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THE ECONOMIC COST OF GULF OF GUINEA PIRACY

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Abstract

The Gulf of Guinea piracy apart from its threat to maritime security also has serious economic cost implications for states in the area. States have lost huge revenue due to distortions in the usual pattern of trade, and sabotage of oil facilities by petro-pirates and also incurred other direct and indirect cost as result of maritime piracy. This paper analysis the direct and indirect cost of piracy in the Gulf of Guinea with a view to explaining in quantitative terms the economic cost if piracy to states in the Gulf of Guinea area. The study is a qualitative study which involved the use of primary and secondary sources of data. Quantitative data used in the study were extracted from the report of some organizations and institutions that are concerned with maritime piracy and other crimes such as the Ocean Beyond Piracy, International Maritime Bureau, UNODC, UNSC, IMO etc. the study from its findings summit that maritime piracy in the Gulf of Guinea come at a great economic cost to the States in the Gulf of Guinea. the study recommends for grater regional counterpiracy collaborations so as to reverse the economic cost that piracy has foisted in states in the Gulf of Guinea area.

Keywords: Maritime Piracy, Economic Cost, Direct Cost, Macroeconomic Cost

Introduction

Maritime piracy in the Gulf of Guinea has significantly impacted the economies of the Gulf of Guinea region's governments, particularly those in West Africa. The Gulf of Guinea is the passageway for over 85% of West African import and export trade. States in the West African region have experienced financial downturn due to the activities of pirates in the Gulf of Guinea. According to Ocean Beyond Piracy (2018), maritime piracy in the Gulf of Guinea cost US$820.3 million in 2018 alone. The Gulf of Guinea maritime zone was named the world's most dangerous shipping route in 2020 due to the increased activity of pirates there. States in the Gulf of Guinea area heavily depends on the oil trade, and persistent attacks on oil tankers by petro-pirates have had a detrimental effect on the states' revenue streams. The security risks brought on by maritime piracy seriously impede the sub-region's ability to thrive economically. Equatorial Guinea, Gabon, Ghana, Nigeria, Angola, and Equatorial Guinea are among the countries bordering the Gulf of Guinea that profit greatly from the export of oil and other goods that travel through the region. Because the Gulf of Guinea is a vital route for ships and oil tankers, pirate activity has recently had an impact on the economies of these oil-dependent states. The Gulf of Guinea maritime corridor is used to transport oil produced in West and Central Africa to global markets. Additionally, the Gulf of Guinea is the main entry point for imports into West and Central Africa. One of the main attractions for pirates operating in the Gulf of Guinea is the volume of maritime trade in the region. However, because of piracy, the port revenues of the states in the maritime zone have drastically dropped.

Pirates operating in the Gulf of Guinea also pilfer minerals and other export goods such as cocoa. They also kidnap sailors for ransom and take over ships in the manner of Far Eastern pirates. Piracy in the Gulf of Guinea have cost states in area significant loses. For instance, the activities of pirates cost Nigeria 7% of its oil wealth in 2011 (Nelson, 2012). Benin is among the worst-affected countries in the maritime zone. In 2012, Benin's revenue plummeted by 70% because the country's economy depended on taxes imposed on ships entering Cotonou ports (Nelson & Ware, 2012). Due to pirate activities off its coast, Benin lost $81 million in port earnings in 2012 (UNODC, 2012). Additionally, it was said that in the three years between 2009 and 2011, West Africa lost US$2.3 billion due to maritime crime (UNODC, 2012). According to a different report, between 2015 and 2017, the Gulf of Guinea saw a rise in maritime crime, resulting in annual losses of almost US$777.1 million (IMB, 2020). Due to piracy, shipping companies have to pay more for insurance, which drives up the cost of shipping via the Gulf of Guinea and the price of imported goods, which drives up living expenses. The capacity of the Gulf of Guinea states to reliably provide oil to the global markets is diminished as long as pirate attacks on oil ships persist. North America, Europe, and Asia account for three million barrels of the region's oil production supply markets (Gilmer, 2014). Pirate activity has made it more difficult for states to maintain their oil production outputs at optimal level. The ongoing theft and hijacking of oil shipments have made it more difficult for oil to reach global markets, which is detrimental to the economy of the sub-region that relies heavily on oil.

