IHS Markit

Analysis selection for JCC

August 2020

Growing marine risks and renewed Houthi attacks into Saudi Arabia due to impasse in peace talks

2 Sep 2020 - Country Risk | Headline Analysis

The spokesperson for the Saudi-led coalition in Yemen, Colonel Turki al-Maliki, stated on 1 September that Saudi naval forces had intercepted on 30 August a Houthi remotely controlled "booby-trapped" boat laden with explosives in the southern Red Sea. On the same day, Saudi forces claimed to have intercepted an explosive-laden unmanned aerial vehicle (UAV) launched by the Yemeni-based Houthi militia towards Abha airport, in the southwestern Asir region in Saudi Arabia.

- **The Houthi movement is likely attempting to push Saudi Arabia to consider concessions that the Saudis have so far resisted to accept, such as the reopening of Sanaa airport and the lifting of the sea and air blockade, and attempting to increase their leverage ahead of eventual direct negotiations with the Saudi-led coalition**. Since mid-July, the Houthi movement has intensified its offensive against strategic assets into Saudi Arabia. According to IHS Markit data, at least 14 attacks using a combination of UAVs and ballistic missiles took place in the period between 15 July and 2 September, targeting Jizan, Najran, Khamis Mushaut, and Abha city and their respective airports. According to Saudi-led coalition statements, all of these attacks were intercepted by Saudi defences. These attacks came in the context of a steady escalation in fighting between Saudi-backed forces loyal to internationally recognised president Abd Rabbu Mansour Hadi and the Houthis in Ma'rib province, the last government-controlled province in north-west Yemen. They also reflect the current impasse in peace talks brokered by the United Nations, which have failed to produce any tangible outcome since the Hodeidah ceasefire was signed in December 2018.

- **IHS Markit assesses that Houthi cross-border attacks into Saudi Arabia using ballistic missiles and weaponised UAVs are likely to intensify, as long as the movement and the coalition do not resume formal negotiations.** Airports in the south of Saudi Arabia are at highest risk, particularly Jizan, Abha, and Najran, and further north towards hydrocarbon facilities around Jeddah. Considering the Houthis' intent to target commercially relevant assets in Saudi territory, such as airports, such targets are likely to face significant structural damage when Houthi attacks are carried out with a combination of drones, ballistic missiles, and cruise missiles.

- **Similarly, the Houthi movement is likely to continue to engage Saudi military and commercial ships off the Yemeni Red Sea coast, but are unlikely to risk escalating their attacks to include indiscriminate and recurring attacks targeting international commercial shipping.** Given the group's ready access to unmanned marine vehicle-borne improvised explosive devices (UM-VBIEDs) and sea mines, the Red Sea coast is very likely to continue to be an area of active targeting by the Houthi. Expanding to international shipping, however, would almost certainly invite a concerted military effort against them – something the

Houthi will seek to avoid. There is an increasing risk, however, of one-off demonstrative attacks and accidental targeting due to misidentification of commercial vessels.

Indicators of changing risk environment

Increasing risk

- Houthi militants intensify the ground offensive and take positions outside Ma'rib city.
- The Houthis unveil new weapons systems and state their intent to escalate operations against Saudi Arabia.
- The Saudi-led coalition intensifies its campaign of airstrikes targeting Houthi-controlled areas, especially Hodeidah and Sanaa.

Decreasing risk

- The UN calls for a new round of peace talks and both Saudi Arabia and the Houthis agree to implement a ceasefire.

Mainland China's ballistic missile launches near Paracel Islands increase prospect of additional US-led regional defence co-operation

1 Sep 2020 - Country Risk | Headline Analysis

Chinese media on 26 August quoted the People's Liberation Army (PLA)'s sources that it has launched two ballistic missiles – DF-26B and DF-21D – from Qinghai and Zhejiang provinces, respectively, to an area between Hainan province and the Paracel Islands in the South China Sea (SCS). The US Navy confirmed the report, but stated that four, rather than two, missiles were fired. The incident came a day after a US U-2 reconnaissance aircraft was deployed around a Chinese-imposed no-fly zone in the Yellow Sea, where the PLA is undergoing military exercises. China's defence ministry said that the U-2 plane has "trespassed" into a Chinese area. A statement from the US Pacific Air Force confirmed the U-2 flight, but stated that it had not violated international rules.

