9 THE GLOBAL DIMENSIONS OF CROSS-BORDER TRADE IN THE SOMALIA BORDERLANDS

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1. INTRODUCTION

This chapter discusses the significance of cross-border trade in the Somalia borderlands, an area where trade is subject to few regulations.[1] The border markets included in this study cover three areas of different livestock and agricultural potential. These are the Kenya/southern Somalia border (which focuses on long-distance, export cattle trade to Kenya, especially the Nairobi market); the eastern Ethiopia/central Somalia border (which focuses mainly on local domestic trade, both in livestock and cereals); and the eastern Ethiopia/Somaliland border (which focuses on small stock export trade and imported food and consumer items). A huge amount of potential capital in the form of cattle is found in or near the border zones and, in the case of southern Somalia (near the Kenya border), the number of cattle is perhaps the largest in the Horn of Africa, exceeding 700,000 in some years. The study's findings will help to form the basis for comparative/regional generalizations and for assessing how livestock prices are distributed across different border markets throughout the Horn of Africa. They provide telling evidence of how important cross-border trade is for the inhabitants of the border region and for consumers and producers located several hundred km from the borders.

2. CROSS-BORDER MARKET CHANNELS

This section of the chapter presents market data for the three Somalia (including Somaliland) border sites that were covered: (i) southern Somalia/northeastern Kenya; (ii) central Somalia/eastern Ethiopia; and (iii) Somaliland/eastern Ethiopia. The bulk of the trade data are for market chain in (i), which receives considerable treatment in this section. The data for study were collected over an eight-month period during the summers of 1996, 1998 and 1999, supplemented with secondary data collection and analysis during January 1999 and August-September 1999. Because the author conducted research on cross-border trade in the late 1980s and prior to the collapse of the Somalia state, it is possible to observe changes in the commerce over 10+ years. The period of 1996 to early 1999 was a period of

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relatively low price inflation, so that with few exceptions (e.g., motorized transport) transaction costs and prices remained with little change during these years. During 1996-1998, structured interviews were carried out with 94 traders at two key cross-border markets—Garissa and Moyale, an important transit market (Isiolo) for the trade, and the two key terminal/consumption markets in Kenya, Nairobi and Mombasa. Nairobi is the terminal market for more than 75 percent of the cattle that transit through the Kenya border districts. Because of the difficulty in understanding trader networks and informal finance relationships solely through structured questionnaires, a series of informal, unstructured interviews were held with 25 traders based in Kenya.

The chapter also includes analyses of market data that are gathered weekly by a network of NGOs working in southern Somalia and managed by the Famine Early Warning Systems (FEWS) project of the United States Agency for International Development (USAID)/Somalia, on behalf of a multi-agency unit, the Food Security Assessment Unit (FSAU) for Somalia. This data collection system was still in place in August 1999, but because most of the NGOs collecting data in the border region had pulled out of Somalia by late 1998, its coverage was greatly diminished in 1999. These data are critical for understanding trends in the economy, the effects of global market processes, and in the cross-border trade between Somalia, Kenya and Ethiopia. The data cover some of the critical border markets on the Somalia side (e.g., Bulo Hawo and Belet Weyne), Ethiopia (e.g., Togwajale) and Somaliland side (e.g., Borama) and address key commodities like livestock, grains, flour, sugar, and milk.

3. SOUTHERN SOMALIA AND NORTHEASTERN KENYA CROSS-BORDER TRADE

The trade goods in this market channel are dominated by the flow of cattle from southern Somalia through the border area, and eventually to large urban markets in Kenya. In contrast to other border areas in the Horn region (e.g., the Kenya-Ethiopia border around Moyale), the Kenya/Somalia border is distant from good agricultural zones and, consequently, there is only minimal movement of agricultural products across the border. In some cases, maize and wheat flour will be moved from Kenya to Somalia when shortages exist and food aid is unavailable in southern Somalia. Such shipments are moved in small quantities—what can be packed on a donkey or taken by a trader in a bush taxi. Tea, sugar, and clothes are also moved from Kenya to Somalia in small quantities on livestock merchants' return trips to Somalia. Once again, the quantities are small, so as to avoid confiscation and theft. Some mirrah (the mildly narcotic leave) also is moved from Mandera, Kenya, to Somalia, but the bulk of this commodity is shipped directly by air transport from Nairobi to Somalia. Table 1 indicates the main products that are traded between Somalia and Kenya.

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Table 1. Cross-border trade goods along southern Somalia/northeastern Kenya border

Somalia to Kenya	Kenya to Somalia
Cattle	Mirrah
Consumer electronics	Maize (small amounts)
Clothes	Wheat flour (small amounts)
	Tea
	Sugar

There are said to be sizeable amounts of electronics shipped from Somalia to Kenya, but this was not observed at border markets probably because they are moved at night directly to Kenya's interior urban markets. In the late 1980s, Kenyan products assumed considerably more importance in the border trade than is the case today. For example, at that time livestock traders often sold their Kenyan shillings from the cattle trade to importers in southern Somalia, who purchased Kenyan consumer goods (soap, batteries, rubber sandals, sugar, tea, etc.) for import. This type of trade had slowed considerably by 1999 due to: (i) increased insecurity that makes trade in consumer goods difficult; and (ii) the increased availability of cheaper Asian (especially Chinese) consumer products in Somalia.

