

RISKADVISORY

SECURITY INTELLIGENCE  
AND ANALYSIS SERVICE

TOWARDS A ZERO-SUM WORLD

# STRATEGIC OUTLOOK

2019 | A GLOBAL SECURITY  
FORECAST

“

This highly-anticipated product serves as a key touchpoint for our annual planning process and is consistently insightful, relevant, and timely. ”

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Intelligence director of a major, global hospitality company

# STRATEGIC OUTLOOK

2019 | A GLOBAL SECURITY  
FORECAST

# STRATEGIC OUTLOOK 2019 A GLOBAL SECURITY FORECAST

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SIAS | SECURITY INTELLIGENCE & ANALYSIS SERVICE

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# STRATEGIC OUTLOOK 2019

## TOWARDS A ZERO-SUM WORLD

**Welcome to *Strategic Outlook 2019*, Risk Advisory's fifth annual global security and geopolitical forecast. This book captures the joint assessments of Risk Advisory's analysts for the coming year.**

We produce the *Strategic Outlook* primarily for our Security Intelligence & Analysis Service (SIAS) clients. This means global security and crisis risk management leaders, and intelligence and assessments teams. But it will be relevant to anyone concerned with, and making decisions about, geopolitical and security risks, and how to manage them.

This year we offer no fewer than 260 forecasts on a range of issues relevant to security, crisis and geopolitical risk across every region. We also provide dozens of practical early warning indicators for ongoing monitoring through 2019. We flag outliers to challenge assumptions and encourage anticipation of higher-impact surprise events. And we offer thematic analysis to help readers interpret and predict intentions, actions and outcomes.

The theme of *Strategic Outlook 2019* is 'Towards a Zero-Sum World'. Across nearly every region, we forecast that authoritarian, right-wing and nationalist governments and movements will grow in strength and influence. The global balance of ideas and power is changing. And with it, the longer-term prospects for states to jointly tackle challenges like climate change, environmental degradation and water scarcity are thinning when they most need attention. All perpetuate insecurity and instability, limit development and drive migration. This feeds a cycle of complex risks that will become even harder to resolve.

The need for global leadership on such issues is as obvious as it is presently lacking. As the most powerful actor in the international system and leader of the rules-based liberal international order, the United States sits at the centre of global risks. Its commitment to the rules, and the consistency of its actions and inactions, defines the international system's stability and propensity for conflict. President Trump has shown little interest in leading or safeguarding this order. Powers like China that wish to redefine the rules to suit their interests are calling its relevance into question, and building alternatives.

Indeed, in two years Trump has upended decades of US foreign policy. Confidence is eroding in US commitment to treaties, allies, and the institutions that have legitimised US hegemony. The wider effects of this will be felt well be-

yond Trump's time in office. But in the near to medium-term, they are likely to augment China's rise and reduce America's influence. In the Middle East, Asia and Africa, governments are weighing up which alliances and forms of government best serve their interests. China has positioned itself to take advantage.

At the same time, Trump has also inspired – or at least emboldened – a wave of right-wing nationalism and nativism at home and abroad. This is opening and widening fault lines within and between Western countries. Our forecasts on security and stability in Europe focus on the rise of the far-right, the divisions such politics engender, and the risks they feed. It would be erroneous to attribute this wider trend to the singularity of Trump. But his advocates and sponsors are backing far-right parties that wish to undermine the European Union – an outcome Russia supports and Trump seems ambivalent about.

In this unsettled climate, there are diminishing means for liberal democracies to defend the rules-based order, champion economic liberalism, and promote peaceful democratic change. This may impact security in countries where bulging youth populations are hungry for political representation, including in Sub-Saharan Africa. There are also waning incentives for autocracies to change their approaches to governance, or adopt positive-sum approaches to relations with their neighbours and adversaries.

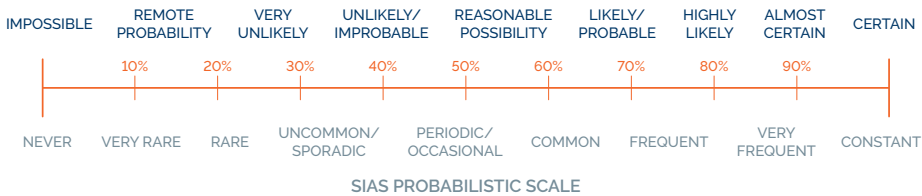
These are just some of the themes we explore in *Strategic Outlook 2019*. Which leads us to a customary caution on the limits and functions of forecasting. We use weighted probabilistic terms, none of which claim certainty or absolute confidence, but take into account an informed and reasoned understanding of the events and forces that shape them. Our performance is on record in past *Strategic Outlooks*, but it is safe to say there will be events we fail to foresee.

Early warning and estimative or anticipatory intelligence is most effective when the consumer is clear on its value and purpose – and has realistic expectations of what it can achieve. It also requires transparency on how judgements are made (our methodology is on pages 6-7). *Strategic Outlook* is intended to encourage our clients to consider, discuss and plan for future risk scenarios, and to reduce the risk of surprise by stimulating forethought. For us, it informs our intelligence collection, plans and resourcing for the coming year.

For intelligence to be effective and actionable, it must integrate into decision-making capabilities and processes. In the corporate world, we believe this requires greater investment in in-house intelligence analysis teams and greater access of intelligence advisers to senior decision-makers. It requires regular conversations between provider and consumer, and a mutual commitment to engage in the intelligence cycle. Success, in the future envisioned in this outlook, requires an evolution from reactionary incident monitoring and response models, to leaner anticipatory and intelligence-led threat management. ■

# Methodology

We structure *Strategic Outlook* by regions and themes. Each regional section provides a broad set of specific pictures of what we judge the coming year will hold. They also provide a means to track issues and consider alternative scenarios and changes in risk. As noted in the leader, we use probabilistic terms to convey confidence and degrees of likelihood in our assessments and forecasts.



Our forecasts draw upon a mixture of data analysis and intelligence, political science, and threat and risk assessment. But the final call always rests on a qualitative judgement that allows for intuition and imagination. Our analysts are regional and thematic specialists, and our approach is collaborative and emphasises creative thinking and rigorous peer review.

Before writing the *outlook*, we brainstorm, speak with sources, identify and re-consider our assumptions, look back at what we have previously forecast, and consider the questions or issues that our clients have been asking us about. We draw on open-source research and targeted intelligence gathering. As our use of infographics indicates, we also consider how best to represent and illustrate complex issues, with a focus on data and trends.



## TREND INDICATORS

These are net judgements on whether we expect – on balance – security and political risks to grow, stabilise or lessen over the course of 2019.



## REGIONAL KEYNOTE

Each regional section highlights the themes and trends that we think will define and shape events in the coming year. These contain specific forecasts but also aim to serve as a lens through which to interpret the causes and impacts of risks in 2019.



**INFOGRAPHICS**

We use a variety of infographics to illustrate our assessments, the basis of our ideas, causal relations and ensure the overall outlook is succinct and easy to grasp.



**MONITORING POINTS**

Monitoring points are early-warning indicators. They are specific information points that we flag to help clients track whether our forecasts are on their way to realisation or taking a different trajectory.



**OUTLIERS**

Outliers are scenarios outside of regular expectations and what we think could prove surprises. Framed as improbable but high-impact events within reasonable plausibility, outliers aim to challenge assumptions, biases and stimulate our imaginations.

**FORECASTS**

These convey specific forecasts on important issues not covered in the regional keynote assessments and aim to capture the most probable priority risks.

**THREAT AND RISK LEVELS**

Risk Advisory uses a six-point system for its threat and risk levels, ranging from negligible threat or risk (1) to critical threat or extreme risk (6).



**FORECASTING RANGES**

The *Strategic Outlook* forecasting remit is the coming year (medium to long-term), but many of the issues, risks and trends we assess are liable to run beyond 2019.

IMMEDIATE	IMMINENT	NEAR TERM	MEDIUM TERM	LONG TERM
WITHIN 2 DAYS	WITHIN 2 WEEKS	2-12 WEEKS	3-12 MONTHS	12 MONTHS- 3 YEARS
OPERATIONAL REPORTING		CURRENT INTELLIGENCE		ANTICIPATORY INTELLIGENCE

Full definitions of risk typologies and threat and risk levels, as well as detailed methodology notes on assessments and forecasting, are available on the Risk Advisory SIAS website.



A close-up portrait of Matteo Salvini, deputy prime minister of Italy. He has dark hair, a beard, and is looking slightly to the right with a serious expression. The background is blurred, showing what appears to be a flag with red, white, and blue stripes.

“

We need a mass cleansing, also in Italy.  
Street by street, neighbourhood by  
neighbourhood, square by square. ”

Matteo Salvini, deputy prime minister of Italy

TIZIANA FABI/AFP/Getty Images



# EUROPE

## ENMITY NOT UNITY

**Overall trend:** WORSENING

---

### WORSENING ↘

Austria  
Czech Republic  
Denmark  
Hungary  
Poland  
Sweden

Bosnia &  
Herzegovina  
Germany  
Italy  
Slovakia  
UK

### CONSISTENT →

Albania  
Estonia  
Greece  
Latvia  
Macedonia

Belgium  
France  
Ireland  
Lithuania  
Netherlands

### IMPROVING ↗

Kosovo  
Serbia

Portugal  
Spain

**Extreme right-wing groups are likely to grow in strength and influence during 2019. We forecast that this will negatively affect security, particularly hate crime. There are also longer-term political stability implications for the region, as European Union member states struggle to coordinate responses to illiberal governments inside the bloc.**

Better organisation and funding of far-right groups are contributing to the increased threat that they pose, particularly to minority groups. There are also signs that the region will experience an economic downturn towards the end of 2019. While the 2007-08 financial crisis prompted a reaction by the far-left, this time it seems more likely to trigger a response by the far-right. We anticipate that this will exacerbate racism, xenophobia and nationalism, as moderates fail to take back the initiative.

As nationalistic and anti-immigration rhetoric gains prominence in European politics, groups on the extreme right-wing are likely to become more emboldened. Comments from politicians and data on hate crime indicate a greater willingness to display publicly intolerances towards foreigners, as well as religious and ethnic minorities. Extremists such as neo-nazis and white supremacists are seizing on this societal shift. We anticipate more overt efforts by such groups to position themselves as part of the mainstream debate.

Austria, Italy, Hungary, Poland and the UK are the countries where this is most noticeable, and are likely to remain so in 2019. In these countries, people espousing xenophobic and Islamophobic views are gaining prominent positions in governing parties. While in countries including Denmark, France, Germany and Sweden, far-right parties are likely to build on the relative success they have had in recent elections and activism campaigns.

The political influence of these parties is preventing EU states from reaching unanimity on how to sanction countries that are undermining the independence of judiciaries and the press. We forecast that this will also further hinder the bloc's ability to respond to strategic threats and risks, such as instability on the EU's southern borders, and competition between Russia and the West for influence in the Balkans.

The gradual normalisation of xenophobic and racist rhetoric is also changing security risks on the ground. Although they have differing approaches to recording hate crimes, official data shows a sharp increase in most European countries over the past five years or so. These crimes range from intimidation and assaults to arson and murder. Xenophobic and racist crimes make up the main part of these incidents, with Islamophobia being the main reported motivation. The threat from far-right terrorism is also growing, with groups becoming more organised and ambitious.

While we forecast that hostility towards Muslims will remain the primary ideological driver of the far-right in 2019, hate crime data indicates that anti-Semitic and homophobic attitudes are also growing. These are prejudices and conspiracy theories that neo-nazis are pushing particularly heavily in their messaging. As these groups develop their public-facing profiles, there is likely to be a further increase in public displays of anti-Semitism and homophobia.

Hungary and Poland are the countries where we assess risks to Jewish and LGBT+ individuals will be highest in 2019. The Hungarian and Polish governments are openly encouraging racist, anti-Semitic and homophobic views. And they are contributing to an increasingly hostile environment for minorities. This is alongside extremist groups operating independently, and general hostility in the press towards foreigners, ethnic minorities and organisations they see as supporting such groups.

Aside from risks of street violence and intimidation, the Hungarian and Polish states are also showing a greater willingness to interfere with and harass organisations they oppose. This includes incitement to violence. For liberal NGOs, journalists and outspoken businesspeople, Hungary and Poland are likely to become increasingly difficult operating environments in 2019.

Harassment and intimidation enabled by the state are less noticeable in other European countries. There are greater institutional safeguards against this in most countries, particularly in Western Europe. Italy is an exception, however. There the government is publicly backing xenophobic and Islamophobic attitudes, and has selected extremists for influential state positions. The appointment of the new head of the public broadcaster in September 2018 is an example, and one that we anticipate will contribute to hardening attitudes and violence towards minority groups in Italy.

There is some evidence that high-profile political events and security incidents prompt spikes in racially or religiously aggravated crimes. Official UK data shows increases of more than 20% in the weeks following the EU referendum in 2016 and after a spate of terrorist attacks in early 2017. Among the developments in 2019 that we anticipate having a similar effect are the UK's exit from the EU in March, as well as general elections in Denmark, Greece, Poland, Switzerland and possibly the UK.

We forecast that Brexit will contribute to the security risks faced by minority groups in the UK. While Brexit will almost certainly be politically and economically destabilising, the longer-term stability implications outside the UK will probably be less severe. Nationalist governments in countries such as Hungary, Italy and Poland are not advocating withdrawal. Instead they are trying to disrupt European politics by blocking EU sanctions on their allies. This allows them to reap the economic benefits of EU membership, while inciting hatred and acting in breach of EU laws. ■

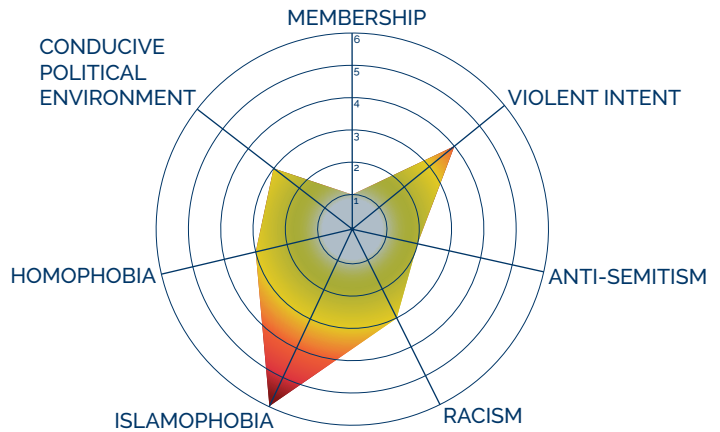
# EXTREME RIGHT-WING GROUPS IN EUROPE

GROUP NAME:

**ACTION DES FORCES  
OPERATIONNELLES**

ACTIVE IN:

**FRANCE**

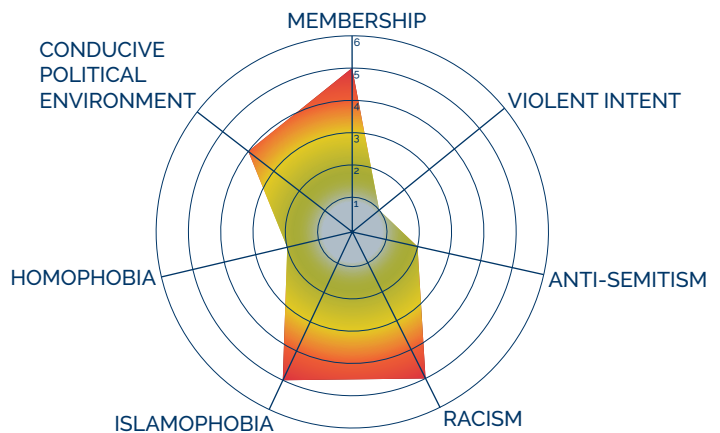


GROUP NAME:

**GENERATION IDENTITY**

ACTIVE IN:

**AUSTRIA, BELGIUM,  
CZECH REPUBLIC,  
FRANCE, GERMANY,  
HUNGARY, IRELAND,  
ITALY, SLOVENIA,  
SWITZERLAND, UK**

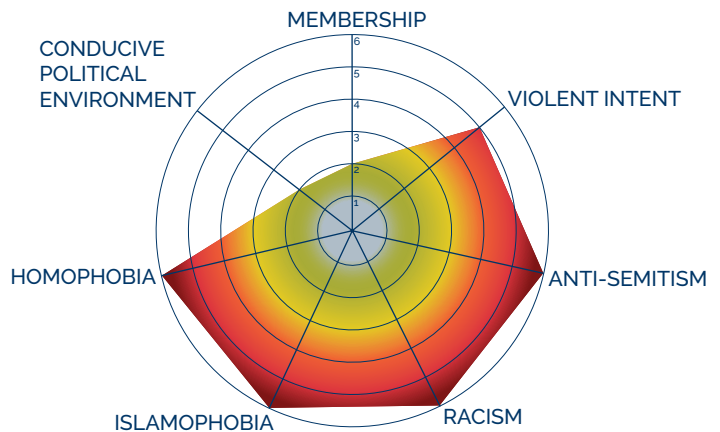


GROUP NAME:

**NATIONAL ACTION**

ACTIVE IN:

**UK**

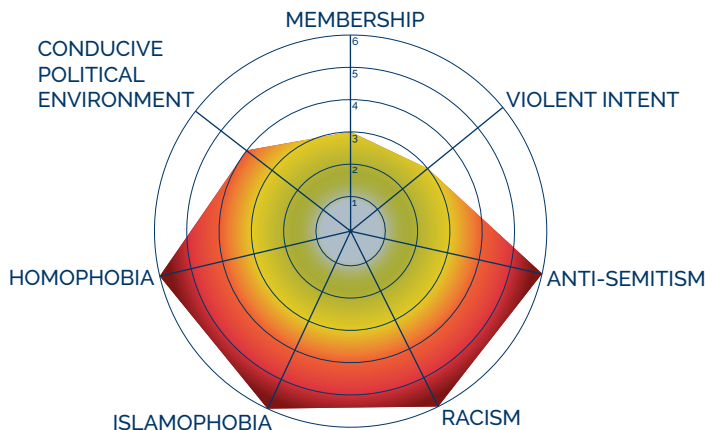


The scores represent qualitative judgments of intensity on a six-point scale, with one indicating *negligible* up to six indicating *extreme*.

The ratings for Violent Intent, Anti-Semitism, Racism, Islamophobia and Homophobia are based on analytical judgements of past activities and messaging by these groups. This takes into consideration the degree of hostility and incitement in propaganda as well as on any online discussion forums we have access to.

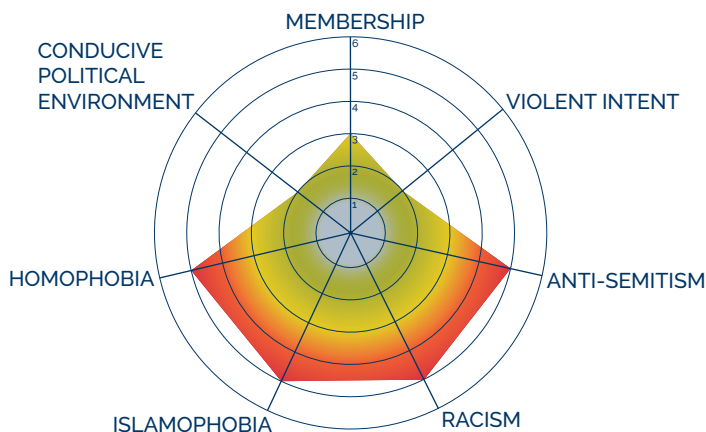
GROUP NAME:  
**NATIONAL REBIRTH  
OF POLAND**

ACTIVE IN:  
**POLAND, UK**



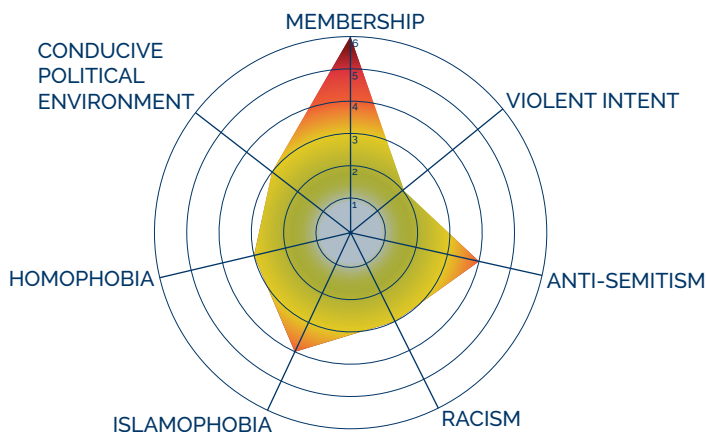
GROUP NAME:  
**NORDIC RESISTANCE  
MOVEMENT**

ACTIVE IN:  
**DENMARK, FINLAND  
NORWAY, SWEDEN**



GROUP NAME:  
**REICHSBÜRGER**

ACTIVE IN:  
**GERMANY**



Ratings for Conducive Political Environment are drawn from assessments of the degree to which governments and mainstream political parties, as well as local media, encourage or allow the promotion of extremist ideologies.

The ratings for Membership are a scale from 100 (rating 1) to more than 10,000 (rating 6). These are based on our estimates of group size, although we note that the reliability of available information on this metric varies significantly between groups.



# Monitoring points

## ECONOMICS AND ITALY'S BUDGET

Instability in stock and bond markets, US protectionism and trade wars between major economies are making an economic downturn more likely in 2019. A financial downturn would give far-right groups an opportunity to rally their supporters against 'elites' and sitting governments, pushing up security risks to minority groups. Italy appears particularly vulnerable. How an ongoing budgetary dispute between Italy and the EU unfolds will play a large role in investor confidence and general economic activity in Italy. If GDP growth there continues to flatline in Q1, broader risks to European markets will probably rise.

## THE MOVEMENT AND FUNDING

The planned launch in early 2019 of The Movement – an organisation founded by Steve Bannon that aims to unite far-right and nationalist groups across Europe – will probably contribute to building the influence of far-right groups. Greater coordination between extremists in the region would help them amplify their messaging, organise responses to moderates, and attract funding. Whether the group can build momentum and influence will depend heavily on the extent to which it broadens its membership beyond Belgium, Italy and France. Parties in Germany, the UK and Scandinavia are ones to watch.

## EU SANCTIONS

EU sanctions are a point of contention between member states. Attempts to renew Donbas-related sanctions on Russia in January 2019, as well as impose them on member states acting in breach of the bloc's laws, will be a measure of how effectively the EU is operating. Attempts by governments in Hungary, Italy and Poland in particular to block such measures will show the extents to which they are willing to go to back-up nationalist allies, and chip away at the rule of law.



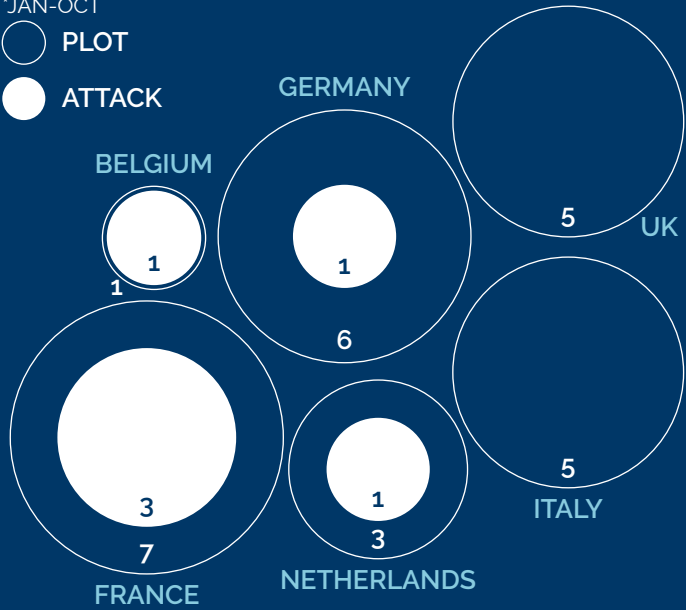


## JIHADIST ATTACKS AND PLOTS IN 2018\*

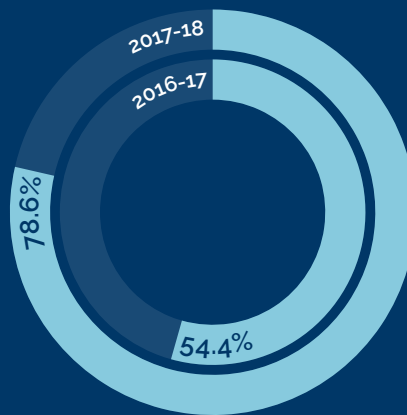
\*JAN-OCT

○ PLOT

● ATTACK



## PERCENTAGE OF ATTACK PLOTS FOILED



## NUMBER OF ATTACK PLOTS

SUCCESSFUL & DISRUPTED

● 2016-17

● 2017-18



Source: TerrorismTracker (Risk Advisory)

# REGIME INSTABILITY



## Outliers

### A ROMANIAN REVOLUTION

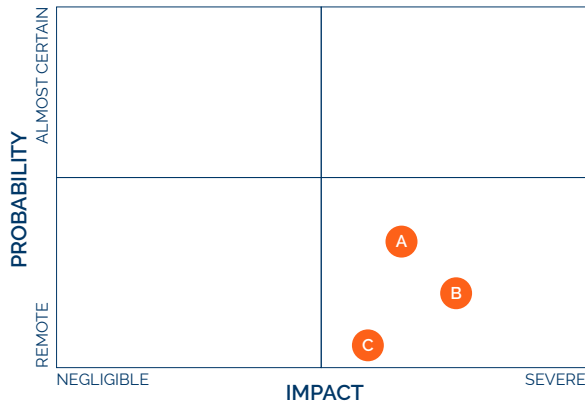
Greater coordination between opposition parties and activists leads to a sustained campaign of protests against government corruption. A violent police response prompts an increase in turnout at demonstrations as well as more international scrutiny, and eventually criticism, of the government. After a few weeks of unrest the government resigns and calls for early elections.

