



Livestock Trade in the Djibouti, Somali and Ethiopian Borderlands

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Summary points

- The pastoral economy and livestock trade form a critical platform for economic interdependence linking Ethiopia's Somali Region to Djibouti, Somaliland and Puntland.
- Ethiopia's Somali Region provides a major share of livestock exports. Its people are tied through kinship and trade to neighbouring countries, but this also creates the potential for political stresses and conflict in a region that is both politically volatile and environmentally harsh.
- The Saudi Arabian market for livestock is a central feature of the economy of the northeastern Horn of Africa. Its periodic introduction of livestock bans related to animal health regulations and the involvement of large-scale traders from there create additional layers of economic unpredictability.
- As well as contributing significantly to the economy of this sub-region, the livestock trade plays a significant role in determining government revenue. The fortunes of Djibouti, Berbera and Bosasso ports have fluctuated rapidly in the last twenty years and Djibouti has recently emerged as a new player, benefiting from Somalia's inability to participate in international trading regimes.

The livestock trade in the northern Horn of Africa links Ethiopia, Djibouti, Somaliland and Puntland with each other and with markets in the Arabian Peninsula and the Gulf. This paper explores a volatile business environment that is highly susceptible to political shocks. At the same time it illustrates the interconnectedness of the region and the potential that exists for enhanced regional economic cooperation and development to mitigate cross-border tensions. It is part of the Africa Programme's project on 'The Economics of Conflict and Cooperation in the Horn of Africa', which is investigating the links between economic activity and the wider political environment.

Introduction

In the vast arid and semi-arid areas that characterize the Somali-populated territories of the Horn, pastoralism and agro-pastoralism are the dominant mode of livelihood. The northern Somali livestock trade involves the annual export of at least \$200 million worth of live animals through the ports of Berbera, Bosasso and Djibouti across the Gulf of Aden.¹ This is said to be the largest movement of live animal – ‘on the hoof’ – trade anywhere in the world. The ports are linked to the interior rangelands through a series of clan-based corridors through which the trade is managed. These networks penetrate deep into Ethiopia's Somali Region where many of the animals are raised. The livestock trade forms an economic system – providing jobs and livelihoods for a majority of people – that underpins the social and political relations between Ethiopia, Djibouti, the Somaliland Republic and the state of Puntland.

This paper outlines the basic characteristics of the livestock trade and discusses the impact of fluctuating global, regional, national and sub-national factors in this volatile area. On the one hand, this trade represents a high level of economic interconnection and interdependence but, on the other hand, it is subject to the influences of competing interest groups as well as being an arena where

other political tensions can manifest themselves. The paper provides an analysis of how the livestock trade is linked to the rise and fall of the governments and polities of the northern Somali territories and also how the Somali Region of Ethiopia is caught between its economic ties to its neighbouring Somali areas and its political incorporation within Ethiopia.

Characteristics of the trade

The ports and port competition

The three ports of Djibouti, Berbera and Bossaso are critical loci of power and a key source of revenue for the governments of Djibouti, Somaliland and Puntland respectively. The relative fortunes of the port-cities have risen and fallen rapidly within the last two decades, reflecting shifting relations and power struggles inside their own territories as well as links with neighbouring Ethiopia, the Gulf states and Western powers. This continues a much longer-term pattern wherein various Somali ports have grown or faded as a result of their incorporation into different trading empires.

Following the collapse of Somalia in 1991, Berbera, in Somaliland, enjoyed some years as the major hub for the livestock export trade, since the Somali ports of Mogadishu and Kismayo were affected by conflict. From 2000, following a livestock ban imposed by Saudi Arabia – ostensibly to counteract an outbreak of Rift Valley Fever (RFV)² – Bossaso took over Berbera's mantle and many livestock traders have since moved there. However, despite the livestock ban (lifted in late 2009), Berbera's exports steadily climbed back. By 2008 exports of sheep and goats were roughly equal for the two ports, at about 1.2 million head annually, with a sharp seasonal peak towards the end of the year, coinciding with the annual Hajj pilgrimage to Mecca (see Figures 1 and 2). It is worth noting, however, that export volumes disguise significant differences in profitability and risk between the different ports, discussed

¹ Figures are difficult to generate, owing to the incomplete data sets and different prices paid for different quality of animals. This is therefore an indicative figure only, based on estimates made from available but incomplete data for 2008, and includes live animal exports only (sheep, goats, cattle and camel), not chilled meat exports.

² Livestock experts in the region question how much health issues alone play in determining livestock bans, particularly in the light of unofficial imports into the country and the lax implementation of quarantine regulations at the exporting ports. This is discussed further below.

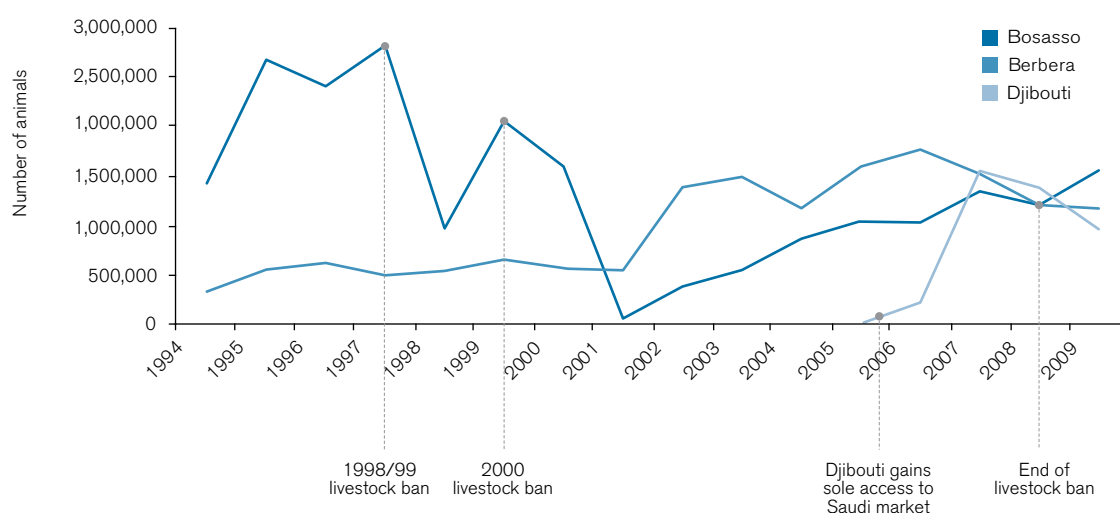
further below. Despite its 'rentier state' status, the port of Djibouti is experiencing phenomenal growth and attracting international public and private investments, and a growing number of Somali businessmen have been relocating there.

