

THE EFFECT OF SOMALI PIRACY ON KENYA'S MARITIME SECTOR

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DECLARATION

I declare that this research project is my original work and has not been submitted for an award of a degree in any university.

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This research project has been submitted for an examination with my approval as university supervisor.

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DEDICATION

This research project is dedicated to my family for their moral support and especially to Paul Protus Waswa and Evelyne Alusatchi who have supported and mentored me in every step of life. Thanks for being wonderful parents.

ACKNOWLEDGEMENT

We can only see as far as we think, and we can only grow towards the things we believe. For this one, it has been a long journey and it would not have been possible alone.

My special thanks go to God for giving me good health, provision and strength throughout the entire course.

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ABBREVIATIONS AND ACRONYMS

AMISOM	African Union Mission in Somalia
AU	African Union
EEZ	exclusive economic zone
ICC	International Chamber of Commerce
IGAD	Intergovernmental Authority on Development
IMB	International Maritime Bureau
IMO	International Maritime Organization
KMA	Kenya Maritime Authority
KPA	Kenya Ports Authority
MRCC	Maritime Rescue Co-ordination Centre
OECD	Organization for Economic Co-operation and Development
TFG	Transitional Federal Government
UN	United Nations
UNSC	United Nation Security Council

TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
ABBREVIATIONS AND ACRONYMS	v
LIST OF TABLES	viii
LIST OF FIGURES	ix
ABSTRACT	x
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background of the study	1
1.1.1 Somalia Piracy	2
1.1.2 Kenya Maritime Sector	3
1.2 Statement of the Research Problem	5
1.3 Objectives of the Research.....	5
1.3.1 General objectives.....	5
1.3.2 Specific Objectives	6
1.4 Research Questions	6
1.5 Justification of the study	6
1.6 Scope and Limitation of the Research	6
1.7 Organization of the Study	7
CHAPTER TWO	8
LITERATURE REVIEW	8
2.1 Introduction.....	8
2.2 Impact of piracy on Trade.....	8
2.3 Impact of Somali Piracy on Maritime Security	10
2.4 Effects of Somali Piracy on Kenya’s Import and export Trade.....	14
2.5 The effect of Maritime Piracy on the Tourism Sector	15
2.6 Effects of Maritime Piracy on Kenya’s Maritime Security	18

2.7 Theoretical Framework	22
CHAPTER THREE	24
RESEARCH METHODOLOGY	24
3.1 Introduction.....	24
3.2 Research Design.....	24
3.3 Target Population.....	24
3.4 Sampling Design and Procedures	25
3.5 Data Collection Procedure	25
3.6 Data Collection Instrument.....	26
3.7 Pre-Testing, Reliability and Validity	26
3.8 Data Management and Analysis	27
CHAPTER FOUR.....	28
DATA PRESENTATION, ANALYSIS AND INTERPRETATIONS	28
4.1 Introduction.....	28
4.2 Demographic Information.....	29
4.3 Import And Export Trade.....	30
4.4 Tourism Sector.....	35
4.5 Maritime Security	39
CHAPTER FIVE	42
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	42
5.1 Introduction.....	42
5.2 Summary of Findings.....	43
5.3 Conclusions.....	46
5.4 Recommendations.....	48
REFERENCES.....	50
APPENDICES	54
Appendix I: Questionnaire	54

LIST OF TABLES

Table 3. 1:Target Populations in Nairobi and the Sample	25
Table 4.1: Reliability Analysis	29
Table 4.2: Years the Organization has been in Operation	29
Table 4.3: Somali Piracy Affected the Volume of Trade in Kenya.....	31
Table 4.4: Somali Piracy Affected the Cost of International Trade In Kenya.....	32
Table 4.5: Ways Somali Piracy had Affected the Import and Export Trade in Kenya.....	33
Table 4.6: Extent Has Somali Piracy Affected Import/Export Trade In Kenya	34
Table 4.7: Somali Piracy Affected the Tourism Sector in Kenyan Coast	35
Table 4.8: Ways Somali Piracy Affected Tourism Industry at the Kenyan Coast	37
Table 4.9: Extent that Somali Piracy Affected Tourism Industry In Kenya.....	38
Table 4.10: Somali Piracy Affected the Maritime Security in Kenyan Coast	39
Table 4. 11: Extent Has Somali Piracy Affected Maritime Security In Kenya	40

LIST OF FIGURES

Figure 4. 1 Years the Organization has been in Operation	30
Figure 4.2: Somali Piracy Affected the Volume of Trade in Kenya	31
Figure 4.3: Somali Piracy Affected the Cost of International Trade in Kenya.....	32
Figure 4.4: Ways Somali Piracy affected the Import and Export Trade in Kenya	33
Figure 4.5: Extent Has Somali Piracy Affected Import/Export Trade In Kenya.....	35
Figure 4.6: Somali Piracy Affected the Tourism Sector in Kenyan Coast	36
Figure 4.7: Ways Somali Piracy Affected Tourism Industry at the Kenyan Coast	37
Figure 4.8: Extent that Somali Piracy Affected Tourism Industry in Kenya.....	38
Figure 4.9: Extent Has Somali Piracy Affected Maritime Security in Kenya	40

ABSTRACT

The purpose of this study was analyzing the effect of Somali Piracy on the maritime sector in Kenya (2007-2011). The study included the sampled Kenya Maritime officials, clearing agents, shipping agents, Kenya Revenue Authority officials and officials of the Hotel industry at the Coast. The study achieved its purpose through three objectives namely to establish the effect of Somali piracy on Kenya's import and export trade; to find out the effect of Somali piracy on the tourism sector in the Kenyan coast and to determine the effects of Somali piracy on maritime security in Kenya. The study reviewed relevant literature with the aim of establishing a gap which the research is going to fill. Methods of collecting data were questionnaires. The data collected was analyzed by a mixed method of data analysis comprising both qualitative and quantitative methods. SPSS Version 17 was used to analyze quantitative data. The study concludes that Somali Piracy affects Kenya's import/export the tourism industry and the maritime security. The study recommends that at the national governmental level, the government should find ways to enhance enforcement and raise awareness of piracy issues. More needs to be done to detect and undermine piracy at the point where infringement originates. Multilaterally, ways to strengthen the existing framework and practices could be explored.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The continuous attacks by pirates in the Gulf of Aden have attracted immense interest from the international community to Somalia following its adverse effects on maritime trade internationally¹. Prior to 1990, piracy was not a major issue off the coast of Somalia, but like most coastal nations there were irregular incidences of armed robbery against small fishing or leisure craft that fell prey to an armed group, or ships that foundered off the coast. A more structured form of piracy began in the mid 1990's when some armed groups, claiming they were authorized coast guards charged with protecting Somalia's fishing resources, attacked vessels they claimed were fishing illegally in their territorial waters and held them for ransom². This slowly expanded after 2000 to any vessel that sailed within or close to, Somali territorial waters. Both vessels and crews would be held hostage and ransom demanded. Somali piracy has imposed significant global costs, particularly on nearby economies.

During 2005 an increase was noted in the number of attacks being attempted against vessels sailing in the Indian Ocean off the coast of Somalia³. By 2006 some of the pirate attacks were extending as far as 350 nm off the coast of Somalia⁴. During 2006 piracy escalated as more attempts were made to hijack ships not only in the Indian Ocean but also in the Gulf of Aden and the mouth of the Red Sea. The phenomenon grew through 2007 from the major pirate bases of Eyl, Hobyo and Haradheere concentrated along the east coast of Somalia. By 2008 this reached outlandish proportions with ships being attacked seemingly at random and whenever the pirates decide. Consequently marine travel off the northern coast of Somalia, known as Puntland, has become the most dangerous region in the world for pirate attacks. In 2009, the Forbes Magazine named the

¹ United Nations Office on Drugs and Crime (2012) Counter-Piracy Programme; Support to the Trial and Related Treatment of Piracy Suspects; Issue Eight:

² Brice, A. (2008). Somali piracy threatens trade, boosts terrorists, analysts say". Cable News Network.

³ Murphy, M. (2012) Somali Piracy: Why Should We Care? Rusi journal; vol. 156 no. 6 pp. 4–11

⁴ Ibid

East African country the “World’s Most Dangerous Country”⁵. In addition to the many problems of Somalia, beginning in the 1990s, piracy off the coastlines of Somalia became the greatest headache of the international community. Efforts by international bodies and western countries to combat the problem seemed to escalate it and even compounded it instead of reducing it. Bands of pirates on small speedboats patrolled the waters in the Gulf of Aden and the Suez Canal targeting any ship that crossed their paths. These pirates seized the ship, most of the crew and demanded a ransom from the shipping company⁶.

1.1.1 Somalia Piracy

Somali piracy is the single biggest maritime threat since the Second World War, with consequences resonating far beyond Somali shores that have political, geostrategic, naval, economic and human security aspects⁷. Shipping sailing anywhere in the Indian Ocean is potentially at risk. Pirates have attacked and, in many cases, hijacked successfully all types of merchant vessels from oil tankers to dhows, although it is neither the vessel nor its cargo that interests them. Their focus is the crew and the value they can yield in ransom⁸.

Many factors drive piracy in Somalia, but it had mainly taken root in Somalia given the social upheavals, human hardship, environmental degradation and the entrepreneurial spirit of the Somali. Piracy is flourishing in Somalia as it is a quick way for all involved to earn a large amount of money way beyond any other means of income generation⁹. Poverty, lack of employment, environmental hardship, pitifully low incomes, reduction of pastoralist and maritime resources due to drought and illegal fishing and a volatile security and political situation all contributed to the rise and continuance of piracy in Somalia¹⁰.

⁵ O’Malley, Z. (2009, March 4). World’s most dangerous countries. Forbes Magazine.

⁶ Brice, A. (2008). Somali piracy threatens trade, boosts terrorists, analysts say”. Cable News Network.

⁷ Murphy, M. (2012) Somali Piracy: Why Should We Care? Rusi journal; vol. 156 no. 6 pp. 4–11

⁸ Ibid

⁹ United Nations Office on Drugs and Crime (2012) Counter-Piracy Programme; Support to the Trial and Related Treatment of Piracy Suspects; Issue Eight:

¹⁰ Ibid

In the context of the collapse of the Somali State in the early 1990s, parts of Somali Coastguard were effectively privatized by the men who controlled them and some rogue elements are believed to have mounted occasional attacks on commercial shipping, from bases in Yemen¹¹. In 2000 a Puntland Coastguard was established by the then President of Puntland - Abdulahi Yusuf with the principal role to police a system of fishing licences issued by the Puntland government to foreign fishing boats fishing off the Puntland coast¹². However, as fishing licences started to be issued unofficially as well as officially, the system of enforcement became problematic and this coastguard was closed down. Some reports suggest that renegade elements of it based in Caluula, later provided the expertise for much of the piracy that started to increase off Somalia from 2004 onwards, initially from bases in central Somalia and then more recently from within Puntland itself¹³.

1.1.2 Kenya Maritime Sector

To strengthen maritime administration, the Government established the Kenya Maritime Authority – KMA in 2004 and transferred the responsibility over shipping from the Merchant Shipping Department of the Kenya Ports Authority to an independent authority. KMA implements international instruments relating to maritime transport¹⁴. It aims to broaden and modernize the institutional and legal frame-work for maritime safety, security and preservation of the marine environment National maritime legislation is one of the primary tools for attaining international standards in safety and security and the preservation of the marine environment¹⁵.

The establishment of KMA marked a milestone in Kenya's maritime industry. It was established to regulate, coordinate and oversee activities in line with national standards and international conventions¹⁶. It regulates and coordinates maritime affairs, ensures safety of lives, security of ships and port facilities and protection of the marine

¹¹ Murphy, M. (2012) Somali Piracy: Why Should We Care? *Rusi journal*; vol. 156 no. 6 pp. 4–11

¹² United Nations Office on Drugs and Crime (2010) Counter-Piracy Programme; Support to the Trial and Related Treatment of Piracy Suspects; Issue Two:

¹³ Ibid

¹⁴ Kenya Maritime Authority Strategic plan 2006-2011

¹⁵ Ibid

¹⁶ www.kma.go.ke

environment in compliance with national and international conventions. Only through such regulations can the Government enforce conventions, especially those from the International Maritime Organisation (IMO)¹⁷.

The regulations are relevant for maritime safety, security and marine environment programmes. A relevant development for KMA is the Government's decision to involve the private sector in the operations of the port. This will enhance the development of a vibrant shipping industry and help the Government achieve its objectives. The laws that guide the operations of Kenya Maritime Authority are the KMA Act 2006 and the Merchant Shipping Act, 2009¹⁸.

