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The Consequences of Somali Piracy on International Trade

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Introduction

While pirates have been the subject of numerous movies, books and plays—from Robert Louis Stevenson’s timeless novel, *Treasure Island*, written in 1883; to the classic Disney movie of the same title produced in 1950; to the recently released “based-on-a-true story” film, *Captain Phillips*—the matter is hardly fictional. With almost 1,200 prisoners taken captive by pirates from 2010 to 2011 and over 100 casualties in 2011 alone, it is evident that Somali piracy has made an impeccable return in the twenty-first century.¹

For millennia, actually dating back as early as 75 B.C., when Julius Caesar found his life interrupted by a Sicilian piracy attack, pirates have plagued the sea, violently attacking seafarers and greatly affecting transoceanic trade.² Authors Homer and Cicero noted incidents “involving ancient Greek and Roman mariners” and Western Europeans weathered Viking attacks during the Middle Ages.³ However, the most notorious onslaughts occurred during the Golden Age of Piracy (which spanned from 1570 to 1730). During this era, countries such as Britain, France, and the United States, hired privateers to harass Spanish fleets because of their frustration with Spanish dominance of the Caribbean.⁴ As Spain continued to conquer and colonize the Americas, privateers quickly recognized the vast presence of silver, gold, spices, and exotic goods aboard ships. Thus, the harassment that privateers were commissioned for quickly made a transition to lucrative pirate missions of travelling the sea for capital gains.

Due to enhanced onshore military surveillance during the 18th century, the number of pirate attacks decreased sharply and the Golden Age of Piracy came to an end. Additionally, the invention of the steam engine provided an alternative mode of transportation that would mitigate travel by sea. With fewer boats journeying through international waters, nations cut their naval patrol and began investing money in new technologies. However, decades later, as international trade increased following the Cold War, individuals soon began to recognize the

¹ Peter Apps, “Somali Piracy Death Toll Rises as Violence Worsens,” *Reuters*, last modified June 22, 2012, accessed February 22, 2014, <http://www.reuters.com/article/2012/06/22/us-somalia-piracy-idUSBRE85L08N20120622>.

² Robert Schlesinger, “Dealing with Pirates: How Julius Caesar Handled Things,” *U.S. News and World Report*, last modified April 13, 2009, accessed November 9, 2013, <http://www.usnews.com/opinion/blogs/robert-schlesinger/2009/04/13/dealing-with-pirates-how-julius-caesar-handled-things>.

³ Alex Altman, “A Brief History of Pirates,” *TIME World*, October 2, 2008, accessed November 9, 2013, <http://content.time.com/time/world/article/0,8599,1846422,00.html>.

⁴ Virginia Lunsford, “What Makes Piracy Work?” *Proceedings Magazine* 12 (2008): 1270, accessed November 4, 2013, <http://www.usni.org/magazines/proceedings/2008-12/what-makes-piracy-work>.

opportunities for capital gain through sea robbing.⁵ Thus, a form of crime that many believed to be long dead has reappeared in the 21st century, causing immense and costly problems to global trade and countries around the world.

In the last decade in particular, piracy in the African waters, especially surrounding Somalia, has vastly increased. According to statistics supplied by the International Maritime Bureau (IMB), the 219 attacks by Somali pirates in 2010 made up 49 percent of the total piracy attacks worldwide. In that same year, Somali pirates hijacked 49 ships, while taking 1,016 seafarers hostage. However, pirates never intend to harm their hostages, as their ultimate goal is always seeking financial compensation. The One Earth Future Foundation (OEF) approximates that the total ransom paid to Somali pirates reached \$238 million in just 2010 alone.⁶ A new study estimates that Somali pirates reaped as much as \$413 million in ransom payments from 154 hijackings from 2005 to 2012.⁷

The expansion of Somali piracy has caused immense amounts of harm on the global trade market. It is estimated that the losses suffered globally range from \$1 billion to over \$16 billion per year.⁸ Within this figure, only a small amount is attributed to direct costs, such as paying ransom. The larger part of that figure comes from indirect costs, such as delays/failure in delivering cargo (breach of contract), reduction in the value of goods, or the extension of the ship rental and staff salary. Additionally, piracy affects the willingness of seafarers to sail on high-risk routes (e.g. the Gulf of Aden in the Horn of Africa). Thus, many companies are battling the reality of staff refusing work. Effects such as these ultimately cause financially detrimental consequences to companies. For example, hijacked ships result in transportation delay, which ultimately leads to higher fuel cost, increased wages for workers, and diminishes a company's competitiveness. Lastly, the threat of hijackings has coerced many shipping companies and ship-owners to purchase more expensive insurance packages. Because of incidences of piracy, many insurance companies now require a specific "kidnap and ransom" policy, which can cover the cost of ransom and the arrangements required with the payment.⁹

As studies show that the economic impacts of piracy are at an all-time high, this paper will argue that the Somali pirates who infest the waters off the

⁵ Altman, "A Brief History of Pirates."

