



# **Political economics of war and peace in Somalia.**

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**October 2007**

# Table of Contents

<b>ABSTRACT.....</b>	<b>1</b>
<b>INTRODUCTION .....</b>	<b>3</b>
<b>1. POWER, VIOLENCE AND BUILD-UP OVER TIME.....</b>	<b>4</b>
<b>2. ECONOMIC SCOPE OF CIVIL WAR: MAIN ASPECTS AND DEVELOPMENTS (1991 – 2007).....</b>	<b>6</b>
2.1. 1991 – 1994: THE ECONOMY OF PLUNDER .....	6
2.2. 1994 – 2000: WARTIME ECONOMIC REVIVAL .....	8
2.3. 2000 – 2006: STRENGTHENING OF THE BUSINESS COMMUNITY .....	8
2.4. 2007: REORGANISATION IN PROGRESS.....	10
<b>3. ECONOMIC SCOPE OF CIVIL WAR: DYNAMICS AND PLAYERS... </b>	<b>11</b>
3.1. CONTROL OF TRADE ROUTES, EXTORTION AND SMUGGLING.....	12
3.2. LAND STAKES AND ACCESS TO NATURAL RESOURCES .....	15
<b>CONCLUSION: PRODUCTIVITY OF VIOLENCE VERSUS PROFITABILITY OF PEACE.....</b>	<b>17</b>

## Abstract

The economic aspects of civil wars must always be taken into account for the implementation of measures to resolve conflicts. In the Somali situation, where a salient feature is the absence of a functional central government since the fall of the Siyad Barre regime in 1991, the economic stakes are one of the driving forces in armed violence, as witnessed by the struggles to gain access to and control of resources. These stakes have however evolved over the course of sixteen years of warfare.

In the years after the fall of the Siyad Barre regime in 1991 and the intervention of United Nations forces (UNOSOM 1 and 2), military subdual of warring factions and the division of the country into a multitude of fiefdoms redrew the political stakes so that the aim of fighting was not so much to take supremacy by controlling the machinery of government as to gain control of national resources and trade networks. For some of those in the "war business", the aim was to uphold a situation of lawlessness.

In the second half of the 1990s, circumstances to which we shall return enabled "traditional" sectors of activity (and sometimes innovating ones as in telecommunications, financial trading and air transport) to develop in spite of the lack of government institutions. Those who promoted the revived economy managed to subdue the warlords and set up original coordination systems to compensate for the inconveniences caused by the lack of government.

A third phase which began in the last few years resulted in the setup of groups of firms which were particular in that they were able to combine many different types of business: mixing legal and illegal business; trading beyond the frontiers of Somalia between the Arabian Peninsula and East Africa and, more widely, in the global market.

The players in the Somali war economy do not all have the same profile and nor do they have the same expectations from the establishment of a central government.

While some of them want to prevent a return of government, others have a more ambiguous outlook: it is not government per se the businessmen mistrust so much as the reappearance of a partisan collegiate government.

This "government at arm's length" strategy adopted by the warlords and certain businessmen began to be seriously undermined in 2006 with the advent of the Union of Islamic Courts (UIC) and even more so in 2007 when the Ethiopian army established the Transitional Federal Government (TFG).

Accounts by Somali businessmen in Nairobi in July 2007 describe the brief period (June to December 2006) of the UIC administration in Mogadishu as a golden age for running businesses, even though not all of them subscribe to other aspects of the movement (notably ideological). They did not mention any serious interference to regulate business, apart from the fact that the UIC leaders had restored real security to Mogadishu and most of south central Somalia (especially by getting rid of a lot of checkpoints), so legal and illegal trade could carry on (particularly the Bakaara-Mogadishu arms trade). The return to security and freedom to do business is obviously the best situation Somali businessmen and entrepreneurs could hope for.

When the Transitional Federal Government came to power in January 2007, they seem to have lost on both scores.

The victory of the TFG army and their powerful Ethiopian allies over the Union of Islamic Courts militias undermined the ententes built up between the most powerful cartels and upset the positions established by some of the militias and businessmen operating in south central Somalia.

The first measures the TFG introduced in the defeated areas awarded to warlords who had joined it the running of revenue collecting points (airports, ports, towns and villages where taxes and trading licence duty are levied, trade routes, etc.). This did not happen smoothly and, at the time of writing, some has still not been levied, for example in Mogadishu, Kismayo and Merca where hostilities persist.

Neither the general Somali public nor the warmongers have any illusions about the importance of the economic stakes in the national political arena. Both the Somalis who lived through the regime of Siyad Barre and those who have only ever known the reign of the warlords since 1991, the government is definitively considered as an instrument for seizure and accumulation of wealth for the benefit of those who hold power. It is also held to be an instrument to subjugate the losers in the race for power and of unbridled exploitation of individuals and the country's resources.

From this point of view, the measures adopted by the TFG since it came to power are unlikely to restore the trust of the people and business in government institutions.

# Introduction

Analysis of the economic aspects of armed violence is a necessary step in the implementation of measures to resolve conflicts. Yet aid programmes aimed at finding a solution and keeping the peace seem to have an undifferentiated attitude to mediation between warmongers and focus their intervention on the means of disarmament and out-of-context rules of governance.<sup>1</sup>

Since the economic agenda – and in particular rivalry for access to and control of resources – is the driving force in many armed conflicts, this aspect must be taken into account for their settlement.

