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2020 Political Risk Outlook

Q1: March 2020



The future of trade is data... Don't get left behind

Political Risk Outlook 2020

Foreword

The year got off to a worrying start when, in early January, #WW3 began trending on Twitter. The cause? On 3rd January, US forces carried out a drone strike near Baghdad International Airport killing Qasem Soleimani, commander of Iran's Quds Force and right-hand man to Ayatollah Khamenei. Khamenei vowed "severe revenge" and five days later, on 8th January, 16 short and medium-range ballistic missiles were launched at two US airbases in Ain al-Asad and Erbil, Iraq.

The world waited anxiously for US President Trump's response, which came several hours later. No fatalities were reported, which US officials attributed to an effective satellite early warning system known as the Space-Based Infrared System (SBIRS). It is likely that Iran's response was an example of 'escalation for de-escalation'. By providing the US with a degree of early warning, casualties could be minimised and direct conflict with the US avoided, while still demonstrating to Iran's domestic base that action had been taken. From the US perspective, Trump was equally unlikely to be willing to become embroiled in a costly war during an election year.

The prevalence of subversive forms of conflict that utilise non-military means tests the understanding of how power and global influence is achieved in the modern era

Although war was avoided on this occasion, miscalculation represents a serious risk and any US fatalities would have necessitated a more decisive response. The incident demonstrated the tenuous nature of global security at present; it came at a time when Russian and Chinese influence is increasing and the West becomes more and more fragmented.

Brexit was formalised on 31 January raising questions over a possible domino effect; there is a growing divide between the EU and the US over trade and security interests; international treaties such as the Intermediate-Range Nuclear Forces (INF) and the Joint Comprehensive Plan of Action (JCPOA) have been abandoned; strategic uncertainty among Nato members is rife and doubts linger over the continued commitment of key allies. Further, the prevalence of subversive forms of conflict that utilise non-military means tests the understanding of how power and global influence is achieved in the modern era.

Some studies have argued that the number of conflicts and battle-related deaths is declining¹. This is arguably because the means being used by states in the pursuit

of political ends has shifted. Committing to 'boots on the ground' brings both strategic and ethical challenges and yet there is still fierce competition for influence between the great powers. How, then, do states wield the same level of influence in the modern era? At Coriolis Technologies, we have observed the growing role of trade in so-called grey-zone conflict. Using our trade-based model for forecasting political instability, we outline five risks in 2020 with the potential for escalation based on trends identified in the data.

Presented here is a picture of our top five risks in 2020. Each has substantial potential to escalate into broader conflict, and each illustrates how important trade data is for understanding political risk. We will be providing an update on prospects for each of these five countries, and adding additional updates throughout the year.

It also examines the growing proportion of world trade that is hidden from view by analysing 'Areas not elsewhere specified' (a partner designation which, according to the United Nations, is sometimes used 'to protect company information')ⁱⁱ, and 'Commodities not elsewhere specified'ⁱⁱⁱ, a sector which has no formal definition but which is highly correlated with both oil and arms trade.

Trade is more than simply a benign tool of economic growth and development. It is increasingly used by states to coerce, build strategic potential, and gain influence

Against a backdrop of tightening sanctions regimes, this suggests that trade is more than simply a benign tool of economic growth and development. It is increasingly used by states to coerce, build strategic potential, and gain influence. The data illustrate convincingly how this trend is likely to accelerate in 2020 and reveals how important trade data is for understanding political risk.

JACK HARDING, HEAD OF POLITICAL RISK

March 2020

Key findings

Turkey is in focus as a result of the potential for a serious direct confrontation with Syrian regime forces

as well as the increasingly perplexing strategic challenge presented to Nato and the EU as a result of its pivot to Russia. Tensions with Greece have also soared in recent months as a result of oil drilling off Turkey's south eastern coast. The US has announced its intention to bolster its presence in the Mediterranean and to invest in airbases in Larissa (Greece) and Marathi (Crete) in a possible attempt to deter any aggressive action. However, the evidence in the data points to possible preparation for some form of operational action, and a further pivot towards Russia during the course of 2020 is likely with trade in arms and commodities not elsewhere specified set to increase.

Serious escalation in conflict between jihadist and nationalist groups in the Sahel is set to continue throughout 2020.

Analysis of arms imports into Mali suggests preparation for a major campaign and further spillover into neighbouring states. These arms come from a number of countries, including the EU, the US and the UK. However, Russia has become the largest exporter in recent years and there is evidence to suggest that destabilisation efforts in the Sahel could have a knock-on effect for the West, particularly for France, which relies heavily on Niger for uranium imports to maintain its nuclear industry.

Yemen: the data show unprecedented increases in arms imports into Saudi Arabia.

