Somalia's Post-Conflict Economy: A Political Economy Approach[1]

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To do the impossible you must see the invisible.

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I. Introduction

Much discussion has taken place about reviving the Somali economy since the dawn of the new century.[2] These conversations have not *critically* assessed what bedeviled the Somali economy during the tenure of the old regime and since its collapse. Further, no one has yet articulated an appropriate framework that accounts for the country's past and the ways in which a new Somali order can profitably learn from and engage with recent developments in the global environment. The factors that crippled the old order and that sustain the civil war must be identified and contained, if not fully controlled, during and after the transition. Among the ills that plague the Somali economy are structural constraints, mismanagement of public resources, a political elite whose preoccupation is looting the commons, lawlessness and warlord rule, and a disorganized public that failed to unite against a sectarian political agenda that stoked conflict between communities. The prospect that the transition will be economically successful is grim unless a conscious and concerted effort is made to reduce these political liabilities.

The extreme lawlessness of the last one-and-a-half decades made the population's working and living conditions exceptionally precarious, particularly in the south. Roaming militias destroyed farming communities and the rudimentary agricultural infrastructure. In many instances, a significant proportion of the farming population in the irrigated regions was dislocated and became internally displaced persons (IDPs). Displacement was not limited to the riverine agrarian sector, as successive embargos by importing countries of the Middle East brought livestock exports, the mainstay of the economy, to a halt, except in the southern end of the country.[3] In addition, many people lost their assets during the civil war. In Hargeisa and Garowe, where order was restored, regional authorities reinvented the old corrupt system in which the ruling strata and its clients use public power and resources as personal gifts. The only difference between their management style and that of the old regime is that they do not have enough strength to control the market. The level of corruption in these areas and in the Transitional Federal Government (TFG) has equaled if not exceeded that of the Barre years. Elsewhere, warlords who control other areas, mostly in south-central Somalia, devastated the region as they turned any public resource capable of generating revenue into their booty, without restoring order.

The last two decades have also produced two new generations of Somalis who are not equipped to creatively engage with the 21st century. Young people are the country's most precious resource and their loss is tantamount to a miserable future. Another product of statelessness is the destruction of public trust. Barre's regime tribalized government institutions, which undermined people's confidence in public affairs. Warlords, factional, and regional leaders have turned genealogy into the dominant political identity. Such a degeneration has eroded communal cohesion and continues to block the pathways to deep reconciliation and social rehabilitation. Clanization of political identity and the loss of two generations are profound liabilities that will frustrate economic reconstruction for years to come. Rescuing these two generations and rebuilding the social fabric by rehabilitating national identity are necessary prerequisites for sustainable economic recovery.[4]

The only silver lining to this gruesome tale is the remarkable initiative most citizens undertook to fend for themselves. Some had created profitable enterprises while others had engaged in shadowy businesses (such as ecologically destructive charcoal export), which have earned them substantial fortunes. In addition, remittances from Somalis in the diaspora, estimated at nearly three-quarters of a billion dollars, support a large section of the population.[5]

This essay examines three issues vital to reconstruction and long-term sustainability. First, it describes the origins and nature of Somalia's economic crisis and developments focusing on livestock, farming, and fisheries. Without a grounded analysis of the old era and recent changes, it is not be possible to chart a viable development pathway. Part two introduces a conceptual framework that illustrates the nature of the state-market relations with a particular focus on governed markets. The final section provides a set of recommendations that map the way forward.

II. Framing the Crisis

Somalia's underdevelopment has been exacerbated by reckless political leadership that has mismanaged the country since the mid-1970s. The collapse of the state and political order in 1991 marked a watershed in Somali social and political history. Since that fateful year, Somalia has become synonymous with hopelessness. The language of doom is not analytically helpful, however, in understanding the origins and dynamics of social and political problems. A more apt concept is *crisis*.[6] Crisis refers to a condition in which existing economic and political circumstances cannot be reproduced along established norms. Economic crises occur when different productive sectors are unable to generate even *minimal* surpluses to repair the diminution of assets resulting from normal wear and tear. For example, rejuvenating overgrazed range resources in a pastoral economy requires a fallow period. If such an imperative is not attended to, livestock will not have enough feed, and long-term productive capacity of the range might be damaged. Consequently, livestock health will decline and so will the profitability of the sector. Such minimum reinvestment is never sufficient if the sector is to contribute not only to its simple reproduction but to a growing economy. In other words, sustained underinvestment in productive assets yields diminishing returns that lead to a declining standard of living. If such a downward spiral is not urgently arrested and reversed, it will produce economic disaster. Therefore, a crisis is that transitional moment wherein the old order must be reinvented to prevent it from involution. Beyond this point, disaster strikes and the system becomes chaotic, characterized by its vulnerability to natural perturbations which impair livelihood chances for most people.

Government plays a strategic role in exacerbating a crisis or reorienting economic signals in order to regenerate economic vitality. But not all governments have the capacity to take charge. Only those authorities who have legitimacy with the population possess the necessary credibility to lead the transformation. Legitimacy of state leadership may be garnered through a track record of delivering development and/or respecting the rule of law. Unaccountable leaders who have engaged in *rentier* economic policies and who have aggravated the crisis cannot be trusted with reform. Enduring illegitimacy develops into deep political crisis.[7] Such a political crisis reinforces the economic predicament and leads to catastrophic conditions. Rent seeking and disregard for the supremacy of the law steadily undermine common values. The predatory state creates a society that is its mirror image.[8] Thus, catastrophe is the product of an ill-managed crisis.

The unnecessary death of hundreds of thousands of Somalis since the end of Barre's dictatorship, and the dislocation of over three million people, are products of the combined effects of political and economic failure. Events of its last twenty years demonstrate that the tyrannical rent-seeking regime unhinged civic life and deepened poverty. The warlord- and faction leader-dominated disorder that has prevailed since the early 1990s in most regions of the country has ossified political fragmentation and looted what was left of the collective goods. Such a blind economic and political alley has been difficult to break through. The common and fatalistic Somali utterance, "*Wuxuun ba dicidoona*" (Something positive will somehow happen), the byword of both the elite and the commoners, sounds inane today and has been replaced by utter despair.

If Somalis are to avoid the further protraction of the prevailing debilities and greater loss of life and property, they must clearly understand where they have come from and the dynamics that produced their nightmare. A fundamental part of this history is the disarticulated structure of the economy.[9] The Somali economy had four principal attributes. First, its organization perpetuated a mismatch between the basic needs of the people and the incentive structure set by the state and the market. Second, it relied on conditional foreign loans and grants as the sole source for investment and development, which reinforced the economic status quo. Third, the state, unsteadily controlled by factions of the elite, dominated the distribution of foreign aid, leading to misappropriation and misuse of resources and further political instability. Fourth, very few public resources were directed to improve and expand agricultural production.[10]

Somalia's collapse in 1991 was preceded by a long period in which socioeconomic conditions markedly and progressively deteriorated. A pivotal element in the evolution of the present situation was the conflict between competing factions of the elite over the control and use of the meager resources of the country.[11] This struggle starved the productive sector of the economy, which in turn intensified social cleavages and communal strife.[12] The crisis of the Somali economy, then, resulted from the underaccumulation of capital as well as the political illegitimacy of the ruling elite.[13] It is generally assumed that all sectors of the economy suffered from the same maladies and, therefore, that the country was in *a* crisis. Such a monolithic conception of the problem often leads to a simplistic and generalized prescription for what was, in actuality, a *multitude* of liabilities.

This essay provides a political-economic analysis of the conditions that induced Somalia's crisis. What follows investigates different manifestations of the issue of capital underaccumulation in three components of the Somali agrarian economy: the pastoral/livestock sector, the farming sector (i.e., export agriculture and grain/domestic production), and fishing. This focus is warranted because of the absence of a vibrant industrial or service economy, and the fact that agriculture is the only productive area that holds the promise of growth and development in the immediate future—that is, in terms of contributing to accumulation and livelihoods.

Although this paper concentrates on crop and livestock production, it does recognize the potential significance of other sectors. For example, Somalia has a great potential for fisheries that has been untapped by the local population.

III. The Crisis of Pastoralism and the Livestock Economy[14]

Livestock production has been the dominant sector of the Somali economy in terms of employment and foreign exchange earnings for a long time. The health and vitality of the national economy was always contingent on the performance of this sector and will continue to be so in the near future, albeit at a reduced level. Consequently, a coherent understanding of the problems faced by the pastoral/livestock sector is essential for any attempt at reconstruction. To fully appreciate the dire condition of this crucial sector, we need to broaden our conceptual horizon in assessing the dynamics and the nature of the pastoral system.

A. Background

Most contemporary social analysts use the word *pastoralism* to characterize those individuals and communities who make a living by raising livestock in semiarid regions. The term *nomadism* is used in similar fashion.[15] This is historically and analytically imprecise, and most of the literature on the subject is either ill informed, outdated, or both. Pastoralism is a *means* of livestock production employed under a variety of social and historical conditions. The method or the tools of production do not define the nature of a social system; e.g., capitalism is not defined by the instruments or the methods used by producers, but rather by the social relations into which various groups enter in order to produce values and reproduce the existing social order. Consequently, pastoral livestock production can exist under several different social and economic systems.[16] For example, communitarian pastoralism in pre-colonial Somali society was a social order in which the production of use values predominated. In contrast, contemporary Somali pastoralism is dominated by a commercial system and the production of exchange values. The commercial system that prevails in the country can be thought of as peripheral capitalism. Thus, *pastoral production* has become central to the reproduction of a larger social constellation dominated by the state and merchants.

Pre-colonial Somali society was stateless in character and all adult members were engaged in production. This system was fundamentally communitarian in that it lacked an institutionalized social and economic hierarchy. This interpretation of Somali social history does not deny the existence of some communities (e.g., the riverine areas of the south) whose local social relations were at variance with the dominant system. Nevertheless, the principal mode of production, communitarian pastoralism, lacked the systematized forms of oppression associated with class societies. However, as Somali society became an integral part of the global capitalist system, beginning in the late 19th century, the forces of the world-system had a transformative effect upon it.

The transition from one social system to another entails the remaking of previous social and property relations. The emerging order bears the imprint of the new age, although it retains aspects of the old regime, such as the method and objects of production. Contemporary Somali social structure displays the emblem of capitalist transition, clearly heralding the passing of a way of life. Communitarian pastoralism, through production and consumption of use values, sustained the producers without its major products circulating as a commodity, whereas contemporary pastoral production supports two additional and dominant social groups: the merchants and the state.

Pre-colonial Somalia was not isolated from the mercantile world. However, the external world and the logic of mercantilism had only a marginal influence over the reproduction of everyday life. It was only after livestock became the chief object of trade that the present social relations emerged. The constitution of pastoralist-merchant-state relations over the last century entailed the emergence of social classes and the gradual eclipse of communitarian pastoralism. This broad scheme provides an appropriate conceptual framework to delineate the genesis and nature of the crisis in the sector.

