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**August 2009 Overview of Terrorism Risk: Increasing likelihood of macro attacks in many territories, using smaller attack modes on softer targets****Recommended Risk Outlook for use in U.S. Terrorism Risk Model: RMS Standard (2009)**

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**GLOBAL TERRORISM TRENDS 2009**

**A change in the White House not only affects the U.S. but the rest of the world. How has the global terrorism risk landscape changed since President Obama entered the White House? This article will look at global terrorism trends and gauge whether the appointment of President Obama has help to reduce the risk.**

Throughout his entire election campaign, U.S. President Barack Obama has been keen to emphasize change. This rhetoric has increased expectations that an Obama presidency will signal a substantial departure from the previous administration's policies. To some extent, this has happened. For the first time there is now stronger purpose by the current administration to win the hearts and minds of Muslims away from the perception that a war is being waged on Islam itself. Counter-radicalization initiatives to win the ideological conflict have been prioritized. Dialogue and cultural understanding have become tools in President Obama's war against extremism. Such actions have helped to deny groups such as Al Qaeda the political oxygen they that need to incite potential recruits to violence. However, have these changes in U.S. counter-terrorism policies altered the global terrorism landscape? While it is true that it might be too premature to get a conclusive answer given that President Obama has been in office for less than six months, it is quite clear that the administration's efforts have yet to translate into real tangible results in the war against extremism.

The salafi-jihadi movement still remains vibrant and dynamic. The main protagonist, Al Qaeda and their salafi-jihadi associate groups remain active and have maintained a constant tempo of terrorist activity across the globe. Claims about disruption of the Al Qaeda network have been dramatically overstated. Though some high ranking Al Qaeda members have been eliminated, the organization has been able to promote or recruit members to replace losses. The salafi-jihadi threat is largely stemming from conflict zones such as Iraq, Afghanistan, Pakistan, Somalia, Algeria, India (Kashmir), and Russia (Chechnya). Both virulent ideologies and operational capabilities in these conflict zones have been spilling over and destabilizing neighboring regions and countries. Al Qaeda has also expanded its reach globally by forging closer relationships with previously autonomous groups. Moreover, using websites such as Al Qaeda's Al Sahab, the jidhast movement has help to radicalize both territorial Muslims in the Global South and migrant Muslims in the West.

Political violence by salafi-jihadi groups have increased around the globe. Despite the progress in Iraq, macro terrorism attacks perpetuated by salafi-jihadi have increased to 340 attacks globally compared to 326 last year. More ominously, there is a slow, steady increase in attacks and fatalities around the world outside of Iraq. In fact, many commentators have assessed that the flow of "foreign jihadi" to Iraq has diminished, but the consequence is that the would-be terrorists are now engaging in violence at home or perhaps in other regional theaters. Algeria, Afghanistan, Pakistan, Somalia, and Yemen all experienced terrorist attacks by groups imbued with the salafi-jihadi doctrine. These groups have conducted numerous attacks using Al Qaeda's hallmark of suicide bombings and improvised explosive devices (IEDs).

One factor that has heightened the level of global terrorism is that there has been limited progress on reducing ungoverned spaces across the globe. Safe havens are ungoverned areas of a country where terrorists are able to organize, plan, train, and operate in relative security because of inadequate governance capacity. While countries such Iraq and Afghanistan are no longer state sponsors of terrorism, their vast ungoverned areas within both states make them fertile areas for vibrant jihadist movements to fester. Over the past five years we have seen further growth of ungoverned spaces. Lack of government capacity, low levels of technological penetration, porous borders, and ethnic cleavages have left state control spotty across these regions. Similar dynamics can be seen in other ungoverned weak areas, including northwestern Pakistan, many areas in Afghanistan, southern Somalia, Sulawesi region of Indonesia and the southern part of the Philippines.

In spite of initial optimism following the election of President Obama, there seems to be an undercurrent of distrust, particularly among people in the Muslim world. Many polls indicate that while they are in favor of President Obama, they are still skeptical of the U.S intentions in their home countries. Moreover, according to a study done by the World Public Opinion in February 2009, even though the vast majority of Muslims in predominantly Muslim countries consider attacks against civilians as contrary to Islam, they have expressed mixed feelings about Al Qaeda and other militant Islamic groups that resort to political violence. Thus, while they disapprove of Al Qaeda's terrorist methods they continue to support their goals, a fact that complicates counter terrorism efforts.

