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**PIRACY AND ITS IMPACT ON THE ECONOMY**

by

Rami H. Islam

December 2010

Thesis Advisor:

Robert Looney

Second Reader:

Erik Dahl

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**PIRACY AND ITS IMPACT ON THE ECONOMY**

Rami H. Islam  
Lieutenant, United States Navy  
B.S. Criminal Justice, Old Dominion University, 2005

Submitted in partial fulfillment of the  
requirements for the degree of

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**NAVAL POSTGRADUATE SCHOOL  
December 2010**

Author: Rami H. Islam

Approved by: Robert E. Looney  
Thesis Advisor

Erik Dahl  
Second Reader

Harold A. Trinkunas, PhD  
Chairman, Department of National Security  
Affairs

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## **ABSTRACT**

This thesis attempts to shed light on the growing threat maritime piracy has on the economy along with possible solutions (military and diplomatic operations) the world can take to combat this threat. Maritime piracy has been around since the beginning of time. As the first sea going vessels entered the water, there were pirates attempting to pillage their goods. In the twenty first century, the country of Somalia has become the major hub of operations for maritime pirates. They operate mainly in the Gulf of Aden and the Horn of Africa (HOA).

Maritime piracy will never be completely eradicated, but through diplomatic and military means the threat can be greatly reduced. The International Maritime Bureau (IMB) keeps detailed records of each attack in order to establish trends and assistance in eradicating the threat of maritime piracy. While the overall impact of piracy has yet to be determined, the fact remains that sea piracy, either directly or indirectly, affects citizens on an international level. Although this problem will likely never be completely eradicated, it is necessary, through means of collaborative diplomacy and military forces; to work together internationally in order to decrease the impact maritime piracy has on global society.

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## **LIST OF ACRONYMS AND ABBREVIATIONS**

AMISOM	African Union Mission in Somalia
CGPCS	Contact Group on Piracy off the Coast of Somalia
CMF	Combined Maritime Forces
CPAP	Countering Piracy off the Horn of Africa Partnership & Action Plan
CTF-151	Combined Task Force 151
EUNAVFOR	European Union Naval Forces
GDP	Gross Domestic Product
GPS	Global Positioning System
HOA	Horn of Africa
HR	House Resolution
IMB	International Maritime Bureau
IRTC	Internationally Recommended Transit Corridor
LCS	Littoral Combat Ship
LOS	Law of the Sea
LRAD	Long Range Acoustic Device
MSCHOA	Maritime Security Center Horn of Africa
NATO	North Atlantic Treaty Organization
RPG	Rocket Propelled Grenade
SSGN	Ship, Submersible, Guided Missile, Nuclear powered
SWO	Surface Warfare Officer
SUA	Suppression of Unlawful Acts
TFG	Transitional Federal Government

UAE	United Arab Emirates
UN	United Nations
UNOSOM	United Nations Operation in Somalia
WFP	World Food Program



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I would like to thank my wife, Kathleen, for her constant support and understanding with all the effort that was put into this thesis. I would also like to thank my parents, who, as always, provided me with the encouragement necessary for me to be where I am today.

I also am thankful for the time and effort spent by my thesis advisors. Despite several academic obligations, Professors Robert Looney and Erik Dahl were always able to find time to assist me with my thesis.

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## **I. INTRODUCTION**

### **A. MAJOR RESEARCH QUESTION**

While many people believe piracy to be something daring and magical, as depicted through Disney movies, the reality is that piracy is a real and ever-growing threat to seafarers. Ships of all trade, military or civilian, are at the risk of attack at any given moment, and pirates are becoming more and more ruthless in their actions. Piracy affects its victims in many ways, including emotionally and physically. One of the most important and least understood impacts of piracy is its financial cost. This thesis will seek to answer the questions, what are the overall financial impacts that piracy has on global economies? How does this financial impact affect the United States Navy, and possibly affect its capability to provide homeland defense and security? And, what are possible solutions to combat this threat?

### **B. IMPORTANCE**

Researching this impact would provide relevant information regarding the true impact of piracy overall. United States policymakers are aware of the growing threat piracy creates. In fact, "some members of the 111th Congress have expressed concern about the threat posed by piracy, and President Obama has stated that his Administration is resolved to halt the growth of piracy in

the Horn of Africa region."<sup>1</sup> Furthermore, "the Obama Administration has outlined its policy response to the threat of piracy and pledged to continue working through interagency and multilateral coordination and enforcement mechanisms established during the Bush Administration."<sup>2</sup>

### **C. BACKGROUND AND LITERATURE REVIEW**

There are many different aspects of piracy, and with the passage of time and changes in technology, it can be difficult to distinguish piracy from other types of criminal behavior. In order to accurately determine the financial cost of piracy, and to identify ways to combat this problem, we must first agree on a definition. This thesis will use the definition found in the United Nations Law of the Sea convention (LOS), which defines piracy as:

Consisting of any of the following: (a) any illegal acts of violence or detention, or any act of depredation, committed for private ends by the crew or the passengers of a private ship or a private aircraft, and directed: (i) On the high seas, against another ship or aircraft, or against persons or property on board such ship or aircraft; (ii) Against a ship, aircraft, persons, or property in a place outside the jurisdiction of any state; (b) Any act of voluntary participation in the operation of a ship or of an aircraft with knowledge of facts making it a pirate ship or aircraft; (c) Any act of inciting or of intentionally facilitating an act described in subparagraph (a) or (b).<sup>3</sup>

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1 Lauren Ploch, Christopher M. Blanchard, Ronald O'Rourke, R. Chuck Mason, and Rawle O. King, "Piracy off the Horn of Africa," Congressional Research Service, 28 September 2009, "SUMMARY" page.

2 Ibid.

3 United Nations Convention on the Law of the Sea, Article 101, 1982.

Following these guidelines allows us to determine from available sources if someone is engaging in piracy-like behaviors, which in turn makes it easier to relate pirate occurrences to their financial impact.

After identifying pirates, it is important to understand the different methods by which pirates attack. While methods of pirate attacks differ, the literature on maritime piracy describes four major types of attacks. These four types include: robbery of a vessel at sea, hijacking of vessels, kidnapping for ransom, and attacks on vessels berthed in harbors or at anchor.<sup>4</sup> Each of these methods illustrates the link between financial issues and piracy.

First, robbery at sea: with more than 3,600 acts of international piracy and armed robbery at sea between 1998 and 2008, it is important to observe exactly how the acts were carried out, as well as what the end results were (successful/unsuccessful).<sup>5</sup> This is vital information because it provides specific details involving what types of people were involved in the piracy, as well as what their ultimate goals were; and, most important for this thesis, this information often suggests that acts of piracy are committed for financial motives. For example, in 1997 the Asian Financial Crisis led many civilians to explore alternative options to supplement lost income, including

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4 Catherine Zara Raymond, "Piracy and Armed Robbery in the Malacca Strait: A Problem Solved?" *Naval War College Review*, Vol. 62, No. 3 (Summer 2009): 31-42.

5 Matthew Chambers, "International Piracy and Armed Robbery at Sea," RITA Bureau of Transportation Statistics: Special Report (April 2010): 4.

turning to piracy.<sup>6</sup> Rather than changing careers to piracy, these citizens were desperate to make ends meet and their pirate behaviors lasted for a short period of time. In turn, during the late 1990s and early into the new millennium, there was increased speculation that terrorists and pirates could begin to collaborate in their efforts. In fact, when al-Qaida launched its attack on the twin towers, they were noted as "demonstrating that ordinary means of transportation could be utilized to carry out large-scale attacks on economically important targets."<sup>7</sup>

Second, the threat of vessels being hijacked was vividly demonstrated on 15 November 2008, when a Saudi supertanker, the "Sirius Star," was captured by Somalia pirates more than 450 nautical miles off the coast of Kenya. The ship was valued at over \$150 million while the value of the oil on board was valued at around \$100 million. The Somali pirates demanded a ransom of \$3 million, which was parachuted on board after more than two months of negotiations.<sup>8</sup> This is a perfect example of how piracy affects the economy globally. Including the ransom amounts, companies can expect to pay well into six figures for consultants, legal expenses, and cost of delivery of the ransom, according to Clive Stoddart, head of the kidnap and ransom team at Lloyd's broker Aon. Mr. Stoddart advises ship owners to review their insurance coverage, if transiting the Gulf of Aden or parts of the Indian Ocean,

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<sup>6</sup> Raymond, "Piracy and Armed Robbery in the Malacca Strait."

<sup>7</sup> Ibid.

<sup>8</sup> Ndumbe J. Anyu and Samuel Moki, "Africa: the Piracy Hot Spot and Its Implications for Global Security," *Mediterranean Quarterly*, vol. 20, no. 3 (Summer 2009): 95-121.

in order to ensure they have an adequate policy to cover them in the case they are attacked by pirates.<sup>9</sup>

The third and fourth methods used in high profile attacks were kidnapping crews and attacking ships in port and at anchor. In some cases, companies were forced to pay ransoms, which in turn not only encouraged more kidnappings, but eventually funded weaponry and artillery to be used in future attacks. In one particular pirate attack, the ransom was tracked through Kenya and Ethiopia in forms of real estate.<sup>10</sup>

In addition to the cost associated with methods of piracy, the financial impact of piracy is growing due to the extended reach of pirates in the early 21st century. Due to the increased patrols that navies are conducting, Somali pirates are now pursuing new areas in which to operate. According to Admiral Mark Fitzgerald, head of the U.S. naval forces in Africa, the fact that "pirates are operating as far as the Seychelles—nearly 900 miles from Somalia—to some extent shows how effective international anti-piracy efforts have become."<sup>11</sup> Admiral Fitzgerald also noted that there are not enough ships to be everywhere: "we've seen [pirates] as far as India, in the Mozambique Channel down south. We could put fleets of ships out there

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9 "Pirates Resume Activity-and widen their net," [http://www.lloyds.com/News\\_Centre/Features\\_from\\_Lloyds/News\\_and\\_features\\_2009/Market\\_news/Pirates\\_resume\\_activity\\_and\\_widen\\_their\\_net.htm](http://www.lloyds.com/News_Centre/Features_from_Lloyds/News_and_features_2009/Market_news/Pirates_resume_activity_and_widen_their_net.htm) (accessed May 10, 2010).

