



BONN INTERNATIONAL CENTER FOR CONVERSION

B · I · C · C

BONN INTERNATIONAL CENTER FOR CONVERSION • INTERNATIONALES KONVERSIONSZENTRUM BONN

paper 39

External Actors in Stateless Somalia

*A War Economy and its
Promoters*

External actors in stateless Somalia

A war economy and its promoters

by Sabrina Grosse-Kettler

Published by
©BICC, Bonn 2004
Bonn International Center for Conversion
Director: Peter J. Croll
An der Elisabethkirche 25
D-53113 Bonn
Germany
Phone: +49-228-911960
Fax: +49-228-241215
E-mail: bicc@bicc.de
Internet: www.bicc.de

Preface

Somalia is usually seen as the ultimate example of state failure. In Western strategic circles the country had been all but forgotten, following the ill-fated attempts of the United Nations at peacekeeping during the early 1990s. This situation has changed to some degree with the renewed threat from international terrorism in the wake of the bomb attacks against the US embassies in Nairobi and Dar es Salaam in August 1998 as well as against hotel installations and an Israeli airliner near the Kenyan port of Mombasa in November 2002. In both cases, Somalia seems to have been used as a transshipment point for arms and explosives, as well as a temporary refuge for terrorism suspects.

Immediately following the terrorist attacks against New York's twin towers in September 2001, Somalia was added to the US shortlist for possible intervention. US Deputy Defense Secretary Paul Wolfowitz went on record saying that "Somalia has a certain al-Qaeda presence already" (*Washington Post*, 11 December 2001). While no conclusive evidence was ever presented which would have linked al-Qaeda to Somalia, these claims by the US administration sparked a new interest in Somali affairs. In October 2001, the US treasury department froze the assets of the largest Somali remittances and telecommunications company, al-Barakaat, following allegations that it had been used by al-Qaeda operatives. According to some analysts (Menkhaus, 2004: 68), the Bush administration came close to mounting military operations against Somalia in early 2002. While these plans seem to have been dropped quietly, the country is still under intensive aerial and naval surveillance from US and allied forces based in neighboring Djibouti and Kenya (*Jane's Intelligence Review*, September 2004: 25).

While indigenous Islamic groups such as Al-Ittihad certainly remain a factor in Somali politics and the almost complete takeover of the country's fragmented educational system by Islamic charities poses the long-term risk of Somalia becoming a fertile breeding ground for generations of indoctrinated students, in the short-term, the country is of relevance not so much as a base for international terrorist, but as a supply route for all forms of merchandise in the Horn of Africa. Capitalizing on the traditionally strong trade links between Somalia and the Gulf states and using the country's well established commercial network of 'beach ports', overland trucking companies and the porous borders to neighboring states, Somalia has in effect become the world's largest 'duty-free shop' (Menkhaus, 2004: 51).

While it seems like a paradox that international commerce should thrive in the absence of state structures providing public services such as law and order and a degree of physical infrastructure, this paper shows that state collapse does not necessarily equate with anarchy. Somalia has been without an internationally recognized government for more than a decade, yet the country has emerged from the large-scale civil war of the early 1990s and seems to have reached an equilibrium, where the balance of power between the various clan groups and their military entrepreneurs is maintained by a mixture of customary conflict resolution mechanisms and commercial interaction. Fighting between different groups still happens – most often about the control of critical infrastructure such as beach ports, markets, bridges, road and airfields – but it is more limited in scale than during the civil war period. In many areas of the country, security has not only improved, but compares favorably with the situation in neighboring countries, such as in the Somalia-Kenya border areas.

Numerous African states are in different degrees of decline, having difficulty in maintaining a monopoly on violence on their territories and showing only a limited inclination in providing any kind of public service to their hapless citizens. The political elites of these ‘paper states’ often have a more than dubious claim to legitimacy, often based on grossly manipulated elections or straightforward military coups. However, what makes these countries different from Somalia is that their sovereign statehood is accepted among their peers, or more bluntly, a state is a state because other states think it is. The recognition of a government as the legal representative of a sovereign state opens access to new sources of revenue – most notably in the form of international development assistance and credit lines.

Somalia has seen attempts to re-establish statehood, particularly in the form of the Transitional National Government (TNG), which emerged in August 2000 from the internationally-brokered Arta process. While the TNG gained limited international recognition particularly from the United Nations and attracted some 50 million US dollars in aid from the Gulf states, it never succeeded in controlling more than isolated pockets of the country (Menkhaus, 2004: 8). In effect, the TNG seems to be but another attempt at rent-seeking, the legitimacy of its leaders dubious at best. Meanwhile the majority of Somalia’s military entrepreneurs seem to have resolved that the current status quo serves their interest better than possible alternatives, the country remains in effect a stateless war economy.



Table of Contents

| | |
|---------------------------------------|-----------|
| 1 Introduction | 2 |
| 2 Creating a war economy | 4 |
| 2.1 War economy in Somalia..... | 4 |
| 2.2 No authority, but business..... | 8 |
| 2.3 Historical background | 10 |
| 3. Funding a war economy | 13 |
| 3.1 The regular sector..... | 14 |
| 3.1.1 Bananas | 15 |
| 3.1.2 Charcoal | 16 |
| 3.1.3 Khat | 18 |
| 3.2 The informal sector..... | 19 |
| 3.2.1 Money transfer | 19 |
| 3.2.2 Currency printing..... | 21 |
| 3.2.3 Maritime ‘businesses’ | 22 |
| 3.3 The criminal sector | 24 |
| 3.3.1 Arms and ammunition..... | 24 |
| 3.3.2 Waste | 28 |
| 4. Conclusion | 30 |
| 5. Bibliography | 32 |

Somalia: “Its story sharply challenges conventional ideas about economy, politics and social order and confronts the very premises under which Western diplomacy and development agencies operate” (Little, 2003, p. 1).

1 Introduction

Recent analyses of war economies have revealed that war can be a sustainable system of economic organization. The examination of the perpetuating dynamics and structures of war economies has broadened the discussion about causes for conflict and the initiation of war. In the case of Somalia, where a perpetuating war economy became effective after the collapse of the Siad Barre regime in the early nineties, the focus of international peace research has shifted from the historic causes of conflict to approaches focusing on the mechanisms and motivations that prolong it. To date, the armed conflict in Somalia has killed several hundred thousand people¹ (AKUF, 2003).² In 2003, approximately 370,000 people remained internally displaced (HIIK, 2004). Depending on the definition used, the situation in Somalia is described either as a serious crisis within the category of intra-state conflicts (ibid.) or as a war (AKUF, 2003). This analysis will show that fighting and rivalries in Somalia are driven by those mechanisms that are attributed to a war economy in the academic literature. Therefore, the term ‘war economy’ will be applied to the conflict in Somalia, and refers to its driving factors instead of to a quantitative definition of war. This assessment applies mainly to the southern parts of Somalia –the area between the Jubba and the Shabelle River– and the region of Puntland. In these areas, fighting again has reached the intensity of the early nineties; this, in spite of a decrease in the later part of the decade. It is concentrated around the airports, ports and tracks that are centers of transportation and export, such as those in Mogadishu, Marka, Kismayo and Boosasso. Controlling this infrastructure means creating an environment in which insecurity is caused and security is provided by the same violent groups.

The conflict mechanisms in Somalia differ, however, from other intra-state war economies such as Liberia, DRC or Sudan in

¹ There is no data available on the number of victims. It is supposed that several hundred thousand people died both because of the war and because of famine that, in turn, was due to war caused crop failure and a lack of access (AKUF, 2004).

² All German quotations were translated by the author.

one significant way: natural resource exploitation is not a driving factor for conflict in Somalia. The exploitation of charcoal, for example, does not generate enough profit for warlords or local militias to pay their war expenditures. Since the conflict is not entirely financed by the local economy and thus is not self-sufficient, it is necessary to examine the international frameworks and networks upon which a war economy relies. In this context, Mark Duffield points to the fact that –besides theories of individual rational motivation– war economies in general “are rarely self-sufficient or autarchic after the fashion of traditional nation-state-based war economies. On the contrary, though controlling local assets, they are heavily reliant on all forms of external supports and supplies” (Duffield, 2000, p. 75). This leads to the problem of “commercial complicity” (ibid., p. 73), a concept that describes the linkage of war economies with international markets. Accordingly, mechanisms of a war economy are presumed to be the logical outcome of economic globalization. But if war economies are sustained through the prospect of profit and not the cessation of hostilities, two questions become ever more important for our understanding of them. How does war contribute to the financial enrichment of individuals? And what is the basis of funding for armed conflict within Somalia?

The overall aim of this paper is to provide an understanding of the role external actors play in this war economy. To achieve this, the study will take a close look at the impact of international economic agents; that is, individuals, groups of people, corporations and institutions based outside of a conflict zone but supporting conflict parties through economic interaction. The emphasis will be on corporations which trade with conflict parties, as well as on foreign armed forces and arms dealers, whose intervention in a conflict is motivated by economic interests. The theoretical question behind this debate is whether a war economy is mainly sustained through the impact of external arms and capital or by the greed of internal actors. To answer these questions the characteristics of the Somali war economy will be described in detail. The focus will be on the structures and dynamics that characterize the war economy; the historic causes of conflict referring to the pre-1990s will be given less attention. The impact of external actors will be examined and their role evaluated. In doing so, it can be revealed how external resources contribute to the insecurity based economy in Somalia.