The emergence of Djibouti as a major livestock export hub is in large part due to the stamp of credibility that a sovereign country can bring to the sensitive issue of livestock health regulations. This has been a major obstacle to livestock trading in the region for over a decade. A 14-month livestock import ban across the Gulf region was imposed in February 1998. The RVF outbreak in Yemen and Saudi Arabia in 2000 resulted in the imposition of a ban on all livestock imports from the region by Saudi Arabia, Bahrain, Oman, Qatar, Yemen and the UAE. Although most of these countries lifted the ban the following year, Saudi Arabia maintained it until November 2009. In Djibouti, however, a Regional Quarantine Facility was established to provide quarantine and certification of animals. This enabled the port to resume exports to Saudi Arabia from late 2006 and it enjoyed sole official access for the next three years, to the obvious disadvantage of its local competitors (although a significant number of sheep and goat exports were transiting from Berbera). Exports of sheep and goats, for

example, jumped from just a few thousand head before 2006 to around 1.5 million in 2007 and 2008.³ Djibouti has few of its own livestock, but its location in the far northwest corner of the Somali sub-region and the recent growth of the port extends the catchment area for cattle and camel into non-Somali-populated areas of Ethiopia. Since 2006, with the upgrading of Djibouti's livestock export facilities, increasing numbers of livestock, particularly cattle, are coming from the Afar and Oromiya regions.

Somaliland and Puntland remain the most stable regions within Somalia's borders, but their lack of sovereignty can be expected to weigh against their efforts to trade on an equal footing with Djibouti. Although some investment has been made in Berbera and to a lesser extent Bossaso to raise standards of monitoring and certification, the poorly regulated Somali sub-region remains extremely vulnerable to bans on the importation of live animals. According to a prominent livestock expert in the region, while the livestock certification systems are in principle in place in Djibouti and Berbera, their strict implementation is not so certain. The expert went on to suggest that many decisions affecting this trade were in fact based on factors other than health risks. In this highly trade-dependent, pastoral sub-region, the recent

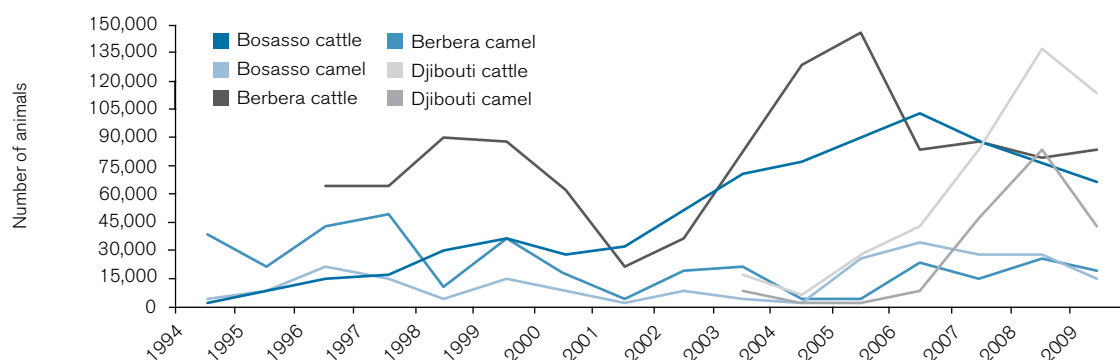
Figure 1: Livestock exports (sheep and goats) from Bosasso, Berbera and Djibouti (1994–2009)



Sources: FSNAU & FEWSNET country offices. The Food Security and Nutrition Analysis Unit for Somalia (FSNAU) provided figures for this report and FEWSNET figures are quoted from Ministry of Agriculture in Djibouti (FEWSNET Food Security Review, November 2009).

³ They fell again, but only to one million, in 2009 following the lifting of the Saudi ban, which chiefly benefited Berbera.

Figure 2: Livestock exports (cattle and camels) from Bosasso, Berbera and Djibouti (1994–2009)



Sources: FSNAU & FEWSNET country offices. The Food Security and Nutrition Analysis Unit for Somalia (FSNAU) provided figures for this report and FEWSNET figures are quoted from Ministry of Agriculture in Djibouti (FEWSNET Food Security Review, November 2009).

lifting of the ban has provided a welcome boost to livestock owners, traders and the general economy. In particular, it has opened up the market again, reducing the risks associated with ‘unofficial’ channels which had been active, and opening up the limited access for many that had developed through monopolistic practices between Saudi investor-traders and their local counterparts in Djibouti and Berbera.⁴ This was said by some to be the necessary price for obtaining private investment in modern quarantine facilities. Whether or not this is the case, it certainly led to disgruntlement and civil unrest, particularly in Somaliland.

