

Somaliland Trade, Exports and Imports: An Overview

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Abstract

The self-declared Republic of Somaliland has accomplished a tangible economic and political reconstruction since its secession in 1991. This study aims to shed light on the international trade pattern of Somaliland and its export/import components. Livestock is the major export of Somaliland accompanied by its byproducts i.e. hides and skins while the country heavily depends on imports of food, fuel and manufactured products. Although livestock trade considerably contributes to the economy, it faces a number of challenges and losses due to the absence of financial system, dependency on single foreign market and multiple taxation. Saudi Arabia is the leading destination of Somaliland livestock exports followed by Yemen, UAE and Oman. On the contrary, imports originate from neighboring countries, Gulf countries, South East Asia and beyond.

Keywords: exports, imports, livestock, Somaliland, trade

1. Introduction

Somaliland has been an independent economy since its break away from Somalia in 1991. Due to a destructive civil war between Somali National Movement (SNM) and the military regime of Somalia, the country's economy was started from scratch. People returned to their demolished homes with empty hands from refugee camps in 1991 and onwards. Additionally, the infrastructure was completely shattered. The economy started to revive after restoration of law and order followed by relative peace and stability. The economic and political reconstruction of Somaliland has been substantially domestic affair (Bradbury, Abokor & Yusuf 2003), and the political actors never acquired development assistance due to the absence of official recognition from the international community (Eubank 2010). Twenty one years later, the nation's Gross Domestic Product (GDP) has been estimated to be \$1.4 billion (World Bank & Ministry of National Planning and Development 2014). Moreover, with an estimated population of four million, the country's GDP Per Capita Income (PCI) is estimated to be \$347 in 2012 and ranked the 4th lowest in the world ahead of Malawi, DR Congo and Burundi. Trade plays a crucial role as export levies and import taxes contributed over 50 percent of the revenue in 2012. Somaliland's economy is described as a very open economy according to the ratio of imports plus exports to GDP which is 91.5 percent, the 7th highest in Sub-Saharan Africa and 45th highest in the world (World Bank & Ministry of National Planning and Development 2014). This ratio provides a rough measure of economic interdependence among nations (Salvatore 2013). The country's tariff rates relative to Sub-Saharan African countries are said to be effective with import tariffs of 4.15 percent and export tariffs of 3.34 percent respectively. Berbera port is the economic engine of the country providing all necessary import and export services (Berbera Port Authority 2016). With an imports of \$883 million and exports of \$387 million, the country experienced a trade deficit of about \$496 million (37.5 percent of the GDP) in 2012. However this trade deficit was financed from aid plus remittances contributions which was about \$500 million in 2012 (World Bank & Ministry of National Planning and Development 2014). Aid and remittances, not captured in the GDP as they were from abroad, were derived from estimates on Somalia including Somaliland.

This study aims to shed light on the international trade pattern of Somaliland and its export/import components. It specifically examines the major Somaliland trade partners as well as export destinations and import origins. The first section of the paper introduces the study while the second section generally elaborates trade and depicts Somaliland's trade with the rest of the world. The third section discusses exports and export destinations and the fourth section depicts imports and import origins. Section five focus on Somaliland livestock trade in particular while section six concludes the study.

2. Trade with the rest of the world

International trade is defined as the exchange of goods and services across borders. Growth of international trade and investment in recent decades resulted more interdependence among nations which also gives international economic problems a prominence in debates over public policy (Markusen et al. 1995). The flow of goods, services, labor and capital across national borders reveal this economic interdependence (Salvatore 2013). Gains from trade is regarded as mutual and according to the 19-century British economist David Ricardo, as long as some pattern of comparative advantage exists, there will be gains from trade regardless of whether one country has an absolute advantage in all goods (Markusen et al. 1995). Although international trade has both advantages and disadvantages, economists generally have confidence in that benefits of trade outweigh the costs. For instance, even though more trade enables consumers to enjoy lower prices and greater choices, it also results more competition for firms as well as for workers. However, there is a very strong belief that openness to the world economy is a superior policy than closing. In accordance with the historical evidence, economic theory and the statistical evidence together, there is a concrete support that open economies commonly grow faster and prosper more than closed ones (Gerber

2014). According to Carbaugh (2005), trade enables firms and nations to specialize in the production of goods they have relative advantage and spend the earnings to purchase goods they produce higher costs; trade leads to international competition which forces local producers to enhance the quality of their products; trade abates monopolies; and on the contrary globalization makes the economy susceptible to external shocks.

