 30% of the Moro Islamic Liberation Front's fighters.** More than 87% of the 1.7 million votes cast across the Autonomous Region in Muslim Mindanao (ARMM) were for the BOL. Sulu province voted against ratification but will be included in the new Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), given the overall majority. Per a 2014 ceasefire agreement, the Moro Islamic Liberation Front (MILF), the largest of the ethnic-Moro insurgent

groups, is now required to demobilise at least 30% of its estimated 11,000 active fighters. The BOL, which devolves more political power to the ARMM and guarantees it 5% of the Philippines' annual fiscal revenues, was strongly supported by the MILF, which has collaborated with the Philippine military since 2014, mostly providing local intelligence.

- **Smaller militant groups, however, will continue attacking security forces – and increasingly civilians – with small-arms and improvised explosive devices (IEDs) in Sulu province.** The Abu Sayyaf Group (ASG) and Abu Dar (the reformed remainder of the Maute group), both linked to the Islamic State, will attempt to provoke a delegitimising state response by attacking security checkpoints and, increasingly, civilians. On 27 January 2019, two IEDs were detonated at a Roman Catholic cathedral on Jolo Island, Sulu province, killing 20 people and injuring more than 100. The Islamic State claimed the attack and ASG fighters probably emplaced the IEDs. Their attacks, however, are likely to be confined to Sulu province, where they have strongholds and the most local sympathy. They are likely to kidnap undefended Indonesian and Malaysian fishermen in the Sulu Sea for ransom from their employers (rather than target tourists around Palawan). Their capability will continue to be degraded by the military, which can now concentrate force over a smaller area, and the monitoring of transit corridors for foreign militants into Sulu by Indonesian, Malaysian, and Philippine intelligence agencies will prevent a foreign-inspired step-improvement in tactics and knowledge.
- **Moreover, the New People's Army (NPA) will continue its low-level insurgency in north and northwest Mindanao, burning idle commercial equipment outside agribusiness and mining sites.** The communist group accounted for 118 attacks in 2018 against the 50 of the four largest ethnic-Moro groups combined, according to *Jane's Terrorism and Insurgency Centre*. Ratification of the BOL does not affect the insurgency's dynamics, which has returned to a low-intensity campaign of attrition after President Rodrigo Duterte cancelled peace negotiations in 2018. About a tenth of NPA attacks in 2018 were against commercial assets, usually involving setting fire to backhoes outside mines and agricultural equipment after their owners' refusal to pay extortion demands. Despite threats to attack the southern Visayas, the NPA will focus its activity in northwest Mindanao, near its strongholds in the area. The NPA and ethnic-Moro insurgents do not possess the funding, support networks, or capability to sustain a campaign against the Philippines' major commercial centres, including Manila.

Indicators of a changing risk environment

Increased risk

- Reports of defections from the MILF during a protracted transition process – if, for example, there are several constitutional challenges to the BOL from Sulu province – would disillusion some currently inactive MILF combatants and result in them defecting to more active Islamic State-linked groups.
- The kidnapping of western tourists in Palawan, probably by the ASG, would compel the military to divert force from Sulu province to protect Palawan, enabling Islamic State-linked groups freer movement in Sulu province.

Reduced risk

- A clear plan for the MILF's partial demobilisation – and the collaboration of remaining fighters with security forces – likely published after the 6 February 2019 poll would reflect mutual commitment to the process.
- A reduction in the military's force levels in southeast Mindanao would enable redeployment to the northeast of the island to concentrate on the NPA.

Violence overshadows Nigeria's elections

30 Jan 2019 - Country Risk | Strategic Report

Nigeria goes to the polls on 16 February for national elections, including a presidential election, and again on 2 March for state elections, including governorships in 29 of the 36 states. President Muhammadu Buhari and his ruling All Progressives Congress (APC) party face a strong challenge from Atiku Abubakar and his People's Democratic Party (PDP), raising the risk of a disputed outcome and nationwide violence motivated by the election.



Nigerian lawyers hold up the national flag outside the secretariat of the Nigerian Bar Association during a protest in Abuja on 28 January over the suspension of the chief justice.

