

An analysis of international security issues compiled by security professionals for business leaders and those that advise them

This month we consider the impact of the recent terrorist attacks in Yemen and Bali upon the economies of those countries, and assess the potential for further selection of economic targets by Al Qaeda and its associate groups. Recent statements by Osama bin Laden and his deputy, Ayman al-Zawahiri, have made clear their intention to vigorously target western economic interests. Is it simply rhetoric or is a new front opening in Al Qaeda's war?

We argue:

- Economic targeting is now a key element of Al Qaeda's strategy
- Al Qaeda will target foreign investors in weak economies in order to gain a foothold
- It will continue to seek to cause maximum harm to the US economy
- The tourism and oil industries are at particular risk
- Marine, engineering, insurance and financial markets are also exposed

Al Qaeda is back in business. The smoking, shattered hull of the French supertanker Limburg was the first indication that Osama bin Laden's network was gearing up for a renewed burst of activity. Less than a week later the Sari Club in Kuta, Bali, was reduced to ashes in a horrifying attack that caused mass casualties, the largest since 9/11. Between these incidents one US marine was killed and another wounded when US troops on exercise in Kuwait came under fire from two men acting in the name of Al Qaeda. Thus the first anniversary of the US invasion of Afghanistan saw the most intense frequency of Al Qaeda attacks yet experienced. Two of the three attacks were squarely aimed at civilian commercial targets, seemingly demonstrating Al Qaeda's determination to build upon the economic impact of the World Trade Center attack, and also its characteristic capriciousness in the nature and location of its target selection.

The Limburg was attacked in the Gulf of Aden on 6th October with the loss of one life, a Bulgarian crewmember. We now know that a remote controlled fast boat packed with explosives had been manoeuvred into the hull, rather than the suicide attack that most had expected. Oil prices immediately rose by around 30 cents a barrel in response to fears that further attacks would seriously disrupt the transport of oil from the region. Much more significantly than the marginal (and unsustainable) rise in oil prices was the impact of increased insurance costs. Marine hull and cargo insurance for the Yemen trebled as insurers sought to claw back the estimated \$56 million loss on the Limburg, as well as protect themselves against the uncertain possibility of future attacks. Some analysts are predicting that the Yemen's economy may fall into serious trouble if the use of the port at San'aa becomes prohibitively expensive, and there is evidence that just that is already happening. Major Singapore-based shipping line ASL has announced that it has shifted its transshipment point in the region away from the Aden Container Terminal to Salalah in Oman because of increased war risks premiums. The Yemeni government is introducing increasingly desperate-looking measures to secure its waters, but the prospects are bleak.

It has already all but lost its tourist industry and associations with Al Qaeda are likely to be terminal for tourism in Yemen. If there was ever any hope for the Yemeni tourist industry it

now has to face the fact that 500 km² of beaches are covered in 15cm crude oil deposits from the Limburg's tanks. The estimated clean-up bill is \$18.5 million. The local fishing industry is devastated for at least a year, with 6,000 fisherman unable to put to sea, and 10,000 families left without a livelihood.

The Yemeni economy depends on oil exports for 75 per cent of its revenue. Consequently, it is highly vulnerable to attacks upon the personnel and assets of the various western and far eastern oil companies working there. In addition to the Limburg attack there is some evidence that Al Qaeda is seeking to exploit this weakness by attacking oil interests in Yemen, in addition to the Limburg. On 3 November shots were fired at a helicopter operated by the firm Hunt Oil, one of the most exposed operators in the country. The six man Al Qaeda team killed on the same day by a Hellfire missile fired from a CIA-operated Predator drone aircraft may have been involved in a plot to target Hunt Oil. Amongst the dead was Qaed Senyan al-Harithi, wanted in connection with the October 2000 attack on the USS Cole in Aden, and a senior operational Al Qaeda figure. It seems likely that the team was concerned with putting maximum pressure on the Yemeni economy by attacking Hunt directly.

