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Death of a data haven: cypherpunks, WikiLeaks, and the world's smallest nation

Rumors suggest that WikiLeaks might try to avoid government power by putting ...

JAMES GRIMMELMANN - 3/27/2012, 6:00 PM

Photograph by Ryan Lackey



Sealand in all its rusty splendor

A few weeks ago, Fox News [breathlessly reported](#) that the embattled WikiLeaks operation was looking to start [a new life under on the sea](#). WikiLeaks, the article speculated, might try to escape its legal troubles by putting its servers on [Sealand](#), a World War II anti-aircraft platform seven miles off the English coast in the North Sea, a place that calls itself an independent nation. It sounds perfect for WikiLeaks: a friendly, legally unassailable host with an anything-goes attitude.

But readers with a memory of the early 2000s might be wondering, "Didn't someone already try this? How did that work out?" Good questions. From 2000 to 2008, a company called HavenCo *did* indeed offer no-questions-asked colocation on Sealand—and it didn't end well.

HavenCo's failure—and make no mistake about it, HavenCo did fail—shows how hard it is to get out from under government's thumb. HavenCo built it, but no one came. For a host of reasons, ranging from its physical vulnerability to the fact that The Man doesn't care where you store your data if he can get his hands on you, Sealand was never able to offer the kind of immunity from law that digital rebels sought. And, paradoxically, by seeking to avoid government, HavenCo made itself exquisitely vulnerable to one government in particular: Sealand's. It found that out the hard way in 2003 when Sealand "nationalized" the company.

For the last two years, I've researched the history of Sealand and HavenCo. I used the [Wayback Machine](#) to reconstruct long-since-vanished webpages. I dug through microfilm of newspapers back to the 1960s. I pored over thousands of pages of documents, only recently unsealed, from the United Kingdom's [National Archives](#).

My findings have just been published in a new 80-page article in the *University of Illinois Law Review*, one called "[Sealand, HavenCo, and the Rule of Law](#)" (PDF). It tells the full—and very weird—story of how this micronation happened to be in the right place (the North Sea) at the right time (the late 1990s) to provide some cypherpunk entrepreneurs with the most impractical data center ever built. Here, I'll give the condensed version of the tale, hitting the important points in HavenCo's history and explaining what went wrong.

Cryptographers in paradise

The story starts on the Caribbean island of [Anguilla](#), at the [1998 Financial Cryptography](#) conference. The conference, dedicated to building secure online payment systems, drew hackers who believed in better living through crypto. One of them was an expatriate American, Sean Hastings, a cynical but cheerful libertarian with a healthy suspicion of any and all forms of authority. (His website sports the chipper slogan "Keep Calm and Carry" and features his PDF book *God Wants You Dead*.) The freedom-minded Hastings had moved to Anguilla to work on online gambling projects and explore the idea of starting a data haven.

A data haven is "[the information equivalent to a tax haven](#)," a country that helps you evade other countries' rules on what you can and can't do with your bits. (Think "Swiss banking" for data.) The best-known example comes from Neal Stephenson's 1999 best-seller *Cryptonomicon*, whose heroes go up against murderous warlords, rapacious venture capitalists, and epic authorial digressions in their quest to bring untraceable communications to the masses and get rich in the process.

A SEALAND/HAVENCO TIMELINE

1942: Roughs Tower constructed off the coast of East Anglia.

1948: Roughs Tower abandoned by English government following World War II.

1966: Pirate radio entrepreneur Roy Bates occupies Roughs Tower.

The idea, and the term, come out of 1970s and 1980s debates over whether companies could get around pesky privacy protections by shipping their magnetic tape reels to a country with laxer privacy laws. What started off as a pejorative term flipped to a positive in the eyes of the **cypherpunks**. They saw governmental restrictions on the free flow of information—privacy, copyright, sedition, drug-making instructions, or whatever—as grave threats to personal freedom. Cypherpunks hoped a borderless Internet, together with strong cryptography and a friendly data haven or two for their servers, would destroy the government's ability to snoop on and censor online speech. It would all lead to a new age of genuine liberty.

Hastings was a true believer. On Anguilla, he founded a data haven company named **IsleByte** and worked on open-source electronic currency software. But he was getting increasingly frustrated with Anguilla. He expected a "libertarian mecca," but the actual Anguilla sharply restricted both gambling and pornography. Worse, he was finding Anguilla's legal system frustrating to deal with, something between a bureaucratic nightmare and a straight-up shakedown.

At the Financial Cryptography conference, Hastings amused and fascinated the other attendees with a data haven variant soon dubbed the "Toxic Barge Project". The idea was to buy a ship, fill the top of the hold with computer servers and the bottom with the nastiest toxic waste imaginable, then plant yourself in international waters near a major port and start offering co-location services. As Hastings explained, the toxic waste "forces the large military power to protect you from outside threats, while being very hesitant to attempt to board your vessel."

The barge idea went nowhere, but it marked Hastings as the go-to guy for out-of-the-box data haven schemes. After Hastings moved back to the United States, one of the other conference attendees, a gregarious and energetic MIT dropout named Ryan Lackey, crashed with him in early 1999. Lackey had his own geek and libertarian cred, along with a sense of adventure that would later take him to Iraq to perform IT work during the American occupation.

The two men started thinking seriously about where to place an actual, practical data haven. They looked at several Pacific islands and even contemplated building their own artificial island on the Cortes Bank, a hundred miles out into the Pacific from San Diego. But then, flipping through Erwin Strauss's cult classic **How to Start Your Own Country**, they found Sealand. Strauss described it as the most successful micronation of all time—and it looked like a perfect fit for their project.

1967: Bates declares an independent Principality of Sealand.

1968: Bates acquitted of British firearms charges, causing Britain to adopt policy of leaving him alone.

1978: German-led coup takes control of Sealand on August 10; Roy Bates retakes Sealand in dawn helicopter raid on August 15.

1987: Britain extends territorial waters to 12 miles, encompassing Sealand. Sealand claims its own 12-mile territorial waters.

1999: Sean Hastings and Ryan Lackey conceive of idea for HavenCo.

2000: HavenCo launches to massive press hoopla.

2002: HavenCo taken over by Sealand after commercial failure and mounting tensions.

2006: Sealand badly damaged in generator fire.

2008: HavenCo website goes offline.

2009: Sealand launches **Twitter account**.

Ryan Lackey



Helicopter approach to Sealand

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