Kenya recorded association with maritime trade dates back to the 19th century when the Arabs from Oman established Manda Island 250km north coast of Mombasa as their base and port. Despite the long history of maritime industry in the country. The industry has been dogged behind by corruption, tribalism, nepotism and lack of political will. For the past 12 years the government of Kenya has been collecting Ksh.500 million annually from the shippers as merchant shipping levy of cargo interest. Apart from lack of accountability and transparency the Kenya water ways has been used by international drug barons, human traffickers and the illicit arms dealers such as Victor Bout commonly known as 'Anatoliyevich'¹⁹. The Kenyan government is also linked to the regional IMO office in Nairobi and the Dar-es-Salaam Maritime Institute (DMI). It is dis-heartening to note that the IMO is blindly funding for training of Kenyans from one single tribe at the DMI .It also beats reasons as to why the IMO is paying for a hostel which belongs to the financial manager of DMI. Apart from training the IMO is also blindly funding a moribund Maritime Rescue Co-ordination Centre (MRCC) in Mombasa²⁰.

Currently the port of Mombasa is the largest port in the region averaging 14 million tonnes of cargo a year. More than 17 shipping lines call on the port providing connectivity to over 80 ports globally. The port serves the Kenyan, Ugandan, Rwanda,

¹⁷ Ibid

¹⁸ KMA Act 2006

¹⁹ Wilson, B. (2009). Naval diplomacy and maritime security in the Western Indian Ocean, Strategic Analysis 33(4)

²⁰ Ibid

Burundi, Eastern Congo, Northern Tanzania, South Sudan and Ethiopia markets. East countries along the Indian Ocean coast and Kenya in particular were not prepared for the eventuality of pirates and the challenges it is causing to its economy.

1.2 Statement of the Research Problem

Pirate activities off the coast of Somalia have become a threat to the safety and security of international shipping²¹. It has reached significant high levels during the past five years threatening one of the most important maritime routes in the world, the Gulf of Aden. This marine territory is a primary trade route between Asia and Europe because it is the shortest and most economical trade route²².

The advent of piracy is impacting directly Kenya's economy. Part of the national budget has to be redirected on sea patrols and to matters of defense and security as the country tries to tackle the impacts of piracy. Piracy has affected the tourism sector in Kenya as small yachts; small chartered vessels cannot be able to sail for fear of being captured²³. This has had a huge effect on employment and foreign exchange earnings from the tourist industry as some countries like the United States of America and Europe have been issuing travel advisory to their citizens planning to visit Kenya's coastal city and Island like Lamu which are considered prone to pirate attacks. The country has been forced to invest in new equipment's like patrol boats, radars, computers, cameras and evidence gathering equipment. Somali piracy is thus having a direct effect on Kenya's economy. It was on the basis of this background this study sought to establish the effects of f Somali Piracy on the maritime sector in Kenya (2007-2011).

1.3 Objectives of the Research

1.3.1 General objectives

The general objective of this study was to analyze the effect of Somali Piracy on the maritime sector in Kenya (2007-2011).

²¹ United Nations Office on Drugs and Crime (2012) Counter-Piracy Programme; Support to the Trial and Related Treatment of Piracy Suspects; Issue Eight:

²² Wilson, B. (2009). Naval diplomacy and maritime security in the Western Indian Ocean, Strategic Analysis 33(4)

²³ Kenya Maritime Authority Strategic plan 2006-2011

1.3.2 Specific Objectives

- i. To establish the effect of Somali piracy on Kenya's import and export trade.
- ii. To find out the effect of Somali piracy on the tourism sector in the Kenyan coast.
- iii. To determine the effects of Somali piracy on maritime security in Kenya.

1.4 Research Questions

- i. How has the Somalia piracy impacted Kenya's import and export trade?
- ii. What impact has Somali piracy caused on the tourism sector in Kenya?
- iii. What is the effect Somali piracy on the maritime security in Kenya?

1.5 Justification of the study

The study will be significant to different stakeholders including:

The Government of Kenya and other Governments in policy formulation and implementation in as far as the problem of piracy is concerned. Through the findings of this study, the policy makers will be able to understand clearly the effects of piracy on a nation.

The findings of this study will also be significant to future scholars and academicians as it will serve as a guide for future research in terms of proving material for future scholars on the subject of piracy. In addition, the findings of this study will suggest areas for further studies where future scholars may research on. This will help provide them with areas with insufficient literature hence suggesting them for future studies to fill the noted research gaps.

1.6 Scope and Limitation of the Research

The scope of the study was limited to an analysis of the effect of Somali Piracy on the maritime sector in Kenya (2007-2011). The study targeted various players in the maritime sector in Kenya. These include Kenya Maritime officials, clearing agents,

shipping agents, Kenya Revenue Authority officials and officials of the Hotel industry at the Coast.

The respondents to be approached were likely be reluctant in giving information fearing that the information sought was used to portray a negative image about them or their institutions. The researcher planned to handle such a problem by carrying an introduction letter from the University and assuring respondents that the information they gave was treated with great confidentiality and it was used purely for academic purposes.

Some of the information sought may be confidential in nature, which may make some of the respondents to deliberately refuse to give the required information for fear of victimization or may not have access to this information.

The other challenge was lack of relevant research information in the area of study. As compared to other fields of study, the effect of Somali Piracy on the maritime sector in Kenya has not been widely researched on. This may pose a challenge.

1.7 Organization of the Study

The study was organized into five Chapters. The first chapter was the Introduction which gave the background to the study, statement of the problem, objectives, research questions, justifications, scope and limitations of the study. Chapter two presented literature review and theoretical framework as guided by the research objectives. Chapter three was about research methodology. It covered research design, population, sampling and sample size, data collection and data collection instrument and finally data analysis. Chapter four presented data presentation and analysis while chapter five presented summary, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature as carried out by other scholars on the concept of maritime piracy and its effects on economic development. To start with, the study looks at the impact of maritime piracy and world trade. The study looks at how maritime piracy affects international trade.

2.2 Impact of piracy on Trade

It is a widely accepted assumption that insecurity decreases trade opportunities²⁴. International maritime piracy is a growing phenomenon, particularly in its disruption of the main trade route linking different parts of the world. According to the International Chamber of Commerce (ICC), in 2009 Somali pirates hijacked 47 vessels, took 867 crewmembers hostage and carried out no less than 217 violent attacks on ships²⁵. All this took place after the United Nation Security Council (UNSC) passed a resolution authorizing the deployment of a sizeable naval force in the region to protect ships and their crews. From the economic point of view, piracy affects international trade through an increase in insecurity related to the prompt delivery of the goods transported²⁶.

There are modeled theoretical conditions under which endogenous transactions costs, due to criminal activities like piracy, will destroy trade²⁷. Studies have shown how difficult it is for countries to abandon autarky and open up to trade when no institutions are available to protect transactions.²⁸ Researchers have developed a simple model for contract enforcement carried out by an exogenous agent, such as the mafia or private

²⁴ Anderson, J. E., (2008). Commercial Policy in a Predatory World. Working Paper 703. Boston College, Boston.

²⁵ Bensassi, S. and Inmaculada, M. (2010). How Costly is Modern Maritime Piracy for the International Community?, University of Goettingen

²⁶ Ibid

²⁷ Anderson, J. E., and Bandiera, O. (2006). Traders, Cops, and Robbers. Journal of International Economics 70, 197-215

²⁸ Anderson, J. E., (2008). Commercial Policy in a Predatory World. Working Paper 703. Boston College, Boston.

police forces. Conceptual framework have been developed to show how merchants can organize through guilds or granted monopolies to protect their transactions²⁹.

The gravity model of trade can be used to research empirically the extent to which insecurity deters trade³⁰. Institutional measures to determine the degree of security enjoyed by a particular country has also been developed³¹. They differentiate between transparency (measures declared to be taken to fight insecurity) and enforceability (the measures, among the former, which are actually carried out). They found that the more transparency the highest the trade volume.

Piracy and hijacking has been defined as stealing merchandise in order to sell it illegally³². But this kind of criminal activity, in spite of being frequent in many ports, is only weakly related to the type of piracy we are concerned with in this paper, which mainly involves the hijacking of a ship and its crew. The chief economic motive behind these hijackings is to obtain a substantial ransom for the crew, the ship and its cargo, not to sell the looted goods. The variables have been used to measure merchandise security at the start and end points of the journey³³. They do not deal with security failures during the course of the journey, such as those involving acts of piracy. This paper addresses this particular issue by using data on maritime piracy.

Modern maritime piracy differs from terrorism in several respects. Attacks occur on route instead of being directed against a particular country. Pirates do not choose their targets according to the origin of the ships. They do, however, try to avoid ships sailing under

²⁹ Marcouiller, D., (2000). Hijacking, Hold-Up, and International Trade. Working Paper No. 477. Boston College, Boston.

³⁰ Anderson, J. E. and Marcouiller, D. (2002). Insecurity and the pattern of trade: an empirical investigation. *Review of Economics and Statistics* 84, 345-52.

³¹ Anderson, J. E. and Marcouiller, D. (2002). Insecurity and the pattern of trade: an empirical investigation. *Review of Economics and Statistics* 84, 345-52.

³² Marcouiller, D., (2000). Hijacking, Hold-Up, and International Trade. Working Paper No. 477. Boston College, Boston

³³ Anderson, J. E. and Marcouiller, D. (2002). Insecurity and the pattern of trade: an empirical investigation. *Review of Economics and Statistics* 84, 345-52.

the flag of a country with a naval force in the area³⁴. Piracy may have a significant impact on GDP of the trading countries through a drop in trade, but its impact through asset destruction or enhanced security measures is minimal. Conversely, the latter do have an impact on the amount and nature of piracy.

2.3 Impact of Somali Piracy on Maritime Security

Many believe that the impact piracy has on a country's economy is mainly felt regionally, places such as Somalia, Nigeria, Indonesia, Tanzania, India and Bangladesh³⁵. Somalia has a tactical advantage in the way they are able to become such a dominant figure in the piracy business³⁶. The coastline of Somalia is thirty-three-hundred-kilometers (approximately 2,051 miles) and it borders one of the busiest and major trade routes in the world, the Gulf of Aden. The Gulf of Aden is the first step in which twenty thousand ships pass each year to go to and from the Suez Canal³⁷. Not to mention, approximately seventeen tankers carrying in the region of 6.3 million barrels of crude oil and petroleum products transit the gulf each day. This does not include the close to 30 percent of Europe's oil and gas that passes through the gulf³⁸.

The Gulf of Aden is one of, if not the busiest waterway in the world. As mentioned earlier, nearly 12 percent of the world's petroleum passes through the Gulf of Aden. It is extremely hard to determine the exact impact piracy has on the world economy. "There is no definitive breakdown of the true economic cost of piracy, either in Peter Chalk, Laurence Smallman, Nicholas Burger, "Countering Piracy in the Modern Era,"³⁹

Piracy has been, currently is, and will continue to be a real threat to seafarers. The approximately three-quarters of the world is covered by water in which "50,000 large

³⁴ Marcouiller, D., (2002). Hijacking, Hold-Up, and International Trade. Working Paper No. 477. Boston College, Boston

³⁵ Ibid

³⁶ Anderson, J. E. and Marcouiller, D. (2002). Insecurity and the pattern of trade: an empirical investigation. Review of Economics and Statistics 84, 345-52

³⁷ Kenya Maritime Authority Strategic plan 2006-2011

³⁸ VOA News, "Piracy Forces Kenya Cruise Tourism Down 95 Percent", June 1, 2010, <http://www.voanews.com/english/news/africa/Piracy-Forces-Kenya-Cruise-Tourism-Down-95-Percent-95324914.html>

³⁹ Ibid

ships, which carry 80 percent of the world's trade cargo. "Due to the vast size of the ocean, the opportunity for piracy is overwhelming. At the beginning stages, Somalian pirates focused mainly in areas of the ocean that were close to seaports in order to attack ships. As countries started fighting back, along with the pirates acquiring more advanced weapons and vessels; pirates have started to move farther out to sea away from seaports to conduct their attacks⁴⁰. Unlike land and air, the high seas have been and currently are scarcely patrolled. The total number of attempted or successful pirate attacks is hard to effectively pinpoint. The main reason for this is because many "shipping companies do not report incidents of piracy, for fear of raising their insurance premiums and prompting protracted, time-consuming investigations. "Based on this information, the total damage due to cost of ransoms, loss of merchandise or damage to the vessel and rise in insurance costs now amounts to \$16 billion per year⁴¹. The cost to insure a vessel has now more than quadrupled. Another important factor in addressing economic concerns in relation to piracy is the cost of defensive measures⁴².

Kenya's national interest in Somalia is the establishment of peace and security in that country. This is aimed at stemming out proliferation of small arms and light weapons, influx of refugees, spread of Islamic fundamentalism and denying a safe haven for terrorists⁴³. A stable and safe Somalia would open trade and investment opportunities to both countries. In view of these interests, Kenya played a leading role towards the establishment of the Transitional Federal Government (TFG) in 2004 being the 14th attempt on forming a government in the country. This government is a result of the National Reconciliation Conference on Somalia in 2002, a process that ended two years later with adoption of the Transitional Federal Charter⁴⁴. The Charter provided for the

⁴⁰ VOA News, "Piracy Forces Kenya Cruise Tourism Down 95 Percent", June 1, 2010, <http://www.voanews.com/english/news/africa/Piracy-Forces-Kenya-Cruise-Tourism-Down-95-Percent-95324914.html>

⁴¹ VOA News, "Piracy Forces Kenya Cruise Tourism Down 95 Percent", June 1, 2010, <http://www.voanews.com/english/news/africa/Piracy-Forces-Kenya-Cruise-Tourism-Down-95-Percent-95324914.html>

⁴² Wilson, B. (2009). Naval diplomacy and maritime security in the Western Indian Ocean, *Strategic Analysis* 33(4)

⁴³ Baniela, S. (2010) Piracy at sea: Somalia an area of great concern, *The Journal of Navigation* 63.