2. Creating a war economy

The engine of the market economy is the pursuit of profit; this system will persist only if it produces profits for the participating bodies. It is in precisely this sense that a war economy differs from a civilian economy **in wartime**. In the latter case, the economy of a war-torn country is modified and civilian systems are replaced by the necessities of the military, whereby victory supersedes sustainable economic activity and domestic profit. As a consequence, the civilian economy –in times of war– does not contribute to long-term economic growth and, indeed, only absorbs the country’s resources and labor force. To a certain extent, a war economy, in contrast, builds a sustainable system based on violence, greed and grievance, as profit is generated not out of a final military victory, but out of war itself. In the following text, it will be shown that the sustainability of the war economy in Somalia is highly reliant on external resources. The general characteristics of war economies are to be applied to the Somalian case as of 1991. Furthermore, the role of (state) authorities and the structuring function of businesses –two relevant aspects of war economies– will be examined in order to analyze where the perpetuating structures can be broken.

2.1 War economy in Somalia

Theories about war economies point to the perpetuating mechanisms and the mutual relation between war and economy. According to the World Bank’s Research Development Group headed by Paul Collier war and violence are economically motivated and individuals or groups use them to maximize profit. (Collier, 2000, pp. 91-111). From this perspective war becomes a rational economic action which is mainly initiated and perpetuated by personal greed. Hence various identifiable groups –“opportunistic businessmen, criminals, traders, and the rebel organizations themselves”– may lust for violence and thereby establish profitable structures out of war that is then, in turn, self-stabilizing (ibid., pp. 103-104). Accordingly, political or social grievance does not motivate people to take up arms – economic calculation does. David Keen, in reference to the phenomenon of ‘changed priorities’, agrees with Collier’s theory that war is deliberately prolonged, “underlining the point that the aim of war is not necessarily to win it” (Keen, 2000, p. 29) but to profit from it in economic terms. Profiteers in the Somalian society are mainly

warlords³, businessmen or the new type of warlord-businessmen. On January 21st, 2004, the Online Edition of the Herald Tribune ran an editorial on Somalia's apolitical warlords:

“The warlords have neither an ideology nor a political agenda. Their actions are solely driven by the pursuit of illicit enrichment and war booty. The individual fiefdoms they have carved out are used as a base for the exploitation of confiscated properties, plantations, ports and airports, as well as for drug trafficking, the issuance of fishing licenses for foreign concerns and for arms trade” (International Herald Tribune, 21.01.2004).

In reality, the warlords in Somalia are not totally apolitical. Some, such as Abdullahi Yusuf in Puntland, do make ideological claims and promote some political ideas to the population. However, there is only little difference between warlords and businessmen; the former, ex-members of Barre's regime or already engaged in trade during the period of colonization, would act much like the latter. Osman Atto, for instance, was manager of a US-oil company during the early period of Barre. Later he founded his own oil-company and let Barre take part in the profit. Today, Atto is a multi-millionaire and owns the biggest landed property in Mogadishu (Baykoni, 2001, pp. 89–90). He has a permanent militia at his disposal and can easily mobilize additional recruits.

Without a central authority in Somalia, the number of any kind of warlord has increased up to 15 of such leaders including the Transitional National Government (TNG) president. In Mogadishu, “there are no less than six warlords, each controlling a different section of the city and its rural hinterland” (International Herald Tribune, 21.01.2004). The phenomenon of the warlord–businessman has spread rapidly in southern Somalia since 1999. These men control their own militias and operate on a strictly economic basis, whereby the use of violence is simply a form of conducting business. Likewise, violence equals business when “independent neighbourhood self-defence groups, *ciidmamba madaaniga* (popular militias) of former police officers and youngsters, charging 2-3,000 Somali shillings (US \$0.15) per house per night” patrol the streets (Smith, 2003, pp. 6-7). For the local population, in contrast, violence is a means of survival. Integration into a militia is often an individual's only possibility

³ Adam defines the term warlord as “a man who was lord of a particular area by virtue of his capacity to wage war. A warlord exercised effective governmental control over a fairly well defined region by means of a military organization that obeyed no higher authority than himself” (Baykoni, 2001, p. 89).

for gaining access to the arms and ammunition that promise both “self-esteem” and “self-employment” (ICG 2003: 10). Youngsters, in particular, are forced by their economic conditions “to take up arms as a form of employment” (Menkhaus 2003: p 21). Thus, poor individuals also become dependent on warlords’ greed, as ‘their’ war economy is the only economic prospect.

Many approaches do not attribute a decisive role to economic factors for the outbreak of conflict, they do, however, acknowledge the hidden potential. Rufin, for instance, states that the priority is still politics and, therefore, the struggle for power, resources and the monopoly of authority. This is especially true for the southern parts of Somalia where the struggle for “(...) ownership and control of land *deegaan*⁴ is inseparable from national struggles to capture the state” (Farah et al., 2002, p. 349). Farah explains that:

“*Deegaan* engenders political strength, as well as livelihood and group identity. *Deegaan* is a bargaining chip for regional and national political position and hence access to national as well as regional resources. Without claiming a particular *deegaan*, clans feel disenfranchised from national political processes” (ibid.).

It is the peoples’ striving for economic or political influence detached from any ideology or allegiance that triggers conflict. The “continuation of economies by other means” (Keen, 2000, p. 27) sees the production and (re-) distribution of public goods illegally converted into private property. This abuse of public goods and services inevitably fuels conflict since these limited resources create the main income for rivaling factions. Reports by the United Nations “Panel of Experts on Somalia” (United Nations, 2003a; 2003b) show how the lack of natural resources is compensated by illegal means of capital accumulation. The enforcement of protection money, transportation taxes and kidnapping are described by the International Crisis Group as “growth industries” (ICG 2003: 10), with insecurity as the pre-condition for this sustainable system of violence⁵ (Elwert, 1997). The dependence on arms and private security networks is further strengthened by the lack of functional, though not necessarily governmental, authority and the collapse of basic public services.

⁴ ‘Deegaan’ stands for “a land base and its resources”. The term not only implies a territorial dimension but, moreover, is an indicator for wealth and power in Somalia (Farah et al., 2002, pp. 321-353).

⁵ The German term “Gewaltmarkt” has an explicit economic dimension since „-markt“, meaning market, always has a demand and a supply side. Elwert also emphasises that economic purposes are the roots for violence (Elwert 1997).

The privatization of security leads to a further strengthening and intensification of fighting while the use of violence is not only a means to an end but also an economic strategy. Security has thereby become a commercialized good. With business and violence constituting two sides of the same coin, lacking functional authority within Somalia is substituted by the authority of business. Peter D. Little describes Somalia as a trade-based economy without state (Little, 2003).

“Why trade figures so prominently in recent events of Somalia relates to the fact that (1) its economy has always been external and market-oriented, and (2) the current statelessness promotes an excessively open and unrestricted economy. Since at least the sixteenth century, Somali pastoralists have traded animal products and other goods to the Middle Eastern markets” (ibid., p. 3).

Accordingly, it is not surprising that to most Somalis there is little distinction between external and internal markets (United Nations, 2003a, p. 16). But there is an important difference between globalized markets or pastoral trans-border trade and commercial complicity. That which perpetuates conflict is not an income generating economic operation but the reinvestment in war or even the profit from war itself. As, for Somalia, the economic system is not self-sufficient but rather “reflecting the logic of globalization”, economic actors have successfully established “wider alternative networks” (Duffield, 2000, pp. 73-74). The dilemma of commercial complicity –the illicit interaction of global economic actors and Somalian warlords– is related to the failure of normal legal intra- and interstate economic transactions. The anarchy of commerce results in illegal trade between warlords and foreign willing partners. According to Duffield this leads to the interdependence of war economies and external funding. And “(a)lthough globalization and liberalization have not caused these new forms of instability, they have made it easier for warring parties to establish the parallel and transborder economic linkages necessary for survival” (ibid., p. 74). In a war economy, social life is mainly structured by the authority of business.

2.2 *No authority, but business*

“Studies of post-modern war economies suggest that participation in the global economy and the exercise of power no longer requires a modern state. Elites, government, warlords and quasi-state authorities can instead survive on extractive and coercive relations with populations in their own neighbouring countries, or on expanding parallel or illegal economies that do not rely on state institutions” (Bradbury, 2003, p 14).

With regard to Somalia, the Panel of Experts for Somalia states that, “(w)ith no effective government in place to protect property rights, armed actions, by individuals or groups, is the only available recourse” (United Nations, 2003a: p 32). According to the categorization of the HIIK, “national power” is the main conflict issue in southern Somalia (HIIK, 2004). In Somalia, this term does not point to rivalries between rebel groups –like the Sudan People’s Liberation Army (SPLA) in Sudan or the Revolutionary United Front (RUF) in Sierra Leone– or to the central government, but refers to what Hobbes called *war of all against all*. Various (clan-based) groups struggle for economic domination, which in turn allows certain groups or individuals to expand their military capacity and to determine the economic framework for any private operation and enrichment. Menkhaus and Ortmayer attest to the Somalian situation a “**crisis of legitimate authority**” (Menkhaus and Ortmayer, 2000, p. 215), which does not alone point to the lack of a central government. Menkhaus reminds the reader not to ignore that there are three different crises in Somalia, with different dynamics: statelessness, lawlessness and armed conflict (Menkhaus 2003, p. 11). The potential authorities in Somalian society –apart from business cartels– are the different clans and their elders, who refer to the local customary law (*xeer*), the TNG and, since the mid-1990s, the sharia-courts.

