

How Piracy is Affecting Economic Development in Puntland, Somalia

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How Piracy is Affecting Economic Development in Puntland, Somalia

Abstract

The international community has united in its mission to halt the hijacking of merchant ships in the Gulf of Aden and the Red Sea with a massive naval presence that monitors the vast, strategic seas in which Somali pirates operate. This naval presence consequently has had some success in reducing pirate attacks in 2012, but why are the Somalis turning to piracy in the first place? The economic history of piracy has been well documented with other former “pirate hotspots” worldwide; however, there is little data available on the microeconomic affects of piracy. This article explores the underlying reasons of why Somalis have turned to piracy as a “profession,” and offers recommendations for the international community to eliminate piracy effectively through non-military means.

Introduction

The root causes of why piracy has grown in the Puntland area of Somalia and the rest of the Horn of Africa is debated, but most agree that piracy stems from the economic hardship of Somalis. When discussing the exact cause of economic desperation and whether or not it is a valid reason for piracy, many scholars pinpoint the acceptance of piracy in the Horn of Africa to fishing rights violations. For instance, fishing by other countries in the territorial waters of Somalia is a serious problem for Puntland. Estimates indicate that the coastal waters off Puntland have a vast supply of fish that are considered ideal for export causing many neighboring countries to illegally fish there.¹ Veteran African journalist, Peter Eichstaedt, disagrees with the notion that illegal fishing is a valid reason for why piracy continues to be allowed. Eichstaedt believes that piracy stems from the self-interests of the pirates and their financiers and not from illegal fishing.²

While it is unclear exactly when piracy in Somalia began, testimonies from Somali pirates indicate that piracy surfaced shortly after the fall of the Somali Government in 1994 when foreign fishing boats sailed to fish in the Somali waters in the Gulf of Aden. Yemeni fishermen became the largest group of foreigners to fish illegally off Somalia's coast. There are claims by former Somali fishermen that Yemenis' fishing vessels would dismantle and/or steal Somali fishing nets so that the Yemenis could catch more fish. To combat this illegal fishing tactic, Somali fishermen would use small boats and basic weapons in order to force their victims overboard before spraying them with water to retaliate. They would further threaten other potential ships that would consider entering Somali waters. Some foreign fishermen would be released without any harm as long as they paid a considerable fine.³ Thus, it is plausible to assume that piracy in the region began with Somali fishermen who threatened to attack foreign sailors if they did not leave their waters.⁴ Ultimately, Somali piracy would grow into an international problem when two events occurred that would significantly alter the living conditions in the country.

In a relatively short period of time, two major events struck Somalia that made the economic situation worse. First, the number of fish in the Gulf of Aden dropped significantly causing the area to no longer be economically feasible for Somalis to fish. The waters were simply overfished by both illegal fishing vessels and Somalis.⁵ This dramatically affected the livelihoods of the native population as the inability to catch and sell fish resulted in local families not being able to purchase food. This led many Somalis to supplement their wages, but it was nearly impossible for Somali fishermen to find another profession that would earn a living wage in the war-torn country.⁶ An example of testimony recorded by Eichstaedt is of a pirate named Musi. He became a pirate simply because of poverty and the lack of opportunities in the Horn of Africa. His mother earned only a couple of dollars a day by selling milk in a local market in Galkayo. His father, on the other hand, tended camels, cows, and goats - feeding them on the sparse vegetation found throughout the arid windswept inlands. To provide money to purchase necessary

¹ Lewis, Ioan, *Understanding Somalia and Somaliland* (New York: Columbia University Press, 2008), 104-5.

² Eichstaedt, Peter, *Pirate State: Inside Somalia's Terrorism at Sea* (Chicago: Lawrence Hill Books, 2010), 182.

³ Eichstaedt, *Pirate State: Inside Somalia's Terrorism at Sea*, 29-30; Sarah Percy and Shortland, Anja, "The Business of Piracy in Somalia," German Institute for Economic Research (July 2010): 2, available at: <http://www.brunel.ac.uk/9379/efwps/0942.pdf>.

