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**ANTIPIRACY OPERATIONS AT SEA
THE COSTS OF PIRACY IN THE GULF OF ADEN AND
SOMALI BASIN**

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Abstract:

Approximately 80% of world trade currently travels by sea, representing around 93,000 merchant vessels, 1.25 million seafarers, and almost six billion tons of cargo. When appear some disturbing factors, that affect the transfer of goods and the free transit on sea routes for civilian ships involved in trading, disorders of all specific processes are inevitable, starting from the delays to financial losses, lack of confidence and not the least occurrence of critical conditions that can culminate in life lost. About maritime piracy it was written very much, there have been made statistics, but it has not managed so far to put all these documents in a white book of piracy. The data presented in this paper are the results of corroborating statements transmitted by NATO, EU and the organizations involved in analyzing this phenomenon.

Key words: *piracy, Gulf of Aden, Somali Basin, Ocean Shield, EU NAVFOR ATALANTA, CTF 151, ransom, internationally recommended Transit Corridor.*

1. Introduction

Approximately 80% of world trade currently travels by sea, representing around 93,000 merchant vessels, 1.25 million seafarers, and almost six billion tons of cargo.¹

Why a topic about maritime piracy? Because it is an actual phenomenon, having many interests involved and resources spent to combat it.

Piracy does not resemble the old romantic notion that we find in the movies. The reality today shows fishermen turned into pirates, young people who are recruited by these groups, people who attack ships for easy rewards and created an industry around this scourge.

The Somali basin and the west of the Indian Ocean represent areas of interest for pirates that use small high speed boats, attacking especially tankers, to get important ransoms. In Somali clans, it is an honor for these young people to be part of the pirate groups. Unfortunately, no matter how many ships have been sent by the forces involved in combating this phenomenon, eradication is more difficult than one might think.

Money buys everything from weapons to people and influence, and the money from ransoms is not scarce.

This paper is aimed to provide an introduction to the issue of maritime piracy in the Somali Basin and the western Indian Ocean, to present an evolution of this scourge in recent years, providing an analysis of the amount of financial resources allocated to combating piracy and the implication of NATO and EU activities in the area. The data

¹ The Economic Cost of Maritime Piracy, One Earth Future Working Paper, December 2010, pag 6

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presented in this paper are the results of corroborating statements transmitted by NATO, EU and the organizations involved in analyzing this phenomenon.

Somali piracy has been on the forefront of the world's agenda since it emerged in the mid-2000s. The international community responded to this threat with crisis response operations in the form of naval patrols and convoys, privately contracted armed security personnel, and best management practices.²

Although the response of the international community has effectively mitigated the crisis at sea, it is recognized that it is not the basis for a long-term solution.

Piracy has long been a risk to seaborne trade. More than 2,000 years ago the Roman leader Cicero denoted pirates as "enemies of all mankind". However, the incidents, especially off the coast of Somalia, have reminded the shipping industry and the public about the violence and cruelty with which piracy attacks are conducted, the dangers faced by those on board, as well as the significant losses that may occur both in terms of human life and property.³

Provided that ransom payments are recoverable by insurance depends on whether it is possible to link the ransom payment to an insured interest and secondly to which extent – under the terms of the relevant insurance – the ransom payment can be considered as a measure to minimize an insured loss that would have been incurred for such payment.

Questions have been raised about the capability of the naval forces to counter a land-based threat. Is the international anti-piracy policy effective, or is necessary regional maritime force that can fight on land the most cost-effective and lasting solution?

2. History of piracy at sea, the economic implications

Piracy has plagued the seas for at least 40 centuries, and been a thorn in the side of every near sea civilization. Pirates have plied their trade as common thieves, instruments of war, or as civilizations with their own laws.

Piracy exists from the Ancient World and as long as humanity has conducted maritime commerce, pirates have preyed the seafarers. Piracy was a ubiquitous part of Mediterranean life in the ancient world. Pirates preyed on shipping, and invaded coastal villages, looting and capturing slaves. The Sumerians, King Minos, Egyptians, and Greeks dealt with pirates. Medieval Pirates not commonly thought of as pirates, the Jutes, Danes, and Saxons raided across Northern Europe and Britain. They were succeeded by the Vikings at the end of the first millennium. Piracy in the North Atlantic was so significant that it drove the creation of the Hanseatic League. In Eastern Europe, the Gothic-Herulic pirates plagued the Black Sea. The weak confederated feudal systems of medieval Europe created space for the pirates to operate, and made the fight against them difficult.

"Piracy" is defined in article 101 of the 1982 United Nations Convention on the Law of the Sea (UNCLOS) as follows:

(a) Any illegal acts of violence or detention, or any act of depredation, committed or 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;

² Jens Vestergaard Madsen and Liza Kane-Hartnett, *Towards a Regional Solution to Somali Piracy: Challenges and Opportunities*, San Francisco, 2013, pag 2

³ Piracy-A major challenge, *Gard News* 192, November 2008/January 2009

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- (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 inciting or of intentionally facilitating an act described in sub-paragraph (a) or (b).