It is important to distinguish the different facets of the political economy of armed conflicts by identifying the motives of the players in them.

In this Somali case study, we suggest there is a clear distinction between a category of players for whom armed conflict is in itself the condition for implementing a process of economic and political gain and individuals who develop their business by making their own arrangements in a state of warfare and non-governance.

There is a third category of players who are the majority of the civil population and whose part in the war economy is dictated by the need to cope. This huge category covers not only young enlisted militiamen and gangs of criminals but also the wider civil population which develops illegal production and trading businesses in a country where the economy is completely unregulated.

This means that settling the conflict (at the ceasefire stage) is just a first step which must be consolidated by bringing in development programmes to smooth the way from wartime economy to peacetime economy.

In this note we provide a preliminary analysis of the developments and characteristics of the war economy in Somalia. We attempt to identify the main players in the war economy and describe their attitudes to the implementation of a peace process and restoration of a government in Somalia.

The first part of the note is designed to situate the current forms of the political economy of war in Somalia in the long historical context by a brief reminder of the political orders established in the past.

We then discuss the main features of the current war economy.

Finally we describe the dynamics and players of the war economy.

The analyses put forward in these notes apply basically to the regions of south central Somalia, site of the bulk of the armed conflict. They do not address the regions of Somaliland and Puntland where the situation is completely different.

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<sup>1</sup> United Nations agencies have thus developed support systems to emerge from conflict based on programmes for “Disarmament, Demobilisation and Reintegration” of ex-combatants and programmes focusing on governance. The issue of disarmament and demobilisation of militias in particular comes up against the realities of the political economy of violence, since reintegration of the militiamen presupposes that a state of peace will result in access to economic resources (employment, income) and social status which compensate for those gained during warfare.

# 1. Power, violence and wealth accumulation over time.

An approach via the political economy is a break with two civil war analysis frameworks, especially with regard to Africa.

The first type of explanation refers to irrational violence induced by an exaggerated sense of identity (ethnic or clan) left over from earlier times.

The second type of explanation addresses modern conflicts as a consequence of changes introduced by urbanisation, the market economy and government over the 20<sup>th</sup> century. This view often concludes that there is a clash between traditional society cloaked in virtue and contemporary chaos caused by the onset of modernity (notably state and the market) and its rejection by local societies.

The years of civil war have helped somewhat partly to erode the first view by revealing the interactions between armed violence and the economic stakes. Humanitarian players in particular were the first to appraise the exploitation of clan identity by unscrupulous entrepreneurs with resources enabling them to control individuals. It was not so much tribal fervour as the prospect of access to material gain – both economic and political – which brought about the formation of family- and clan-based militias.

The second type of explanation – violence combined with control of resources – is limited by its lack of historical scope. In this view, the Siyad Barre regime (1969 – 1991) was the major turning point which explains the current social “disarray”.

Actually, though the desperate situation in Somalia is partly due to a relationship with government which began during the Siyad Barre regime, many features of the current violence find their source way back in time. To grasp the extent of this heritage, we have to get away from the beguiling idea of pastoral democracy<sup>2</sup> and understand three important things:

1°- Contrary to local portrayals stressing the pastoral way of life, Somali societies have long since been highly diversified, with the rural (livestock or crop farming) confronting the urban<sup>3</sup> (mainly in the coastal cities). For centuries these societies have worked with changing social networks, intricate resource systems and trade routes linking the rural hinterland and coastal marketplaces with the rest of the world.

2°- Contrary to theses which portray government and centralisation processes as fundamentally alien to the precolonial Somali political world, study of the long term reveals the extent of variation in the political orders which have prevailed (see insets 1 and 2). The analysis of historical centralising processes provides some interesting feedback for understanding current situations. Thus it appears that positions of power in precolonial Somalia were generally formed on the basis of

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<sup>2</sup> This view of Somali society has an academic basis in the classic work by the British anthropologist I. M. Lewis, *A Pastoral democracy: a study of pastoralism and politics among the Northern Somali*, London, Oxford University Press, 1961.

<sup>3</sup> Coastal cities like Mogadishu and Zeila have been involved in international trade since the European Middle Ages. They were visited and described by Arabian chroniclers like Ibn Battuta as early as the 14th century.

control of rural resources and trade routes. Along similar lines, the relationships between religious power, clan-based military and economic stakes are not a new feature in Somalia (see inset 1).

3°- The forms of violence and predatory practice are recurrent in history, such as the Somali wreckers on the Majeerteen coast (now Puntland) in the 19<sup>th</sup> century, and call to mind today's ransoming of illegal immigrants or piracy (see inset 2).

### **1. Political orders in the history of Somalia. Ajuraan (16<sup>th</sup> century) and Geledi (18<sup>th</sup> century) sultanships.**

In the 16<sup>th</sup> century, the Hawiye imams in Somalia rallied the farmers in their clans and took control of the pastoral and farming land resources between the Juba and Shabelle rivers. They subsequently extended their control to the trade routes leading to the coastal city of Mogadishu. They founded the Ajuraan sultanship which predominated in the southern regions of the current Somali republic until the early 18<sup>th</sup> century. Alliances through marriages contracted between reigning sultan families and families of traders in Mogadishu sealed the pacts of interest in trade networks between the main holders of power in the region.