⁴ Freedom Onuoha, "Sea Piracy and Maritime Security in the Horn of Africa: The Somali Coast and Gulf of Aden in Perspective," *African Security Review* (July 2010): 37-8, available at: <http://dx.doi.org/10.1080/10246029.2009.9627540>.

⁵ Eichstaedt, *Pirate State: Inside Somalia's Terrorism at Sea*, 34; Percy and Shortland, "The Business of Piracy in Somalia," 4.

⁶ Ryan Jablonski and Steven Oliver, "The Political Economy of Plunder: Economic Opportunity and Modern Piracy," *2010 American Political Science Conference* (October 2010), available at: <http://polisci2.ucsd.edu/pelg/JablonskiOliverThePoliticalEconomyofPlunder10282010RJ.pdf>.

supplies and maintain the house for his family, Musi became a pirate.⁷ For many Somali men like Musi, piracy is the only economic alternative for former fishermen. In addition, the 2004 Tsunami destroyed much of the necessary equipment for Somalis to fish.

The 2004 Tsunami, representing the second major event, destroyed the lives of millions of people who resided and visited countries that surround the Indian Ocean. Somalia was struck badly by this event and subsequently suffered enormous economic hardships. This natural disaster caused the deaths of an estimated 289 people in Somalia, and the economic damage was much greater than in any other part of Africa. For instance, the Tsunami destroyed an estimated 800 buildings and over 600 fishing boats.⁸ Instantly, the livelihoods of many Somalis were destroyed, and unlike any other affected parts of the Indian coastline, Somalia received very little foreign aid from the international community. Because of the lack of a centralized legitimate government in Somali, the United Nations and other organizations have sent very little aid to Somalia for their reconstruction efforts.⁹ Accordingly, many Somalis began to experience health concerns as a result of illegally-dumped harmful waste that began washing up on the local shores.¹⁰ These negative health conditions exacerbated the already dire economic situation, increasing the lure of piracy as a means for survival.

Pastoralists and other Somalis who were affected by the depleted fishing areas off the shores of Somalia turned to hijacking foreign vessels in a combination of economic desperation and frustration at their perceived abandonment by the international community. Since the 2004 Tsunami, piracy has quickly escalated from that of simple hijackings of foreign fishing vessels to the more complex hijackings of cargo ships and private luxury ships. Formerly unorganized pirates have become sophisticated and well organized with financiers, mother ships, and financial distribution of ransoms.¹¹ Its international cost is estimated between \$13 and \$16 billion annually, with the real number possibly higher.¹² Undoubtedly, this number includes the ransoms, the cost of maintaining a naval presence in the Gulf of Aden, and the economic affects of the hijacking of boats. It is estimated that 10 percent of foreign shipping traffic is refraining from traveling through or near this region, because of the fear of hijacking.¹³ In November 2010, the highest ransom, \$9.5 million, was paid to release the South Korean oil tanker, *Samho Dream* and its sailors.¹⁴ In 2008, estimated ransoms were approximately \$50 million, a tenfold increase from 2007. Most importantly, the number has increased considerably ever since.¹⁵ The most famous hijacked ship is the U.S. freight vessel *Maersk Alabama* that was captured on April 8, 2009, and held by pirates for a \$10 million ransom. Four days later, U.S. Navy Seals fatally shot three hijackers and subsequently rescued the hostages.¹⁶ The only hijacker who survived the sniper attack was Abduwali Abdukhadir Muse

⁷ Eichstaedt, *Pirate State: Inside Somalia's Terrorism at Sea*, 22; Raymond Gilpin, "Counting the costs of Somali Piracy," United Nations Institute of Peace (June 2009): 6, available at: http://www.usip.org/files/resources/1_0.pdf.