The slow but steady decomposition of communitarian Somali traditions began in the 19th century with the imposition of colonial rule and the gradual "commodification" of livestock (i.e., the shift toward viewing livestock as a commodity). Livestock trade since the last decade of that century laid the foundation for the colonial and postcolonial economy. Among the earliest and most visible changes was the emergence of pastoralist-merchant-state relationships based on the livestock trade. The general history and organization of this trade have been dealt with elsewhere.[17] Merchants have not been the only group that siphoned resources from pastoralists. The colonial state did so as well. Somali pastoralists have produced "surpluses" that have been captured by the state since the society first became a colony in the 1880s. In more recent years, livestock exports have been the single most important hard-currency earner, accounting for nearly 80–90 percent of the total annual foreign exchange earnings (until this trade was disrupted by the civil war in the north in 1988).

The development of merchant-pastoralist-state relationships in Somali society over the last century marks a definite break with pre-colonial tradition. The relationships sketched above constitute the domestic matrix that shapes the configuration of changes taking place in pastoral areas. Such structural relationships between merchants and the state, on the one hand, and producers, on the other, bound the limits of this economy. Consequently, a key element in the contemporary trauma of Somali pastoralism is its declining capacity to sustain the intensifying reproduction requirements of the producers, the merchants, and the state class.

In the highly commercialized context of Somali livestock production, little is known about the degree of internal differentiation among pastoralists.[18] However, property relations in the rangeland have not been *formally* restructured, and the process of privatizing community resources is not advanced, although the enclosure of the pastoral commons has increased significantly since 1991.[19] In the absence of direct appropriation of Somali rangeland by non-pastoral producers, many students of Somali society continue to assume the vitality of a pre-capitalist social system. In view of this, the pastoral-merchant-state relationship first established during the colonial era seems stable and often problem-free to most Somalists. Their argument has been that pastoralists, by selling their livestock, earn a return sufficient to enable them to purchase basic foods and other goods, while merchants make profits sufficient to sustain themselves, and the state collects taxes and gains precious foreign exchange.[20]

Pastoralists' production of an indigenous food commodity and its subsequent export appeared to satisfy three often contradictory objectives of development in Africa: the need to earn foreign exchange, the necessity to maintain or increase domestic food production, and the desire for a wider distribution of income. This view of Somali society, premised on communitarian pastoralism and subsequently perpetuated by Somalist scholarship, conceals the qualitative transformation of social relations described earlier. More significantly, such a conception fails to grasp the problem of reproduction in the existing social formation, to which this essay now turns.

B. Transformation and Conjuncture

Scholarly literature on Somali development seldom addresses directly the *reproduction of the pastoral-merchant-state relationship*. The only exceptions are certain works by Jeremy Swift and Dan Aronson.[21] Swift was the first researcher to point to the deterioration of pastoral barter terms of trade after the turn of the century. He noted that the commercialization of pastoral life brought about the decomposition of traditional Somali social relations. The disintegration of the pre-capitalist Somali pastoral system under the tutelage of commercial capital led to ecological degradation and increased pastoral vulnerability to the fluctuations of the semiarid climatic regime. Aronson extends this analysis by indicating that Somali pastoralists are caught in an exploitative trap engineered by the state elite and the merchants.

Swift and Aronson's studies are significant contributions because they call for a new direction for Somali (pastoral) development research. These studies, however, suffer from one major weakness. Written at a time when livestock prices were very high and the merchants and state elite were enjoying tremendous windfalls, they overlook the structural weakness of the system. In other words, although both are sympathetic to the position of the pastoralists and their future, neither author recognized the structural weaknesses of the relationship or the struggle over its reproduction.

In the 1950s and 1960s, Somali livestock export earnings were enhanced by the simultaneous development of oil resources in Saudi Arabia and the significant increase in the number of livestock-sacrificing pilgrims to the Islamic holy land.[22] The oil price shocks of the early 1970s and the resultant phenomenal growth of petrodollars in Saudi Arabia led to a construction boom. Consequently, shortages of both skilled and unskilled labor in Saudi Arabia necessitated the importation of thousands of workers from the Middle East, Northeast Africa, and South Asia, which in turn led to increased demand for food imports, particularly meat. The growth in the demand for meat and the global inflationary pressures of the period drove up livestock prices enormously. Somalia, which initially accounted for nearly 90 percent of Saudi livestock imports (particularly during the *Hajj* season), reaped fantastic windfalls for the whole decade.[23] For example, the prices of sheep/goats, cattle, and camels increased between 1960 and 1978 from about \$8, \$30, and \$40 to \$44, \$195, and \$278 per head, respectively. Such increases in livestock prices far outstripped the domestic inflation rates of the period.

The 1980s were not as kind to the Somali livestock export trade as the 1970s. Subsequently, Saudi Arabia's buoyant market attracted suppliers from as far away as Australia. Such internationalization of the supply chain in the 1980s triggered a tremendous increase in the supply of livestock, with the consequent downward pressure on prices. The sudden decline in oil prices in the mid-1980s, the resultant financial difficulties in Saudi Arabia, and the globalization of the livestock trade in the Middle East intensified competition in the industry. Somalia's authoritarian regime was ambivalent about losing its share of the reduced market in the oil kingdom. Consequently, it enacted a

Table 1. Official Livestock Prices (in $/head)[a]

	Before January 1984	After January 1985	Percent change in price
Sheep	53	42	-20.76
Cattle	280	213	-23.93
Camel[b]	450	390	-13.13

Source: A. Samatar, "Social Classes," p. 112.

Notes: a. Export prices fluctuated but were consistently higher in years prior to 1985.

b. Although there has not been an increase in the downward pressure on camel export prices, camel prices declined because of the generalized price reduction policy of the regime. Such losses were unnecessary.

substantial reduction of Somali livestock prices in January 1985 (see Table 1).

The decline in livestock prices, coupled with the long-term stagnation in the quantity of animals exported (livestock exports peaked in 1972), presented a grave threat to the established social relations between pastoralists, merchants, and the state. This threat came in the form of declining terms of trade for producers, declining profits for the merchants, and reduced foreign exchange earnings for the state. For the pastoralists, the threat induced by the price squeeze might have meant a reduction in their basic level of subsistence. In the past, they were able to mitigate such pressures by increasing their livestock holdings and exploiting more marginal areas. However, this time-tested strategy was no longer effective because virtually all the marginal land exploitable under current methods of production had been put to use.

A common but unexamined belief among many Somalists is that pastoralists, whose superior skills have been honed by centuries of experience, are the most appropriate custodians of the pastoral range.[24] This contention notwithstanding, the lore and appropriate skills of the pastoralist, which made the semiarid region productive and profitable, have been progressively undermined by the scarcity of accessible rangeland and an ecological deterioration generated by the commodification of pastoralism under a peripheral capitalist regime.[25] Pastoralists are increasingly hemmed in by the growing population, limited rangelands, and the overuse of the commons. This situation is rendering pre-capitalist pastoral knowledge and management systems defunct or incapable of sustaining this form of commercial pastoral production. In this sense, the prevailing situation of Somali livestock production echoes the condition of the rural economy in Botswana in the early 1970s:

> By the early 1970s the situation in the rural areas was nearly chaotic, yielding the possibility of a long-term damage to the environment and apparently providing absolute limits to the further development of [commercial] cattle production. The conditions for the expansion of that production in the 1960s became its fetters in the 1970s.[26]

The stagnation of livestock exports, the diminishing capacity of the rangelands, downward pressures on livestock prices, and skyrocketing domestic inflation finally exposed the exploitative and unproductive relations between the claimant classes and the rural producers. Such pressure on prices and the profit squeeze on the system could perhaps be treated in the short run by simply redistributing the losses. However, in the long run, reproduction of these relations will require a significant restructuring of the system.

Livestock merchants were differentially affected by the price squeeze. Although merchants constitute a class as defined by their relations to the producers, they are by no means a monolithic group. For example, the 923 livestock exporters based in the hinterland of the main city of Berbera from 1981–1986 can be differentiated into three strata on the basis of the number of animals they exported and the profits they obtained. The distribution of livestock exports among the merchants indicates a process of social differentiation wherein this class is segmented into poor, middle, and rich merchants. The three groups are those who exported from 1–9,999, 10,000–49,000, and 50,000–149,000 animals, respectively. Category One merchants consisted mainly of those whose operations were barely sufficient to satisfy their requirements for basic subsistence. Their median sale was about 580 animals annually, with a corresponding profit of $1,740 (the minimum net profit per sheep or goat was $3). Middle-size merchants' median export was 4,500 animals annually, with a profit of $12,600. By contrast, the median sale of the rich strata was 12,500 animals annually, with a profit of $37,500. About 85 percent of the merchant population fell into the indigent camp, and 12 percent and 3 percent belong to the middle and rich strata, respectively. This means that the top 15 percent of the merchant class accounted for about 70 percent of the sales and, hence, for the industry's profits.

Based on the above distribution of sales and profits, it seems that the three strata of merchants have contrasting reproduction requirements in spite of their common class base. In other words, the priority of the poor group, under prevailing conditions, was simply to survive as merchants; they had little prospect of enhancing their location in the hierarchy. It is important to note here the common assumption in Somalia that most livestock merchants are in the profitable import trade and consequently have large real estate investments. Such a perception is contradicted by the results of field research. Of the seventy indigent merchants interviewed, only two had real estate properties, and none were involved in the import trade. In contrast, the decline in export prices has reduced the profit margins of the middle and rich merchants, but did not endanger their immediate status as one of the wealthiest groups in the country. Most of the members of these two groups were heavily involved in the import trade and had relatively extensive real estate properties in major towns and cities. However, over the long haul, a continuing decline in export prices and the long-term stagnation of the number of animals exported boded ill, even prior to the dissolution of social order, for the future of middle and rich merchants. This was because their capacity to import commodities (in the lucrative import trade) has always been contingent on the availability of foreign exchange.[27]

Finally, the Somali state, strapped for foreign exchange, was further impoverished by the combined effect of the drop in export prices and the stagnation of livestock exports. In the absence of other domestic sources of foreign exchange, its reliance on external assistance intensified, deepening the disconnection and alienation between the state and society.

The fortunes of the sector have not changed substantially since 1991. Livestock trade nearly came to a standstill in the early 1990s, but slowly recovered and peaked at about 2.9 million in 1997. Saudi Arabia's two import bans of Somali livestock, due to the claimed presence of rift valley fever, significantly slowed down exports. Consequently, Somali merchants have begun to diversify their export markets into the United Arab Emirates. Others in the southernmost regions have redirected trade towards Kenya, while a handful of entrepreneurs have established small abattoirs and ship chilled meat to other destinations in the Middle East.

