



*Axco's Global Risk Intelligence and Data (GRID) team monitors emerging risks around the world, particularly those which affect the strategic activities of governments, companies and individuals. Read on for highlights of Axco's global analysis of significant geopolitical developments, and possible implications for core insurance and risk management markets.*

## EMERGING MARKET DEBT PRESENTS ANOTHER CONTAGION

Like the sea withdrawing before a tsunami, Emerging Markets have watched foreign investment drain away as investors stampede to safer assets and the US dollar. From Indonesia to South Africa to Brazil, these record outflows have been accompanied by collapses in foreign exchange generating exports and credit to companies. The resulting crash in their currencies is inflicting pain through inflation, while raising the cost of servicing external debts. Without intervention, we expect a cascade of sovereign debt defaults, further limiting access to the fiscal resources needed to contain COVID-19 and prevent a temporary drop in demand inflicting further long-term economic damage.

Multilateral bodies and leading economies have recognised the threat this poses to their own recoveries. The G20 has announced a moratorium on debt repayments for 76 of the poorest countries, although this only covers its members' official bilateral credit. The traditional lender of last resort, the International Monetary Fund, approved debt relief for 25 countries, while 103 countries and counting have approached the IMF for emergency financing. Meanwhile, multilateral development banks are scrambling to rapidly boost their own concessional financing.

Both the G20 and the IMF have appealed for a voluntary freeze on debt repayments to private creditors, but this seems unlikely without some sort of common mechanism. Privately held external debt constitutes approximately a quarter of the debt owed by middle income countries who are ineligible for concessional support packages such as the G20's. Further headaches include more opaque public debts, such as Chinese loans linked to state owned companies or commodities.

As debt burdens soar across the world, campaigns for wider sovereign debt relief and forgiveness are likely to gain momentum after the initial health crisis passes. Once the urgency of the pandemic dissipates, this will complicate the task of reviving the global economy from its deep freeze.

## FOR OIL EXPORTERS, HEADWINDS BECOME A HURRICANE

For countries vulnerable to fluctuations in oil price, April has been more than just a market rollercoaster ride. Nigeria,

Africa's biggest exporter of crude, announced early in the month that it would be seeking USD 6.9 billion in emergency funding to help mitigate the impacts of COVID-19 and the precipitous drop in crude revenues. The IMF predict the country's economy could contract by as much as 3.4% this year, with a slow recovery on the cards if oil prices remain depressed as expected. Abuja is also understood to be negotiating with its bilateral creditors, including China's USD 3.2bn of outstanding debt.

Even if Nigeria secures the emergency funds requested, they are unlikely to be enough to kickstart the economy, which has only recently recovered from the 2015 oil price collapse. The Central Bank devalued the naira last month, and despite political reluctance, may be forced to do so again before the end of the year. Spending cuts have already been made, but current Brent prices languish below even the new budget level of USD 30 bbl.

Nigeria is one of the bigger economies struggling with the oil price collapse, but it is far from the only country to watch, or the one in the most desperate position. Ecuador negotiated to delay its debt repayments this month as it struggles to stay on course with an IMF assistance package. The country, which has also been hit hard by COVID-19, faces an economic contraction of up to 6.3% according the Fund. Meanwhile Angola, already facing protests over measures imposed by the terms of the IMF's credit facility, is expected to use its sovereign wealth fund to cushion the effect of price drops. Around the world, oil exporters are facing new realities. The political effects will reverberate for some time to come.

## 5G, CORONAVIRUS AND THE GEOPOLITICAL CONSEQUENCES OF CONSPIRACY THEORIES

As the COVID-19 pandemic has spread, so too have conspiracy theories about the supposed truth of the nature and origins of the virus. A particularly potent hypothesis proposes a direct link between the current health crisis and the installation of 5G masts, claiming the electromagnetic frequencies emitted are causing people to fall ill. Supposedly, governments and international institutions are hiding this phenomenon behind the façade of the COVID-19 virus.

North-west Europe has emerged as particularly vulnerable to this strain of disinformation. Ireland, the Netherlands, Belgium, and the UK have experienced a spate of arson attacks against 5G infrastructure by adherents to these theories since the beginning of April. In the UK alone, 50 masts have been damaged.

Why these countries proved vulnerable to this false narrative may be down to the openness of their civic space. Regulation of online speech and information is light and relatively dated, creating openings for misinformation by coordinated groups like Anti-Vaccination campaigners to gain traction.

Although attribution has yet to be established, Russia is suspected of purposely fuelling the recent reach of the anti-5G movement. Much of the internet traffic on this subject in north-west Europe is accountable to 'inauthentic' profiles on Twitter, displaying similar characteristics to those deployed by the Moscow-based Internet Research Agency during the disinformation campaign launched during the 2016 US Presidential Campaign.

Whether directly involved or not, Russia looks set to benefit from the growing discord in European societies. Encouraging the erosion of social and political cohesion in the West has long been a priority for Moscow, both to preoccupy its foremost strategic rivals and weaken their capacity to act decisively. Even if it transpires that Russia is not accountable for the recent radicalisation of the anti-5G movement in north-west Europe, we expect Moscow will seek to capitalise on this phenomenon as the COVID-19 pandemic continues.