⁸ Martin Plaut, "Tsunami: Somalia's slow recovery," *BBC News*, December 26, 2005, available at: <http://news.bbc.co.uk/2/hi/africa/4560246.stm>.

⁹ Plaut, "Tsunami: Somalia's slow recovery;" "US provides 1 million dollars to help tsunami-hit Somalia," Xinhua via COMTEX, February 7, 2005, available at: <http://reliefweb.int/report/somalia/us-provides-1-million-dollars-help-tsunami-hit-somalia>

¹⁰ Najad Abdullahj, "Toxic Waste behind Somali piracy," Al Jazeera, October 11, 2008, available at: http://www.aljazeera.com/news/africa/2008/10/2008109174223218_644.html; Eichstaedt, *Pirate State: Inside Somalia's Terrorism at Sea*, 33, 37-9.

¹¹ Peter, *Pirate State: Inside Somalia's Terrorism at Sea*, 53; Perceyand Shortland, "The Business of Piracy in Somalia," 4.

¹² Onuoha, "Sea Piracy and Maritime Security in the Horn of Africa: The Somali Coast and Gulf of Aden in Perspective," 38.

¹³ Anna Bowden, "The Economic Costs of Maritime Piracy," 13" *One Earth Future Foundation*, December 2010, available at: http://oceansbeyondpiracy.org/sites/default/files/documents_old/The_Economic_Cost_of_Piracy_Full_Report.pdf.

¹⁴ Bowden, "The Economic Costs of Maritime Piracy," 9.

¹⁵ Eichstaedt, *Pirate State: Inside Somalia's Terrorism at Sea*, 55.

¹⁶ Robert McFadden, and Scott Shane. "In Rescue of Captain, Navy Kills 3 Privates." *New York Times*, April 12, 2009, available at: <http://www.nytimes.com/2009/04/13/world/africa/13pirates.html>.

who was onboard the U.S.S. Bainbridge conducting negotiations and was later convicted of piracy.¹⁷ The *Maersk Alabama* was not the only major ship rescued from Somalia, but it has become a symbol of the determination of the international community to respond to Somali piracy.

The Microeconomic Effects of Piracy Operations

To effectively combat piracy in the Horn of Africa, the international community needs to examine the economic reasons and affects of why Somalis turn to piracy. The “organization of piracy” includes more than just pirates as it encompasses financiers who give the start up financial capital for the pirates to purchase their supplies, such as boats, GPS devices, food, and fuel. After a successful hijacking, ships are often brought to Somali coastal cities where its residents sell goods to the pirates, stimulating the economies of the cities. This unusual circle brings an interesting question on whether inflation and other economic factors are affecting the region as a whole.

When a group of Somalis examine their economic options and are forced to become pirates because of the lack of opportunities elsewhere, they usually do not have the necessary start-up financial capital needed for the occupation. Hence, they go to financial sponsors - usually local businessman - who give the new Somali pirates the needed funds to purchase the necessary items to successfully hijack a vessel.¹⁸ In return for their investment, financiers generally receive 30 percent of the ransom money.¹⁹ However, some estimates suggest that 50 percent of the ransom money actually goes to the financiers.²⁰ More importantly, the start-up money from local businessmen comes from two sources. The first source is through the informal banking system in Somalia through deposits from Somalis living abroad.²¹ In fact, the Diaspora has been able to support the flow of money to the region, between the amounts of \$500 million to \$1 billion dollars a year to their relatives who are still living in Somalia, Somaliland, and Puntland.²² This money has been used via loans from local businessmen to give the necessary start-up financial capital to the pirates. The second source is the increase in the way local businessmen are receiving the necessary funds from abroad: Iran, Syria, Libya, Egypt, and terrorist organizations. As a result, foreign businessmen are giving local Somali financiers the necessary start-up cash.²³ And it is usual for the financier to invest in the skiff and motor of the boat, the weapons and ammunitions needed for the hijacking, the tools to get onto the hijacked vessel, and the technology (a GPS device) for the pirates to know their location, and of which Somali coastal city they will bring the hijacked boat. The total cost of the financier’s investment comes to an estimated \$21,200.²⁴ Once the funds are collected, they are given to a new pirates’ operation in the hope that they can return the start-up capital as well as produce a profit for them.