This study looks at the economic cost of piracy in the Gulf of Guinea between 2010 and 2020. It assesses the expenses incurred directly and indirectly—in the form of theft of commodities and ransom payments—as a result of the piracy in the Gulf of Guinea. It also looks at the direct expenses of the states in the Gulf of Guinea area on in navies, non-navy counter-piracy programs, legal training and trials related to piracy, acquisition of vessels, and donations to pertinent regional maritime security organizations as part of regional counter-piracy initiatives. Twelve Gulf of Guinea countries—Angola, Benin, Cameroon, Congo, Nigeria, Cote d'Ivoire, Democratic Republic of the Congo, Equatorial Guinea, Gabon, Ghana, Togo, and Sao Tome and Principe—are included in the study region.

Direct Economic Cost of Gulf of Guinea Piracy

Shipping businesses and states bear some direct costs as a result of Gulf of Guinea piracy. Ransom money, pirate insurance premiums, deterrent equipment, navy deployment in piracy hot zones, piracy prosecution, and regional budgets earmarked for counterpiracy operations are a few of the direct expenditures associated with piracy.

i. The cost of ransom

The rising cost of ransom paid to free kidnapped crews or hijacked ships has been one of the most notable rises in the cost of piracy in recent years. Pirates from the Gulf of Guinea usually demand ransom payments. In addition to stealing goods and selling them in black markets, pirates operating in the Gulf of Guinea also kidnap crew members and release them after demanding a ransom. A total of US$400,000 is thought to have been paid in ransom to pirate gangs in West Africa for their ship hijackings in the Gulf of Guinea in 2015 (BBC, May 3, 2016). A total of US$800 million was given to pirates in 2017 in exchange for the release of hostages (Ocean Beyond Piracy, 2018). Petroleum product-carrying vessels were usually the target of a significant portion of reported pirate attacks. In December 2019, Nigerian pirates abducted the Nave Constellation Supertanker, which was sailing under the Marshall Islands flag. To free it, a ransom of US$11.2 million was paid (Praesidium, Dec. 23, 2019).

Table 1: Cost of Gulf of Guinea Ransom, 2010-2020

Year	Average cost of Ransom (US$)	Total Number of Successful Kidnapping	Total Cost Ransom (US$)
2010	9000	7	63,000
2011	9000	0	0
2012	11000	26	286,000
2013	13000	36	468,000
2014	15000	6	90,000
2015	18500	19	351,500
2016	20000	34	680,000
2017	25000	65	1,625,000
2018	35000	78	2,730,000
2019	40000	114	4,560,000
2020	40000	130	5,200,000
Total: 16,053,500			

Source: Adapted from OBP reports, 2010-2020

Ransoms were paid directly for local hostages and products and oil valued at US$1–20 million a year that were taken at sea. The average ransom for a non-African captive in 2019 was US$15,000; however, by 2020, the amount demanded had increased significantly (OBP, 2020). However, ransom for West African oil workers, fishers, and seafarers, have stayed consistent at US$3000–US$4000, or even as low as US$1000–US$2000 per individual (OBP, 2021).

Cost of Insurance

The maritime insurance business has increased shipping rates and premiums in response to the growing threat and expense on ransom, particularly in areas designated as high-risk pirate zones. There are three primary categories of shipping insurance: cargo, hull, and abduction and ransom. Insurance for Kidnapping and Ransom (K&R): K&R insurance often protects the crew from ransom demands, but not the ship or its contents. On the other hand, crew and property coverage have lately been added to several marine insurance policies. Munich Re, a major insurance company, predicts that between 2015 and 2019, K&R premiums jumped tenfold.

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Cargo Insurance: This type of insurance protects cargo that is shipped by sea. It is estimated that in the last few years, the excess premium on goods passing through pirate hotspots has soared to between US$25 and US$100 per container.

Hull Insurance: This type of insurance protects against physical damage to a ship caused by fire, piracy, sinking, capsizing, collisions, severe waves, and grounding. Hulk insurance costs are predicted to have risen as a result of piracy between 2014 and 2020 (IMB, 2021). From 2014 to 2020, the price of hull insurance doubled (IMB, 2021). To determine the cost piracy-related insurance premiums, K&R are multiplied by 100% of the total number of ships that pass through the high-risk area of the Gulf of Guinea (about 15,000 ships). This provides us with an estimate of the overall cost of the K&R insurance if every ship had this insurance. We next calculate a lower bound estimate of 70% of ships acquiring insurance (OEF Cost of Piracy Model), assuming that not all ships paid insurance premiums.

