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Explaining the Economic Geography of Somali Piracy

Why have some parts of the Somali coastline become havens for maritime piracy while other areas want nothing to do with it? For Anja Shortland, the evidence is clear — a lack of infrastructure and economic development can make piracy more profitable than ‘legitimate’ forms of trade.

By Anja Shortland for ISN

High seas piracy and kidnap and theft from ships in territorial waters have occurred with varying intensity all over the world. Piracy responds to economic opportunity in the form of slow-moving, unguarded, high-value ships, crew and cargo. It often occurs at choke-points and crowded anchorages in poor countries with weak governance, particularly at times of economic stress. Piracy has been tackled successfully where littoral states (or the international community) have prioritized counter-piracy at sea or cut off pirates’ access to land-based infrastructure, which is necessary to turn pirate loot into cash.

Nevertheless, many areas which fit the stylized facts about piracy do not in fact produce pirates - even when no state resources are mobilized to prevent it. This begs the question: what factors determine whether pirates are an accepted part of the local economy? Piracy is most profitable where pirates can take a ship to port, unload cargo for sale and acquire new papers for selling the ship. Hijack-for-ransom requires long-term protection arrangements as well as food, water and fuel while the ransom is negotiated. Kidnapping of sailors requires safe houses for the hostages.

Criminologists have established that criminal markets experience a clear separation of labor. The criminal underworld is governed by specialized providers of private security. These can be mafias, prison gangs, corrupt officials or informal and traditional governance providers in failed states. Criminals use these “protectors” to ensure that their loot is not stolen by other criminals, that contracts between criminals are enforceable and that disputes within or between gangs can be resolved without violence. Criminals pay well for these essential services and protectors can govern (and tax) all manner of business within their territories. If a protector is effective and fair, even licit businesses may come to rely on informal governance, especially if the state is weak or perceived to be corrupt.

The protector therefore does not usually engage in crime - his business is protection. As in any business, the protector is interested in maximizing profit as well as the longevity of his enterprise. Protection is a contestable monopoly: only one protector can operate in a specific territory, but

territories can change hands – usually in costly gang wars. This means that a protector cares about his standing in the community as well as his profits, leading some mafias to avoid protection of drug dealers or prostitution in their territory.

Kismayo vs. Gharadhere

This leads us back to the issue of piracy: where will a pirate find a protector for his loot? Who will arrange a berth in the port, provide documents for illicit cargo and ensure that the pirate sees a profit from the sale? Will hostages be fed and safe while the ransom is negotiated? In the Somali case – who will guarantee that the original pirates and their financial backers still have a claim on revenues two years into ransom negotiations? If no protection can be obtained, there is no point in investing in and risking piracy in the first place.

Somali piracy is particularly useful for shedding light on the role of protectors' decisions in making piracy possible. Pirates found protection in only a very small number of locations on the Somali coast – even though, geographically, a much larger number were suitable. This is because the protection of piracy is fundamentally incompatible with trade protection. No pirates were ever tolerated in or near the harbors connecting the Horn of Africa to the greater Indian Ocean economy. Somalia is a vital conduit for livestock from and (untaxed) consumer goods to Kenya and Ethiopia, generating revenues far in excess of the livestock and charcoal trade from Somalia itself.

For example, Kismayo, which was under stable Islamist rule for many years, never tolerated piracy. In 2006 the Union of Islamic Courts even conducted punitive raids on the pirate heartlands at Hobyo when pirates interfered with the regional dhow trade. The local protectors in these communities simply made the calculation that the cash flow from protecting trade would exceed (and be more stable than) that from piracy. At the same time, a strong stance against piracy – which is forbidden under *sharia* law – enhanced their standing in the local community.

The choices made in Kismayo can be contrasted with those made by Islamist administrations at Gharadhere, a remote settlement in central Somalia and one of the busiest pirate anchorages from 2009 to 2011. Gharadhere was taken over by Islamist militias in 2010, but the local Al Shabaab representative left the community free to continue the piracy business in exchange for a “development fee” charged on pirate ransoms. Farther up the coast, pirate bosses grudgingly paid a “non-interference” fee to avoid a damaging dispute over protection with Al Shabaab.

This difference can largely be explained by the economic viability of trade vs. piracy protection in the two places. Unlike Kismayo, the harsh and arid climate of the Puntland and Galmudug coasts restricts the local economy to subsistence fishing and herding. The area is also cut off from regional trade flows by a complete lack of road infrastructure. Trade protection, therefore, was simply not an option in Gharadhere. This led local clans to allow piracy in order to generate employment and to share in the profits. Tellingly, when the president of Puntland was asked to tackle piracy in his home town of Eyl, the one thing he repeatedly asked for was a road connecting the town to the capital, which would have transformed its economic prospects.

Combating piracy

What does this mean for combating piracy? While it is possible to tackle piracy at sea – as the massive investment in military and private security in the Indian Ocean demonstrates – it remains unclear whether that approach is cost effective or applicable elsewhere. Another option is to tackle piracy through better governance and law and order. Piracy in the Malacca Straits, for example, largely stopped when Indonesia eliminated pirate havens by regaining control of Aceh province, clamping down on corruption and paying its harbor masters and coast-guards a living wage. But this

approach is not possible in places where the government simply does not project power and is unlikely to be able to do so in the foreseeable future – such as the Niger Delta and much of the Somali coast.

Here, alternative economic opportunities must be provided to key stake-holders in local communities in order to encourage them to undertake counter-piracy efforts. This bargain need not be explicit: if local communities gain more from trading than from piracy, they will switch voluntarily. The road to Eyl and the participation of local communities in the Niger delta's oil revenues can turn the protectors of pirates into coast guards – and without the need for any further input or enforcement from the international community.

Piracy is unique among maritime crime because it is incompatible with trade. Although this uniqueness recommends a developmental approach to counter-piracy, it also implies that such an approach cannot be expected to eliminate drug trafficking, gun running, unlicensed fishing, people-smuggling and other varieties of maritime crime. In fact, because these crimes can occur alongside regular trade, the development of trade infrastructure to combat piracy could actually facilitate them. Revenue sharing and the economic integration of backward and remote areas will promote state-building in the long run, but there is no “developmental” alternative to good governance and law and order for dealing with maritime crime more broadly.

Further reading

Anja Shortland & Federico Varese, 2012. "[The Business of Pirate Protection](#)," Economics of Security Working Paper Series 75, DIW Berlin, German Institute for Economic Research

Shortland, Anja & Vothknecht, Marc, 2011. "[Combating “maritime terrorism” off the coast of Somalia](#)," European Journal of Political Economy, Elsevier, vol. 27(S1), pages S133-S151.

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