Sodiq Adhlakun/AFP/Getty Images: 1090630460

- Election-related violence will be widespread in Nigeria but most likely in federal capital Abuja, commercial capital Lagos, and the South-East and South-South (Niger Delta) geopolitical zones. Large protests are likely to continue being staged in Abuja, in the traditional areas of Unity Fountain and Eagle Square, calling for the overturning of President Muhammadu Buhari's decision on 25 January to suspend Chief Justice Walter Onnoghen. He is facing allegations of false asset declaration, but elements of the opposition see this as the APC preparing to rig the elections. A disputed Buhari victory in the presidential election, especially one signed off by the acting chief justice, would drive prolonged and widespread rioting in the Niger Delta and Biafran heartland states where challenger Atiku Abubakar is likely to be backed overwhelmingly. This rioting is likely to feature fatal attacks on supporters of rival political parties, arson against government buildings, and violent confrontations with security forces, which are likely to respond with live ammunition and tear gas against participants in larger demonstrations. If Atiku were declared the winner of the election, violent reaction from Buhari supporters would be much more limited, confined to parts of northern states, in particular Kano, Kaduna, and his home

state of Katsina. This would be more likely to feature sectarian and ethnically motivated attacks, causing low numbers of fatalities. Governorship elections take place on 2 March, during which reaction to the declared results from the presidential election will also be a major driver of unrest.

- The Islamic State's affiliate in West Africa, Wilayat Gharb Afriqiyya, formerly part of Jamaat Ahl al-Sunnah li-Dawa wal-Jihad (widely known as Boko Haram), poses a direct threat to the conduct of the election, particularly in the three northeastern Nigerian states of Borno, Yobe, and Adamawa. Only limited polling is possible, especially in Borno and Yobe, as so many former inhabitants are in refugee camps. However, Boko Haram is also certain to stage attacks to directly disrupt what voting there is, including improvised explosive device (IED) attacks on polling stations and electoral offices. With security forces thinly spread to cover the election, and the army already on the defensive against the jihadists throughout the northeast, there is also a high risk that Wilayat Gharb Afriqiyya will stage attacks outside the northeast – in Abuja for the first time since 2015, in the northern capital Kano, and in states adjacent to the Boko Haram heartland. These attacks are most likely to be IEDs with the intention of causing mass casualties, primarily at locations associated with the government or foreign interests such as a multinational headquarters, embassies, multilateral institutions' offices, or business premises.
- A presidential election victory for challenger Atiku Abubakar (widely known as Atiku) would signal a major shift in policy direction, starting with his determination to privatise Nigerian National Petroleum Corporation (NNPC). Atiku would face intense resistance from vested interests benefiting from high-level corruption networks which fund Nigeria's patronage system of politics, but he would at least start the process of splitting up NNPC and probably withdrawing it from joint ventures. Atiku also wants to allow the naira currency to float freely, ending a system of tiered and managed exchange rates, which has undermined investor confidence and led to endemic shortages of foreign exchange.

Indicators of changing risk environment

Increasing risk

- Fatalities and injuries caused by security forces during protests in support of Chief Justice Onnoghen, or caused by confrontations between demonstrators backing Onnoghen, and those supporting his suspension. These would likely drive further and larger protests in more locations.

- A surge in attacks on military bases and other security forces targets in the northeast and/or attacks taking place in previously unaffected locations outside Borno, Yobe, and Adamawa states, which would suggest that Islamist militants had the capability to cause major disruption to the election process.
- Any presidential election result that gives a narrow victory to Buhari, given pre-existing concerns about government influence over the electoral commission and legal system. This would be a major driver of violent protests aimed at focusing domestic and international attention on perceived election malpractice and trying to influence the courts to overturn results.

Decreasing risk

- Buhari deciding to reinstate Chief Justice Onnoghen, or a legal ruling to that effect, which would bring a virtual halt to protests against the original decision to suspend him.
- A clear victory for Atiku would greatly reduce the risk of nationwide violence in the same way as Buhari's victory over incumbent Goodluck Jonathan did in 2015.

Sudan's anti-government protests

22 Jan 2019 - Country Risk | Strategic Report

Protests against bread, fuel, and medicine price increases began in Sudan on 19 December 2018 in the city of Atbara, River Nile state, and spread to other regional states, including Red Sea and Kassala, and reached the capital, Khartoum. The government has declared a state of emergency in Atbara and the states of Al-Qadarif, Kassala, and North Kordofan. The opposition coalition issued a joint statement on 18 January calling for new anti-government protests country-wide, including mass protests on 22 January, and a day of civil disobedience on the 134th anniversary of the liberation of Khartoum on 26 January.