The Geledi sultanship was established in the late 18<sup>th</sup> century in the current region of Benaadir (the Mogadishu hinterland). The bases of this establishment were essentially the same as the foregoing: Somali imams joined with hinterland clans (the Rahanweyn in this instance) and took control of farming resources and trade routes. In the 1840s, the imams took over the Shangaani district of Mogadishu. The development of trading companies boosted the plantation economy in the hinterland between 1840 and 1870, with a spin-off in an increase in slavery in the region.

Source: Lee Cassanelli, *The Shaping of Somali Society. Reconstructing the past of a pastoral people, 1500-1900*. Philadelphia, University of Pennsylvania Press. 1982.

### **2. Political orders in the history of Somalia. Building of the Majeerteen sultanship (19<sup>th</sup> century).**

The Majeerteen sultanship first began in the 16<sup>th</sup> century and took off, after many ups and downs, in the early 19<sup>th</sup> century under the rule of the older branch of the Ismaan Maxamuud fraction of the clan. The build-up of their power was initially founded on the monopoly they held over fortuitous resources – loot from ships which were overwhelmed by the currents round Cape Guardafui and came to grief on the Somali coast. Looting however was a sideline in the sea trade developed in the Red Sea in which the early sultans played an active part. One of these, Maxaummud I who reigned from 1809 to 1818, took control of the main ports on the Majeerteen coast (now Puntland). His elder son, who succeeded in 1818, boosted trade even further by developing the production and merchandising of aromatic gums and incense, and built fortifications to protect the coastal bases captured by his father.

In 1839, the sultan and the British in Aden reached an agreement: in exchange for an annual contribution and a trade contract, the Sultan undertook to protect British sailors shipwrecked in the dangerous Majeerteen coastal waters. Within a few decades, the Majeerteen sultans were thus able to consolidate their power in the region by their control of trade networks.

The Majeerteen sultans lasted until 1927, when they were incorporated into Italian Somalia.

Source: W.K. Durrill, "Atrocious misery: The African origins of famine in Northern Somalia, 1839-1884." *The American Historical Review*, XCI (2): 287-306, 1986.

This brief historical background is not intended to highlight a tradition of predation and exploitation in the political history of Somalia. Its intention is to show how unexceptional this history is by pointing out that here as elsewhere, state is formed by the intricacy of a gradual process combined with a measure of violence and that the current situation is part and parcel of a reorganisation of the political order.

## **2. Economic scope of civil war: main aspects and developments (1991 – 2007).**

Resituating the political economy of violence in the long view of the formation of political orders should not mask the opportunities and pressures of the present, which inform the attitudes of everyone involved. There are two aspects to consider:

- First, the structure of the political economy of violence in its early years (1991–1993) was strongly affected by the dynamics and stakes which were built up in the 1980s.
- Second, the relationships between economic sectors and violence have not remained constant. In fact they have greatly evolved over time with different configurations between 1991 and now.

In this section we suggest a division into periods of these changes.

### ***2.1. 1991 – 1994: the economy of plunder***

It was at the end of the Ogaden war and the defeat of the Somali army by Ethiopia (1977) that the main elements of social and political disintegration in Somalia took place.

On the political side, armed fronts of opposition to the regime appeared, causing fierce repression which eventually led to the secession of Somaliland and the autonomy of Puntland, both of these regions being a specific target for violence by the regime. The militarization of Somali society – characterised by the constitution of armed fronts, uncontrolled circulation of weapons and a plunder culture introduced by the Somali military – has its roots in this movement.

On the social side, at the same time there was a great amount of population displacement organised under the leadership of the governing powers on the pretext of humanitarian requirements. Populations of nomadic pastoralists from the north and centre of the country – victims of the 1970s droughts – were forcibly settled in the fertile southern plains to farm crops. The seeds of conflict between natives and outsiders were sown in the southern provinces, particularly with regard to land ownership. The influx of Somali refugees fleeing from Ethiopian Ogaden aggravated the urban imbalance – especially in Mogadishu – and was part of the reason for the durability of refugee camps.

The hijacking of food aid for the refugee camps became a government habit. The concentration of power in the hands of a small elite organised round the Siyad Barre clan and allied clans<sup>4</sup>, all originating in the Darood confederation, resulted in a frenetic grab for government resources. All income-producing sectors (plantations, international aid funding, import/export businesses, etc.) were taken over by friends of the regime.

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<sup>4</sup> The nepotistic nature of the regime is summed up in the acronym MOD, the initials of the Mareehan clan (Siyad Barre's clan), Ogaden (his mother's clan) and Dhulbahante (his son-in-law's clan), all three clans belonging to the Darood confederation.

The overthrow of the regime in 1991 by the militia of the United Somali Congress (USC), mainly consisting of Hawiye clan members, was first perceived as liberation by the people of Mogadishu, who mostly come from this clan but felt they were occupied by the Darood because of the way the regime concentrated power. But before very long, the seat left vacant by Siyad Barre was disputed by two factions in the USC and the conflict which ensued practically destroyed the city and caused thousands of deaths and hundreds of thousands of homeless.