Volumes and flows

A number of points are clear from Figure 1: the severe effect on Berbera’s exports resulting from Middle Eastern (particularly Saudi Arabian) import bans, and their steady recovery as unofficial imports were increasingly accepted; the fact that Bosasso benefits through alternative markets and unofficial exports to Saudi Arabia; the sudden rise of Djibouti as access to Saudi Arabia became possible (with many of these animals coming from Berbera). Figure 2 highlights the rise and growing importance of cattle exports from the region and, again, the sudden rise of Djibouti as a livestock exporter.

Tradition and change

What the trends in Figures 1 and 2 disguise, however, is the measure of profitability and risk through these different ports. Berbera, Bosasso and Djibouti are renowned for their inhospitable climates, being extremely hot and humid for much of the year. The hottest months are from May to October, when temperatures range between 30 and 35 degrees Celsius; between November and April they are between 25 and 30 degrees. Relative humidity is very high, at between 65% and 75% between October and May and about 50% for the remaining months. These conditions mean that livestock cannot be kept for long at the ports before their health and therefore value deteriorate, while the costs of keeping them watered and fed increase. Berbera has the most advantageous location as much cooler pastures are available within a few hours’ trucking of the port, which also has a large capacity.

An interviewee in Hargeisa, Somaliland explained that the livestock export trade is an old tradition and an art, requiring considerable skill and specialized tasks to move living cargo across land and sea, different climates and different terrains. The value of that cargo depends critically on its health and weight and so losses quickly accumulate if these deteriorate.

⁴ The latest information from the region suggests there are ongoing attempts to capture and control this market (see Somaliland Press, 2010).

The number of modern abattoirs producing chilled meat for export has been expanding in both Somalia and Ethiopia. This offers new marketing opportunities, particularly as disease surveillance is more straightforward than for live animals. These changes are allowing new investors in and, particularly in the case of Ethiopia, exports are more easily taxed and regulated. In Ethiopia, abattoirs are primarily found around Addis Ababa. In Somalia, they are located in Burao, Galkayo, Beled Weyn and Mogadishu. The Burao and Galkayo facilities have been the most reliable, frequently exporting the equivalent of 5,000 or more head of sheep and goats per month, for at least the last three to four years.⁵ More facilities may well open, with Malaysian investors reported to be exploring possibilities. However, Burao has not exported any meat for over six months and this has raised questions about the profitability of this sector as it is currently designed. In Ethiopia, facilities are known to be running significantly below capacity. This may reflect the difficulties of redirecting livestock from the traditional routes from the Somali sub-region to the coast, as well as the lack of trust and established working relations between Somali and other traders in Ethiopia. Experts in the region would like to see research and investment in value-added or processed alternative livestock products in the Somali territories. Chilled meat offered the first attempt at this but apparently is currently targeted at the lowest end of the market and may well be struggling. The emphasis across the sub-region remains on the export of live animals.

Mechanics of the trade

Catchment area

Since the collapse of Somalia, the Somali territories of the Horn have become highly interconnected through trade and transport (Little 2003). Pastoralists and their extended/clan families are connected to the final exporting trader through a web of transactions and relationships that together comprise a major employment sector within this economically marginalized sub-region. Credit may be provided in both directions – from the pastoralist to the trader when

providing animals for sale, and from the trader to the pastoralist when obtaining goods. Immediate cash exchange is also common. It is notable that women as well as men are involved at all levels of trading (Umar 2007: 23–24).

Camels, cattle, sheep and goats are all exported through the three main ports of the sub-region.⁶ The majority of this trade involves the movement of animals across clan and national boundaries. In the case of camel, sheep and goats, animals originate from as far away as Gode, Liban and Afder in Ethiopia's Somali region, as well as Hiran, Galgadud and Mudug regions in central Somalia, up to 500 kilometres or more from the coast. Throughout this catchment area animals are both trekked and trucked to their final destinations. Individual prices of animals vary depending on age and quality. Sheep and goats have historically comprised by far the most significant proportion of this trade in terms of both numbers and value, although cattle have become increasingly important in recent years.

Ethiopia is a key actor in this trade as approximately 50 per cent of the small stock (sheep and goats) exported through Berbera are known to originate in Ethiopia's Somali Region, and a similar proportion is likely for animals exported from Bosasso (Holleman 2002). In terms of cattle, Ethiopia is the dominant source of all exports and the majority of Djibouti's animal exports originate in Ethiopia. Within Ethiopia's Somali Region, a large proportion of animals, especially small stock, come from areas populated by members of the Ogaden clan (after whom the region takes its historical name). The Ogaden clan inhabits much of the interior of the region, while clans such as the Isse, Gadabursi, Isaaq, Dhulbahante and Marehan straddle the borders of Ethiopia, Djibouti, Somaliland and Puntland. The Ogadeni are generally acknowledged to be the largest single clan in Ethiopia's Somali Region and certainly play a major political role, including within the Regional Government. They are also important actors as part of the Ogaden National Liberation Front (ONLF), an armed rebel movement demanding self-determination for the people and the region.

⁵ Figures obtained from FSNAU.

⁶ Other smaller ports and landing beaches are used but account for a very small proportion of exports.