### B BREAKUP OF BOSNIA

The Bosnian Serb president uses uncertainty around the formation of a new government, and his position in the tripartite presidency, to push for greater autonomy for the Republika Srpska region. This meets resistance from other political and ethnic factions. So Serb nationalists force a case for secession by instigating unrest. This leads to a unilateral independence declaration, facing violent opposition.

### C TURKISH-GREEK ESCALATION

Antagonistic military encounters between Greece and Turkey over disputed territory in the Aegean Sea lead to an accident or localised violent confrontation. With both countries needing to maintain support among nationalists at home, there is pressure on them to retaliate. This prompts a brief military escalation lasting a few days, causing disruption to sea and air transport.



# Forecasts



## EARLY ELECTIONS IN GREECE OVER MACEDONIA

Ongoing attempts to ratify a diplomatic agreement between Greece and Macedonia over the latter changing its name are unlikely to succeed. We forecast that the minority party in Greece's governing coalition will quit government in its opposition to the deal in the first quarter of 2019, and so prompt an early general election. The failure of the agreement would also severely weaken the Macedonian government, but opposition nationalist parties there have shown little intent on holding protests.



## BREXIT DEAL BUT UK ELECTION SOON AFTER

We assess that it is more likely than not that a partial deal on Brexit will help the UK and EU avoid significant operational and transport disruption. The economic risks of the UK leaving without an agreement will probably push most British MPs into supporting it in a parliamentary vote. But this withdrawal agreement will leave much to be negotiated during the transition period. Once the UK has left the EU, a challenge to Theresa May as prime minister is likely – and one she is likely to lose – extending uncertainty about the future EU-UK relationship.



## JIHADIST TERRORISM THREAT CONTINUES TO FALL

The threat of jihadist terrorism is likely to fall across Europe in 2019, continuing the trend of 2018. Attacks planned and conducted by Islamic State, rather than just its supporters, are becoming less likely as the group has lost organisational capacity. We forecast that a continued low volume of propaganda will also have a further dampening impact on levels of intent among radicalised individuals to mount attacks independently.

A close-up, profile view of Vladimir Putin, looking slightly to the left. He has short, light brown hair and is wearing a dark suit jacket, a white shirt, and a red tie with a small, repeating pattern. The background is a solid, dark blue color.

“

As you know, espionage, like prostitution, is one of the 'most important' professions in the world.

”

Vladimir Putin, president of Russia

Sean Gallup/Getty Images

# EURASIA

## STEADY PROGRESS TO AN UNSTABLE FUTURE

**Overall trend:** CONSISTENT

---

### WORSENING

Moldova  
Turkey

Tajikistan  
Turkmenistan

### CONSISTENT

Azerbaijan  
Mongolia  
Ukraine

Belarus  
Russia

### IMPROVING

Armenia  
Kazakhstan  
Uzbekistan

Georgia  
Kyrgyzstan



**Major risk events including economic crises, simmering interstate conflicts, and coup attempts are probable in several countries in the Eurasia region in 2019. Turkey, Tajikistan and Turkmenistan are countries to watch in particular.**

The two power centres in the region – Russia and Turkey – will probably continue along their current political trajectories over 2019, with deepening levels of authoritarianism and anti-Westernism. Presidents Putin and, more recently, Erdogan have consolidated power within small circles and will increasingly have to rely on their personality cults to shore up domestic support among the population and within the organs of state. They will also resort to more repressive and controlling measures. This points to underlying longer-term instability in both political systems. Both regimes perceive a need to foster a domestic perception of outside hostility and self-reliance.

We forecast that President Erdogan will use antagonistic foreign policy to bolster his international standing and promote nationalist sentiment at home. Like Moscow, Ankara is likely to seek to cement its political influence and military position in Syria and the Middle East more generally. A new focus of this will probably be the eastern Mediterranean.

Diplomatic confrontations with Cyprus and Greece over oil and gas exploration are therefore likely to become more frequent, which may test Turkish commitment to NATO. Naval clashes around exploration blocs are unlikely, but we anticipate maritime activity will raise tensions in the region. Russia's naval presence off the Syrian coast, and tensions between Israel and Lebanon over oil exploration and Hezbollah suggest that the eastern Mediterranean may become a geopolitical flashpoint region in 2019 – with Turkey and Russia as key players.

Inside Russia, the rallying nationalism that President Putin fostered following the annexation of Crimea in 2014 seemed to have waned in the latter half of 2018. Protests over pension reforms as well as surprising election losses in September 2018 for the governing United Russia party are signs of renewed public dissatisfaction with the government, and that Russia is far from united. We forecast a steady increase in grassroots activism against the government in 2019, but the potential for a large-scale anti-government protest movement to emerge that directly challenges government stability remains an outlier. Unwilling to concede political ground, we anticipate Putin will continue to rely on an assertive foreign policy to boost his domestic support in 2019.

Western sanctions and an increased awareness of the Kremlin's methods for projecting influence will probably limit the scope and impact of its interference in Russia's near-abroad in 2019. But we anticipate that Russia will disrupt and discredit political processes in Ukraine and the western Balkans through disinformation and by funding opposing parties. Political tension in the latter, and



potential regime change in Tajikistan and Turkmenistan, are opportunities in 2019 for the Russian intelligence services to boost Russian influence, undermine Western states and vie for favour in the Kremlin after GRU debacles in 2018.

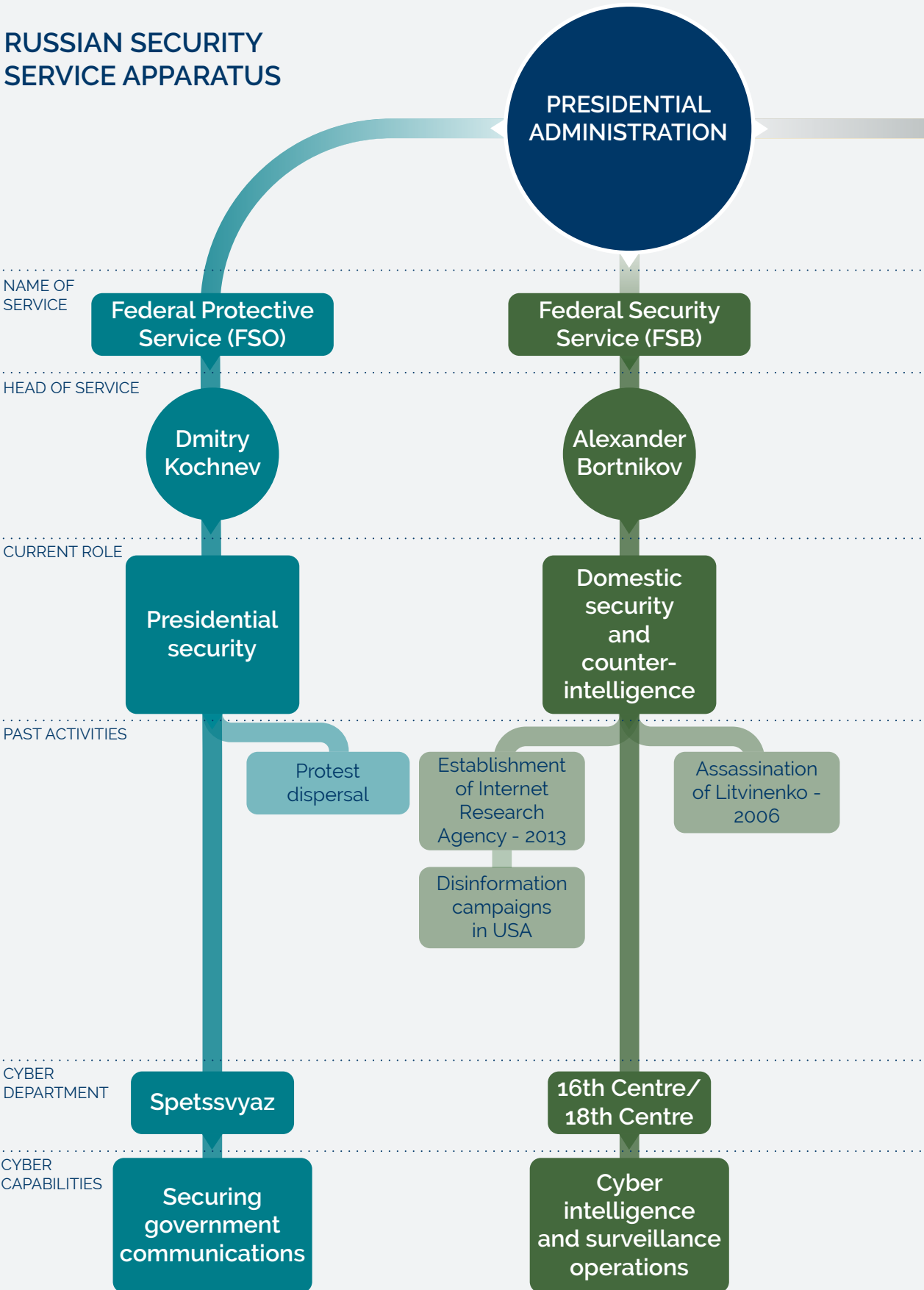
Regime change in Turkmenistan will become an increasingly likely scenario over 2019 as food shortages grow more acute. Hitherto rare anti-government sentiment and protests will probably start to pose a threat to the president, albeit indirectly. We assess that there is a reasonable likelihood that political factions within the elite will feel threatened enough to try to remove the president extra-constitutionally to alleviate pressure. Similarly in Tajikistan, President Rahmon seems to be preparing his son to succeed him. Failure to placate the various political factions over such a move would probably prompt considerable political instability in the country, and potentially a coup attempt.

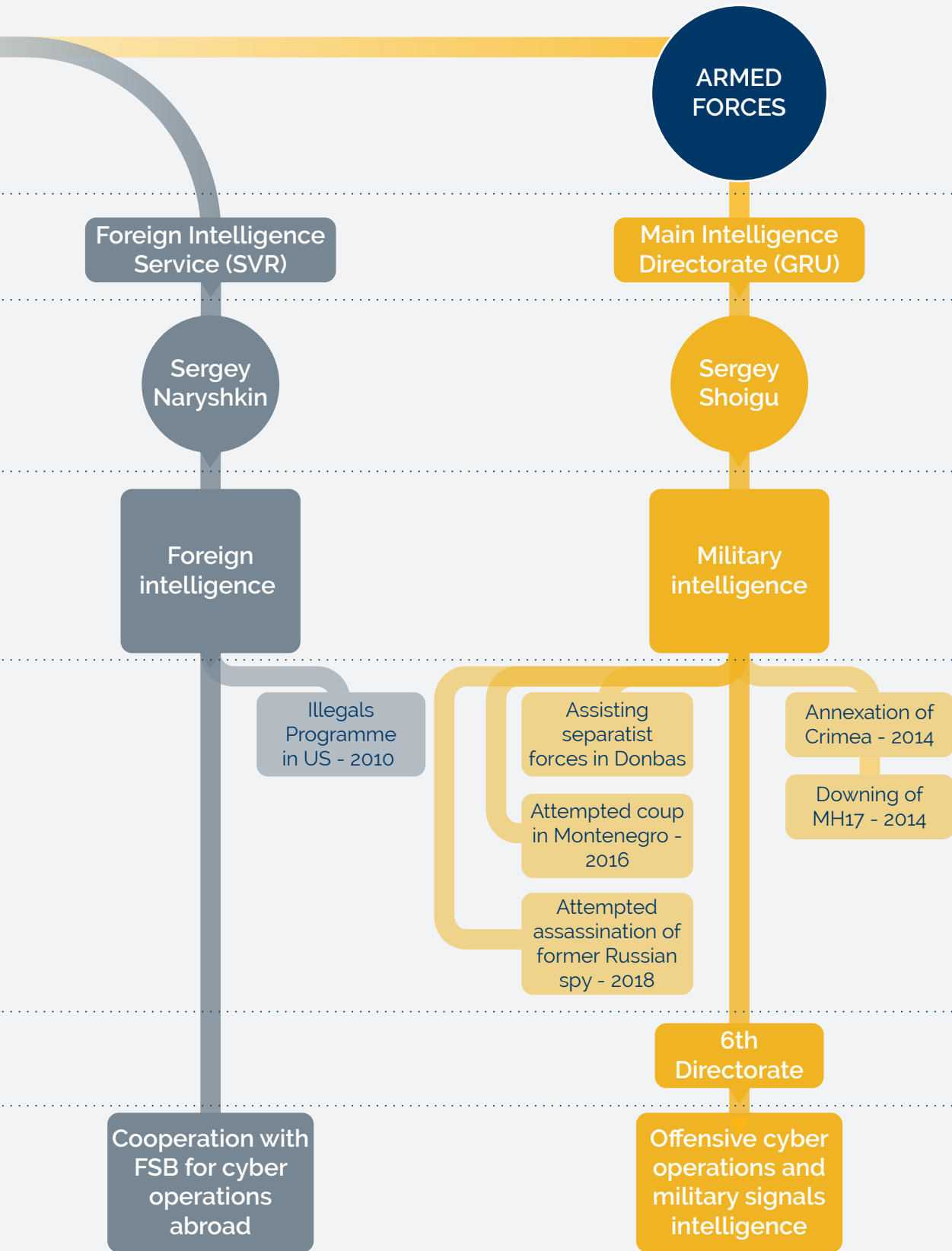
In any event, we anticipate pro-Russian elements will retain power in both countries, meaning Russia is unlikely to intervene. Its tolerance for self-determination among post-Soviet states, as long as they stay within Russia's orbit was evident during the 'Velvet Revolution' in Armenia in April 2018. In that case Putin simply sent members of the security services to speak with the leader of the opposition, seemingly just to confirm his intentions. Conversely, an ongoing trade war with Belarus – over President Lukashenko's overtures to the EU – shows that the Kremlin will exert strong pressure on its neighbours when they deviate from alignment.

Russian involvement will continue to sustain insecurity for the ongoing conflicts in Ukraine and Azerbaijan, both of which are highly unlikely to end in 2019. Pro-Russia separatists and Ukrainian armed forces continue to engage in a high tempo of fighting in Donbas. But neither seems willing to advance beyond their now well-established defensive positions. The same applies to Nagorno-Karabakh. The fighting there between Azerbaijani and Armenian troops has fluctuated between entrenchment and minor skirmishes over the past year. What unites all opposing forces in these conflicts is that none appears to see an escalation or de-escalation as within their strategic interests.

Diplomatic fatigue and inertia among Western states over the Russian occupation of foreign territories is likely to continue in 2019. Indeed, the occupied status of Crimea, South Ossetia and Transnistria appears to have become a new normal. Georgia and Moldova have already established informal trade relations with the authorities in their respective occupied areas, for example. Moscow is unlikely to undo any of this, but we anticipate the economic damage of the ensuing Western sanctions will discourage it from taking further military interventions or expeditions anywhere, at least in the coming year. ■

# RUSSIAN SECURITY SERVICE APPARATUS





# *Monitoring points*

## **COHESION IN THE EU**

The frequency of calls from EU states such as Hungary and Italy for an end to sanctions on Russia will be an indicator of growing disunity within the EU. Russia may exploit this lack of cohesion to expand its influence operations in the western Balkans. An eventual ending of EU sectoral sanctions relating to Donbas would also allow Russia greater space for such disruptive activities.

## **US POLICY ON RUSSIA**

The severity or loosening of US sanctions policy against Russia will be a driving factor in Russia's economic growth, as well as the extent and scope of the Kremlin's offensive cyber activity over 2019. This sustains the risk of disruption for Western businesses and institutions.

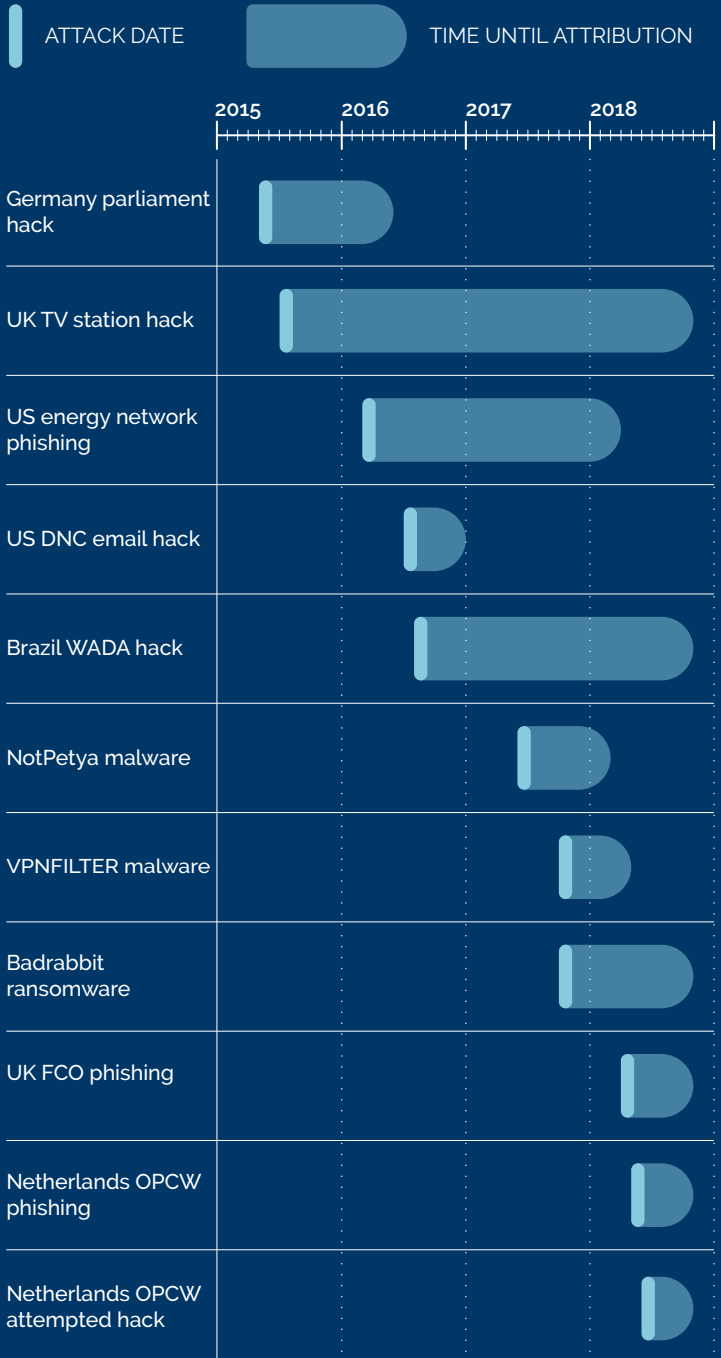
## **BELT AND ROAD INITIATIVE**

The extent of Russian military cooperation with Central Asian states over 2019 will be a good indicator of the Kremlin's concern over growing Chinese influence in the region. Economic downturns in countries that are participating in the belt and road initiative could result in China acquiring assets in return for debt defaults, boosting Beijing's economic sway in the region.

## **RUSSIAN SECURITY SERVICES**

The structure of these institutions has created a competitive environment, which encourages risk-taking to attract Kremlin support. This will probably motivate agencies to mount offensive operations abroad over 2019, with the potential to cause diplomatic crises between target countries and Russia. A probable purge of the GRU in early 2019 is unlikely to lead to more than a brief drop in the frequency of its offensive operations.

## CYBER ACTIVITY BY RUSSIAN SECURITY SERVICES



EURASIA | STEADY PROGRESS TO AN UNSTABLE FUTURE

# REGIME INSTABILITY



## Outliers

### A TAJIKISTAN COUP

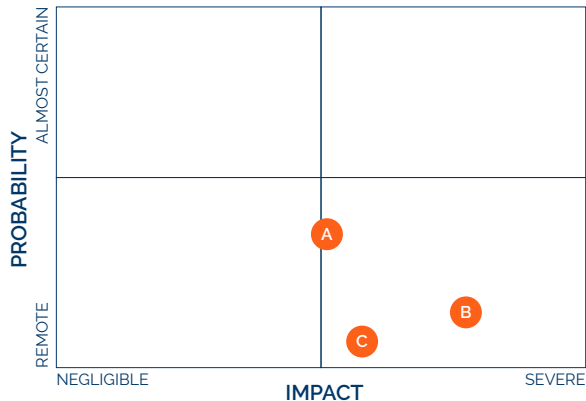
President Rahmon selects his son to be his successor prior to a presidential election in 2020. This results in political factions within the administration mounting a palace coup. Any such move would most likely take place behind the scenes so there would be a very limited risk of protests.

### B CHECHEN INDEPENDENCE

The leader of the Republic of Chechnya in the North Caucasus calls for independence from Russia. President Putin rejects this, leading to sustained fighting between Chechen paramilitary forces and Russian security forces.

### C TURKEY ANNOUNCES WITHDRAWAL FROM NATO

Diplomatic spats with the US over policy in Syria and with the EU over oil exploration in the eastern Mediterranean prompt Turkey to announce plans to exit NATO. Ankara demands that the US hands over Incirlik air base in eastern Turkey back to the Turkish military.





# Forecasts



## BELARUSIAN NATIONALISM

Nationalist groups will probably become more prominent over 2019, holding rallies and marches across the country. These are likely to be small – a few hundred people at most – as there is little momentum around a nationalist movement at present. But we anticipate that this will grow over the coming year, with the support of state-owned media, in response to Russia's increasingly overbearing diplomatic posture towards Belarus.



## TURKMENISTAN COUP

Anti-government and hardship protests are probable over the coming year, over deteriorating economic conditions and governance. These are unlikely to amount to a revolution. But we anticipate a palace coup attempt or plots may follow – most likely behind closed doors – within the next 12 months.



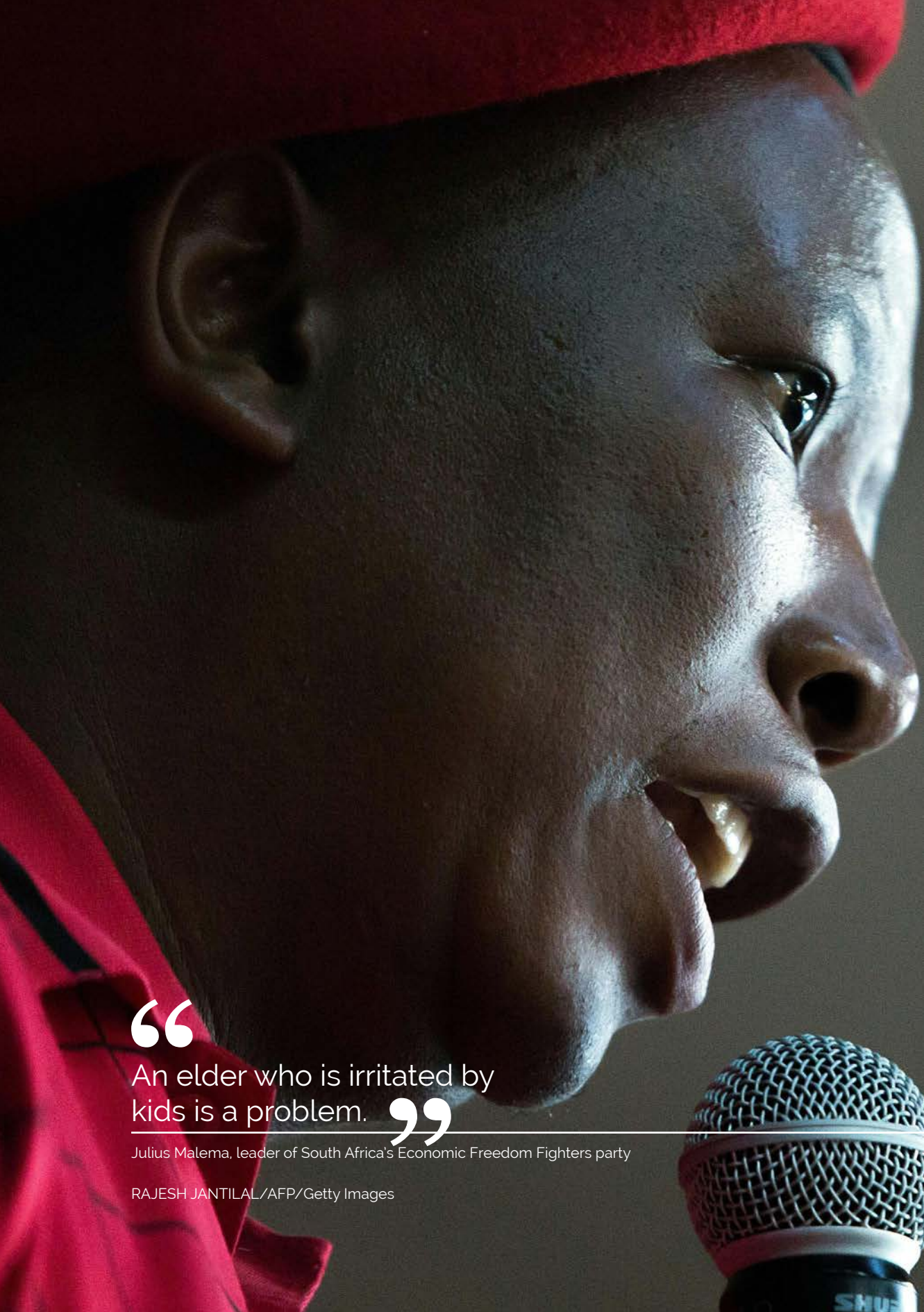
## ELECTION IN UKRAINE

We anticipate considerable legislative slowdown in Ukraine following a presidential election in March 2019. This is particularly if an independent candidate wins the poll and struggles to form a parliamentary majority, as seems likely. A pro-Russia candidate is highly unlikely to win the vote, so we do not anticipate any significant unrest after the election.