The fall of the regime and the battle of Mogadishu also caused Hawiye fighters to move from the centre (mainly Habar Gedir fighters under General Aideed) to the southern farming regions. The ensuing armed conflicts, the renewed pressure on land created by the regime, the plundering and destruction of agricultural resources resulted in serious humanitarian crises in 1991 and 1992 in south Somalia and the loss of around 250,000 Somali lives.

During this period, the economic basis in Mogadishu and the major part of south Somalia was destroyed. The leading businessmen (the richest) fled the country. Those who stayed – like Osman Ato – took part in the plunder and hoped to profit by the chaos<sup>5</sup>. Factories, urban amenities and agricultural infrastructures were diligently dismantled, and often sold off to traffickers. The hijacking of humanitarian aid became a regular thing. Trade channels (ports, airports) and natural resources (especially agricultural) became spoils of war. In farming areas where the Somali government had set up an irrigated commercial farming system, racketing of planters and forced labour for settled farmers became the norm (inset 3).

### **3. The banana war (1994 – 1997)**

The “banana war” episode is a good illustration of the plunder economy which developed in the situation of chaos in the aftermath of the regime’s fall;

Before the civil war, banana exports were an important source of revenue for the Somali government, estimated at 20 million US dollars a year. Somali banana exports benefited from the advantageous conditions of the Lomé agreement for ACP countries. They had a preferential tariff, notably on the Italian market. These clauses were suspended when the regime fell and were renewed in 1994.

The sector was then a strategic one for the warlords who tried to take control of it. In the production areas of lower Shabeelle, the Aideed forces racketed the planters. They did not take direct control of production but took a percentage of the producers’ sales as protection rights.

Agreements were also made with multinationals in the sector –Italian Somalfruit and the American company Sombana, subsidiary of the Dole group – to ensure supplies. Both companies contributed to the renovation of the little port of Merca in the south to facilitate exports.

The revenues generated by this trade are estimated, for General Aideed alone, at over \$US 200,000 a month. The money was mainly used for the upkeep of his military.

The control of the banana production areas and trade routes was a major motive for the fighting in lower Shabeelle between Aideed and his Mogadishu rival Ali Mahdi, and later his ex-ally and bankroller Osman Ato.

In 1997, the removal of the preferential trade tariffs of the Lomé agreement under pressure by the WTO also applied to Somalia and sounded the death knell for its banana business...along with the military greed it had aroused.

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<sup>5</sup> Osman Ato was at the time the main bankroller of Aideed.

## ***2.2. 1994 – 2000: wartime economic revival***

Though it did not set off the disappearance of the predation economy, a noticeable change in the Somali civil war economy began in 1992-1993 when the military humanitarian missions arrived.<sup>6</sup>

The widespread presence of peacekeeping forces (over 30,000 soldiers in 1993) from the United Nations and NGO agencies created conditions of demand which boosted economic activity in sectors such as fuel and food supply, equipment shipping, etc. The UN dealt to a great extent with Somali suppliers.

Businessmen who had fled the capital to set up elsewhere in the region (especially Dubai) returned and some of them invested in new sectors. The first private companies in telecommunications were founded at this time.<sup>7</sup>

The bases of a modernised legal economy were established. But massive humanitarian intervention also attracted less respectable business, such as private protection of NGOs.

Most former fighters went into this type of business and, in spite of the weighty presence of international troops, both NGO agencies and American military staff compromised with the warlords.

However, the balance of power imperceptibly started to change because, by investing in their own safety, Somali companies established in Mogadishu gradually emerged from under the yoke of the militias.

## ***2.3. 2000 – 2006: strengthening of the business community***

The Somali militias had begun to break up even before the international and UN troops withdrew in 1995. The earlier heavy fighting in Mogadishu had not thrown up any clear leading player. The armed forces present had not been able to impose adequate military power to set up a government.

Without any political goals, they concentrated on taking over the economic resources within their reach.

In the second half of the 1990s, the withdrawal of UNOSOM (in 1995) and the end of banana exports (1997) gradually dried up the sources of revenue for the warlords who found it increasingly hard to maintain their large paramilitary units. The officers and underlings of the main warlords left them and built their own militias.

At the same time as the warlords were losing their military power, the big corporations which were developing their business in Mogadishu and throughout the region – particularly in financial dealing, telecommunications and import-export –

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<sup>6</sup> The first intervention (Onusom I) was from April 1992 to March 1993. It was heavily backed by a multinational force led by the United States (Unitaf) from December 1992 to March 1993. A second mandate (Onusom II) was set up from March 1993 to March 1995.

<sup>7</sup> For example Telecom Somalia in 1994; Barakat in 1994 (later Hoormuud); Nation Link in 1997.

took charge of their own safety by funding their own militias. For the most part, these militias (unlike those of the warlords) existed for defensive reasons. By the end of the 1990s, they had displaced the warlords<sup>8</sup>.

While it was organising its own safety, the business community diversified its activity: between 2000 and 2006, a dozen or so production units (pasta, mineral water bottling, soap factories, etc.) grew up in Mogadishu.