Somaliland heavily depends on imports of food and nonfood items as well as export earnings generated by livestock, hides and skins, frankincense and other sorts of gums. As the ratio of imports plus exports to GDP is 91.5 percent, Somaliland is regarded as very open economy and according to its influence in international markets, it can be considered as small open economy. Since nations are expected to trade more with nations with more open economic systems (Salvatore 2013), the openness of Somaliland economy probably attracts more trade which in turn leads to growth and prosperity. The strategic location of Berbera Port – southern coast of the Gulf of Aden – is a privilege to Somaliland international trade. It is a potential regional gateway particularly to the neighboring landlocked Ethiopia and to foreign investment (Azam 2010; Ministry of National Planning and Development 2011).

3. Exports

A notable characteristic of the developing countries, particularly Sub-Saharan Africa is that they heavily depend on the exports of unmanufactured goods such as agricultural and mineral exports (Todaro & Smith 2012), though they have been recently shifting to exporters of manufactured goods (Krugman & Obstfeld 2009). As the local production is still weak and insignificant, Somaliland exports are primarily unmanufactured goods. Somaliland mainly exports livestock – with primary species of camels, cattle, sheep and goats – and its byproducts including hides and skins together with frankincense (Ministry of National Planning and Development 2015). The economy heavily depends on livestock production which employs over 70 percent of the population. Livestock production also contributes 60 percent of the GDP and over 85 percent of the country's foreign export earnings (Ministry of National Planning and Development 2011). Nonetheless, the livestock trade market is vulnerable to external forces, as can be seen from the two embargoes of Somali livestock imports, by Somaliland's trade partners in the Arabian Peninsula in 1997 and 2000 respectively (Academy for Peace and Development 2002). Likewise, it faces substantial losses due to multiple taxation, absence of financial system, the dependency of single foreign market and market price fluctuations.

Table 1: Total livestock exports through Berbera Port: 2010 – 2014 (heads)

Month	2010	2011	2012	2013	2014	Total
Jan	211,839	95,002	141,303	235,022	228,319	911,485
Feb	70,666	109,647	271,882	149,750	146,733	748,678
Mar	46,566	144,127	131,150	118,143	178,716	618,702
Apr	83,377	119,658	116,103	83,839	156,338	559,315
May	60,620	72,313	87,602	143,863	81,428	445,826
Jun	103,424	181,199	209,768	212,906	284,483	991,780
Jul	190,601	345,969	232,800	272,172	252,747	1,294,289
Aug	179,234	216,452	182,231	220,993	287,543	1,086,453
Sep	275,124	202,994	294,012	953,484	1,322,588	3,048,202
Oct	552,579	1,254,636	1,594,136	616,984	104,647	4,122,982
Nov	966,692	387,903	64,386	37,713	200,310	1,657,004
Dec	69,760	232,999	187,229	121,690	162,715	774,393
Total	2,810,482	3,362,899	3,512,602	3,166,559	3,406,567	16,259,109

Source: Ministry of National Planning and Development

Figure 1: Total livestock exports

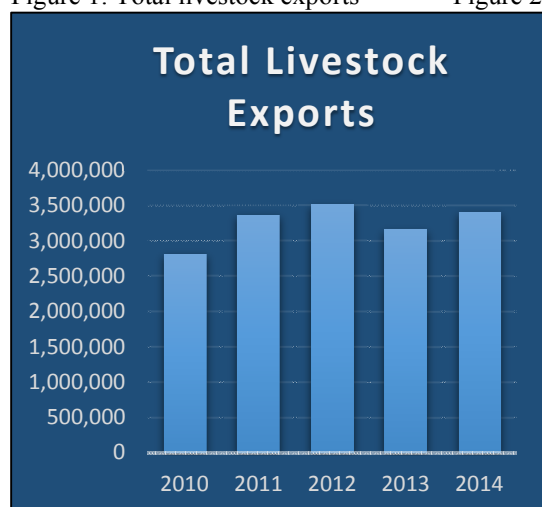
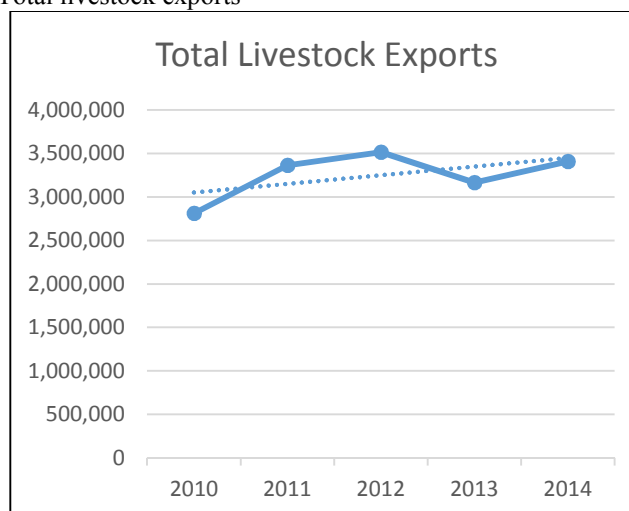


Figure 2: Total livestock exports



Somaliland exported around 16.3 million heads of livestock between 2010 and 2014. During this period, livestock exports peaked to their highest in 2012 with around 3.5 million heads while the lowest heads were exported in 2010 (around 2.8 million). Although there were fluctuations, total livestock exports increased from 2.8 million in 2010 to 3.4 million in 2014 (Table 1).