The Somali **clan structure** consists of two main lineage groups, the Samal and the Sab, each of which is subdivided into major clan-families. The Samal group consists of four clan-families, the Hawiye, the Darod, the Isaaq and the Dir, the Sab of two: the Digil and the sedentary Rahanweyn. Again, all of these can be broken down into further sub-clans and lineage groups. Kinship relations are structured patrilineally and up to 30 generations are remembered by the collective memory (Debiel, 2003, p. 131). Clan-affiliation is also linked through geographic

zones. These traditional alliances often form the basis on which militias are recruited and business-cartels are built. In case of inter- or intra clan conflicts people would refer to the **local customary law** (*xeer*) and to the advice of clan-elders as traditional mediators in conflict. Increasingly, elders are losing their impact as mediators, as more and more young men and teenage marauding groups (*mooryaan*) 'solve' conflicts by way of their guns, ignoring clan-affiliations.

“Local elders found themselves attempting to negotiate with young militiamen and bandits from distant clans rather than with “peer” elders (...). The teenage gunmen of the conquering clans had little respect for the traditional peace building, nor did they desire much mediation. Their livelihood depended on an economy of plunder and extortion that would presumably be threatened by peace“ (Menkhaus and Ortmyer, 2000, p. 217).

Nevertheless it must not be ignored that on the municipal level the impact of elders and local polities “provide(s) Somali citizens with variable levels of ‘governance’, if not ‘government’” (Menkhaus, 2003, p. 13). Menkhaus states that “(i)n some cases these informal and sub-national polities deliver more effective levels of public order than can be found in most neighbouring states in the Horn of Africa” (ibid.). In addition, there is increased reliance on **sharia courts** which “introduced processes and punishments which violate international human rights norms and standards” in southern Somalia (Menkhaus, 2003, pp. 3-4). Since there are no internationally recognized social rules that provide reliability to the Somali people, self-defence and/or payed security and protection substitute for authoritarian law enforcement. The privatization of security through violence seems to be a logical outcome of lawlessness.

The **Transitional National Government** (TNG) was announced in August 2000 as an attempt to rebuild a political authority in Somalia. This cross-clan and supposedly national government was headed by Abdiquasim Salad Hassan as President. All TNG political leaders, however, are linked to a cartel of key Mogadishu businessmen, which again shows that business is the authority rather than politics. Furthermore, the TNG is accused of having linkages to Islamic fundamentalist organizations. In effect, it has not gained sufficient authority to create some sort of public order; indeed, it

“failed to become minimally operational, was plagued by internal schisms, did not gain widespread bilateral recognition, and by 2002 appeared increasingly irrelevant. It formally expired in August 2003, the point at which its three-year mandate ended, though TNG President Abdiqassim Hassan Salad declared an extension to the TNG’s mandate” (Menkhaus, 2003, pp. 11-12).

Hence the TNG has become another faction in the struggle for power and profit with its business cartel having more authority than its (former) legitimate political position ever held. To date, however, the TNG has no legitimate mandate. Somaliland, Puntland and the Bakool and Bay regions in south-west Somalia have never participated in the TNG. The TNG controls not more than one district in Mogadishu and has some influence in Marka and Kismayo. Hence, apart from the sharia-courts which could be evaluated as functional authority but provide a questionable sort of security, the aforementioned potential authorities do not, or even cannot, provide security to the people. Hence one could argue that there is not a lack of authority in Somalia, but that the potential authorities are all limited by a social fragmentation of the Somali society.

2.3 Historical background

When statelessness emerged in 1991, former influential individuals from the Barre regime successfully created their own authority. When external actors from both the military and economic spheres turned towards Somalia, self-declared authorities competed for attention through violence and alleged co-operation. Consequently the role of external actors was determining the Somali war economy from the very beginning. The period of war economy can be structured into three phases referring to the behavior of warlords.

1991-1995: Waltzing with warlords. When the Siad Barre regime was ousted in January 1991, fighting between various factions intensified, especially in Mogadishu where General Aideed and Ali Madhi fought for dominance of the capital. On April 24th 1992, the United Nations Security Council gave the approval for resolution 751, thereby legitimizing the United Nations Operation in Somalia (UNOSOM). For the first time in history the International Community considered an intra-state conflict to be of concern to international security and decided to intervene despite the people’s right to self-determination. In

August 1992, the situation deteriorated further as 1.5 million people were threatened by starvation and an estimated 4.5 million suffered from acute malnutrition (Debiel, 2003, p. 142). With the increase in public attention, caused by extensive media coverage, international aid started to flow. According to Debiel it was the “tremendous presence of international staff –be it military or civilian– which led to the development of specific economic structures (...)” (ibid., p. 142). To the various factions, international aid was an additional source of income. Resources provided by the relief organizations created new economic niches which were filled by armed gunmen. Robbery, blackmailing and the setting-up of roadblocks became more lucrative with the influx of international aid. Additionally, the demand for interpreters, accommodations, as well as private security services added to the enrichment of militant individuals and groups (ibid., pp. 142–143). Examples show that the “aid industry” (Debiel) was a lucrative source of income to various militias. According to estimates that vary extensively, namely between 10 and 80 percent of all international supplies were looted in October 1992 (ibid.). Funds were often reinvested into arms and ammunition, leading to a further required strengthening of private security networks.

The International Committee of the Red Cross (ICRC), among other NGOs⁶, found itself increasingly dependent on the security provided by private security services and had to resort to it for the first time in its history. When the latent potential of war economies began to emerge, Mogadishu’s warlords were labeled either partners or villains, depending on the interests of individual parties (ibid., pp. 142–143). The cooperation with local warlords led to a “political promotion” of militant groups and demonstrated the economic potential of instability and suffering (ibid., pp. 155-157). On 20 July 1993, a Washington Post article titled “Waltzing with Warlords” referred to this disastrous humanitarian intervention, in which UN Peacekeepers became both unwilling supporters and opponents of local actors (ibid.). The confrontation with Aideed in October 1993 in Mogadishu ended in a fiasco when 18 US Marines and several hundred Somalis were killed. In May 1995, international troops withdrew, the United Nations Operation in Somalia failed.

1995–1999: Business with warlords. In the late 1990s “(m)any of the previously dominant warlords and political factions (saw) their influence diminish as the business class

⁶ In Kismayo, an international NGO supposedly payed US \$2.000 plus food monthly per person for a security group of 70 militiamen (Debiel, 2003, p. 143).

(became) an independent political force” (ICG, 2002, p.3). Particularly in the urban areas between Mogadishu, Kismayo and Baidoa –also known as the southern triangle– businessmen gained influence and power (Debiel, 2003, p. 158). Fighting was highly fragmented and restricted to local settings. External support led to an ‘empowerment’ of war sustaining economic structures since external capital allowed for a continuation of the status quo or even for prosperity. Economic activity restructured Somalian society during that period with remittances from a large diaspora being the main revenue to the poor. “Both business and remittances activities have generated demand for telecommunication and money transfer companies with international partners (ICG, 2002, p. 4) which became the country’s most dynamic enterprises. With an international communication network and money flow, warlords found willing business partners worldwide.

2000–today: Politics with warlords. After regional rivalries, namely between Egypt and Ethiopia diverted attempts the rebuild a central government in Somalia, the Government of Djibouti initiated the Arta Process in 1999, supported by the governments of Egypt, Libya, Eritrea and the Gulf-States. As an attempt to repoliticize the trade-based organization of Somali society, the TNG was set up in 2000 as the first Somali political initiative to achieve a significant degree of international recognition. However, as shown above, it did not turn into the country’s functional authority, as had been hoped. Since then, Inter-Governmental Authority on Development (IGAD)⁷ has invited Somali factions to peace talks several times. Invitations by external authorities to a peace talk turned into foreign interference in local ‘politics’ as alleged leaders in Somalia competed for an official status and acknowledgement by international officials. In October 2002, there were peace talks in Eldoret, Kenya. The fact that an invitation to the conference in Eldoret sold on the black-market for up to US \$100⁸ exemplifies again that political positions are just another dimension of economic power. Within this context, foreign financial contributions to arrange the meeting can be seen in a different light; the US government contributed \$100,000 and another \$1.7

⁷ The Inter-Governmental Authority on Development (IGAD) is a regional arrangement of the seven countries –Djibouti, Eritrea, Ethiopia, Kenya, Somalia, Sudan and Uganda– in the Horn of Africa with the declared aim of economic cooperation and integration.

⁸ This information has been taken from the online editorial of “AllPuntland”, an electronic newspaper from the region of Puntland (cf. www.allpuntland.com). accessed 17.03.2004.

million was given by various European countries including Germany, Italy, Norway and the United Kingdom (Washington File, 11.10.2002). At the time of writing, the third phase of peace and reconciliation talks on Somalia, sponsored by external resources, were taking place in Nairobi. Financiers were mainly IGAD countries. Another contribution of 1 million Euros was made through the German Anti-Terror-Programm. These peace talks, however, showed again that the participation itself fuels conflict.

