



Remedies to Somalia's Export Challenges and Opportunities for the country Economic Growth

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Abstract

Somalia's post-Heavily Indebted Poor Countries (HIPC) economic landscape is characterized by a critical dichotomy: vast potential in livestock, fisheries, and agricultural resources set against structural, climatic, and institutional bottlenecks. This paper examines the deep-seated challenges facing Somalia's export sector—including a massive trade deficit averaging over 80% of GDP, acute vulnerability to climate shocks, prohibitive energy costs, and stringent non-tariff barriers (NTBs). Conversely, it analyses emerging macroeconomic catalysts, specifically Somalia's recent integration into the East African Community (EAC) and its concurrent accession process with the World Trade Organization (WTO). Employing a qualitative-descriptive methodology rooted in secondary thematic synthesis of multilateral datasets (2019–2026), the findings reveal that while livestock exports reached a milestone of nearly \$1 billion, long-term growth is systematically stymied by dependency on raw commodities and lack of standard compliance mechanisms. The paper argues that structured implementation of export-led growth models, regulatory harmonization, and a transition to green energy frameworks serve as foundational remedies. Ultimately, transitioning from a consumption-driven import profile to a value-added export approach is vital for Somalia to achieve structural economic transformation and enhance fiscal independence.

Keywords: Somalia Trade, Export-Led Growth, Customs Union, East African Community (EAC), Climate Resilience, Trade Deficit, Value-Addition., Political Stability

1. Introduction

Somalia's macroeconomic landscape has undergone pivotal legal and institutional recalibrations. Following its successful exit from the HIPC debt relief initiative, the country has actively pivoted toward regional and global trade networks. Despite these institutional strides, the domestic economy experiences volatile growth trajectories. According to the World Bank's Eleventh Somalia Economic Update (2026), real GDP growth moderated to an estimated 3.0% in 2025, down from roughly 4.0% in 2023–2024. This deceleration highlights a persistent vulnerability to external and domestic shocks: declining official development assistance (ODA), recurring climate-induced droughts, and an inflated cost of living driven by global food and fuel prices.

The central systemic weakness of the Somali economy remains its structural trade imbalance. Imports historically hover near 100% of GDP, whereas merchandise exports account for less than 30%. This creates an unsustainable trade deficit covered heavily by volatile diaspora remittances and donor funding. To break this reliance trap, Somalia must transform its trade architecture from a highly consumptive import market into a competitive, export-led framework.

This research paper evaluates the core constraints impeding Somalia's export sectors and explores how emerging opportunities can be leveraged to stimulate industrial growth. By examining critical export sectors such as pastoralist agriculture, blue economy assets, and digital financial ecosystems, this study maps practical remedies to unlock the nation's commercial capabilities.

2. Literature Review

2.1. Theoretical Framework: Export-Led Growth Hypothesis (ELGH)

The theoretical grounding of this study relies on the Export-Led Growth Hypothesis (ELGH), which posits that the expansion of a country's exports acts as a primary catalyst for long-term economic development. Econometrically, empirical studies mapping Somalia's historical trade data from 1970 to 1991 demonstrate a unidirectional causality running explicitly from exports to GDP growth. This confirms that a sustained expansion of external trade yields positive domestic externalities. These externalities include increased capacity utilization, technological spillover, and the accumulation of foreign exchange reserves necessary to finance essential capital imports without creating external debt distress.

2.2. Empirical Insights on Fragility and Trade

Contemporary literature emphasizes that trade in fragile states is deeply intertwined with domestic security and climate variations. World Bank research indicates that boosting export competitiveness in Somalia requires rebuilding its underlying productive sectors. Fragmented internal regulatory frameworks—where federal and regional member states pursue conflicting tax regimes and trade policies—further exacerbate transaction costs. The African Development Bank (AfDB) Country Focus Report (2025) confirms that low domestic resource mobilization (with a tax-to-GDP ratio around 3.0% in 2024) restricts public capital investments into critical trade infrastructures like specialized ports, rural roads, and testing laboratories.

2.3. Regional Integration as a Growth Vector

Recent scholarship has focused heavily on Somalia's formal integration into regional trade blocs. Research from the Rift Valley Institute (2024) ^[3, 18] underscores that joining the East African Community (EAC) offers a structural pathway to reduce cross-border transaction costs, harmonize custom codes, and adopt the EAC Common External Tariff. However, analysts caution that without robust domestic compliance agencies—such as a fully functional bureau of standards—Somalia risks becoming a dumping ground for regional manufactured goods while failing to push its own agricultural outputs into the EAC market due to rigid sanitary and phytosanitary (SPS) barriers.

2.4. Theoretical Framework: The Export-Led Growth Hypothesis (ELGH)

The primary theoretical foundation of this study is the **Export-Led Growth Hypothesis (ELGH)**. This framework states that a country's export sector serves as the main engine for long-term economic development. Grounded in neoclassical trade theory, ELGH argues that expanding exports helps overcome the limits of a small domestic market. It generates economies of scale, encourages optimal resource allocation based on comparative advantage, and introduces international competitive pressures that force domestic firms to operate more efficiently.

From a macroeconomic perspective, exports provide the foreign exchange reserves necessary to import advanced capital goods and machinery without triggering balance-of-payments crises. Econometrically, empirical studies mapping Somalia's historical trade data from 1970 to 1991

demonstrate a unidirectional causality running explicitly from exports to GDP growth. This confirms that a sustained expansion of external trade yields positive domestic externalities, such as increased capacity utilization and technological spillovers.

2.5. Theoretical Critique: Dependency Theory and the Prebisch-Singer Hypothesis

While ELGH advocates for integration into global markets, a rigorous doctoral analysis requires contrasting this with critical political-economy paradigms—specifically **Dependency Theory** and the **Prebisch-Singer**

2.6. Hypothesis.

- **Dependency Theory:** Developed by structuralist economists like Raúl Prebisch and expanded by Samir Amin, Dependency Theory argues that the global economic system is structurally divided into a dominant "core" (industrialized nations) and a dependent "periphery" (developing states like Somalia). The core extracts raw materials from the periphery, processes them into high-value goods, and sells them back, locking post-colonial states into a cycle of structural underdevelopment.
- **The Prebisch-Singer Hypothesis:** This hypothesis adds an econometric dimension to dependency theory, showing that the commodity terms of trade between primary commodities and manufactured goods tend to decline over time. Because primary commodities have a low income elasticity of demand compared to manufactured items, primary-exporting countries must export increasingly larger volumes just to buy the same amount of high-value imports.

2.7. Theoretical Friction and Reinterpretation for Somalia

Applying these theories to modern Somalia reveals a profound theoretical tension. Somalia's export profile matches the core predictions of the Prebisch-Singer hypothesis: the country relies heavily on primary, unprocessed commodities (live animals, charcoal, sesame), leaving its economy vulnerable to shifting terms of trade and sudden import bans by wealthy Middle Eastern buyers.

However, Dependency Theory's traditional recommendation—pursuing Import-Substitution Industrialization (ISI) by closing borders and building domestic manufacturing behind high tariff walls—is structurally impossible for a fragile state like Somalia. Decades of institutional conflict have left the country without the massive public capital, legal stability, or physical infrastructure needed to build a self-sufficient industrial economy from scratch.

