

# Jostling for Trade: The Politics of Livestock Marketing on the Ethiopia - Somaliland Border



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Small animals being loaded onto a ship ready for export at Berbera Port in Somaliland.

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## Acronyms

<b>CBLT</b>	Cross-Border Livestock Trade
<b>CSA</b>	Central Statistical Agency
<b>ECRA</b>	Ethiopian Customs and Revenue Authority
<b>FSNWG</b>	Food Security and Nutrition Working Group
<b>GTP</b>	Growth and Transformation Plan
<b>HoA</b>	Horn of Africa
<b>ONLF</b>	Ogaden National Liberation Front

## 1. Introduction

Cross-border livestock trade (CBLT) is an important livelihood activity for many pastoral and agro-pastoral communities in the Horn of Africa (HoA). The trade has developed into an informal industry supporting many stakeholders along the value chain: livestock-keepers, fodder suppliers, ranch owners, itinerant traders, large livestock traders and transporters. This paper examines the CBLT spanning the border between Somali Region of Ethiopia and Somaliland. Specifically, it considers policies and controls shaping the dynamics of the trade in recent years. The study also highlights the competition that Somaliland and Djibouti have found themselves in to become the livestock export hub in the Horn of Africa, as well as clan dynamics.

Until recently, the federal Ethiopian government largely ignored the CBLT. Now, fierce competition between Somaliland and Djibouti to become the livestock export hub in the Horn of Africa is shaping strategies adopted by the federal government to deepen its involvement in the trade by seeking to expand formal marketing channels for exporting livestock. A key motivation for these changes is the Ethiopian government's efforts to generate greater foreign exchange from livestock exports. The strategies the government introduced to control the trade include an increase in customs points in border areas and a ban on fodder trade coming from the highland areas of the country. The government has also established a basic infrastructure to encourage a formalization of the trade, including road construction, the establishment of a quarantine center and the introduction of a new licensing system for small scale cross-border trade.

However, this study argues that the government's efforts in this regard are mostly ineffective and, worryingly, may have unintended consequences for the livelihoods of poorer pastoralists who are engaged in smaller-scale informal trade.

This study elaborates some of the factors impeding the effectiveness of the federal government's controls. These include the lack of offices and computer equipment for newly established customs points in border areas. For example, of the twelve new customs points only one, in Togwajalle, has the required facilities to process livestock for export trade. All of the other customs offices cannot process anything and only focus on confiscating animals and other informally imported commodities.

Unsurprisingly, the number of traders using formal channels has not shown significant improvement since the new control measures were introduced. Secondly, the new licensing system introduced for small-scale CBLT is not functioning. This was meant to buffer pastoralists in border areas from the impacts of increased controls on the flow of livestock and consumer durables across the border. Thirdly, there are indications that though CBLT is burgeoning, poorer pastoralists are getting the least benefit from it. This is also related to the increased policing of the government which seems to inadvertently favour larger cross-border traders.

Thus, there is a need for a different approach that establishes the skeletal infrastructure required to formalize the trade and supports the livelihood-enhancing benefits of cross-border livestock trade for livestock-keepers and traders with a stake in small and medium-sized trade.

## 2. Background

### 2.1 Somali Region of Ethiopia

Somali Regional State is one of the nine regional states of Ethiopia, occupying the south-east and easternmost parts of the country. The region occupies an area of 350,000km<sup>2</sup>, which is almost one-third of the country's landmass. The last census conducted in 2007 put the population of the region at 4,439,147, of which 86 percent (3,817,937) live in rural areas and the remaining 14 percent (621,210) are urban populations. 60 percent (2,290,762) of the people living in rural areas are pure pastoralists and 25 percent are agro-pastoralists, while the remaining 15 percent are sedentary farmers (SC-UK/DPPB 2008). This gives an indication of the importance of livestock and livestock products for the majority of people in Somali Region. The region borders Djibouti, Somaliland, Somalia and Kenya. Most of the people have strong social and economic ties with Somalis living in neighbouring territories. The pastoralists of the region depend on the ports of Berbera and Bossaso to market their livestock. The region also highly depends on informal trade, not only for marketing its products but also for all imported commodities to the region. This has made the region a battleground between traders trying to informally export and import goods and Federal Police Forces trying to stop them from doing so.

**Table 1: Livestock Population Estimates for Somali Region**

	<b>CSA 2011<sup>1</sup></b>	<b>LDMPS 2006</b>	<b>IGAD 2009</b>	<b>Mariam et al. 1999</b>
Cattle	610,514	1,386,903	1,271,980	3,796,000
Sheep	1,054,287	8,028,693	7,445,234	9,053,000
Goat	1,411,481	7,102,281	6,616,337	8,547,000
Camel	301,323	1,417,080	1,268,694	2,032,000
Donkey	100,367	-	-	231,000
<b>Total</b>	<b>3,477,972</b>	<b>17,934,957</b>	<b>16,602,305</b>	<b>23,641,000</b>

The region is rich in livestock resources, composed mainly of small ruminants and camels. It is difficult to get reliable livestock population figures in Somali Region, as the Central Statistical Agency (CSA) is yet to conduct a comprehensive livestock census in the region. The most widely used livestock sample survey was conducted in 1999 by the Investment Agency of the Region through a consulting firm (Mariam et al. 1999). The livestock population of the region was estimated to be around 23 million head. From that time on no survey or census was conducted on the region's livestock population, and this has led to different estimates given by different organizations. Table 1 shows the available estimates that we have for the Somali Region's livestock population.