Speaking about the Gulf of Aden and the Somali Basin, we have to discuss about the situation in Somalia. Somali piracy in the modern era began shortly after the fall of the Siad Barre regime in 1989, in the midst of instability and economic turmoil. Over the next decade, pirates targeted vessels off the coast of Puntland and in the Gulf of Aden in violent robberies and hostage taking.

After the collapse of the central government in the ensuing civil war, the Somali Navy was disbanded. With Somali territorial waters undefended, foreign fishing trawlers began illegally fishing in the Somali waters and ships from big companies started dumping waste off the coast of Somalia. This led to the erosion of the fish stock. Local fishermen subsequently started to band together to protect their resources. After seeing the profitability of ransom payments, some financiers and former militiamen began to fund pirate activities, splitting the profits evenly with the pirates. In most of the hijackings, the pirates have not harmed their prisoners.

On the other hand, tuna fishing in that area is a million dollar business for many of the world's countries that send their specialized vessels in the area.

Somali clans chasing money has made possible this very dangerous phenomenon, maritime piracy. The hijack for ransom model developed in, Gulf of Aden and Somali Basin, significantly in the early 2000s, and became the primary model by 2005, when the number of hijacking for ransom incidents raised from 2 to 14 in a single year. Prior to 2005, a significant percentage of attacks occurred within territorial waters, and targeted smaller vessels, such as fishing vessels and dhows.

Because the shipping industry responses to more frequent attacks with rerouting, increased vessel protection and many naval forces began patrolling the Gulf of Aden, pirates were forced to expand their range.

Convention of the Law of the Sea from 1982 clearly states that piracy is an act carried out "in the open sea, not in any country's territorial seas and adjacent zones." That Convention states maximum limit of the territorial sea to 12 nautical miles (about 22 kilometers), but Somalia has set its limit at 200 sea miles (about 370 kilometers) through its Law 37 from 1972. The law states that only the vessels under the flag of Somalia and the Somali government licensed, are authorized to sail or fish in territorial waters. Some countries, especially France, Norway and Spain are pushing Somalia to renounce at the 1972 law and want the Somali waters to be open for fishing and especially for exploitation of the oil deposits in the region.

Since 2008 there have been a high number of attacks by pirates off the coast of Somalia against ships transiting the Gulf of Aden and Indian Ocean. Armed gangs have been hijacking vessels and demanding ransoms for the release of vessels and crew. These attacks affect the peace and security in the region.

There are three different climate periods: NE monsoon (Dec-Mar). NE general direction of wind, favorable actions of piracy in the Gulf of Aden, Somali Basin and the North Arabian Sea using Whaler's or mother ship. Whaler boat is used to transport more goods in the area of Somalia. Pirates 1-2 skiff boat in relation to these Whaler or another pirate ship on controlling (mother ship) and soared into the ocean in search of merchant vessels vulnerable; Two transition periods (March-June, October-December) wave height and wind intensity decreases favoring actions using pirate skiff sites (smaller boats with fast motors; the SW monsoon (June to October) Through it meets windy SW. the great enables the deployment actions of piracy in the Gulf of Aden and Somali Basin.

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A more important factor in the unsustainability of current naval operations is their inability to address the root causes of piracy: poverty, lack of opportunity, and weak political, security and judicial institutions within Somalia, and low levels of maritime security capacity across the region.

The capture and ransom of ships and their crews are possible in part because of the government's lack of control over its own ports and coastal areas. Maritime criminals in Somalia can operate without having to be concerned with government policing, a luxury that few other pirates have elsewhere around the globe. At the same time, Somalia suffers from endemic corruption.

The piracy off the coast of Somalia was caused in part by illegal fishing by foreign boats taking advantage of the war, which resulted in lost fishing income to local communities. The pirates also believed that they were protecting their fishing grounds and exacting justice and compensation for the marine resources stolen.

Piracy off the coast of Somalia has reportedly produced some casualties: interviewed maritime security firms, ship owner groups, lawyers and insurance companies, fear of pirate attacks has increased the likelihood of violent encounters at sea, as untrained or overeager vessel guards have resorted to shoot indiscriminately without first properly assessing the actual threat level.

Foreign trawlers began illegally fishing in Somalia's seas, with an estimated \$300 million of tuna, shrimp, and lobster being taken each year, depleting stocks previously available to local fishermen. Through interception with speedboats, Somali fishermen tried to either dissuade the dumpers and trawlers or levy a "tax" on them as compensation.

For a long time piracy and armed robbery have interrupt the delivery of humanitarian aid to Somalia, and threatened vital sea lines of communication and economic interests off the Horn of Africa, in the Gulf of Aden and the Indian Ocean.

Somali pirates targeted ship crews for ransom and because they could win millions of dollars they were more vested in the survival of their hostages. One of the largest ships pirated was "Smyrni", a new tanker with 135 000 tons of oil worth about 70 million dollars, captured by pirates on May 10, 2012 and for which pirates have demanded a ransom of 15 million dollars. There are rumors about that the amount received was \$ 9.5 million.

The question now, is whether international naval patrols are still an effective and sustainable response to the piracy threat and whether we should create the appropriate legislative framework but also other means of fighting maritime piracy.

