



Analysis selection for JCC

August 2019

FARC dissidence

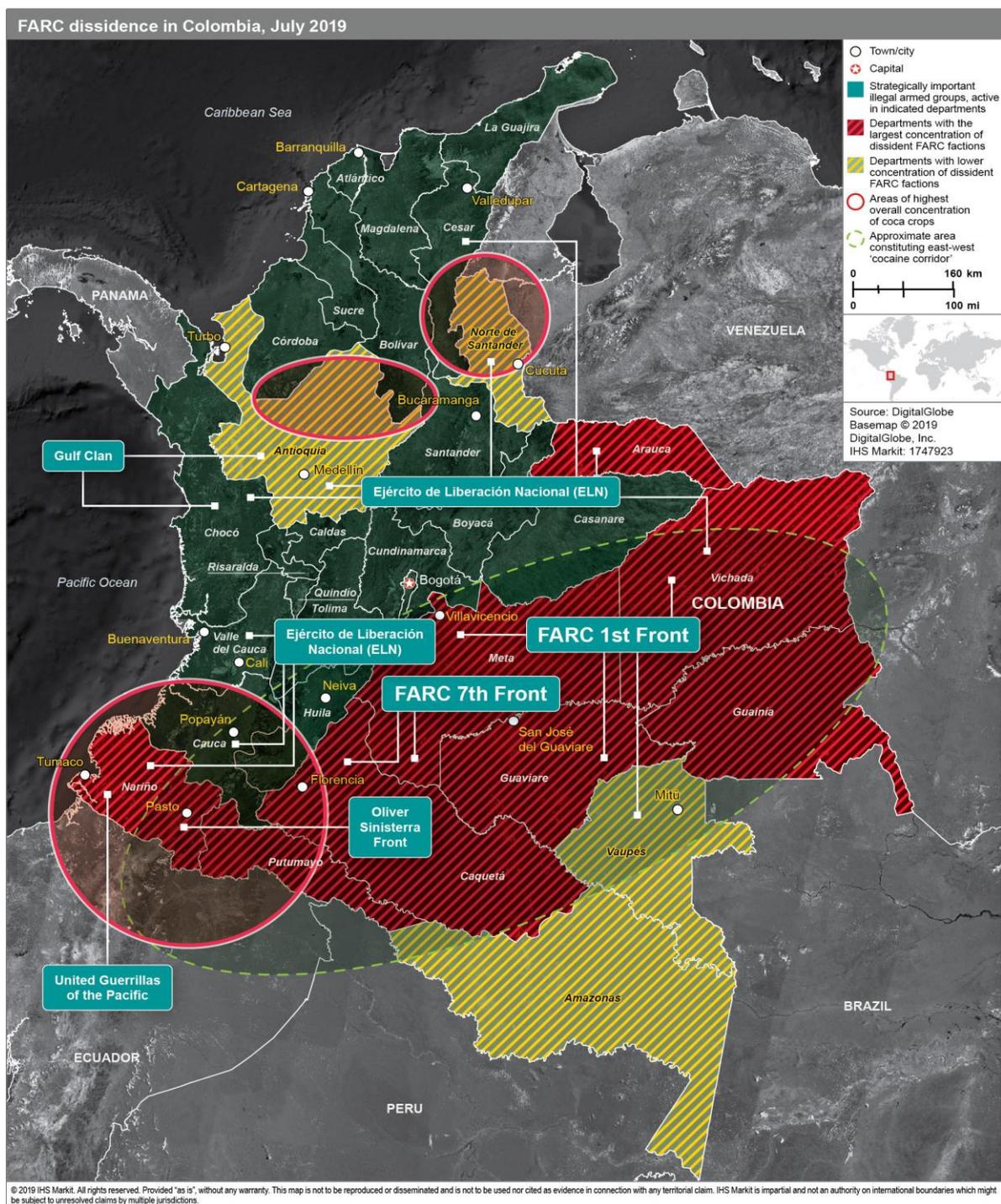
4 Sep 2019 - Country Risk | Strategic Report

A video address on 29 August by former Fuerzas Armadas Revolucionarias de Colombia (FARC) commander Iván Márquez declaring a return to arms indicates a renewed insurgent threat in Colombia. A peace agreement between the government and FARC was signed in November 2016, ending 52 years of conflict and leading to the demobilisation of over 10,000 combatants and auxiliary members.

- **The majority of former Fuerzas Armadas Revolucionarias de Colombia (FARC) combatants remain committed to the peace process, but the number taking up arms again is likely to continue to increase.** Following publication of the video, the president of FARC's political party, Rodrigo Londoño (alias Timochenko), rejected the call to arms and claimed that 90% of former combatants remain committed to the peace process. Several factors are likely to be contributing to the rising number of former combatants abandoning the process and returning to arms – from around 600 when the peace agreement was signed to approximately 3,000 to date, including government attempts to modify the agreement and rising levels of targeted assassinations against former combatants.
- **The target set of the consolidated dissident group is likely to expand to include the operations of multinationals, particularly in the extractive industries.** Since the peace agreement was signed, the violent actions of dissident groups have generally been motivated by profit, such as protecting the cocaine supply chain from rivals and law-enforcement efforts through ambushes and targeted assassinations. Márquez's video address had a strong environmental slant and he explicitly criticised fracking, the activities of multinationals, and the 'oligarchy' as harmful to the environment. In addition to the narrative of victimhood, environmental protection is likely to form part of the group's political motivations. As a result, it is highly likely that the group will begin to target assets with a high environmental footprint, including oil and gas, and mining projects in Cauca, Caquetá, Meta, Guaviare, and Arauca, with improvised explosive devices (IEDs) and arson attacks on poorly guarded facilities, construction vehicles, and other associated road cargo. Electricity towers, substations, and generation facilities are also likely to be targeted. A large-scale IED attack within a major city against police, military or government buildings is also likely.
- **The threat to these assets will be highest in the south of the country, particularly in the departments of Cauca, Caquetá, Meta, Vichada, and Guainía.** The consolidated FARC dissident group is likely to be the third largest illegal armed group in the country. Several media outlets, quoting local security officials, suggest that as many as 2,200 men comprise the consolidated dissident group. These are likely to include 7th Front leader Gentil Duarte and 1st Front leader Iván Mordisco, as well as the 14th (Caquetá), 16th (Vichada, Guainía), 27th (Meta), 40th (Meta), 42nd (Vichada), 43rd (Meta), and 44th (Vichada) Fronts. In comparison, the Ejército de Liberación Nacional (ELN) has approximately 4,000 fighters, while the Gulf Clan (a criminal group dedicated to drug trafficking led by former right-wing

paramilitaries) has approximately 3,000.