Consequently, this paper presents a hybrid theoretical framework. It acknowledges the structural trap identified by the Prebisch-Singer hypothesis but rejects the isolationist solutions of classic Dependency Theory. Instead, it argues that Somalia must utilize the market-access benefits of ELGH through regional trade blocs like the East African Community (EAC). At the same time, it must actively counter declining terms of trade by pursuing state-led vertical value-addition—shifting from raw primary exports to processed, high-value goods within its traditional sectors.

2.8. Fragility, Non-State Governance, and Trade Economics

Modern literature emphasizes that trade dynamics in fragile and conflict-affected situations (FCS) differ fundamentally from stable market economies. Standard economic models assume that the state holds a monopoly on the legitimate use of force, maintains uniform regulatory environments, and collects formal taxes at border checkpoints. In Somalia, however, decades of civil conflict have created fragmented political and economic structures.

Research shows that during periods of complete state collapse, the Somali private sector developed highly resilient, informal self-regulatory mechanisms. Informal clan-based networks, customary legal systems (*Xeer*), and trust-based business partnerships replaced formal commercial courts, contract enforcement, and state-backed trade finance.

While this informal system kept the economy functioning, contemporary studies confirm that it has reached its structural limits. Informal networks are excellent for managing localized or traditional trade routes, but they struggle to handle the complex legal, financial, and safety standards required by modern global trade.

2.9. Regional Integration as a Catalyst for Structural Reform

Recent trade literature focuses heavily on Somalia's formal admission into the East African Community (EAC) and its ongoing efforts to join the World Trade Organization (WTO). Scholars note that regional integration serves as a powerful external commit mechanism for fragile states. By signing regional treaties, a country commits to sweeping legal and institutional overhauls that might otherwise be blocked by domestic political gridlock.

However, empirical assessments of regional trade blocs in Africa reveal a persistent gap between treaty signatures and actual implementation. The "spaghetti bowl" effect—where overlapping memberships in different regional trade agreements create conflicting rules of origin and complex custom procedures—often limits the real-world benefits of integration.

For Somalia, joining the EAC offers immediate access to a massive market of over 300 million people. Yet, literature warns that if a country joins a common market without establishing robust domestic standard-compliance agencies, it risks experiencing **trade diversion** and becoming a market for regional manufactured goods without successfully exporting its own products.

3. Methodology

This research paper utilizes a qualitative-descriptive research design built around secondary thematic data synthesis. Given the operational constraints of collecting comprehensive micro-level field data across all Federal Member States, this study relies on verified economic indicators and policy documentation issued between 2019 and 2026.

Data sources systematically audited include:

- Macroeconomic bulletins from the Somalia National Bureau of Statistics (SNBS).
- Multilateral technical publications from the World Bank Group, the African Development Bank (AfDB), and the World Trade Organization (WTO).
- Peer-reviewed empirical literature on the Horn of Africa's trade logistics.

The analytical approach focuses on content and thematic trend analysis, categorizing identified challenges into structural, operational, and regulatory domains, while evaluating remedies against regional treaty baselines (EAC and WTO).

3.1. Research Philosophy and Epistemological Framework

This study is grounded in the critical realism paradigm, which provides a robust framework for investigating complex socio-economic phenomena within fragile and conflict-affected situations (FCS). Critical realism posits that an objective reality exists independent of human thoughts (the *real* domain), but it can only be understood imperfectly through human observation, discourse, and social structures (the *actual* and *empirical* domains).

By adopting this lens, this paper moves beyond mere positivist statistical correlations—which are often unreliable in developing economies due to structural data gaps—and avoids pure constructivism. Instead, it seeks to uncover the causal mechanisms, institutional arrangements, and structural barriers (e.g., regulatory fragmentation, climate shocks, and energy tariffs) that generate the observed empirical realities of Somalia's export deficits.

3.2. Research Design

To capture the institutional complexities of Somalia's post-HIPC trade architecture, this paper employs an advanced qualitative-descriptive research design driven by a thematic synthesis framework. This design is highly suited for doctoral-level policy analysis in economies transitioning through systemic structural reforms (such as WTO accession and EAC integration).

The research uses an iterative, multi-stage analytical process to systematically map, code, and synthesize macroeconomic variables, institutional policies, and treaty frameworks. This approach preserves the contextual integrity of the data while ensuring a high level of analytical rigor.

3.3. Data Sourcing and Document Selection Strategy

Due to historical institutional fragmentation, field-level micro-data collection across all Federal Member States (FMS) presents severe logistical and security challenges. To ensure empirical validity, this study utilizes a purposive document sampling strategy to compile a rigorous secondary dataset spanning the years 2019 to 2026.

The documentary universe was audited across three specific institutional tiers to guarantee comprehensive coverage:

1. **National Macroeconomic and Statutory Tier:** Documents issued by the Federal Government of Somalia (FGS), including the *Somalia National Bureau of Statistics (SNBS)* quarterly trade bulletins, Ministry of Planning economic outlooks, and official legislative gazettes regarding the newly enacted *Income Tax Law*.
2. **Multilateral Development and Financial Tier:** Long-term empirical studies, country focus reports, and macroeconomic assessment updates from the *World Bank Group*, the *African Development Bank (AfDB)*, and the *International Monetary Fund (IMF)*.
3. **Supranational Trade and Policy Integration Tier:** Treaty accession documents, working party progress briefs, and regional compliance frameworks generated by the East African Community (EAC) Secretariat and the World Trade Organization (WTO).

Accession Working Party.

3.4. Inclusion and Exclusion Criteria

To maintain strict data integrity and eliminate analytical noise, explicit boundary conditions were applied to the data selection process:

1. Inclusion Criteria

- Documents published within the strict temporal boundary of 2019 to 2026, capturing the critical transition periods before and after HIPC completion.
- Studies providing explicit empirical metrics regarding Somalia's trade volumes, tariff structures, non-tariff barriers (NTBs), or energy infrastructure costs.
- Peer-reviewed policy briefs focusing directly on the Horn of Africa's logistics and trade corridors.

2. Exclusion Criteria

- Non-authoritative media commentary, unverified blog posts, or grey literature lacking clear, institutional, peer-reviewed methodology.
- Macroeconomic datasets published prior to 2019, unless used strictly for longitudinal contextual baseline normalization.
- Generic regional studies that do not provide specific, disaggregated insights into Somalia's federal or regional trade ecosystems.

3.5. Data Analysis and Thematic Coding Architecture

The collected qualitative text and quantitative economic indicators were synthesized using a dual deductive-inductive thematic analysis method. This systematic processing ensures that findings are directly tied back to the established theoretical framework while remaining responsive to new, unexpected data points.