It was recently suggested that the producers capture 85–92% of the free-on-board (FOB) price,[28] but the evidence to sustain this assertion is slim. First, the analysis on which this statement is based did not consider the fact that several intermediaries exist between the producer and the export merchant. The exactions by these actors reduce returns to the producer. Second, evidence from the late 1990s suggests that the barter terms of trade for producers has not improved, particularly after the Saudi ban on exports. Such lacuna is due to the limited scope of the analysis. Structural relations—social and ecological—that limited the sector's robustness remain in place despite the recovery of the export trade. Unless these barriers are carefully examined, the sector and the larger economy will not recover and prosper.

C. The Crisis in the Farm Sector

Crop production is the other main productive area of the country's economy. This sector consists of the peasant-dominated grain producing area, and the export-oriented fruit (mainly banana) plantation enterprises. As in the pastoral sector, which produces food for both export and domestic consumption, grain and banana production contribute to the internal and external accounts as well. However, national grain production has usually fallen far short of satisfying domestic needs, although the potential for growth is particularly great in irrigated areas.

Despite the promise, the sector suffered from maladies somewhat similar to those that bedeviled the livestock economy. The crop sector's afflictions were the result of woefully rudimentary tools of production, environmental problems, absence of agrarian services, mismanaged markets, arbitrary price controls, and an impoverished labor force. These political-economic and ecological factors articulated differently in the grain-producing areas than in the banana economy. The combination of these factors limited the sector's capacity to produce sufficient output to provide for farmers as well as to satisfy other domestic needs. Thus, the crisis of the crop sector was defined by the mismatch between its potential capacity to produce larger quantities of food and exports, the growing needs of an increasing population, and the absence of legitimate government institutions that could facilitate appropriate and necessary reforms. This structure reinforced the rural population's vulnerability to climatic cycles and deepened poverty.

Somalia's agrarian crises are embedded in the institutional order left behind by the former colonial governments and the regimes that have reigned ever since. The warlords and regional faction leaders have turned the crisis into a calamity. Future attempts to reform the system must therefore deal gingerly with the factors that impede progress in order to enable peasants and others who work in the sector to become more productive and earn sufficient returns for their toil.

1. The Grain Sector

Somalia was a grain-deficient country long before the military regime's tenure and the disaster since the 1990s. Unlike the civilian governments that preceded it, the junta proclaimed its commitment to a policy of food self-sufficiency.[29] Although this new strategy increasingly relied on state farms and agricultural crash programs to provide for the bulk of the country's food needs, such projects never yielded more than a fraction of their planned targets. Consequently, the country never produced enough food for itself, and, state neglect notwithstanding, the peasantry remained the principal producer of food grains. State-peasant relations during the 1970s were characterized by (1) an extraction of resources through both price controls and forced produce deliveries (through marketing boards) and (2) absolute neglect in the provision of credit and other necessary agricultural inputs.[30] The net results of this strategy were a decline in crop production and stagnation (see Table 2).

Although the sharp declines in grain production from 1970–1980 were in some years certainly due to unfavorable climatic conditions (e.g., the 1973–1974 drought), the principal cause for the decade-long failure to make progress toward national food self-sufficiency was inappropriate agricultural policy. The state-inspired approach during this period reflected the opportunistic and quasi-nationalist predispositions of the governing elite. Without much understanding of the needs of peasant producers or the technical requirements of food production in the peasant environment, the regime imposed a rigid policy that undermined its own objective of food self-reliance. Government leaders had two reasons for adopting such a strategy. First, under the tutelage of the Soviets, they believed that controlling the marketing of agricultural produce was "proof" of their socialist orientation. Second, the strategy brought an important sector of the economy under the ambit of the regime and therefore provided an avenue to employ more bureaucrats to make good on the inflated promises made on the morrow of the coup. Consequently, the expansion of an unproductive bureaucratic class at the cost of robust and thriving rural production foreclosed a vibrant agrarian sector.

The introduction of neo-liberal economic reform, a result of the 1981 structural adjustment agreement between the International Monetary Fund (IMF) and the Somali government, eliminated both price controls and mandatory grain deliveries to the state. These reforms, coinciding

Table 2. Production of Food and Nonfood Crops, 1970-1986 (in thousands of metric tons)

	Grains, beans, and oil seeds	Sugar, vegetables, and fruits	Total food output	Nonfood crops	Total output	Output index (relative to 1970)
1970	342.2	376.6	718.8	1.3	720.1	100
1971	278.6	375.7	654.3	1.0	655.3	91
1972	323.4	377.3	700.7	1.2	701.9	97
1973	229.3	390.2	619.5	1.1	620.6	86
1974	274.2	379.2	653.4	1.0	654.4	91
1975	294.3	333.4	627.7	1.1	628.8	87
1976	350.7	333.2	683.9	1.2	685.1	95
1977	319.0	320.1	639.1	1.2	640.3	89
1978	313.1	327.8	640.9	1.2	642.1	89
1979	312.3	312.0	624.3	1.5	625.8	87
1980	315.9	316.8	632.7	1.5	634.2	88
1981	449.3	338.0	787.3	1.1	788.4	109
1982	478.1	349.4	827.5	1.8	829.3	115
1983	444.8	364.0	808.8	1.5	810.3	112
1984	563.7	394.4	958.1	1.5	959.6	133
1985	634.0	398.0	1,032.0	5	1,032.5	143
1986	713.0	365.6	1,078.6	1.5	1,080.1	150

Source: World Bank, Somalia: Agricultural Sector Survey.

with favorable rains, reversed the stagnation of the 1970s. However, a critical factor in the resulting increase in grain production was extensive horizontal expansion, rather than an improvement in the productivity (or intensive use) of land.[31] Sorghum and maize cultivation increased from a low 109,000 and 460,000 hectares, respectively, at the end of the 1970s to 259,500 hectares and 516,200 hectares in 1987 (see Table 3). Sesame and beans showed similar trends. All of the grains in Table 3 (except rice), particularly maize and sorghum, are rain-fed crops produced by peasants.

Rice production was stable for the first half of the 1970s but grew significantly in the latter half of the decade. However, the area under rice cultivation fell from 6,000 hectares in 1982 to 1,000 hectares in 1983. Before 1983, rice, unlike other grains, was primarily grown on large estates. Located near the towns of Jowhar and Jilib, these estates were managed as parastatals by the Ministry of Agriculture. Although the producer prices for other grains were significantly below the global market price during the periods of price controls, that of rice was almost identical to the world market price.[32] Regardless, farmers were unable to take advantage of the high price for rice because they had to sell their produce to the state marketing board. The decline in cultivated area during the 1982–83 season was due to abandonment of state farm production brought about by the reform process. Its recovery was slow as peasant farmers steadily readjusted to the new policy environment.

The 1980s was a decade of growth in the grain-producing areas of the country (see Table 2). There was significant improvement in grain production in both rain-fed farming regions and the irrigated areas of the Shabelle and Juba rivers. As noted earlier, this growth was largely a product of the horizontal expansion of cultivation and reclamation of farmland abandoned during the era of price controls. In spite of the promising circumstances, these gains were not sustainable because they entailed either (1) bringing more marginal or fragile land into cultivation in rain-fed areas or (2) neglecting institutional support for the relatively high-potential irrigated river valleys. As an illustration of the problems of the grain sector, consider irrigated rice production in the Jowhar Valley along the Shabelle as a case in point. The Shabelle river valley around the town of Jowhar is a flat, fertile, alluvial plain. It is less than 500 feet above sea level and about 60 miles northeast of the capital. Average annual rainfall in the valley is about 600 millimeters. The Shabelle River, which meanders through the valley, dries up in most years between the months of January and March. Historically, the valley was home to peasants and pastoralists. However, after the Italian colonization of southern Somalia, it attracted many investment projects.

The first and largest investment was a sugar plantation and an associated sugar mill. This plantation/mill complex was established in 1920. Initially owned by Italian colonial interests and later taken over by the Somali government, the enterprise dominated the town of Jowhar and the surrounding area. At the height of its operations in the early 1970s, the complex produced enough refined sugar to meet the country's domestic needs. It has since declined from production valued at $50 million in 1970 to $15 million in 1981,[33] and to complete collapse in 1988–1989. The demise of the sugar complex devastated the local economy. Mismanagement, the hallmark of the military regime, and the apparent siphoning of enterprise resources for the private use of senior national and regional public officials killed the enterprise, although the demand for sugar was growing. The experience of the

Table 3. Cropped Areas in Somalia, 1970-1987 (in thousands of hectares)

	Total crop Land[a]	Maize	Sorghum	Rice	Wheat	Beans	Groundnuts	Sesame
1970	571	133	290	1.3	0.9	21.9	3.3	73
1971	500.4	102	280	1.4	0.6	17.8	2.6	44
1972	638	117	390	1.2	0.8	20.8	3.3	57
1973	591.8	101	345	1.2	3.5	17.9	2.9	77
1974	580.7	99	330	1.4	3.5	17.6	2.8	84
1975	641.1	106	400	1.6	3.5	18.8	3.3	57
1976	733.5	119	490	1.8	3.5	19.7	3.5	45
1977	764.5	150.6	458.3	4.4	3.5	18.8	2.5	75
1978	730.8	148.7	420.1	9.8	3.5	21.8	1.9	75
1979	765	147.5	460.8	4.8	3.5	16.6	2.4	80
1980	730.8	109	456.8	5.9	3.5	18.5	2.5	83
1981	896	197	517	5.7	3.5	25.9	2.6	90
1982	931.9	209	540	6.0	3.5	27.0	3.0	90
1983	745.5	218.6	335.5	1.0	3.6	27.0	3.0	98.4
1984	964.7	220	544.7	1.3	3.6	38.1	4.7	92
1985	909.1	234.3	447	2.6	3.6	46.8	5.2	109.2
1986	802.7	245.1	385	3.2	0.3	28.9	2.9	81
1987	984.8	259.5	516.2	3.6	0.0	48.3	4.2	104.7

Source: Somali Democratic Republic, Ministry of Agriculture, Food Early Warning.

Note: a. Total cropland is greater than the sum of crops listed because not all of the land that could be cultivated is cultivated.

sugar industry is a telling example of the ills of poorly managed public enterprises and the negative consequences for communities all over the country.

Rice production was introduced to the valley in the 1960s. This economic program began at an experiment station five kilometers northeast of Jowhar through a project sponsored by the People's Republic of China. The purpose was to explore whether Somalia could grow enough rice to meet a significant part of its own increasing demand. At the end of the decade, the experimental phase was completed, and the staff at the station began to encourage its field laborers, most of whom were peasants from the nearest villages, to plant rice in small plots on their land.[34] By the mid-1970s, a small but increasing number was growing rice. The station supported the efforts of these peasants by providing advice on improved cultivation methods and seeds. Before this effort had a chance to blossom, however, the newly established Agricultural Development Corporation, a marketing parastatal, imposed price controls and mandatory deliveries on rice and other crops. This policy effectively stopped the expansion of peasant rice cultivation because farmers who were already cultivating the crop abandoned it altogether within two years. Between 1974/1975 and 1983, rice was grown only at the experiment station and at state farms elsewhere. However, the promise of improving food self-sufficiency through a farm-based strategy (particularly in terms of rice) disappeared.

