



IHS Markit™

Global Cargo Risk Outlook 2017

WebEx

25 April 2017

Agenda

- **Global Piracy Trends** **John Cochrane**
- **Africa: Nigeria, DRC, Mozambique, Kenya, Aviation 'hotspots'** **Chris Suckling**
- **Americas: Mexico, Brazil cargo theft** **Carla Selman**
- **Asia: South China Sea** **Anton Alifandi**
- **Eurasia: Refugees and the EU, Ukraine crisis** **Blanka Kolenikova**
- **MENA: Iran-Gulf/Red Sea/ Yemen, Libya** **Meda al-Rowas**
- **Q&A**

Global Piracy Outlook 2017

Somali Piracy; the Intelligence Cycle (operating since 2007)

Collection

Offshore

- Office of Naval Intelligence
- International Maritime Bureau
- EUNAVFOR
- Local media

Onshore

- Official media
- Social media
- Human sources

Collation

Piracy Incident data

- Incident verification & cross-referencing
- Incident classification & meta-tagging

Onshore event data

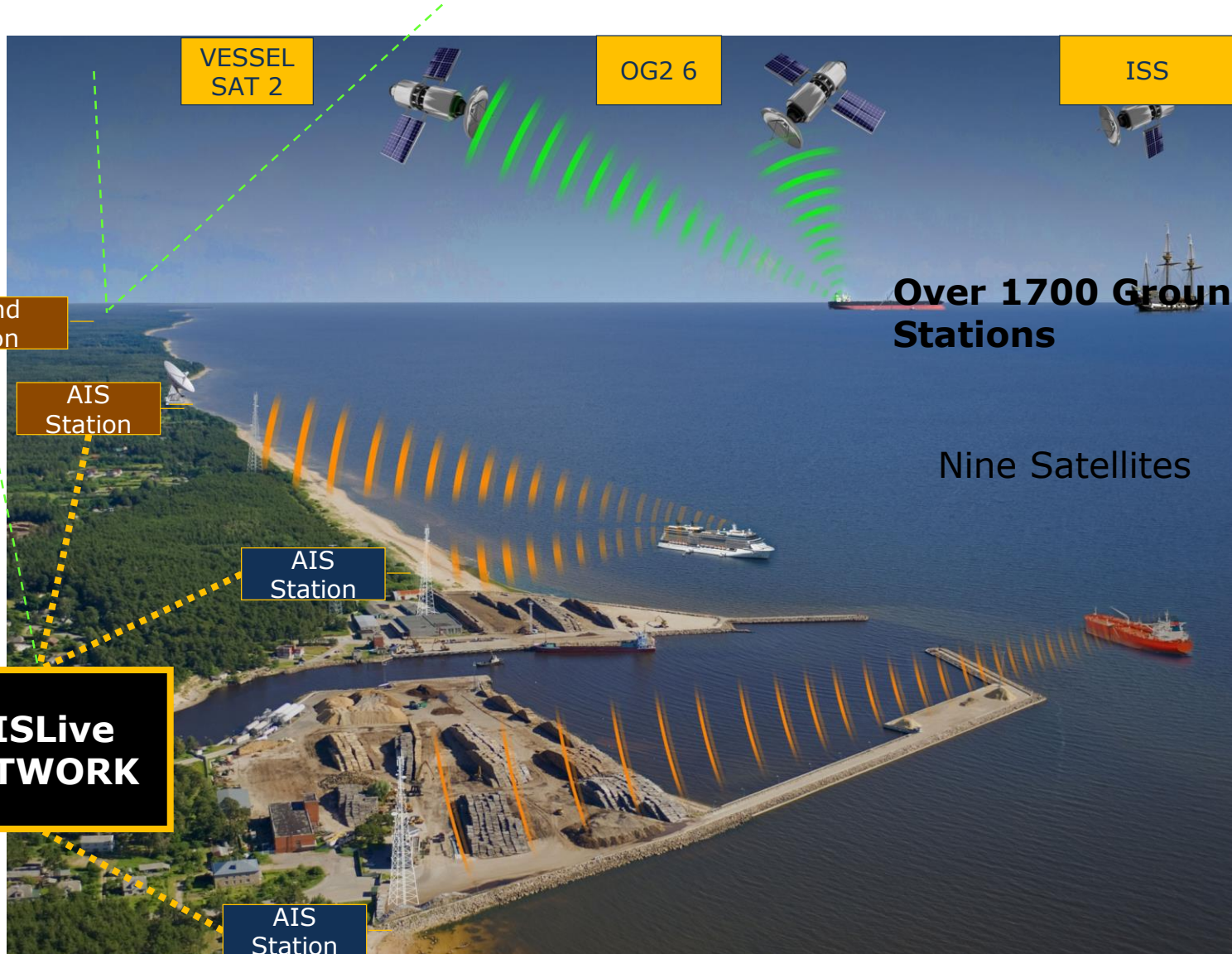
- Risk events database (IHS)

Analysis

- Historic trend analysis
- Geographic hotspot mapping
- Indicator monitoring

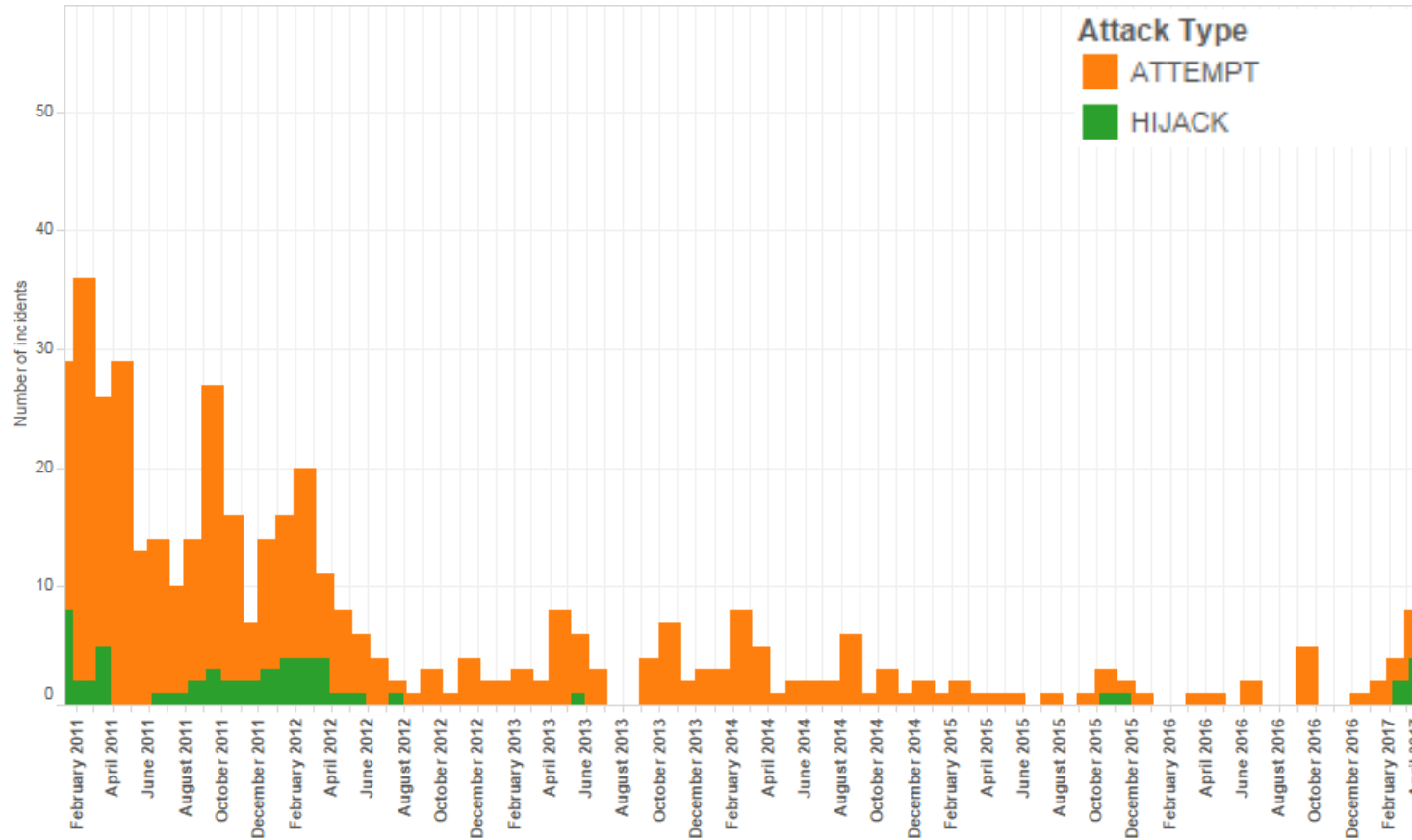
Dissemination

- Incident reports
- Forecasts
- Monthly piracy update to Lloyds and other clients