These are a lead indicator of the Saudi stance towards Yemen and are highly correlated with battle-related deaths. The model predicts that 2020 will see both arms imports and fatalities increase at proportionate rates suggesting that there is little sign of the conflict abating. Saudi Arabia is not likely to abandon its objective of crushing the Houthi rebels and restoring the Hadi government. It would be unacceptable to the Saudis to have Iranian-aligned interest groups on their southern border and this fact will likely prolong the conflict indefinitely.

Evidence suggests increased and statistically significant Russian exports of military goods, aerospace and propulsion and commodities not elsewhere specified into Serbia over the last 18 months.

Serbia is militarily neutral, but strategically important both for the West and Russia. While an escalation to conflict is unlikely, the competition between global powers for influence in Serbia may have a destabilising effect. The data suggest that this competition for influence is unlikely to play out through overt means, but rather in the 'grey zone', and trade in specific strategic goods will play a major role in this.

The global struggle for power between Russia, China and the US will continue to be played out in 2020 in Venezuela.

There is evidence of increasing influence from Russia, but this is being counter-balanced by countries like Switzerland from a financial perspective. These countries all have very different stances towards the preservation of the status quo. China and Russia both vehemently oppose the US role in Venezuela and notably did not recognise Juan Guaidó as president. China is more likely to pursue a policy of non-intervention, but Russia is more politically aligned with Venezuela and sees the country as a strategic ally. Since the early 2000s, it has increased its export of arms and ammunition and, in a show of support for Maduro in December 2018, sent two nuclear bombers to Venezuela. These competing interests between some of the world's most powerful states ensure that there will be no quick resolution to the crisis.

Risk 1: Turkey

Risk factors:

- High likelihood of escalation in fighting between Turkish and Syrian forces*
- Increasing isolation from the West*
- Purchase of S-400 missile defence system from Russia*
- Tensions with Greece*

From the data:

- A pivot away from the West towards Russia*
- Statistically significant increases in arms, components for missiles, and commodities not elsewhere specified*

Our data suggest that Turkey's risks have escalated rapidly in recent years as a result of the terror threat, internal conflict, a growing military role in Syria, and a growing political rift with Western allies. The risks from terrorism and internal conflict have abated somewhat as a result of multi-phased anti-Kurdish operations such as Kiran and, more recently, Kapan; however, 2020 presents a serious risk of conflict between Erdogan and Assad's respective forces in Syria.

Turkey has been militarily involved in Syria since war broke out in 2011 and, since then, has steadily escalated its operations. This culminated with a series of cross-border military interventions from 2016 to present: Operation Euphrates Shield in 2016 which led to Turkey gaining control of Northern Syria; Operation Olive Branch in 2018 which saw Turkey secure territory in the north-west; and Operation Peace Spring in the north-east.

In 2018, Russia and Turkey (who back opposing sides in the conflict) established a de-militarised zone in Idlib province in the north-west of the country to avoid a Russian intervention in the rebel stronghold, provided Turkish forces ensure 'radically-minded' forces are 'neutralised'. The agreement to de-escalate generally held until early December 2019 when Syrian regime forces began pushing into the region, which is the last rebel-held area in the country. Tensions erupted in February when Syrian artillery bombardments killed 14 Turkish troops in nine days

Rather than simply a greater volume of trade between Turkey and Russia, the major concern for the West is the nature of the goods that are being traded.

Turkey responded by calling in reinforcements, carrying out airstrikes of its own, and issuing an ultimatum to Assad stating that he must withdraw his forces by the end of February or risk unrestricted strikes on Syrian forces "anywhere in the country". Erdogan even warned Russia not to "stand in our way". Russia accuses Turkey of failing to abide by the 2018 agreement by allowing rebels to maintain a foothold in the region, and we expect the situation to escalate in the coming months.

However, despite rising tensions, Russia has become one of Turkey's key import partners in recent years. Russia was the third-largest import partner in 2016, behind Germany and China and, by 2019, has risen to first place (Figure 1). Meanwhile, between 2016 and 2019 the value of imports from Germany fell by 4.7%. This is indicative of the strategic pivot in Turkey in recent years and the growing political differences between them and their historical Western allies.

	2016 import value (US\$bn)	2019 import value (US\$bn)
China	24.1	19.2
Germany	23.6	22.5
Russian Federation	19.7	27.9

Figure 1: Turkey's top three import partners, 2016 and 2019 compared
Source: Coriolis Technologies

Rather than simply a greater volume of trade between Turkey and Russia, the major concern for the West is the nature of the goods that are being traded. Since

2016, the commodities not elsewhere specified sector has become Turkey's second-largest import sector. There is no formal definition for what goods this sector includes, but our own analysis finds there is a 79.6% correlation with the global arms trade and we frequently observe statistically significant increases prior to political crises across the world. In 2019, Russia accounted for 83.8% of Turkey's total imports in this sector.