Some studies attempting to quantify the financial effects of armed robbery and piracy in the Gulf of Guinea have shown that the maritime transportation industry bears extremely high expenses. Shippers are required to pay these fees, which amount to hundreds of millions of dollars annually, at every stage of a normal port visit in the area. Insurance companies impose higher premiums on operations in waters deemed hazardous, and numerous firms offer hazard compensation to mariners passing through such regions. Ship owners frequently fortify their ships with anti-piracy measures, and some even employ security escorts or armed guards. Upon arriving at a port, ships usually have to pay increased freight charges and extra security expenses. The impact of these commercial expenses associated with piracy on government revenue from transoceanic trade is significant. Additionally, they lessen the competitiveness of Gulf of Guinea exports on the international market by indirectly increasing the cost of items imported into the region. In these ways, even when upfront direct costs (shipping insurance, security escorts, etc.) are mostly covered by foreign shipping corporations, the higher costs of security, counterpiracy operations, and insurance impose far-reaching indirect costs on African governments.

Table 2: Cost of Excess Insurance Premiums from transiting around the Gulf of Guinea

Year	K&R Surcharge (US$)	Total Insurance c (If all ships purchased) (US$)	Lower Bound Estimate (10% (US$)	Upper Boun Estimate (70%) (US$)
2010	20,000	300,000,00	30,000,00	210,000,00
2011	20,000	300,000,00	30,000,00	210,000,00
2012	25,000	375,000,00	37,500,00	262,500,00
2013	25,000	37500000	37,500,00	262,500,00
2014	26,000	390,000,00	39,000,00	273,000,00
2015	27,000	405,000,00	40,500,00	283,500,00
2016	28,000	420,000,00	42,000,00	294,000,00
2017	30,000	450,000,00	45,000,00	315,000,00
2018	35,000	525,000,00	52,500,00	367,500,00
2019	35,000	525,000,00	52,500,00	367,500,00
2020	37,000	555,000,00	55,500,00	388,500,00
			462,000,00	**3,234,000,00**

Source: Adapted from OBP annual reports 2010-2020

Based on IMO data, the computation above indicates that each year, roughly 15,000 vessels pass through the Gulf of Guinea. Tankers, fishing boats, transport ships, and other commercial vessels are among them. This figure illustrates the Gulf of Guinea's significance as a significant shipping channel, a hub for trade, and a transit hub for energy. The growing number of piracy occurrences in the Gulf of Guinea has led to a boom in the insurance industry. The cost of insurance has increased steadily for ships that pass through the Gulf of Guinea.

The Cost of Deterrent Security Equipment

A growing number of pirate attacks in the Gulf of Guinea have prompted some ship owners to equip their vessels with security staff or deterrent technology to safeguard their crew and property from potential pirate attacks. It is difficult to find reliable information about the percentage of ships that buy deterrent equipment and the specific kind of equipment that deterrents buy. However, Table 3 below lists the average cost of security personnel and deterrent equipment. Since ship owners are more likely to be interested in acquiring deterrent equipment in the Gulf of Guinea, these rates reflect expenses for equipment utilized for transit near that region. According to the OEP Cost of Piracy Model, a ship would spend, on average, US$136,000 for every transit if they were all to install deterrent technology or employ security personnel. Having known that about 15,000 ships pass through the Gulf of Guinea annually. The cost of deterrent equipment can be calculated. This can be done by estimating a lower bound (10% of ships) and an upper bound (70% of ships) for the overall cost of deterrence equipment to the maritime sector, just as we did for the cost of insurance premiums above. According to our calculations, the maritime industry must pay between US$360 million and US$2.5 billion annually for deterrence equipment.

Table 3: Deterrence Equipment and Personnel Cost

Equipment	**Cost (US$)**
Licensed Security	75,000
Sonic Deterrence E	1,300
Barbed/Razor wire	13,000
Sandbags	1,400
Electric fences	30,500
Total per ship/ per tra	121,200
Total security cost purchased per year	1,818,000,00
Lower bound es year (10%)	**181,800,000**
Upper bound es year (70%)	**1,272,600,00**

Cost of Naval Forces

Currently, the main regional counterpiracy force active in the Gulf of Guinea is Operation Safe Domain II. Naval contingents from Nigeria, Benin, Togo, and the Niger Republic makeup the military formation. The participating nations in the naval patrol of the Gulf of Guinea zone which operate under the auspices of the G7++ Friends of the Gulf of Guinea (G7++ GOG) include the United Kingdom, the United States, China, Spain, Japan, France, Germany, and Italy. The European Union also takes part in anti-piracy activities in the Gulf of Guinea. At the moment, the Gulf of Guinea is patrolled by about 22 naval ships. The 2020 UNODC report on maritime security states that the operating costs of a single US Navy warship amount to approximately $84,794 per steaming day. We estimate that the cost of these military vessels is around US$1.4 billion annually, multiplied by the total number of 22 warships deployed and 365 days. When we factor in the Operation Safe Domain II administration budget and extra funding from other countries, we arrive at an approximate annual cost of US$3 billion for naval operations in the area.