This shows how difficult it is to know the size of the livestock resources that are involved in the CBLT, but what has been agreed on is the fact that most of the livestock living ports like Berbera are sourced from Somali Region of Ethiopia.

## 2.2 *Cross-border livestock trade in the Horn of Africa*

Livestock marketing is a key element in the livelihood system of pastoral and agro-pastoral communities in the Horn of Africa. Livestock trade beyond the region to the Arabian Peninsula has long been a significant outlet for livestock owners in Ethiopia's Somali Region. This trade has expanded greatly in recent years (Mahmoud 2011; Akililu and Catley 2010; Majid 2010). Export trade is sustained through intricate social networks that cross geo-political boundaries, whereby the interior rangelands are linked to the ports through a series of clan based corridors. The regional cross-border network supports about seventeen million people in the HoA, including livestock producers and traders, trekkers, fodder traders, brokers and middlemen who directly or indirectly derive their entitlements from livestock production and trade (FEWSNET 2010).

Livestock trade between countries in the HoA is largely unofficial and unrecorded by government bodies. Over a long period, this elaborate and lucrative informal livestock trade has established itself largely beyond the reach of official regulation and taxation. Several factors have facilitated the expansion of this trade. The pastoral and agro-pastoral communities of Somali Region are poorly integrated into Ethiopia's central economy. Although official channels for exporting livestock have grown exponentially in recent years, most livestock trade continues through informal channels. Other factors such as government trade policies have also discouraged trade along official lines. Thus, the unofficial cross-border trade is filling the gap by creating outlets for the products of Somali Region pastoralist and by providing goods that could not be supplied through the official channels (Tegenen and Alemayehu 2002).

The December 2011 quarterly report of the Market Analysis Sub-Group of the Food Security and Nutrition Working Group showed that approximately 355,151 head

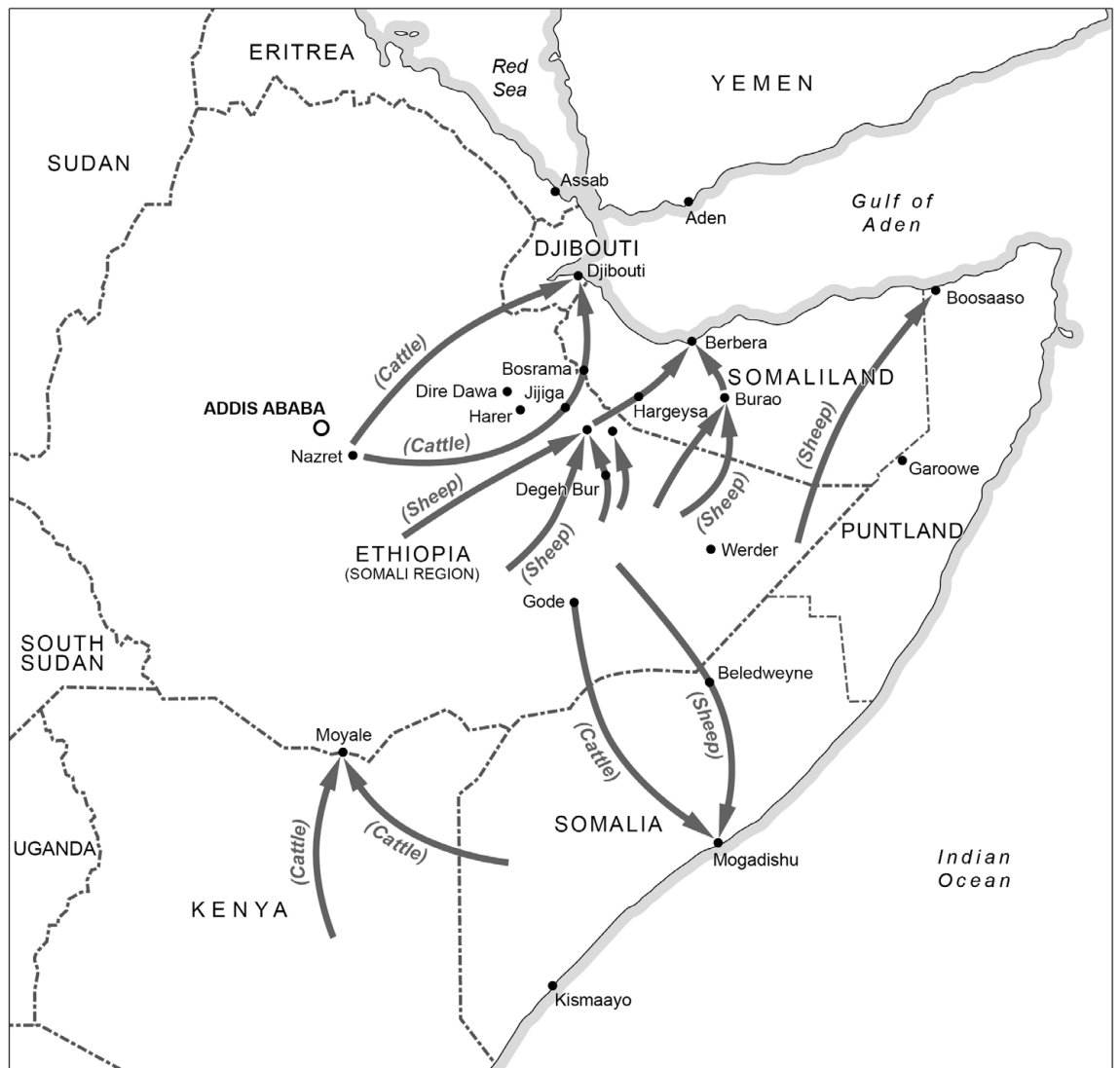
of livestock (cattle, sheep, goats and camels) were traded across the monitored borders in the HoA<sup>2</sup> between October and December of 2011 (FSNWG 2011). Most (62 percent) of the livestock traded were cattle, with the largest number (42 percent) being traded through Togwajalle market, a key border crossing point between Somaliland and Somali Region of Ethiopia. Astonishingly, 293,815 head of livestock (82.73 percent) were recorded as being traded informally<sup>3</sup>. This demonstrates the degree of informal trading in the HoA. Moreover, no formal trade was recorded at Togwajalle by FSNWG in this period, which is an area heavily guarded by Ethiopian customs forces trying to stop informal movement of goods. Therefore, informal trade represents the majority of the trade that takes place in the border areas of HoA.