On 12th October three bombs exploded in Bali. The final death toll is still unclear, but Indonesian officials acknowledge that at least 190 lives had been lost, most of them tourists enjoying a night out at the Sari Club and nearby bars. The impact upon the Balinese tourist industry has been devastating, and has had a ripple effect across south east Asia. Tourists were being evacuated from Bali or leaving under their own steam within 24 hours of the explosion, and western governments recommended against all non-essential travel to Indonesia. Hotel occupancy in Bali has fallen from 70 per cent in early October to 5 per cent by 4 November. Meanwhile the Indonesian national airline, Garuda, has been dramatically slashing its schedules to Australia, Germany, Japan and the UK.

The US State Department issued a region-wide caution on 2 November, which will also have a grim effect upon the tourism in southeast Asia. It will certainly be a long time before tourism returns to Bali, but ASEAN leaders have expressed exasperation of the labelling of their entire region as unsafe. The Indonesian tourist industry represented foreign exchange earnings of £5.4 billion in 2001, around 70 per cent of which is generated in Bali. The terrorist attack is a mortal blow for an island that had already seen a 20 per cent drop in visitor numbers since 11 September, before terrorism struck closer to home. We can anticipate a similar slump in tourist earnings across the region.

It seems highly likely that the Bali attack was committed by- or at the very least inspired and assisted by- the Islamist group Jemaah Islamiyah (JI), which seeks the formation of an Islamic caliphate across south Asia, to include the Philippines, Indonesia, Malaysia, southern Thailand, Brunei and Singapore. Indonesia is the most politically and economically vulnerable of this group, as well as being the largest and most diverse geographically and culturally. An attack on Bali certainly offered an opportunity to target western civilians, but the predominant long-term impact will be economic. Bali was the jewel in the Indonesian economic crown, regarded as almost sacred by the Megawati government. The bombers have destroyed that perception, to the significant detriment to Indonesia's international image. There is little doubt that Al Qaeda played a part in the attacks. There are significant intellectual connections between Al Qaeda and JI, as well proven organisational links between senior JI figures and the AQ's leadership structure.

In both recent cases attacks upon commercial targets have been used to pose serious and direct challenges to governments that cannot afford them, either economically or politically. The strategic aim appears to be to use vulnerable countries such as Yemen and Indonesia to drive forward regional revolutionary plans by establishing a foothold. Also, Al Qaeda lacks a base after losing Afghanistan, and both Yemen and Indonesia are likely to be viewed as potential future homes. In October 2000 bin Laden's deputy Zayman al-Zawihri and the late Mohammed Atef (Al Qaeda's military chief, who was killed by a US bomb in Afghanistan) visited Indonesia, guided by local Al Qaeda representative Omar al-Faruq (now in US custody

following his arrest in Jakarta in June 2002). Weakened economies are the first step in mounting a serious challenge to these governments.

It seems probable, therefore, that we will see increased targeting of the private sector, especially foreign investment in politically vulnerable markets, but also to seek to cause maximum harm to the US economy directly. Although Al Qaeda may not have anticipated the economic impact of 9/11 it cannot have failed to learn the lesson of the extent to which it can cause economic damage through its activities.

As security at diplomatic and government targets are hardened business becomes an increasingly attractive choice to local affiliates of the Al Qaeda network. Successful western (particularly American) brands are associated with the nationality of their owners, economic domination and support for local political status quos, and are likely to be targeted as a consequence. Unlike most government buildings businesses have to remain relatively open and accessible in order to be able to function, especially in retail sectors. This significantly increases exposure to the risk of suicide and vehicle bombs. By targeting the private sector terrorists can multiply the impact of their activities many times over, especially when national economies show themselves to be reactive. When economic targets are hit governments are forced to listen. But we should not assume that terrorists will always select their economic targets predictably: they will seek to exploit the risk averse characteristics of financial markets by targeting widely and innovatively.

In 2001 almost 75 per cent of the 531 international terrorist incidents recorded by the US State Department were against business targets. Year on year, according to the same figures, international terrorist attacks on business have steadily risen by 69 per cent between 1996 and 2002. This escalating trend suggests that terrorists will continue to seek economic targets, and are likely to broaden their targeting in the hunt for new opportunities in causing harm to economic interests.