Significance: The US deployment of the U-2 aircraft was seen domestically as highly politically provocative and the government would be expected by the internal audience to send a reciprocal response. In line with the ongoing Chinese policy of not seeking escalation against the United States, the missile launches were carefully calibrated and fired into regions where China has control over the southeast of Hainan. However, the missile launches will increase the perception of Chinese threat to SCS-claimant and US-allied countries in East Asia. The DF-26B and DF-21D ballistic missiles travelled around 2,900 km from Qinghai and 1,600 km from Zhejiang to hit the intended targets. Neighbouring countries such as Japan, the Philippines, and Vietnam were possibly within the missiles' ranges, depending on the payload. This increases the likelihood of military collaboration between those countries and the US to counter perceived military threat from China, in particular welcoming additional US involvement in SCS affairs. Increased US presence will raise the likelihood of SCS-claimant countries challenging future Chinese maritime enforcements, such as driving off fishing vessels, confiscating equipment, and preventing energy exploration in disputed waters. Key indicators of increased US involvement include senior leadership from the Philippines and Vietnam, main SCS-claimant countries, further criticising Chinese military activity. Both countries have recently issued statements from their respective foreign affairs departments against China's military exercises and dominance in the region and have accused China of violating their sovereignty claims.

RISK NOTE: UAE explosions, cause unconfirmed but align with Iranian intent to intimidate opponents, no change to war risks

1 Sep 2020 - Country Risk | Headline Analysis

On 31 August 2020, as an Israeli-US delegation was making the first official visit to the United Arab Emirates after Israel and the UAE's peace agreement, two explosions occurred in the UAE.

- One explosion occurred at a KFC in Abu Dhabi along the airport road that would have been used by the delegation, killing two people and injuring several others. A second occurred in Dubai near the International City, near the Persia and Greece neighbourhoods (referred to in Dubai as clusters), killing one person. UAE authorities attributed both incidents to accidents caused by gas or gas cylinders.

- In 2018, the UAE had denied reports that the Yemeni Ansar Allah (Houthi) militia had successfully targeted Abu Dhabi International Airport with an unmanned aerial vehicle (UAV). The attack was confirmed one year later by video, demonstrating that UAE authorities had concealed the occurrence of an attack. As such, it is plausible, at least, that the incidents were attacks in response to the UAE's normalisation with Israel. If they were attacks, as IHS Markit assesses is likely, Iran would be the most likely actor, as other potential actors, such as transnational jihadists, are likely to lack the capability for even basic attacks in the UAE, and have long had cause for attacks in the UAE without any materialising.

- It is likely that Iran maintains latent terrorist capabilities in multiple Gulf Arab states, including Kuwait, Bahrain, the UAE, and Saudi Arabia. Iran is unlikely to have the ability to conduct a sustained campaign in any of those countries without being detected, and, as such, would likely deploy its resources strategically and symbolically. Its objective is likely not to inflict mass damage or casualties, but rather to highlight the cost of an openly hostile relationship with it. It would therefore be likely to choose secondary targets, or scare tactics such as leaving improvised explosive devices to be detected by security.

- Incidents similar to those that took place on 31 August would be likely should the UAE deploy Israeli military systems such as the Iron Dome air anti-missile defence system, as is increasingly likely. The UAE is unlikely to retaliate directly, as it realises that the perception that it is a safe haven in the Middle East is critical for its economic success.

