

The Pace and the Pattern of Somalia's Trade Relations with Turkey



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Introduction

It is obvious that geography plays a crucial role in international trade and so the distance between trading partner countries matters a lot. Meaning, the bigger the distance between countries, the lesser the trade between them (David, H., Dorn, D., & Hanson, G. H. 2013). The geographical distance and the fact that Somalia has never been stable for a long time resulted in that the two nations to had almost zero or relatively too small trade relations in the past. But, ironically, for the last decade, the two nations have become trading partners and close allies, in some regards. The relations started when Turkey responded to the devastating droughts in Somalia with much-needed humanitarian assistance¹ in 2011 (Slim, H. 2012).

The prime minister of Turkey then, but now the president, paid a historic visit to Mogadishu, at that time of humanitarian crises in Somalia. That was not just a provision of humanitarian assistance to the needy Somalis but turned to be a breakthrough of a charming relationship between two potential partners (Sucuoglu, G., & Stearns, J. 2016). The relations have begun to grow faster and also had affected multiple areas such as trade, development and security. Turkish private business companies started collaborating with their Somali counterparts. The bilateral agreements between the two countries ranged from education and health to security and peace building (Achilles, et al 2015).

1. The humanitarian assistance from Turkey in 2011 was worth more than \$ 201 million according to the reports of TIKA

In 2012 Turkish Airlines started regular flights to Aden Adde International Airport and that has surely helped the isolated country to reconnect to the rest of the world once again. Favori LLC¹ increased the capacity of the airport from 15 to 60 aircraft after a bilateral agreement between the company and the Somali government allowing the company to run the airport. Mogadishu port was also leased to Albayrak² Group in 2013 with an agreement that enables the company to claim almost 45 percent of the whole shares of the port in a 20-year deal. In turn, the company is supposed to provide training for the Somali staff and the company also rehabilitated and built the necessary infrastructure required for the port (Bilkay, S., & Yilmaz, M. K. 2017).

The direct flights of Turkish airlines to Mogadishu and the rehabilitation of the Mogadishu port have become the building block for a faster-growing trade relationship between the two countries. 2010 has been a threshold for the beginning of an immensely increasing trade between Somalia and Turkey. Because 2011 was the year Turkey first landed on the Somali soil with the necessary humanitarian assistance. That was not a year of only humanitarian assistance but also that was the year in which the trade between the two nations started to rapidly grow (Gullo, M. T. (2012).

The relations between the two nations have been much deeper than trade but a pervasive one and have affected much broader areas such as health, education and security. But in here, this article, we are only concerned about the trade relations between the two countries. To do so, we will evaluate, quantitatively, the amount of which each country imports from the other country and, at the same time, how much one exports to the other.

First, we looked at the overall trade volume without any specifications or separating the values between exports and imports. But we did the specifications in the next section. Then, we examined the balance of payments and how deep is the deficit. Next, some suggestions regarding the causes of such deficits and the possible solutions are discussed. Finally, we evaluated the log levels of the values of imports and exports between the two countries to assess their trend or if there are any relations between them.

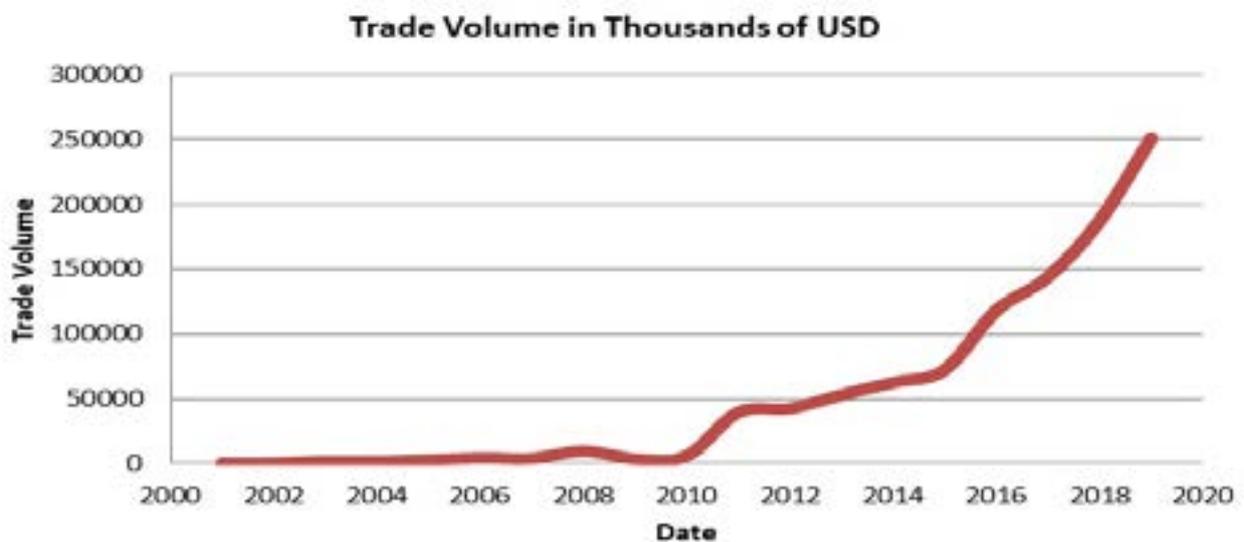
1. Favori LLC is a Turkish Company which involves in airport management and ground handling.

