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Scourge of the Seas – Again! Anti-piracy Services and International Trade Costs

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After near eradication in the 20th century, piracy is again imposing significant costs on the conduct of international trade in the 21st century. In response, there has been a significant increase in the provision of anti-piracy services from both the private and public sectors. The costs associated with providing these services are considerable and it is difficult to assess their cost-effectiveness. The underlying economic forces that affect the efficacy of anti-piracy measures are explored. The conclusion is that a return to the pirate-free status of the latter part of the 20th century is unlikely.

Keywords: international trade, piracy, public goods, shipping costs, suppression

Introduction

In the early hours of yesterday morning, Swedish EU Navfor Maritime Patrol Aircraft located the suspicious skiff at sea 420 nautical miles east of Mogadishu. Counter-piracy forces in the area were quickly alerted, and being the two closest warships, both the Turkish warship TCG Gemlik (EU Navfor) and Romanian frigate ROS Regele Ferdinand (CTF-151) made haste to the area to investigate, as the Luxembourg EU Navfor patrol aircraft maintained visual coverage from the air.

Once at the scene, TCG Gemlik sent a boarding team to search the suspect vessel, which had tried, unsuccessfully, to evade capture for over an hour. ROS Regele Ferdinand then embarked the suspect pirates on to the Romanian frigate for further questioning and evidence collection in order to fully assess the possibility of prosecution of the nine suspects.

After gathering intelligence, the skiff was destroyed, thus preventing the suspect pirates from using it to attack ships in the future, the EU Navfor said.

Defence Web, November 22, 2012

“I wish most heartily that something would happen,” Harry Parkhurst, a midshipman of some sixteen years of age, said to his chum, Dick Balderson, as they leaned on the rail of her majesty’s gunboat *Serpent*, and looked gloomily at the turbid stream that rolled past the ship as she lay at anchor.

“One day is just like another – one is in a state of perspiration from morning till night, and from night till morning. There seems to be always a mist upon the water; and if it were not that we get up steam every three or four days and run out for twenty-four hours for a breath of fresh air, I believe that we should all be eaten up with fever in no time. Of course, they are always talking of Malay pirates up the river kicking up a row; but it never seems to come off.”

G. A. Henty, *Among the Malay Pirates*, 1905, p.1

The Barbary pirates had a vast and active business, capturing hundreds if not thousands of merchant vessels of all flags. In 1794 alone the pirates took 11 U.S. vessels, crewed by 115 U.S. citizens. That prompted the Naval Act of 1794, authorizing construction of the post-Revolutionary War Navy. The Barbary pirates, being astute businessmen, had a more-or-less established rate for ransom of roughly \$4,000 per person. Today that would be roughly \$1.5 million per person, which would translate to a total ship ransom in the range of \$29 million – not the \$2.1 million the Somali pirates averaged per ship in 2009.

S. M. Carmel, *The Myth of Somali Pirates*, 2010

Who would have thought it? – Luxembourg has long-range naval patrol aircraft. The 2012 anti-piracy incident reported in the quotation that begins this paper represents a surprising degree of naval co-ordination and effort undertaken far from the home waters of the participating armed forces. All of the countries contributing to this anti-piracy activity in the Indian Ocean are European – Luxembourg, Romania, Sweden and Turkey. It seems unlikely that Luxembourg has much directly to lose from the activities of Somali pirates. Romania has approximately 40 vessels that fly its flag (Leggate, McConville and Morvillo, 2005), most of which ply only the Black Sea. Turkey has had both ships and citizens crewing ships flying other flags captured by Somali pirates and has had other ships escape pirate attacks. A Swedish maritime management firm has had ships under its management attacked. Luxembourg, Romania and Turkey belong to the North Atlantic Treaty Organization (NATO), but Sweden does not. Luxembourg, Romania and Sweden are part of the European Union, but Turkey is not.