After the new pirates receive the start-up cash from their financier, they then need to purchase the necessary goods for hijacking maritime vessels. The estimated cost for the pirates range from whether or not the pirates are experienced, have set up accounts with their pirate networks, and to where they bring the hijacked vessels. The average operational cost for the pirates is close to \$300,000.²⁵ This includes the

¹⁷ Joe Kishore, “Obama Administration ends Somali Pirate Standoff with Lethal Force,” *World Socialist Website*, April 13, 2009, available at: <http://www.wsws.org/articles/2009/apr2009/soma-a13.shtml>;

Benjamin Weiser, “Pirate suspect charged as adult in New York,” *New York Times*, April 21, 2009, available at: http://www.nytimes.com/2009/04/22/nyregion/22pirate.html?_r=2.

¹⁸ Eichstaedt, *Pirate State: Inside Somalia’s Terrorism at Sea*, 30; Anja Shortland, “Robin Hook: The Developmental Effects of Somali Piracy,” *Economics of Security Working Paper Series* (September 2011): 4-7, available at: http://www.diw.de/documents/publikationen/73/diw_01.c.379394.de/dp1155.pdf.

¹⁹ Jablonski and Oliver, “The Political Economy of Plunder: Economic Opportunity and Modern Piracy,” 8. ²⁰ Shortland, “Robin Hook: The Developmental Effects of Somali Piracy,” 6.

²¹ Eichstaedt, *Pirate State: Inside Somalia’s Terrorism at Sea*, 146.

²² Bradbury, Mark, *Becoming Somaliland* (Bloomington: Indiana University Press, 2008), 148; Shire, Saad, “Transactions with Homeland: Remittance,” *Bildhaan: An International Journal of Somalia Studies* 4:10 (2004): 102.

²³ Eichstaedt, *Pirate State: Inside Somalia’s Terrorism at Sea*, 47; Shortland, “Robin Hook: The Developmental Effects of Somali Piracy,” 4-7.

²⁴ Gilpin, “Counting the costs of Somali Piracy,” 10.

²⁵ *Ibid*, 6-7; Percey and Shortland, “The Business of Piracy in Somalia,” 4.

cost of food, supplies, equipment maintenance, care of hijack victims, and methods to collect the ransoms.²⁶ The hope is that the ransom will be able to cover these start-up costs and have enough left over for their personal expenses. It is worth noting that the first man who boards the hijacked ship receives a bonus of usually \$5,000. The idea behind this stems from the fact that the pirate who first initiates close contact with the soon-to-be hostages has the most risk, for the ship passengers might try to attack and harm him before he is supported by the other pirates who begin to board the vessel.²⁷ Once the ship is under the control of the pirates, they then have to sail the ship ashore, and a new set of economic transactions occur while they wait for their ransoms.

After hijacking a ship, the pirates usually take the vessel to a coastal city in Puntland, where they can monitor and negotiate with the company that owns the hijacked vessel.²⁸ The best-known locations are Eyl, Garad, Hoboyo, Hardheere, Mogadishu, and Bosasso.²⁹ Once at port, the pirates are responsible to pay the community a fee for the docking of the ship at the city's port. This fee is approximately 10 percent of the profit of the expected ransom.³⁰ Once the ship is on the coast and the docking fee is paid, the hijackers will then hire a negotiator so that he can give their demands for the hijacked vessel to its owners. When at dock, local merchants will sell food and supplies that are necessary to keep the hostages alive. Items that are often purchased by pirates are: sheep, goats, water, rice, fuel, pasta, and milk. Similar to a tourist area in any country, the prices for basic goods jump in price. The notable examples are: \$25 for a pack of cigarettes; \$10 for a can of Coca-Cola soda; and \$250 for a goat.³¹ The money that the pirates are using to pay for these expenses comes out of their total revenue and not from the financiers or sponsors. If the negotiations drag on, their total revenue from the hijacking could disappear.