2. A group of Turkish companies established in 1952 and involve in construction, industry, services, and logistics with close to 50 companies and brands in the broadcast and media industry with more than 15,000 employees.

The Overall Trade Volume

The trade relations between Somalia and Turkey have been growing exponentially in recent years which is remarkable and amusing in some aspects as the geographic distance between the two nations is significant. The trade relations between the two countries became tangible only before a decade. Before then, roughly, there were hardly any trade relations between them. That is what makes the subject matter very fascinating. The trade volume drastically increased from less than half a million in the early 2000s to more than 250 million in 2020 as illustrated in figure 1

Figure 1



Source: Author's calculations using Trade Map Data figures

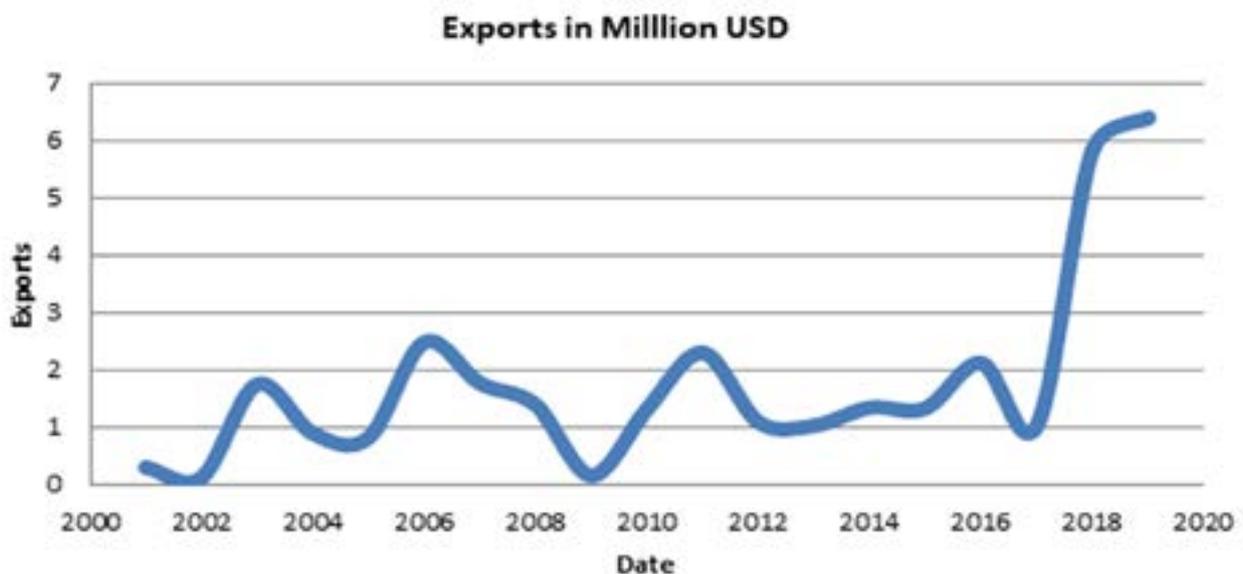
Figure 1 shows the overall trade volume between Somalia and Turkey. As in the figure, the graph illustrates an exponential increase in the amount of trade between the two countries which has been hugely experienced since 2011¹

¹ Somalia's humanitarian crises and the subsequent Turkish humanitarian response

Exports to Turkey

Somalia's export to Somalia is too small compared to the imports it does from Turkey on a large scale. It should have been vice versa because Turkey is the bigger economy of a larger population with the larger purchasing power. But the situation is not what it should have been and the reason, as it is obvious, is that Somalia lacks the necessary institutions needed to plan and carry out the national economic missions and goals for the good of the people and the country.