The attempt to suppress piracy in the Indian Ocean off Somalia has been a truly international effort – with ships from at least 30 countries having participated.¹ They participate under a number of multinational umbrellas or independently. They span great ideological divides, from Iran, to the United States, to India, to Pakistan, to Greece, to Turkey. Some of the participating navies have never before played a significant role in world affairs; others have hardly had more than a symbolic role. Participating increases the budgetary costs of the navies involved, with the cost of, for example, deploying a frigate off Somalia estimated at between US\$1million and US\$1.5 million per month (Knott, n.d.). It may be the most important task many of these navies have had in many years.

Of course, historically, suppressing piracy was one of the traditional roles of a navy. Indeed, it was the reason for the creation of the U.S. navy that exists today.² Corsairs from the Barbary States of North Africa began attacking U.S. ships after they lost the protection of the British navy once independence from the British crown was achieved. There was an active debate in the United States as to whether to “pay protection money” to the Barbary States to remove the threat to U.S. commerce or to build a navy. In the end, the U.S. Congress authorized the creation of the navy.

Piracy is as old as seaborne commerce. From Penzance, to Amalfi, to the Spanish Main, to Malaya pirates have been the “scourge of the seas” and the bane of those who engaged in international commerce. Yet there was one period when piracy was largely, but never completely, eliminated as a risk for those moving cargos by sea: the 20th century. As a result, both the private sector that bore the brunt of the disruptions caused by pirate activities and the public sector, through its naval forces, appear to

have forgotten many of the hard lessons learned in the centuries-long fight against piracy. As a further result, there has been considerable surprise and disarray as new threats of piracy have arisen with the dawning of the 21st century. Some of the “hard lessons” have had to be relearned. Some conditions have changed, however, that will make replicating 20th century solutions to piracy difficult, if not impossible. These changing conditions mean that both private and public sector responses to piracy need to be carefully re-examined.

Private Sector Responses to Piracy

Piracy increases the cost of engaging in international seaborne commerce. In the past, the losses from piracy meant the loss of cargos, ships and personnel and/or ransoms having to be paid to recover any or all of the three. When communications were slow, records localized and difficult to access at a distance, and cargos small, it was often simpler for the pirates to sell the cargos and ships rather than ransom them. Crews and others found on board vessels could often be sold into slavery, making them valuable to pirates. Of course, ship owners, skilled mariners and rich passengers could be ransomed – but the process was slow and uncertain given the communications challenges and the lack of transparency in the expected willingness to pay.³

Today, in contrast, ransom has become much more the norm – at least for ships and people captured by pirates. The result for cargos is, in contrast, mixed. Ships are much larger and uniquely identifiable, records are much better and globally accessible – so it is difficult for modern day pirates to simply sell a captured ship to a new buyer. Ransoming the ship back to its existing owner is, thus, the much more common option. Avenues for selling crews and other persons captured into slavery have largely been closed off in the modern world, leading again to a rise in the preference for ransoming those captured. Instantaneous communications have improved the transparency of the ransoming process, although determining the willingness to pay remains a challenge for pirates. Instantaneous communications, however, allow for real-time haggling as a means of price discovery. In addition, global media attention makes it difficult for ship owners/management companies to abandon those they are being asked to ransom, thus increasing the propensity to pay a ransom.⁴

Of course, paying a ransom creates incentives for increases in pirate activity in the future. Hence, there is considerable subterfuge associated with the paying of ransoms. The “official line” is often that there can be no deals with pirates or that “we do not pay ransoms.” It seems clear that ransoms are most often paid but that proxies are used and the mechanisms and channels are often kept purposely opaque. This need to

disassociate oneself from the process of paying ransoms adds cost, time and risks to the ransoming transaction. It is not clear whether this subterfuge reduces future pirate activity sufficiently to offset the increased costs that arise in the process.⁵