Prior to 1991, the cattle trade in the southern Somalia border region was essentially focused on four market outlets, which accounted for about 90 percent of the region's sales. First was the regional domestic trade that was concentrated in towns like Kismayo, Jamaame, and Jilib in Somalia. This commerce was oriented to local consumption or to the rebuilding of local herds, and involved both low-quality, low-priced cattle and young heifers and bulls (less than 4 years old). The second market was the national domestic one located in Mogadishu, Somalia's largest city, and it attracted animals from the border region. The Mogadishu market, along with the city's population, was growing rapidly in the late 1980s and cattle prices there tended to be higher than elsewhere in southern Somalia. The third and fourth market channels in the Lower Jubba involved international exports. In one of these trade routes, animals were sold and moved "unofficially" across the border to Kenyan markets, particularly to Garissa. This trade accounted for about 25 percent of cattle sales, but up to 45 percent in parts of the border region. The cross-border trade to Kenya is seasonal: during the long dry season (January to March), virtually no cattle moved from the lower Jubba to northeastern Kenya. The cross-border trade with Kenya involves medium-to-high-quality male and female animals, which are used for slaughter in Kenya's major urban centers and for restocking and breeding purposes on commercial ranches in the Rift Valley. This trade has

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captured the bulk of cattle exports since the collapse of the Somalia government and overseas trade.

The fourth market, the overseas export trade, was very different from the other three channels, in that large-scale traders and companies were involved. It focused on exports to the Middle East. In southern Somalia, it has almost completely stopped since 1991, although exports of small stock remain vibrant in Somaliland (formerly northern Somalia). Based on trade statistics from the Food and Agriculture Organization (FAO), Zaal and Polderman (2000, 5) indicate that cattle exports from Somalia declined from 115,600 in 1981 to lows of 20,000 in 1991 and only 970 in 1998.

The war in southern Somalia had major impacts on the area's livestock markets (Little 1996). While four market channels existed prior to 1991, the cross-border trade seems to have been the only one that escaped large-scale devastation. In fact, it has grown considerably as a result of the conflict in Somalia. The regional domestic market in the Lower Jubba still exists, but herders increasingly avoid Kismayo market because of conflict. At times Kismayo is virtually cut off from its livestock-producing hinterland and traders from the main cattle-producing areas shun the city's markets. This isolation stems from politics and clan relations in the area, especially tensions between the Harti (especially its Majerteyn and Dulbahante sub-clans) of Kismayo and the surrounding Ogaden, and recently between the Marehan and the Harti (Little 1992, 1996). These strained relations have been manipulated and aggravated by regional faction heads. As a result of its instability, markets and food prices in Kismayo have shown the greatest volatility in the area. In some months prices for local staples, like camel milk, can be as much as three times higher at Kismayo than in nearby rural markets. The city's livestock prices also show particularly erratic swings relative to other markets in the border region.

While in the late 1980s approximately 25 percent of traders indicated at least some involvement in overseas export trade, either as middlemen or exporters themselves, less than 4 percent of traders in our sample reported export activities during 1991-1998. Those merchants who did indicate some involvement utilized the Mombasa (Kenya) not Somali ports.

In terms of the national market, the Mogadishu trade also has decreased to very low levels. Mogadishu used to be a vibrant outlet that drew cattle from as far away as the Lower Jubba, especially during seasons when the Kenya market was slow. In 1987-1988, Mogadishu prices were between 29 to 55 percent higher than prices in other markets in southern Somalia, and at that time no movement of cattle from Mogadishu and the neighboring Lower Shebelli Region to border markets was recorded. Such migrations would have been irrational because of Mogadishu's price advantage and status as an important market. Yet, at present, the trade has been reversed: cattle from the Mogadishu and Lower Shebelli regions are being trekked in the opposite direction over massive distances (in excess of 450 km in some cases) to

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Kenyan border markets. The price advantages of Mogadishu, in turn, over other Somali markets have been greatly reduced as lucrative trade channels to the city have been violently disrupted, and the overseas export trade from Mogadishu and area ports has almost completely stopped. Similar to the Kismayo region, conflict around Mogadishu discourages trade with surrounding areas, which partially explains the unexpected market trends observed in 1996 and 1998.

While there is little question that the cattle market in Mogadishu has been affected by post-1991 events, it is difficult to accurately gauge its extent relative to other Somali markets. Two different data sets, however, help to evaluate the magnitude of the changes. Based on data from trader interviews in 1996 and 1998, table 2 shows that prices (in USD) of cattle in Mogadishu have taken a severe 'hit' since 1987-1988, especially when factoring in inflation. According to these data, Mogadishu's prices are now lower than those of Afmadow and other markets in the border region.[2]

As the data reveal, prices rose between 1987-1988 and 1996 and 1998 all market centers involved in cross-border trade (Afmadow, Bilas Qooqani, and Liboi), while they actually declined in US dollar terms for Mogadishu. For the border town of Liboi, prices doubled between 1987-1988 and 1996, a reflection of the strong growth in cross-border trade with Kenya. Prices in 1998 generally showed a decline over 1996 prices, a pattern that was found throughout Kenya and the Horn region generally (Teka et al. 1999).

Table 2: Average prices of cattle in selected markets, 1987-1988, 1996, and 1998

Year	Mogadishu	Afmadow	B/Qooqani	Liboi[1]	Kismayo
1987-1988[2]	121	94	78	80	71
1996[3]	99	128	83	163	133
1998[3]	110	117	154	ND	100

SOURCE: Little (2000, 16).

Notes:

[1] Liboi is located on the Kenya/Somalia border.

[2] Based on analysis of monthly market data collected under the USAID/Livestock Marketing and Health Project. The period covered was January 1987 to February 1988, although data were not available for each market every month. Exchange rate for the period averaged approximately 120 SoSh=$1.

[3] Based on data from interviews with 94 traders. Period covered was March 1996 to July 1996 and June to August 1998; cattle were Quality 2 animals of medium-quality (Cows and bulls older than 7 years).