A basic economic question involves whether or not there is a possibility of inflation arising from these transactions between the pirates and the local ports. With the dramatic increase of prices of goods, inflation does affect the value of goods and services for the coastal cities, but not for the region as a whole. The reason is that inflation stems from a different source in the Horn of Africa than is commonly understood by economists. The increase in prices and of money supply to the cities does not cause the price increase. The source behind the increases of prices of food, security, bribes, etc., stems from ships not wanting to dock and unload their cargo in Somalia because of the fear that they will be hijacked.³² Thus, the aggregate demand of Somalis in the Horn of Africa has not changed, but the aggregate supply has dramatically decreased. Even though there is artificial inflation by merchants in the pirate cities, the overall Somali economy is hurting from the decline in aggregate supply of goods from around the world.

The Microeconomic Affects of Post-hijacking in Puntland

How the ransom is used can tell the international community as much about the situation as can the conditions of why Somalis choose to become pirates. When discussing the distribution of the ransoms, three main actors surface. The first are pirates who spend their money for goods, products, and repayment of debts. The second are the financier(s) who use their part of the ransom for reinvestment for future pirate missions and for their personal interest. The third involves the clan leaders, warlords, and the Puntland Government who all use the funds for various reasons - personal wealth, investments in the community. Overall, these actors are the most important to understand how piracy continues, even when foreign governments send their naval fleets to stop Somali pirates.

²⁶ Gilpin, "Counting the costs of Somali Piracy," 10.

²⁷ Eichstaedt, *Pirate State: Inside Somalia's Terrorism at Sea*, 24.

²⁸ *Ibid.*, 57-60.

²⁹ *Ibid.*, 36; Gilpin, Raymond, "Counting the costs of Somali Piracy," United Nations Institute of Peace, June 2009, available at: http://www.usip.org/files/resources/1_0.pdf, 7.

³⁰ Eichstaedt, *Pirate State: Inside Somalia's Terrorism at Sea*, 57; Jablonski and Oliver, "The Political Economy of Plunder: Economic Opportunity and Modern Piracy," 8; Shortland, "Robin Hook: The Developmental Effects of Somali Piracy," 6.

³¹ Eichstaedt, *Pirate State: Inside Somalia's Terrorism at Sea*, 36, 62.

³² Bowden, "The Economic Costs of Maritime Piracy," 22-3.

As noted earlier, Somali pirates turn toward this illegal trade because of a lack of any other real economic opportunities. Estimates of the exact number of Somali pirates range around the 5,000 mark.³³ Data suggests that most pirates spend their share of the ransom money on two items. The first is the repayment of debts. Previous purchases of homes, cars, and supplies needed for the hijackings force many Somalis to take on loans. An example is from the testimony of a pirate named Khalil who used ransom money to repay debts that he and his family collected over the last few years.³⁴ After repayment of previous debts, Somali pirates often spend the rest of the money purchasing items for their consumption such as luxury cars, new houses, electronics, and other western gadgets. This brings into question whether Somalis becoming pirates is based from the need to afford necessary items for survival. Eichstaedt's research suggests that their purchasing patterns are not rational and are only based on simple desires.³⁵ With these new properties and gadgets, the demand increases to purchase new weapons or hiring security forces to protect their property. The pirate's and financier's purchasing of new houses has created a housing bubble with the demand of housing rising faster than the supply of housing.³⁶ Outside of the actual act of piracy, the economic lives of Somali pirates seem to be better than the Somalis who are not pirates based from a consumption basis. However, there is very little available information on whether they save any of the profits that they make, or if they invest it in any programs.