In the north-eastern part of HoA the cross-border trade connects Somaliland with Somali Region of Ethiopia. As stated earlier, pastoralists and traders in Somali Region market their livestock through Somaliland, destined for Arabian markets. The bulk of livestock exported from Berbera and Bossaso originate from Somali Region. In the 1990s it was estimated that the annual value of livestock going through the Somali Ports of Berbera and Bossaso amounted to more than US\$120m, 80 percent of which was estimated to be sourced from Somali Region (Shank 1997). The recent estimate is that 50-65 percent of the livestock exported from Berbera port originates from Somali Region (Oxfam-GB 2011), and the value of this trade has now surpassed US\$400m annually.

## 2.3 *Clan dynamics and cross-border livestock trade*

In pastoral Somali communities, the clan acts as a social and political unit of organization and system of government. Each clan has its own leader (called Sultan, Ugaas or Garad) and group of elders who are mostly assembled after an incident, except in the Somali clan of Issa, where the council of elders is permanent. The traditional governance system has been weakened after the introduction of the modern state system. Both in Somaliland and Somali Region of Ethiopia attempts were made to integrate the clan elders and leaders into the government system. This failed in Somali Region, but elders are important in Somaliland's government. In Somali Region the elders are however integrated at the woreda (district) level, where each woreda keeps three elders on its payroll as advisors. This has created confusion within pastoral communities as to whether these elders are serving the interests of government or local communities. Still, despite all the problems in the customary institutions, Somalis both in urban and rural areas settle many of their issues through the clan system.

The cross-border livestock trade between Somali Region of Ethiopia and Somaliland passes through two major clan areas, and has long been influenced by them. The CBLT between the two goes through the Berbera corridor, coming through different trade routes. Currently the main trade routes feeding the Berbera corridor are:



- **Togwajalle Route:** this is a route that assembles livestock coming as far as Nazret and the northern parts of Somali region. It is also through this route that the little formal trade takes place.
- **Hartashiekh Route:** this is a market that assembles livestock from Fik, Qoraxay and Degeh Bur areas of Somali region<sup>4</sup>.
- **Gashamo Route:** This route serves mostly livestock coming from Gode, Afdher and Dh/Bur zones of Somali Region. The livestock that goes through this route passes through Burco town, in eastern Somaliland before it reaches the port city of Berbera.
- The other route that operated in this area was the **Daror/Rabaso Route** which is not functional now due to traders changing routes.

All the routes deal with animals which are brought from Ogaden clan areas and are traded through Isaaq territories. The Ogaden traders mostly collect animals from deep pastoral areas, and their Isaaq counterparts

trade them up to the port. Therefore, it is clear that the trade might be affected by the inter-clan relationships of the two clans.

Though the two clans co-existed as neighbours for centuries, the relationship has not always been a peaceful one. Looking at recent events, in 2002 the Ogaden National Liberation Front (ONLF) accused the Somaliland government of arresting innocent Ogadeni civilians and handing them over to Ethiopian authorities. This led the ONLF to call on all Ogadenis to show their anger by destroying trucks owned by Isaaq traders operating inside Ogaden territory. This initiated the burning of up to 88 trucks owned by Isaaq businessmen (HRW 2008). The Somali Regional government at the time accused the ONLF of being behind the destruction of the trucks. There have also been clashes and conflict between different sub-clans of the two clans over the years. In 2010 conflict flared in Aware area, affecting the Daror/Rabaso and Gashamo trade routes. There was also a more serious conflict in Abokor Ahmed-Yocale area, which has yet to be resolved; this affects the Hartashiekh trade and indirectly the other two trade routes. This later conflict has also affected the relationship between the two administrations of Somali Region and Somaliland.

According to traders all of these conflicts and clashes between the two clans have had little effect on the informal livestock trade. Traders simply change routes whenever there is a conflict or clash in a particular area.

