

Danger on the high seas

Piracy continues to threaten some of the world's most important shipping lanes. Two defense logistics experts explain the current situation and look at how some governments and private industry are thwarting attacks.

IF YOU ARE INVOLVED IN GLOBAL COMMERCE, then you should be concerned about freedom of the seas. The rise in incidents of maritime piracy during the past decade poses serious implications for world trade. After all, our global supply chains are highly dependent on oceangoing vessels to deliver everything from oil to low-cost goods. For that reason, piracy threats to international sea lanes cannot be ignored.

That point was drilled home last April when four heavily armed Somali pirates boarded the 17,000-ton container ship *Maersk Alabama* using ropes and grappling hooks. The story that unfolded over the next five days is well known: Within hours of the attack, the vessel's crew took back control, but three of the four pirates escaped, taking the ship's captain hostage. A tense four-day standoff followed, with the captain and his captors bobbing in an orange lifeboat in the Indian Ocean until the captain was rescued after U.S. Navy marksmen killed the pirates.

Eight months later, pirate attacks—including a second attempt on the *Alabama*—continue along Somalia's coast. According to the latest quarterly report from the International Maritime Bureau, 147 incidents were reported off the Somali coast (including the Gulf of Aden) in the first nine months of 2009, compared to 63 in the same period the previous year. And the threat is unlikely to subside anytime soon. If global commerce plays a key role in your com-

pany's future, then you would be wise to understand not only the risk that piracy poses to your supply chain but also what steps can and are being taken to combat this problem.

The price of piracy

Piracy experts are particularly concerned about activity around the Gulf of Aden. The Gulf is a crucial part of one of the world's most vital sea lanes—the channel connecting Asia to Europe and the United States via the Suez Canal. If a ship transits the Suez Canal, it also transits the Gulf of Aden. In total, more than 20,000 vessels sail through the Gulf of Aden each year. That includes approximately 12 percent of the world's petroleum traffic as well as large quantities of bulk and containerized dry cargo, the International Maritime Organization told the United Nations (U.N.) Security Council in a November 2008 appeal for help combating Somali pirates.

Last year, pirates attacked well over 100 vessels in the region, capturing 42 of them, according to press reports. Ransoms paid out to obtain the release of crews, passengers, vessels, and cargo totaled US \$30 million. In response, some marine insurance brokers have added US \$20,000 per voyage through the Gulf of Aden, and ocean carriers are passing those costs right through to shippers. For example, as of the middle of 2009, Maersk Line had raised charges for

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A team from the USS Carney prepares to inspect a dhow in the Gulf of Aden in early 2008. The Carney is assigned to Combined Task Force 150, which operates in the Arabian Sea, Gulf of Oman, Gulf of Aden, and the Red Sea. Vessels in the multinational task force are charged with countering piracy, terrorism, and smuggling, as well as defense of maritime infrastructure and upholding international law. (U.S. Navy photo)

cargo handled by East African ports by US \$50 or US \$100 per container. For cargo on vessels that merely travel through the Gulf of Aden to another destination, Maersk added “war risk” charges of US \$25 for each 20-foot container and US \$50 for each 40-foot container.

While Somalia-based piracy is prominent in the news, it isn’t the only place piracy has been a problem in the last decade. On the other side of the African continent, the Niger Delta region of Nigeria has also been a base for piracy attacks. According to the U.N.’s *Africa Renewal* magazine, Nigeria has the best navy in the region, but it simply does not have the resources to protect that country’s territorial waters.¹ Nigeria’s piracy problems are more than just a regional concern. The nation contributes significantly to

the world’s oil supply and is the United States’ fifth-largest source of imported petroleum.

Governments take action

One obvious response to the threat of piracy would be an increased naval presence. As of late spring 2009, a multinational gunboat flotilla consisting of about 30 ships from India, China, Great Britain, Japan, France, Sweden, and the United States have been conducting counterpiracy operations in the Gulf of Aden. Discussions have also begun with the Seychelles and Yemen on how their maritime forces—both naval and coast guard—can assist in piracy deterrence, and similar contacts have been established with Kenya and Tanzania.