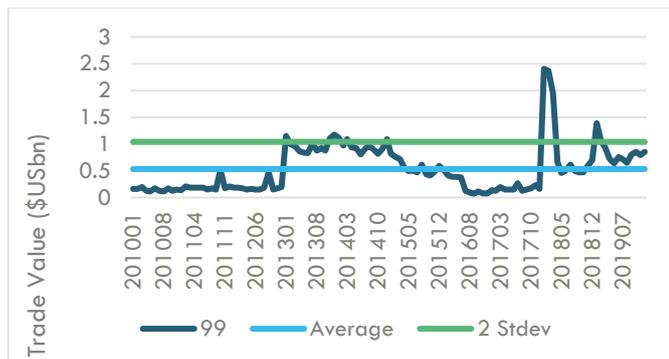


Figure 2: Turkey - imports of commodities not elsewhere specified, Jan 2010 - Dec 2019
Source: Coriolis Technologies

We have also observed significant increases in Turkey's imports of goods related to missile development from Russia. Despite Turkey's status as a member of Nato, Russian sources revealed that delivery of components for the S-400 missile defence system began in July 2017.

This correlates almost exactly with the evidence in the data (see Figure 2). For example, parts for chassis, guidance systems, and solid rocket booster. Western analysts argue that this will seriously undermine collective defence and Nato's deterrence capability. Nato's fifth generation fighter jets, such as the F-35, will soon be operating in the region on exercises and operations. Greece even recently declared interest in

purchasing a number of the fighters. This could hand a strategic advantage to Russia by allowing them to gauge how effective their systems are against the stealth capabilities of the F-35.



Figure 3: Turkey - Aerospace and propulsion imports from Russia, 2009 - 2020
Source: Coriolis Technologies

Turkey is certainly one of the countries to watch in 2020 as a result of the potential for a serious direct confrontation with Syrian regime forces as well as the increasingly perplexing strategic challenge presented to NATO and the EU as a result of its pivot to Russia. Tensions with Greece have also soared in recent months as a result of oil drilling off Turkey's south eastern coast. The US has announced its intention to bolster its presence in the Mediterranean and to invest in airbases in Larissa (Greece) and Marathi (Crete) in a possible attempt to deter any aggressive action. However, the evidence in the data points to possible preparation for some form of incident and the developments in Turkey should therefore be monitored closely.

Risk 2: Sahel

Risk factors:

- Very high likelihood of escalation in fighting
- Severe poverty and unemployment provides breeding ground for insurgents
- Niger, Mali, and Burkina Faso at particular risk
- Competition for influence between Russia, China and the West

From the data:

- Statistically significant increases in arms imports to countries such as Mali
- Growing Russian influence across the Sahel, particularly in military goods

The Sahel region of West Africa is experiencing a rapid deterioration in the security situation. In 2019, the United Nations stated that an unprecedented rise in the level of violence had killed an estimated 4,000 people. Despite French military intervention and the UN mission in Mali (MINUSMA), widespread poverty, unemployment and poor political infrastructure have provided a breeding ground for extremists. Since the war in Mali in 2012, violent jihadist groups have increased in terms of number, capabilities and ambition and thousands of people have been killed and millions displaced in countries like Nigeria, Niger, Burkina Faso, Mali and Cameroon.

Figure 4 outlines statistically significant levels of imports in arms and ammunition into Mali since 2016. This corresponds with the escalation of violence in the country and the broader Sahel region. The forecast for unprecedented arms imports in 2020 indicates that the Malian government is preparing for further serious unrest throughout the year. We also observed a 34.5% increase in imports of blood and plasma, and expect a further 12% increase in 2020.

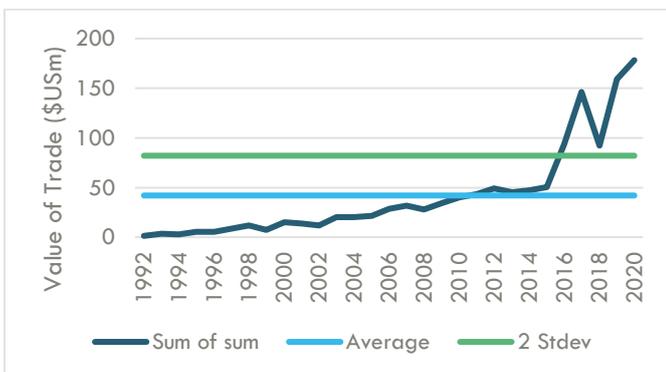


Figure 4: Mali - Arms imports, 1992 – 2020
Source: Coriolis Technologies

A large proportion of these arms are being exported to Mali by Western states. The bubble map below, from the Coriolis MultiLateral system, demonstrates the largest exporters of arms, ammunition, and explosives to Mali. Unsurprisingly, France, Germany and the USA feature heavily in these categories. However, from a Western perspective, the concern will be the significant Russian influence across Africa, in particular the increasing volume of military goods that are being exported. This growth in arms exports has been a trend in the data since 2017 when Russian exports in military goods eclipsed those of their Western counterparts. Indeed, both arms and ammunition and commodities not elsewhere specified now feature in Russia's top five export sectors to Mali.