The town of Jowhar and the surrounding villages in the Shabelle Valley were economically devastated from 1974–1984 by the disintegration of the sugar complex, and the modest expansion in rice production was insufficient to make up for other losses. Relaxation of price controls in the early 1980s was a necessary but insufficient condition to rekindle peasant enthusiasm. An initiative of a German private voluntary organization (PVO), AgroAction, and its offer of material support to two peasant communities were the catalyst that helped rejuvenate rice production in the Jowhar Valley. The experiment station, which was transformed into a moderately successful state-run rice farm, was there to provide the necessary seeds, advice, and some other services.[35] The new initiative took off within two years. The growing economic crisis of the country, the increasing price of food staples, and the liberalization of land tenure laws made rice production the most attractive productive investment for anyone who could muster enough resources to get access to irrigated land. It was not long before many non-peasants (e.g., merchants, bureaucrats) started producing rice.[36] By the winter/spring growing season of 1990, peasant rice producers were outnumbered by urban-based growers, who used hired labor to work their land.

Initially, most of these new farmers rented or borrowed land from peasants and other owners who had extra acreage. As more people discovered the gains to be made, land prices skyrocketed (from about the equivalent of U.S. $25 per hectare per growing season to over U.S. $125 per hectare per season in the fall of 1989). With rent and the price of irrigable land escalating and economic conditions in the country sliding further, a land rush ensued. Much riverine land previously utilized by peasants and pastoralists for grazing and other purposes was carved up by urbanites, many of who were well connected to the state. For instance, most of the irrigable land along the Shabelle in the Jowhar Valley was expropriated through administrative fiat, without regard being paid to those who traditionally used it. Titles to some of this land were then given to the favorite sons and daughters of the regime. By the spring of 1990, urban-based farmers dominated the industry and accounted for most of the rice produced in the area. Of the estimated 1,500 rice growers in the valley, nearly three-fourths were urban. Although no one knew the exact area under rice cultivation in the valley, estimates range from 5,000–6,000 hectares. This growth is substantial, particularly because non-state rice farming barely existed before 1983.

The preceding discussion of rice production in the Jowhar Valley indicates that the neo-liberal reform program had induced growth in the region. Such growth reflects only one side, albeit the positive one, of the impact that the program had on the agrarian economy. The other area in which the impact of the reform program was felt was agriculture-related public institutions. Here, forces were set in motion that went beyond production and affected the capacity of public institutions.[37] Among the principal aims of the IMF/World Bank-sponsored liberalization program were the contraction of the state as a source of employment and the deregulation of the economy in order to reduce bureaucratic red tape, economic mismanagement, and resource misuse.

The greatest changes in the public sector generated by the reform program were not the employment reductions in that sector or the degree of state intervention in the economy, but rather a subversion of the ethic of public service and an elevation of greed to new heights. Moreover, a loss of income brought about by new levels of inflation, combined with the liberalization of prices, severely eroded public employee incomes and ultimately led to the decay of public service. As the reform program unfolded and the monetarist strategy took hold, inflation rose dramatically. This drove the private sector to adjust its operations by increasing prices and wages at a comparable rate. In contrast, the state failed to do the same, thereby allowing public employee wages to decline precipitously. Thus, the new "prosperity" in the private sector made the incomes of public employees, including senior ones, seem paltry. In essence, public employees were expected to facilitate the accumulation of private wealth without earning a living wage. As a result, public servants ruthlessly began to exploit their offices for personal gain. Such ethics brought ruin to the state's capacity to manage public property, and undermined agricultural development, as the following case demonstrates.

The Agricultural Extension and Farm Management Training project (AEFMET) was planned and designed to overcome the managerial and technical inadequacy of the Ministry of Agriculture.[38] The project was funded by World Bank loans from its inception in the late 1970s until the disintegration of the regime in January 1991. Despite the initial intentions of its designers, AEFMET was appropriated by the rentier structure.

The project's principal mission was to improve agricultural productivity, particularly for small farms. It was expected to popularize new and improved methods of cultivation and husbandry. One of AEFMET's important regional offices was in the Middle Shabelle, outside the regional capital of Jowhar, in one of the two most important agricultural regions in the country. It is in this location that the new crop, rice, had taken root and was beginning to flourish. Rice producers, particularly peasants who were eager to expand and intensify production, were in desperate need of technical support and guidance, in the form of timely tractor service, fertilizers, herbicides, and properly operated irrigation systems. However, getting access to these necessary inputs at a reasonable price proved virtually impossible for the majority, and the dogged few had to spend inordinate amounts of time and resources to procure these necessary inputs.

Why did AEFMET's provisional and national staff pay so little attention to the needs of rice farmers in the Middle Shabelle? Both the regional officers and the general manager engaged in rentier activity. First, the general manager owned a large farm of over 100 hectares along the banks of the river. He took proprietorship of this land in the early 1980s, when laws were relaxed and liberalized. The farm was not bought but was simply a "grant" from the Ministry of Agriculture; and the equipment that went into leveling and preparing it for cultivation was publicly owned. Moreover, project vehicles were consistently used for personal and farm-related purposes. In addition, the regional director of AEFMET would often lend resources and personal assistance to the general manager's farm operations. He also spent some of his energy securing project-sponsored scholarships for students to do graduate work in the United States. In the course of these efforts, the regional director had to serve the interests of his superior and not the public. In a nutshell, the resources of the project were captured by rentiers who were not accountable to anyone. But this practice did not dissuade the World Bank from continuing to fund the project, thereby burdening the Somali public with more debt but without much improvement in agricultural services.

This entire edifice collapsed in January 1991 and chaos became the norm. Peasants and other rural producers were able to work their land, though on a limited scale, during the tyranny of the military regime. Looting and dispossession have been the fate of most farmers since the inception of the warlord era. A few NGOs have attempted to provide some services to farmers, but their reach and scope are limited. Some degree of stability has returned to the Jowhar Valley since a new warlord took over the region in the late 1990s. This has enabled some farmers to start producing rice again although they do not have access to essential services. Other irrigated regions have fared worse than Jowhar, and stability has yet to be restored. Further, a significant proportion of the irrigated farms has been confiscated by warlords and violent gangs, while the legitimate owners languish in camps as internally dispossessed persons. Finally, the rain-fed farming region that lies between the two perennial rivers continues to be unstable, while farmers in the northwest have been working their farms for most of the past decade without any institutional support.

2. Export Sector

When the military regime proclaimed its "scientific socialist" credentials in 1970, the banana economy of the two river valleys was the most developed capitalist production process in the entire country. Both labor and agricultural land in the region, particularly on plantations, were highly commodified. Furthermore, the working conditions of both bonded and temporary labor, particularly the former, were characteristically colonial. The plantation system in southern Somalia clearly presented the regime with an opportunity to implement the "received idea" of socialism.[39] Abiding by the tenets of the doctrine and conscious of the constraints imposed on it by the underdeveloped structure of its economy, the regime had several options in dealing with the plantation question. First, it could take the standard doctrinaire approach by simply appropriating the plantations and turning them into state farms. Second, given its proclaimed commitment to self-reliance and food self-sufficiency, it could gradually transform these estates into food-producing farms run by quasi-public agencies. Third, the regime could put forth farm labor legislation to enhance the bargaining power and well-being of farm workers. This method could have enabled the regime to avoid some of the pitfalls associated with state farms and the supposed loss of foreign exchange. The fourth policy option was to enact and implement land reform. Had this alternative been selected, it may have necessitated a shift away from banana production, unless some kind of a small, farmer-based contract system had also been introduced.

Surprisingly, the military regime did not adopt any of the now familiar radical agrarian reform strategies. Its first legislative act concerning the plantation economy was to take over the banana-marketing apparatus previously run by a settler organization. This step gave birth to the National Banana Board, assigned to "manage" the industry. Whatever its intended function, the Board had little positive impact on the plantation economy. Banana output increased from 145,500 tons in 1970 to 168,300 tons in 1973. The area under cultivation grew from 6,500 cultivated hectares to 9,500 hectares. Such growth was the result of investments and improvements made before 1969 or immediately after the regime came to power. The regime also retained the power of supreme landlord. In addition, the state's general ban on the formation of independent labor unions and industrial action, coupled with the severity of military justice, foreclosed any possibility for progressive social action in the plantation economy. Labor functioned under conditions no different from those prevailing during the colonial order or civilian regimes. In addition, property and social relations inherited largely from Italian fascist rule remained the basis of the plantation system.

In spite of the growth and expansion of the banana economy in the early 1970s, production began its downward spiral in 1974. The area under cultivation fell by more than 50 percent, from its peak in 1973 to 3,600 hectares in 1981. Fruit production hit rock bottom in 1981 at 59,000 tons, less than a third of the 1973 output. The downturn in production has been attributed to various maladies: (1) the erosion of technical know-how as a result of the departure of many of the Italian planters; (2) increased soil salinity as a result of poor drainage systems; (3) lack of good field supervision; (4) extremely low fertilizer application (approximately 100 kilograms per hectare, as opposed to the standard 800 kilograms per hectare); and (5) low export prices and increased domestic costs of production, i.e., packaging and transport.[40]

The banana economy was in dire straits in the early 1980s, as were the rest of the country's productive sectors. The diplomatic rift between the regime and the Soviets in the late 1970s, the realignment of the country's foreign relations toward the West, and, finally, the adoption of structural adjustment as a development strategy changed the fortunes of the plantation economy. The confluence of these conditions spelled the inauguration of a neo-liberal economic policy, prompt-

Table 4. Banana Production and Value of Exports, 1983–1989

	Area (in hectares)	Tons	Dollars/ton	Total value (in millions of dollars)	Percent value change[a]
1983	—	62,448	235	14.7	—
1984	4,592.7	47,860	278	14.3	–2.7
1985	5,121.8	45,321	287	13.0	–9.1
1986	6,150.8	57,943	295	17.0	30.8
1987	6,128.9	64,004	320	20.5	20.6
1988	6,509.9	73,368	320	32.5	58.5
1989	6,434.6	74,652	332	24.9	–23.4

Source: Somalfruit, Statistical Reports. Note: Calculated by author.

ing Italian interests to initiate new negotiations with the government regarding private investment in the banana sector. These discussions were successful, and an agreement was signed that established Somalfruit in 1983. Somalfruit, a joint venture, was dominated by the Italian group, De Nadai.[41]

De Nadai, through Somalfruit, made credit and agricultural inputs available to producers and invested in irrigation and marketing. Consequently, slow but steady progress was made in revitalizing the industry.[42] Except during 1984 and 1985, when the river valleys were flooded and the crops damaged, banana exports steadily increased until the disintegration of the country in 1991 (see Table 4). Somalfruit, which was responsible for mending the industry, deserves the credit for expanding production and restoring export quality. Moreover, these achievements and other incentive systems increased returns to the planter, as will be shown later.