**AISLive
NETWORK**

Frequency of Successful and Attempted Hijacks



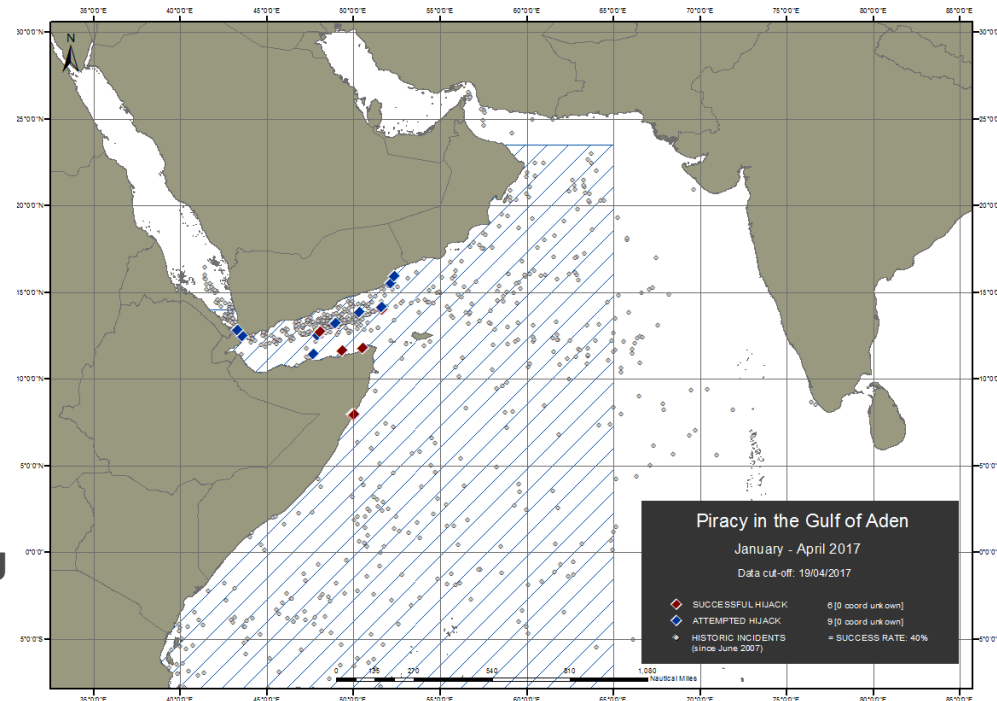
Until the hijack of the tanker 'Aris13' in March 2017, the last successful hijack of a commercially significant vessel was of the 'Smyrni' in May 2012. Most successful hijackings since May 2012 targeted commercially insignificant vessels, such as small fishing trawlers.

Somalia Piracy- Why have the risks reduced since May 2012?

- Adoption of International Maritime Organisation **Best Management Practice (BMP) Risk Mitigation Measures** by commercial ships.
- On-board **armed security**.
- The international maritime campaign: **coordinated intelligence-led operations targeting mother ships**.
- **Progress in security onshore**: clan leaders aspire to become politicians.
- **Loss of patronage**; greater potential commercial opportunities provided by **oil exploration onshore**.
- **Reduction in pirate operating bases**.

Piracy resurgence?

- At the beginning of 2016 we warned of **risk of resurgence in Somalia-based piracy**, based on:
 - > continuing attack attempts indicator of pirate intent;
 - > deteriorating security situation onshore, particularly in Puntland;
 - > threat to Somali fishermen's' livelihoods from illegal fishing.
- **Most reports single-source, including from Iranian navy.**
- **Impact of civil war in Yemen.** (Not all incidents involve piracy but politically motivated.)
- **Weapons smuggling and human trafficking new revenue streams for former pirates?**

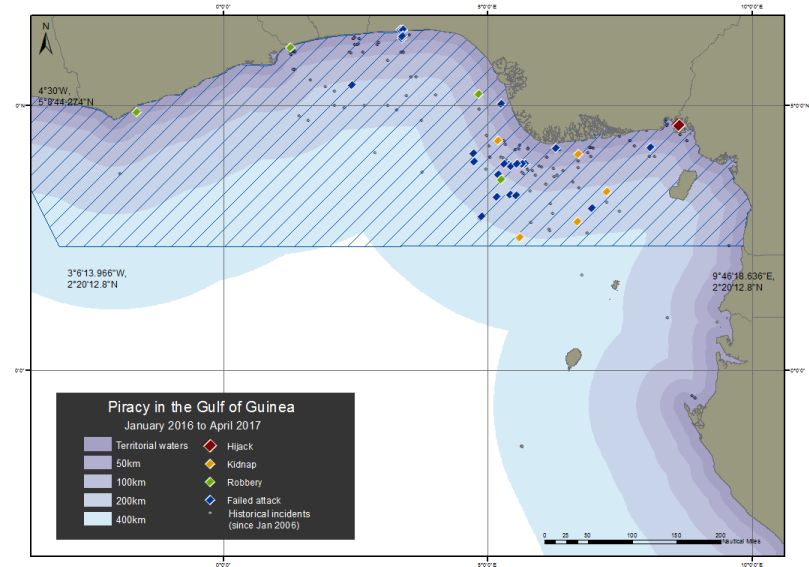


Fifteen piracy incidents, including six vessels boarded by pirates, three of which were rescued by counter-piracy naval forces. The remaining three small dhows were taken to piracy bases. This compares with a total of 10 unsuccessful incidents of piracy in 2016

Global Piracy Outlook: Gulf of Guinea and Malay Peninsula

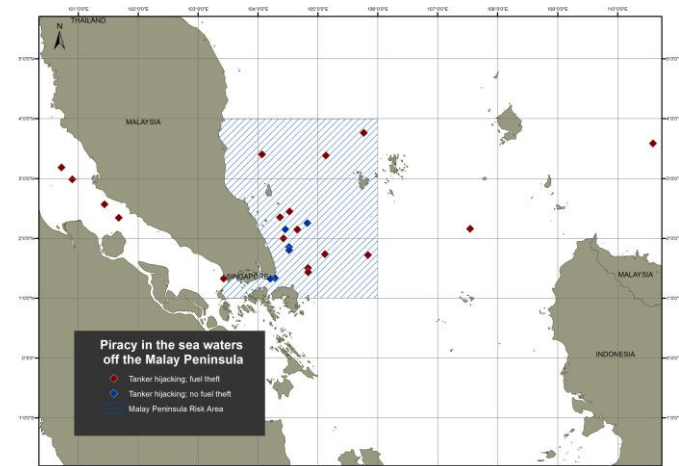
Gulf of Guinea

- Most Gulf of Guinea incidents 'sea robbery' in territorial waters, not true 'piracy' (high seas).
- Five tanker incidents so far in 2017, as at 27 March (32 tanker incidents in 2016). In 2016, **tankers boarded on 13 occasions for kidnap/ransom or robbery; only one instance of oil cargo theft.**



Malay Peninsula

- Most incidents petty 'sea robbery'. **Last oil cargo theft from tanker in August 2015, last unsuccessful attempt in August 2016.**
- **Global maritime kidnappings at a 10-year high of 62 (19 in 2015);** apart from Nigerian waters, other **hotspot kidnappings off Malaysia and southern Philippines by Abu Sayyaf terrorist group.**