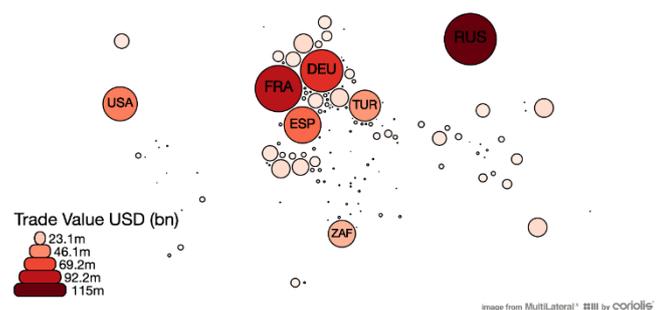


Figure 5: Largest exporters of arms to Mali (\$USm)
Source: Coriolis Technologies, MultiLateral Open Trade

From a Western perspective, creeping Russian influence across Africa is a serious concern. US General Thomas Waldhauser delivered a testimony to this effect before the Senate Armed Services Committee. He stated that the US must “thwart Russian exploitative efforts” such as the provision of military goods in return for access to mining or energy resources. He listed Mali as being particularly susceptible to this “malign influence”.

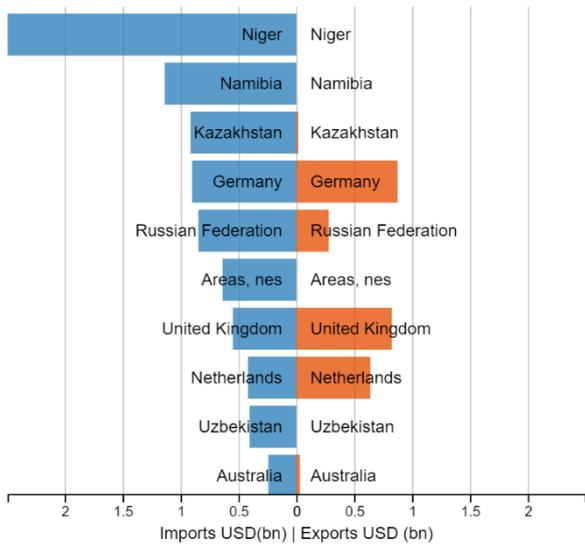


Figure 6: France Uranium imports 2015-2019
 Source: Coriolis Technologies, MultiLateral Open Trade

This represents a serious risk for France as well. For example, France relies overwhelmingly on Niger for the provision of Uranium (Figure 5), further destabilisation in the Sahel coupled with Russian military assistance to Niger (at least through the provision of military goods) could potentially undermine the French nuclear industry. It is the strong and competing global interests in the conflict in the Sahel that increase the potential impact of this crisis and developments should be monitored closely.

Risk 3: Yemen

Risk factors:

*Desperate humanitarian situation being exacerbated by military stalemate
Escalation in fighting all but certain
Conflict being used as a proxy war by Saudi Arabia and Iran in fight for regional influence*

From the data:

*Unprecedented increases in Saudi arms imports
Causal relationship between increases in these imports and increases in fatalities in Yemen*

In 2017, the International Committee of the Red Cross (ICRC) described Yemen as “the world’s single largest humanitarian crisis”. It estimated that there were over 20 million people in the country that were in desperate need of aid. This has now increased to 24 million – 80% of the population. Famine and disease have arisen as a direct consequence of the ongoing conflict between the Saudi-led coalition and the Houthi rebels and casualty estimates place the death toll at around 100,000 at the end of 2019, including 12,000 civilians. Furthermore, a UN panel of human rights experts concluded that both sides have exacerbated the human cost of the conflict by committing war crimes such as torture, using child soldiers and failing to take actions to minimise civilian casualties.

Iran’s hand in the conflict in Yemen means that Saudi Arabia is not likely to abandon its objective of crushing the Houthi rebels and restoring the Hadi government

The panel also pleaded with the international community to “refrain from providing arms that could be used in the conflict”. A number of Western states have been criticised for arms sales to Saudi Arabia that have continued to take place in spite of the deteriorating humanitarian situation in the country.

Figure 7 looks at Saudi arms imports against estimated casualties in Yemen. Unsurprisingly, it finds that there is a correlation coefficient of 83.9% and a statistically significant relationship between arms imports and casualties. We are forecasting a further 15.3% increase in Saudi Arabia’s arms imports in 2020 and based on the relationship between the two variables, this indicates a very high likelihood of further violence

with casualties in the tens of thousands (between 19,000 and 25,000).