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The second data set, based on information from the FEWS project and the World Food Program (WFP), presents a slightly different picture: the price advantage of the Mogadishu market has declined relative to 1987-1988 but not to the extent revealed in table 2. They suggest that cattle prices in Mogadishu in at least one (1997) of the three years are moderately higher than in other selected southern Somalia markets. Nonetheless, the spectacular price advantage of Mogadishu, with an area population in excess of 1 million in 1989, over other markets also is not indicated in this data set. While cattle prices for Mogadishu in the FEWS dataset are higher than in table 2, they are still below the 1987-1988 price for most cattle categories from 1996 to 1998. The decline of the Mogadishu market, once again, largely reflects internal political problems that have isolated cities from each other and from their hinterlands.

The war has clearly been good for cross-border cattle trade and the merchants associated with it. As a commodity, livestock has features that make it amenable to cross-border trade even in situations of widespread insecurity. It is a mobile, high-value commodity that can be transported overland rather than on roads, and can easily be moved across borders, a practice that local pastoralists have engaged in since the borders were first demarcated during the colonial era. These characteristics *are not found for most other commodities* in the region, which usually require road transport to be commercially viable. The spectacular 'boom' in cross-border livestock trade with Kenya is reflected in market statistics of the main Kenyan border district, Garissa, and in the findings of trader interviews. The aggregate value of cattle sales in Garissa has grown by an astounding 400 percent since 1991 and 600 percent since 1989. In terms of volume, sales rapidly grew from 24,395 cattle in 1989 to more than 100,000 in 1998. Kenyan traders acknowledge that this dramatic increase resulted from the spectacular growth in cross-border imports from Somalia. In most years, they account for about 65 to 70 percent of Garissa's cattle sales.[3]

As the number of cattle marketed annually at Garissa has grown, so has the relative importance of Somali cattle at the market. Based on my 1987-1988 study, I estimate that only about 25-30,000 cattle were marketed along the entire Kenya/Somalia border and that only about 30 percent of the annual volume at the time were from Somalia. In 1998 cattle from Somalia accounted for about 65 percent of the cattle or about 66,000 cattle sold at Garissa, Kenya. In Mandera, Kenya, which has a lower number of cattle and poorer market infrastructure than Garissa District, about 90 percent of the animals exported from the district originate from Somalia but this figure is only an estimated 5,000 cattle (less than 10 percent of the number sold at Garissa). The other important livestock market, Wajir, near the Kenya/Somalia border only accounts for about 2,000 cattle from Somalia per year. Excluding Somali cattle that may enter Kenya through Hulugho (about 120 km southeast of Garissa) or along the Kenya coast, about 73,000 cattle from Somalia are marketed annually in Kenya and about 75 percent of them end up at the terminal market of Nairobi.

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The open-air market of Garissa is currently the largest cattle exchange center in Kenya outside of the modern urban markets of Nairobi and Mombasa, and it is the largest one in the country's rangelands. In 1998, the Garissa market generated an astounding 924,100,000 Kenya Shillings or US $15,300,000 in cattle sales alone. This amount of annual revenue compares favorably with some of Kenya's major coffee and cash crop-producing districts, a phenomenon that is rarely acknowledged in Kenya's official economic reports. Most policy directives generally undervalue and neglect the importance of the pastoral sector to the national economy because it is poorly understood and does not contribute much to the state's foreign exchange coffers.

As noted earlier, prices for cattle in Somalia generally increase vis-à-vis distance to the Kenya border. This is a pattern that existed even before 1991 (Little 1992), but has been amplified in recent years. On the Kenyan side, regional prices generally reflect distance to Nairobi and Mombasa, the two main terminal markets. A simple illustration of a key market channel is helpful. This is the market chain from Afmadow to Liboi, Kenya, and then on to Garissa and eventually to Nairobi, Kenya. In this chain, average cattle prices at Afmadow are about 30 percent below those of Liboi, a settlement on the border. On the Kenyan side of the market chain, price patterns move in the opposite direction: they are lowest near the border and increase as one moves to the interior, especially toward Nairobi and nearby urban centers. At Garissa, prices were about 45 to 65 percent higher in 1998 than at Afmadow, Somalia, for certain quality categories of cattle and about 15 percent higher than at Liboi (at the border). Distances between Garissa and Afmadow on the one hand and Garissa and Liboi on the other hand are about 240 km and 150 km, respectively, and there is a seasonal road that connects them. In the final link in the market chain, the animals are transported by truck from Garissa to Nairobi or Mombasa, where they are sold at prices that are up to 250 percent higher than Afmadow prices.

Between 1988 and 1998, the price differences between Kenyan and Somali markets grew by about 20 percent, which implies that there is a slightly higher risk and transaction cost premium associated with cross-border trade in the 1990s. Average cattle prices in Garissa were only 31 percent higher than in Afmadow in 1988, but were more than 50 percent higher on average in 1998. Increased price differentials reflect added risks and transaction costs associated with trans-border livestock trade, as well as the loss of domestic and export market outlets in Somalia. The added transaction costs include new fees (up to 3 to 6 percent fee) paid for currency transactions[4] and slightly higher transport costs because of the need for additional security personnel to accompany animals. Security seems to be a special problem on the Somalia side between Mogadishu and Dinsoor and between those areas and the Kenya border, and on the Kenya side between Mandera, Wajir, and Garissa. Although levels of violence are much lower in Kenya than in Somalia, security risks are also very high in northeastern Kenya. What is surprising, however, is that price

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differences are not greater under current conditions, a point that is treated in more detail later in the report.

Table 3 shows price differences at the various Kenyan and Somali markets involved in cross-border trade. For the most part, they are based on purchase and sales prices recorded from trader interviews. As noted earlier, livestock prices were generally lower in 1998 than in 1996, and by the beginning of 1999 average prices had actually declined a further 10 percent in many of the border markets. It should be noted that livestock prices show strong seasonal variations and fluctuate by as much as 50 to 60 percent during any single year. Nonetheless, based on available data, livestock prices in the border region show considerably less volatility than prices for grains and cereal products, which for most Somalia border markets are imported from outside. The Somalia border areas are major grain-deficit zones. Prices for imported wheat flour and rice can vary by as much as 250 percent in only a few months in high-risk markets, like Kismayo or Dinsoor. Unlike the livestock trade that often avoids roads and major markets, food trade can be easily disrupted by road blockades, looting, and armed conflict.