Box 1: Clan-based corridors and transportation routes

- *Issa* corridor – links the Somali *Issa* of Djibouti, western Somaliland and the northwestern Somali Region of Ethiopia; uses the port of Djibouti; primarily uses the Ethiopian birr; accounts for most of Ethiopia's official trade.
- Berbera corridor – the *Isaaq* are dominant along these routes although *Ogadeni* and other clans are part of the supply chain. Specific routes include:
 - Harar–Jijiga–Hargeisa–Berbera
 - Hartisheikh–Hargeisa
 - The Haud route
 - Kebri Dahar–Burao
 - Gode–Burao
- Bosasso corridor – the *Mijerteen* are dominant along this route with livestock also coming from *Ogadeni*, *Marehan*, *Dhulbahante* and other clans of the eastern Somali Region of Ethiopia and the contested areas of Sool and Sanag.
 - Warder routes
 - Kebri Dahar–Bosasso

Source: Umar 2007

Clan and trade corridors⁷

Clan-based social relations play a critical role in mediating the high levels of risk and uncertainty found in many pastoral settings in Africa and are of particular significance in this part of the Horn where the multiplicity of potential hazards is daunting: from local-level resource-based conflict to insurgent and anti-insurgent activities, and from exchange rate volatility to a variety of duties, taxes and other antagonistic policy and policing measures. In such conditions, the importance of social relations as an insurance mechanism cannot be overstressed.

Since a number of clans straddle national borders, those further inside Ethiopia, notably the Ogaden clans, forge relations with them to secure safe passage for their livestock as well as other goods (a high level of inter-marriage across neighbouring clans, which has occurred for centuries, is one such way of developing cross-clan relations). However, while this serves to soften the effects of economic and political turmoil, there is some evidence that it also places limits on the potential benefits of trade, as it is difficult for actors to switch routes.

A number of clan-based corridors and transportation

routes have been identified within the Somali sub-region.⁸ Although the broad corridors are primarily organized according to clan networks, within them there are different routes which themselves can change over time and according to the climatic and security context (see Box 1).

While these corridors suggest a certain level of permanence, therefore, traders and investors are periodically forced to relocate in response to new restrictions or new opportunities, a function of the changing political, environmental and security dynamics across the region. For example, the town of Hartisheikh became a major trading centre after 1988 as a result of its growth as an urban refugee centre and its location on the Somaliland–Ethiopia border. However, in 2002, an Ethiopian clampdown on cross-border trade resulted in traders moving location (Umar 2007: 30). Furthermore, following the imposition of the 2000 livestock ban, some larger companies withdrew from the market and within the last ten years the majority of traders in Ethiopia's Somali Region have been new entrants. According to interviews conducted by the author, Puntland reportedly had a specific and successful policy of attracting traders from Hargeisa and Berbera from the early 2000s, after its formation as a political

⁷ This section draws on Umar 2007.

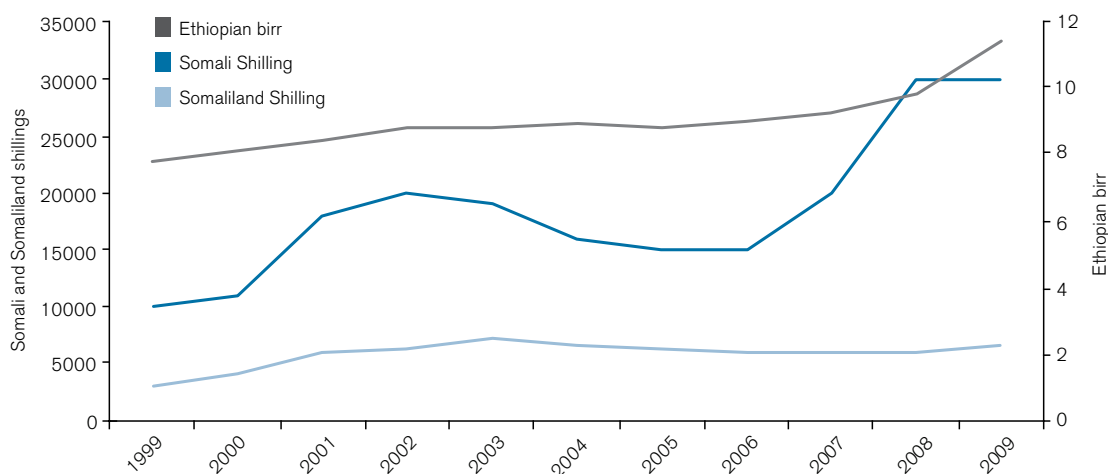
⁸ These corridors are described in more detail in Umar 2007.

Map 1: Livestock trading routes in the Horn of Africa



Source: Based on Food Security Assessment Unit/United Nations Development Programme map of livestock trading routes from the *Atlas of Somalia*, UN 2004, and United Nations Office for Coordination of Humanitarian Affairs/Data and Information Management Unit map of the Horn of Africa, 2007. The boundaries and names shown and designations used on this map do not imply endorsement or acceptance by the author or Chatham House.

Figure 3: Exchange rates against the US dollar



Source: Annual averages calculated from FEWSNET Ethiopia and FSNAU data

and administrative entity. Djibouti has been the latest player in this process following the expansion of its port facilities and has used the lure of its passport to attract business people from Somalia. These examples suggest that there are, at least during certain periods, active policies to attract traders to the different port-cities.

While the livestock trade remains essentially based on social relations, some noteworthy technological developments have also taken place. For example, vehicles have been increasingly used to move livestock from interior markets to major markets and the coastal ports for at least the past thirty years. This is in spite of the extremely poor transportation infrastructure in the region. The same vehicles and many of the same traders also bring in food and a wide variety of consumer goods.

Financial arrangements

A further innovation and complication has been the management of finances within the sub-region.

