HARNESSING REGIONAL TRADE TO STRENGTHEN BORDERLAND ECONOMIES IN THE HORN OF AFRICA

Nimo Jirdeh | Ahmed M. Musa | Ali Ibrahim

Harnessing Regional Trade to Strengthen Borderland Economies in the Horn of Africa

Abstract

The Horn of Africa (HoA) envisions economic integration through initiatives such as the Horn of Africa Initiative and Somalia's admission to the East African Community (EAC). The primary objective of this conference paper is to analyse what these integration efforts could mean for Somalia's borderland regions, which have faced economic and political marginalisation. It is essential to leverage these prospective integrations to bolster the economies and state-building processes in these peripheral borderlands.

While borderland areas will remain central to economic connectivity between countries, this paper aims to highlight for policymakers and development actors the need to design integration frameworks that consider borderland realities, ensuring that this region benefits both economically and politically.

Without inclusive approaches, borderland areas risk further marginalization, which would undermine the integration's goals, including enhanced economic growth, poverty reduction, and improved security. The analysis draws on data from prior consultancy and academic fieldwork on cross-border trade in the HoA's borderlands conducted by the authors since 2016, supplemented by a review of relevant literature including the authors' own published work.

1. Introduction

There are new concerted effort of economic integration to address some of the long-standing challenges such as poverty, insecurity and lack of collaboration in the Horn of Africa (HoA) region. Examples of these efforts include the Horn of Africa Initiative [1] and Somalia's admission to the East Africa Community (EAC) which was intended to promote regional economic integration through the development of hard infrastructure such as roads and data networks [2] that connect key regional economic hubs — markets, ports and corridors — and soft infrastructure such as integrated customs, trans-shipments, and revenue collection systems through regulatory reforms.

The finance ministers of Djibouti, Somalia, Kenya, Ethiopia, and Eritrea issued a joint communiqué during the launch of the Horn of Africa Initiative in 2019. They emphasised the necessity of coordinated regional action to address shared development challenges that hinder economic growth and poverty eradication efforts. Supported by the World Bank and the African Development Bank, the initiative stated that regional economic integration is rooted in the Horn's geography, history, and socio-economic dynamics. [3] It is seen as a strategy to accelerate economic growth, promote diversification, and expand regional trade by filling gaps in critical regional infrastructure along with 'soft' policy and regulatory reforms.

In November 2023, Somalia was officially admitted as the eighth partner state of the EAC. [4] The community's secretary general highlighted that joining the community would enable Somalia to benefit from the EAC's regional infrastructure projects such as roads, railways and energy networks.[5] This development was followed by a proposed $215 million road project connecting Isiolo and Mandera in Kenya, El Wak in Somalia and Rhamu in Ethiopia, [6] funded by the African Development Bank.

The proposed regional integrations are largely at the conceptual stage, but there is no doubt that, once implemented, they will drive significant economic and political reconfigurations. The book "Land, Investment & Politics: Reconfiguring Eastern Africa's Pastoral Drylands", to which some of the authors contributed, provides evidence of how large external investments shape politics and livelihoods. It illustrated how drylands have become the new frontiers for economic development in Africa. [7] One obvious question is what do these envisioned regional integration initiatives mean for borderland communities that have historically been marginalised—both economically and in terms of state-building?

[1] Horn of Africa Initiative, 2019, https://www.hoainitiative.org/
[2] African Development Bank, Djibouti – Nagad-Loyada/Lowyaddo-Borama Road Phase 1 Upgrading Project (MapAfrica), 2023; Insecurity Delays Construction of Sh28bn Road to Ethiopia, Somalia, Business Daily, 23 September 2024
[3] Horn of Africa Initiative, 2019, https://www.hoainitiative.org/
[4] East African Community (EAC), Somalia Finally Joins EAC as the Bloc's 8th Partner State, 2024
[5] East African Community (EAC)
[6] Business Daily, Insecurity Delays Construction of Sh28bn Road to Ethiopia, Somalia
[7] Jeremy Lind, Doris Okenwa, and Ian Scoones, Land, Investment & Politics: Reconfiguring Eastern Africa's Pastoral Drylands, vol. 40 (Boydell & Brewer, 2020).