- **Deductive Coding:** Pre-established structural categories were derived directly from the *Export-Led Growth Hypothesis (ELGH)*. Textual data was coded under variables such as *Foreign Exchange Elasticity*, *Productive Capacity Bottlenecks*, and *Comparative Advantage Vectors*.
- **Inductive Coding:** During data abstraction, new structural nodes emerged directly from contemporary institutional developments. These include *EAC Custom Code Alignment Friction*, *Fintech-Driven Trade Finance Efficiencies* (e.g., SNQRC applications), and *Climate-Induced Resource Contraction*.

To guarantee analytical transparency, the extracted data nodes were mapped into an operational matrix cross-referencing three core analytic dimensions: Macro-Institutional Challenges, Regulatory/Tariff Impediments, and Value-Chain Optimization Vectors.

3.6. Methodological Rigor, Validity, and Triangulation

To meet the academic standards expected of a doctoral thesis, this study addresses issues of validity, reliability, and researcher bias through comprehensive data source triangulation. Every empirical finding or policy claim presented in this paper was verified using a minimum of three independent institutional vantage points. For example,

assertions regarding livestock export values were concurrently validated across SNBS trade balance sheets, World Bank economic updates, and Middle Eastern import-destination registries.

Furthermore, data reliability was maintained through a rigorous analytical audit trail. This means that every step—from initial document identification to final theme extraction—was mapped against the core assumptions of the Export-Led Growth Hypothesis, minimizing subjective interpretive bias.

4. Findings

4.1. Core Export Challenges

The diagnosis of Somalia's export sector reveals several deep-seated bottlenecks that diminish the competitiveness of local products in global markets:

- **Prohibitive Infrastructure and Energy Costs:** Somalia remains dependent on expensive, fragmented, diesel-powered mini-grids managed by private providers. Electricity costs average approximately \$0.61 per kilowatt-hour (kWh), peaking above \$1.00/kWh in remote regions. This energy tariff structure effectively paralyzes domestic cold-chain storage and value-added agro-processing.
- **Absence of National Quality Standardization:** The country lacks globally accredited Sanitary and Phytosanitary (SPS) testing centers and a fully operational national Bureau of Standards. Consequently, primary exports like livestock and fresh seafood frequently face import bans in lucrative Middle Eastern and European markets due to health and biosecurity concerns.
- **Extreme Climate Vulnerability:** The productive base relies heavily on rain-fed pastoralism and rudimentary agriculture. Severe climate disruptions—such as the prolonged droughts followed by floods—regularly deplete livestock herds and contract agricultural outputs, creating highly volatile export cycles.
- **Regulatory Incoherence:** Conflicting tax regimes and overlapping administrative windows between the Federal Government of Somalia (FGS) and Federal Member States (FMS) create severe domestic trade friction, increasing the cost of moving goods from rural production points to urban exit ports.

4.2. Strategic Economic Opportunities

Despite these challenges, structural transformations provide a robust platform for future expansion:

- **The Livestock Export Engine:** The livestock sector remains a global trade powerhouse, driving roughly half of the country's GDP. Driven by strong demand from Middle Eastern trading partners, livestock exports experienced an upward surge, expanding from \$384 million to nearly \$1 billion.
- **EAC Integration and Global Accession:** Formal admission into the EAC expands Somalia's immediate market access to a regional population exceeding 300 million people. Concurrently, the reactivation of its WTO Accession Working Party serves as a catalyst for harmonizing domestic commercial laws with international trade standards.

- **The Blue Economy Frontier:** Possessing the longest continental coastline in Africa, Somalia has massive unexploited marine resources. Upgrading artisan operations to industrial fisheries presents an immediate avenue for export diversification away from a singular reliance on live animals.
- **Advanced Digital Infrastructure:** High mobile money and smartphone penetration rates present a distinct opportunity. The institutionalization of fintech tools, such as the *Somalia National Quick Response Code (SNQRC)*, offers a framework to streamline trade financing, letter-of-credit processes, and customs collection.

4.3. Deep-Dive into Core Export Structural Bottlenecks

1. Prohibitive Infrastructure and Energy Tariffs

Somalia's domestic manufacturing and processing sectors are constrained by some of the highest operational energy costs in the world. Following the collapse of the central state, the national electricity grid was replaced by localized, private diesel-powered mini-grids.

- **Tariff Realities:** Industrial electricity tariffs consistently average between **\$0.61 and \$0.80 per kilowatt-hour (kWh)**, frequently exceeding **\$1.00/kWh** in isolated secondary cities. In comparison, industrial energy tariffs in neighboring Kenya and Ethiopia sit between \$0.06 and \$0.12/kWh.
- **Value-Chain Impact:** This high cost of energy makes domestic value-addition economically unviable. For example, operating a modern cold-storage facility for fresh seafood or running a mechanized meat-processing plant requires constant, high-volume energy. At current electricity rates, the energy cost alone completely wipes out the profit margins of local processing firms, forcing exporters to stick to low-value shipments of live animals.

2. Institutional Quality Gaps: The SPS and Standardization Void

The absence of a globally recognized quality assurance infrastructure remains a major technical barrier to trade (TBT).

- **The Problem:** The country lacks operational, internationally accredited **Sanitary and Phytosanitary (SPS)** testing laboratories and an active national Bureau of Standards capable of issuing internationally recognized safety certifications.
- **The Impact:** Because local products cannot be officially certified as disease-free or compliant with global health standards, high-value markets in the European Union, Asia, and certain Gulf states maintain strict import bans on Somali agricultural and marine goods. Consequently, Somali livestock and fish are often traded through informal channels or sold at a steep discount to third-party countries, which certify and re-export them under their own national labels.

3. Extreme Climate Vulnerability and Productive Asset Erosion

The core sectors of the Somali economy are highly vulnerable to climate shifts, characterized by unpredictable cycles of severe drought followed by flash floods.

- **The Mechanism:** Because the livestock and agricultural sectors depend almost entirely on seasonal rainfall,

climate shocks directly erode productive economic capital. During major regional droughts, pastoralists can lose up to 30–50% of their entire herds due to water scarcity and disease.

- **The Result:** This regular destruction of agricultural assets creates extreme volatility in export supplies, making it difficult for Somali trade networks to maintain consistent supply contracts with international buyers.

4.4. Regulatory Fragmentation and Internal Border Friction

The complex political relationship between the Federal Government of Somalia (FGS) and the various Federal Member States (FMS) has created significant internal economic barriers.

- **The Constraint:** Instead of a unified domestic market, exporters face a fragmented regulatory landscape where different regional states impose overlapping tax regimes, localized transit fees, and independent customs valuations.
- **The Impact:** Moving agricultural goods from inland production areas to major ports like Mogadishu, Kismayo, or Berbera requires passing through multiple internal checkpoints, with each jurisdiction collecting separate administrative fees. This internal friction inflates domestic transport costs, making Somali exports less price-competitive even before they reach international waters.

4.5. Mapping Macroeconomic Opportunities and Structural Catalysts

1. The Scale of the Livestock Export Engine

Despite severe climate shocks and structural bottlenecks, the livestock sector remains the foundational pillar of Somalia's export economy, generating nearly half of national GDP and providing livelihoods for over 60% of the population.

