EXECUTIVE SUMMARY

SUMMARY

This issue of Constellis’ Kidnap for Ransom Insight Report covers global kidnapping incidents and trends over the months of January and February, as well as the start of March 2017. The information is derived from multi-source analysis of kidnap for ransom activity and where known, the outcome or resolution of the event. The report covers current kidnap for ransom hotspots at the regional, national and provincial level with particular focus on areas where K&R activity is increasing.

Statistical analysis of data for the first two months of 2016 is included on page 17, which graphically displays K&R trends by region, victims by nationality and employment sector, as well as identifying the Top 10 counties for kidnapping of foreign nationals over January and February 2017.

The global piracy update provides an overview of the piracy threat by region, providing trend analysis for the first two months of 2017. It also offers sample cases occurring through the months of January and February 2017, which provide an illustration of the identified trends.

The Cyber Security section examines current issues affecting companies and individuals in the realm of IT security. This month’s edition examines cyber security risks to critical national infrastructure. In a context of greater automation and dependence on IT systems for industrial processes, cyber-attacks against critical infrastructure have expanded significantly in recent years, conducted by terrorist, activist and criminal groups, in addition to the activities of nation state actors.

The Focus Article offers an introduction to the risk of product extortion, a particular challenge for commercial entities in developed markets. Although less common than in previous decades, threats made by criminal groups to damage or contaminate products unless a financial payment is made continues to pose a significant threat to corporations worldwide, given the potentially grave consequences of non-compliance from both a financial and reputational perspective.

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AMERICAS

The Americas region observed a slight increase of 15% in the number of kidnapped foreign nationals recorded by Constellis during January and February 2017, in comparison to the last two months of 2016. Incident levels however have remained within established parameters for the last 12 months, with an average of 13 foreign citizens kidnapped in the continent on a bi-monthly basis. Mexico continues to lead kidnapping activity in the region, accounting for 33% of recorded incidents during the reporting period. In an emerging trend, foreign victims in Latin America are commonly found to possess links to criminal syndicates, with involvement in drug trafficking activities in particular playing an important role in their abduction.

CASES:

- On 3 February, Sonora State police in Mexico, in coordination with the FBI, rescued a 22 year-old American citizen who had been kidnapped in Nogales city the previous day. Preliminary investigations established that the victim of Mexican origin had been kidnapped in relation to a drugs sale. According to the Department of State, over 150 kidnapping cases of US nationals were registered by the US Embassy in Mexico in 2016. The majority of these incidents were kidnapping for ransom cases where the victim was set free after a payment was made to their abductors. In a number of cases however, victims are reported to have been killed by cartels and other gangs despite a ransom having been paid.

- On 2 February, a Spanish national was released 38 days after his kidnapping in a rural area of Guárico state, northern Venezuela. The Spanish expatriate was kidnapped on 9 January, alongside his brother, by heavily armed men pretending to be police officers. Following the abduction, the victim’s brother was released a few hours later, to gather the USD 500,000 demanded as ransom from family members. During the captivity period, the kidnappers cut off one of the victim’s fingers and sent it to his family to pressurize them to pay the amount demanded. Investigations revealed that the ransom calls were being made by Venezuelan nationals located in the US and Panama. After their arrest, the suspects admitted to being members of a Venezuelan gang called “El Tren de Aragua”, which in turn worked for “La Banda del Picure”, one of Venezuela’s major organised crime groups. The victim was released thanks to the coordinated action of the authorities of Spain, US, Panama and Venezuela.

- In Venezuela, the country’s deteriorating economic situation has contributed further to an already high crime rate. Kidnapping for ransom is the fastest growing criminal practice in the country, increasing by 300% since 2009. To date, kidnap for ransom cases remain highly concentrated in certain territories, with over 90% of incidents reported in Miranda State and Metropolitan Caracas in 2016. Moreover, in the context of a highly-depreciated local currency, kidnappers now typically demand ransom payments in US dollars and euros, particularly for incidents involving foreign nationals. A trend observed during 2016 has been the increased use of violence during the abduction and captivity phases of cases, as criminals adopt increasingly aggressive methods to force victims and family members to comply with their demands.

