

Lloyd's List, 69-77 Paul Street, London, EC2A 4LQ

## Suez is a vital artery

**A**S WE watch the price of oil rise above \$100 per barrel and shipowners and operators worry about global supply chains that pass through the vital artery that is the Suez Canal, it is worth asking what the effects of a shutdown of Egypt's ports would have on the world's largest Arab country.

Despite its enormous land borders, Egypt is almost totally reliant on shipping for its eternal trade. Very little of its imports or exports travel overland to Libya, Sudan or, for obvious reasons, Israel. Egypt's

dependence on its ports is of huge significance beyond the shipping industry, if one recalls the oft-quoted maxim that nay society is "only three meals away from revolution".

It is important that a country as unstable as Egypt has a consistent source of food to prevent events becoming truly bloody.

Egypt is the world's largest importer of wheat and runs a subsidised bread programme for a vast proportion of its population — indeed, it was the withholding of subsidised bread in several cases that prompted protesters to vent their anger on the streets.

In prior years subsidised bread is said to have prevented other protests taking place. Can the same be said today?

Egypt imports 60% of the wheat it consumes and 40% of its total foodstuffs; it is utterly reliant on its ports to feed its 80m population.

Egypt's General Authority of Supply Commodities, the government agency responsible for purchasing wheat on the world's markets and importing stocks, said earlier this week that it does not intend to buy extra supplies and stockpile, yet it nevertheless remains at the mercy of volatile commodity prices.

The issue is how long the disruption under way at its ports will continue, a question to which neither we, nor anyone else it seems, has an answer.

The obvious danger is that its stocks will run out before its ports begin operating again. If that happens, the security of the Suez Canal is likely to be far more precarious than it is today.

## Timely warning

A RECEPTION in London earlier this week to mark the launch of a website dedicated to P&O's magnificent collection of maritime memorabilia was also a reminder of just how much Britain's shipping industry has changed over the past few years.

Not so long ago, P&O owned cruiseships, containerships, ferries, bulk carriers, ports and other maritime interests, and was undoubtedly one of the world's most powerful and successful shipping companies, with a proud history dating back some 170 years

Even today, the name still resonates. Yet most of those activities that together comprised such a broad-based shipping conglomerate are in foreign hands, and the P&O brand only in selective use.

What is left is a priceless time capsule of paintings, ship models, silverware and other artefacts that forms a unique part of Britain's maritime heritage.

But those in the UK who are still involved in shipping know they must not dwell too much on the past. There may be very few homegrown shipowners left any more, but London remains one of the world's most important maritime centres.

To maintain that position against stiff competition in a fast-changing world that is shifting east, the capital's shipbrokers, maritime lawyers, ship finance bankers, P&I clubs, classification societies, consultants and others engaged in providing professional services must work together to ensure London can meet all the needs of shipowners.

London should be not so much a one-stop shop, as an upscale department store of shipping services provided by the best brains in the business. ■

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### Industry Viewpoint



JOHN AC CARTNER

**Will private navies be effective against piracy? It has been tried before and the end result might not be quite what the insurance world was expecting**

# The very model of a modern private navy

**T**HE twittering class buzzes about 'private navies' trying to solve the piracy problem. One arising is the outfitting of mercenary-crewed vessels with sufficient equipment to escort, detect, seek out and destroy [note the naval jargon] piratical miscreants wherever they may be with a species of vigilante-for-pay flotilla.

Erik Prince and his Xe — née-Blackwater — did not meet either his warrior or profit expectations in the business and withdrew. An insurance man is said to be assembling his tonnage, hiring his mercenaries and procuring his weaponry with a twist — if one uses his service, premiums for piracy cover do not increase.

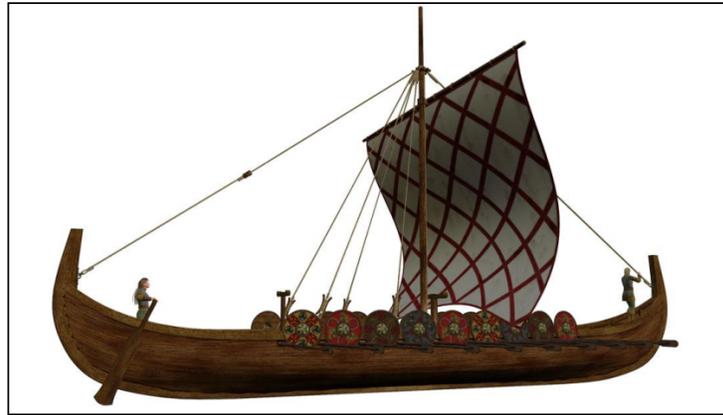
We will see. Now let us look carefully at a private navy and define terms. A navy is a sub-organisation of the government of a sovereign state. Its purpose is to express the political will of the sovereign at sea with the equipment at its disposal. In so doing, a navy has sovereign immunity. One can sue a navy for banging away at one's village or using its commandos to blow up one's fuel or weapons cache or mothership or skiff and the people on it.

However, the navy will say that it is sorry about your loss, but that it is an arm of a sovereign and while your suit is interesting, it is frankly on its face merely a small amusement. Navies are attracted to things called 'targets' and they tend to use controlled violence to deal with them — with both immunity and impunity.

Pirates, on the other hand, are seaside marauders, usually with vessels and arms, who plunder, steal, pillage, rapine and perform other such Viking-like acts at sea or ashore without sovereign protection. Hold on. Why are you picking on Vikings? Why not? Vikings fit the broad category of pirates and in England and France we certainly understand Vikings historically. Sovereign immunity was not applied then.