⁴⁴ Ibid

formation of TFG, TF Parliament and other institutions. Kenya played a leading role and contributed immensely financially and in terms of diplomatic efforts in this process.

On 6th September 2004, the Kenya government and TFG signed a Technical and Economic Cooperation Agreement. The Agreement's main aim was to support the people and government of Somalia to transit from civil war to democratic development through an agreed framework of cooperation in the technical and economic fields and also establish a Kenya – Somalia Joint Commission Cooperation which will be responsible for promoting and enhancing cooperation⁴⁵. The agreement entered into force on 6th September 2005 for renewable period of 5 years⁴⁶.

Pursuant to this agreement, the government of Kenya and TFG are currently working on launching the Joint Commission Cooperation. The process of identifying areas of cooperation is going on. The establishment of a Joint Permanent Commission (JPC) will follow to ensure that the various MOUs and individual agreements amongst various ministries are harmonized and implemented. The JPC will meet annually⁴⁷.

Additionally, Kenya has been engaged in other activities and programmes to build the capacity of TFG. In 2006, 200 policemen for VIP special protection unit were trained in Kenya and other trainings in other fields are going on⁴⁸.

The Government of Somalia also reaffirmed its commitment to cooperation with Kenya and established a Somalia Liaison office in Nairobi that will coordinate all bilateral issues pending the establishment of a full diplomatic mission. With the emergence of warlords in Mogadishu and their subsequent ousting, and raise of the Islamic Courts Union, Kenya has been at the forefront in collaboration with other countries and organizations such as

⁴⁵ VOA News, "Piracy Forces Kenya Cruise Tourism Down 95 Percent", June 1, 2010, <http://www.voanews.com/english/news/africa/Piracy-Forces-Kenya-Cruise-Tourism-Down-95-Percent-95324914.html>

⁴⁶ Ibid

⁴⁷ Ibid

⁴⁸ Wilson, B. (2009). Naval diplomacy and maritime security in the Western Indian Ocean, Strategic Analysis 33(4)

League of Arab States, International Contact Group, the AU and UN to mediate and promote dialogue⁴⁹.

On the international arena, Kenya as the current Chair of Igad then, occupied a unique position of providing political leadership to the peace process in Somalia. It has been able to push and place the Somali issue in the agenda of international organizations⁵⁰. It lobbied vigorously the AU Peace and Security Commission and the UN Security Council to endorse deployment of the IGAD Mission to Somalia (IGASOM) The zenith of these efforts was the address by the Kenya's Foreign Affairs Minister to the UN Security Council in September 2006 in New York⁵¹. Consequently, the UNSC adopted resolution 1725 (2006) allowing the deployment of IGASOM and Resolution 1744 (2007) allowing the deployment of AU Mission to Somalia (AMISOM), which may translate to UN force within 6 months. These resolutions called for the starting of an all inclusive national reconciliation process, with the UN offering to provide assistance where necessary. Deployment of troops has not been quick as anticipated. The contingent of troops pledged has reached about half of the required 8,000. This situation has pushed Kenya as a country and as Chair of IGAD to take the initiative sending Ministers as Special Envoys to the following 10 African countries.: South Africa, Angola, Rwanda, Tanzania, Zambia, Benin, Mozambique, Tunisia, Algeria and Nigeria in order to build support and appeal for more troop contributions as well as the required financial logistical and material support to AMISOM troops⁵².

Uganda has already deployed two battalions in Somalia hence representing the presence of AMISOM in Somalia. Due to its strategic geographic location and the belief in total support for any initiative to bolster peace in Somalia, Kenya provided safe and secure passage of the Ugandan military ware to Mombasa⁵³. Further, it escorted the same from Mombasa to Somalia. Kenya is willing to allow its soil for use as a launching pad for the

⁴⁹ Wilson, B. (2009). Naval diplomacy and maritime security in the Western Indian Ocean, Strategic Analysis 33(4)

⁵⁰ Ibid

⁵¹ A Bowden, K Hurlburt, E Aloyo, C (2010). Marts and A Lee, The Economic Cost of Maritime Piracy, One Earth Future Working Paper,

⁵² J Gibson, (2009) Maritime security and international law in Africa, African Security Review 18(3)

⁵³ ibid

deployment and successful operation of AMISOM. Kenya has facilitated and guaranteed Humanitarian assistance to Somalia despite official closure of the border for security reasons in December 2006 following the fall of the ICU. Further, Kenya has continued to honour its international obligations by hosting refugees from Somalia and other countries in the Horn of Africa and the Great Lakes Region⁵⁴.

2.4 Effects of Somali Piracy on Kenya's Import and export Trade

As markets open and more countries trade internationally, the issue of transport and logistics costs becomes more important because of its role in ensuring availability of goods on an international market in a far off country. Maritime piracy increases the level of insecurity in the waters⁵⁵. Theoretically the conditions under which endogenous transactions costs due to criminal activities like piracy destroy trade due to the fear installed among businessmen. Anderson and Marcouiller⁵⁶ Show how difficult it is for countries to abandon autarky and open up to trade when no institutions are available to protect transactions.

Several scholars and researchers have established that maritime piracy creates insecurity which affects international trade. When differentiating between contract insecurity and the prevalence of crime and theft, however, trade in homogeneous goods appears to be more vulnerable to crime and theft, whereas trade in differentiated goods is more sensitive to contract insecurity⁵⁷. There is growing evidence showing that maritime piracy increases maritime transport cost for a number of reasons. First, in 2008 ship-owners had to re-route their ships to avoid dangerous waters which leads to a high cost that has to be passed to the final consumers in the country of destination. However, this translates into higher costs of goods on reaching the country of destination. Secondly, based on the claim of insurers and insurance companies loaded their premiums on maritime freights

⁵⁴ Wilson, B. (2009). Naval diplomacy and maritime security in the Western Indian Ocean, *Strategic Analysis* 33(4)

⁵⁵ Anderson, James E., 2008. *Commercial Policy in a Predatory World*. Working Paper 703. Boston College, Boston

⁵⁶ Anderson, James E., Marcouiller, Douglas, 2002. Insecurity and the pattern of trade: an empirical investigation. *Review of Economics and Statistics* 84, 345-52.

⁵⁷ Rauch, James E. 1999. Networks Versus Markets in International Trade. *Journal of International Economics* 48, 7-35.

thus leading to high operational costs. Thirdly, some shipping lines totally avoided transporting to piracy prone areas thus making goods very expensive.

The significant dependence of African countries on international trade makes maritime transport a crucial factor in Africa's economic development. Maritime transport provides a gateway to international markets for Africa's exports; port facilities play an important trade facilitation role to landlocked countries; fishing and tourism are important sources of income and employment to littoral and island economies; the sea is an important source of oil, gas and minerals; and, the sea has been used for connecting cables and pipes for data services and mobile telephone connectivity.

Seaborne Trade – The continent is heavily dependent on international trade. According to the WTO International Trade Statistics (2010), intra-Africa trade is about 11.5 percent of total Africa trade. Therefore, the bulk of Africa's international trade (oil, minerals and agricultural products) is transported by sea. Several scholars have reviewed the impact of maritime piracy on the economic performance of countries. Bendal⁵⁸ focus on the economic impact of maritime piracy on trade through the decision of ship operators to change their main trade routes between Europe and Asia in order to avoid Somali piracy. Bensassi and Martínez-Zarzoso⁵⁹ evaluate the impact of maritime piracy on the volume of trade between European and Asiatic countries. They both found out that maritime piracy greatly affected the economic performance of African Countries.

2.5 The effect of Maritime Piracy on the Tourism Sector

The maritime domain provides direct economic opportunities to a number of African countries and it facilitates international trade to merchandise goods for all the countries. Maritime related activities such as shipping, port facilities, tourism, fishing, oil and mineral harvesting promote economic growth. Maritime economic activities take place both within a country's exclusive economic zone (EEZ) or beyond it. Specific laws and

⁵⁸ Bendall, H.B., (2010) Cost of Piracy: A Comparative Voyage Approach. *Maritime Economics and Logistics* 12, 178-195.

⁵⁹ Bensassi, S. and Martínez-Zarzoso, I. (2011) Bensassi. "How Costly is Modern Maritime Piracy for the International Community?" *Review of International Economics*, forthcoming.

rights apply to each situation⁶⁰. Tourism is increasingly important for African economies including East African trading block countries like Kenya. Even though Africa's tourism is not as developed as that of other regions, in 2011 it contributed 7 percent to the region's GDP, directly supported 2.4 percent of total employment, and generated 6.1 percent of total investment in the region⁶¹. Piracy off the Horn of Africa may have tarnished the image of the region as a stable and safe holiday destination. The first piracy attacks off the coast of Somalia took place in late 2005 and attacks surged through 2008⁶². Abundant media coverage would suggest that the general public, especially travelers, became acutely aware of attacks in real time, and as the number of attacks increased, so did the media coverage⁶³. Maritime piracy and terrorism at sea are both forms of violent interference with shipping. Their global reach and negative impact on sea transportation, safety of navigation and marine environment, as well as the threat they both pose to human lives and property cannot be underestimated hence need for effective counter-measures. The significant increase in piratical acts and armed robbery against ships over the last years is attributable to many factors, from the poverty of coastal populations and sheer greed, to the weakness of some states' policing functions, to the demise of age-old geo-political strategies, and the deficiencies or lacunae found in the regulations on legal protection or in the weak enforcement of such regulations.

While attacks are usually concentrated off the Somali coast, they have occasionally reached far beyond. Some have already occurred off the coasts of Seychelles, Kenya, Tanzania, Mozambique, and Madagascar⁶⁴ and even inland, as when tourists were abducted from one of Kenya's most exclusive resorts. Beatrice Kiraso, the East African Community (EAC) Deputy Secretary General in charge of political integration, referred

⁶⁰ Guha, B. and Guha S.G (2011) Pirates and Traders: some Economics of Pirate Infested Seas. *Economics Letters* 111, pp 147-150.

⁶¹ Korinek, J. (2008) Clarifying Trade Costs in Maritime Transport. OECD Working Paper TAD/TC/WP (2008) 10, Paris.

⁶² Korinek, J. and Sourdin, P. (2009b) Maritime Transport Costs and their Impact on Trade. OECD TAD/TC/WP(2009)7, Paris.

⁶³ *ibid*

⁶⁴ Mbekeani, K. K., and M. Ncube. 2011. "Economic Impact of Maritime Piracy." *Africa Economic Brief* 2(10): 1–8. [http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/_Maritime % 20 Piracy _Maritime %20Piracy.pdf](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/_Maritime%20Piracy.pdf).

to the increase of piracy as posing a threat to East African peace and security and having a negative impact on tourism growth⁶⁵.

Since 2006 the 177 pirate hijacks near East African shores have had a clear effect on world trade patterns. It is believed that piracy has also affected tourism in East African coastal countries and the Middle East. In particular, recent attacks on yachts, cruise ships, and diving boats have made tourists potential victims of Somali pirates. Tourism is a first-order issue for analysis here given its importance to the region, particularly for island countries like Mauritius and Seychelles⁶⁶.

Identifying the effects of piracy on tourism is methodologically challenging. First, tourism to countries in and near the Affected Region has been growing steadily in recent decades. To properly assess any impact of piracy, it is necessary to construct a “counterfactual” in order to compare observed trends with what would have happened without piracy. Would the sector be growing even faster? Would tourists be spending more on their visits? Second, besides piracy tourist decisions are influenced by such factors as exchange rates, oil prices, economic crises, and health epidemics. Therefore, to properly identify the impact of piracy, its role must be isolated from the other factors.

Piracy seems to have affected tourism to coastal countries of East Africa in terms of both volume and composition. Compared to other countries, after the onset of piracy annual visitor arrivals in affected SSA countries declined by 6.5 percent. After 2006, visitors from OECD countries particularly were less likely than before to vacation in East African coastal countries⁶⁷. The main reason why tourism did not drop and in fact continued to rise is that there was a surge in visitors from other SSA countries. But the substitution of high-income OECD visitors by lower-income tourists is likely to have negatively affected

⁶⁵ Tairo, A. 2011. “Somali Piracy and Terror Pose Threat to East African Tourism.” eTurboNews. Tanzania. <http://www.eturbonews.com/26027/somali-piracy-and-terror-posethreat-east-african-tourism>.

⁶⁶ The World Bank (2013) *The Pirates of Somalia: Ending the Threat, Rebuilding a Nation*. International Bank for Reconstruction and Development/The World Bank 1818 H Street NW, Washington DC 20433

⁶⁷ Mbekeani, K. K., and M. Ncube. 2011. “Economic Impact of Maritime Piracy.” *Africa Economic Brief* 2(10): 1–8. http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications /Maritime % 20 Piracy _Maritime %20Piracy.pdf.

tourism receipts: since pirate attacks began, tourist expenditures have increased less in piracy-affected countries than in other countries in the same region⁶⁸.