- In Brazil, an Argentinian couple were the victim of an express kidnapping during their holiday at a resort area in the southern state of Santa Catarina. The pair were intercepted outside their hotel in Itapema and held for two and a half hours by six armed men who robbed them of their valuables and took them to several ATMs to withdraw money. The couple said the gang had been monitoring them since they arrived in the town. After being left on the outskirts of Itapema following the attack, the victims reported being mistreated by the Brazilian police when trying to report the incident.
Large-scale immigration from Middle Eastern states into Europe in recent years has triggered fierce debate over direct links to an increase in crime reported within destination and transit countries. While a number of recent studies have questioned the association for most types of criminal activity, particularly violent crime, anecdotal evidence suggests that recent immigrants have themselves faced a growing rate of targeting by criminal actors in Europe, including kidnap for ransom. In many cases, such attacks have been recorded by their own compatriots seeking to exploit the influx of new arrivals on the European continent. This situation has been particularly prevalent in Turkey, where a number of prominent abduction cases have been reported since the end of 2016.

**CASES:**

- On 2 February, Turkish Police arrested nine people in Akçaşale, in the south-eastern province of Şanlıurfa, in relation to the kidnapping of the four-year-old son of a Syrian businessman. The boy had been kidnapped alongside a friend of his father, by armed men who demanded USD 200,000 for their release. The kidnappers were arrested during the payment of the final agreed amount of USD 50,000. The businessman’s friend, who was abducted with the boy, was found to be one of the organisers of the abduction.

- In Cyprus, police arrested four suspects in Famagusta for assaulting and holding for ransom two Pakistani workers. According to a police statement, the suspects abducted the foreign workers, for whom they had processed work permits in the country, on the pretext that they did not pay the money owed to them for their services. The suspects allegedly stole over €1,500 from the victims and threatened to kill the pair if their families in Pakistan did not pay an additional sum of €8,000.

- In Ukraine, Azerbaijani nationals have been increasingly targeted in a variety of criminal incidents, including harassment, kidnapping, extortion and murder. The Azerbaijani business community claims that at least 25 of its members were victims of kidnap for ransom in the first half of 2016. Azerbaijanis represent a prominent commercial group in the country and are often singled out for attacks by criminal groups based on their perceived affluence and vulnerable status as expatriate workers. Responding to such assertions, the Azerbaijan embassy in Ukraine has made a number of contradictory statements regarding incident figures, amid an increasing politicization of the issue in bilateral discussions.

- On 7 February, Azerbaijani businessman Elvar Isgandarov, who had been abducted in front of his house in the city of Kiev, was released after an undisclosed ransom was paid. Later, on 2 March, a restaurant owned by an Azerbaijani was firebombed by masked attackers in Donetsk, seriously injuring its owner.
MIDDLE EAST

After moving up in global kidnapping rankings over the fourth quarter of 2016, the Middle East experienced a marked reduction in kidnap for ransom incidents over January and February 2017, amid reduced reporting across conflict zones. Nonetheless, the kidnapping threat in countries such as Syria remains very high, particularly to foreign nationals and journalists, who are actively targeted by militant and criminal groups for both financial gain and political leverage. According to the Committee to Protect Journalists (CPJ), more than 100 journalists have been kidnapped in Syria since 2011.

CASES:

On 10 January 2017, international aid group “Gift of the Givers” reported the kidnapping of South African photojournalist Shiraaz Mohamed. Mohamed was reportedly abducted by armed men in the Idlib town of Darkush, while traveling with aid workers to the border with Turkey. Three aid workers who had been taken with the journalist were released an hour later, suggesting that the attackers had targeted Mohamed specifically. Initial reports stated that Jabhat Fateh al-Sham (formerly al-Nusra Front) had shown an interest in helping to resolve the incident. By mid-February, information emerged suggesting that the Islamic militant group was in fact holding the victim and was demanding the release of four combatants imprisoned by the Syrian government in exchange for his life. On 18 February, a second NGO, Truth Collective South Africa (TCSA), stated that it had received proof of life from the militants and that the Syrian government had agreed to the exchange; therefore, expecting the release to take place by the end of February. Mohamed’s family, along with other NGOs with a presence in the country, including the International Committee of the Red Cross (ICRC), have denied TCSA’s claims. As of the time of writing, Shiraaz Mohamed remains in captivity.

