

## THE PROTECTOR'S CHOICE

*An Application of Protection Theory to Somali Piracy*

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*What explains the variation in piracy along the coasts of Somalia? We answer this question by drawing upon Protection Theory and a new data set of piracy incidents. First, we make a distinction between pirates and protectors of piracy (authorities and local clans). We show that authorities offer shelter and protection to pirates in areas remote from trade routes and when they face challenges over political control. Theoretically, the paper identifies the moment when a protector decides to switch from protecting crime to protecting legitimate trading activities; it also highlights a preserve effect of electoral democracy in unstable contexts, namely the strong incentives to rely on organized criminals to fund electoral competition and secessionist aspirations. We conclude by offering comparative remarks on the trajectory of the nation-building project in Somalia and suggest that building infrastructures, fostering regional trade and more generally providing alternative sources of income to local communities is the best way to fight piracy.*

Keywords: protection theory, piracy, democracy, violence, Somalia

*Introduction*

Protection Theory (PT) is a set of propositions that describes the properties of the commodity 'protection' and predicts the actions of its providers. It has been used by economists, historians and political theorists to explain the emergence of the modern state (e.g. Lane 1958; Nozick 1974; Tilly 1985; Olson 1993, 2000). Recently, several authors have adopted it to account for the behaviour of gangs, organized crime and the Mafia (Gambetta 1993; Chu 2000; Varese 2001; 2010; Frye 2002; Hill 2003; Campana 2011; Wang 2011; Slade 2012; Campana and Varese 2013; Densley 2013; Pottenger 2014). This literature spans several disciplines and suggests analytical links between the behaviour of states and that of criminal groups. The key insight of this theory is to distinguish between those who commit a crime and/or trade in criminal commodities, from those who make sure that promises are kept and more broadly 'protect' the exchange. Following Shortland and Varese (2012), the paper applies this distinction to the case of Somali piracy.

The empirical and theoretical puzzle addressed here is that only a few sections of Somali coastland have harboured pirates, and some coastal areas switched from protecting pirates to protecting trade and even engaging in counter-piracy. What are the determinants of such a choice? While PT convincingly argues that 'bandits' with a long-term horizon have an incentive to become 'stationary' rulers, protect producers and limit tax extraction (Olson 1993), under which conditions do they decide to protect some activities as opposed to others? Since protectors are maximizing both revenue

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and their political longevity, we suggest that *protection is supplied to criminals where there are no comparable alternative sources of revenue for the protector*; and *particularly when the protectors face challenges over political and/or territorial control*. These hypotheses are tested against a detailed analysis of the geography of piracy and a number of in-depth case studies of pirate anchorages. We examine the geography of Somali piracy both across space and over time.

We show that economic considerations led to the exclusion of pirates from areas producing export goods and adjoining trade routes. Pirates' ransoming activities were confined to a few anchorages on the Puntland and Central Somali Coast, because there was little alternative taxable economic activity. We show that changed economic incentives induced local stakeholders to switch away from protecting pirates to more lucrative (and legal) alternatives. Local politics determines the intensity of piracy in piracy-prone regions. Inter-clan conflict and the (threatened) incursion of religious militias made it imperative to raise funds for territorial defence. We show that territorial disputes and electoral challenges led to more intense use of pirate anchorages. We conclude by drawing implications for PT and evaluating the likely effectiveness of current land-based counter-piracy initiatives. We argue that long-term development initiatives are likely to undermine the key input to the Somali piracy business, namely land-side support for ransoming hijacked ships.

### *PT and Somali piracy*

PT shares key assumptions with rational choice theory (Elster 1986), namely rationality and invisible-hand types of explanations (Ullmann-Margalit 1978; Nozick 1994). In addition, it assumes self-interest on the part of the actors involved in this activity. Some key theoretical propositions have been developed by PT. They include the observation that most trading engenders the risk of predation and unfulfilled promises for the trading partners and thus a demand for protection emerges to insure producers and traders against predators and unfulfilled promises. Division of labour leads to the emergence of specialists in enforcing promises and security as distinct from those specialized in the production of goods and services that do not require the use of violence. When protectors have a long-time horizon, they are expected to provide a genuine service from which clients/customers benefit. However, protection is a special commodity that is subject to economies of scale—it is cheaper to protect several customers rather than just one—and it is a (contestable) monopoly: there can only be one protector in a given domain. Because they are monopolists, protectors charge for their services more than what it costs them to produce those services and fight off attempts to encroach on their domain. Finally, building and maintaining a reputation for effective protection has the effect of enabling the protector to save on the production of the good itself (Lane 1958; Nozick 1974; Tilly 1985; Gambetta 1993; Olson 1993; Varese 2010; 2014; intellectual ancestors are Machiavelli 1532; Hobbes 1651).

PT has also been used to explain state building, in particular by Tilly (1985). This approach suggests that the key stimulus to building and centralizing state authority is war. States need to mobilize resources internally (through taxation and debt) and to neutralize internal rivals (state making) when they face external threats. In this scenario normally applied to early modern Europe, rulers also protect effectively those who support

their efforts. A key implication of the theory is that a dominant institution or a social class invests and benefits from state building. Conversely, the lack of external threats and internally divided elites lead to weak states, as it is the case in Latin America (Centeno 1997).

The aim of this paper is to address a neglected question in PT: at what point does the 'stationary bandit' stop protecting fellow bandits plundering neighbouring villages? Such a form of thieving might be protected simply because it generates income for the ruler or because it promotes the stationary bandit's broader strategy. The logical conclusion of such a strategy would lead to a war with one's neighbour. Alternatively, the warlord can stop protecting what is generally recognized as a criminal activity affecting outsiders, and outlaw it. The history of Mafias offers insights into the mechanisms that lead to the opposite outcome, namely when protectors switch from legal to illegal markets. For instance, the Sicilian and the Russian Mafias started off protecting property rights and business disputes in the legal economy but when put under pressure by the legitimate state, they moved significantly towards the protection of illegal trades, such as drugs and prostitution (Gambetta 1993; Varese 2001). In these instances, a 'challenger', namely the legitimate state, was forcing Mafias to change their behaviour. On the other hand, criminal support might be actively solicited by local politicians that face challengers in the local elections. Thus, it is a common occurrence in countries such as the United States, Italy, Russia and Taiwan that criminal groups have supported candidates in hotly contested elections (Landesco 1929; Gambetta 1993; Varese 2001, Chin 2003). The key question we examine in this paper is under what circumstances 'stationary bandits' choose to offer protection to criminal activities directed towards others, such as piracy, and under what circumstances they choose not to. In the Conclusions, we also reflect how this process affects the process of state building.

In order to explore this question and test related hypotheses, we use the case of Somali piracy. Shortland and Varese (2012) and World Bank (2013a) established that Somali pirates buy protection from local (clan or religious) elites and their militias for ships moored off the coast of the relevant territory. Somali clans—the equivalent of 'stationary bandits' in PT—have a long tradition of protecting trade flows through their territory and ports, as well as fishing and mining activities. Issuing 'licenses' to traders, mining companies and fishermen, and 'taxation' at road-blocks and harbours provide a steady flow of income. During the civil war these revenues have been fought over by clan, religious and private (warlord) militias, which form the current local elites. Protection has also been granted to highly profitable illegal enterprises such as piracy, human trafficking and drug and weapons smuggling. Yet, there are many examples of local authorities which refused to provide services to pirates and actively drove them out of their area. Below we outline existing theories and then derive our own hypotheses based on PT.