## TERRORISM IN CENTRAL ASIA

Islamist extremists radicalised at home will continue to pose the main threat of terrorism rather than returnee fighters, and we anticipate a slight increase in the number of Islamic State-inspired attacks over 2019 across the region. Although at present the security services seem to be very effective in mitigating the threat, so a significant increase is unlikely.



“

An elder who is irritated by  
kids is a problem. ”

---

Julius Malema, leader of South Africa's Economic Freedom Fighters party

RAJESH JANTILAL/AFP/Getty Images

# SUB-SAHARAN AFRICA

## DISRUPTING THE INCUMBENTS

**Overall trend:** CONSISTENT

---

### WORSENING

Burkina Faso  
DRC  
Zambia

Cameroon  
Tanzania

### CONSISTENT

Cote d'Ivoire  
Kenya  
Senegal  
South Africa

Ethiopia  
Nigeria  
Somalia  
Uganda

### IMPROVING

Angola  
The Gambia  
Zimbabwe

Eritrea  
Mozambique

**We forecast that the collision of old and new in Sub-Saharan Africa will drive up security risks across much of the continent in 2019. Youth-oriented or reform-minded political parties, movements and factions are likely to try to disrupt and undermine long-serving governments in several countries across Africa in the coming year, either from within or externally.**

Reformist leaders in both Ethiopia and Angola have disrupted the status quo from inside government in the past year, and are highly likely to continue to do so in 2019. This has some potential to impact stability, albeit more in Ethiopia than Angola. The new and youthful Ethiopian prime minister, Abiy Ahmed, has implemented broad economic and political reforms since taking office in 2018. But he is walking a fine line between the perils of action and inaction.

Ahead of a general election in 2020, Abiy will have to balance the interests of conservative hardliners, who still have significant influence over the security and intelligence services, and reformist political and youth groups that are able to mobilise large numbers of people to protests. There is some potential that hardliners in the army will attempt to remove the premier if they feel that his reforms have gone too far. But a greater risk would be signs that parts of the government are trying to slow the pace of reforms prompting protests and unrest, particularly in the Oromia region.

Unlike in Ethiopia, the Angolan president's reform efforts look unlikely to affect government stability, or security on the ground. We anticipate that President Lourenco will continue his approach of trying to attract a deal with international financiers in 2019. His reforms have included the removal of several military and political officials close to his predecessor, Jose Eduardo dos Santos. But the president's popularity and the backing he enjoys from his party mean that, even with the removal of military officials, a credible attempt to topple the government is unlikely in the coming year.

Younger and more disruptive opposition movements and figures will probably also challenge the efficacy and legitimacy of governments as well as long-standing opposition parties in 2019. Bobi Wine in Uganda and a group called the Social Forces in Guinea showed in 2018 that they are willing and able to mobilise larger numbers of people than traditional opposition parties. Both are popular and are likely to continue to mobilise their supporters against governments in the coming year.

A loud and disruptive opposition political movement in South Africa – the Economic Freedom Fighters (EFF) – is likely to drive up risks there in 2019, though these will probably be more political than security related. A general election is likely in May, but in any event must take place before 4 August. Opinion polling suggests that the far-left EFF will double its vote share from the last election in 2014 to around 12%.



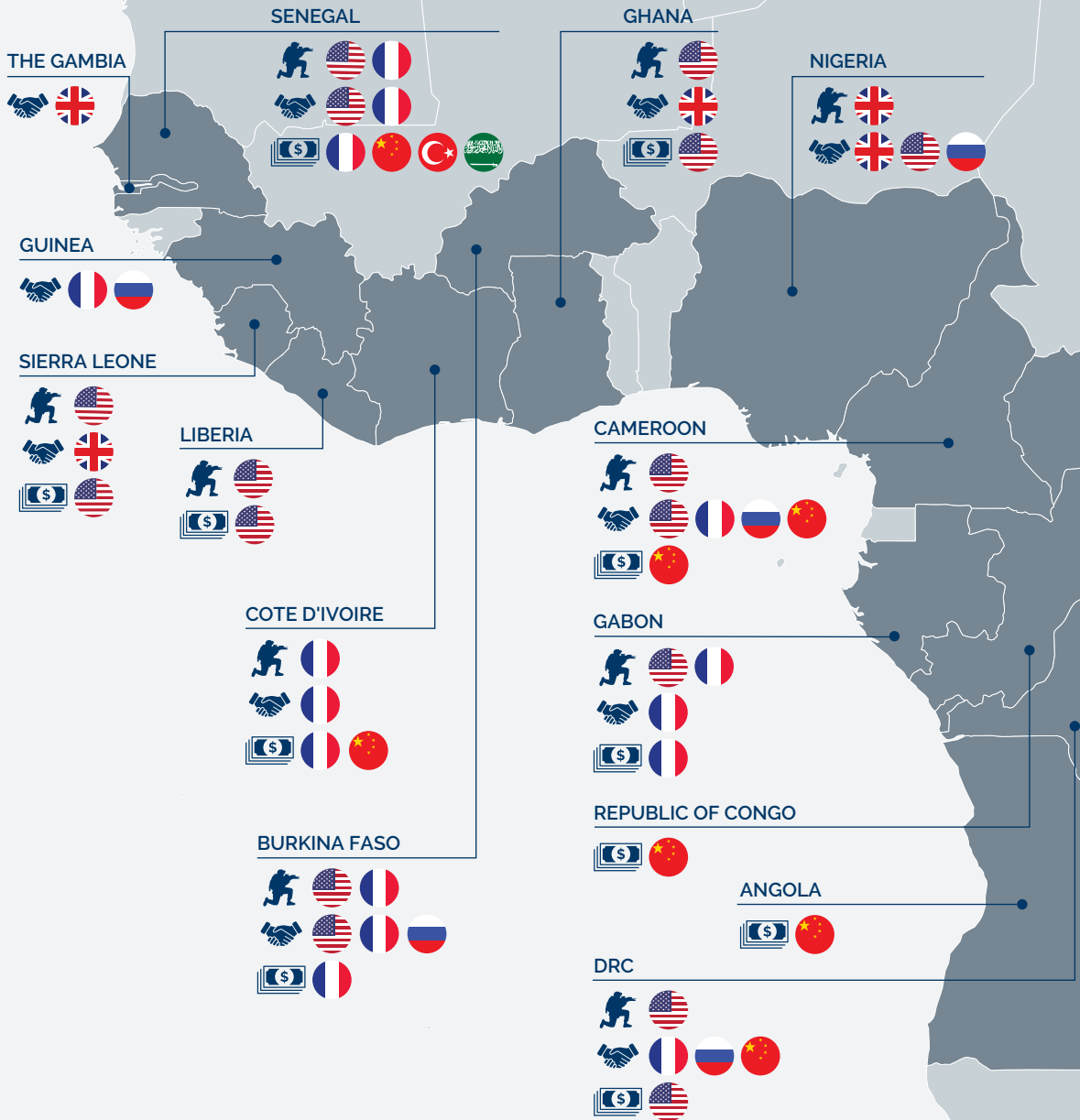
We strongly doubt that the EFF, or indeed any party, will receive enough votes to threaten the African National Congress' (ANC) hold on government. But if the ANC falls short of the 66% of seats it needs to change the constitution – which looks likely – it will probably need the EFF's vote to fulfil its promise to make constitutional reforms to allow for the expropriation of land without compensation. The EFF would almost certainly use this opportunity to try to pressure the ANC into more wide-ranging land expropriation or redistribution policies. But we doubt that the ANC would risk jeopardising investor confidence by implementing a policy of widespread expropriation.

Social media is another way in which activists and opposition groups are disrupting old-guard politicians. UN data suggests that internet penetration rates across the continent have increased by around 20% annually in recent years, so it will almost certainly continue in the coming years. And the use of online platforms to organise demonstrations is not a new phenomenon. What is new is that governments across the continent are trying to prevent opponents from mobilising their supporters by subverting social media usage. Indeed, the authorities at a national or sub-national level in Cote d'Ivoire, Guinea, Nigeria, Zambia and Zimbabwe have all said that they are considering implementing taxes or restrictions on social media.

Any government attempts to limit the use of social media for political reasons will probably drive up the risk of protests and unrest, however. Attempts to tax or curb social media platforms have prompted protests in Uganda, Kenya, Senegal and Benin in 2018. These have been to varying degrees of size and violence, most notably resulting in fairly widespread and violent unrest in the Ugandan capital in July.

Aside from contributing to unrest risks, social media has also played a significant role in a growing civil conflict in western Cameroon. We assess there is growing potential for social media platforms to be used to incite inter-communal violence there. And while terrorist groups have long used the internet to recruit and facilitate the financing of their operations, Anglophone militants are using platforms such as Facebook and Twitter to crowdfund their insurgency, raising money from abroad for weapons and logistics.

Anglophone groups in Cameroon have reportedly received funding from as far abroad as Kenya and South Africa. With this, they have purchased new weapons, which they have publicised in videos on social media. This improved capability, combined with the apparent lack of a coherent strategy by the Cameroonian security forces to defeat such groups, means that the conflict in the west of the country is likely to continue throughout the year. But there have been few indications that they are capable of sustaining a campaign of attacks outside of western Cameroon. ■



## FOREIGN INFLUENCE IN SUB-SAHARAN AFRICA



PERMANENT MILITARY BASE OR UNILATERAL TROOP PRESENCE



COMPREHENSIVE MILITARY COOPERATION



SIGNIFICANT STATE ECONOMIC INFLUENCE



UK



US



FRANCE



RUSSIA



CHINA



TURKEY



UAE



SAUDI ARABIA



ERITREA



CENTRAL AFRICAN REPUBLIC



SOUTH SUDAN



ETHIOPIA



DJIBOUTI



SOMALILAND



SOMALIA



UGANDA



RWANDA



KENYA



BURUNDI



TANZANIA



ZAMBIA



MALAWI



ZIMBABWE



MADAGASCAR



BOTSWANA



MOZAMBIQUE



# Monitoring points

## YOUTH BULGE

In many countries across Sub-Saharan Africa, population growth is faster than economic growth. Data from the World Bank already shows that young people are disproportionately disadvantaged in terms of education and employment opportunities. Dissatisfaction over this is already high in many countries across the continent, particularly in South Africa and Ethiopia, where there have been protests over the accessibility of jobs and cost of education in recent years. Poor economic growth and corruption have the potential to exacerbate such disaffection in 2019, potentially making hardship protests and accompanying unrest more frequent. Policy changes over the cost of education would make youth-led protests less likely, however.

## SUPPRESSION OF SOCIAL MEDIA

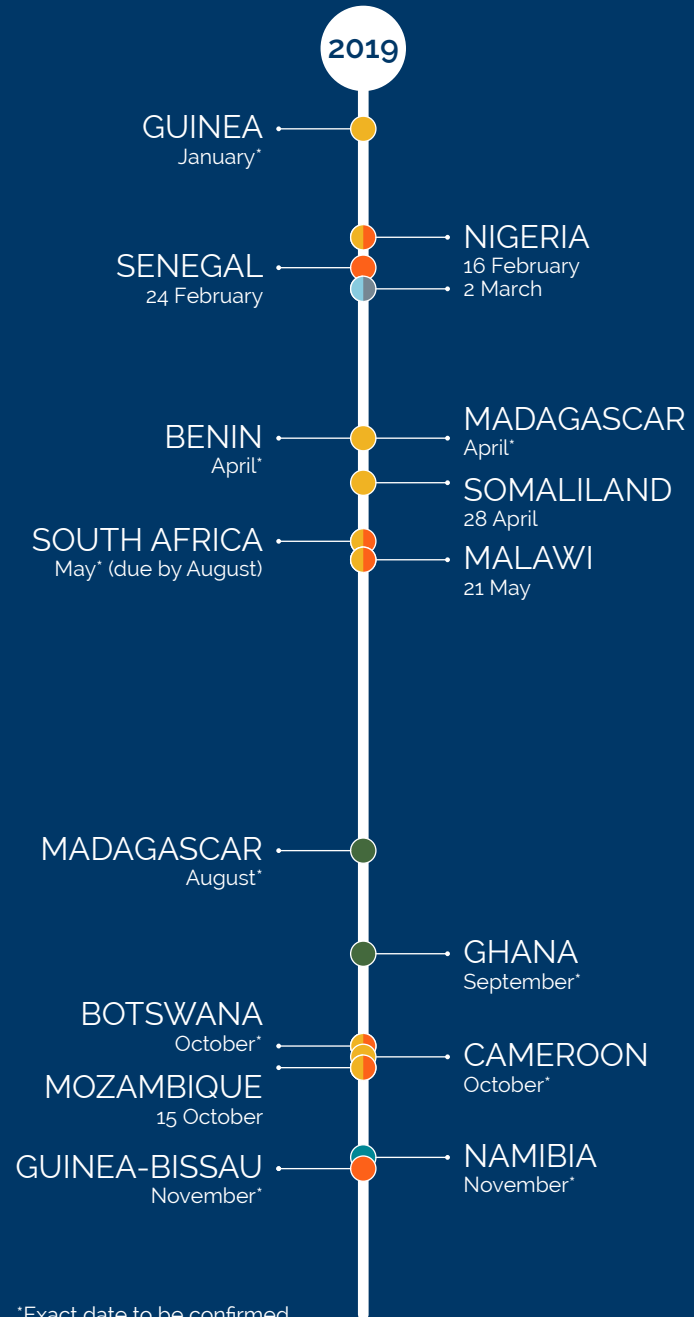
There are likely to be protests against government attempts to limit or tax the use of social media in 2019. Governments at a national or sub-national level in Cote d'Ivoire, Guinea, Nigeria, Zambia and Zimbabwe have already said they intend to push ahead with proposals to do so. More broadly, official efforts by long-serving governments to suppress popular and youthful opposition politicians mean that the risk of demonstrations will remain high across most of the continent. There is a high potential for violence at any such protests, as security forces would probably try to disperse them with force. But in most cases, they are unlikely to be long lasting.

## AGEING PRESIDENTS

The old age of several African leaders – notably in Cameroon, Equatorial Guinea, Guinea, Uganda and Zimbabwe – means it is credible that one of them might die or become suddenly incapacitated in 2019. In most of the above-mentioned countries, there is no clear successor to the incumbent. This lack of preparedness increases the likelihood of an unplanned transition of power resulting in government instability. We assess that this is most likely in Cameroon and Equatorial Guinea, where government has long been highly centralised.

## ELECTIONS IN SUB-SAHARAN AFRICA

- PARLIAMENTARY
- PRESIDENTIAL
- GUBERNATORIAL
- STATE ASSEMBLY
- DISTRICT/LOCAL



# CIVIL UNREST



## Outliers

### A COUP IN KAMPALA

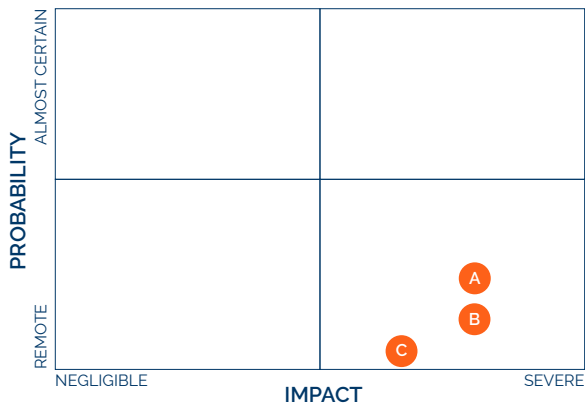
President Museveni steps up his efforts to arrest popular opposition politicians such as Bobi Wine. As part of the president's zero-tolerance to dissent, security forces respond with force to anti-government protests, leading to a period of sustained unrest. This prompts the military to mount a coup against Museveni.

### B RESURGENCE OF KATANGAN SEPARATISM

After an election that the opposition claims was marred by fraud, there is an unpopular transition of power from President Kabila to his chosen successor, Emmanuel Ramazani Shadary. This causes a crisis of legitimacy for the government, as well as an increase in rebel activity. This prompts politicians in the Katanga region to declare independence.

### C NIGERIA INTERVENES IN CAMEROON

The continuing failure of the military to defeat insurgents in the Anglophone South West and North West regions leads the government to target the region's civilian population. This leads to a surge of Cameroonian refugees into Nigeria. The Nigerian authorities respond by intervening militarily in the conflict, in support of Anglophone communities.



# Forecasts



## ELECTIONS IN NIGERIA

We doubt that a general election on 16 February 2019, or gubernatorial and state assembly polls on 2 March, will prompt a significant deterioration in the nationwide security environment. But we anticipate that elections will result in some localised political violence, protests and unrest, particularly in northern states, and the Delta and Biafra regions in the southeast. Any significant election-related violence seems unlikely to affect Lagos or Abuja.



## AL-SHABAAB IN SOMALIA

The Somali authorities are unlikely to curb the terrorist threat posed by Al-Shabaab in Mogadishu, or elsewhere in Somalia, in 2019. This is particularly as the UAE, Qatar and Turkey compete for influence in Somalia, reinforcing rivalries between units of the security forces. Most Al-Shabaab attacks in the capital in 2018 were against state officials and buildings. The group has also repeatedly attacked hotels in recent years.



## CONFLICT IN COTE D'IVOIRE

The risk of armed conflict in Cote d'Ivoire will probably remain high ahead of a presidential election in 2020. The army is highly factionalised, so rivals of President Ouattara have significant influence over soldiers. There have been persistent signs in recent years that such rivals – particularly Guillaume Soro – have sought to undermine Ouattara. But any armed confrontations would probably be localised and carried out through proxies. We assess that a return to full-fledged civil war is unlikely in 2019.



## LAND REFORM IN SOUTH AFRICA

We doubt that the pace of land expropriations in South Africa will increase significantly in the coming year. This is mainly because, aside from pledging to change the constitution to allow for the expropriation without compensation, the governing ANC party has given little substantive detail about how it will change the land redistribution process.



A close-up portrait of Abdel Fattah el-Sisi, the president of Egypt. He is wearing a dark blue suit jacket, a light blue dress shirt, and a dark blue patterned tie. He has a serious expression and is looking slightly upwards and to the right. The background is a plain, light-colored wall.

“

We won't allow a water-shortage crisis to occur in Egypt. We not only have to keep our share of the Nile, but also use our share to the maximum. ”

Abdel Fattah Al-Sisi, president of Egypt

PAVEL GOLOVKIN/AFP/Getty Images



# NORTH AFRICA

## NEW RESOURCES, SAME RISKS

**Overall trend:** CONSISTENT

---

### WORSENING

Algeria  
Mali  
Sudan

Libya  
Mauritania

### CONSISTENT

Chad  
Egypt

Djibouti  
Morocco

### IMPROVING

Tunisia

**Year-to-year, security and political risks have changed little in North Africa and the Sahel since late 2015, and we are not forecasting major shifts in 2019. But from a longer-term perspective, pressures from population growth and climate change are intensifying competition over access to and income from the region's previously plentiful resources: water, oil and gas, minerals and solar energy. States, tribes and other identity-based groups are jostling for a share of these riches for themselves and to sell on to investors from Europe and further afield. Resource competition is elemental to conflicts in the region, so future shortages and abundances help us to identify where and how new security risks will emerge.**

Competition over water resources is already at risk of leading to or intensifying interstate and communal conflicts in North Africa. Agriculture and industry are extremely water-intensive in Egypt and Sudan, but those countries are facing the prospect of reduced water supply when Ethiopia's Grand Renaissance dam comes online. In the Niger basin, shortages of water remain one of the many drivers of inter-communal conflict. Recurrent armed violence between Fulani herders and Dogon farmers, such as in the Mopti region of Mali, is just one example of this.

Coherent leadership – whether it be from the African Union, EU or Arab States – is sorely lacking on these issues. So comprehensive, equitable or sustainable solutions for water distribution are unlikely. But we do anticipate piecemeal agreements, including between Ethiopia, Sudan and Egypt in 2019. It is probable that such deals will alleviate the risk of war along the Nile, but sustain the potential for localised conflicts and civil unrest. This is because they are unlikely to address underlying problems. And the involvement of interested parties, including the water-poor Gulf states looking to source food, is likely to make these disputes more complex, even if they are able to push parties to a solution rapidly.

These disputes over resources have several implications for security risks across the region in 2019 and beyond. In remote areas, there remains a potential for civil unrest, particularly over agriculture and land or water access. These are already common problems in Egypt, Sudan, Tunisia and Morocco. The weakness of state infrastructure and security agencies in isolated areas means that they are vulnerable to natural disasters and their after-effects. It also heightens the risk of violence between local populations and the security forces. Long-standing trends of unrest in these rural areas point to mistrust of the state extending to suspicion of foreign investors, particularly when land ownership is involved.

On a national level, reliance on natural resources continues to be a driver of nationalism, as is apparent in debates over the Nile or the self-determination of Berber, Sahrawi and Tebu peoples. In Algeria, Egypt and Libya, the state's

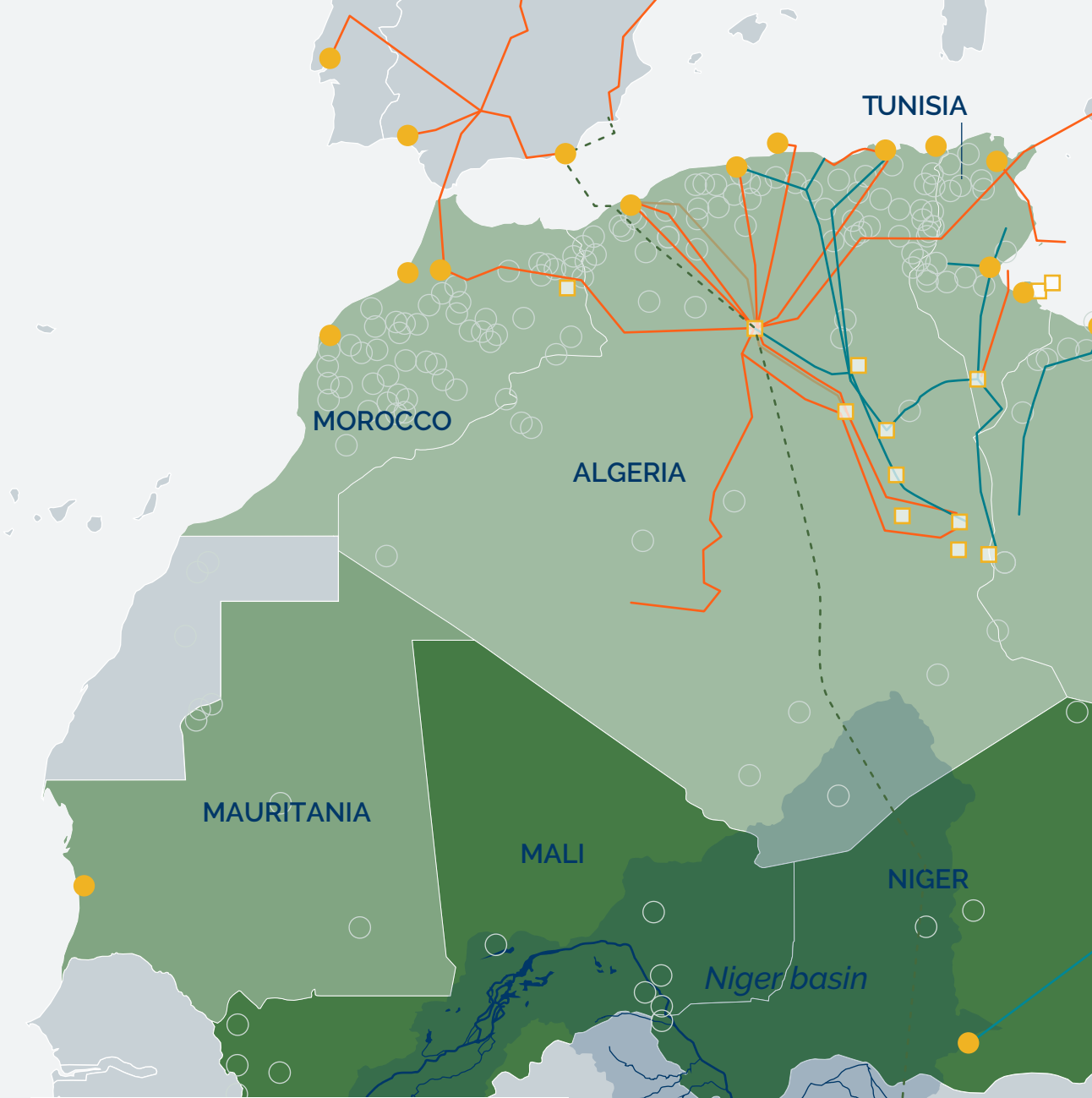
claims to protect national wealth from outsiders and then distribute this has historically been a source of stability. Across the region, other probable areas of domestic political instability include attempts to reform laws governing state ownership of resources, national banks and enterprises, and who should get state handouts.

Egypt, which has so far faced minimal public opposition to austerity, will have to balance a narrative of resource nationalism with a pro-market agenda for foreign investors, including for gas extraction and export. We think the latter forces will prevail. We also forecast that following a presidential election, Algeria is likely to debate reforms to its hydrocarbons laws in the hope of securing more foreign investment. The government will probably also face growing public pressure over belt-tightening policies. This means that protests and outbreaks of unrest are likely to become more frequent – particularly in marginal areas – although state controls mean these are unlikely to significantly affect policy.

Competition over money and natural resources will remain particularly intense in Libya, where we anticipate that militias are more likely to fight for control of government institutions and oil assets, than seek to win elections. But in Egypt and Tunisia, we doubt that pressures on governments will yield a change in security risks in the coming year, due to Cairo's repression of opposition in the former and the slow-moving nature of Tunisia's democracy. Nonetheless, over a longer time frame, exploitation of new resources is likely to diversify regional security risks.