### 3. Policy Changes in Ethiopia: Affecting CBLT

The Ethiopian government has long considered the cross-border livestock trade to be illegal. However, due to the long border between Somali Region and neighbouring Somali territories, it has been very difficult for the Ethiopian Customs and Revenue Authority (ECRA) to strictly police and control this trade. Moreover, the focus of the Customs Authority has always been on imported commodities rather than on livestock or other goods exported informally from Somali Region to neighbouring areas. Yet in recent years the Customs Authority has sought to more closely regulate the export of live animals, as it realized that most of the animals being exported from the Somaliland port of Berbera and Bossaso Port in Puntland originate from Somali Region. Furthermore, given the volume and increasing size of the trade through these ports and the value of the livestock exported, the Ethiopian government has an interest in regulating the trade to generate badly needed foreign exchange.

In 2010 Ethiopia formulated a five year development plan called the Growth and Transformation Plan (GTP). The GTP sets an ambitious target of increasing export earnings from live animal and meat export combined from the US\$125m achieved in 2009/10 to US\$1bn in 2014/15 (MFED 2010). To generate this amount of foreign currency from the livestock sector the government will focus on pastoral areas. It has been reported extensively that an overwhelming majority of livestock for meat and live animal export is sourced from pastoral areas, estimated at 95 percent (Dawit et al. 2008). For the government one of the main strategies for achieving its 2014/15 target is to redirect most of the informal CBLT to the formal channel, which requires more concerted efforts to control the trade such as through customs fees, veterinary measures, provision of water and feed to fatten livestock destined for cross-border trade etc. Therefore, it

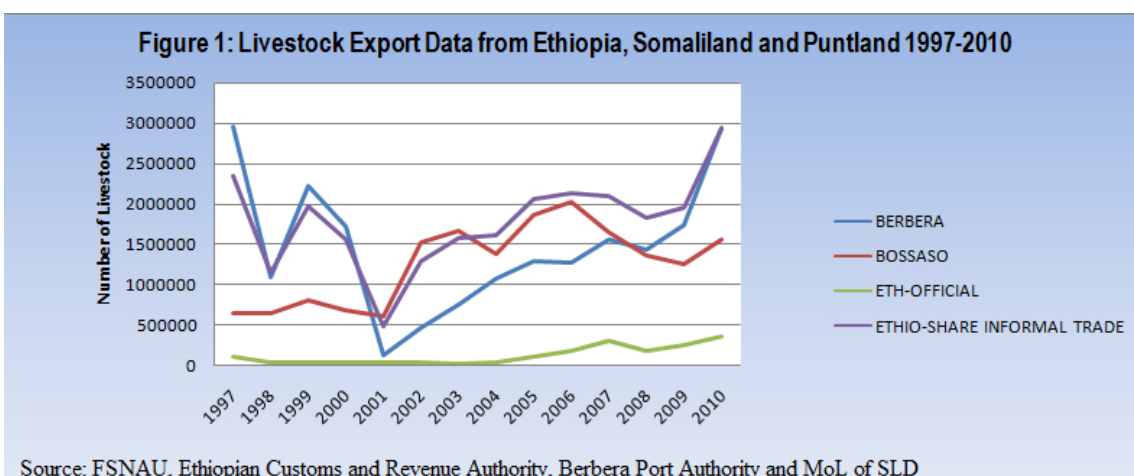
should be understood that the CBLT is conducted within a changing political environment.

#### 3.1 Control mechanisms/ strategies adopted by the Government

##### 3.1.1 Increase in customs points/ offices

In the past there were only two official customs offices in Somali Region, located in Jigjiga and Kebri-bayah. In early 2010 the federal government made the decision to establish additional customs offices in the border areas of Somali Region to enhance the battle against informal trade in the region, both incoming and outgoing. Some of these new customs offices are located in the border area between Somali Region and Somaliland, where the CBLT is active, including Togwajalle, Harshin, Hartashiekh, Daror and Gashamo.

The establishment of the new customs offices coincided with three changes in trade policy. First was the lifting of a livestock import ban in late 2009 by Saudi Arabia, which is the destination of 94 percent of livestock exports from the Horn of Africa, including Ethiopia (FEWSNET 2010). According to traders, livestock prices spiked after the ban was lifted, even in remote markets like Hartashiekh. Secondly, in 2010 the federal government permitted all important food items to be imported duty free into Somali Region. The region's population mostly uses informally imported commodities, including many basic food items. This also enabled customs agents to more closely monitor cross-border livestock flows. Thirdly, in the new GTP the government has set an ambitious target of increasing export earnings from meat and live animal export from US\$125m to US\$1bn in four years. Since 95 percent of livestock for export and meat production comes from pastoral areas (Dawit et al. 2008), introducing controls on the informal trade is important to raise revenue as part of the government's wider development ambition.