World Bank (2013a) makes the case that neither physical geography nor onshore infrastructure explain the concentration of pirate anchorages on the Central Somali and Puntland coasts. The absence of transport and communication networks and the presence of rugged coastlines and coral reefs do make much of the coastline unsuitable for piracy, but the distribution of gently shelving beaches and settlement patterns in the coastal regions is fairly similar across regions. Existing explanations of the geography of piracy therefore argue that specific anchorages were chosen because of their favourable political conditions. Ransom negotiations favour whichever party is less keen to conclude the negotiations; rich shipowners pay maximum ransoms when

pirates demonstrate that they could hold the ship indefinitely (De Groot *et al.* 2012). Pirates have to invest considerable social and financial capital in building support for piracy in a location, and many of these payments are made upfront, such as anchorage fees, lavish hospitality for local dignitaries, bribes to local officials and *khat* supplies for guards (Hansen 2009; UN Security Council 2010; Shortland and Varese 2012; World Bank 2013a). Pirates would avoid paying these ‘sunk costs’ in locations where protection arrangements could be disrupted by an outside challenger (requiring additional payments) or within the reach of the law enforcement officers of a regional authority. Thus, local governance must be stable and effective for pirates to choose a place for their anchorage.

B. Coggins (unpublished data) thus argued that Southern Somalia was simply ‘too unstable’ to produce piracy, while the northern-western region of Somaliland, which borders with Ethiopia and Djibouti, was ‘too stable’, echoing De Groot *et al.*’s (2012) ‘sweet spot’ for world-wide piracy in the lower intermediate region of the governance spectrum. Shortland and Percy (2013) showed that Somali piracy thrived in times of relative stability: periods of widespread anarchy were disruptive to the pirate business. The World Bank (2013a) refined these arguments further, relating piracy to the degree of political fragmentation in different localities. If too many stakeholders compete for power, then pirates will be unable to cost-effectively build a stable alliance condoning piracy. If the degree of local political fragmentation is low, then central government can offer locals a better economic deal than pirates could. Pirates therefore locate in the intermediate range of political fragmentation, where they have an edge over central government in building stakeholder support. World Bank (2013a) then argues that power was ‘too fragmented’ in Southern Somalia and ‘too concentrated’ in Somaliland for pirates to locate there. In this work, we consider the other side of this coin, namely why some local elites accepted pirates in the first place.

### *The protector’s choice: the supply of protection*

Our argument is based on the PT approach and focuses on the incentives of the protectors. Clans, warlords or religious groupings, effectively run profit maximizing protection businesses (Shortland and Varese 2012; see Lane 1958). If a coastal area is suitable for piracy, it can also support a range of other maritime businesses. However, the local protector has to make a choice between protecting trade and fishing, and protecting pirates. Traders and trawlers shun pirate-infested waters. Figure 1 shows a 24-hour snapshot of vessel tracks taken on 26 January 2011. The concentration of shipping traffic immediately off the Indian, Omani and Yemeni coasts and the dearth of vessels in the middle of the Indian Ocean (particularly along what would be the most cost-effective route from Hormuz to the Cape) illustrates the effect of pirates on private sector decisions. We expect that protectors choose whether to protect pirates or trade based on which activity provides the highest pay-off.

Protection of piracy ensures a flow of income (such as the anchorage fee, militia employment and taxes on suppliers). As a ballpark estimate, World Bank (2013a) data suggest average ransoms of US\$ 4.9mn in 2011/12 of which up to 86 per cent went to ‘land-side’ stakeholders (as opposed to investors and the men in the boats). In the International Maritime Organization-World Bank (IMO-WB) data set on the geography of Somali piracy, the average ship is associated with 1.34 anchorages (several ships are



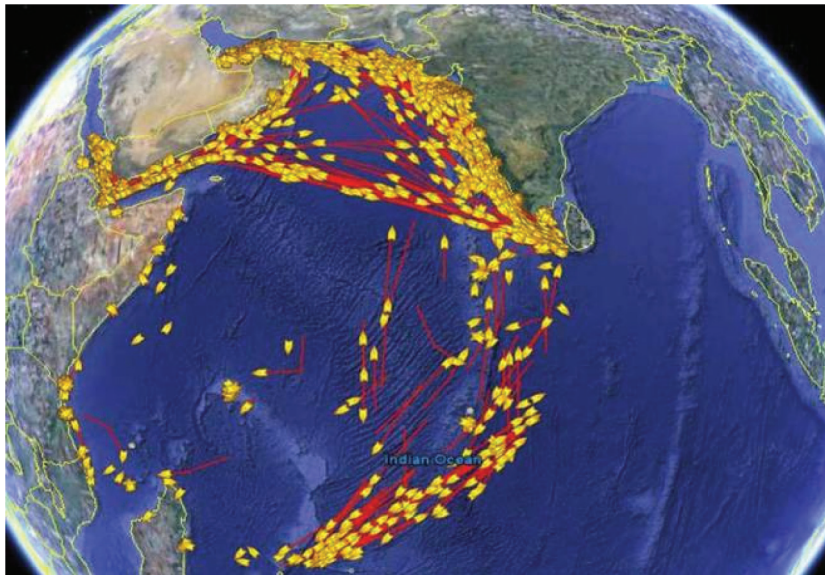


FIG. 1 Automated information system vessel tracks in the Indian Ocean on 26 January 2011.

associated with two or more anchorages). If the local protectors collected the entire land-side surplus, the average ship brought them US\$3.14mn in revenues. Eight ships were taken to the busiest anchorages in 2011—Garacad and Hobyo in Central Somalia—giving (at best) US\$ 25.2mn in annual revenues for local stakeholders. However, the income flow is lumpy and its timing is unpredictable as ransom negotiations can drag on for several years (De Groot *et al.* 2012; World Bank 2013a). Ransom distributions are sometimes associated with armed conflict between pirates (see, e.g. All Africa 16/VIII/2011; Somalia Report, 7–14/VIII/2012, 30/X/2011 and 29/XI/ 2011). In addition, protecting pirates is the equivalent of offering shelter to bandits that attack other nations (in this case foreign ships) engendering the risk that these nations will strike back. This consideration would have been salient given a history of drone attacks on Somali communities harbouring ‘terrorists’ (New York Times 7/IV/2013). Community concerns became reality in May 2012 with the EU attack on a pirate ‘beach camp’ (Somalia Report 5/V/2012). There is therefore a significant cost associated with taking pirate money.

Protection of trade provides a more reliable flow of resources. The UN Monitoring Group (UN Security Council 2011) estimated that the annual income of Al Shabab in Southern Somalia from taxation and extortion was in the region of US\$70–100 mn, compared to average total pirate ransoms in 2008–12 of US\$50 mn per annum (World Bank 2013a). Taxation of charcoal exports alone was estimated to raise around US\$25 mn for Al Shabab in Kismayo in Southern Somalia (UN Security Council 2012). Each vessel docked at Kismayo harbour was charged between US\$90,000 and US\$300,000 in export duties for charcoal. The same vessels also brought sugar for re-export to Kenya and were charged fees for unloading their cargo. Traders, charcoal producers and porters were in addition charged a tax of 2.5 per cent on their profits and incomes, respectively (UN Dispatch 22/II/2012). The predicted revenues from taxing maritime trade in Mogadishu are in the region of US\$200mn a month once ships return to Mogadishu harbour (Hiiraan News 17/IV/2013).

Authorities deriving significant incomes from the ‘taxation’ of trade (or the production of exportables) will therefore not supply protection to pirates. However, elites in remote areas, which do not have the option of taxing other economic activity, might consider protecting piracy.

*Hypothesis 1:* The decision to supply protection services to pirates is primarily driven by economic considerations.

Testable implications are as follows:

- (a) Pirate anchorages will not be located close to high-value trade routes but in areas cut off from regional commerce.
- (b) Elites raising money through protection of trade may take direct action against trawlers and traders who have not paid protection money, as well as against pirates.