The steady transformation and recovery of the banana economy were held up as a model that the rest of the economy would do well to emulate. Growth of the industry was said to be symbolic of the viability and developmental consequences of collaboration between international capital, the state, and local entrepreneurs (the so-called triple alliance). Such a contention is partially valid; however, it overlooks some important drawbacks of the banana economy. Although De Nadai's investments in the sector did remarkably transform the plantation system and improve its profitability, the benefits from the growth and expansion of the industry added little to the well-being of those who labored in the fields, or to that of the region and the country as a whole. Unlike the livestock sector, the problem in the banana economy

Table 5. Earnings of Banana Harvesters

Person	Age	Number of fruit loads/girl Day 1	Day 2	Day 3	Day 4	Average Load	Average Daily Income[a]
1	15	75	65	75	65	70.0	140
2	9	55	30	55	30	42.5	83
3	8	35	65	35	40	42.8	87
4	13	55	40	55	60	52.5	106
5	11	45	60	45	50	50.0	100
6	10	55	55	50	65	56.3	112
7	8	35	65	35	25	40.0	80
8	10	60	25	60	65	52.5	106
9	11	75	45	75	45	60.0	120
10	12	60	60	55	60	58.8	118
11	11	55	55	60	55	56.3	112
						Overall average daily income	106

Source: Author's fieldwork.

Note: Income in Somali shillings, based on 2 shillings per load.

was one in which some of the most productive agricultural land was used to benefit senior members of the old regime, the Italian firm, and fewer than 200 Somali owners.

Banana production is highly labor intensive, and there are over fifteen essential tasks that need to be performed regularly from planting to harvest. Female children, whose ages ranged from 8 to 15, undertook the overwhelming majority of these tasks. The children who harvested bananas typified the poverty of those who worked in this more lucrative sector. Their average daily wages amounted to less than U.S. $0.10 (see Table 5), although the working day began at about 8:30 in the morning and usually ended around 7:00 in the evening, with a lunch break around 1:00 in the afternoon. Those engaged in harvest activity were given a midday meal consisting of cooked bananas with a touch of cooking oil and a sprinkling of sugar. Their wages were supplemented by some bananas to take home. Such low rates of remuneration were not enough to buy more than a loaf of bread or five cups of tea or a kilogram of rice. These were dreadfully low wages, but the children continued to work under such conditions because unemployment was so high in the region and the country. Most adult males were unwilling to work for such wages, so plantation managers hired hungry children. It is as if the growth and renewed vitality of the industry entailed the "modernization of poverty."[43]

Table 6. Estimate of the Main Cost Elements in Banana Exports

	Percent Contribution to Retail Unit Price	Value
Reported production cost before harvest	8.6	
Harvesting and transport to packing plant	0.9	
Producer's gross margin	1.9	
Estimated gross return to growers at packing plant		11.4
Packing	10.0	
Transport to port	0.6	
Loading and stevedoring	1.1	
Export tax	0.3	
Other charges	0.8	
Exporters gross margin	1.0	
Free-on-board (FOB) price		25.2
Freight and insurance	14.3	
C.I.F. price		39.5
Unloading and handling at port of discharge didiscdischarge	2.0	
Import duties	18.5	
Importers gross margin	5.5	
Free-on-rail (FOR) selling price		66.0
Ripeness gross margin	15.1	
Ripeness selling price		81.1
Retailers gross margin	18.9	
Retail price	100.0	

Source: International Labour Office, Economic Transformation in a Socialist Framework, 1977, p. 104.

Contrary to the claims of some plantation owners and Somalfruit, the banana commodity was a profitable one. The large amounts of investment that were directed into it and the willingness with which planters envisioned expansions indicate that the industry was healthy. A rational investor would not sink more resources into enterprises whose profits are marginal if there is no prospect of better returns in the future. This assessment is supported further by a 1977 International Labor Organization (ILO) study that discovered that the problem was not the absence of profits, but the *distribution* of profits among those involved in the industry, from the producer to the retailer (see Table 6). The return to a planter who owned a processing center (most planters did not own such centers), including the cost of production, was 11.4 percent of the retail price of the fruit at the export market, a net profit of 1.9 percent of that price. Table 6 also shows that the free-on-board price was 25.2 percent of the retail price. This means that

Table 7. Banana Free-on-Board Cost Breakdown

Cost item	Dollars/quintal	Percent of FOB[a]
Producer price	15.7	45.42
Packing station	1.64	4.74
Plastic covers	0.11	0.32
Packing (cartons and plastic)	8.11	23.46
Transport to port	1.35	3.91
Quality control	0.68	1.96
Loading and sundries	0.23	0.67
Export tax	1.47	4.25
Overhead expenses	1.83	5.29
Depreciation	1.35	3.91
Asset revaluation reserve	2.10	6.07
Total costs to FOB	34.57	100

Source: Woodward and Stockton, A Study of the Profitability

Note: Calculated by author

nearly three-fourths of the value of the crop left the country. More recent data produced by Somalfruit show that the producer's relative financial position did improve in terms of the FOB price (see Table 7). Using the data from the ILO as a baseline, it can be surmised that the producer's share of the FOB price increased from 50.16 percent to 54.25 percent, if the planter owned a packing station. Despite these positive changes, the cost of production accounted for a high proportion of the producer's price, and the profit rates were very high downstream (all Somali banana exports were sold to De Nadai's parent company). Because plantation owners had little control over either the cost of necessary inputs purchased from Somalfruit or the final retail price, the only way they could advance their profit margins was to control other costs of production, particularly labor. Containing the cost of labor and enhancing its quality was at the heart of the labor problem in the plantation economy. Impoverished children were the foundation of the new profitability, and the returns to the country were minimal.[44] Thus, one wonders how rational it is to use some of the most productive land in the country in this manner!

The civil war ruined the sector and production became nil at one point.[45] Large swaths of this land have been taken over by warlords and organized gangs, and banana production and exports remain negligible despite attempts to resuscitate this system.

D. Fishing

Somalia has the second longest coastline on the African continent, nearly 1900 miles, and a huge marine economic zone. The fishery resources of the Indian Ocean and the Gulf of Aden have substantial potential, which Somalis have yet to exploit. There was little development in the sector during the old regime although it established a Ministry of Fisheries. The problem in the sector was one of severe underutilization of the resource, little infrastructural development, and a limited domestic market for seafood.

The state's collapse opened up Somali coastal waters to extensive illegal fishing by foreign fleets, such as Taiwan, Russia, Thailand, Japan, and Italy. There is a serious danger that marine life and its ecological systems are being severely damaged. Estimates of illegal fishing fleets are between 650 and 900 ships. This is certain to accelerate Somali impoverishment.[46] The small, formerly government-owned fishing fleet has been appropriated by a member of the old guard and close associate of one of the chief warlords, who has used it as his private commercial enterprise. In recent years, small enterprises have re-emerged and the old fish canning plant in Las Qorey has been partially replaced. Future reconstruction programs must include the protection and development of this vital sector. Furthermore, any long-term development strategy must include a program of industrialization, without which sustained improvements in the standard of living are not feasible.

E. The Diversity of Conditions within the Agrarian Economy

The crisis in the Somali agrarian and food sectors was not monolithic in nature, and the way in which it was manifested in the pastoral/livestock economy was different from its expression in the crop and fishing areas. For example, although stagnation and decline occurred in the former, growth was a characteristic feature of the farm economy, a result of the liberal reform program that was instituted in the early 1980s, while underdevelopment marked the fisheries.

The condition of the pastoral/livestock sector had two intricately intertwined dimensions, namely, the ecological and social aspects. Growth in livestock trade in the last hundred years was a result of the increasing demands by pastoralists to obtain manufactured commodities, as well as the added claims of non-pastoral social groups, such as merchants and the state. It led to horizontal expansion of livestock production into more marginal areas. Such a growth strategy, combined with the increase in livestock prices in the 1970s introduced by petrodollars from the Middle East, kept the pastoralist-merchant-state relationship complementary and unproblematic. The sharp decline in livestock prices in the Middle East reduced the profitability of Somali livestock exports, and the downward pressure on prices and profits meant, in the long run, that the old ways of resolving such a squeeze (e.g., herd expansion into marginal areas) were not feasible. Thus, the pastoral/livestock economy came to a crossroads.

The grain sector (irrigated and rain-fed) suffered from several difficulties. First, the increase in the quantity of grains from dryland farming in the 1980s was due to an expansion of the area under cultivation. In the absence of new farming techniques suitable to dryland areas or modern inputs to intensify production, rain-fed agriculture was unlikely to experience further significant growth because most land suitable for rain-fed farming was already utilized. Second, although irrigated grain farming (i.e., rice) had been a growth industry in the 1980s, it began to stagnate because of poor husbandry and a lack of necessary supporting institutions and infrastructure. In the future, expansion and intensification of irrigated grain production will be essential in order to rehabilitate the rest of the economy.

The recovery of the plantation economy in the 1980s meant that this sector was not suffering from the maladies that plagued the pastoral economy. Prospects for further growth of plantations were very good prior to the collapse of the regime in 1991. As such, the problems in the banana economy were not ones of stagnation in later years. Rather, they originated from the use of scarce and precious irrigated land for the production of exports, three-fourths of the value of which was realized outside the country. Theoretically, banana exports contributed to the country's foreign exchange. However, because most of these earnings remained in foreign hands overseas, the net economic impact of the industry on the country's and the region's capital accumulation fund was marginal. Moreover, in spite of the growth in banana exports, those who labored in the fields saw no improvement in their wages or working conditions.

Somali fisheries, which have substantial potential, have yet to be developed for the benefit of the country. Both the civilian and military regimes barely understood the significance of this resource and therefore did little to encourage its development. The most urgent issue is to find a way to stop illegal fishing and further damage to marine ecosystems. The underdevelopment of physical and institutional infrastructure was, and is, the principal problem and would require a systematic and effective modest plan.

IV. The State and the Economy

The poor quality or absence of state leadership has been central to Somalia's economic and political misfortunes. Neither a return to the authoritarian and corrupt order, nor a continuation of warlordism, nor the adoption of a clumsy neo-liberal project is likely to nurture an accumulation strategy that would progressively enhance the nation's quality of life and heal its deep social wounds. The vital question is: What is the appropriate role that the state should play in rebuilding the political and economic fabric of Somali society? This section explores a menu of options.