3. Antipiracy operations

The phenomenon has grown with the raise of required amount of redemptions and ransoms, and in 2007, Chinese sailors were killed by pirates and the maritime piracy tended to evolve towards terrorism.

This resurgence of piracy has led United Nations Security Council to analyze the situation and to adopt the 1816 resolution, unanimously with the consent of Somalia's transition government that provided authorization to use "all necessary means" to "enter the territorial waters of Somalia for the purpose of repressing acts of piracy and armed robbery at sea, in a manner consistent with such action permitted on the high seas with respect to piracy under relevant international law." It was a strong signal given by the international community showing the commitment in eradicating this phenomenon.

Since then, the UNSC has passed three resolutions, 1897 (2009), 1950 (2010), and 2020 (2011), to reauthorize the UN mandate to continue counter piracy operations in the region for another twelve months. Ironically, because the Somali government has granted

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permission for the operations, the UN Security Council resolutions are technically unnecessary. However, UN approval provides important political cover and is necessary for some states to commit military forces to an international operation. To implement these UN resolutions, states agreed in January 2009 to form the US Combined Task Force 150 and US Combined Task Force 151 then.⁴

In regards to Somali piracy, the crisis response operations have been tri-fold, with the use of naval patrols and convoys, privately contracted armed security personnel, and industry's best management practices. In addition to crisis response at sea, the international community, in 2009, also established a forum, the Contact Group on Piracy off the Coast of Somalia (CGPCS), to coordinate the counter-piracy actions of stakeholders.⁵

Since 2008, at the request of the UN, NATO has been supporting international efforts to combat piracy in the Gulf of Aden, off shore the Horn of Africa and in the Indian Ocean. NATO is currently leading Operation Ocean Shield, which helps to deter and disrupt pirate attacks while protecting vessels and helping to increase the general level of security in the region. Operation Ocean Shield was approved by the North Atlantic Council on 17 August 2009 and the mandate has been extended until the end of 2016.

NATO works in close cooperation with other actors in the region including the European Union's Operation Atalanta, the Combined Task Force 150 and Combined Task Force 151 then, led by US, and individual country contributors such as China, India, Iran, Japan, Saudi Arabia and South Korea. NATO was also supported from Ukraine, New Zealand, Australia and Colombia.

In September 2008, Russia announced that it want to join international efforts to combat piracy. In order to protect Indian ships and Indians employed in sea fearing duties, Indian Navy commenced anti piracy patrols in the Gulf of Aden in October 2008.

The EU launched the European Union Naval Force ATALANTA (EU NAVFOR) in December 2008 within the framework of the European Common Security and Defense Policy and in accordance with relevant UN Security Council Resolutions and International Law. Under EU Council Joint Action 851, which is based on various UN resolutions, Operation ATALANTA: protects vessels of the World Food Programme (WFP), African Union Mission in Somalia (AMISOM) and other vulnerable shipping; deters and disrupts piracy and armed robbery at sea; monitors fishing activities off the coast of Somalia; supports other EU missions and international organizations working to strengthen maritime security and capacity in the region.⁶

On 21 November 2014 the Council of the EU extended the Mandate of Operation ATALANTA until December 2016.

To further secure the waterways, in February 2009, international naval forces defined an area known as the Internationally Recognized Transit Corridor (IRTC) to provide increased patrolling and monitoring, as well as group transits for merchant vessels.⁷ The international community recognized the success of naval operations and has continued to keep a constant naval presence in the Western Indian Ocean.

⁴ Terence Roehrig, South Korea's Counterpiracy Operations in the Gulf of Aden, pag. 30.

⁵ The Contact Group on Piracy off the Coast of Somalia, *About Us, Background*, <http://www.thecgpcs.org/about.do;jsessionid=9jBj1vV0bsGaOB123lJpNr9CxZfuacEn2xSj8HwjKnOhKntTX7Bqax5fe1NxGRd1?action=background>.

⁶ <http://eunavfor.eu/mission>

⁷ Maritime Liaison Office Marlo, *Home Page*, <http://www.cusnc.navy.mil/marlo/Guidance/Corridor.htm>.

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In March 2009, the South Korean National Assembly approved the first foreign deployment of South Korea's naval forces, named *Cheonghae*⁸, to join the Combined Task Force (CTF-151; participation in CTF-151 has elevated the Republic of Korea's status and reputation in the international community.

In 2009 China sent ships in the Gulf of Aden to participate in counter-piracy operations. Anti-piracy operations have been a springboard for China to progressively engage in a broader range of maritime security operations.

The involvement of international navies has been a leading factor in reducing the incidence of piracy at sea. Since 2009, three international navy coalitions have been patrolling the Gulf of Aden and the Western Indian Ocean. These coalitions are in addition to several unaffiliated nations who have also contributed their efforts. These so-called independent deployers include China, Russia, South Korea and Japan and have also made significant contributions.

