

## WORLD

# Ransom Payments Give Wing to More Somali Piracy

**Willem Marx, Contributor**

**LONDON (Nov. 19)** -- Claims this week that the Spanish government paid Somali pirates a \$3.3 million ransom to free a Spanish fishing trawler and its crew are fueling concerns that piracy is paying off better than ever -- and that shipping costs are rising as a result.

Somali pirates told The Associated Press they received that princely sum for the release of the Alakrana and its crew, which they seized in early October. Just 18 months ago, the Spanish government reportedly paid substantially less -- a reported \$1.2 million -- for the release of a similar-sized fishing trawler.

According to a recent U.N. report, there were 160 instances of piracy in the eastern African area in the first three-quarters of 2009 -- 12 percent more than during the same period last year.

Now the shipping industry worries it will have to pay more and more. "As these fairly significant amounts of money are being reported across the world, it is worrying that there could be an upwards trend on the ransom amount," says Clive Stoddart, executive director of a specialized Kidnap and Ransom team at insurance giant Aon.

Stoddart points out that there's often much more money at stake than the ransom demanded. "The ancillary costs can be significant," he says, "with no real certainty attached to who's going to pay." Ransom payers frequently have to bankroll specialist advice on ransom negotiations, legal fees for the families of crew and premiums for the quick transfer of cash through international financial systems. Then there's the actual cost of ransom delivery -- sometimes using light aircraft or parachute. "As people talk about whatever it is, \$3m, it is a larger amount of money than has been paid for another number of vessels, and the insurance providers will undoubtedly put their markets up," says Stoddart.

Earlier this week Spanish Prime Minister José Luis Rodríguez Zapatero said his government "did what it had to do" in the Alakrana case, but Thursday his minister of justice denied reports that "Spain as a country" had any role in the

paying of a ransom. The Spanish opposition has unleashed a barrage of criticism on the government for mishandling the affair.

"Every time you pay a ransom you make piracy a more profitable business and you perpetuate it as a business model," says Roger Middleton, a piracy expert at Chatham House, a British think tank. "Every time it [the ransom] goes up by a million dollars it makes more people want to become pirates."

The British and U.S. governments maintain a public policy of never paying for the release of pirated boats or hostages.

Many others say they would prefer not to, but short of keeping the pirates at bay in the first place -- as the already once pirated U.S. ship Maersk Alabama did this week -- they often have no other option. "Currently the only avenue available to the shipowner is the payment of ransom," says Cyrus Mody, a manager at the International Maritime Bureau, a body established in 1992 to combat maritime fraud and piracy.

The British government has refused to consider ransom demands for two Britons -- Paul and Rachel Chandler -- who were seized by pirates last month as they sailed their yacht from the Seychelles to Tanzania, and who are now reportedly held captive in Somalia. Family members say they do not have the money to pay a ransom, but they have so far avoided any public criticism of the British government's no-ransom policy.

James Gosling, a partner at the London maritime law firm Holman Fenwick Willan, says that ransoms -- or taking out insurance against them -- have become a cost of business for any shipper who moves cargo anywhere near the Somali coast. "It's essentially a tariff, and all sides understand that," says Gosling, who has been involved in roughly 40 ransom negotiations since July 2008. "And whilst it's nothing anyone would condone, it's being dealt with like this because nobody's lives are being lost," he adds. "The people involved are merchants and they understand that there are pragmatic answers."

Yet such pragmatism undermines the principle that crime shouldn't pay. Following reports of the ransom paid for the Alakrana's release, a Spanish investigative judge has called for an inquiry into the "legal and financial network" involved in negotiating the ransom payments, including the role of "London law firms" in the recent negotiations, according to Spanish news accounts.

Fighting the pirates off in the first place avoids rewarding criminals, but is fraught with other risks. There were reports from Somalia this week that a North Korean ship captain died from gunshot wounds he suffered during a hijacking firefight.

What's more, the shipping industry is in general reluctant to take on that challenge. "We strongly feel that it is the Navy's responsibility, or a government's responsibility, to protect the freedom of the seas," says Mody. Governments in turn have called upon commercial ship owners to take nonmilitary precautions.

The United States, Britain, Japan and other nations signed a declaration earlier this year calling for commercial shipping companies to employ certain defensive measures on board their vessels -- such as razor wire and fire hoses -- that are designed to deter pirates. "Piracy is a crime of opportunism," Middleton says, "so the harder you make it for them, the harder it is for pirates to attack you."

Despite the Maersk Alabama's success this week in driving pirates off, Mody of the International Maritime Bureau says there is a fine line between defensive measures and actions that may prove counterproductive. "We currently believe there is very little legal basis for a private security company to go on board a vessel with weapons -- as we saw in the case of the Maersk Alabama," he says. "By having weapons on board you are basically taking the law into your own hands."

In the meantime, though, owners who do not make some effort to safeguard their ships will face even higher insurance premiums, says risk analyst Stoddart. "Maybe they don't really understand the costs associated with an incident," he says, "until one actually happens."