



CHATHAM HOUSE

Chatham House, 10 St James's Square, London SW1Y 4LE
T: +44 (0)20 7957 5700 E: contact@chathamhouse.org
F: +44 (0)20 7957 5710 www.chathamhouse.org

Charity Registration Number: 208223

Transcript

The Role of Seychelles in Counter-Piracy

The Hon Joel Morgan

Minister for Home Affairs, Environment, Transport and Energy, Republic of Seychelles

Chair: Alex Vines

Head of Africa Programme, Chatham House

21 February 2012

The views expressed in this document are the sole responsibility of the author(s) and do not necessarily reflect the view of Chatham House, its staff, associates or Council. Chatham House is independent and owes no allegiance to any government or to any political body. It does not take institutional positions on policy issues. This document is issued on the understanding that if any extract is used, the author(s)/ speaker(s) and Chatham House should be credited, preferably with the date of the publication or details of the event. Where this document refers to or reports statements made by speakers at an event every effort has been made to provide a fair representation of their views and opinions, but the ultimate responsibility for accuracy lies with this document's author(s). The published text of speeches and presentations may differ from delivery.

Joel Morgan:

Ladies and gentlemen, it is a great honour for us to be able to be with you today to speak to you about the impact of piracy in the Indian Ocean, and efforts that need to be led by the international community to solve this problem, and its roots on land in Somalia. The Indian Ocean is an important artery for world trade. Two out of three of the world's shipped oil passes through its waters as well as half of containerised shipping and a third of the world's bulk cargo. The Gulf of Aden itself is the gateway to 62% of the world's oil reserves, and 40% of the world's gas reserves. The importance of these sea lanes illustrates how the continuation of piracy off the coast of Somalia is effectively holding the world to ransom.

The cost of piracy to world trade is estimated at over \$6 billion, while at the current rate of increase it is estimated that this figure will rise to \$15 billion by 2014, according to a study conducted by *Geopolicity*. Any attempts to raise such sums in the form of taxation would immediately be prevented by all means necessary. However, in the case of piracy, it is perhaps surprising that up until recently we have more or less set ourselves up to simply absorb these costs as being part of the cost of global business. Insurance costs have risen. Freight costs have risen. Private security companies have proliferated. And we are still paying what is in effect a tax on our ability to trade normally. In these times of economic uncertainty, such a burden cannot continue to be acceptable.

Even today, where the international effort against piracy has improved dramatically and the coordination of international forces has reached new heights, the cost of piracy continues to grow, and the earnings of the financiers of piracy continue to flourish. While the number of successful attacks is dropping dramatically, the ransom that is now expected from the more rarely successful attack increases proportionally. Over \$100 million was paid in ransoms in 2011. And over 176 hostages remain captive in Somalia. In our presentation today, we will highlight some of the measures that Seychelles is taking, which we hope can contribute significantly towards breaking the business model of piracy.

We can no longer simply absorb the cost of piracy as being part of global trade. As a small island developing state, Seychelles has been particularly hard hit by the impact of piracy on its economy. First and foremost, it has changed the relationship of our people with the ocean that surrounds us. Our ocean connects us to the rest of the world. And in decades past, it also insulated us from problems occurring in other parts of the world. With a small

population of only 87,000, the psychological impact of Seychellois being taken hostage in Somalia has been particularly keenly felt. Thirteen Seychellois have previously been held captive and released. While a further two of our compatriots still remain hostage in Somalia. The capture of these last two hostages has particularly been heart rending for our people. They are two fishermen in their 60s, and we continue to pray for their well being.

In economic terms, revenue from fisheries has reduced over 30% while port revenues are also depressed by a similar amount. Fuel re-exports and bunkering are sectors where our government is investing for economic diversification, but revenues from these activities are down 35%. Meanwhile all maritime tourism activities including cruise ships, catamaran rental, live-aboard diving vessels and the like are all confined to our inner islands. With an exclusive economic zone of over 1.3 million square kilometres, Seychelles depends a lot on these activities for its economic livelihood. In addition, because all of the maritime trade routes to Seychelles are affected by piracy, the cost of freight and insurance has had a huge impact on the cost of imported food fuel and other essential commodities. In 2010, a liquid petroleum gas tanker bound for Seychelles with three months supply was pirated, leaving Seychelles on the verge of running out of gas completely.

All of these challenges have coincided with a daring set of economic reforms that the government has implemented since 2008 to increase competitiveness and reduce government debt. In 2010 and 2011 our economy has grown overall by over 4% due to the continued steady arrivals in terms of tourists and foreign direct investment. However, piracy has exacted a huge opportunity cost on our economy. There are many opportunities that our reforms have created on which we have not been able to capitalise. In addition, the cost of the defensive measures Seychelles has had to take are over \$5 million per year – money that could have been used to further invest in education, health and social development.

It is a characteristic of small island developing states, that due to smaller populations we often have high GDP per capita levels. Indeed, Seychelles has the highest level in Africa according to the 2011 UN Human Development Index. This is a criteria which does not allow Seychelles to benefit from core international development resources as we are considered a 'high middle income country'. However, challenges such as piracy also exact a much higher cost per capita, and have a much bigger distortion effect than on larger economies.

Despite our relatively small size, Seychelles has responded to the challenges of piracy very robustly. We established a High Level Committee on Piracy which features all the relevant national agencies and which ensures coordination. We have proven on a number of occasions that we can act swiftly and decisively. We have undertaken several successful rescues at sea, including in one incident where six local fishermen and 21 Iranians held onboard a captured dhow mother-ship were rescued. In partnership with international forces we are undertaking 24 hour surveillance of our EEZ and surrounding area, despite the fact that we only have two long range patrol vessels. We have established a local military protocol for the deployment of private security on board vessels with strict rules governing the use of force, and we have also established vessel protection detachments under our own armed forces. We have also deployed troops to our outer islands to pre-empt any attempts by pirates to attempt any landings on our shores.

Most importantly, Seychelles has also reviewed its national legislation in 2010 enabling it to undertake swift and effective justice against captured pirates. Since the law has been passed, we have successfully prosecuted 67 pirates, while we also have recently accepted the further transfer of another 18 suspected pirates from UK and Danish military vessels who are currently remanded awaiting trial. We currently hold almost 100 Somalis in our prisons. With support from the UNODC we have constructed a new prison wing which has a capacity of 60. We have a total of about 500 prisoners in Seychelles and thus Somalis account for just below one fifth of our total prison population. One of the key challenges for the way forward is addressing the detention capacity in the wider region in the context of piracy.

ABOUT THE SPEAKER

His Excellency Joel Morgan has served as Seychelles' Minister of Home Affairs, Environment, Transport and Energy since January 2010. He is currently Chairman of the High Level Committee for Piracy matters and Chairman on the Environment Trust Fund. Minister Morgan holds a Master's Degree in Engineering in Electronic & Electrical Engineering from Heriott-Watt University.