- The risk of Colombian military intervention in Venezuela, currently unlikely, will rise if evidence materialises of collusion between FARC dissidents and the Venezuelan state to destabilise Colombia.** Credible reports exist that Márquez and other dissident FARC leaders and top ELN commanders have a presence in Venezuela. Venezuelan President Nicolás Maduro has explicitly welcomed FARC dissident leaders to the country. If credible evidence arises that terrorist attacks in Colombia are being perpetrated with Venezuelan state support, the likelihood of behind-the-scenes talks between Colombian and US authorities on the need to intervene militarily in Venezuela will increase, probably via asymmetric means, with support for factions willing to topple Maduro.



Indicators of changing risk environment

Increasing risk

- The government claims that FARC, as a whole, is in non-compliance of the peace agreement, leading former combatants to abandon the process and join an armed dissident faction.
- Statements by the ELN's high command accepting an accommodation with FARC dissidents, expanding the area in which FARC dissidents can operate.
- A near total reduction of confrontations between the ELN and FARC dissidents in areas of overlap would indicate that an accommodation had been reached.
- The inclusion of the Oliver Sinisterra Front, a dissident faction operating in Nariño, in the consolidated group, raising the risk of IED attacks on the Transandino oil pipeline.

Decreasing risk

- The ELN rejects consolidation efforts and competes with FARC dissident factions for drug-trafficking groups, reducing the resources available to carry out attacks on commercial assets.
- A substantial increase in funding and human resources allocated to the peace agreement.

RISK NOTE: Likelihood of limited military engagement between Colombian and Venezuelan troops rising due to FARC dissident rearmament

5 Sep 2019 - Country Risk | Headline Analysis

On 3 September, Venezuelan President Nicolás Maduro ordered military exercises in the border areas of Zulia, Táchira and Amazonas states on 10–28 September in response to Colombia's "aggression towards Venezuela". The following day, he announced an unspecified air defence system would be deployed to the border during the exercises.

- The military exercises come in the context of a declaration of rearmament by a group of Revolutionary Armed Forces of Colombia (Fuerzas Armadas Revolucionarias de Colombia: FARC) dissidents led by former second-in-command Iván Márquez. Credible reports exist that Márquez and other dissident FARC leaders and top National Liberation Army (Ejército de Liberación Nacional: ELN) commanders, as well as rank-and-file members have a permanent presence in western Venezuela. Venezuelan President Nicolás Maduro has explicitly welcomed FARC dissident leaders to the country.
- In the 12-month outlook, the likelihood of Colombian military operations in Venezuelan territory will increase if it becomes evident that FARC dissidents are perpetrating acts of terrorism in Colombia with Venezuelan state support. The most likely scenario would be a limited border incursion by the Colombian military ground troops and helicopters in hot pursuit of dissidents crossing the border. This would likely trigger an armed engagement with nearby Venezuelan troops.
- Evidence that the Maduro administration is directly funding, providing logistics and territory to establish permanent camps, or engaging in criminal activities – including drug trafficking – with FARC dissidents would significantly increase the likelihood of the Colombian air force engaging in limited airstrikes to kill Colombian insurgents. Colombia set a precedent in 2008 when it bombed a FARC camp in Ecuador to kill Raul Reyes, a member of its secretariat. Venezuela would likely attempt to respond with air defence systems. The shutdown of a Colombian aircraft or evidence of Colombian or US funding of anti-Maduro factions within the Venezuelan military would be indicators of a broader escalation of conflict.

- Although the type of air defence system to be deployed to the border was unspecified, Venezuela owns Russian made S-300 long range surface-to-air missiles. Media reports, including satellite imagery, suggest they are already located at four locations, including Caracas, Puerto La Cruz, Margarita Island, and Guarico. Their deployment to the border offers no obvious operational advantages given that their range already allows them to target aircraft crossing the border. Furthermore, it is uncertain whether the Venezuelan military has the capability to deploy the systems without direct support from Russian technical advisers.

Hong Kong protests

5 Sep 2019 - Country Risk | Strategic Report

On 4 September, Hong Kong Chief Executive Carrie Lam, after meeting several pro-government politicians, stated that the government had announced "four actions" to "foster dialogue" following more than two months of protests. In particular, Lam said that she intended to put in motion the withdrawal of the extradition bill when the Legislative Council reconvenes in October (currently suspended) and would appoint former Bar Association chairperson Paul Lam and retired senior civil servant Helen Yu to the Independent Police Complaints Council (IPCC), both of them pro-government supporters of Lam.