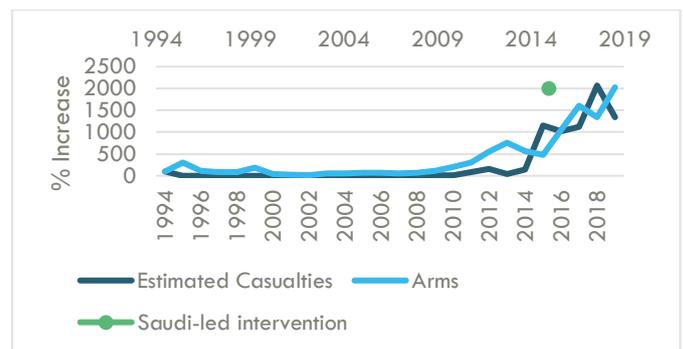


Figure 7: Saudi arms imports compared with fatalities in Yemen, based to 1994
Source: Coriolis Technologies

As with Syria, competing regional interests are exacerbating the situation. Saudi Arabia overtly supports the Hadi government forces and while Iran has never publicly declared its support for the Houthi rebels, it is implicitly understood that it has been providing financial and military support. For example, according to the UN, ballistic missiles fired into Riyadh by Houthi rebels in Yemen in 2017 and 2018 appeared to be Iranian-made. Iran’s hand in the conflict in Yemen means that Saudi Arabia is not likely to abandon its objective of crushing the Houthi rebels and restoring the Hadi government. It would be unacceptable to Saudi Arabia to have Iranian-aligned interest groups on its Southern border and this fact will likely prolong the conflict indefinitely.

Risk 4: Serbia

Risk factors:

Poor relations with Kosovo, Bosnia & Herzegovina and Croatia

Conflict unlikely, but closer ties with Russia means increased competition for influence with West

Persistent ethnic tensions

From the data:

Unprecedented levels of imports in commodities not elsewhere specified

Growing Russian influence

Clear attempts by Western states to balance this Russian influence

It has been just over twenty years since the war between the forces of the Federal Republic of Yugoslavia and the Nato-backed Kosovan Liberation Army. The war claimed an estimated 13,500 lives and displaced over a million people. On 9th June 1999, the Kumanovo Agreement was signed and Serbian and Yugoslav forces withdrew. Although the Balkan region has seen relative stability since the war, tensions remain just below the surface. Ethnic violence remains a serious issue with sporadic violence occurring throughout the 21st century, including high-profile assassinations of Serbian prime minister, Zoran Đinđić in 2003 and Oliver Ivanović, leader of the political party Serbs of Kosovo in 2018.

Tensions are likely to persist given Belgrade's insistence that Kosovo remains a part of its territory. Serbia has blocked Kosovo's membership of international organisations such as Interpol and, in response, the government of Kosovo has imposed 100% tariffs on Serbian goods. The recent Munich Security Conference saw Serbia and Kosovo signing an agreement to develop rail and road links between Belgrade and Pristina and although this is undoubtedly a positive step, it remains to be seen whether this is a forceful enough initiative to permanently improve relations.

In all likelihood, the agreement will change very little. The issue of Serbian non-recognition of Kosovo is arguably too great to overcome with a rail and road infrastructure project. After all, tensions were laid bare in May 2019 following a police operation in Northern Kosovo – a region predominantly inhabited by Serbs. Serbia placed its troops on high alert accusing Pristina of attempting to gain control of the region and the Russian foreign ministry responded by stating that this was “another provocation from Pristina aimed at intimidating and squeezing out the non-Albanian population and establishing control over these areas

by force.”

Nato also issued a statement declaring that the KFOR peacekeeping force “continues monitoring the situation and is ready to intervene, if requested as third responder, in order to guarantee security for all communities”. This is the crux of the issue; the situation in the Balkans is complicated by the competition for influence between Russia and Western powers. Although militarily neutral, Serbia is signed up to Nato's Individual Partnership Action Plan and is a candidate country for accession to the EU. However, creeping Western influence, particularly in Slavic states, is something Russia sees as a major security threat and it therefore highly likely that Russia will take steps to counter the West.

The situation in the Balkans is complicated by the competition for influence between Russia and Western powers

In Montenegro, this came in the form of a failed assassination attempt against Prime Minister Milo Djukanović following its accession to NATO, an incident which left policymakers in the country in “no doubt” as to the Kremlin's involvement, a claim that was verified by UK Whitehall sources^{iv}. In Serbia, there is less political will to join NATO, but Russia will still want to ensure it is seen as a less reliable ally. Figure 8 shows how, by the end of 2019, commodities not elsewhere specified (NES) has become one of Serbia's main import sectors from Russia. It shows an incredible 1,552% increase between 2017 and 2019.