⁶ Henk Rengelink, "Tackling Somali Piracy," *Trends in Organized Crime* 3 (2012): 180-97, accessed November 1, 2013, doi 10.1007/s12117-012-9171-3, 182-83.

⁷ The World Bank, United Nations Office on Drugs and Crime, and Interpol, *Pirate Trails: Tracking the Illicit Financial Flows from Pirate Activities off the Horn of Africa*, Washington, DC: The World Bank, 2013, accessed November 8, 2013, <https://openknowledge.worldbank.org/handle/10986/16196>.

⁸ Rengelink, "Tackling Somali Piracy," 185.

⁹ *Ibid.*, 185-86.

Horn of Africa are causing significant financial damage to international commerce by elevating global trade costs.

Rise of Piracy in Somalia

Due to a previous civil war, absence of central government, and lack of natural resources, Somalia is presently one of the most underdeveloped and chaotic countries in the world. It is widely believed that the inability to restore a functioning government is the direct cause behind Somalia's security problems and ruined economy.¹⁰ Because of Somalia's poor economic circumstances, many individuals who are dissatisfied with the status quo seek unconventional ways to improve their respective financial circumstances by any means possible. The poor socioeconomic situation in the country paired with Somali citizens' desperation to alter their living conditions are the large stimuli in the rise and expansion of piracy throughout international waters.

After the civil war, the country was left in mayhem with no formal parliament for more than two decades.¹¹ With anarchy spreading for years, it was imperative to come up with a temporary solution for the well-being of the country. Thus, in 2000, the Transitional Federal Government (TFG) was formed after fourteen attempts to create a functioning government post-civil war. Although Abdullahi Yusuf Ahmed is the current president of Somalia and represents the semi-success of the TFG, the party still lacks cohesion and control of the entire country.¹² Particularly, the lawlessness has allowed Somali pirates to advance their activities with protection of anarchist clans, and most recently the Jihad militia Al-Shabaab that controls the Southern part of the country. According to the International Maritime Bureau (IMB), while Somali pirates only initially operated in the Gulf of Aden and the Indian Ocean (within the vicinity of their native country), the additional support they have gained has helped extend their range as far away as 1200 sea miles from the capital of Mogadishu.¹³

Contrary to popular belief, Somali piracy did not begin initially out of the desire to exploit the vulnerabilities of their failed, lawless state. Some of the first low-scale pirate attacks carried out in the Horn of Africa acted as measures to counter illegal fishing in Somali waters. After a civil war erupted in the country in

¹⁰ Christopher L Daniels, *Somali Piracy and Terrorism in the Horn of Africa* (Lanham: Scarecrow Press, 2012), 1.

¹¹ BBC Monitoring, "News Africa," *BBC News*, last modified July 4, 2013, accessed November 10, 2013, <http://www.bbc.co.uk/news/world-africa-14094503>.

¹² Stephanie Hanson and Eben Kaplan, "Somalia's Transitional Government," *Council on Foreign Relations*, last modified May 12, 2008, accessed November 10, 2013, <http://www.cfr.org/somalia/somalias-transitional-government/p12475>.

¹³ Rengelink, "Tackling Somali Piracy," 183-85.

1991, the last functioning government faced a collapse. Consequently, the 2,000 miles of Somali coastline appeared open for foreign vessels to intrude and plunder the fisheries, due to lack of government security.¹⁴ Not only is its coastline the longest in Africa, it is also rich with shrimp, lobster, tuna, and many other valuable sea products.¹⁵ Yet the vast potential of the industry was never brought to fruition because the country lacked laws to ensure the safeguard of the seaboard. The government absence also caused the once reliable Somali coastguard to vanish, as there was no budget to support their presence. Consequently, the Somali waters became a site of an international free-for-all, with numerous fishing fleets from around the world illegally plundering the country's stocks and freezing out Somalia's own rudimentarily-equipped fishermen.¹⁶ With the nonexistence of government policy and stable economic structure, Somalia was, and is still, unable to effectively combat the crimes of illegal fishing.