Despite an increase in the number of warships

focused on the principal sea lanes, it is still difficult for a ship to successfully intervene in a piracy event. That's partly due to the size of the Gulf of Aden. According to the United Kingdom's Ministry of Defence, the area to be watched, patrolled, and protected is more than one million square miles—four times the size of Texas and five times the size of Spain.

Even the presence of an international naval armada and airborne surveillance drones are unlikely to deter pirates, said Vice Admiral Robert Moeller, the deputy commander of the U.S. Africa Command. “[Pirates are] prepared to take their chances against the warships that are patrolling the area, simply because the potential for big financial gain is significant,” Moeller said.²

There are examples of government efforts that have successfully fought against piracy. In Southeast Asia, the 550-mile-long Strait of Malacca, the connector between the South China Sea and the Indian Ocean, had been a pirate haven for centuries. Piracy in the region posed a significant threat to global trade; 50,000 vessels, carrying approximately 25 percent of the world's international commerce, transit the strait each year. But the governments of Indonesia, Singapore, Malaysia, and Thailand resolved to reduce piracy in that area. The April 2009 edition of the Asian Development Bank's publication *Development Asia* noted that when the countries along the Strait of Malacca began working together, the result was dramatic. In 2004, 38 acts of piracy were reported in the Strait. In 2008, there were just two, both unsuccessful.³

Unfortunately, the lessons from Southeast Asia do not translate to East Africa. The Strait of Malacca situation was brought under control by cooperating national governments. In East Africa, there is one important player missing: Somalia.

Somalia, in diplomats' language, is a “failed state”—one without a functioning government—which means there simply isn't a Somali national authority to appeal to or target. This is key because, as Vice Adm. William Gortney, commander of U.S. Naval Forces Central Command and the Combined Maritime Forces, has said, “The ultimate solution for piracy is on land.” At its core, piracy is indeed a land-based problem: The pirates' bases are on shore. As long as there is no coherent onshore force to crack down on their activities, the pirates continue to enjoy a safe haven in Somalia and continue to operate with impunity.

In the absence of a functioning national government in Somalia, should the international community step in? The United States did send ground forces into Somalia in 1993, with limited success. Nevertheless, a return engagement remains a possibility. A U.N. Security Council resolution and the U.S.

National Security Council document “Countering Piracy Off the Horn of Africa: Partnership & Action Plan,” both dated in December 2008, give the international community in general, and the United States in particular, the authority to conduct operations inside Somalia. Based on press reports, we know that the international coalition is already employing aerial and space-based reconnaissance methods, presumably including visual, radar, infrared, and other spectra, to monitor pirate activity. Additionally, U.S. Navy special forces units, or SEALs, and other coalition forces are in the area.



Team members from the USS Vella Gulf close in to apprehend suspected pirates. Vella Gulf is the flagship for Combined Task Force 151, a multinational fleet conducting counterpiracy operations in the Gulf of Aden, Arabian Gulf, Indian Ocean, and Red Sea. (U.S. Navy photo by Mass Communications Spc. 2nd Class Jason R. Zalasky)

A land-based military solution might be a viable option. Even though the coastline of Somalia is about the same size as the East Coast of the United States, the bases of pirate operations are well known. It seems possible that monitoring their operating radius from home base would be less challenging than doing so in an area of open ocean four times the size of Texas. Additionally, the technical means for detecting the pirates' comings and goings on land as well as the forces to exploit that information both exist.

Is it time for the international community to take more forceful action to address the piracy problem? Or is piracy just another risk to manage? The answer remains unclear at this point.

What can industry do?

In the meantime, private industry has been formulating its own response. Supply chain and logistics experts in all areas of commerce routinely factor risk into their business operations and planning: weather, natural disaster, port congestion, a supplier's business failure ... the list of potential threats is long, but they can be recognized, quantified, arrayed by priority, and addressed. In a pure supply chain sense, piracy is but

another form of disruption. Like hurricanes and political unrest, piracy has great potential for causing loss of life and property and for generating sensational news coverage, but like other business risks, it can be addressed rationally.