Kidnapping ⁹ and protection money remain lucrative businesses. As of 11 September 2001, a new source of income has been Western intelligence agencies that accuse Somalia of harboring terrorists but “obtain much of their information by paying informants –mostly faction leaders such as General Morgan, Hussein Aideed and Mohamed Dhere– large amounts of money for questionable intelligence” (United Nations, 2003a, p. 46). In addition, when helping to apprehend suspected terrorists, warlords or businessmen are paid for their ‘cooperation’. In doing so, Western intelligence agencies get involved as financiers of the war economy they aim to combat.

All in all, external funding has played a significant role Somalia’s war economy since the very beginning and still remains a driving factor. In the following chapter, the author gives examples of external economic involvement in the armed conflict in Somalia, assuming that independently of whatever internal motivation there is to conduct a war, external funding perpetuates it.

3. Funding a war economy

When talking about funding a war economy, two aspects must be considered in advance: first, how can one characterize the economy of the particular war and, second, what is the difference between the funding of warlords and trading with actors from a war-torn country. Somalia often is described as a “laissez-faire, trade based economy” (Little, 2003, pp. 1-2). It is very difficult to categorize that economy and to decide whether it is a shadow economy or an official player.

⁹ A total of 185 abductions were recorded between July 2002 and June 2003.

„Even without a state treasury and official economy, –but with a currency working– Somalia has forged economic agreements with neighboring countries and with specific trans-national firms. Thus, the Somalia economy in some respects can be classified roughly as ‚not official/not unofficial‘, a reality that increasingly is found in other African countries, where the informal (shadow) or unofficial economy drives most economic action“ (ibid., pp. 4–5).

However, it is obvious that when purchasing exports from Somalia, profit goes into private hands and not into official budgets or industrial agencies. And since every businessman in Somalia is protected by militias and either obtains or extends his economic position by means of violence, it is equally obvious that trading with him will finance war or at least contribute to a possible reinvestment in tools of war. One has to bear in mind, though, that trade itself does not intensify conflict; the role that it plays is significant role in terms of developing the country and its labor forces. This chapter will point to those trade mechanisms that do fund war by contributing to warlords' wealth and military capacity. In general, one can distinguish between three different sectors of trade: regular, informal and criminal. With regards to the Somali economy, these categories are not precisely defined. The following examples are categorized according to international agreements which were signed by the external actors involved. In doing so, the tools of war and their donors can be identified and distinguished with respect to their impact on the perpetuation of armed conflict.

3.1 *The regular sector*

In the agricultural sector, the export of bananas and charcoal is the main source of income in southern Somalia. There are neither embargoes on these products nor regulations that limit its production, though. the deforestation of acacias, for example, might warrant them. In many war economies in sub-Saharan Africa, including DRC, Liberia and Sierra Leone, resources such as coltan, diamonds and gold are fueling the conflict; control and exploitation of local assets means a monopoly on its profit. In Somalia, in contrast, there is no *strategic* resource as such. Although there are grounds for the claim that there is oil in Somalia, it has not yet been extracted, supposedly due to a lack of equipment, infrastructure and security. Tribal-leader Barre, however, had contracts with four major US-oil companies,

namely Conoco, Amoco, Chevron and Phillips. Moreover, in 2001, TotalFinaElf signed a one-year agreement with the Mogadishu TNG to explore for oil in the southern region of the Lower Shabelle and Juba Valley (Reno, 2003, p. 30). Still, revenues from the agricultural products mentioned above are essential to the livelihood of many Somalis. They do not, in contrast, mean much in the way of profit for local factions. The latter generate their income by turning transportation and the conditions for cultivation into a strategic source of revenue. Therefore, security is the main resource. As a consequence, “(f)ighting in Somalia typically centers on the control of property or income generating infrastructure, such as harbours, airports, markets, bridges or road junctions that can be taxed” (United Nations, 2003a, p. 32). As armed conflict builds the framework for the production, transport and export of agricultural goods, the demand for armed security services is created. The regular and informal sectors can not be distinguished definitively, because the methods of export and the taxes imposed are of an informal character. This raises the question: is there commercial complicity with legal goods in Somalia?

3.1.1 Bananas

Referring to the banana trade, for instance, Christian Webersik points out that “multinational corporations involved in the Somali banana economy have financed political factions, thus contributing to the continuation of conflict in southern Somalia in the early 1990s” (Webersik, 2003, p. 2). The two corporations involved were the US company Dole and Italian firm De Nadai, both operated by the local subsidiaries Sombana and Somalfruit. In 1994, De Nadai’s banana plantations, which date back to the period of colonization by Italy, covered some 6,000 hectares (ibid., p.12), in Lower Shabelle. Under the Lomé Convention, which called for preferential trade and quotas between traditional African, Caribbean and Pacific (ACP) countries with former European ‘mother-lands’, the Somali banana trade was entirely subsidized until 1997, when the World Trade Organization (WTO) deemed the import regime illegal. Profits were concentrated in the hands of a few wealthy Italians and Somalis. Dole challenged De Nadai’s near monopoly, which in turn increased total production. But although production numbers increased between 1994 and 1997, with an estimated 9,000 people benefiting financially from the crops (ibid., p. 12), battles intensified. This was mainly due to an income generating security-insecurity-system of taxes and protection money. General Aideed,

who had agreements with Dole to provide security, received approximately 4 US cents per 12.5 kg of packed and exported bananas (...) when Dole shut down its activities in 1996 (ibid.). It has to be stressed that Dole did not leave Somalia because of pure quality reasons or doubts about co-operating with a warlord, but 'merely' because transportation became too expensive due to lacking security. Although it seems that "conflict during the years of Somalia's 'banana war' did not directly arise over land ownership" but was "related to distributional issues in terms of taxation and marketing by political factions and traders respectively" (ibid., pp. 29-39) a direct link between an external economic actor and the funding of war can be established. Webersik states:

"(...), it is no secret that Aideed was able to finance his powerful militia through the export of bananas; and they certainly contributed to the intensified conflict over transport and export. The Norfolk Education and Action for Development Centre estimates a figure of US\$ 40,000 that the General allegedly spent per week to maintain his militia. Aideed's Somali National Alliance (SNA), had military supremacy in Lower Shabelle during the years of the 'banana war'. He authorised agreements for foreign companies to operate in the riverine areas. Foreign firms which cooperated with Aideed, for example Dole-Sombana, had to pay for protection in addition to the export levy (ibid., p. 13).

Today, the banana crops are no longer a driving factor to the armed conflict in Somalia even though trade continues through Marka. In November 2003, when IRIN reported that the "(b)anana war (left) eight dead" (IRIN, 2003), the conflict issue was primarily the respective control and domination of Marka's port.

3.1.2 Charcoal

Charcoal only became profitable as an export commodity in 1997, after the death of General Aideed, who had banned the its export. His son, Hussein Aideed, imposed no such restrictions, and the charcoal was found to make quick profit with low expenditure (Linkenback, 2001, p. 78). In southern Somalia, particularly between Kismayo and Brava, wide areas of acacia forests were and are cut down, so that "some 1 million 25-kg bags of charcoal are exported monthly through the port of Kismayo. While this

trade does earn some much needed revenue for Somalis in the area, –approx. 80 cents a day (Tsuma, 2003, p. 18)– the majority of the profit is retained by militia leaders and the trade is causing tremendous environmental damage“ (United Nations, 2003a, p. 46). Again, warlords’ revenues are not only obtained through the export of charcoal, but also through taxation and marketing in their area of control.

A trader in Mogadishu interviewed by IRIN stated: "A lot of money goes on transportation to the El Mayan port in Mogadishu. The port charges you a fee, then the ones who take it out to the ship charge you a fee. That's after the road blocks, as well. It becomes very expensive by the time we load it" (Ohlsson, 2001).

Linkenback points to the additional costs producers have due to taxes:

- “Transport – 35,000 SSh¹⁰ per donkey cart (capacity of ten 25 kg bags)
- Local authority tax – 1,000 SSh¹¹ per donkey cart
- Repayment of basic living costs for 20 days loan from middleman – 20,000 SSh¹²
- Clan tax for use of common clan land – 2,000 SSh¹³ per month”(Linkenback, 2003, p. 24).

Nevertheless, the profits are significant. A bag that costs about 35,000 SSh in Somalia (about US \$3-4) sells for about US \$10 in the Gulf states (Ohlsson, 2001). There is no systematic documentation, however, of export volume and frequency. According to Linkenback and Tsuma, about 80 percent of charcoal produced in Somalia is shipped to Saudi Arabia and the United Arab Emirates (Linkenback, 2001; Tsuma, 2003). Paradoxically, in the mid 1990s, the Gulf states banned Somalia’s key source of livelihood, livestock export, and drove many Somalis to search for alternative sources of revenues. Charcoal production is still increasing. Total charcoal production in 2000 was an estimated 112,000 metric tonnes, 89,600 metric tonnes of which were exported (80 percent). Production could grow to a total of 150,000 in 2005, with 80 percent or 120,000 metric tonnes in exports and internal consumption of only one-fifth of the total¹⁴

¹⁰ about US \$3-4)

¹¹ about US \$0.1

¹² about US \$2

¹³ about US \$0.15-0,2

¹⁴ Based on Somali production data, see: Linkenback 2001

(Linkenback, 2003, p. 21). The Juba Valley Alliance (JVA) under Colonel Barre Hirale profits mostly from the charcoal trade (United Nations, 2003a, p. 46). “As a controversial source of livelihood, charcoal export has fast enough become a key source of arms acquisition and sustaining the militia activities in Somalia” (Tsuma, 2003, pp. 3–4; Farah et al., 2002).