The strengthening of the economic and military status of the Mogadishu business community in the early 2000s made a significant difference to the configuration of the Somali civil war. Unlike the warlords who exploited clan identity to take over resources (and then redistribute them to ensure a military following), the entrepreneurs had to build cross-clan networks to keep up their business<sup>9</sup>.

The cross-clan factor in business was also found in the stockholding of the biggest companies (those in telecommunications and financial dealing): for one thing there were many shareholders but above all, the system relied on finely-balanced clan relationships. This type of stockholding served the dual purpose of protecting businesses and ensuring their establishment throughout Somalia.

Moreover, though the absence of government structures exacerbated rivalry between the warlords, it did help favour a cooperative attitude in the business community. Business coordination systems were built up in southern Somalia in the late 1990s to lower transactions costs by sharing the use of services (security, organisation or transport).

One of the best known of these structures is the "*Benadir Business Committee*", set up in 1999 by several businessmen, including Abokor Omar Adani (later described as one of the main ICU bankrollers) and Bashir Raghe Shirar<sup>10</sup>. One of the committee's main activities was the management of the port of El Maan – north of Mogadishu – which was the chief port in Somalia from 1999 to 2006.

In 2006 this business group had substantial means<sup>11</sup>. It was also able to run sideline businesses ranging from road transport and fuel supply to telecommunications and international financial dealing.

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<sup>8</sup> A key episode showing the shift in the balance of power to businessmen occurred in 1999. When Ali Mahdi and Hussein Aideed, who occupied sectors of Mogadishu, decided to set up a common administration for the city, the businessmen decided they would pay no more taxes to the warlords. Ali Mahdi and Aideed agreed but some officers – such as Muse Sudi Yalahow (close to Ali Mahdi) – rejected the agreement and used force to try and make the businessmen give in. The businessmen's militias won the fight which followed and took power in the city. For this account, see especially ICG report n°45, 2002.

<sup>9</sup> For example, fund transfer companies (Hawalas) handling enormous sums of money from the diaspora (five hundred million to a billion US dollars a year were transferred in 2003 according to the World Bank) employed agents from different Somali clans and families. After all, these transactions rely on trust between the parties, which in Somalia is guaranteed by the closeness of family relations.

<sup>10</sup> Cooperation by no means excluded sometimes fierce competition between businessmen. Thus these two men – both from the Abgaal fraction of the Hawiye clan – clashed violently for the control of the port of El Maan in 2006.

<sup>11</sup> According to a report by the Security Council Monitoring Group on Somalia in 2006, businesses in the groups operating the port of El Maan allegedly have "hundreds of agents, over 600 trucks (...), 96,000 square metres of warehouse space (...) and an indeterminate number of ships (owned or chartered by the cartels), some of them with a tonnage of 14000, barges, trailers, cranes, fork-lift trucks and other equipment, of a value estimated at

Initially built round a core of businessmen from the Abgaal fraction of the Hawiye clan, the cartel had power and efficiency which drew in businessmen belonging to other clans.

Somali entrepreneurs' security requirements and their need to reduce the cost of tolls and checkpoints set up by the warlords form the basis for the mutual interests built amongst this group, a large part of the war-weary population exasperated by the warlords' exactions and the Islamic courts.

It should be noted that the first Islamic courts organised round a base spread over districts of Mogadishu were funded by businessmen (Ali Mahdi, Abokor Omar Adani in particular) to introduce a minimum of law and order and control criminality.

The political structuring of the UIC, and the American response which was to arm the warlords to counteract its power<sup>12</sup>, helped to strengthen the links between the business community and the UIC. The Somali business community had to choose between restoring control by the warlords from whom they had just freed themselves or by Islamic court governance, undoubtedly ideologically strict but liberal in its economic attitudes.

In fact, in taking control of practically all south central Somalia in 2006, the UIC got rid of the numerous tolls carriers and merchants had to pay and reduced the port and airport taxes on a basis negotiated with the business community. A few months of this governance resulted in a steep rise in business.

#### ***2.4. 2007: reorganisation in progress.***

In many respects, the victory of the Transitional Federal Government has led paradoxically less to the restoration of government institutions and security than to a backsliding to the worst times of predatory governance by Somali warlords.

Economically at least, the current situation is a regression compared to the dynamics of the previous period.

A large part of the UIC financial support has been lost to Somalia with the return of assets and part of the trading activities to Dubai or other financial marketplaces in the Arabian Peninsula.

Several measures introduced by the TFG are likely to demoralise the business community.

- Starting with nominations – to key positions – of warlords who are notorious for their predatory acts: Mohamed Omar Habib (Mohamed “Dheere”) as mayor of Mogadishu, or Abdi Qeybdiid as the national chief of police.

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several million dollars”. B. Schiemy, M. Holt, H. Kelley, J. Sarck, *Report of the Monitoring Group on Somalia, S/2006/229* (p.20)

<sup>12</sup> The CIA allegedly funded militia groups in the name of the “Alliance for the Restoration of Peace and Counter-Terrorism” (ARPCT), formed in 2006 but disbanded a few weeks later by the Islamic courts.