Finally, while President Obama should be commended for his efforts in engaging with the Muslim world, many commentators have expressed their concern that his efforts might come to naught if it is not followed by tangible changes in U.S. foreign policies. President Obama's speech has set a new course, but people in the Muslim world are expecting concrete, policy-based initiatives to address their grievances. Thus, a connection needs to be found between the message outlined by President Obama and the actions that occur on the ground. Unfortunately, it remains to be seen whether such a connection would ever materialize.

**RMS has recently completed the eighth annual update of the U.S. terrorism risk model, currently scheduled for release in August. Consistent with statements here, the model does not reflect any reduction in risk from the previous year.**

## DEMISE OF THE LIBERATION TIGERS OF TAMIL EELAM

**The military defeat of the Liberation Tigers of Tamil Eelam (LTTE) on 18 May 2009 has brought the twenty-six-year-old Sri Lankan conflict to an end. Professor Rohan Gunaratna, a leading terrorism expert, assesses the defeat of the LTTE.**

Under the stewardship of their recent deceased leader Vellupillai Prabhakaran, the Liberation Tigers of Tamil Eelam (LTTE) have been battling for the creation of an independent Tamil homeland for the country's Tamil minority, the dominant ethnicity in northern and eastern Sri Lanka. They have fought both the Indian and the Sri Lankan militaries in the 1980s and graduated from a terrorist to a guerrilla and a semi-conventional force in the 1990s.

In three decades, the LTTE became one of the most creative and innovative terrorist groups. They introduced sea-borne suicide-operations and the suicide body vest to the world. Today, both these technologies have been adopted by a range of terrorist groups worldwide, including Al Qaeda. Moreover, by harnessing the presence of Sri Lankan Tamils overseas, the LTTE were able to infiltrate Tamil community organizations and make them instruments to their cause.

At its peak, the LTTE enjoyed a numerical strength of 15,000 members - comparable to the strength of the Fuerzas Armadas Revolucionarias de Colombia (Revolutionary Armed Forces of Colombia / Farc) or the Moro Islamic Liberation Front (MILF) in the Philippines. Yet the Sri Lankan conflict is one of the few cases where such a powerful terrorist organization has been defeated. The closing stages of the war in particular suggest that the LTTE in the end overestimated its own power and underestimated the resilience of the Sri Lankan state.

Four additional elements were important in its eventual victory. The first was when Vinayagamorthy Muralitharan (alias Karuna) - the former LTTE commander of the Eastern Province - was co-opted by the government in 2004. The LTTE as a result lost overnight 6,000 fighters, almost half of its fighting force. The east had been the principal recruitment-ground of the LTTE. Some northern Tamils considered the eastern Tamils second-class citizens, but the east provided the bulk of the resources - funds, paddy and other necessities - for the LTTE war-machine. The second element was that the Sri Lankan navy was able to successfully intercept the LTTE ships and disrupt the flow of weapons and other equipment. The strategy was to pursue the LTTE fleet and sometimes even going after such vessels in international waters. The third element was that the Sri Lankan army expanded its numerical strength in 2006-07. The Sri Lankan military forces understood the need to fight on multiple fronts. The army, supported by the other branches of the military, gradually weakened the LTTE's fighting strength, in part by using trained elite teams operating behind the frontlines. The fourth element has been the disruption of the LTTE financial network. The LTTE military losses have been compounded by the breakdown of their extensive financial network after several Western European countries as well as the United States started to crack down on the LTTE. This has led to tightened financial sanctions against the LTTE, as well as greater international cooperation in freezing their assets.

The immediate legacy of this conflict is a huge humanitarian problem in parts of the north involving the resettlement of displaced people, their reintegration into local communities, and the provision of resources for them to begin to reconstruct their lives. Beyond that, the victory over the LTTE poses a long-term political challenge to Sri Lanka's government. If it is to "win" the hard-won peace and rebuild the country, an essential requirement will be its willingness and ability to rebuild bridges with the Tamil community. If the government gives way to ultra-Sinhala nationalists, who advocate treating the Tamils as second-class citizens, there will never be a united Sri Lanka. A government that has defeated the armed Tamil fanatics must now contain ultra-Sinhala nationalism and build a truly united Sri Lanka.

