



SECTION I

Chronological Review 2009

This section provides an in-depth analysis and chronological look at specific terror and political risk issues in 2009 and emerging trends. It is a chronological run-down of events around the world that warrant particular attention in risk and terror assessment. In this Chronological Review section there are two type of reports:

Special Reports contain in-depth analysis and forecasts on specific issues or events that occurred. For example, a Special Report might cover the policy outlook due to an election outcome, a change in the risks of an inter-state war between two countries or a new development in the motivation and capabilities of an armed non-state group.

Each special report has an intelligence cut-off date. New developments or information after that point won't have been incorporated into the report. The reports represent a snapshot of the assessment and forecast at a particular time during the year.

Major Incident Response Assessments are immediate analysis of breaking events as they occurred. Major Incident Response Assessments (MIRAs) are produced with inputs from key sources in the relevant theatre. All reporting during crises is directed by strict collection priorities based on relevant indicators and audited by thematic experts. Internal reporting is usually initiated by a local source that brings the incident to the attention of the Global Intelligence Centre in London, which then coordinates collection, analysis and dissemination. For protracted crises, such as wars, a crisis team is designated

that exclusively follows developments and coordinates collection and analysis.

In a protracted crisis, there is ongoing reporting (usually morning and evening), with scored scenarios when relevant, for escalation/de-escalation to assist decision-making when the final outcome is still unclear. In that case there may be another MIRA later in the month or following months. Such serial reporting has included coverage through the Israel-Lebanon war in 2006, the Russia-Georgia war in 2008 and following the terrorist attacks in Mumbai in 2008. For major incidents that have a shorter time-span a single MIRA will be issued, covering the incident itself as well as the likely implications. For example, following the death of President Conte in Guinea, the MIRA examined the implications of the military take-over as well as immediate risks to local and foreign personnel in the country.

The aim of a Major Incident Response Assessment is to provide immediate analysis, even when only limited information is publically available. The focus is on scenario analysis, assessing the different pathways along which a protracted crisis (a war or financial crisis) has the potential to evolve or the implications of a single event (a coup or major terrorist attack). Given the quick turnaround of the analysis, new information is likely to become available after the intelligence cut-off time when the assessment is published. The MIRAs that follow are, again, a snapshot in time.

Special Report

Monday, 05 January 2009

Israel-Gaza Outlook and Regional Implications.

Context

On the evening of 3 January, Israeli air strikes that began on 27 December were followed by the entry of Israeli armour and infantry into the Gaza Strip north and south of Gaza City, thereby securing the coast, as well as a second drive from east to west, effectively dividing the territory into two parts. A third front has since focused on the Philadelphi route along the border with Egypt, which had been used to smuggle weapons into Gaza. On the 5 January (the tenth day of Operation Cast Lead) 20 Palestinians were killed, bringing the overall death count to 531.

Actors' Strategic Objectives

The declared objective of the Israeli ground operation that began on the night of 3 January is to secure Hamas rocket launching sites and to 'break' Hamas's military wing. The former is only likely to be achievable as long as the IDF establishes and retains a mobile armoured presence, supported by air cover, in the potential launch areas in relatively open country around population centres, to deny Hamas the opportunity to deploy and launch its rockets without unacceptable risk. Following a withdrawal of IDF ground forces, these areas could only be 'secured' if there were some form of international monitoring presence in place, as part of a ceasefire. The second objective of destroying Hamas's Ezza e-Din al Qassam's Brigades is even more problematic for the Israelis, unless this guerrilla force, primarily trained in small-unit tactics, can be lured out from urban areas to take on the IDF in open battle. Hamas, for its part, is likely to play to its strengths, and seek to draw the Israelis into close quarter fighting inside Gaza City and other urban areas, where the Israeli advantages in firepower, armour and close air support will be reduced, especially at night, and Hamas will hope to inflict politically unsustainable casualties on dismounted, and relatively unprotected, Israeli infantry. The kidnapping of Israeli soldiers is a likely tactic, aimed at sucking the Israelis into urban warfare.