The NATO and EU efforts are currently authorized by political mandate through the end of 2014, while the US-sponsored Combined Task Force 151 (CTF-151) has an undefined commitment to counter piracy. In addition to the vessels and aircraft patrolling the high risk areas, coordination mechanisms such as SHADE have been created to coordinate naval activity in the Indian Ocean.⁹

The military vessels from EU and NATO countries, China, Russia, India and Japan patrolled approximately 8.3 million sq km of ocean, an area about a quarter the size of Africa.¹⁰

The threat of piracy against merchant shipping continues to be present throughout the entire High Risk Area (HRA). In 2009 have been adopted the Best Management Practice (BMP), a set of rules applying to all commercial vessels transiting the area. BMP helps ships to avoid, deter or delay piracy attacks in the High Risk Area. Registration with Maritime Security Centre Horn of Africa (MSCHOA) before entering the HRA and initial and regular reporting to United Kingdom Maritime Trade Operations Dubai are highly recommended to ensure military authorities are aware of a vessel's passage and vulnerabilities.¹¹

Best Management Practice is promoted by the industrial shipping community. BMP offers advice and guidance on avoiding piracy and is targeted for seafarers who intend to travel through the Gulf of Aden, Somali Basin and the Indian Ocean. Measures include: maintaining a proactive 24 hour lookout; reporting suspicious activities to authorities; hardening techniques, suggestions for increased vigilance, increased transit speeds and re-routing procedures. Also incorporated by most of the industry was the practice of developing a safe room, or "citadel," where the crew could safely retreat in the event of a piracy attack until a naval response could be summoned; engaging in evasive maneuvering and speed during a pirate attacks; and joining group transits.¹²

Since 2009, in Aden and Somali Basin acted three groups of naval independent actors, each with its interests.

⁸ Terence Roehrig, South Korea's Counterpiracy Operations in the Gulf of Aden, pag. 28

⁹ Jon Huggins and Liz Kane-Hartnett, Somali Piracy – Are we at the End Game?, <http://oceansbeyondpiracy.org>, pag 4

¹⁰ https://en.wikipedia.org/wiki/Piracy_off_the_coast_of_Somalia

¹¹ BMP4 Best Management Practices for Protection against Somalia Based Piracy, Witherby Publishing Group, Ltd. August 2011, pag 12

¹² BMP4 Best Management Practices for Protection against Somalia Based Piracy: Witherby Publishing Group, Ltd. August 2011, pag. 5

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Talking about maritime piracy, we must remember the legislation regulating this area, legislation does not always sufficient and adapted to current realities, which has produced many problems for navy personnel. Few countries agree to take the pirates on board, when they were caught at sea, in order not to deal with the situation when the pirates ask for political asylum or with the difficulty of long trials. At the moment, the rule is that those who catch pirates have to take them on board, or announce another ship of the group to take them, and send them to Seychelles for trial.

On 5th of May 2010, pirates attacked and captured in the Gulf of Aden the Russian tanker “Moskovsky Universitet” with 23 Russian sailors on board. The incident occurred in the morning when the tanker traveling from the Red Sea to China, about 560 kilometers east of the Gulf of Aden. “Moskovsky Universitet” carrying 86,000 tons of crude oil, worth over 50 million dollars. The ship “Moskovsky Universitet” sails under the Liberian flag, but is owned by a Russian company. After the attack of the pirates, the crew raised the alarm and was barricaded in the engine room. On 6th of May, Russian Special Forces raised an attack against Somali pirates and managed to release the crew and arrest the pirates. At the behest of the Russian Defense Ministry, the destroyer “Marshal Saposnikov” has moved quickly in the area. Special Forces aboard the warship have been transported by helicopter to the hijacked ship. The soldiers have descended on deck and were able to capture the pirates. A pirate was killed and another 10 arrested during this commando operation that lasted only 22 minutes. After the event, when the Russians intervened in force to release crude oil ship, the pirates have kept away from attacking ships with Russian sailors on board. Russian navy initially said those detained would be taken to Moscow for trial, but national legislation does not allow their punishment in Russia and pirates were let go aboard a boat inflatable life without supplies or tools navigation. Drifting boat disappeared from radar within an hour of release. The pirates have not reached the shore and more plausible version is that pirates were killed or they failed to reach the shore because of the lack of the necessary means for surviving at sea.¹³ Since then, pirates have avoided attacking Russian flagged vessels.

With no successful pirate attacks since May 2012, Operation Ocean Shield now deploys vessels intermittently. During periods without surface ships, maritime patrol aircraft fly sorties and links to situational awareness systems and counter-piracy partners remain in place.

Since January 2015, NATO ships contribute to the counter-piracy effort through a “focused presence”, in line with the decision taken at the Wales Summit. This means that assets will primarily be deployed during the inter-monsoon periods (spring or autumn) and at other times if needed. During the periods without surface ships, maritime patrol aircraft will continue to fly sorties, and links to situational awareness systems and counter-piracy partners will remain in place.¹⁴

4. The costs of piracy at sea in the Gulf of Aden and Somali Basin

The direct financial costs of piracy are: ransoms, insurance premiums, the costs of re-routing to avoid piracy regions, deterrent security equipment, naval forces, piracy prosecutions and anti-piracy organizations. The secondary (macroeconomic) costs of

¹³ <http://www.gandul.info/international/piratii-somalezi-atacati-si-retinuti-de-trupe-de-comando-rusesti>, 6 mai 2010; <http://www.repliconline.ro/comando-rusesti-pentru-eliberarea-petrolierului-capturat-de-piratii-somalezi>

¹⁴ http://www.nato.int/cps/en/natohq/topics_48815.htm, Counter-piracy operations, 26 martie 2015

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piracy are: effects on regional trade, fishing and oil industries, food price inflation, and reduced foreign revenue.

