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Welcome to Sealand. Now Bugger Off.

Hunkered down on a North Sea fortress, a crew of armed cypherpunks, amped-up networking geeks, and libertarian swashbucklers is seceding from the world to pursue a revolutionary idea: an offshore, fat-pipe data haven that answers to nobody.

By *Simson Garfinkel*

Ryan Lackey, a 21-year-old MIT dropout and self-taught crypto expert, sees fantastic things for himself in 2005. For starters, he'll be filthy rich. But his future is animated by more than just money - to wit, the exploration of a huge idea he thinks will change the world. Lackey's big concept? That freedom is the next killer app.

Before you get too choked up, you should know that Lackey means giving corporations and frisky individuals the "freedom" to store and move data without answering to anybody, including competitors, regulators, and lawyers. He's part of a crew of adventurers and cypherpunks that's working to transform a 60-year-old gunnery fort in the North Sea - an odd, quasi-independent outpost whose British owner calls it "the Principality of Sealand" - into something that could be possible only in the 21st century: a fat-pipe Internet server farm and global networking hub that combines the spicier elements of a Caribbean tax shelter, *Cryptonomicon*, and 007.

This summer, with \$1 million in seed money provided by a small core of Internet-fattened investors, Lackey and his colleagues are setting up Sealand as the world's first truly offshore, almost-anything-goes electronic data haven - a place that occupies a tantalizing gray zone between what's legal and what's ... possible. Especially if you exist, as the Sealanders plan to, outside the jurisdiction of the world's nation-states. Simply put: Sealand won't just be offshore. It will be *off-government*.

The startup is called, fittingly, HavenCo Ltd. Headquartered on a 6,000-square-foot, World War II-era anti-aircraft deck that comprises the "land" of Sealand, the facility isn't much to look at and probably never will be. It consists of a rusty steel deck sitting on two hollow, chubby concrete cylinders that rise 60 feet above the churn of the North Sea. Up top there's a drab building and a jury-rigged helicopter landing pad.

Soon, Lackey believes, powerful upgrades will transform Sealand into something amazing. The huge support cylinders will contain millions of dollars' worth of networking gear: computers, servers, transaction processors, data-storage devices - all cooled with banks of roaring air conditioners and

powered by triple-redundant generators. HavenCo will provide its clients with nearly a gigabit per second of Internet bandwidth by year's end, at prices far cheaper than those on the overregulated dry land of Europe - whose financial capitals sit a mere 20 milliseconds away from Sealand's electronic nerve center. Three speedy connections to HavenCo affiliate hubs all over the planet - microwave, satellite, and underwater fiber-optic links - will ensure that the data never stops flowing.

HavenCo's onboard staff will come and go on helicopters and speedboats. Four security people will be on hand at all times to maintain order; six computer geeks will run the network operations center. The security personnel, heavily armed and ready to blast anybody who shouldn't be around, will make sure that unauthorized boats and aircraft keep their distance. The geeks will perform maintenance tasks like replacing failed hard disks and installing new equipment. These routine chores will be a little more challenging than usual, given the maritime setting and Sealand's obsession with privacy. Fall over the edge of Sealand's deck, for instance, and you'll probably drown. Simply entering one of the machine rooms will require putting on scuba gear, because the rooms will be filled with an unbreathable pure nitrogen atmosphere instead of the normal oxygen mix - a measure designed to keep out sneaks, inhibit rust, and reduce the risk of fire.

HavenCo will be "offshore" both physically and in the sense that its clients - who will purchase preconfigured "colocation" computers maintained and secured by HavenCo - will basically be able to tell the rest of the world to shove it. The essence of offshore Internet services, as defined by sort-of-offshore places like Anguilla and Bermuda, is that when you base an operation in such a locale, you can claim to be governed only by the laws that prevail there. So if Internet gambling is legal (or overlooked) in Country A but not in Country B, you set up in A, and use the Web to send your site to B - and to the rest of the world.

Similarly, companies using Sealand to house their data can choose to operate according to the special laws of Sealand, and those laws will be particularly lax - though not quite anarchic. Lackey says the general idea is to allow a little naughtiness, while forbidding criminal activity that could generate international outrage.

Meaning? Basically, that HavenCo wants to give people a safe, secure shelter from lawyers, government snoops, and assorted busybodies without getting tangled in flagrant wrongdoing. So if you run a financial institution that's looking to operate an anonymous and untraceable payment system - HavenCo can help. If you'd like to send old-fashioned, adults-only pornography into a grumpy country like Saudi Arabia - HavenCo can help there, too. But if you want to run a spamming operation, launder drug money, or send kiddie porn anywhere - forget it.