The rhetoric emanating from Al Qaeda supports these conclusions. Osama bin Laden and his deputy Ayman Al-Zawahiri have sought to consolidate the economic impact of 9/11 by deliberately referring to economic targeting in recent statements. On 12 October, a faxed statement to al-Jazeera purportedly signed by bin Laden himself, praised the Limburg attack in the broadest terms:

By exploding the oil tanker in Yemen, the Mujahideen hit the umbilical cord and lifeline of the crusader community, reminding the enemy of the heavy cost in blood and the gravity of losses that they will pay as a price for their continued aggression against our Ummah [Islamic Nation] and for the plundering of our riches and wealth.

The statement opens the door for similar attacks in the future. Ominously, the Bali attack occurred the day the statement was received. Six days previously a statement delivered by audiotape had promised that economic targets would be hit:

I swear by Allah that the youth of Islam are preparing for what will fill your hearts with fear and horror and will target your economic lifeline until you restrain from your aggression and enmity or the fastest towards aggression dies.

The language used here echoes statements released by bin Laden following 9/11, in which he similarly called for followers to prepare attacks on economic targets. Expert analysis has suggested that followers would see the latest statements as legitimising future attacks, and perhaps authorising plans already in the pipeline. Zawahiri used very similar language in an interview released on audiotape to al-Jazeera around the same time, signifying that a deliberate message was being sent:

...the American people will curse Bush and his administration dead or alive due to the extremely high price they are repaid with. We will continue our strikes against the American economic lifelines.

This flurry of rhetoric from senior Al Qaeda figures should be of significant concern to businesses. As government, diplomatic and military facilities harden their security, so it becomes more likely that softer economic targets will be selected. It is apparent that the threat to trade and commerce is real and with us into the long-term, and is likely to deepen and broaden into the future. That means more attacks, against a wider range of targets, selected according to potential impact and accessibility:

- Industries such as oil and gas exploration, involving long-term investment, geographically static operations and a high significance to national economies are likely to be favoured targets, particularly in Islamic locations where there is existing insurgency or potential for discontent. In the long term Al Qaeda will seek to exploit these to establish a foothold for attacks on oil interests. In addition to Indonesia, Yemen, and some of the more obvious locations such as Algeria and Saudi Arabia, Central Asia and Northwestern China represent areas of concern into the future.
- For the same reasons, construction and engineering companies are almost as exposed. In the recent past engineers have been targeted, for example the murder of 11 French engineers in Karachi in May 2002. Engineers tend to expose themselves to remote locations where they are easy targets. Those involved in the reconstruction of Afghanistan are likely to be particularly at risk.
- Tourism is also likely to be targeted again because it has shown itself to be so highly reactive to terrorist attacks such as Bali and in past attacks such as the 1997 Luxor massacre, committed by the Egyptian group Al-Gamaa Islamiya. We should not forget that the Al Qaeda had already targeted tourists post-9/11 at a synagogue in Tunisia in April 2002, and will likely do the same again in the future.
- Marine targets are likely to be hit again in future. Al Qaeda has developed an expertise in this area that will almost certainly be used again. The Malacca Straits pose the most obvious strategic opportunity in this respect, and have already been demonstrated to be vulnerable to the local endemic piracy threat.
- The retail sector, including restaurants and banking, are likely to be targeted in the future, simply because they represent accessible opportunities. They cannot close their doors.
- Inevitably Al Qaeda will learn that massive economic impact can be achieved by making disruptive use of information technology. We can expect Al Qaeda to explore cyberwar techniques in maximising economic impacts in the future, either to compound the impact of physical attacks or as a standalone method. This new front seems an inevitable consequence of a shift to economic warfare.
- Insurance is indirectly affected by every terrorist attack. It has been widely reported that the global insurance and reinsurance sectors could not stand another catastrophic loss on the scale of 9/11. Al Qaeda is not going to give up attacking prestige targets, causing major difficulties for insurers. The net effect will be a loss of geographical dispersal of financial risk, creating significant exposure for local economies.

We must continue to be mindful that Al Qaeda attacks economic targets not only because it singles out particular companies or industries for their nationality or business activities, but also because it is seeking to undermine local and global economic systems. It will continue to challenge investment in those emerging markets where it perceives an opportunity to undermine local governments. It will also seek to damage the US economy whenever it can. Al Qaeda has learned from 9/11 that markets are risk averse, and the economy is the key to US politics. The future will see business bearing the brunt of terrorist activity. We need to prepare individually, but also collectively, to ensure that our businesses and economic systems have the resilience to resist the challenge.

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