The vast cargos found on today's large ships may be difficult for pirates to shift and, hence, the ship and cargo may be ransomed together. In the past, pirate havens were often active markets for the disposal of pirated cargos. Today's cargos, however, are often easily identified as stolen if they re-enter commercial channels at a later date, which reduces the incentive to acquire them. Further, removing cargos from modern ships may require more costly and technically sophisticated dock facilities than are typically available in pirate havens, meaning the cargo must stay with the ship. The ship owner/marine management company may, however, have little use for the cargo given that the disruption of the voyage means that that original buyer has been lost due to the failure to complete a delivery contract. While the cargo is likely to have some residual value when it is subsequently resold, both the lower value in alternative use (Klein, Crawford and Alchian, 1978) and the transaction costs (Hobbs, 1996) associated with organizing a new buyer will reduce the cargo's ransom value. The size of the discount will be determined by the asset specificity of the cargo (Hobbs, 2007) and the difficulty associated with matching (both in terms of the need of for the product and its geographic location) the cargo (or its various components) with new buyers.

If cargos are a commodity (Gordon, Hannesson and Kerr, 1999), and relatively easy to off-load, they may be sold on directly by the pirates. Oil is an obvious example of this type of cargo. For example, piracy is on the rise in the Gulf of Guinea off West Africa, with oil as the major target:

Noel Choong, head of the IMB's⁶ piracy reports division, said there had been three attacks there in the past five days. ...

"All of these vessels were tankers carrying gas oil. They're all taken back to Nigeria to siphon off the oil, then the crews are freed."

Pirates in West Africa have been more willing to use violence than their Somali counterparts, as their income is made by selling the cargo on the black market rather than from ransoming the crew members.

Experts say many of the pirates come from Nigeria, where there's a thriving market for stolen crude oil. (Alsop, 2013)

Being able to sell the cargo on easily will also bring a quick return to pirate activities compared to the long, risky and costly process of negotiating a ransom.

The main commercial mechanism to share the risks associated with piracy is insurance. Historically, maritime transport held many dangers; among the major risks were those associated with piracy. Specialized firms evolved to deal with these risks – the most well known being Lloyd's of London. Of course, this form of risk sharing

carries a cost – in terms of the premiums required. With the suppression of piracy and improved maritime technologies, the risks associated with maritime commerce decreased dramatically in the 19th and 20th centuries. Insurance premiums declined commensurate with the risk. With the re-emergence of piracy as a major threat to maritime commerce in parts of the world in the 21st century, insurance costs have increased dramatically. According to one estimate, “items due to piracy have doubled the costs of transporting goods past the Horn of Africa” (Langeni, 2011). While establishing premiums for individual ships and cargos is a complex process, some examples provide insights into the sums involved. According to one source, insurance companies have increased premiums for sending a cargo shipment through the Gulf of Aden to about \$9,000 from \$900 a year ago (MUSE Professional Group, n.d.). Another estimate suggests that for kidnap and ransom insurance alone,

with a limit of US\$5 million for a ship capable of 14 knots and with freeboard of at least five metres with standard security including razor wire and a fully equipped citadel would be about US\$12-US\$18,000 for a single voyage through the Gulf Aden. (Marsh Ltd., 2011)

In insurance parlance, piracy risk is normally considered to be included in the “War Risk” category. According to One Earth Future (2010),

War Risk insurance is an excess charge for a vessel transiting a ‘war risk area.’ The Gulf of Aden was classified as a war risk area by Lloyds Market Association (LMA) Joint War Committee in May 2008. Since this date, the cost of war risk premiums have increased 300 fold, from \$500 per ship, per voyage; to up to \$150,000 per ship, per voyage, in 2010. (p. 10)

While insurance is a way to spread the risks associated with piracy, it does nothing to fix the underlying cost of piracy for those engaged in international maritime commerce. It represents an ongoing business cost and there is little that those in the private sector can do to reduce that cost. Sailing on less direct routes adds cost and time to maritime journeys. While this has been tried to a certain extent in the Indian Ocean off Somalia, pirates simply increased the range of their operations, up to 1500 miles in some cases. This strategy does not appear to increase the costs of piracy sufficiently to deter the pirates. Of course, such a strategy is simply not available for ships transiting narrower bodies of water such as the eastern approaches to the Suez canal or the Straits of Malacca.