To visualize a typical HavenCo customer circa 2005, imagine a company we'll call MacroMaxx, a Berlin-based construction giant that has offices throughout the world. MacroMaxx wants a secure new data center for its European offices, so the firm clicks on to the www.havenco.com Web site and purchases access to a Sealand-based server hooked up to an IBM RAID machine, which gives it a terabyte of online storage. The system is already installed and running in HavenCo's machine room. After putting through a confirmed bank transfer, MacroMaxx instantly gets the computer's password. Its technicians configure the standard set of server applications, then start building user accounts. Within an hour, email is moving.

The server's location on Sealand means MacroMaxx won't have to worry about fires, earthquakes, tornadoes, thefts, bomb threats, industrial sabotage, or killer-bee attacks. Or, for that matter, the discovery process in civil suits. If MacroMaxx is embroiled in a legal tussle and doesn't feel

cooperative, it could use Sealand's unique status as a way to dig in its heels. Say, for example, that a pesky court official shows up at the company's Berlin office with a disk-duplicating device, demanding all company email for the past year. MacroMaxx execs could say, "Gee, we don't have that here." The official would be stymied, because the email simply wouldn't be on the premises, and it's up to MacroMaxx whether it keeps any backups around. The primary data would be housed only at Sealand.

And should the authorities find out and call Sealand demanding to come aboard and access MacroMaxx's machines? No problem, says Lackey: They'll be told to bugger off.

That's the vision, anyway. The current reality is more mundane. Sealand does exist - it's a real, live, passport-issuing, artificial micronation that's been around since 1967, arguably the only remotely credible place like it in the world. But there's a lot of work left to be done, as I saw firsthand on a dim and stormy day in March.

HavenCo will allow online gambling, pyramid schemes, and adult pornography - but spamming and corporate cybersabotage are out.

Sealand was originally called Roughs Tower; it was built as part of a complex of no-frills anti-aircraft forts designed for shooting down Nazi planes on bombing runs to England. The old battle station stands in 24 feet of North Sea brine, 6 miles east of Felixstowe, an industrial port on the southeast coast of England. Abandoned after the war, the structure was occupied in '67 by Roy Bates, a British war veteran who renamed it Sealand, declared its independence from Great Britain, and appointed himself its "prince."

He got away with it, too - sort of. Officially, the UK doesn't recognize Sealand, but except for a few dustups now and then, the government has left the strange little fief alone.

The bigger challenge for Bates has been figuring out what to do with it. Over the years, Roy (the royal patriarch, now 78), his wife, Joan (also known as Princess Joan, 70), and his son, Michael (the dauphin-style heir apparent, 47), have earned their livings through fairly ordinary pursuits - like commercial fishing and fish processing - while shuttling back and forth between the platform and the mainland and styling themselves dual citizens of Sealand and the UK. They've theorized about various moneymaking plans - pirate radio outposts, tax havens, pleasure dens, casinos - but in the end, Sealand has been a money pit. The Bateses say they've spent huge amounts on upkeep, supplies, legal fees, and improvements.

When Sealand does blip on the geopolitical radar, it usually involves a brand of low comedy that has made it a favorite of Fleet Street journalists. In 1997, for example, an Andrew Cunanan/Sealand connection surfaced. After Gianni Versace's killer committed suicide on a Miami houseboat, police discovered that the man who owned the boat was in possession of a purported Sealand passport. Nothing more came of it, but as it turns out, lots of people have Sealand passports who shouldn't - the things apparently self-replicate without the Bateses' knowledge. This past spring, Sealand made the news again: Law-enforcement officials in Spain busted a Madrid-based gang allegedly tied to international drug trafficking and money laundering. The gang appeared to be using a fake Sealand Web site and thousands of phony Sealand passports as part of its criminal activity.

Questioned by Interpol, Roy wailed about the injustice of anyone using the Sealand name for black deeds. "[Sealand] has all been a game, an adventure, and it is very unfortunate

to see it take this turn," he told one reporter.

"Nobody is more honest than my husband," Joan said at the time. "He's so honest he creaks."

Whether or not HavenCo counts as creakingly honest, it isn't the sort of enterprise you'd expect to come from a 78-year-old fisherman, and it didn't. In this deal, Roy is a cheerful cosignatory, but it was Michael who forged the pact with the cypherpunks. Michael is also the only "royal family" member on board when I go along for the weekly resupply mission to Sealand, which shoves off from the town of Southend-on-Sea - where Michael and a partner run a shellfish-processing factory - at 4:30 am sharp.