Since the global economic crisis, tourist spending in affected SSA countries is not catching up as fast as in other SSA countries. Piracy attacks may have discouraged high income tourists from visiting East Africa, and service providers may also have had to lower their prices to stimulate demand. The 2008–09 economic crisis suppressed tourism expenditures in both groups, but by 2010 non-piracy-affected countries seemed to be recovering faster.

The World Bank⁶⁹ described two factors, time and cost, that affect commercial shipping and its routes from one destination to the next. Tourists are also time conscious besides worrying about their security. Following the levels of insecurity on the shorter routes forcing ships to take long routes, it becomes difficult for many tourists to plan touring countries which are close to piracy prone waters. Time is very important and direct affects global commerce in other industrial or commercial sectors of the economy. That is why there is so much concern about time spending maritime security checks⁷⁰. Such security measures, while helping to deal with the piracy problem, increase transport times and costs. Commercial ships, therefore, spend as less time as possible out at sea, taking the shortest and most direct routes to their destinations. Commercial ships usually use pre- determined sea routes giving the shortest traveling time, in respect with wave and weather conditions.

2.6 Effects of Maritime Piracy on Kenya's Maritime Security

Maritime piracy is a universal crime under international law which places the lives of seafarers in jeopardy and affects the shared economic interest of all nations. In addition to placing the lives and safety of seafarers in jeopardy, a single piratical attack affects the interests of numerous countries, including the flag State of the vessel, various States of

⁶⁸ Tairo, A. 2011. "Somali Piracy and Terror Pose Threat to East African Tourism." eTurboNews. Tanzania. <http://www.eturbonews.com/26027/somali-piracy-and-terror-posethreat-east-african-tourism>.

⁶⁹ The World Bank (2013) *The Pirates Of Somalia: Ending the Threat, Rebuilding a Nation*. International Bank for Reconstruction and Development/The World Bank 1818 H Street NW, Washington DC 20433

⁷⁰ The World Bank (2013) *The Pirates Of Somalia: Ending the Threat, Rebuilding a Nation*. International Bank for Reconstruction and Development/The World Bank 1818 H Street NW, Washington DC 20433

nationality of the seafarers taken hostage, regional coastal States, owners' States, and cargo destination and transshipment States. In the case of Somalia-based piracy, increasingly brazen attacks in 2.5 million square miles of ocean from land-based enclaves along an under-governed and economically devastated 2,300-mile coast pose a threat to global shipping. This combination of illicit activity and non-existent rule of law offer a potential breeding ground for other transnational threats.

The International Maritime Bureau (IMB)⁷¹ and the International Maritime Organization (IMO) recent statistics on attacks against ships indicate that piratical acts and armed robbery against ships are on the increase and are affecting, at present day, various areas of the oceans. The level of violence, the significant loss of human lives inflicted on crews and the loss of property involved, together with the danger posed to international navigation and to the marine environment, especially in straits used for international navigation, have made of this new wave of modern piracy, since the early 1990s⁷².

Piracy in the Western Indian Ocean has been a growing threat to security, international shipping and development since the mid-2000s. While bearing all aspects of organized crime, piracy is a complex issue that can only be overcome by combining political and diplomatic efforts with military and legal action, development assistance and strong international coordination. Coastal countries in the region suffer immensely from the economic impact of piracy: ports like Mombasa and Dar el Salaam are threatened and import costs go up due to increased transport costs, higher insurance premiums, etc. It is therefore in their strategic interest to engage in the fight against piracy, in addition to receiving suspects transferred for prosecution. In the long run, the waters of the Indian Ocean should be secured by the region itself, not international forces.

Somali pirates operated from well-equipped and well-armed bases ashore along the Indian Ocean coast of Central Somalia and Puntland, from the port towns of Caluula, Eyl, Hobyo, and Haradheere. They departed from these bases typically using four or five pirates in small, lightweight, fiberglass molded skiffs powered by one or more outboard

⁷¹ Fokas, T. (1997) *The Barbary Coast Revisited: The Resurgence of International Maritime Piracy*, USF Mar LJ 428.

⁷² *Ibid*

motors and able to attain speeds in excess of 30 knots⁷³. These skiffs usually hunt for vulnerable vessels with a low freeboard traveling under 15 knots during daylight.

Once they targeted a vessel, pirates typically coordinated a two- or three-pronged simultaneous attack from multiple directions. Pirates were typically armed and fired upon their targets with small arms, automatic weapons, and rocket-propelled grenades, which they likely obtained through the constant and largely unimpeded stream of illegal weapons transiting through Somalia in violation of the 1992 United Nations embargo on arms into Somalia (U.N. Security Council Resolution 733 (1992)). Depending on the characteristics and compliance of the victim vessel, pirates could board and commandeer a vessel in less than 20 minutes from the initial attack. If the hijacked vessel was of low ransom value, such as a fishing vessel or cargo dhow, pirates could use it opportunistically as a “mother ship” to launch additional attacks on larger, more lucrative merchant vessels hence making the whole coastal lines of the East African Countries unsecure.

In many cases, merchant vessels were able to fend off pirates or avoid attacks using relatively simple best practices such as increased surveillance, transiting at night, charging fire hoses, speeding up and evasive maneuvering. This was not only risk for the vessel crew but also led to increased cost of doing business. In other cases, the pirated vessel allowed itself to become a victim by stopping⁷⁴. Vessels with low power and low freeboard required additional measures to avoid capture such as embarking security teams, employing boarding obstacles such as razor wire, and rehearsing lockdown procedures. Although pirates brandish weapons and fired upon ships, it was contrary to their interest to intentionally harm the Countering Piracy Off the Horn of Africa: Partnership & Action Plan hostages needed to leverage the maximum ransom, or actually disable the ship because they needed it to bring their hostages to the coast near their safe havens ashore⁷⁵.

⁷³ Tairo, A. 2011. “Somali Piracy and Terror Pose Threat to East African Tourism.” eTurboNews. Tanzania. <http://www.eturbonews.com/26027/somali-piracy-and-terror-posethreat-east-african-tourism>.

⁷⁴ *Ibid*

⁷⁵ Tairo, A. 2011. “Somali Piracy and Terror Pose Threat to East African Tourism.” eTurboNews. Tanzania. <http://www.eturbonews.com/26027/somali-piracy-and-terror-posethreat-east-african-tourism>.

Ransom payments are the lifeblood of Somali pirates: each ransom paid further emboldens these pirates and perpetuates the threat. Somali pirates have yet to display an interest in stealing cargo or reusing pirated ships for other purposes (other than temporarily as mother ships)⁷⁶. Instead, Somali pirates have created highly visible hostage-for-ransom situations. The pirates have brought seized vessels, cargoes, and crews from the high seas into Somali territorial waters near one of their main land bases of operation where they have access to food, water, khat, weapons, ammunition, and other resources during ransom negotiations. Pirates aboard the seized ship negotiate ransoms with the ship's owner or agent using the ship's communication equipment. Shipping interests typically pay ransoms in cash ranging from \$500,000 to \$2 million, with the overall income from piracy ransoms estimated to exceed \$30 million in 2008. High profits with low costs and little risk of consequences in a failed and starving State ensure that Somali pirate groups have almost unlimited human resources and do not lack for recruits and support.

Piracy leads to more security equipment on board, to more integration with the navy, to increasing steaming speed in dangerous areas, and to avoiding coastlines and even some ports. All these are expensive affairs as they lead to higher costs for both the vessel owners, insurance firms and the owner of goods. About 30% of the correspondents say it will lead to more steaming in convoy⁷⁷. Shipping companies say that they operate in full International Ship and Port Facility Security (ISPS) compliance, following the official guidelines, observe actual developments and collect port and sea area information, raises security level every time passing dangerous areas, train their crew in security measures and raising their awareness, hiring guards for the ship and implement additional security measures. All these interventions come at a cost which later makes up the cost of goods being transported.

Besides satellite-tracking devices that alert ship owners, another recent anti-pirate innovation is what's known as "Secure-Ship", which is a non-lethal, electric fence surrounding the ship and uses 9,000 volt pulse to deter boarding attempts. The fence is

⁷⁶ Ibid

⁷⁷ Abhyankar, J. (2002) Piracy and maritime violence: A continuing threat to maritime industry. International Chamber of commerce (ICC) - International Maritime Bureau (IMB)

collapsible, enabling quick folding against the railing when required. Special quick release gates are used in case of piloting or in the case of launching a life raft. According to Abhyankar⁷⁸, electric fence along a ship costs already above US \$35,000. However, for safety reasons, such an electrifying fence cannot be used on tankers, gas carriers or other vessels carrying inflammable cargo which makes them more vulnerable for pirate attacks.

2.7 Theoretical Framework

2.7.1 Security Theory

Security as a concept has been mainly understood as the identification of threats to referent objects and the securitization of those threats both military and non-military.⁷⁹ Security is about political, economic, societal and environmental survival. To Weaver, security is a kind of stabilization of conflict relations while the Liberals on the other hand argued that too much security is destabilizing to economic development.⁸⁰ Certain amount of insecurity drives development forward. This has however become increasingly difficult today unlike in the past when security threats were imminent and very specific. Nowadays there is much debate on the definition of security and what constitutes security due to a shift from a single actor model, which is the state to a more participatory alliance model. The ever dynamic technology on the other hand adds to the complexity of the situation through the introduction of new weapons that alter methods of warfare. Nowadays, starvation, rape, mutilation and other human degrading acts are widely being used as a method of warfare.

Securitization theory initially aimed to open up the possibility of conceptualizing security beyond military affairs while still providing a criterion for distinguishing security from other types of politics⁸¹. It is the framing of a political problem in terms of extraordinary measures, survival and urgency that renders the politics of security unique and constitutes

⁷⁸ Abhyankar, J. (2002) Piracy and maritime violence: A continuing threat to maritime industry. International Chamber of commerce (ICC) - International Maritime Bureau (IMB)

⁷⁹ Rostrup Morten, Article on 'Humanitarian' and 'Military' Don't Go Together.

⁸⁰ Ibid.

⁸¹ Ibid

it as something beyond normal politics. In this form, securitization is a specific modern speech act, an utterance by which we construct an issue as a matter of security⁸².

⁸² Abhyankar, J. (2002) Piracy and maritime violence: A continuing threat to maritime industry. International Chamber of commerce (ICC) - International Maritime Bureau (IMB)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section described the overall research design, the study area, the target population, the sampling techniques, the data collection procedure and the intended method of data analysis.

3.2 Research Design

Research design refers to the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in the procedure⁸³. In addition Kothari⁸⁴ observed that research design is a blue print which facilitates the smooth sailing of the various research operations, thereby making research as efficient as possible hence yielding maximum information with minimal expenditure of effort, time and money. This study adopted descriptive research. Mugenda and Mugenda⁸⁵ describes descriptive research design as a systematic, empirical inquiring into which the researcher does not have a direct control of independent variable as their manifestation has already occurred or because the inherently cannot be manipulated. The research design was chosen because of its ability to create a profile about a phenomenon. Descriptive research design is concerned with finding out about the how, who, when and where of a phenomenon so as to build a profile⁸⁶. This was a relevant design applicable to the analysis of the effects of Somali piracy on the Maritime sector in Kenya which was outlined in the conceptual framework of this study.

3.3 Target Population

The research intended to carry out an analysis of the effect of Somali Piracy on the maritime sector in Kenya (2007-2011). The target population of interest was as shown in the table below:

⁸³ Babbie, E. R. (1990). *The practice of social research*. California: Wards Worth.

⁸⁴ Kothari, C., R. (2004). *Research methodology methods and techniques*. New Age International Publishing Limited.

⁸⁵ Mugenda, A., & Mugenda, O. (1999). *Research methods: quantitative and qualitative approaches*. Nairobi: Acts Press.

⁸⁶ Ibid

Table 3. 1: Target Populations in Nairobi and the Sample

1	Details of the Subject	Population	Sample Size
	Kenya maritime officials	15	5
2	Shipping agents	20	7
3	Clearing agents	20	7
4	KRA Officials	15	5
5	Coast Hotel Operators	15	5
	Total	85	29

(Source: Author 2013)

3.4 Sampling Design and Procedures

The study adopted stratified sampling method to ensure inclusion of all population categories and help the researcher to group population subjects with similar characteristics on the strata.⁸⁷

According to Mugenda and Mugenda⁸⁸, a sample of 10-30% is representative enough for the population if the sample is objectively selected. However, because of the small, the study selected 30% of the population using simple random method to offer every member of the population an equal opportunity of being included in the study. According to Saunders, Lewis and Thornbul⁸⁹ the suitable sample size is the larger one, which lowers the likely error in generalizing to the population⁹⁰.

3.5 Data Collection Procedure

Self-administered semi-structured questionnaires were used to collect the required data. The instrument had been chosen because of its credit for flexibility in asking probing questions, though not beyond the focus of the study⁹¹. In order to enhance respondent participation and minimize distortion of respondent's answers, the questionnaires were

⁸⁷ Mugenda, O. M. and Mugenda, A. G. (2003). *Research methods; Quantitative & Qualitative approaches*. Acts Press, Nairobi.

