TRADING AWAY PROSPERITY?! MORTGAGING THE FUTURE?: Ethiopian Sea Access Deal: A Crucial Evaluation of Its Impact on Somaliland's Future Economy – Boon or Bane for the People?

A shimmering lifeline or a Trojan horse? In this comprehensive analysis, let us scrutinize the potential ramifications of Somaliland leadership and intellectuals' persistent consideration to lease a 20 km sea access and its associated pathway-corridor land to the borders of Ethiopia. The contemplated action, if executed, carries the weight of substantial and enduring economic consequences for Somaliland.

In the complex tapestry of Somali politics, I, Eng. Faisal Hawar, choose to navigate with a low-profile demeanor, steering clear of myopic debates entangled in stereotypes and emotion-driven opinions. Despite my discreet presence, my professional journey spans over 25 years, deeply immersed in the realms of Foreign Direct Investments (FDI) and local investment dealings, culminating in a substantial portfolio exceeding $30 billion.

Within this extensive landscape, I have led groundbreaking initiatives, notably the $1 billion Global System for Mobile Communication (GSM) project, the transformative $3 billion Thuraya Satellite venture, and the monumental $4 billion Abu Dhabi Islamic Bank (ADIB), acclaimed as the largest capital money Islamic bank on a global scale. Beyond these landmarks, my engagement extends to diverse projects like the Ebtikar Sim Card factory, Contact Centre, Zanzibar Telecom, and Kuwait Energy Company, where our oil production capacity reaches 28,000 barrels per day across seven host countries.

This multifaceted portfolio also encompasses numerous FDI endeavors, spanning telecom operations licenses and upstream oil and gas investments across Africa and various global regions. Armed with such extensive background, I humbly intend to contribute my two cents opinion and advisory to the ongoing political discourse among my fellow countrymen.

Unlike the prevailing discourse, this analysis does not blindly oppose or support the Somaliland-Ethiopia deal solely based on considerations of Somalia's sovereignty or the other hand Somaliland's bravado independent statehood. Many have already debated along these lines. Instead, I aim to delve into the intricate dynamics of leasing sea access and land corridors, emphasizing the imperative for a thorough evaluation of the short-term and long-term economic implications.

The objective of this article is to furnish readers with a nuanced understanding of the potential economic risks and benefits entwined with this proposed venture. By steering clear of the well-trodden paths of sovereignty debates, I aspire to contribute to informed discussions surrounding the future economic landscape of Somaliland. The piece endeavors to open a dialogue on the matter, shedding light on diverse aspects that necessitate careful consideration before advancing any leasing agreements.

If we could eavesdrop on the unspoken wishes and dreams of coastal nations, their earnest pleas to the Almighty Allah would likely surpass mere expressions of gratitude for the gift of sea access and ports. Beyond seeking blessings for their maritime endeavors, they might fervently implore for the added fortune of possessing numerous landlocked neighboring states, envisioning a trajectory that catapults their economic prosperity to unparalleled heights. As a Somali reader endowed with acute discernment, there's little need for explicit elaboration on the aspirations and yearnings of a landlocked nation—particularly when considering our neighboring Ethiopia!

Ethiopia, our landlocked neighboring nation with a population of 120 million, is unequivocally seeking its own sovereign sea access, ports, a military base, and a direct pathway corridor leading to its borders. This assertion is substantiated by Ethiopia's existing commercial access to the Assab Port of Eritrea and the ports in Djibouti, each equipped with advanced railroad and highway infrastructure connecting to Addis Ababa. While Ethiopia also has commercial access to the Berbera Port in Somaliland and the Lamu Port in Kenya, along with the option of utilizing a few other ports in Somalia, it's essential to recognize that these established connections do not fulfil Ethiopia's specific objectives in the current negotiation.

Historically and in the recent rhetoric of Prime Minister Abiy Ahmed, clearly conveyed to his Parliament and the nation, Ethiopia is explicitly seeking a share of sea access in the Red Sea and the Gulf of Aden. This pursuit is evident in the Prime Minister's statements, emphasizing a strategic interest in securing a long lease or exploring alternative means for access, underscoring Ethiopia's commitment to achieving this objective.

The economic bedrock of Somaliland, understood by the common man, relies on three distinct lifelines. Firstly, the annual export of locally-reared livestock, supplemented by approximately 40% imported from Ethiopia. Second, port handling charges for goods destined for Ethiopia play a significant role, and third, potential port charges and the trade of Ethiopian export goods via the Berbera port contribute to the economic vitality of Somaliland.