The cost of prosecuting pirates

Any state may prosecute a pirate offense under universal jurisdiction, even if there is no direct connection between the offense and the nationality of the crew, the ship owner, or the criminal. The international community has provided financial help to regional governments in order to urge them to hold piracy trials, as the Gulf of Guinea countries, the home base of pirates, have limited prosecutorial capabilities. Nigeria and Cameroon have passed anti-piracy laws recently, and some pirates have been charged with crimes and put in jail. In the many instances of piracy and armed robbery in ports and anchorages in the Gulf of Guinea since 2012, 141 pirates and robbers with weapons have been taken into custody. In 2021, the Gulf of Guinea recorded the highest number of pirate convictions in decades, with 26 pirates found guilty in three separate pirate trials. In 2019, Togo found nine pirates guilty in the first trial of its sort for the G Dona I hijacking. Sections 3, 10, and 12 of the Suppression of Piracy and Other Maritime Offenses Act of 2019 (SPOMO) were used to sentence the first ten pirates found guilty in Nigeria for the 2020 hijacking of the Hai Lu Feng 11. The third occurrence was mostly overlooked in the area. For the 2016 Maximus hijacking, seven pirates were found guilty in Nigeria, albeit beyond the scope of the SPOMO Act. Nigeria and Togo dominate the area in pirate prosecutions and trials, and both countries have established anti-piracy legislation.

The UNODC's statistics indicate that since 2019, countries in the Gulf of Guinea area has spent at least $350,000 on trainings pertaining to the legal aspects of piracy, with Nigeria ($79,000), Côte d'Ivoire ($68,000), and Ghana ($43,000) bearing the brunt of the costs. Future years may see a rise in these costs if COVID-19 limits loosen and more states pass anti-piracy laws. Because there have been few trials so far, hardly much money has been spent on prosecutions. These expenses are probably going to rise in the upcoming years as more states pass legislation against piracy.

The UNODC Global Maritime Crime Programme in the Atlantic Ocean section also computed the overall expenses of recent pirate cases, estimating that each trial would cost roughly $50,000 after deducting other costs and the wages of government officials involved. When combined, the legal expenses related to counter-piracy operations are minimal in comparison to naval expenses; yet, they play a crucial role in resolving the issue. We project an average annual cost of $150,000 to $200,000 for the last three years. Until there are genuine legal repercussions for offenders who are captured, pirates are unlikely to be discouraged. This makes these expenses quite significant, even though their total amount is minimal in comparison to other financial burdens on the Gulf of Guinea governments.

Table 4: Prosecution of Gulf of Guinea Pirates undertaken by different countries, 2013-2023

Country	Trial Suspects	Prosecution
Nigeria	26	26
Cameroon	11	7
Gabon	5	5
Total	**39**	**38**

Direct Losses from Stolen Oil and Goods

Even as late as 2015, Oceans Beyond Piracy (OBP) classified more than 80% of the occurrences in the Gulf of Guinea as robbery and hijacking for theft as opposed to kidnapping for ransom. When these were the main objectives of the attackers, the region suffered greatly from armed robbery and piracy, which resulted in the theft of precious gadgets, computers, phones, gasoline, motors, and oil from ships. However, the majority of public estimates of the direct costs of these types of theft have been overstated because they have been confused with other crimes.

To gain a better understanding of the extent of oil theft in the Niger Delta area of Nigeria, Chatham House carried out a comprehensive study there in 2013. Their thorough investigation yielded an estimated annual cost of $3 billion to $8 billion, and they made it clear that this crime occurs "onshore or in the swampy and shallow waters of the Niger Delta" (UNODC, 2014). However, this number was soon included in an expanding collection of articles on petro-piracy, an ambiguous term that has encouraged the conglomeration of many crimes (UNODC, 2014). This word is used by certain scholars and journalists to refer to oil theft in general, regardless of the location, while it is specifically used to refer to attacks at sea against oil tankers. Because of this, the whole financial loss incurred by oil theft is sometimes included in the category of "maritime crime," which causes estimates of the direct costs of piracy and armed robbery at sea to be greatly exaggerated.