At the height of the piracy crisis in 2010 – 2011, the shipping industry made enormous commitments to protecting their vessels. The measures taken by industry were encapsulated in an industry-generated self-governing mechanism called the “Best Management Practices (BMP) for Protection against Somalia Based Piracy.”

Another factor that industry has reluctantly agreed to undertake is the embarkation of Privately Contracted Armed Security Personnel (PCASP) .¹⁵ The navies have increasingly relied on embarked uniformed security teams to protect vulnerable shipping and to free up patrolling assets. AVPD (Autonomous Vessel Protection Detachment) protect WFP vessels sailing along the coast of Somalia between Berbera and Bosasso and back.

The traditional response capability for piracy incidents has been through intervention by naval forces. The initial area of the Somali threat, the Gulf of Aden, was small enough to expect a reasonable navy response to the threat of attacks. However, the success of the navy forces in detecting and disrupting attacks caused the pirates to turn to the Somali Basin along the Eastern coast of Somalia and later across the whole of the Indian Ocean. This increase in range was made possible by the pirates’ use of captured mother-ships to provide increased range.¹⁶

In November 2010, Secretary General of the United Nations, Ban Ki-moon, reported; “Piracy... has had an immense impact on the economies of East Africa and also the wider world... International trade routes are threatened and goods in the region as well as Somalia are becoming more expensive. This is made worse by the bleak state of the global economy.”¹⁷

Piracy affects the cost of trade not merely because particular ships are intercepted when delivering goods. Further, as regions are increasingly regarded as threatened by piracy, unstable, or volatile, entire trading routes are altered, insurance premiums increase, cargo shippers use alternative ports to pick up and deliver their goods, and so forth.

A number of nations have also indicated that their fishing sector has declined in response to the threat of piracy. While fishing is incredibly important to these nations, it is difficult to accurately pinpoint the exact cost of piracy to the fishing industry. This is because the price of fish can be expected to actually increase if its supply reduces. That is, as piracy increases, and fishing fleets are unwilling to operate in certain areas, the supply and demand model for the fishing industry is expected to equilibrate, so that the price of fish increases, which may be a benefit to the fishing sector.

Approximately 40% of piracy attacks have been on bulk carriers and general cargo vessels. Together, these vessels carry the majority of the world’s food staples (such as rice and grain). Pirate attacks on these vessels have direct consequences on the price of food, as deliveries of food cargo is delayed, or in the case of perishable goods, lost. Since piracy has historically emanated from failed or developing nations, these effects on the price of food have severe consequences.

¹⁵ Jon Huggins and Liz Kane-Hartnett, Somali Piracy – Are we at the End Game?, <http://oceansbeyondpiracy.org>, pag 4

¹⁶ Jon Huggins and Liz Kane-Hartnett, Somali Piracy – Are we at the End Game?, <http://oceansbeyondpiracy.org>, pag 5

¹⁷ The Economic Cost of Piracy 2010 Summary, Oceans Beyond Piracy, 2011, pag 2

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I presented below, evolution of costs in recent years caused by the piracy phenomenon in Somali Basin and Gulf of Aden. The cost of military operations, means the cost of displacement of vessels and the cost of their operation, maintenance, crew, etc.

Then, it is the cost of important redemptions paid, which increased proportionally to the number of pirated vessels. Pirates attack especially large vessels, with oil cargo which value is very high and therefore the redemption is supposed to be high. They attack them, climb on board and redirect the vessels closer to shore in an area controlled by them. NATO and EU rules prohibit the use of force in military interventions in order not to endanger the lives of seafarers. Then, some of pirates remain on board and others go ashore for replenishing. It is a kind of work on a pirate ship.

Speaking of resources, it is important to bring up the information resources available for pirates. Mobile phones, ports authority relationships, shipping information make them well targeted. Money buys everything from weapons to people and influence, and the money from ransoms are not a few. When they receive the ransom, release the ship.

Shipping industry had to adapt to new threats of piracy by providing strong protection during transit, safety equipment, all of which have resulted in increasing the operating costs of vessels. One way to get rid of pirate attacks is the increase in speed during the transit of the area. But this measure also leads in the increase of the operating costs of the vessels.