- An almost three-fold increase in tax on goods has caused protest by many merchants. The participation of warlords such as Mohamed Qanyare, Muse Sudi Yalahow and Omar Mohamed Mohamud (nicknamed Omar "Finish") in the TFG department which imposed the measures reinforces the feeling of backsliding amongst the local population, since warlord extortion was the reason why the business community went into battle in the late 1990s.
- Several entrepreneurs also fear that the martial law voted in February 2007 is merely an excuse for confiscating assets.
- The military seal-off of the Bakaara market and the harassment of traders has widened the breach between the TFG and the business community.

The fierce fighting in March and April 2007 contributed to the destruction of the small production base which had grown up in Mogadishu over the last five years. Military operations, the upsurge in armed violence and the reappearance of checkpoints and extortion caused an abrupt drop in business activity in south central Somalia.

Without making forecasts, the current reorganisation process has the air of chaotic restoration giving no inkling to date of which old political economy it is returning to: estate government on the Siyad Barre model or warlord governance. In the short term at least, we could envisage a hybrid system, if the TFG manages to establish a formal central government.

### **3. Economic scope of civil war: dynamics and players.**

As we have just seen in this brief review, business does not come to a halt in wartime: it carries on in different forms and develops alongside the established situation of violence. Far from being uniform, wartime business is multifunctional and at the service of varying interests.

In a civil war situation where legal state institutions have fallen by the wayside, it is not easy to distinguish between the legal and illegal sectors: for example, bringing in goods without paying customs duty or levying taxes for an unlawful local authority are illegal practices. From this point of view, all business activity in Somalia (or most of it) can be considered illegal.

More empirically, we are inclined to consider illegal any business relating to organised crime (dealing in drugs, weapons, human beings, etc.) or contravening international agreements (e.g. forced labour).

An increasing number of analysts use the typology worked out by Goodhand (2004)<sup>13</sup> to characterise wartime economic activity. Using situations observed in Afghanistan, he distinguishes three forms he describes as combat economy, shadow economy and coping economy.

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<sup>13</sup> See Jonathan Goodhand "Afghanistan in central Asia" in *War economies in a regional context. Challenges for transformation*; Michael Pugh and Neil Cooper (2004), Lynne Rienner, Boulder, Colorado.

- Combat economy refers to activities which feed conflict directly – such as arms dealing – and sources of revenue which help to maintain armed forces.
- The shadow economy covers a range of practices at the margins of legality and government regulation structures. Such practices (like smuggling or business in the so-called informal sector) may predate the civil war but when governments fall apart, they are swiftly taken over by criminal networks.
- The coping economy develops in traditional business activities when war causes disruption (lack of government institutions and support services).

In practice, the frontiers between the three types of wartime economy are so porous; it is not easy to make the distinction. For example, we could consider the revival of a number of business sectors in Mogadishu over the last few years as part of the coping economy. Yet they developed and were protected in a situation without government institutions and therefore needed to maintain private militias and, in some cases, purchase smuggled weapons in a country subject to an embargo.

The distinction can therefore be complicated to make. However, in the context of steps to accompany a peace process, it can help to pinpoint the type and motives of the players in the civil war. For some of these, use of armed violence is basically to obtain access to material gains (mainly profit and power). For others, violence is simply a substitution for a failing state which cannot ensure the safety of property and people.

Both attitudes lead to different stances in the economic agents in place with regard to restoration of a constitutional government.

For the above reasons, we shall not fully apply the Goodhand analysis system in the following pages but describe the main motives for armed violence in Somalia and the types of players involved.

### ***3.1. Control of trade routes, extortion and smuggling.***

Taking advantage of the absence of government, a criminal economy has developed over the past fifteen years and, led in the main by infamous warlords, has generated substantial profits.

Four sectors emerge as particularly lucrative: control and management of trade routes (via ports and airports), “sale” of rights of access to natural resources, piracy and smuggling.

#### ***a) Control of trade routes.***

The control of the main ports and airports or runways is one of the main prizes of battle between warring factions. These hubs of communication are of strategic importance because it is through them that the militias are supplied (especially with weapons and khat). They are also used for exporting profitable local goods

(agricultural produce, livestock, crawfish and charcoal, and sometimes illegal goods such as drugs).

However, the main source of revenue is the "tax" which the warlords levy on goods, people and carriers transiting through the ports and airports.

In 2005 and the early months of 2006 (before the UIC took control of most of the south central towns), control of the airports round Mogadishu (Daynile, K-50, Baledogle) and Kismayo generated a large amount of money (millions of US dollars) which was divided amongst a small number of warlords.

In addition to the ports and airports, the warlords and some clan-based militias set up checkpoints on the roads or in towns where they engaged in racketing and extortion of funds.

The table below, based on data gathered by the Monitoring Group on Somalia mandated by the United Nations Security Council, lists the extortionists in the Mogadishu region and the locality of Kismayo, along with revenues from their activities in 2005.