Expense of Counter-Piracy Activities

States in the Gulf of Guinea area bear the brunt of the direct costs associated with piracy. Some states such as Nigeria, Benin, Cameron and Togo have collaborated and spearheaded counterpiracy efforts in the Gulf of Guinea and this comes with some financial cost. The total cost of navy expenditures, counterpiracy operations, vessel acquisitions, actions carried out in agencies other than navies, multilateral institutions, and legal reforms can be used to calculate these expenses. The best estimates from extensive government budgets, senior official interviews, news reports on public weapons sales, and international databases on defense spending are added up, and the total annual direct costs come out to about $524 million. Expenditures by the business sector, foreign organizations, or navies operating outside the Gulf of Guinea are not included in this. Over the past ten years, government spending on counter-piracy activities has grown rapidly, reaching $272 million in navy spending annually and possibly $250 million more in non-naval spending. Since 2014, almost every country in the region has purchased vessels that are suitable for counter-piracy, such as patrol boats and coastal combatants, even though Nigeria is investing the most. Even though they are relatively tiny budget items, legal training sessions, simulated trials, and prosecutions are essential for discouraging criminal activity through the legal system. Although the centers are currently underfunded, regional information-sharing centers set up as part of the Yaoundé Architecture for

Maritime Security (YAMS) could increase the effectiveness of each country's counterpiracy efforts.

Nigeria is an exception to the general pattern of lagging investment in fleets, despite the fact that the country faces among of the worst insurgencies in the area in the north. No other Gulf of Guinea nation has added naval personnel at the same rate as Nigeria (Military Balance, 2021). Over the past ten years, Nigeria's military troops have more than tripled. About 18% of Nigeria's defense troops are currently from the country's coast guard and navy. This is the highest rate in the region and far higher than the percentage of navy personnel in nations such as Côte d'Ivoire (4%), Togo (2%), and Angola (1%). Between 2012 and 2021, the overall number of military troops in the region increased by 17% to 485,000. The number of naval personnel almost doubled, from about 21,500 to 39,500, during that time. Nigeria's influence in the Gulf of Guinea is growing because to the abrupt decline in Angolan defense investment and the smaller forces in the region shifting their focus to onshore defense. Slightly over one in three sailors in the region in 2012 were from Nigeria. In 2021, the Nigerian navy employed over two out of every three members of the regional navy. The fact that many nations do not break down spending by military service in publicly accessible open-source sources makes it difficult to estimate the amount spent particularly on naval services. On the other hand, we can use the ratio of defense personnel—navy to non-navy—to get an approximation of this. In nations that offer disaggregated defense budgets, the easy but imprecise approximation of naval spending can be obtained by multiplying the total defense budget by the proportion of defense personnel who are in the navy. For instance, the estimates produced by this method are within 3% of Nigeria's publicly available naval budgets. Using this strategy, we estimate that the twelve countries under study will spend $550 million on naval projects in total in 2021, with Nigeria spending about $382 million (69%) of that total. Using this to the full ten-year period, the twelve states have spent a total of approximately $4.5 billion on the naval since 2011.

Table 4: Total Naval Spending Estimates (US$ million) using Navy Personnel Ratios

Country	Total Active Duty	Additional Reserves or Paramilitary	Navy/CG Personnel	Total Defense Budget in USD ($m)	Estimated Navy/CG Budget ($m)
Angola	107,000	10,000	1,000	949.76	**8.88**
Benin	7,250	4,800	500	57.76	**3.98**
Cameroon	25,400	9,000	1,500	420.11	**24.81**
Congo	10,000	2,000	800	312.39	**24.99**
DR Congo	134,250	0	6,700	321.46	**16.04**
Cote d'Ivoire	27,400	0	1,000	629.96	**22.99**
EQ Guinea	1,450	0	250	7.00	**1.21**
Gabon	4,700	2,000	500	280.07	**29.79**
Nigeria	143,000	80,000	25,000	2,184.47	**381.90**
Ghana	15,500	0	2,000	250.00	**32.26**
Togo	8,550	750	200	120.22	**2.81**
Regional Sum					**549.67**

Sc

Macroeconomic cost

Costs associated with piracy are typically concentrated on the immediate costs. When calculating the cost of piracy, secondary or indirect costs are frequently overlooked. Among the indirect consequences of piracy include damages to local trade, inflation in food prices, and lost foreign money, to name a few.