Figure 2



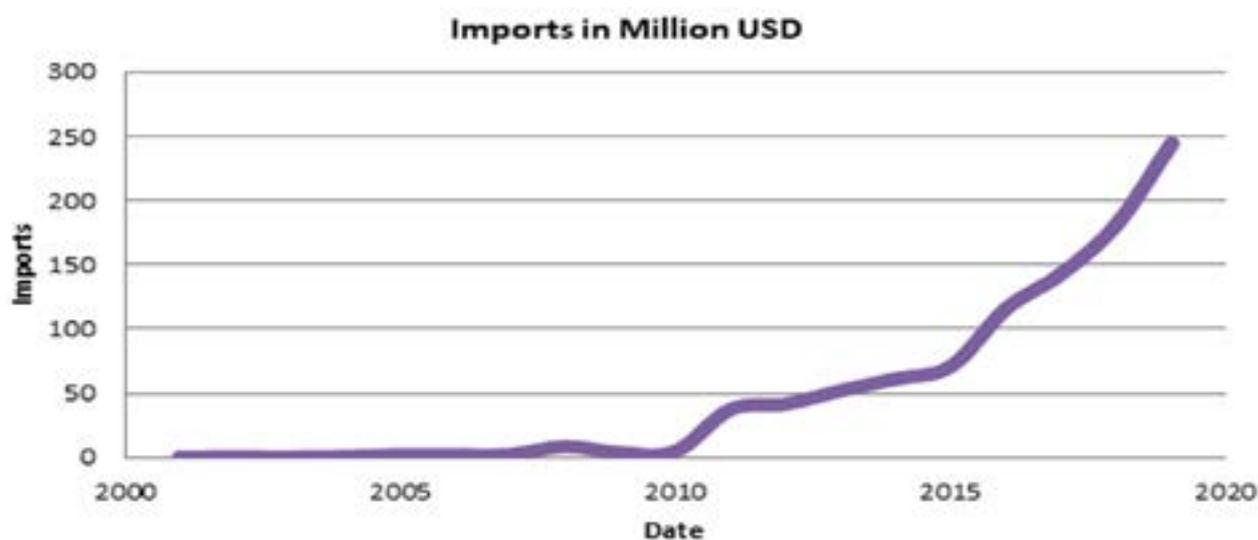
Source: Author's calculations using Trade Map Data figures

Apart from its small scale, there is also inconsistency in the exports that Somalia does to Turkey as figure 2 illustrates. For example, in 2006, the values of exports to Turkey were more than 2.5 million but decreased drastically up to almost nonexistence in 2009. Same as in 2011 the amount increased to almost 2.4 million and declined in the next years to less than 1 million in 2017. But, again, the volume of the exports to Turkey explosively grew to more than 6 million in 2018 and is expected to grow further in the future. But that is not guaranteed because the inconsistency is there as we have already witnessed in the previous years and that is, again, due to the absence of the necessary economic institution which would plan and set economic goals for more economic growth, development and prosperity.

Imports from Turkey

Unlike the exports to Turkey, there is a profound consistency and explosive increase in the volume of Turkish exports to Somalia. Since 2010, the volume of imports has been increasing exponentially. In 2010, the volume of imports from Turkey rose from less than 5 million to more than 150 million USD in 2020 as illustrated in figure 3 and that is an impressive achievement for Turkey in such a short period.