Our boat, the *Paula Maree*, pulls away from the coast toting enough canned food and drinking water to feed Sealand's current two-man crew for another week. Today the vessel is carrying more interesting stuff, including steel girders, a winch, an electric arc welder, an oxyacetylene torch, and a welding tank. The construction materials are for use in building a new crane that will hoist aboard still more building supplies, generators, power conditioners, batteries, and fuel tanks. If all goes according to plan, Sealand will support millions of dollars worth of networking equipment and computer racks by late summer.

It takes 15 minutes to get to Sealand by helicopter, but our trip will take five hours because we're starting 45 miles southwest of the site. The *Paula Maree's* captain, a clean-shaven, compact fisherman named Mason West, guides the vessel using a combination of navigational beacons and GPS. Ryan Lackey and Michael Bates are on board, along with two burly security guards, Alan Beale and Bill Alen, who will spend the next week doubling as construction workers.

The cockpit is jammed, so Bates sends Lackey and me down below. Lackey is short and pudgy, with the requisite shaved head of a new media hipster. He's obviously intelligent, and seems driven to do something major before he's 25. After scoring 1,580 on his SATs, he skipped his last year of high school and entered MIT in 1996. But he quit after three years for lack of tuition money - he now describes himself as a "crypto-hacker/crypto-anarchist who happened to be attending MIT" - and went to work as a programmer for a highly secretive electronic payments startup that he cofounded, then abandoned, on the Caribbean island of Anguilla. After his failed stint there, he moved to San Francisco, his home base during the busy period leading up to the HavenCo launch.

Michael Bates comes down the ladder. He and Lackey start talking about pending renovations to Sealand's electrical system. Lackey, thinking big, wants to buy three large generators, a couple of industrial-size power conditioners, and a hefty bank of batteries to run the computers in an emergency. "I'd like to shoot for five minutes of battery backup," he says, explaining that if two of the running generators simultaneously fail, five minutes should be enough time to get the third operational. "We'll use gel cells."

"How many thousand pounds?" Bates asks. He means the weight, not the price: HavenCo's existing crane can barely lift 800 pounds.

Lackey shrugs: dunno. He shrugs again when I recommend conventional lead-acid batteries, because gel cells have a limited shelf life. "Five years from now," he says, hitting me with a serious gaze, "we are either going to be completely broke or we're going to be fantastically wealthy."

Sounds far-fetched, but who knows? HavenCo has collected its key employees, studied the relevant (and confusing) international law, and scooped up the money needed to get

going. Along with Lackey, major personnel include Sean Hastings and his wife, Jo, who have experience in programming, offshore financing, and online gambling. Another important player is Sameer Parekh, a computer security specialist who launched the crypto software company C2Net and is now HavenCo's chair. Parekh confidently predicts HavenCo will pull in between \$50 million and \$100 million in profits by the end of its third year in business.

That remains to be seen - Lackey says he has plenty of clients lined up, but for "security reasons," he can name only one of them: Tibet Online, the Net presence of Tibet's exiled government, which is eager to escape the clutches of the Chinese government. Lackey also intimates an impending partnership with a major corporation he expects will resell HavenCo colocation space to customers with the highest security demands. Before HavenCo had even signed any clients, the project attracted decent investment money from serious people. Two Internet millionaires have publicly jumped aboard: Avi Freedman, Akamai's 30-year-old VP of network architecture, is investing \$500,000; and Joichi Ito, the 34-year-old chair of Infoseek Japan, is kicking in \$200,000. (A group of anonymous backers has also ponied up \$400,000.) That's not a lot as startups go, but HavenCo doesn't need much to get off the ground. Both public investors are serious about HavenCo, complete with its dicier aspects. "I think it's a great project and I hope to see it test some of the edges of our geopolitical economy," says Ito. "The idea has great potential to force governments and other organizations to look at issues surrounding the regulation of commerce and the Internet."

Freedman says he's fully on board and enthused about the project. "If this was just about secure colocation, I wouldn't be investing," he says. "I have a firm belief that countries that encourage and foster open communication will prosper. Those that don't, won't. I see the establishment of a company to focus on the data haven aspect as an important first step. There is idealism involved. This is not strictly economic."

As the principals sketch it out, HavenCo will succeed because it has an unbeatable two-pronged business plan. First, it will operate as a traditional colocation facility - that is, a company that rents space to store servers and provides Internet connections to companies' computers and servers. Colocation is a multibillion-dollar-a-year business currently dominated by outfits like Santa Clara, California-based Exodus Communications, which builds large, earthquake-proof buildings with redundant power supplies, speedy Internet connections, and rows and rows of equipment racks housed in a secure setting. These enterprises put a premium on security, because that's exactly what clients demand. Last spring I visited an Exodus facility in Santa Clara, and my guide proudly pointed out the multiple video cameras, bulletproof glass, and palmprint readers used to verify the identity of people coming to service their equipment. Business is booming: Exodus earned \$134 million during the first three months of 2000, a 32 percent increase over the previous quarter.