As many countries began to realize Somalia's lack of ability to appropriately counter the frequent theft in their waters, Yemeni fisherman became the most prominent group to illegally fish off Somalia's coast. There are various claims that state that Yemeni fisherman would dismantle and/or steal Somali fishing nets for their respective gains.¹⁷ Another UN report asserts that an estimate of \$300 million worth of seafood is stolen from Somalia's coastline annually.¹⁸ As a result, Somali fisherman began using small boats and weapons in order to accost the Yemeni fisherman, forcing them to throw the fish overboard. Moreover, they would also confront other potential ships suspected of illegal fishing, and hold the crew hostage until they paid a fine for deterrence.

Although these attacks originally began out of desperation to save local fishing industries, Somali piracy ultimately grew into an international problem as their waters became not only overfished, but also polluted by illegally dumped, harmful waste.¹⁹ In 2005, the United Nations Environmental Program reported the presence of uranium radioactive and other hazardous deposits in the water, which led to a rash of respiratory ailments and skin diseases breaking out in villages along the Somali coast. At the time of the report, the UN cited that "it cost \$2.50 per ton for a European company to dump these types of materials off the Horn of

¹⁴ Ishaan Tharoor, "How Somalia's Fishermen Become Pirates," *TIME World*, April 18, 2009, accessed November 9, 2013, <http://content.time.com/time/world/article/0,8599,1892376,00.html>.

¹⁵ Daniels, *Somali Piracy*, 33.

¹⁶ Tharoor, "How Somalia's Fishermen Become Pirates."

¹⁷ Jonathan Beloff, "How Piracy is Affecting Economic Development in Puntland, Somalia," *Journal of Strategic Security* 1 (2013): 47-54, accessed March 4, 2014, doi <http://dx.doi.org/10.5038/1944-0472.6.1.4>. 47.

¹⁸ Tharoor, "How Somalia's Fishermen Become Pirates."

¹⁹ Beloff, "How Piracy is Affecting Economic Development," 47-48.

Africa, as opposed to \$250 per ton to dispose of them cleanly in Europe.”²⁰ The blatantly egregious acts of other countries went virtually unchecked throughout the entire 1990s.²¹ As these events began to culminate, it was evident that Somali fishermen had to start looking out for themselves and their own financial stability—and they did this through piracy.

International Implications of the Attacks

The maritime piracy attacks that transpire off the Horn of Africa are severely disrupting international trade. The Far East-Europe route is one of the world’s most active transcontinental maritime routes, as it receives nearly 20 percent of all global trading activities and more than 80 percent of trade moves through the Gulf of Aden. More specifically, more than 20,000 ships carrying most of the world’s affordable clothing, crude oil, and dry commodities pass through this route annually.²² However, on this route, there is an important barrier by the Puntland area in northeast Somalia. As self-ruling clans and warlords govern that unstable region, the adjacent Gulf of Aden harbors copious amounts of Somali pirates. Their main goals are to hijack ships and seize the transported goods, holding them until companies pay the ransom in order to retrieve their cargo and crewmembers. Consequently, this route adequately reflects the significant impacts of maritime piracy on global shipping and world development.²³

The financial implications of maritime piracy are widespread. With a lack of central government, Somali pirates exploit their surrounding waters, leaving the cargo frequently transported between Europe and Asia endangered. One major implication is that the attacks have forced major shipping companies to adjust their routes from the Far East to Europe. For example, many companies are altering their courses from the Gulf of Aden to the Cape of Good Hope or the Suez Canal in order to decrease the likelihood of pirate attacks. Such changes add significant additional costs. Attacks have created extra costs for fuel and higher insurance premiums, which ultimately create an additional burden on consumers in the form of higher prices for their goods.²⁴ It is estimated that if one-third of the

²⁰ Tharoor, “How Somalia’s Fishermen Become Pirates.”

²¹ Daniels, *Somali Piracy*, 35.

²² Graham Cooke, “Oceania | Security,” *The Diplomat*, last modified February 2, 2009, accessed November 9, 2013, <http://thediplomat.com/2009/02/02/the-impact-of-somali-piracy/?all=true>.