Key events since major protests started in 9 June

Date	Incident
9 June	Tamar: 1 million people protested against the extradition bill
10 June	The Hong Kong government said that the extradition bill process would continue
12 June	Tamar: Surrounding the Central Government Complex
15 June	The Hong Kong government announced the "suspension" of the extradition bill
16 June	Tamar: 2 million people demanded bill's "withdrawal" and protested against alleged police violence
1 July	Tamar: Protesters stormed the Legislative Council, breaking glass and vandalising the main offices
9 July	The Hong Kong government announced that "the bill is dead" but refused to withdraw the extradition bill
21 July	Yuen Long: Alleged criminal gangs attacked protesters and bystanders
30 July	Hong Kong's People's Liberation Army (PLA) garrison released a video of "anti-riot" exercises
5 August	City-wide: General strike involving 350,000 people; protests across seven districts
9 August	City-wide: Protests across the city and Hong Kong International Airport (HKIA); about 500 business leaders and largely pro-China politicians gathered in Shenzhen; Xinhua News released a statement referring to protests as a "colour revolution"
12 August	HKIA: Gathering at the airport following police clashes over the weekend, leaving 40 injured; all flights cancelled
13 August	HKIA: Flights cancelled following protests; mainland Chinese State Council warns of "terrorism"
14 August	International media reported that mainland China had deployed armoured vehicles near the border with Hong Kong in Shenzhen
17 August	Victoria Park: 1.7 million people attended a protest demanding the government respond to five key demands
26 August	Chief Executive Carrie Lam met with politicians and civil society representatives. In Tsuen Wan, several police officers allegedly pointed their guns at protesters, with one allegedly firing a warning shot; a day before in Kowloon Bay protesters tore down a lamp post with suspected face-detection cameras.
31 August	City-wide, HKIA: Multiple MTR lines suspended services following clashes between anti-government protesters and the police
1 September	Protesters gathered outside the Hong Kong airport; Airport Express train service was suspended for several hours along with some bus services
4 September	Lam announced "four actions" including intention to put in motion the withdrawal of the extradition bill when the Legislative Council reconvenes in October
Planned protests (indicative)	
7 September	Protests planned at HKIA

8 September	Protests planned outside the US embassy to support the "Hong Kong Human Rights and Democracy Act"
10 September	Protests planned outside Hong Kong Stadium ahead of World Cup qualifier match "Iran vs Hong Kong"
13 September	Demonstrations planned in Wong Tai Sin ahead of mid-Autumn festival
14 September	Protests planned in Wong Tai Sin and Tin Shui Wai
15 September	Protests and demonstrations at Edinburgh Place and outside the UK Consulate
21 September	Demonstrations planned at Yuen Long MTR station
30 September	Demonstrations planned in memorial of 31 August clashes between protesters and police
Source: IHS Markit© 2019 IHS Markit	

- Chief Executive Carrie Lam's limited concession will probably lead to more disruptive demonstrations and stronger police deployment to disperse protesters, with a higher likelihood of injuries to bystanders and asset damage around protest areas, at least throughout September.** The more radical activists' five-point demands have not been addressed. The "Citizen's Press Conference" by masked protesters following Lam's announcement has highlighted that the withdrawal of the bill can still be voted out by pro-government lawmakers when the LegCo reconvenes in October. As a result, further continuous protests are likely to be planned.
- Falling Hong Kong Purchasing Managers' Index (PMI) signals recession amid escalating protests.** IHS Markit's Hong Kong Whole Economy PMI has fallen to its lowest since February 2009, indicating that the economy is on course for its first recession in a decade in the third quarter of 2019. Political unrest has reportedly played an increasing role in dampening economic activity during recent months, according to anecdotal evidence, with August seeing a spike in the number of comments attributing domestic protests to lower output. It is worthwhile to note that the PMI started signalling a deterioration in business conditions in April 2018, around the same time as when increasing trade frictions between China and the US flared up.
- Central government propaganda has further escalated in severity, indicating an increase in the likelihood of mainland China deploying mainland security forces.** While IHS Markit still assesses that a deployment is unlikely (20–25% chance), mainland troop deployment will increase in likelihood if there are signs that the Hong Kong authorities can no longer control the spread of protests. Should deployment happen, the most likely scenario would involve the PLA garrison on Hong Kong securing vital infrastructure while the armed police support the Hong Kong police in public order and riot control, which would almost certainly raise the frequency of denial of access situations as soldiers are likely to occupy commercial districts, transport nodes, and government districts.
- Police repression has significantly increased, including the first deployment of water-cannon vehicles.** A potential escalation pathway includes the police conducting mass arrests of radical protesters, threatening the use of potentially lethal force, as well as the announcement of a state of emergency, curfew, or emergency ordinance law, in the coming weeks. Such announcements would have a significant effect on business operations in the areas affected, including denial of access of roads, public transport, and office buildings. There is also a high likelihood of collateral damage to bystanders in areas adjacent to quarantined areas as protesters are almost certainly going to spread across the city to avoid police pursuit.

- **Attacks on anti-government protesters by alleged organised criminal gangs will probably expand city-wide, allegedly with police collusion, increasing collateral risks to travellers.** Fighting between alleged criminal gangs and anti-government protesters was recorded city-wide in Yuen Long, Mong Kok, North Point, and Tsuen Wan. They range from fist fights to attacks using knives. Furthermore, while protesters are unlikely to change their tactics to include the indiscriminate targeting of commercial property, there is a risk of isolated attacks by radical protesters or pseudo-operations by security forces seeking to undermine the moderate support for the protests.
- **Terrorism risk in Hong Kong has slightly increased following the discovery of triacetone triperoxide (TATP) by the police.** On 19 July, the Hong Kong police detained an individual with alleged links to the now-dissolved “Hong Kong National Front (HKNF)”, a pro-independence group, on suspicion of producing up to 2 kg of the explosive substance TATP. While the assault on protesters in Yuen Long is likely to further radicalise anti-government protesters, producing improvised explosive devices and deploying them in Hong Kong are significantly beyond the capability and intention of most protesters. Therefore, the emplacement of IEDs remains unlikely for now.

Indicators of changing risk environment

Increasing risk

- Online platforms and messaging groups (predominantly Lihkg and Telegram groups) signalling escalation of protests, such as preparation of defensive equipment, plans of damaging and charging into government offices, or preparation of lethal weapons such as explosives, would indicate an increased risk of damage to government property.
- A mass protest – again of more than 1 million people – would signal that the general population remains unsatisfied with Lam’s concessions and the Hong Kong government’s strategy of driving popular support away from protesters is ineffective, increasing the likelihood of mainland Chinese intervention.
- Civilian casualties or more teen suicide incidents (there have been at least 10 alleged cases to date) directly connected to the government’s lack of response to protester demands would further mobilise protesters and increase the likelihood of other more conservative social groups such as parents and teachers joining protests. Build-up of allegations or evidence of police and criminal-gang violence, including the alleged severe beating of detained young protesters, alleged humiliation and sexual assault of female protesters, or alleged deaths of individuals, is also likely to further radicalise protesters and increase the likelihood of high turnout in subsequent demonstrations.
- Incidents of non-protest-related fighting between off-duty police officers and anti-government protesters – plus indications of fatigue because of the continuous deployment of police forces, which lead to the use of stronger firearms to disperse protesters – would indicate higher collateral risk to travellers and bystanders near protest sites.
- Chinese government officials publicly condemning protesters and stressing the need to regain order, particularly from Han Zheng, the deputy premier in charge of Hong Kong and Macau affairs, would increase the likelihood of strengthened Hong Kong police responses, such as more liberal use of rubber bullets and the deployment of water cannons against protesters.