In some communities, the expected revenues from protecting trade and sheltering pirates will be similar. In such areas, we expect that the availability of pirate protection changes when economic shocks change the local cost-benefit analysis: e.g., when trade restrictions are lifted or local authorities could profit from taxing additional legal trade, they might stop harbouring pirates. Examples of exogenous economic shocks are the bans on Somali livestock exports and oil discoveries. Economic shocks could also be created through a political process where a *quid-pro-quo* is offered in exchange for local counter-piracy efforts. A testable implication is that

- (c) Piracy will cease in a location if the (expected) value or volume of trade or other development funds increase significantly, leading protectors to switch away from protecting piracy.

Running against the prevailing explanations of the geography of piracy, PT predicts that external challenges to local political elites should *increase* their willingness to supply protection to pirates. Pirate money might be actively solicited if there are potential challenges to local elites’ territorial control, creating pressures to maintain a large clan militia or increase its size. Such challenges could be external or internal, and can include electoral challenges to an incumbent who fears will lose an electoral contest if he does not accept criminal money. We therefore expect the intensity of piracy to increase with inter-clan tensions, as religious groups or regional governments seek to expand their territorial control, during border disputes and, potentially, with the spread of electoral democracy. Would such challenges lead to a process of state building as it was the case of early modern Europe? This is a question we shall touch upon in the Conclusions.

*Hypothesis 2:* Reliance on revenues from criminal activities will increase when the local elite faces territorial challenges.

This leads to the following testable implication:

- (d) Political instability short of outright anarchy—such as latent border disputes and electoral challenges—will lead to increased pirate activity in areas already relying on criminal revenues.

Extreme political instability in an area hinders the ability to protect and hence drives to zero the demand for protection services. As pointed out by PT, there must be a monopoly over protection in the area. However, as argued previously, the key issue in supplying protection to pirates is an economic consideration: there is no more profitable revenue

source. Therefore, pirates should not be concerned about who wields power in a locality: neither incoming nor outgoing administrations want to drive away the goose with the golden eggs. While pirates might take their ships further offshore during heavy fighting, we would expect them to return once a new administration is formed.

Our final testable implication from PT is therefore:

- (e) There will be continuity in pirate anchorage utilization across political changes.

Table 1 summarizes our hypotheses: whether or not a location offers protection for pirates depends primarily on the local economic situation. Put simply, the relative size of the two income sources for the protector (trade and piracy) can be likened to an ‘on/off’ switch: when there are significant opportunities to tax trade, we do not expect to find piracy. Pirates locate only where there are few opportunities to tax trade. The effect of the local political situation can be likened to a ‘volume control’: for those communities where piracy is not desirable, the degree of political stability determines the amount of resources that are devoted to counter-piracy, with powerful incumbents chasing pirates away from ‘their’ trade routes. For communities where piracy is the most lucrative revenue source, strong and stable incumbents may still choose not to protect piracy. However, if the local elite feels threatened or needs to raise funds for election campaigns, the intensity of piracy increases. Greater instability will increase reliance on piracy revenues as long as the territory is not actively contested. We agree with previous analyses that hijack for ransom piracy is not viable during periods of warfare and anarchy, but this is not because the incumbent and challenger do not offer to supply protection, but because there is no demand for protection in a contested territory.

TABLE 1 *Predicted supply of pirate protection*

	Trade	No trade
Stability	High-intensity counter-piracy	No/low-intensity piracy protection
Territorial challenge <sup>a</sup>	No piracy, but no counter-piracy efforts	High-intensity piracy protection

<sup>a</sup>Close-fought elections and (latent) territorial disputes.

In the following section, we use a new data set of the geography of piracy to test our hypotheses, utilizing the considerable diversity of local responses to piracy across Somalia and within pirate anchorages over time.

### *Data and Methodology*

To establish where pirates found protection, we (re-)analyse the IMO-WB data set on the geography of Somali piracy collected for the [World Bank \(2013a\)](#) Report. This data set provides the location(s) in which successfully hijacked vessels were held after their capture until their release.<sup>1</sup> The locations are based on interviews with locals, who provided information on which village or town was responsible for supplies and protection

<sup>1</sup> The IMO-WB database has some gaps, as not every hijacked ship made a landfall and not every location was reported. Some ships are linked to more than one anchorage, but there is no information of the timing of their movements. A ship is therefore associated with the reported anchorage(s) for all years spanned by the ransom negotiation, even if it was released in January or was moved between anchorages through the time in captivity.

for each ship, resulting in a highly granular picture of pirate locations. Twenty locations are associated with ships being held for ransom in the IMO-WB data set though some report only one or two incidents. In the analysis, we focus on the top pirate anchorages: Eyl, Garacad, Hobyo and Haradhere, as well as the anchorages of the Ras Aseyr and Maakhir regions as shown on [Map 1](#), as well as in [Figures 2](#) and [3](#).

We use the International Maritime Bureau (IMB) piracy reports for information on the vessel type in each incident to make a broad distinction between two kinds of maritime crimes. We consider incidents as ‘piracy’ where pirates targeted international shipping without economic interest in Somalia’s ports or maritime resources. This type of piracy imposes large costs on the international community and littoral states ([Besley et al. 2012](#); [World Bank 2013a](#)). The ship types most likely to be associated with foreign merchant shipping are ‘tankers’, ‘general cargo’, ‘bulk carriers’, ‘container ships’ and ‘yachts’ (some general cargo ships were bound for Somalia, but mostly Somalia’s maritime infrastructure is unable to deal with large, modern cargo ships).

We count as ‘maritime crime’ those incidents directed against local shipping traffic, identified in the IMB reports as ‘dhows’, ‘World Food Programme (WFP) charters’ and ‘fishing vessels’. These attacks occurred mostly within territorial waters (6 nm) and the exclusive economic zone of (200 nm) of Somalia.<sup>2</sup> According to PT, such close-shore maritime crimes should be interpreted as the actions of informal coast guards. In the absence of a state able to enforce its territorial rights, local warlords, religious or clan militias sought to protect their maritime resources from foreign exploitation, asserted their claim on duties being paid in the local anchorages and tried to prevent local markets from being flooded with foreign food aid. Below, we present maps detailing the incidents split into the relevant vessel types ([Figures 2](#)). In the annual maps ([Figures 3](#)), we indicate disputes over territorial control by marking the areas in which different authorities asserted their rights to govern.