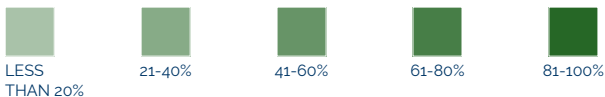
Foreign investors and national governments are looking to the region for renewable energy. But renewables are not always politically sustainable or any less likely to aggravate conflicts than traditional energy sources. Morocco's stability has made it a particularly appealing place for investment in solar, wind and wave energy. This will probably make the government in Rabat even less likely that it already was to reach a political solution with advocates of Western Sahara's independence. And while there was little domestic opposition to the relaxation of currency controls in 2018, future reforms that lead to an outflow of resource revenue are likely to be contested by the public.

Across the Sahel and in other Sahara-bordering countries, investment in and exploitation of new resources in remote areas makes them vulnerable targets for the criminal and militant networks that have long operated there. Theft, kidnapping and extortion will in turn bring a future source of revenue for these groups, as will increased state funding to the national armies supposed to combat them. It will also add to existing pressures on regional states and sub-state groups to better police and demarcate their borders and divide up control of revenues. So to anticipate longer-term risks, we will be looking at the passage of legislation governing these issues and investment in border security. ■



## DIVERSE RESOURCES LIKELY TO PUSH UP SECURITY RISKS

### RENEWABLE ENERGY CONSUMPTION



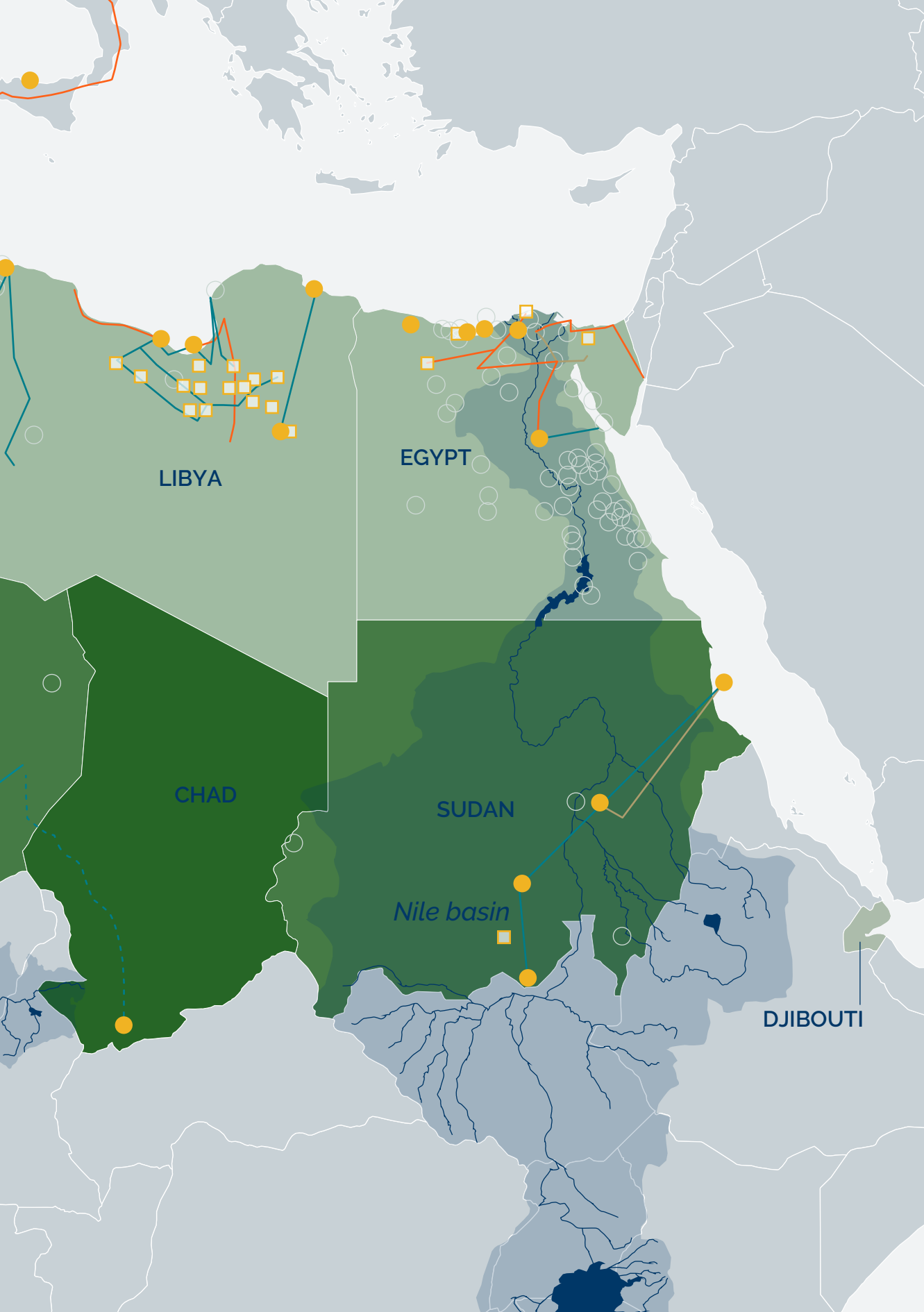
METALS AND MINERALS

HYDROCARBON FIELD

PETROL OR GAS INDUSTRIES

### PIPELINES

GAS   
 PETROL   
 DERIVED PRODUCTS   
 PROJECTED





# Monitoring points

## FALL IN OIL PRICES

Algeria and Libya are highly dependent on oil, while Egypt relies on the oil and gas sector to generate foreign currency. But none of these countries are large enough producers themselves to notably affect the oil price. So a significant fall in the price of oil, gas or other resources like uranium will limit states' ability to buy off their populations.

## PROGRESS ON EGYPT-ETHIOPIA NEGOTIATIONS

With so much at stake in the long term, a deal between Egypt, Ethiopia and Sudan over Nile water distribution would send a positive signal for conflict risks. The recent rapprochement between Ethiopia and Eritrea sends a positive signal that an agreement is possible in 2019. Greater involvement of Saudi Arabia or the UAE would signal that a deal might be imminent.

## OIL COMPETITION IN LIBYA

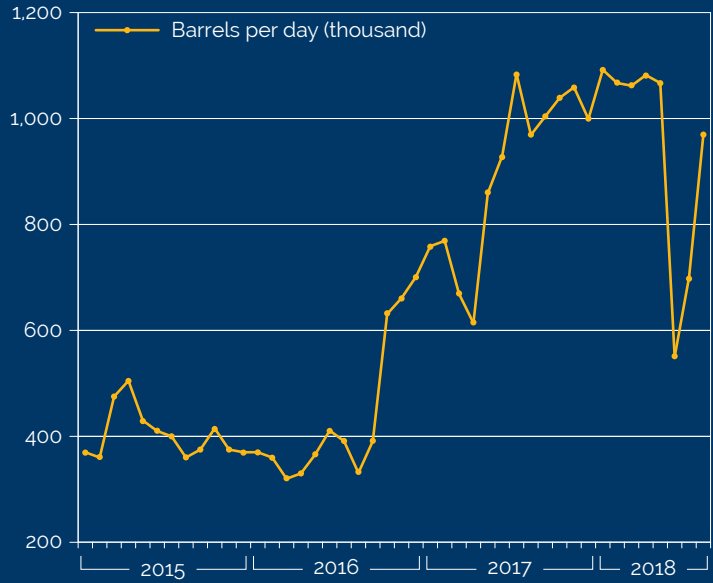
Competition over oil revenues and, by extension, control of the state is a driving factor in recent bouts of armed conflict. So any political agreement that affects who has control over oil exports, the rival national banks and state institutions would lessen the risk of conflict. But events over the last few years mean that we are more likely to see an intensification of these struggles.

## SLOW PEACE IMPLEMENTATION IN MALI

Progress on the implementation of a 2015 peace deal between the Malian government and ex-Tuareg rebels would probably positively affect overall security. But several issues, including the slow pace on integrating armed groups into security units, continue to hamper security provision in Mali. And without any progress on this, ethnic groups and local communities will probably continue to turn to violence to protect their interests.



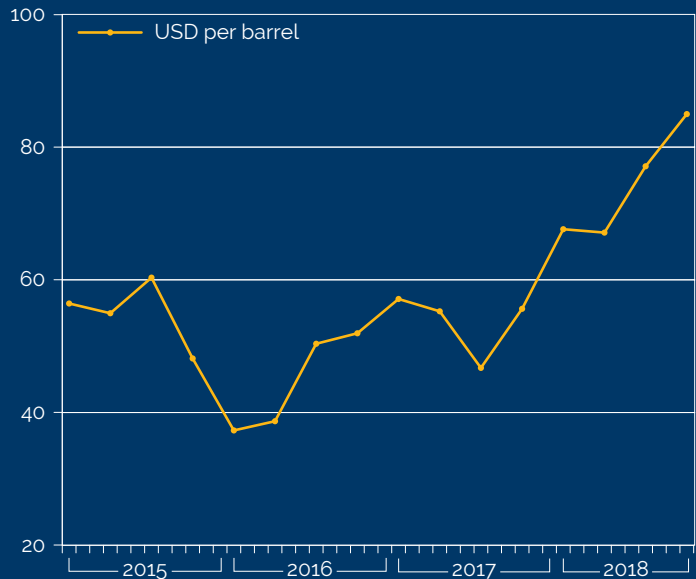
## LIBYA OIL PRODUCTION DATA 2015–2018\*



\*Effective: August 2018

Sources: US Energy Information Administration; Libyan National Oil Corporation; Libyan press reports

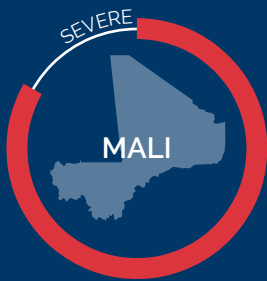
## BRENT OIL PRICE 2015–2018\*



\*Effective: October 2018

Sources: US Energy Information Administration; Libyan National Oil Corporation; Libyan press reports

# TERRORISM THREAT



## Outliers

### A MILITARY COUP IN EGYPT

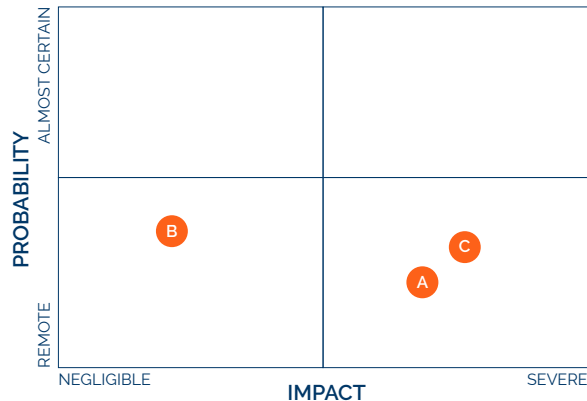
Members of security agencies opposed to the expanding influence of the army over political and business affairs attempt to overthrow President Sisi. Irrespective of whether a coup attempt succeeds, inter-agency competition and post-coup purges lead to a worsening security situation.

### B FORMATION OF UNIFIED LIBYAN GOVERNMENT

Efforts from the EU – particularly France and Italy – together with pressure from neighbouring countries, including Algeria and Tunisia, lead Libyan factions to go ahead with presidential and parliamentary elections. The votes eventually result in parties forming a single government. Representatives of all sides of the political divide participate.

### C IS EXPANSION IN NORTH AFRICA

Islamic State is able to significantly widen its networks in Tunisia, Morocco and Algeria, mounting repeated mass-casualty attacks against Western interests in those countries. The group also steps up its attacks in mainland Egypt and the resort cities of Sharm El Sheikh and Hurghada.



# Forecasts



## MANAGED PRESIDENTIAL ELECTION IN ALGERIA

President Bouteflika will almost certainly run in the April 2019 presidential elections – unless his health seriously worsens. He will probably win if he runs and eventually die in office, but we doubt that there will be much more certainty in the coming year as to who might succeed him. While we expect that the political elite will manage a smooth presidential transition, risks relating to wider political stability such as intra-elite competition and hardship unrest are liable to rise in 2019 due to worsening economic conditions.



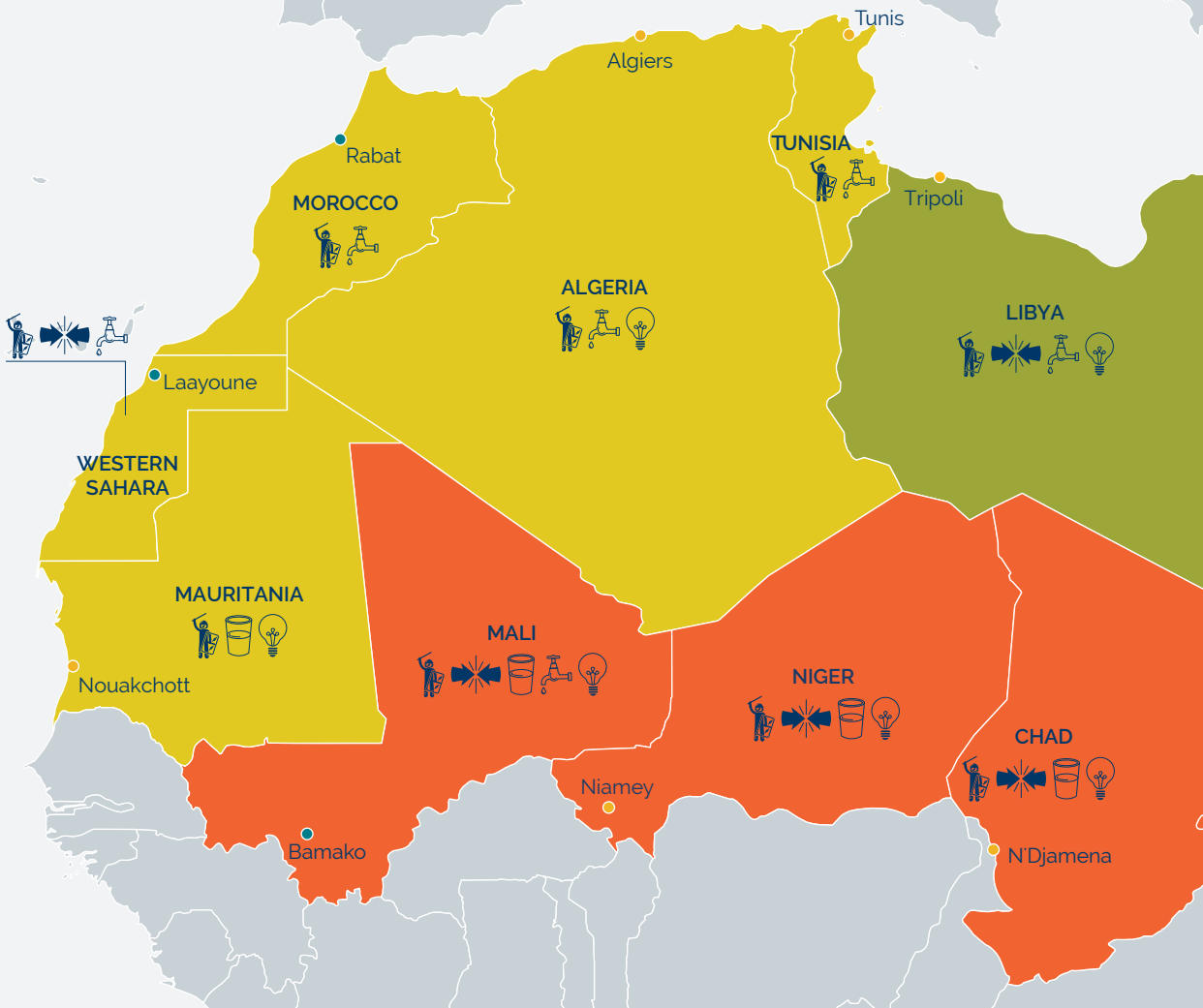
## EFFECTIVENESS OF THE G5 SAHEL COUNTER-TERRORISM FORCE

In the coming year, foreign powers including France seem likely to increase their support to members of the G5 Sahel force in countering the threat posed by Al-Qa-eda affiliate JNIM. This follows attacks by the group in recent years in cities outside of its main areas of operation in Mali. In the course of 2019 the combination of greater foreign involvement and recent advances in the strength of militants is likely to lead to a worsening of the threat. But we expect this to peak, as local security force capabilities improve.



## DECREASING MIGRATION FROM NORTH AFRICA

We forecast that the year-on-year reduction in the number of people crossing from North Africa into southern Europe since 2015 will continue, but that numbers will still peak in the summer months. With the EU focusing on preventing people crossing the sea, more Sub-Saharan African migrants in particular are likely to find themselves trapped in North African countries. This phenomenon is in turn likely to drive greater criminality and lawlessness in border areas across the region, due to the exploitation of often-impoorished migrants. It also has the potential to increase the risk of slavery in supply chains.

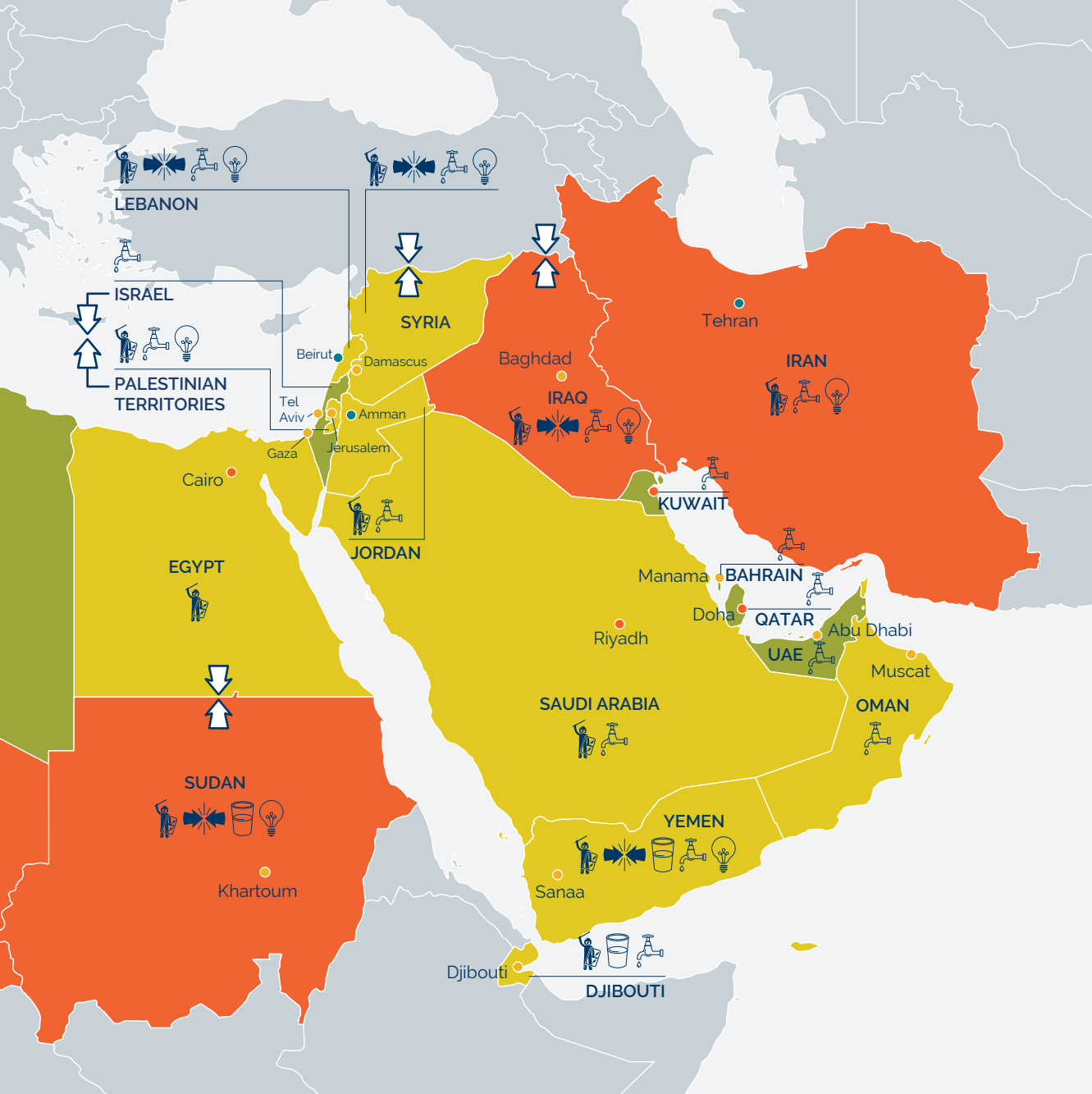


## SECURITY AND ENVIRONMENTAL RISK IN THE MIDDLE EAST AND NORTH AFRICA

The map shows how environmental issues are driving security risks. It illustrates our geophysical risk levels – the probability of exposure to extreme geophysical events.

All regional capitals have dangerous levels of air pollution, with Cairo, Doha, Kuwait City and Riyadh the worst. And in most MENA countries water stress levels are high or extremely high. Data from UNICEF shows that in eight countries more than 10% of the population has access to surface water only. Comparing those two datasets shows that Djibouti, Mali and Yemen have the most serious water-related issues. As an indicator of state inability to undertake major infrastructure projects, the map also shows where electricity provision is poor.

There have been issue-specific protests or unrest in almost all MENA countries in recent years. These problems are either already driving civil conflicts or are likely to do so. The risk of interstate conflict is less widespread and mainly relates to disputes over the Nile and Euphrates.



### GEOPHYSICAL RISK

- NEGLIGIBLE
- LOW
- MODERATE
- SUBSTANTIAL
- SEVERE
- CRITICAL

### AIR POLLUTION

- LESS THAN 10
- 11 - 15
- 16 - 25
- 26 - 35
- 36 - 69
- OVER 70

### ASSOCIATED ELEVATED RISKS

- UNREST
- CIVIL CONFLICT
- INTERSTATE CONFLICT

### ENVIRONMENTAL PRESSURES

- DRINKING WATER
- WATER STRESS
- ELECTRICITY



A portrait of Najib Saab, secretary general of the Arab Forum for Environment and Development. He is a middle-aged man with grey hair, wearing glasses, a dark suit, a white shirt, and a blue patterned tie. He is looking directly at the camera with a slight smile. The background is a blurred indoor setting with a plant.

“

Despite the lack of real progress in several countries, mainly those which are facing political unrest and instability, others have made strides towards shifting to a more sustainable path, with major financial resources directed towards investments in environmental infrastructure. ”

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Najib Saab, secretary general of the Arab Forum for Environment and Development

IMAGE: najibsaab.com, with permission

# MIDDLE EAST

## CLIMATE-FUELLED SECURITY RISKS

**Overall trend:** CONSISTENT

---

### WORSENING

Iran  
Saudi Arabia  
Yemen

Lebanon  
UAE

### CONSISTENT

Israel  
Kuwait

Jordan  
Oman

### IMPROVING

Bahrain  
Palestinian Territories  
Syria

Iraq  
Qatar

**Across the Middle East, we forecast that climate-related issues will play a greater role in compounding security and stability risks than we have seen so far. The UN warned in 2018 that due to rising temperatures droughts have increased in frequency and have lasted longer over the past 40 years. Middle Eastern states with limited financial resources and poor infrastructure will struggle to make up for years of neglect and address emerging environmental challenges. The worsening impact on the lives of citizens in the region will drive up civil unrest and civil conflict risks. It will also strain government services, particularly healthcare.**

There were protests over shortages of drinking water in Iraq, Iran, Lebanon, Jordan, Palestine, Saudi Arabia, Syria and Yemen in 2018. These turned violent in southern Iraq and southwestern Iran. In both countries, decades of mismanagement of resources, corruption, and prioritisation of industry over the environment have led to polluted water sources and destroyed farmland. This has resulted in dwindling harvest yields and rising unemployment, adding to the grievances of people already angry with their governments. We expect protests over such issues to increase in frequency in 2019, particularly given that there appears to have been little done so far to address the root causes of public grievances.

A UN report published in 2018 called for ‘more pro-active and long-term planning’ to increase resilience against drought. The same report said that governments usually focus on immediate relief rather than investing in longer-term solutions. Even if governments overcome their financial and administrative limitations, we doubt that they will be able to effectively offset the impact of water shortages ahead of the coming summer. As such we expect a recurrence and intensification of violent protests in Iraq, Iran, Yemen, Lebanon and Palestine between May and September 2019.

Public anger over climate-related issues has tended to be directed against governments. But we forecast that protesters will increasingly target vital economic industries as well as critical infrastructure over these issues in 2019. During the violent unrest in southern Iraq in the summer of 2018, protests outside of oil fields frequently turned violent, and in at least one case resulted in a helicopter evacuation of employees. In a bid to attract the attention of the central government, protesters also closed vital supply-chain routes and infrastructure, including land, air and naval ports. Such events will probably recur in Iraq in 2019, but also seem probable in Iran, Syria, Palestine and Saudi Arabia.

Competition over water resources will also compound existing civil conflict risks in Iraq, Syria, Lebanon and Yemen. We anticipate a rise in the frequency of localised inter-communal violence over such resources in 2019 and beyond. Indeed, Islamic State militants appealed to and fuelled such grievances in their narratives to strengthen the group’s position in Iraq and Syria in the past.

It capitalised on the inability of governments to provide for communities amid years of drought that had damaged their crop yields and livelihoods. And if governments fail to prioritise the basic needs of citizens in communities, IS and other militants will capitalise on this once again.

In the longer term, competition over resources in the region will also probably increase tensions between states. Turkey has a dozen dams on the Tigris and Euphrates and plans to install around ten more in the coming years. The resulting reduction of water flow has prompted complaints from Iraq and Syria in the past. However, as these resources become more scarce, we anticipate that competing diplomatic claims between countries will escalate and contribute to pushing up risks of interstate conflict in the region.