Grenade explosions in Antwerp likely indicative of drug gang rivalry, increasing security risks in Belgian port areas

27 Aug 2020 - Country Risk | Headline Analysis

On 24 August 2020, unidentified perpetrators threw a hand grenade into a vacant building in Deurne, east Antwerp, with the grenade bouncing back and exploding on the street next to the house of a local drug trafficking gang leader, without causing any casualties. The attack followed two other hand grenade explosions over the weekend in east Antwerp's Ekstelaar and Borgerhout areas, where a shooting targeting the family home of a drug gang member also took place, not leading to any casualties. Prior to the incidents, the police had seized a shipment of 500kg of cocaine at the port and detained two port employees suspected of having facilitated the trafficking of up to 800kg of cocaine, as part of a separate investigation. In 2019, Belgian authorities had seized a record 62 tonnes of cocaine in total, a 23% increase compared to 2018. The Port of Antwerp is the principal entry point for cocaine in Europe, with the substance mostly being trafficked from Brazil, Colombia and Ecuador.

Significance: The increase in frequency of violent attacks between criminal gangs with the deployment of hand grenades in residential areas of Antwerp is likely indicative of intensifying rivalry between groups controlling the trafficking of cocaine into Europe through the Port of Antwerp. The escalation is likely to be linked to changes in the dynamics of drug trafficking gangs, particularly of influential drug cartels in Latin America; their revenues from extortion reduced during lockdowns introduced globally from March in response to the coronavirus disease 2019 (COVID-19) outbreak. While violent attacks between gangs have so far been mostly limited to residential areas in east Antwerp, the escalation increases the likelihood of violent confrontations, including shootings and hand grenade deployment, spreading to port facilities where cargo is handled and the trafficking takes place. An increase in the frequency of checks conducted on containers by Antwerp port authorities as a response to the hand grenade attacks would probably mitigate the risk, resulting in more significant drug seizures and detention of suspected traffickers, acting as a deterrent and disrupting the illegal drug route through the port, although probably only temporarily. However, this would also lead to longer security procedures at the port, likely slowing down the handling of cargo containers. An increase in violent confrontations between criminal gangs in the city of Ghent would be an indicator of similar risks affecting the Port of Ghent, which has also been used by criminal gangs for trafficking drugs from Latin America into Europe.

Risks: Criminal violence; Marine; Death and injury

Sectors or assets affected: All, particularly Marine cargo

Iranian support for Taliban in Afghanistan indicates increasing risk to low-flying civilian and Afghan military helicopters

25 Aug 2020 - Country Risk | Headline Analysis

US media reported on 17 August that US military intelligence had assessed that Iran had placed bounties for insurgent attacks against US interests in Afghanistan. The report identified at least six attacks claimed by the Taliban in 2019, including the December suicide bombing against Bagram air base, as being directly linked to Iranian bounties. In addition to similar reports by local Afghan officials in early 2020 regarding Iranian support for the Taliban, the US assessment is further evidence that Iran – most likely through the Iranian Revolutionary Guard (IRGC) – seeks to leverage its influence within the Taliban leadership to target US military personnel in Afghanistan. In addition, IHS Markit sources in Afghanistan report that two major factions of the Taliban, including members of the main Quetta Shura, had agreed in July to accept unidentified Iranian weapons systems, potentially manportable air defence system (MANPADS), from the IRGC. In the same month, two Afghan military helicopters in Helmand province were damaged in attacks using anti-tank guided missiles, weapons not previously used by the Taliban, according to local officials.

Significance: The growing evidence of co-ordination between the Taliban and Iran makes it increasingly feasible that the Taliban has received Iranian weapons systems that could be used against aircraft, increasing the likelihood of shootdown of low-flying aircraft and damage to parked aircraft. However, weapons supplied by the IRGC, even if they are MANPADS, are unlikely to be sophisticated or capable of successfully targeting aircraft at high altitudes. Moreover, because of Taliban commitments to not target US interests in Afghanistan following the February 2020 US-Taliban withdrawal agreement, the insurgent group is unlikely to use Iranian weapons to target US airbases or aircraft. Moreover, reported Iranian bounties – if they remain active – are unlikely to motivate Taliban attacks against US assets and personnel as long as the withdrawal agreement remains intact. Fighting between the Taliban and Afghan security forces, nevertheless, continues and the Taliban would be likely to use any Iranian weapon systems to target primarily Afghanistan’s low-flying military helicopters. The Afghan military uses Mi-8/17 helicopters, which are also widely used in Afghanistan by the United Nations and civilian contractors, raising the possibility of low-flying civilian air traffic being mistakenly targeted by insurgents.