Israel has deliberately expressed its objectives in very vague terms; this is probably in order to avoid a repeat of what occurred in the aftermath of the 2006 war on Lebanon, whereby Israel was subsequently held to account (by the Winograd committee) on its failure to achieve the objectives it had publicly set out to significantly weaken Hizbullah and recover the Israeli soldiers that Hizbullah

had captured. The current approach enables Israel to modify its objectives, depending on how the operation proceeds. The outcome Israel intends to realize is to ensure Hamas ceases firing rockets into Israel, with a verification process established to this end. Israel is also seeking to undermine Hamas's rule in Gaza by inducing civil unrest through an intensification of military operations there, including in the urban areas. At this juncture, Hamas would almost certainly refuse any ceasefire arrangement that did not entail an end to the joint Israeli-Egyptian blockade on the Gaza Strip.

If Hamas succeeds in maintaining its rocketing capabilities and imposes relatively high casualties on the IDF in the Gaza Strip, and if international diplomatic pressure reaches a critical point, Israel may feel impelled to accept a UN-brokered ceasefire, in which case it would be satisfied with degrading Hamas's combat capabilities by destroying rocket launch sites and stockpiles, interdiction of Hamas supply lines from Egypt and elimination of its senior military leadership. On 1 January 2008, an Israeli air strike killed Nizar Rayyan, a Hamas commander, in his home. On 3 January, Hussam Hamdan, whom Israel claims was responsible for overseeing Hamas's rocket fire from the Gaza Strip, was killed by an air strike, while another commander, Mohamad Helou, was wounded.

Irrespective of agreement on a ceasefire, there is a strong likelihood that Israeli forces will retain a presence in a 'buffer' area along Gaza's northern and northern eastern border with Israel. Hamas, for its part, aims to fight Israel to an effective stalemate by inflicting significant casualties that would prove unsustainable politically in Tel Aviv as the elections approach, in order to guarantee it remains in government in Gaza, to continue to be able to re-arm, and to make opening of the border with Egypt its minimum price for ceasing rocket attacks. Hamas has a high political threshold for fatalities, and would probably only agree to less favourable ceasefire terms in the event of further significant degradation of its operational leadership and weapons stockpiles at the hands of the Israeli military.

Hamas Capability Assessment

Hamas's arsenal of mainly short range rockets (Qassam 6 miles, Katyusha 10 miles) has been degraded by Israeli air strikes and ground forces will be seeking to verify the results achieved and to destroy further rocket stockpiles, on the locations of which they are likely to have good intelligence. Israeli operations to date have resulted in a reduction in the rate of rockets fired into Israel (as of 4 January 40 rockets and mortar bombs were fired into Israel, compared with a high of 76 on the first day of the air operation) but equally Hamas will wish to keep up its credibility in the Arab world, and to increase pressure on

Israel, by not being seen to be coerced into a cessation of attacks.

Hamas has sought to recover the initiative by launching the deepest strikes yet seen against Israel, using a new weapon, identified by the Israelis as Chinese-manufactured 122mm rocket, the WS-1E, with a range of up to some 25 miles. The WS-1E, which only carries a 18-22kg anti-personnel warhead, has brought the Israeli port of Ashdod (37km from the borders of the Gaza Strip) and the city of Beer Sheba (40km) in range of Hamas rocket fire. Its impact is likely to be primarily psychological on the local civilian population, and on Israeli public confidence in the government's ability to make good on its promise of delivering a secure environment, as it is doubtful whether Hamas has the capability to strike at specific economic targets like the port at Ashdod-Israel's largest in terms of import volume. Continued rocket launches aside, Hamas is likely to seek to develop an asymmetric conflict on its own terms by mounting suicide bomb attacks and kidnappings of Israeli service personnel inside Israel. Hamas is likely to have the aspiration to mount similar attacks against Israeli targets outside Israel, either from its own resources or through proxies; however, such attacks are likely to take weeks, if not months, to mount.