⁸⁸ Ibid

⁸⁹ Saunders, M.P. Lewis, and A. Thornhill 2003. *Research Methods for Business Students* (3rd Ed). Harlow: Prentice Hall.

⁹⁰ Ibid

⁹¹ Babbie, E. R. (1990). *The practice of social research*. California: Wards Worth.

delivered and collected by hand⁹². The reason for using face-to-face method rather than mailing the questionnaires was that the issues of piracy and its effects bears a lot of confidentiality and privacy which the respondent may need to explain in details and in privacy. To ensure objective response and reduced non-response rate, respondent guidance was recommended. The questionnaires were administered by the researcher himself because the sample size was not very huge and also by the fact that most of the respondents had met with the researcher in the course of his work.

3.6 Data Collection Instrument

Semi structured questionnaires was used as they are an effective method of data collection and can easily be analyzed⁹³. The questionnaire was divided into two parts; part one contains introductory details, while part two included questions regarding all the four objectives of the research including a brief part asking the respondent to comment on the effect of Somali Piracy on the maritime sector in Kenya.

3.7 Pre-Testing, Reliability and Validity

Validity is the degree by which the sample of test items represents the content the test is designed to measure⁹⁴. Content validity which was employed by this study was a measure of the degree to which data was collected using a particular instrument represents a specific domain or content of a particular concept⁹⁵.

The instruments prepared were given to few respondents knowledgeable to study and provide feedback. This ensured content validity of instruments. Suggestions were incorporated into the questionnaire and adjusted appropriately. This assisted in checking the appropriateness of the questionnaire.

⁹² Ibid.

⁹³ Mugenda, O.M., and A.G. Mugenda 1999 *Research Methods: Quantitative and Qualitative Approaches*. Nairobi: Acts Press

⁹⁴ Borg, W. and Gall, M. D. (1989). *Educational research: An introduction*. (5th ed.). New York: Longman.

⁹⁵ Ibid

Reliability refers to the consistency of measurement and is frequently assessed using the test–retest reliability method⁹⁶. Reliability is increased by including many similar items on a measure, by testing a diverse sample of individuals and by using uniform testing procedures. To ensure reliability, the study included several questions on each variable to check on the respondents' consistency in filling them.

3.8 Data Management and Analysis

This involved interpreting information collected from respondent once the questionnaires have been completed and collected from each respondent, the researcher compiled them by using data editing, data coding and data tabulation. The data was analyzed quantitatively to enable the researcher to meaningfully describe distribution of score or measures using statistics.

Qualitative data was analyzed in a systematic way in order to come up with some useful conclusions and recommendation. The researcher therefore obtained detailed information on the study and tried to establish patterns, trends and relationships from the information that was gathered. The results were then presented by use of descriptive statistics including frequency tables, pie charts and graphs.

⁹⁶ Shenghverzy, N.J. (2003). *Statistics for People in Statistics* (2nd ed.). Sage publication

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATIONS

4.1 Introduction

This chapter presents the findings of the study, analysis of data and presentations of major findings. For the purpose of demonstrating the relationship among the various variables, the data is presented in the form of tables, frequencies and percentages where applicable.

4.1.1 Response Rate

The study targeted a sample size of 29 respondents from which 26 filled in and returned the questionnaires making a response rate of 89.7%. This response rate was excellent and representative and conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent.

4.1.2 Reliability Analysis

A pilot study was carried out to determine reliability of the questionnaires. The pilot study involved the sampled Kenya Maritime officials, clearing agents, shipping agents, Kenya Revenue Authority officials and officials of the Hotel industry at the Coast. Reliability analysis was subsequently done using Cronbach's Alpha which measures the internal consistency by establishing if certain item within a scale measures the same construct.

Klien (1999) notes that the accepted alpha value is 0.7, thus forming the study's benchmark. Cronbach Alpha was established for every objective which formed a scale. The pre-test questionnaires were entered into Statistical Package for Social Sciences for analysis. The number of items in each variable represents the number of questions contained in each variable section. The table shows that Maritime security had the highest reliability ($\alpha=0.856$), followed by imports /exports ($\alpha=0.723$) and tourism sector ($\alpha=0.701$). Since all the calculated Cronbach Alphas were above 0.60, the variables were reliable. This illustrates that all the three variables were reliable as their reliability values

exceeded the prescribed threshold of 0.7. The number of items represent the number of questions under each variable of the study. The study used these questions to check on the reliability of the whole questionnaire.

Table 4.1: Reliability Analysis

Scale	Cronbach's Alpha	Number of Items
Import/Exports	0.723	4
Tourism Sector	0.701	3
Maritime Security	0.856	2
Average (All Scales)	0.760	3

From the above analysis, the findings show that all the variables had their Cronbach Alphas above 0.7 which is the benchmark as provided for by Klien (1999). Since all the Cronbach Alphas were above 0.7, the study was reliable.

4.2 Demographic Information

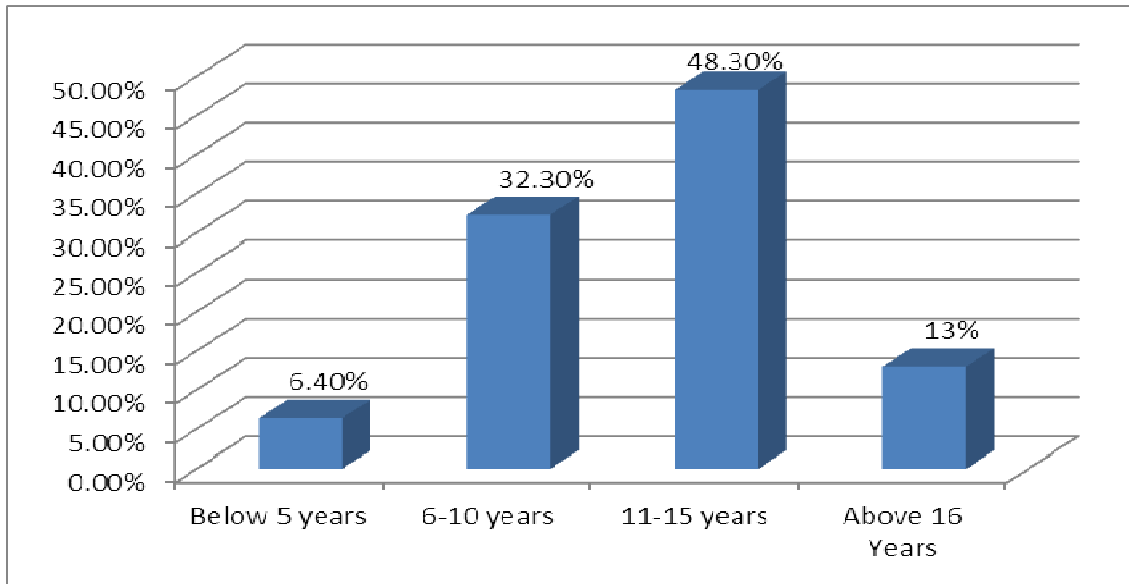
4.2.1 Years the Organization has Been In Operation

The study sought to find out the number of years the organizations had been in operations. The findings were as shown in the table 4.2 below:

Table 4.2: Years the Organization has been in Operation

	Frequency	Percent
Below 5 years	2	6.4
6-10 years	8	32.3
11-15 years	13	48.3
Above 16 Years	3	13.0
Total	26	100.0

Figure 4. 1 Years the Organization has been in Operation



From the findings, 48.3% of the respondents indicated that the organization had been in operation for between 11-15 years, 32.3% of the respondents indicated that the organization had been in operation for between 6-10 years, 13.0 % of the respondents indicated that the organization had been in operation for above 16 years while 6.4% of the respondents indicated that the organization had been in operation for below 5 years. These findings show that the organizations that were involved in the study had been in operations for a long time hence were more informed of the Somali Piracy on the maritime sector in Kenya (2007-2011). More than 50% of the organizations had been in existence for more than 10 years hence had firsthand experience on the effects of Somali Piracy on the maritime sector in Kenya (2007-2011)

4.3 Import And Export Trade

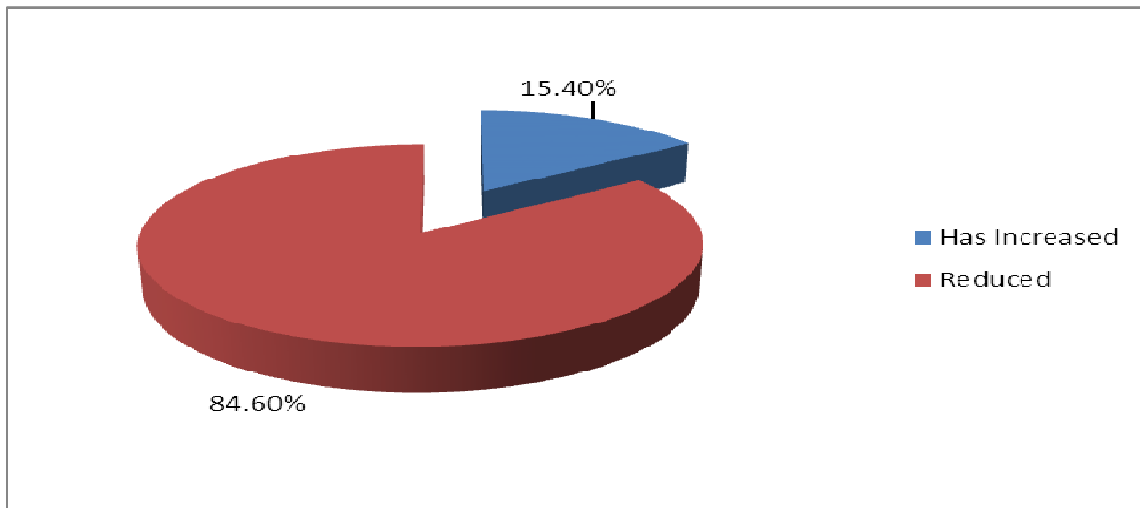
4.3.1 Somali Piracy Effect on the Volume of Trade in Kenya

Findings on the way Somali piracy had affected the volume of trade in Kenya were as shown in the table 4.3 below:

Table 4.3: Somali Piracy Affected the Volume of Trade in Kenya

	Frequency	Percent
Has Increased	4	15.4
Reduced	22	84.6
Total	26	100.0

Figure 4.2: Somali Piracy Affected the Volume of Trade in Kenya



According to the findings, 84.6% of the respondents indicated that Somali piracy had reduced the volume of trade in Kenya while 15.4% of the respondents indicated that Somali piracy had increased the volume of trade in Kenya. The decrease in the volume of trade can be attributed to increased insecurity. These findings are consistent with the argument by Anderson⁹⁷ that maritime piracy increases the level of insecurity in the waters. Theoretically the conditions under which endogenous transactions costs due to criminal activities like piracy destroy trade due to the fear installed among businessmen. This was further illustrated by Anderson and Marcouiller⁹⁸ by showing how difficult it is for countries to abandon autarky and open up to trade when no institutions are available to protect transactions.

⁹⁷ Anderson, James E., 2008. Commercial Policy in a Predatory World. Working Paper 703. Boston College, Boston

⁹⁸ Anderson, James E., Marcouiller, Douglas, 2002. Insecurity and the pattern of trade: an empirical investigation. *Review of Economics and Statistics* 84, 345-52.