²³ Xiaowen Fu, Yui-Yip Lau, and Adolf K.Y. Ng, “The Impacts of Maritime Piracy on Global Economic Development: The Case of Somalia,” *Maritime Policy & Management* 7 (2010): Accessed November 7, 2013, 677-97, doi 10.1080/03088839.2010.524736, 677-81.

²⁴ *Ibid.*, 678.

Far-East European cargo routes were diverted via the Cape of Good Hope, it would trigger \$7.5 billion extra in expenses worldwide.²⁵

The timeliness of shipments and delayed delivery of transported cargo is another consequence that stems from pirate attacks and the necessity of rerouting vessels. Unfortunately, the uncertainty of receiving scheduled cargo creates often deters companies, thus significantly decreases trade opportunities. While it is difficult to study the effects of insecurity, many studies have been done that demonstrate that more transparency about the measures being used to combat piracy will result in higher volumes of trade. Ultimately, piracy can significantly affect the gross domestic product of countries whose trade it disrupts.²⁶

Through data analysis and empirical application, it was discovered that the number of hijackings is the most relevant variable to the economic effects of piracy. Studies show that each increase in the number of attacks indefinitely hinders the amount of exports of a country. More specifically, these studies found that the effect of an additional hijacked vessel can decrease a country's exports by about 1.1 percent. The study found that trade losses due to piracy attacks between Europe and Asia total \$24.5 billion in just 2008 alone.²⁷

In an additional study done by the same authors, the percentage of piracy acts by Somali pirates is compared to incidents involving Malaccan pirates (competitors of Somali pirates that plague the Strait of Malacca), specifically on the Europe-East Asia trade route. From 1999 to 2008, there was a clear increase in the amount of Somali hijackings, juxtaposed to a sharp decline in Malaccan pirate attacks. Losses in trade caused by Somali pirates multiplied by six from 1999 to 2008, while the losses caused by Malaccan pirates were reduced by one-quarter.²⁸

Since 2009, major economic powerhouses have begun deploying naval forces along the Gulf of Aden in order to protect shipments transported on the Far East-Europe route. Data demonstrates that the absence of government intervention is a large factor in the rise of piracy attacks. From 2007 to 2008, piracy incidents rose by seven times, which undeniably could have been mitigated with better administration involvement. If the governments had not interfered, total traffic volumes would have reduced by 30.25 percent, solidifying the theory that maritime piracy in Somalia is truly affecting global shipping companies' regular activity. While the affected costs vary, the overall economic welfare loss is substantially superior, as it entails the losses due to reduction in traffic volumes and efficiency loss due to using an alternative route. Considering that 80 percent

²⁵ *Ibid.*, 678-79.

²⁶ Sami Bensassi and Inmaculada Martínez-Zarzoso, "How Costly is Modern Maritime Piracy to the International Community?" *Review of International Economics* 5 (2012): 869-83, accessed November 5, 2013, doi 10.1111/roie.12000, 869-72.

²⁷ *Ibid.*, 876-78.

²⁸ *Ibid.*, 879.

of current international trade is transported by sea, a reduction in these trips can bring shocking consequences to the global economy.²⁹

Overall, the empirical analysis demonstrated an expected annual loss of \$30 billion on the various countries that utilize the Gulf of Aden shipping route. Thus, it is imperative for governments and international organizations to take up effective measures against modern maritime piracy, as the economic stakes are extremely pertinent to the health of the global economy.³⁰

Domestic Implications of Piracy:

Although Somali piracy attacks are often only regarded by the international community because of their impact on global trade, the effects of these organized attacks in Somalia itself are frequently ignored. While there is no singular cause to the rise of piracy in the Puntland area and the rest of the Horn of Africa, it is widely accepted that the economic hardships in the country cause Somali citizens to seek extreme measures of survival through piracy. Interestingly, the successes of Somali piracy attacks have resulted in short-term positive financial impacts on the country's economy, specifically through the creation of secondary businesses in the region. Mainly, citizens can take advantage of Somali piracy by: becoming a "foot soldier," completing skilled work for the pirates, financing the attacks, or handling the fiscal matters after the attacks are successful.