Africa

Nigeria

DRC

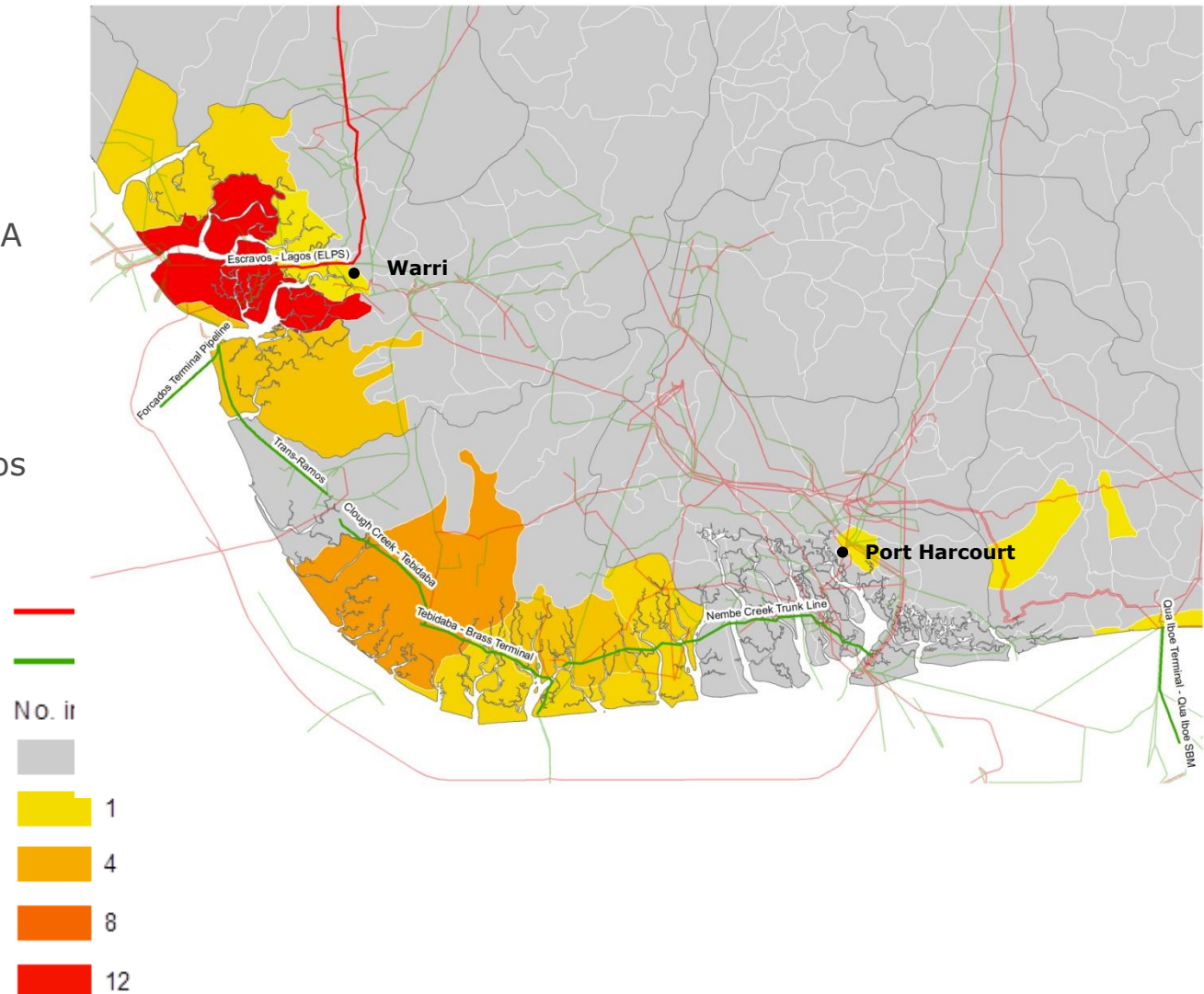
Mozambique

Kenya

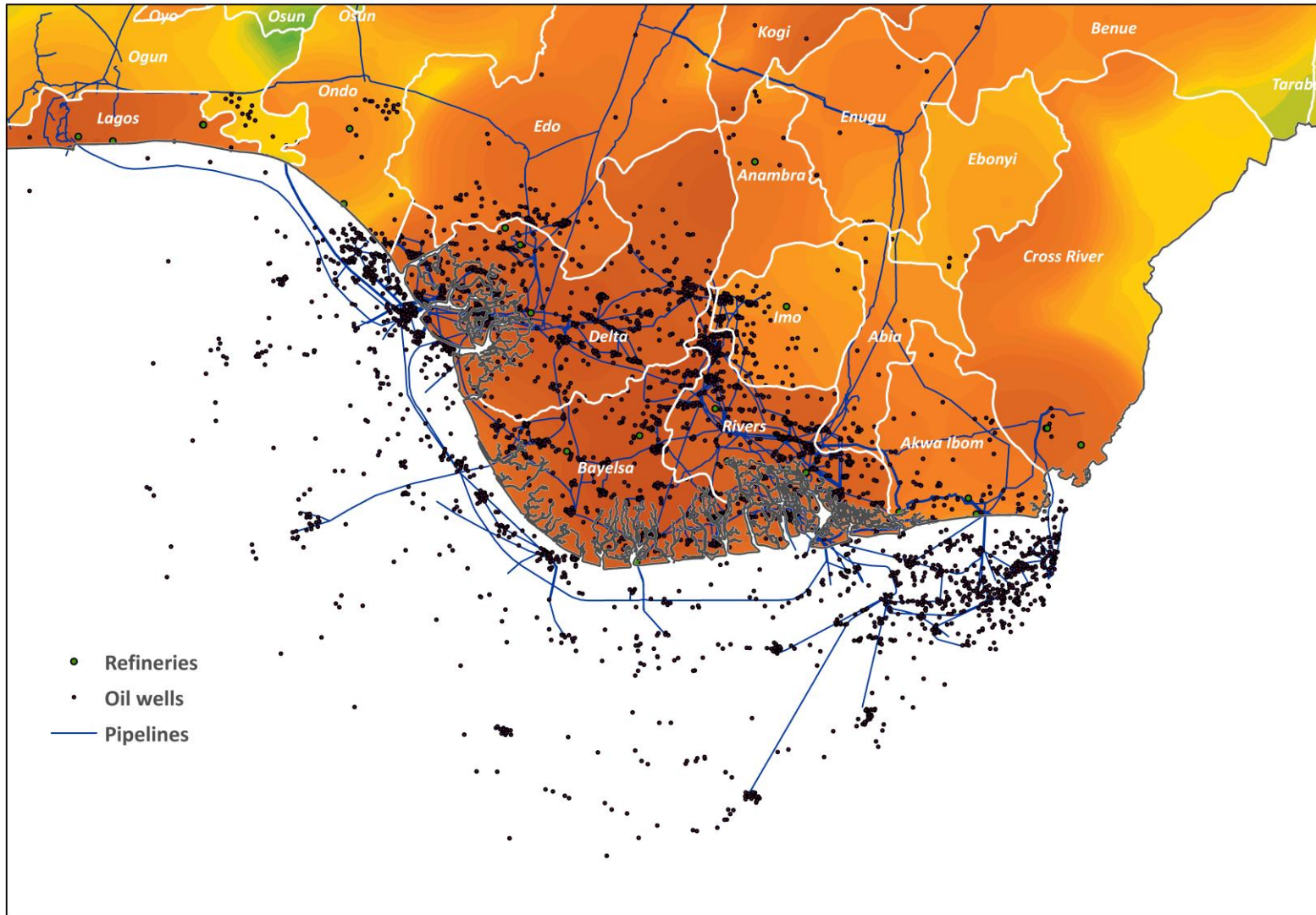
Aviation 'Hotspots'

Location of Niger Delta Avengers (NDA) attacks

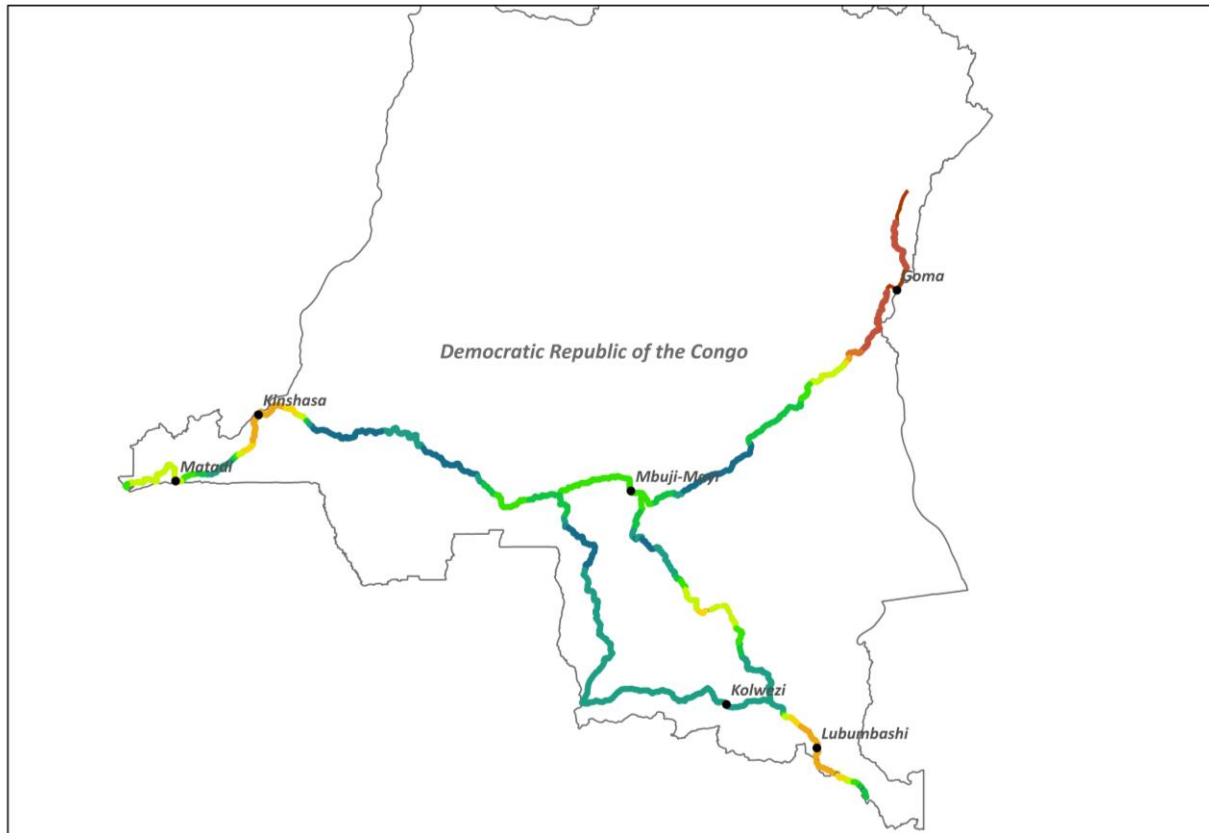
- This map shows the location of NDA attacks, mapped at LGA level, with energy infrastructure overlaid.
- The concentration of NDA activity around Warri is explained by the presence of critical energy nodes, such as Chevron's Escravos Terminal, Shell's Forcados terminal, and the Escravos-Lagos pipeline.
- However, infrastructure nodes elsewhere in the region, notably around Port Harcourt, have not been targeted to the same extent. This suggests the NDA is not so strong in Rivers State as opposed to Delta State