Many writers have been surprised by the commercial and entrepreneurial acumen and energy of Somalis to carry on after the disintegration of the country's government in 1991. This attitude, premised on the belief that the state is essential for the sustenance of livelihoods, is somewhat justified since no one had any experience with stateless society in recent history. The excitement about economic activity in a stateless environment should wane, however, because a closer examination of the informal sectors in economies *with states* is instructive, since the latter have qualities similar to those of post-1991 Somalia. The informal sector in developing economies, although constrained by state regulations, is said to be both dynamic and exploitative,[47] but no one expects it to generate employment opportunities that can sustain even a modest quality of life.

Scholars who are acquainted with the informal sector or the smuggling industry know the acute limits of such economies and are less exuberant in their commentary, but some recent writings on Somalia have neglected to address the limits of this economy.[48] Jamal Mubarak's essay is typical of this trend. He documents the energy of Somalia's stateless economy and marvels at its dynamism:

> In developed countries, the breakdown and subsequent long absence of economic institutions alone would be a devastating experience to a local economy. Even in small economies with a traditional subsistence agricultural sector, the urban monetary economy could be expected to

> suffer a similar fate. In Somalia, however, its economy has so far proved to be resilient. Despite the war, recurrent droughts, famine, and the subsequent serious decline in production capacity, its economy muddles through. Surprisingly, in some areas, the local economy is thriving and is experiencing an *unparalleled economic boom* raising the question of whether *absence of government is a blessing in itself* (italics mine).[49]

Although Mubarak recognizes some of the weaknesses of the stateless economy and the need for legitimate authority, his argument, nonetheless, unwittingly supports the minimalist role of the state, which neo-liberal financial institutions advocate. Others, such as Peter Little, are mindful of the pitfalls of an exuberant endorsement of stateless markets, but maintain a certain degree of enthusiasm in describing post-1991 economic changes, particularly those related to the livestock trade in Somalia's southernmost region. Despite his prudence, Little implicitly sanctions a minimalist state strategy not very different from that of Mubarak.[50]

Our close observations during the last decade have convinced us that the economy consists of a huge informal and retail sector, and mafia-like and oligopolistic operations. Small entrepreneurs or businesspersons who come close to operating a legitimate business, as well as the majority of the indigent population, are the real victims of the stateless economic environment. We think that a stateless economy is an extreme version of neo-liberal informality. Although celebratory studies of the stateless economy provide some insights into the restless nature of the market in the post-1991 era, they have yet to articulate a theory that explicates the role of the state in development. In the absence of such a framework, these studies unwittingly accept the pervasive rhetoric of free markets, which entrenches a minimalist state argument.[51]

State-market relations are more complex than those imagined in neo-liberal strategy. We posit that, contrary to the ideology of free markets, two types of *capitalist* political economies exist: regulated and stateless. Regulated economies (Figure 1) usually consist of three sorts: free/stimulated markets, governed markets,[52] and rentier markets. What sets the three apart from each other is the degree and type of state involvement in the operations of the market. Accordingly, in stimulated or free markets, government establishes a "suitable environment for the entrepreneurs to perform their functions" by develop-

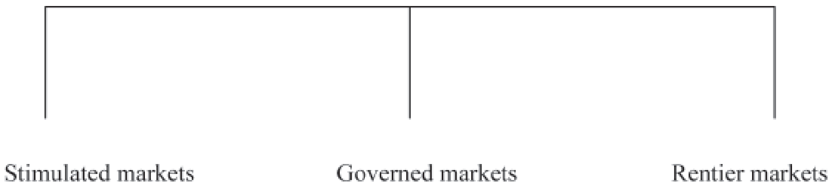

Figure 1. Regulated Economies

ing and maintaining infrastructure, insuring the validity of contracts, and keeping law and order.[53]

In contrast, governed markets are those in which the state provides strategic guidance to the economy. Governing the market does not mean that the state deploys blanket regulations to control or own enterprises, but instead utilizes fine-tuned and discriminatory tools to help establish and nurture productive accumulation and discipline enterprises. As an earlier analyst of the South Korean experiences notes:

> The Korean economy depends in large measure on private enterprise operating under highly centralized government guidance. In Korea the government's role is considerably more direct than that of merely setting the broad rules of the game and in influencing the economy indirectly through market forces. In fact, the government seems to be a participant and often the determining influence in nearly all [major] business decisions.[54]

The state's "determining" effect entails setting clear and high performance standards for businesses. In the limpid words of Alice Amsden:

> …[t]he crucial role of government [was] not only in subsidizing certain industries to stimulate growth, but in setting stringent performance standards in exchange for the subsidies. In other countries—in Turkey and India, for example—subsidies have been dispensed primarily as giveaways. In Korea the "wrong" prices have been right because government discipline over business has enabled subsidies and protection to be less than elsewhere and more effective.[55]

The purpose of such a state leadership is to foster accumulation and transform productivity.[56] Evans has advanced these ideas by pointing out the four ways in which states can intervene: *custodian, demiurge, midwifery, and husbandry.*[57] Which instruments are deployed and for how long depend on the economic conditions of the time, and each brand is retired as the initial circumstances that necessitated its use are superseded. Japan pioneered the art of governing markets followed by the Newly Industrialized Countries (NICs) of East Asia.[58] A common element that all states mastering the art share is the managed synergy between political leaders, strategically located civil servants, and entrepreneurs.[59] State engagement with any enterprise is performance oriented and requires that the industry deliver competitive export products and services in a set time period. This system is not immune to corruption and rent-seeking but those practices have been significantly contained.[60] The governed-market model describes how this triangular political-economic architecture works, and how it has delivered development to a select number of Third World countries.

In contrast, rentier economies are those in which the state engages in generalized and deeply intrusive interventions that frustrate legitimate enterprises and that grant favored rent-seekers plenty of opportunities to circumvent the general rules. Systemic corruption characterizes this order. This type of economy has no record of deepening accumulation or enhancing development. On the contrary, it is characterized by mismanagement and deep poverty. Somalia's economy was a prototype of this system in the 1980s.

This schema of state-economy relations provides a menu of options that is at variance with the standard "advice" offered to crisis-ridden countries.[61] The dominant international counsel to Third World societies is to transition from a rentier order to a free market strategy. There is no question that stimulated markets are superior to rentier systems, however the denial of the vital role of the developmentalist state by certain international institutions has been disingenuous.[62] The master architects of this advice have been the International Monetary Fund and the World Bank.[63] These institutions have imposed such constraints on many crisis-ridden countries since the late 1970s. Re-engineering Third World economies via structural adjustment produced limited success and a great deal of misery. In the face of this poor performance, the guardian institutions and their donor companions claimed that the failures were due to the absence of a democratic political order. Consequently, they prescribed "good governance" as the missing catalyst that would remove domestic political blockages from the market's pathways. Multi-party elections and civil service reform dictated by the donors have occupied center stage since the late 1980s. The confluence of neo-liberal demands and the desire of local people

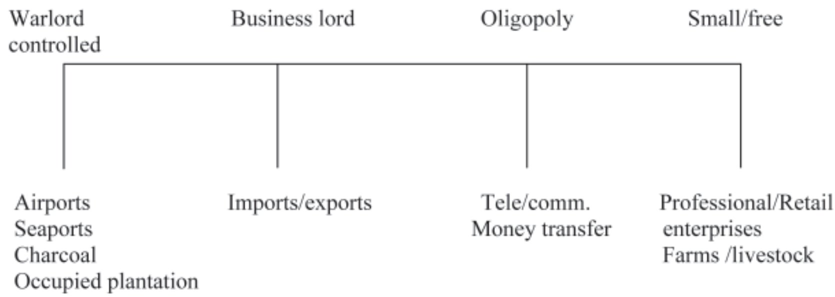

Figure 2. Stateless Economy

to throw off the yoke of dictatorship were expected to produce a synergistic positive-sum outcome. Unfortunately, as Claude Ake so well observed in 1996, multi-party elections did not translate into policy-making autonomy for countries like Zambia. Political liberalism and hegemonic neo-liberal economic management have yet to revitalize accumulation within the continent.[64] As I noted in an earlier book, the combination of rentier African leaders and neo-liberal strategy have resulted in dire political-economic conditions. Somalia's fate marks the ultimate manifestation of such a process.[65]

Finally, a careful study of this menu of options is vital if the effort to reconstruct Somalia's political economy is serious. These discussions of stimulated/free versus governed markets may seem farfetched given Somalia's condition, however I think that these circumstances provide an opportunity for laying the foundation for long-term development, the powerful constraints of the present notwithstanding. A neo-liberal political-economic regime in the context of the present situation will extend and deepen rentier havens, as is apparent from current developments, and, therefore, will impede productive accumulation. The point is not that Somalia can develop into a governed market in the short run, but that the vital institutional embryo of such a system can be sown now.

Somalia's stateless economy is neither a stimulated market nor a governed economy. (See Figure 2) Instead, it consists of a huge informal sector, oligopolist enterprises, rentier milieus backed by the gun, lawlessness, and environmentally murderous operations. The defining feature of this order is the complete absence of public authority and security, and the utter neglect of public investment. This economy could be partitioned into four divisions: warlord-controlled business,

business-lord-owned enterprises, oligopolistic industry, and small enterprises in retail, service, and production.

The warlord-controlled sectors have included former state assets, such as airports, dispossessed plantations and farmland, illegal charcoal production and export, and illegal fishing.[66] The warlord is the sole owner and he controls the revenues to pay his private militias and accumulate wealth. Business lords have operated in a parallel way since they import and export whatever they can sell and they have few competitors. They control most of the armed militias, which are used to guard their operations. Some of their members have made substantial fortunes and operate both inside and outside the country. The business lords are dissimilar to the warlords since most of them do not control public assets. Yet their reach gives them advantages over smaller enterprises that do not have the resources to establish strong militias.

The third group of big enterprises has been the oligopolistic telephone and money transfer operations. Telephone operations have two contradictory images. First, they are known to provide the cheapest telephone rates in Africa. Second, they are inefficient operations since a customer of one firm cannot communicate with a customer of another company. Consequently, each customer must have several separate telephone lines to communicate with others, and all the companies have been reluctant to form an integrated system (although some progress has been made in this regard). Money transfer companies operate along the same lines as the telephone companies. Each firm can only transfer money to its branches located in Somalia and elsewhere in the Somali-inhabited areas, and customers are underserved when the company at the point of origination does not have facilities at the recipient's end. Money transfer businesses are cost-effective operations despite the absence of an integrated money transfer network.

Both the telephone and money transfer companies reach a larger number of places and customers than the old government's services ever reached. This is in large measure due to the development of telephone technology since the late 1980s. Their services are certainly an advance over previous systems, but it should not be a reason for complacency. Telephone and money transfer charges are relatively cheap by regional standards, but what makes their cost low is not the local population's high income but the fact that the payers of the charges are often diaspora residents. Furthermore, neither operation pays taxes and therefore does not contribute to public funds used for improving public services and infrastructure.