- **Data Analysis:** Driven by consistent demand from traditional Middle Eastern trading partners—particularly Saudi Arabia, the United Arab Emirates, and Oman—Somali livestock exports surged from a baseline of \$384 million to **nearly \$1 billion**.
- **The Catch:** While this volume is highly impressive, the trade remains almost entirely focused on un-shorn, raw live animals. This means the domestic economy misses out on valuable secondary processing activities, such as meat packing, leather tanning, and bone-meal manufacturing, which could create thousands of local jobs.

2. Strategic Regional and Multilateral Accession Vectors

Somalia's formal entry into the East African Community (EAC) and its ongoing efforts to join the World Trade Organization (WTO) mark a major turning point for its trade policy.

- **EAC Integration:** Joining the EAC expands Somalia's potential market to a regional population of over 300 million consumers. It provides a structured legal framework to eliminate non-tariff barriers, utilize regional transport corridors, and apply the EAC Common External Tariff (CET) structure.
- **WTO Accession:** The ongoing work of Somalia's WTO Accession Working Party serves as a vital blueprint for domestic legal reform. To meet international standards,

the state is updating its legal framework, aligning maritime transport laws, and implementing intellectual property regulations. This brings long-term predictability to the country's commercial environment, making it far more attractive to foreign direct investment (FDI).

4.6. Unlocking the Blue Economy Frontier

Somalia possesses the longest continental coastline in Africa, stretching over 3,333 kilometers, yet its marine resources remain almost completely unexploited.

- **The Potential:** The country's Exclusive Economic Zone (EEZ) sits along major migratory routes for high-value fish species, including yellowfin tuna, swordfish, and mackerel, with an estimated sustainable annual catch potential exceeding 300,000 metric tons.
- **The Reality:** The current domestic fishing industry consists mostly of small-scale, artisanal operations that capture only a fraction of this volume. Upgrading this sector through modern processing hubs and industrial fleets presents an immediate path toward diversification, reducing the country's reliance on livestock exports.

4.7. Advanced Digital Infrastructure and Fintech Innovation

In sharp contrast to its weak physical infrastructure, Somalia has developed a highly advanced, efficient digital financial ecosystem.

- **The Landscape:** Driven by private telecommunications companies, the country features remarkably high mobile money adoption rates, with a large majority of the population using mobile wallets daily.
- **Trade Application:** The introduction of standardized digital tools, such as the *Somalia National Quick Response Code (SNQRC)*, offers a solid foundation for modernizing trade finance. These platforms can bypass inefficient brick-and-mortar banks, allowing exporters to secure peer-to-peer trade finance, process immediate payments across borders, and use digital customs systems to cut through red tape at ports of entry.

5. Discussion

The empirical reality of Somalia's economic architecture demonstrates that short-term growth spikes driven by raw livestock sales cannot deliver long-term stability unless structural adjustments are executed.

Table 1:

Factor	Current State	Target Future State	Required Strategic Intervention
Primary Driver	Live animal trade vulnerable to climate shocks and sudden foreign health bans.	Value-added meat processing, leather tanning, and processed fish products.	Establish specialized agro-industrial free zones with certified veterinary labs.
Energy Input	Expensive, diesel-dependent power (\$0.61+/kWh) suppressing processing factories.	Low-cost hybrid solar-wind energy generation grids.	Deploy public-private partnerships (PPPs) in renewable utility infrastructure.
Trade Policy	Fragmented, state-level tariffs and manual customs processes.	Automated, EAC-aligned customs and harmonized tax structures.	Complete deployment of the <i>Somali Customs Automated System (SOMCAS)</i> at all entry points.

The World Bank's policy guidance emphasizes that expanding access to sustainable and affordable electricity is essential to boost domestic manufacturing competitiveness. If the cost of power can be lowered via green energy initiatives, local firms can realistically transition from exporting live animals to exporting chilled, processed meats and packaged seafood. This shift would capture higher profit margins along international supply chains and insulate the domestic economy from climate-induced agricultural shocks. Furthermore, trade diplomacy must catch up to regional integrations. Utilizing EAC protocols to eliminate non-tariff barriers will safeguard Somali merchants against discriminatory border protocols, provided that the federal government accelerates the implementation of the *Income Tax Law* and aligns its border valuations with regional standards.

The structural data presented in the findings requires a critical re-examination of how Somalia approaches economic growth. Currently, the nation is locked in an unsustainable macroeconomic cycle: its massive trade deficit, where imports routinely outstrip exports, is covered primarily by volatile foreign aid and international diaspora remittances. While remittances provide a vital safety net for millions of households, they function primarily as a consumption smoothing mechanism rather than a driver of structural economic growth. This capital is typically spent on imported food, fuel, and consumer goods, which means the money quickly flows right back out of the domestic economy. To

achieve genuine economic independence and long-term stability, Somalia must transform this remittance capital into productive investments, shifting from an import-dependent, consumption-driven model to an active, export-led growth strategy.

To break out of this cycle, the country must address its high energy costs. As long as electricity remains at \$0.61–\$1.00/kWh, local processing will remain uncompetitive, regardless of how many regional trade treaties are signed. This reality highlights the urgent need for a coordinated public-private push to transition the country's energy infrastructure from expensive, diesel mini-grids to hybrid solar and wind utility networks. Lowering industrial power tariffs to regional levels (\$0.10–\$0.15/kWh) is a fundamental prerequisite for building competitive, domestic processing facilities.

Furthermore, analyzing these challenges through the lens of regional integration shows that joining the EAC is not an automatic fix for economic development. Instead, it represents a competitive arena with high stakes. If the federal government does not move quickly to establish an accredited National Bureau of Standards, Somalia could easily find its local markets flooded with cheap manufactured imports from more advanced regional neighbors like Kenya and Tanzania. To prevent this regional trade imbalance, Somalia must utilize its specific areas of comparative advantage—such as its massive livestock herds and unexploited marine resources. By using its advanced digital financial infrastructure to

streamline trade processes and lowering processing costs through green energy investments, Somalia can transform its traditional primary sectors into competitive, value-added export industries, securing a prosperous and resilient economic future.

5.1. The Remittance-Consumption-Import Nexus: Somalia's Macroeconomic Vulnerability Trap

The empirical evidence presents a critical macroeconomic challenge: Somalia's post-HIPC economy is trapped in a structural cycle where external financial inflows drive consumer imports rather than building domestic productive capacity. While standard macroeconomic models view international remittances as a net positive asset for developing nations, a deeper structural analysis reveals that in Somalia, these inflows create distinct economic distortions. Remittances, which average between \$1.3 billion and \$2.0 billion annually, function primarily as a private social safety net. They smooth household consumption by funding immediate needs like food, healthcare, and education.

However, because Somalia lacks a robust domestic manufacturing and agricultural processing base, this liquidity does not circulate within the local economy to create a multiplier effect. Instead, it immediately leaks out to finance consumer imports. This dynamic creates a persistent trade deficit, with merchandise imports frequently hovering around 100% of GDP, while formal exports languish below 30%.