RISK NOTE: Boarding of oil tanker off Somalia's coast likely response to perceived pollution, not piracy incident

24 Aug 2020 - Country Risk | Headline Analysis

Six armed men boarded the Panama-flagged oil and chemical tanker *Aegean II* off the coast of Bareeda, Bari region in northeastern Puntland state, Somalia (at approximately 11.958278, 51.146000), on 19 August, at around 14:40 UTC.

- According to IHS Markit sources that are close to local security forces and former piracy networks in Puntland, the men reportedly wore police or military uniforms but were not officially members of the Puntland Maritime Police Force. Armed private security contractors on board fired warning shots, but failed to stop the attackers from boarding and had their weapons confiscated. The men then diverted the ship's course, anchoring at Bareeda, before arriving at Bosaso in Puntland on 22 August. As of 24 August, the vessel appears to be heading towards its original destination of the UAE.

- IHS Markit assesses that the armed men were not pirates, but instead were directed by clan elders from Bari region to board the *Aegean II* in a semi-official capacity to stop the ship from allegedly polluting the Somali coast. The vessel's crew contacted the EU Navfor Operation Atalanta anti-piracy mission, explaining that hull damage caused the boat to divert course. AIS track data shows it changed course on 18 August, heading north, instead of south towards Mogadishu. However, IHS Markit sources report that government officials in Bereeda believed the boat to have been dumping pollutants. Several local fishermen reported this issue to local authorities; a Sentinel-2 satellite image which appears to show an oil slick emanating from the *Aegean II* off the Puntland coast in the days before the armed men boarded. Depletion of fish stocks through overfishing or waste dumping are longstanding grievances among Somalis against foreign marine operators. Given the Puntland elders' belief that pollutants emanated from the vessel and its onward passage to Bosaso (not a typical holding area used by pirates), we assess that it is very unlikely the men boarded the ship with the financial motivation to steal cargo or kidnap the crew.

- Pirates and their financiers retain the capability to stage more-frequent attacks with better equipment to improve their chances of success but have in recent years focused on smuggling goods instead. This is less risky and more profitable than piracy attacks, which aim to kidnap crew members and hold them for ransom. IHS Markit data shows that the last successful piracy attack on a commercial significant vessel in Somalia was reported in March 2017. Attempts against smaller vessels are more common but usually fail. Ships travelling outside the recommended Maritime Security Transit Corridor traffic route or without armed guards on board face the highest risk of being boarded successfully.

LNA commitment to ceasefire and oil-production resumption in Libya unlikely, derailing its implementation

24 Aug 2020 - Country Risk | Headline Analysis

On 23 August, the spokesperson of the eastern Libyan National Army (LNA) Ahmed al-Mismari described the Tripoli-based Government of National Accord (GNA)'s announcement of a ceasefire as "media marketing", adding that the LNA was ready to defend Sirte. GNA Prime Minister Fayez al-Sarraj and the president of the eastern-based House of Representatives (HoR), Aguila Saleh, which is officially backed by the LNA, had issued separate statements on 21 August calling for a nationwide ceasefire and the resumption of oil production.