Oil pipelines and wells showing EPOP combined risks



Democratic Republic of Congo: Risks to Road Cargo

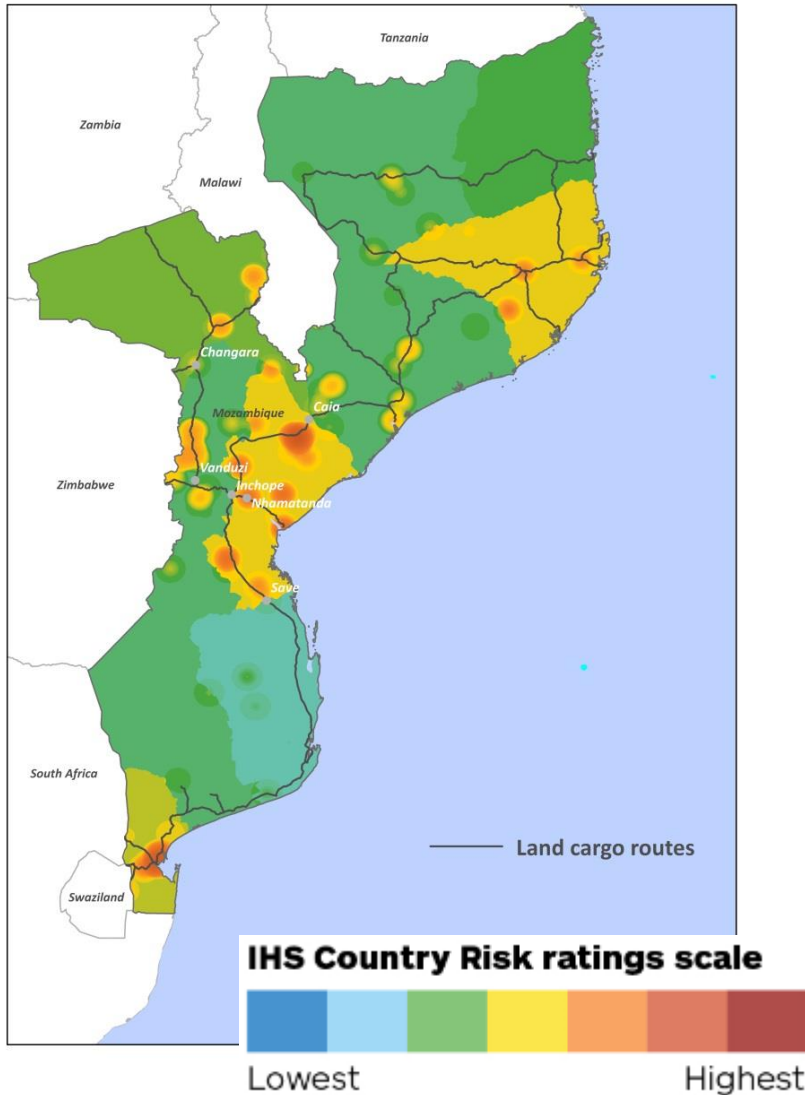


IHS Country Risk ratings scale



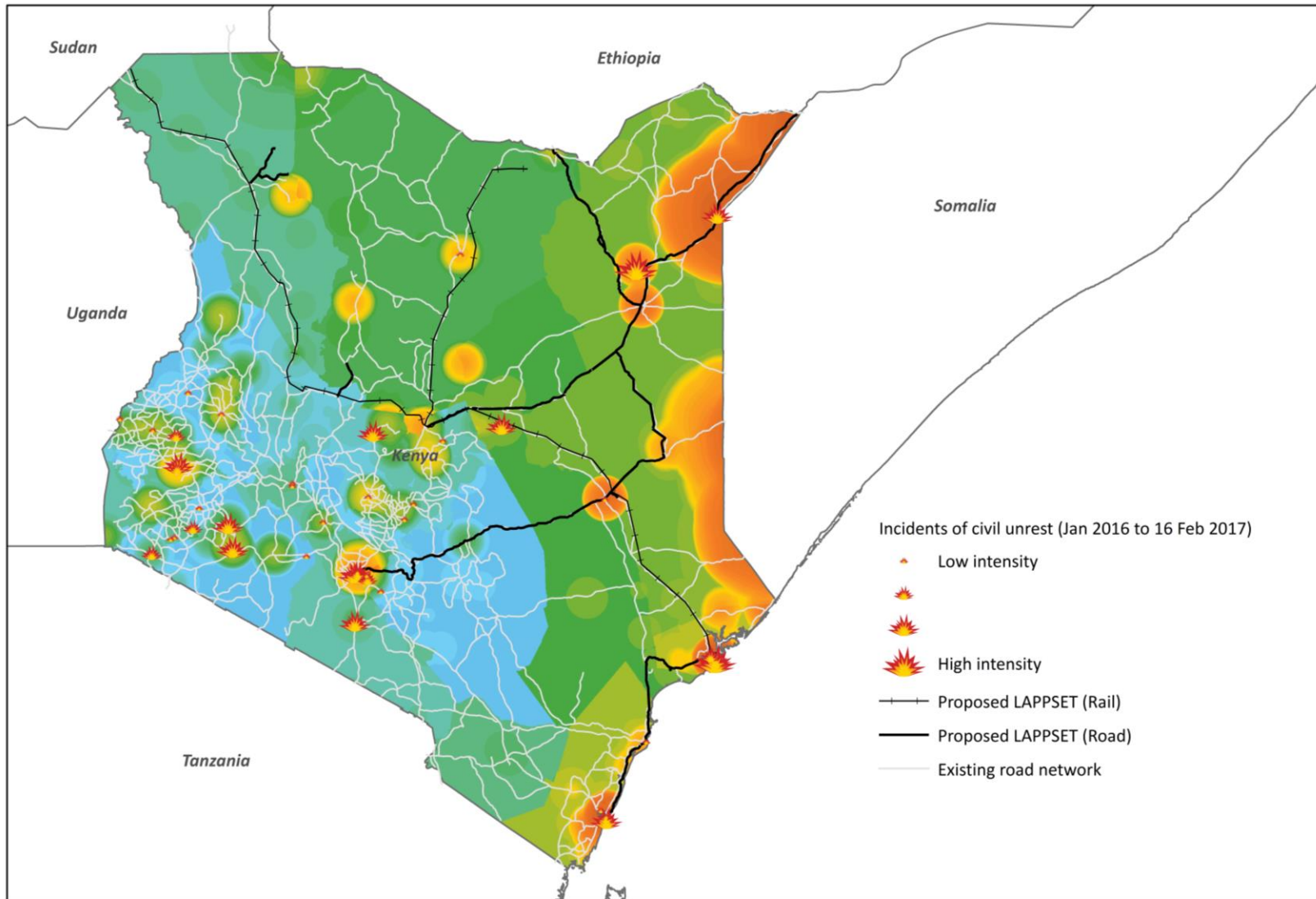
- **Disruptive urban protests and riots** against electoral delays and constitutional changes **likely during 2017**; can occur with little warning, unlikely to last longer than 1-2 days; looting likely
- **Heightened risks of attack and theft targeting ground cargo** due to increased militancy nationwide. Hotspots will include:
 - > Kivus
 - > Kasais
 - > North-East Katanga
 - > Kongo Central

Mozambique: Risks to road and rail cargo



- Mandatory military escorts along transport routes on the EN1 and EN7 were suspended in January 2017 following the extension of a Renamo truce to early March.
- Although the truce and efforts to restart peace talks – with international advisors rather than mediators – provide fresh momentum, negotiations have not yet started.
- Hotspots in the event of a truce breakdown include between Save and Muxungue on the EN1; between Nhamapadza and Caia; and Vanduzi and Changara on the EN7 to Beira port. Rail infrastructure includes the Nacala-bound and Sena lines.

Kenya: Civil unrest risks to LAPSSET Corridor



Aviation risk – Key hotspots in Sub-Saharan Africa

- The risk from small-arms, rocket-propelled grenade and improvised explosive device **attacks against aircraft on the ground** in **northern Mali** - including Timbuktu and Gao airports - is **rising** as Islamist militants seek to derail the current peace process.
- In **South Sudan**, the risk to **aircraft flying into Juba** has **reduced significantly** since fighting in the capital ended in July 2016. However **parked aircraft** on airstrips across the country face an **elevated risk of confiscation** and **crews being detained** by local militias.
- Attempts by UN forces to combat militias in the **Central African Republic**, including with the use of helicopters, **increases the risks of attacks on airstrips and associated aircraft**, especially in the hot spots of **Ouaka** and **Hautte-Kotto**.

Americas: Mexico, Brazil

Cargo Theft

Trend

Targets

Modus Operandi

Hotspots

Cargo theft risks rising throughout Mexico

- Security forces are overstretched
- Cargo theft becoming an alternative to drug-trafficking for fracturing drug cartels.

1,590

reported incidents in 2016, a **61.2%** increase compared to 2015



Top Hotspots:

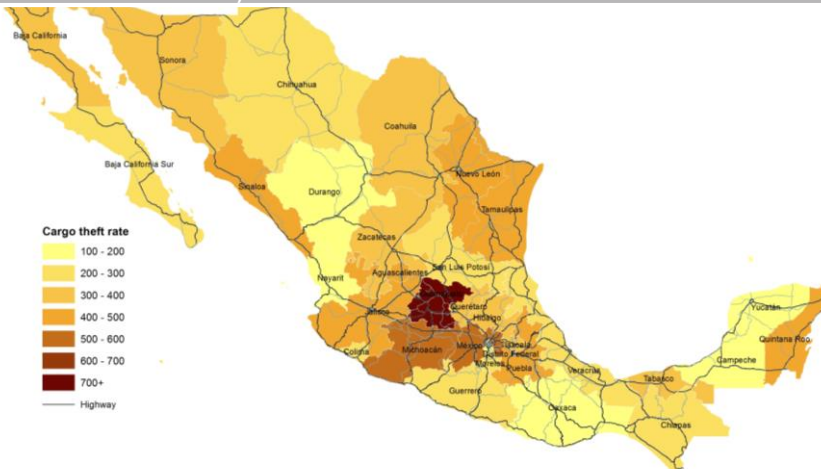
Mexico-Puebla-Veracruz
Michoacan-Mexico City
Guadalajara-Mexico

EdoMx, Mexico City, Veracruz, Jalisco, Tamaulipas, Puebla, Guanajuato, Oaxaca, Guerrero, Michoacán

Cargo theft risks rising throughout Mexico

- **Targets include:** Food and beverages, building and industrial materials, electronic appliances, auto parts, apparel and footwear, metals and pharmaceuticals (to re-sell in black market)
- **Modus operandi:** vehicles in-transit and at night; vehicle carjacking or cargo theft; checkpoints
- Narco-road blockades have decreased
- **Supply chains facing increased disruption** due to unprecedented scale of anti-government protests.