### Discussion

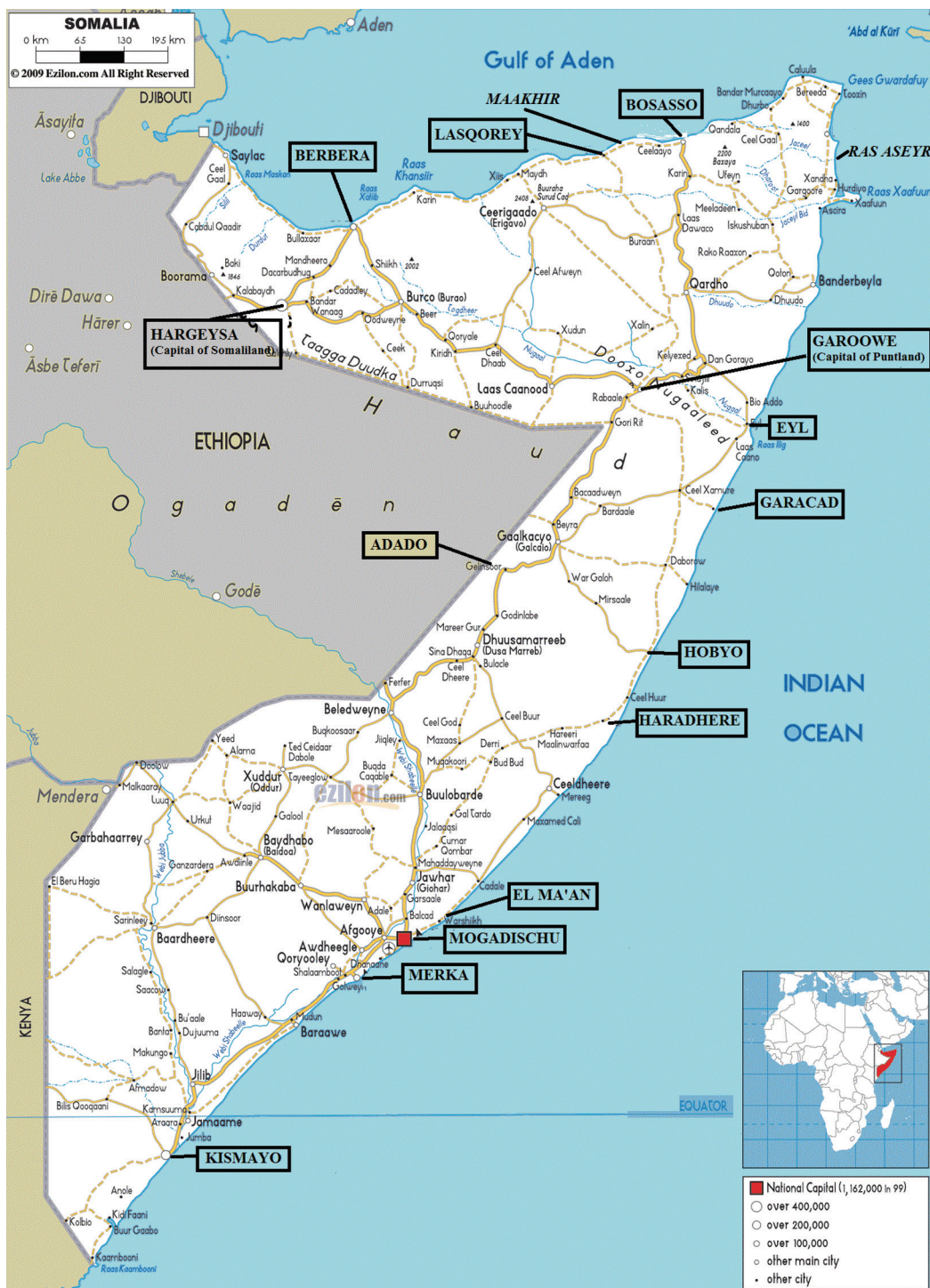
Firstly, we examine whether trade protection or pirate protection is the rational economic choice of a local elite, showing that none of the Somalia’s ports harboured pirates, while all the observed pirate anchorages are cut off from regional trade routes. We then move on to discussing what drives changes in the intensity of piracy in these remote piracy-prone locations. Finally, we look at the effect of political turn-over in established pirate anchorages.

#### *Piracy and the port cities*

Since looting during the civil war destroyed almost all of Somalia’s productive capacity, the Somali economy has rested on three pillars: *diaspora* remittances, livestock and the re-export economy ([Marchal 2012](#)). Around 65 per cent of employment in Somalia is linked in some way to the livestock sector and livestock exports make up around 80 per cent of Somalia’s export earnings (FSNAU 2013). Most of the livestock is exported by sea to various countries in the Arab peninsula, with live sheep and goats for slaughter at the annual *Hajj* pilgrimage, a particularly important market. Somalia’s ports have also traditionally

<sup>2</sup> Some dhows and fishing vessels were hijacked in the wider Indian Ocean and it is not clear whether they had any link to Somalia’s economy. This is especially true of those hijacked as ‘motherships’. However, as these were generally abandoned (or occasionally liberated) rather than being taken to the coast, they do not feature in the IMO-WB pirate location data set.





Map 1. Road map of Somalia. Key cities are highlighted in bold and boxed. Key regions are in italics.

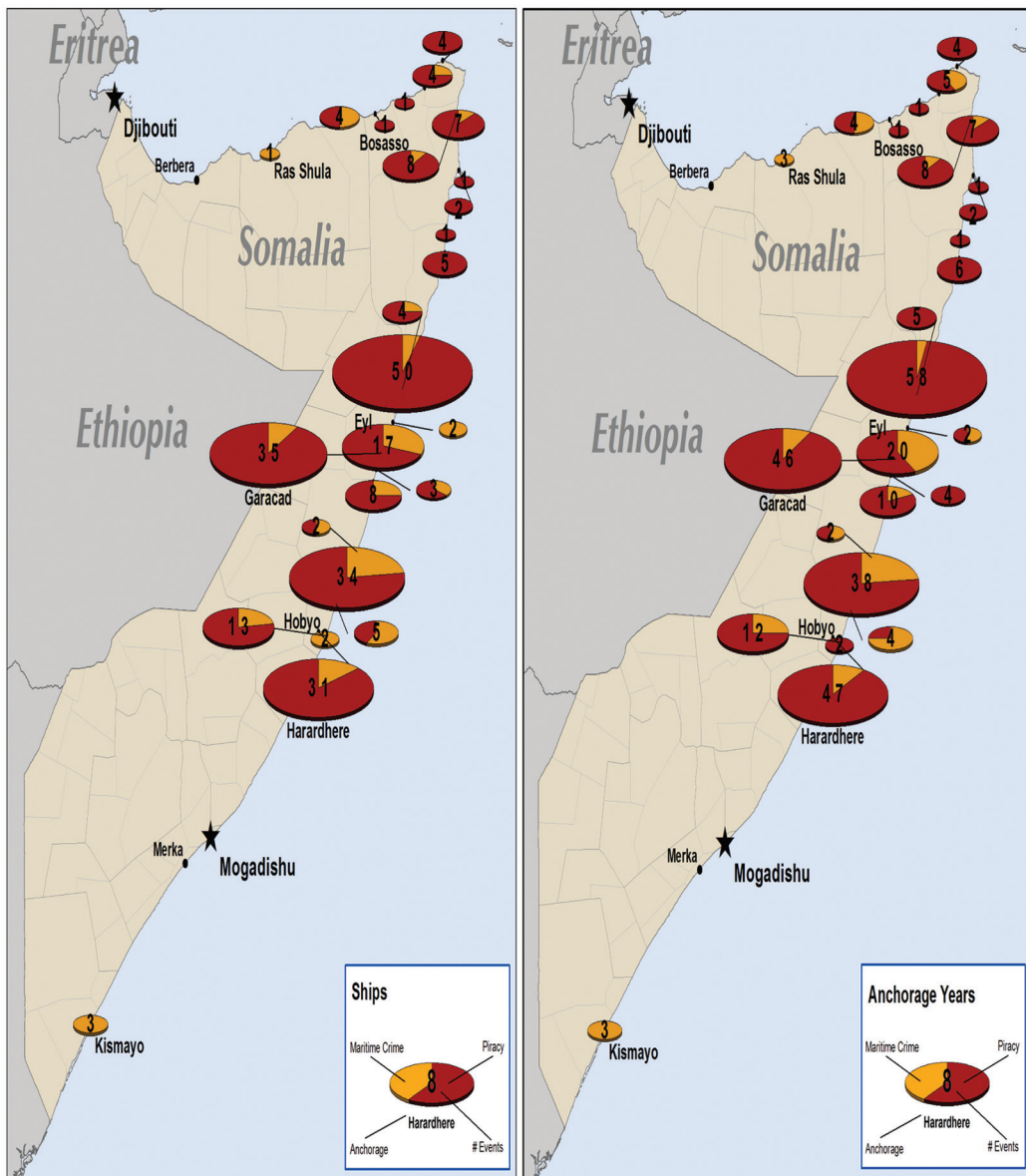


FIG. 2 Pirate anchorages 2005–12.