The concept of regionality is used as an analytical framework. We adopt anthropologist Carol Smith's conceptualization of regionality, which argues that regional analysis should incorporate political, social, and historical dimensions, as purely economic models often overlook complex socio-historical realities. [8] A region is not the same as a territory with defined administrative boundaries but is an interconnected space — such as the Somali-inhabited regions of the Horn — which shares common historical, social, ecological, economic, and political characteristics. [9] We are interested in the Somali borderlands between Somalia, Kenya and Ethiopia.

[8] Carol A. Smith, 'Causes and Consequences of Central-Place Types in Western Guatemala', in Regional Analysis (Elsevier, 1976), 255–300, https://www.sciencedirect.com/science/article/pii/B9780126521016500176.

[9] Peter D. Little, 'Domestic Production and Regional Markets in Northern Kenya', American Ethnologist 14, no. 2 (May 1987): 295–308, https://doi.org/10.1525/ae.1987.14.2.02a00070.

2. Methods

This analysis draws on synthesis of the authors' extensive prior fieldwork and publications, spanning both academic and consultancy work, on cross-border trade, governance and peace in the borderlands of Somalia, Kenya, and Ethiopia. The authors have conducted nearly a decade of fieldwork on cross-border trade, dryland investments, and economic corridors, with substantial contributions to the field. They have contributed chapters to two notable books: Land, Investment & Politics: Reconfiguring Eastern Africa's Pastoral Drylands, with a chapter on Berbera corridor investment; and Trade Makes States: Governing the Greater Somali Economy, writing a chapter on revenue collection, state-making, and cross-border revenues. Some authors conducted PhD research specifically on cross-border livestock trade.

Others bring extensive regional experience in governance and peacebuilding, both as practitioners and academics. This analysis synthesises their prior research, field experience, and academic expertise. While primary data collection was limited by time constraints, the comprehensive use of prior funded research mitigates this limitation.

3. Literature Review

The Somali borderlands in the Horn of Africa have long been areas of conflict, competition, and containment, both Somaliweyn ideology and political Islam, due to their colonial history and post-colonial political struggles.[10] Before the establishment of formal borders, these regions served as central hubs for trade between ports along the Somali coast and the hinterlands including the Ethiopian highlands. Myrrh, frankincense, hides, skins, ivory, and coffee from the hinterlands were traded across and along what are now the borderlands. Clothes, tobacco, and dates were exported through the ports along the Somali coast.[11] Colonial powers, along with ancient sultanates and chiefdoms, vied for control over the lucrative routes which largely remained borderless caravan trade.[12]

The advent of colonial institutions brought shifts that altered the importance of certain spaces and affected state-building processes. For example, the historic Zeila corridor's significance began to shift as French and British influence grew in the region. Infrastructure developments, like the construction of the Ethio-Djibouti railway, played a major role in these changes. The opening of the Harar-Djibouti railway in 1917 diverted trade from the British-controlled Zeila port to French-controlled Djibouti. [13]

After Somalia gained independence and Italian Somaliland and British Somaliland unified in 1960, many ethnic Somalis who had been placed within Ethiopia and Kenya by colonial borders sought to join the newly independent country. [15] Though backed by the Somali government, this was strongly opposed by Kenya– and Ethiopia. What followed were prolonged tensions marked by frosty border relations, interstate wars, civil resistance, and proxy conflicts.

Trade between Somalia, Kenya, and Ethiopia has continued but has largely remained informal, operating outside government controls and facilitation. Agro-pastoral goods such as livestock [16] and vegetables, as well as imported commodities like sugar, [17] rice, flour, clothes, and electronics [18], are commonly traded across borders through informal channels. This trade is not only informal but also predominantly communal, as opposed to national, and supported by social institutions. State institutions such as border control guards and customs authorities sometimes disrupt the flow of trade, but sometimes facilitate it, as they often benefit from it informally.