### **Effect of this move**

Although the establishment of new customs points has meant there is greater policing at some points along the Somali Region-Somaliland border, most traders have adapted. New marketing points have been established, and new trekking routes have emerged. Three markets have been most directly affected by the establishment of new customs points:

- **Togwachalle:** this is a town located on the border between Ethiopia and Somaliland. Before 2010 it was one of the largest livestock markets in Somali Region operating each day of the week. In 2006, due to the massive number of livestock traded in the area, a modern livestock market centre was built. However, after the government tightened its control of livestock movements and began confiscating animals, the market was abandoned. No transactions are conducted in the market, even by local residents for local use. However, traders didn't change the route; rather they decided to simply move to the other side of the border, which is just 500 meters away. Nowadays animals are taken to the other side of the border and trading takes place inside Somaliland before animals are moved towards Hargeisa and Berbera.
- **Jijjiga:** Jijjiga is the largest centre of the region, and one of the important livestock market centres. Before 2010 Jijjiga livestock market used to serve as an assembly point for livestock coming from Fik/Nogob and surrounding areas of Jijjiga, and which were destined for export. Jijjiga market was involved both in formal and informal trade, as traders from Dire Dawa and Harar also used to come to the market. Since federal authorities sought to exert greater control over transactions at the Jijjiga market, the export trade has dried up. The trade has shifted to Kabri-bayah and Hartashiekh. A significant proportion has also shifted towards Babile, which is now under Oromia Regional administration.
- **Lafaissa** is a town on the way from Jijjiga to Awbare, which is another border area. Before the increased restrictions were introduced by the government it was an important livestock trading centre, especially for fattened cattle from areas like Nazret. This led to the construction of a modern livestock market in the area, but immediately after the increased restrictions on the CBLT in the area traders abandoned the market facility, moving their trade to the Togwachalle Somaliland market.

With regard to the overall impact of the increased number of customs points on the CBLT, the traders involved indicated that there is no significant effect

considering the number of livestock reaching Somaliland. As the trade is informal there is no record showing the number of livestock passing the border. However, one indication is data on livestock exports from Berbera and Bossaso. For example, it is estimated that 50-65 percent of the livestock exported from Berbera originates from Somali Region (Oxfam-GB 2011). Official data indicates that the estimated number of livestock traded informally through the ports of Berbera and Bossaso has spiked, surpassing 3m shoats (goats and sheep) in Berbera alone in 2011.

When the government decided to increase the number of customs points the idea was not simply to police the informal trade but also to encourage traders to use formal channels. However, lack of the required facility to process export and import from these customs offices has hindered them from having such an impact on the positive side. This has also affected the reputation of these offices among the people of these areas, and given an impression that the offices are only opened to confiscate commodities.

However, one factor that slightly improved in favour of the government is the volume of formally exported livestock. Up to 2010 there were almost no official exports of sheep or goats from the Somali Region customs office branch in Jijjiga. This changed beginning in 2010, and since then there has been an uptick in exports according to official customs data (see Table 2). In the first two quarters of 2011, exports of shoats were already greater than for all of 2010. Still, over the same period there was a drop in exports of cattle and camels, possibly owing to the impacts of the regional severe drought crisis.

### **3.1.2 Ban on fodder trade**

Alongside the establishment of more customs points, in 2010 federal authorities imposed a ban on fodder, coming largely from Nazret, from being traded to areas of Somali Region, including Hartashiekh, which hosts a large livestock market. The border area is arid, with limited pasture and water. A vibrant fodder trade has developed over the years to sustain livestock during the long trek to Hargeisa and Berbera so that they fetch a good price. In early 2010 the Ministry of Agriculture of Ethiopia circulated a letter prohibiting the movement of any fodder beyond Jijjiga town.

According to traders the fodder ban generated more concern than the increased customs controls. The immediate impact of this move was a spike in fodder prices around border areas. It also created opportunities for corrupt officials, mainly in the police force, to collect bribes. It is reported that police were collecting bribes as far away as Babile, 70km north of Jijjiga.

Livestock traders sought to manage the new restrictions in different ways. One approach was to buy immature crops from agro-pastoralists in Kabri-bayah and Hartashiekh. Livestock traders offered favourable prices, and thus agro-pastoralists were able to get a better





**Pic 1: Fodder in Hargeisa Livestock Market**

price by selling crops for livestock feed than waiting for the crops to mature. Second, long before the ban of the fodder trade, border grazing sites were privatized and hired out to livestock traders trekking livestock along the border. The price of hired grazing increased after the fodder ban.

While transaction costs for fodder have increased, livestock traders claim that the ban has not curbed the informal trade. Government officials indicate that the ban was not meant to control the CBLT, but rather to reduce local fodder prices which were important for local livestock keepers. Government officials also claim that local pastoralists do not purchase fodder, and thus the ban only affected traders who buy fodder to sustain livestock destined for Berbera.

### 3.2 *Support services introduced by the Government*

#### 3.2.1 *Establishment of quarantine centres*

Federal authorities in Ethiopia plan to establish new quarantine stations in Somali Region to assist official exports. The establishment of quarantine stations is a federal matter as it is related to the export trade, but the regional government also has plans for five new quarantine centres by the end of 2014 (BoFED 2010). The first quarantine centre is being constructed in an area 30km east of Jigjiga town, which is almost 100km

from the border point of Togwachalle which will be used to export livestock.

The impact that this quarantine centre will have is uncertain because it is far from the border. After the animals are quarantined for a number of days, they still have to trek 100km inside Somali Region through disease-prone areas to the border. Furthermore, any livestock that are quarantined and certified inside Ethiopia must still be quarantined in Djibouti as Arabian countries do not recognize Ethiopian quarantine conditions. Thus, the establishment of new quarantine centres in Somali Region might only increase transaction costs with knock-on effects on livestock prices, making Ethiopian traders less competitive in Gulf markets.