Arming ships and their crews and training them, or hiring private security firms, can lower insurance premiums to some extent but increases costs in other areas. This is a calculation each ship operator must make. While giving ships the capacity to defend themselves can reduce the incidents of capture and provide a degree of deterrence, it does not provide a solution to the problem. Hence, it represents an

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ongoing cost. Even if pirates are deterred in the short run, the potential for pirates to re-appear if the ships are no longer armed (to reduce costs) remains. Thus, such deterrence represents an ongoing cost. Further, there are considerable legal issues associated with arming ships and crews.⁷

Convoying with armed crews – and possibly armed private escort vessels – offers a method of further lowering risk with the enhanced deterrence it can provide. Convoying, however, is costly for all but the slowest ship in a convoy. This is because convoys can only move at the pace of the slowest ship. In international shipping, “time is money.” Hence, faster ships will eschew convoys, thus reducing the pool of ships that will pay to join a convoy, increasing escorting costs or reducing the frequency of convoys, which further limits their appeal. Again, convoys do nothing to remove the source of piracy and will represent an ongoing cost. Even when escorts are provided by naval vessels acting in a defensive-only role – in essence at no direct cost to ship owners – many ships will not join convoys voluntarily because of the opportunity costs of limited speeds and reduced flexibility.

Proactive hunting of pirates by armed vessels from the private sector could offer a more robust deterrent. Governments have been reluctant to sanction the private use of force on such a scale due to the potential for wrongful capture or death of legitimate seafarers and the destruction of their property. Further, in the past, pirate hunters have sometimes turned into pirates or quasi-pirates⁸ themselves once they possess an armed ship.⁹

In the wake of the rise in piracy in the first decade of the 21st century, there have been some moves from the private sector to provide such services. On January 12, 2013 *The Economist* reported that a firm named Typhon was going to equip a 10,000 ton “mother ship” to act as a base for speedboats and unmanned drones to seek out hostile boats. The ship would employ approximately 60 armed (mostly British) ex-soldiers – hardly a low-cost option. Anthony Sharp, Typhon’s boss is quoted as saying,

...customers will find that more efficient than putting armed guards on every ship. It will also spare them keeping guns on board (which is tricky in law). Typhon plans to have three large ships by year end, with at least one based in the Gulf of Guinea, a hotspot for pirate attacks last year, and ten by 2016. (*The Economist*, Jan 12, 2013, 54)

According to Brown (2012):

... private armed patrol boats provide a more aggressive method of protecting shipping. At least 40 private armed patrol boats have been, are, or will soon be operating in the Indian Ocean. They operate by establishing exclusion zones around the client ship and challenging suspicious boats that approach them. Some firms offer boarding teams on these escort vessels, with team members who are ‘well versed in

waterborne operations and have experience in boarding/counter boarding drills, waterborne interdiction and maritime/amphibious warfare'. Private armed patrol boats are attractive to shipping companies because they do not require weapons-carriage on company ships and thus do not compromise their right to innocent passage through territorial waters. Also, any consequences of firing weapons are outsourced to the captain of the private armed patrol boat.

The major problem, however, with private navies is that they have not proved profitable. Private navies are a classic example of a "free rider" problem. The case is very similar to the classic example of lighthouses, which are both non-rivalrous and non-excludable – meaning they are not used up through use, and it is impossible to prevent others from using them once they are established. In the case of lighthouses, it does not matter how many ships receive the benefit of the light provided and there is no way of preventing a ship from seeing the light once it is turned on. As a result, ship owners are not individually penalized if they do not contribute to the cost of building and maintaining the lighthouse. Hence, they have an incentive to free ride – the result being that no one can make a profit from the establishment of a lighthouse, and there is underinvestment in lighthouses. Hence, lighthouse services need to be provided by the state.¹⁰ Private navies suffer from the same problems. All shippers can benefit from the reduction of piracy arising from aggressive tactics by private navies, whether or not they pay. Further, they cannot be excluded from the benefits if they do not pay. As a result, free riding can be expected, with the resultant underinvestment.¹¹ Of course, defence is another classic example of a public good that should be provided by the government.