Decreasing risk

- Public opinion turning against disruptive protests, indicated by the pulling of support by pan-democratic political parties, such as the Democratic Party, and business groups, would signal higher political pressure against protesters to de-escalate.
- Although unlikely, Lam directly addressing the five-point demands is likely to shift support by moderates to peaceful negotiations and away from radical protests. This would be indicated by more than one week

without violence, enabling the Hong Kong and mainland Chinese government to justify the start of negotiations without loss of face.

- Increased pressure from businesses and religious, education, civil society, or civil servant groups for the government to address protester demands would increase the likelihood of government concessions. The International Chamber of Commerce - Hong Kong, which includes many pro-China businesses and financial institutions, has recently publicly asked the government to withdraw the currently suspended extradition bill and set up an independent committee to investigate the causes and development of recent protests.
- Mass resignations by civil servants and pro-China parliament members would indicate distrust of Hong Kong Chief Executive Carrie Lam's administration and signal support for protester demands to win votes ahead of district and Legislative Council elections in 2019 and 2020.
- Key government officials responsible for decision-making stepping down, such as Secretary for Security Lee Ka-chiu, Police Commissioner Lo Wai-chung, Secretary for Justice Cheng Yeuk-wah, and Chief Executive Lam, would open opportunities for changing strategies by the Hong Kong government and more moderate attitude towards protester demands.
- Open criticism by mainland China's state media outlets of the administration's handling of the Hong Kong protests would signal a departure from the current Chinese stance and increase the likelihood of a government compromise.

Fighting between separatists and government forces in southern Yemen likely to escalate, jeopardise Hodeidah ceasefire

23 Aug 2019 - Country Risk | Headline Analysis

On 22 August, heavy fighting broke out between forces loyal to the separatist Southern Transitional Council (STC) and those supporting the UN-recognised Yemeni government in and around Ataq, capital of southern Shabwa province. Despite the announcement of a local ceasefire on 23 August, mediated by Saudi Arabia, fighting was still ongoing at the time of writing.

- **The fighting in Ataq reflects the ongoing STC attempt to take control of Southern Yemen and achieve de-facto independence of the southern provinces.** IHS Markit had previously flagged the increasing risk of such fighting across southern Yemen as a consequence of the increasing pro-independence stance of the STC, growing assistance granted by the United Arab Emirates, and subsequent UAE military disengagement in Yemen. The STC is a self-declared political entity, backed by the UAE since it was established in May 2017, assuming the role of representing southern Yemen, rather than that of the internationally recognised presidency of Abdurabu Mansour Hadi. On 10 August, forces aligned with the STC seized effective control of Aden, the transitional country's capital, and after three days of fighting with government forces more than 70 people were killed. Despite Saudi mediation efforts, factional fighting has continued since, with STC forces seizing several military bases in Zinjibar, the capital of Abyan, on 20 August, shelling Aden's presidential palace on 21 August, and moving into Ataq on 22 August.
- **A long-lasting ceasefire between the STC and the Yemeni government is unlikely, barring President Hadi's resignation and STC incorporation into his government.** The growing intransigence of the warring sides was demonstrated by President Hadi's refusal to meet an STC delegation in Jeddah, Saudi Arabia, and to hold peace talks on 21 August, and the STC's accusation that the Hadi government had cut fuel and power supplies to Abyan, Aden, and Lahij provinces in response to the STC refusal to withdraw from Aden, including its port. As such, a durable ceasefire is unlikely to be reached unless Hadi accepts the transfer of his presidential powers to a new vice-president and incorporates the STC into a new government structure. Given the strength it has reached, the STC is

unlikely to accept a mere pledge of future autonomy for the south once the conflict with the Houthis is over.

- **The confrontation between the Yemeni government and the southern separatists is likely to expand geographically in the one-month outlook, and jeopardize the ceasefire agreement in Hodeidah.** IHS Markit assesses that the STC strategy is to consolidate its control over Abyan and Lahij and move into Shabwa first, and then to Hadramawt, where pro-southern sentiment is high. To succeed, they will nevertheless require the support of those local tribes that have maintained neutrality, and the defection of the southern elements within the Yemeni army. Factional fighting in Aden using heavy weaponry is likely to recur over the next few weeks, especially around the port, the airport, and the presidential palace, and expand into Ja'ar, Zinjibar, Tarim, Ataq, and al-Mukalla, which is already under STC control.
- **The intensification of fighting in southern Yemen also risks triggering a new escalation around Hodeidah.** The Houthi will probably try to exploit the gradual disengagement there of southern militias (which form the bulk of the fighting force on the Hodeidah front) to cut off the Saudi-led coalition's supply line from the south into the port city. On 21 August, Yemeni media reported the arrival of large Houthi reinforcements towards the al-Tahita district in Hodeidah, indicating that such a dynamic is already in motion.

Indicators of changing risk environment

Increasing civil war risk

- The STC starts preparations for a unilateral declaration of southern independence and proclaims Aden as the capital of Southern Yemen.
- STC forces start deploying in al-Dali', Hadramawt, and Bayda.
- Saudi Arabia steps in to support the government of President Hadi, and targets STC forces positioned in Aden and Shabwa with airstrikes.
- The Yemeni government calls for the dissolution of all pro-UAE militias, and their integration in the Yemeni army.
- The Houthi movement launches a large-scale offensive aimed at re-entering Hodeidah.
- AQAP expands the geographical reach of its operations or manages to start contesting territory in southern Yemen.