As piracy attempts are regarded as high-risk, there is high demand for low-level pirates that are able and willing to carry out hijackings. These "foot soldiers" are sent to sea with crewmembers with the sole purpose of locating valuable vessels to seize. Once these low-level pirates successfully take control over a boat, their task is to return to shore, as it is necessary for a negotiator (also known as an "interpreter") to assess the value of assets aboard. The World Bank reports that interpreters are paid \$10,000 to \$30,000 US for their services.³¹ If the low-level pirates successfully hijack the ship, they are compensated accordingly for their services. It is estimated that "foot soldiers" receive \$30,000 to \$75,000 per raid, but no more than 2.5 percent of the total ransom payment.³² An additional bonus of \$5,000 is given to the first man who boards the ship—as the individual who initiates close contact first has the most risk of dying before his other counterparts.³³ However, Matlock also mentions that in the event that these

²⁹ Ibid., 878.

³⁰ Ibid., 880.

³¹ The World Bank et al., *Pirate Trails*.

³² Carol Matlack, "Inside Somali Piracy," *Bloomberg Businessweek*, November 6, 2013, accessed November 9, 2013, <http://www.businessweek.com/articles/2013-11-06/inside-somali-piracy-inc>.

³³ Beloff, "How Piracy is Affecting Economic Development," 50.

low-level workers received a cash advance before the attack, they are charged 100 percent interest on compensation.

Unfortunately, these workers rarely use their illegally acquired assets for building a sturdy life for themselves. The World Bank study notes that the most commonly reported expenses of these individuals are for sex workers or slaves, alcohol, and expensive cars. Additionally, after deductions are made from trip expenses (food and fines for bad behavior), the “foot soldiers” are left with little-to-no money, requiring them to participate in additional attacks, perpetuating the problem further.³⁴

Aside from the need for “foot soldiers,” there is also a large market for individuals able to meet the vast consumer interests of pirates. Mainly, they require workers to help the pirates attain the ostentatious lifestyle they have worked so hard to display. For example, there is a large market for foreign cars and speedboats, which creates positions for sales people and mechanics as a counter necessity. In addition, to accommodate pirates’ desire for flamboyant homes on the coastline, various professionals are needed to make their dreams come to reality. Thus, business opportunities for local professional carpenters, electricians, gardeners, and suppliers become available.³⁵ Additional employment opportunities are available for local bookkeepers that are able to aid successful pirates smuggle, transfer, or launder their ransom payments.

Canadian freelance journalist Jay Bahadur, who frequently writes about Somali piracy notes, “as in any pyramid scheme, the clear winner is the man at the top.”³⁶ Thus, venture capitalists possess the most fundamental role in all piracy attacks. These financiers invest initial funds in boats, supplies, and low-level pirates in order to pioneer the piracy onslaughts.³⁷ These investors reportedly collect 30-70 percent of the ransom payments, depending on their initial investment. It is common for sole investors to receive as much as 50 percent of the ill-gotten gains, due to the financial risks they undertake upon primary backing.³⁸

Although there may be short-term financial benefits of Somali piracy, the World Bank study demonstrates that the presence of ransom payments is only continuing to ruin the Somali economy. Contrary to popular belief, most of the money secured from piracy attacks stays in the country. As most financiers are warlords, they use their capital to “pay for private militias, buy political protection,

³⁴ The World Bank et al., *Pirate Trails*.

³⁵ Andrew Carlson, “Pirates of Puntland, Somalia,” *Origins: Current Events in Historical Perspective* 9 (2009), accessed November 9, 2013, doi <http://origins.osu.edu/print/70>.

³⁶ Jay Bahadur, *Deadly Waters: Inside the Hidden World of Somalia's Pirates*, (London: HarperCollins Publishers, 2011).

³⁷ Matlack, “Inside Somali Piracy.”

³⁸ The World Bank et al., *Pirate Trails*.

and reinvest in new pirate operations.” Additionally, these individuals use these funds to invest in legitimate, diversified business opportunities such as real estate and hotels. The issue with this underground economy is that money coming in the country remains untaxed.³⁹ If there were an official, structured government present within the country, the illegal money that pirates and their accomplices control would be circulated with the economy and it would be taxed. As a result, the Somali government would be able to provide adequate resources for infrastructure, education, and potential redistribution of wealth through subsidies and government assistance.