The ransom money that pirate's financiers receive is utilized for three purposes. The first is for the reinvestment for future pirate missions. The money is spent for either new equipment for their existing pirates so they can hijack more ships in shorter periods of time, or it is used for the sponsoring of new pirates.³⁷ Similar to the pirates themselves, the financiers also purchase new homes, cars, security forces, etc., based purely on personal wants.³⁸ The investors also use their share of the ransoms to invest in other businesses around the world.³⁹ What seems to be a major part of the ransom goes into the bribing of warlords, clan leaders, and Puntland Government officials.

It is still very much of a mystery of exactly how much warlords and clan leaders receive from the ransoms of hijacked ships. It is clear that they do participate in the piracy trade to some extent. Clan leaders in the coastal cities request a payment of \$100,000, which is spent on the development of the community. In Bosasso, there is photographic evidence depicting clan leaders and warlords using some of the pirate ransom money for the construction of schools and mosques.⁴⁰ Some Somali clan leaders have instructed that if a pirate is captured, he must not "talk." This stems from the fear that Somali clan leaders have information that the captured pirates might disclose the networks and relationships between the pirates, financiers, and the clan leaders.⁴¹ The Puntland Government has been known to receive funds in the form of bribes from clan leaders, warlords, and the financiers so that they do not stop or prosecute Somali pirates. It is estimated that 30% of the ransom money that goes to clan leaders and financiers who lobby and bribe the political leaders of Puntland to ignore the International Communities' complaints about the piracy trade.⁴² In return for these funds, not only are the pirates protected, they are also given information that will aid them in future hijackings such as giving information of the location of foreign ships.⁴³ This has caused outrage by the international community; however, Puntland is not a recognized state, so it does not have to obey international maritime laws.⁴⁴ Many Puntland officials are even scared to cross paths with the pirate businesses in fear of assassination. In fact, a Puntland judge who handed out

³³ Shortland, "Robin Hook: The Developmental Effects of Somali Piracy," 5.

³⁴ Eichstaedt, *Pirate State: Inside Somalia's Terrorism at Sea*, 75; Shortland, "Robin Hook: The Developmental Effects of Somali Piracy," 8.

³⁵ Eichstaedt, *Pirate State: Inside Somalia's Terrorism at Sea*, 72-3; Shortland, "Robin Hook: The Developmental Effects of Somali Piracy," 3-4, 8, 25.

³⁶ Gilpin, "Counting the costs of Somali Piracy," 11.

³⁷ *Ibid.*, 8; Jablonski and Oliver, " 8.

³⁸ Eichstaedt, *Pirate State: Inside Somalia's Terrorism at Sea*, 64-6; Shortland, "Robin Hook; The Developmental Effects of Somali Piracy," 22, 32-5.

³⁹ Shortland, "Robin Hook: The Developmental Effects of Somali Piracy," 8..

⁴⁰ *Ibid.*, 24, 32-5.

⁴¹ Eichstaedt, *Pirate State: Inside Somalia's Terrorism at Sea* 28.

⁴² *Ibid.*, 62-3, 177-8; Murphy, "Somali Piracy: Not Just a Naval Problem," 1-2.

⁴³ Gilpin, "Counting the costs of Somali Piracy," 10.

⁴⁴ Shortland, "Robin Hook; The Developmental Effects of Somali Piracy," 20.

jail terms to captured Somali pirates was mysteriously killed for the sentencing.⁴⁵ There has also been some speculation that high members of the Puntland Government are personally involved in the piracy business.⁴⁶ The interest of clan leaders, warlords, and the Puntland Government is to keep, continue, and build the business of piracy.

Overall, the answer to the question of whether piracy has aided in the development of Puntland is disappointing. The communities themselves do not see a real increase in their economic development, based from real wages. Food prices have risen in towns predominantly used by pirates, and the local's wages have decreased. The people who are solely benefiting economically are the pirates might be better (excluding the actual hijacking of the ships), and the lives of the financiers, clan leaders, warlords, and the bribed Puntland Government workers. However, their benefits do not trickle down to the average Somali in Puntland who is greatly suffering from the piracy trade.⁴⁷ The question then becomes how to stop piracy by either making it economically unattractive or by incorporating military policies to counter the illegal activities.