Nevertheless, Lackey believes HavenCo can do the job better. "Exodus looks secure, but it isn't," he insists, comparing it to a walled city that's protected against outsiders but not insiders. Neither customers nor computers entering Exodus are physically searched or x-rayed, he says, so it would be possible to smuggle in a bomb or simply walk in and shut off the power.

HavenCo won't have these vulnerabilities, Lackey says, because even its customers won't be allowed to visit Sealand or to provide their own equipment. Instead, HavenCo will offer a range of standardized, preconfigured machines, purchased directly from the manufacturer and installed by HavenCo employees. "For us," says Lackey, "security means ensuring customers that their data will be safe from anyone

and everyone, even themselves and our own employees."

It also means a willingness to laugh off legal challenges, which is part two of the master plan. For people wanting more than just colocation - who salivate over the tangy protections that a real data haven allows - HavenCo is ready to serve. Having spent time working in Anguilla, Lackey went away unimpressed, because a company operating there can still be shut down by court order if the local government decides to intervene. "Among the things that are illegal in Anguilla are pornography and any type of gambling," he sniffs. "As it stands today, Anguilla is useful only for incorporating nonresident companies and relaxing on the beach."

HavenCo will allow for gambling, pyramid schemes, adult porn, subpoena-proof email, and untraceable bank accounts. But not everything will fly. In addition to the spam and child-porn ban, corporate cybersaboteurs are forbidden. The reason, says Jo Hastings, HavenCo's chief marketing officer, is a policy dictated by Avi Freedman: Don't do anything that would inspire law enforcement officials or ISPs to shut down HavenCo's mainland Internet connections. "We will reserve the right to drop any Web site or service that would threaten our access to the Net," Hastings says.

Still, it's obvious from Lackey's gung-ho pronouncements that HavenCo will stand tough when clients need it most. Consider a real-life example from the mid-'90s, when the Church of Scientology convinced Finnish police to raid the home of a Helsinki resident, who was hosting an anonymous remailer service, anon.penet.fi. (See "[alt.scientology.war](#)," *Wired* 3.12, page 172.) The Scientologists wanted to know who was posting church documents on the Internet. The police showed up at the host's door and forced him to give up the name. If that remailer service had been located on Sealand, the Sealanders simply would not have complied.

But what if the church sent in a private gunboat and demanded the data? "This is how we'd deal with any battle group threatening to destroy us over a server," says Lackey, emphasizing Sealand's foursquare commitment to customer satisfaction. "We'd power off the machine, optionally destroy it, possibly turn over the smoking wreck to the attacker, and securely and anonymously refund payment to the owner of the server."

Two hours from Sealand, the water turns muddy and starts to get rough. The North Sea forecast calls for a very windy morning with rain in the afternoon; soon there are so many waves breaking over the bow that we can't see out the windows.

For "security reasons," HavenCo will mention the name of only one client: Tibet Online, the Net presence of the exiled government, which is eager to escape the clutches of China.

"I see that we are coming up against Sealand's defenses," jokes Alan Beale.

As we get closer, the water calms down and, back upstairs in the pilot's cockpit, I get my first glimpse of Sealand in the distance: Looming taller and taller as we approach, dwarfing our tiny boat, it looks like an industrial-age Stonehenge. Clearly, the structure's best defense isn't the weather, but its height. When I visit, there are only two ways onto Sealand: landing by helicopter or getting hoisted up in a bos'n chair. I'll be taking the chair express, and, as I admit to Michael Bates, I'm nervous.

"Don't worry, you'll love it!" he roars, laughing. Beale hands me a white hard hat and a self-inflating life vest. He doesn't

use these himself, but he brought them along especially for Lackey and me. "It seemed a good idea," he says gently.

High above us on the deck, two men lower what looks like the red seat from a child's swing set attached to the end of a long cable. Bill Alen takes his place on the plank of wood, grabs the ropes, and is winched 60 feet into the air and lowered onto the platform's deck.

When my turn comes I sit, hold on tight, and watch the boat fall away underneath me as I'm jerked skyward. Halfway up, the wind gains force and I'm tossed around violently. The hard hat, I realize, is there to protect my skull in case the wind bops me against the platform. It's blowing so furiously that the crew stops the winch until I stabilize. They start the motor again and soon I'm level with the railing that surrounds the deck.