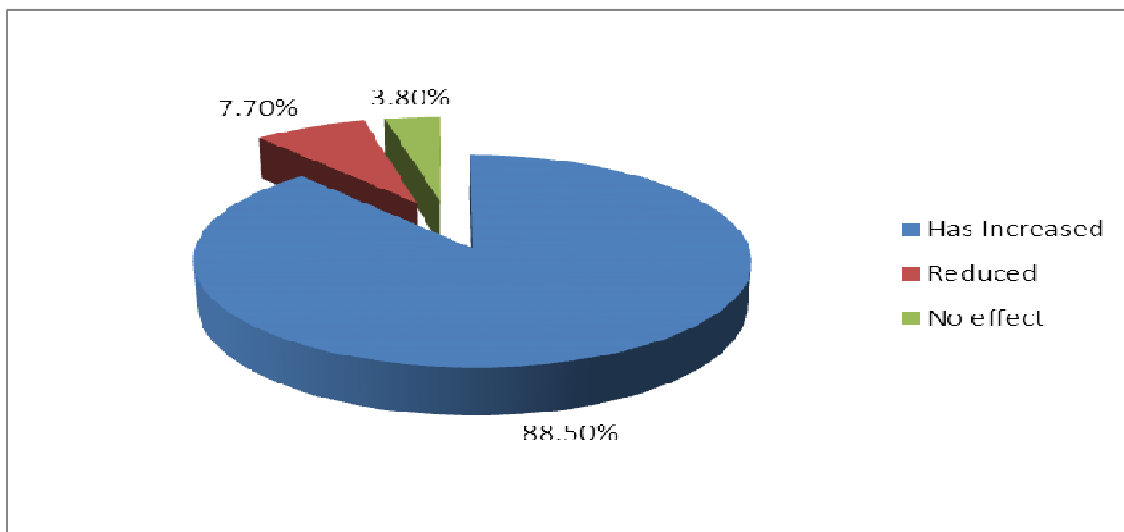
4.3.2 Somali Piracy Affected The Cost of International Trade In Kenya

The manner in which Somali piracy affected the cost of international trade in Kenya was as presented in the table 4.4 below:

Table 4.4: Somali Piracy Affected the Cost of International Trade In Kenya

	Frequency	Percent
Has Increased	23	88.5
Reduced	2	7.7
No effect	1	3.8
Total	26	100.0

Figure 4.3: Somali Piracy Affected the Cost of International Trade in Kenya



From the findings, 88.5% of the respondents indicated that Somali piracy increased the cost of international trade in Kenya, 7.7% of the respondents indicated that Somali piracy reduced the cost of international trade in Kenya while 3.8% of the respondents indicated that Somali piracy had no effect the cost of international trade in Kenya. These finding are consistent with those of Anderson and Marcouiller⁹⁹ who argued that maritime piracy increased maritime transport cost for a number of reasons. These were largely attributed to three factors: ship-owners had to re-route their ships to avoid dangerous waters which leads to a high cost that has to be passed to the final consumers in the country of

⁹⁹ Anderson, James E., Marcouiller, Douglas, 2002. Insecurity and the pattern of trade: an empirical investigation. *Review of Economics and Statistics* 84, 345-52.

destination; based on the claim of insurers and insurance companies loaded their premiums on maritime freights thus leading to high operational costs; and finally, some shipping lines totally avoided transporting to piracy prone areas thus making goods very expensive.

4.3.4 Ways That Somali Piracy Has Affected The Import And Export Trade In Kenya

The findings on the ways in which Somali piracy affected the import and export trade in Kenya were as shown in the table 4.5 below:

Table 4.5: Ways that Somali Piracy had affected the Import and Export Trade in Kenya

		Agree		Neutral		Disagree	
		Frequency	Percent	Frequency	Percent	Frequency	Percent
Increased	insurance costs	21	80%	3	12%	2	8%
Reduced	number of voyages	24	92%	1	4%	1	4%
Increased	shipping fees	20	77%	4	15%	2	8%
Reduced	number of ships	23	88%	2	8%	1	4%

Figure 4.4: Ways Somali Piracy affected the Import and Export Trade in Kenya

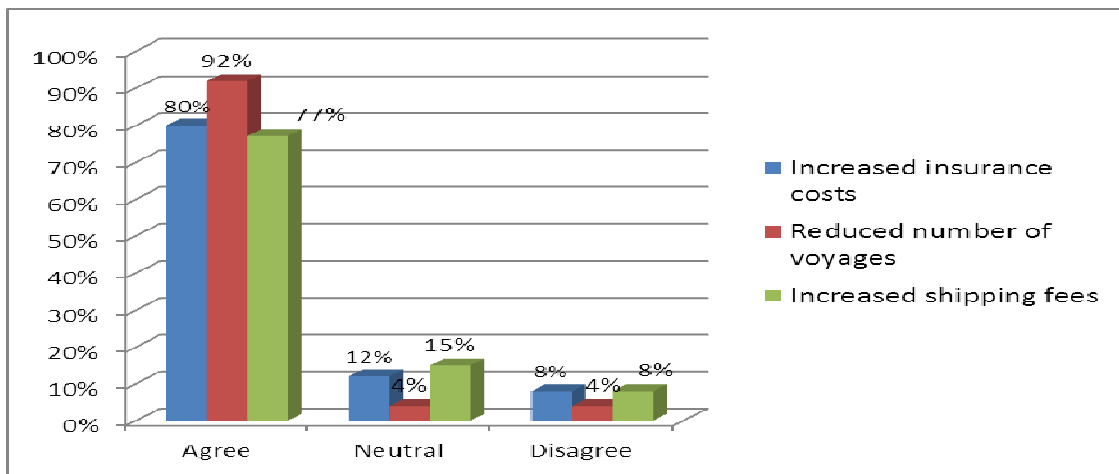


Table 4.5 depicts that, majority (80%) of the respondents indicated that Somali Piracy had Increased insurance costs, The cost to insure a vessel has now more than quadrupled. Another important factor in addressing economic concerns in relation to piracy is the cost of defensive measures¹⁰⁰. 92% indicated that it had reduced number of voyages, 77% indicated that Somali Piracy had increased shipping fees while 88% indicated that Somali Piracy had reduced the number of ships. A minority disagreed. Following Somali Piracy, ship owners were forced to reroute their ships thus prolonging the transportation period on the sea. In addition, the prolonged transportation period together with the risks involved on the sea transport saw the insurance costs rise because the changes of ship hijacks were high. With increased insecurity following Somali piracy, the number of ship voyages reduced as not many ship owners was willing to let their ships transport goods into Kenya. This in essence increased the shipping fees because the few ships willing to travel to Kenya were assuming more risks. This in turn reduced the number of ships. These findings are consistent with the arguments of Marcouiller¹⁰¹ that with increases in piracy, the levels of import and exports in a country are affected tremendously.

4.3.5 Extent that Somali Piracy Affected Import/Export Trade in Kenya

Findings on the extent to which Somali piracy affected import /export trade in Kenya were as presented in the Table 4.6 below.

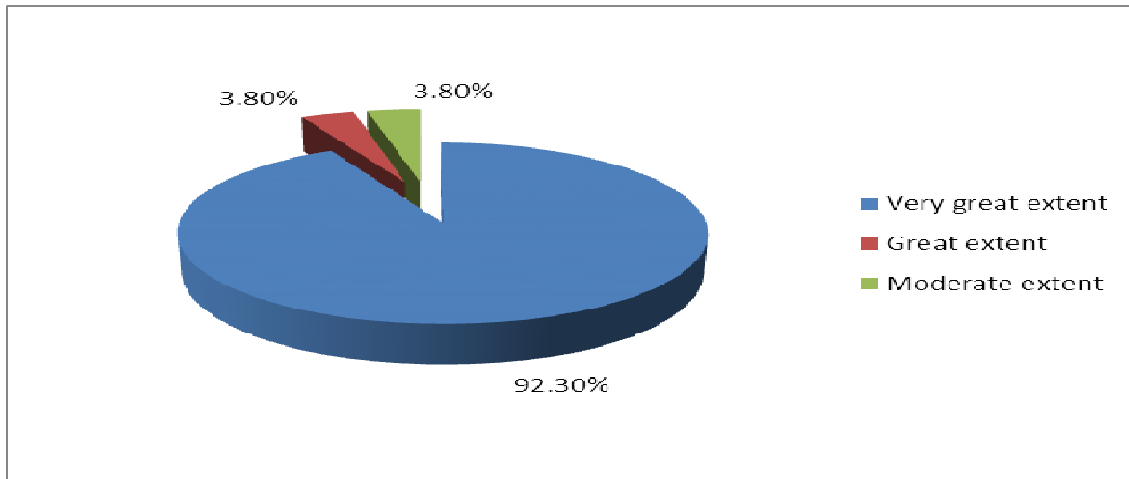
Table 4.6: Extent Has Somali Piracy Affected Import/Export Trade In Kenya

	Frequency	Percent
Very great extent	24	92.3
Great extent	1	3.8
Moderate extent	1	3.8
Total	26	100.0

¹⁰⁰ Wilson, B. (2009). Naval diplomacy and maritime security in the Western Indian Ocean, Strategic Analysis 33(4)

¹⁰¹ Marcouiller, D., (2000). Hijacking, Hold-Up, and International Trade. Working Paper No. 477. Boston College, Boston.

Figure 4.5: Extent Has Somali Piracy Affected Import/Export Trade In Kenya



From the findings, 92.3% of the respondents indicated that Somali piracy affected import /export trade in Kenya to a very great extent while 3.8% of the respondents indicated that Somali piracy affected import /export trade in Kenya to a great and moderate extent respectively. As a result of Somali piracy, the number of importers and exporters reduces because of the huge costs involved in the business which may not be easily offset by the proceeds. This means that piracy greatly affects the level of import/export in a country. These findings are consistent with those of Anderson and Marcouiller argument that piracy deters international trade of countries affected¹⁰².

4.4 Tourism Sector

4.4.1 Effects of Somali Piracy on the Tourism Sector in Kenyan Coast

The study sought to find out the effects of Somali piracy on the tourism sector in Kenya. The findings were as shown in the table 4.7 below:

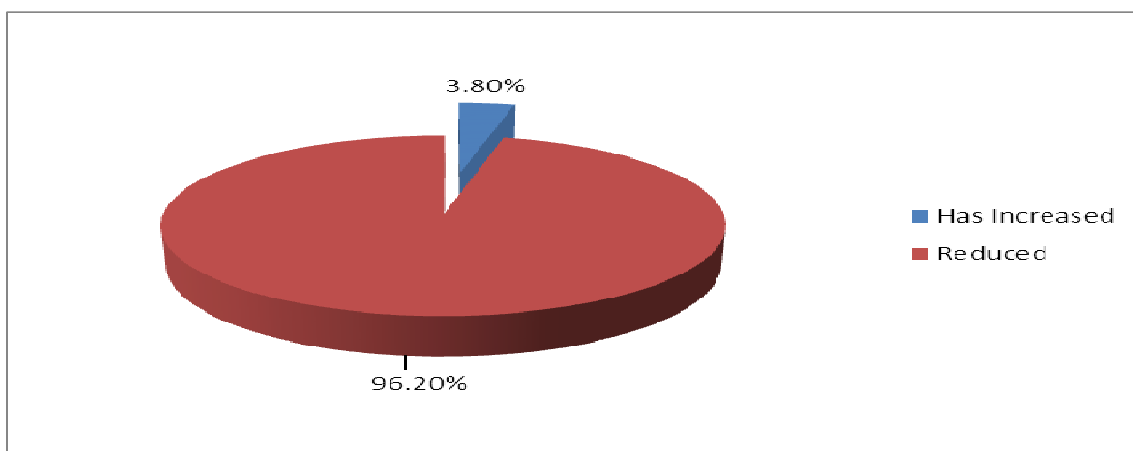
Table 4.7: Somali Piracy Affected the Tourism Sector in Kenyan Coast

	Frequency	Percent
Has Increased	1	3.8
Reduced	25	96.2

¹⁰² Anderson, James E., Marcouiller, Douglas, 2002. Insecurity and the pattern of trade: an empirical investigation. *Review of Economics and Statistics* 84, 345-52.

Total	26	100.0
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Figure 4.6: Somali Piracy Affected the Tourism Sector in Kenyan Coast



According to the findings, 96.2% of the respondents indicated that Somali piracy had reduced the tourism sector in Kenya while 3.8% of the respondents indicated that Somali piracy had increased the tourism sector in Kenya. As a result of piracy in Kenya, the levels of insecurity increases which in turn leads to a drop in the number of tourists visiting. Piracy has affected tourism to coastal countries of East Africa in terms of both volume and composition. Compared to other countries, after the onset of piracy annual visitor arrivals in affected SSA countries declined by 6.5 percent. After 2006, visitors from OECD countries particularly were less likely than before to vacation in East African coastal countries¹⁰³. According to Tairo¹⁰⁴ since pirate attacks began, tourist expenditures have increased less in piracy-affected countries than in other countries in the same region

4.4.2 Ways Somali Piracy Affected the Tourism Industry at The Kenyan Coast

The study further sought to establish the ways in which Somali Piracy Affected the Tourism Industry at The Kenyan Coast. The findings were as shown in the table 4.8 below:

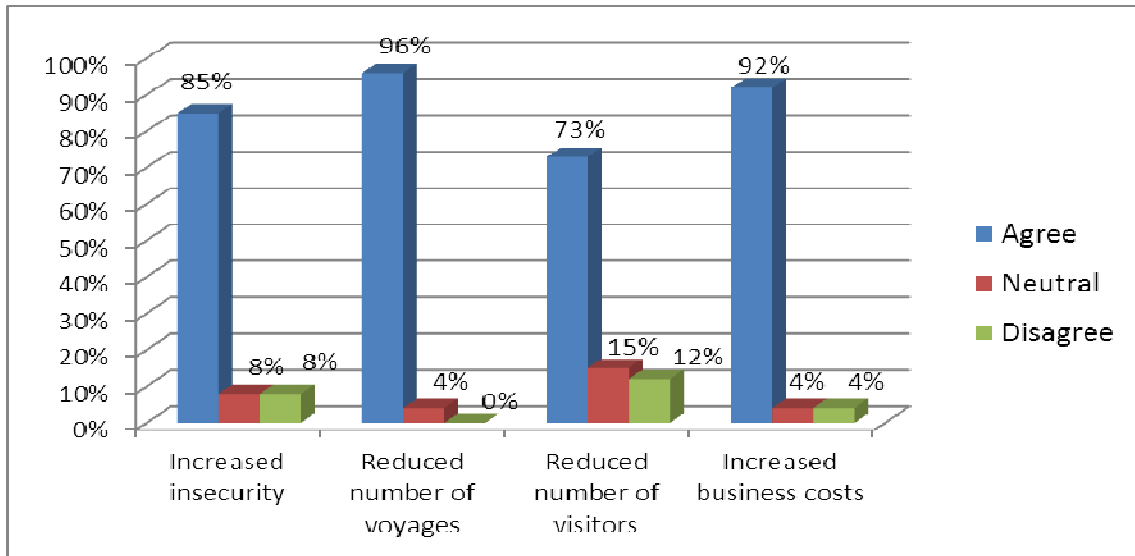
¹⁰³ Mbekeani, K. K., and M. Ncube. 2011. "Economic Impact of Maritime Piracy." Africa Economic Brief 2(10): 1–8. [http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Maritime % 20 Piracy_Maritime %20Piracy.pdf](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Maritime%20Piracy_Maritime%20Piracy.pdf).