#### 3.2.2 *The new 'periphery' trade*

The pastoral communities of Somali Region mainly derive their livelihood from livestock and livestock products. Domestic market opportunities are very limited, and there is no linkage with the country's meat exporters. As a result, pastoralists mainly depend on the informal CBLT. However, the increased restrictions have limited available options for pastoralists and small traders, and have increased the role of big traders, as they can make their own arrangements. The increased restrictions on cross-border trade have two adverse impacts on poorer livestock owners. Firstly, what pastoralists receive for their animals decreases from time to time as market options are narrowed. During the Hajj period in 2012, while the price of sheep reached as high as 2200 birr, pastoralists were mostly getting between 800 and 1200 birr. Secondly, the increased restriction affected the delivery of consumer goods to remote pastoral communities. Regional authorities reported that supplies of basic food items, especially sugar, were inadequate in remote pastoral communities after the restrictions were introduced by the government. For instance, the price of sugar has tripled in areas like Fik zone from around 15 birr per kg to around 42 birr per kg. The situation remained very difficult until the government started supplying subsidized food items itself. This has resulted from the new food import system of the region. As part of the overall policy change of the customs system in the area, the ECRA allowed Somali Region to import food without import duty. However, the number of traders who are allowed to do this is limited to three per zone, meaning 27 licenses are allowed regionally. The traders who have been granted licenses are mostly from urban areas, as these are areas where they can make a profit. This has adversely affected rural pastoral populations.

After the increased policing of the cross-border trade the government realized the adverse effects

**Table 2: Livestock Export from Jigjiga Customs Office**

Period	Shoats	Cattle	Camels
2010 whole year	16,342	69,485	13,472
2011 Q1-Q2	22,013	55,917	3,205

Source: ECRA 2010; 2011

it was having on pastoral communities. Partially in response to the recognition that new controls were harming pastoral livelihoods in the region, the federal government formulated a new cross-border livestock trade policy, 'Periphery Trade', which is recognized and supported by the federal government. Under the policy, small traders are licensed to take a limited number of animals<sup>5</sup> to the other side of the border in Somaliland. In return the traders are required to bring in equally valued commodities (of any kind) which will be taxed at the customs office. In Somali Region the Ministry of Trade has assigned responsibility for issuing and regulating licenses to the Region's Bureau of Trade. By early 2013, several hundred licenses were issued to small traders.

Although licenses were issued, the periphery trade has yet to begin in earnest for a number of reasons. Firstly, the licenses are issued by the Somali Regional Bureaus while the ultimate power lies with the Customs and Revenue Authority, which is a federal institution. Federal and regional authorities disagree over who is responsible for the delay in starting the trade. Secondly, one particular problem is that the computerized network system for processing exports and imports is only available at Togwachalle customs point<sup>6</sup>. This makes it difficult to process such trade at all the other customs points. Thirdly, there is a huge information gap and misconception within the community and district administrations, who were contacted during the fieldwork, about the real nature of the trade. While hundreds of licenses for the periphery trade have been issued, many still do not understand the terms of this trade activity, particularly in outlying border areas such as Hartashiekh and Harshin. Small-scale traders in these areas wrongly believe that the periphery trade license means they can export livestock without a Letter of Credit. This has led people in certain areas like Hartashiekh to even request the ECRA to open an additional checkpoint in their area.

## **4. Impact of Political Relations on CBLT**

### **4.1 Somali Region-Somaliland relations**

Somali Region and Somaliland share similar ecological conditions, strong economic and social ties and clan affinities. Customarily, pastoralists utilized grazing areas on both sides of the border as part of seasonal movements with herds to access key resource sites. As there were a number of permanent water wells inside Somaliland, pastoralists from Somali Region would cross the border in the dry season to grazing sites in Somaliland.

Following the establishment of the federal state system in Ethiopia and the unilateral declaration of Somaliland as an independent state, there have been few political ties between the regional government in Jigjiga and the Somaliland government, which maintains its ties

with Addis. There has been limited contact on security issues, mostly involving officials in neighbouring zones and districts. Somali Regional authorities have quietly sought to improve relations with Hargeisa. For example, in 2009 and 2010 they extended a number of scholarships to officials in the Somaliland government to study at colleges in Somali Region. However, relations between the two administrations soured in 2010 after 250 ONLF fighters entered Somali Region through Somaliland, after being trained in Eritrea. Somali Regional authorities deployed a special police force to the border to deter the crossing of any further ONLF fighters. Relations were further strained when clan tensions flared in the border areas. The Somali Regional government arrested 57 men who were alleged to have come from Somaliland to attack rival clan members inside Somali Region. The number of police stationed at the border was also increased. In early 2012, the Somaliland government openly accused the Somali Regional government of supporting opposition fighters in Somaliland and hosting their leaders. The Somaliland government presented a case to the federal government and requested that the region's special police force be removed from border areas and replaced by Ethiopian military forces.

Traders indicate that in the recent past Somali Region's police force had not sought to control their activity, only sometimes seeking to regulate incoming goods. However, in recent years members of the police force as well as district militia have begun to confiscate animals. These measures have increased transaction costs for traders and reduced their competitiveness. Increased insecurity in the border areas has also made it unsafe for female traders, who travel only during certain times of the day, unlike in the past when they used to cross the border in the day or night. Though the traders blamed this unfavourable situation on the regional security forces, ECRA pointed out that the regional security force's participation is limited to incoming commodities. In 2010, of commodities confiscated while being smuggled to the region the share of the regional security forces and independent informers was around 25 percent, while they had no role at all in confiscating commodities intended for export.