Over the past decade, regional integration has gained currency in the HoA, supported by global and regional development institutions like the World Bank, the African Development Bank, IGAD and the IMF. This renewed focus envisions shared economic infrastructure and harmonised regulatory environments. In theory, regional economic integration aims to promote economic growth, including in borderland areas, while fostering stability and cooperation among nations. However, key questions arise including: what will this new regional economic integration mean for borderland areas in terms of trade and state-building?

[10] Ken Menkhaus, Political Islam in Somalia, Middle East Policy 9, no. 1 (2002); Korwa Gombe Adar and Mercy Kathambi Kaburu, Realist Conceptions of Kenya's Foreign Policy and Foreign Policy Behaviour, in African Foreign Policies (Routledge, 2020), 118–137.
[11] Richard Pankhurst, The Trade of the Gulf of Aden Ports of Africa in the Nineteenth and Early Twentieth Centuries, Journal of Ethiopian Studies 3, no. 1 (1965): 36–81.
[12] K. V. Ram, British Government, Finance Capitalists and the French Jibuti–Addis Ababa Railway 1898–1913, The Journal of Imperial and Commonwealth History 9, no. 2 (1981); Cedric Richard Barnes, Ethiopian State and Its Somalia Periphery circa 1888–1948 (PhD Thesis, 2001).
[13] Jatin Dua, A Sea of Trade and a Sea of Fish: Piracy and Protection in the Western Indian Ocean, Journal of Eastern African Studies (2013).
[14] David Bukweya Kiplel, 'Colonial Borders and National Security; Case Study Horn of Africa from 1956 to 2005' (Thesis, UNIVERSITY OF NAIROBI, 2008), http://erepository.uonbi.ac.ke/handle/11295/166261.
[15] S. M. Makinda, Conflict and Accommodation in the Horn of Africa: Kenya's Role in the Somali–Ethiopian Dispute, Australian Outlook 37, no. 1 (1983): 34–39.
[16] Ahmed M. Musa, Livestock Export Trade in the Berbera Corridor, PhD Thesis, University of Nairobi (2020); Philemon O. Ng'asike, Governance of Cross-Border Livestock Trade, PhD Thesis, University of Nairobi (2021).
[17] Jacob Rasmussen, Sweet Secrets: Sugar Smuggling and State Formation in the Kenya–Somalia Borderlands (2017); Asnake Kefale, Shoats and Smart Phones: Cross-Border Trading in the Ethio-Somaliland Corridor, DIIS Working Paper (2019:7).
[18] Asnake Kefale, Shoats and Smart Phones: Cross-Border Trading in the Ethio-Somaliland Corridor, 2019: 7 (DIIS Working Paper, 2019), https://www.econstor.eu/handle/10419/204632.

4. Key Findings

4.1 Drivers of Current Cross-Border Trade in the Somali Borderlands

The main cross-border commodities in the Somali borderlands include sugar and livestock (primarily along the Somalia-Kenya border). [19] In the Somaliland-Ethiopia borderlands, key commodities include livestock, [20] electronics, vegetables, and foodstuffs. Cross-border trade is shaped by a complex interplay of human ecology, political economy, market systems, and state formation dynamics. [21]

From a human ecology perspective, informal cross-border trade is driven by borderland communities adapting to social, political, and climatic realities. These communities operate in the absence of formal, efficient institutions capable of facilitating trade across borders.[22] As a result, informal social institutions have emerged to support the circulation of goods. A key example is the livestock trade, which is deeply rooted in the traditional nomadic mobility for pasture and water—practices that predate the creation of modern borders. While borders constrain this mobility, they have not succeeded in entirely halting it. This raises persistent questions about the origin of livestock crossing borders. Some argue that livestock herds crossing during the dry season are then marketed across the borders again, while others contend that these livestock originate from the other side. [23] These debates, particularly among state authorities, are often driven by revenue collection logic.