While Hamas was able to use the ceasefire to build up its stocks of rockets, supplied from Iran and elsewhere, despite the closure of the border with Egypt, there is as yet no indication that Hamas has acquired either an enhanced anti-armour capability (eg the Russian-manufactured RPG-29, used by Hizbullah) or the capability to shoot down Israeli helicopters and low-flying fixed wing aircraft, which would result in a qualitative change to the balance of forces in a ground conflict in Gaza. It may be that Hamas is keeping such weapons in reserve until it has the opportunity to engage the IDF on its terms at close quarters; however, it is more likely that, either Hamas's suppliers have chosen not to provide such weapons, or the blockade has been sufficiently effective to deter their supply. If Hamas has such a so far undemonstrated capability, it is likely to be known to Israeli intelligence.

Regional Implications and Escalation Pathways

A wider regional war involving Lebanon, or even Syria, is unlikely to result from the current operation. However, the risk of civil unrest and terrorism is likely to be significant both in the West Bank and Israel, as well as in those Arab states with strong ties to Israel, particularly Egypt and Jordan. There is a limited possibility that Hizbullah will be drawn into a conflict, should a Palestinian group, e.g. the PFLP, fire rockets into northern Israel from south Lebanon. As a precaution against this occurrence, Israel is likely to carry out extensive mobilisation to secure its

northern border with Lebanon (on 4 January 2009, the Israeli Cabinet approved Defence Minister Barak's call for an increase of reservists by tens of thousands from the currently mobilised number of some 9600). Hizbullah is preparing for legislative election scheduled for May 2009, in which it does not want to lose domestic Shia support. Furthermore, Iran's leverage with Hizbullah is far more significant than that of Palestinian groups, and Iran is seeking to use the outbreak of war in Gaza to appeal to Arabs, over the heads of their governments, to support Hamas in its fight with Israel.

Syria, for its part, is very unlikely to allow Syrian-based Palestinian groups to launch rocket attacks on Israel from its territory, but it will put on hold Turkey-mediated talks with Israel as long as the operation continues. Nevertheless, a resumption of conflict between Israel and Hizbullah is a growing possibility in the one to two year outlook. Another Israel-Hizbullah war in Lebanon would almost certainly invite targeted Israeli air strikes against Hizbullah positions in south Lebanon, the Bekaa Valley and south Beirut. Other likely targets would be Lebanon's infrastructure, including the runway at Beirut airport, buildings and basins at the Port of Beirut, electricity plants in Jamhour and Bsalim north and east of Beirut, and bridges on the Beirut-Damascus highway.

Support for the Fatah-led government in the West Bank is likely to recede and demonstrations in solidarity with Gaza risk escalating into an uprising (or intifada) against Israel, which Mahmoud Abbas as President of the Palestinian National Authority and leader of the rival Fatah movement, would be unable to control. A third intifada would increase terrorism risks to settlements in the West Bank, attacks on Israelis in mixed cities within Israel and to a lesser extent, suicide bombings. Separately, attacks perpetrated by individuals on Israeli or Jewish assets outside of the region are likely in response to the operation on Gaza. More sophisticated attacks, including suicide bombings of diplomatic/government assets or the kidnap of Israeli government/military/diplomatic figures, would most likely occur with Hizbullah or Iranian logistical support; indeed this might be perceived by Hizbullah as an opportune moment to retaliate against Israel for its perceived role in the assassination of Hizbullah commander Imad Mughniyya in February 2008. The risk of significant unrest in Egypt and Jordan is likely to increase, the longer the operation continues. In Egypt, the government will face significant pressure to open the border with Gaza to allow Palestinians to exit the Gaza Strip and for aid to be able to enter. The effect of this, unless there was some international monitoring presence deployed on the border, would be to enable increased weaponry into Gaza that would sustain Hamas's ability to continue fighting Israeli forces. Egypt would also risk losing vital US economic and military support.

Negotiation Pathways

Israel has rejected calls for a ceasefire put forward by the Quartet—the EU, Russia, the UN and the US, and on 4 January, Israel's Chief of Staff, Ashkenazi, said the current operation would take weeks, rather than days. In any case, given that the US, in particular, has made its support for a ceasefire conditional on the cessation of Hamas rocket fire, it is unlikely to be implemented in the coming week at least. Hamas, furthermore, would be unlikely to accept a ceasefire without a guarantee that the blockade on Gaza would be lifted.