Decreasing civil war risk

- President Hadi resigns and the Yemeni government incorporates STC political figures.

India's Kashmir decision

22 Aug 2019 - Country Risk | Strategic Report

On 16 August, the permanent members of the United Nations Security Council (UNSC) held a closed-door consultation to discuss the Indian government's constitutional changes to Article 370 that rescinded autonomy privileges for Jammu and Kashmir (J&K). The meeting was largely ceremonial and did not result in any official statement or proposed motions, indicating that the international response to India's actions will probably be muted. Domestically, however, since 10 August media reports have indicated violent anti-government protests in Srinagar, Indian-administered Kashmir, although these reports have been mostly denied by the Indian

government. The Indian government has relaxed some restrictions that have been in place since 4 August, particularly in Jammu and Ladakh regions of J&K. However, in the Kashmir Valley curbs on movement, internet shutdowns, detention of Kashmiri separatists and former chief ministers, and a strong security presence comprising thousands of troops are still in place. Separately, on 10 August parliamentary members of J&K's National Conference party challenged the abrogation in India's Supreme Court.

- **J&K's re-organisation into two union territories enables the central government's Ministry of Home Affairs (MHA) to implement stricter state security policies. The new law has split J&K into two federally controlled union territories: Jammu and Kashmir, and Ladakh.** India has officially included Pakistan-administered Kashmir within the two new territories, demonstrating that it continues to claim the entirety of Kashmir. Law and order in these union territories will be overseen by the central MHA instead of the current state police force. When implemented on 31 October, this new apparatus will likely enable the Indian government to continue a militaristic approach in countering separatist groups in J&K. These measures, including curfews, increased preventive detentions, and intensified cordon-and-search operations against suspected militants, have already been in place since the state government was dissolved in June 2018 and are likely to continue. It is still unclear whether the MHA will retain existing J&K police personnel in the new force, or replace them altogether.
- **Pakistan's opposition to India's move is likely to centre on diplomatic measures, but a lack of international support means that this strategy is unlikely to affect Indian policy.** The UNSC meeting was effectively a response to Pakistan's and China's efforts to seek intervention from the international community against India. Earlier on 8 August, Pakistan announced diplomatic and trade measures against India, given that Pakistan perceives the recent changes as a fundamental alteration of the existing status quo in the Kashmir dispute that is intended to change the region's demography. However, the UNSC meeting indicates that the international community is unlikely to pursue strong economic or security-related sanctions against India for now – including China, despite its statement claiming that India's actions violated Chinese sovereignty. In this case, given domestic pressure to respond, Pakistan is increasingly likely to undertake its own constitutional measures to grant full provincial status to Azad Kashmir and Gilgit-Baltistan, the Kashmiri territories that it controls. Neither Pakistan's explicit military response nor efforts to exacerbate militancy in Kashmir are likely, given international scrutiny of Pakistan's relations with Kashmiri separatist groups through the Financial Action Task Force and the International Monetary Fund.
- **The risk of protests within Kashmir is increasing irrespective of curfew-like restrictions in place.** There is an increasing risk of Kashmir Valley residents defying curfews to protest against the Indian government, and the risk of unrest will substantially increase when the current security measures are eased. Several media reports have indicated that such protests are already under way. Violence is almost certain, given that Kashmiri opponents of the Indian government will calculate that the killing of protesters would enhance international scrutiny of Indian security forces. These protests will likely be focused in the Kashmir Valley, particularly in Srinagar, involving thousands of people throwing stones and security forces using tear gas, pellet guns, and probably live fire to disperse crowds. Although Buddhist-majority Ladakh is likely to remain significantly more stable, its Muslim-dominated Kargil district is also likely to experience protests.
- **J&K's re-organisation will likely drive recruitment for Pakistan-based, indigenous, and transnational militant groups operating in Kashmir, increasing the risk of attacks in Kashmir and, less likely, mainland India.** India's constitutional changes will almost certainly drive recruitment for separatist groups operating in Kashmir, both Pakistan-based and indigenous. Islamic State and Al-Qaeda-associated groups, which have a nascent presence in Kashmir, are also likely to increase recruitment, particularly in the absence of a robust Pakistani military response. However, actual attacks are unlikely until after Indian military restrictions in the state are eased, and even then, increased security

in the territory via central government control will limit the risk of successful attacks or enhanced separatist capabilities. That said, separatist groups are likely to carry out attacks against Indian security forces in Kashmir, and their target set would widen to include Indian businesses that are reportedly planning to invest in J&K, which is now permitted. Moreover, militants will likely increasingly aspire to carry out attacks in Indian cities outside of Kashmir, although the execution of such attacks would be far more challenging. Nevertheless, if attacks do occur, these would target less secure crowded marketplaces, religious sites, public transportation systems, and hospitality establishments in major Indian cities including Bangalore, Chennai, Hyderabad, Kolkata, Mumbai, and New Delhi.

- **Reported increases of Indian and Pakistani troops along the Line of Control (LoC) indicate a likelihood of intensified cross-border skirmishes in the one-month outlook.** On 10 and 11 August, unconfirmed social media reports indicated that the Pakistan Army had increased troop deployments and artillery equipment along the LoC. On 9 August, the Indian Navy was placed on high operational alert, and both India and Pakistan have been flying combat air patrols in the Kashmir region. Although official intent for a full military escalation is likely low, these enhanced measures underscore the risk of accidental military escalation along the LoC. Any such escalation would, however, likely remain contained within Kashmir and both sides would probably focus on military targets (and in the case of India, separatist militants) in Kashmir, as opposed to critical infrastructure, before seeking de-escalation.