"Raise your legs!" somebody shouts. I do, the crane swings around, and I'm momentarily suspended a few feet over the deck. I jump down and come face-to-face with a menacing sight: Sealand's 3.7-inch antiaircraft gun. It's covered with rust and will never fire again, but it seems like an apt symbol of the micronation's defiant future.

Not to mention its certifiably defiant past: Sealand wouldn't be what it is today without the hotspur energies of Roy Bates, who rose to the rank of major in the British army, fought in North Africa, Sicily, and Italy, and was wounded in action several times. After the war, he started various enterprises, including an import-export business, a wholesale meat business, and a 30-boat fishing fleet.

In 1965, the Bates family embarked on a project that Joan cheerfully describes as "pioneering commercial radio." Others called it pirate radio, because at the time the BBC was the only licensed broadcaster in England. Inspired in part by the success of another radio pirate, and ignoring the law, Roy set up a station on Fort Knock John, one of the abandoned WWII sea forts where he started broadcasting music and advertisements.

Called Radio Essex, the station's 5-kilowatt broadcast blanketed roughly a quarter of England. But the British government wasn't a fan: Bates received a summons in September 1966 for operating a transmitter without a license. Unfortunately for him, he had picked a tower that was just inside England's territorial limit, which was then set at 3 miles out from the coast. He was fined £100 and forced to shut down.

Roy wouldn't make the same mistake again. On Christmas Eve that year, he and Michael, 15 at the time and home from boarding school, dismantled their station and hauled everything to Roughs Tower, which was 6 miles out and therefore beyond the existing territorial limit. There wasn't much the British government could do to stop them, but the military did blow up another fort that stood beyond the 3-mile boundary, to prevent a similar takeover there.

A few months later, Roy and Joan were out with friends in a local pub. Joan mentioned casually that she wanted to have "a flag and some palm trees" to go with the "island" her husband had won for her. Their friends started listing all the things Roy and Joan could do with a sovereign property. Roy hired an attorney to do further research, and learned that a loophole in international law left room for the Bates family to claim Roughs Tower as its own.

"It's called dereliction of sovereignty," explains Michael. "We took over the sovereignty that the British government had derelicted."

On September 2, 1967, Roy proclaimed the independence of Sealand. He pegged the country's currency to the US dollar, minted gold and silver coins, issued passports, and printed a

series of stamps honoring great discoverers like Christopher Columbus and Sir Walter Raleigh.

Britain basically ignored the "country" until 1968, when, in a move that helped force the sovereignty issue, Michael fired warning shots at workmen who were servicing a navigational buoy near the platform. The next time Michael and Roy set foot on British soil, they were promptly arrested for weapons violations. But in October of that year, a British court acquitted them, ruling that since Sealand was "about 3 miles outside territorial waters," the Crown's firearms laws didn't apply there. The authorities, perhaps sensing that an embarrassing precedent was taking shape, decided not to appeal.

The British government extended its territorial limit to 12 miles in 1987, but Sealand has been allowed to plod on. Over the years, other legal cases have seemed to bolster the Bateses' sovereignty claim, though the government's stance is still nonrecognition. In 1984, the British Department of Health and Social Security issued a written ruling that Michael Bates did not have to pay his national health insurance for the periods he resided on Sealand. In 1990, Sealand once again fired shots at a boat that came too close. Local authorities investigated, but the matter was quickly dropped.

Sealand itself was never used for pirate broadcasting, due to changes in English law and a broadcasting environment that caused Roy to lose interest in pirate radio by the late '60s. Roy looked around for outside investment in the '70s and '80s, but little came of it except misadventure. Michael says that a number of "undesirables" have contacted the family over the years hoping to use the place for various schemes - from setting up some sort of "pleasure island" to smuggling. Roy claimed he was approached during the Falklands War by a group of Argentineans who wanted to buy Sealand and set up camp "right on Britain's doorstep."

"Of course I sent them away," he told *The Independent* in 1990. "I'd never do anything that would pose a threat to the UK."

The most raucous moment in Sealand's history occurred in 1977, when the Sealanders were approached by a German and Dutch consortium of shadowy lawyers and diamond merchants.

"They wanted to be part of what we were doing, and they wanted to develop it as well," Joan recalls. "Then they asked us to go to Austria" for a meeting. Roy was wary, but Joan persuaded him, saying, "What have we got to lose?"