From a theoretical perspective, this structural imbalance resembles a localized version of Dutch Disease. In this scenario, unearned foreign currency inflows elevate the real exchange rate and inflate domestic prices, making local production less competitive against cheap imports. This dynamic explains why the country imports basic commodities like processed dairy, packaged meat, and refined edible oils, despite possessing the largest livestock-to-population ratio in East Africa and vast tracts of fertile land along the Shabelle and Jubba rivers.

Remittances and official development assistance (ODA) cushion the population from absolute poverty, but they also mask the underlying erosion of the nation's productive capacity. To break this dependency trap, the Federal Government of Somalia (FGS) must use targeted fiscal incentives to redirect a portion of these remittance inflows into productive, export-oriented capital investments.

5.2. Political Economy of Regulatory Fragmentation and Fiscal Federalism

The operational challenges facing Somalia's export sector cannot be separated from the ongoing process of building its post-conflict state institutions. The current friction between the Federal Government of Somalia (FGS) and the Federal Member States (FMS) regarding tax jurisdictions and customs collection highlights a deeper institutional challenge: the absence of a unified internal market.

According to public choice theory, when subnational jurisdictions operate without clear, centralized coordination, they tend to maximize localized revenue at the expense of national economic efficiency. In Somalia, this dynamic manifests as a network of internal tariff barriers, localized transit fees, and competing customs valuations at regional ports like Mogadishu, Bosaso, Garacad, Hoby, Kismayo, and Berbera.

This regulatory fragmentation functions as an internal non-tariff barrier (NTB) that directly reduces the competitiveness of Somali exports. When an agricultural exporter moves commodities from inland production zones through multiple regional states to an exit port, the accumulated cost of informal tolls and competing state levies inflates the final free-on-board (FOB) price. This structural friction undermines the country's natural comparative advantages in primary sectors.

Resolving this bottleneck requires more than just technical fixes; it demands a robust political settlement on fiscal federalism. The systematic deployment of the *Somali Customs Automated System (SOMCAS)* is an important technical step. However, its success depends on binding revenue-sharing agreements that encourage subnational states to eliminate internal trade barriers in exchange for a predictable share of centralized import-export tariff revenues.

5.3. Strategic Re-interpretation of the Prebisch-Singer Trap via Vertical Value-Addition

As discussed in the literature review, the *Prebisch-Singer Hypothesis* warns that developing countries relying on raw primary commodities face declining terms of trade over time. Somalia's export profile—dominated by live animal sales to the Gulf Cooperation Council (GCC) area—makes it a clear example of this structural vulnerability. By exporting live animals rather than processed meat products, Somalia loses out on significant economic value along the international supply chain.

o escapes this primary commodity trap; Somalia must pursue state-guided vertical value-addition within its traditional sectors. Shifting the export base from live animals to chilled, packaged meat and processed leather products would fundamentally alter the country's trade dynamics:

- 1. Economic Insulation:** It insulates the economy from sudden, arbitrary import bans based on livestock diseases like Rift Valley Fever. While a live animal can be rejected at a foreign port due to health concerns, processed and packaged meat products treated in certified, hygienic facilities can easily pass global sanitary and phytosanitary (SPS) inspections.
- 2. Capturing Industrial Spillover:** Processing livestock locally captures valuable industrial byproducts, creating raw materials for domestic leather tanneries, pharmaceutical inputs, and bone-meal manufacturing.
- 3. Job Creation:** This shift moves rural agricultural workers into formal industrial jobs, absorbing urban youth unemployment and fostering broader economic stability.

However, executing this strategy requires addressing the nation's severe energy deficit. Operating modern, continuous cold-storage networks and mechanized processing lines is economically unviable when electricity tariffs sit at \$0.61–\$1.00/kWh. This confirms that energy infrastructure reform is the core foundation of Somalia's industrial trade policy. The state must actively foster public-private partnerships (PPPs) to transition the energy landscape away from expensive, diesel-powered mini-grids and toward utility-scale solar and wind networks. Lowering industrial energy tariffs to regional baselines (\$0.10–\$0.15/kWh) is a prerequisite for making domestic value-added processing plants internationally competitive.

5.4. The Dualities of Regional Integration: The EAC and WTO as Sharp Institutional Catalysts

Somalia's formal entry into the East African Community (EAC) and its ongoing accession negotiations with the World Trade Organization (WTO) mark a critical turn in its international trade strategy. In institutional economics, joining multilateral trade organizations serves as a powerful external commitment mechanism. By signing international trade treaties, a government commits to binding legal and regulatory reforms that might otherwise be stalled by domestic political gridlock or special-interest lobbying.

However, these international trade arrangements bring significant structural risks along with their clear opportunities. Within the EAC Common Market, Somalia must eventually adopt the community's Common External Tariff (CET) and eliminate all internal customs duties on goods originating from fellow member states like Kenya, Uganda, and Tanzania. This open border policy creates a highly competitive trading environment.

If Somalia opens its domestic markets before establishing an accredited National Bureau of Standards and building basic infrastructure, it risks experiencing widespread trade diversion. Advanced manufacturing firms from neighboring countries could easily flood Somali markets with lower-cost consumer goods, undermining local infant industries. At the same time, Somali merchants would struggle to export their own agricultural and marine products into the wider EAC market due to their inability to meet rigid regional sanitary and phytosanitary (SPS) requirements.

Therefore, regional integration must be approached as a strategic, phased process rather than an immediate economic cure-all. The FGS must utilize the transitional periods allowed under EAC protocols to rapidly upgrade its domestic trade architecture. This means the state must prioritize:

- Establishing an internationally recognized, independent National Bureau of Standards.
- Building accredited testing laboratories at primary export gateways.
- Harmonizing domestic commercial codes with global trade frameworks.

By taking these steps, Somalia can transform its international treaty commitments from simple legal compliance requirements into active drivers of structural economic reform, enabling the nation to build a resilient, competitive, and truly self-sustaining export economy.

6. Conclusion

Somalia stands at a transformative economic crossroads. While historical challenges including high energy costs, climate variability, and weak regulatory enforcement continue to suppress its commercial capabilities, its strategic geography and natural resource endowments present major opportunities for growth. Mitigating these trade deficiencies requires a deliberate transition from an ad-hoc, consumption-dependent trade profile to a formal, value-added, export-led framework. Leveraging its position within the EAC and advancing WTO compliance guidelines will enable Somalia to build a more resilient trade ecosystem, foster sustainable job creation, and drive long-term economic transformation.

7. Recommendations

To systematically transition Somalia from a primary commodity-dependent economy into a highly competitive, integrated trading partner within the East African Community (EAC) and the global market, the Federal Government of Somalia (FGS) must execute a series of targeted, structural policy interventions. These recommendations are structured across operational, regulatory, and diplomatic domains to match the administrative demands of a doctoral-level policy framework.