Indicators of changing risk environment

Increasing risk

- The Indian government offering a timeline for lifting restrictions in J&K would increase the risk of protests within the Kashmir Valley.
- Renewed suspension of the entirety of Pakistani airspace would indicate intensifying military alert levels in Pakistan, raising the risk of skirmishes along the LoC.
- Continued rationing of food and water supplies in J&K would indicate Indian preparation to engage in cross-border skirmishes along the LoC.
- The MHA requesting J&K's state police force to surrender its firearms would indicate its intent to replace the state police force with new officers, probably from other parts of India, thus increasing the likelihood of rebellion among former local police officers.
- The Indian government has proposed J&K's first investors' summit in Srinagar, to probably take place in October 2019, and has reached out to several private-sector Indian conglomerates. If the summit goes ahead, with confirmed investment in the Kashmir Valley in particular, this would probably broaden the target set among militant groups, albeit beyond the one-year outlook.
- J&K has been without a state government since it was dissolved in June 2018. The Indian government calling for elections in J&K before end-2019 would increase the likelihood of civil society-led protests and militant attacks in the Kashmir Valley.
- Continued restrictions alongside international media reports alleging violence and a strong response by security forces in Kashmir beyond the one-month outlook would probably cause the international community to consider action against India.

Decreasing risk

- India's Supreme Court is likely to address a petition challenging the abrogation within the one-month outlook. Any indication of the hearing being fast-tracked, or a temporary restriction of the abrogation, would limit the risk of civil society protests within and outside J&K, even if temporarily.
- Indian withdrawal of "high operational alerts" for the Indian army, air force, and navy would indicate a reduced likelihood of cross-border skirmishes with Pakistan.

- On 11 August, the Indian government confirmed that all land-related matters will fall under the jurisdiction of J&K's local government, unlike law and order. A future J&K government proposing domicile requirements to protect local residents' property rights would reduce the motive for civil unrest in the Kashmir Valley.
- A withdrawal of high security alerts placed across airports and major cities would indicate that the Indian government assumes low intent among militant groups to carry out attacks.

Reports of Pakistani militants infiltrating India reflect heightened alert levels, but not actual increasing risk to marine assets

30 Aug 2019 - Country Risk | Headline Analysis

On 28 August, officials at Mundra and Kandla ports in India's Gujarat state circulated a note to staff warning of possible attacks by "Pakistan-trained commandos" against marine assets in the Gulf of Kutch. The warnings cite intelligence inputs from the Indian coastguard stating that militants had infiltrated into India through the Harami Nala creek area. The warnings come in the context of the Indian central government's reorganisation and removal of autonomous privileges for Jammu and Kashmir (J&K). Pakistan, which also claims the region, has opposed India's move, while international media reporting has indicated resistance from among at least some sections of the local population in J&K.

Significance: The warnings issued by the Gujarat ports reflect heightened alert levels in India, rather than indicating an actual imminent risk of terrorist attacks on marine assets. IHS Markit notes that Indian media reports on 29 and 30 August, quoting unidentified defence officials, described the coastguard warnings as "precautionary" and had been misinterpreted by port officials. Nevertheless, the heightened alert levels are likely to entail enhanced security measures causing temporary delays at Indian ports, particularly in Gujarat and Maharashtra. More broadly, we assess that Pakistan's opposition to India's constitutional changes in Indian-administered Kashmir is likely to centre on diplomatic and trade measures. The Pakistani state probably calculates that the use of non-state armed groups (NSAGs), particularly outside of Indian-administered Kashmir, would be difficult to de-link with Pakistan in international forums and would further exacerbate multilateral sanctions on the Pakistani economy. That said, in the one-year outlook, the risk of militant attacks will increase within J&K specifically, driven by a probable increase in recruitment for separatist groups. Attacks would probably primarily target Indian security forces, but the militants' target set would widen to include Indian companies' personnel and assets should Indian firms begin investing in Indian-administered Kashmir, which India's constitutional changes now facilitate.

Risks: Terrorism

Sectors or assets affected: Marine

Extortion and cargo robbery likely to rise in Edomex and Mexico City as CJNG expands operations

13 Aug 2019 - Country Risk | Headline Analysis

On 7 August, the National Chamber of Tourism and Local Passenger Transportation (a Cámara Nacional del Autotransporte de Pasaje y Turismo: Canapat) reported in national media that several of its members had suspended operations in Estado de Mexico (Edomex) as a result of rising insecurity from extortion and robberies. In the last three weeks, there have been several incidents of public transport vehicles being set on

fire as a result of suspected extortion demands. On 25 July, two mini-buses were set on fire and their drivers abducted and assassinated on the San Juan Zitlatepec route in the north of the state. On 31 July, two more buses were set on fire on the same route. The same day, another bus was set on fire in Gustavo A Madero municipality, Mexico City. State authorities suspect the Jalisco New Generation Cartel (Cártel de Jalisco Nueva Generación: CJNG), one of the country's largest organised crime groups was behind the attacks. One victim claimed he was asked for roughly USD7,600 a week to avoid attacks on his vehicles. Further witnesses claim extortion demands begin with the burning of a vehicle as a warning. A system of stickers are used to identify the vehicles of companies that have paid extortion. Estado de Mexico Security Secretariat has identified Chalco, Texcoco, Valle de Chalco, Zumpango, Ixtapaluca and Nicolás Romero municipalities as the worst affected in the state.

Significance: Cargo robbery is already a significant risk in Estado de Mexico, with 2,473 incidents between January and June 2019, a 70% increase compared with the same period in 2019 and accounting for almost 40% of the national total. About 70% of these crimes were perpetrated with violence. Recent incidents of property damage against vehicles because of extortion indicate an additional layer of cargo risk is evolving in Estado de Mexico and creeping into Mexico City. At present, the risk of vehicle arson is limited to public transport operators who operate on regular routes and are easily identifiable. However, this modus operandi could be applied to other firms whose vehicles take regular routes or make predictable deliveries such as food and drink suppliers. Further incidents in Mexico City would likely trigger the redeployment of state security assets to safeguard transport in the capital and indicate a likely reduction in the resources allocated to Estado de Mexico to combat transport-related crime.