For the purposes of this study, piracy-related military costs include the administrative budgets for the “big three” naval missions, the operating costs of surface vessels, their surveillance detachments, and UAVs, personnel costs associated with vessel protection detachments, and the cost of Shared Awareness and Deconfliction (SHADE) meetings.¹⁸

The current version of the industry-developed Best Management Practices (BMP4) describes the practice of increasing speed in the High Risk Area (HRA) as “one of the most effective ways to defeat a pirate attack.”¹⁹ In fact, BMP4 recommends that all ships travel at a speed of at least 18 knots when transiting the HRA. There is evidence to support this recommendation because, like the employment of armed guards, no ship making over 18 knots has ever been captured by pirates. Yet this defensive measure, like all others, comes at a cost to ship owners and operators. For example, it is estimated that one very large crude carrier that transited the HRA during October 2012 steaming at 17.9 knots, 5.1 knots above its ideal speed of 12.8 knots, incurs \$88,681.74 in additional costs per day.²⁰

Though the human cost of piracy to seafarers cannot and should not be ignored, “The Cost of Labor” focuses only on the economic costs associated with seafarer labor, namely hazard pay and wages paid during capture.

The Cost of Piracy-Related Insurance include War Risk Insurance and Kidnap and Ransom Insurance. War Risk Insurance, form of insurance primarily covers the cost of injury to the crew and damage to the vessel while traveling inside the war risk area. In addition to these costs, some war risk plans also cover the payment of ransom. Kidnap and Ransom Insurance are separate from war risk policies and cover the ransom payment along

¹⁸ The Economic Cost of Piracy 2012, Oceans Beyond Piracy, 2013; BMP4 Best Management Practices for Protection against Somalia Based Piracy: Witherby Publishing Group, Ltd. August 2011.

¹⁹ Idem 26

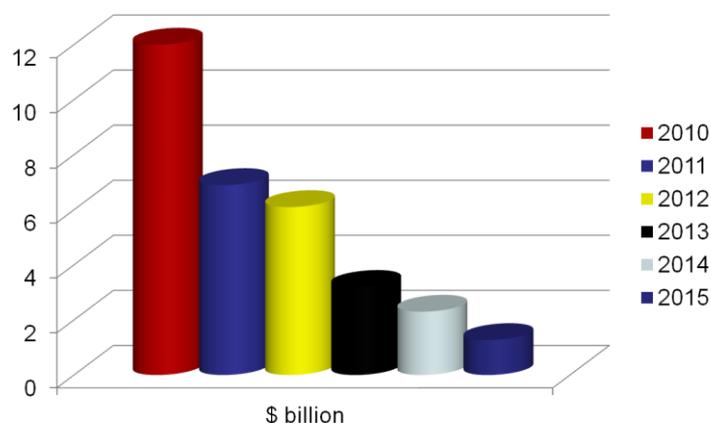
²⁰ The Economic Cost of Piracy 2010 Summary, Oceans Beyond Piracy, 2011

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with additional costs associated with hostage negotiations, including consultants' fees, legal expenses, and other related costs.²¹

One of the most expensive ways to avoid the pirate action area is the changing of the route and diversion through the southern part of Africa with the disadvantage of longer distance, higher fuel consumption, longer time at sea, extra pay for the crew. Currently due to the emergence of piracy in West Africa, the route is not an option.

COST OF PIRACY²²



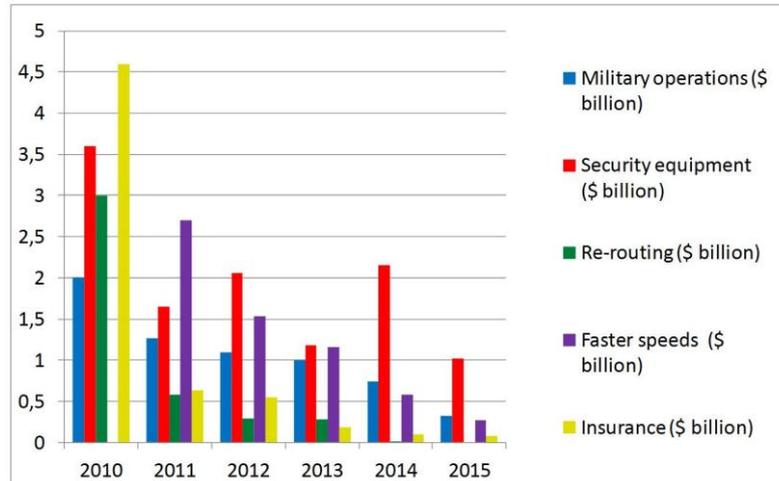
Cost of Military Operations, Shipping industry cost²³

²¹ The Economic Cost of Piracy 2012, Oceans Beyond Piracy, 2013;