Table 2: Hide and skin exports through Berbera Port: 2010 – 2014 (pieces)

Month	2010	2011	2012	2013	2014
Jan	505,347	862,255	314,490	227,049	108,456
Feb	257,850	2,368,945	223,891	340,500	106,513
Mar	432,847	3,127,508	249,612	66,588	256,083
Apr	306,555	791,100	391,854	131,415	417,436
May	492,864	1,918,757	329,033	82,350	254,778
Jun	151,222	1,143,535	115,776	211,737	328,900
Jul	196,950	1,796,932	181,954	56,800	426,500
Aug	575,235	225,400	352,180	144,715	178,700
Sep	124,664	604,100	1,070,058	270,257	218,736
Oct	563,738	242,976	199,336	245,647	283,251
Nov	1,005,800	244,154	269,843	257,195	384,300
Dec	2,290,974	316,685	278,004	145,990	231,085
Total	6,904,046	13,642,346	3,976,031	2,180,243	3,194,738

Source: Ministry of National Planning and Development

Between 2010 and 2014, there were ups and downs in hides and skins exports. 13, 642,346 pieces were the highest number to be exported in this period, exported in 2011. In contrast, the lowest number was exported in 2013 (2,180,243 pieces) (Table 2). Though curious to know why 2011 exports were extremely high compared to others, we are incapable of doing so due to unavoidable circumstances, mainly lack of information. However some possible factors resulted this proliferation might be positive external shocks generated by the foreign markets or internal factors such as the rise of domestic livestock consumption.

	2010	2011	2012	2013	2014
Jan	300	271,020	97,825	49,000	55,665
Feb	6,500	53,650	42,320	70,150	21,600
Mar	34,100	16,240	0	7,880	62,818
Apr	168,650	245,502	24,200	25,000	86,680
May	23,800	118,520	35,659	20,000	20,704
Jun	6,300	274,240	0	39,450	10,400
Jul	0	136,693	0	150,000	81,500
Aug	3,116,700	55,200	0	25,300	345,000
Sep	0	0	163,667	27,231	136,350
Oct	24,570	0	16,000	12,919	53,185
Nov	199,810	9,600	43,000	71,100	23,320
Dec	303,287	107,750	67,672	18,970	158,440
Total	3,884,017	1,288,515	490,343	517,000	1,055,662

Source: Ministry of National Planning and Development

Although frankincense is not as important as livestock and its byproducts, it contributes a substantial share to the total exports. Total frankincense exports vary annually like other products. In 2010 around 3.9 million kilograms were exported while the number hit its lowest in 2012 with only 490,343 kilograms (Table 3).

3.1. Export Destinations:

Saudi Arabia is the leading destination of Somaliland livestock mainly exported during the Hajj – the largest annual Muslim gathering – while Yemen is regarded as the second most important destination of livestock (Ministry of National Planning and Development 2011). UAE, Oman and India are also major export partners of Somalia including Somaliland (The CIA world fact book 2016).

4. Imports

Due to the weakness of local production, consumer as well as producer goods are mostly imported from foreign countries. Imports principally through Berbera Port are classified into food items i.e., sugar, rice, wheat flour, wheat, cooking oil, dates, pasta, biscuits etc. And nonfood items including petrol, diesel, clothes, cars/trucks, spare parts, cigarettes, soap, building materials etc. (Ministry of National Planning and Development 2015). However another import channel is Wajale customs in the Ethiopia-Somaliland border, where food and nonfood items primarily Kat are imported.

Table 4: Imports of food items through Berbera Port: 2010 – 2014 (Tones)

	Sugar	Rice	w/flour	Wheat	c/oil	Pasta	Dates	Biscuits
2010	133,500	60,270	71,650	56,052	17,949	28,589	3,749	6,064
2011	94,956	86,827	71,511	20,500	17,656	34,998	6,570	6,887
2012	118,440	83,846	75,925	64,767	19,888	34,401	4,855	10,185
2013	115,929	79,822	82,519	11,656	13,125	28,717	6,851	9,370
2014	181,227	94,296	111,579	4,985	28,101	45,054	7,552	6,641

Source: Ministry of National Planning and Development

Table 5: Imports of nonfood items through Berbera Port: 2010 – 2014 (Tones and M³)