3.1.3 Khat

“Khat is a plant that, when chewed, induces a mild state of euphoria and stimulation. Generally the active ingredient in harvested khat breaks down quickly (in approx. 48 hours), and thus the transport and distribution networks must be well organized and highly efficient” (United Nations, 2003a, p. 36). For southern Somalia, the most significant khat-provider is Kenya. Logistical difficulties due to distant supply routes are compensated by the fact that faction leaders dealing with khat mostly control those airstrips to which khat is delivered or hold a stake in an aviation company. For example, “Osman Hassan Ali *Atto*, financier of General Aideed’s wing of USC, reportedly acquired a stake in Bluebird Aviation during the early 1990s in order to import khat from close relatives based in Kenya” (ibid.). Faction leaders rapidly developed interests in the khat trade – “some became directly involved in the import of khat while others joined relatives or business partners with established enterprises in Kenya” (ibid.)– because of strategic and economic reasons. Firstly, selling khat provides them with money to finance their weapons purchases. Secondly, khat helps to keep their troops loyal. Thus in some regions khat is supposed to be part of the salary or its substitute. “For faction leaders with control of a steady supply, the provision of militia forces with a regular khat ration proved simple and cost-effective, while helping to spread the habit and expand the market” (ibid.). It seems that the dual role that khat plays again demonstrates the dependence upon greed and grievance as a catalyst for a war economy. There are rumors that khat is mixed with other drugs and that Khat and other drugs (Hashish, for exaple) are given free of cost to some militias in the urban areas in the south. In fact, “the khat trade has emerged as one of the significant elements of Somalia’s war economy” (ibid.). With a retail price of between US \$3,50 and \$6 per bundle (*mijin*) and net costs of about US \$1,20 the khat-business is very profitable (ibid., 2003, p. 37).

One further aspect is that the transport of weapons, ammunitions and even troops are organized by khat-carrying aircraft.

“Since the early 1990s there have been numerous reports of khat aircraft being employed to ferry arms, ammunition and militia inside Somalia on behalf of various factions. This is hardly surprising since many airstrips are owned or controlled by faction leaders with close personal or financial links to the khat business. Reports of this nature typically pertain to the movement of military materiel and personnel within Somalia and not from Kenya or other foreign countries into Somalia” (ibid., p. 38).

The external economic actors engaged in the war economy are mainly the companies which allocate khat-carrying aircraft, and not the khat traders from Kenya. The Panel of Experts mentioned two Kenyan airlines, namely *Knight Aviation* and *Bluebird Aviation*, that provide direct logistic support to Somali faction leaders (ibid., pp. 38–39).

3.2 *The informal sector*

The informal sector points to the management of shadow businesses. These businesses are characterized by a lack of transparency. The actors involved mostly operate in a clandestine manner, and sometimes use or pretend an official status to make their demands effective. They often provide what could be termed as ‘creative’ goods and arrangements.

3.2.1 Money transfer

Money transfers fall under the umbrella of ‘financial flows’, as does the business behind them. The economy and the value of a currency are mutually related. Money is a key element of social and economic mechanisms. “It not only facilitates transactions and minimizes market risk, but the shilling also symbolizes the persistence of the Somali economy in the face of considerable turmoil” (Little, 2003, p. 147). Hence, economic stability is based on the monetary system. Without a treasury behind the Somalia Shilling its street value depends on what Little calls the “public or civil dimension of money” (ibid., p. 139), referring to “the demand side of monetary supply (that) is determined by civil society, not by government” (ibid.).

Remittances. About half the Somali population does not have any cash revenues beside the money they receive from relatives abroad. The Somali diaspora has been on-going since 1990, and numbers have increased further since 2000. There are

significant diaspora communities in the United States¹⁵, in Canada¹⁶ and the United Kingdom¹⁷ (ibid., pp. 148–149), where the access to an income generating job is more likely. “Literally tens of millions of US dollars are remitted annually from cities throughout the world, and there is little question that this flow has had a positive influence on the country’s economy, including its money” (ibid., p. 147). Theories about war economies claim that remittances contribute to the perpetuation of war, thus financing warlords’ business (Angoustures and Pacal, 1999). In the case of Somalia it is not clear to what extent warlords and war-businessmen profit from looting remittances, but it is probable that they at least demand a certain percentage.

To transfer money an informal practice called *hawala* or *hawilaad* (meaning ‘transfer’ in Arabic) is used, which is difficult to trace and control. The system is based on trust combined with the use of clan-affiliation and personal memory acting as a kind of identity card. The ‘money houses’ and ‘banking houses’, where this service is provided are, in fact, spread all around the world. “Using a mix of telephone, fax and HF radio, and relying on a worldwide network of agents, the hawilaad companies can instantly transfer money from a Somali in Canada to his family in Basasso” (ibid., p. 143). The system is also used by businessmen in the region, because it is extremely dangerous to go onto the streets with a large amount of cash. The commission charged for this service runs from 3 to 7 percent. As this informal banking-system lacks transparency, it is no surprise that it is also used for money laundering.

Al Barakaat and Dahab Shil. In the 1990s the most significant hawala company in Somalia was the Al-Barakaat group, set up in the early 1980s by businessman Ahmed Nur Ali Jim’ale. Involved in money transfer, telecommunications and soft drinks, the group was Somalia’s biggest employer. According to estimates, a total of between 200 and 500 million US-dollars had been transferred annually through Al-Barakaat. Furthermore, the telecommunication and Internet company, Al-Taqwa, offered Somali businessmen the opportunity to expand their activities

¹⁵ “The official number of Somalis in the US in 1998 was about 25,000 (Kempainea et al. 2001), but the unofficial figure was probably at least two or three times that figure” (Little, 2003, p. 149).

¹⁶ In 1993, already, the Somali refugee population in Canada was estimated to be between 60,000 and 70,000. Yet, in the mid-1990s restrictive measures were imposed (Little, 2003, p. 148).

¹⁷ “One estimate is that as many as 100,00 Somalis reside in the UK (Little, 2003, p. 149).

internationally. After 11 September 2001, the Government of the United States accused Somali warlords/entrepreneurs of having terrorist links and of hiding terror cells and training camps. In November 2001, Al Barakaat and al Taqwa were shut down. Its assets were seized and frozen world-wide. The closure affected every Somali, as the services were particularly vital to Somalia's poor population. The country was further isolated without Al-Taqwa's services. „Prior to November 2001 what was happening in this (the telecommunication) sector had been described as nothing short of a ‚telecommunications revolution‘ (ibid., p. 144). Like the hawala system, it is now tainted by accusations of terrorist links“ (ibid.). The monetary sector in Somalia was forced even deeper into a shadow economy. In spite of these difficulties, the Dahab Shil Group, by now the largest informal money transfer company in Somalia, aims to achieve a degree of transparency that is internationally accredited (IRIN, 2003).

3.2.2 Currency printing

The Somali Shilling (SSh) is a functional currency without a treasury or a central bank. Beyond the internal mechanisms that are responsible for such an economic rarity¹⁸, the role of external actors is significant. The aforementioned reports of the Panel of Experts on Somalia suggest that “Somali politicians or warlords (...) obtain(ed) money from currency printing companies with little difficulties” (United Nations, 2003b, p. 37) while “(t)he street value of the Somali Shilling has now dropped to 22,000 to 25,000 shillings per United States dollar“ (United Nations, 2003a, p 42).

The Indonesian company **Peter Pura Baru**, for instance, signed three contracts in 1999 and 2000 which “represented a total of 38 billion shillings in denominations of 1,000 Somali shillings”. Its contractual partner was Ahmed Mohammed Goala, an ally of Puntland's rival faction leader Jama Ali Jama, who “presented himself as the Governor of the Central Bank of Somalia” (United Nations, 2003b, p. 37).

The **British American Banknote Company** –at the time a subsidiary of Quebecor based in Montreal, Canada– printed 160 billion SSh for Hussein Aideed and his representatives, to whom

¹⁸ Even economists do not have an explanation for this. Little gives three factors, to explain the phenomena. Accordingly, the Somali Shilling is „(1) needed to facilitate transactions in the absence of another widely available currency; (2) in limited supply and therefore its demand is high and (3) well known to local consumers and businessmen“ (Little, 2003, p. 139).

Dato John Fung the Chief Executive Officer and Chairman of the Adorna Group of Companies –based in Penang, Malaysia– issued a letter of credit. Aideed, however, only received 30 billion SSh; Mr. Fung withdrew his guarantee because Aideed used the money for private purposes and did not replace the old banknotes with new ones as he had promised to do. On behalf of Abdi Nur Darman, William Grant, a former United States Congressman and lobbyist, convinced the Canadian banknote manufacturer to transfer the 130 billion shillings remaining –worth about US \$12,4 million at that time– to Somali businessmen, who “Mr Darman identified (...) as Mohamed Deylaf, Hussein Hassan Golley, Saed Nur and Muridi Dalfac” (United Nations, 2003a, p. 42).