10 Christopher P. Cavas, "To Fight Pirates, Follow the Money: U.S. Admiral," Defense News, 19 April 2010, 28.

11 Ibid.

... and we still wouldn't be able to cover the whole ocean."<sup>12</sup> Clamping down on the activities of Somali pirates off the Horn of Africa will require international navies to target the brigands' motherships and governments to go after the financial backers of such groups, maritime analysts say.<sup>13</sup> From January to May 2010, there have been a total of 116 pirate attacks, 20 vessel hijackings and 389 hostages taken worldwide. "Sixty-five of those attacks took place off the Horn of Africa, involving 17 hijackings and 362 hostages."<sup>14</sup> Due to the increased piracy operations, and the pirates' ability to operate further off their coast (up to 1,000 nautical miles), the trade routes have been affected to various countries such as Kenya.<sup>15</sup>

The financial costs of piracy are also being driven upwards by the costs of defensive measures. For example, the Gulf of Aden and the Red Sea saw a 123 percent increase in pirate attacks from 2007-2008.<sup>16</sup> This is important because while United States flagged ships have rarely been targeted, ships transporting goods to and from the United States have been attacked in these waters. This makes piracy a global concern. Approximately 12 percent of the world's petroleum passes through this specific waterway, which is considered one of the busiest and most important

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12 Christopher P. Cavas, "To Fight Pirates, Follow the Money: U.S. Admiral," Defense News, 19 April 2010, 28.

13 David Pugliese, "Experts: Target Pirates' Motherships, Financing," Defense News, 3 May 2010, 24.

14 Ibid.

15 Ibid.

16 Matthew Chambers, "International Piracy and Armed Robbery at Sea," RITA Bureau of Transportation Statistics: Special Report (April 2010): 1.



waterways in the world. If a ship were to fall under attack here, the financial obligations can fall to the flag state of the vessel, to the various states of nationality of the seafarers taken hostage, the regional coastal states, owner states, cargo owners, or even the destination states.<sup>17</sup> Attacks here can cause environmental damage as well and eventually cause an increase in vessel operating costs to provide sufficient support and defenses.<sup>18</sup> The cost to clean up any environmental damage incurred from a pirate attack can fall to any or a combination of the aforementioned parties.

Although piracy involves many kinds of economic costs, there is no consensus in the literature on just how high that cost is. According to Stephanie Hanson, Council on Foreign Relations, "there is no quantitative research available on the total cost of global piracy."<sup>19</sup> Hanson writes that:

Estimates vary widely because of disagreement over whether insurance premiums, freight rates, and the cost of reroutings should be included with, for instance, the cost of ransoms. Some analysts suggest the cost is close to \$1 billion a year, while others claim losses could range as high as \$16 billion.<sup>20</sup>

Other scholars estimate the possible range of the cost of piracy to global maritime commerce as between \$500

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17 National Security Council, "Countering Piracy Off the Horn of Africa: Partnership & Action Plan," (December 2008): 4.

18 Matthew Chambers, "International Piracy and Armed Robbery at Sea," RITA Bureau of Transportation Statistics: Special Report (April 2010): 3.

19 Stephanie Hanson, "Combating Maritime Piracy," <http://www.cfr.org/publication/18376/#p2> (accessed May 15, 2010).

20 Stephanie Hanson, "Combating Maritime Piracy," <http://www.cfr.org/publication/18376/#p2> (accessed May 15, 2010).

million and \$25 billion per year.<sup>21</sup> My thesis is intended to expand and improve on this research.

#### **D. PROBLEMS AND POSSIBLE SOLUTIONS**

Responses to the problem of maritime piracy can be seen as taking place at two levels: at the level of the international community, and at the level of individual naval operations. At the international level, due to the "damage" piracy is inflicting on the commercial shipping business, the United Nations Security Council passed four resolutions: 1816, 1838, 1846, and 1851. Resolution 1816 was created on 2 June 2008 and allows naval forces cooperating with the Transitional Federal Government of Somalia to pursue pirates into Somalia's ungoverned territorial waters.<sup>22</sup> Resolution 1838 was passed in October of 2008 and focused on the concern organizations were having towards pirate attacks aimed at the World Food Program shipments to Somalia.<sup>23</sup> Resolution 1846 was adopted on 2 December 2008 and recommended that the 1988 Suppression of Unlawful Acts Convention (which protects the safety of ships and the security of their passengers and crews from unlawful, threatening acts) can be applied in

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21 Lesley Anne Warner, "Pieces of Eight: An Appraisal of U.S. Counterpiracy Options in the Horn of Africa," *Naval War College Review*, Vol. 63, No. 2 (Spring 2010): 16. On the debate over the cost of maritime piracy, see also: Arthur Bowring, "The Price of Piracy," *The Wall Street Journal*, November 25, 2008; J. Peter Pham, "The Pirate Economy," *ForeignPolicy.com*, April 2009, [http://www.foreignpolicy.com/articles/2009/04/12/the\\_pirate\\_economy](http://www.foreignpolicy.com/articles/2009/04/12/the_pirate_economy); and Michael D. Greenberg, et al., *Maritime Terrorism: Risk and Liability* (Santa Monica, CA: RAND, 2006).

22 Commander James Kraska, "Grasping "The Influence Of Law On Sea Power" *Naval War College Review*, Vol. 62, No. 3 (Summer 2009): 129.

23 Commander James Kraska, "Grasping "The Influence Of Law On Sea Power" *Naval War College Review*, Vol. 62, No. 3 (Summer 2009): 129.

the extradition and prosecution of pirates.<sup>24</sup> Resolution 1851 was created two weeks later, authorizing states to take action against safe havens utilized by pirates ashore in Somalia.<sup>25</sup> Upon the adoption of these four new UN Security Council Resolutions, the United Kingdom and the United States signed a cooperative counter-piracy agreement with Kenya.<sup>26</sup> Upon signing the agreement, the United States conducted the first transfer of a group of individuals recently captured on suspicion of conducting piracy operations to Kenya for trial.

Navies around the world have joined the United States in revamping their patrols on the open ocean. Countries have taken an increased interest in not only defending their commercial shipping vessels, but also protecting the routes they utilize in order to deliver their goods. Due to the fact that Somalian pirates are indiscriminate to what vessels they attack, any and all vessels are at risk of being hijacked or attacked. The only concern to pirates is the ransom which will eventually be paid in order to release the crew and vessel. For these reasons, several countries, such as the United Kingdom, China, India and the United States, have increased not only increased awareness and concern for this issue, but have also taken active role in patrolling waterways to help combat this threat.

At the level of U.S. naval operations, according to Admiral Fitzgerald, there are two new United States Navy

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24 Commander James Kraska, "Grasping "The Influence Of Law On Sea Power" Naval War College Review, Vol. 62, No. 3 (Summer 2009): 129.

25 Ibid.

26 Ibid.

ship types that have either been utilized or are planned to be utilized to assist with the anti-piracy efforts.<sup>27</sup> One of the platforms currently in use is the SSGN (Ship, Submersible, Guided Missile, Nuclear powered) special operations/cruise missile nuclear submarine. Going in to few details (due to the sensitivity of the missions), Admiral Fitzgerald noted that "this submarine has been used in the Somali basin and has proven to be a very effective platform."<sup>28</sup> The second type of Navy platform he is planning on utilizing is the new Littoral Combat Ship (LCS).<sup>29</sup>

#### **E. METHODS AND SOURCES**

Resources such as periodicals, scholarly journal, ships logs, and reputable news organizations have been utilized. I have also contacted Terry R. McKnight, Rear Admiral USN (retired), who is highly knowledgeable in terms of piracy, for background information and advice throughout my research. His most recent tour of duty prior to retiring was the commander of Combined Task Force 151. Combined Task Force 151 (CTF-151) was established by Combined Maritime Forces (CMF) and assigned the primary task of counter-piracy operations. Once all research is compiled, information will be organized into sections covering the cost of defensive measures, the cost of offensive measures, and other related topics that further support the financial impact of piracy on the world.

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27 Cavas, "To Fight Pirates, Follow the Money," 28.

28 Ibid.

29 Ibid.

James Kraska writes that "More than 90 percent of global trade is conducted over the sea-lanes. Ensuring maritime security requires a concerted effort among littoral and coastal states, landlocked and port states, and especially flag states, working in conjunction with international organizations and the maritime industry."<sup>30</sup> Counter-piracy operations are an ever-growing task for the United States military and their allies. "Piratical attacks in the Gulf of Aden expose civil shipping to dangers not experienced since the Iran-Iraq 'tanker war' of the 1980s."<sup>31</sup> Being a Surface Warfare Officer (SWO) in the United States military, I take an amplified interest in the current and future problems that acts of maritime piracy create.

#### **F. THESIS OVERVIEW**

Chapter I will be the introduction, discussing the questions to be examined, the importance of the topic, and reviewing the literature. Chapter II will be a brief history and overview of maritime piracy. Chapter III will focus on the economic impact of maritime piracy, and Chapter IV will discuss possible solutions to the growing threat of piracy. Chapter V will provide conclusions and present recommendations for U.S. policy.

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30 Commander James Kraska, "Grasping 'The Influence Of Law On Sea Power,'" Naval War College Review Vol. 62 No. 3 (Summer 2009): 123.

31 Commander James Kraska, "Grasping 'The Influence Of Law On Sea Power,'" Naval War College Review Vol. 62 No. 3 (Summer 2009): 128.

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## **II. BRIEF HISTORY AND OVERVIEW OF MARITIME PIRACY**

### **A. INTRODUCTION**

The purpose of this section is to explore the history of maritime piracy. Throughout the overview, I will discuss how maritime piracy has evolved, as well as note where the "hot" areas are presently in the world. I will also address how the Gulf of Aden and the Horn of Africa (HOA) regions have become increased areas of pirate attacks. We finally note that the country of origin for almost all of these pirates is Somalia.

### **B. PIRACY: AN OLD-FASHIONED STRATEGY**

Piracy has been a part of societal concern long before colonial times. Contrary to popular belief, the first noted act of piracy came even before the infamous Vikings. The Sea Peoples were the first documented pirates of the 13<sup>th</sup> century, BC, who raided the Mediterranean and Aegean Seas.<sup>32</sup> Scandinavian bandits later arrived during the Viking Age through the Early Middle Ages. The Scandinavians, or Vikings, were famous for striking fear into the hearts of sea travelers near Western Europe and Northern Africa. Because there was no majority rule in this area and villages suffered from political turmoil, this offered a breeding ground for these particular brigands to thrive. If the Vikings were not occupied terrorizing towns and cities, they were capturing European

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32 Edberhard Zangger, "Who Were The Sea People?," <http://www.saudiaramcoworld.com/issue/199503/who.were.the.sea.people..htm> (May/June 1995, Vol. 46, No. 3) Accessed September 4, 2010.

ships which were out to sea. They would loot them for all their valuables before capturing the ship and/ or killing the crew.

Piracy truly began when commerce expanded across large bodies of water. Although sea trade began many years ago, it has evolved with development of new technology. Although sea piracy has adapted through technological means, the principles remain the same. Somalia pirates evolved from hijacking fishing vessels and stealing their catch, to quickly realizing there was a very lucrative future in targeting much larger commercial vessels. They were able to successfully conduct these operations with the use of more sophisticated weapons and transportation as the basis of their adaptation to current trends.