On 23 January, Leszek Panek, a Polish national who went missing in Syria on 10 December 2015, was released with the intervention of Czech authorities. Panek was arrested by Syrian soldiers during a checkpoint search where it was claimed that he had tried to reach for a weapon. Later, upon his release, the Syrian authorities stated that Panek had been arrested for entering the country illegally. The Czech Republic, the only EU and NATO country with a functioning embassy in Damascus, has acted as an intermediary with the Syrian government for a number of cases involving western nationals.

In an ongoing trend across GCC countries, the kidnapping for ransom of expatriate labourers, continues to be commonly reported. While mostly carried out by compatriots, kidnapping plots have on occasion involved the participation of local nationals. Incidents of kidnap for ransom reported to the authorities in these countries usually conclude in the prosecution of the perpetrators.

On 23 January, the Royal Oman Police arrested two local nationals in Muscat for the kidnapping of two Asian expats. The suspects had reportedly approached their victims in Nizwa, impersonating police officers and had demanded an undisclosed ransom from their relatives to release the victims. Investigations revealed that the accused already possessed criminal backgrounds and had previously committed at least one kidnap for ransom attack in the country.

South African journalist Shiraaz Mohamed, kidnapped in Syria on 10 January 2017
(SABC News)
AFRICA

Africa reported a more than three-fold increase in the number of kidnapped foreign nationals recorded over the period of January-February 2017, in comparison to the last two months of 2016. This shift has occurred as a consequence of a number of mass kidnappings involving expatriates in the continent, a longstanding trend particularly acute in Nigeria and Libya. During the reporting period, Nigeria regained its position as the top kidnapping hotspot in Africa, registering over 50% of the total number of the foreign victims recorded by Constellis, primarily linked to a re-emergence of piracy-related incidents in coastal areas. Although the threat of abduction is traditionally higher in southern states, since the second half of 2015 an increasing incidence of foreign abductions has been observed in the country’s central territories, often involving professionals of Chinese origin.

CASES:

- On 22 February, gunmen kidnapped two German archaeologists at an excavation site in Jenjela village of Kaduna State, Central Nigeria. Two of the site’s local workers were shot dead when trying to stop the abduction. Local police said that at the moment of the attack, the victims were working without the security attachment provided to them, relying only on the protection of local residents. The kidnappers contacted a camp supervisor the next day, demanding a 60 million naira ransom (over USD 190,000). The two victims were released after three days in captivity, allegedly as a result of a police operation. The incident took place in an area close to the road connecting the capital Abuja and its temporary airport in the city of Kaduna, raising concerns over the safety of travellers along the route.

- Meanwhile in Libya, the mass kidnapping of foreign workers continues to be documented. In one of the latest incidents, 15 Egyptian workers were kidnapped from Tarhouna on 5 January 2017. Relatives of the victims were reported to have received WhatsApp messages with photos showing the victims being tortured along with threats to kill the hostages if a ransom of 300,000 Libyan dinars (over USD 206,000) was not paid. On 17 January, the kidnappers informed relatives, also via WhatsApp, of the death of one of the victims, allegedly killed in response to the leaking of information regarding the kidnapping to the media. Following undisclosed operations, the Egyptian army announced the release of 13 of the Egyptians, obtained in coordination with the general command of the Libyan army. No information was provided on the status of the remaining hostage.

- A Colombian nun was kidnapped by gunmen on 7 February in the village of Karangasso in southern Mali, near the Burkina Faso border. Witness reports suggest that Narvaez was taken owing to her perceived higher ransom value among the residents of the targeted living quarters, which included two other Colombian citizens. The kidnappers then headed in the direction of Burkina Faso with the victim. No group has claimed responsibility for the attack, however, according to witnesses, the kidnappers identified themselves as jihadi fighters. Meanwhile, Malian police have stated the perpetrators are most likely common criminals. Narvaez’s religious order has not been contacted by the kidnappers yet. Over 20 suspects have been arrested by Malian authorities in relation to the case. At least 11 foreign nationals were kidnapped by alleged militants in Mali over the course of 2016, including two westerners who remain missing. While the threat is more acute in the north of the country, attacks on Mali’s south by militants have become increasingly common.
AFRICA

In Madagascar, amid the continuation of poor security conditions, the expatriate community has increasingly been targeted in kidnap for ransom plots. The vast majority of victims have been affluent members of the Indo-Pakistani community and their dependents. In many cases being also French passport holders, these individuals locally known as “Karana” are targeted for their perceived wealth and historic precedent of paying large ransoms without reporting such incidents to the authorities. At the same time, the Malagasy police have come under growing scrutiny following reports of their involvement in many of the country’s recent abduction cases. Currently, Toamasina and Antananarivo cities are assessed as the country’s primary kidnapping hotspots.