When Roy and Joan arrived in Austria, five men greeted them and arranged a meeting for later. The men never showed. Suspicious, Roy and Joan tried to contact Sealand. "In those days it was very difficult," says Joan. "We had no radio communication and no telephone communication. We phoned different people who worked in the area - fishermen and the Coast Guard. One of them said, 'I saw a big helicopter hovering over Sealand.' It didn't feel right."

It wasn't. Michael was at Sealand when the helicopter showed up. As he remembers it, the mystery party lowered a man who claimed to have a telex from Roy confirming that a deal had been made. Michael didn't buy that. Then the helicopter lowered a man who whimpered that "he was sick and needed a glass of whiskey." Michael let the helicopter land, but it was all a trick. Once on the deck, the men locked Michael up without food or water for three days. He says his attackers finally put him on a Dutch fishing boat that they "controlled," took him to Holland, and left him there without a passport or money.

Michael made his way back to Southend, where he met up with Roy and Joan. They hired a helicopter (and a dashing pilot who'd worked on a few James Bond flicks), assembled

some men, and set out to recapture their country. When they arrived, Michael, shotgun in hand, slid down a rope and fired a shot - apparently by accident - and the intruders surrendered.

Swashbuckling stuff. But as the Bates admit, life on Sealand hasn't always been a thrill, and in recent years the tiny country has been sliding into obscurity. Michael lives in Southend, where he runs his business. Roy spent most of the '90s living on Sealand by himself, ready to defend its sovereignty with rifle and shotgun. Joan, afflicted with arthritis, retired to Southend, keeping in touch with Roy by cell phone. All these changes have made Sealand more than a little depressing: a geriatric experiment in nation-building, doomed to die a slow death, beaten into the sea by wind and waves.

And then came the cypherpunks.

The idea for a data haven has been around in science fiction for a while," says Sean Hastings, HavenCo's 32-year-old CEO. John Brunner's 1975 novel, *The Shockwave Rider*, features a communications haven that is invulnerable to the US government. More recently, Neal Stephenson's 1999 novel, *Cryptonomicon*, is the story of a fictional data haven on a Pacific atoll, unbreakable codes, and a brilliant protagonist coincidentally named Avi. HavenCo's founders say their inspiration didn't come from a novel, but from a chance meeting at a financial cryptography conference held in 1998.

Sean Hastings dropped out of the mathematics undergraduate program at the University of Michigan in 1989 with one semester to go because he didn't care to meet his humanities requirements. He spent eight years kicking around New York and San Francisco, where he played poker and did some programming. By 1998, he and Jo were living in New Orleans, where he wrote order-entry and automated voice-response software for legal sports-betting operations, while Jo did market studies for riverboat and tribal casinos all over the US. One day they got a call from a group of gamblers Sean knew in New York. The gamblers said they wanted to set up their own touch-tone sports-betting system - but this one would be offshore.

"They were looking for people who knew computers and knew the gambling industry," Sean says. "We said, 'That sounds fun.' So we went all through the Caribbean - went to various places - and then made our recommendation."

Sean and Jo decided that the combination of cheap telephone rates, high tech infrastructure, and easy regulations made Costa Rica an ideal spot. "Then we were told that there was this 'Cousin Bob,' and he said, 'Go to the Dominican Republic,'" and so Costa Rica was out. In the end, Cousin Bob screwed things up by insisting that the operation be headquartered at his favorite resort, which had lousy telephone connections. Eventually the project fell apart.

The Hastingses had already put their stuff in storage, rented out their New Orleans home, and bought plane tickets, so they decided to go to the Caribbean anyway. They contacted Vince Cate and Bob Green, two expatriates and high tech entrepreneurs on Anguilla, a hot spot for foreign businesses eager to take advantage of the country's tax haven status. (See "[Plotting Away in Margaritaville](#)," *Wired* 5.07, page 140.)

"Vince and Bob were really excited that two other people with computer knowledge might come to Anguilla," recalls Sean, who partnered with Cate on a secure payment firm. Cate, who eventually bought out Sean's share of the company and remains on amiable terms, adds that while the HavenCo idea sounds risky, he thinks Sean and Lackey might be able to pull it off.

Anguilla turned out to be a lousy location for running offshore data services. The government prohibits gambling and pornography - even on Internet servers. Sean ended up quitting because he couldn't get a work permit, but not before he found time to attend that year's Financial Cryptography Conference, an annual event that attracts bankers and cypherpunks. There, he and Jo met Ryan Lackey and Sameer Parekh.

The four decided that running Internet services from an offshore location was a fundamentally sound notion, but that Anguilla was all wrong. They needed a place with no laws regulating the Internet, cryptography, finance, or labor. Their idea was to find a small nation - some place like Tonga - whose government could recognize the wisdom of setting up a "free Internet zone."