Other market data for southern Somalia show how export cattle prices are generally higher in the border markets, but so are prices for agricultural products, especially imported foods. Imported wheat flour and rice, which usually enter the country through ports near Mogadishu or from Kenya, fetch considerably higher prices near the Kenya border than in Mogadishu's markets. Since the border areas (including the Kenya side) are all food deficit zones but surplus livestock areas, price relationships between export cattle and agricultural products are inversely related. This means that livestock producers in the border region pay very high prices for food (maize, rice and wheat flour), but also receive relatively high prices for their animals.[5]

Afmadow, the bonanza area of cattle pastoralism, assumes an especially prominent role in cross-border trade and accounted for about 25 percent of cattle supplied to traders during 1996-1998 (based on trader interviews). Other noteworthy findings from the 1996-1998 study are the relative lack of Kismayo cattle in the cross-border trade (5.2 percent of cattle supply) and the percentage of cattle from Mogadishu, Dinsoor, and Baidoa (20+ percent combined during 1996-1998). As indicated earlier, the politics and prolonged fighting around Kismayo town discourages integration with the rest of the Lower Jubba economy and, therefore, cattle rarely move from there to Garissa. While the catchment area of the border market has constricted in the case of Kismayo, it has greatly expanded in other areas. With the decline in domestic and overseas markets, the prime cattle-producing areas near Mogadishu and Baidoa (including Dinsoor), currently participate in the cross-border trade. A similar extension of the trade has been recorded for areas of the Upper and Middle Jubba Regions (including Bardera and Sakow) that supply Kenyan markets via Garissa and Mandera, Kenya. The expansion of the market catchment for the border trade is a result of the war that has forced local

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Somali traders and herders to seek markets in Kenya. In the case of Baidoa, Dinsoor, and Mogadishu, they accounted for about 9 percent of total sales in Garissa in 1996 but virtually no transactions during the 1987-1988 study.

Table 3. Cattle prices (in USD)[1] in the cross-border trade, 1996[2] and 1998[2]

Market[3]	Quality 1	Quality 2	Quality 3
Somali Markets:			
Mogadishu[4]	NA/124	99/110	60/38
Dinsoor	204/164	89/108	49/54
Bardera[4]	179/136	89/86	36/NA
Kismayo	243/200	71/100	57/NA
Afmadow	198/200	128/117	71/NA
Doble (Somalia border)	205/NA	141/NA	77/NA
Kenya Markets:			
Liboi (border)	2 25/NA	163/133	86/NA
Moyale[5]	NA/245	NA/165	NA/109
Garissa	270/292	190/176	115/93
Garsen	256/283	208/NA	131/NA
Mombasa	328/300	244/263	168/183
Nairobi	333/303	231/233	156/183

SOURCE: Little (2000, 16).

Notes:

[1] Quality 1= Highest quality animals (bulls and steers, 4-8 years).
Quality 2= Medium quality animals (cows, older bulls).
Quality 3= Young or very old animals.

[2] Based on author's survey, except where indicated.

[3] Listed via distance from the terminal markets of Nairobi and Mombassa.

[4] Prices for 1998 are based on FEWS data set.

[5] These markets were indicated as buying areas for a few traders in the 1998 survey, but are really part of the southern Ethiopia/northern Kenya border trade, not the Somalia/Kenya border trade. They are included here mainly for comparison.

How has the Somali shilling of the 1990s compared with that of the 1980s? The difference between the official and 'street' exchange rates for the Somali shilling was as much as 275 percent during the 1980s (Mubarak 1996; Abdurahman 1998). From 1995 to February 1999, the Somali shilling fluctuated between about 6300 and 8200 SoSh per US $1, or about 30 percent. From 1996 to February 1999, it usually varied no more than 10 percent in its dollar value at any given market. Because of the relative stability of this currency, it facilitated the cross-border trade, not so much at

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higher levels in the chain but at local levels where animals are procured in SoSh. However, its stability may be threatened now. As noted earlier, in March and April 1999, Aideed, the main faction leader in Mogadishu, printed excess currency notes and the shilling depreciated by about 25 percent in only a few months. Inflation for key foods and other items, in turn, sky-rocketed (FEWS 1999). The implications of this devaluation and its affects on food security and stability on the Somali borderlands should be carefully monitored in 2000.

In any given year, the value of the Somali shilling (in US dollar terms) in Mogadishu is about 10 percent lower than in the two border markets, Afmadow and Bulla Hawo. What this discrepancy implies is that the supply of dollars is relatively high in Mogadishu where NGOs, development agencies, and commercial enterprises are based and remittance flows from overseas is high. In the smaller market towns, on the other hand, dollars are scarcer, inflows of cash are lower, and consequently the shilling's value is higher than in Mogadishu.

4. OTHER SOMALIA BORDER MARKETS

As noted earlier, the availability of the FEWS and other secondary data allowed the study to explore price relationships for other key border market chains. Here we have sufficient price data for key commodities to explore price relationships along three other border market routes:

- Southwestern Somalia/northeastern Kenya/ southeastern Ethiopia (Mandera, Kenya; and Bulla Hawo, Somalia) area
- Central Somalia/Ethiopia border (Belet Weyne area)
- Somaliland/eastern Ethiopia border (Togwajale and Borama, Somaliland).