- └─▶ 1. EAC Integration & Custom Harmonisation (Roadmap, Rules of Origin, CET)
- └─▶ 2. Border Operations & Logistics (Single Window, SOMCAS Automation)
- SOMALIA STRATEGIC └─▶ 3. Export Ecosystem Facilitation (Industrial Green Energy Subsidy)
- RECOMMENDATIONS └─▶ 4. Human Capital Development (Specialised Trade Officer Training)
- └─▶ 5. Trade Diplomacy & FDI Attraction (Reciprocal Visas, Investment Ties)

To systematically enhance export capabilities and drive national economic expansion, the Federal Government of Somalia, in partnership with private sector entities and international development organizations, should implement the following targeted initiatives:

- **Establish National Quality Standards Agencies:** Accelerate funding to launch a globally certified Bureau of Standards and modernized testing facilities at primary ports (Mogadishu, Berbera, Bosaso, Garacad, Baraawa, Hobyo, and Kismayo) to issue recognized sanitary and phytosanitary certificates.
- **Transition to Renewable Energy Infrastructures:** Subsidize private utility operators to transition from diesel generation to hybrid solar, wind, and off-grid renewable energy networks, driving industrial electricity tariffs down to support agro-processing factories.
- **Incentivize High-Value Product Diversification:** Provide tax exemptions and targeted micro-credit programs for exporters who invest in value-adding machinery, such as meat-canning plants, modern leather tanneries, and fish-processing facilities.
- **Harmonize Cross-Border Customs and Legal Frameworks:** Fully deploy the *Somali Customs Automated System (SOMCAS)* across all regional checkpoints and completely align domestic tax laws with the EAC Common External Tariff protocol by 2027 to eliminate domestic administrative friction.
- **Construct Climate-Resilient Trade Corridors:** Invest in veterinary quarantine corridors, strategic water infrastructure along pastoral trade routes, and climate information warning networks to secure steady livestock output during ecological shifts.

7.1. EAC Integration Roadmap, Customs Union Harmonization, and Rules of Origin Compliance

To effectively manage its entry into the East African Community, Somalia must transition from a simple signatory status to full operational alignment with the EAC Customs

Union Protocol. The Ministry of Trade and Industry, in coordination with the EAC Secretariat, should immediately establish a comprehensive, multi-year EAC Trade Integration Roadmap.

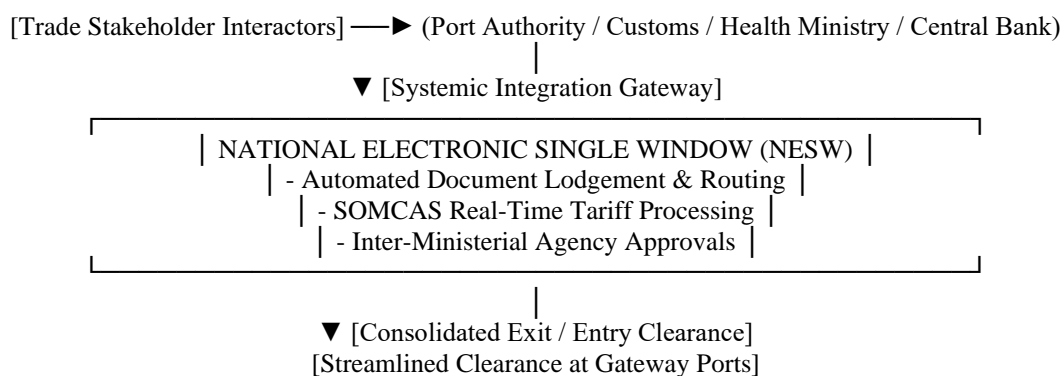
- **Customs Union Harmonization:** Somalia must progressively align its national tariff schedules with the EAC Common External Tariff (CET) structure. This alignment must be phased strategically to protect local infant industries—such as domestic livestock feed production and small-scale manufacturing—while opening up the economy to the community's zero-tariff internal trade rules.
- **Rules of Origin Compliance Infrastructure:** To prevent the country from becoming a pass-through destination for cheap, non-EAC manufactured goods, the government must build a strict administrative framework

to enforce EAC Rules of Origin. This requires establishing a national certification desk that verifies and issues certificates of origin only to products that meet the community's domestic value-content or material-transformation thresholds.

This protective measure ensures that Somali businesses can access regional markets without running into border disputes with neighboring customs authorities.

7.2. Implementation of a National Electronic Single Window System

To minimize corruption, eliminate manual processing delays, and reduce trade friction at primary ports of entry, the Ministry of Finance must accelerate the deployment of a National Electronic Single Window (NESW) system.



- **Technical System Integration:** This digital gateway must seamlessly link the **Somali Customs Automated System (SOMCAS)** with other vital regulatory bodies, including the Ministry of Commerce and Industry (Trade), Port Authorities, Airport Authorities, Ministry of Agriculture, Central Bank, and commercial clearing houses.
- **Administrative Efficiency:** The NESW will allow international traders to submit all necessary customs declarations, health certificates, and shipping manifests through a single digital portal. By automating document routing and moving away from paper-based files, this system will significantly shorten port clearance timelines from weeks to hours. This operational upgrade will directly lower demurrage fees and improve the overall efficiency of major trade hubs like Mogadishu, Bosaso, Berbera, Hobyo, Marka, Garacad, Kismayo, and Berbera.

7.3. Export Promotion and Enabling Environment: Green Industrial Power Ecosystems

To make value-added processing economically viable, the government must address the country's high industrial energy costs. The state should implement an aggressive energy transition policy that shifts industrial free zones from expensive, diesel mini-grids to **hybrid solar and wind generation utility networks**.

- **Targeted Industrial Power Subsidies:** The FGS should partner with international climate funds and private developers to set up dedicated industrial zones powered by renewable energy. Companies that focus on value-added exports—such as meat-packing facilities, fish-canning operations, and leather tanneries—should

receive guaranteed, subsidized electricity tariffs capped at **\$0.10 to \$0.15 per kWh**.

- **Value-Chain Transformation:** Lowering power costs to regional levels will encourage companies to shift from exporting live animals to exporting premium, processed products. This energy reform will also create a more resilient trade ecosystem that is better insulated against climate shocks and can successfully meet international environmental standards.

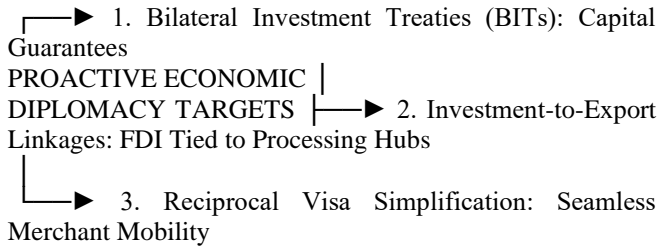
7.4. Capacity Building: Professionalization of Customs and Trade Officers

The successful management of modern trade policies depends heavily on the technical expertise of border enforcement teams. The government must establish a dedicated training framework to upgrade the skills of **customs officials, trade inspectors, and border personnel**.

- **Technical Curriculum and Training Focus:** Training programs must focus on critical operational competencies, such as digital customs management (using the SOMCAS and NESW platforms), international commodity classification (the Harmonized System), advanced trade fraud detection, and modern risk-management techniques.
- **EAC Policy Alignment:** Border officers must receive specialized training on the legal and technical aspects of **EAC trade regulations, sanitary and phytosanitary (SPS) protocols, and non-tariff barrier (NTB) reporting mechanisms**. Professionalizing these border agencies will reduce administrative errors, eliminate irregular border fees, and ensure compliance with regional trade commitments.