CASES:

A young French businessman of Indian origin was kidnapped in Ivandy on 10 February, on the way home from his family business. He was released after 15 days in captivity, following the payment of an undisclosed amount. The kidnappers originally demanded a ransom in euros equivalent to 10 billion ariary (USD 319,500). The police said the incident was not reported to them directly. Irfane Molou is the third Karana citizen kidnapped in Madagascar in 2017, and the fourth in his family since 2014.
In Myanmar, on 20 January, a group of 37 Thai tourists were taken hostage by Karen Border Guard Force (BGF) militants after crossing into Myanmar territory at Payathonzu, Karen State. The tourists were reportedly captured by the militant group in retaliation for Thai authorities previously arresting a number of underage sex workers under the control of the BGF. The crossing point was closed after the attack. All the hostages were released later on the same day, following negotiations between the militant group and authorities from Thailand and Myanmar.

The BGF allegedly has close links with the Myanmar government and acts as a buffer in Karen state against other militant groups in the area opposed to the Yangon administration.

**CASES:**

- On 27 February, ASG militants posted a video showing the beheading of German hostage Jurgen Kantner by a knife-wielding militant. A Philippines police report said Mr Kantner had been killed in the Indianan area of southern Sulu province on 26 February, after the deadline for the payment of a 30 million pesos ransom (about USD 600,000) expired at 3:00 pm local time. Kantner’s remains were recovered by Filipino soldiers on 4 March during a search operation. Kantner was abducted from his yacht off Malaysia’s Sabah state on 7 November 2016, with the body of Kantner’s wife later found on the boat, most likely after resisting the attack. The ASG had originally demanded the equivalent to USD 10 million for Kantner’s release.

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- In Afghanistan, the kidnapping threat remains very high, particularly for NGO workers, who are regularly victims of abduction by militant and criminal groups in the country. In a recent incident, suspected IS militants attacked an International Committee of the Red Cross (ICRC) convoy in the northern province of Jowzjan on 8 February. During the attack, six Afghan employees were killed while two others who were kidnapped remain missing. The ICRC suspended indefinitely its work in Afghanistan as a result of the attack.

Although virtual kidnapping is an extortion tactic typically associated with Latin America, it is also a common occurrence in other areas of the world. This type of activity has increasingly been reported in Southeast Asian countries over the last few years, especially in Hong Kong, Macau, Taiwan and Singapore.

A mainland Chinese national, who travelled to Hong Kong on a two-way permit, was arrested on 2 March in connection with three virtual kidnapping scams. The most recent incident took place on 28 February, when the accused called a woman, claiming to be her son, stating that he had been kidnapped and demanding a ransom of HK$70,000 (USD 9,000). The woman was about to pay the sum when her daughter talked her into reporting the incident to the police. On the advice of the authorities, the woman agreed to meet with the suspect to make the payment at Mong Kok MTR station, with the scammer then arrested after he arrived for the meeting. Police determined the suspect had been involved in two other similar phone scams, where he was paid by victims HK$100,000 (almost USD 13,000) and HK$40,000 (just over USD 5,000) respectively.

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Statistics for the first two months of 2017 are drawn on Constellis’ record of 158 abducted foreign nationals. Over November and December 2016, Constellis recorded a total of 76 foreign nationals kidnapped across the world.