¹⁰⁴ Tairo, A. 2011. "Somali Piracy and Terror Pose Threat to East African Tourism." eTurboNews. Tanzania. <http://www.eturbonews.com/26027/somali-piracy-and-terror-posethreat-east-african-tourism>.

Table 4.8: Ways Somali Piracy Affected Tourism Industry at the Kenyan Coast

	Agree		Neutral		Disagree	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Increased insecurity	22	85%	2	8%	2	8%
Reduced number of voyages	25	96%	1	4%	0	0%
Reduced number of visitors	19	73%	4	15%	3	12%
Increased business costs	24	92%	1	4%	1	4%

Figure 4.7: Ways Somali Piracy Affected Tourism Industry at the Kenyan Coast



From the findings shown in Table 4.8 above, 85% of the respondents agreed that Somali piracy increased the levels of insecurity at the Kenyan Coast, 96% indicated that it reduced the number of voyages. 73% indicated that it reduced number of visitors while 92% indicated that Somali piracy increased business costs. As the levels of piracy increases, tourists become more afraid and thus cancel their planned travels to the country hence a reduction in the number of tourists. Piracy seems to have affected tourism at Kenyan coast both in volume and composition. Since pirate attacks began, tourist expenditures have increased less at the Kenyan cost. Piracy off the Horn of Africa tarnished the image of the region as a stable and safe holiday destination including the Kenya coast. Recent attacks on yachts, cruise ships, and diving boats have made potential

tourists potential to shun away from the Kenyan coast. The increased levels of insecurity on the shorter routes have forced ships to take long routes, and this has made it difficult for many tourists to plan touring countries which are close to piracy prone waters including the Kenyan coast. Piracy has further reduced spending by tourists since they fear engaging in activities along the coast which may make them prone to pirate attacks like game fishing.

4.4.3 Extent that Somali Piracy Affected Tourism Industry in Kenya

The study sought to determine the extent to which Somali piracy affected the tourism industry in Kenya. The findings were as shown in the table 4.9 below:

Table 4.9: Extent that Somali Piracy Affected Tourism Industry In Kenya

	Frequency	Percent
Very great extent	23	88.5
Great extent	2	7.7
Moderate extent	1	3.8
Total	26	100.0

Figure 4.8: Extent that Somali Piracy Affected Tourism Industry in Kenya

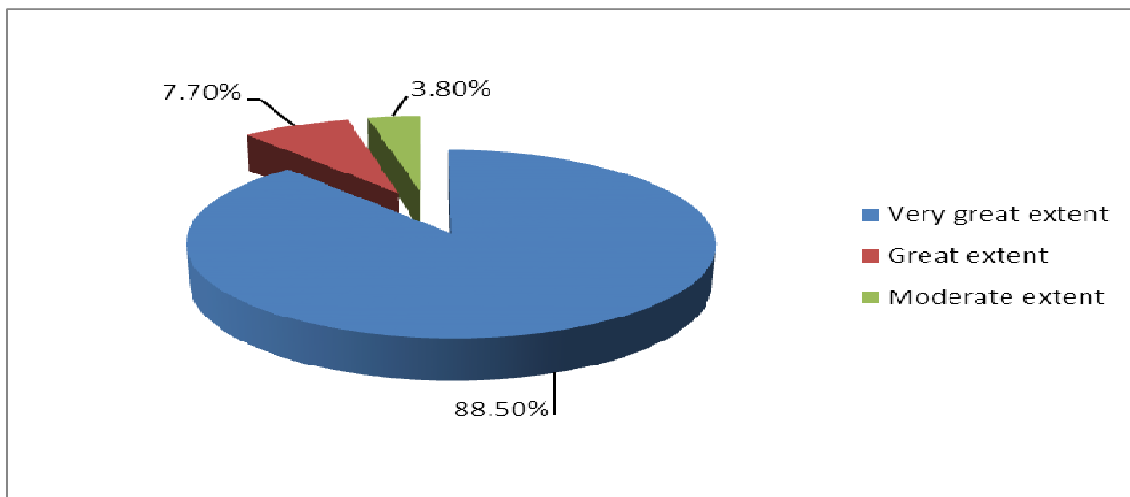


Table 4.9 above shows that, 88.5% of the respondents indicated that Somali piracy affected the tourism industry in Kenya to a very great extent 7.7% of the respondents

indicated that Somali piracy affected the tourism industry in Kenya to a great extent while 3.8% of the respondents indicated that Somali piracy affected the tourism industry in Kenya to a moderate extent. These findings are consistent with those of Anderson and Marcouiller¹⁰⁵ and Anderson¹⁰⁶ who modeled theoretically the conditions under which endogenous transactions costs, due to criminal activities like piracy, will destroy trade. As a result of piracy, security situations deteriorate thereby making it unsafe for tourists

4.5 Maritime Security

4.5.1 Somali Piracy Affected The Maritime Security In Kenyan Coast

The study sought to establish the extent to which Somali Piracy affected maritime security in Kenya. The findings were as shown in the table 4.10 below:

Table 4.10: Somali Piracy Affected the Maritime Security in Kenyan Coast

	Frequency	Percent
Reduced	26	100.0
Total	26	100.0

According to the findings, all the respondents (100%) of the respondents indicated that Somali piracy had reduced the maritime security in Kenya. These findings show that the respondents totally agreed that piracy had affected maritime security in Kenya. This is consistent with the believe of many that the impact piracy has on a country's economy is mainly felt regionally, places such as Somalia, Nigeria, Indonesia, Tanzania, India and Bangladesh¹⁰⁷. Somalia has a tactical advantage in the way they are able to become such a dominant figure in the piracy business¹⁰⁸. The coastline of Somalia is thirty-three-hundred-kilometers and it borders one of the busiest and major trade routes in the world,

¹⁰⁵ Anderson, J. E., and Marcouiller, D. (2005). Anarchy and Autarky: Endogenous Predation as a Barrier to Trade. *International Economic Review* 46, 189-214.

¹⁰⁶ Anderson, J. E., (2008). Commercial Policy in a Predatory World. Working Paper 703. Boston College, Boston.

¹⁰⁷ Kenya Maritime Authority Strategic plan 2006-2011

¹⁰⁸ VOA News, "Piracy Forces Kenya Cruise Tourism Down 95 Percent", June 1, 2010, <http://www.voanews.com/english/news/africa/Piracy-Forces-Kenya-Cruise-Tourism-Down-95-Percent-95324914.html>

the Gulf of Aden. The Gulf of Aden is the first step in which twenty thousand ships pass each year to go to and from the Suez Canal¹⁰⁹. Not to mention, approximately seventeen tankers carrying in the region of 6.3 million barrels of crude oil and petroleum products transit the gulf each day. This does not include the close to 30 percent of Europe’s oil and gas that passes through the gulf¹¹⁰.

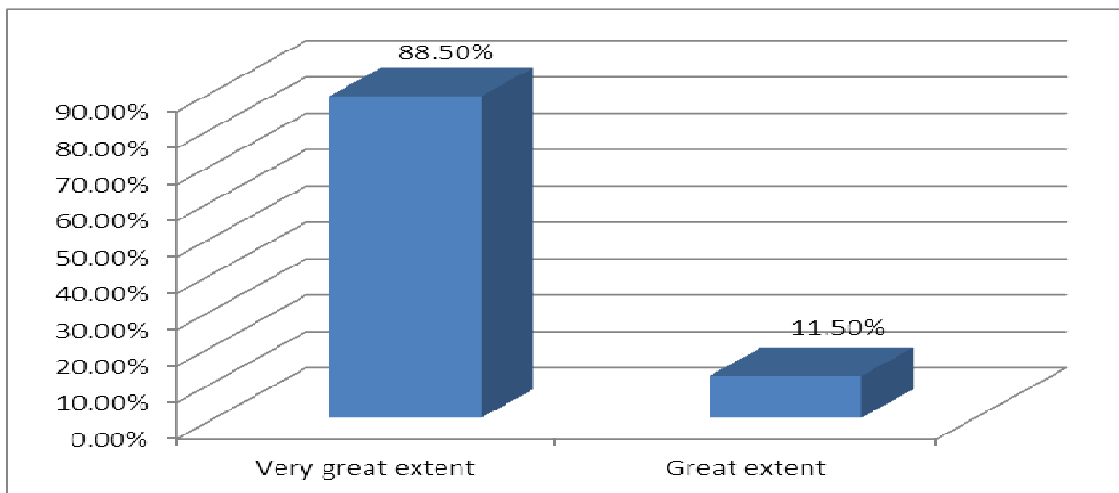
4.5.2 Extent that Somali Piracy Affected Maritime Security in Kenya

The study set to establish the extent to which Somali piracy affected the maritime security in Kenya. The findings were as shown in the Table 4.11 below:

Table 4. 11: Extent Has Somali Piracy Affected Maritime Security In Kenya

	Frequency	Percent
Very great extent	23	88.5
Great extent	3	11.5
Total	26	100.0

Figure 4.9: Extent Has Somali Piracy Affected Maritime Security in Kenya



The findings shows that, 88.5% of the respondents indicated that Somali piracy affected the maritime security in Kenya to a very great extent while 11.5% of the respondents

¹⁰⁹ Ibid

¹¹⁰ Baniela, S (2010). Piracy at sea: Somalia an area of great concern, The Journal of Navigation 63

indicated that Somali piracy affected the maritime security in Kenya to a great extent. Piracy has been, currently is, and will continue to be a real threat to seafarers. The approximately three-quarters of the world is covered by water in which “50,000 large ships, which carry 80 percent of the world’s trade cargo.”Due to the vast size of the ocean, the opportunity for piracy is overwhelming. At the beginning stages, Somalian pirates focused mainly in areas of the ocean that were close to seaports in order to attack ships. As countries started fighting back, along with the pirates acquiring more advanced weapons and vessels; pirates have started to move farther out to sea away from seaports to conduct their attacks¹¹¹. Unlike land and air, the high seas have been and currently are scarcely patrolled. The total number of attempted or successful pirate attacks is hard to effectively pinpoint. The main reason for this is because many “shipping companies do not report incidents of piracy, for fear of raising their insurance premiums and prompting protracted, time-consuming investigations.” Based on this information, the total damage due to cost of ransoms, loss of merchandise or damage to the vessel and rise in insurance costs now amounts to \$16 billion per year¹¹².

¹¹¹ VOA News, “Piracy Forces Kenya Cruise Tourism Down 95 Percent”, June 1, 2010,
<http://www.voanews.com/english/news/africa/Piracy-Forces-Kenya-Cruise-Tourism-Down-95-Percent-95324914.html>

¹¹² VOA News, “Piracy Forces Kenya Cruise Tourism Down 95 Percent”, June 1, 2010,
<http://www.voanews.com/english/news/africa/Piracy-Forces-Kenya-Cruise-Tourism-Down-95-Percent-95324914.html>

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presented the discussion of key data findings, discussion of the findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn were focused on addressing the purpose of this study which was to: establish the effect of Somali piracy on Kenya's import and export trade; find out the effect of Somali piracy on the tourism sector in the Kenyan coast; determine the effects of Somali piracy on maritime security in Kenya. The study was organized into various chapters;

The first chapter was the Introduction which gave the background on the effect of Somali Piracy on the maritime sector in Kenya, statement of the problem which sought to establish the effects of Somali Piracy on the maritime sector in Kenya (2007-2011). The objectives were to establish the effect of Somali piracy on Kenya's import and export trade; to find out the effect of Somali piracy on the tourism sector in the Kenyan coast and; to determine the effects of Somali piracy on maritime security in Kenya. The justifications of the study provided the significance of the study to future scholars and academicians as it was to serve as a guide for future research in providing material for future scholars on the subject of piracy. Furthermore, the findings from the study were to suggest areas for further studies where future scholars may research on. The scope and limitations of the study was limited to the analysis of the effect of Somali Piracy on the maritime sector in Kenya (2007-2011). The study targeted various players in the maritime sector in Kenya which included Kenya Maritime officials, clearing agents, shipping agents, Kenya Revenue Authority officials and officials of the Hotel industry at the Coast.