#### **C. THE MODERN DAY PIRATE**

It is now common for modern day pirates to be highly trained fighters. They utilize Rocket Propelled Grenades (RPGs), antitank missiles, automatic machine guns, hand grenades, global positioning systems (GPS), and satellite phones while at the same time utilizing a more modern and faster modes of transportation. Use of radar has also increased the range off shore which pirates can now reach. This increased range has allowed the pirates a chance to capture the larger commercial ships, but has also enhanced the burden on ships, crew, and the owners of these ships or companies. With the capture of larger ships, businesses are more willing to pay the ransom for which the pirates are demanding.



Unfortunately for companies, it is usually cheaper in the long run for them to pay out any ransoms than it is for them to lose their cargo along with their ship and crewmembers. To illustrate this phenomenon, consider the case of the Saudi supertanker, the *Sirius Star*, and her crew when they experienced such a situation on 15 November 2008,. The supertanker and crew were captured by Somalia pirates more than 450 nautical miles off the coast of Kenya. The ship had an estimated value of over \$150 million dollars. The value of the oil on board the vessel was valued at around \$100 million dollars. The Somalia pirates demanded a ransom of \$3 million dollars, which was parachuted on board after more than two months of negotiations.<sup>33</sup>

By attacking larger ships, pirates were able to increase their ransom demands, and ultimately receive what they asked for. This is a perfect example of how piracy impacts the economy globally. Companies do not just hand over large amounts of cash and go on about their business. In reality, companies can expect to pay well into six figures for consultants, legal expenses, and cost of delivery of the ransom according to Clive Stoddart, head of the kidnap and ransom team at Lloyd's broker Aon. To ensure coverage, Stoddart advises ship owners to review their insurance coverage if vessels are transiting the Gulf

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33 Ndumbe J. Anyu and Samuel Moki, "Africa: The Piracy Hot Spot and Its Implications for Global Security," *Mediterranean Quarterly*, (Summer 2009): 107.

of Aden or parts of the Indian Ocean, thus securing an adequate policy to cover them in the case they are attacked by pirates.<sup>34</sup>

The capture and release of the *Sirius Star* was a high profile attack with minimal damage. Unfortunately, other high profile attacks not only caused damage to ships and cargo, but also involved kidnapping of crews, and in cases when companies were forced to pay ransoms, they not only encouraged more kidnappings and attacks, but eventually funded weaponry and artillery to be used in future attacks. In one particular pirate attack, the ransom was tracked through Kenya and Ethiopia in forms of real estate. These investments were suspected of being used to house pirates, convicts, rebels, dirty money, weapons, etc.<sup>35</sup> These investments ultimately support the pirates in their criminal endeavors.

It was not until the Somalia civil war when Somalia rebels became a part of the piracy action, although they were earlier examples of piracy in Africa, such as that carried out by Nigerians in the 1970s and 1980s. After battling in the civil war, the Harti and Tanade clans broke away from the country and formed their own self-governed state in the northeastern portion of the country and called it Puntland. Puntland is the main base for these pirates. Currently there are approximately five gangs in this area.

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34 Pirates Resume Activity- and widen their net, [http://www.lloyds.com/News\\_Centre/Features\\_from\\_Lloyds/News\\_and\\_features\\_2009/Market\\_news/Pirates\\_resume\\_activity\\_and\\_widen\\_their\\_net.htm](http://www.lloyds.com/News_Centre/Features_from_Lloyds/News_and_features_2009/Market_news/Pirates_resume_activity_and_widen_their_net.htm) (November 2009).

35 Christopher P. Cavas, "To Fight Pirates, Follow the Money: U.S. Admiral," Defense News, (Accessed May 10, 2010).

Each pirate group comprises of a total of at least 1,000 men ranging in age from 20-35 years of age.<sup>36</sup> Since the formation of Puntland, Somalia's coast has progressively climbed the chart as one of the most dangerous sea-lanes in the world in terms of maritime piracy.<sup>37</sup>

The popularity and extreme success of piracy off the coast of Africa can be credited to three sources. These three reasons are "poverty, the treaties governing maritime transport, and the absence of good governance or presences of failed states."<sup>38</sup> Some African countries have struggled to create not only an independent political structure, but an economic system to support it. Africans in coastal states that were vulnerable to the vagaries of the world economy and highly dependent on commodity export prices also frequently lacked reliable access to educational and economic opportunities. Thus, "illiteracy, a low standard of living, high rates of dependency, lack of opportunities for educational advancement, and a dependent economy contributed to the fostering of an overwhelming level of poverty in several African countries", which continue to affect the region to this present day.<sup>39</sup> When conditions became particularly tenuous, citizens of African coastal countries turned to the sea to find a new way to survive. Trade, both imports and exports and trade transported via

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36 Xan Rice, Lee Glendinning, "Pirates anchor hijacked supertanker off Somalia coast," *Guardian.co.uk*, (November 2008): 1.

37 Ndumbe J. Anyu and Samuel Moki, "Africa: The Piracy Hot Spot and Its Implications for Global Security," *Mediterranean Quarterly*, vol. 20 no. 3 (Summer 2009): 103.

38 *Ibid.*, 99.

39 *Ibid.*, 100.

coastal maritime routes, was a major source of revenue for most of these countries. As maritime trade picked up, some individuals, particularly where the rule of law was weak, realized that a valuable opportunity they presented itself. Raiding and looting of visiting and transiting ships or hijacking and then selling these newly acquired commodities for a profit became a way of life for some.<sup>40</sup>

#### **D. METHOD OF ATTACK**

As stated in the introduction, four main methods of pirate attack on commercial shipping have been observed. These four types include robbery of a vessel at sea, hijacking of vessels, kidnapping for ransom, and attacks on vessels berthed in harbors or at anchor.<sup>41</sup> With more than 3,600 acts of international piracy and armed robbery at sea between 1998 and 2008, it is important to observe exactly how the acts were carried out as well as what the end results were (successful/ unsuccessful).<sup>42</sup> This is vital information because it provides specific details involving what types of people were involved in the piracy, as well as what their ultimate goals were. For example, in 1997 the Asian Financial Crisis led many civilians to explore alternative options to supplement lost income, including

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40 Ndumbe J. Anyu and Samuel Moki, "Africa: The Piracy Hot Spot and Its Implications for Global Security," *Mediterranean Quarterly*, vol. 20 no. 3 (Summer 2009): 100.

41 Catherine Zara Raymond, "Piracy and Armed Robbery in the Malacca Strait: A Problem Solved?" *Naval War College Review* Vol. 62 No. 3 (Summer 2009): 31.

42 Matthew Chambers, "International Piracy and Armed Robbery at Sea," *RITA Bureau of Transportation Statistics: Special Report* (April 2010): 1.

turning to piracy.<sup>43</sup> Fortunately, citizens did not change careers to piracy. These individuals were desperate to make ends meet and their pirate behaviors lasted for a short period of time. In turn, during the late 1990's and early into the new millennium, there was increased speculation that terrorists and pirates could begin to collaborate their efforts. In fact, when al-Qaida launched its attack on the twin towers, they were noted as "demonstrating that ordinary means of transportation could be utilized to carry out large scale attacks on economically important targets".<sup>44</sup>

Moreover, piracy became so successful because it was not only common practice, but also common knowledge, that commercial vessels traveled unarmed as well as traveling with a small efficient crew. This small crew allowed the cost to transport the merchandise from port to port to remain relatively low. Amateur pirates were aware of this information and used it to their advantage. Commercial vessels became easy targets with an endless supply of income.

Finally, in terms of maritime piracy, African government officials did very little to combat piracy. The corruption of the African governments, along with these agencies ignoring the cry for help from the owners of the commercial vessels under attack, and the reality that

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43 Catherine Zara Raymond, "Piracy and Armed Robbery in the Malacca Strait: A Problem Solved?" *Naval War College Review* Vol. 62 No. 3 (Summer 2009): 31.

44 Catherine Zara Raymond, "Piracy and Armed Robbery in the Malacca Strait: A Problem Solved?" *Naval War College Review* Vol. 62 No. 3 (Summer 2009): 31.

governments have assigned this problem a low priority status has only fueled the frequency of attacks. When the pirates realized the corrupted governments were ignoring the crews cry for help, in a way they became more confident and not only increased the frequency of their attacks, but also increased the level of violence in their weapons they utilized.<sup>45</sup>

#### **E. THE MODERN DAY PIRATE: INCREASINGLY COMPLEX AND DANGEROUS**

Modern day pirates have steadily evolved. Through the acquisition of advanced weaponry and technology, they have been able to attack larger sea-going vessels (whose values are estimated to be around several million dollars), and attack farther off the coast of Somalia, as noted in the *Sirius Star* example previously mentioned. With these advancements, maritime piracy only expanded.

While maritime piracy is steadily expanding, three distinct pirate groups have been found in Somalia. These groups are "the Northern gang, based in Eyl; the Central gang, based in Hobyo; and the Southern gang, based in Harardera."<sup>46</sup> Interestingly, these groups originally relied on the fishing industry to make a living. "Reports suggest that illegal fishing and dumping have disrupted Somalia's coastal economy."<sup>47</sup> Due to this disruption, the Somalia pirates feel justified in their career changes to piracy.

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45 Catherine Zara Raymond, "Piracy and Armed Robbery in the Malacca Strait: A Problem Solved?" *Naval War College Review* Vol. 62 No. 3 (Summer 2009): 31.

46 "Piracy off the Horn of Africa," Congressional Research Service, 28 September 2009, 7.

47 Ibid., 8.

United Nations (U.N.) Special Representative to Somalia Ahmedou Ould-Abdallah, states that "poverty, lack of employment, environmental hardship, pitifully low incomes, reduction of pastoralist and maritime resources due to drought and illegal fishing and a volatile security and political situation all contribute to the rise and continuance of piracy in Somalia."<sup>48</sup> While maritime pirates parallel these charges, there are some differences. In fact, "one of the unique characteristics of Somali piracy has been the taking of hostages for ransom."<sup>49</sup>

"Unlike pirate attacks in Strait of Malacca or Nigeria, where ships are boarded either to take the vessel or its contents, pirates off the Horn of Africa (HOA) routinely take the target vessel's crew hostage in return for ransom payments."<sup>50</sup> One of the main reasons for this distinction in the type of attacks committed in these different regions is mainly a result of where the pirates operate from. These particular pirates have a "sanctuary on land in Somalia and in its territorial waters from which they can launch pirate attacks and conduct ransom negotiations."<sup>51</sup>

Having this sanctuary is a key advantage that the Somalian pirates have in comparison to other piracy groups.

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48 International Expert Group on Piracy off the Somali Coast, Final Report: Workshop commissioned by the Special Representative of the Secretary General of the UN to Somalia Ambassador Ahmedou Ould-Abdallah, November 10-12, 2008, Nairobi, Kenya.