<b>"Warlord"</b>	<b>Checkpoints</b>	<b>Annual revenue (US\$)</b>
Osman Atto \$4,454,640	Daynile airport ("partner")	144,000
	Afgooye checkpoint	4,310,640
Muse Sudi Yalahow \$2,532,600	Medina checkpoint	705,600
	Darmoole checkpoint	819,000
	Balad checkpoint	1,008,000
Mohamed Qanyare Afrah \$1,892,160	Daynile airport ("owner")	1,287,000
	Bakaara checkpoint	605,160
Ahmed Duale Gelle (Heef)	K 50 airport	1,474,200
Hawiye Abgaal Wacaysle fraction	Sinai checkpoint	363,960
Barre Hirale (Juba Valley Alliance)	Kismayo airport	362,304
Hawiye Habar Gedir Ayr fraction	Baledogle airport	319,000
Omar Finish	Daynile airport ("partner")	72,000
Ifka Halane Islamic Court	Daynile airport ("partner")	36,000

After the UIC was defeated, the TFG began taking over the control of ports and airports. But it was noticed in summer 2007 that checkpoints dismantled by the UIC were making their reappearance. Moreover, it turns out that a number of warlords in the list above hold positions in the TFG.

### ***b) Sale of natural resources***

Sales of natural resources include charcoal, exports of which have shot up because importing countries, such as Saudi Arabia, have banned domestic production within the last few years to conserve their own forestry resources.

The sale of fishing licences for Somali territorial waters to foreign fleets (mostly Asiatic) is another highly profitable source of revenue for local despots. Local militias issue them for 80,000 to 150,000 US dollars per licence and per vessel.

More recently, the sale of rights has been extended to the exploration and use of seabed and mining resources.

### ***c) Piracy***

Piracy still subsisted a bit in the latter years of the Siyad Barre regime but afterwards, in the absence of government, it developed and became sophisticated. Somali pirates have powerful launches, locating equipment (GPS, radio, etc.) and weapons (guns and RPG arms) to intercept ships of high tonnage (several freighters have been hijacked in 2007).

The attacks are less aimed at taking possession of the cargoes than the capture of the crews so they can be held to ransom.

In 2005 the Monitoring Group on Somalia identified four Somali pirate organisations:

- voluntary national coastguards based in the region of Kismayo and linked to a local militia;
- pirates in the region of Merca, funded by Sheikh Yusuf Indhohaade, a UIC leader and governor of the Bas Shabeelle province before the fall of his organisation;
- the group known as "Somali Marines" operating in the locality of Haradheere on the coast of central Somalia, linked to the Mudug Hawiye militias;
- the Puntland group, stemming from the Majeerteen clan. This is the oldest group of pirates.

### ***d) Smuggling***

The absence of government has long since been a contributing factor in the development of cross-border smuggling in the region.

Because it has no customs duty, Somalia has become the entry point for goods circulating throughout East Africa. The smuggling circuits are all the more profitable because customs duty remains high in Kenya – in spite of the COMESA regional integration process – and Ethiopia.

The traditional smuggling circuits involve the livestock trade between Somalia, Ethiopia and Kenya. In recent years they have branched out, drawing in Somali traders with substantial financial means. For example, in 2003, when Kenya was granted a dispensation by COMESA to raise its customs tariff on sugar, Somali

businessmen imported sugar from South America to be sold as smuggled goods on the Kenyan market.

These four sectors illustrate aspects of the shadow economy which has developed in Somalia – often in conjunction with external operators – because of the absence of a central government.

It is clear that the players in these networks – some of whom are currently close to or active within the TFG – are not excessively keen to see a strong central government in Somalia.

### ***3.2. Land stakes and access to natural resources***

Apart from this Mafia-like abuse, armed violence in Somalia is also prosaically driven by competition for access to resources and land disputes.

In a context of militarised countryside, pressure on resources and deficient regulatory systems (traditional or state), access to pastoral resources (grazing land and waterholes) is often gained by deadly power struggles.

Rural conflicts also involve right of use – between crop farmers and livestock farmers or, more recently, livestock farmers and wood gatherers for charcoal production.

In Somalia, the fiercest land conflicts arise from an intricacy of interests and players. The situation in Kismayo and Lower Juba is probably the most outstanding example.

Since the fall of Siyad Barre, this region has been at the heart of a relentless struggle where the same protagonists are involved in a game of fluctuating alliances: the Mareehan and Ogaden clans settled in the hinterland of the lower Juba valley on one hand; the Harti migrants (Majeerteen from what is now Puntland) mostly settled since the start of the century in Kismayo; the Hawiye Habar Gedir who spread in region (and all of southern Somalia) after the fall of the Siyad Barre regime.

The stakes in the struggles are control of the port, fishing resources and the tradable fishing rights they bring, hinterland trade routes – especially the smuggler passages to Kenya – and the fertile land of the Juba valley.

Tension is also aggravated by old related disputes, such as:

- the challenge to the longstanding unequal trade relationship between Ogaden livestock breeders and the Majeerteen traders in Kismayo who export the livestock;
- Majeerteen resentment about the repression by Siyad Barre (who was a Mareehan) of the people in what is now Puntland because of the sedition by officers in the region led by the current TFG president (Abdillahi Yusuf) in 1977.

The occupancy of farming land and many localities by the Habar Gedir Hawiye is moreover very similar to colonisation and is experienced as such by the local population.