(i) Currency

Trading across the Somali territories can be a complex business. There are three or four currencies in operation depending on location – the Somaliland shilling, the

Somali shilling, the Ethiopian birr and the US dollar (the Djiboutian franc is fixed against the dollar). In border areas of both Ethiopia's Somali Region and Somaliland the Somali shilling is the unofficial currency. In Somaliland and Puntland the US dollar is freely traded. In Ethiopia, access to foreign currency is more restricted. Exchange rate fluctuations are a problem, particularly for the Somali shilling. One of Ethiopia's major interests in the livestock trade is said to be obtaining foreign currency. Export licences, for example, require currency to be exchanged at the official bank rate, which has deviated significantly from the black market rate in recent years. Inflation, driven by both domestic and international factors, has been a serious problem for traders in Ethiopia.⁹ For example, in 2008 during the global food and fuel price rises, inflation was running at well over 30 per cent in Ethiopia, while hyperinflation was affecting the Somali shilling.¹⁰ The import-dependent Somali territories were therefore seeing costs rise significantly (although livestock tend to keep their value reasonably well in dollar terms).

(ii) Xawilaad

Cash-based transactions have increased in importance where barter trade (livestock for food and other goods)

⁹ See Little (2003), however, for the relative stability of the Somali shilling over a longer time period in spite of the absence of a central government and bank.

¹⁰ In both cases domestic factors were also important, including the uncontrolled printing of money in Somalia (see FEWSNET reports at the time).

Box 2: *Xawilaad*

The word *Xawilaad* derives from the Arabic *hawala*, which translates as 'transfer of debt'. These Somali companies operate as a network of agents linked to a central clearing house. The larger companies have hundreds of agents and offices all over the Horn of Africa, and in most towns and cities around the world that host significant Somali populations. Money can be transferred from the West to many towns and villages in Somalia and the region within 24 hours using combinations of e-mail, telephone and HF radio depending on the communication facilities available in the places concerned. The system is renowned for its low cost, reliability, safety and speed and is used by businesses, the United Nations and international NGOs as well as individuals.

Source: Lindley 2009: 523–5

used to be dominant, and throughout the Somali sub-region traders now make use of *xawilaad* (money transfer companies, which have evolved since the collapse of the Somali state), reducing the risks and costs associated with such movements (see Box 2).

Contribution to livelihoods**(i) Food security**

Pastoralists and agro-pastoralists in the northern Somali territories are estimated to form over 50 per cent of the entire population. Their food security depends in large part on the terms of trade between their livestock and (often imported) food commodities. Pastoral and agro-pastoral populations vary considerably across the region depending, for example, on local environmental and market conditions. These influence the type of animals owned and terms of trade obtained in any particular area. In general, however, it is common for pastoralists to obtain over half their annual food requirements from the market and over half their annual income from the sale of livestock and livestock products.

This high market dependence means that any negative impact on trading conditions can hit people particularly hard. The Ethiopian military clampdown on trade and population movement in many Ogadeni-populated areas since 2007 has, for example, had an inflationary effect on food prices (see Human Rights Watch 2008). This has been mitigated more recently by large volumes of food aid.

(ii) Jobs

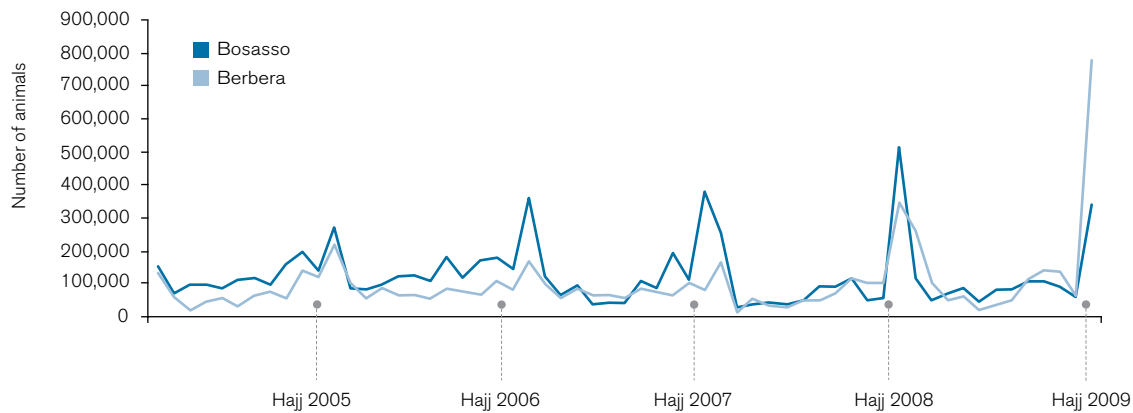
The livestock trade is probably the largest single source of employment in this sub-region and, after remittances from abroad, the most important source of household income. Estimates vary: there may be 10–15 sets of actors involved in the movement of animals from the hinterland to the port and up to 30 transactions possible from the initial sale by the herder to the watering, feeding and loading at the point of exit in the port: herders, brokers, loaders, feeders and so on are all part of the system (Umar 2007; Holleman 2002; interviews by the author).

(iii) Environment

It is now widely acknowledged that pastoralism should be considered a highly efficient production system in arid and semi-arid lands and that trade or exchange of pastoral products for food and other commodities is an intimate and essential component of that system and those livelihoods, although this is complicated by natural population growth and traditional environmental management systems.¹¹ Across Africa there has often been only limited policy support for the livestock and, especially, pastoral sector because of a poor knowledge base and failure to appreciate its efficiencies. This is in addition to poor management of development initiatives and the relatively weak lobbying positions of actors in this sector. As a result, informal trade and economic activity continues to be critical to understanding livestock-based economies and livelihoods, and pastoralists continue to be neglected or exploited by more powerful lobby/interest groups.

¹¹ See Devereux 2006: 168–74 for a succinct and accessible explanation of the different interpretations of pastoralism and their policy implications in Ethiopia.