Cargo theft (while on transit) based on 2016 business victimization survey



Source: IHS Markit based on data from INEGI (Encuesta Nacional de Victimización de Empresas)

Very High cargo theft risks in Brazil, particularly in Rio de Janeiro and Sao Paulo states

22,550 cases in 2016
17% increase compared
 with 2015

- **Sao Paulo accounts for 44% of the national share of cargo robberies (9,943 cases), Rio de Janeiro 43.7% (9,862 cases)**
- **Targets:** high-value products (household appliances, electronics), but also cheaper merchandise (meat, beer, cigarettes) to re-sell in the black market

Hotspots: urban areas and highways

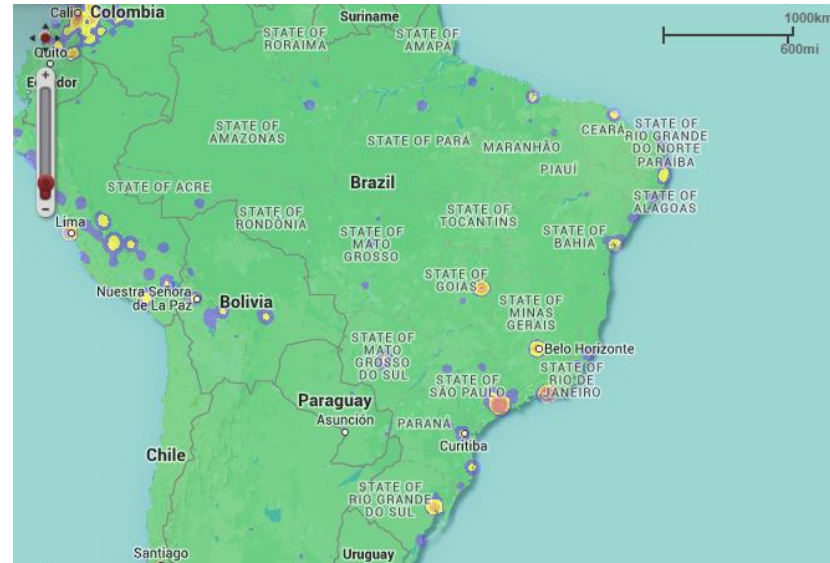


São Paulo Hotspots: Anhanguera (SP330), the Presidente Dutra stretch of the São Paulo-Rio BR-116, Rodovia Régis Bittencourt (SP116, the São Paulo-Minas Gerais Rodovia Fernão Dias (BR381), Bandeirantes (SP348, and Castelo Branco (SP280).

Rio hotspots: Niterói, Bangu, Santa Cruz, Campo Grande, São Gonçalo, the BR-040 (Rio-Teresópolis) highway near Magé, the BR-101 (Avenida Brasil) in the Morro da Pedreira district, the BR116 near Serra das Araras, Pavuna district.

Very High cargo theft risks in Brazil, particularly in Rio de Janeiro and Sao Paulo states

- Highly sophisticated gangs
- Gunmen target lorries on traffic, highways but also setup fake checkpoints and road blocks
- Smaller vans transporting cheaper goods are increasingly targeted

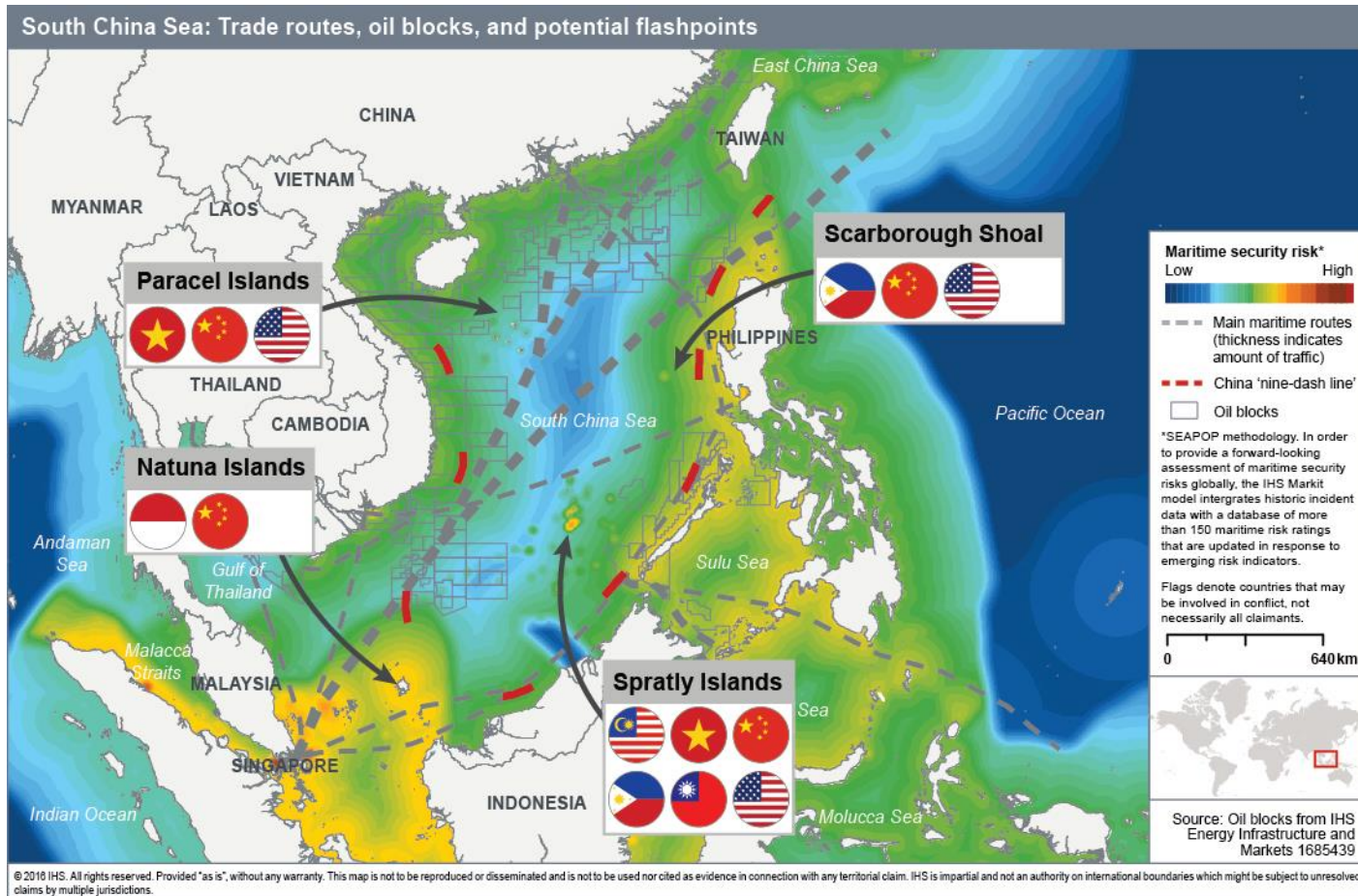


Outlook:

- Cargo theft risk to remain high in 2017
- Police lack capacity to patrol full road network
- Intelligence-gathering is deficient
- Penalties are low