According to Brown (2012),

Such private navies are not new; they briefly operated in the Malacca Straits seven years ago and the notorious PMSC¹² Blackwater unsuccessfully attempted a similar Indian Ocean venture in 2009. Nor have they been particularly profitable in the past. But ambitious plans to raise new private fleets in the Indian Ocean are attracting corporate heavyweights and financing. One venture raised US\$40m in the past year.

Time will tell.

Free riding is also the major constraint to the other major method of eliminating the threat of piracy – the paying of tribute to forestall pirate attacks. This bribe or "protection money" has a long history of reducing the cost of piracy, but as with private navies it is hard to exclude those who do not contribute, and the benefits are non-rivalrous. As a result, tribute has often been provided by governments. The debate surrounding the establishment of the U.S. navy revolved around finding an alternative to paying tribute to the Barbary States in North Africa. Gewalt (n.d.) reports:

After the United States won its independence in the treaty of 1783, it had to protect its own commerce against dangers such as the Barbary pirates. As early as 1784 Congress followed the tradition of the European shipping powers and appropriated \$80,000 as tribute to the Barbary states, directing its ministers in Europe, Thomas Jefferson and John Adams, to begin negotiations with them. Trouble began the next year, in July 1785, when Algerians captured two American ships and the dey of Algiers held their crews of twenty-one people for a ransom of nearly \$60,000.

Thomas Jefferson, United States minister to France, opposed the payment of tribute

When Jefferson became president in 1801 he refused to accede to Tripoli's demands for an immediate payment of \$225,000 and an annual payment of \$25,000. The pasha of Tripoli then declared war on the United States. Although as secretary of state and vice president he had opposed developing an American navy capable of anything more than coastal defense, President Jefferson dispatched a squadron of naval vessels to the Mediterranean.

Public Sector Provision of Anti-piracy Measures

The market failures inherent in the private provision of anti-piracy services have almost inevitably meant the assumption of anti-piracy work by the state. As discussed above, two potential state anti-piracy initiatives, the paying of tribute and the use of force – in the form of naval vessels (and latterly air force planes, helicopters and drones) – have a long history. Tax-financed tribute removes the free rider problem, a major underpinning of the public goods arguments that justify government provision of services. The paying of taxpayer funded tribute has, however, gone out of fashion in recent times. In part, this may be due to adverse taxpayer perception of the “blackmail” aspects of demands for tribute. Thomas Jefferson understood the problem in the 1780s. In a letter to the Yale College President Ezra Stiles dated December 26, 1786 Jefferson wrote, “it will be more easy to raise ships and men to fight these pirates into reason, than money to bribe them” (Gewalt, n.d.). The conclusion rings true today.

The cost of modern naval vessels rose steadily as technology advanced with the industrial revolution, so that retaining parity in military capacity was no longer possible for pirates.¹³ Pirates could no longer directly challenge naval forces and had to rely increasingly on stealth and escaping detection to carry out their raids. Given the geographically dispersed nature of piracy and the large distances involved in international maritime commerce, much of the heavy lifting in suppressing piracy in the 19th and early 20th centuries was done by low-cost but more technically advanced (than the ships pirates could afford) gunboats. More sophisticated naval vessels were reserved for confrontations with ships of other naval powers. With the successful

suppression of piracy, by the middle of the 20th century most major naval powers had retired their fleets of gunboats. Certainly, many countries retain coastal patrol vessels that have multiple uses including suppression of drug smuggling, delivery of disaster aid, search and rescue operations as well as anti-piracy. These vessels seldom, however, have deep sea capacity.

