# Economic Impact of Piracy Hits Home

The increase in piracy in the region and its daily presence in the news has begun to have economic impact beyond the cost of ransom paid by the shipping lines, however.

With the unprecedented and brash hijacking of the *Sirius Star*, which at 1,090 feet is by far the largest vessel ever to succumb to piracy, and the location of the hijacking — 450 nautical miles southeast of the coast of Kenya — being the farthest out to sea Somali pirates have struck, shipping lines have taken notice. Denmark's A.P. Moller-Maersk, one of the world's largest shipping lines, is routing some of its 50 oil tankers around the Cape of Good Hope instead of through the Suez Canal, and the Norwegian firm Frontline, a major carrier of Middle Eastern oil, may follow suit.

Several notices posted on the website of Intertanko (the International Association of Independent Tanker Owners) have addressed the problem. One notice, headlined "Piracy prompts tanker diversions" read, in part: "Following a meeting this week of its governing Council, INTERTANKO is fully supportive of the many tanker operators who have declared their intention to avoid the area off Somalia's coasts and in the Gulf of Aden, and to sail instead via the Cape of Good Hope and East of Madagascar."

Naturally, taking the much longer route around the Cape adds both time and expense to each shipment. Diverting from the canal to the Cape on a trip from the Middle East to refineries in the Mediterranean doubles typical transport time from 15 to 30 days. This naturally would increase the price of oil delivered to Europe.

Fears of piracy have already impacted Suez Canal traffic. A November 24 report from Reuters news service noted that "Revenues at the canal have already dropped from life highs in August, but officials attribute the slowdown to the global economic crisis and say piracy has not yet affected returns."

"The canal made $467.5 million in October, down from $504.5 million in August when a record 1,993 ships used the canal."

Since Egypt nationalized the Suez in 1956, the nation has relied heavily on revenue from the canal.

Though canal traffic has yet to fall substantially, it is cause for concern. An AP report for November 25 noted: " ‘For sure it will have a bad effect’ if it continues, Gen. Ahmed Fadel, head of the Suez Canal Authority, told The Associated Press Monday at his office overlooking the canal."

However, Fadel played down the concept of shipping lines diverting much of their traffic around Africa. "It is not easy or simple to divert through the Cape," he said. "It will lead to an increase in commodities transport fees to more than 30 percent."

AP observed: "So far, Egypt has urged the international community to strengthen its anti-piracy efforts in the Gulf of Aden, without raising the possibility of adding ships from its 20,000-member navy to the fight."

Which raises an interesting question: why should the "international community" (which generally means the United States paying most of the bill) provide the security to ensure safe passage to and from the Suez Canal, when Egypt, the nation that realize profits from canal traffic, is unwilling to do so?

*Photo:  AP Images*