The overall risk of attack, even off the Somali coast, is in fact relatively low. “There are 22,000 to 30,000 vessels that transit the Gulf of Aden each year. With several dozen ships seized each year and about 100 vessels fired on, that’s a 0.167 percent chance that a vessel will be involved [in a pirate incident]. Bad weather presents a larger risk,” said Maersk spokesperson Kevin Speers.⁴

Numerically speaking, then, the risk of attack is quite low. But that doesn’t mean nothing should be done. Unless the onshore bases are eliminated, piracy will remain a potential supply chain disruption that must be rationally evaluated and addressed.

To avoid the added risk and insurance costs associated with the Gulf of Aden, some shipping companies are rerouting their vessels around the Cape of Good Hope at Africa’s southern tip rather than sail through the Suez Canal. Even before the *Alabama* incident, Maersk, for example, had rerouted certain vulnerable ships, mostly petroleum tankers, away from the area.

The extent to which companies are rerouting is reflected in the Suez Canal’s activity reports. Traffic moving through the canal in January 2009 (1,313 transits) was down 22 percent from January 2008 levels (1,690 transits). Tonnage for the January 2009 transits was the lowest in 30 months. Although worldwide economic conditions contributed to the decline, the rerouting of ships is widely considered to be a significant factor in the drop-off.

While rerouting does avoid war-risk charges and the danger to crew and cargo, it is not an ideal solution. Sailing around the southern tip of Africa adds 5,000 miles and three weeks or more to a voyage. Not only does that greatly increase the vessel operator’s costs, especially for fuel and labor, but it also changes importers’ inventory position. For this reason, many vessel operators are continuing to transit the Gulf of Aden but have taken steps to increase their defensive capabilities. Among the measures they have taken are maximizing their ships’ speed and maneuverability while in transit, installing concertina wire around the deck edges, and firing warning flares directly at the pirates. Some also are using such tactics as shooting boiling water through fire hoses at pirates and employing painfully intense directed-sound blasters. And in some cases—though nobody is really talking openly about it—some shipping companies have placed armed cadres aboard their vessels. While the costs associated with these steps are not insignificant, compared to the value of the ship, cargo, and crew,

they are a reasonable cost of doing business. Installing enough concertina wire to encircle the *Maersk Alabama* would cost less than US \$25,000. A more aggressive posture involving an armed team aboard could cost many thousands of U.S. dollars a day. (The *Alabama* reportedly used several of those tactics—including sound, water, and armed guards—to repel the November attack.)

All of the actions discussed here have had an effect. The Associated Press reports that initiatives by the shipping lines and the multinational naval consortium have helped to reduce the number of successful attacks in the Gulf of Aden. In 2008 there were 44 successful pirate attacks; as of August 2009, there had been only 28—but immediately following the end of the summer monsoon season there were more. Significantly, the joint naval force credits the reduction mostly to actions taken by the shipping lines, not the military presence.

This emphasizes a crucial point: Piracy is not just a military or political problem calling for military or political solutions. It is also a supply chain problem calling for supply chain solutions. Just as savvy companies evaluate and attempt to mitigate other risks to their supply chains, so too must they factor in the threat of maritime piracy. The question remains: What has your company—and your supply chain partners—done to protect your global supply chain? △

Endnotes:

1. Mary Kimani, “Tackling Piracy Off African Shores,” *Africa Renewal*, (January 2009): <http://www.un.org/ecosocdev/geninfo/afrec/vol22no4/224-piracy.html>

2. Jason Straziuso, “Off East African Coast, US Drones Patrol in Hope of Stemming Piracy,” Associated Press via Boston.com (October 24, 2009): http://www.boston.com/news/world/africa/articles/2009/10/24/us_drones_patrol_east_african_coast_in_hope_of_stemming_piracy/

3. Floyd Whaley, “Fighting Piracy in the Malacca Strait,” *Development Asia*, (April 2009): <http://development.asia/issue03/cover-05.asp>

4. Stephanie Nall, “The Costs of Piracy Are Passed Along,” *America.gov* (June 1, 2009): www.america.gov/st/peacesec-english/2009/May/20090529160944berehellek0.8213159.html

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