- **Any ceasefire agreement is likely to remain very fragile given GNA/HoR divergences, LNA opposition, and major obstacles to its implementation.** The ceasefire announcements are the result of recent diplomatic efforts by Germany, the United States, and Italy. However, the wording of the two separate statements suggests that both parties are not yet fully committed to end the conflict with a negotiated political solution. Both Saleh and Sarraj called for the exit of foreign forces from Libya, but no reference was made by Sarraj to a 19 August agreement with Turkey and Qatar to establish a trilateral military council in Tripoli. The issue of the status of Sirte and Jufra, where the frontline between the GNA and the LNA is currently frozen, was a second divergent point. Saleh called for Sirte to be secured by police from all regions, while Sarraj specifically used the term demilitarisation and included Jufra to be demilitarised as a requirement. As both sides view the other's security institutions as little more than loyal militias, consensus on suitable forces for the role is likely to be highly contested. Sarraj also called for presidential and parliamentary elections to be held in March 2021, while Saleh did not mention the election and proposed establishing a new Presidential Council in Sirte, in a likely attempt to shift political power from Tripoli towards eastern Libya. As such, any ceasefire agreement reached over the coming days is likely to be very fragile and short-lived, and unlikely to have a significant impact on the situation on the ground unless the LNA fully supports the diplomatic process.

- **Both announcements acknowledged the need to resume oil production, but it is unlikely that the HoR or the GNA will be able to implement their goals.** Both statements proposed that oil revenues be held in a foreign Libyan bank account and that the funds should not be used until a political settlement has been achieved. Although the similarity in the statements on such an issue is significant, the GNA has no physical ability to restart oil production, as the LNA is currently in control of most Libyan energy assets. Moreover, the 20 August announcement by the LNA for the resumption of oil exports only covers existing stored supplies and was issued by LNA commander Khalifa Haftar and not Saleh. The resumption of oil production will primarily be an issue for the HoR to resolve with the LNA leadership, which continues, in partnership with LNA-aligned tribes, to control physical access to the vast majority of oil production facilities. Furthermore, several reliable media reports suggested that the oil blockade has been enforced following the pressure of international actors, most notably the United Arab Emirates, which remains a strenuous LNA supporter and has not commented yet on the ceasefire proposals.

Indicators of changing risk environment

Increasing risk

- The commander of the LNA Khalifa Haftar openly denounces the ceasefire proposals and reiterates his commitment to defeating the GNA.
- Fractures emerge within the GNA camp with politicians, militias, and armed groups supporting the GNA rejecting the ceasefire proposal.
- GNA Prime Minister Sarraj issues another statement clarifying that Turkish forces are legally present in Libya under request of his government and will not leave the country.
- Russia attempts to derail the political process and informally urges the LNA to not halt the fighting

Decreasing risk

- The LNA formally accepts the HoR statement.
- Turkey, Russia, Egypt, and the UAE issue a joint statement supporting the ceasefire proposals.
- The European Union reaches an agreement with the GNA and the HoR to deploy a peacekeeping force around Sirte and demilitarise the area.
- Eastern tribes withdraw their support from the LNA and support the HoR initiative.

Abu Sayyaf Group’s kidnap-for-ransom operational capability likely to diminish following arrest of prominent subcommander in southern Philippines

19 Aug 2020 - Country Risk | Headline Analysis

Philippine police on 13 August arrested an Abu Sayyaf Group (ASG) subcommander who is alleged to have orchestrated numerous kidnap-for-ransom operations in the waters and coastal areas of southern Philippines and Malaysia’s Sabah state since 2013. Abduljihad “Idang” Susukan was arrested by Philippine police in Davao City, at the home of Nur Misuari, chairperson of the Moro National Liberation Front (MNLF), one of the two main Moro-Muslim organisations engaged in a peace process with the national government to pacify the Mindanao region through greater regional autonomy. The circumstances surrounding Susukan’s arrest remain unclear: whether he was captured or voluntarily surrendered with Misuari’s assistance. Despite their initial denials, Philippine security forces appeared to have foreknowledge of Susukan’s presence in Davao. Mayor of Davao City Sara Duterte-Carpio, whose father is President Rodrigo Duterte, said on 14 August that she and security officials were aware of Susukan’s trip to Davao from his base in Sulu province. Susukan has 34 arrest warrants against him in the Philippines: for murder, frustrated murder, and kidnapping. He is also on the Malaysian government’s most wanted list.