Though Somali pirates’ violent attacks clearly have vast financial impacts on their own country’s economic structure and global trade costs, these criminals truly believe they are doing their country a great service. In an interview with Sugule Ali, an infamous Puntland Pirate, he described his work as nationalistic. Ali claims that Puntland pirates do not see themselves as sea bandits and urges the world to see them as a coast guard patrolling their seas.⁴⁰

Addressing Somali Piracy & Proposed Resolutions

As the prevalence of Somali pirate attacks continues to drastically affect the global economy, it is essential that the international community work diligently to prevent further attacks. The resurgence of maritime piracy in the twenty-first century has forced the United Nations Security Council to confront the issue of piracy head-on in recent years. Since its reemergence, a slew of recommendations, resolutions, and security mitigation tactics have been employed in order to reduce the risk of attacks. In the past, the Security Council Resolutions advised individual states to discipline the pirates. For example, the *United Nations Security Council Resolution 1816 (2008)* “condemns the acts of piracy taking place off the coast of Somalia and calls for nations to take action both on land and at sea to alleviate the problem.”⁴¹ This declaration not only condemns and deplors all acts of piracy, it also provides states with various tools to handle the issue. Some of the advice includes urging states with naval vessels to deter using high-risk routes, share information about acts of piracy with other nations and the International Maritime Organization, and calls upon states to cooperate in

³⁹ Matlack, “Inside Somali Piracy.”

⁴⁰ Carlson, “Pirates of Puntland, Somalia.”

⁴¹ United Nations Security Council, *Resolution 1816 (2008): The Situation in Somalia*, June 2 2008, <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N08/361/77/PDF/N0836177.pdf?OpenElement>.

determining jurisdiction; for example, prosecuting individuals responsible for acts of piracy.⁴²

Although this provided states with preliminary advice for how to act on the situation, a new, resolution achieved on April 27, 2010, goes further to address the issue of what to do with pirates after their arrest. Because the topic lay dormant for many years, the procedure for effective punishment was not clear. The Security Council calls on “all states to criminalize piracy under national laws.” Essentially, this decree stated that failure to prosecute individuals who committed acts of piracy demonstrated a public undermining of anti-piracy efforts. Thus, the council implores countries to criminalize piracy in their domestic laws and provide effective jurisprudence for these wanton actions.⁴³

Because of the failed government in Somalia, the pirates in the Gulf of Aden essentially do as they please. A senior economist in the World Bank’s research department states, “piracy is a symptom of Somalia’s political system.”⁴⁴ Due to the anarchy in the country and the inability of officials to control the territorial waters, Somali pirates have expanded their attacks—capturing some the world’s largest ships and acquiring millions of dollars in ransom.⁴⁵ Thus, it is key to “go after the system, not just the pirates.”⁴⁶ While the Transitional Federal Government made an attempt to govern the country, it is clear that Somalia needs additional aid from a number of developed countries in order to truly eliminate the problem. As it is evident that Somali citizens are turning to these crimes due to poor economic stability, a viable financial system needs to be established in order to provide alternative means of livelihood. The overall goal of onshore preventative measures must be to eliminate the source of the problem – the desperation that compels Somali citizens to engage in acts of piracy.⁴⁷ An example of preventative onshore efforts can be the proactive outreach to Somali youth that discourages them from seeing piracy as their only means to success.⁴⁸ While the United Nations and other non-governmental organizations have made efforts to decrease piracy through policy changes and restructuring the

⁴² Daniels, *Somali Piracy*, 176-79.

⁴³ Danielle Archibugi and Mariana Chiarugi, “Looking for a Jurisdiction for Somali Pirates,” *Political Quarterly* 2 (2011): 231-39, accessed November 1, 2013, doi: 10.1111/j.1467-923X.2011.02193.x. 231.

⁴⁴ Quy-Toan Do, “Ending Somali Piracy: Go After the System, Not Just the Pirates,” *The World Bank*, last modified April 11, 2013, accessed November 9, 2013, <http://www.worldbank.org/en/news/feature/2013/04/11/ending-somali-piracy-go-after-the-system-not-just-the-pirates>.

⁴⁵ Archibugi and Chiarugi, “Looking for a Jurisdiction for Somali Pirates,” 231.

⁴⁶ Do, “Ending Somali Piracy.”

⁴⁷ Beloff, “How Piracy is Affecting Economic Development,” 53.

⁴⁸ The World Bank et al., *Pirate Trails*.

government within Somalia, most of the efforts to combat these crimes take place offshore.