These three cross-border routes represent very different market orientations: (i) the central Somalia/Ethiopia border is geared mainly for local and regional markets but some animals traverse from Ethiopia en route to ports (Bosasso) in northern Somalia; (ii) the Bulla Hawo/Mandera cross-border market is both for local distribution and for export to key Kenyan markets (i.e., Nairobi); and (iii) the Somaliland/eastern Ethiopia border is for the export of small stock from Ethiopia to the Middle East via Berbera (Somaliland) and for the import of foods and other products through Berbera and across the border to Ethiopia.

5. THE SOUTHWESTERN SOMALIA, NORTHEASTERN KENYA, and SOUTHEASTERN ETHIOPIA BORDER

This cross-border route is centered on the border town of Mandera, Kenya, and is extremely complex because it is at the junction of multiple borders: (i) Kenya/Ethiopia; (ii) Kenya/Somalia; and (iii) Somalia/Ethiopia. As the OSSREA/BASIS study of the Ethiopian borderlands demonstrates, cattle that

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transit the Mandera border town can originate from southeastern Ethiopia (primary source) or southwestern Somalia (secondary source) (Teka et al.1999). Animals that transit the Kenya border here can move to Wajir, Isiolo, Moyale, or Garissa en route to the Nairobi market. The importance of these different routes will vary annually but the shortest and most cost effective route to Nairobi is in order of importance: (i) via Wajir to Isiolo and then Nairobi; (ii) via Garissa; and (iii) via Moyale. As was noted earlier, the border route through Mandera, Kenya, accounts for less than 10 percent of the volume of cattle that the Garissa trade does.

Figure 1 compares monthly prices of cattle between Bulla Hawo on the Kenya/Somalia border (within a few km of Mandera, Kenya) and an important Somali source area, Bardera, in the interior (approximately 200 km from the border at Mandera). As the figure shows, with few exceptions, monthly prices for cattle at the border are considerably higher than at Bardera. In fact, in most cases, the prices are 20 to 30 percent higher at the border than at Bardera, and in some months differences are more than 40 to 50 percent. The increase in livestock prices vis-à-vis the Kenya border is what would be expected and is similar to other border areas where cattle move from the Somali interior to Kenyan markets. Cattle prices in southern Somalia generally increase vis-à-vis the Kenya border.

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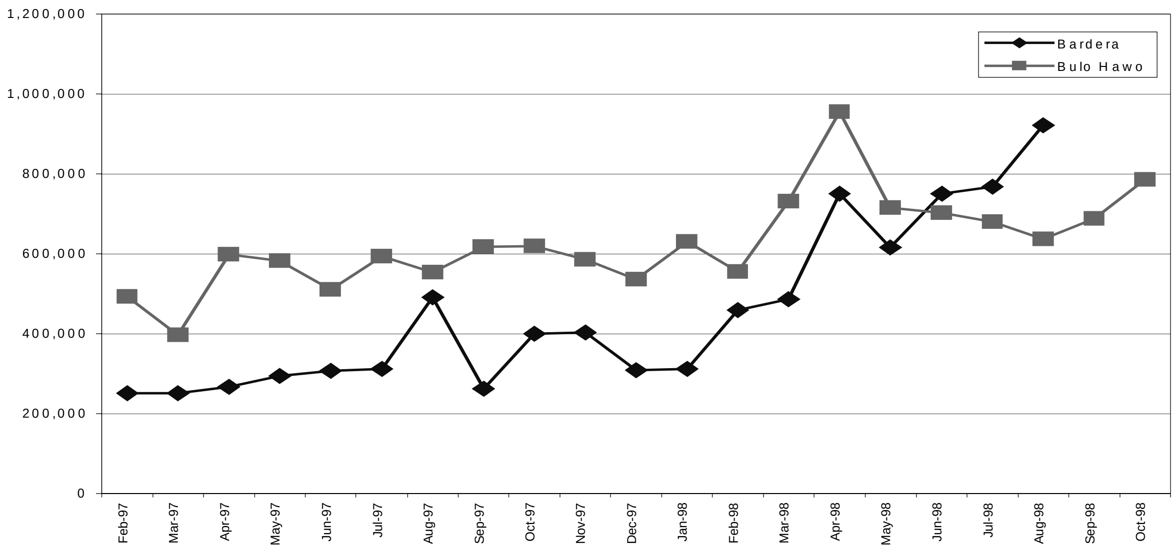
Figure 1. Local cattle: Bulo Hawo and Bardera



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As was indicated earlier, it is important to acknowledge that wide variations in prices can occur within only a few days if a conflict erupts. At the Bulla Hawo border market, there is a wide variability in prices for non-livestock goods because of periodic conflicts that disrupt the trade, while livestock prices are relatively stable. For example, the price of imported wheat flour, which is shipped from the Mogadishu area and is vulnerable to disruption, more than doubled during some months between 1996-1998. What is interesting to note about the price data along this cross-border route is that the livestock commodity produced mainly for the local market (goats) shows the least price volatility, especially when compared with imported rice, imported pasta, and imported wheat flour. The discrepancies between livestock and non-livestock products are even greater in high conflict areas of southern Somalia, such as Baidoa and Dinsoor, where food prices can increase 300 percent during the months when transport and trade are disrupted. As will be shown later in this chapter, the opposite pattern is found in parts of Somaliland where conflict is low and/or absent. In these areas, food prices show more stability, while livestock prices are more volatile because of the uncertainty of international export markets.

A comparison of price data along the border between Mandera (Kenya) and Bulla Hawo (Somalia) show that prices for livestock vary only minimally between the two markets. For example, in 1998 monthly prices varied no more than 10-15 percent in any single month, with the exception of March and April. Price differences between the two neighboring centers are virtually non-existent, which implies that the existence of the border has little effect on cattle prices in this area.