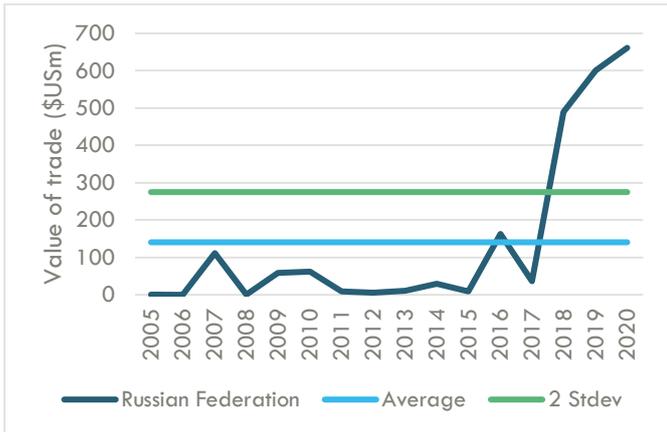


Figure 8: Serbia's imports of commodities not elsewhere specified
Source: Coriolis Technologies

Although it is unclear what goods are involved in this sector, in Serbia's case there is an 88.2% correlation with imports in aerospace and propulsion, a category of goods associated with missile development. This is significant given recent military exercises that took place between Russia and Serbia, for example, the Slavic Shield exercises which saw the S-400 missile defence system deployed on foreign territory for the first time as well as the use of the Pantsir S – a truck-launched, self-propelled, surface-to-air missile system. Following these exercises, the Serbian ministry of defence announced its intention to purchase the Pantsir system and Russia confirmed delivery would occur in early 2020.

Given similar identities, norms and values, Serbia may be more likely to integrate more closely with Russia

Military exercises are a means for political posturing and, although Serbia also holds military drills with Nato, Russia's provision of its missile system will undermine the West's faith in Serbia's reliability as a partner. As a result, given similar identities, norms and values, Serbia may be more likely to integrate more closely with Russia. This was indicated by the response of the minister of defence, Aleksandar Vulin who stated: "the name of the exercise, 'Slavic Shield', speaks of our closeness, speaks of common origins, speaks of the shared values. But more than our common origins, more than our common past, we are bound by a common future".

An ongoing battle for influence between Russia and the West will likely be played out through trade

Overall, the data do not suggest Serbia will experience a serious overt decline in stability. Rather, we expect an ongoing subversive battle for influence between Russia and the West that will likely be played out through trade.



Figure 9: Competition for influence: Germany, Italy, Russia and China dominate in exports of Commodities NES to Serbia
Source: Coriolis Technologies

Risk 5: Venezuela

Risk factors:

Worsening political, economic and humanitarian crisis

Country is deeply divided, Maduro still in power and holds loyalty of the army

US, Chinese and Russian strategic interests in the country mean the crisis is a proxy for a greater struggle

From the data:

Growing Russian influence

Clear attempts by Western states to balance this Russian influence

The political crisis in Venezuela deepened at the start of 2020

when, on 5th January, MP Luis Parra declared himself as the President of the Venezuelan National Assembly (AN). Nicolás Maduro quickly recognised Parra as president of the AN. However, the National Guard had been deployed outside of the AN building to forcibly prevent dissenting MPs, including the opposition leader and internationally recognised interim president, Juan Guaidó, from entering. Dramatic pictures showed Guaidó climbing over the fence and pushing his way past security forces in a bid to cast his vote.

Guaidó had risen to popularity in January 2019 when he delivered a speech to thousands of supporters gathered in Caracas declaring Maduro's regime to be illegitimate and himself as the interim president. Almost immediately, he received the backing of tens of thousands of Venezuelans and the recognition of his status from much of the international community, including the majority of the European Union and Latin America, Canada, and the US. However, his popularity has waned after he failed to stop Maduro from blocking aid trucks from entering the country in February 2019 and, crucially, failed to get the backing of the Venezuelan military who have largely remained loyal to Maduro.

As a consequence, Maduro has been able to consolidate his position in power. This will come as a blow to the US, which has backed Guaidó since 2019. At a recent meeting at the White House, Trump vowed that the US would take action against Maduro and "smash" his regime. This action is likely to come in the form of additional sanctions.

Sanctions have been placed on state-run oil company PdVSA and gold company Minerven. This led to PdVSA teetering on the verge of default and Venezuela in desperate need of refined oil.

There is evidence to suggest that Russia has been helping to alleviate the pressure from sanctions

However, there is evidence to suggest that Russia has been helping to alleviate the pressure from sanctions. Some reports indicate that Russia may be providing Venezuela with oil via Malta by using ship-to-ship (STS) transfers. Figure 10 shows substantial increases in Russia's exports of refined oil to Malta. The data show four statistically significant spikes since January 2018 with the largest occurring in July 2019. These increases generally tally with reports that a series of large STS transfers took place between January and June 2019^v.