In the coming years, we expect the richer states in the Middle East to take action to secure resources to counter the effects of climate change. These include oil-rich Gulf states such as Saudi Arabia, the United Arab Emirates, Kuwait and Bahrain, but also Israel. All of these countries suffer from water shortages but have been investing heavily in solutions, particularly desalination. But as they clean water for drinking and agricultural purposes, these countries are increasing the salinity of the remaining water, which is resulting in a cycle of escalating costs.

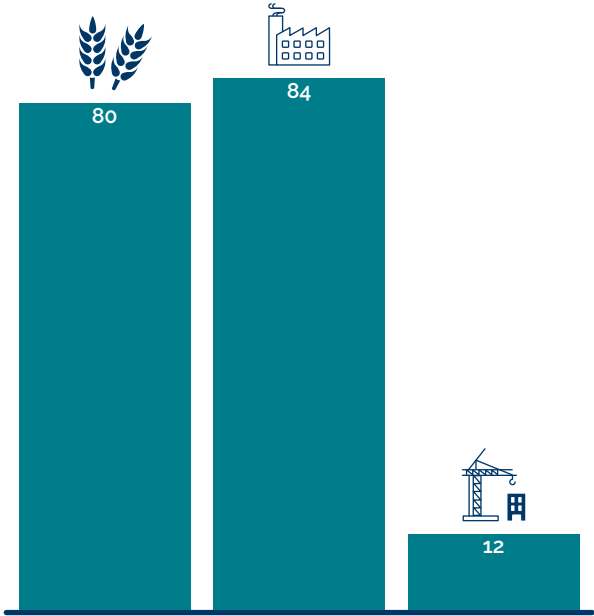
To overcome these issues, Gulf countries are also investing in renewable energy sources such as solar and wind. Producing clean water at a lower cost will probably help to offset desertification that is engulfing farmland in the region. But the Gulf states are also using cash to buy agricultural land along the Nile in East Africa. This practice would involve transporting agricultural produce across the Red Sea and the waters around the Arabian Peninsula where piracy occurs very frequently. It also seems probable that armed groups who oppose Gulf states would seek to disrupt these supply chains. Indeed, the Iran-backed Houthi movement has already targeted Saudi and Emirati-flagged vessels in those waters.

Gulf investments in agriculture and other sectors in Nile Basin countries also export risks to those states, by increasing resource competition in communities that rely on the river for their livelihoods. This raises the risk of localised conflicts and civil unrest in those areas. The following infographic is a general indication of Gulf investments in the Horn of Africa between 2007–2017. These investments are a sign of increasing competition between Gulf states for economic and political influence in their immediate neighbourhood. We expect that this competition between the Gulf states will continue in the next few years. ■

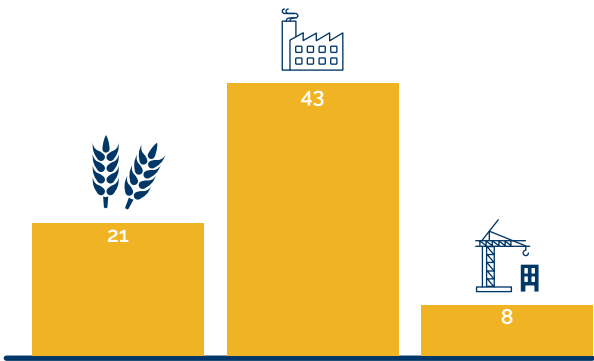
# TOP 3 INVESTMENTS BY COUNTRY 2007-2017

-  AGRICULTURE
-  MANUFACTURING
-  CONSTRUCTION
-  REAL ESTATE & RENTING
-  CONSULTING & BUSINESS SERVICES
-  TELECOMMUNICATIONS

## SAUDI ARABIA



## UAE



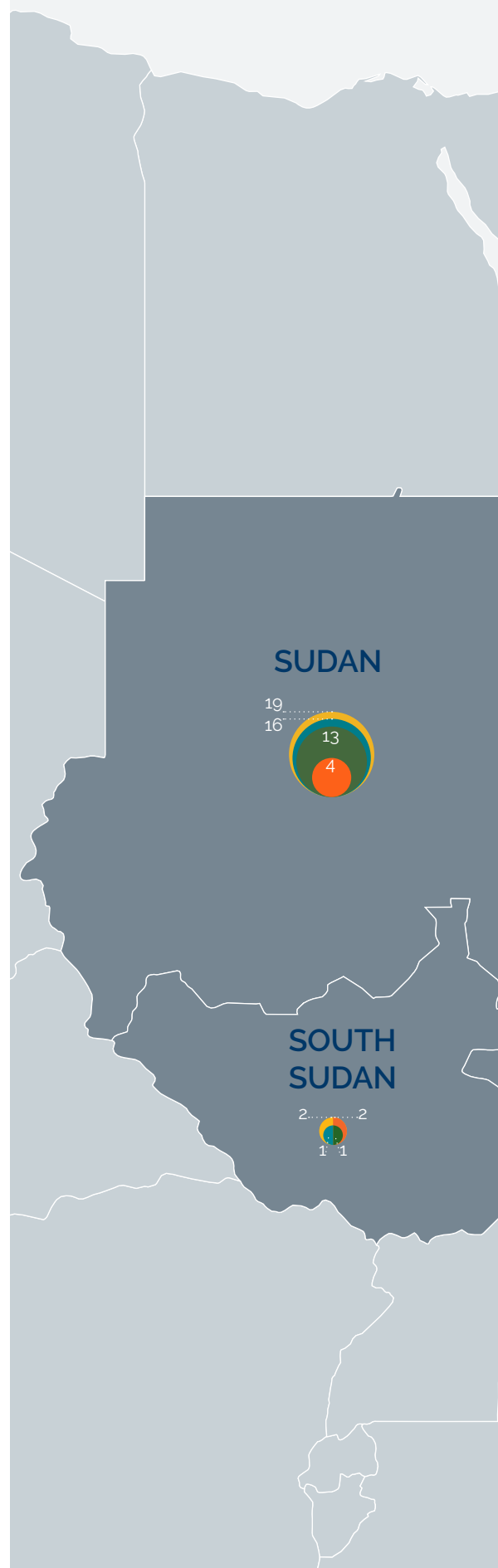
## KUWAIT



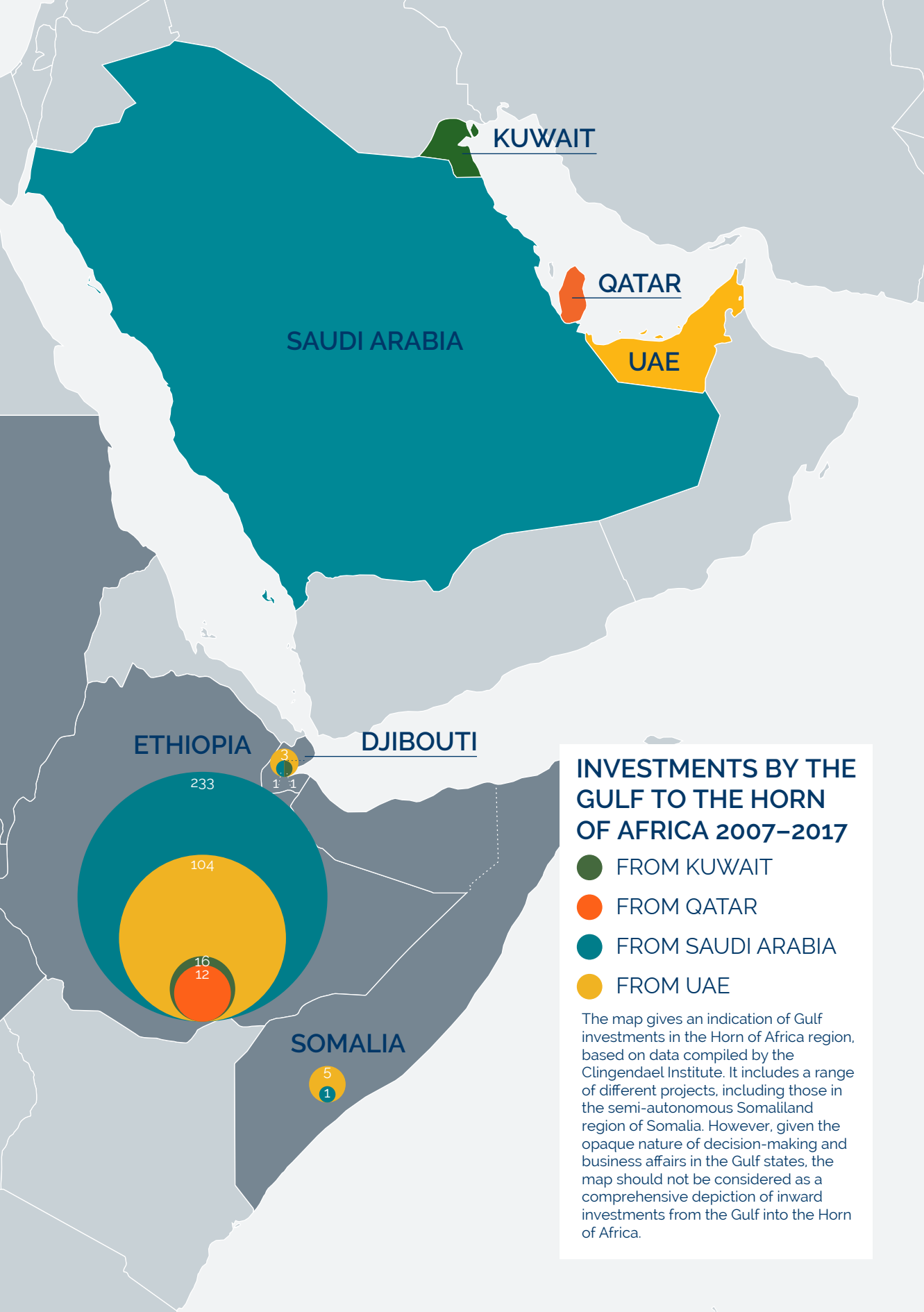
## QATAR



Source: Clingendael Institute







### INVESTMENTS BY THE GULF TO THE HORN OF AFRICA 2007-2017

- FROM KUWAIT
- FROM QATAR
- FROM SAUDI ARABIA
- FROM UAE

The map gives an indication of Gulf investments in the Horn of Africa region, based on data compiled by the Clingendael Institute. It includes a range of different projects, including those in the semi-autonomous Somaliland region of Somalia. However, given the opaque nature of decision-making and business affairs in the Gulf states, the map should not be considered as a comprehensive depiction of inward investments from the Gulf into the Horn of Africa.

# *Monitoring points*

## **FUNCTIONING OF THE IRAQI PARLIAMENT**

The new Iraqi government's ability to implement reforms early in its tenure will serve as an indicator of stability there in 2019. Early successes in passing legislation to tackle corruption, security and economic issues will demonstrate whether politicians can effectively address the long-standing grievances that prompted violent protests in summer 2018. These include unemployment and lack of services such as fresh drinking water and electricity. If the government is dysfunctional and reforms are delayed, then we expect violent protests over these issues and government corruption to recur and be more intense this summer.

## **SEASONAL CHANGES**

Variations in seasonal weather patterns, particularly rainfall and temperatures, are a probable indicator of changes to the security environment in 2019. A long and dry winter, followed by high temperatures in the spring and into summer, would result in diminished harvest yields later in the year. Among the knock-on effects of this are increased unemployment, food and water shortages, and rising prices of goods. These will probably contribute to prompting hardship protests in Iraq, Syria, Yemen, Iran, Jordan, and Lebanon.

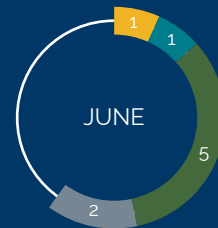
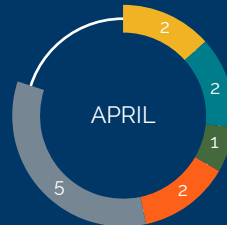
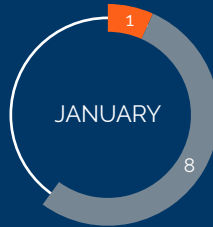
## **PROGRESS IN ISRAEL-HAMAS CEASEFIRE TALKS**

Israel permitting the transfer of materials to improve infrastructure in Gaza, including a desalination plant, will probably be an indicator of progress in ceasefire talks between Hamas and Israel in early 2019. Israel did so amid talks in 2018. However, the deep mistrust between the two sides and the presence of Islamist militant groups in Gaza that would be willing to disrupt or prevent any such agreement with Israel means that we doubt any deal will last beyond a few months at most. Failure to reach an agreement will probably lead to bouts of civil unrest in Gaza but also a rise in the frequency of rocket firings into Israel.

## CLAIMED HOUTHJI MISSILE LAUNCHES AGAINST TARGETS IN SAUDI ARABIA



2018



# CIVIL UNREST



## Outliers

### A WAR IN THE GULF

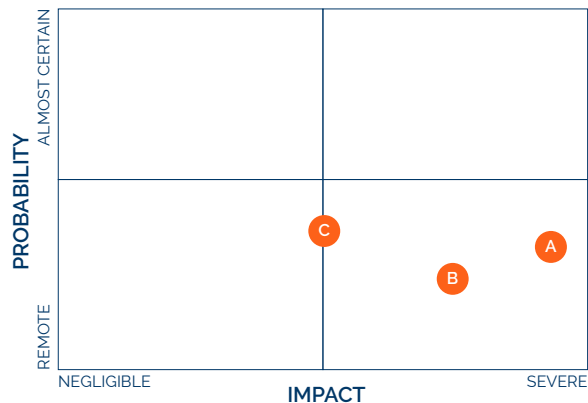
Saudi Arabia and the UAE retaliate against an Iranian-linked drone or missile attack with airstrikes on Iranian missile and other military sites. They occupy disputed islands in the Gulf, while Iran seeks to disrupt shipping there. The US navy deploys to keep the Hormuz strait open, risking the US being drawn into a wider conflict.

### B AL-QAEDA RESURGENCE

Al-Qaeda supporters are able to capitalise on the territorial and manpower losses of Islamic State to strengthen their networks in the region. The group mounts mass-casualty bombings outside of conflict areas in regional capitals. Priority targets would be commercial aviation, Western diplomatic missions and government buildings.

### C END OF QATAR CRISIS

Back-channel agreements between Qatar, Saudi Arabia and the UAE lead to a normalisation of diplomatic relations. The Qatari Emir is removed from power, and Qatar's diplomatic clout is significantly weakened. Saudi Arabia cements itself as the dominant player in the region. This intensifies competition between the Kingdom and the UAE, but weakens the position of Bahrain, Oman and Kuwait.



# Forecasts



## IRANIAN COMPLIANCE AND DEFIANCE

We forecast that Iran will continue to comply with the nuclear deal, despite the US withdrawal. However, we anticipate that Iran will seek to maximise regional disruption as a means of antagonising the US administration. We expect that it will seek to do so by supporting armed proxy groups in the Middle East and through hostile rhetoric. Disruption to shipping and even aviation in the Gulf region are possible scenarios.



## HOUTHJI REGIONAL THREAT ESCALATES

The Houthi threat to Saudi Arabia and the UAE is highly likely to evolve in 2019. We anticipate that with Iranian support, the movement will increase the range of its drone and missile attacks against oil and gas sites, aviation, as well as other critical infrastructure targets. We also forecast that the movement will target Saudi oil infrastructure with anti-shipping missiles and in guerilla warfare-style attacks, including by infiltrating the Kingdom.



## CONFLICT RISK HIGH IN THE LEVANT

We assess that the risk of conflict between Israel and Hezbollah will remain high. Syria and Iraq are the most likely to see Israeli and US military action against Iran-backed groups in the form of aerial strikes and covert operations aimed at disrupting missile supply chains in both countries. Other plausible scenarios include Israeli deployments into the Syrian Golan and aerial surveillance and attack operations over Lebanon.



## NETANYAHU WINS AGAIN IN ISRAEL

We anticipate that Israeli prime minister Benjamin Netanyahu will call snap parliamentary elections in the first half of 2019. And based on consistent opinion polling, he will probably lead his Likud party to another victory. Netanyahu is likely to seek a broad coalition aimed at splitting the opposition, although we doubt that this will lead to any substantive change in his nationalist-driven domestic or foreign policies in Israel.





“

With pragmatic cooperation and joint efforts of the people of Pakistan and China, the corridor project has brought about many positive changes to multiple areas of Pakistan's economy and society for the last five years. ”

Imran Khan, prime minister of Pakistan

LEON NEAL/AFP/Getty Images



# SOUTH ASIA

## COUNTERING THE CHINESE MARCH

**Overall trend:** CONSISTENT

---

**WORSENING** ↘

Afghanistan

**CONSISTENT** →

Bangladesh  
India  
Sri Lanka

Bhutan  
Maldives

**IMPROVING** ↗

Nepal

Pakistan

**Geopolitical and strategic competition is likely to intensify in South Asia in 2019. As it continues to invest heavily in South Asia, the terms of China's economic deals with countries in the region will come under greater domestic scrutiny. With it, political opposition to debt repayments to China and challenging economic outlooks are likely to mean more hardship and political protests in 2019 in Sri Lanka, Pakistan, Nepal and the Maldives. But India seems unable to take advantage of the resulting political uncertainties, losing further geopolitical influence in the region.**

Pakistan is – and will remain – the regional state most heavily reliant on Chinese investment. But there is a reasonable chance that Pakistan's approach to the IMF for a bailout will force it to reframe the opaque terms of its projects with China. The prime minister, Imran Khan, may need support from the opposition. But he is unlikely to find accommodating partners given that they believe parliamentary elections in 2018 were rigged in his favour. And given its lack of experience in government, we anticipate that Khan's administration is likely to move from one crisis to another.

The heavy debt burden of Chinese investment loans are likely to be even more pronounced in other South Asian countries. The IMF and World Bank have warned that there is a high risk that the Maldives will not be able to pay back interest on its loans from Beijing. Such a scenario would increase the likelihood of China effectively encircling India as part of its maritime Silk Road strategy. Chinese naval activity around the Maldives has increased in the past two years. And as has happened in Sri Lanka, the archipelago may well be forced to cede some state interests, such as ports, to China.

Sri Lanka will also probably continue to struggle to repay its foreign debt, including around \$5 billion owed to China, and curb a high cost of living resulting from an economy struggling for competitiveness in international markets. And into 2019, we anticipate further political instability stemming from former president Mahinda Rajapaksa's return to power in late 2018.

Countries in proximity to both India and China will need to manage an even greater balancing act. The communist government in Nepal has a strong parliamentary mandate and has welcomed investment from Beijing, but a total realignment of its regional ties seems unlikely. Nevertheless, New Delhi and Beijing are likely to compete over influence in Nepal. This will quite probably force India to take a stronger stance towards Kathmandu, including through backing for ethnic-Madhesi in southern Nepal to restart its protest campaign for a new constitution.

Afghanistan has also become a key component of the Belt and Road initiative over the past two years. As the security situation continues to deteriorate, China is likely to become more militarily involved in the conflict to protect



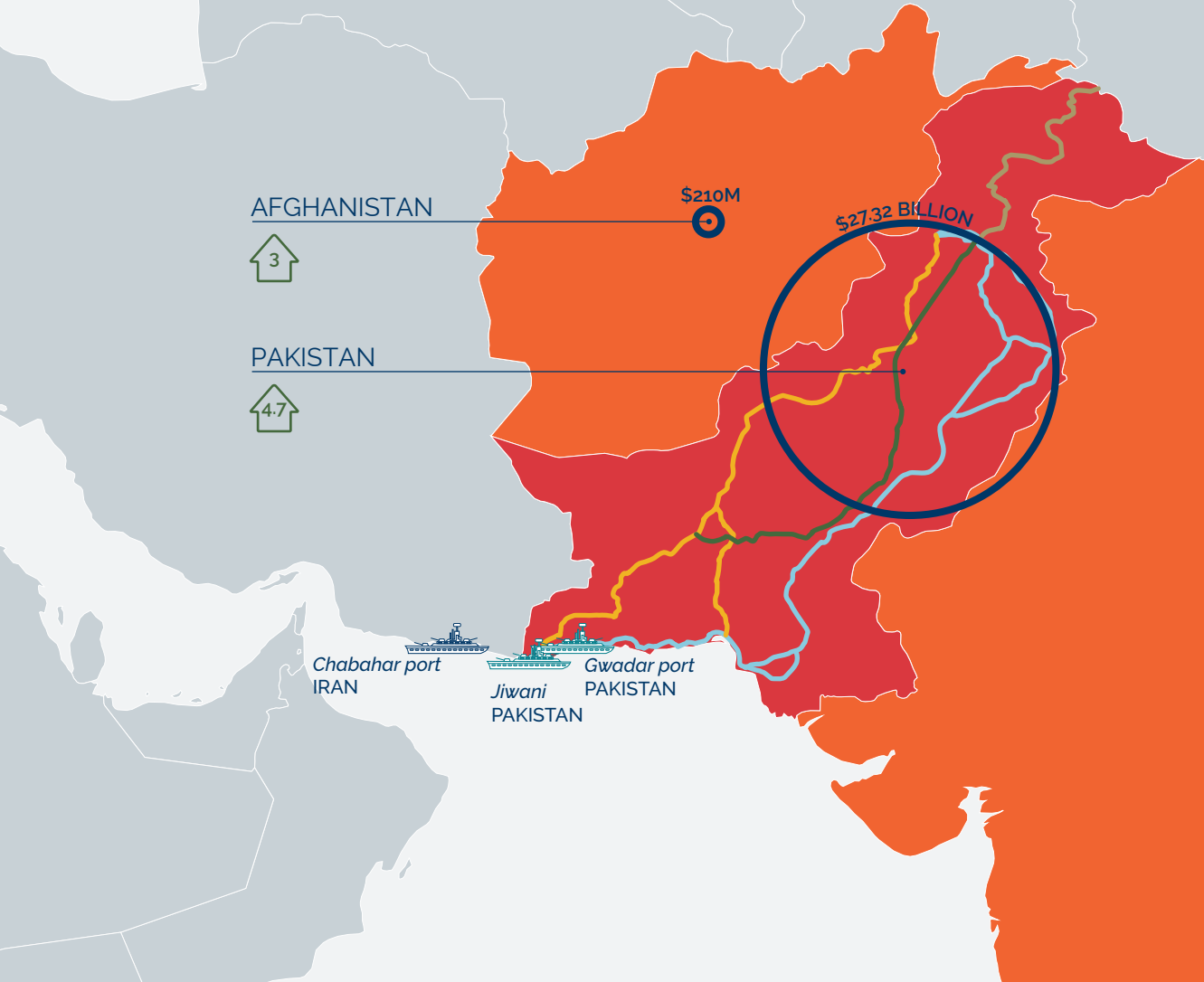
its strategic and economic interests. A growing willingness in Washington to quickly reach a political solution in the country is highly likely to precipitate talks between the US and the Taliban. But opposition in Kabul to President Ghani and his approach of making concessions to the Taliban will continue to grow, creating further political uncertainty and lack of trust in the government.

China's influence in South Asia will also continue to shift geopolitical relationships. India will probably pursue greater ties with the US. The two countries signed a significant strategic and military partnership in September 2018, which allows India to buy US weapons in exchange for intelligence sharing, potentially forcing New Delhi away from its long-held non-aligned foreign policy. This will entrench strategic positions further, creating points of tension and competition between China and India in maritime and cyber spheres, as well as sustaining the likelihood of another build-up of Chinese and Indian troops along the border with Bhutan.

But New Delhi will be wary of the Trump administration's ability to deliver on this partnership. This is particularly as the US commitment to diplomacy in South Asia, and as an effective counter to China in the region, continues to recede. And US sanctions on Iran mean that India's alignment may actually prove counterproductive to its own strategic and trade ambitions in the region, including through the Chabahar port in Iran on the Gulf of Oman.

As China extends its influence and major power competition increases, Beijing also has the potential to play a positive role in the region, helping to balance confrontation and existing conflicts between regional states. Reports in international media in September 2018 suggested that China's concerns about regional stability had prompted Pakistan to make efforts to improve relations with India. Beijing's drive to realise its regional economic ambitions, as well as the Trump administration's policy of isolating Pakistan, will probably push Imran Khan's government to seek better trade and diplomatic ties with India.