A ceasefire is a likely outcome once both sides have decided that the present tempo of operations is unsustainable—with mounting Israeli casualties and a significant degradation of Hamas leadership—and that they can stop without appearing to back down. To some extent, international pressure, particularly if backed by the US, would likely determine the duration of the operation. However, US opinion on the Gaza operation is in flux, as high-level Bush administration officials prepare to hand over their offices to the incoming Obama team. The Bush administration has generally followed historical US policy to support Israel, while bemoaning the fate of the Palestinian people. Vice President Dick Cheney has indicated that the US knew the basics of Israel's planned offensive, but that Israel had not provided the administration details, or asked for US approval. The administration rhetorically has supported Israel's position, while blocking any movement by the UN Security Council. Indeed, Cheney has stated that the US supports a cease fire only if it is 'sustainable'. Such will be US policy, at least until 20 January, when at 12:00 Barack Obama will become the new President of the United States.

Obama has remained silent on the issue of Gaza, stating that there is only one president at a time, and until 20 January, he should not issue opinions on foreign policy matters. Such silence is deafening, as president-elects historically have supported their predecessors' actions (at least publicly) in the lead-up to their inauguration. It appears that, despite Obama's inclusion of a solidly pro-Israel team of advisors, he truly wants to reach out moderate Islamic leaders to bridge the divide between the two cultures, as shown by repeated statements that he will speak at a 'major Islamic forum' within 100 days of his inauguration. Accordingly, keeping silent on the issue as long as possible is the most prudent political path for the incoming administration to take, while also hoping that a cease fire is agreed to within the next two weeks.

If hostilities continue well past 20 January, we forecast that Obama will publicly endorse a unilateral Israeli cease fire, while stressing that Hamas must take the first step of stopping its rocket attacks. Behind the scenes, he will most likely strongly encourage Israel to come to the table and stop the offensive. Nonetheless, the US is un-

likely to threaten to abandon Israel, if Israel decides operations must continue, or if Hamas keeps up its rocket offensive. The diplomatic efforts of the EU have, thus far, failed to bring about a ceasefire. Israel's rejection of an EU ceasefire proposal on 5 January 2008 makes it increasingly likely that any ceasefire agreement would be brokered by regional governments rather than Western powers. Qatar has played an important regional diplomatic role, negotiating an end to sectarian fighting in Lebanon in May 2008. Turkey has also recently positioned itself as a mediator between Syria and Israel, and could attempt to play the role between Israel and Hamas.

Major Incident Response

Thursday, 08 January 2009

Lebanon—The firing of two rockets into Israel from south Lebanon is unlikely to lead to war between Israel and Hizbullah.

Event Summary

On 8 January 2009, two katyusha rockets were fired into Israel from the outskirts of the town of Tair Harfa in southern Lebanon. Both rockets landed in Nahariyya, a coastal city in northern Israel around 12km away from the Lebanese border, lightly injuring two persons and damaging the roof of a nursing home. The Israeli military responded by conducting low altitude flights over southern Lebanon and firing five artillery shells at the rocket launching point; no casualties were reported. A Hizbullah cabinet minister denied any involvement by the party and Israel has refrained from accusing Hizbullah, blaming unidentified Palestinian militants instead.

Recent Risk Relevant Events

08 Jan 09 Two Katyusha rockets were fired from southern Lebanon into northern Israel, injuring two; Israel's military fired artillery in response.

06 Jan 09 March 14 alliance leader Saad Hariri claimed that Hizbullah was not preparing to attack Israel, quoting an Iranian security chief.

04 Jan 09 PM Olmert said Israel has no plans to engage in armed conflict 'in the north' as well as in the Gaza Strip.

26 Dec 08 UNIFIL and Lebanese Army troops boosted patrols near the Israeli border after 8 Katyusha rockets 'aimed at Palestine' were found.