Market systems are another crucial factor driving cross-border trade. Somalia boasts the longest coastline in the Horn of Africa, a geographic asset that has historically positioned it as a gateway for the region. The Somali ports, corridors, and markets are vital for neighbouring hinterlands, which depend on these hubs for access to international trade. Similar to traditional human mobility, this economic connectivity to the Somali economic hubs predates the establishment of modern borders.

State formation dynamics also play a significant role in shaping cross-border trade. This is marked by a dichotomy. On one hand, much like colonial states, post-colonial governments are built around economic hubs, where they exercise authority through mechanisms like border controls and revenue collection. However, these states often fail to create an enabling physical and institutional environment for cross-border trade.

[19] Philemon O. Ng'asike, Analysis of Governance on Cross-Border Livestock Trade Between Kenya and Somalia (PhD Thesis, University of Nairobi, 2021); Jacob Rasmussen, Sweet Secrets: Sugar Smuggling and State Formation in the Kenya–Somalia Borderlands (JSTOR, 2017).
[20] Ahmed M. Musa, Analysis of Institutional Dynamics and Their Influence on Livestock Export Trade in the Berbera Corridor of Somaliland (PhD Thesis, University of Nairobi, 2020).
[21] Asnake Kefale, Shoats and Smart Phones: Cross-Border Trading in the Ethio–Somaliland Corridor (DIIS Working Paper, 2019).
[22] Ahmed M. Musa, Transborder Mobile Money Platforms in the Greater Somali Economic Space (Rift Valley Institute, 2024).
[23] Ahmed M. Musa, From Trust to Oligopoly: Institutional Change in Livestock Trade in Somaliland after 1991 (DIIS Working Paper, 2019).
[24] Peter D. Little, Unofficial Cross-Border Trade in Eastern Africa, in Food Security in Africa (Edward Elgar Publishing, 2010).
[25] Ahmed M. Musa, Transborder Mobile Money Platforms in the Greater Somali Economic Space.

On the other hand, cross-border actors continue their trade despite the lack of supporting institutions or actively avoid them because they do not facilitate efficient cross-border trade. National authorities and policymakers tend to view this activity with suspicion, believing it undermines state authority and contributes to political and economic instability. [24] Conversely, sub-national authorities may take a different stance, subtly supporting cross-border trade, which they see as essential to their local economies. [25]

A notable state formation dynamic affecting cross-border trade is the political relationship between post-colonial Somalia and its neighbours, postcolonial Kenya and Ethiopia. This relationship has been marked by chronic distrust, direct confrontations, securitized borders, and frequent border closures.

The collapse of Somalia's central government in the 1990s further exacerbated the situation, as the absence of central state institutions on the Somali side hindered the facilitation of formal cross-border trade. The sub-national authorities that emerged in place of the central government lacked the legitimacy to engage in formal trade with neighbouring countries, leaving the Somali borderlands effectively stateless. In addition, non-state actors have emerged and operate within the Somali borderlands, reinforcing the securitization policies of Ethiopia and Kenya toward these areas. This has discouraged non-Somalis and large-scale Somali traders from participating in cross-border trade, leaving economic activities in the borderlands primarily focused on subsistence and livelihoods economies, rather than integrating into national or large-scale economic frameworks.

Finally, political and economic factors drive cross-border trade. These include the historical political, social, and economic marginalisation of the Somali borderlands, characterised by limited state presence and unfriendly, securitized national policies. This has weakened the relationship between borderland economies and national economies, particularly in Kenya and Ethiopia.

[26] Little, 'Land Use Conflicts in the Agricultural/Pastoral Borderlands: The Case of Kenya.', 1987, https://www.cabidigitallibrary.org/doi/full/10.5555/19881850418.
[27] Little, 'Land Use Conflicts in the Agricultural/Pastoral Borderlands'.

4.2 Regional Trade Integration in the Context of Current Border Realities

One of the strategies that has become quite prominent in fostering economic growth, stability, and interdependence among countries is the regional trade integration of the Horn of Africa. This trend continues despite the complex political and security challenges which characterise the border dynamics of the region. Border problems in Africa often reflect historical, political, and economic intricacies, which have complicated efforts toward regional integration. [26] These dynamics are dramatically exacerbated in the Horn of Africa, where the benefit of economic cooperation has to be weighed against realpolitik represented by unresolved territorial disputes and fragile governance.