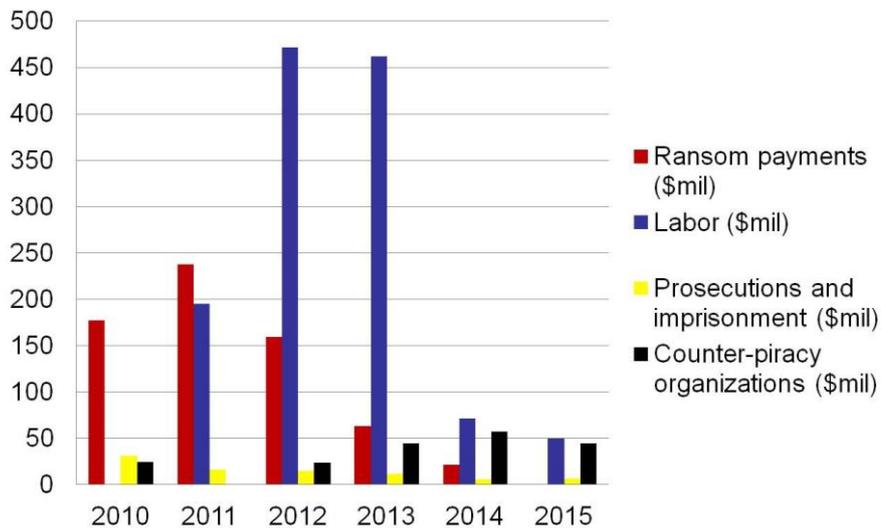
²² https://en.wikipedia.org/wiki/Piracy_off_the_coast_of_Somalia; The Economic Cost of Maritime Piracy, One Earth Future Working Paper, December 2010, pag 8-25; The Economic Cost of Piracy 2010 Summary, Oceans Beyond Piracy, 2011, pag 2; Kaija Hurlburt, The Human Cost of Somali Piracy, June 6, 2011, Oceans Beyond Piracy, pag 7-29; The Human cost of Somali Piracy 2011, Oceans Beyond Piracy, 22 June 2012, pag 6-13; The Economic Cost of Piracy 2011, Oceans Beyond Piracy, 2012, pag 8-41; The Economic Cost of Piracy 2012, Oceans Beyond Piracy, 2013, pag 10-34; The Human cost of Maritime Piracy 2012, Oceans Beyond Piracy, pag 3-12; The State of Maritime Piracy 2013, Assessing the Economic and Human cost, Oceans Beyond Piracy 2014, pag 7-51; The State of Maritime Piracy 2014, Assessing the Economic and Human cost, Oceans Beyond Piracy 2015, pag 1-27; The State of Maritime Piracy 2015, Assessing the Economic and Human cost, Oceans Beyond Piracy 2016; <http://eunavfor.eu>; www.mc.nato.int/ops/Pages/OOS; <http://www.shipping.nato.int>; <http://oceansbeyondpiracy.org>; <http://www.mschoa.org>.

²³ Idem 30

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Ransom payments, other costs²⁴

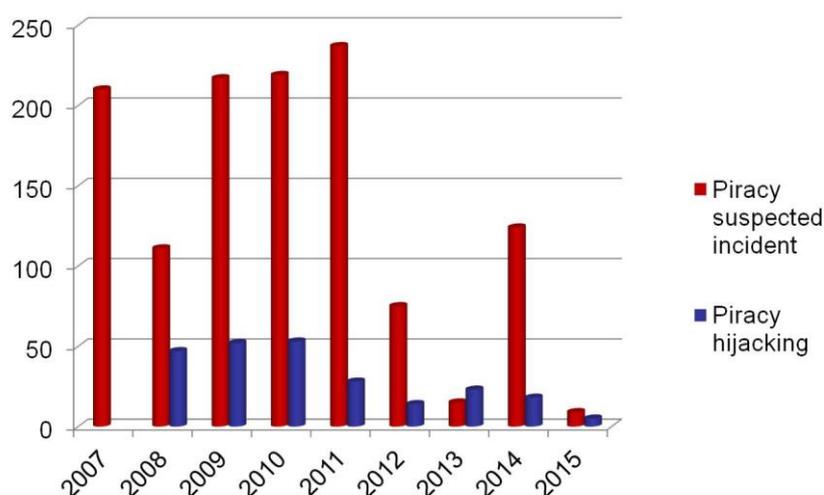


Piracy incident²⁵

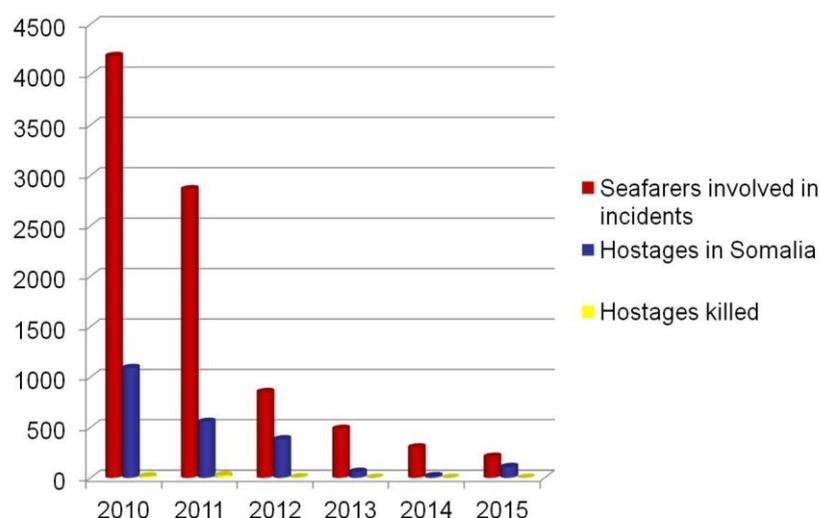
²⁴ Idem 30

²⁵ Idem 30

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Seafarers involved in piracy incidents²⁶