- **AFRICA** 43%
  - Nigeria… 47.1%
  - Libya… 30.6%
  - South Africa… 7.4%
  - Madagascar… 4.4%
  - DRC… 2.9%
  - Uganda… 2.9%
  - Kenya… 1.5%
  - Mali… 1.5%
  - Mozambique… 1.5%

- **AMERICAS** 9.5%
  - Mexico… 33.3%
  - Venezuela… 20%
  - Brazil… 13.2%
  - Bolivia… 6.7%
  - Colombia… 6.7%
  - Dominican Republic… 6.7%
  - Panama… 6.7%
  - Paraguay… 6.7%

- **ASIA & PACIFIC** 42.4%
  - Myanmar… 55.2%
  - Philippines… 41.8%
  - Malaysia… 3%
  - Cyprus… 40%
  - Turkey… 40%
  - Ukraine… 20%
  - Oman… 67%
  - Syria… 33%

- **EUROPE** 3.2%
  - Myanmar… 40%
  - Ukraine… 20%

- **MIDDLE EAST** 1.9%
  - Oman… 67%
  - Syria… 33%

- **REST OF THE WORLD** 12.5%

*Results do not include the kidnapping of illegal migrants.
Jan-Feb 2017

KIDNAPPED FOREIGN CITIZENS

REGIONAL ORIGINS OF VICTIMS

- SOUTH EAST ASIAN 46.8%
- UNKNOWN 15.8%

MOST VICTIMISED NATIONALITY

- Thai
- Vietnamese
- Egyptian
- Chinese
- Russian
- French
- German
- Indian
- Indonesian
- North African
- European
- North American
- Central Asian
- South Asian
- African
- Middle Eastern
- Latin American
- Syrian

MOST VICTIMISED OCCUPATIONAL SECTOR

- Maritme: 36.1%
- Tourists: 25.9%

MOST VICTIMISED OCCUPATIONAL SECTOR BY REGION

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<tr>
<th>REGION</th>
<th>OCCUPATIONAL SECTOR</th>
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DISCLAIMER: These statistics herein presented are the result of a compilation of kidnapping incidents involving foreign nationals only, which have been reported in the media and other open sources. The information contained and its results are therefore partial as result of the incomplete nature of open-source material. Thus, this report should be taken only as a reference of general trends, taking its limitations into consideration.
PIRACY UPDATE

GLOBAL

The Gulf of Guinea (GoG) and the Gulf of Aden (GoA) remained the focal points of maritime counter-piracy over the first two months of 2017, a number of emerging threat regions, including the Red Sea, Southern Mediterranean and Sulu archipelago, have reported increasing offshore criminal activity in recent weeks. Given the enduring security challenges in such regions, Constellis anticipates these trends to continue into Q2 2017.

Gulf of Guinea

The Gulf of Guinea saw a notable rise in violent attacks at sea in 2016, occurring in a context of a wider decline in piracy incidents at the global level. At the time of writing, the primary threat in the GoG is assessed as vessels travelling within 100 nautical miles from the Niger Delta coastline, although militant groups are assessed to retain the capability to conduct longer range attacks. Of significance during the past 12 months was a notable negative correlation between piracy at sea and militant attacks on land in southern Nigeria, with local armed groups apparently shifting focus offshore during periods of truce and negotiation with the government in Abuja. Given the tenuous resumption of peace talks with the Nigerian state in recent weeks, the potential for a further deviation into armed piracy over the coming month remains high.

CASES:

- On 5 February, cargo vessel BBC Caribbean was attacked by pirates travelling aboard three fast boats 45 nm southwest of Brass in Nigeria’s Bayelsa State of Nigeria, near the Pennington Oil Terminal. The pirates abducted eight crew members, including seven Russians and a Ukrainian. The sailors were released after 25 days in captivity following the payment of an undisclosed ransom.
- On 8 February, cargo vessel BBC Caribbean was attacked by pirates travelling aboard three fast boats 45 nm southwest of Brass in Nigeria’s Bayelsa State of Nigeria, near the Pennington Oil Terminal. The pirates abducted eight crew members, including seven Russians and a Ukrainian. The sailors were released after 25 days in captivity following the payment of an undisclosed ransom.
- On 8 February, the Nigerian Navy intercepted the hijacked oil tanker MT Gaz Providence, off Bonny Island, Rivers State, releasing its crew of 21 personnel. On the same day, the navy said it also repelled pirates trying to hijack oil tanker Mt Rio Spirit off Akassa in Delta State, after the vessel had loaded petroleum at ExxonMobil’s Qua Iboe terminal. The tanker is reported to have come under attack, despite the presence of an escort from a Nigerian Naval vessel.