Figure 3



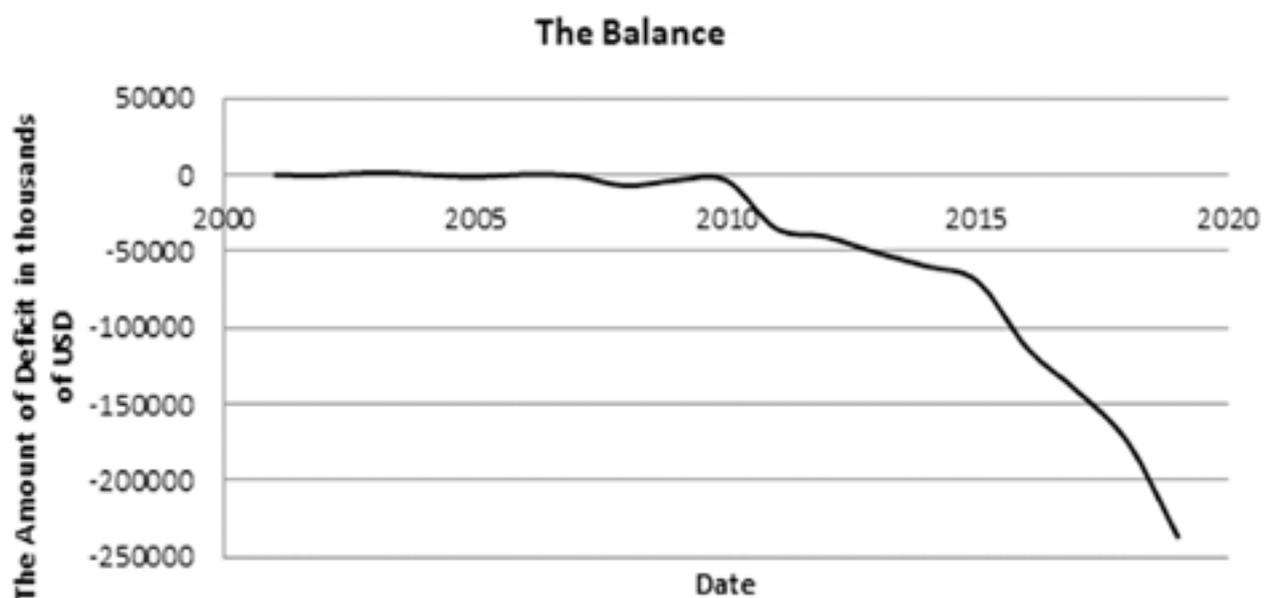
Source: Author's calculations using Trade Map Data figures

That is not a big surprise for those who can understand the main reason why is the big gap between Somalia's imports from Turkey and its exports to Turkey. The economic policies of each country matter more than the technological capabilities of a country. Some big and technologically advanced nations, sometimes, could be in a trade deficit with some economically smaller countries, America for example, the largest economy and the most technologically advanced nation in the world has a negative trade balance and in a trade deficit with some technologically underdeveloped and economically small countries in the world. Therefore, smaller nations are supposed to be in a better place when it comes to trade. But that is when the economically smaller country has a policy and a plan on hand before expecting any gains from trade. Otherwise poorer countries turn to be poorer and in a worse position than wherever they were before; and that is exactly what Somalia is facing now.

The Balance of the Payments

Since 2010, Somalia has been in a deep trade deficit with Turkey every year as the trade relations between the countries started to grow and flourish. In 2010 for example, the trade deficit was less than half a million but as the graph below shows, the more the trade grows the greater the deficit gets and eventually, in less than ten years the deficit balance went from less than half a million to 240 million USD annually. In 2019, the deficit was 240 million USD and expected to grow to more than 250 million annually in 2021 as the projections show.

Figure 4



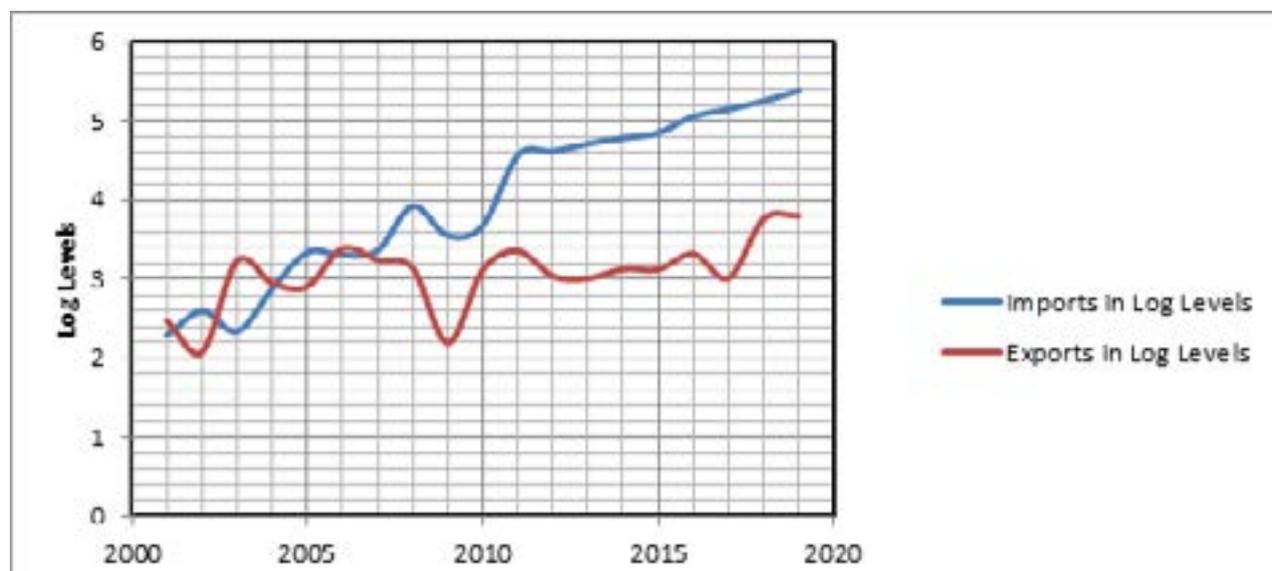
Source: Author's calculations using Trade Map Data figures