7.5. Proactive Trade Diplomacy, Investment Matching, and Visa Facilitation Agreements

To translate its regional integration into tangible economic gains, Somalia must adopt a highly proactive trade diplomacy framework. The Ministry of Foreign Affairs should work closely with the investment community to shift international relationships from traditional aid dependency toward long-term foreign direct investment (FDI) partnerships.

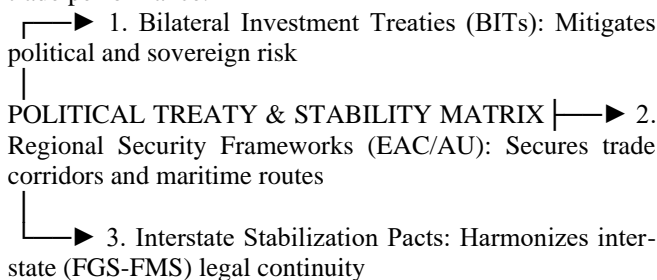


- **Bilateral Investment Treaties (BITs):** Somalia should negotiate comprehensive investment agreements with key regional and international trading partners. These treaties must include clear legal protections, transparent dispute-resolution mechanisms, and capital guarantees to attract foreign investment into critical infrastructure areas like commercial shipping fleets, deep-sea fishing hubs, and modern cold-chain logistics networks.
- **Reciprocal Visa Simplification Agreements:** The government must actively negotiate bilateral visa-facilitation frameworks to improve regional business mobility. Securing long-term, multi-entry business visas for Somali merchants, logistics managers, and investors—and offering reciprocal access to international partners—is essential for building vibrant cross-border trade networks. Removing restrictive travel barriers will make it far easier for local businesses to build reliable supply chains, participate in regional trade forums, and attract major international investments into the country's growing economy.

7.6. Strategic Geopolitical Treaties, Collective Security Pacts, and Institutional Stability Architecture

A foundational prerequisite for a high-functioning export economy is a predictable, secure domestic environment that minimizes sovereign risk and safeguards cross-border supply chains. In fragile and conflict-affected situations (FCS), trade policy cannot operate in an institutional vacuum separate from political stability.

Therefore, the Federal Government of Somalia must leverage strategic bilateral and multilateral political treaties to build institutional stability, directly enhancing national trade performance.



7.6.1. Mitigating Sovereign Risk through Bilateral Investment Treaties (BITs)

To transform Somalia's image from a high-risk landscape into

an attractive destination for foreign capital, the state must aggressively negotiate and ratify Bilateral Investment Treaties (BITs) with key capital-exporting nations across the Middle East, East Africa, and Europe.

- **Legal Risk-Mitigation Mechanisms:** These political treaties must offer binding, internationally enforceable legal protections. Key components must include explicit clauses against uncompensated expropriation, guarantees for the free repatriation of capital and profits, and adherence to international arbitration bodies like the *International Centre for Settlement of Investment Disputes (ICSID)*.
- **Economic Trade Impact:** By locking in these state-level legal commitments, Somalia lowers its sovereign risk profile. This provides institutional confidence to international logistics firms, port operators, and multinational agro-processing conglomerates, encouraging them to deploy long-term fixed capital into the country's export infrastructure.

7.6.2. Deepening Regional Security Frameworks and Border Stabilization Pacts

Physical security along trade corridors and at maritime exit points is essential for maintaining a steady flow of exports. Somalia must strategically utilize its integration into the East African Community (EAC) and its partnerships with the African Union (AU) to transition from ad-hoc security operations to formal, institutionalized collective security frameworks.

- **Securing Trade Infrastructure:** The state should negotiate dedicated, multi-state security arrangements specifically designed to protect critical trade infrastructure. This includes securing vital overland transport routes connecting agricultural hubs to deep-water ports, as well as joint naval patrols to eliminate piracy and illegal, unreported, and unregulated (IUU) fishing in Somalia's Exclusive Economic Zone (EEZ).
- **Economic Trade Impact:** Stabilizing these commercial routes directly reduces transit risks. This lowers maritime insurance premiums (such as war-risk surcharges) and domestic security costs for local exporters, making Somali commodities far more price-competitive in international markets.

7.6.3. Inter-State Stabilization Pacts and Domestic Policy Continuity

International trade treaties are only as effective as the domestic political stability that supports them. The FGS must formalize a series of binding Inter-State Stabilization Pacts between the Federal Government and the Federal Member States (FMS) to insulate the national trade ecosystem from localized political disputes.

- **Institutionalizing Policy Continuity:** These domestic political treaties must legally establish that national trade policy, maritime access rules, and international customs regimes fall under a unified federal framework that cannot be altered by regional political shifts.
- **Economic Trade Impact:** Creating a predictable, uniform legal environment across all states prevents sudden changes in tariffs or arbitrary border closures at regional lines. This institutional continuity gives international buyers and long-term investors the

confidence that their multi-year supply contracts and local investments will remain secure, regardless of shifts in the domestic political landscape.

7.7. Modernization of Secondary Ports and Rebuilding Legacy Maritime Gateways (The Marka Port Reconstruction Initiative)

To decentralize export logistics, reduce internal transport costs, and expand access to global shipping lanes, the Federal Government of Somalia (FGS) must prioritize the reconstruction, modernization, and re-opening of its historical secondary ports. A critical focal point of this coastal infrastructure revival is the historical Port of Marka (Merca), located in the Lower Shabelle region.

Prior to the civil conflict and the subsequent collapse of state institutions, Marka served as the premier specialized agricultural export gateway for Somalia, particularly for high-value cash crops such as bananas, citrus fruit, and sesame. Rebuilding Marka and related secondary maritime assets (such as Hobyo and Barawe) is a vital geographic and structural remedy for the nation's export bottlenecks.

[Lower Shabelle / Shabelle Valley Agricultural Hubs]

↓
(Direct Low-Transit Corridor: Reduced Fuel & Checkpoint Costs)

▼
[RECONSTRUCTED MARKA PORT]

├─► Specialized Banana & Cash Crop Cold-Chain berths
├─► Automated Customs Clearance & Phytosanitary Checks

▼
[Direct Export to International Markets]

7.7.1. Strategic Advantages of Rebuilding the Port of Marka

- **Proximity to Agricultural Hubs:** Marka sits next to the fertile Shabelle Valley river basin, which serves as the core production zone for Somalia's agricultural sector. Currently, farmers in Lower Shabelle must transport their perishable produce along long, insecure roads to the Port of Mogadishu. This extended route exposes them to delays, multiple internal checkpoints, and transport damage. Reopening Marka creates a direct, nearby export channel that significantly cuts down inland transport times and preserves product quality.
- **Relieving Congestion at Major Ports:** Mogadishu Port operates under heavy congestion, resulting in longer turnaround times and high container handling fees. Developing Marka as a dedicated agricultural and livestock export terminal reduces traffic at the main capital port, optimizes regional logistics, and lowers overall freight handling costs for local exporters.