Little known, however, is how the Crown, in an effort to suppress piracies in the 16th century and to make a profit, muddled into a brilliant idea: Letters of Marque and Reprisal. It was brilliant because it allowed privateers, as pirates are also called, to violently attack the Spanish gold fleet in Central America at will, steal the gold, pay a huge dividend to the Crown (usually about 30%) and operate under sovereign immunity. It was a win-win-win, as we say.

In one swoop the Crown got its own home-grown buccaneers under control, directing them to injuring an enemy of the state and to making a sporting profit rather than merely paying the costs of a Navy Royal to suppress these self-same pirates. Our boyhood heroes such as Martin Frobisher were trained and qualified in hands-on piracy. They suddenly became respectable under the Letter of Marque [another win] rather than the noose. Sometimes it backfired and the prior state of he under the letter was re-established, which also led to the noose. Respectability sometimes led to a knighting, such as in the



Blame it on the Vikings: an image of pirates that many people understand.

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case of Sir Martin. Alas, the last letter of marque and reprisal was issued in the 19th century.

What are the problems in getting one these days? Let us do this step by step. First one must find a sovereign willing to issue the letter. Essentially this is a sovereign parting with some of its power by providing it through its letter to the privateer. Why would it do that? Fees.

One can imagine approaching a government of a struggling flag well-backed: for a fee and a share, the government of the proud Republic of Obscuratania, having thrown off the colonialist yoke and found true freedom and poverty, can of course, Sir, issue a letter. After all, we can't do tax havens much any more and our bank secrecy acts have been gutted with treaties with the Great Satan. We will send out the letter to the UN as soon as the business modalities and funds are wired to this bank account — all

**Our boyhood heroes such as Martin Frobisher were trained and qualified in hands-on piracy. They suddenly became respectable under the Letter of Marque**



Prince: withdrew from the business. Bloomberg

very discreetly of course. Your name will never appear on the bill.

We have our letter. Now we must find our vessels. Not a problem. We can even find a little warship or two if we are careful. Shopping is good in South America. There happen to be a number of good candidates available which some governments cannot afford to maintain or to operate. We do not need a lot of sophistication. Speed, a little endurance, some gun mounts (and guns if you have them, by the way), radars and accommodation for our mercenaries.

Then there is the little problem with the weaponry. By adroit shuttling between the foreign ministry of the proud republic and one which manufactures arms, suddenly we have for the application of cash an End User Certificate. We are now in business. Guns and ammo and dead pirates and sovereign immunity for dealing out death and destruction and playing navy.

Now the people. Neutrally 'contractors' — if they work for you — or more dotedly 'mercenaries', if their lineage is from Mike Hoare, or other names unprintable in a family newspaper if your bent is toward the liberal, are readily available. The economy is bad, unemployment is high, a lot of young men have been trained by sovereigns in the ancient and honourable art of hired killing while on the government payroll. They are ready to perform piracy for pay. Not a problem and the proud republic will, for a fee, arrange life insurance backed by its sovereign guarantee for each and every one of them and a shot at citizenship at some future date — for a fee.

Need a business plan? You have but to call me. Operators are standing by. I even have a sovereign or two in mind and some former naval officers on hard times.

Last step is customers. The Erik Prince model did not work. Perhaps the time is ripe. That seems to be the trend.

We will see. ■

[www.lloydslist.com/shipops](http://www.lloydslist.com/shipops)

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### Maritime Blogspot

## Will it be good cop or bad cop leading us forward?

THERE are two sides to the piracy debate — soft and hard.

As any fan of TV cop shows knows, there are certain rules. One is that the key characters must follow a distinct pattern. Okay, there are deviations. Maybe one character has two characteristics, like Robocop. He started off as a cold-blooded killing machine but later revealed his human side. Quite how wires produce empathy is a mystery, but that's another story.

Every cop show has a bad cop and a good cop. The bad cop is impetuous; the good cop more considered.

The bad cop, of course, is often quick to be heralded a hero but then, as the story unravels, taken over by the good cop who, while taking criticism, must allow his measured judgement to inform what he does.

And what has any of this got to do with shipping? Plenty, is the answer, and piracy, too.

Is the bad cop in the driving seat, or is the good cop at the controls?

The issue of private guards on board ships is a growing one — and one that is being keenly watched. Should shipping companies go down this slippery road? Some have. It depends on what the law of your flag state allows. But others are considering it. The Dutch government has a report on the table suggesting armed guards as one answer to the problem of pirate attacks while Dutch shipowners are impatient for a robust solution.

Pressure is building. The trouble with bad cop is that he or she ends up making things worse. If you shoot someone, they will shoot you back. It's that simple. But will the good cop provide an answer? Witness the navy vessel that had to stand by while an attack unfolded. Military commanders will talk about 'rules of engagement': the bad cop wants to rush ahead, the good cop holds back.

At some point in the show, often when the investigation is a mess, the protagonists must step back and look at the facts. What would these be for shipping and piracy? Attacks are on the rise. The cost is also rising. Somalia, the main supplier of pirate attacks, is a poor and fragmented society without a functioning state or legal system. The world's navies will never be big enough to contain its pirates. Hence the growing pressure for a solution.

Will the bad cop win out, rushing in, guns a-blazing? Or will the good cop stand his ground? Making action the servant of thought, and not the other way around. TV cop shows usually end with some sort of confrontation to tie up the loose ends. Shipping and piracy's showdown might be some way off but it's coming. The question is, who will it be — good cop or bad cop — leading the industry forward? ■ *Barratry's is an irreverent place, designed for opinionated takes on daily maritime news, where the only unwelcome opinion is a conventional one. We invite you to join the discussion. <http://barratry-blogs.lloydslist.com>*