If we examine spatial price relationships in Bulla Hawo for an important food product, white maize, a different pattern emerges. Figure 2 shows the price for white maize between the Kenya border (Bulla Hawo), which is a major deficit zone, and Bardera, a minor maize producing area, and Mogadishu, which is near major grain producing areas and also imports maize. As would be expected, prices move in the opposite direction of cattle, with the highest prices for maize at the border and the lowest in the interior locations.

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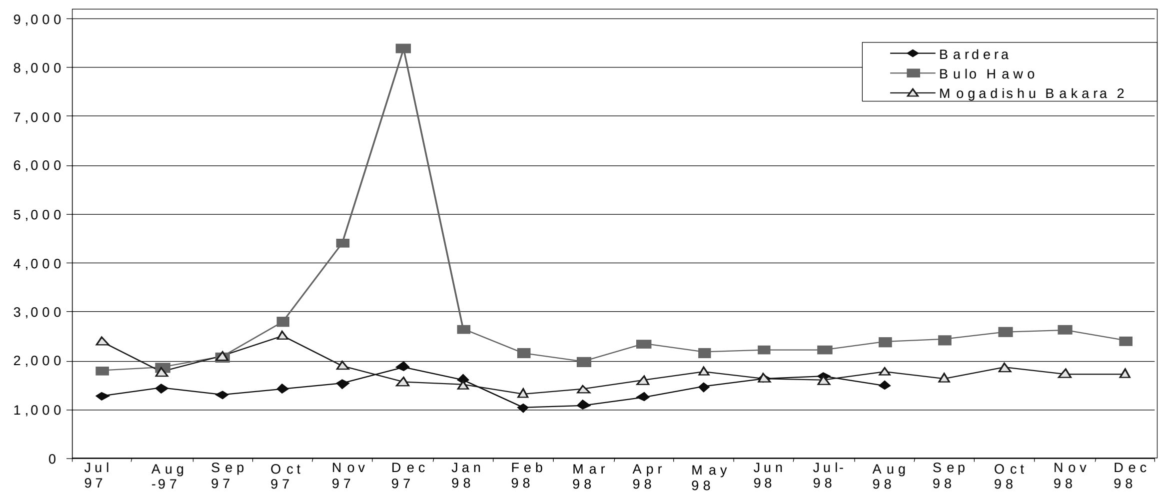
Fig. 2. White maize: Mogadishu to Bulo Hawo



SOURCE: Based on FEWS/FSAU marketing data, 1997-1998.

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6. CENTRAL SOMALIA/ETHIOPIA BORDER

This market route is centered on Belet Weyne, an important agropastoral area of the Shebelli Valley, central Somalia, and connects this town with the interior city of Mogadishu. The two towns are about 310 km apart and connected in most parts by a severely-damaged tarmac road that serves as the most important transport route connecting Mogadishu with Region 5 (Somali Region) of Ethiopia. Very few cattle are exported to Ethiopia along this route because of relatively low prices in Ethiopia. Because Belet Weyne is located along the Ethiopia/Somalia border rather than the Kenya/Somalia border, and is integrated with Ethiopian rather than Kenyan markets, it has relatively low cattle prices vis-à-vis other markets. Prices on the Ethiopian market are considerably below those of Kenya (up to 40 percent lower) and, in fact, a substantial number of Ethiopian cattle (50,000 + annually) are informally exported to Kenyan markets, especially to Nairobi (Teka et al. 1999). Thus, location along the Ethiopia/Somalia border does not hold similar market advantages as does a position along the Kenya/Somalia route.

Prior to the collapse of the government, Ethiopian small stock and camels were traded along this route and exported through Mogadishu. Some of this trade has now been redirected to Bossaso and Somaliland, where animals are currently exported to Middle Eastern markets. Cattle prices in the town of Belet Weyne (located 25 km from Ethiopia/Somalia border) are the lowest of any of the livestock markets covered in the study. In 1997 and 1998, the average price per head for 'local quality' cattle was only \$56. On the other hand, prices for local grains, such as white maize and sorghum, are higher than at other border markets such as Bulla Hawo and Afmadow. In contrast to the southern Somalia borderlands, the livestock trade here moves in the opposite direction: from a neighboring country (Ethiopia) to Somalia rather than vice versa. Recall again that cattle prices often are higher along the Kenya/Somalia border than in Mogadishu. Yet, cattle prices are considerably lower along the central Somalia/Ethiopia border (and at Belet Weyne) than they are in Mogadishu. This border market is distant from the lucrative Kenyan markets and this is reflected in the low cattle prices.

If we look at a range of different commodities along this trade route, some interesting patterns emerge (see table 4). Virtually all prices for different livestock species are lower in Belet Weyne than they are away from the border (i.e., Mogadishu), confirming that location vis-à-vis the Ethiopian border does not hold advantages for the livestock trade.

If we look at local food products (camel milk, red sorghum, and maize), the differences are not as great, and these local products are exported across to Ethiopia. Prices are also higher along the border for imported foods, such as wheat flour and imported rice, and these products are imported via Mogadishu and at times sold across to deficit areas of the Somali Region of Ethiopia.

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Table 4. Cross-border trade goods along central Somalia/eastern Ethiopia border

Central Somalia to Eastern Ethiopia	Eastern Ethiopia to Central Somalia
Maize and sorghum (small amounts)	Coffee
Wheat flour and pasta (small amounts)	Goats and sheep
Imported consumer goods	Camels and kerosene

7. SOMALILAND/EASTERN ETHIOPIA BORDER

It is estimated that approximately 50 to 60 percent of the small stock exported out of Berbera, Somaliland originate from Ethiopia. The export trade in small stock from Berbera and neighboring ports is currently larger than during the pre-1991 years. In 1998, Somalia (including Somaliland) accounted for 850,000 goats and 1.25 million sheep, or more than 95 percent of all goat exports and 52 percent of sheep exports from the eastern Africa region (Zaal and Poderman 2000, 17-18). Based on an average annual export figure of approximately 1.4 million small stock from Berbera, Somaliland (see EC/FAO 1995), approximately 700,000 to 840,000 small stock per year originate from across the border in eastern Ethiopia. Because the Somali Regional State, Ethiopia, has approximately 2.3 million cattle, 8 million sheep, 3.1 million goats, and 1.3 million camels (Ogaden Welfare Society 1999, 8), it is not surprising that a considerable number of animals are exported from the region to Somaliland and then on to Middle Eastern markets. The main items that move across this border area are indicated in table 5.