49 Congressional Research Service, "Piracy off the Horn of Africa," 28 September 2009, 10.

50 Ibid.

51 Ibid.

Other maritime pirates do not have similar, large safe havens in which they bring their hostages back in order to demand a ransom. Most pirates operate directly from their vessels, which presents a problem when trying to negotiate for ransoms. Unfortunately for these pirates, there are not many places to hide, nor do they have the accommodations to use as leverage in their negotiations with the hostages' host countries. Due to the sanctuary the Somali's have, "this has presented maritime security forces with significant challenges to traditional engagement strategies and tactics."<sup>52</sup> Somalia, although still developing, is an internationally recognized country. This means that in order to conduct any type of operation to rescue hostages, governments agencies would have to coordinate with the Somalian government. This would be a difficult task to accomplish given the fact that the government in Somalia is highly corrupted.

The Somali government, following a checkered history of failed attempts at central government, finally collapsed in the early 1990s.<sup>53</sup>

There have been several attempts, since the mid 1990s, by a number of countries to put forth an effort to try and establish a legitimate government in Somalia. Some of these international efforts to rebuild and restructure Somalia "have included two United Nations sponsored peacekeeping missions, UNOSOM (United Nations Operation in Somalia) I and UNOSOM II, that were abandoned in the mid-

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<sup>52</sup> "Piracy off the Horn of Africa," Congressional Research Service, 28 September 2009, 10.

<sup>53</sup> Bruce A. Apgar, Jr, "Countering 21st century piracy in the Horn of Africa," Strategy Research Project, 18 February 2010, 4.



1990s."<sup>54</sup> Apagar reports that, "Currently, the African Union is conducting a UN sanctioned stability mission in Somalia (AMISOM)."<sup>55</sup> The intent of AMISOM is to try and

stabilize the security situation, including the take over from Ethiopian Forces, and to create a safe and secure environment in preparation for the transition to the UN"<sup>56</sup> through a peaceful support operation.

By establishing and maintaining a secure government, tribes can hope to slowly, but surely push out piracy in this region.

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54 The United Nations Home Page, <http://www.un.org/en/peacekeeping/missions/past/unosom2.htm> (accessed December 20, 2009).

55 Apagar, "Countering 21st century piracy in the Horn of Africa," 4.

56 AMISOM Mission Statement, <http://www.africa-union.org/root/AU/AUC/Departments/PSC/AMISOM/amisom.htm> (accessed August 2010).

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### III. ECONOMIC IMPACT OF MARITIME PIRACY

#### A. INTRODUCTION

The threat of maritime piracy reaches all aspects of and around the Indian Ocean today. The various companies shipping the merchandise, as well as the country of Somalia are equally at risk. Included in these risks are damages to infrastructure. Of the 195 countries in the world, each has its own individualized infrastructure. Whether discussing hard or soft infrastructures, each caters to the country's individual needs and expectations. More specifically, in some scenarios other countries may find that they also rely on these particular infrastructures for their everyday functioning. Discussed here are the hard infrastructures, or large physical networks necessary for functioning, within the country of Somalia. In particular, we intend to identify information regarding the hard infrastructure of seaports as categorized under the transportation infrastructure, and how it is vulnerable to piracy. In addition to addressing infrastructure vulnerabilities, this chapter will also discuss the overall cost of piracy as found by published records.

In today's economy, the oceans have increased importance, allowing all countries to participate in the global marketplace. More than 80 percent of the world's trade travels by water and forges a global maritime link.<sup>57</sup>

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<sup>57</sup> George W. Bush, The National Strategy for Maritime Security, (September 2005): 1.

While Somalia is still a developing country and not industrialized, because of its locality, citizens are able to import and export commodities easily, thus providing revenue to rebuild other necessary infrastructures. With the Gulf of Aden and the Indian Ocean surrounding the country, Somalian's were able to build a total of four seaports for transporting and selling their goods. With the means of maritime access in place, Somalia has found a way to earn a gross domestic product (GDP) value of approximately \$5.6 billion.<sup>58</sup> Unfortunately, these waters are also considered home to many pirates. They attack all types of ships sailing or docking in these areas, and have been claimed to be some of the most dangerous waters in the world.

#### **B. SOMALIA MARITIME TRANSPORTATION**

The four major seaports of Somalia are Mogadishu, Berbera, Kismayo, and Bossaso. Mogadishu is no longer active due to civil unrest, Kismayo is deemed closed to UN ships, while the remaining seaports "fall under independent port authorities set up by local clans."<sup>59</sup> This leaves two major seaports available for importing and exporting goods throughout the world. Through these ports, Somalia has enabled a working partnership with the United Arab Emirates (UAE), Yemen, and Saudi Arabia and exports various commodities to these countries. These goods range anywhere from livestock, bananas, hides, fish, charcoal, to scrap

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<sup>58</sup> The World Factbook, <https://www.cia.gov/library/publications/the-world-factbook/geos/so.html> (Accessed 9 September 2010)

<sup>59</sup> Log Cluster, <http://www.logcluster.org/ops/som/maritime-rivers-transport/somali-ports> (Accessed 9 September 2010).

metal. The UAE receives approximately 58 percent of Somalia's exports while Yemen receives around 20 percent and Saudi Arabia about 4 percent.<sup>60</sup> These exports generate nearly \$300 million a year, while their imports are in the range of \$798 million.<sup>61</sup>

An important thing to note when addressing importing and exporting goods within the aforementioned countries is the stakeholders who take ownership in these transactions. According to the CIA World Fact Book, Somalia has one commercial shipping vessel and it is owned by the United Arab Emirates (UAE).<sup>62</sup> This, in turn, means that Somalia's maritime transportation system is primarily controlled by the United Arab Emirates. While the UAE is able to capitalize on this situation, the Somalian government also benefits from having this vessel operate out of Berbera and Bossaso. This UAE controlled commercial shipping vessel is the primary resource for all exported goods helping to generate a source of income for the country. Somalia's main source of imported goods comes from Djibuti, 29.2%, followed closely by India, 11.9%.<sup>63</sup> In this area in particular, the waterways serve as a vast commercial shipping highway where only "a handful of international straits and canals pass 75 percent of the world's maritime trade and half its daily oil consumption. International

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<sup>60</sup> The World Factbook, <https://www.cia.gov/library/publications/the-world-factbook/geos/so.html> (Accessed 9 September 2010)

<sup>61</sup> Ibid.

<sup>62</sup> The World Factbook, <https://www.cia.gov/library/publications/the-world-factbook/geos/so.html> (Accessed 9 September 2010)

<sup>63</sup> Economy Watch, [http://www.economywatch.com/world\\_economy/somalia/export-import.html](http://www.economywatch.com/world_economy/somalia/export-import.html) (Accessed 2 December 2010)

Commerce is at risk in the major trading hubs as well as at a handful of strategic chokepoints."<sup>64</sup> Also, approximately eight percent of the annual world trade passes through the Gulf of Aden, so it is in Somalia's best interest to maintain these seaports.

While trade amongst the UAE, Yemen, and Saudi Arabia offer opportunities for Somalia to develop, it also leaves the seaports vulnerable to environmental damage. Not only can the ports suffer from the constant movement of vessels coming in and out, but this also leaves structures vulnerable to waste from ships. Also, pirate attacks at these ports can cause environmental damage, leading to an increase in vessel operating costs to provide sufficient support and defenses.<sup>65</sup> This forces Somalians to channel their income further into the seaport infrastructure, when it could be otherwise used to develop other necessary infrastructures. In a failed country it can be a daunting and challenging task to work on more than one infrastructure at a time. The easiest thing for Somalia to do is concentrate on rebuilding their seaport infrastructure first. This will help generate a solid source of income. With a steady, increased income, Somalia can begin to finance other infrastructures that need support. In the end this will create jobs for the Somalian citizens which will improve their quality of living as a whole.

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<sup>64</sup> George W. Bush, The National Strategy for Maritime Security, (September 2005): 1.

<sup>65</sup> Matthew Chambers, "International Piracy and Armed Robbery at Sea," RITA Bureau of Transportation Statistics: Special Report (April 2010): 3.

### C. SUPPORT

With pirates claiming home in Somalia, the seaports of Berbera and Bossaso hold greater risks than environmental damage. Not only does this problem affect Somali clans, but it also affects those who import goods from this country. "Clamping down on the activities of Somali pirates off the Horn of Africa will require international navies to target the brigands' mother ships and governments to go after the financial backers of such groups, maritime analysts say."<sup>66</sup> Because Somalia does not have the infrastructure to support a strong military, international militaries have to intervene in solving this pirate issue. In fact, since 2005, 27 ships ported in Somalia have been hijacked by pirates and later used for hijacking additional ships. This has caused the United States to ban all dockage of United Nations or humanitarian ships in Somalia.<sup>67</sup>

The United States and the United Nations are not the only ones affected by the lack of defense for the seaport infrastructure. "The World Food Program (WFP) ships tens of thousands of metric tons of food monthly to the Horn of Africa region."<sup>68</sup> Additionally, to pass through these dangerous waters, insurance companies require an additional \$10,000-\$20,000 fee which must be purchased prior to each

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<sup>66</sup> David Pugliese, "Experts: Target Pirates' Motherships, Financing," *Defense News*, 3 May 2010, 24.

<sup>67</sup> Log Cluster, <http://www.logcluster.org/ops/som/maritime-rivers-transport/somali-ports> (Accessed 9 September 2010).

<sup>68</sup> Lauren Ploch, Christopher M. Blanchard, Ronald O'Rourke, R. Chuck Mason, Rawle O. King, "Piracy off the Horn of Africa," Congressional Research Service, 28 September 2009, 14.

transit within these ports or waters to cover potential risks.<sup>69</sup> With the increase in the cost to ship these commodities, a greater chance of being attacked by maritime pirates, and insufficient funding to these programs, this prompted the WFP to announce they would be closing feeding centers in Somalia.<sup>70</sup> With the closing of these feeding centers, the potential for millions of not just Somalians, but citizens of other countries in the region, who rely on this program, to suffer or die from starvation is greatly increased.

#### **D. RISKS**

The pirates that operate out of the seaport infrastructures in Somalia offer a significant threat to vessels traveling to and from Somalia, as well as traveling through the Indian Ocean or the Gulf of Aden. This has become an international problem. We again note the infamous attack on the Saudi supertanker, the *Sirius Star* on 15 November 2008. The Somalia pirates demanded a ransom of \$3 million dollars, which was parachuted on board after more than two months of negotiations.<sup>71</sup> Because oil from the Gulf is shipped all over the world to numerous countries, the lasting effects of this pirate attack can still be felt. Furthermore, approximately seventeen tankers carrying in the region of 6.3 million barrels of crude oil and petroleum products transit the gulf each day.