It is likely that the Indian government will be too preoccupied with a general election, due sometime in April or May, to respond to any positive outreach from Pakistan, however. And the result of the polls in India will determine the public tone and strategy that New Delhi will take for the rest of 2019. We forecast that Narendra Modi's Bharatiya Janata Party (BJP) will win, but with a reduced majority in parliament. This will probably make it harder for Modi to engage Pakistan and counter China's growing influence in Nepal, Maldives and Sri Lanka. So too will India's strengthening alliance with a declining regional player in the US. As a result, India will continue to lose ground to China despite opportunities to cement its position as the main power in South Asia. ■



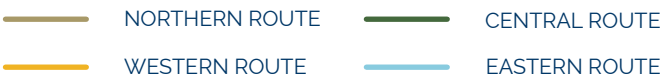
## CHINESE INVESTMENT AND INFLUENCE IN SOUTH ASIA

### CIVIL UNREST



NEGLIGIBLE LOW MODERATE HIGH SEVERE EXTREME

### CHINESE PROJECTS IN SOUTH ASIA



CHINESE MILITARY PRESENCE IN SOUTH ASIA



PROJECTED GDP GROWTH (%)



AMOUNT OF CHINESE INVESTMENT SINCE 2015

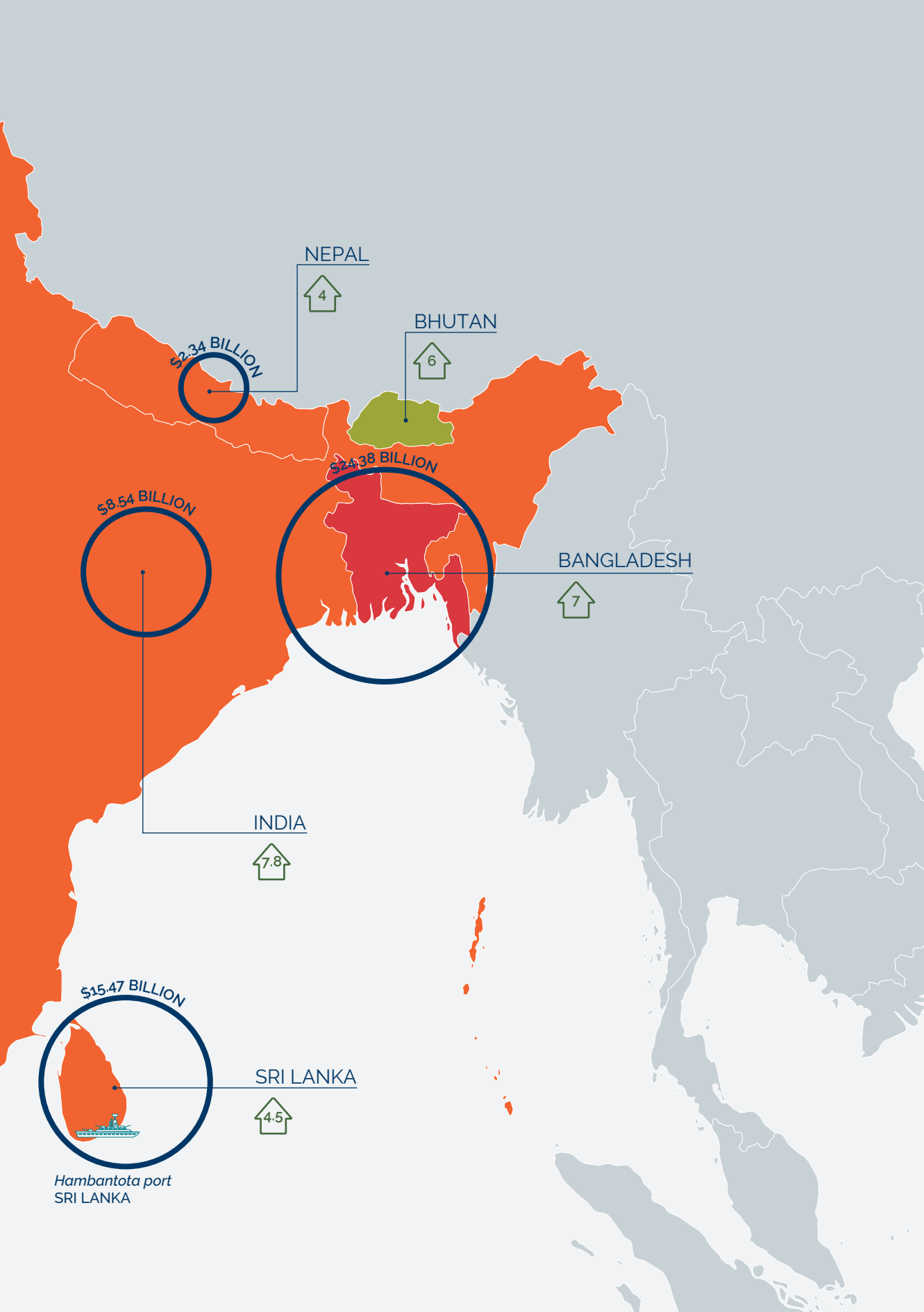
MALDIVES



Gaadhoo Island MALDIVES







NEPAL

4

\$2.34 BILLION

BHUTAN

6

\$2438 BILLION

\$8.54 BILLION

INDIA

7.8

BANGLADESH

7

\$15.47 BILLION

SRI LANKA

4.5

*Hambantota port*  
SRI LANKA

# *Monitoring points*

## **ELECTIONS IN INDIA**

There will be a general election sometime in April or May 2019. The prime minister, Narendra Modi, will seek to win another term, retain the BJP's majority in parliament and expand the party's influence across eastern and southern states. This would allow him to continue pursuing his development and Hindu-nationalist agenda, but would probably also further polarise political debate in India.

## **MAJOR CITY TO FALL TO TALIBAN CONTROL**

The Taliban seems highly likely to take control of one, if not multiple, provincial capitals in 2019. The south of the country seems most vulnerable to attacks as part of this push, particularly after the death of Kandahar's police chief in late 2018. It is most probable that any Taliban control of cities will be brief, but would impact any peace negotiations, and damage support for the government in Kabul.

## **PAKISTANI ECONOMY AND LOANS**

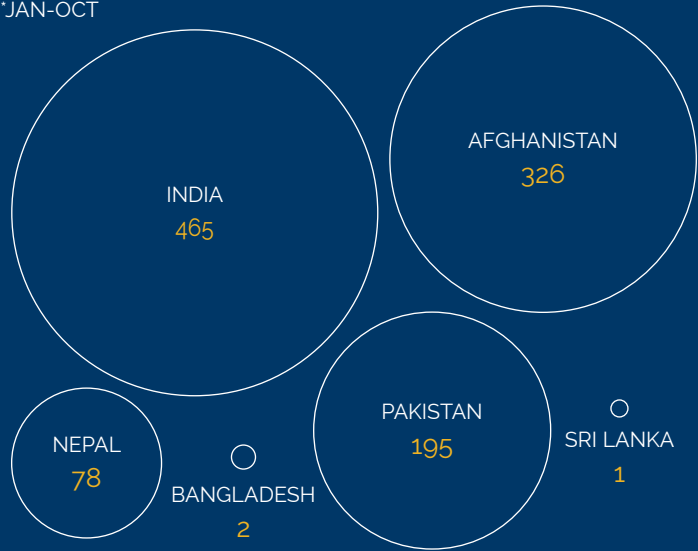
Imran Khan will seek to address a struggling economy. He has managed to secure a loan from the IMF and another large loan from Saudi Arabia for 2019. But these agreements will only mask the lack of structural economic reforms. The terms of any IMF deal are likely to dictate what course Khan's economic policies take, as will the degree of flexibility that China shows with its other debtors.

## **SANCTIONS AND TRADE WITH IRAN**

The extent to which India and the US are able to reach a compromise on India's trade dealings with Iran following the re-implementation of sanctions will be a test of bilateral relations. Limited US sanction waivers for India would be a positive sign, while any attempts by the US to pursue Indian companies for Iran-related violations would be negative ones.

## TOTAL TERRORIST ATTACKS BY COUNTRY IN 2018\*

\*JAN-OCT



## INCIDENTS BY GROUP

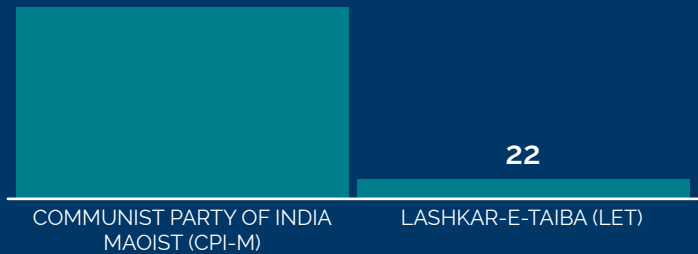
### AFGHANISTAN

131



### INDIA

214



### PAKISTAN

18

25

15



Source: TerrorismTracker (Risk Advisory)

# SECURITY RISK



## Outliers

### A PAKISTAN GOVERNMENT COLLAPSES

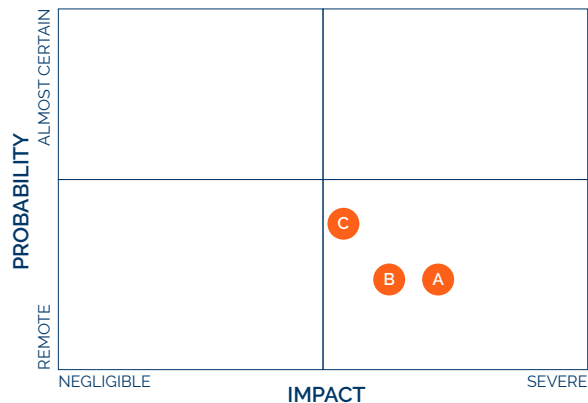
Amid failures to deliver on development promises, Baloch parties pull out of Imran Khan's coalition government. In the resulting political instability, the military stages a coup under the auspices of forming a caretaker government.

### B POST-ELECTION CIVIL UNREST IN BANGLADESH

Following a government victory in the parliamentary elections at the end of 2018, there is widespread and prolonged civil unrest in Bangladesh. Opposition parties win the support of Islamist hardliners to stage disruptive and violent protests against what they allege is a rigged vote.

### C MAJOR URBAN TERRORIST ATTACK IN INDIA

It has been more than a decade since a marauding terrorist attack on Mumbai in 2008. As relations between Pakistan and India show signs of improvement, Al-Qaeda and Lashkar-e-Taiba stage another large-scale attack on a major city in India.



# Forecasts



## PEACE TALKS IN AFGHANISTAN

There is a reasonably high chance that talks between the US and the Taliban will result in progress towards some form of political solution. With the high casualty levels of the Afghan security forces, a fragile Afghan government, and increasing number of US airstrikes on insurgents likely to persist in 2019, the US and Taliban will probably hold formal talks. The Taliban and the Afghan government will most likely call for another ceasefire. But the inability of the Taliban to keep its fighters to such an interim agreement would probably be a sticking point for talks to move forward.



## AFGHANISTAN ELECTIONS

There is a high chance that presidential elections in Afghanistan will either be delayed from April or not take place at all. President Ghani faces a serious election challenge from an opposition alliance. A violent and disruptive election process would delegitimise the government and weaken its hand in negotiations with the Taliban. On the other hand, a surprise decisive win for Ghani would strengthen his political mandate to enter negotiations. But the weakness of the Afghan state means that even this outcome would not necessarily strengthen its hand in talks.



## RISE OF RIGHT-WING TERRORISM IN INDIA

Political discourse in India is likely to become increasingly polarised. The government's silence over incidents of mob justice will continue to embolden Hindu nationalists to act with impunity in 2019, with hard-line groups targeting people outspoken against the BJP government and religious minorities. With general elections due in April or May, that period is particularly likely to see an intensification of political violence along these lines.



A close-up portrait of Prayuth Chan-ocha, the prime minister of Thailand. He is wearing a dark suit, a white shirt, and a patterned tie. He is looking upwards and to the right with a slight smile. The background is a textured, light-colored wall.

“

Thai democracy will never die, because I'm a soldier with a democratic heart. I have taken over the power because I want democracy to live on.

”

---

Prayuth Chan-ocha, prime minister of Thailand

ERIC PIERMONT/AFP/Getty Images

# ASIA PACIFIC

## DEMOCRACY IN THE BALANCE

**Overall trend:** CONSISTENT

---

### WORSENING

Cambodia  
North Korea  
Philippines  
South Korea

Myanmar  
Papua New  
Guinea

### CONSISTENT

Australia  
Hong Kong  
Japan  
New Zealand  
Thailand

China  
Indonesia  
Laos  
Singapore  
Vietnam

### IMPROVING

Malaysia

**Flawed democracies and authoritarian governments across the Asia Pacific region will remain a source of stability and geopolitical risk into 2019 and beyond. Despite sometimes providing an appearance of stability and predictability, such systems continue to store up structural problems for states and reduce economic competitiveness. This increases the risk that in some markets organisations will be exposed to unrest, arbitrary state decision-making, sanctions and growing strategic tensions in the coming years.**

China's attempt to pitch its governance model to other countries as an alternative to Western liberal democracy is likely to continue in 2019 and into the coming years. Although for now this will probably remain less of an active effort by China to export a model of rapid investment-driven growth and single-party political stability, and more of a normative contest lubricated by Beijing's economic statecraft.

China's attempts to further extend its political and economic influence, including through the Belt and Road Initiative and its ability to project military power, will influence how the US engages with the region going into 2019. This includes in the security sphere, primarily through its military deployments in the South China Sea and around Taiwan, as the US adopts a more adversarial stance towards China.

This reaction is already evident in US plans to increase its development finance capacity in an effort to compete with Chinese largesse. And militarily, we expect that the US administration will not retrench its regional role. Further economic and military competition is very likely in 2019 as Washington tries to challenge a narrative that China's increasingly powerful and economically dynamic authoritarian system is a substitute for democracy.

While a roll back of democracy or major changes in domestic security risk levels are unlikely across the region in 2019, to some extent Beijing's position that autocratic government is a viable alternative holds attraction to some governments in the region. The map shows that assumptions that democracy is an inevitable cause or effect of economic and social development do not necessarily apply in Asia Pacific, and are probably unwise to hold.

China will continue to find governments willing to mimic its lead and accept its economic backing in some quarters – for example, Cambodia and Myanmar. Both are at risk of losing preferential trade arrangements with the EU in 2019 over their rights records, with Myanmar also facing further sanctions. By tying themselves closer to China, these countries risk growing debt and international censure that would inhibit economic and political development. This increases the likelihood of sporadic outbreaks of unrest as governments struggle to deliver employment, public services or meet debt obligations.

Polls in Indonesia and Thailand in the first half of 2019 will be an indication of the health of democracy in the region – including whether ‘strong man’ populism in the mould of Rodrigo Duterte, president of the Philippines, is spreading. Indonesia will hold parliamentary and presidential elections on the same day for the first time, and Thailand will hold its first general election since a military coup in 2014. A level of consistency in government, and so continuity of risk levels rather than substantive change, is the most probable outcome in both cases.

The prospects of re-election for a second five-year term look good for the president of Indonesia, Joko ‘Jokowi’ Widodo, based on opinion polling in the final quarter of 2018. However, there are lingering challenges to a victory. Most notably, criticism of his performance on the economy and disaster response, and also ‘fake news’ campaigns.

It is likely that the elections will see a willingness among more extreme political groups or their supporters to campaign on issues that encourage social, ethnic or religious polarisation. And while this probably will not lead to substantial instability or unrest in 2019, such trends have the potential to entrench divisions in the longer term, and encourage social and economic policymaking that is less moderate or consistent. This would increase the risk of societal violence, and make it more difficult for organisations to understand the policy and regulatory environment.

Meanwhile in Thailand, even if voters return to the polls as scheduled between February and April, traditional elites are in control and set to shape politics and policy for the coming years. This is likely to reduce the risk of political violence, at least in 2019. The continued influence of the ruling junta – and particularly the position of the prime minister, Prayuth Chan-ocha – after the nominal return to democracy is all but assured.

This makes it likely that post-election equilibrium in Thailand will look a lot like that of 2018. With a broadly welcoming attitude to foreign investment and well-developed infrastructure, this promises a more attractive operating environment than in recent years. We expect that a ‘mixed’ democratic system will provide more confidence in the country’s stability, for now at least.

Despite this positive outlook, into the longer term, the structural issues that have driven recurrent bouts of violent political unrest remain unresolved. In Thailand and across the region, this is a key risk of non-democratic modes of government – populist and authoritarian governments frequently struggle to adapt. So far, China is an exception. But as Thailand shows, the failure of authoritarian elites to reform increases the risk of violent pushback from domestic opponents and of cycles of disruptive instability. ■

# TYPES OF GOVERNMENT AND DEMOCRATIC INDICATORS

## POLITICAL SYSTEM AS OF DECEMBER 2018

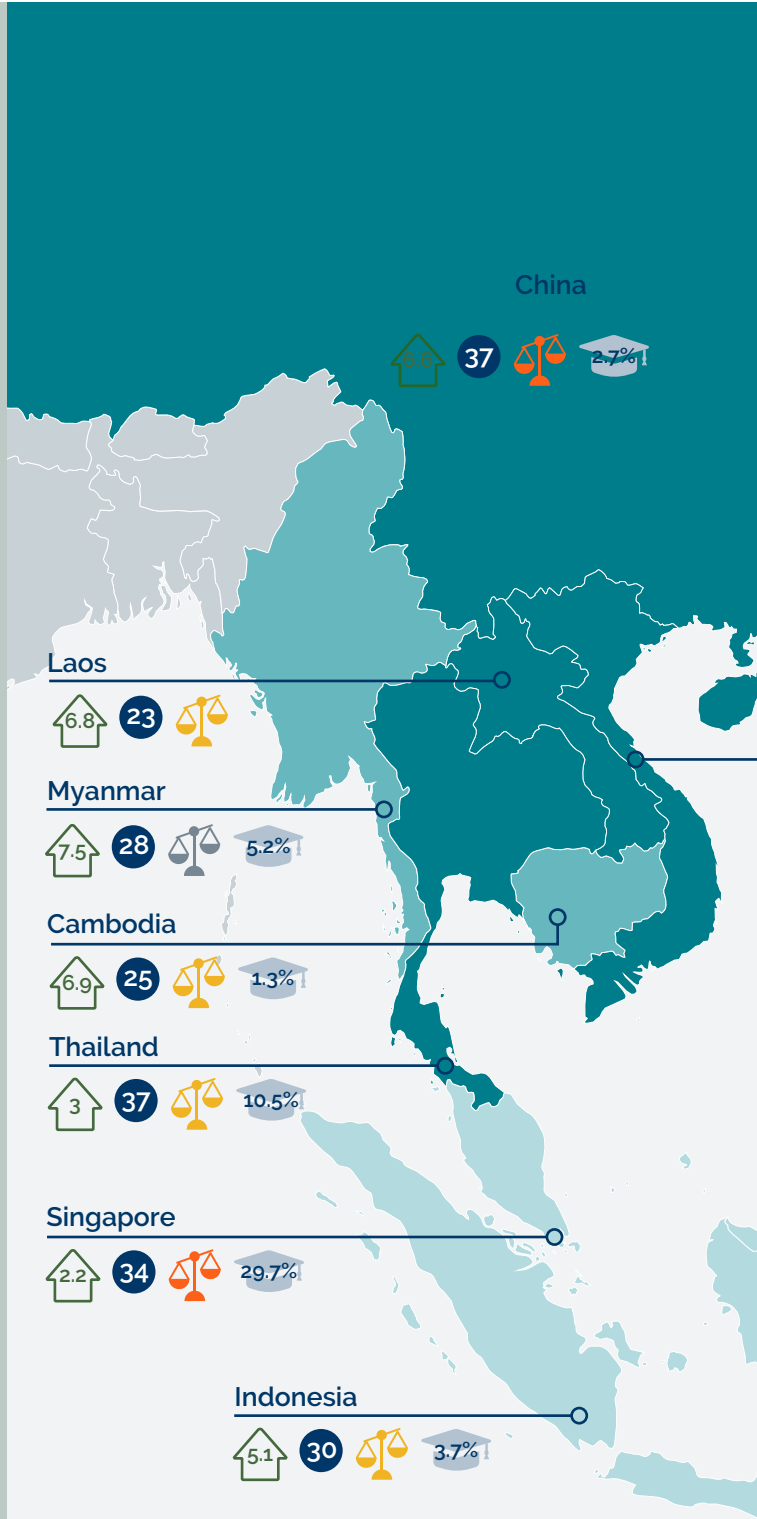
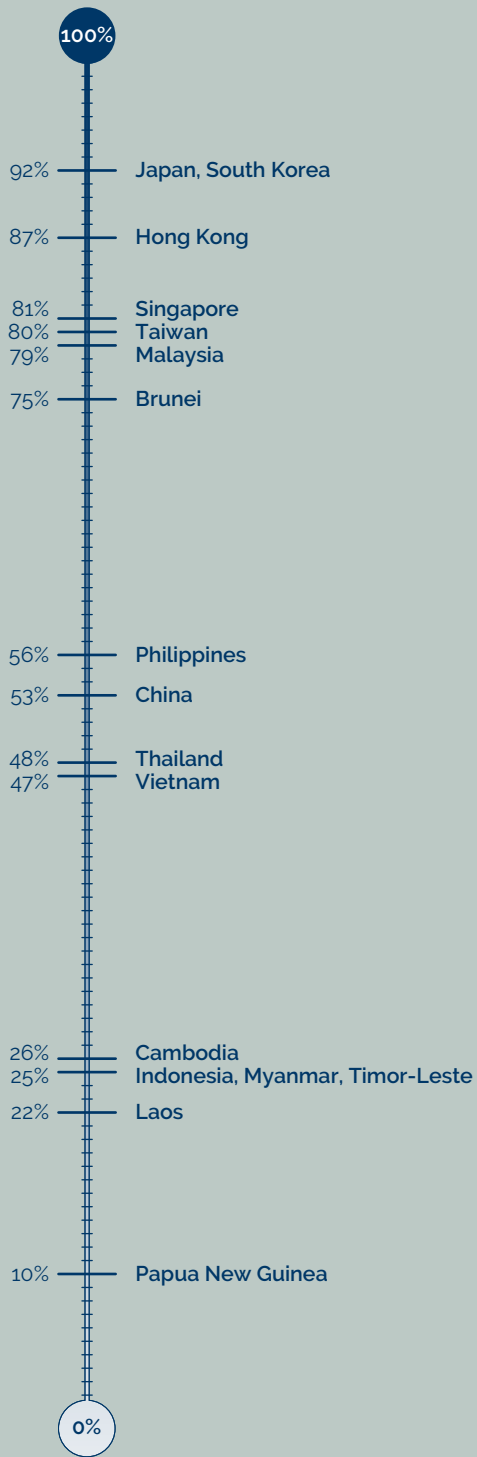
- Undemocratic
- Mixed
- Democratic

## GDP GROWTH (%) (2017, IMF)



### INTERNET ACCESS

(International Telecommunication Union, 2016)





# MEDIAN AGE

(CIA)

1

# INEQUALITY

(GINI COEFFICIENT AND GLOBAL RANKING, CIA)

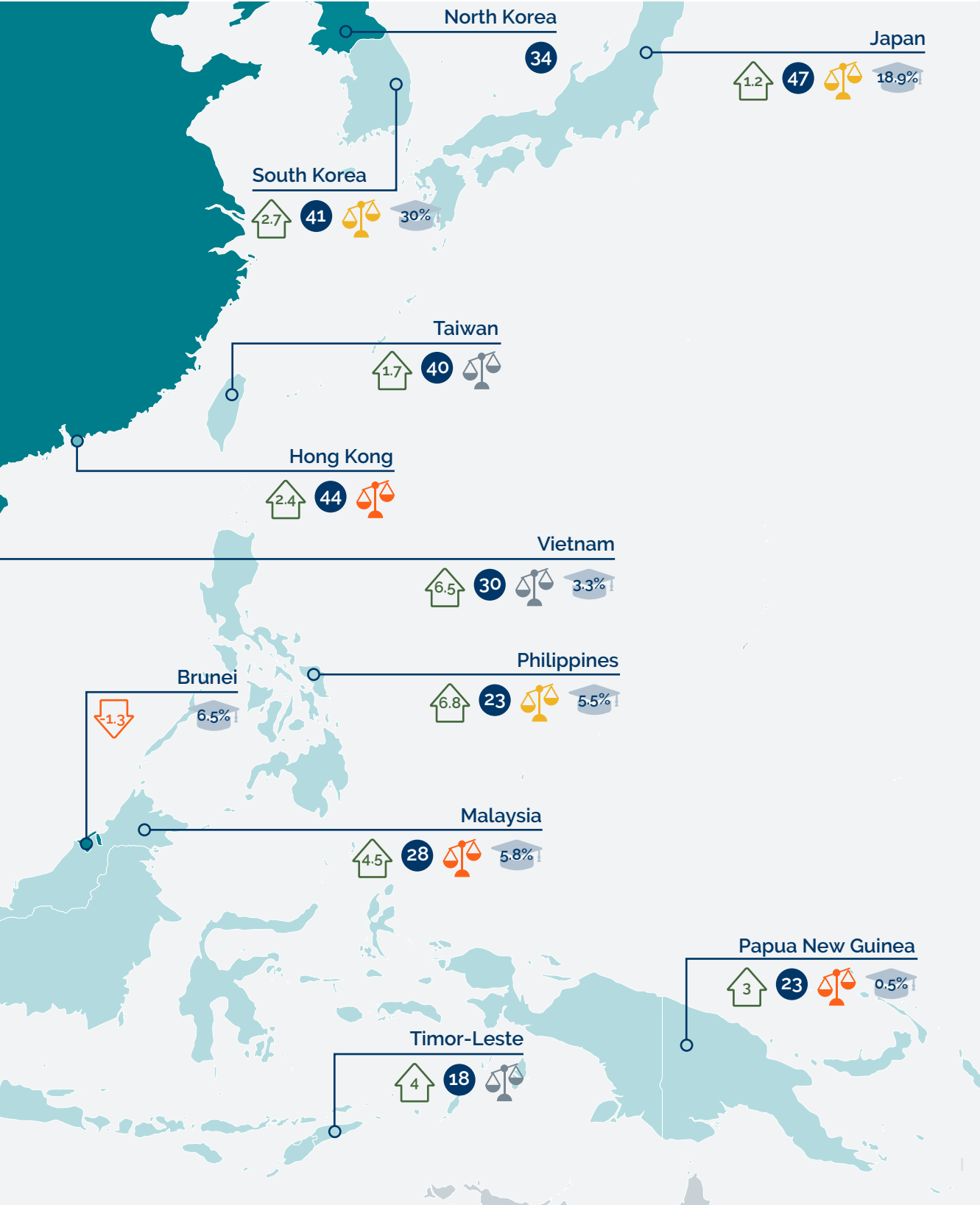


<35 35-45 45+

# POPULATION COMPLETED TERTIARY EDUCATION

(% 2010, WORLD BANK)

18.9%



# *Monitoring points*

## **RENEGOTIATION OF BRI DEALS**

More countries following Malaysia and looking to renegotiate Belt and Road Initiative deals with China would indicate that despite the development benefits, regional governments have concerns over Chinese influence and their own finances. This would show the limitations of Chinese soft power, particularly if non-democratic states or those with limited access to finance, review or cancel projects. Any gaps left by the cancellation of Chinese-backed projects may also create more opportunities for foreign firms in infrastructure projects.