Furthermore, in 2003, Mr. Darman supposedly contacted **private Malaysian printing companies**. There is no official proof or testimony neither from Mr. Darman nor from Malaysian firms or the Government of Malaysia. (United Nations, 2003b, p. 36).

In 2001 “a consortium of businessmen” linked to the TNG dumped ‘counterfeit’ money into Mogadishu markets, the origin of which is not clear. It is probable that associated private businesses printed on behalf the TNG.

The system of war economy in Somalia is driven in a significant way by the printing of currency. The willingness of external actors to negotiate with self-appointed state-authorities contributes significantly to their economic –and thus military– power. It enables them to “preserve their coveted foreign currency reserves for war-essential expenditures” (United Nations, 2003a, p. 40). Likewise, some “Somalis suggest that some of the new shillings may also have been introduced as part of an economic warfare scheme aiming to destabilize whatever little credibility self-proclaimed government authorities may have possessed” (ibid.). Therefore the reasons why many warlords have their “own” currency printed are both strategic and economic, since the acceptance of a warlord’s currency manifests his area of influence and enriches him. “Since 1996, a number of warlords and businessmen have printed Somali shilling banknotes. These schemes may amount to one of their most prolific sources of revenue” (ibid., p. 40). In fact, there are various kinds of Somali Shillings, some of which are only accepted in the region of Puntland, others in the Bakool and Bay regions and so on.

3.2.3 Maritime ‘businesses’

The coastal waters of Somalia are another gray market, but not only because of ports and their transportation-taxation-

opportunities. The coastal waters offer a “niche” for creative profit-making which again depends on the use of violence. Piracy and the sale of ‘virtual’ fishing licenses by alleged authorities are “indistinguishable” (United Nations, 2003b, p. 34) and two additional examples of the business of protection and of extortionate robbery.

Fishing licenses. “Without any effective authority in place to control this resource (fishing grounds), many vessels from a variety of countries continuously harvest catches without limit and beyond sustainability” (United Nations, 2003a, p. 44). Therefore, in 2001 the TNG announced a ban on unauthorized fishing in Somali seawaters by foreign fishing companies. The TNG, however, would provide licenses which would enable foreign companies to access Somali fishing grounds. The TNG stressed that they would not accept any fishing licenses from the self-declared government of Puntland or any other non-state authorities (Planet Ark, 2001). However, the Panel of Experts exemplifies in its report that the sale of Somali fishing licenses was extremely profitable to a number of warlords before 2001. “Fishing licenses have been issued on behalf of faction leaders, for whom considerable funds have been generated” (United Nations, 2003a, p. 44).

“According to an employee of MacAlister Elliot, the firm that ran Africa Fisheries Management (AFMET), one (...) “self regulated” service, generated revenue totaling between US \$600,000 and US \$1 million per year from 1996 to 1998, which dwindled to about \$ 300,000 in 2002. The proceeds were paid through AFMET to the account of Hussein Ali Ahmed (the “Mayor of Mogadishu”) and distributed by him to Hussein Aideed, Ali Madhi, Abdullahi Yusuf, Mohamed Abshir and General Morgan” (ibid.).

The maritime business basically fuels another security dilemma. Militias with speedboats attack vessels that are illegally fishing in Somali seawater and reinvest the protection money they extort “to pay militias and procure arms and ammunition” (ibid., p. 44). Both the fishing companies and the naval militias are operating in lawlessness, as none of their actions are controlled by a third, higher authority. Their arrangements are based on greed and contribute to individual enrichment on both sides. Despite continuous reports about these deals between warlords and a number of foreign companies, there is, in fact, no data available

on contracts, number of fishing licenses, names of companies engaged in fishing or the volume of their catches.

Piracy. Piracy is a very similar phenomenon on the coast of Puntland and the South, where “foreign crews are held for ransom by militia equipped with armed speedboats. Those militia are in some instances linked to the Puntland administration” (Menkhaus, 2003, p. 6) or to different factions in the South. The International Maritime Bureau (IMB), reports an upsurge of pirate attacks off the coast of Somalia (IBM, 2002) and therefore advises vessels to remain at least 50 nautical miles offshore when transiting the coastal regions of Somalia (United Nations, 2003b, p. 34). The rules of the international law of the sea allow every state to act as a “trustee of mankind” to pursue, catch and prosecute pirates with their warships even on the high seas. Nevertheless International Law can not obligate a state to do so. In the case of Somalia, there are no state-owned warships, moreover, authority again is based on military strength and trade capacity. The business of protection in the coastal zones appears to be a naval warfare (United Nations, 2003b, pp. 33-34).

Thus, „(i)t (the Somali coast) has the potential to accommodate a wide range of undesirable activities –from unsustainable exploitation of natural resources to more sinister arms-trafficking, piracy and the facilitation of terrorist operations“ (United Nations, 2003a, p.45). The United Nations authorized a control activity with military engagement of the Somali coast, which is part of the “war on terrorism” and the operation Enduring Freedom.

3.3 The criminal sector

The criminal sector is, in fact, very profitable for many Somali faction leaders. In particular, trade in arms and ammunitions is both fueling and perpetuating the conflict, since their demand and supply imply the interdependence of war and economy. The following two examples are attributed to the criminal sector because there are international agreements that prohibit the transfer of arms and ammunition to Somalia (Resolution 733) and the transfer of hazardous waste to war countries (Basel Convention).

3.3.1 Arms and ammunition

Trade in arms and ammunition is maybe the strongest factor in a war economy, as it fuels fighting and the business of war. Supply and demand for weapons are created by war and also determine

its dynamics. The resulting security dilemma leads to a further strengthening of in-war structures. Therefore, in January 1992 the UN-Security Council adopted resolution 733 deciding

“that all states shall, for the purpose of establishing peace and stability to Somalia, immediately implement a general and complete embargo on all deliveries of weapons and military equipment to Somalia until the Council decides otherwise” (United Nations, 1992, para. 5).

Resolution 733 remains in force. Nonetheless, despite the embargo imposed on Somalia, weapons are pouring in. With Resolution 1407 of May 2002, the UN-Security Council set up a group of experts which was to observe any violations of the embargo. The report of the Panel of Experts on Somalia presented to the Security Council in March 2003 shows in detail who the external donors involved are and what tools of war they contribute to Somalia. Ethiopian and Eritrean military support is described as being the largest, with the two countries fighting a proxy war on Somali territory. Yemeni and Djiboutian officials are supposed to have contributed to the armament of TNG's military and police forces. The report reveals that small arms and light weapons have become an element of every day life in Somalia; these tools that are both easy to handle and easy to transport are sold on public markets and even sold to children.

Arms and ammunition trade in Somalia, however, has three dimensions: a) the internal arms market, b) any influx of arms to Somali factions, and c) the role as a hub for arms smuggling. Referring to the internal arms market it has to be underlined that every (private) person can easily have access to arms and ammunitions when paying for it, as “arms, ammunition and cash are completely fungible” (United Nations, 2003a, p. 16). Weapons are at the same time tools of war and of business.

“Warlords and individual militia members frequently sell excess arms and ammunition to local markets to raise money for the purchase of other goods, such as food and khat, and other warlords often buy these same arms and ammunition when expecting combat. Therefore, while some external supporters may supply arms directly, many of the weapons and much of the ammunition will not remain with those factions.

Conversely, if other external supporters provide financial support, without adequate financial safeguards, this support can easily be used to procure arms and ammunition“ (ibid.).

Hence the role of external actors in this case has a double effect. Through arms trade with Somali factions, external donors fuel the armed conflict and support an insecure environment, and filling internal arms markets. The sustainable system of violence thereby gets its driving force. Without external support factions could not persist and war could not be perpetuated, if only for military and financial reasons. Faction leaders such as Colonel Abdullahi Yusuf, Hussein Aideed, General Mohamed Said Hersi ‘*Morgan*’ and Colonel Hassan Mohamed Nur ‘*Shatigadud*’, in particular, depend on external support. “Depending on their own financial position, regional sponsors have opted to provide arms and ammunition directly, facilitate the shipment of weapons to factions they support, or provide cash” (ibid., p. 18). In the following, a brief summary of what the Panel reveals about external actors and the sort of involvement and trade is given.

Ethiopia. Ethiopia has a determining impact on the sustainability of violence in Somalia by playing “an overt military role” (ibid., p. 20). With its sights on regional dominance, its government tries to destabilize neighboring Somalia with an intermittent military presence in the border-regions (Ogaden) and in Gedo region (1997–2001). While in the early 1990s private persons and companies provided weapons, the Government of Ethiopia now has become a major source of military support to Somali factions by supplying arms and ammunitions or training militiamen since 1996. Beneficiaries were Ali Madhi, Colonel Abdirizak Isak Bihi and his Somali National Front (SNF), the Rahanweyn Resistance Army (RRA) headed by Hassan Mohamed Nur ‘*Shatigadud*’ and other diverse parties of the Somalia Reconciliation and Restoration Council (SRRC) which opposes the TNG. “Colonel Abdullahi Yusuf, the President of Puntland, is currently Ethiopia’s most significant ally” (ibid., p. 23). Since at least 2002, arms and ammunitions are regularly shipped—though in limited amount—to the towns of Abqale and Garowe (ibid.). In March 2002 a total of 489 weapons with ammunitions were “delivered in four trucks and escorted by three Ethiopian Army armored vehicles” (ibid.).