- **Mass organised protests against Sudanese President Omar al-Bashir are likely to result in property damage, particularly targeting government buildings and further civilian casualties, over-stretching key security forces units.** The security forces have already resorted to using live fire to disperse protesters, and will probably prioritise protecting Bashir's government (the presidential palace) and key strategic infrastructure such as Port Sudan and airports. Given the likely larger scale of protests involving thousands, compared with hitherto mostly spontaneous protests with fewer than 1,000 participants, the security forces' ability to

protect the presidential palace is likely to be challenged. Protests would only be likely to force Bashir out of power in the, as yet, unlikely event that security forces were overwhelmed and could not prevent protesters from reaching the presidential palace. This would be more likely if concurrent protests in regional cities drew deployment of Rapid Support Forces (RSF) units, key to government stability, to the regions, leaving the capital vulnerable. Commercial assets, such as shop fronts near targeted government property, face severe risk of collateral damage.

- **The middle class in Khartoum has to date held back from significant involvement in the protests.** Rioting extending to affluent neighbourhoods, raising fears of property damage and lawlessness, and lack of confidence in the security forces would likely cause this to change. Khartoum's wealthier middle class has largely remained insulated from prices increases, resulting in its non-participation in the ongoing protests, except by some doctors, particularly since 17 January, when security forces allegedly mistreated medical staff and damaged facilities where injured demonstrators were being treated. The middle class would most probably be drawn into joining protests in the event that security forces were not capable of maintaining law and order and protecting vital infrastructure and affluent neighbourhoods (Khartoum 2, Al Riyadh, and Al Manshiya).
- **Bashir's ability to pay security forces' salaries, sustained by funding from the Gulf states, is critical to his keeping hold on power.** Bashir will likely continue prioritising the disbursement of more than 70% of the government's budget on defence, including paying security forces' salaries, despite recent austerity measures, to retain the loyalty of the military and the police. Bashir's ability to maintain such high levels of government spending on defence and security would seriously be challenged in the as-yet-unlikely event that international financial aid, particularly from the Gulf states, was withdrawn.
- **Recurring traffic and cargo disruptions are likely, especially affecting Khartoum and Port Sudan.** Security forces are deployed along major roads to central Khartoum (Victory and El Mek Nimir bridges from Omdurman and North Khartoum respectively), where the international airport is located; they will probably effectively contain protests inside the capital and defend vital infrastructure. Port Sudan is heavily guarded and protecting the port will remain a security forces' priority; this is Sudan's only maritime export hub, through which oil from fields in the south of the country (now South Sudan) is exported. Nevertheless, severe cargo disruption is likely to impact on goods en route to the port; this includes Sudanese oil exports to China and Malaysia.

Indicators of changing risk environment

Increasing risk

- Protests extend beyond main university campuses and low-income neighbourhoods in Khartoum towards affluent neighbourhoods (Khartoum 2, Al Riyadh, and Al Manshiya) and/or are joined by sections of the middle class in the capital and in the ruling National Congress Party's (NCP) centres of power such as the River Nile state and Shendi. *(Comment: Indicator partially activated: doctors joined protests, especially after a doctor was killed in Burri on 17 January; the Sudanese Central Doctors' Committee announced on 20 January their withdrawal from hospitals affiliated with the military, police, and NCP.)*
- Protests gathering up to 10,000 protesters on 26 January, commemorating the liberation of Khartoum, with participation by the middle class.
- Muslim spiritual leaders, such as the leader of the largest Sufist order in Sudan, Mohammed Othman al-Mirghani, calls on the public to join the protests, increasing participation in northeastern states and likely support of former Beja militants. *(Comment: Indicator partially activated: on 18 January, an imam with influence over the NCP constituency, Sheikh Abdel Hay Youssef, met with Bashir and raised concerns on the protests and the security forces' violent crackdown.)*

Decreasing risk

- Sudan maintains its military forces supporting the Saudi-led coalition in Yemen, indicating sustained good relations with Gulf states, principally with Saudi Arabia, and that financial aid from the Gulf will be forthcoming, thereby safeguarding the government's ability to pay salaries, particularly for security forces. *(Comment: Indicator partially met: the United Arab Emirates has reportedly announced on 18 January USD300 million in financial aid and the supply of 1.12 tons of fuel to Sudan.)*
- An offer by a third country, such as Saudi Arabia, to grant Bashir asylum, allowing him to avoid an International Criminal Court indictment, and indicating increased likelihood of Bashir stepping down and an orderly transition of power.

Despite security improvements, residual elevated risk of collateral damage at Damascus Airport, mainly from Israeli airstrikes

14 Jan 2019 - Country Risk | Headline Analysis

The director of Syrian Air, Shafa al-Nouri, told the state-run Syrian Arab News Agency (SANA) on 13 January that several Gulf-based airlines were preparing to resume scheduled flights to Damascus International Airport.