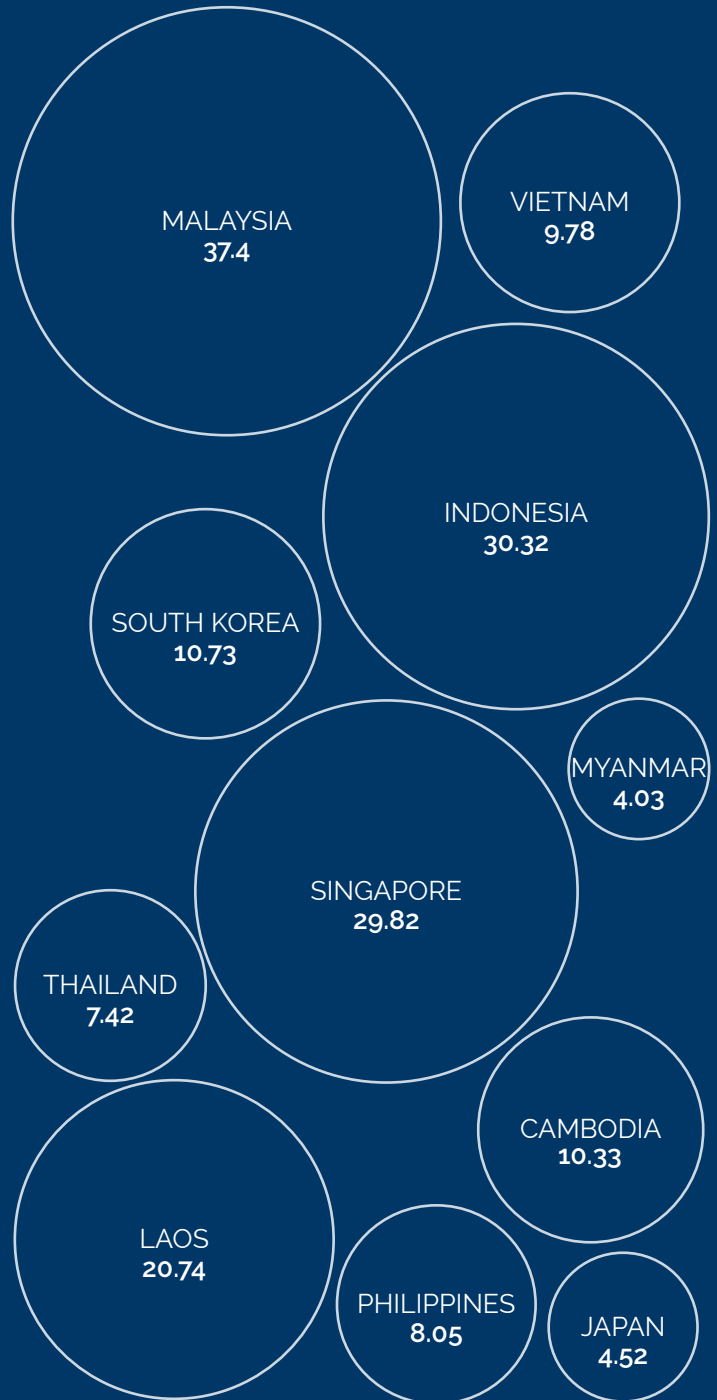
## **US REGIONAL ENGAGEMENT**

More concerted efforts by the Trump administration to engage with partners and multilateral institutions would help assuage scepticism among Asia Pacific states about its commitment to the region. Beyond pushing back against China's territorial ambitions – for example, by carrying out freedom of navigation operations (FONOPs) in the South China Sea – a greater emphasis on encouraging international rules and norms, and a less transactional attitude to alliances, would help shore up the existing regional geopolitical order and have a positive effect on stability.

## **THAILAND DELAYS POLLS AGAIN**

After repeated delays to promised elections since the 2014 military coup, another postponement in early 2019 would make plain that political, military and royal elites are intent on securing their grip on political power beyond any transition back to a flawed democratic system. This would increase the risk of domestic instability and unrest in the form of political protests. This is despite continued restrictions on the activities of political parties and activists, and a probable forcible state response.

## CHINESE INVESTMENT 2012-2018 (\$BILLION)



Source: The American Enterprise Institute

# CIVIL UNREST



## Outliers

### A MILITARY COUP IN MYANMAR

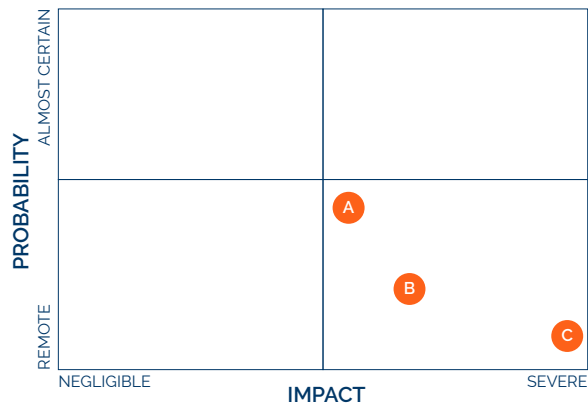
The military overthrows the democratically elected NLD government following tighter international sanctions over its campaign against the country's Rohingya population. Suspicion grows in the military that the government – and Aung San Suu Kyi in particular – is seeking to undermine its leadership, despite its public defence of the military.

### B PRO-IS GROUPS TAKE TERRITORY IN THE PHILIPPINES

Militant groups that have pledged allegiance to Islamic State continue to regroup in the south, displacing security forces from some rural areas to secure control of large swathes of territory. They use this as a staging ground to try to seize southern cities and to mount terrorist attacks in other parts of the country, including Metro Manila.

### C CHINA TAKES TAIWAN

China continues to erode Taipei's diplomatic ties, and amid concerns in Beijing over deteriorating cross-Straits relations and a developing pro-independence movement, it moves to militarily retake the territory, believing that the US will not honour its security guarantee to Taiwan. Even if the US stays out of any conflict, it would have vast disruptive effects on global trade and supply chains.



# Forecasts



## KOREAN ENGAGEMENT BREAKS DOWN

Continued engagement between the US and North Korea in 2019 will almost certainly require acceptance in Washington that unilateral denuclearisation by the North will not happen. And that progress is improbable without reciprocal concessions to Pyongyang. This includes transforming the two states' relationship, as outlined in the Singapore Declaration. Trump administration rhetoric suggests this will not happen. A failure to follow the terms agreed in Singapore makes it more likely that the current round of engagement will fail, particularly as policy divisions between the US and South Korea over how to deal with the North widen.



## US-CHINA TRADE RELATIONS DETERIORATE FURTHER

The US will very likely continue its trade war against China into 2019, based on President Trump's apparent view that it increases Washington's leverage prior to any negotiations to resolve the dispute. Deteriorating relations increase the risk of geopolitical tensions in 2019, including over Taiwan, as well as multiple negative economic and commercial outcomes. These include declining global growth, possible retaliation against foreign firms in China, and disruption to international supply chains – while doing little to tackle the real problems of China's anti-competitive conduct.



## PHILIPPINES ECONOMIC AND INSTABILITY RISKS RISE

After more than two years of high approval ratings and solid economic growth under President Duterte, the Philippines is likely to face growing stability challenges in 2019 that increase the risk of unrest and even a change of leadership. With inflation likely to rise and a weak peso, cost of living will probably increase for much of the population and pose a challenge to the president's popularity. Under these conditions, uncertainty over Duterte's health and his habit of provoking controversies risk weakening his position yet further.



A photograph of Donald Trump speaking at a podium. He is wearing a dark blue suit, a white shirt, and a red tie. He is looking upwards and to the right, with his mouth open as if speaking. The background is a blurred American flag with red and white stripes.

“

We have \$151 billion in trade deficits with the EU. And on top of that, they kill us with NATO. They kill us. ”

---

Donald Trump, president of the US

SAUL LOEB/AFP/Getty Images



# NORTH AMERICA

## NO EASY WINS

**Overall trend:** WORSENING

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WORSENING ↘

US

CONSISTENT →

Canada

**President Trump's forceful personality and disruptive geopolitical agenda will yield mixed results in 2019. The doctrine of 'America First' will dictate his approach, particularly on trade. But legal headaches and partisan fighting will increasingly demand his attention. And despite his stated ambition to resolve challenges such as the Israel-Palestine dispute and the North Korean nuclear programme, he is likely to remain most preoccupied with domestic politics.**

Trump will face intense domestic pressure in 2019. Democrats will control the House of Representatives, and have pledged to scrutinise the executive branch aggressively. This setback is likely to feed the president's erratic and confrontational impulses. And he has vowed to adopt a 'war-like' posture in response. It seems almost certain that he will continue to use extreme and divisive rhetoric to discredit his political opponents and the media. An uptick in domestic violent extremism is a likely repercussion.

A continued high turnover of key advisers and officials also seems probable, making US policy and crisis response even harder to predict. This will create further obstacles for governments that try to engage with the US on both routine and urgent events. And it means that geopolitical uncertainty will almost certainly persist and probably deepen.

As the chief enforcer of the rules-based international order, the US has an outsized role in preserving the status quo. But in the last two years, the US has remained largely absent from crises that do not directly challenge its interests. For example, Trump only reprimanded Saudi Arabia for the murder of a dissident journalist after strong public pressure, and even then, his criticism was limited and conveyed reluctance.

We anticipate that Trump will almost certainly continue to undermine treaties and institutions that govern and sustain the international order. The penalties for bad behaviour are now less certain, which further encourages regional powers like Saudi Arabia and Russia to challenge the interests and security of their neighbours. Sustained aggressive stances in territorial and sovereignty disputes seem likely in 2019, pushing up the risk of accidental or unintended escalations. China's assertiveness over Taiwan is a potentially high-impact flashpoint.

A shift in US diplomatic priorities is also readily apparent. The president has mostly shunned diplomatic initiatives that make incremental gains, and pursued all-or-nothing approaches, including unconventional summits with traditional adversaries. We anticipate that the president – under pressure for wins at home – will continue to favour high-stakes diplomacy in 2019. This will mean that he delegates the more arduous diplomatic work to regional powers that have less clout, narrower interests and a higher likelihood of failure to resolve conflicts and disputes.

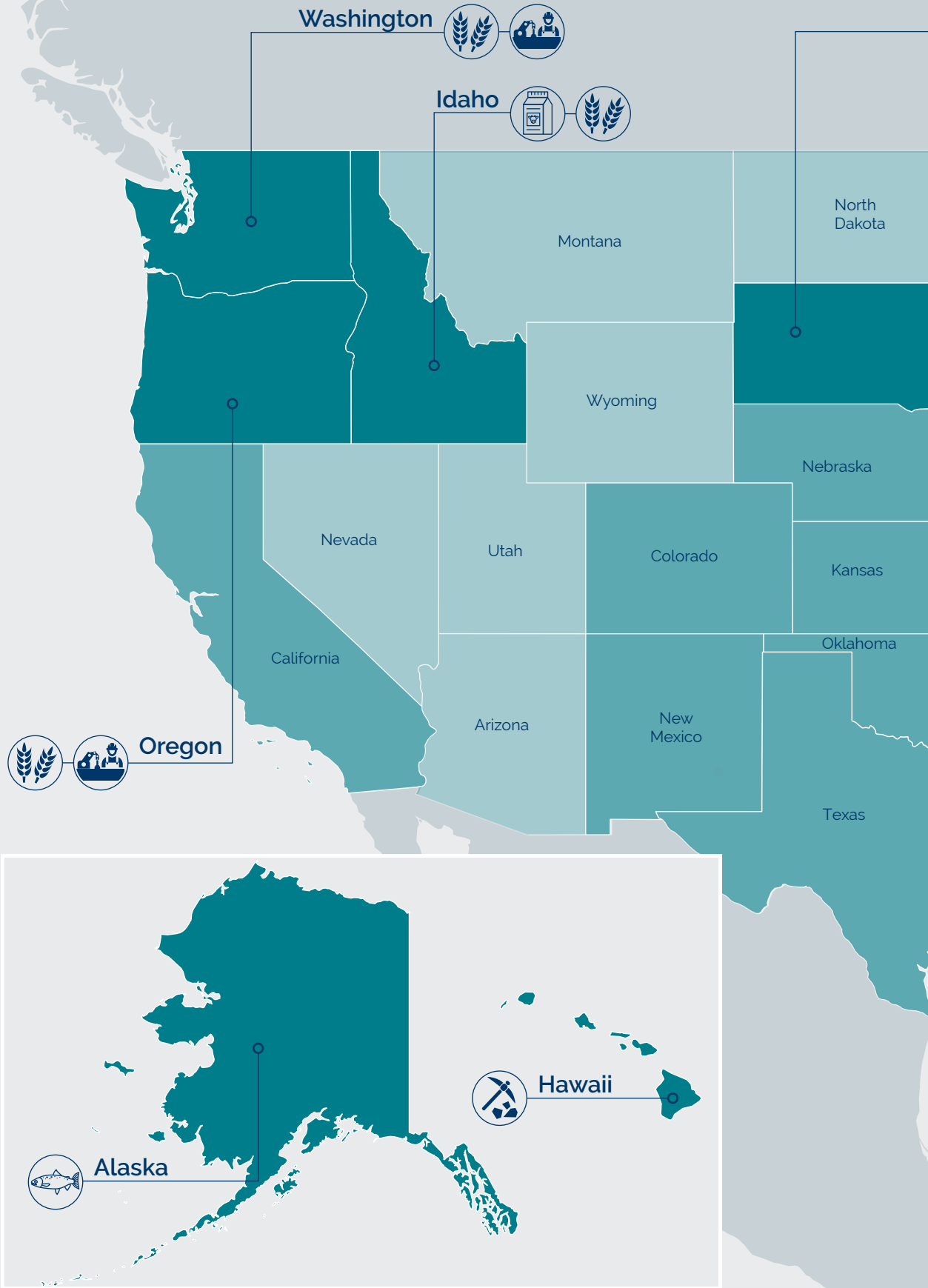
The Trump administration is also less likely to engage in low-profile multilateral forums, which makes substantive progress on a range of policy issues less probable. Transnational issues where multilateralism is particularly necessary will suffer as a result. We assess that the risk of neglect and failure is highest on environmental risks. With weaker US engagement, the fate of treaties and agreements on biodiversity, the disposal of hazardous waste, pollution, and similar issues, is less certain.

President Trump's upending of US trade policy is the most constant of all policy areas, and there is little prospect he will reverse course. His administration has placed import tariffs on a range of goods, antagonising many trading partners, even close allies like Canada, the European Union and Japan. Most of these disputes have been resolved. But they are emblematic of an era of growing interstate competition. There is little reason to expect a shift towards a collaborative approach from the president, who has said repeatedly that the US 'has been taken advantage of for decades'.

US trade policy is therefore very likely to remain adversarial and coercive in 2019, particularly towards China. A fundamental transformation of US-China relations is underway. The Trump administration has articulated a robust view of China as a geopolitical and economic rival. US officials have accused China of unfair or illegal practices on multiple fronts, and they have called for an international coalition to 'confront China' on trade. They have also urged US businesses to move supply chains outside China, and forsake access to the Chinese market to avoid complying with exploitative demands.

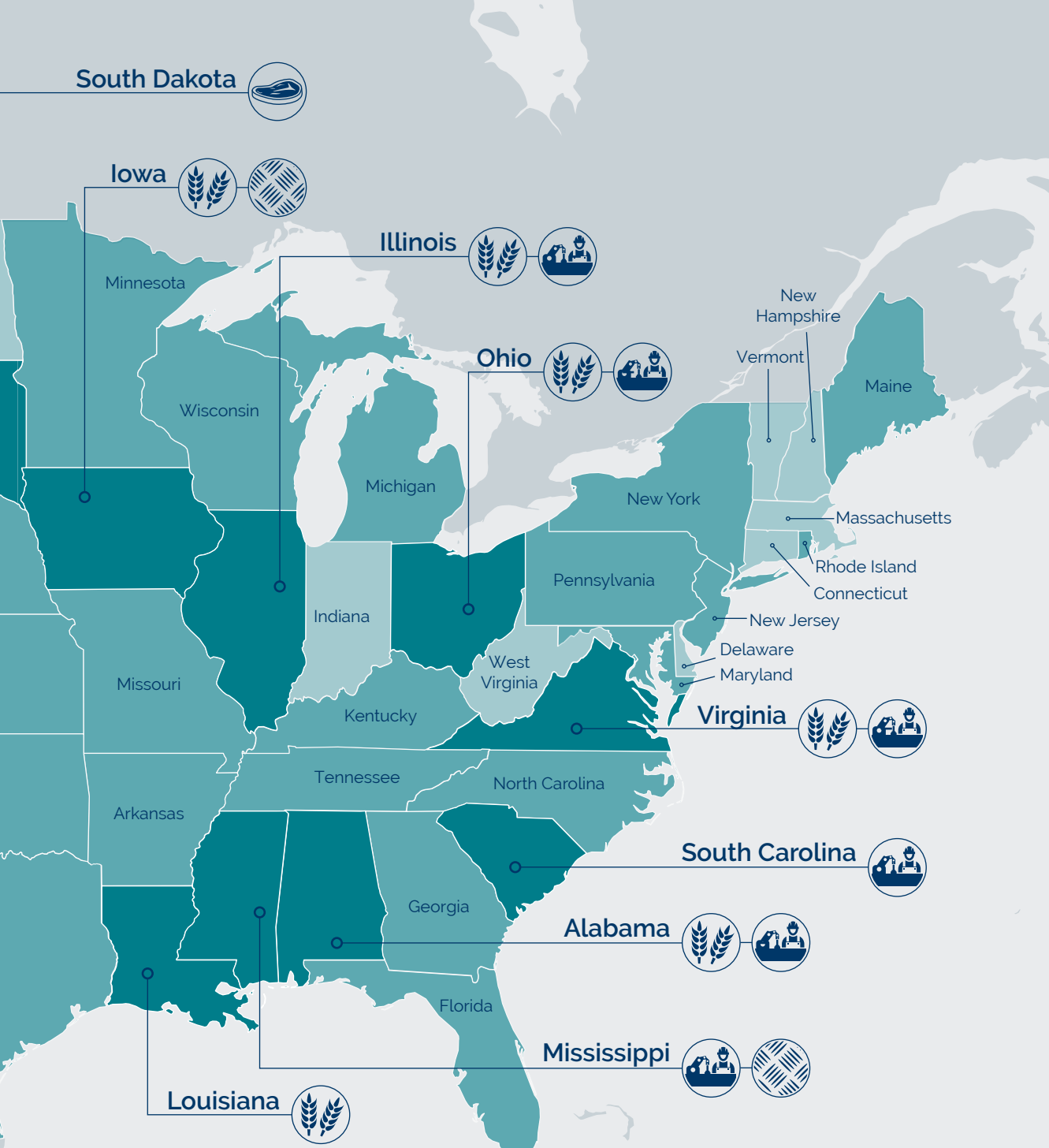
A swift resolution to the crisis in US-China relations seems increasingly unlikely. China has indicated that it will not make major concessions on trade. And it has been less willing to cooperate with the US on other issues, including on North Korea. There is also a risk that China may seek to apply pressure on the US and its firms through means other than tariffs. This could include regulations or boycotts. Alongside waning US commitment to its allies, this suggests that smaller powers may hedge their relations with the US by aligning more closely with its competitors and adversaries.

We doubt that President Trump will heed warnings from within government and other well-intentioned quarters about fraying US influence and soft power. In his short political career, he has pursued disruptive – even objectionable – courses of action, and he seems determined to keep doing so. This may deliver immediate results of gratification among Trump's support base, but they are shortcuts that will not help the US lead a secure and stable world. ■



Source: US Chamber of Commerce





## US EXPORTS THREATENED BY RETALIATORY TARIFFS

LEAST POTENTIAL DAMAGE

MOST POTENTIAL DAMAGE



DAIRY



MEAT



FISH



AGRICULTURE



MANUFACTURING



MINERALS



METALS



# *Monitoring points*

## **RELATIONS BETWEEN THE US AND THE WTO**

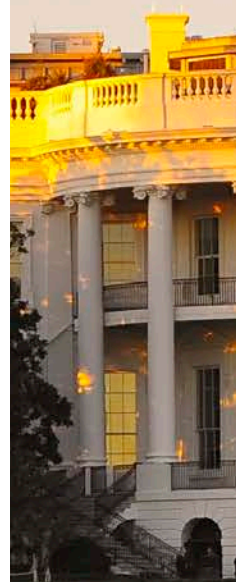
Trump has threatened to withdraw the US from the World Trade Organisation unless it ‘shapes up’ and produces outcomes more favourable to the US. But according to a WTO official, the US has shown little willingness to engage in discussions with other member states. In response, Canada has led a bloc of countries in drafting reforms for the WTO, and the bloc is scheduled to meet again in January 2019. The US response to any proposed reforms will be a key indicator of whether Trump intends to further undermine the legitimacy of the WTO and therefore its ability to settle trade disputes.

## **US ECONOMIC PERFORMANCE**

The strength of the US economy has helped President Trump remain popular among moderate Republicans who either disapprove of his conservative social agenda, or are indifferent to it. But if the US federal reserve board lowers its economic forecasts for 2019–2021, business confidence is likely to drop, along with plans for investment and hiring. This would probably drag down the president’s approval rating among Republicans, as well as his prospects for re-election in 2020, if he ultimately runs. The federal reserve board is due to publish its projections in March, June, September and December.

## **STAYING POWER OF FOREIGN POLICY HAWKS**

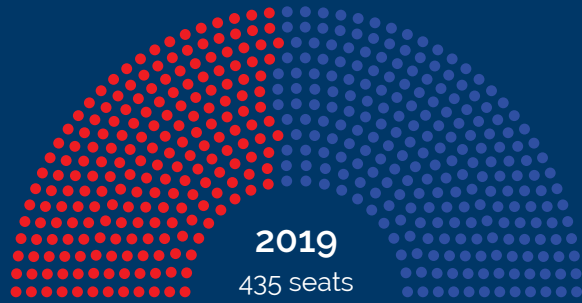
US policy priorities have changed depending on who has President Trump’s ear. For example, national security adviser John Bolton has successfully lobbied for the adoption of more hawkish stances since he joined the administration in April 2018, including on Iran and the deployment of nuclear and conventional missiles near Russia and China. If his worldview dominates the foreign policy portion of Trump’s state of the union speech on 22 January 2019, it will be a key indicator that Bolton remains influential, and that his hawkish initiatives are likely to be seen through.



# PERFORMANCE OF DEMOCRATIC PARTY IN US MIDTERM ELECTIONS 2018

## HOUSE OF REPRESENTATIVES

● Republicans ● Democrats

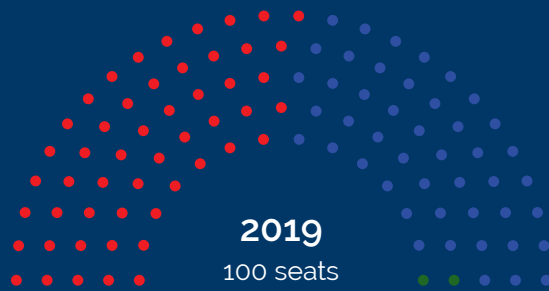


GAINED

**38 SEATS**

## SENATE

● Republicans ● Democrats ● Independents



LOST

**2 SEATS**

# THREAT & RISK



## Outliers

### A PRESIDENT TRUMP DOES NOT SEE OUT HIS TERM

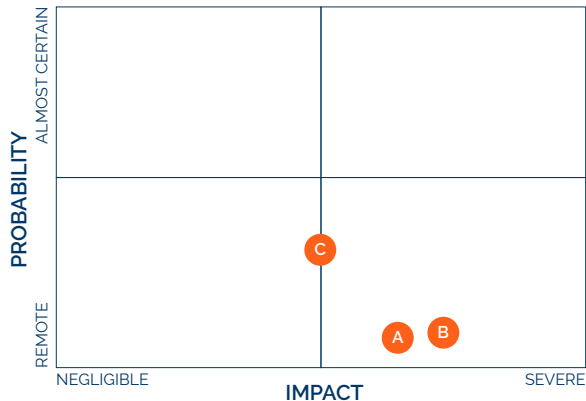
The resignation of President Trump or his incapacitation, for example due to health reasons, tests the resilience of US democratic institutions in a way not seen in decades. Under Mike Pence, neoconservatives gain influence and US foreign policy becomes more hawkish and less erratic.

### B A MAJOR CYBER INCIDENT DEEMED AN ACT OF WAR

A highly disruptive cyber incident that harms US critical infrastructure and leads to fatalities. This is attributed to a foreign adversary, leading to a punitive strike against that nation's military facilities or cyber assets, triggering a diplomatic crisis.

### C AN ATTACK DIRECTED BY ISLAMIC STATE OR AL QAEDA

A multi-stage terrorist attack involving explosives and firearms in a major US city with double-digit or more fatalities. Islamic State or Al-Qaeda claims the attack, and the US government responds by expanding its military operations abroad and introducing new travel restrictions to the US.



# Forecasts



## GREATER THREAT FROM FAR-RIGHT EXTREMISTS

The threat of political violence by lone actors or groups that hold far-right beliefs is likely to rise further in 2019. This applies to both the US and Canada, where far-right rhetoric and conspiracy theories have moved from fringe outlets to the mainstream in the last decade. There is growing evidence that this has emboldened right-wing extremists in both countries, and they appear increasingly willing to carry out acts of violence or intimidation against religious and racial minorities, women and journalists.