## **5. Competition between Somaliland and Djibouti**

Cross-border livestock trade in the Horn of Africa supports about 17 million people, including pastoralists (producers), traders, brokers, trekkers and others (FEWSNET 2010). Pastoralists and traders in Somali Region have no direct access to ports and have always accessed the foreign Arabian markets through the Somali ports of Berbera, Bossaso and Djibouti. This has in turn stimulated the economies of Somaliland and Djibouti, whose ports are used by livestock exporters.

Prior to 2000 the port of Djibouti was not greatly involved in the livestock export trade. The first

opportunity for Djibouti's involvement in this large-scale trade came after the Ethio-Eritrea war of 1998. At the time Ethiopia, a landlocked country, shifted from Eritrean ports to Djibouti for almost 100 percent of its international trade activities. This has boosted income for Djibouti's government, making it the biggest contributor to the country's Gross Domestic Product. It also opened the door for the improvement of port facilities. But even after Ethiopia started using the port of Djibouti, there was no immediate increase in the number of live animals exported through the port. Meanwhile Berbera port was booming, reaching an export of 2m shoats in a single year.

In early 2001 the Gulf States imposed an import ban on HoA livestock due to fear of Rift Valley Fever. This seriously affected the port of Berbera, where livestock export crashed from 2m to only 50,000 by 2003, a 98 percent drop. Nevertheless, after the ban Berbera port was still exporting a much higher number of livestock than Djibouti, as shown in Table 3.

After the ban pastoralists in Somaliland and Somali Region suffered a lot. This triggered efforts by different international organizations to try and end the ban. But the Saudi government refused to negotiate with the unrecognized state of Somaliland, and decided to continue with its ban. This opened a window of opportunity for Djibouti to negotiate with the Saudi government. After carefully monitoring progress the Djibouti government approached the Saudi government and was able to attract Arab investors who were eager to import livestock from the HoA. Djibouti was also successful in getting support from different international organizations, including the World Trade Organization, and US embassy in Djibouti to improve its livestock handling at the port. These efforts were generally aimed at revitalizing a market for the livestock of the poor pastoralists in these areas.

The facility in Djibouti was finalised in October 2004, but negotiations took time, and the Saudi government finally allowed animals to be imported solely from Djibouti in late 2006. This offended the Somaliland government and its traders, as they accused Djibouti of trying to hijack their trade and livelihood. This led to a diplomatic wrangle between the two countries, leading the Djibouti government to expel Somaliland's diplomats from their country. This was the beginning of a two-year monopoly for Djibouti port in exporting livestock to Saudi Arabia, as all exports from Berbera and Bossaso were expected to pass through Djibouti. But traders in Somaliland, unconvinced by this move, created other channels through Oman and Yemen.

Unhappy with the behaviour of the Djibouti government, the Somaliland government started its own efforts to re-establish direct trade with Saudi Arabia. They started implementing the same strategies that the Djibouti government had used, approaching potential Saudi investors. In the end the Somaliland government was able to secure a contract with a well known Saudi investor, Al-Jabiri. The contract obligated the investor to build a modern livestock quarantine and health facility, and in return the government allowed him to become the sole exporter of livestock from Berbera. This contract triggered political tension in Somaliland with the opposition group and traders accusing the government of cheating its citizens. But the government seemed to have no other option at the time for establishing direct access to the Saudi market. The investor started constructing the facility in 2007 and it was finalized in 2009. However, a few months later Saudi Arabia lifted the ban.

The lifting of the ban increased pressure on the Somaliland government to allow other traders to export livestock to Saudi Arabia. Being unable to either revise or break the deal it had with Al-Jabiri, the government allowed the investor to continue his monopoly of the livestock export. The issue became an election topic in the 2010 Somaliland presidential election. The opposition candidate – the current president – indicated that he would allow other investors to export if elected. The government of Somaliland changed and immediately in November 2010 a new quarantine centre was inaugurated by the new vice president, jointly owned by a Saudi investor and a Somaliland businessman. These facilities seem to have affected livestock export positively, as the number of livestock exported has recently surged.

The competition between Somaliland and Djibouti has also affected the pastoralists of Somali Region, as it affects the price of livestock. Traders indicated that the opening of the Al-Jabiri quarantine had a significant positive impact as it increased the price of shoats by around 15 percent.

## 6. Pastoralist-Trader Relationships in CBLT

After slowing down in the last decade because of the Saudi Arabian ban, livestock trade and export has been booming again in the last three years. The increase in the export of livestock has improved the value of livestock; for instance, the price of sheep has increased from US\$30 in 2009 to higher than US\$100 in 2012. Despite this increase

**Table 3: Export of Shoats from Berbera and Djibouti**

Year	Berbera	Djibouti
2003	563,107	6,200
2004	859,404	5,860
2005	1,023,795	1,718

Sources: BPA 2009 and MoC-Djibouti 2006

in the value of livestock, there have been reports that this has only benefited traders and has changed little for the pastoralists. Oxfam-GB (2011) reported that though the livestock trade is growing in Somali Region, pastoralist households benefit least from the trade.