The new political order – with the TFG in power – undoubtedly complicates the situation even more. The region was controlled over the last few years by a coalition called the “Juba Valley Alliance” (JVA), made up of Marehan, Habar Gedir Hawiye and Ogaden clan members. The new alliance in power in Mogadishu, with the Majeerteen and Abgaal Hawiye at the head of the TFG, opposes the JVA and recently deposed its leader (Barre Hirale) who was a TFG minister. In June 2007, battles to take control of Kismayo opposed Marehan militias and Majeerteen militias probably from the Puntland militia contingent which formed the personal guard of the TFG President Abdillahi Yusuf. The aim was less to bring Kismayo into the national fold as to establish the hold of the Majeerteen business community on local resources.

Because of its build-up of stakes and stakeholders, the Lower Juba region has one of the highest potentials for conflict in Somalia.

Lastly, to conclude this brief summary of land conflicts, we should note the burgeoning troubles due to the oil stakes which have been revived by the recent exploration contracts signed by the TFG and Chinese companies.

## **Conclusion: Productivity of violence versus profitability of peace.**

This overview of the political economy of violence in Somalia gives some idea of the variety of players involved in the war and above all their respective attitudes to the restoration of peace and government.

The civil war which has raged in Somalia since 1991 is not a uniform process: it has undergone many changes and has informed political attitudes and economic behaviour which have also changed.

Initially a consequence of rivalry between armed factions to gain control of government, it subsequently led to a process of territorial and political break-up which has prevented the emergence of supreme players. The break-up upheld a situation of lawlessness which favoured the development of a shadow economy and illegal business. The chief instigators of the process can be described as "warlords" who are entrepreneurs of violence and take up arms for no other purpose than to gain control of economic resources, part of which are reinvested in the maintenance and equipment of militias.

This category of entrepreneurs of violence prospers by the mere fact that there is no functional government. They can be considered as acting to prevent the emergence of a government apparatus and thus undermine any peace processes, such as the one begun in Somalia in July and August 2007.

The difficulty in the current period is due to the fact that many warlords have sided with the Transitional Federal Government and several of them occupy strategically powerful positions<sup>14</sup>.

As it progressed, the civil war also unexpectedly helped to create an innovating and dynamic private sector working in orthodox markets (import-export, telecommunications, finance, building, etc.).

One of the notable features of the last few years is related to the switch in the balance of power (in Mogadishu and various regions in south Somalia) in favour of the business community which freed itself from the warlords by ensuring its own security.

With the arrival of TFG forces and the Ethiopian army in Mogadishu, the private company militias were disbanded.

The business community has a rather ambivalent attitude to the restoration of government. It is true it has benefited from the absence of customs duty and business tax, but it has also had to cope with heavy costs to ensure the development and durability of its companies by investing, amongst other things, in security.

The absence of government also creates a series of problems which seriously hamper business. Firstly, the non-existence of a banking system penalises the

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<sup>14</sup> Such as the current mayor of Mogadishu.

import-export trade. Though most entrepreneurs register their businesses abroad (mainly in Dubai), the lack of bank guarantees and letters of credit implies that large amounts of money must be tied up and advanced to buy goods for resale. The absence of a national organisation with a minting monopoly is another source of serious economic problems<sup>15</sup>, even though in practice the American dollar is the currency used for important transactions.

More generally, the lack of investment in public amenities and equipment (roads, various infrastructures, etc.) puts business at great disadvantage.

It could thus be supposed that the “demand” for government would be higher in this sector of the Somali economy and this is undoubtedly why many businessmen believe in the ability of the UIC to restore some sort of law and order in the greater part of south central Somalia.

The success of a peace process partly depends on the ability of its promoters to make peace more economically profitable than violence. Logically, two types of converging action could make it easier to tip this balance in the Somali political context.

The first would consist of making illegal business a criminal offence by trying the drivers of Mafia-like networks (warlords, but also the foreign operators they deal with) before the international courts of justice and by freezing their foreign assets, since they are mostly very well known. But, apart from a few spectacular instances of justice<sup>16</sup>, such a process implies collective international action and coercive credibility which are rarely mustered. This is why the process hardly ever gets off the ground.<sup>17</sup>

The second condition favouring the restoration of long-term peace is for the civil population of Somalia to have faith in government institutions. Though most people and the major part of the influent business community feel the need for government, this is no reason to condone the installation of a predatory government in the place of the warlords.

From this point of view, the supremacy of the TFG is a historic opportunity for restored government in Somalia.

Judging by the first measures adopted, this opportunity is likely to be lost. The threefold process which co-opts warlords, marginalises economic players close – or allegedly so – to the opposition (UIC) and allows friends of the TFG president to take over resources augurs a return to acquisitive predatory government.

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<sup>15</sup> Since 1991, minting and the production of “counterfeit” Somali shillings have been done on the initiative of the regional administration and still was in Puntland in summer 2007.

<sup>16</sup> See in particular the widely published case of the arrest and trial of the Liberian warlord Charles Taylor.

<sup>17</sup> Unfortunately, the rare attempts to “criminalise” business in Somalia turned out to be questionable in their intentions and disastrous in their effects. For example, the operation launched in November 2001 by the American authorities against the Somali funds transfer company “Al-Barakaat” accused of links to international terrorism led to a freeze of part of its assets (including funds for thousands of Somali households), the raid on its offices in Abu-Dhabi and the filing of its directors on the list of supporters of terrorism. To date, no proof supporting the accusation has been provided.