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69 Rawle O. King, "Ocean Piracy and Its Impact on Insurance," Congressional Research Service, 6 February 2009, 3.

70 Ploch, "Piracy off the Horn of Africa."

71 Ndumbe J. Anyu and Samuel Moki, "Africa: The Piracy Hot Spot and Its Implications for Global Security," Project Muse, (Summer 2009): 107.



This includes close to 30 percent of Europe's oil and gas that passes through the gulf.<sup>72</sup> Due to the increased piracy operations, along with the pirates' ability to operate further off their coast (up to 1000 nautical miles), these particular seaports and trade routes have drastically affected countries on an international level.<sup>73</sup> In the year 2008 there were over 80 attacks (successful or attempted) on commercial vessels.

Figure 1 illustrates the location of attacks (actual, attempted, suspicious vessel) during the year of 2008, and Figure 2 depicts the activity for 2009.

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72 Ndumbe J. Anyu and Samuel Moki, "Africa: The Piracy Hot Spot and Its Implications for Global Security," Project Muse, (Summer 2009): 103.

73 David Pugliese, "Experts: Target Pirates' Motherships, Financing," Defense News, 3 May 2010, 24.

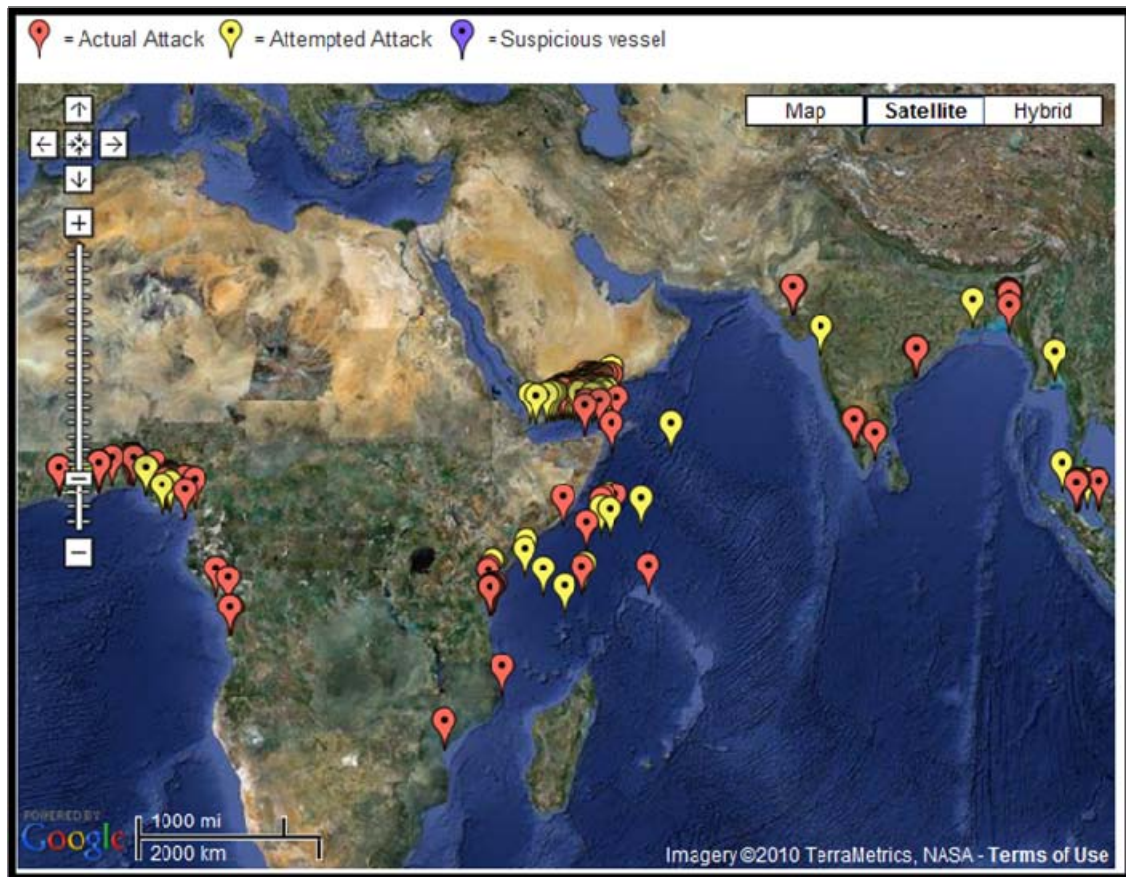


Figure 1. Derived from International Maritime Bureau Website<sup>74</sup>

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<sup>74</sup> ICC International Maritime Bureau, "IMB Piracy Map 2008," [http://www.icc-ccs.org/index.php?option=com\\_fabrik&view=visualization&controller=visualization.googlemap&Itemid=89](http://www.icc-ccs.org/index.php?option=com_fabrik&view=visualization&controller=visualization.googlemap&Itemid=89) (Accessed September 25, 2010).

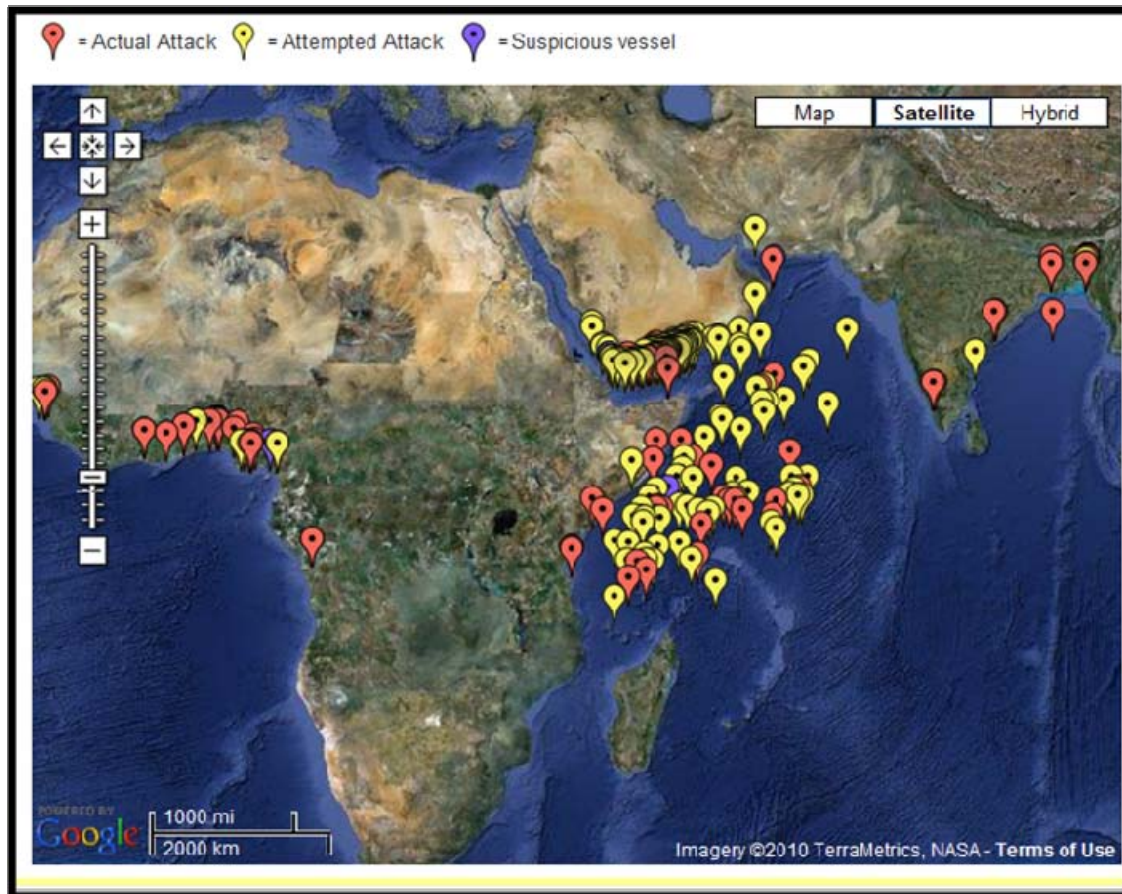


Figure 2. Derived from International Maritime Bureau Website<sup>75</sup>

These attacks resulted in a loss of over \$30 million. From January 2005–June 2010 there have been a total of 930 attempted and actual attacks from Somali pirates around the world.<sup>76</sup>

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<sup>75</sup> ICC International Maritime Bureau, "IMB Piracy Map 2009," [http://www.icc-ccs.org/index.php?option=com\\_fabrik&view=visualization&controller=visualization.googlemap&Itemid=89](http://www.icc-ccs.org/index.php?option=com_fabrik&view=visualization&controller=visualization.googlemap&Itemid=89) (Accessed September 25, 2010).

<sup>76</sup> ICC-IMB Piracy and Armed Robbery Against Ships Report – Second Quarter 2010.

Although the United States is not dependent on the sole commercial shipping vessel Somalia owns, the U.S. is reliant on the shipping lanes off the coast of Somalia. The United States, along with every other country shipping merchandise via the seas, has two options; they can assume the risk of a possible hijacking in the Gulf of Aden or they can reroute their ships through Cape of Good Hope. If a merchant vessel is rerouted from a country in the Gulf (Saudi Arabia for example) through the Cape of Good Hope, they can expect approximately 2,700 miles added to their voyage.<sup>77</sup> This longer distance will increase the annual operating cost of the vessel by reducing the delivery capacity for the ship from about six round-trip voyages to five voyages, or a drop of about 26 percent. The additional fuel cost of traveling via the Cape of Good Hope is about \$3.5 million annually.<sup>78</sup> If the commercial vessel were departing from Europe instead of the Gulf, and transiting through the Cape of Good Hope instead of transiting the Suez Canal, the increased operating costs would be much greater. This adds "An estimated additional \$89 million annually, which includes \$74.4 million in fuel and \$14.6 million in charter expenses. In addition, the rerouting would increase transit times by about 5.7 days per ship. This would result in the need for an additional

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<sup>77</sup> Department of Transportation United States of America, "Economic Impact of Piracy in the Gulf of Aden on Global Trade," 1.

<sup>78</sup> Ibid.

vessel to maintain the service frequency."<sup>79</sup> These costs do not take into consideration what a longer transit time would do to the logistics side.