Cross-border trade remains a very risky business and only those with the right connections and skills dare to invest in it. One behaviour that we observed among pastoralists living in the study areas is that though they live closer to the border, they still prefer to sell their livestock in local markets than to trade them themselves across the border. This reduces the price they can get for their animals, but they prefer to avoid the risk of losing their animals to government confiscation. These pastoralists show risk-averse behaviour which allows them to gain small but certain benefit from their livestock. On the other hand are the traders who take livestock across the border, very much risk-takers based on the situations they face. The following are some of the risks or challenges that these traders face:

- When livestock leave local market centres there are additional costs that traders incur, including treatment/drugs, trekkers, transport, loading and unloading; these costs are unpredictable and sometimes lead to losses for traders.
- There is death of animals on the way across the border, and this sometimes leads to significant loss of animals and profit.
- After livestock have trekked across the border to markets like Hargeisa or the quarantine centres in Berbera, they encounter a large stock of animals coming from different areas, leading to unhealthy competition between cross-border traders and further loss.
- For those traders who are involved in the export of livestock to Arabian countries, there is the risk of losing animals during the sea voyage as well as the risk of animals being returned from their destination due to fear of disease. In September and October of 2012 alone, two ships with thousands of livestock were returned from Saudi Arabia. This has a devastating effect on those traders who own the livestock on such ships.

Traders indicate that pastoralists are safe from the above challenges, which increase the risk of making a loss on the trade. However, what has affected pastoralists is the increased restriction by the government, which seems to favour large traders.

There is a third group who are different both from the pastoralists and from those traders who take livestock across the border. These are small traders or middlemen who collect livestock from remote pastoral areas and sell them in bigger markets like Hartashiekh. The activities of these traders are not known widely, as they don't disclose much information. However, based on this

study's investigation they seem to be the group seeing the greatest benefit from the livestock trade in the region, compared to pastoralist and bigger traders. These small traders are collecting livestock from bush markets and reselling them in larger markets for a profit margin of up to 40 percent.

## 7. Conclusion

The cross-border livestock trade between Ethiopia and Somaliland supports many pastoralists and other actors in the trade, who are mainly from Somali Region of Ethiopia. The trade has been going on for centuries, and strong links persist between traders on both sides of the border. Strong social and economic ties between communities living on both sides of the border also facilitate the existence of the trade. This reality makes the government's effort to control the trade ineffective. It necessitates the adoption of a new strategy on the government's side which maintains benefits for those involved and allows the government to collect the required revenues.

The CBLT is crucial for the food security of pastoral and agro-pastoral communities in Somali Region. The increased restrictions limit market options for pastoralists and consequently the income they generate from the sale of their livestock. It has been reported (Little 2009, cited in FEWSNET 2010) that the loss of livestock assets due to cross-border trade restrictions reaches more than 60 percent of the herd size. This figure alone suggests the extent of the impact of increased restrictions on pastoral and agro-pastoral communities. The restrictions also favour large traders, as they have extended connections and can create their own routes to move animals across the border. This happens at the cost of small traders and pastoralists, who are forced to settle for the prices offered by the larger traders.

The restrictions on the CBLT have also affected the seasonal mobility pattern of pastoralists. Many pastoralists on both sides of the border have either their dry or wet season grazing areas on the other side, and have to move seasonally to access these rangelands. However, the border patrol police have no means of distinguishing whether animals moving across are headed to market or grazing. This has led to many mistaken confiscations by customs police, causing great losses to the owners. Some pastoralists take the customs office to court, and we have recorded that in 80 percent of such cases the pastoralists win and the animals are returned. This reveals not only the detrimental effects the restrictions are having on pastoralists but also their ineffectiveness in targeting trade.

The CBLT has developed into a vibrant trade because of the markets in Gulf states and the available infrastructure in HoA ports. Therefore, rather than restricting the trade the government needs to develop a way of formalizing it without creating overbearing bureaucracy for pastoralists or traders. The proposed 'Periphery Trade' by the government is a good start. Lessons might also

be learned from the COMESA simplified cross-border trade regime, which reduced bureaucracy for cross-border traders while allowing governments to collect the required taxes.

## END NOTES

- <sup>1</sup> CSA's estimation is only from sedentary areas, as pointed out earlier
- <sup>2</sup> The monitored border points include: Galafi (DJ-ET), Obock (DJ-Gulf), Hemera (ET-SU), Metema (ET-SU), Moyale (KE-ET), Doble (SO-KE), Beledwayne (SO-ET), Bulahawa (SO-KE), Togwajalle (SL-ET), Goldogob (SO-ET), Buhodle (SL-ET), Kibande (TZ-BU), Manyovu (TZ-DRC) and Mpondwe (UG-DRC).
- <sup>3</sup> This was recorded by informants of the project after the animals crossed the border and not by either government.
- <sup>4</sup> It has been identified through the fieldwork that this route is also used in the reverse direction, as some traders bring breeding livestock from Somaliland and sell them in Hartashiekh market to pastoralists in Somali Region.
- <sup>5</sup> The number of animals allowed to be exported under the new border trade is different according to species. Up to 30 shoats are allowed, up to 60 cattle and only one camel. The number of animals is not the only restricted factor, but also the frequency of trading.
- <sup>6</sup> It must be clear that the advantage that border communities have is the ability to export and import within a simplified system, without the requirement for a Letter of Credit. However, they are not tax exempt and they must pass all of the normal customs processes before they can export and import through the border license.

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