7.7.2. Technical and Infrastructural Interventions Required

To transform Marka Port from a damaged, inactive harbor into a competitive, modern trade gateway, the following targeted infrastructure steps are required:

- **Deep-Water Dredging and Breakwater Construction:** The historical port lacks the depth required for modern container ships. The FGS should partner with international maritime engineering firms to

perform extensive dredging of the approach channels and harbor basin. Constructing robust, modern breakwaters is essential to protect the harbor from heavy seasonal monsoons, ensuring safe, year-round shipping operations.

- **Specialized Cold-Chain and Agricultural Berths:** The port must be designed with specialized facilities tailored for agricultural exports. This includes building temperature-controlled warehouses, packing sheds, and dedicated berths equipped with electrical charging points for refrigerated containers (*reefers*). This infrastructure ensures that delicate cash crops like bananas can move seamlessly from farm to ship without breaking the cold chain.
- **Integrated Border and Quality Control Stations:** To ensure smooth operations within the East African Community (EAC) framework, the reconstructed port must feature a modern, on-site customs station fully integrated with the *Somali Customs Automated System (SOMCAS)*. It must also host an accredited sanitary and phytosanitary (SPS) testing lab to inspect and certify all outgoing agricultural products on-site, preventing delays at foreign destination ports.

7.7.3. Financing through Public-Private Partnerships (PPPs) and Maritime Treaties

Given the fiscal limits of the post-HIPC Somali state, funding the reconstruction of the Port of Marka requires innovative financial models that combine public oversight with private sector efficiency.

- **Concession Agreements:** The government should offer long-term Build-Operate-Transfer (BOT) or Build-Own-Operate-Transfer (BOOT) concessions to global port management companies and international development consortia. Under these arrangements, private partners provide the capital to build and manage the port, while the state maintains long-term sovereign ownership and collects steady lease and concession revenues.
- **Attracting Foreign Direct Investment:** The FGS should actively use its new trade agreements to pitch Marka as a high-yield investment opportunity to international sovereign wealth funds and global logistics companies. Positioning Marka as a specialized, low-cost agricultural gateway allows Somalia to attract the external capital needed to rebuild its historical trade networks, create local employment, and drive sustainable economic growth.

7.8. Multilateral Accession Strategy: Aligning WTO, AfCFTA, COMESA, and PAFTA Protocols

To fully maximize its export potential, Somalia must look beyond bilateral trade agreements and systematically integrate into global and continental multilateral trade frameworks [somalipublicagenda.org]. By aligning its domestic commercial laws with the overlapping protocols of the World Trade Organization (WTO), the African Continental Free Trade Area (AfCFTA), the Common Market for Eastern and Southern Africa (COMESA), and the Pan-Arab Free Trade Area (PAFTA), Somalia can establish a diverse, tariff-free market network that drives structural export growth [somalipublicagenda.org, somalipublicagenda.org].

└─► WTO Compliance: Locks in global legal transparency & MFN treatment

└─► AfCFTA Integration: Opens preferential continental markets for manufactured fish & agro-goods

MULTILATERAL TRADE ARCHITECTURE |

(Overlapping Accession Wheels) └─► COMESA Alignment: Harmonises regional rules of origin across 21 African states

└─► PAFTA Maximisation: Re-secures zero-tariff live-animal corridors to GCC markets

7.8.1 WTO Accession as an Institutional Policy Anchor

Somalia must accelerate its formal integration into the World Trade Organization (WTO) to establish a predictable, rule-based commercial ecosystem.

- **Policy Action:** The Ministry of Trade and Industry must align its domestic business laws with core WTO agreements, particularly the *Technical Barriers to Trade (TBT) Agreement* and the *Trade Facilitation Agreement (TFA)*.
- **Export Impact:** Achieving full WTO membership secures Most-Favoured-Nation (MFN) treatment for Somali exports, ensuring that local goods face non-discriminatory tariff rates globally. It also provides access to formal international dispute-settlement mechanisms, protecting local exporters from arbitrary, politically motivated trade bans by foreign buyers.

7.8.2. Leveraging the AfCFTA for Continental Market Diversification

The African Continental Free Trade Area (AfCFTA) offers Somalia a strategic pathway to diversify its economy away from a historical over-reliance on Middle Eastern commodity markets.

- **Policy Action:** The government must finalize its tariff concession offers and commit to the progressive elimination of 90% of tariffs on intra-African trade. This requires aligning domestic customs procedures with AfCFTA digital clearance frameworks.
- **Export Impact:** Formal AfCFTA integration opens up a single continental market of 1.3 billion consumers. This

gives Somali exporters preferential access to rapidly expanding urban centers across West, Central, and Southern Africa, unlocking new markets for processed fisheries and agricultural cash crops.

7.8.3. Re-Activating COMESA Protocols for Regional Trade Harmonization

As a long-standing member of the Common Market for Eastern and Southern Africa (COMESA), Somalia must fully operationalize the bloc's trade liberalization instruments [somalipublicagenda.org].

- **Policy Action:** Somalia needs to fully join the *COMESA Free Trade Area* and integrate its national border agencies into the *COMESA Simplified Trade Regime (STR)*. This setup must be synchronized with the country's recent East African Community (EAC) commitments to prevent administrative friction
- **Export Impact:** Operationalizing COMESA protocols simplifies cross-border rules of origin and introduces unified transit insurance systems across 21 African nations. This dramatically reduces the cost of overland logistics, facilitating a smoother flow of Somali agricultural goods into regional markets.

7.8.4. Maximizing PAFTA Protocols to Secure Traditional Live-Animal Corridors

The Pan-Arab Free Trade Area (PAFTA) remains an essential commercial link for Somalia's foundational agricultural sectors.

- **Policy Action:** Somalia must utilize PAFTA protocols to negotiate the removal of non-tariff barriers (NTBs)—such as arbitrary health quarantines—that frequently disrupt trade with Gulf Cooperation Council (GCC) states.
- **Export Impact:** PAFTA guarantees zero-tariff access for Somali livestock, meat, and sesame across the Arab world. By matching these zero-tariff privileges with modern, domestic sanitary and phytosanitary (SPS) testing centers, Somalia can secure and scale up its multibillion-dollar livestock trade with primary buyers like Saudi Arabia, Oman, and the United Arab Emirates.

Table 2

Strategic Intervention	Implementation Timeline	Primary Institutional Lead	Key Performance Indicators (KPIs)
EAC Custom Union Alignment	Phase 1: 12–24 Months	Ministry of Trade & Industry / EAC Secretariat	Complete implementation of EAC Common External Tariff (CET) zero internal tariff barriers on regional goods.
Electronic Single Window (NESW)	Phase 1: 12–24 Months	Ministry of Finance / Port Authorities	Integration of SOMCAS with border agencies; reduction in port clearance times to under 48 hours.
Marka Port Modernization	Phase 2: 24–48 Months	Ministry of Ports & Marine Transport	Completion of deep-water dredging; launch of operational solar-powered agricultural cold-chain berths.
Industrial Green Energy Subsidies	Phase 2: 24–48 Months	Ministry of Energy & Water Resources	Delivery of subsidized industrial power capped at \$0.12/kWh within specialized export zones.

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