Risk: Crime; Criminal violence; Robbery; Extortion

Sectors or assets affected: Ground cargo; Transport

Anti-mining leader's arrest increases risk of roadblocks, leading to commercial, tourism, and cargo disruption in Peru's Puno region

5 Sep 2019 - Country Risk | Headline Analysis

Political, environmental, and Aymara indigenous activists from the Southern Puno department are calling for a 48-hour strike starting today (5 September) in protest against the arrest of Walder Aduviri, Puno's regional governor. Aduviri was sentenced to six years in prison for his role in organising a protest calling for the cancellation of all mining projects in Puno in 2011 in which the offices of the regional government, customs, and a General Comptroller were set on fire. Aduviri, an Aymara indigenous leader who had been on the run for 10 months before his arrest, denied the allegations and argues that his prosecution is politically motivated.

Significance: Protests are likely to extend beyond 48 hours and to take the form of roadblocks in Puno's city centre, a commercial capital and tourism hub for the Titicaca lake region near the border with Bolivia, and on nearby highways – including Puno- Desaguadero and Puno-Juliaca. This is likely to lead to commercial, tourist and cargo activity disruption and there is an increased risk of arson attacks against government buildings and vehicles. The demonstration comes against the backdrop of recent protests against mining operations in Arequipa and Moquegua, specifically against Southern's USD 1.4-billion Tia Maria mining project in the Arequipa region (currently suspended) and Anglo American's USD 5 billion Quellaveco copper project in Moquegua region. As such, the arrest of Aduviri is also likely to moderately contribute to increased anti-mining sentiment among local communities in the Southern regions of Tacna, Moquegua, Cusco, Madre de Dios and Apurimac, but also act as a deterrent to regional governors who might otherwise encourage protests to escalate. An indicator of decreasing protest risk will be increased participation of regional authorities and local communities from Southern regions agreeing to actively engage in negotiations to assess

the benefits of social projects proposed by companies and improved corporate social responsibility capabilities and engagement on the ground. Conversely, regional governors actively opposing specific projects increase the likelihood of more disruptive roadblocks and of approved environmental impact assessments being revised by national authorities conceding to pressure from local communities.

Risks: Protest and riots

Sectors or assets affected: Mining; Ground cargo; Tourism.

Israel increases strikes on Iran's proxies to ensure any negotiations with Iran not limited to nuclear issue

5 Sep 2019 - Country Risk | Headline Analysis

Israel disclosed intelligence on 3 September that Hizbullah had built a facility for manufacturing precision missiles in the Lebanese town of Nabi Chit in the Bekaa Valley. This followed Israeli strikes against Iranian targets in Iraq, Lebanon, and Syria over the past month.

- **French mediation is seeking to reward Iran for compliance with the 2015 Joint Comprehensive Plan of Action (JCPOA) by offering it up to half a year of oil exports.** French President Emmanuel Macron reportedly discussed with US President Donald Trump the possibility of giving Iran a line of credit worth USD15 billion in exchange for Iran complying with the JCPOA and refraining from further breaches. However, Iran is set to take further steps to violate the JCPOA, as part of a campaign to extract concessions over sanctions, in coming days. Previous violations include increasing uranium enrichment above the 3.5% limit, increasing the stockpile of enriched uranium above 300 kg, and, in the coming days, increasing research into advanced centrifuges. Iran has given Europe two months to salvage the JCPOA by finding mechanisms to avoid US sanctions. President Trump said on 4 September that he might meet with Iranian President Hassan Rouhani at the end of September at the United Nations General Assembly, while also saying sanctions on Iran would not be lifted.
- **Israel is expanding its targeting against Iran to expose Iran's regional activities and ensure that they are included in any future negotiations.** The Israeli government likely calculates that any future US-Iran negotiations that is limited exclusively to the nuclear issue would permit Iran to continue its regional expansion, increasing risks to Israel from Iran's provision to allies and proxies of precision-guided missiles, unmanned aerial vehicles, and other advanced weapon systems. Israel therefore stepped up its targeting of Iranian proxies and allies in Iraq, Lebanon, and Syria to highlight Iran's destabilising regional role and to force Israel's inclusion in any talks, and to degrade Iran's asymmetric capabilities. The Israeli claim about a precision missile factory construction in Lebanon was likely part of this strategy, as were strikes on Hizbullah on 24 and 25 August in Syria and Lebanon. Increased military activity and rhetoric by both sides increases the risk of miscalculations that is likely to lead to war between Israel and Hizbullah and its allies.
- **Iran's unwillingness to back down on its regional role and military support for proxies makes a deal unlikely, bringing further Iranian escalation.** From Iran's perspective, its nuclear programme activities are primarily intended as a negotiating card, through which to extract concessions from the West over regional issues and sanctions. Iran is extremely unlikely to compromise on its ballistic and precision missile programmes, or on its support for proxies in the region. An Israeli satellite imaging and intelligence firm has reported that Iran is building a base that can store missiles and house thousands of military personnel on the Syrian side of the Iraq-Syria border. If confirmed, this would indicate a deeper

commitment to both issues. Iran will likely continue to strike US allies without provoking a full-scale war until it gets sanctions relief.

Indicators of changing risk environment

Indicators of rising likelihood of a US-Iran deal

- The US grants Iran sanctions relief in advance of negotiations, or tied to progress in negotiations.
- President Trump postpones negotiations on other US demands until after an agreement is reached on the nuclear issue

Indicators of falling likelihood of US-Iran deal

- President Trump insists that any negotiations with Iran must include missile and regional issues, not just Iran's nuclear programme
- Both Democrats and Republicans oppose negotiations limited to nuclear activities and indicate that they will not ratify any subsequent agreement.