Significance: Susukan’s arrest will likely reduce ASG’s cross-border kidnapping-for-ransom capability in the months to come. Based in Talipao, Sulu, Susukan was distinguished among several ASG subcommanders in a network of local clans that orchestrated the kidnapping, transport, and ransom of captives taken from the waters and littorals of the Sulu Sea. Most notably, he allegedly played a pivotal role in the kidnap-for-ransom operations in 2015 that led to the beheadings of, among others, two Canadians and one Malaysian citizen. The longer-term effect of Susukan’s arrest will depend on his value as a source of actionable intelligence for Philippine security forces as indicated by follow-up operations that lead to the capture or killing of other ASG leaders. Such operations would be potentially highly damaging to the ASG. However, in the absence of successful follow-up operations, the ASG will have the time to recover by replacing Susukan with a less experienced, albeit capable, subcommander.

Risks: Kidnap-for-ransom; Marine

Sectors or assets affected: Shipping; Tourism; Fisheries

Escalation in the East Mediterranean

14 Aug 2020 - Country Risk | Strategic Report

The Turkish government announced via a navigational notice (Navtex) on 10 August that Turkey would carry out new seismic research activity in contested areas of the Eastern Mediterranean. The Navtex detailed that a research ship, Oruc Reis, accompanied by at least five naval vessels, would remain in the Eastern Mediterranean within an area claimed by Greece as part of its continental shelf until 23 August, in an area between the Greek island of Crete and the Republic of Cyprus. On 6 August, Greece and Egypt signed an agreement that delineated maritime borders between them and designated an exclusive economic zone (EEZ) that would ignore a similar agreement signed between Turkey and the Libyan Government of National Accord in November 2019.

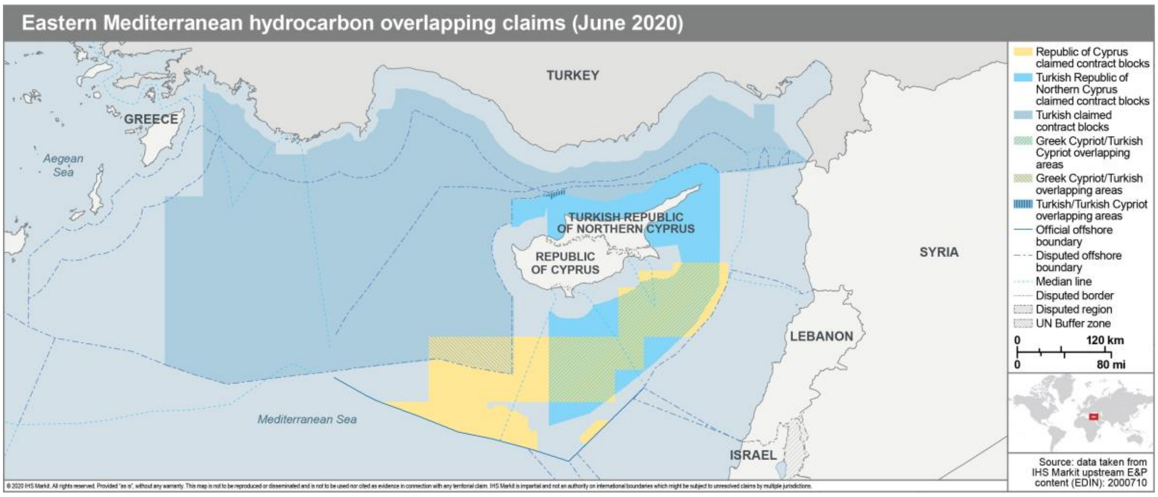
Key findings

- Turkey’s decision to deploy naval vessels into contested waters is likely an attempt to escalate confrontation in order to force negotiations over the maritime border, rather than seek armed conflict.

- Disruption to maritime cargo and naval confrontations involving warning shots are increasingly likely as Turkey adopts a more confrontational position towards Greece.
- There is an elevated risk of disruption to cargo vessel routes in the region, although the risk of damage to commercial vessels remains low.