#### **E. COST**

Along with the increased costs incurred from the longer transit time and the \$10-20,000 insurance premium for transiting the Gulf of Aden there are the following costs that may be involved as well:

- "Paying ransoms, totaling between \$30 million and \$150 million in 2008
- Paying ransom-delivery costs, negotiation fees, and lawyer fees
- Hiring licensed private security guards (up to \$60,000 for the voyage through the Gulf of Aden), as well as absorbing the additional insurance costs associated with embarked security teams or armed sailors
- Installing nonlethal deterrent equipment and employing personnel to operate it, at a cost of \$20,000 to \$30,000
- Paying higher wages to crews of vessels transiting waters where pirate attacks are considered likely
- Sustaining a multinational naval presence in the Gulf of Aden and Indian Ocean, at a cost of between \$250 million and \$400 million per year"<sup>80</sup>

The total amount a company can expect to pay, based off the statistic stated above, is anywhere between \$283.6 million to \$639.1 million.

The most recent hijacking involved a United States commercial shipping vessel, the *MV Maersk Alabama*. The vessel remained under Somali pirate control until a U.S.

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<sup>79</sup> Department of Transportation United States of America, "Economic Impact of Piracy in the Gulf of Aden on Global Trade," 1.

<sup>80</sup> Lesley Anne Warner, "Pieces of Eight An Appraisal of U.S. Counter piracy Options in the Horn of Africa," *Naval War College Review*, Spring 2010, Vol. 63, No. 2; 66.

military interdiction on 12 April 2009. The dramatic rescue of the Captain and crew of the *MV Maersk Alabama* "has emerged as the universal representation of the U.S. response to piracy."<sup>81</sup> The threat of maritime piracy off the coast of Somalia is so great it causes shipping companies to divert their vessels through the Cape of Good Hope, which again results in increased costs.

Due to the effects maritime piracy has on the global shipping industry, it is the job of the navies around the world to patrol the oceans and protect the freedom of the seas.

Table 1 displays the nationality of the ships attacked between January and June 2005–2010.

<b>Flag State</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Antigua Barbuda	5	6	3	8	12	6
Antilles Netherlands	1	1				
Australia		1				
Bahamas	5	2	1	3	9	3
Barbados				1		
Belgium					1	
Bermuda						1
Belize				1		
Brazil			1		1	
Bulgaria						1
Cambodia			1			
Canary Island				1		
Cayman Island	2	1			1	
China	1	1	1		1	1
Comoros			1			
Croatia					1	

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81 Mary K. Hallerberg, "Maritime Piracy: Examining the U.S. Response to a Global Threat," U.S. Army War College, October 3, 2010; 9.

<b>Flag State</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Cyprus	5	2	5	9	8	3
Denmark	1		3	1	2	1
Egypt	1		1		3	
Ethiopia					1	
France		1		3	1	2
Georgia	1					
Germany		1		1	5	1
Gibraltar			1	2	1	
Greece					5	
Guyana			1			
Honduras			1			
Hong Kong (SAR)	4	3	3	2	12	5
India	4	5	3	1	4	5
Indonesia	1	4	1	1	1	2
Iran	1					1
Isle Of Man		3	1	4	1	2
Italy					6	3
Jamaica						1
Japan	2		1	2		
Jordan		1	1	1		
Liberia	7	11	12	7	22	28
Libya					1	
Lithuania						1
Luxemburg			1			
Malaysia	7	8	2	3	1	7
Maldives	2					
Malta	3	5	4	2	16	10
Marshall Islands	5	5	8	10	18	18
Myanmar	1	1	1			
Netherlands Antilles					3	
Netherlands	2	2	2	2	3	1
Nigeria			1	1		
North Korea					4	2
Norway	1	1	3	4	2	1
Oman		1				
Pakistan	1				2	1
Panama	23	20	26	14	40	35

<b>Flag State</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Philippines	1	2		4	1	
Portugal			1			
Qatar			2			
Russia		1			1	
South Korea		3		2	1	3
Saudi Arabia					1	1
Seychelles Islands					2	1
Sierra Leone						1
Singapore	16	12	12	9	15	22
Spain					1	2
St. Kitts & Nevis			2		2	
St. Vincent Grenadines	5	5	3	3	5	2
Suriname			1			
Switzerland		1				
Taiwan			1	1	1	5
Tanzania			2		1	
Thailand	2	1	2	1	2	4
Togo					1	
Turkey		2	2	1	4	2
Tuvalu		1				1
UAE			3	1		
Ukraine				1		
United Kingdom	4	3		1	3	4
USA	4	1		4	2	
Vanuatu	1	2				
Vietnam	3				3	1
Yemen				2	5	5
Not Stated	4	4	4		1	
<b>Total for six months</b>	<b>127</b>	<b>127</b>	<b>126</b>	<b>114</b>	<b>240</b>	<b>196</b>
<b>Total year end</b>	<b>276</b>	<b>239</b>	<b>263</b>	<b>293</b>	<b>406</b>	

Table 1. Derived from International Maritime Bureau Quarterly Reports<sup>82</sup>

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82 ICC International Maritime Bureau, "Piracy And Armed Robbery Against Ships," Report For The Period 1 January-30 June 2010.



Many believe that the impact piracy has on a country's economy is mainly felt regionally, i.e., places such as Somalia, Nigeria, Indonesia, Tanzania, India and Bangladesh.<sup>83</sup> Somalia has a tactical advantage in the way they are able to become such a dominant figure in the piracy business. The coastline of Somalia is thirty-three-hundred-kilometers (approximately 2,051 miles) and it borders one of the busiest and major trade routes in the world, the Gulf of Aden. The Gulf of Aden is the first step in which twenty thousand ships pass each year to go to and from the Suez Canal. Not to mention, approximately seventeen tankers carrying in the region of 6.3 million barrels of crude oil and petroleum products transit the gulf each day. This does not include the close to 30 percent of Europe's oil and gas that passes through the gulf.<sup>84</sup>

The Gulf of Aden is one of, if not the busiest waterway in the world. As mentioned earlier, nearly 12 percent of the world's petroleum passes through the Gulf of Aden.<sup>85</sup> It is extremely hard to determine the exact impact piracy has on the world economy. "There is no definitive breakdown of the true economic cost of piracy, either in

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83 Peter Chalk, Laurence Smallman, Nicholas Burger, "Countering Piracy in the Modern Era," National Defense Research Institute (2009): 2.

84 Ndumbe J. Anyu and Samuel Moki, "Africa: The Piracy Hot Spot and Its Implications for Global Security," *Mediterranean Quarterly*, vol. 20 no. 3 (Summer 2009): 103.

85 National Security Council, "Countering Piracy off the Horn of Africa: Partnership & Action Plan," (December 2008): 4.

absolute or relative terms."<sup>86</sup> There have been many different figures thrown around predicting the approximate range of money, which has been lost due to this growing issue. This spectrum is anywhere from \$1 billion to \$50 billion, with the later value being way off the mark.<sup>87</sup>

Several analysts believe the allocation of the world's resources used to combat the growing threat of piracy is not being utilized in the right manner. Piracy has not been declared, nor is considered a major economic threat; yet there are over 14 international navies dispatching ships to the Horn of Africa to combat these pirates. With the estimation of a daily operating cost per ship to be around \$50,000 a day, it does not appear the cost to combat this problem outweighs the impact the pirates have on the global economy.<sup>88</sup> This means that countries should be willing to put forth a financial effort towards military and diplomatic operations, focusing on a primary goal of ending or severely decreasing the threat of maritime piracy. Somali pirates make upwards of a couple million dollars in ransom money for each successful commercial vessel takeover. It does not seem countries around the world are taking the maritime piracy threat seriously when they are not even spending a third of what the pirates are making in ransoms to patrol the high seas.

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86 Peter Chalk, Laurence Smallman, Nicholas Burger, "Countering Piracy in the Modern Era," National Defense Research Institute (2009): 2.

87 Peter Chalk, Laurence Smallman, Nicholas Burger, "Countering Piracy in the Modern Era," National Defense Research Institute (2009): 2.

88 Ibid.

Piracy has been, currently is, and will continue to be a real threat to seafarers. The approximately three-quarters of the world is covered by water in which "50,000 large ships, which carry 80 percent of the world's trade cargo."<sup>89</sup>

Due to the vast size of the ocean, the opportunity for piracy is overwhelming. At the beginning stages, Somalian pirates focused mainly in areas of the ocean that were close to seaports in order to attack ships. As countries started fighting back, along with the pirates acquiring more advanced weapons and vessels; pirates have started to move farther out to sea away from seaports to conduct their attacks. Unlike land and air, the high seas have been and currently are scarcely patrolled. The total number of attempted or successful pirate attacks is hard to effectively pinpoint. The main reason for this is because many "shipping companies do not report incidents of piracy, for fear of raising their insurance premiums and prompting protracted, time-consuming investigations."<sup>90</sup> Based off this information, the total damage due to cost of ransoms, loss of merchandise or damage to the vessel and rise in insurance costs now amounts to \$16 billion per year.<sup>91</sup> The cost to insure a vessel has now more than quadrupled.

Another important factor in addressing economic concerns in relation to piracy is the cost of defensive measures. An example of defensive measures include hiring

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<sup>89</sup> Gal Luft, Anne Korin, "Terrorism Goes to Sea," Foreign Affairs, Vol. 83 No. 6 (Nov - Dec, 2004): 62.

<sup>90</sup> Ibid.

<sup>91</sup> Ibid.

private security to sail with the vessel or installing defensive equipment such as the Long Range Acoustic Device (LRAD). The LRAD is a non lethal defensive measure which emits a high frequency noise which can disorient and cause temporary loss of hearing for would be assailants. The LRAD can also play warning messages in various languages.

The Gulf of Aden and the Red Sea saw a 123 percent increase in pirate attacks from 2007-2008.<sup>92</sup> This is important because while United States flagged ships have rarely been targeted, ships transporting goods to and from the United States have been attacked in these waters. This makes piracy a global concern. If a ship were to fall under attack here, the financial obligations fall to the flag state of the vessel, various states of nationality of the seafarers taken hostage, regional coastal states, owner states, cargo owners, or destination states.<sup>93</sup> Attacks here can cause environmental damage as well and eventually cause an increase in vessel operating costs to provide sufficient support and defenses.<sup>94</sup>

According to Stephanie Hanson, Council on Foreign Relations, "there is no quantitative research available on the total cost of global piracy." She goes on to state that:

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92 Matthew Chambers, "International Piracy and Armed Robbery at Sea," RITA Bureau of Transportation Statistics: Special Report (April 2010): 1.

93 National Security Council, "Countering Piracy Off the Horn of Africa: Partnership & Action Plan," (December 2008): 4.

94 Matthew Chambers, "International Piracy and Armed Robbery at Sea," RITA Bureau of Transportation Statistics: Special Report (April 2010): 3.