Gulf of Aden

Although piracy off the coast Somalia has decreased considerably over the last five years; as result of enhanced security offshore, the structural issues that gave birth to the problem have not yet been resolved. As such, the threat of future hijackings remains high, particularly for vessels travelling without private security or other practical deterrent measures onboard. Illustrations of this extant threat were recorded on 1 January with the attempted boarding of a commercial vessel and the later successful hijacking of an oil tanker on 13 March.

In wider developments, security to commercial shipping off Yemen has witnessed a notable deterioration in recent months as the national conflict between pro and anti-Hadi government forces increasingly spills into the maritime arena. A number of important attacks against commercial vessels took place over the end of 2016 and have continued into this year.

CASES:

- On 13 March, oil tanker Aris 13 was hijacked by pirates and its eight-member Sri Lankan crew kidnapped off Puntland while on route from Djibouti to Mogadishu. Reportedly, the vessel was approached by two skiffs, one carrying armed men, who boarded the vessel, redirecting the ship’s course to the port of Alula in northern Puntland. An elder from Alula later informed the press that the group responsible; which included fishermen and former pirates, had been sailing in the area since the previous day in search for a foreign ship to hijack. According to EU NAVFOR officials, the pirates made an undisclosed ransom demand. The crew and the boat were released after three days, allegedly without the payment of ransom. According to local sources, the release followed an initial gun battle between the pirates and the Puntland Marine Force at Alula, leading to a protracted negotiation period supported by the mediation of clan elders. Recent pirate activity in Somalia has been blamed on the scourge of illegal fishing, mostly by Asian ships, in Somali waters. It has been even suggested that this incident had initially intended to bring attention of the international community to this issue.
- On the same day, Iranian naval forces reportedly thwarted an attack on an Iranian-owned commercial vessel by suspected Somali pirates who were on board of 11 fast boats in the Bab el-Mandeb Strait.
Sulu Sea

The Abu Sayyaf Group has emerged as the main maritime threat in waters off the Sulu Archipelago, particularly as it expanded its targets to include commercial vessels since October 2016. As the Philippines military has increased its operations against the group’s island support bases, this has unintentionally resulted in the migration of its traditional inland kidnapping activities offshore. A trend recorded since the end of 2016, has been the increased use of violence during attacks, resulting in the death of crew members. At least five ASG attacks have been reported in the area in 2017, resulting in the kidnapping of at least nine crew members.

CASES:

- On 19 February, Vietnamese bulk carrier MV Giang Hai was attacked by suspected ASG-linked gunmen off Baguan Island in Tawi-Tawi province. The assailants boarded the ship, shooting one of the crew members and attempting to abduct the remainder of the 25-man Vietnamese crew. 17 of the sailors were rescued by the Philippines Coast Guard who responded to initial distress signals, with the attackers managing to only take six hostages with them. No ransom demand has yet been reported.

Mediterranean Sea

At present there is growing concern over a potential escalation in offshore conflict in Libya, amid efforts by the Libyan National Army, led by former General Khalifa Haftar, to seize control of ports held by Misrata-backed militias in the west of the country. In recent months, the LNA has threatened airstrikes against vessels supplying its opponents, raising the prospect of direct attacks on commercial shipping deemed to be acting against the narrow interests of the LNA. Security vacuums in major ports have also seen a proliferation of criminal activity, including the highly publicised activity of people smugglers and trafficking groups facilitating the passage of African and Middle Eastern migrants to Europe.

CASES:

- On 24 February, the Turkish oil tanker Haci Telli was seized in Zuwara by oil smugglers, who held its 11-member crew hostage. Reportedly, the motive behind the kidnapping was an outstanding debt by the owner of the vessel to the traffickers, allegedly as high as USD 433,000 which had been incurred from an earlier fuel sale. Oil trafficking has reportedly become a booming trade in Zuwara. The Turkish tanker is among several others, mostly from Mediterranean countries, which have taken advantage of the security vacuum in Libya to start procuring cheap fuel from local suppliers.