The above figure explains how deep Somalia's trade deficit with Turkey is, and that is due to Turkey's model towards trade with Africa which is a kind of "export-led growth" model and, on the other hand, Somalia's lack of any kind of a model. Both these contributed or are the primary root cause of the deepness of the deficit. This does not mean that Somalia's trade with Turkey worsened the situation of its previously existed trade deficit with the rest of the world. Because Somali merchants who used to do their exportations from other countries turned their attentions towards Turkey in recent years as Somalia have found closer ties with Turkey. Somalia used to do its main exportations from Gulf countries, India and China. But, nowadays, there is a big shift where a large portion of what had been exported from elsewhere is now coming from Turkey.

Contrasting

The log levels of both values¹ tell us that import from Turkey seems more consistent than the exportations to Turkey as figure 5 explains.

Figure 5



Source: Author's calculations using Trade Map Data figures

From 2011 to date, imports from Turkey kept increasing smoothly which means that Turkey had a clear plan to accelerate its trade ties with not only Somalia but with the entire African continent as their trade with the continent went from 5,4 billion in 2003 to more than 25,3 billion USD in 2020 (Sharif, S. M. 2020). On the other side, Somalia's exportation to Turkey is not as consistent as the imports it does from Turkey. The main reason, again, is that the responsible governmental institutions have no clear vision or policies regarding trading, modeling, and finding opportunities by bridging the gap, cutting the ropes of isolation and reaching out to the world. In addition to that, Somalia's current situation, instability and widespread corruption ruined the nation. All these challenges are what kept the means of production of the country to remain underdeveloped. Also, corruption is what caused the unskilled personnel to end up in major-policy-making positions in government jobs which in turn bring about ineffective or, sometimes, disastrous policies to be made.

1. The trade volume with Turkey

Conclusion

Turkey's aid response to Somalia's 2011 droughts was the beginning of a charming relationship between two potential partners. Turkey's presence in Somalia did not remain just a humanitarian operation but also started to aim at broader areas of relationship between the two countries. The relations have begun to grow faster and also have affected multiple areas such as trade, development and security. Turkish private business companies started collaborating with their Somali counterparts. The bilateral agreements between the two countries varied from education and health to security and peace-building.

The trade volume between the two countries significantly increased from less than half a million in the early 2000s to more than 250 million in 2019. Somalia's export to Turkey is relatively small compared to the imports it does from Turkey on a large scale. For example in 2010, the volume of imports from Turkey rose from less than 5 million to more than 150 million USD in 2020 while the exports to Turkey remained 6 million in 2020. The reason, as it is obvious, is that Somalia lacks the necessary institutions needed to plan and carry out the national economic missions and goals for the good of the people and the country.

The problem is not that Somalia does not export but is the importation of what can domestically be produced. Somalia does not have the problem or the fear of scarcity in natural resources as some countries in the world do. However, the problem Somalia does have is the fact that at least right now; there is no stable environment¹ in which policy-makers can formulate plans regarding the extraction and the management of those resources on hand to satisfy the basic needs of the people instead of importing those necessities from elsewhere.

The argument that says "there is no peace in Somalia" is irrelevant as some parts of the country are stable but still depend on imports from abroad. Therefore the problem is more complicated than we can imagine. The culture of Somalis is a huge part of the problem but the most horrific thing which hinders the country from any kind of development is the widespread corruption in Somalia's system of governance. Corruption is the source of all evil, mismanagement, and disastrous policies as corruption allow the wrong person to get assigned in the wrong position.

1. As most people argue the same, insecurity and the political instability in the country is the source of all problems

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