Possible Solutions to Reduce Piracy

How does the international community stop piracy? There seems to be two main theories on how it can be solved. The first is what is currently being implemented, a military operation to stop or contain pirate attacks. The second option is to economically develop all of Somalia to stop the preliminary reasons of why Somalis turn to piracy. However, both arguments presented here are simplified versions of what could be done to stop Somali piracy.

The international community has put forth United Nations (UN) resolutions, funds, and the sending of naval forces to halt Somali piracy. The theory that stems from these policies is that the only way to show Somali pirates that they cannot commit acts of piracy is to punish those who are caught in the courts in Kenya or in other parts of the World.⁴⁸ What seems to be the current strategy of the international community is "to engage" the pirates with force once they have hijacked a ship - very similar to the *Maersk Alabama incident* in 2009. In fact, this has been approved by UN Resolution 1816 that gives permission to international naval fleets to engage Somali pirates. Although this resolution would later be repealed, a similar resolution was agreed upon shortly afterwards allowing the monitoring of the Gulf of Aden by international naval vessels and the establishment of judicial courts to prosecute any suspected captured pirates.⁴⁹ Having a military presence in the Gulf of Aden, however, has cost foreign nations a total of \$1.3 to \$2.0 billion per year.⁵⁰ Additionally, there has been minor land forces used to attack, arrest, and/or kill pirates and their leaders. Specifically, American troops target suspected pirates and are transported via helicopter to the region to either arrest or kill the suspected pirates.⁵¹ It must be noted that these policies are neither to stop hijacking for the long term in the Gulf nor to improve the conditions of Somalia, which breeds the piracy.⁵² They are there as either a response or a very short-term prevention of pirate attacks. This has led some to believe that the only way to cease piracy is to eliminate the causes of it through economic development.

⁴⁵ Eichstaedt, *Pirate State: Inside Somalia's Terrorism at Sea*, 167.

⁴⁶ Gilpin, "Counting the costs of Somali Piracy," 3-4.

⁴⁷ Shortland, "Robin Hook; The Developmental Effects of Somali Piracy," 9.

⁴⁸ Eichstaedt, *Pirate State: Inside Somalia's Terrorism at Sea*, 105-119, 160-2; Murphy, "Somali Piracy: Not Just a Naval Problem," 1-4; Percy and Shortland, "The Business of Piracy in Somalia," 34.

⁴⁹ Bowden, "The Economic Costs of Maritime Piracy," 20; Eichstaedt, *Pirate State: Inside Somalia's Terrorism at Sea*, 54; Onuoha, "Sea Piracy and Maritime Security in the Horn of Africa: The Somali Coast and Gulf of Aden in Perspective," 39-40.

⁵⁰ Bowden, "The Economic Costs of Maritime Piracy," 15.

⁵¹ Eichstaedt, *Pirate State: Inside Somalia's Terrorism at Sea*, 49-52; Onuoha, "Sea Piracy and Maritime Security in the Horn of Africa: The Somali Coast and Gulf of Aden in Perspective," 41; Percy and Shortland, "The Business of Piracy in Somalia," 11.

⁵² Eichstaedt, *Pirate State: Inside Somalia's terrorism at sea*, 173-84; Murphy, "Somali Piracy: Not Just a Naval Problem," 1-4.