While the 1958 Geneva Convention on the Law of the Sea established the responsibility of nations in their use of the ocean and creates appropriate principle for transoceanic trade, the United Nations Security Council Resolutions go more in depth about the ability of nations to prosecute suspected pirates. Any state has the authority to seize a ship suspected of infiltration by pirates, and bring the individuals to its territory for a trial in its respective court. However, Western navies often are too complacent in their punishment of pirates and states are seldom comfortable using these powers and often fail to seek prosecution.⁴⁹ Often, even if the pirates are caught by naval patrol, the suspected pirates are able to return back to their country's shoreline without penalty. Many countries prefer to decline jurisprudence, as they are deterred by costs and an ambiguous code of conduct, which appears to leave the crime without reprimand.⁵⁰

The IMB estimates that about half of piracy attacks go unreported due to the inconvenience and slow nature of successful investigations.⁵¹ Many researchers argue that the NATO Operation Ocean Shield possesses no framework to appropriately deal with the discipline of pirates, especially concerning their arrest and trial. Thus, attempted piracy attacks have doubled as pirates recognize the lack of consequences. Approximations show that there are only 1,000 to 3,000 at sea. Therefore, the arrest and trial of these individuals would make an increase in the impacts of piracy on world development.⁵²

This has led to a search for an effective, cheaper solution for the punishment of pirates. For example, a common practice is the signing of bilateral agreements with states to address the technical needs of the trial.⁵³ For example, many trials related to piracy were taking place in Kenya. During a brief period, the country's judicial system was overburdened; however, the international community increased funding and two months later, a newly improved courtroom was opened in Mombasa.⁵⁴

Piracy in the Gulf of Aden has transformed from acts of despair to full-blown organized crime. The leaders of the crime ring frequently stay at home, while they have their manpower execute the acts on their behalf, and they remain unpunished. It is undeniable that to effectively combat Somali piracy their

⁴⁹ Archibugi and Chiarugi, "Looking for a Jurisdiction for Somali Pirates," 233-34.

⁵⁰ *Ibid.*, 231-32.

⁵¹ *Ibid.*, 231-33.

⁵² *Ibid.*, 231-33.

⁵³ *Ibid.*, 234.

⁵⁴ *Ibid.*, 235.

government system must be rebuilt and justice must be rendered on Somali territory.⁵⁵

Conclusion

It is irrefutable that the government instability, shattered economy, and violence present in Somalia pose internal threats as well as threats to the international community. As Somalia's coastal waters remain unprotected and overfished, and its government prone to Islamic insurgence, Somalia is notorious as one of the most impoverished and dangerous nations according to a 2006 *Forbes* report.⁵⁶ The country has demonstrated minimal growth since the civil war in 1991, forcing Somali citizens to act out of desperation in order to survive. As this paper demonstrates, studying the country's current economic and political environment and as well as its history is pivotal to understanding how the volatility in Somalia led to the development of organized pirate attacks off the Horn of Africa. Piracy in the Gulf of Aden has evolved from erratic acts of despair to full-blown organized crime. Even since the establishment of the Transitional Federal Government, piracy attacks have rapidly increased, with record numbers of incidents beginning in 2005. Without government intervention, Somali piracy cannot be effectively combated. The Somali government must be rebuilt and justice must be rendered on Somali territory.⁵⁷

While the international community is attempting to combat the issue of piracy in the Gulf of Aden through enhanced surveillance and naval patrols, there has been no visible decrease in piracy behavior thus far. Piracy continues to be the main source of income for many coastal communities in Somalia, as many pirates do not fear the consequences of being apprehended.⁵⁸ Because it is very costly to exert jurisdiction, Somali pirates remain unfazed by their actions, as they often returned to their home country with minimal repercussions. Thus, many shipping companies are left to deal with piracy attacks on their own, resulting in billions of dollars lost in annual trade. It is undeniable that as long as Somalia remains impoverished, with no repercussions for suspected pirates, these attacks will continue to occur at a greater rate, while simultaneously elevating global trade costs—affecting consumers' pockets worldwide.

⁵⁵ *Ibid.*, 237-38.

⁵⁶ Tharoor, "How Somalia's Fishermen Became Pirates."

⁵⁷ Archibugi and Chiarugi, "Looking for a Jurisdiction for Somali Pirates," 237-38.

⁵⁸ Benassi and Martínez-Zarzoso, "How Costly is Modern Maritime Piracy," 880.

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