One such effort toward regional connectivity is the Horn of Africa Initiative, launched in 2019 under the stewardship of the African Development Bank. The initiative also focuses on the development of infrastructure, which is one of the priorities that aims at increasing trade integration through developed road networks, rail links, energy, and digital connectivity. These investments are meant to be utilised in fostering cross-border trade, reducing transaction costs, and connecting economies in the region in a more meaningful manner. The initiative also addresses broader issues of fragility and marginalisation by improving regional infrastructure, thus creating an enabling environment for trade and economic growth. However, such initiatives face the problem of complexity in the issue of border management, governance, and security challenges if they are to be holistically effective, as indicated. [27]

Second, the Somalia-Ethiopia-Eritrea cooperation agreement signed in 2020, and the Kenya and Somalia cooperation agreement in 2024 further illustrates growing diplomatic efforts toward regional trade integration. These agreements marked a milestone in their economic and political relationship, reflecting commitment from the governments toward economic integration and development cooperation. The cooperation agreements focused on normalising trade relations, easing border restrictions, and promoting joint infrastructure projects amongst other things. While these developments are promising, authors observed that the lingering effects of past injustices and conflicts – in particular border disputes – created tensions that impeded smooth trade integration, which requires sustained genuine reconciliation and political dialogue as trade development progresses.

The inclusion of Somalia into the EAC in 2023 was also part of the major milestones in regional trade integration. Membership gives Somalia access to one of Africa's more established economic communities, which enforces and promotes free trade and the movement of goods, services, and capital. Border realities, especially the border disputes between Somalia and Kenya, will have to be settled if Somalia is to make full use of all the benefits offered by EAC membership. The major challenges to effective integration in trade under this framework are customs enforcement, security, and infrastructure deficits.

5. Conclusion

The Somali community is known for its entrepreneurial spirit and has a long history of merchant trade, facilitated in part by the strategic geographic location of Somali territories along the long coastlines of the Red Sea and the Indian Ocean. Despite various constraints, Somalis have become prominent in transportation, export-import, and cross-border trade. Regional trade has significant potential to strengthen economies, particularly in borderlands, and to support cooperation between countries.

Geographically and skill-wise, Somali people stand to benefit from regional integration. However, realising this potential depends on designing inclusive policy and legal frameworks. It is crucial that regional integration benefits not only elites and major formal traders but also considers low-income informal trade practices. Inefficient, inaccessible, or overly stringent institutions can discourage low-income and informal traders. This synthesis paper aimed to inform future comprehensive research that could guide policymakers and development practitioners, encouraging them to consider the unique realities of the borderlands so that economic integration benefits all stakeholders equitably.

6. Recommendations

1. **Formalisation without disrupting informal systems**

While formalising trade is essential for increasing state revenues and regulatory oversight, it must be done without destabilising the informal trading systems that sustain borderland communities. Governments should adopt flexible regulatory frameworks that recognise and integrate informal practices. For example, simplifying customs procedures and establishing formal trading posts can facilitate the transition from informal to formal economies without marginalising small-scale traders, especially women and youth, who depend on informal trade for their livelihoods.

2. **Enhancing institutional capacities for trade facilitation**

A key challenge in borderland regions is the lack of strong institutional mechanisms to support trade. Governments and regional bodies like the EAC should invest in building institutional capacities at borders. This includes training customs officials to improve transparency and efficiency in border processes and developing digital trade documentation systems to reduce bureaucracy and corruption.

3. **Advancing infrastructure with a cross-border focus**

Infrastructure development should prioritise both national connectivity and cross-border integration. Roads, railways, and energy networks that connect borderland towns with major economic hubs on either side of the border will promote greater movement of goods and services. Projects like the Isiolo-Mandera-El Wak-Rhamu road should be accelerated and expanded to enhance cross-border trade between Kenya, Somalia, and Ethiopia.