Table 5. Cross-border trade goods along Somaliland/eastern Ethiopia border

Somaliland to Eastern Ethiopia	Eastern Ethiopia to Somaliland
Wheat flour and pasta	Goats and sheep
Sugar	Maize and sorghum
Rice	Cattle and camels
	Camels and Charcoal

At an average border price of $18 per small stock (goat or sheep) in 1999, the cross-border commerce in livestock earns anywhere from 12.6 to $15.12 million annually for eastern Ethiopia. Other estimates, which include exports from both Berbera and Bosaso ports, place the dollar value at more than three times this amount (Shank 1997, 1). Many of these animals

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transit through border towns, such as Togwajale and Borama, and imported foods often move back in the other direction. Price differences for small stock between the border (Togwajale) and Berbera port, a distance of approximately 230 km, were 63 percent on average during 1997-1998. As would be expected, prices are cheaper along the border and higher at the port of export. It is suspected that there are high transit 'fees' and transport costs along the Togwajale-Hargeisa-Berbera corridor, which probably accounts for the considerable price differences between the port and the border, even though part of the connecting road is asphalted.

Since Togwajale and Borama are located in grain-producing areas and Berbera is in an arid, non-agricultural zone, prices for local grains (sorghum and maize) tend to be very high at Berbera. Local grains transit from Ethiopia and Togwajale to Berbera, where during 1997-1998 prices for white maize and red sorghum, respectively, were 59 and 96 percent higher than at the border. Since wheat flour and pasta move in both directions from Ethiopia to Somaliland and vice-versa, price differences among the three markets were minimal.

Inflation for foods along this trade channel was caused by the decline in exports of animals in 1998 due to the imposition of the import ban by Saudi Arabia. The currency throughout Somaliland devalued at an average of 20 percent in 1998, and food prices for imported foods increased by around 15 percent during the year (see later discussion on food security). The price of other imports such as kerosene increased by about 20-25 percent in 1998. With a decline in animal exports of about 30 percent during the year, the Somaliland shilling lost a large share of its value (Steffen, Shirwa, and Addou 1998). Not surprisingly, prices for export animals during 1997-1998 also declined at all three markets: 4 percent at Berbera, 27 percent at Borama, and 22 percent at Togwajale. The Somaliland administration lost a considerable amount of its annual tax and fee collections because of the decline in animal exports and prices, while at the same time prices for certain import commodities increased. Reports from the border region in 1998 document that even in small rural centers the effects of the ban were strongly felt and that some key import commodities, such as rice and wheat flour, were either unavailable or accessible only at inflated prices (Ahrens 1998).

Somaliland and their border areas have achieved relative stability and peace since 1997, a stark contrast to the situation described earlier for parts of southern Somalia. Thus, unlike in parts of the southern border areas, food prices show less volatility in Somaliland. An analysis of price data for some key commodities and products in Somaliland's capital city, Hargeisa, during 1997-1998 shows this to be the case. Located about 85 km from the border, food prices in Hargeisa remained within a reasonable range of variability, with most prices varying no more than 20 percent during the period.

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8. FOOD SECURITY AND CROSS-BORDER TRADE

Why is cross-border trade so critical for understanding food security in the region? Assessments of the two border areas with the most significant amount of cross-border trade, Somaliland/eastern Ethiopia and southern Somalia/northeastern Kenya, highlight the critical role of cross-border trade in regional food security. The most graphic illustrations deal with events that dramatically disrupt cross-border trade, including government border closures, widespread conflict, severe climatic events, or in the case of Somaliland the loss of a key export market. For example, during the Saudi Arabia ban on livestock exports in 1998-1999 it is estimated that cross-border commerce along the Somaliland/Ethiopia border was reduced by about 30 percent (Steffen, Shirwa and Addou 1998). The export of animals that were critical for financing the import of rice, wheat four, cooking oil, and pasta declined considerably. This reduction meant that Ethiopian consumers on the other side of the border were adversely affected along two fronts: their livestock prices declined while prices of imported foods (which were largely financed by livestock exports) increased.

Table 6 shows the exchange value of livestock during 1997-1998 at three different markets in Somaliland, all of which are important in cross-border trade. Local currency equivalencies are used and five key foods that figure in cross-border trade are tracked: rice, wheat flour, pasta, rice, maize, and sorghum. As the table shows, the terms of trade between livestock and food commodities worked against the herder at every market. In some cases, the food equivalency from the sale of one small stock declined as much as 38 percent during 1998. For a herder in Borama, a goat or sheep bought 79 kg of wheat flour in 1997, while it only purchased 49 kg in 1998. Prices for foods at Berbera, the export market furthest from the border, are the highest but changes in livestock-food equivalencies were less than elsewhere. For imported foods that come through Berbera port, the terms of trade equivalent in livestock changed very little during 1997 and 1998, while the declines were substantial at the border markets of Togwajale and Borama. It is important to note that the border market, Togwajale, which is most distant from Berbera port, suffered the worst terms for small stock sales among the three markets, especially relative to imported foods. It is located along the Ethiopian border where prices for import foods are highest and livestock prices are lowest. However, prices of local foods, such as maize and sorghum, are lowest at the border, but most Somalis prefer rice in their diet.