Chapter two presented a compact analysis of the literature as carried out by other scholars on the concept of maritime piracy and its effects on economic development. The study

first looked at the impact of maritime piracy and world trade and at how maritime piracy affects international trade. The theoretical framework was guided by the research objectives. Security theory as a concept was used in this study since it has mainly been understood as the identification of threats to referent objects and the securitization of those threats both military and non-military and Security is also about political, economic, societal and environmental survival.

Chapter three was about research methodology. It covered research design, population, sampling and sample size, data collection and data collection instrument and finally data analysis.

Chapter four presented the findings of the study, analysis of data and presentations of major findings. For the purpose of demonstrating the relationship among the various variables, the data was presented in the form of tables, frequencies and percentages where applicable.

5.2 Summary of Findings

5.2.1 Import And Export Trade

On the effects of Somali Piracy on the Cost of international trade in Kenya, 88.5% of the respondents indicated that Somali piracy increased the cost of international trade in Kenya, 7.7% of the respondents indicated that Somali piracy reduced the cost of international trade in Kenya while 3.8% of the respondents indicated that Somali piracy had no effect the cost of international trade in Kenya.

On the ways that Somali piracy has affected the import and export trade in Kenya, majority (80%) of the respondents indicated that Somali Piracy had increased insurance costs, the cost to insure a vessel has now more than quadrupled. Another important factor in addressing economic concerns in relation to piracy is the cost of defensive measures.92% indicated that it had reduced number of voyages, 77% indicated that

Somali Piracy had increased shipping fees while 88% indicated that Somali Piracy had reduced the number of ships.

On the extent that Somali Piracy Affected Import/Export Trade in Kenya, 92.3% of the respondents indicated that Somali piracy affected import /export trade in Kenya to a very great extent while 3.8% of the respondents indicated that Somali piracy affected import /export trade in Kenya to a great and moderate extent respectively. The study revealed that Somali piracy had reduced the volume of trade in Kenya. The study also revealed that Somali piracy increased the cost of international trade in Kenya. The study established that Somali piracy had increased shipping fees, increased insurance costs and reduced number of voyages as well as reducing number of ships. The study also established that Somali piracy affected import /export trade in Kenya to a very great extent.

5.2.2 Tourism Sector

On the effects of Somali Piracy on the Tourism Sector in Kenyan Coast, 96.2% of the respondents indicated that Somali piracy had reduced the tourism sector in Kenya while 3.8% of the respondents indicated that Somali piracy had increased the tourism sector in Kenya. As a result of piracy in Kenya, the levels of insecurity increases which in turn leads to a drop in the number of tourists visiting. Piracy has affected tourism to coastal countries of East Africa in terms of both volume and composition.

On the ways that Somali piracy affected the tourism industry at the Kenyan coast, 85% of the respondents agreed that Somali piracy increased the levels of insecurity at the Kenyan Coast, 96% indicated that it reduced the number of voyages. 73% indicated that it reduced number of visitors while 92% indicated that Somali piracy increased business costs. As the levels of piracy increases, tourists become more afraid and thus cancel their planned travels to the country hence a reduction in the number of tourists.

On the extent that Somali piracy affected tourism industry in Kenya, 88.5% of the respondents indicated that Somali piracy affected the tourism industry in Kenya to a very great extent 7.7% of the respondents indicated that Somali piracy affected the tourism

industry in Kenya to a great extent while 3.8% of the respondents indicated that Somali piracy affected the tourism industry in Kenya to a moderate extent. These findings are consistent with those of Anderson and Marcouiller¹¹³ and Anderson¹¹⁴ who modeled theoretically the conditions under which endogenous transactions costs, due to criminal activities like piracy, will destroy trade. The study deduced that Somali piracy had reduced the tourism sector in Kenya. The study also deduced that Somali piracy reduced number of visitors, increased insecurity and increased business costs as well as reducing the number of voyages. The study revealed that Somali piracy affected the tourism industry in Kenya to a very great extent.

5.2.3 Maritime Security

Somali piracy affected the maritime security in Kenyan Coast as shown by all the respondents (100%) who indicated that Somali piracy had reduced the maritime security in Kenya. The coastline of Somalia is thirty-three-hundred-kilometers and it borders one of the busiest and major trade routes in the world, the Gulf of Aden. The Gulf of Aden is the first step in which twenty thousand ships pass each year to go to and from the Suez Canal.

On the extent that Somali piracy affected maritime security in Kenya, 88.5% of the respondents indicated that Somali piracy affected the maritime security in Kenya to a very great extent while 11.5% of the respondents indicated that Somali piracy affected the maritime security in Kenya to a great extent. Somalia pirates focused mainly in areas of the ocean that were close to seaports in order to attack ships. As countries started fighting back, along with the pirates acquiring more advanced weapons and vessels; pirates have started to move farther out to sea away from seaports to conduct their attacks

The study established that Somali piracy had reduced the maritime security in Kenya. The study also established that Somali piracy affected the maritime security in Kenya to a very great extent.

¹¹³ Anderson, J. E., and Marcouiller, D. (2005). Anarchy and Autarky: Endogenous Predation as a Barrier to Trade. *International Economic Review* 46, 189-214.

¹¹⁴ Anderson, J. E., (2008). Commercial Policy in a Predatory World. Working Paper 703. Boston College, Boston.

5.3 Conclusions

The study makes the following conclusions:

5.3.1 Import And Export Trade

The study revealed that Somali piracy had reduced the volume of trade in Kenya. According to Gibson, (2009) as markets open and more countries trade internationally, the issue of transport and logistics costs becomes more important because of its role in ensuring availability of goods on an international market in a far off country. Maritime piracy increases the level of insecurity in the waters.

The study established that Somali piracy had increased shipping fees, increased insurance costs and reduced number of voyages as well as reducing number of ships. Rauch et al, (1999) establishes that when differentiating between contract insecurity and the prevalence of crime and theft, however, trade in homogeneous goods appears to be more vulnerable to crime and theft, whereas trade in differentiated goods is more sensitive to contract insecurity.

There is growing evidence showing that maritime piracy increases maritime transport cost for a number of reasons. First, in 2008 ship-owners had to re-route their ships to avoid dangerous waters which leads to a high cost that has to be passed to the final consumers in the country of destination. However, this translates into higher costs of goods on reaching the country of destination. Secondly, based on the claim of insurers and insurance companies loaded their premiums on maritime freights thus leading to high operational costs. Thirdly, some shipping lines totally avoided transporting to piracy prone areas thus making goods very expensive. The study also established that Somali piracy affected import /export trade in Kenya to a very great extent. Bensassi and Martinez-Zarzoso (2011) in their study deduced that maritime piracy greatly affected the economic performance of African Countries.

This study concludes that Somali piracy affected import /export trade in Kenya. This shows how difficult it is for countries to abandon autarky and open up to trade when no institutions are available to protect transactions.

5.3.2 Tourism Sector

The study deduced that Somali piracy had reduced the tourism sector in Kenya. Korinek et al, (2009) illustrates that maritime piracy and terrorism at sea are both forms of violent interference with shipping. Their global reach and negative impact on sea transportation, safety of navigation and marine environment, as well as the threat they both pose to human lives and property cannot be under estimated hence need for effective counter-measures.

The study also deduced that Somali piracy reduced number of visitors, increased insecurity and increased business costs as well as reducing the number of voyages . The World Bank described two factors, time and cost, that affect commercial shipping and its routes from one destination to the next. Tourists are also time conscious besides worrying about their security. Following the levels of insecurity on the shorter routes forcing ships to take long routes, it becomes difficult for many tourists to plan touring countries which are close to piracy prone waters. Time is very important and direct affects global commerce in other industrial or commercial sectors of the economy. That is why there is so much concern about time spending maritime security checks.

The study revealed that Somali piracy affected the tourism industry in Kenya. The maritime domain provides direct economic opportunities to a number of African countries and it facilitates international trade to merchandise goods for all the countries. Maritime related activities such as shipping, port facilities, tourism, fishing, oil and mineral harvesting promote economic growth

5.3.3 Maritime Security

The study established that Somali piracy had reduced the maritime security in Kenya. Foaks (1997) argues that maritime piracy is a universal crime under international law which places the lives of seafarers in jeopardy and affects the shared economic interest of all nations. In addition to placing the lives and safety of seafarers in jeopardy, a single piratical attack affects the interests of numerous countries, including the flag State of the vessel, various States of nationality of the seafarers taken hostage, regional coastal States, owners' States, and cargo destination and transshipment States.

The study also established that Somali piracy affected the maritime security in Kenya to a very great extent. This is in line with Foaks (1997) who argues that while bearing all aspects of organized crime, piracy is a complex issue that can only be overcome by combining political and diplomatic efforts with military and legal action, development assistance and strong international coordination. Coastal countries in the region suffer immensely from the economic impact of piracy: ports like Mombasa and Dar el Salaam are threatened and import costs go up due to increased transport costs, higher insurance premiums. It is therefore in their strategic interest to engage in the fight against piracy, in addition to receiving suspects transferred for prosecution. In the long run, the waters of the Indian Ocean should be secured by the region itself, not international forces.

The study established that Somali piracy affected the maritime security in Kenya. Maritime piracy is a universal crime under international law which places the lives of seafarers in jeopardy and affects the shared economic interest of all nations. In addition to placing the lives and safety of seafarers in jeopardy, a single piratical attack affects the interests of numerous countries, including the flag State of the vessel, various States of nationality of the seafarers taken hostage, regional coastal States, owners' States, and cargo destination and transshipment States.

5.4 Recommendations

From the findings and conclusion, Somali Piracy on the Cost of international trade in Kenya increased the cost of international trade, reduced the cost of international trade, effect the cost of international trade. Somali Piracy had increased insurance costs, the cost to insure a vessel has now more than quadrupled, and reduced number of voyages, Somali Piracy had increased shipping fees and reduced the number of ships. The increase in acts of piracy has led to enhanced cooperation at international and regional levels. The study recommends that at the national governmental level, the government should find ways to enhance enforcement and raise awareness on piracy issues. More needs to be done to detect and undermine piracy at the point where infringement originates so as to reduce its occurrence and effects. Multilaterally, ways to strengthen the existing framework and practices could be explored. The study recommends that joint efforts

should be made in various forums to find adequate solutions to piracy. The study recommends that the government should work towards increasing naval patrols and escort corridors. The study further recommends that the government should create an office of coordination for the various military forces deployed against piracy.

Somali piracy had reduced the tourism sector in Kenya, increased the levels of insecurity at the Kenyan Coast, reduced the number of voyages, reduced number of visitors and increased business costs. These deterred tourists from visiting the country thus reducing the income and foreign exchange earned from tourism. This study therefore recommends that the tourism facilities like hotels, game parks and national reserves be offered special security for the safety of the tourists.

The study further recommends that the Government together with other countries unite to fight against sea piracy since the sea boundaries are of key concern to all countries.

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APPENDICES

Appendix I: Questionnaire

THE EFFECT OF SOMALI PIRACY ON KENYA’S MARITIME SECTOR

SECTION A: GENERAL INFORMATION

1. Name of your organization-----
2. Number of years it has been in operations -----

SECTION B: SOMALI PIRACY EFFECTS ON KENYA’S IMPORT AND EXPORT TRADE

3. How has Somali Piracy affected the volume of trade in Kenya? Please select one
 Has Increased [] Reduced [] No effect []
 other (please justify) []
4. How has Somali Piracy affected the cost of international trade in Kenya? Please select one
 Has Increased [] Reduced [] No effect []
 other (please justify) []

Below is a list of some of the ways that Somali Piracy has affected the import and export trade in Kenya? Using the scale 5= strongly agree, 4= agree, 3= neutral, 2= disagree and 1= strongly disagree).

Effects	1	2	3	4	5
5. Increased insurance costs					
6. Reduced number of voyages					
7. Increased shipping fees					
8. Reduced number of ships					
9. Others please explain					
-					

10. To what extent has Somali Piracy affected import/export trade in Kenya?

- Very great extent []
 Great extent []
 Moderate extent []
 Little extent []
 No Extent []

SECTION C: effect of Somali piracy on the tourism sector in the Kenyan coast.

11. How has Somali Piracy affected the tourism sector in Kenyan Coast? Please select one

- Has Increased [] Reduced [] No effect []
 other (please justify) []

12. In what ways has Somali Piracy affected the tourism industry at the Kenyan Coast?

Please choose all that are relevant

Using the scale 5= strongly agree, 4= agree, 3= neutral, 2= disagree and 1= strongly disagree).

Effects	1	2	3	4	5
13. Increased insecurity					
14. Reduced number of voyages					
15. Reduced number of visitors					
16. Increased business costs					
17. Others please explain					
-					

18. To what extent has Somali Piracy affected the tourism industry at the Kenyan Coast?

- Very great extent []
 Great extent []
 Moderate extent []
 Little extent []
 No Extent []

19. Please explain your answer to question 13 above

SECTION D: EFFECTS OF SOMALI PIRACY ON MARITIME SECURITY IN KENYA

20. How has Somali piracy affected maritime security level in Kenya?

Has Increased [] Reduced [] No effect []
 other (please justify) []

THANK YOU FOR YOUR VALUABLE TIME AND CO-OPERATION
JUDE THADEUS WETANGULA