Asia Pacific: South China Sea

SOUTH CHINA SEA

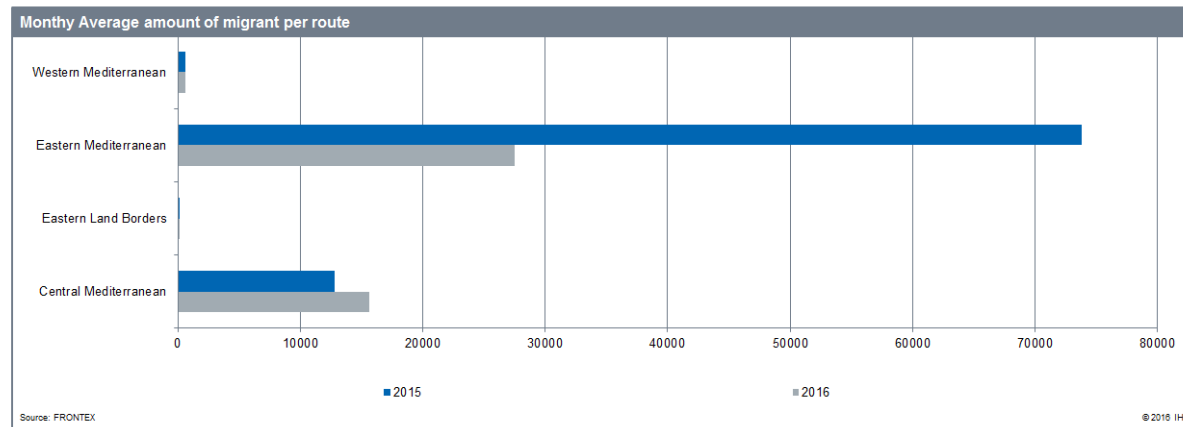


Eurasia

Refugees and the EU

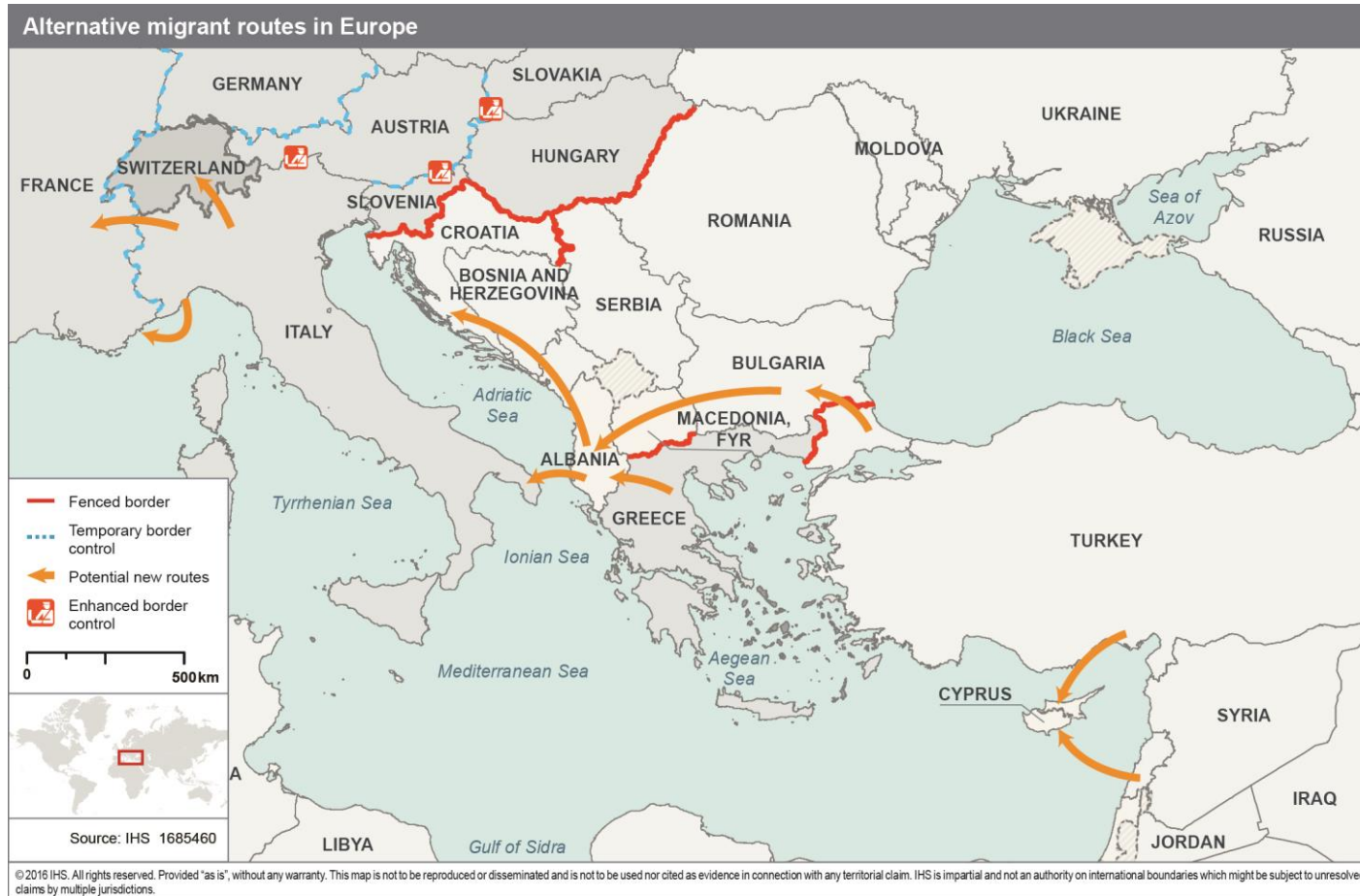
Ukraine Crisis

Refugee crisis – outlook 2017

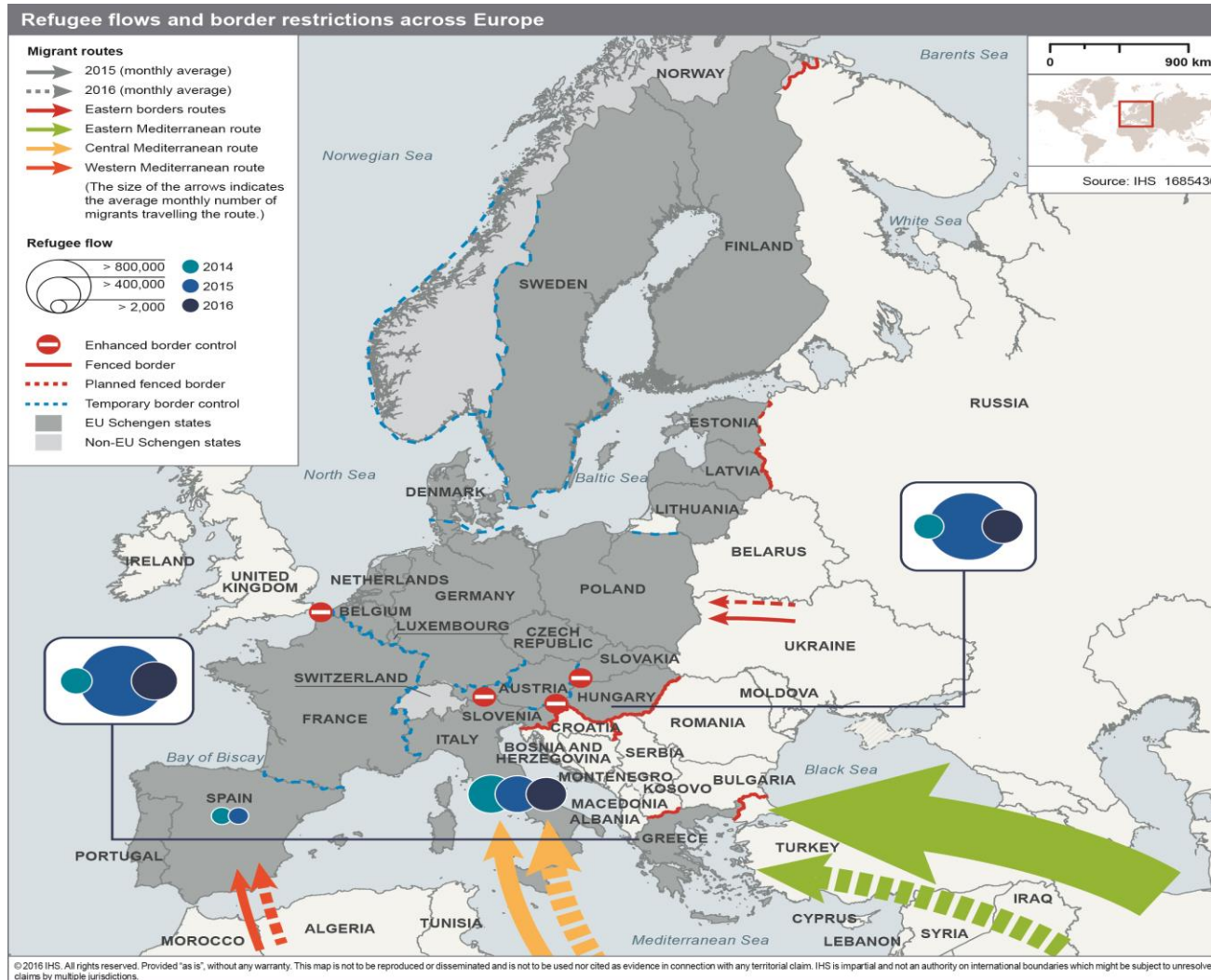


- Overall refugee arrivals dropped in 2016; however, arrivals in Italy remain steady.
- Main driver of refugee flow wider geopolitical developments in refugees' countries of origin.
- Other migration routes likely to evolve; but such impediments as difficult terrain, strict refugee policies and improved cross-border co-operation will limit the number of migrants using them.