Table 6 shows that for Berbera those local foods that it obtained from the border area or from Ethiopia, maize and sorghum, showed relatively higher price increases than imported foods. As noted, the opposite pattern is found for the two markets on the Ethiopia border (Borama and Togwajale), where increases in prices for local foods were relatively lower than prices for imported foods. In short, while the disruption of the livestock export trade in 1998-1999 impacted the entire region, it particularly affected locations along

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the border, which experienced the largest declines in small stock prices and the highest increases in the costs of imported foods. With reduced demand for and exports of small stock, food imports and their flow to the Ethiopia border region also declined.

Table 6. Exchange equivalencies between small stock (export quality) and foodstuffs in the Somaliland border markets, 1997-1998

Food Item	Berbera (kg)		Borama (kg)		Togwajale (kg)		Range of Change (%)
	1997	1998	1997	1998	1997	1998	1997-98
Maize	67	53	89	66	68	52	-21 to -26
Wheat flour	54	54	79	49	37	30	0 to -38
Rice	55	55	54	39	37	30	0 to -28
Sorghum	60	51	69	58	88	55	-15 to -38
Pasta	28	28	25	16	19	15	0 to -36

SOURCE: Based on FEWS/FSAU market data, 1997-1998.

The El Nino catastrophe in late 1997 and early 1998 is another event that highlights the key role that cross-border trade plays in local and regional food security. Once again, we can analyse livestock exchange rates of a bundle of key cross-border commodities, in this case wheat flour, maize, rice. From September 1997 to December 1997 the livestock sales equivalencies for maize, wheat flour, and rice in southern Somalia declined 79, 53, and 61 percent, respectively. Thus, a herder who sold a head of cattle in September 1997 could purchase 298 kg of maize, but in December it was only 64 kg. With the floods and the disruption of cross-border links, the price of cattle also declined during these months. This deterioration further damaged herder economies of the area, and increased their vulnerability to food shortages and hunger. As the rains subsided and international food aid became available in the area, food prices began to decline in early 1998. A massive airlift of food aid occurred in southern Somalia in January and February 1998, but not before a hundred individuals had perished.

9. CONCLUSION

The materials presented in this chapter show the extent to which cross-border trade drives the economies of the border region and areas well into the interior of Ethiopia, Somalia, and Kenya. There is little question that insecurity and political instability affects cross border trade in the Somalia borderlands, but not to the extent that would be expected. In fact, cross-border trade in

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livestock is well above the pre-war (pre-1991) years, with cattle trade to Kenya increasing by about 300 percent since 1989 and the export of animals from Somaliland and northern Somalia above pre-war (1991) export levels. Does this mean that risks associated with cross-border trade have declined during the 1990s? Of course, the answer is no, since security-related incidences and theft still mar the business and actually are on the increase since the mid-1990s. However, this has not dampened the volume of cross-border livestock trade, although it has reduced commerce in other commodities and goods. The absence or presence of a state in Somalia has not had a major effect on cross-border trade because (i) it is an unofficial business, and (ii) the previous political regime so mismanaged the economy that exchange rate instability actually increased market volatility and risks for herders and traders.

The chapter's findings provide telling evidence of how important cross-border trade is for the inhabitants of the border region and for consumers and producers located several hundred km from the borders. Policies that encourage regional trade across borders, rather than discourage it, should be advocated to capitalize on comparative advantage for different local and national economies; strengthen local food security; increase collection of state revenues and investments in key market and transport infrastructure; and reduce price volatility and market imperfections. Examples in the report have shown what happens to local incomes, food security, pastoral welfare, and local and regional markets when cross border commerce is disrupted.

NOTES

1. The case study presented here was conducted as part of the Project on Cross-Border Trade and Food Security in the Horn of Africa, under the auspices of the Broadening Access and Strengthening Input Market Systems (BASIS) Collaborative Research Support Program (CRSP) and the Organization for Social Science Research in Eastern and Southern Africa (OSSREA) (see Tegegne, Alemayehu and Ayele 1999; Little 1998 and 2000). Data presented in this chapter were collected with the support of the BASIS-CRSP (1998-2000) and the Settlement and Resource Systems Cooperative Agreement of the Institute for Development Anthropology and Clark University (1995-1996). I wish to acknowledge the support of my OSSREA colleagues on the cross-border project, Abdel Ghaffar M. Ahmed, Tegegne Teka, and Alemayehu Azeze, and to Phillip Steffen of the Famine Early Warning Systems Project and Brian d'Silva of USAID. Of course, the author accepts full responsibility for the opinions and findings presented in this chapter and they should not be attributed to any of the above institutions or individuals.

2. Here I rely on price data from traders who actually procured animals from the Mogadishu area in 1996. At the Garissa, Kenya, market the Mogadishu cattle are evident and are referred to as the "red" cattle because of their hide color.

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3. This estimate is based on recorded sales at Garissa market from the author's surveys and from using estimates of the number of Kenyan cattle sold at Garissa. The latter was calculated by using an annual commercial offtake rate of 7 percent for Garissa, Kenya cattle, which comes to about 25 to 30,0000, and assuming that about 10 percent of cattle sold at Garissa market originates from other Kenyan districts (i.e., Mandera and Wajir districts). The remainder of cattle sold at Garissa are from Somalia.

4. For example, many Somali traders convert their earned Kenya shillings into US dollars at informal money houses in Nairobi, where they are charged up to three percent of the transaction value to have the dollars 'wired' to Somalia. To avoid traveling with large amounts of dollars, most cattle traders convert the bulk of their earnings to dollars, which are then wired to Somalia and picked up upon return to the country.

5. Because of on-going conflicts in the region, the Mogadishu port actually has been closed for a number of years. Instead, a small port north of the town and one south of the town serve the former capital city. The different ports are controlled by different political factions.

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