Despite the potential for Somaliland to face a trade deficit with Ethiopia, heightened by its substantial daily import of Qaad/Jaat, which exceeds $600 million annually, the current vibrancy of trade, commerce, and services in Somaliland, including major businesses, hinges significantly on the provision of goods and services to the landlocked neighbor, Ethiopia. Approximately 60% of local business activities are intricately tied to import and export transactions with Ethiopia. It is essential to sensibly acknowledge that all the economic channels supporting Somaliland's economic backbone today will cease to function once a long lease for sea access and pathway corridor-land is finalized with Ethiopia. This may potentially lead to the establishment of a quasi-Ethiopian enclave within Somaliland's territory.

Foreseeing the Economic Fallout: The Impending Losses for Somaliland's Economy, Trade, and Services Arising from Leasing Sea Access and Pathway Corridor to Ethiopia:

1. **Livestock export via Berbera Port, Somaliland's economic mainstay:** strategically situated and favored for Ethiopia's livestock and fresh meat exports, stands as a pivotal economic asset for both nations. Its close proximity to the animal habitats in the Somali State of Ethiopia and Oromia allows for swift transportation, with living livestock and fresh meat reaching Berbera port within hours. The handling of these exports is facilitated by seasoned Somali livestock experts. However, the prospect of signing a leasing contract for sea access and pathway corridor, creating a quasi-Ethiopian enclave within Somaliland, threatens to sever this vital economic lifeline for Somaliland. In doing so, Somaliland risks undermining its own economic interests and shooting itself in the foot.

2. **World Food Programme (WFP) Aid:** Since the iconic "We Are the World" initiative in 1985, which sought to raise funds for famine relief in Ethiopia, the World Food Programme (WFP) has consistently supplied Ethiopia with millions of metric tons of wheat and other grains annually. Initially routed through the Djibouti port, more recent agreements have extended this crucial aid via Berbera port, presenting a lucrative contract for Somaliland. This collaboration not only generates revenue through port service charges and handling fees but also opens up transportation opportunities for delivering food supplies inside Ethiopia. It could stand as yet another significant and potentially missed opportunity for Somaliland.

3. **Ethiopian Agro-Farm Exports:** Ethiopia's expanding global export of agro-farm cash crops such as Coffee, Legumes, and Pulses is notable, with shipments passing through both Djibouti and Berbera ports. While Coffee finds its way to markets in the US and EU, Pulses, including lentils, chickpeas, beans, Sesame seeds, Teff, Sorghum, and Maize, dominate Ethiopia's grain exports, primarily heading to Yemen and the Gulf States. This thriving export industry could stand as yet another significant and potentially missed opportunity for Somaliland.

4. **Oil and Gas Transit:** The recent discovery of commercially viable oil and gas deposits in the adjacent Somali State of Ethiopia presents Somaliland with a significant and latent economic opportunity. The prospect of crude oil and gas transiting through Somaliland's land and port entails a colossal revenue potential, with transit fees being a customary practice in the oil and gas industry. This is particularly relevant for landlocked countries with oil production capabilities that need to access sea-front ports in neighboring countries.
   - A pertinent example: illustrating the potential of a crude oil transit fee arrangement is the relationship between South Sudan and Sudan. In the 2012 Transitional Financial Arrangement (TFA), a fixed fee of $9.10 per barrel was set, supplemented by additional processing and transit fees, resulting in a total

of approximately $24.50 per barrel. South Sudan was also obligated to pay a $3 billion compensation package to Sudan over several years.
- Fast forward to 2022 negotiations, where both countries engaged in discussions for a new transit fee agreement, with South Sudan seeking lower fees due to fluctuating oil prices and changed circumstances. In 2024, Sudan proposed a novel approach, suggesting a fee based on a percentage of the prevailing global crude oil price, potentially ranging from 10-15%.
- Somaliland, following this precedent, could stand to generate substantial revenue from the transit of Ethiopia's crude oil. However, this potential economic windfall is at risk of being overlooked, as Somaliland considers leasing its sea and land, ultimately paving the way for Ethiopian administrative control within its borders.