Estimates vary widely because of disagreement over whether insurance premiums, freight rates, and the cost of reroutings should be included with, for instance, the cost of ransoms. Some analysts suggest the cost is close to \$1 billion a year, while others claim losses could range as high as \$16 billion.<sup>95</sup>

This \$1 billion to \$16 billion a year loss is not including the multi-million dollar ransoms, the increase in insurance rates, the cost to strengthen and improve onboard security, the cost to repair any damages incurred from an attack along with the increase in fuel and crew cost to take a safer but longer route. "In May 2008, insurance underwriters at the Lloyds of London designated the Gulf of Aden a "war-risk" zone subject to a special insurance premium."<sup>96</sup> This "war-risk" zone insurance is the additional \$10,000-\$20,000 fee that needs to be purchased prior to each transit through the Suez Canal and the Gulf of Aden.<sup>97</sup> The exact cost of the additional insurance is not known due to the competitive nature of the various insurance companies.

Not only is there a financial cost incurred from a maritime pirate attack, there is also the tragic human cost which cannot be overlooked. "Piratical attacks off the Horn of Africa constitute a threat to the lives and welfare of the citizens and seafarers of many nations."<sup>98</sup> All it

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95 Stephanie Hanson, "Combating Maritime Piracy," <http://www.cfr.org/publication/18376/#p2> (January 2010).

96 Rawle O. King, "Ocean Piracy and Its Impact on Insurance," Congressional Research Service, 6 February 2009, 3.

97 Ibid.

98 National Security Council, "Countering Piracy off the Horn of Africa: Partnership & Action Plan," (December 2008): 4.

takes is one maritime attack to question seafarers' confidence in the security in the global shipping lanes. "A single piratical attack often affects the interests of numerous countries, including the flag State of the vessel, various States of nationality of the seafarers taken hostage, regional coastal States, owner States, and cargo owner, transshipment, and destination States."<sup>99</sup>

In January 2009 the United States established the Combined Task Force 151 (CTF 151). The U.S. Navy and Coast Guard "participate directly in CTF 151, which operates in the Gulf of Aden and off the eastern coast of Somalia -to actively deter, disrupt and suppress piracy in order to protect global maritime security and secure freedom of navigation for the benefit of all nations."<sup>100</sup> Besides CTF 151, there are other established world organizations that are conducting anti-piracy operations off the coast of Somalia and in the Gulf of Aden. Some of these operations include "European Union Naval Forces (EUNAVFOR) Operation Atalanta (full operationally capable February 2009) and North Atlantic Treaty Organization (NATO) Operation Ocean Shield (August 2009)."<sup>101</sup>

The impact maritime piracy has off the coast of Somalia is recognized in the world to be a significant threat. This threat is not only to the operating cost but also to the safety of their commercial shipping vessels operation in the waters around Somalia. This is why

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99 National Security Council, "Countering Piracy off the Horn of Africa: Partnership & Action Plan," (December 2008): 4.

100 Ibid., 14

101 Ibid.

several operations have been established to counter this threat. Military operations are not the only way maritime piracy will be decreased or eliminated.

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## **IV. POSSIBLE SOLUTIONS TO THE GROWING THREAT OF PIRACY**

### **A. INTRODUCTION**

With the rise in relevancy of maritime piracy, there have been several different recommendations on how the United States and other cooperating nations could combat this growing threat, yet they so far seem to fall short of addressing this problem. These include extending diplomacy, while others offered more military presence in piracy-afflicted waters. This chapter aims at presenting some of the proposed ripostes to piracy as well as the advantages of using a combination of both diplomatic and military means. More importantly, this chapter focuses on this combination in operations off the coast of Somalia and in the Gulf of Aden.

### **B. RESPONSE TO MARITIME PIRACY**

Somalia is a country that can be classified as a failed state. Here there is a legitimate national government, but they are unable to effectively make decisions and make them stick, though there are various local governments which control the day to day operations throughout the country. With a lack of effective national governance, Somalia has become a breeding ground for piracy. Thus, the use of military patrols or operations combined with a diplomatic approach will help bring an end to the piracy threat off the coast of Somalia.

Responses to maritime piracy can be seen under two different levels. These levels include the international

community and national naval operations. The damage piracy is inflicting on the commercial shipping business falls into an area of concern for the entire international community. This response led the United Nations Security Council to pass four resolutions: 1816, 1838, 1846 and 1851. Resolution 1816 was created on 2 June 2008 and allows naval forces cooperating with the Transitional Federal Government of Somalia to pursue pirates into Somalia's ungoverned territorial waters.<sup>102</sup> Resolution 1838 was passed in October of 2008 and focuses on the concerns that organizations have towards pirate attacks aimed at the World Food Program shipments to Somalia.<sup>103</sup> Resolution 1846 was adopted on 2 December 2008 and recommended that the 1988 Suppression of Unlawful Acts Convention (which protects the safety of ships and the security of their passengers and crews from unlawful, threatening acts) can be applied in the extradition and prosecution of pirates.<sup>104</sup> Resolution 1851 was created two weeks later, authorizing states to take action against safe havens utilized by pirates ashore in Somalia.<sup>105</sup>

Upon the adoption of these four new UN Security Council Resolutions, the United Kingdom and the United States signed a cooperative counter-piracy agreement with Kenya.<sup>106</sup> After signing the agreement, the United States

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102 Commander James Kraska, "Grasping "The Influence Of Law On Sea Power" Naval War College Review, Vol. 62, No. 3 (Summer 2009): 129.

103 Ibid.

104 Ibid.

105 Ibid.

106 Ibid.

conducted the first transfer of a group of individuals recently captured on suspicion of conducting piracy operations to Kenya for trial.

Dutch Rear Admiral Hank Ort, the Chief of Staff of North Atlantic Treaty Organization's (NATO) Maritime Command in Northwood, England stated "Somali pirates are having fewer successful attacks against merchant ships, but the number of pirate groups is on the rise."<sup>107</sup> Due to the summer's seasonal monsoons in the Horn of Africa and Gulf of Aden regions, the number of pirate attacks are usually on the low side. As the weather gets better, the number of attacks usually increases.<sup>108</sup>

"The decline in the number of attacks in 2010 is due to the reduction in incidents in the Gulf of Aden with 22 incidents in 2010 compared to 86 in 2009."<sup>109</sup> With this reduction in the Gulf of Aden comes an increase in attacks in other regions. "Attacks in the Somali basin and the wider Indian Ocean have increased from 44 in 2009 to 51 in 2010."<sup>110</sup> The decline in pirate attacks in the Gulf of Aden and HOA regions can be attributed to the increased patrols the navies around the world are conducting.

The next level of response to maritime piracy involves individual navies. The military patrols along with the diplomatic approach towards combating piracy have

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107 Christopher P. Cavas, "NATO Says Somali Pirate Attacks on Decline," Defense News, 20 September 2010, 32.

108 Ibid.

109 ICC International Maritime Bureau, "Piracy And Armed Robbery Against Ships," Report For The Period 1 January - 30 June 2010, 21.

110 Ibid.

contributed to the results the world is seeing currently. "The actions of the navies in the Gulf of Aden have been instrumental in bringing down the attacks here."<sup>111</sup> However, the naval patrols need to continue and focus more on the Indian Ocean region. With the increased naval presence in the Gulf of Aden and Horn of Africa Region, the Somali pirates have shifted their operations to the Indian Ocean where there is less of a presence from the international navies.<sup>112</sup>

Issues that organizations like the International Maritime Bureau are facing when trying to gather statistical information and analyze trends of the Somali pirates in order to assist the international "fight" on piracy includes the lack of cooperation from the commercial vessels. Many commercial vessels are hesitant to report an act of piracy. This is because once they report the act, their insurance premiums will most likely go up. It is usually easier for larger shipping companies to absorb the cost of paying a ransom for one ship rather than increasing their insurance premiums for their fleet of commercial vessels.

To offer military support, the Maritime Security Center Horn of Africa (MSCHOA) instituted the Internationally Recommended Transit Corridor (IRTC). With this in place, military personnel are placed tactically throughout the area. With protection by sea and air, ships

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<sup>111</sup> ICC International Maritime Bureau, "Piracy And Armed Robbery Against Ships," Report For The Period 1 January - 30 June 2010, 21.

<sup>112</sup> Ibid.

can maneuver safely through these dangerous waters.<sup>113</sup> These corridors are to assist the masters of the commercial vessels in establishing a safe route to and from their destination. However, transiting these suggested corridors do not relieve the masters of the vessels to their responsibility to the safety and security of their ship and crew. There have been commercial vessels which were attacked/hijacked in the recommended transit corridors.<sup>114</sup>

Because Somalia is a failed state, it is important to address the need for improvement in its government. Arthur Bowring suggests that a possible solution to piracy again lies in the government. Bowring goes on to advise that only with a strong government and effective law enforcement agencies can this piracy problem really be faced head on.<sup>115</sup>

"Jurisdiction in the fight against piracy is universal."<sup>116</sup> It is the duty and responsibility of every country to fight the threat on the high seas. To offer full support of this responsibility, the Geneva Convention on the High Seas of 1958 and the United Nations Convention on the Law of the Sea, held in 1982, made bold moves. Leaders implied that in order to resist and defeat piracy, all states must cooperate to the fullest.<sup>117</sup> The United

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113 ICC International Maritime Bureau, "Piracy And Armed Robbery Against Ships," Report For The Period 1 January - 30 June 2010, 23.

114 ICC International Maritime Bureau, "Piracy And Armed Robbery Against Ships," Report For The Period 1 January - 30 June 2010, 23.

115 Arthur Bowring, "The Price of Piracy," The Wall Street Journal, 25 November 2008, 2.

116 James Jay Carafano, Richard Weitz, Martin Andersen, "Maritime Security Fighting Piracy in the Gulf of Aden and Beyond," Heritage Special Report, 24 June 2009, 11.

117 Ibid.

States went beyond the 1958 Geneva Convention on the High Seas and the 1982 United Nations Convention on the Law of the Sea by generating Title 18 of the U.S. Code, section 1651. Section 1651 states, anyone on the high seas who commits a crime, as per the definition provided by the law of nations, and is extradited to or found in the United States, shall be imprisoned for life.<sup>118</sup> "In cooperating with other nations, the United Nations Convention for the Suppression of Unlawful Acts Against the Safety of Maritime Navigation (SUA Convention) provides a framework for delivery of suspected pirates to coastal nations for subsequent prosecution or extradition."<sup>119</sup>

Piracy is the end result of a failed country in political turmoil.<sup>120</sup> As mentioned earlier, many experts feel the way to solve the piracy problem is by producing an aggressive diplomatic approach. The reason for this is because the pirates need a safe haven to hide from their pursuers. "Pirates have always needed access to a sanctuary or safe area where they could escape their pursuers, and which more often than not were protected politically and legally rather than because they were located in remote regions."<sup>121</sup> If the country of Somalia had a legitimate government, one that actively pursued pirates and denounced the act of committing a crime on the

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118 James Jay Carafano, Richard Weitz, Martin Andersen, "Maritime Security Fighting Piracy in the Gulf of Aden and Beyond," Heritage Special Report, 24 June 2009, 11.