Source: IMO-WB data set.

processed cattle and camel exports from the ethnic Somali areas of Kenya and Ethiopia. A further important export good is charcoal from the riverine areas of Southern Somalia (UN Dispatch 22/II/2012). Imports into Somalia are largely destined for re-export to Kenya and Ethiopia. Somali traders circumvent the high import duties imposed by both countries by smuggling goods across the porous land borders. Ships picking up cattle from Kenya and Ethiopia from Somali ports bring consumer electronics and food for



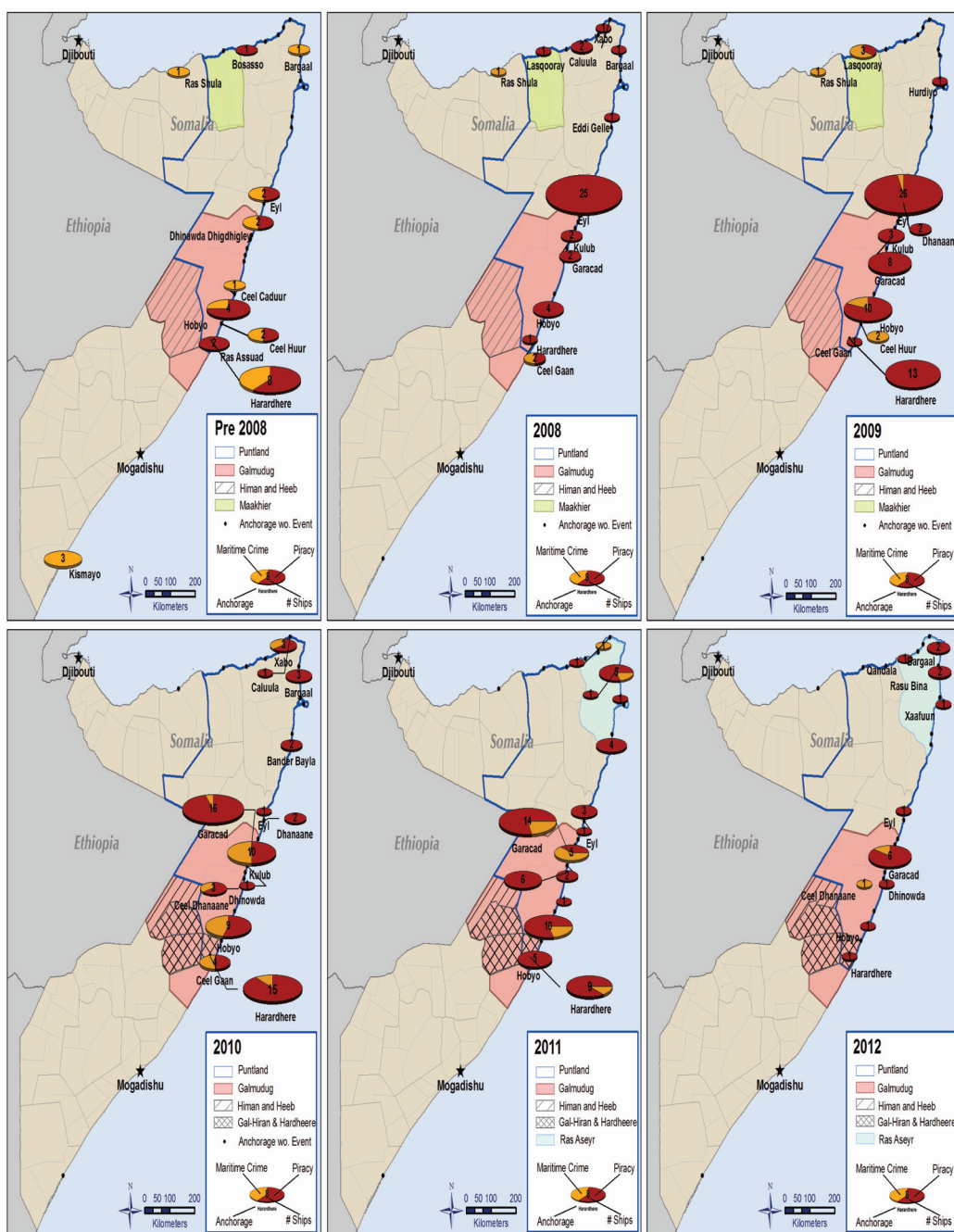


FIG. 3 Pirate anchorage use by year.  
Source: IMO-WB data set.

smuggling into the border regions, a system that has been likened to ‘a set of parallel conveyor belts’ (Little 2006; Umar and Baulch 2007: 8). Therefore, Somalia’s ports handle a volume of trade, which greatly exceeds the productive and absorptive capacity of the Somali economy. The ‘protection’ of this trade is a major business.

WFP logistics (2007) names only four major ports (Berbera, Bosasso, Mogadishu and Kismayo) and two minor natural harbours (Merka and el Ma’an near Mogadishu) in all of Somalia. Hypothesis 1a suggests that these ports should *not* offer anchorage to pirates, as trade protection would be the dominant choice. Indeed, no incidents of hijack for ransom were reported from Berbera, Mogadishu or el Ma’an. Closer inspection of the IMO-WB database reveals that none of the incidents associated with the other major harbours are cases of hijack for ransom ‘high-seas’ piracy, as shown in Table 2.

TABLE 2 *Observed supply of pirate protection: major ports*

	Hijack for ransom incidents	Direct action against trawlers and WFP ships	Anti-piracy efforts
Kismayo (Southern Somalia)	0	3	Yes (2006, 2010)
Merka (Southern Somalia)	0	2	Yes (2006)
Berbera (Somaliland)	0	1	Yes, throughout
Bosasso (Puntland)	0	1	Yes, from 2008
Mogadishu (Southern Somalia)	0	0	Yes, from 2012
el Ma’an (Southern Somalia)	0	0	

Source: IMO-WB database and news reports.

The three ‘incidents’ in Kismayo reported in the IMO-WB database relate to three fishing vessels accused of illegal fishing in August 2008 (See Figure 2). Although the vessels’ owners claimed that they had bought a ‘license’ from another warlord, they had to pay US\$0.5mn for each vessel’s release. This figure is comparable to the fines officially levied in West Africa on vessels engaged in illegal, unreported and unlicensed fishing (Interview 1). The episode is simply a case of the Kismayo authorities asserting their right to tax economic activity in their waters. Overall, administrations in Kismayo focused on raising revenues through trade protection and Islamist administrations took a very public anti-piracy stance. In 2006, Union of Islamic Courts (UIC) militias from Southern Somalia even attacked pirates in their strongholds of Hobyo and Haradhere in retaliation for pirate attacks on dhows bound for Southern Somalia (BBC 16/VIII/2006 and ABC 28/IV/2010. The National 31/III/2010 makes the same case for Al Shabab raids in 2010). Thus, they were acting as effective protectors of regional trade flows.

Widespread reports of a ‘pirate group’ operating in Merka under the leadership of Sheik Yusuf Mohamed Siad (‘Indha-Adde’) appear all to be based on the assertion in International Maritime Bureau (2008). In fact, the only foreign vessel detained in Merka was chartered by the World Food Program and was held for just 33 hours. Another WFP ship was also attacked in the vicinity of Merka in May 2007. Rather than instances of piracy, these attacks were challenges by the local clan leaders to the WFP—which does not pay protection money and delivers foodstuffs to local markets without paying duty (Mareeg News 2/IX/2008; UN News Centre 20/V/ 2007; The Economist 18/III/2010). The punitive 2006 raids into the pirate

heartlands were carried out by the Union of Islamic Courts, which governed Merka at the time. Merka, therefore, seems to be protecting trade rather than business.