With the re-emergence of piracy in the 21st century the major naval powers have found themselves ill-equipped to suppress pirates operating in small, fast boats with hand-held rockets in the open ocean. Certainly, their modern sophisticated warships are more than a match for pirates in a direct confrontation, but the distances are vast, there are numerous pirates and once one is dealt with, two more could easily take their place. The early 20th century equivalent would have been using a dreadnought to deal with pirates in a sea-going canoe. Modern warships are very expensive to run. In the Horn of Africa, there are three large-scale anti-piracy missions ongoing: Operation Atalanta, Operation Ocean Shield and Combined Task Force (CTF) 151. Their costs have been estimated as follows:

Together, the three military efforts make up over 43 vessels operating off the Horn of Africa and the Indian Ocean. We take the estimation given by the 2010 Government Accountability Office (GAO) report on Maritime Security, that one U.S. navy vessel costs around \$82,794 to operate per steaming day. Multiplying this by the total 43 vessels deployed, and 365 days, we approximate the costs of these military vessels to be around \$1.3 billion per year. Adding in the administrative budgets of the three major missions, along with additional independent expenditures from other nations, we come to a rough estimate of \$2 billion being spent on military operations in the region every year. This is also the approximation made by the European Institute in its October 2010 study. (*One Earth Future*, 2010, 16)

Further, the navies of modern naval powers such as the United States and the UK are already stretched with their normal responsibilities. They have no spare capacity, and certainly no appropriate capacity to deal cost effectively with pirates. Given tight budgets and other priorities, they are not going to build the modern equivalents of 19th century gunboats. Hence, it is probably not surprising that there was a major effort to “scour the world” for spare naval capacity – and to harness that capacity to the fight against piracy.

Most of the world’s maritime states have some naval capacity. Much of it is underemployed. These navies are often made up of ships surplus to the needs of the major naval powers that have been sold on to other countries. These ships are often older and/or less technologically sophisticated than those employed by the major naval powers – but more than a match for the equipment pirates can deploy. Navies

from the smaller maritime powers in Europe, from the Netherlands to Romania, as well as navies from Canada and the rim of the Indian Ocean have all been drafted in. Naval vessels from countries such as Brazil, Argentina and Uruguay may be logical choices for anti-piracy patrols in the Gulf of Guinea off West Africa if piracy persists and grows in the Gulf. While not exactly the gunboats of yore, this naval capacity is more appropriate to anti-piracy roles than the sophisticated ships of the major naval powers.

Use of naval capacity in this way may also be a win-win for the navies of lesser maritime powers that receive little publicity or even acknowledgement from their countrymen. Having an active role in anti-piracy initiatives can burnish their reputations and possibly ease the acceptance of their budget requests. It may also provide benefits through enhanced training opportunities. The following is a report from a Romanian newspaper in the aftermath of the operation outlined in the first quotation of this paper:

The last part of the frigate “King Ferdinand’s” mission in the Gulf of Aden has proven to be the most interesting of the entire international operation Atalanta.

On Wednesday, the Romanian ship along with the Turkish frigate “Gemlik”, has captured off the Somali coast, two vessels with nine people aboard suspected of piracy. The two frigates were put on alert after a Swedish patrol aircraft patrolling the area spotted a suspicious skiff (small traditional boat) on Wednesday morning at a distance of 420 nautical miles east of Mogadishu, the Somali capital. The commander of the naval group EU NAVFOR decided to immediately dispatch the two frigates in the area to check the suspicious vessels.

After a perfectly executed action by the Romanian and Turkish sailors, the boats were intercepted and nine people were detained and brought on the frigate “King Ferdinand” for investigation. The pirates’ skiff was destroyed to prevent its use in future acts of piracy. “Due to the combined efforts of the forces involved in fighting piracy in the region, once again, the pirates, who attack and plunder merchant ships and their crews in the Indian Ocean, were quickly found and their ship was destroyed” ... said Admiral Duncan Potts, commander of the EU Naval Forces. (Romania Libera, 2012)¹⁴

While the drafting in of spare naval capacity from smaller maritime powers provides a short-term fix for anti-piracy capacity on the high seas, it does not represent a long-term solution. Certainly, the naval efforts appear to be producing some results:

Pirates carried out 297 attacks in 2012, the fewest in five years, with ships reporting a big drop off Somalia, the International Maritime Bureau said Wednesday. ...

Compared with 2011, there were about a third fewer attacks in 2012, the IMB said.

Only 75 ships reported coming under attack last year off Somalia and in the Gulf of Aden, about two-thirds fewer than in 2011.