119 Ibid.

120 Martin Murphy, "Somali Piracy: Not Just A Naval Problem," Center for Strategic and Budgetary Assessments, 16 April 2009, 2.

121 Ibid.

high seas, only then would the pirates stop. Unfortunately, the diplomatic approach is not the only thing that will stop the Somali pirates. With functional and aggressive naval tactics, states can put forth a good fight against piracy. However, at the end of the day, it will not eliminate piracy without diplomatic support.<sup>122</sup>

The United States 111th Congress has looked very closely to the threat maritime piracy poses. In July 2009 Representative Frank Lobiondo introduced the House Resolution (H.R.) 3376, the U.S. Mariner and Vessel Protection Act of 2009, which aimed to address the use of force and the right to self-defense for U.S. mariners who were having an act of piracy carried out against them.<sup>123</sup> To further this move, under the new administration, President Obama set out to eliminate any further development of piracy in the region of the Horn of Africa.<sup>124</sup> Along with the four United Nations Security Council Resolutions mentioned earlier (1816, 1838, 1846, and 1851), on May 26, 2009 Resolution 1872 was adopted. This Resolution "authorizes member states to participate in the training and equipping of the Somali Transitional Federal Government (TFG) security forces in accordance with Resolution 1772."<sup>125</sup> Resolution 1772 was passed in 2007, its main task was to ensure all essential steps were taken which would facilitate an open dialogue and reconciliation

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122 Martin Murphy, "Somali Piracy: Not Just A Naval Problem," Center for Strategic and Budgetary Assessments, 16 April 2009, 4.

123 "Piracy off the Horn of Africa," 25.

124 Ibid., Summary Page.

125 Ibid.

in Somalia. They would accomplish this by supporting "with the free movement, safe passage and protection of all those involved with the ongoing National Reconciliation Congress."<sup>126</sup> President Obama's Administration has continued to combat the maritime piracy threat by also establishing a multilateral Contact Group on Piracy off the Coast of Somalia (CGPCS) in January 2009. This group was established to coordinate the anti-piracy efforts with various countries and organizations. Such as the United States, the North Atlantic Treaty Organization (NATO), the European Union (EU), regional and other naval forces in and around the coast of Somalia. These assets are being led by a U.S. Task Force, CTF-151.<sup>127</sup>

The official U.S. response to maritime piracy came in June 2007 when then President George W. Bush affixed Annex B, Policy for the Repression of Piracy and other Acts of Violence at Sea to the National Maritime Security Strategy.<sup>128</sup> Annex B allowed the full use of the national methods of power in the form of diplomatic, military, intelligence, economic, law enforcement, and judicial. These methods can and should be used simultaneously to achieve the best result in the fight against piracy. Annex B was developed to "engage States, international and regional organizations to develop greater resources,

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<sup>126</sup> Security Council  
<http://www.un.org/News/Press/docs/2007/sc9101.doc.htm>, accessed 28 September 2010.

<sup>127</sup> "Piracy off the Horn of Africa," Summary Page.

<sup>128</sup> Mary K. Hallerberg, "Maritime Piracy: Examining the U.S. Response to a Global Threat," 9.



capacity, and authorities to repress piracy, and maximize inclusion of coalition assets in piracy repression operations."<sup>129</sup>

The main focus for the United States Administration was an increased focus on the multilateral cooperation and action to solve the problem of Somali piracy. In December 2008, the National Security Council published a tailored employment plan known as the *Countering Piracy off the Horn of Africa Partnership & Action Plan (CPAP)*. The CPAP aims at developing a blockade of state and non-state partnerships. Together these partnerships and blockades can help enforce possible solutions.<sup>130</sup> CPAP focuses the United States along with a worldwide partnership, to address three lines of operation:

Prevent pirate attacks by reducing the vulnerability of the maritime domain to piracy...2. Interrupt and terminate acts of piracy consistent with international law and rights and responsibilities of coastal and flag States...3. Ensure that those who commit acts of piracy are held accountable for their actions by facilitating the prosecution of suspected pirates by flag, victim, and coastal States, and, in appropriate cases, the United States.<sup>131</sup>

"Consistent with the President's *Policy*, this *Plan* directs three distinct lines of action." Nested in these lines of action are five essential implementation pillars:

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129 "President Bush Issues Memorandum Regarding Maritime Security (Piracy) Policy," U.S. Fed News Service, Including US State News (June 14, 2007): in ProQuest (accessed October 29, 2009).

130 Mary K. Hallerberg, "Maritime Piracy: Examining the U.S. Response To A Global Threat," 10.

131 National Security Council, "Countering Piracy off the Horn of Africa: Partnership & Action Plan," (December 2008): 8-13.

...improving operational and intelligence support to counter-piracy operations; strengthening judicial frameworks for detention and prosecution of pirates; disrupting pirate financial operations; strengthening commercial shipping self-defense capabilities; and pursuing diplomatic and public information efforts to discourage piracy.<sup>132</sup>

The CPAP is the President of the United States policy on how to fight the maritime piracy threat. As previously mentioned, his policy will work as long as the U.S. works hand in hand with their partners around the world.

### **C. CONCLUSION**

The United Nations, along with the United States, have been working diligently on determining the correct approach to successfully stopping the threat of maritime piracy. As outlined throughout this chapter, the most successful way to defeat this threat is by a combination of diplomatic and military means. The results will not be noticed overnight. It will take several years to witness any sort of decrease in maritime attacks.

The International Maritime Bureau (IMB) keeps an up to date detailed record of each maritime attack that takes place. Since the reappearance in the 1990's of maritime piracy, the recorded number of attacks has varied widely. In 2000 and 2003 there was a reported 400 attacks, but by 2006 there were only 239 reported attacks. The reason for the decrease in attacks in 2006 was due to counter-piracy operations. The 239 recorded attacks in 2006 was a number

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<sup>132</sup> National Security Council, "Countering Piracy off the Horn of Africa: Partnership & Action Plan," (December 2008): 8.

not seen since 1998.<sup>133</sup> After 2006, the number of attacks increased yet again and have been fluctuating from 263 to 406 ever since.<sup>134</sup> This again supports the effort that militaries and governments need to work together in order to combat piracy. It simply cannot be done with one and not the other.

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133 ICC International Maritime Bureau, "Piracy and Armed Robbery Against Ships Annual Report 1 January to 31 December 2006," (2007), 3.

134 Ibid.

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## V. CONCLUSION

As noted earlier, while many people believe piracy to be something daring and magical as depicted through Disney movies, the reality is that piracy is a real and ever growing threat to seafarers. This thesis has shown that piracy has had a large impact not only physically, but financially on society as a whole. Efforts to combat this international problem have fallen short. The use of military forces temporarily suppressed piracy as did diplomatic measures. This further supports the notion that combinations of strong military and diplomatic efforts are needed to effectively combat global piracy.

This thesis focused on shedding light on the impact of piracy, and it did just that. In searching for a definitive number in terms of the financial impact of piracy on the globe, it was found that such a number does not exist. Rather, with a great hesitation to report actual pirate attacks for fear of a rise in insurance premiums, companies have made defining the financial impact of piracy a true challenge. However, what research does provide is the notion that the world's economy cannot function smoothly so long as piracy constantly threatens its security. The research for this thesis suggests that even though it is difficult to pinpoint the exact economic impact of global piracy, it is obvious that it does have a negative impact worth resolving.

Pirates continue to offer a challenge to the navies around the world, in that they have expanded their attacking ground from the coast of Somalia. While still centrally located off the coast of Somalia and in the Horn of Africa, pirates have extended their attacks all over the world. "Central Somalia has produced the most aggressive forms of piracy—well organized, clan related, and determined."<sup>135</sup> As a result, the responsibility of addressing global piracy has expanded to more countries of the world, requiring them to "work with international organizations and the shipping industry to confront and repress any and all piracy threats to the global shipping and freedom of navigation in which it depends on."<sup>136</sup> This not only denotes the need for the United States Navy to help protect these undermanned areas, but also further supports the argument that not only do military and diplomatic efforts need to work together to fight piracy, but that society would also benefit from international collaboration as well.

Through a collaborative military and diplomatic effort, the United States State Department has reported the lowest number of pirate attacks on ships off the coast of Somalia in the past year.<sup>137</sup> While research offered numerous ways to combat this threat, this combination seems the most effective. Enforcing solutions such as the United

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<sup>135</sup> Gary E. Weir, "Grasping "Fish, Family, and Profit: Piracy and the Horn of Africa" Naval War College Review Vol. 62 No. 3 (Summer 2009): 19.

<sup>136</sup> National Security Council, "Countering Piracy Off the Horn of Africa: Partnership & Action Plan," (December 2008): 4.

<sup>137</sup> Nicholas Kralev, "Multinational Policing Curbs Piracy Off Somalia," Washington Times, (February 2010): 1.

Nations Security Council resolutions 1816, 1838, 1846 and 1851 along with increased military patrols will help decrease the amount of attacks, but, much like terrorism has continued to plague the world despite best efforts of mankind to eradicate it, the problem of maritime piracy is likely to remain with us for the foreseeable future. The best option for global interests to minimize piracy is to continue the combination of the support of defensive measures along with the offensive tactics provided by various navies around the world. Thus, even though the threat will remain, there are effective mechanisms available to states and militaries in their efforts to combat this international problem.

Piracy has been, and will continue to be an active threat on the high seas. It is the responsibility of all the navies and diplomacies in the world to combat this growing issue. Currently, there are roughly 20 countries taking part in combating the threat of piracy, but with the expansion from Somalia, more countries need to be involved in this process. Through the cooperation of other countries around the world, this ever growing threat can and will be reduced.

#### **A. SUMMARY**

To recap, Chapter I gave a brief overview into why maritime piracy is a relevant threat to the countries around the world. Chapter II presented the reader with a brief history of maritime piracy and examined how this threat is a real and growing issue. Chapter III discussed the financial impact the Somalian pirates are incurring

throughout the countries and companies throughout the world. Finally, Chapter IV introduced some of the possible and current solutions to the maritime piracy threat. These solutions include a combination of diplomatic and military operations.

Piracy will never be completely eradicated but through diplomatic and military means the threat can be greatly reduced. The owners of the commercial vessels must continue to report any and all activities of maritime piracy they witness. If they are boarded and requested to make a ransom payment, the owner of the vessel must report all the details to the IMB. The IMB keeps detailed records of each attack in order to establish trends and assistance in eradicating the threat of maritime piracy. While the overall impact of piracy has yet to be determined, the fact remains that sea piracy, either directly or indirectly, affects citizens on an international level. Although this problem will likely never be completely eradicated, it is necessary, through means of collaborative diplomacy and military forces; to work together internationally in order to decrease the impact maritime piracy has on global society.



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