Turkey's decision to deploy naval vessels into contested waters is likely an attempt to escalate confrontation in order to force negotiations over the maritime border, rather than seek armed conflict. The Turkish government would likely favour a return to negotiations with Greece over continental shelf division and hydrocarbon exploration, rather than a sustained period of naval disruption; the foreign minister, Mevlut Cavusoglu, has said that there would be no formal Turkish response to the agreement signed between Greece and Egypt until maps of the territorial division were available. Although seismic research started on 12 August, the close military escorts of the Oruc Reis are likely to make accurate seismic surveys extremely difficult due to noise and sensor disruption, and it is highly probable that the deployment is intended primarily as a pressure tactic. The Greek government has previously stated that the formal Oruc Reis commencement of seismic research in territory claimed within Greece's EEZ would be a 'red line' for the government.

Disruption to maritime cargo and naval confrontations involving warning shots are increasingly likely as Turkey adopts a more confrontational position towards Greece. Based on an evolving doctrine of 'Mavi Vatan' ('The Blue Homeland'), which projects Turkish power into the Mediterranean and Black Sea with the aim of securing offshore drilling claims, IHS Markit expects that the Turkish government will increasingly favour the enforcement of territorial and maritime claims with military confrontation and energy exploration. Egypt is unlikely to favour overt military support for Greece in any confrontation with the Turkish navy, and naval build-up will likely seek to avoid live-fire incidents. Its Mediterranean-based fleet is still qualitatively outmatched by Turkey and it is highly unlikely that Egypt's navy would be willing to deploy for blue-water operations against a NATO-member without the formal backing of the United States. Stand-offs between the navies of Greece and Turkey remain likely, with a high likelihood of warning shots being fired, particularly if Turkish vessels approach Greek islands off the Turkish coast, such as Kastellorizo – two km off the Turkish coast but approximately 600 km from the Greek mainland. An escalation involving targeted fire, however, remains unlikely.



Low risk of damage to commercial vessels

There is an elevated risk of disruption to cargo vessel routes in the region, although the risk of damage to commercial vessels remains low. It is likely that neither country seeks an armed confrontation, but the risk of miscalculation leading to a few days of escalation is increasing. This risk also stems from Greece probably estimating that an escalation with Turkey would lead to a greater support for its maritime claims by individual European countries. France deployed on 11 August two Rafale fighter jets and a cargo plane to Cyprus as part of an existing defence co-operation agreement activated between France and Cyprus. Following the deployment of the Oruc Reis into Greek waters, French President Emmanuel Macron announced on 12 August that France would temporarily increase its military presence in Eastern Mediterranean. No additional details as to the size of deployments were provided but IHS Markit assesses that any further increase in naval deployments in the waters east of Crete would increase the likelihood of naval standoffs between the French, Greek, and Turkish navies, making armed confrontation more likely before either side relents in provocative deployments. Live fire in these scenarios would almost certainly not be directly targeted at vessels.

EU preference to negotiate

The European Union is unlikely to impose broad sanctions against Turkey, with only limited restrictive measures probable in the six-month outlook, while it continues negotiations with Turkey on the Eastern Mediterranean drilling activities. An EU Foreign Affairs Council will be held on 14 August, on the request of Greece over Turkey’s activities. The council is unlikely to agree on imposing wide-ranging sectoral sanctions on Turkey given the need of unanimity and likely division among EU member states, with Greece, France, and Austria probably strongly supporting the sanctions but countries such as Germany and Italy likely to be in favour of adopting a more accommodative approach towards Turkey. If new sanctions are to be imposed in the six-month outlook, which is moderately likely, they would probably be limited to individuals already included or an expansion of the list of persons and entities to be included in the EU’s existing sanctions list in relation to Turkey's drilling activities in the Eastern Mediterranean. In November 2019, the EU set a legal framework for restrictive measures that included travel bans and asset-freezes against persons and legal entities involved in Turkey's drilling activities in the Eastern Mediterranean. The EU will probably continue negotiations with Turkey to prevent any form of escalation between Ankara and Athens, while Greece is likely aiming to negotiate a solution of the maritime border dispute it has with Turkey.