The IMB attributed the improved security to the increased presence of EU, NATO and other warships patrolling those waters. (Rai, 2013)

Still, this use of naval capacity is not a fix, because the cause of the problem has not been eliminated. The pirates have a relatively secure land base from which to launch their attacks. While the naval vessels from smaller maritime nations may be less expensive to operate and have a lower opportunity cost when deployed in an anti-piracy role than the naval forces of major maritime powers, they still represent an ongoing expense that must be borne by taxpayers. As the source of the opportunity to engage in piracy has not been addressed, any slackening of the naval effort can be expected to spur renewed incidents of piracy. Hence, the cost will be ongoing.

Historically, naval activity alone has seldom, if ever, been sufficient to eliminate piracy. To effectively end piracy, secure land bases must be denied the pirates. In the 19th and early 20th centuries this was achieved through the development of the capacity of nation states to govern effectively. Whether it was Penzance, Amalfi or the Yangtze¹⁵ the elimination of piracy had to await effective government on the ground. Where governments were not effective, or were predatory,¹⁶ colonialism provided the necessary administrative commitment. While there were many reasons for colonial expansion, the suppression of piracy along the routes of maritime commerce was one of them. Without effective government on land, naval patrols were a constant requirement and an ongoing expense – as the plight of G. A. Henty’s midshipmen (the second quote at the beginning of this article) aptly illustrates. The exercise of naval power alone was insufficient to eliminate piracy. Efficacious government was the third public sector provision of anti-piracy measures, and the one that provided a permanent solution.

What has allowed the resurgence of piracy in the 21st century is a “failed” state – Somalia. There may be other ineffective states in the Gulf of Guinea that cannot control piracy. In the 21st century colonial rule is not an acceptable alternative. Hence, there is no solution to the piracy problem unless a capable government arises, or can be fostered, in Somalia (and other areas of the world where piracy has re-appeared).

Latterly, governments and naval forces appear to have reached the conclusion that land bases are the key to the problem. According to *The Guardian* (March 23, 2012),

The EU is to expand its seagoing anti-piracy mission to include the Somali coastline and waterways inside the country for the first time.

The expansion of the operation appears to herald a significant shift in strategy for a mission that has focused until now on stopping pirates at sea.

EU foreign ministers meeting in Brussels on Friday did not specify what they meant by “coastal territory and internal waters,” but officials have said the new tactics could include using warships or helicopters to target pirate boats moored along the shore, as well as land vehicles used by the pirates.

There have been a number of raids on land bases in Somalia since the change of policy but, of course, no sustained presence on the ground. Hence, there may be some short-term results as the pirates’ infrastructure is weakened, but raids cannot provide a solution. It is costly to mount attacks on pirate bases,¹⁷ but until the bases are permanently secured, pirates will simply return to strike the sea lanes again.

Conclusions

Despite the best efforts of both private and public sector initiatives, 21st century piracy seems set to impose considerable costs on international commerce and taxpayers – thus inhibiting international trade. The economics that underlie anti-piracy initiatives are complex, and while technology has altered how the battle is fought, the underlying economic problem has not changed significantly since the time of the Spanish Main and the Barbary pirates. The only permanent solution lies in denying pirates secure land bases. Until a solution to “failed states” can be found, international trade will continue to suffer from the costs of piracy.