It would seem hard to imagine that Somalia could have a bright future waiting for the country, however, after examining the economic structure of Somalia, we see that this nation's economy has operated without a central bank or an effective government for nearly two decades. In nearly all-economic theories, there needs to be at least some type of government to protect private property.⁵³ In Somalia, they have been able to sidestep this belief. If proper free market capitalism is implemented to the fullest (such as the example of telecommunications in Somalia), then it is possible to strengthen the current government based from their economy.⁵⁴ The areas in which Somalia can rebuild its state is with the help from the world markets that will allow the country to utilize its potential oil reserves, tourism, strategic ports in Berbera, Somaliland and Bossasso, and the traditional livestock trade. A historical problem with Somalia has been their leadership, whereas, the lists of potential leaders from the different clans in Somalia and Puntland are not impressive. However, the Somalis who have emigrated from Somalia to live in the West are more impressive. For instance, the notable Somali scholar Ahmed I. Samatar and many others are involved in the fields of art, academia, and music to name some areas. They can be considered the leaders of Somalia because they have witnessed efficient leadership from living in the West. Most importantly, they have committed their support for their homelands with the contribution of monetary donations in the amounts of \$500 million to \$1 billion dollars per year to relatives still in Somalia, Somaliland, and Puntland.⁵⁵ Ultimately, success can be achieved if free market capitalism is allowed to take hold in Somalia with the leadership of the current Diaspora.

To stop the cycle of piracy in the Horn of Africa, there are two main options that can be implemented. The first is the current strategy of the international community to use a multinational naval force in the Gulf of Aden to stop hijacks once they have begun, free the hijacked vessels, and helicopter operations to try to stop pirates before they attempt to hijack a vessel. In no way is it being suggested that the service of these naval fleets are being condemned or denoted, but it seems impractical to continue this short-term strategy. The other option to stop piracy is for the focus to be on economic development of the region. If attained, Somalis who have the ability to earn a living wage will likely abandon piracy.⁵⁶ The problem with development is that it takes time and resources. It seems that the international community has decided that it is more economical for them to just deal with the piracy in either paying the ransoms or attacking with their militaries.

Conclusion

Most of the international community abandoned Somalia after the horrific events of the downing of the American Blackhawk helicopters during the end of the Battle of Mogadishu and after the complete failure of several attempts to establish any type of government in Somalia. This has led to desperation by many Somalis. With no effective government able to protect their coastal waters, foreign fishing fleets have overfished the coastal waters to a point that fishing is no longer economical. This was compounded by the tragic 2004 Tsunami that destroyed hundreds of fishing boats and destroyed many parts of Puntland and the rest of Somalia.

Piracy originated in Somalis by giving fines or harassing foreign fishing fleets, but as the situation worsened in Somalia, the targets became the freight ships that carried the products from around the World into the global market. Piracy became more organized by Somali pirates receiving start-up financial capital from financiers. These financiers not only gave the start-up funds necessary for piracy but also much of the necessary equipment for the pirates. Once a ship was successfully hijacked, the ship was brought back to port where the coastal city would sell the overpriced items such as food and fuel to the pirates. The hijackers are forced to purchase their supplies from these merchants because they need to keep their hostages alive and wait until their broker sends the ransom demands to whoever owns the hijacked vessel. Once the ransom is paid, the pirates, financiers, and other parties (the clan leaders and warlords as well as the Puntland Government) distribute it between themselves. Tragically, this economic system is sustaining the piracy in the region, but this is the only option for many Somalis.

⁵³ Fusfeld, Daniel, *Age of the Economist* (New York: Hapercollins College Division, 2001), 37.

⁵⁴ Little, Peter, *Somalia: A Country Study* (Bloomington: Indiana University Press, 2003), 144.

⁵⁵ Bradbury, *Becoming Somaliland*, 148; Shire, "Transactions with Homeland: Remittance," 102.

⁵⁶ Eichstaedt, *Pirate State: Inside Somalia's Terrorism at Sea*, 105-19.

The international community has decided that it is more economical to handle the “pirate problem” one hijacking at a time. This short term planning has not stopped the root of Somali piracy and poverty. As long as Puntland and the rest of Somalia remains poor, underdeveloped, and without a functioning government, piracy will be a viable option for Somalis. If the international community wants to terminate the causes for the necessity of piracy by Somalis, its leaders need to understand the economic affects and implement policies that can terminate piracy for the long haul.