	Petrol	Diesel	Clothes	C/trucks	s/parts	Cigarettes	Soap	O/building	Other	Total
2010	6,454	52,401	20,514	13,179	3,478	6,872	9,992	203,162	128,988	446,391
2011	7,168	56,392	10,183	10,774	2,294	7,124	9,581	45,313	147,199	296,995
2012	10,741	56,022	9,484	11,365	3,315	9,011	9,148	56,015	197,715	363,858
2013	16,162	69,408	10,684	15,077	5,232	7,528	10,925	49,751	191,828	378,071
2014	20,237	99,077	13,303	18,291	6,887	5,482	9,783	55,487	250,304	479,742

Source: Ministry of National Planning and Development

Both food and nonfood items are monthly imported through Berbera Port. Sugar, rice and wheat flour contribute the largest share of food items with hundreds of thousands tons monthly while dates and biscuits account for the smallest share (Table 4). On the other hand, fuel, clothes and vehicles are constantly imported with thousands of tons and M³ (Table 5).

4.1. Import Origins:

As Somaliland imports most of consumed food and manufactured goods, its trading partners are Ethiopia, Yemen, Brazil, Thailand, China, Oman, Kenya, Saudi Arabia, Egypt, Malaysia, India, Pakistan, Turkey, UAE, Japan, Malta and Italy (Ministry of National Planning and Development 2011).

5. Somaliland livestock trade at a glance

Livestock trade contributed to the livelihoods of the Somalis since time immemorial. However, the arrival of the British colony transformed the livestock trade and increased the demand as they aimed to supply fresh meat to their army in Aden. As a result Berbera port became the trade hub and the major port of livestock exports in Somaliland British Protectorate. Livestock exports proliferated in the post-colonial Somalia, where the export numbers peaked in 1970s (Samatar, Salisbury & Bascom 1988).

As our research interest lies in the postwar Somaliland, some of its livestock trade advancements and challenges have been elucidated. Only male goats, sheep, camel and cattle are exported while the female livestock are consumed locally. Burao, Hargeisa and Wajale are the key local livestock markets. Due to the civil war of the late 1980s, livestock exports stopped but restarted in 1991 when relative peace has been achieved. It took only two years for the livestock exports to match that of the prewar, while they exceeded it in 1994 and reached a record level of over 2.5 million heads in 1997 (Academy for Peace and Development 2002). Nonetheless, that number decreased by 64 percent in the following year after Saudi Arabia banned importing Somali livestock due to the outbreak of Rift Valley Fever in Southern Somalia. That ban lasted until mid-1999 but there was livestock exports to Oman, UAE, Qatar, and Yemen during the ban. In 2000, Gulf countries issued a total ban of the Horn of African countries livestock as the Rift Valley Fever has been spotted in Saudi Arabia and Yemen. Obviously, these bans proved the vulnerability of Somaliland livestock economy and trade to external shocks (Academy for Peace and Development 2002).

Somaliland livestock trade faced numerous challenges and great losses due to a number of reasons. Apparently, the dependence of single foreign market – Gulf countries, mainly Saudi Arabia – makes the economy subject to as well as susceptible to all changes in that market. Local livestock suppliers and exporters sometimes face falling prices in foreign markets and constant per head costs in local markets which leads to a substantial loss. The absence of financial system, commercial banks in particular also results losses in livestock exports. Multiple taxes issued on livestock traders throughout the exporting process in Somaliland reduces the profitability of livestock trade and increases losses (Academy for Peace and Development 2002).

6. Conclusion

As the volume of international trade has been increasing over the years and resulted more interdependence among nations, Somaliland economy heavily depends on international trade. In 2012, export levies and import taxes contributed over 50 percent of the revenue. Furthermore, the economy is described as a very open economy according to the ratio of imports plus exports to GDP which is 91.5 percent, the 7th highest in Sub-Saharan Africa and 45th highest in the world. However, given the fact that country's imports outweigh its exports, trade deficit is considerable, financed by remittances and aid contributions. Livestock is the major export of Somaliland accompanied by its byproducts i.e. hides and skins while the country heavily depends on imports of food, fuel and manufactured products. Berbera Port is the country's main seaport providing both importing and exporting services. Somaliland exports primarily end up in Arabian Peninsula while its imports come from neighboring countries, Gulf countries, South East Asia and beyond. Furthermore, Somaliland livestock trade faces substantial losses due to multiple taxation, absence of financial system, the dependency of single foreign market and market price fluctuations.

Recommendation for future researchers

This paper is just an overview; future researchers may examine the impact of international trade on economic growth as well as economic development, the challenges of imports and/or exports, determinants of exports, trade policies, and the sustainability of livestock trade in Somaliland.

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