4. **Encouraging public–private partnerships (PPPs)**

To address fiscal constraints in developing borderland economies, governments should encourage public-private partnerships to mobilise resources. Offering tax incentives or creating special economic zones in borderlands could attract private investors to finance infrastructure, logistics, and market development, which in turn would foster job creation, promote local production, and improve access to goods and services.

5. **Empowering border communities through skills development and inclusion**

Women, youth, and pastoralist communities in border regions are particularly vulnerable to economic marginalisation yet remain central to trade activities. Governments and development partners should invest in targeted skills development programmes in areas such as agro-processing, livestock value chains, entrepreneurship, and financial literacy. Ensuring the meaningful participation of marginalised groups in policy development and decision-making processes will strengthen local ownership, reduce tensions, and promote social cohesion.

6. **Enhancing security and building trust in border areas**

Security remains a major impediment to regional trade. Neighbouring countries should establish joint security arrangements, including joint patrols, intelligence sharing, and local conflict resolution mechanisms, to enhance confidence in border regions. Stronger border governance, coupled with community consultations and transparent policies, will help build trust between state institutions and border communities, reducing smuggling and other illegal activities that destabilise the region.

7. References

African Development Bank. (2023). Djibouti – Nagad-Loyada/Lowyaddo–Borama Road Phase 1 upgrading project – MapAfrica.

Barnes, C. R. (2001). The Ethiopian state and its Somalia periphery circa 1888–1948 (PhD thesis). University of Cambridge.

Business Daily. (2024, September 23). Insecurity delays construction of Sh28bn road to Ethiopia, Somalia.

Cassenelli, L. V. (1982). The shaping of Somali society. University of Pennsylvania Press.

Dua, J. (2013). A sea of trade and a sea of fish: Piracy and protection in the Western Indian Ocean. Journal of Eastern African Studies. https://doi.org/10.1080/17531055.2013.776280

Haaland, G. (1982). Social organization and ecological pressure in Southern Darfur.

Hall, P. (1966). Von Thünen's isolated state. Pergamon Press.

Horn of Africa Initiative. (2019). Horn of Africa Initiative.

Howard, A. M. (1975). Pre-colonial centers and regional systems in Africa. Pan-African Journal, 8(3), 247–270.

Jones, W. O. (1974). Regional analysis and agricultural marketing research in tropical Africa: Concepts and experience. Food Research Institute Studies, 13(1), 3–28.

Kefale, A. (2019). Shoats and smartphones: Cross-border trading in the Ethio–Somaliland corridor (DIIS Working Paper). Danish Institute for International Studies.

Krummel, J. R., O'Neill, R. V., & Mankin, J. B. (1986). Regional environmental simulation of African cattle herding societies. Human Ecology, 14(1), 117–130. https://doi.org/10.1007/BF00889213

Little, P. D. (1987). Domestic production and regional markets in Northern Kenya. American Ethnologist, 14(2), 295–308. https://doi.org/10.1525/ae.1987.14.2.02a00070

Musa, A. M. (2020). Analysis of institutional dynamics and their influence on livestock export trade in the Berbera corridor of Somaliland (PhD thesis). University of Nairobi.

Ng'asike, P. O. (2021). Analysis of governance on cross-border livestock trade between Kenya and Somalia (PhD thesis). University of Nairobi.

Pankhurst, R. (1965). The trade of the Gulf of Aden ports of Africa in the nineteenth and early twentieth centuries. Journal of Ethiopian Studies, 3(1), 36–81.

Plattner, S. (1975). Rural market networks. Scientific American, 232(5), 66–79.

Ram, K. V. (1981). British government, finance capitalists and the French Jibuti–Addis Ababa railway 1898–1913. Journal of Imperial and Commonwaealth History, 9(2), 146–168. https://doi.org/10.1080/03086538108582590

Rasmussen, J. (2017). Sweet secrets: Sugar smuggling and state formation in the Kenya–Somalia borderlands.

Smith, C. A. (1976). Causes and consequences of central-place types in western Guatemala. In Regional analysis (pp. 255–300). Elsevier.