i. Cost to regional trade

The economies of states in the west African region as well as those throughout the world have been severely impacted by piracy. Because of piracy, the Gulf of Guinea is no longer a safe haven for international trade. Trade costs are impacted by piracy not only because specific ships are stopped while transporting products, but also because some maritime nations may decide not to cross the Gulf of Guinea. In addition, the entire commerce route is changed, insurance rates rise, cargo shippers utilize alternate ports to pick up and transport their goods, and so on, as the maritime region is perceived as being endangered by piracy. The Gulf of Guinea piracy has a significant negative economic impact on states like Nigeria, Benin, and Cameroon. The costs incurred by consumers are passed on to them when piracy raises import costs. The price of imported goods could increase by 10% due to piracy (OBP, 2021). Fish supplies are reduced as a result of piracy's impact on the fishing industry.

ii. Food inflation costs

Bulk carriers and general cargo vessels have been the target of about 45% of piracy assaults in the (OBP, 2021). Most of the staple foods found in the West African region, like grains and rice, are transported by these vessels collectively. Food prices are directly impacted by pirate attacks on these vessels since they cause food cargo deliveries to be delayed or, in certain situations, result in the loss of perishable supplies. The majority of the states in the Gulf of Guinea plagued by piracy are underdeveloped countries that rely largely on food imports. Attacks by pirates may lead to an increase in food prices, which would have detrimental effects on the economy and on society. In many countries, a sharp increase in food prices may also spark riots, social instability, and possibly even hostilities. Nigeria is currently seeing a significant increase in food prices, and the import tariffs on grains and rice have been waived by the federal government. Therefore, a pirate attack on food cargoes could worsen the inflation of food prices and lead to societal unrest.

iii. The cost of reduced foreign earnings

Reduced foreign earnings is one of the main costs incurred by piracy-affected states in the Gulf of Guinea. Due to the instability and unpredictability of states impacted by piracy, foreign investors could search for other places to invest or spend their capital. For example, as a result of pirate activity in the Niger Delta region, some international companies working in Nigeria's dangerous Niger Delta area moved their headquarters to other parts of the country, including Lagos and Abuja. In fact, a few of them departed the country. The decline in the tourism sector is another illustration of reduced foreign earning. For instance, there must have been fewer travelers to countries like Gabon, Angola, Equatorial Guinea, Ghana, Nigeria, Cameroon, etc. as a result of piracy. The extent to which tourists choose air travel over sea travel or ship excursions is hard to gauge. Because to piracy, cruise ships are avoiding the Gulf of Guinea, and from 2010 to 2022, fewer tourists visited the Gulf of Guinea on cruise ships—a 97% decrease in visitors. Piracy has had a significant negative impact on the Gulf of Guinea countries' tourism industries, especially on businesses like boat rentals. Tourists are less likely to visit the Gulf of Guinea seas because of the pirate infestation, which has had a negative impact on the economies of the states in the region. Revenue from maritime tourism has decreased significantly in recent years.

Conclusion

Maritime piracy in the Gulf of Guinea has had severe consequences on the economies of states that line up the Gulf of Guinea. The economic costs associated with piracy in the Gulf of Guinea are categorized into two, direct cost and indirect or macroeconomic cost. Some of the direct economic cost such as cost of ransom, which is put at over 16 million US dollar, from 2010 to 2020; and cost of insurance, which has soared over the last decade and depleted governments' revenues from transoceanic trade. The cost of excess premiums paid by shipping companies transiting the Gulf of Guinea from 2010 to 2020 is estimated to fall between 462 million to 3.2 billion US dollar. In a similar trend, the cost of installing deterrence equipment and employing security personnel in ships and vessels are also major costs that shipping companies bear as a result of piracy in the Gulf of Guinea. It is estimated that shipping companies, from 2010 to 2020 have spent between 181 million US dollar and 1.2 billion US dollar to install deterrence equipment and employ security personnel. States in the Gulf of Guinea area and international partners also bear the cost of deploying naval forces to secure the Gulf of Guinea. When suspected pirates are arrested, states spend their resources in prosecuting suspects. States in the Gulf of Guinea also suffer direct losses from stolen oil and goods by pirates. Furthermore, some states in the region undertake in collaborative counter piracy operations which come at great economic cost. On the other hand, the indirect or macroeconomic cost of piracy such as threat to regional trade, high cost of import, high price of goods, food price inflation and reduced revenue from maritime tourism. It is from these plethora of economic costs that the paper surmises the Gulf of Guinea piracy constitute serious threats to the economy of states in the area.

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