The biggest sector of the economy, measured by the sheer number of people involved, is the retail commercial and productive sector. Included in this area are those engaged in professional services (such as clinics), owners of well-stocked retail stores, market women who sell a few vegetables and milk, small farmers and livestock owners, and artisans such as blacksmiths. Other members of the population, who do not own any assets and who do not receive remittances, live on starvation wages or handouts. The "buzz" of the market is greatest in this sector as people hustle to survive. Few studies have looked beneath the bustle to see the market's soft underbelly and the impoverished lives of those caught up in this context.

What is described above is the terrain in which a new Somali state must engage. How can it turn the transition into a formative productive process? The prognosis is demoralizing, given the current structure of the economy and the highly corrupt process that produced the Transitional Federal Government. Despite the incompetence and the fraudulent behavior and record of many members of the TFG, there may still be a chance to reverse the calamity and begin something new.

V. Recovery and Reinventions: Correspondence between State and Market

Neither the formation of an ill-defined and bloated federal system of government, dominated by rapacious rentiers, nor a recovery policy guided by neo-liberal strategy can be a sound recipe for the reestablishment of peaceful coexistence or economic renewal. The destruction of the Somali state was a calamity of extraordinary proportions, inducing nearly two decades of devastation. However, it can be turned into a precious opportunity if modest and *effective* state institutions take root. This is because social resuscitation and economic rejuvenation will require a strong state, not a repressive and authoritarian one. Its strategy should be graduated and prioritized along the following lines: restore law and order, establish a transparent land tenure system, restore property rights, and, finally, put into place a general strategy of development. A key mandate of such a state should begin with an approach to help reorganize the productive sectors of the economy in such a way that production for local needs is of utmost priority. More specifically, this new state should not engage in production, but should act as an efficient facilitator and coordinator. The ultimate measure of the state's effectiveness in revitalizing the economy should be the rate of growth in production and fairness in the distribution of productive assets among the population. In short, the new polity's ambition should be the difficult tasks of growth and equity.

Unfortunately, the alliance of local merchants of violence and rentiers, and an international community disinclined to push for real peace or assist the Somali people in regaining their autonomy, are the chief barriers against the type of recovery that can lead to a viable society. In addition, the extreme fragmentation of the Somali people has made it difficult to challenge these dominant forces. This is not an easy context in which to establish the foundation of a governed market economy. However, the strategy should be to initiate the formation of institutions that will guide national development after peace and reconciliation is restored. This can be done by establishing an *autonomous national commission* during the transition whose task will be to plan and initiate the embryos of such institutions.

Beyond the transition, the agenda should be to devise a strategy that will deepen production. What form will such a scheme take in the agricultural sector? The first major effort will be the coordination of agrarian reform in the three sectors analyzed here. Such a program will endeavor to remove any fetters on production, ensure sustainability, and enhance national capital accumulation. Reform in the pastoral/livestock sector will affect four aspects: marketing, veterinary, water services, and, ultimately, range management. Marketing reform will entail significant changes by establishing markets in strategic locations that producers can easily reach to unload their stock. Transport from these markets to the main ports can be licensed to serve the livestock sector. This reorganization will reduce the vast number of those unproductively employed, which currently draws resources from the sector without adding value to it. Second, a semi-public shipping company can be created which will own and manage ships that transport livestock and other commodities to and from the export markets of the Middle East. Making livestock shipment an integral part of the local economy will ensure that a significant amount of the revenue generated—currently captured by foreign interests—stays in the local economy, enhancing the overall profitability of the sector. These marketing arrangements should operate on a commercial basis, and must have autonomous managerial staff. The state's responsibility is to ensure that these terms are respected. Veterinary services will be provided by an autonomous agency of a Ministry of Agrarian Affairs. Again, such a public organization will operate on a commercial basis, although the state will subsidize it for the first five years, as the agency builds its assets. The purpose of such an arrangement is to make the service delivery system more responsive to the needs of the producers, but also to keep a close eye on public safety and interest. Further, the development of water resources for the pastoral economy can be managed by a national water resources board within the ambit of the Agrarian Ministry, in close consultation with regional producer associations. Control and use of water resources on the pastoral range is pivotal in undertaking sustainable pastoral development because of the absence of other sound and appropriate methods of range management. Finally, the fundamental objectives of pastoral/livestock reform are to: (1) increase the returns to producers by incorporating more economic activities into their sphere; (2) secure responsiveness of public agencies who serve producers; (3) enhance producer participation in setting national policy that affects their well-being; and (4) use foreign exchange earnings for productive purposes in that and complementary sectors. Agrarian reform in the farm sector will necessitate land (re)distribution, restitution, reorientation of resource use to aim for national food self-reliance, environmental conservation, and the establishment and development of effective and accountable institutions to serve a growing economy. The purpose of land (re)distribution is to ensure equitable access to this increasingly scarce but precious asset. Although farm size distribution will depend on the ecological conditions of particular areas (e.g., irrigated/riverine versus rain-fed), a basic farm size of three hectares per household could be envisaged in the riverine environments. A resurrection program should also guarantee access to riverine irrigation to farmers, as well as grazing and watering rights to pastoralists. Finally, such a program should *not* allow for absentee ownership.

These changes should be designed and implemented by a national agency attached to a Ministry of Agrarian Affairs and regionally based Councils of Farmers. Such councils will be central to a democratically elected body whose purpose is to promote equity of resource distribution and represent farmers' interests in regional and national forums. An organization of this kind can also function as a marketing structure whose books are open to public scrutiny. The rationale for such an organization and its relationship to the state is to guard the interests of the farming population and secure a national agenda in the farm sector.

A land reform program will directly and comprehensively affect the plantation economy in several ways. First, land resources will be redistributed, based on the three-hectare farm size, to those who have worked on plantations and to others in the surrounding areas. The idea here is to get away from the plantation system. Second, these small farmers will become part of a household-based, food-export-producing agricultural system. The emphasis of the farm sector, particularly in high-potential areas, will be food production for local markets. However, a portion of household land (e.g., a third) can be devoted to export crop production. Marketing and transportation of export crops will be within the purview of farmers' cooperatives. Again, the purpose is to increase returns to farmers and encourage productive use of resources. Thus, public policy in the agrarian economy must ensure that the foreign exchange (saved by the growth of domestic food production and also that earned by livestock/meat and crop exports) is used to further enhance the productive capacities in these and other emerging areas. Such a program, and the subsequent growth in the sector, will begin to provide a stable basis for national economic recovery.

The basic function of an agrarian ministry will be to conduct field-based research, in concert with a rehabilitated college of agriculture; deliver farm inputs to farmers' associations; watch over the development, management, and maintenance of irrigation systems; and pursue environmental conservation.

Fisheries have great promise but will require tremendous support from the new government. There will be a need to establish an autonomous marine affairs agency, run on commercial grounds after the initial five years, that would regulate the industry and help support initial investment to get the sector off the ground. As in the agrarian reform program, the priority will be to facilitate the development of small fishing enterprises and overseas marketing.

Finally, the enormous but necessary task of transforming the country's agrarian economy is an issue still outside the scope of current discussions among Somalis. A program, such as sketched here, will require an unprecedented degree of foresight, coupled with disciplined intellect and efficiency, and must be carried forward by collaboration between a steady public force and producers. The kind of coordination and market guidance that this will demand will come not through the guise of local Bantustans, but through a responsive and effective national state determined to engage the exacting balance between growth and equity. The likelihood of creating a sustainable economy in a peaceful and united Somalia is quite remote without such a state. An essential companion to this state is an autonomous and democratically organized agrarian population that can hold the political authority accountable. This is the basis for a viable civil society, and it has the potential to create broad-based cross-regional alliances of producers that will supersede the self-defeating animosities engendered by the polarization of clanism. A social arrangement of this kind calls for household ownership of productive resources and for cooperative organizations of producers geared to the provision of necessary services. The strengthening of civil society and the state on their own terms necessitates a different kind of democracy than anything Somalis have created thus far. If the political history of the first nine years of the country taught us anything, it is that the numerous parties that competed in the last election had the identical motive of raiding the public purse for individual gain. Siyaad Barre and clanistic militarism turned the looting of the commons into a crude and poisonous art. Warlords, factional, and regional pretenders have only worsened the syndrome and, thus, have created dead ends. Institutionalizing clanism and rentier officials via a federal form of government will not only be a farce, but will precipitate further descent into the pit of pauperism and sectarian savagery. The recent people's revolt in Mogadishu and the Benadir region, and the appearance, albeit no more, of the Union of Islamic Courts, offered a glimpse of the yearning of the Somali people.

Notes

1. I would like to acknowledge the generous moral and material support of the Heinrich Böll Foundation and its Horn of Africa Director, Ms. Asgedech Ghirmazion, in the effort to search for an intelligent and authentic Somali way to peace and reconstruction.

2. UNDP, *Somalia: Human Development Report* (Nairobi: UNDP, 2001); and World Bank, *Somalia: From Resilience Towards Recovery and Development*, Report No. 34356-SO ((Nairobi: World Bank Africa Region, 2005).

3. An exception is livestock trade in extreme southern Somalia. See Peter Little, *Somalia: Economy without State* (Bloomington: Indiana University Press, 2003).

4. The recent attempt by the Union of Islamic Courts to reinvest in inclusive national identity via the Islamic faith shared by the population is a promising avenue, but it is too early to predict the outcome.

5. There is a general agreement now that diasporic support has created a "dependence syndrome" among those who rely on remittances.

6. James O'Connor, *The Fiscal Crisis of the State* (New York: St. Martins Press, 1973); David Harvey, *The Limits to Capital* (Chicago: University of Chicago Press, 1983); and Michael Watts, "The Agrarian Question in Africa: What is the Question?" *Canadian Journal of African Studies* 19, no. 2 (1985).

7. Bob Jessop, *State Theory: Putting Capitalist States in their Place* (University Park: Pennsylvania State University Press, 1990).

8. Peter Evans, *Embedded Autonomy: States and Industrial Transformation* (Princeton: Princeton University Press, 1995).

9. S. Amin, "Accumulation and Development: A Theoretical Model," *Review of African Political Economy* 1 (1974): 9–26; and A. de Janvry, *The Agrarian Question* (Baltimore: Johns Hopkins University Press, 1981).

10. The implication of underinvestment in the Somali economy is specifically addressed by A. Samatar, *The State and Rural Transformation* (Madison: University of Wisconsin Press, 1989). See also A. Samatar and A. I. Samatar, "The Material Roots of the Suspended African State: Arguments from Somalia," *Journal of Modern African Studies* 25, no. 4 (1987): 669–690.