Not only Berbera's, but all of Somaliland's track record on piracy is excellent. The only instance of maritime crime associated with Somaliland in the World Bank database is that of the fishing trawler *El Greco 2*, apprehended for illegal fishing and held at Ras Shula (Pan African Newswire 23/V/2010). In a different report the same ship is linked to Bosasso, again being investigated about the legitimacy of its activities, making this a clear case of informal coast-guarding rather than an act of high-seas piracy (Ecoterra 19/IV/2009). Dua (2011) stresses the political importance of counter-piracy in Somaliland in terms of gaining international recognition. However, the economic reality was that the Somaliland government critically relied on customs revenues collected at Berbera port. Although other forms of taxation have been introduced over time, in 2011 the government still raised 46 per cent of its revenues through taxes on international trade (Republic of Somaliland, 2011). Piracy was generally perceived to undermine economic well-being in Somaliland through its impact on trade volumes, employment and import prices (Sabahi News 31/I/2012). The Somaliland government was therefore able to co-opt local clans into denying anchorage to pirates.

According to the IMO-WB database, Bosasso was never used as a destination for hijacked merchant ships either.<sup>3</sup> Nonetheless, Bosasso was commonly associated with piracy between 2005 and 2008: it had a reputation as a setting-off and resupply port, as well as welcoming pirate investments (Congressional Research Service 28/IX/2009). In late 2008, Bosasso's authorities began efforts to shake off the town's pirate image. The city's U-turn on piracy is that trade in Bosasso had been depressed due to the Saudi export ban on livestock from Somalia. Because of concerns over rift valley fever, all official livestock exports had to be taken to holding pens in Djibouti for a quarantine period or be exported 'unofficially'. Either option undermined the volume and profitability of exports through Bosasso.

Local elites realized that with the lifting of the export ban Bosasso would recover its position as a primary trading port for livestock and through the 'parallel conveyor belt' as an import centre for the wider region. After the lifting of the export ban in 2009, customs duties in Bosasso port became a significant part of Puntland government revenue (US\$15–20mn annually; see Somalia Report 27/II2012). The Puntland government began to engage with the international community on the issue of maritime security, by freeing some pirate hostages (CNN 14/X/2008; Garowe Online 11/XII/2012), welcoming the international naval forces (Congressional Research Service 28/IX/2009), incarcerating pirates (Sabahi News 5/XII/2012) and adopting a clear anti-piracy message. The change in the attitude towards maritime security was exemplified in a speech by President Farole in 2011:

The Puntland Port of Bossaso is our economic lifeline and our gateway to global trade networks. .... Any threat to this vital economic lifeline is a threat against the security, stability and economy of Puntland State of Somalia, which also impacts the smooth flow of trade traffic across the whole region (Garowe Online 22 October 2011).

As stated previously, there are no reports of hijacked ships being taken to Mogadishu or el Ma'an. The major trading ports of Somalia therefore all denied protection and

<sup>3</sup> The one reported incident in map A1 refers to unsuccessful pirates fleeing to Bosasso rather than taking a hijacked ship to Bosasso for ransoming.



some actively discouraged pirates from operating in their areas in line with implication (a). Local protectors have, however, targeted aid deliveries, local trade and fishing vessels, which had not paid the right people the correct amount of protection money. By doing so, they simply enforced their system of 'taxation' in line with implication (b). The fact that Bosasso 'switched' its attitude to pirates with the change in the profitability of trade protection is evidence for implication (c).

### *Poor, remote areas and piracy*

We now turn our attention to explaining where piracy occurs. Hypothesis 1 says that areas remote from lucrative trade routes are more likely to condone or welcome pirates. Roadmaps of Somalia show the main transport arteries running between Berbera/Hargeisa and Garowe and from Bosasso via Garowe to Mogadishu and Kismayo (see Map 1).

Detailed information on road conditions and travel times is periodically provided by the WFP logistics cluster. Road quality is highly variable due to lack of maintenance, floods, landslides and deliberate sabotage (particularly of bridges). Some tracks become entirely impassable during the rainy season. A WFP map from May 2010 shows how cut off the 'pirate' coast of Puntland and Central Somalia is from regional markets (World Food Program Logistics Cluster 2010). It puts the travel time from regional centres to their geographically closest pirate anchorages (using four-wheel-drive vehicles) at between 11 and 29 hours. This means that local elites can raise very limited amounts of tax from passing trade. In addition, there is little scope for local taxation: their fisheries are cut off from inland consumers and the landscape is barren and supports an itinerant pastoral economy, which is notoriously difficult to tax.<sup>4</sup> However, not all remote Puntland coastal communities engaged in piracy all of the time and some did so with varying intensity.

Hypothesis 2 suggests a link between territorial disputes and piracy, arguing that if local political elites face a threat to their territorial control or wish to assert their claim to govern additional territory, they are likely to seek further revenue sources. Our chosen observable indicators for territorial challenges are (1) the closely fought election campaign in Puntland in 2009 and (2) different political entities officially asserting competing claims on a particular territory. The latter occurred where the precise location of borders was disputed between two established political entities and because new claimants declared a specific territory a 'federal state' of the Republic of Somalia. Article 11 of the February 2004 Transitional Federal Charter of the Somali Republic allowed the creation of federal 'state governments' from 'two or more regions federate, based on their own free will' (Somalia: Somali Transitional Charter 2004). This imprecisely worded legal document resulted in the declaration of a large number of clan-based autonomous and semi-autonomous regions, sometimes called 'mini-states'.

Generally, the declared aims of these states were to reduce interference of regional governments in local governance, to manifest a claim on disputed grazing lands and to protect mineral and water resources from exploitation by outsiders. The self-appointed state governments sought to tax local economic activity, attract *diaspora* remittances and license foreign companies to explore or exploit mineral deposits and fish in territorial waters. Moreover, if the administration was sufficiently credible, its representatives were

<sup>4</sup> According to the WFP maps, similar arguments of 'remoteness' could be made for the coastal area between Mogadishu and Kismayo with an estimated travel time of 60 hours between the two cities. However, satellite images and maps of agricultural production show that unlike Puntland Southern Somalia's climate supports agricultural (and charcoal) production, giving local elites a source of taxable income.

invited to represent the state's interests in the constitutional process in Mogadishu in 2012 (Somalia Report 4/V/2012). Several (but not all) of the declared states mobilized security forces to enforce their territorial claims, but generally security force presence outside the principal towns was scant or non-existent. Hence, most states did not actually control the territories to which they laid claim. Several of the declared states overlapped with each other as different sub-clans laid claim to territory, where grazing and water rights had been disputed for centuries. In Central Somalia, such disputes were aggravated by the influx of Islamist militias, which also rely on territorial control for recruiting new fighters and taxing economic activity (World Bank 2013a). This further complicates the issue of how much territory was controlled by each state government.

At the regional level, competing territorial claims created an environment in which criminal gangs were tolerated. The state administrations were neither willing nor able to address a crime entirely directed against 'outsiders' rather than members of their own community (Percy and Shortland 2013). For example, President Aden of the Himan-and-Heeb state when asked about a well-known pirate boss building his new compound in central Adado right behind the police station argued:

I'd take these guys on, but I can't right now because I don't have the resources... Besides, you can't just wipe out a whole line of work for thousands of young men. If you take something away, you must replace it with something else. Otherwise, more problems (New York Times 2/X/2009).

At the local level, however, the relationship between clan officials and pirates went beyond mere toleration. Piracy brings considerable revenue to the local community and especially to those within the community who can organize protection for pirates (World Bank 2013a; Shortland and Varese 2012). Inter- and intra-clan tensions raised the need for additional revenue to bolster the clan militia, and in some cases, there was direct co-operation between clan and pirate militias in defence of clan territory against invasion (New York Times 1/IX/2010). Based on PT, one would therefore expect elites under threat of invasion and those with territorial ambitions to invite pirates—or even sponsor a piracy business.

We now examine the states claiming sovereignty over coastal territories created between 2006 and 2011. We would expect that piracy would start before a new state is formally declared (to bolster the claimant's finances) and to cease when a state achieves its aims or gives up its ambition. In addition we highlight the effect of the 2009 election on pirate activity in Puntland.