- On 19 February, forces loyal to Khalifa Haftar and the Tobruk government seized a South Korean commercial vessel bound for Misrata. Twelve Filipino sailors were on board the vessel, which was taken to Ras al-Hilal port. Local officials claimed that the ship was attempting to enter a closed military zone.

“Security vacuums in major ports have also seen a proliferation of criminal activity”
Critical national infrastructure (defined as assets vital to a country’s economic and security wellbeing, including dams, power plants and oil refineries) are at risk from a variety of threats through cyber intrusion. While previously threat actors may have tried to gain access to a facility through physical breaches, changes in the industrial landscape over the past decade have now made the exploitation of cyber vulnerabilities increasingly attractive for individuals seeking to conduct acts of espionage, sabotage or terrorism. Much of this shift can be attributed to the increasing reliance on virtual networks and other online support to carry out essential industrial processes. Access to such functions, through hacking and other forms of cyber intrusion, have also raised the profile of critical national infrastructure as a target for hostile groups, who are now recognising the value of disrupting what were once thought of as impenetrable security systems.

Recent trends have included the use of malware targeting industrial automation control systems (also known as SCADA), which allow for remote controlling and monitoring of industrial activities. Such attacks have been aimed at blocking or delaying the flow of information through control networks, or making unauthorized changes to programmed instructions, resulting in the malfunctioning of infrastructure. The power sector has demonstrated particular vulnerability to such intrusions over the past two years, with attacks anticipated to increase further over the coming year, as knowledge of the application of conventional intrusion methods against such assets becomes more widely known among criminal groups. Other common Computer Network Attacks (CNA) include Distributed Denial of Service (DDoS) incidents which render organisations’ websites offline, as well as ransomware.

Although rarely posing a direct threat to the functioning of infrastructure, cyber espionage, also known as Computer Network Exploitation (CNE) (a method by which intruders use computer networks to steal large volumes of sensitive data undetected), is also a great concern for the sector. Cyberwarfare, defined as the actions by a nation-state to penetrate another nations’ computers or networks in order to cause damage or disruption for strategic or military purposes; and cyber terrorism, which in turn is carried out by non-state actors for the same purpose, present additional real and increasing challenges, where hostile states and terrorists seek to take advantage of the increasing internet dependency. Cyber-attacks carried out by nation-states are of particular concern, since these actors possess a large amount of resources which feed their greater capabilities.

**INCIDENTS:**

- On 3 January 2017, Ontario’s main electricity distributor had an IP address compromised by malware launched by Russian hackers. Reportedly, the intrusion was not a targeted incident, but rather the result of a “zombie attack” in which configured malware roams between the networks of multiple institutions looking for vulnerabilities.

- In December 2016, a power distribution station near Kiev was unexpectedly turned off, leaving the northern section of the city without electricity. It is believed the attack was part of a Russian cyber campaign carried out against the country for over a year.

- In January 2016, the Netherlands government implemented a directive that obliged all Dutch municipalities to register cyber security incidents affecting their data and infrastructure. By September 2016, 172 of the 290 municipalities in the Netherlands (44%) had registered cyber incidents.

- In January 2016, Israel’s Electricity Authority was hit by a ransomware attack that paralysed some computers for more than two days, forcing parts of the grid to shut down. At the time, it was identified as the largest cyber-attack experienced by Israel’s electric grid.

- In 2012, Iranian authorities announced that computers controlling one of its nuclear processing facilities had been infected with a malicious software called Stuxnet. It was the first case in which industrial equipment was a target of cyber-attack.

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Hydro One, Ontario’s main electricity distributor, reported on January 2017 a cyber-attack on one of its IP addresses. (The Globe and Mail).
Extortion covers a multitude of criminal activities, involving both direct attacks and theft of assets as a means of seeking leverage in return for concessions, as well as threats of future attacks against an individual or organization. In the case of the latter, few practices are as widespread or as potentially damaging as product extortion, the practice whereby a hostile actor threatens to damage, destroy or most commonly, contaminate products, in order to force a company to comply with a financial or other demand. More complex plots may include the actual contamination of products followed by a threat to expose the action to the public unless a payoff is made.

Given the scale of potential consequences, ransom payments are often regarded as an acceptable loss compared to the brand or financial damages suffered from actual cases of product tampering. Malicious contamination of a consumer product can lead to large costs for a company, stemming not only from the recall of a product, but also indirect loss of revenue tied to reputational damage and potential third party damage liabilities.