11. For a general discussion of the use and control of resources, see Berry, "The Food Crisis." For the impact of the privatization of public resources on the economy, see A. Samatar, *The State and Rural Transformation*; and MacGaffey, *Entrepreneurs and Parasites: The Struggle for Indigenous Capitalism in Zaire* ((New York: Cambridge University Press, 1987).

12. Traditional Somalists claim that it is evil men and Somali clanist tradition that is to blame for the current conditions. For an alternative explanation, see my "Destruction of State and Society in Somalia: Beyond the Tribal Convention," *Journal of Modern African Studies* 30, no. 4 (1992): 625–641. The collapse of political institutions in Somalia and the subsequent years of statelessness provide ample lessons that tribalization of the state, corruption, and lawlessness are inimical to civic life and development.

13. Compare the democratic change of order in 1967 with the politically induced disaster of 1991. See Samatar and Samatar, "Somalis as Africa's First Democrats," *Bildhaan: International Journal of Somali Studies*, Vol. 2 (2002): 1–65.

14. Much of this part of the chapter, particularly the segment on the social differentiation of livestock merchants, comes from my "Social Classes and Economic Restructuring in Pastoral Africa: Somali Notes," *African Studies Review* 35, no. 1 (1992): 101–127.

15. The principal support for this view is found in I.M. Lewis, *A Pastoral Democracy*; V. Jamal, "Somalia: Survival in a Doomed Economy," *International Labor Review* 127, no. 6 (1988): 783–812; "Nomads and Farmers: Incomes and Rural Poverty in Somalia," in *Agrarian Policies and Rural Poverty in Africa*, eds. D. Ghai and S. Radwan (Geneva: International Labour Office, 1983); and L. Cassanelli, *The Shaping of Somali Society* (Philadelphia: University of Pennsylvania Press, 1982).

16. The "re-redefinition" was inspired by the earlier work of Eric Wolf, *Peasants* (Englewood Cliffs: Prentice-Hall, 1966); and James Scott, *The Moral Economy of the Peasant: Rebellion and Subsistence in Southeast Asia* (New Haven: Yale University Press, 1979).

17. R. Pankhurst, "The Trade of the Gulf of Aden Ports of Africa in the Nineteenth and Early Twentieth Centuries," *Journal of Ethiopian Studies* 3, no. 1 (1965): 36–82. See also Samatar, *The State and Rural Transformation.*

18. A research project, which this author began in 1988 to study social differentiation among livestock producers, was disrupted by the civil war and never completed.

19. Jamal, "Somalia."

20. E. Reusse, "Somalia's Nomadic Livestock Economy: Its Response to Profitable Export Opportunity," *World Animal Review* 43 (1982): 1–11.

21. J. Swift, "Pastoral Development in Somalia: Herding Cooperatives as a Strategy Against Desertification and Famine," in *Desertification: Environmental Degradation in and around Arid Lands*, ed. M. Glantz (Boulder: Westview Press, 1977); "The Development of Livestock Trading in a Pastoral Economy: The Somali Case," in *Pastoral Production and Society: Proceedings of the International Meeting on Nomadic Pastoralism* (Cambridge: Cambridge University Press, 1979); and D. Aronson, "Kinsmen and Comrades: Towards a Class Analysis of the Somali Pastoral Sector," *Nomadic Peoples* 7 (1982): 14–24.

22. The importance of the pilgrimage market for the Somali trade was first documented in A. Samatar et al., "The Political Economy of Livestock Marketing in Somalia," *African Economic History* 17 (1988): 81–97.

23. A. Samatar, "Merchant Capital, International Livestock Trade and Pastoral Development in Somalia," *Canadian Journal of African Studies* 21, no. 3 (1987): 355–374.

24. For an articulate defense of the appropriateness of indigenous knowledge systems, see Richards, *Indigenous Agricultural Revolution.*

25. There is a growing body of literature that deals with the relationship between social relations and environmental degradation. See Swift, "Pastoral Development in Somalia;" H. Hedlund, "Contradictions in the Peripheralization of a Pastoral Society," *Review of African Political Economy* 15/16 (1979): 15–34; P. Blaikie, *The Political Economy*; R. Hitchcock and H. Hussein, "Agricultural and Non-Agricultural Settlements for the Drought Afflicted Pastoralists in Somalia," *Disasters* 11 (1987): 30–39; M. Starr, "Risk, Environmental Variability and Drought Induced Impoverishment: The Pastoral Economy of Central Niger," *Africa* 57, no. 2 (1987): 29–49; Watts, "Drought, Environment and Food Security: Some Reflections on Peasants, Pastoralists and Commoditization in Dryland West Africa," in *Drought in Africa*, ed. Glantz; and A. Samatar, *The State and Rural Transformation.*

26. Parson, "Class, Cattle and the State in Botswana," *Journal of Southern African Studies* 7, no. 2 (1981): 236–255.

27. Such limitation on imports has been eased by the substantial amount of foreign exchange generated by remittances.

28. World Bank, "Somalia" (2005): 79.

29. Somali Democratic Republic, Ministry of Agriculture, *Agriculture in the Service of the Nation* (Mogadishu: 1974).

30. A. Samatar, *The State and Rural Transformation.*

31. The Agricultural Development Corporation (ADC), the agricultural marketing board, affected different parts of the country to varying degrees. It devastated the southern region more than the northwestern region.

32. Somali Democratic Republic, Ministry of Agriculture, *Food Early Warning* (Mogadishu, 1989).

33. World Bank, *Somalia: Agricultural Sector Survey* (Washington, D.C. 1987), p. 27; A. Vahcic, "Jowhar Sugar Factory," in A *Casebook of Public Enterprise Studies*, eds. P. Fernandes and V. Kreacic (Ljubljana, 1982).

34. Conversation with Haji Issa, Jowhar, Somalia, 29 November 1989. Conversation with Ali, Jowhar, Somalia, 19 February 1990.

35. World Bank, *Somalia: Agricultural Extension* (Washington, D.C., 1979).

36. Renting land and hiring farm labor.

37. For a discussion of the impact of neo-liberalism on institutions, see F. Owusu, "Livelihood Strategies, Economic Reform and Public Institutions: The Tale of Two Medium-Sized Towns in Ghana" (Unpublished Ph.D. diss., University of Minnesota, Minneapolis, 2000); and M. Burawoy, "The State and Economic Involution: Russia through a Chinese Lens," *World Development* 24 (1996): 1105–17.

38. For a discussion of rent-seeking, see Watts, *State, Oil and Agriculture*; and Bates, *Markets and States in Tropical Africa* (Berkeley: IIS, 1984).

39. International Labour Office, "Economic Transformation in Socialist Framework" (Addis Ababa, 1977); and N. Dastane, *Salinity and Other Production Problems and their Solution in Somalia* (Rome: FAO, 1985).

40. A. Samatar, "Structural Adjustment as Development Strategy: Banana, Boom, and Poverty in Somalia," *Economic Geography* 69, no. 1 (1993): 37.

41. Although Somalfruit was supposed to be a joint venture, it was overwhelmingly dominated by the Italian group.

42. D. Woodward and G. Stockton, "A Study of the Profitability of the Somali Exports" (Mogadishu: USAID, 1989).

43. For the importance of a strong state in launching a dynamic development program, see R. Wade, *Governing the Market* (Princeton: Princeton University Press, 1991); and A. Amsden, *Asia's Next Giant* (Oxford: Oxford University Press, 1989).

44. P. Raikes, *Modernizing Hunger: Famine, Food and Farm Policy in the EEC and Africa* (London: James Curry, 1988).

45. Norfolk Education and Action for Development Center, "Banana Wars in Somalia," *Review of African Political Economy* 64 (1995): 274–5.

46. The United Nations environmental staff in Nairobi has recently reported that Italian firms were dumping toxic waste in southern Somalia.

47. H. De Soto, *The Other Path: The Invisible Revolution in the Third World* (New York: Harper Collins, 1989); and F. Owusu, "Livelihood Strategies, Economic Reform and Public Institutions: The Tale of Two Medium-Sized Towns in Ghana" (Unpublished Ph.D. diss., University of Minnesota, Minneapolis, 2000).

48. For an uninformed and blind endorsement of statelessness, see P.T. Leeson, "Better Off Stateless: Somalia Before and After Government Collapse." Unpublished paper. This is the worst type of blind economistic analysis. It contains many factual errors regarding infrastructure, health, schools, etc.

49. J. Mubarak, "The 'Hidden Hand' behind the Resilience of the Stateless Economy of Somalia," *World Development* 25, no. 12 (1997): 2027–2041.

50. Peter Little 2003, chapter 7.

51. Wade 2004.

52. It is vital to distinguish between the quantity and quality of state intervention. For this, see Evans (1995).

53. R. Wade, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization* (Princeton: Princeton University Press, 1990), pp. 22–23.

54. Parvez Hasan, quoted in Wade 1990, p. 24.

55. Alice Amsden, *Asia's Next Giant: South Korea and Late Industrialization* (New York: Oxford University Press, 1989), pp. v–vi.

56. Wade, *Governing The Market* (2004 edition); and A. Amsden, *The Rise of the Rest: Challenges to the West from Late-Industrializing Economies* (Oxford: Oxford University Press, 2004).

57. Evans 1995 explains each of these strategies.

58. C. Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy 1925–1975* (Stanford: Stanford University Press); M. Woo-Cumings, *The Developmentalist State* (Ithaca: Cornell University Press, 2003); and A. Kohli, *State-Directed Development: Political Power and Industrialization in the Global Periphery* (New York: Cambridge University Press, 2004).

59. Evans 1996; and Linda Weiss, *The Myth of the Powerless State* (Ithaca: Cornell University Press, 1998).

60. David Kang, *Crony Capitalism: Corruption and Development in South Korea and the Philippines* (New York: Cambridge University Press, 2002).

61. J. Tendler, *Good Government in the Tropics* (Baltimore: Johns Hopkins University Press, 1998).

62. Thandika Mkandawire, *Developmentalist States in Africa*.

63. World Bank, *The East Asian Miracle: Economic Growth and Public Policy a World Bank Research Report* (New York: Oxford University Press, 1993). World Bank, *Accelerated Development in Sub-Saharan Africa: An Agenda for Action* (Washington, D.C.: World Bank, 1981).

64. Personal communication, July 2004. A senior Ugandan minister told the author that his cabinet knows that they do not have any control over the Ministry of Finance and the Central Bank. Uganda is considered a successful reformer by the international financial institutions.

65. A. I. Samatar and A. Samatar, *An African State: Reconsiderations* (Portsmouth: Heinemann, 2002).

66. The warlords who controlled pubic assets in Mogadishu were defeated by the Union of Islamic Courts, but other warlords still retain control of public and illegally held private assets. With the Ethiopian military invasion and the arrival of other African troop contingents, all aiming to forcefully install the Transitional Federal Government, the signs are that a new version of warlord political economy is about to return. This bodes ill for the construction of a viable national economy, particularly along the lines proposed here.