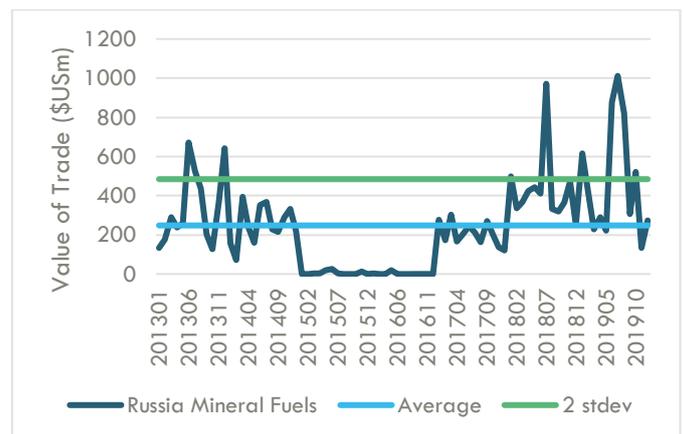


Figure 10: Russia's exports of refined oil to Malta, January 2013 – November 2019
Source: Coriolis Technologies

Russia is Malta's top import partner in the refined oil sector. Although the data does not show direct trade in refined oil between Malta and Venezuela, we can apply statistical techniques to the available trade data to identify how Venezuela is receiving refined oil.

First, after Egypt, ‘bunkers’ is Malta’s top export partner in oil (value of US\$2.4 bn). This sector is classified by the UN as ship stores comprising mostly fuels. Statistical analysis shows a significant relationship and a strong correlation (74.2%) between Russia’s exports to Malta and Malta’s subsequent exports to bunkers since sanctions were imposed. Given that only a fraction of Russia’s oil exports to Malta are likely to end up in bunkers, the high correlation is sufficient to indicate that Russia’s oil is being sent to bunkers (i.e. STS transfers) via Malta.

We can then apply similar statistical techniques to Venezuela’s imports from hidden destinations to find that there is a 78.4% correlation with Malta’s exports to Bunkers. In short, this suggests strongly that Russia is providing oil to Venezuela via Malta.

The data suggests strongly that Russia is providing oil to Venezuela via Malta

Sanctions on Venezuela’s oil imports coupled with financial restrictions have meant that it has had to resort to some creative measures in order to pay for any supply of fuel. One such method is through the use of gold. Figure 11 shows how Venezuela has exported enormous quantities of gold in early 2016 and late 2017 into 2018 as sanctions began to take hold. In terms of destination, Switzerland is the largest importer followed by the UAE and Turkey.

Figure 11 shows Venezuela’s gold exports, which indicates that Russia is propping up Maduro’s regime through the provision of fuel and is receiving gold in return.

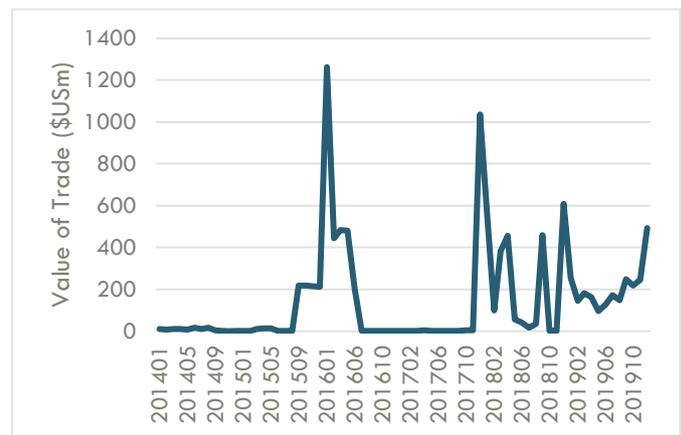


Figure 11: Venezuela’s export of gold, Jan 2014 - Nov 2019
Source: Coriolis Technologies

The US, China and Russia all have deep economic ties to the country, but very different stances towards the preservation of the status quo.

China and Russia both vehemently oppose the US role in Venezuela and notably did not recognise Guaidó as president. China is more likely to pursue a policy of non-intervention, but Russia is more politically aligned with Venezuela and sees the country as a strategic ally. Since the early 2000s it has increased its exports of arms and ammunition and, in a show of support for Maduro in December 2018, sent two nuclear bombers to Venezuela. These competing interests between some of the world’s most powerful states ensure that there will be no quick resolution to the crisis and we expect risks to continue to rise throughout 2020.

A final thought

The value of hidden trade has never been higher.

Figure 11 shows global exports to areas not elsewhere specified in the sector commodities not elsewhere specified. The data show that in 2019, countries exported around US\$420bn in hidden goods to a hidden country and this is expected to rise to US\$460bn by the end of 2020. To put this in perspective, if areas not elsewhere specified were a country it would rank 25th in the world by GDP.