Detailed Analysis

In the event of an outbreak of a wider Israel-Hizbullah war in Lebanon, which is unlikely in the three-month outlook, we judge that Beirut's airport would almost certainly be targeted by Israeli air strikes. Runways would be especially at risk, but there is a significant risk to the main terminal and fuel depots and hangars as well. Despite the launching of rockets from south Lebanon into Israel on the morning of 8 January, the risk of a wider Israel-Hizbullah war during Israel's Gaza offensive remains limited. Hizbullah was most likely not behind the rocket attacks; the party wants to avoid a war which would inevitably harm its domestic Shia constituency in the run-up to parliamentary elections in Lebanon in June 2009. Hizbullah is also aware that Syria has been engaged in serious peace negotiations with Israel and thus cannot assume Syrian logistical or political support in the event of resumption of the Israel-Hizbullah war. These factors mitigate the risk of a war on Lebanon in the next three months at least. More likely, a Palestinian faction or Lebanese Sunni militant group was behind the rocket attacks, aiming to draw Israel into a two-front war. Israel's response to attacks it does not see as perpetrated by Hizbullah will probably be limited, given that Israel for its part does not want to widen the war to another front.

Israel's response to the rocket fire which hit Nahariya will likely be restricted to the five artillery shells which it fired at the location of this morning's rocket fire, which was close to the village of Tair Harfa. The location is south of the Litani River where UNIFIL II peacekeeping forces are deployed. Since the cessation of hostilities between Israel and Hizbullah in August 2006, there have been some incidents in which rockets have been fired into northern Israel from south Lebanon, and to which Israel has chosen not to respond. This is because the rockets were not, in Israel's judgement, fired by Hizbullah: On 18 June 2007, two Katyusha rockets were fired from south Lebanon into Israel. The attack was claimed by a previously unknown Palestinian group, the Jihadi Badr Brigades-Lebanon Branch. In another incident on 7 January 2008, two rockets launched from south Lebanon damaged a house and an electricity pylon. Hizbullah denied involvement, and Israel again refrained from military retaliation. A more serious non-Hizbullah attack would invite a harsher response, but it would be directed against the attackers' positions and not at Lebanon's infrastructure.

The probability of an Israel-Hizbullah war also depends on Hamas's performance against Israel in Gaza. If Hamas is perceived as holding out successfully against a sustained Israeli air and ground assault, the pressure on Hizbullah to attack Israel will be minimal. If, however, we see a marked deterioration in Hamas's position in Gaza i.e. if the Israelis are perceived as successful in their efforts to isolate and weaken Hamas, Hizbullah, as a key

member of the Iran-Hamas-Hizbullah 'resistance front', would be somewhat more likely to act. Iran, Hamas's patron, would certainly apply pressure on Hizbullah to salvage the credibility of its militant proxies (Hizbullah and Hamas) in the Levant by provoking Israel into fighting a two-front war. As it stands, we judge that Operation Cast Lead can potentially continue for at least another ten days to two weeks until Israel can demonstrate that it has achieved its objective of significantly degrading Hamas' rocket-launching capabilities. To this end, on 7 January, the Israeli cabinet approved a widening of the offensive that would enable it to push deeper into urban centres in the Gaza Strip. Thus far, Hamas has still been able to fire rockets into Israel (it targeted Beersheba, Ashkelon and Ashdod overnight), despite Israeli air strikes targeting numerous weapons supply tunnels in Rafah. Therefore, a ceasefire is almost certainly not imminent, not least because Hamas demands that Israel lifts its blockade of the Gaza Strip, which Israel will not agree to.

Special Report

Thursday, 08 January 2009

Pakistan-Terrorism: Militants are likely to stage more spectacular attacks on Pakistan's major cities, resulting in substantial casualties and property damage.

Please see separate report on page 141.

Special Report

Friday, 09 January 2009

Saudi Arabia-Crown Prince Sultan is terminally ill and unlikely to outlive the current king Abdullah; the risk of regime instability from succession is minimal.

Event Summary

Our sources have reported to us that Crown Prince Sultan bin Abdul Aziz is terminally ill following failed treatment for cancer. The Crown Prince (reportedly aged 83) who also serves as the Kingdom's Minister of Defence and First Deputy Prime Minister has been ill for some time, though this has not been corroborated by official Saudi sources. Sultan is unlikely to outlive the current king, Abdullah (reportedly aged 85) whose ascension to the throne in 2005 was unchallenged following the death of the Kingdom's previous ruler King Fahd. There is no clear successor to Crown Prince Sultan lined up.