Figure 4: Seasonality of sheep and goat exports (2005–09)



Source: FSNAU data

Links to the Gulf

Seasonality

Seasonal factors influence both the demand and the supply of livestock exports. In the monsoon season (June to September), shipping from Somalia is reduced owing to the rougher seas and the difficulties encountered by many of the smaller ships and dhows that ply this trade. Drought conditions can also influence the availability of export-quality livestock and the ease of moving animals over long distances. Many areas within the catchment area of this trade experienced a number of continuous dry years, and traders interviewed for this study in Hargeisa and Dire Dawa in July 2009 complained about the resulting lack of export-quality animals.¹² However, conditions in late 2009 and 2010 have been much better.

While livestock are exported all year round, the most important seasonal factor is centred on the annual Hajj to and in Saudi Arabia. The largest pilgrimage in the world, the Hajj involves about three million pilgrims, for approximately one month every year. About half of these are foreigners to Saudi Arabia. The number of foreign pilgrims has increased by approximately 70 per cent since 1996, to 1.7 million people, benefiting exports from the

region. These additional people must be fed and, most importantly, each pilgrim is required to slaughter an animal, typically a sheep, as the prophet Abraham is said to have done.¹³ The result is that in the build-up to the Hajj and particularly for a 70-day period between Eid al-Fitr and Eid al-Adha, there is a huge additional demand for livestock across the region.

Figure 4 indicates the scale of seasonal demand. Approximately 70 per cent of annual sheep and goat exports take place in the Hajj period, when prices are also high. Notably, this peak in livestock sales continued during the livestock ban, particularly for Bosasso and, once Djibouti provided a new transit route, also for Berbera. This points to the fact that Bosasso traders were able to find alternative routes to the Saudi Arabian market as well as new markets. Competition for the profits from this peak seasonal trade is fierce and in the last two to three years has involved Saudi Arabian investors, monopolistic practices and public demonstrations. These are discussed further below.

The Red Sea and Gulf of Aden have formed an important trading nexus for many centuries, linking ancient trading empires. The economic growth in the Middle East has had an important effect on the Somali territories

¹² Reports by FSNAU and FEWSNET suggest that 2009 animal exports were hit by the ongoing drought.

¹³ Because of the scale involved, vouchers may be purchased so that the pilgrim does not have to be present.

for several decades, in terms of the importation of both labour and livestock.¹⁴ Although the majority of meat, particularly mutton/lamb, for the Middle East comes from Australia, sheep and goats from the Horn of Africa and Somali territories in particular have an important niche market role. Somali small-stock is preferred for its taste, smell, colour, longevity and size.¹⁵ Its provenance from another Muslim country is also frequently mentioned as an advantage, particularly during the Hajj.

Livestock bans

However, in an age of increasing mobility, the importance of international health concerns, particularly the transmission of diseases across borders, has been growing for some years. Quite apart from the high concentration of people during pilgrimages, the Middle East has become a major centre of trade, tourism, finance and employment. As a result health-related restrictions on the movement of animal products in the Middle East have become increasingly common.

One unusual aspect of these importation bans is the inconsistency between countries and in particular the apparent ease of finding alternative routes to the same – banned, Saudi Arabian – market. This raises some questions about the influence of different interest groups and the control of access to such markets driven by factors other than health risks. Particularly with regard to the important Saudi Arabian market, some have suggested this control is more related to protectionist policies in response to episodes where large numbers of animals have been brought across the sea, depressing market prices.¹⁶ During the latest ban, many Somali animals found their way to Saudi Arabia, particularly via Oman and Yemen. However, while this unofficial route has been useful it also reduces profits and increases risks. Many Somali traders report losing money or animals on this route through exploitation by Yemeni traders.

Monopolistic practices

After Saudi Arabia's imposition of the livestock ban, efforts were made to reopen this trade. In 2005–06, this led to some interesting and controversial new dynamics. From 2005, as noted above, Djibouti was granted sole status to export livestock to Saudi Arabia. This ultimately involved the government handing over an ongoing – although badly managed – quarantine facility to the Abu Yasser Company. A livestock expert interviewed for this report suggested that there was a very clear short-term profit maximization motive operating in Djibouti based on the expectation that the ban would not last much longer.

There was a similar story in Somaliland, involving another Saudi-based investor, Al Jabiri, initially brought in by private traders to try to gain access to the Saudi market. The Somaliland government then stepped in to take control and ultimately developed an agreement stating that all livestock had to be sold through two Somali brokers to Al Jabiri. This was to be done at a fixed price of \$38 per sheep/goat, significantly lower than usual. Government officials claimed that this arrangement was necessary to obtain investment in a quarantine facility and access to the Saudi market. The arrangement resulted in public demonstrations and further accusations of preferential access for certain traders to the one and only market now available. This monopolization of the market was widely seen as part of an increasing control of aspects of the economy by a small political elite, and was described to the author in Hargeisa as 'Riyale's pension' (referring to the ex-President of Somaliland, Dahir Riyale Kahin). Umar (2007: 69) noted that the Saudi ban serves to consolidate the grip of large-scale Saudi investors who are able to develop agreements with political and/or business elites in the region. These exclusionary agreements seem to have taken place in both Berbera and Djibouti. While the lifting of the ban at the end of 2009 effectively ended all these arrangements, they exposed the vulnerability of this unregulated area to exogenous shocks and short-term profit-

14 The remittance sector has played a key role in the understanding of Somalia's economy and household livelihoods for the last thirty years. It is also an important factor for many Djiboutian and Somali Region households.

15 It is noted that, in comparison to Australian sheep, for example, the taste and smell are different, the colour does not change, the meat lasts longer, and the smaller size suits household budgets and capacity (Holleman 2002; Umar 2007).