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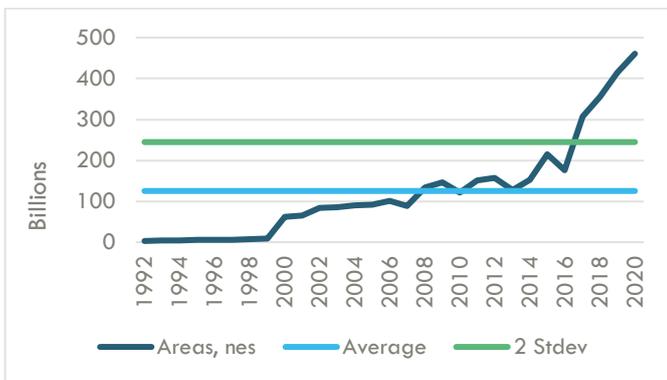


Figure 12: Areas not elsewhere specified: imports of commodities not elsewhere specified, 1992-2020
Source: Coriolis Technologies

Fundamentally, this means that the way that trade is being used has shifted – it is no longer just about mutually beneficial economic interests; instead, it is increasingly a tool to be used in the pursuit of global influence. As states have begun to explore the

advantages of non-kinetic means of conflict, we have observed corresponding rapid increases in global trade in arms, dual-use goods and hidden sectors.

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It is vital that we develop our understanding of the utility of trade beyond traditional assumptions and move towards analysis of its role as an exploitable strategic dimension. As this report has shown, monitoring goods flows in dual-use and hidden sectors and their destinations can provide a deeper level of insight into strategic intent and provide potential early warning for the onset of political crises.

A note on methodology

Coriolis Technologies derives its trade data from the United Nations Comtrade database and uses AI techniques to plug gaps in that data in two ways: first, through combining with additional public data sources such as the OECD, Eurostat and the World Trade Organization; and second, through mirroring trade flows on a bilateral basis to create a mean trade value weighted in favour of the better reporting country and/or sector.

The Coriolis Technologies dataset is the first of its kind on a global scale and covers all countries in the world

and all trade flows at 2, 4 and 6 HS Code level as well as EBOPS services trade flows.

Our forecast is a momentum forecast and is not based on any assumptions about GDP, inflation, exchange rates or real wages. The momentum in an annual trade flow combines the ten-year trend with a three-year trend to pick up volatility.

Over the past five years, this approach has been within 95% confidence limit levels of accuracy in predicting trade flows globally, bilaterally and by sector.

Disclaimer

All data in this document is compiled and analysed using the Coriolis Technologies MultiLateral Open Trade analytical platform on a best-endeavours basis.

Data collection is automated through APIs with no human intervention and is ingested into a cloud-based storage and analytical platform.

The platform is not intended for investment or advisory purposes.

Any use of the information for such purposes is at the user's own risk and not the responsibility of MultiLateral Open Trade or Coriolis Technologies Ltd.

About Coriolis Technologies

Founded in 2017, Coriolis Technologies has become the leading source of trade, corporate, geopolitical risk and trade-related economic data globally for the trade finance sector.

Our data is collected and from multiple sources and our predictive analytics are based on leading edge AI practice. We help our clients to understand the impact of what they don't know as well as the impact of what they do.

Over the past three years we have grown from a small, research-led consultancy to a major player in the tradetech space based on the power of our data to predict the likelihood of trade wars as early as 2016 and its capacity to analyse trade as a major component of national security strategies.

Our work is divided into two. Our data platform, MultiLateral Open Trade, is democratising access to sophisticated trade data and models by providing businesses and banks with a tool to identify opportunities, assess risks, and access supply chain partners and finance globally.

MultiLateral Thinking is our platform for keeping our data and our thought leadership at the sharp end of global trade policy and practice.

We run webinars monthly and an annual conference in Q3 each year which focuses on the future of strategy and provides attendees with a means of connecting off-the-record with leading intelligence, national security, economic experts and policy makers with detailed knowledge of the context of strategic trade.

To find out more, please contact support@coriolistechnologies.com

Endnotes

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- ii. UN Trade Statistics. "Areas not elsewhere specified". Available at: <https://unstats.un.org/unsd/tradekb/Knowledgebase/50042/Areas-not-elsewhere-specified>
- iii. UN Comtrade. Commodity List. Available at: <https://comtrade.un.org/db/mr/rfCommoditiesList.aspx?px=H1&cc=9999>
- iv. See: 'GCHQ warns politicians about Russian hacking threat'. *BBC*. 12/03/2017. Available at: <https://www.bbc.com/news/uk-39248879>; Ben Farmer. Montenegro 'to indict Russian spy behind coup plot'. *The Telegraph*. Available at: <https://www.telegraph.co.uk/news/2017/02/26/montenegro-indict-russian-spy-behind-coup-plot/>
- v. Dina Khrennikova, Lucia Kassai. '*Russian Fuel Is Flowing Thousands of Miles to Crisis-Hit Venezuela*'. *Bloomberg*. 31/07/2019. Available at: <https://www.bloomberg.com/news/articles/2019-07-31/russian-gasoline-makes-long-voyage-to-crisis-stricken-venezuela>

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