**Professor Rohan Gunaratna is a leading terrorism expert and has studied the LTTE for more than two decades. Professor Rohan Gunaratna is the head of the International Centre for Political Violence and Terrorism Research at the Nanyang Technological University in Singapore and a Senior Fellow of the Fletcher School of Law and Diplomacy's Jebson Centre for Counter Terrorism Studies. He is also the author of 'Inside Al-Qaeda: Global Network of Terror' [Columbia University Press]. Professor Gunaratna assists RMS in calibrating the Terrorism Risk Model, including participating in our annual expert elicitation meeting with the other members of the RMS Advisory Group.**

## RENEWED CONCERN OVER NUCLEAR TERRORISM

**The threat of a nuclear attack via a nuclear detonation by terrorists has never been greater. This article will assess the likelihood of a nuclear terrorism attack.**

On December 2, 2008, the Commission on the Prevention of Weapons of Mass Destruction (WMD) Proliferation and Terrorism delivered its report: *WORLD AT RISK*. The report projects that a WMD will be used somewhere in the world by the end of 2013 and contends that terrorists are more likely to deploy a biological weapon than a nuclear weapon. The sudden collapse of regulated global financial order may lead terrorism insurers to wonder if global nuclear order might also be as fragile. A prominent member of the WMD Commission, Graham Allison, has raised this fragility question. Since his influential book on nuclear terrorism was published in 2004, the threat of nuclear terrorism has moved in and out of the political spotlight. However, in 2009 the specter of nuclear terrorism has once again returned to the limelight.

Since February of 2009, North Korea's leader, Kim Jong-il, has resumed an aggressive diplomatic and military posture, less than a year after a positive step was taken towards dismantling a North Korean nuclear facility. In Pakistan, the Taliban have shown surprising strategic ambition. To add to the sentiment of nuclear insecurity, political reformism in Iran has been set back by the recent election. IAEA interprets Iranian nuclear objectives as insurance against external threats. The Israeli Prime Minister, Benjamin Netanyahu, insists on the right to use military means to thwart Iran's nuclear plans, and asserts that President Obama keeps open the U.S. military option. In such an unstable global climate it would not be surprising for either Iran or North Korea to hand off nuclear materials or weapons to terrorist organizations. In the Iranian case, the thinking seems to be that Iran would put aside their Sunni-Shiite differences and assist Al Qaeda's nuclear ambition to spite Israel, the U.S. or the West. In the case of North Korea, the thinking seems to be that it would be largely a matter of making money.

Terrorism groups such as AL Qaeda have continued to show strong interest in using a nuclear weapon. Osama bin Laden has long expressed interest in acquiring nuclear weapons and has even called the acquisition of such weapons as a religious duty. The most detailed account of Osama bin Laden's interest in nuclear weapons is provided by the testimony of Jamal Ahmad Al Fadl, and an ex-bin Laden associate who testified in the East African bombings trial. At the trial, Al Fadl recounted unsuccessful efforts to obtain enriched uranium for Al Qaeda through contacts in Khartoum, Sudan during 1993-94 and afterward. At one point a fee of \$1.5 million was discussed, and plans were made to test uranium samples to see if they could be used to build a bomb.

Unverified reports have also circulated from time to time about Al Qaeda and Chechnyan agents enquiring about obtaining ex-Soviet nuclear weapons. Documents seized in Afghanistan training camps indicated a rudimentary understanding of nuclear fission devices. Moreover, current intelligence continues to indicate that Al Qaeda is still trying to acquire a nuclear weapon. The former director of the Central Intelligence Agency, George Tenet, writes in his memoir that an Al Qaeda military planner, Saif al Adel, attempted and failed to procure nuclear material while in Iran from former Russian scientists. In addition, Abu Khabab, Al Qaeda's chemical specialist, was believed to be lobbying for more funding to pursue what he claimed would be a successful program to build a nuclear device, according to the former CIA officer and other U.S. officials familiar with the intelligence. Abu Khabab was killed in a Predator attack in Afghanistan in July 2008 and it remains unclear whether his program was approved.

**Recent political events underline that there is no short-term prospect for the mitigation of the nuclear terrorism threat. Accordingly, this remains as the ultimate low-probability high-consequence catastrophe risk. RMS assessment is that a nuclear bomb attack would likely involve the use of a tactical or larger nuclear weapon against a population center or other key target. A device could be built from scratch using local expertise or from recruiting the appropriate scientist from countries with a current nuclear program. Given the difficulties in building one from scratch, the more likely manner in which a device will be obtained is that it will be stolen from a country's existing inventory or purchased from a rogue state.**

**OTHER DEVELOPMENTS**

**Eleven people have been killed and fifty injured in twin bombings at the Marriott Hotel and the Ritz-Carlton Hotel in the Indonesian capital of Jakarta, July 17, 2009.** The Indonesian police have yet to name a suspect in the bombings, but the method, target and type of bombs used has raised suspicions of involvement by the Jemaah Islamiyah terrorist group. The bombings were the first major attack in Indonesia since a series of suicide bombings on the resort island of Bali in 2005.