Product extortion therefore challenges an organization’s crisis management team in three ways: the requirement to engage and conduct negotiations with the perpetrator, coordination of a possible product recall and post-incident management. Possessing an agreed Public Relations strategy has been shown to be critical at all stages of an incident in order to minimize harm to a company’s reputation, with even single reports of possible tampering in the media raising the prospect of severe challenges from a brand perspective. This risk is particularly important given the spread of social media use, where rumours can spread quickly and unimpeded.

While pressure groups can be involved in these activities for political or ideological reasons, the majority of product extortion attempts are carried out by criminals seeking ransom payments, usually operating in small numbers or even alone. Ransom-inspired threats are by their nature discrete, and although often targeted against large commercial entities, owing to their greater financial inclination to prevent reputational damage, such incidents are rarely reported openly unless organizations fail to comply with a group’s demands. While all manufacturers are potentially exposed to the threat of product extortion, the food and drinks sector, as well as pharmaceutical, childcare and healthcare suppliers, are particularly vulnerable given the potential lethal consequences to customers in the event of a deliberate product contamination.

The manner in which a company responds to a product extortion threat will depend on the particular circumstances of the case. Considering variables such as the nature and credibility of the threat, the risk of injury to consumers, and the likely effect on the reputation of the organization, a company’s decision may range from a simple warning to consumers, to a full scale product recall supported by a comprehensive media campaign. In some cases, companies may decide not to recall a product and/or not to publicise the issue. In such cases, the company may be held liable for negligent failure to recall goods, and may later be confronted with serious reputational damage if the incident is exposed to the public.

The emergence of product extortion as a global phenomenon can be traced back to the 1980s, with the practice primarily affecting developed countries such as the US, Western European countries, Japan, New Zealand and Australia. Over the past 30 years, recorded cases have shown that reports of product extortion tend to increase dramatically immediately after allegations of tampering are first published in the media, owing to both a repetition of allegations among news channels, as well as a rise in copycat attacks. Although product extortion has decreased in frequency in recent years, the ease with which attacks can be carried out, as well as the severity of consequences has meant that the practice will remain an enduring challenge for commercial entities worldwide.

**CASES:**

- **Greece, December 2016.** An environmental anarchist group calling itself Green Nemesis announced it had used chlorine and hydrochloric acid to contaminate dozens of product units belonging to global food and drinks brands at supermarket chains in the greater Athens area. The group said the aim of the threat was to sabotage the targeted companies, forcing them to fully withdraw their products for two weeks. The threat prompted the companies to recall their merchandise from store shelves, resulting in large additional costs.

- **New Zealand, 2014.** Several unsigned letters were sent to the New Zealand National Farmers’ Group and Fonterra Cooperative Group Ltd, the world’s largest dairy exporter, accompanied by packages of infant formula laced with poison 1080. Demands were made that New Zealand stop using the poison for pest control by the following March. The threats prompted officials to test 40,000 cases of raw milk and product samples, however, no trace of the poison was found. Despite any evidence of contamination, in addition to the specific loss of revenue to each exporter, the incident had a negative effect on New Zealand’s reputation as a safe supplier of food.
ABOUT CONSTELLIS

Constellis is a leading provider of risk management and operational support services to government and commercial clients worldwide. From security, crisis response and training to logistics, life support, and technology services, we offer a wide range of capabilities to help clients operate safely and efficiently no matter where they are in the world:

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CONTACT

For more information on this report please contact:

BEATRIZ SANCHEZ-GARRIDO
Senior Analyst, Risk Management
beatriz.sanchez-garrido@constellis.com

FRANK GRIMM
Director, Crisis Response
frank.grimm@constellis.com

For all enquiries on Constellis’ advisory & consulting services please contact:

JAMES LANGFORD
Senior Vice President Corporate Development
Mobile: +971 (56) 603 8501
james.langford@constellis.com

Crisis Response Emergency Numbers:

NORTH/SOUTH AMERICA
+1 713 918 6401

EUROPE, AFRICA, ASIA, AUSTRALIA
+44 (0) 20 7 240 3237

GENERAL INQUIRIES
+971 800 100 100

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