5. **Natural Gas Transit Fees:** Much like the transit fees applied to crude oil, landlocked countries also pay a fee to the sea-port-owning country for each unit of natural gas transited. The determination of these natural gas transit fees involves consideration of several factors, including:
   - Existing Fee Structures: In the case of Turkmenistan and Azerbaijan, their gas pipeline agreement employs a variable fee system based on distance and volume, spanning a range of $0.5 to $1.5 per 1,000 cubic meters (scm).
   - Bolivia and Brazil: The gas pipeline agreement between Bolivia and Brazil features a nuanced fee structure, incorporating various charges influenced by factors such as distance, volume, and other variables. This complexity makes it challenging to pinpoint a single average fee.
   - LNG Conversion: In instances where landlocked countries opt to export liquefied natural gas (LNG), they may encounter additional costs associated with liquefaction and transportation. These costs differ from those associated with pipeline gas transit and add another layer to the overall fee considerations.

6. **Mineral Ores Transit Fees:** Much like the established systems for crude oil and natural gas transit fees, mineral ores also incur transit fees for landlocked countries, constituting a substantial revenue source for the seaport country.

Several factors come into play when determining these fees:

- **Type of Ore:** The nature of different ores, with variations in qualities, processing requirements, and transportation needs, directly influences the applicable fees. For instance, fees for transporting iron ore may differ from those associated with rare earth metals.
- **Volume of Ore:** Higher volumes typically result in lower per-ton fees.
- **Distance Traveled:** Longer routes or the utilization of more complex transportation modes, such as trucks versus railways, generally lead to higher fees.

- **Infrastructure Costs:** The establishment and maintenance of dedicated ports, rail lines, or roads designed for ore transportation contribute to the overall fee structure.

Examples of existing fees further highlight the diversity of this system:

- **Zambia and Tanzania:** The transportation route for Zambian copper through Tanzania involves periodically negotiated fees, with estimated costs ranging from $20 to $40 per ton.
- **Mali and Senegal:** The transit of Malian gold through Senegal reportedly incurs fees calculated as a percentage of the gold's value, potentially around 2%.

This prospective revenue stream will go unrealized should Somaliland decide to lease its seas and land to landlocked Ethiopia, thereby highlighting the substantial economic and revenue generation opportunities that stand on the brink of being forfeited.

Navigating Ethiopia's Recognition Offer: A Precarious Balancing Act for Somaliland's Future

As Somaliland contemplates Ethiopia's unilateral recognition offer, the looming threat of a significant economic fallout and the potential loss of territories forever raises critical questions. The merit of Ethiopia's recognition proposition and the perceived equitable trade of acknowledgement for sea access and a pathway corridor beckons scrutiny, prompting Somalilanders to ponder the logical acceptability of such a deal.

Amidst the jubilation echoing through Somaliland, a crucial aspect comes into focus—whether the public is fully apprised of the international landscape where numerous countries, despite amassing significant recognition from UN member states, faced challenges in achieving UN membership due to opposition from the very nations they sought to secede from. Illustratively, Kosovo garnered over 115 recognitions, Palestine secured 139, Western Sahara obtained more than 46, and Taiwan, despite having 14 recognitions, continues to grapple with securing broader acceptance within the international community.

These examples underscore the intricate complexities and potential hurdles that Somaliland might encounter on its path to full international recognition, while possibly and irreversibly losing sea and land territories.

Conclusion: A Call for Prudent Decisions

In light of the potential economic windfalls outlined above, I earnestly urge Somaliland's leadership and intellectuals to reconsider the decision to lease its seas and pathway corridor land to Ethiopia. Rather than relinquishing control and sovereignty, Somaliland could explore more profitable and manageable Foreign Direct Investments (FDIs) that align with its economic interests. Let us not risk surrendering Somaliland's freedom to the more powerful and populous Ethiopia, potentially paving the way for an overpowering influence over Somaliland's future. Prudent choices today will shape a prosperous tomorrow for Somaliland and its people.

A Word of Wisdom on External Interference: A Challenge and a Caution

As Somaliland navigates the complexities of these pivotal decisions, it is imperative for politicians, intellectuals, and the general public to stand resilient in the face of external interference, criticism, and opposition, particularly from our brethren in Somalia. This resilience becomes even more critical as we approach the final stages of deliberation on this precarious deal. While fully acknowledging the deep bond that unites us as part of the broader Somali race, we must challenge ourselves to avoid succumbing to a historic mistake that could result in the permanent loss of both our seas and land to the larger and more populous Ethiopia.

It is essential not to let potential disagreements and political discourse with our Somali brothers, even if they vehemently criticize Somaliland, overshadow the imperative of safeguarding our precious seas and ancestral land. Let our decisions be guided by a commitment to prosperity and the meticulous preservation of Somaliland's future for all Somalis.

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