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Endnotes

1. Participating countries include Australia, Belgium, Bulgaria, Canada, China, Denmark, Finland, France, Germany, Greece, India, Iran, Italy, Japan, Malaysia, Netherlands, Pakistan, Portugal, Romania, Russia, Saudi Arabia, Singapore, South Korea, Spain, Sweden, Thailand, Turkey, United Kingdom, United States.
2. During the American Revolutionary War there was a “Continental” – as in being enacted by the Continental Congress in 1775 – navy. At the end of hostilities the Continental Navy was disbanded in 1785. It was not until the Naval Act of 1794 that the current U.S. navy came into being to deal with piracy arising in the Barbary States of North Africa (Palmer, n.d.).
3. Beyond the difficulties in determining the value of those being ransomed to those being asked for ransom, how those being asked to pay perceived the likelihood both that those being held for ransom were still alive and that they would actually be released once payment was received was also not transparent. Elaborate signalling and verification mechanisms often evolved in attempts to increase transparency, but the slowness of communication and low levels of technology limited their effectiveness. Contrast that with today, when a smartphone can instantly provide visual and auditory confirmation that an individual held for ransom halfway around the world is still alive and in good health.
4. In the past, one suspects that those being asked for ransom could simply ignore ransom demands and abandon those captured without suffering the scrutiny and shaming provided by modern media.
5. This seems an obvious topic for future research.
6. International Maritime Bureau.
7. An excellent summary of these issues can be found in Marsh, Ltd. (2011), Appendix B.
8. Such as government-sanctioned privateers who have preyed on enemy vessels. For Spanish merchantmen returning from Mexico or other Spanish possessions in the “New World”, the effect of an ordinary pirate and a privateer authorized by the British crown was no different. The same can be said for U.S. and other merchantmen preyed upon by pirates sanctioned by the governments of the Barbary States.
9. In St. Augusta Florida, which was once part of the Spanish domain in the Americas, there is a plaque that refers to Sir Francis Drake as a pirate – something that raises the ire of some of my British acquaintances.
10. For a contrasting view, see the article by Nobel Prize in Economics recipient Ronald Coase (1994).
11. Of course, for a considerable time firms such as the British East India Company and the Dutch East India Company used their company vessels in their attempts to suppress piracy but, in the end, it proved too expensive.
12. Private Military Service Contractor
13. In earlier times, warships had few technological advantages over the types of vessels pirates could capture. As technology improved, even if pirates could

capture naval vessels they would not likely have had the specialized skills to operate them. Further, unlike ships powered by sail, steam-powered naval vessels required large quantities of fuel and facilities where complex maintenance could be undertaken – things pirates did not normally have access to.

14. The original article in Romanian reads as follows: *Ultima parte a misiunii fregatei „Regele Ferdinand” în golful Aden s-a dovedit a fi cea mai interesantă din întreaga operațiune internațională ATALANTA.*

Nava românească, împreună cu fregata turcă „Gemlik”, a capturat miercuri în largul coastelor Somaliei două ambarcațiuni rapide la bordul cărora se aflau nouă persoane suspectate de acte de piraterie. Fregatele au intrat în stare de alarmă după ce un avion de patrulare suedez, care executa misiuni de inspecție aeriană, a localizat miercuri dimineață, un skiff (ambarcațiune tradițională de mici dimensiuni) suspect, la o distanță de 420 de mile marine est de Mogadiscio, capitala Somaliei. Comandantul grupării navale EU NAVFOR a decis să trimită urgent în zonă două fregate, pentru verificarea ambarcațiunilor suspecte.

După o manevră de învăluire executată perfect de către marinarii români și cei turci, bărcile piraților au fost interceptate iar nouă persoane au fost reținute și ambarcate la bordul fregatei „Regele Ferdinand”, pentru investigații. Skiff-ul piraților a fost distrus, în vederea prevenirii utilizării acestuia în viitoare acte de piraterie. „Urmare a efortului combinat al forțelor implicate în lupta împotriva pirateriei în regiune, încă o dată, suspecții pirați, care atacă și jefuiesc navele comerciale și echipajele acestora în Oceanul Indian, au fost găsiți rapid și nava lor a fost distrusă.”, ... a precizat contraamiralul Duncan Potts, comandantul Forțelor Navale ale UE. The author would like to thank Professor C. Viju of the Institute of European, Russian and Eurasian Studies at Carleton University, Ottawa, Canada for her translation from Romanian to English.

15. For example, the gunboats of a number of European powers and the United States plied the waters of the Yangtze on anti-piracy patrols right up until the Japanese invasion in the late 1930s, because China's government was incapable of dealing effectively with piracy along the river.
16. Such as the governments of the Barbary States, which were relatively effective but tolerated or fostered the predatory activities of pirates.
17. As fans of the *Pirates of the Caribbean* well know.