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Terrorism, Instability, Cybercrime and the Weaponization of Refugees—Industry Experts Discuss 2016 Risk Outlook at Clements Worldwide US Headquarters

Broadening Scope of Risk Creating a More Volatile World for Business Operations

(WASHINGTON DC, February 23, 2016) The latest [Clements Worldwide Risk Index](#) revealed that concerns over risks from terrorism have doubled over the past 6 months and 16% of organizations had losses due to political unrest over the last year. These results, and what they mean for global organizations in 2016, were the subject of a February 19 panel discussion held at Clements Worldwide's new Washington, DC headquarters. Attendees from corporations, NGOs, and think tanks heard Clements Worldwide President Chris Beck open the event with what Clements Worldwide's political risk teams see as the key risk trends facing global organizations in 2016.

The first key trend Beck addressed is broadening scope of risk. "A riskier world isn't simply a function of media coverage," he said. "In 2016 more low-risk countries will move into the medium-risk category. And more medium-risk countries will move into the high-risk category."

The next 2016 key risk trend is the increasing number of political and economic refugees. "Syria, Afghanistan, and Somalia top the list, but over 15 other countries have active conflicts that are creating growing numbers of refugees," said Beck. The pressures caused by this large flow of displaced persons are already having repercussions in otherwise stable countries. "Already we are seeing a more militarized and autocratic Turkey, which could further damage Turkish business and investment climate," Beck noted. "Similar pressures exist not only in the Middle East and Africa, but within Europe."

The third key trend identified by Beck is more activity by extremist groups with intensified response by the US and other militaries. "We have just seen renewed US air strikes in Libya, and those will intensify," said Beck. "Boko Haram and similar groups will continue to expand activities in the Sahel, likely with a heightened US and French response."

These responses will have varied economic impacts in the US and other countries. Beck described how intensified Taliban activity in Afghanistan creates greater instability and could deter much needed foreign investment. At the same time, "over half of Afghanistan's economy



is services,” and greater US and allied military and other activity will result in growth in the country’s service sector.

The final 2016 risk trend is that [business interruption](#) planning has to be part of the “new normal.” According to the Risk Index, 29% of organizations say their largest losses resulted from business interruption/ supply chain interruption – not other more traditional expenses like medical insurance. “There is a growing recognition that instability, unpredictability and heightened risk are here to stay,” said Beck.

Vasko Naumovski, Macedonia’s Ambassador to the US, followed Beck with analysis based on his country’s important geographic location in the current migrant crisis. The Ambassador described how migrants from the Middle East and Africa, especially those from Syria, are placing unprecedented stress on the European Union and, in particular, Southeastern Europe. The pressures caused by a lack of a coordinated EU response could further slow an already sluggish EU economic picture by delaying or preventing investment—just as the Clements Worldwide Risk Index indicated. This would be of particular concern to Macedonia, which has attracted large amounts of foreign investment in recent years.

The Ambassador also struck a hopeful note, when he stated he believes “there will be positive movement toward resolving the Syrian situation over the next six months.”

Sergio Sanchez, Clements Worldwide’s Senior Director of Marketing, then introduced Bloomberg View columnist and CNN political analyst Josh Rogin, who recently traveled to the Balkans with a Congressional delegation. Rogin echoed Beck and spoke about the pressures within the EU caused by the migrant situation, singling out US concerns about a rise in nationalism and states retreating from liberal political and economic policies. He also mentioned growing fears that certain states are deliberately attempting to manipulate the migration patterns of refugees as part of a strategic effort to destabilize other political entities—the “weaponization of refugees.”

Rogin agreed with Beck that heightened risk is real, not simply a function of media attention. “Many countries are unprepared for attacks by aggressive states and criminal and terrorist entities, either through subversion, invasion, mass attacks or cyber strikes,” he said. “As events in Ukraine and Paris make clear, these risks have arrived, and there is no indication they will go away soon.” Rogin highlighted that dealing with terrorists or non-state actors is almost simpler than dealing with state actor aggression – which there is no real mechanism to address other than war.

Laura Schauble, VP of Risk Management at ACDI/VOCA, provided her insights from managing the risk of hundreds of employees working on aid and development projects in dozens of countries. Schauble emphasized that while “headline risks get attention, it is other critical risks that more often face our employees and business operations.” She described how coups and other political instability have long-term impacts on her organization’s ability to effectively



implement programs, and that what triggers these events develop over years and take consistent effort to identify and understand. She gave the example how the Ouagadougou terrorist attacks created lots of news this year but the 2015 Burkinabe coup d'état last year had wider affects to operations.

Smita Malik, Clements Worldwide VP of Special Programs and Political Risk, discussed how risks are ever changing. "Political and social reality this month is not what it was last month, and business operations this year are not what they were last year," she said. "Risk management has to be consistently aware of changing organizational facts, and the changing facts on the ground in which those organizations operate. That is the way to build resilience and lower both risk and its costs."

The objective of the event was to promote an increased dialogue regarding [political risk](#) to help companies, including [humanitarian aid organizations](#), better prepare for these risks so that when they occur, operations face as little disruption as possible. A global insurance broker can be a critical operational partner to help validate risk management plans and protect assets and people abroad. Please reach out to Clements for more information on participating in the Clements Worldwide Risk Index and information on our customized insurance programs for global risks.

About the Clements Worldwide Risk Index

The Clements Worldwide Risk Index is based on an online survey conducted from October 2015 to November 2015. Risk and other managers in 420 global organizations in the global humanitarian aid, oil and gas, logistics and other sectors participated in this second survey. For more information on the Clements Worldwide Risk Index and its methodology, visit <http://www.clements.com/riskindex>.

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