

Populism and terrorism converge to compound risks in Asia

Aon publishes 2017 Risk Maps for Political Risk, Terrorism and Political Violence

- Singapore's terrorism and political violence risk level has been raised from 'negligible' to 'low' in light of recent arrests of purported extremists in the country, and the Indonesian authorities reported disruption of a terrorist plot to attack the island in 2016
- The terrorism and political violence risk level is likely to remain 'high' in the Philippines during 2017, with the Islamic State promoting the country as a regional hub for militants not able to travel to Syria or Iraq. Malaysia's overall score has been raised to 'medium'
- Uncertainty surrounding increasingly protectionist trade policies raises concerns over their potential impact on exports from Asia as well as intra-Asian trade in 2017
- Oil and gas companies were the target of 41 percent of terrorist attacks on commercial interests

SINGAPORE (Embargoed, 6 April 2017, 1530 hrs) – A 14 percent worldwide increase in terrorist attacks in 2016 and populist nationalism are creating an increasingly volatile operating environment for international business. This is one of the key findings from [Aon's](#) (NYSE:AON) 2017 [Risk Maps](#) covering Political Risk, and Terrorism and Political Violence, produced in conjunction with [Roubini Global Economics](#) and [The Risk Advisory Group](#).

Terrorism and Political Violence

The terrorist threat continues to evolve, affecting an ever wider set of sectors in more countries with more diversified tactics and intent to kill. Impacts range from loss of life to business interruption, and disruption in the supply chain. Other violent risks are also evolving at the geopolitical level, leading to increased defence spending, more authoritarian forms of government and a weakening consensus between states. There are few indications of an overall improvement in violent risks in 2017. These developments have underlined the importance of considering crisis management perils that go beyond traditional coverage for property damage, particularly for those sectors - such as oil and gas, transport and retail – that have been most affected.

Risks in Southeast Asia - In Singapore, an increase in campaigns such as "SG Secure" in 2016 are symptomatic of the real and perceived rise in terrorism exposure. The risk level has been raised from 'negligible' to 'low' in light of recent arrests of purported extremists in the country, and the Indonesian authorities reported disruption of a terrorist plot to attack the island in 2016.

The terrorism and political violence risk level is likely to remain 'high' in the Philippines during 2017, after it was raised from 'moderate'. In 2016, the Islamic State promoted the country as a regional hub for militants not able to travel to Syria or Iraq. We see there a continuation of terrorism trends from last year such as abductions of shipping crew and the kidnap for ransom of foreign nationals. Malaysia's overall score has been raised to 'medium' following the first Islamic State-linked attack in the country, an increase in the number of terrorist arrests in 2016, and multiple kidnappings by Philippines-based militants in the eastern province of Sabah.

Julian Taylor, Broking Strategist & Head of Crisis Management, Asia, Aon Risk Solutions commented: "In 2017, we expect to see a further increase in terrorist activity in Asia. This is associated with the rise of the Islamic State throughout Asia, and the number of Asian citizens who have returned from fighting in the Middle East, radicalised, to their home countries. Terrorist attacks are becoming increasingly diverse in terms of their modus operandi. We have seen a shift away from a physical property risk towards an increased people risk, as attackers move away from large-scale bomb attacks towards highly motivated individuals or groups using hand-held weapons or vehicles."

Political Risk

Populism and protectionist risks in developed economies could lead to an increase in political risk in emerging and frontier markets as their resilience is challenged. While political risks remain high, particularly in the Middle East and Africa, reform efforts and past economic adjustment have increased resilience. Energy markets will continue to influence economic risks for many emerging and frontier markets. The expected stabilisation in oil and gas prices will alleviate but not erase some economic pressures for producer nations, while amplifying financial vulnerabilities for importers, particularly in Asia.

Risks in Asia - Most Asian countries rely heavily on cross-border trade, making them vulnerable to global economic and investment disputes. Uncertainty surrounding protectionist trade policies raises concerns about the future of exports from Asia as well as intra-Asian trade. This sentiment affects regional growth and weighs on Asian currencies leading to a heightened risk of payment defaults in 2017. As their currencies come under pressure, this increases the risk of some Asian governments implementing currency controls.

Miles Johnstone, Head of Structured Credit & Political Risk, Asia, Aon Risk Solutions commented, "The changing global landscape is likely to have a significant impact on emerging market countries. As far as regional security is concerned, should the Trump administration back away from the nuclear threat posed by North Korea to South Korea and Japan, the medium-term risks of naval miscalculation in the East China Sea may increase.

Global businesses and their financiers must now understand and mitigate their exposures to economic and political risk."

Key highlights from the 2017 report

- Open trading nations like Singapore, Malaysia, Hong Kong, Taiwan, Chile and Colombia are exposed to increased political risk due to dependence on U.S. and other trading partners. Mexico and the Philippines are more vulnerable to declines in remittances if they occur due to trade restrictions. Brazil, India, Indonesia and Nigeria are more resilient due to large domestic economies, which are less reliant on exports
- While it saw a 174 percent rise in terrorist incidents, the West still accounts for less than three percent of terrorist violence in the world. However, in 2016 the United States sustained the highest number of terrorism incidents in a decade
- Oil and gas companies were the target of 41 percent of terrorist attacks on commercial interests in 2016 and the trend has continued in 2017. Nigeria and Colombia topped the list of countries affected by terrorism targeting the energy sector, with attacks by militants in the Niger Delta during the first half of 2016 causing Nigerian oil production to fall by 36 percent. Saudi Arabia, Iran, Russia, Venezuela and the U.S are vulnerable to production declines. As the global oil market slowly tightens, these supply shocks may have a more meaningful effect on price
- Businesses are facing growing exposure to political violence risks worldwide. For the second successive year, more country risk ratings were increased (19) than decreased (11). The overall terrorism and political violence ratings are the highest they have been since 2013, capturing not only terrorism but also the risk of coups, civil and interstate conflicts, and rebellions. There are now 17 countries at highest risk, representing epicentres of instability that emanate international terrorism threats and significantly increase business risk exposures in neighbouring states. Three belts of severe risk run through Africa from the Mediterranean to the Atlantic, through the Levant and through South Asia

Notes to editors

The Aon Political Risk Map captures changing risks for businesses and countries across emerging and frontier markets (non OECD countries). The map is produced in conjunction with [Roubini Global Economics](#) and 2017 marks its twentieth anniversary. Roubini Global Economics is an independent, global macroeconomic research firm. The firm's research combines expert insight with systematic analysis to translate economic, market and policy signals into actionable intelligence for a wide range of financial, corporate and policy professionals.

The Aon Terrorism and Political Violence map represents detailed empirical and intelligence-based assessments on terrorism threats and political violence risks. The map has been produced in conjunction with [The Risk Advisory Group](#) since 2007. The Risk Advisory Group is a leading, independent global risk management consultancy that helps businesses grow whilst protecting their people, their assets and their brands. By providing facts, intelligence and analysis, The Risk Advisory Group helps its clients negotiate complex and uncertain environments to choose the right opportunities, in the right markets, with the right partners.

For more information and to access the interactive maps and full report please visit the [Aon website](#) and the Aon Risk Maps Portal <https://www.riskmaps.aon.co.uk/>

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