Refugee crisis – route options



Refugee crisis – Schengen and border restrictions

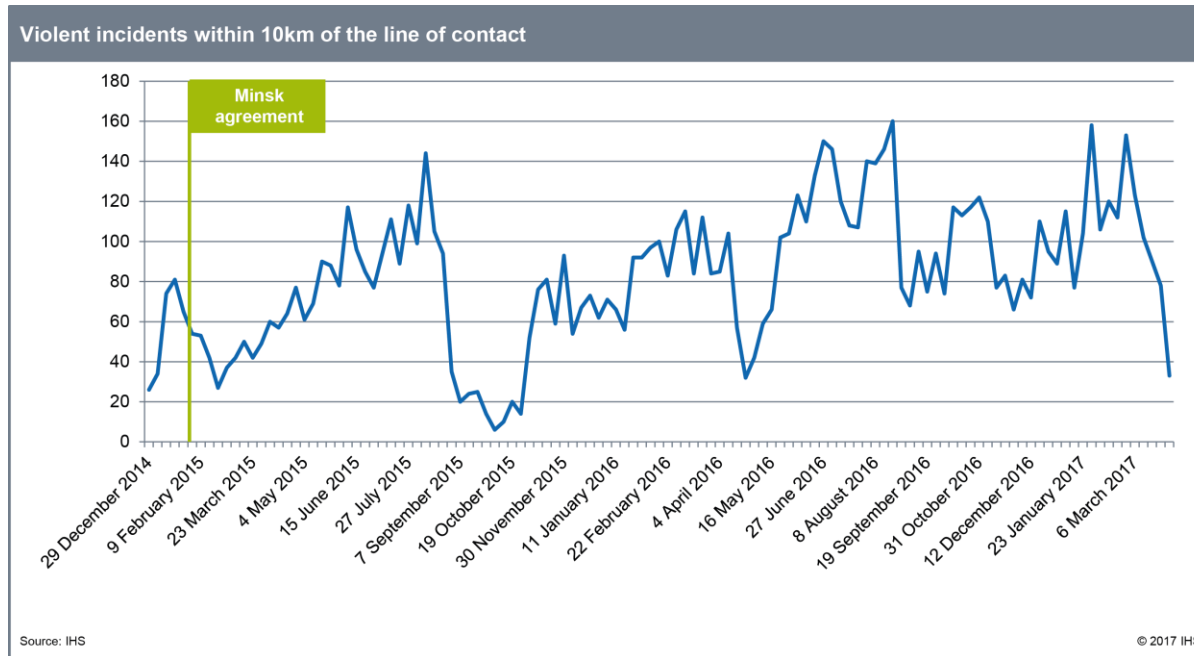


East Ukraine conflict



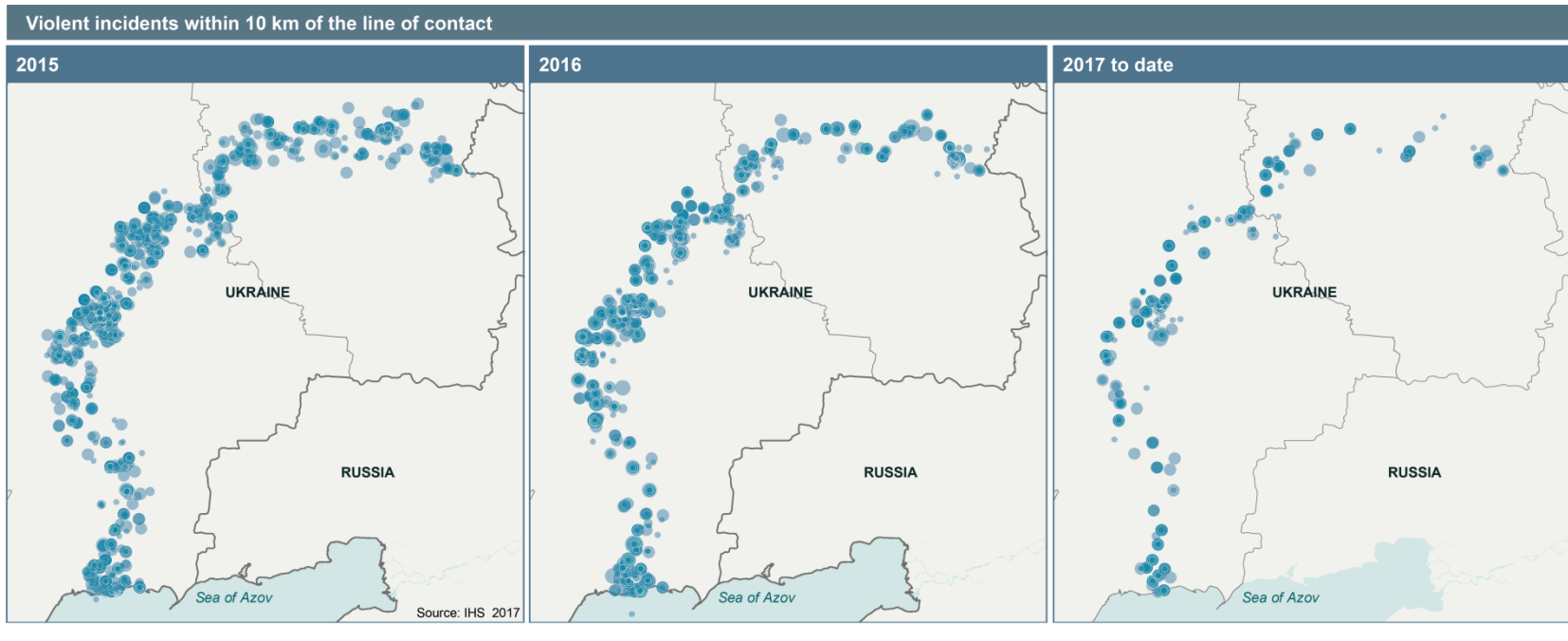
- Violent risks impacting on cargo focused in eastern Ukraine.
- Armed conflict in east Ukraine unlikely to be resolved in one-year outlook but to remain geographically stabilised.

East Ukraine conflict



- **Peak in violent risk incidents in early February (since dropped) coincided with the inauguration of US President Trump.**
- **Both parties in the conflict likely using controlled escalation of violence to serve their rival interests by seeking to influence US foreign policy.**

Ukraine: "Frozen conflict"



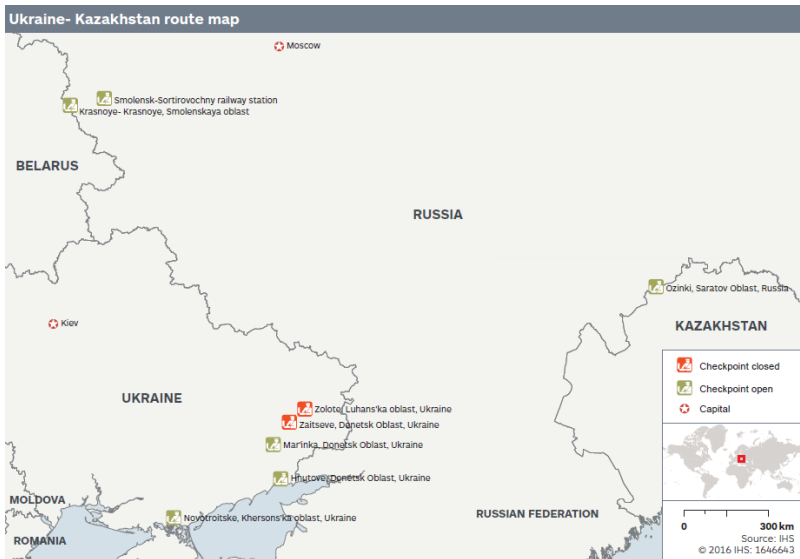
- **Pattern of incidents since January 2015 concentrated on Line of Contact; dark areas show regular 'hotspots'.**
- **Russia unlikely to back a major separatist offensive deep into Ukraine-preferring to destabilise Ukraine by other means-and obtain sanctions relief.**

Ukraine: Cargo disruption

Russia and Ukraine very unlikely to normalise relations, keeping the risk of cargo disruption high but mainly limited to Ukraine.

Road and rail transit between Ukraine and Kazakhstan via Russia will remain problematic.

The blockade of key railway and road routes across the LoC; impact severe inside Ukraine.



Middle East and North Africa

Iran and the Gulf

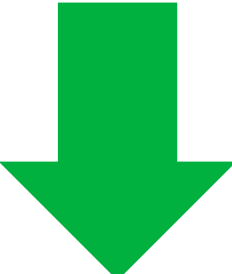
Yemen and the Red Sea

Libya

Iran: Rise of the hardliners

Two narratives will dominate Iranian politics in 2017:

'Mediators':



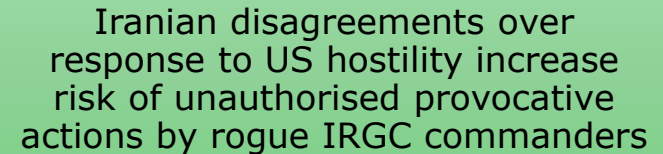
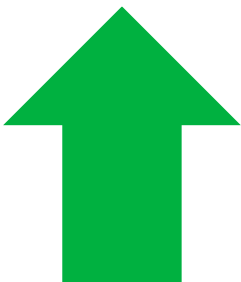
Advocate period of calm with US, in favour of safeguarding JCPOA and avoiding provocative action that would trigger greater US interventionism in MENA

- *Significant influence over government policy while Rouhani in office*

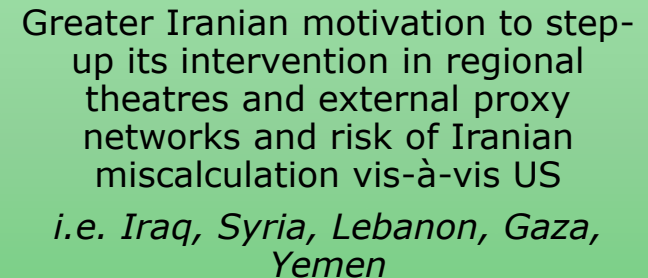
'Revolutionaries':

Assess that Iran secured position as critical regional player, US has few good options to reverse Iranian gains, prioritise consolidating regional gains.

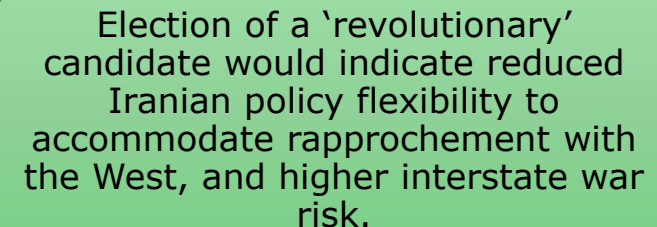
- *Enjoy greater freedom to promote views publicly to pressure rivals*



Iranian disagreements over response to US hostility increase risk of unauthorised provocative actions by rogue IRGC commanders