Cost of piracy²⁷

Year Costs	2010	2011	2012	2013	2014	2015
Cost of piracy	\$ 7-12 billion	\$ 6.6-6.9 billion	\$ 5.7-6.1 billion	\$ 3-3.2 billion	\$ 2.2-2.3 billion	0
Ransom payments	\$238 million	\$ 159.62 million	\$ 63.5 million	\$ 21.60 million	\$ 1.0 million	0
Military operations	\$ 2 billion	\$ 1.27 billion	\$ 1.09 billion	\$ 999 million	\$ 741.36 million	\$ 323 million
Security equipment	\$ 3.6 billion	\$ 1.65 billion	\$ 2.06 billion	\$ 1.02 - 1.18 billion	\$ 2,15 billion	\$ 1.02 billion

²⁶ Idem 30

²⁷ Idem 30

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Year Costs	2010	2011	2012	2013	2014	2015
Re-routing	\$ 2.4-3 billion	\$ 579.03 million	\$ 290.5 million	\$ 276.2 million	\$ 15.26 million	0
Fuel costs for faster speeds		\$ 2.7 billion	\$ 1.53 billion	\$ 1.16 billion	\$ 575.9 million	\$ 272 million
Labor		\$ 195.06 million	\$ 471.6 million	\$ 462 million	\$ 71.6 million	\$ 49.9 million
Prosecutions and imprisonment	\$ 31.29 million	\$ 16.23 million	\$ 14.89 million	\$ 12.2 million	\$ 6.3 million	\$ 7 million
Insurance	\$ 4.59 billion	\$ 635 million	\$ 550.7 million	\$ 186 million	\$ 103.5 million	\$ 79.3 million
Counter-piracy organizations	\$ 24.5 million		\$ 24.08 million	\$ 45 million	\$ 57.1 million	\$ 44.5 million
Piracy suspected incident	219 (4185 seafarers)	237 (3863 seafarers)	75 (851 seafarers)	15 (486 seafarers)	124 (302 seafarers)	9 (209 seafarers)
Piracy hijacking	53	28	14	23	18	5
Hostages in Somalia	1090	555	383	60	17	108

Piracy suspected incident in 2000-2007: 210; 2008: 111; 2009: 217.²⁸

5. Conclusion

Piracy in the Gulf of Aden and Somali Basin has experienced great development from 2000 to 2011 and declined after 2012, with the growing number of warships that patrol the area. Unfortunately, at this time even if the number of pirated vessels is steadily declining, piracy at sea is not a history, and the resources allocated to combat this phenomenon are high.

Counter piracy operations are one part of a solution to address a problem that is rooted in a lack of effective governance and poverty.²⁹

To successfully develop a sustainable solution to Somali-based piracy, a myriad of legal issues will need to be resolved and a framework in place for the prosecution and imprisonment of those convicted. Much of the lack of clarity surrounding the legal side of piracy stems from the confusion surrounding overlapping jurisdictions.³⁰

Piracy is an age-old criminal enterprise that since 2008 has been at the forefront of the international community's agenda. When Somali piracy began to pose large problems for the shipping industry, humanitarian food delivery, and the well-being of seafarers, the international community responded with crisis response operations in the form of naval

²⁸ Idem 30

²⁹ Terence Roehrig, South Korea's Counterpiracy Operations in the Gulf of Aden, pag. 44

³⁰ Jon Huggins and Liz Kane-Hartnett, Somali Piracy – Are we at the End Game?, <http://oceansbeyondpiracy.org>, pag 8

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patrols and convoys, privately contracted armed security personnel, and industry best management practices. In addition to these efforts at sea, the international community also developed governance by setting up the Contact Group on Piracy off the Coast of Somalia, which coordinates counter-piracy efforts through its five working groups.

The deployment of naval assets in the Western Indian Ocean and the increased use of armed security guards onboard vessels sailing through pirate-infested waters have often been credited for the eradication of piracy.

Currently, Somalia-based piracy has not been eliminated. Pirates still seek to, and have the capacity to, mount attacks.

In Cooperative Strategy for 21st Century Seapower 2015 the US Navy developed: Under-governed areas ashore create conditions for regional instability ranging from piracy and illicit waterborne trafficking to support for terrorist actions. Through the concerted efforts of U.S. naval forces and our global partners, piracy is currently on the decline off the Horn of Africa, yet it remains a concern on the Indian Ocean. This regional instability threatens global economic stability in a hyper connected world and underscores the need for a global network of navies that leverages the best capabilities of participating states.³¹

A number of indicators analyzed in 2015 and 2016 have demonstrated that Somali pirates remain active, and still have the intent and capability to conduct piracy attacks. Although pirate activity in Somalia remains at a low level, it would be premature to say that pirates no longer pose a threat. Furthermore, lacking success at sea, many pirates have diversified their activities into other criminal activities such as arms smuggling, human trafficking, and protection of illegal fishing vessels. Most of the pirate kingpins retain control of armed gangs, and some, still hold seafarers hostage for ransom.

Piracy has created changes in the way of operation of warships from different groups involved in combating this phenomenon, the structurally modified shipping industry by introducing safety features on ships, changed the economy of the area where the states' interests in fishing tuna are very high and put people from different countries to work together.

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