## A MORE AGGRESSIVE US CYBER COMMAND

The US is poised to adopt a more aggressive posture in cyberspace in 2019. The defence department's cyber command has had a largely defensive mission since it was created in 2009. But this changed in mid-2018, when it was given greater powers to act preemptively against state and non-state cyber threats. Officials say that the US will now seek to degrade the capabilities of malicious actors earlier and directly at their source. They also say that the US and its allies will 'name and shame' cyber attackers more often.



## TURNOVER OF WHITE HOUSE STAFF

The rate of staff turnover in the White House will probably increase in the second half of Trump's presidential term. This is common as people leverage their experience for more lucrative opportunities in the private sector. Efforts to replace outgoing employees are likely to be particularly challenging for this administration, which has already struggled to attract and retain top talent, especially for critical mid-level positions. We anticipate that further changes in personnel, and prolonged vacancies, will make the White House policy agenda more unpredictable and less effective.



A close-up portrait of Nathan Sales, a man with dark, wavy hair and light-colored eyes, looking slightly to the right. He is wearing a dark suit jacket, a white shirt, and a striped tie. The background is dark and out of focus.

“

We're at a vital moment in our fight against terrorism... Our victories on the battlefield don't mean that the fight is over. IS, Al-Qaeda and other terrorist groups continue to radicalise, recruit and inspire to violence. ”

---

Nathan Sales, coordinator for counter-terrorism at the US State Department

Drew Angerer/Getty Images



# **US Counter-terrorism Strategy**

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DEMILITARISING  
THE WAR ON  
TERRORISM

**Despite a significant shift in rhetoric around the US counter-terrorism strategy from the Trump administration, we forecast that policy is likely to remain consistent in 2019. The strategy under President Trump has so far been marked by a broad continuity from the two previous administrations. This means an emphasis on intelligence-sharing partnerships, and not deploying combat troops to conflict zones. This approach will probably continue despite an increase in global counter-terrorism operations and the implementation of some controversial foreign and domestic policies.**

The US-led counter-terrorism strategy has been effective in weakening Islamic State as a territorial entity in Iraq and Syria. This has also reduced the group's ability to spread propaganda online at the same rate as it used to be in previous years. Effective counter-terrorism strategy mostly depends on how the US government maintains intelligence-sharing cooperation with other countries. And the often unpredictable approach the president has towards US allies and his own intelligence agencies represents a potentially significant challenge in this area.

The White House released its long-awaited National Strategy for Counterterrorism in October 2018, the first since the Obama administration's in 2011. The purpose of the document is to act as a policy guide and shape the country's counter-terrorism strategy. But we doubt that the Trump administration will follow it in its entirety. As with other areas of foreign policy, some of the president's high-profile domestic policies and his transactional approach to international relations seem likely to lead to contradictions with national security priorities.

The new framework designates 'radical Islamist terrorist groups' and Iran as the main 'enemies' of the US, in line with the president's current policy stance. But it does not refer to more controversial security-focused policies that Trump has prioritised, such as his high-profile travel ban. The third and latest version of the executive order bans nationals of Iran, Libya, Somalia, Syria and Yemen from entering the US.

The application of such measures has the potential to compromise domestic counter-terrorism efforts, such as relationships with communities. They also further jeopardise partnerships with foreign countries, especially in intelligence-sharing and joint operations. Chad pulled out troops that were part of the US-backed campaign against Boko Haram in Niger after the country was added to the travel ban in September 2017. The US subsequently lifted restrictions on the country in April 2018, saying it had improved its security 'practices'. Other countries impacted by the ban are likely to decide to stop or reduce their partnerships with Washington. For instance, the US has significantly increased airstrikes against Al-Shabaab in Somalia since 2017.

We assess that the current administration will probably carry on avoiding to put 'boots on the ground' in foreign conflicts as far as possible. Despite operations in Afghanistan, Iraq and Syria as part of NATO and international coalition missions, the largest overseas US military presence is not in conflict zones where terrorist groups are active. As the map shows, the three locations where the US military forces have the highest number of active troops and bases – Germany, Japan and South Korea – are legacies of the Cold War and World War II.

This strategy to avoid deploying ground troops is reflected by a rise in aerial operations. The frequency of air and drone strikes against terrorist targets increased considerably during the first year of the Trump administration. US Central Command data from February 2018 shows that the number of airstrikes against AQAP and IS in Yemen increased six-fold between 2016 and 2017, with similar figures for Afghanistan during the same timeframe.

This rise appeared to be driven by the Pentagon no longer requiring the president's approval to launch strikes, even in non-combat zones and for targets that are deemed to pose a 'non-imminent' threat, which was restricted under President Obama. However, these numbers fell significantly in 2018, and targeted aerial attacks on terrorist leaders and capabilities at this level look likely to continue in 2019.

With emerging and innovative terrorist tactics, the US government has adapted to the threat by implementing new security measures, particularly related to the aviation sector. Al-Qaeda and IS have continued to develop innovative tactics to exploit security vulnerabilities of commercial aviation, such as the use of non-metallic devices, prompting new restrictive measures.

The US counter-terrorism strategy has also adjusted to evolving threats online in an attempt to curb terrorist groups' capacity to radicalise and recruit supporters globally. This includes mandating social media platforms to remove extremist content or creating counter-messaging to discredit terrorist narratives. The White House is also now allowing the Department of Defence to mount cyber attacks against hostile state and non-state cyber actors. Groups like IS remain very active online, but the group's ability to direct or inspire attacks in the West has eroded in 2018. ■

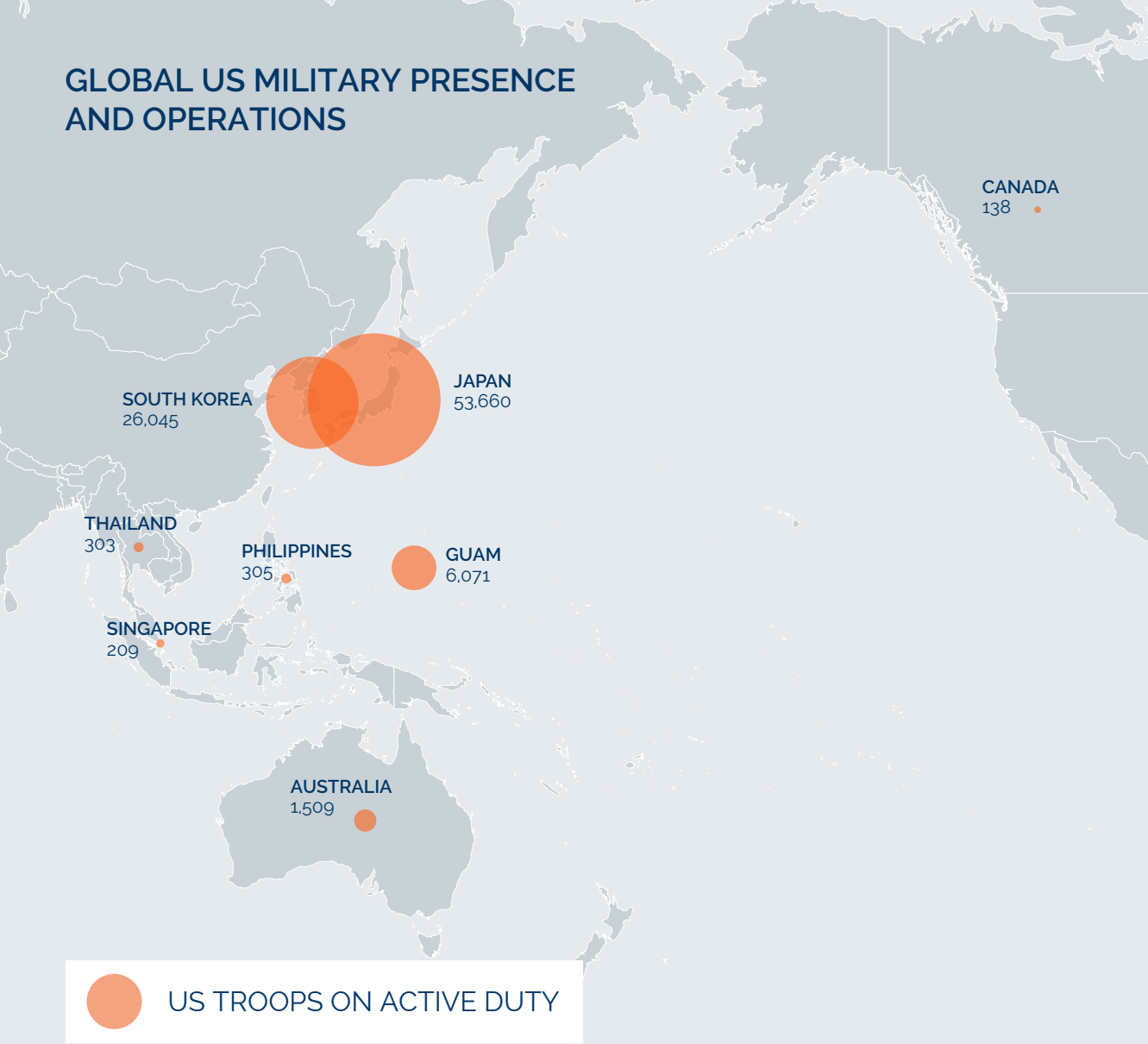
## TOP FIVE MOST ACTIVE GROUPS WORLDWIDE IN 2018\*

\*JAN-OCT



Source: TerrorismTracker (Risk Advisory)

# GLOBAL US MILITARY PRESENCE AND OPERATIONS



OFFICIAL  
US  
BASES



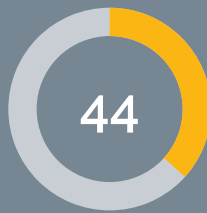
BAHRAIN



BELGIUM



GERMANY



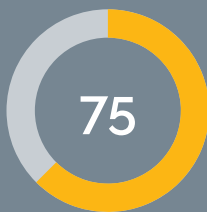
ITALY



JAPAN



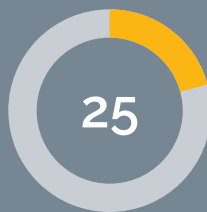
PORTUGAL



SOUTH KOREA



TURKEY

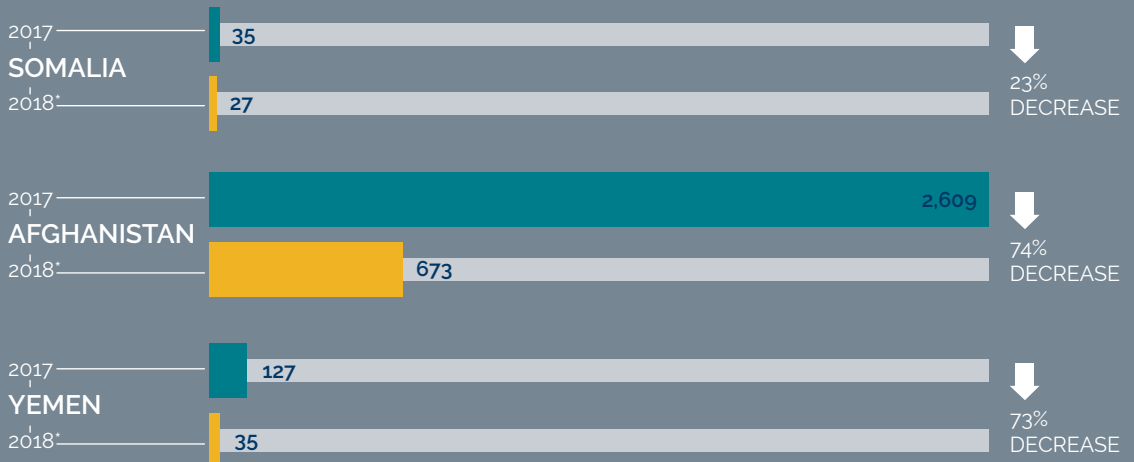


UNITED KINGDOM





## US AIR AND DRONE STRIKES



\*Jan-Oct 2018

A close-up portrait of Luis Almagro, the secretary general of the Organisation of American States. He is shown from the chest up, wearing a dark suit jacket, a white shirt, and a blue patterned tie. He has grey hair and is looking slightly to the left of the camera with a serious expression. The background is a blurred blue wall.

“

We can't allow a dictatorship in Venezuela that affects the security of the entire region through drug trafficking, organised crime and the deep humanitarian crisis it has created. ”

Luis Almagro, secretary general of the Organisation of American States

Chip Somodevilla/Getty Images

# LATIN AMERICA & CARIBBEAN

## ABSORBING VENEZUELA'S CRISIS

**Overall trend:** WORSENING

---

### WORSENING ↘

Bolivia  
Costa Rica  
Nicaragua

Brazil  
Mexico  
Venezuela

### CONSISTENT →

Argentina  
Colombia  
Ecuador  
Guatemala  
Honduras  
Panama  
Peru  
Uruguay

Chile  
Dominican Rep.  
El Salvador  
Haiti  
Jamaica  
Paraguay  
Trinidad & Tobago

**Latin America enters 2019 facing its most significant geopolitical changes in a generation. Economic collapse in Venezuela has prompted a surge in migration, putting pressure on neighbouring countries. The exodus is unlikely to slow in 2019. A major regional crisis, such as an inter-state conflict, is improbable. But challenging economic conditions and the lack of a coordinated regional response will limit the ability of many countries to cope with more arrivals. This will exacerbate existing security risks in Latin America, including terrorism and organised crime.**

An end to the Venezuelan crisis seems almost impossible in 2019. President Maduro will probably spend the year focusing on political survival rather than economic reform. The chavista regime is likely to try to enact a new constitution, even without an agreement with the opposition. But accelerating emigration has reduced the potential for significant civil unrest in Venezuela.

We forecast that Maduro will stay in office in 2019, but will continue to face threats to his continuation in power from within the armed forces. We anticipate that groups of low and mid-ranking soldiers will attempt – and fail – to remove him from power. The government has been able to buy loyalty from the military leadership with oil profits, aided in 2018 by rising crude prices. But the appointment of loyalists at the national oil company has eroded competency and contributed to a collapse in production. A further drop in output seems likely in 2019 and would presage greater internal opposition to Maduro.

Colombia will probably bear the brunt of the crisis. The election of Ivan Duque means that diplomatic tensions are likely to remain high throughout 2019. Colombia is one of only three countries in the region to have refused to rule out a military intervention against the Maduro regime. We doubt that it will intervene in 2019. But troop deployments along both sides of the border sustain the potential for unintended military confrontations and escalation.

We anticipate that the crisis in Venezuela will hinder Colombia's efforts to tackle internal threats, particularly the National Liberation Army. We doubt that the group will comply with Duque's conditions to restart peace negotiations, including ending all criminal activities. So it will probably continue to mount gun and bomb attacks against the security forces and energy infrastructure. Unless Duque definitively rules out talks, most incidents are likely to remain concentrated in remote border regions, with a moderate threat of terrorist attacks in major cities.

The new far-right president of Brazil, Jair Bolsonaro, also seems intent on adopting a harder line on Venezuela than his predecessor. He has given few details about his foreign policy intentions, but his campaign rhetoric suggests that he will seek to increase diplomatic pressure on Venezuela, for example by calling for the imposition of economic sanctions on Caracas. Further in-



cidents of violence in border states such as Roraima involving local residents and refugees would probably prompt deployments of additional troops along the frontier. We also suspect that Bolsonaro will publicly refuse to rule out a military intervention against the Maduro regime – though any action by Brazil seems unlikely.

We anticipate that Bolsonaro will leverage the Venezuela crisis to justify his domestic policies, particularly on crime. His campaign rhetoric portends a militarised approach to law and order. Precedent elsewhere in the region suggests this strategy is unlikely to significantly reduce crime, and will make armed confrontations between police and gangs more frequent in some major cities.

He has made controversial comments on race, LGBT+ and women's rights, as well as other statements calling for violence against leftists. These seem to have encouraged hardline activists on both the left and right to commit politically-motivated attacks. A concerted effort to address this violence appears unlikely. This raises the potential for more coordinated militia-style attacks in large cities against political rivals – such as the murder of a left-wing Rio de Janeiro councillor in April 2018.

Collective efforts from other Latin American countries to respond to the Venezuela crisis are unlikely to result in concrete unified policy initiatives in 2019. And, led by the leftist Andres Manuel Lopez Obrador, Mexico is likely to all but end exerting diplomatic pressure, at least publicly.

As Venezuelan refugees continue to head to other countries, particularly Peru, Ecuador, Chile, Argentina, and the Caribbean, pressure on individual governments to ease the associated economic and social implications will probably rise. Venezuelan migrants are offering cheaper labour than their local counterparts, which is likely to prompt protests and push more people into criminal activity. It will also make the emergence of xenophobic political movements more likely in the coming years.

The limitations of the regional response to the crisis means that what happens in Venezuela – and Latin America more generally – will largely be shaped by international powers. US President Donald Trump is almost certain not to follow through with threats to invade Venezuela. The US seems most likely to persist with targeted sanctions against Venezuelan officials to limit their income streams and create fissures within the regime.

We expect the impact of sanctions to be offset by unwavering support from China and Russia. Although both seem hesitant to offer limitless credit lines, neither is likely to withdraw support for Maduro for now because of uncertainty over who would replace him. Maduro will also continue to rely on guidance and assistance from Cuba, which has experience of entrenching an authoritarian regime and dealing with internal threats. ■



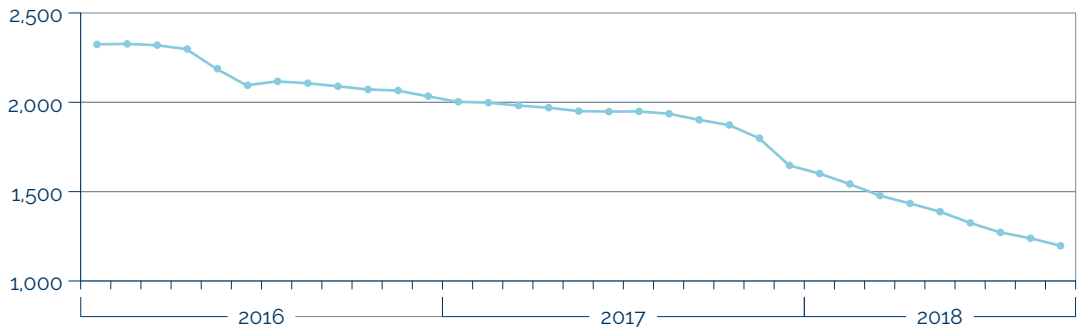


Sources: Organisation of American States; UN International Organisation for Migration; OPEC; Datadrum



### VENEZUELA CRUDE OIL PRODUCTION

Barrels per day (thousand)



### VENEZUELA CRUDE OIL PRICE

USD/barrel





# Monitoring points

## ECONOMIC COLLAPSE IN VENEZUELA

The IMF forecasts that GDP will contract by 18%, the third consecutive year of double-digit decline, and that inflation will have reached 1.3m% by the end of 2018. If the government fails to address ongoing economic collapse, and economic indicators significantly surpass these figures, the pace of migration out of the country will almost certainly continue or accelerate.

## DEFAULTS ON FOREIGN DEBT

The Venezuelan government and the state-owned oil company PDVSA have failed to keep up with foreign debt repayments. Further defaults that result in the seizures of Venezuelan government assets – particularly those that are linked to the oil sector – would precipitate yet further economic turmoil and hardship.

## LINKS BETWEEN MADURO AND ELN

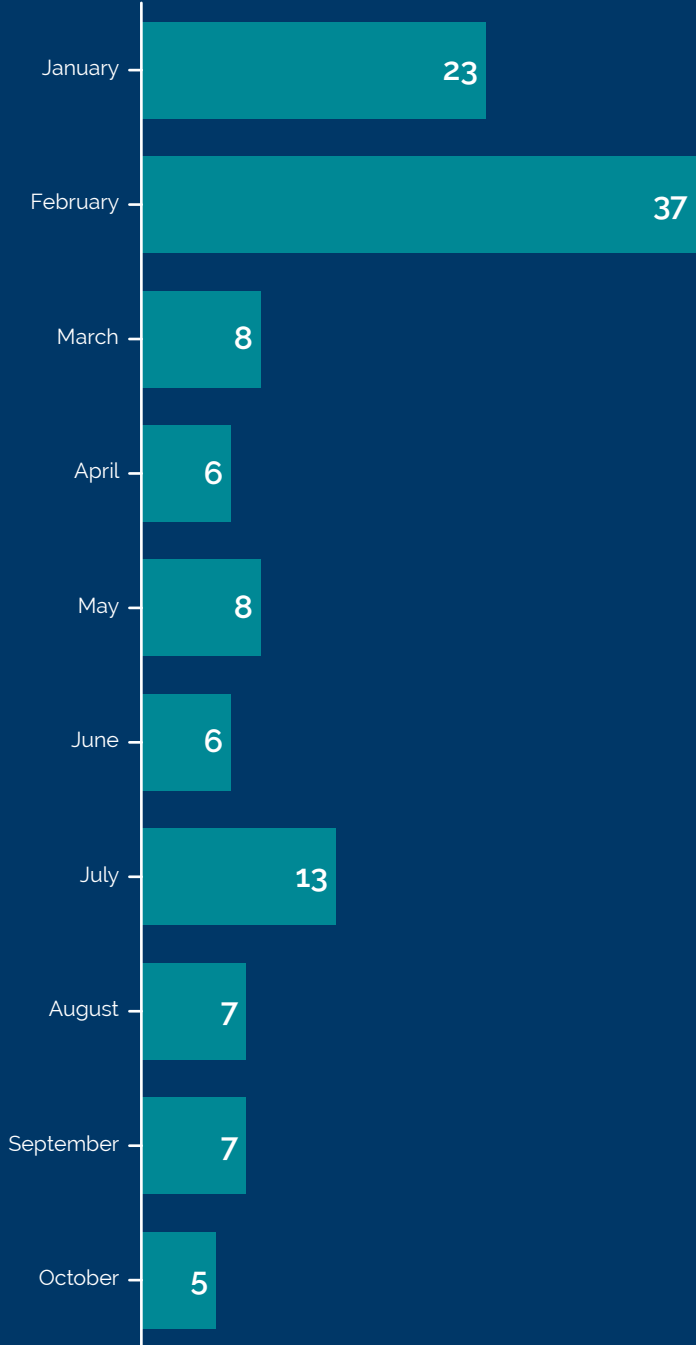
The Maduro regime seems increasingly willing to provide the National Liberation Army (ELN) safe haven in its territory. If there is further obvious evidence that Caracas is actively providing the group shelter or assistance, and there is an increase in the pace of ELN attacks in Colombia, this would raise the likelihood of diplomatic or even cross-border military retaliation.

## ATTEMPTS AT DIALOGUE WITH THE GOVERNMENT

Some foreign governments still seem intent on resolving the crisis in Venezuela through negotiations between the government and the opposition. Maduro's acceptance of humanitarian aid and the release of political prisoners would ease international diplomatic pressure and reduce the pace of migration.

## NATIONAL LIBERATION ARMY (ELN) ATTACKS IN 2018\*

\*JAN-OCT



Source: Terrorism Tracker (Risk Advisory)

# CORRUPTION



## Outliers

### A SELF-COUP IN BRAZIL

Faced with a prolonged period of violent anti-government unrest the Bolsonaro administration, supported by the military, dissolves congress to restore public order.

### B CIVIL WAR IN NICARAGUA

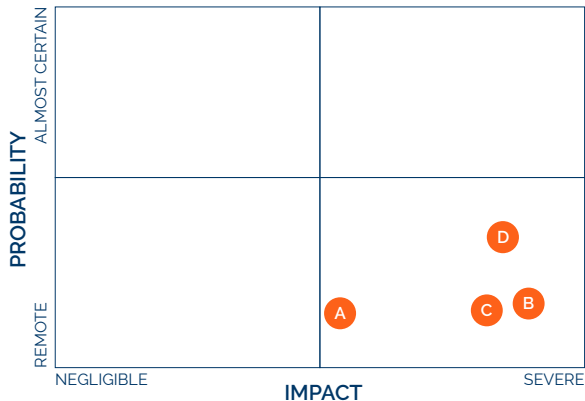
Additional targeted sanctions against officials lead to a split in the security forces between pro and anti-Ortega wings. This leads to an armed conflict over the removal of Ortega from power.

### C MILITARY INTERVENTION IN VENEZUELA

The US enables a military intervention in Venezuela that removes President Maduro and the chavista regime from power. Chavista military forces and paramilitaries begin an insurgency against the new government.

### D POLITICAL CRISIS IN HAITI

Evidence that politicians have misappropriated public funds leads to a period of violent civil unrest that the security forces are unable to cope with, resulting in President Moise's resignation.





# Forecasts



## A MACRI WIN ELECTION IN ARGENTINA

Mauricio Macri will probably win re-election in October 2019, but he will not do so easily. His economic reforms have failed in the eyes of many voters, leaving a legacy of economic recession and worsening living standards. But in the absence of a moderate opposition candidate, former president Cristina Kirchner currently looks like his most probable opponent in a runoff election. If this materialises, Macri will stand a good chance of winning.



## RISING ORGANISED CRIMINAL VIOLENCE IN MEXICO

The incidence of gang-related killings and shootouts seems unlikely to fall in 2019. States with new governors following the July 2018 general election, like Guanajuato, Jalisco and Morelos, are probable hotspots for increases. Nevertheless, areas such as Tamaulipas, Michoacan and Guerrero are likely to remain the highest-risk parts of the country.



## ORTEGA SURVIVES CRISIS IN NICARAGUA

A popular uprising against President Daniel Ortega is unlikely to succeed in removing him from power. There have been very few defections of high-ranking officials from the regime despite severe economic downturn, and US sanctions on government and military officials. This means that security risks in Nicaragua will probably rise in 2019.

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