Indicators of changing risk environment

Increasing risk

- Greece continues its general mobilisation of both the Hellenic Navy and its armed forces for the full duration of the Oruc Reis active survey, increasing the risk of unintended confrontations between individual units.
- Greece. Egypt, Israel, and Cyprus engage in discussions to develop the EastMed pipeline, regardless of Turkish opposition to the planned source of gas or the route of the pipeline.
- Greece announces new arms deals with the Israeli ministry, focusing on the purchase or observation and lethal strike unarmed aerial vehicles.
- The Turkish government follows up on the Turkish foreign minister’s statement on 11 August that Turkey would issue new seismic exploration and drilling licences by the end of August.
- Turkish air force violations of Greek airspace increase in frequency, to over 60 infractions a day.
- A change in Germany and Italy’s positions to support stronger and broader sanctions against Turkey, or a majority of EU member states refusing to endorse a new disbursement of funds for the Syrian refugees hosted in Turkey.

Decreasing risk

- The Turkish government signals a willingness to become a signatory to the United Nations Convention on the Law of the Sea in return for membership of the East Mediterranean Gas Forum and a long-term profit sharing agreement for the Turkish Republic of Northern Cyprus over off-shore hydrocarbon reserves.
- Greece and Cyprus engage in bilateral talks with Turkey endorsed by the EU to solve the outstanding disputes in the Eastern Mediterranean.
- Turkish government does not issue, or revokes already issued seismic exploration and drilling licences.

The Greek government states that it is willing to consider giving Turkey a stake in any hydrocarbon development in Eastern Mediterranean (akin to Iran's NIOC having 10% stake in the BP-led international consortium developing Shah Deniz offshore gas field in the Caspian Sea).

Additional requested analysis:

UK's plan not to prolong post-Brexit transition makes interim arrangements initially more likely than finalised EU deal

16 Jun 2020 - Country Risk | Headline Analysis

UK Prime Minister Boris Johnson and other high-ranking UK government officials connected on 15 June 2020 via a video call with the leaders of EU institutions, marking the first of multiple top-level Brexit meetings scheduled until the end of July. Prior to the new negotiations on future UK-EU relations, the UK government had formally notified the European Union that it will not extend the current post-Brexit transition period beyond the previously agreed date of 31 December 2020. However, Cabinet Office Minister Michael Gove stated that the United Kingdom would not impose full customs checks on goods coming from the EU before July 2021.

Significance: The UK government's decision not to prolong the post-Brexit transition period makes the timely finalisation of a fully fledged trade agreement and UK-EU arrangements for other areas such as future security collaboration increasingly unlikely. Both parties would probably have to conclude negotiations by the end of October to have enough time to ratify any possible agreements before the transition period ends. IHS Markit's baseline scenario now assumes that, in the possible absence of a fully fledged treaty, a disorderly Brexit from January 2021 would be less likely than the introduction of mutually acceptable temporary emergency measures. These would facilitate further negotiations and avoid disruptions to the highly integrated supply chains, cross-country travel, and the use of services following the severe EU and UK recessions induced by the coronavirus disease 2019 (COVID-19) virus impact. Nevertheless, details of any potential interim arrangements remain unclear, making it difficult for UK, EU, and international businesses to plan ahead. The UK's GDP growth is expected to recover from mid-2020 after its COVID-19 virus lockdown triggered a very severe recession in the first half of the year. However, the uncertain path for EU-UK trade negotiations suggests that the pace of the recovery will be reduced. Should failed trade talks result in the UK reverting to WTO terms to trade with the EU, the UK's economy would likely face a further recession in the first half of 2021.

Risks: Policy instability; Regulatory burden

Sectors or assets affected: All