**Extremus Versicherungs-AG, the German government-backed insurer set up to cover terrorism-related claims expects premium income to rise this year as real estate companies seeking funding from banks are forced to buy more coverage, June 8, 2009.** It has been reported that annual premiums may rise 8.2 percent to 54 million Euros (US\$75 million) this year, compared with 49.9 million Euros in 2008. The Cologne-based company, which insures 10 of Germany's 12 largest airports, last year missed a goal to increase the figure to 70 million Euros as premiums fell 30 percent.

**In a decision that creates broad immunity for Saudi Arabia in terrorism lawsuits, the U.S. Supreme Court yesterday let stand lower-court rulings that the desert kingdom and senior members of the Saudi royal family are not liable for the 9/11 attacks, June 30, 2009.** As is typical in such cases, the court offered no explanation for its decision not to hear an appeal of a ruling by the U.S. Court of Appeals for the Second Circuit that the Foreign Sovereign Immunities Act barred terrorism lawsuits against foreign governments unless they had been designated terrorism supporters by the State Department. The decision is a setback for the Philadelphia law firm Cozen O'Connor, which represents dozens of insurance companies seeking to recover billions in losses at ground zero.

## FORTHCOMING RMS EVENTS

### Quantifying Terrorism Risk Under The President Obama Administration

RMS Terrorism Seminar, July 23, 2009, Landmark Hudson Theatre, Millennium Broadway Hotel, New York, New York

President Obama has promised significant changes in America's counter-terrorism strategy. These will have ramifications on terrorism risk in the United States and abroad. The conference addressed the impacts on global terrorism risk from the foreign and domestic policies of the Obama Administration. As in past years, RMS assembled several pre-eminent terrorism experts to present their insights and take questions.

- **Terrorism Risk In The U.S. During The Obama Administration** - Dr. Bruce Hoffman, Professor of Security Studies at Georgetown University's Edmund A. Walsh School of Foreign Service.
- **Al Qaeda: A Status Report** – Dr. Rohan Gunaratna, Head of the International Centre for Political Violence & Terrorism Research at the S. Rajaratnam School of International Studies (RSIS) of Nanyang Technological University, Singapore.
- **NYPD Counterterrorism Efforts** – Elana DeLozier, Intelligence Research Specialist at the Counterterrorism Bureau of the New York City Police Department

The free half-day event was held at New York City on Thursday, July 23 at the Landmark Hudson Theatre of the Millennium Broadway Hotel.

## RMS TERRORISM PRODUCTS

***U.S. Probabilistic Terrorism Model Version 2.8***, will be released in August 2009 incorporates parameterization for terrorism risk in the United States in 2010. Some of the primary features include:

Updated analysis of terrorism risk from foreign and domestic terrorist organizations

- Conventional and CBRN attack modes
- Multiple Risk Outlooks for the terrorism threat environment in 2010: expected as well as increased and decreased risk perspectives

New documentation *U.S. Terrorism Risk Model: Parameterization for 2010*, is available to clients on request.

***RiskLink® and RiskBrowser® Version 9.0***, will be released in August 2009 includes worldwide capability for exposure and accumulation management and modeling terrorism scenarios with geocoding available in over 150 countries, including street-level resolution for Western Europe.

***Global Terrorism Risk Model Version 2.8***, will be released in August 2009 includes coverage of 228 countries, incorporating site-specific EP curves and portfolio management capability. Modeling provides terrorism loss rates for insured assets by class, city, and ownership anywhere in the world. Risk assessment is available for both property and human exposures. This will be the last version of this licensable product.

***Terrorism Risk Management System Version 1.1, released in April 2009 is a visualization tool*** designed for underwriters and portfolio managers to gain greater insight into their exposure to terrorism risk and make more informed

decisions. The Terrorism Risk Management System has been designed to simplify the visualization of quantitative and qualitative data along with contextualized terrorism-specific data layers.

***Terrorism & Security Risk Manager*** is an online information service for insurers and risk managers, linked to the RMS Global Terrorism Risk Model. It is produced in collaboration with Jane's Information Group, the leading independent provider of defense and security information.