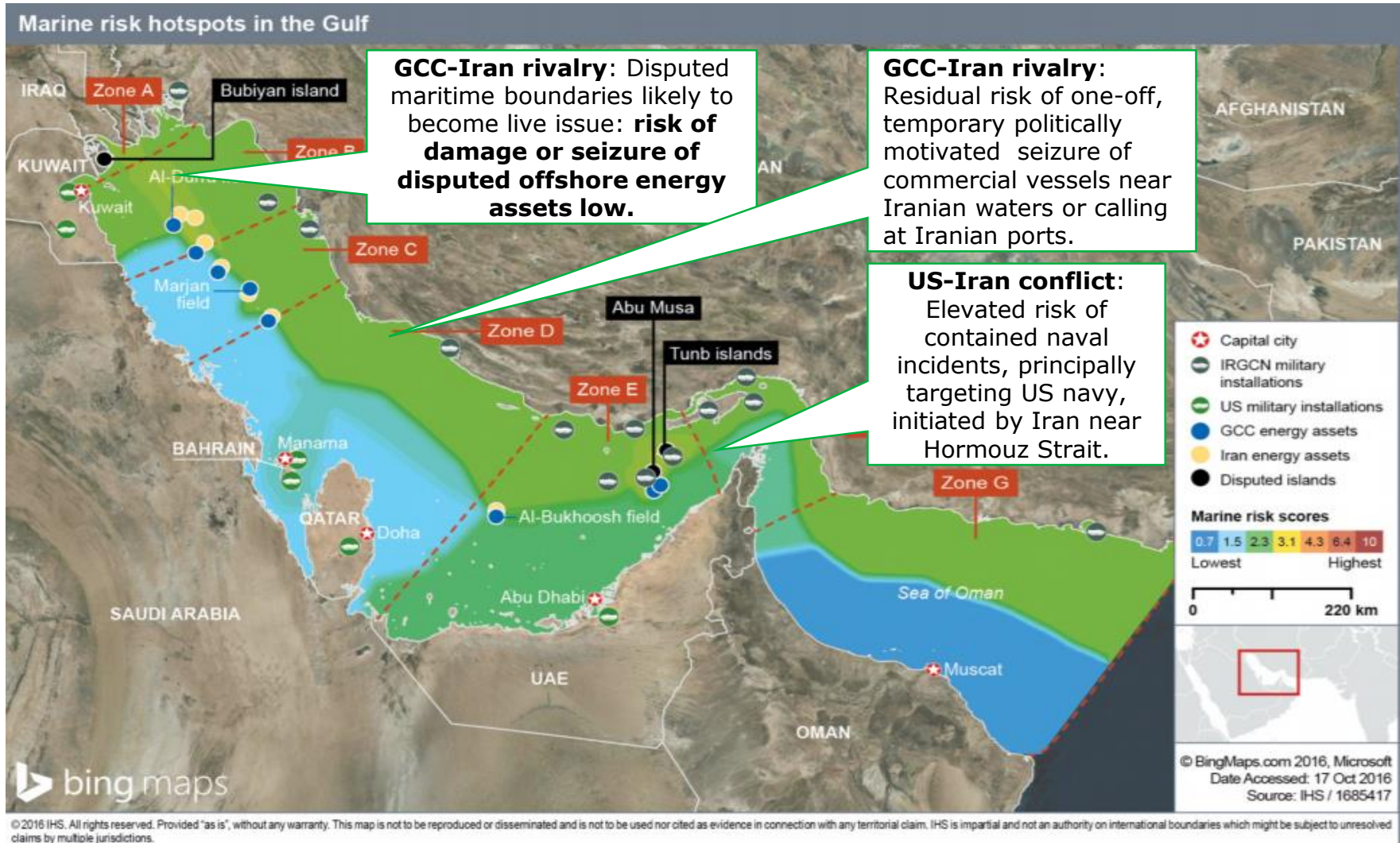


Greater Iranian motivation to step-up its intervention in regional theatres and external proxy networks and risk of Iranian miscalculation vis-à-vis US
i.e. Iraq, Syria, Lebanon, Gaza, Yemen



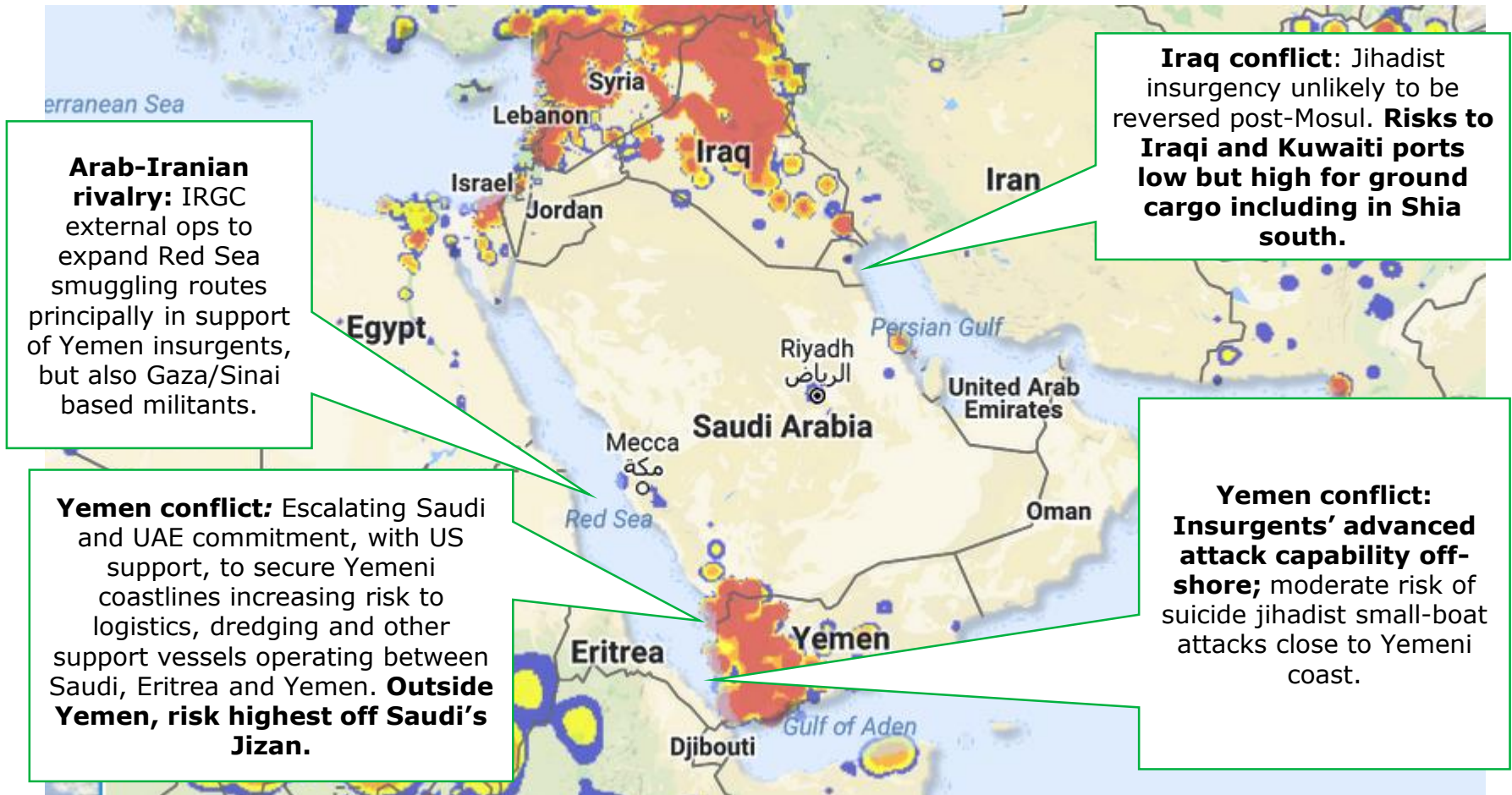
Election of a 'revolutionary' candidate would indicate reduced Iranian policy flexibility to accommodate rapprochement with the West, and higher interstate war risk.

Gulf marine risk map

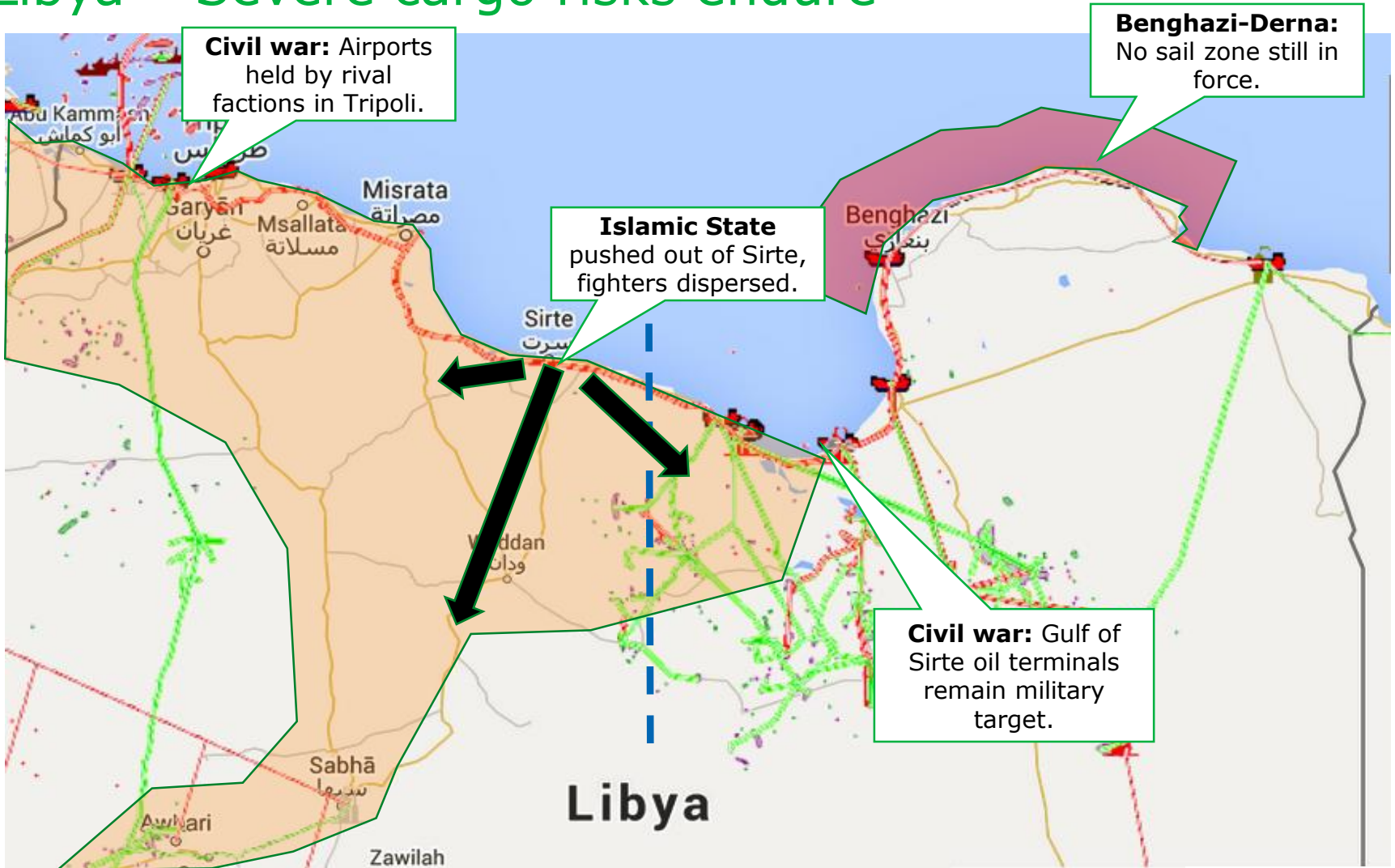


Proxy conflict implications for cargo and shipping

- Non-piracy driven cargo risks in the Gulf, Gulf of Aden and Red Sea



Libya – Severe cargo risks endure



Q & A

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