But where? After the conference, Sean came across *How to Start Your Own Country*, a 1984 book about "new-country projects" by fringe-history buff Erwin S. Strauss. Over the years, various people have made stabs at creating a new nation out of thin air - some people have tried to do it on existing-but-unclaimed land masses, others have hatched far-fetched plans like building artificial islands and tethering them to sea mounts. Strauss catalogs them all. His book's cover shows a picture of Prince Roy and Princess Joan standing on the deck of Sealand, which he describes as "perhaps the most successful new-country venture known."

The Sealanders are arming themselves for self-defense: Plans call for "50-caliber heavy machine guns, 5.56 automatic rifles, and 12-gauge shotguns."

Sean and Jo went back to the United States intrigued by Sealand. In July 1999, Sean sent an appropriately statesmanlike email - addressed to "the royal family of Sealand" - in which he invited Sealand to participate in "a data haven project which seeks to locate servers in as many different free information jurisdictions and extranational areas as possible."

The response came four days later from Michael Bates, who was primed for a meeting, but, as a self-described "computer philistine," wanted to know more. Sean and Michael started swapping email. At the same time, Sean studied the history of Sealand and its pirate radio past. "I told Michael we were basically doing pirate Internet, which meant doing whatever people want to do, without government restrictions."

That fall, negotiations started in earnest with a face-to-face meeting involving Michael, Ryan, Sean, and Jo. What emerged was an arrangement in which the Bateses would receive an initial payment of \$250,000 in cash and stock for leasing Sealand to HavenCo. And included in the deal was an option to purchase the platform at some point in the future. The Bates family members would continue to provide for Sealand's security and contribute their expertise to the endeavor. Things moved quickly after that. By this February, HavenCo had its first investor.

In March, Sean and Jo Hastings packed their possessions into a shipping container and sent it to the Sealand platform. With more than a million dollars in first-round funding - and \$2.5 million more in the pipeline - they've been slowly transforming the dingy hulk into a high tech facility. The plan is to relocate there permanently by early summer, so they've been sprucing things up with creature comforts, including exercise machines, a satellite TV receiver, DVD players, and a library.

Michael Bates and Ryan Lackey, meanwhile, have been assembling new hoists for lifting heavy objects onto Sealand's deck, bringing in generators, building a fuel tank

large enough to hold a year's supply of diesel, and setting up the machine rooms in the platform's cylinders.

To be sure, the old fort needs work. During my visit, Lackey and I take a quick tour. Lackey wanders around exhibiting both awe and surprise - this is his first visit, and Sealand is smaller than he expected. A steep staircase leads down each cylinder, making it difficult to imagine bringing computers in and out. Each of the seven floors in each cylinder is actually a single concrete room, 22 feet in diameter, without storage areas or even electrical outlets. In many rooms, lighting is provided by a single bulb. The south cylinder's rooms are almost completely empty. The north cylinder contains a generator, a machine shop, and a lot of junk - mostly scrap metal.

HavenCo will start by renovating the cylinders and packing them full of computer equipment and racks. Heavier stuff like generators will sit on deck. The cylinders - the plan is to fill the south one first - are already equipped with "blast doors" to withstand explosive charges.

Internet connectivity will come from a combination of fiber, microwave links, and satellite connections. The links will carry data from Sealand to London's Telehouse and the Amsterdam Internet Exchange - two colocation providers where HavenCo itself has already rented several racks of equipment space and installed high-powered routers from Juniper Networks. At the exchanges, HavenCo can easily purchase "transit" - basically, a promise from one Net provider to another to carry its packets to their destinations - from practically any provider in Europe.

Sealand's Net connection will consist of a trio of high-speed data pipes. The first will be the satellite link - significantly slower and with a higher latency than a terrestrial connection, but a useful backup all the same. This was installed in mid-May. The second, slated for mid-June, will consist of a pair of 155-Mbps microwave links operated by Winstar Communications, which will send the data across the water to the English coast, where a line leased from British Telecom will take it to Telehouse. The third link will be a ring of high-speed fiber-optic cables installed by Flute, a UK-based corporation that builds undersea optical cable rings and then sells the fiber to its customers. According to Avi Freedman, the cable from Telehouse to the shore should be installed by June, and the fiber to the platform will be in place by September.

Obviously, any equipment located in England or the Netherlands could open up HavenCo to legal action in those countries, maybe even forcing a clampdown on its terrestrial links. But HavenCo's execs don't seem particularly worried. The important point, says Sean Hastings, is that HavenCo won't be running the servers - as is the case with Exodus, HavenCo will simply be running the colocation facility and providing the Internet connectivity. The computers on Sealand will be owned by HavenCo's customers, who are responsible for their own actions.