### *Maakhir and Ras Aseyr*

Two states were declared in Puntland territory and both are associated with pirate activity (Somalia Report 4/V/2012). Maakhir in Northern Puntland West of Bosasso was established in 2007 over disagreements with the Puntland authorities over how to share potential oil and mining revenues.<sup>5</sup> Its principal coastal town is LasQorey, where Fuad Warsame Seed 'Hanaano' established his piracy business and held five ships hostage in 2008 and 2009. The UN Security Council (2010) alleged that Hanaano paid protection money to the presidential candidate General Iljakir, who unsuccessfully contested the 2009 Puntland election. However, General Iljakir was subsequently appointed Minister of the Interior and used his position to direct investment to his region, including funds

<sup>5</sup> Part of this territory is in addition claimed by Somaliland.

for a fish factory and port development in LasQorey (Interview 2). Maakhir was subsumed back into Puntland and piracy ceased.

The Ras Aseyr region at the North-Western tip of Puntland also started to develop piracy in the run-up to the 2009 presidential election. However, unlike Maakhir, local clans failed to get a good deal from the new government. Local disappointments about the absence of development assistance from the Puntland authorities were exacerbated by the impression that locals would gain nothing from oil exploration in Northern Puntland. Piracy intensified and the new state of Ras Aseyr was formally announced in April 2011, banning Puntland state officials from its territory (Somaliland Press 21/IV/2011 and Hiiraan News 25/IV/2011). The Puntland government refused to recognize the Ras Aseyr state and engaged its militias on a number of occasions.<sup>6</sup> The militias fighting the Puntland security forces were funded by pirate money—specifically from the pirate entrepreneur Isse Yulux, who had operations in several anchorages between the Ras Hafun peninsula and Callula just East of Bosasso (Somalia Report 20/IV/2011; World Bank 2013b). The Northern Puntland anchorages were used more intensively from 2010 than in any of the previous periods and remained pirate strongholds in 2012, indicating that piracy money was instrumental in funding the political ambitions of local elites.

#### *Piracy at Eyl and the 2009 presidential election*

Eyl dominated Somali piracy in 2008 and 2009 and then ceased operating as a pirate anchorage. Eyl is controlled by a powerful sub-clan of Puntland's dominant Darod clan and was neither attacked nor developed separatist ambitions. Yet, piracy took off in April 2008 when the Puntland government's financial position became so precarious that it was unable to pay most of its security forces (Hansen 2009). Pirates did not fear intervention and proliferated with re-invested profits. Protection money was paid to people in the Puntland administration and was used to fund the election campaign of Abdirahman Farole for the presidency of Puntland as documented by the UN Security Council (2010; 2011).

When Abdirahman Farole became president of Puntland in January 2009 his piracy connections became an embarrassment (see UN Security Council 2010). From 2010, pirates no longer used the anchorage at Eyl to conduct ransom business. What was the *quid-pro-quo* given to Eyl for giving up piracy? The main request made by President Farole to potential donors was a road to connect Eyl to Somalia's main transport network. This would have allowed Eyl to attract (and protect) trade flows and transport fish products to inland markets. However, the donor community refused this proposal because it was thought that a road would be a bonus to the pirates and funding was never approved (Interview 2).

Instead, in 2010/11, money donated by the Japanese Social Development Fund was used to purchase fishing vessels and equipment and fishermen were trained to rehabilitate the local fishing industry. A refrigerated truck was purchased to transport fish products from Eyl to inland markets (Interview 2). A more important benefit came from United Arab Emirate funding for the Puntland Maritime Police Force (PMPF).

<sup>6</sup> The reason given by the Puntland forces is that they wish to engage the pirates, while the Ras Aseyr authorities that the Puntland aim is 'to loot mineral resources' <http://somaliamediamonitoring.org/june-6-2012-daily-monitoring-report/>.

The PMPF was based Bosasso with a forward base at Eyl and was intended to target piracy in Puntland. At least 70 per cent of recruits belonged to President Farole's sub-clan (Interview 3). The highly critical report by [UN Security Council \(2012\)](#) suggests that Mr Farole had effectively found a foreign sponsor for his clan militia. The PMPF was rapturously received at Eyl (Puntland Post 17/III/2012), undertook counter-piracy operations only against pirates of rival sub-clans (Somalia Report 3VI/2012 and 6/VI/2012) and hassled President Farole's political rivals (Horseed Media 31/X/2012).

In summary, pirates were welcome in Eyl when they were needed to fund a political campaign. After electoral success, piracy stopped and the political pork-barrel process was used to improve the economic situation of the clan instead. But not enough was delivered to turn the tide decisively against pirates: Pirate bosses were not arrested, but moved to the anchorages at Garacad to the South or in Northern Puntland instead. Occasionally hijacked ships transited the area unmolested or remained in the vicinity for short periods of time (and are therefore associated with Eyl in the IMO-WB database).

### *Border disputes and 'states' in Central Somalia*

The main pirate anchorages of Garacad, Hobyo and Haradhere and a number of smaller anchorages in Central Somalia are located in a territory that is claimed by both Puntland and Galmudug.<sup>7</sup> Local elites used piracy to raise funds to fight for their preferred settlement. In 2010, Garacad took on additional pirate business—most likely from gangs that previously had used the anchorage at Eyl.

Following the creation of Galmudug in 2006, disaffected sub-clans created the state of Himan-and-Heeb with its capital as Adado in 2008 (Somalia Report 4/V/2012 and 8/XII/2011). Although Himan-and-Heeb does not lay claim to coastal territory, its territorial ambitions inland led to increased fundraising by elites supporting Galmudug state. The year 2010 saw a further intensification of overlapping territorial claims with the registration of the state of Gal-Hiran-and-Haradhere, which seeks to rule parts of both Galgaduud and Hiran to the South with Islamist militias ready to defend this claim.<sup>8</sup>

Haradhere, Hobyo and the other pirate anchorages in their vicinity are therefore located in territory claimed by Puntland and Galmudug (from 2006), and Gal-Hiran-and-Haradhere (from 2010). Local elites were under pressure to raise revenues to fight off rival claimants. Hobyo and Haradhere were among the dominant protectors of pirates before 2008 and pirate use of these anchorages intensified dramatically in 2009 and remained high until 2011. Interestingly, the coastal district of El Der in Galmudug does not contain a single pirate anchorage—and this was the only district in Central Somalia to which only one 'state' laid claim.

<sup>7</sup> The location of Puntland's Southern border is not clearly defined. The region of Mudug is claimed by the Puntland administration as well as the 'state' of Galmudug, a regional state formed in 2006 from the regions of Galgaduud and Mudug, as set out in the maps of the Siad Barre regime (Somalia Report 8/IV/2012).

<sup>8</sup> We note, but we do not consider the further profusion of 'mini-states' declared across all over Somalia in late 2011 as particularly relevant to the pirate protection argument. These late 'mini-states' largely appear to be initiatives of diaspora members aiming to fast track their political careers through participating in the state-building process in Mogadishu in 2012. Few appear to have established actual governance structures within Somalia and their territorial claims were either wildly exaggerated or extremely ill-defined. While the acts of declaration indicate a degree of sub-clan grievances and competition, their political aims were settled with representation in (or exclusion from) the constitutional process in 2012. See Somalia Report 4/V/2012.

TABLE 3 *Observed supply of pirate protection: remote areas*

	Hijacked ships anchored locally (years)	Overlapping territorial claims/election year
Maakhir (LasQorey)	0 (pre-2008) 5 (2008–09) 0 (2010–12)	2007–09 2009 <sup>a</sup>
Ras Aseyr (Bandar Bayla, Bargaal, Callula, Hurdiyo, Rasu Bina)	1 (2005–07) 5 (2008–09) 9 (2010) 18 (2011–12)	2009 <sup>a</sup> 2011–12
Eyl	2 (pre-2008) 42 (2008–09) 6 (2010–12)	2009 <sup>a</sup>
Garacad	35 (2006–12)	2006–12
Hobyo	36 (2006–12)	2006–12
Haradhere	31 (2006–12)	2006–12

Source: IMO-WB database.