Syria's ongoing sanctions avoidance increases likelihood of deniable sabotage against facilities and vessels at Baniyas oil terminal

21 Aug 2019 - Country Risk | Headline Analysis

US Secretary of State Mike Pompeo issued a warning on 20 August that anyone supporting the Iranian supertanker *Adrian Darya 1* (formerly named *Grace 1*) in the Mediterranean would be at risk of receiving US sanctions, and that the US would take every action consistent with sanctions to prevent the vessel from heading to Syria. The *Adrian Darya 1* was seized by UK authorities in July on suspicion of heading towards Syria's Baniyas oil terminal with a cargo of 2.1 million barrels of Iranian crude, in breach of EU sanctions. It was released and left Gibraltar on 18 August after Iran gave written assurances that the *Adrian Darya 1* was not heading to any destination under EU sanctions. Despite US and EU sanctions prohibiting the sale of crude oil to the Syrian government, the Baniyas oil terminal and refinery have continued to receive supplies of crude, most likely from Iran, via sea. These were suspended for several weeks after an unclaimed act of apparent sabotage in late June severely damaged the underwater pipelines that enable tankers to offload their cargo at the terminal.

Significance: IHS Markit assesses that the Iranian crude on the *Adrian Darya 1* is most likely destined for Syria, but that it is likely to be transferred to other vessels at sea, which will then dock at the Baniyas oil terminal. Despite US warnings, any attempt to seize the vessel and its cargo would carry a high risk of Iranian retaliation in the Gulf, such as further tanker seizures and attempts to disrupt shipping through the Strait of Hormuz, including targeting tankers headed to the US, and Saudi and UAE oil infrastructure. The Gulf will probably remain the theatre for Iranian escalation for now. The US has demonstrated that it is seeking to avoid escalation that could lead to a war between the US and Iran. This increases the likelihood of US-sanctioned deniable acts of sabotage against the Baniyas terminal and vessels docking at the terminal, and could include the use of explosives to disable port infrastructure or vessels in port, or the targeting of third-party vessels at sea that are suspected of transferring Iranian crude to Syria.

Risks: Interstate war

Sectors or assets affected: Marine cargo; Oil and gas

Ukraine's government announces port PPP concessions, encouraging FDI and reducing operational constraints in three-year outlook

15 Aug 2019 - Country Risk | Headline Analysis

On 14 August, Transport and Infrastructure Minister Volodymyr Omelyan announced government confirmation of the transfer of Kherson seaport, Kherson region, and Olvia seaports, in the Mykolaiv region, to Public Private Partnership (PPP) concessions. Over 20 applications were reportedly made for the ports by foreign and domestic firms. The two second-tier Black Sea ports, located in the estuaries of the Dnieper and Southern Buh rivers respectively, will remain under state ownership but will be privately operated under concessions for up to 35 years. The PPP initiative affecting ports follows ongoing increases in cargo volumes processed by Ukrainian seaports. According to the state-owned Administration of Seaports of Ukraine (Administratsiya Morskykh Portiv Ukrayiny, AMPU), aggregate cargo turnover of all Ukrainian seaports increased by 16% year on year in the first half of 2019, having expanded by the same percentage in 2018 versus 2017 levels.

Significance: IHS Markit assesses that the seaport concessions seek to attract FDI into Ukraine's marine infrastructure; we assess that this would reduce operational risks affecting the ports in the three-year outlook. Transfer of port operations to private-sector, and especially to foreign firms under the PPP framework, is likely to decrease corruption risks affecting the sector, as state-owned and government-operated businesses in Ukraine tend to be more prone to corrupt practices than private or foreign-owned enterprises. Risk of cargo disruption caused by labour strikes in the seaports is also likely to decline, as private-sector employers in Ukraine generally offer better working conditions and higher salaries and generate fewer wage arrears than state-owned employers. Port privatisation is likely to permit AMPU to refocus its operations towards providing dredging services in the canals leading to the seaports, and other infrastructure investments potentially positive for operating risks. Wider cabinet approval for the measure is still pending. Prompt ratification of the Kherson and Olvia port concessions by the new cabinet, expected to be formed in September, would indicate scope for additional PPP concessions to be granted in Ukraine's seaport sector, including top-tier ports. Conversely, the new cabinet's opposition to the port concessions would indicate continuation of the status quo with higher operational and corruption risks in the sector.

Risks: Expropriation; State contract alterations; Corruption; Labour strikes

Sectors or assets affected: Seaports; Trade

Chinese-Vietnamese standoff increases risk of disruption to commercial operations in South China Sea and protests in Vietnam

7 Aug 2019 - Country Risk | Headline Analysis

At least 10 anti-Chinese protesters gathered outside the Chinese embassy in Hanoi on 6 August before being removed by the police amid an intensifying standoff between Chinese and Vietnamese vessels in the disputed South China Sea. According to the Vietnamese government, Chinese seismic survey and coastguard ships have allegedly been operating near Vanguard Bank, part of the Spratly Islands, in Vietnam's exclusive economic zone (EEZ), in territory also claimed by China since 4 July. The presence of Chinese vessels is likely in response to a joint Russian-Vietnamese oil exploration activity in the area since May. The Vietnamese foreign affairs ministry claimed that 35 Chinese vessels were in Vietnam's EEZ, but international media reports on 4 August suggested that the number had increased to 90. On 1 August, Vietnam extended exploration work to 15 September, warning all vessels to stay away from the Hakuryu-5 rig involved the Russian-Vietnamese exploration. The extension contrasts with Vietnam's response to previous Chinese efforts to deter Vietnamese energy exploration in the South China Sea; in 2017 and 2018, Vietnam suspended the development of an oil and gas block in disputed waters because of Chinese opposition.

Significance: IHS Markit assesses that the build-up of Chinese vessels and Vietnam's resolve to continue exploration in the South China Sea increase the risk of confrontations between Chinese and Vietnamese commercial and coastguard vessels around the Spratly Islands. Confrontations are likely to involve rammings, the use of water cannon, and the cutting of seismic cables. More broadly, oil and gas exploration operations in territory disputed by China and Vietnam in the South China Sea are likely to experience disruption and delays (both countries have awarded multiple oil and gas exploration licences in disputed waters). Moreover, the standoff increases the risk of anti-Chinese protests in Vietnam. Although these will probably be largely peaceful, more violent protests targeting Chinese personnel and businesses would be likely, particularly in the Binh Duong, Dong Nai, and central Ha Tinh provinces, should confrontations in the South China Sea occur.

Risks: Interstate war; Marine; Protests and riots

Sectors or assets affected: Oil and gas; Chinese businesses