

## Security of Sea Lanes and International Trade: A Case Study of Somalian Piracy and its Impact on International Trade

\* Sachin S Pendse

### *Abstract*

*International trade, particularly in last decade has seen the rise of an unprecedented threat in the waters around North African waters and that is commonly known as Somalia Piracy. The primary reason of the rise of Somalian piracy is failure of the state of Somalia. These piratical activities have a larger consequence affecting the international trade and brought immense expenses and use of resources to protect the international trade. The International Maritime Bureau statistics of 2010 point out that Somali pirates were responsible for 49% of the total pirate attacks worldwide is a cause of concern to international community particularly as the major Sea Lanes of oil pass close to the Somalian waters. The pirates generally do not intend to harm the ship hostages but aim to seek financial compensations. The One Earth Future Foundation (OEF) approximates that the total ransom paid to Somali pirates reached \$238 million in just 2010 alone. A new study estimates that Somali pirates reaped as much as \$413 million in ransom payments from 154 hijackings from 2005 to 2012. The expansion of Somali piracy has caused immense amounts of harm on the global trade market. It is estimated that the losses suffered globally range from \$1 billion to over \$16 billion per year. Within this figure, only a small amount is attributed to direct costs, such as paying ransom. The larger part of that figure comes from indirect costs, such as delays/failure in delivering cargo (breach of contract), reduction in the value of goods, or the extension of the ship rental and staff salary. This paper looks into the economic cost of piracy and its impact on international trade*

**Keywords:** Piracy, International Trade

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\* Tolani College of Commerce, 150-151 Sher e Punjab Society, Guru Gobind Singh Road, Off Mahakali Caves Road, Andheri (East), Mumbai - 400 093. Email: tcc@tolani.edu