And even if some angry third party convinced Telehouse to cut HavenCo's link, Sealand will be rigged to instantly reroute the data. "With three satellite connections, many transit providers, and lots of peering," says Freedman, "it's going to be very hard to shut HavenCo down."

Hastings and Lackey believe they can deal with any threat to their system that might be mounted over the Internet. But physical attacks are another matter. Lackey talks tough - telling me that plans call for "50-caliber heavy machine guns, 5.56-mm automatic rifles, and 12-gauge shotguns." But so what? A handful of guns wouldn't do much against an assault by a real nation. Which raises the biggest question of all: Can Sealand really get away with this?

Only time will answer that one, but opinions are all over the map.

Great Britain continues to maintain there is no Sealand - the 1987 expansion of her territorial limit ended the whole charade. "Although Mr. Bates styles the platform as the Principality of Sealand, the UK government does not regard Sealand as a state," says Dewi Williams, a press officer with the British Consulate in New York.

The US concurs. According to a US State Department official, who declined to be identified, "There are no independent principalities in the North Sea. As far as we are concerned, they are just Crown dependencies of Britain."

Jim Dempsey, senior staff counsel at the Center for Democracy and Technology, a Washington, DC-based civil liberties think tank, says the Sealanders are living in a dream world. "Any attempt to avoid the geographical jurisdiction of governments is ultimately futile," he insists. "There are a handful of people on Sealand who, at the very least, are nationals of some country, and that country can assert jurisdiction over them - or just send someone out to arrest them. If they are violating US laws, you wouldn't send out an Exocet missile, you'd send out a Coast Guard cutter with five policemen."

Erwin Strauss, the author of *How to Start Your Own Country*, isn't so sure. He says Britain's 1987 expansion does not change Sealand's status: If Sealand was sovereign before the change was made, it should be sovereign after. You can't take away its independence just by moving the goalposts. "From a strictly legal point of view," he says, "Roy Bates was there and claimed sovereignty, so that takes precedence."

Clearly, there's a difference of opinion, but both Michael Bates and Sean Hastings are quick to point out that there is a big difference between what Britain is saying and what it is doing. "If Britain thought they had jurisdiction over Sealand, they have been ignoring serious weapons violations under British law all this time," says Hastings. "They're pretty much saying that 'Sealand is not part of our country,' because England is normally very hard on weapons."

Ultimately, this constructive ambiguity might play to Sealand's advantage. If the UK doesn't enforce laws or collect taxes on the platform, Sealand's residents can basically do as they wish as long as they don't overly anger their nearest neighbor. On the other hand, if China, Russia, or whoever sends a destroyer to shut the place down, that boat (or at least its weapons) would have to enter British territorial waters, which would likely set off a military response from the UK.

Caroline Bradley, a professor at the University of Miami School of Law who has closely studied the international statutes affecting micronation schemes, says Sealand is in a stronger position than most new micronations, whose struggles usually involve scams or libertarian bluster that don't amount to anything. Unlike all the other wannabes chronicled by Strauss, Sealand has a population - albeit a small one - and it's about to start having an economy.

"So the question is whether other countries are going to be able to exercise any jurisdiction over Sealand to shut it down," says Bradley. She expects a bumpy road. "Countries don't like data havens. They don't like any sort of secrecy, because people who want to take advantage of such secrecy must be up to no good."

Avi Freedman responds to such criticism with a smile, arguing that if the legal going gets rough, Sealand can always fall back on being a first-rate colocation facility. "Even if you factor out all the questions about jurisdiction and history, you still have a damn fine, secure colocation business with a good economic model."

Ryan Lackey's response is, well ... Ryan Lackey-like. Whatever happens, he's ready to go for it, and true to form, he's already looking ahead and thinking big. No, bigger.

"In 10 years, we'll be investing profits in turning Sealand into a larger island," he says. "It's unclear right now whether it will be a hotel/casino space or purely a larger secure colocation facility. We hope to be in operation everywhere by then ..." Everywhere?

"By then I hope any free country in the world will have a HavenCo secure facility in major cities of commerce," Lackey continues. "No doubt we'll also have servers on ships, on the moon, and on orbiting satellites. Assuming computers continue to get smaller, a single box on the moon could serve a huge bunch of customers!"

Contributing writer Simson Garfinkel (simsong@vineyard.net) is the author of Database Nation: The Death of Privacy in the 21st Century.

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