16 The lack of regulation and controls from the Somali side of the Gulf means that large numbers of animals from many different suppliers can be dumped on the market at the same time, making handling difficult and possibly causing health risks, as well as depressing prices.

making at the expense of wider competition. However, the latest information from the region suggests that the competition for control of the trade between these two investors and their local counterparts remains an ongoing dynamic (Somaliland Press, 2010).

Regional political factors

Shifting politics

A number of seismic shifts have taken place within global and regional politics in the last ten years. These have had wide-ranging repercussions in the region, including on the livestock trade. The Ethiopia–Eritrea war (1998–2000) has shifted the majority of Ethiopia’s international trade from Assab, in Eritrea, to Djibouti. While Assab was not an important port for livestock exports, this shift has coincided with – or directly led to – investment in Djibouti by Middle Eastern sources and its leasing out to the Dubai Port Authority for 20 years (it has been referred to as the Dubai of Africa). This commercial expansion has been noted by many Somalis, who say that President Ismail Omar Guelleh has been very shrewd and continues to build on it by, for example, offering Djibouti passports to attract Somali businessmen from around the region.

The establishment of a large US military base in Djibouti in 2001–02 and the later creation of the Africa Command (AFRICOM) structure reflect the new post-9/11 environment as well as other security interests in Africa (including securing access to natural resources). This has had an indirect link to the livestock trade as Djibouti is now reported to be a recipient of one of the highest levels of development funds per capita in Africa – \$130–700 per head, depending on which population and aid figures are taken (Brass 2007: 3). USAID funds were the catalyst for the development of the Djibouti quarantine facilities, although poor management of the project led to the Djibouti government handing it over to a Saudi Arabian private investor for completion.

The fate of the Ogaden

Even though Ethiopia does not have direct access to the sea, it has huge rangelands and a massive stock of animals,

accounting for well over half the current monetary value of all livestock exported out of Djibouti, Berbera and Bosasso. However, policy formulators at both national and regional level are confronted by the juxtaposition of Somali statelessness and libertarian tendencies and the Ethiopian legacy of strong, centralized economic management. Stephen Devereux describes this tension within Ethiopia’s Somali Region in the following terms: ‘the instincts of the Ethiopian government are to intervene and regulate, while the instincts of pastoralists are flexible and contingent’ (Devereux 2006: 169). It is also notable that in recent years development actors have made very significant efforts to challenge this situation, with some success. However, ‘development’ policies are complicated by the fact that the pastoral areas of Ethiopia entirely comprise the peripheral, border areas of the country. These border or ‘emerging’ regions tend to be conceptualized more in security terms than in developmental ones; for example, the Ministry of Federal Affairs, a political office, is the pre-eminent centre for policy-making in these regions, but has little technical capacity. Ethiopia’s Somali Region and, in particular the Ogadeni-inhabited areas, have long been a security concern for central government.¹⁷

The most recent manifestations of this security complex have been the April 2007 attack on a Chinese-supported oil/gas exploration mission carried out by the Ogaden National Liberation Front, as well as the Ethiopian incursion into southern Somalia in 2007. These have resulted in a number of commercial repercussions for the livestock trade. Since early 2007, much of the Ogadeni-occupied areas of Ethiopia’s Somali Region has experienced a greatly increased military presence and a major clampdown on the movement of people, livestock and goods (See Human Rights Watch 2008). For long periods this has had a dramatic detrimental impact on the terms of trade for pastoralists as well as on the availability of goods in the markets.

In addition, there is a strong pressure for the governments of Somaliland and Puntland, which maintain good relations with Ethiopia, to arrest and hand over suspected ONLF figures whenever possible. This does happen periodically, leading to tensions and attacks on Isaaq traders

¹⁷ See Hagmann 2005 for an analysis of the nature of politics in Ethiopia’s Somali Region.

and their assets by the ONLF. In spite of mediation efforts by elders, trade relations between the Isaaq and Ogaden are currently reported to be severed. It is also worth noting that there has been a general shift of traders from routes linking Ethiopia's Somali Region with Somaliland eastwards towards Bosasso over the last ten years. This has been partly the result of a deliberate economic strategy by the Puntland administration as well as, for at least some of this period, lower port charges, less red tape and new market opportunities following the Saudi ban in 2000.

Another more recent source of tension in this trading sub-region is the existence of oil and gas reserves.¹⁸ In at least two border areas on either side of the boundary between northern Somalia and Ethiopia's Somali Region there have been tensions around exploration and access. There is currently a heavy military presence in gas fields in Shilabo district, a primarily Ogadeni-populated area of Ethiopia's Somali Region.

As well as these security concerns the more public pronouncements emanating from the Ethiopian government concern the lost earnings resulting from this cross-border 'contraband' trade. In 2009, the government announced that it wished to double its earnings from the livestock sector by curbing illegal trade and opening new market centres. The scale of this 'unofficial' trade is estimated at up to ten times the value of officially recorded trade, and in recent years control of the trade has passed from the customs authorities to the military (Umar 2007). Any movement of goods or livestock across the Ethiopian border is considered 'contraband' unless accompanied by official paperwork, and is subject to varying degrees of control. Traders interviewed in July 2009 pointed out that obtaining a Letter of Credit requires the use of official banks and therefore the official exchange rate. In the last two years high levels of inflation in Ethiopia have seen the birr depreciate significantly against the dollar, to the extent that the black market rate is now significantly better. Officially recognized traders can therefore struggle to remain competitive where unofficial trading goes on, losing out in terms of the exchange rate as well as in relation to other taxes and charges incurred. The Somali Region State is

a politically complex arena with different arms of the federal government involved – the Ministry of Federal Affairs, Customs and Excise, the military, the President's office – as well as different Somali actors competing for political office and favour at *woreda* (district), zonal and regional levels. The overall effect of this is to create a complex regulatory environment and unclear governance system, making trading risky and difficult.