<sup>a</sup>Refers to election year.

The summary Table 3 and the annual diagrams in Figure 3 provide clear evidence that piracy and informal coast-guarding activities intensified in remote regions when these were disputed between clans wishing to share in locally generated profits. Piracy only stopped where the local authorities completely achieved their objectives of formal political representation and financial transfers.

#### *Piracy and instability*

Finally we test implication (e), which allows us to directly engage with the alternative hypothesis that the key determinant of piracy is political instability, rather than the economic decision to protect the most lucrative business. The evidence from Mogadishu does not allow us to distinguish between the two hypotheses. Mogadishu's port remained closed or was barely used, as various militias fought for control of Somalia's previously most lucrative interface with the world (Marchal 2002), making it impossible to conduct any kind of long-term business there—including piracy. This argument is then extended to cover all of Southern Somalia, which has indeed seen the majority of casualties and conflict events in the civil war (Chojnacki and Metternich 2008). However, both Merka and Kismayo saw long periods of relative political stability between 2005 and 2012 and should have been viable for pirates, if the authorities had chosen to invite them.

Kismayo was held by Islamist militias from 2006 and was under full Al Shabab control from October 2009 until the African Union offensive in September 2012 (BBC 29/IX/2012). After the Union of Islamic Courts was ousted in late 2006, Merka was initially ruled by local clan militias, and then by Islamist militias from November 2008 to August 2012 (United Press International 28/VIII/2012). Indeed, local populations and businesses welcomed Al Shabab precisely because of its law and order record (Hansen 2013). Southern Somalia under Al Shabab was more stable than the Central Somali pirate coast with its inter-clan rivalries and Islamist militia incursions (World Bank 2013a).



We, therefore, argue that there is no causal link between the observed political instability and the absence of piracy in Southern Somalia. Taxable agricultural production in the river areas and the concentration of major trade routes makes it attractive to contest territorial control (Chojnacki and Metternich 2008). But whoever controls the territory will take a counter-piracy stance and protect trade. Thus, revenue opportunities from trade protection explain both the violence and the anti-piracy stance.

In accordance with implication (e) in those areas where piracy was established, political upheaval does not necessarily matter: economics, not politics determine whether a place is a pirate anchorage. Our example is the Al Shabab take over of Haradhere in May 2010. Islamists in Southern Somalia (including the Al Shabab) were known to fight piracy and had expressed this as a moral issue based on *Sharia* law. Many commentators therefore expected piracy in Haradhere to cease with the arrival of Islamists (New York Times 3V/2010). However, pirates did not move their ships away from Haradhere anchorage. The captivity of the UBT Ocean and the Samho Dream at Haradhere spanned the change-over of power and neither ship is associated with any other anchorage in the IMO-WB data set. Later that same year the Golden Wave, the Izumi, the Orna and the Albedo were brought into Haradhere: the identity of the protector was immaterial to the pirates.

Table 4 summarizes how the case studies fit into our hypothesis. The pro-pirate locations are all in the 'low trade' category and piracy waxed and waned with challenges to the territorial control of elites. Eyl and LasQorey illustrated how criminal money can be used to change political outcomes. The major export/import hubs engaged in counter-piracy if they were stable enough—and in the case of Bosasso—trade flows were sufficient to make this worthwhile. Given the potential for collecting significant trade revenues in Mogadishu, we are unsurprised that Somalia's federal President Hassan Sheikh Mohamud prioritized counter-piracy policy early in his tenure.

### Conclusions

A puzzle that has long been neglected in the study of the hijacking of foreign vessels off the costs of Somalia is why only certain parts of the country's coastland were susceptible to this kind of crime. The paper offers an answer, drawing upon PT and a new data set of piracy incidents in Somalia from 2005 to 2012. First, we make a distinction between providers of pirate security and protection, and those who directly engage in the crime. By focusing on what we call the Protector's Choice, we showed that piracy is only likely to occur in poor areas that are remote from regional trading routes and harbours. If the revenues from taxing trade are significantly higher than those expected from piracy, local elites engage actively in informal coast-guarding and counter-piracy activities. However, when trade flows are re-routed due to exogenous shocks, local elites accept (or switch to) the revenues coming from pirates. In the remote regions we observed more intense piracy

TABLE 4 *The observed supply of pirate protection*

	High trade	Low trade
Stability	Active counter-piracy: Berbera, Kismayo, Merka, Bosasso from 2008	No/limited piracy protection: Bosasso (2005–08), Ras Aseyr (to 2007), Eyl and LasQorey (from 2010)
Territorial challenge	No piracy or counter-piracy: Mogadishu, el Ma'an	High intensity of piracy: Hobyo, Garacad, Haradhere, Ras Aseyr, Eyl/LasQorey 2008–09

when the local elites faced a challenge over territorial control and at times of hotly contested elections. As in the case of politicians in advanced democracies who are willing to accept the support of organized criminals, so Somali elites have been found to accept pirate money to fend off electoral challenges or to replenish their coffers in the face of territorial disputes.

The paper has both theoretical and policy implications. Theoretically, we specify a mechanism that leads ‘stationary bandits’ to switch from protecting criminal activities directed against outsiders, to the protection of peaceful and productive economic endeavours. When taxation from trade is more profitable than taxation from crime, local elites stop supporting widespread criminality. This empirical result implies that the acceptance of pervasive illegality is not a cultural and immutable trait of certain societies. Jeffrey Gettleman, in his account of a British couple’s ordeal as captives of Somali pirates, cites Paul Chandler as saying: ‘Everybody was in on it [...] I’m angry at Somali society. I’m angry at a community’ (New York Times 5/X/2011). Mr Chandler was justified to be angry because piracy cannot operate without the protection of the local society. However, this paper shows that support for piracy can change rapidly. Yet the transition from crime to trade can as quickly be reversed in the face of external or internal challenges. Would such threats lead to a process of state building, as it was the case in early modern Europe (Tilly 1985)? The answer is negative. The clan-based structure of politics in Somalia prevents the emergence of a unified state able to take advantage of external threats. In addition, the threats we have documented are internal to each clan’s territory and amount to fights among sub-clans over territory, or electoral challenges. These threats weaken the national state, which remains hollow at the core. The process of state building through wars mobilizing the entire population is absent in Somalia. Territorial challenges and electoral competition do not present opportunities for growth and do not mobilize the population in a national or regional project.

Some policy implications do follow from our analysis. Counter-piracy initiatives have so far been largely misguided. Such initiatives were initially targeted at local young men (and specifically pirates) through moral ‘sensitization campaigns’ or offering vocational training in alternative occupations (Bueger 2012). Their effectiveness was limited for a number of reasons. Firstly, it is difficult to verify whether aid recipients have in fact given up piracy (Bueger 2012). Secondly, one needs not only target the pirates but all underemployed young men in Somalia ready to replace those diverted from piracy. Thirdly, pirate bosses can simply raise pirate wages in response to alternative job opportunities (World Bank 2013a). We therefore argue that ‘alternative livelihoods’ policies targeted at the community through development assistance are more likely to produce sustainable counter-piracy than initiatives targeting the pirates directly. Access to markets, the construction of roads and maritime infrastructures promoting trade will reduce piracy.

Although maritime and road infrastructures will turn the tide against the protection of pirates, other forms of maritime crime, such as smuggling, trafficking and trade in illegal fish, can co-exist with legitimate trade and such criminal opportunities would be enhanced by improved infrastructures. Ultimately, only a political project that leads either to the building a nation-state or—more plausibly—the break-up of the unitary state in favour of local forms of clan-based governance can be long-term solutions for Somalia.

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