IHS Markit perspective	
Outlook and implications	<ul style="list-style-type: none"> • Security at Damascus International Airport has improved, but IHS Markit assesses that there is a residual elevated risk of random collateral damage to aircraft on the ground from Israeli airstrikes and occasional indirect rocket or mortar fire by jihadist militants. • In the event of Israeli airstrikes on targets in Damascus province, which have occurred about once or twice a month, there is a high risk of accidental shutdown for aircraft approaching Damascus International Airport from Syrian surface-to-air missiles.
Risks	War; Terrorism
Sectors or assets	Aviation

Airlines considering a resumption of flights to Damascus, Syria, reportedly included the UAE's Etihad Airways, Bahrain's Gulf Air, and Oman Air. The announcement follows the normalisation of diplomatic relations between several Arab countries and the Assad government in recent weeks. The UAE reopened their embassy in Damascus on 27 December, and Bahrain and Kuwait have since announced that they intend to follow.

Risks to aircraft on the ground

Damascus International Airport is no longer at risk of coming under sustained indirect fire or ground attack by the opposition, following the government's recapture of the last opposition-held suburbs of Damascus in May 2018. There remains an elevated risk, however, of random collateral damage to aircraft on the ground from occasional indirect weapons fire by jihadist militant cells operating in the desert areas to the east of Damascus. The last recorded incident of this kind took place on 31 January 2018, when unidentified militants fired several mortars bombs at the airport, targeting a plane that had just landed carrying the Syrian government delegation

returning from the Sochi summit in Russia. At least one of the rounds detonated within 100–200 m of an aircraft next to the main terminal, according to a photograph shared on social media. Israel regularly carries out airstrikes against Iran's and its proxies' military presence in Syria and suspected shipments of advanced weapons or missile components to Hizbullah at Damascus International Airport. On 9 December 2018, Israeli airstrikes reportedly targeted Iranian warehouses on the perimeter of the airport. This was denied by the Syrian government. Previously, on 15 September and on 26 June 2018, Israeli airstrikes reportedly destroyed Iranian cargo aircraft after they had been unloaded at the airport. Israel's use of precision munitions and precautions to avoid civilian casualties, however, mitigates the risk of collateral damage to civilian aircraft and the main terminal building. There would be a severe risk of collateral damage to commercial aircraft on the ground at Damascus International Airport from airstrikes and cruise missiles in the event of another war between Israel and Hizbullah in Lebanon, which would most likely extend to southern Syria, including Damascus. IHS Markit assesses that, while neither side is seeking war, there is a high likelihood of such a war in the next 12 months, most probably as a result of one side's miscalculation.

Risks to aircraft in flight

The only parties capable of targeting aircraft at cruising altitude are the Syrian government and other state actors operating in Syria. There is a high risk of accidental shoot-down by Syrian government air-defences for aircraft, including commercial airliners, in or near Syrian airspace, in the event of Israeli or US Coalition airstrikes. On 17 September 2018, a Syrian S-200 surface-to-air missile launched in response to an Israeli airstrike against a facility in Homs province accidentally shot down a Russian Ilyushin Il-20 reconnaissance aircraft over the Mediterranean. Although this incident appears to have resulted in reduced Russian tolerance of Israeli airstrikes in northwestern Syria, and the Russian air base close to Latakia, IHS Markit expects Israel to continue to conduct airstrikes in and around Damascus province about once or twice per month, almost certainly resulting in the launch of Syrian surface-to-air missiles.

Outlook and implications

Although the security situation at Damascus International Airport has improved, IHS Markit assesses that there is a residual elevated risk of random collateral damage to aircraft on the ground, primarily from Israeli airstrikes, but also from occasional indirect rocket or mortar fire by jihadist militants. Aircraft approaching Damascus International Airport are at high risk of accidental shutdown from Syrian surface-to-air missiles in the event of Israeli airstrikes on targets in

Damascus province, which have occurred about once or twice a month. An indicator of decreasing risk would be a reduction of Israeli airstrikes in southern Syria, either due to increased Russian pressure, or because of Iran becoming less reliant on Damascus airport as an entry point for weapons components. Any military exchanges between Israel and Hizbullah or Iranian forces in the Golan area would indicate an increasing risk of Israeli airstrikes and collateral damage to aircraft operating at Damascus International Airport.

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