Eritrea. Two main factions were identified by the Panel of Experts as recipients of military support from Eritrea in the form of equipment and food. Hussein Aideed, who used to sign as ‘the President’, has long been supported by Eritrea and received

support both by air and by sea. The three transportation companies involved were: freight-forwarding company *Dahla Aviation and Shipping Services*, based in Dubai and acting on behalf of Hussein Aideed's businessmen in 1998 and 1999, *Ramaer*, also known as Ram Air, and *Phoenix Aviation*. The Eritrean Shipping Lines, an Eritrean State-owned company also delivered weapons to Aideed's forces at Marka (ibid., pp. 24-26). "Hussein Aideed is now allied with Ethiopia, and reports from credible Somalis and Western intelligence agencies indicate that Eritrea currently supports the TNG" (ibid., p. 25).

Yemen. The Report mentions two significant conduits of arms transfer from Yemen to Somali factions and businessmen.

"First, there are reportedly high-level officials within the Government of Yemen who are willing to provide Yemeni end-user certificates and facilitate the sale and delivery of weapons to officials of the TNG (Yemeni officials deny this). Secondly, businessmen in Yemen obtain weapons and ammunition from the general population in Yemen that are then shipped to Somalia, where demand and prices are much higher" (ibid., p. 26).

The Government of Yemen also provided a small amount of military support to the TNG soon after it was established at the Arta Conference. The Panel supposes that some support still exists. One further beneficiary of Yemeni military assistance has been Jama Ali Jama, Colonel Yusuf's opponent in Puntland, who allegedly received an arms shipment organized by the Yemeni businessman Husni Mohamend Hussein, owner of the dhow *Alshadax* – "a wooden-hulled vessel that can carry up to several hundred tons of cargo" (ibid., p. 27).

Djibouti. "According to local and international sources, Djibouti is also a significant trans-shipment point for weapons to Somalia, principally to the TNG. While little direct support is alleged, Djibouti officials appear to have provided false end-user certificates and helped to organize transportation for arms destined to Somalia" (ibid.). The recipient on these end-user certificates is the national police force. In addition, dealers act on behalf of the Military Cabinet of the Djibouti Presidency for Transaction. Using false end-user certificates from Djibouti, the Bulgarian arms dealer Petar Bonchev, for instance, was able to manage a transfer of "approximately several hundred thousand AK-47 assault rifles, 5 million rounds of ammunition, and an unspecified number of machine guns and rocket-propelled

grenades” to Somalia (ibid., pp. 27–28). These end-user certificates are even sold on the gray market. “Dealers in military equipment in several countries told the Panel (they) are often used by so-called “street brokers” to set up gray-market deals on the basis of legal documents” (ibid., p. 28).

Egypt. The Report further mentions having found ammunition produced by Egypt-based Shabra Company for Engineering Productions on Mogadishu’s arms market. In addition, the Government of Egypt allegedly assists the TNG by providing training and uniforms to its police forces and by “intermittent military support” (ibid., p. 30).

Poland The Panel describes in detail two shipments of Polish arms and ammunitions operated by international arms dealer Monzer al-Kassar. For the transfer, al-Kassar cooperated with Jerzy Dembrowski, Director of the Polish arms trading Company CENREX. Janis Dibrancs, Chief of Procurement for the Latvian Armed Forces, and officials from Yemen contracted for receipt of some amount of arms and ammunitions, while the majority of the cargo was shipped to the coast of Somalia where the Somali High’ Seas Fishing Company (SHIFCO) transferred it to vessels “that were apparently fishing vessels” (ibid., pp. 19–20) for several nights.

On the basis of the examples cited above, the Panel of Experts concludes that, all in all, there is a “trend to greater external support” (ibid., p. 17).

The third dimension of arms trade already briefly mentioned is the use of Somalia as a ‘hub for arms transfer’ due to the lack of functional control in Somalia. Weapons were smuggled, for instance, through Somalia into Kenya in August 2003 and to the Ogaden National Liberation Front in Ethiopia (United Nations , 2003b, p. 28). As a result of these violations of the arms embargo, a system of war-business is even more firmly anchored in the Somalian economy. Arms and ammunition have become “stable” goods and remain an economic factor. Consequently, not only Somalia suffers from instability and insecurity but also the entire region of the Horn of Africa. As the sustainability of violence and business basically relies on the use of arms, its consequences, namely private armament, lead to a strengthening of the Somali crisis.

3.3.2 Waste

In the fall of 1992, reports began to appear in the international media concerning European firms that were illegally dumping waste in Somalia. Contracts were allegedly established between

the Swiss firm Achair Partners and the Italian firm Progresso with Nur Elmy Osman, who claimed to be the Somali Minister of Health under an interim government headed by Ali Mahdi Muhammad.

“Osman had supposedly entered into an \$80 million contract in December of 1991, whereby the two firms would be allowed to build a 10 million ton storage facility for hazardous waste. The waste would first be burned in an incinerator to be built on the same site and then stored in the facility at the rate of 500,000 tons a year” (TED, 1997).

The United Nations Environment Programme (UNEP) investigated the matter at the urging of Somalia's neighbors and the Swiss and Italian governments. Osman denied signing any contract and the Swiss and Italian governments said they had no knowledge of the two firms' activities. These firms were supposedly set up “specifically as fictitious companies by larger industrial firms to dispose of hazardous waste” (ibid). The arrangement is purported to have been organized by the Italian Mafia (ibid.), which in fact controls about 30 percent of Italy's rubbish disposal companies, including toxic waste. It is reported that the so-called “eco-mafia” ran companies dealing with about 35 million tons of refuse a year, raking in at least US \$6.66 billion. Maurizio Dematteis of the Italian environmental umbrella Ligambiente 2001 declared that

“there were three enormous illegal dumps – among the largest in the world – in Somalia, where workers handle the radioactive waste without any kind of safeguard or protective gear – not even gloves. (...) The workers do not know what they are handling, and if one of them dies, the family is persuaded to keep quiet with a small bit of cash” (Pia, 2001)

“Given the few operating industries in Somalia, waste importing is probably a major source of income in Somalia” (ibid.). The proof for these assumptions ironically lies in the effects: every month a number of indigenous people die or suffer from the effects of such dumping around coastal communities. In April 1992, for instance, in the Eeldher district of the region of Galgadud, in the center of Somalia, dark blue long barrels containing oily-liquid were found. Samples taken were identified as deadly nuclear waste. Similar incidents happened at Adale district in 1996. These examples, and more, raise serious

questions about hazardous waste import into Somali waters, which are in fact prohibited by the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal. The convention further prohibits shipping hazardous waste to a war zone.

4. Conclusion

Concerning the theoretical question on the interaction between internal greed and external funding, it should be stressed that greed alone, be it that of warlords and/or businessmen, neither perpetuates a war nor creates a sustainable economy based on war. Internal actors are highly dependent upon external 'partners', which contribute either consciously or unconsciously to their particular arrangements. Since the concept of commercial complicity assumes that any profits are used for purposes of private enrichment, all external actors, business-cooperators in particular, are to some extent complicit in the breakdown of order. In the case of Somalia, this is, of course, also due to the internal crisis of authority.

The regular sector.

Although aid also falls into the category of external involvement and –as has been shown above– was a key factor in the establishment (development?) of a war economy, the concept of commercial complicity cannot be connected with it. Nevertheless, the delivery of aid should take into account the particular characteristics of statelessness in Somalia. In this sense, the Somalia Aid Coordination Body (SACB), which was established in November 1993 by the United Nations, aims to coordinate “activities and policies among UN agencies and their partners” (Unicef, 1997). With the development of a national labor force as its principal aim, it is divided into various commissions working in different fields such as food security and rural development, health and nutrition as well as water sanitation and infrastructure. Furthermore, the SACB encourages the implementation of governance structures in Somalia, which would support local power rather than install one central authority. The SACB also requires a minimum of peace and stability of those regions in Somalia that want to receive aid. In doing so, it attempts to more effectively link the provision of aid to peace-building efforts.

With regards to charcoal production, which not only contributes to the perpetuation of the conflict but also causes

substantial environmental damage, export should be banned or at least limited and strictly regulated. For this purpose, a framework of cooperation with the surrounding Arab states is necessary.

The informal sector.

A lack of transparency in the Somali system of money transfer furthered the suspicion of possible links to terrorist finance networks. In order to achieve a greater degree of transparency, the heads of informal Somali funds-transfer companies launched the Somali Financial Service Association (SFSA). This initiative merits the support of the international community for it has the potential to improve regulation of financial flows. If international agencies decided to use the services of the informal Somali banks, the latter might, in turn, be forced to adopt ever-stricter transparency standards. In contrast, stopping financial flows into the country would not affect the warlords, who have their own currency printed. Instead, it would hit the poor population. The shut down of the al-Barakaat group exemplifies that the financial and communicative isolation of Somali forces only serves to drive more economic activities into the gray and black market.

The criminal sector.

Regarding illegal business with Somali warlords, by far the biggest problem is presented by the constant and massive violation of the UN arms embargo. The UN Panel of Experts on Somalia propose to improve the sanctions regime by penalizing violators, for example by blocking their financial transactions or circumscribing their range of movement.