‘ In 2001 it was estimated that exports of livestock contributed 80 per cent of foreign currency, over 40 per cent of GDP and 60 per cent of employment opportunities to the economy of Puntland ’

Competition for revenue

As one of the major economic assets of the sub-region, the livestock trade plays a significant role in relation to government revenue (through port and border charges), foreign exchange income, exchange rate levels and household income (from pastoralists to all those involved in the trade). For Somaliland and Puntland, this trade represents a critical source of foreign exchange and government revenue. In 2001 it was estimated that exports of livestock contributed 80 per cent of foreign currency, over 40 per cent of GDP and 60 per cent of employment opportunities to the economy of Puntland (UNA 2001). For Somaliland, the livestock sector accounts for an estimated 60–65 per cent of GDP and in the early 2000s approximately 30 per cent of Somaliland's government revenue came from the various taxes collected through this export trade (Holleman 2002). Following the 2000 Saudi Arabian livestock ban, for example, the value of the Somaliland

18 See Khalif 2000 for details on the terms of this agreement, and his concerns about levels of consultation with local populations and the allocation of potential revenues for local investment.

shilling fell by nearly 50 per cent between September 2000 and December 2002 (from 3,487 to 6,200 to 1 US dollar) (Holleman 2002).

For the Ethiopian federal government the economic significance of the livestock trade is more limited; as mentioned, it is probably perceived more in terms of the loss of potential foreign exchange than in terms of government revenue. From a political perspective, the trade and the livestock within it perhaps symbolize the challenge to the territorial integrity of Ethiopia that the Somali people themselves sometimes represent.

Djibouti too is far less dependent on revenue specifically associated with the livestock trade given the much greater economic value it obtains from handling most of Ethiopia's imports and exports, as well as the revenue it receives from the French and US military bases there. As noted above, Djibouti's expansion in the livestock trade was largely due to two critical initiatives: the development of quarantine facilities at the port and, related to this, its sole, official access to the Saudi Arabian market from late 2006 to late 2009. As Figures 1 and 2 demonstrate, from 2006, almost overnight, Djibouti caught up with – and even overtook – Berbera and Bosasso in all animal exports. Djibouti's rise is keenly felt by nearby Somaliland, which relies heavily on the revenues associated with Berbera port. The two ports are only about 240 km apart and roughly equidistant from Addis Ababa (Djibouti 854 km and Berbera 910 km). However, the Djibouti link has rail as well as better road infrastructure and is slightly closer to the Saudi Arabian ports. The costs and risks of transiting livestock through Djibouti will, however, be significantly greater than for Berbera, with its nearby cooler holding plains.

The Somaliland and Puntland authorities both clearly have a strong interest in improving their port facilities and transport links but lack – at the very least – the public resources. Following the collapse of the state, when exports and imports were distributed between Berbera, Mogadishu and Kismayo, Somaliland immediately benefited from a huge growth in livestock exports for several years. Some 95 per cent of its exports went to the nearby and lucrative Saudi Arabian market (about 750 km away, two to three days' sailing for smaller ships and dhows). Bosasso port had only

just been completed at the time of the collapse of the state and therefore was not an immediate competitor. However, over time Puntland grew rapidly as a livestock export channel. It has generally been known as a freer trading area than Somaliland; port costs were kept below Berbera's for many years and there was a deliberate strategy of attracting traders – although the longer distances to markets also increase costs. Some interviewees suggested that the stronger clan links between the Ogaden and Mijerteen (both Darod) were another factor. Others, however, said that there was a long history of strong relations and intermarriage between neighbouring Isaaq and Darod clans, and also that business potential usually overcame clan politics.

The rise of Djibouti has exposed some of the limitations inherent in the situation in Somaliland and Puntland. Djibouti's geopolitical good fortune, sovereign status, political acumen and stability have been used effectively to attract public and private investment and, for nearly three years, to bypass the livestock ban. Against this, the high levels of investment in Djibouti have also contributed to very high port usage costs. Moreover, since livestock require good water and feed facilities, Berbera and Bosasso are always likely to be able to undercut these costs.

Conclusion

The Somali pastoral economy is a critical platform for economic interdependence that links the ports of Djibouti, Berbera and Bosasso with their interior rangelands and those of Ethiopia's Somali Region. These links have evolved over time to marry Somali social networks with technological developments, resulting in the effective management of a highly volatile political and environmental context.

While the northern Somali coast has seen a variety of ports grow and decline over the centuries according to their incorporation into different trading empires as well as competition from within, the pace and scale of change over the last twenty years have been momentous.

The Saudi Arabian market, particularly during the Hajj, is a key niche market for Somali sheep and goats. In recent years, stimulated in part by the livestock ban, monopolistic practices have developed between Middle Eastern investor traders and their Somali counterparts, which serve to concentrate profits in the hands of a few.

The people of Ethiopia's Somali Region – the Ogaden – will always have links to their kin and neighbours over the borders as a result of ethnic and trade connections. These will inevitably lead to political stresses and conflict within the region until a less militaristic stance is adopted and an appropriate and regulated trade environment found.

This paper has highlighted the enormous and growing importance of the Gulf region to the Horn of Africa, both as a burgeoning market and as a source of investment in areas such as the ports and the livestock business. The rise of Djibouti has clearly revealed some of the benefits of statehood and sovereignty to the Somaliland and Puntland authorities, while also highlighting the enormous economic potential that Djibouti has captured through Ethiopia's trade.

This report is informed by the following sources:

- Interviews by the author in Nairobi, Addis Ababa, Hargeisa, Jijiga, Dire Dawa, London and Bristol, as well as telephone interviews with respondents in the United States and e-mail exchanges with those in Somalia.
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