Ethiopia, as an external actor, should be monitored more closely. Any provocative military intervention on behalf of Ethiopia should be strongly condemned by the international community. Furthermore, the use of forged end-user certificates should be forestalled by imposing an arms embargo on Djibouti and Yemen.

Apart from stopping the influx of arms and ammunitions, a DD&R-process is urgently needed in Somalia. Weapons are, in fact, the most significant contributors to war and violence. They guarantee both the survival of the poor, enabling them to defend themselves, and the prosperity of the warlords and businessmen, enabling them to exploit people and resources. One further and final challenge is the re-formation of a civil society, which is based on public –and not only on private– goods.

5. Bibliography

- Angoustures, Aline and Pascal, Valérie. 1999. Diaspora und Konfliktfinanzierung. In: Francois Jean and Jean-Christophe Rufin (eds). *Ökonomie der Bürgerkriege*. pp. 401-439.
- Arbeitsgemeinschaft Kriegsursachenforschung der Universität Hamburg (AKUF). 2004. *Kriege-Archiv: Somalia*. Januar 2004. Available at http://www.sozialwiss.uni-hamburg.de/publish/Ipw/Akuf/kriege/166ak_somalia.htm (accessed 22.01.2004).
- Bakonyi, Jutta. 2001. *Instabile Staatlichkeit. Zur Transformation politischer Herrschaft in Somalia*. Institut für politische Wissenschaft der Universität Hamburg. Arbeitspapier 3/2001. Available at <http://www.sozialwiss.uni-hamburg.de/publish/Ipw/Akuf/publ/ap3-01.pdf> (accessed 23.03.2004).
- Besteman, Catherine and Cassanelli, Lee V. (eds). 2003. *The struggle for land in Southern Somalia. The War Behind the War*. London: Haan Publishing.
- Bradbury, Mark. 2003. *Living with statelessness: the Somali road to development*. Available via <http://www.tandf.co.uk/journals/Leaflets/CCSD.pdf>.
- Collier, Paul. 2000. *Doing well out of war: An economic perspective*. In: Mats Berdal and David M. Malone (eds.). *Greed and grievance. Economic agendas in civil wars*. pp. 91-111.
- Debiel, Tobias. 2002. *Der zerbrechliche Frieden. Krisenregionen zwischen Staatsversagen, Gewalt und Entwicklung*. EINE WELT. Bonn: Dietz. pp. 20-97.
- Debiel, Tobias. 2003. *UN-Friedensoperationen in Afrika. Weltinnenpolitik und die Realität von Bürgerkriegen*. Sonderband der Stiftung Entwicklung und Frieden, Bonn: Dietz. pp. 130-160.
- Duffield, Mark. 2000. *Globalization, Transborder Trade, and War Economies*. In: Mats Berdal and David M. Malone (eds.). *Greed and grievance. Economic agendas in civil wars*. pp. 69-89.
- Elwert, Georg. 1997. *Gewaltmärkte. Beobachtungen zur Zweckrationalität der Gewalt*. In: Trutz von Trotha (ed.).

- Soziologie der Gewalt. Kölner Zeitschrift für Soziologie und Sozialpsychologie. Sonderheft 37.
- Farah, Ibrahim and Hussein, Abdirashid and Lind, Jeremy. 2002. Deegaan, Politics and War in Somalia. In: Scarcity and Surfeit. Institute for Security Studies. Pretoria, South Africa. pp. 320–356.
- Heidelberg Institute for International Conflict Research (HIK). 2003. „Conflict Barometer 2003“. December 2003. Available via <http://www.hiik.de> (accessed 22.03.2004).
- International Crisis Group (ICG). 2002. Counterfeit Terrorism in a failed state. Africa Report Africa Report N° 45. May 2002. Available at <http://www.crisisweb.org/projects/showreport.cfm?reportid=662> (accessed 29.03.2004).
- International Maritime Bureau (IMB). 2002. “Pirate attacks against ships increase, ICC report finds.” October 2002. Available via http://www.iccwbo.org/ccs/menu_imb_piracy.asp (accessed 24.03.2004).
- IRIN. 2003. „Somalia. Interview with Abdirashid Duale, CEO of Dahab Shiil money transfer company.“ 4 September 2003. Available via <http://www.irinnews.org/homepage.asp> (accessed 26.04.04).
- Jean, Francois and Rufin, Jean-Christophe. 1999. Kriegswirtschaft in internen Konflikten. In: Francois Jean and Jean-Christophe Rufin. Ökonomie der Bürgerkriege. (eds.) pp. 15-46.
- Keen, David. 2000. Incentives and Discentives for Violence. In: Mats Berdal and David M. Malone (eds.). Greed and grievance. Economic agendas in civil wars. pp. 19-41.
- Linkenback, Laura. 2001. Analysis of the socio-economic drivers behind the charcoal trade in Somalia. Dissertation presented for the degree of Master of Science. Edinburgh. Available via <http://www.cecs.ed.ac.uk> (accessed 18.11.2003).
- Little, Peter D.. 2003. Somalia: Economy without state. Oxford: James Currey Publishers, Indiana: University Press.
- Menkhaus, Kenneth and Ortmyer, Louis. 2000. Somalia: misread crises and missed opportunities. In: Bruce W. Jentleson

- (ed.) Opportunities missed, opportunities seized. Carnegie Commission on Preventing Deadly Conflict. pp. 211–237.
- Menkhaus, Ken. 2003. Warlords and Landlords: Non-State actors and humanitarian norms in Somalia. Paper presented at the 'Curbing Human Rights Violations by Armed Groups' Conference. Liu Institute for Global Issues. British Columbia. 14–15 November.
- Menkhaus, Ken. 2004. Somalia: State Collapse and the Threat of Terrorism. Adelphi Paper No. 364. Oxford.
- Nielinger, Olaf. 2002. Afrika und der 11 September 2001. In *Afrika im Blickpunkt*. Institut für Afrikakunde. Hamburg. Available via <http://www.duei.de/iak> (accessed 03.12.2003).
- Nord, Antonie. 2002. Somalia und der internationale Terrorismus. In *Afrika im Blickpunkt*. Institut für Afrikakunde. Hamburg. Available via <http://www.duei.de/iak> (accessed 03.12.2003).
- Ohlsson, Leif. 2001. Somalia: Fanning the flames of conflict - the case of charcoal. On (websites): Environment and Development Challenges. Available at <http://www.edcnews.se/Research/SomaliaCharcoal.html> (accessed 30.03.04).
- Pia, Jorge. 2001. Italy: Poor countries are north's radioactive dump. Inter Press Service. 7 May 2001. available via <http://www.corpwatch.org> (accessed 14.01.2004).
- Planet Ark. 2001. Somalia demands end to illegal foreign fishing. Available at <http://www.planetark.com/dailynewsstory.cfm/newsid/12357/newsDate/11-Sep-2001/story.htm> (accessed 24.03.2004).
- Reno, William. 2000. Shadow States and the Political Economy of Civil Wars In: Mats Berdal and David M. Malone, eds. *Greed and grievance. Economic agendas in civil wars*. pp.43-68.
- Reno, William. 2003. Somalia and survival in the shadow of the global economy. Working Paper Number 100. Available via http://www2.qeh.ox.ac.uk/research/wpaction.html?jor_id=256 (accessed 09.11.2003).

- Smith, Patrick. 2003. Somalia: New hopes, new dangers. In: Africa Confidential. Volume 44. No 22. pp. 6-7.
- Tsuma, William. 2003. Natural Resource Conflicts. „Black Gold” and the Changing Nature of Conflicts in South Somalia. A background Paper.
- TED Case Studies. 1997. Somali Waste Imports. Available via <http://gurukul.ucc.american.edu/ted/somalia.htm>. (accessed 12.12.2003).
- Unicef. 1997. Somali Aid Coordination Body (SACB). Available via <http://www.unicef.org/somalia/sacb/index.htm> (accessed 31.03.2004).
- United Nations. 1992. „Resolution 733 of 23 January 1992.” Available at <http://www.un.org/documents/sc/res/1992/scres92.htm> (accessed 18.11.2003).
- United Nations. 2003a. „Report of the Panel of Experts on Somalia pursuant to Security Council resolution 1425 (2002).“ March 2003. Available via <http://www.un.org> (accessed 18.11.2003).
- United Nations. 2003b. „Report of the Panel of Experts on Somalia pursuant to Security Council resolution 1474 (2003).“ November 2003. Available via <http://www.un.org> (accesses 18.11.2003).
- Washington File. 2002. “Eldoret conference could mean peace for Somalia, U.S. official says.” 11 October 2002. Available via <http://www.reliefweb.int/w/rwb.nsf> (accessed 26.04.04).
- Webersik, Christian. 2003. „Fighting for the plenty – The banana trade in southern Somalia.” Paper presented to the Conference on Multinational Corporations, Development and Conflict. Oxford. 06. December. Available at <http://www2.qeh.ox.ac.uk/crise/mcdc/webersik.pdf> (accessed 08.01.2004).
- Yusuf, Abdulqawi A.. 2004. “Somalia’s warlords: Feeding on a failed state.” In: *International Herald Tribune*. 21 January. Available via <http://www.ihf.com> (accessed 03.02.2004).