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**TRADE RELATION BETWEEN G7 COUNTRIES WITH SOMALIA: TREND,  
CHALLENGES AND GOVERNMENT INITIATIVES.**

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**ABSTRACT**

The study discussed the trade relations of G7 countries with Somalia, and also the prospects and challenges of trade between Somalia and G7 countries. It has found that Somalia is a growing country in the Horn of Africa, although it has many internal challenges. Somalia has a trade deficit with G7 countries. Japan, France, and Italy are the major importer of Somali goods and services in the G7 group. Their major importing goods from Somalia are scrap metal, charcoal, fish, skins, bananas, and livestock. The United States, Italy, and France are the major exporting countries of the G7 group to Somalia. Accordingly, the Trade Intensity Index, Somalia has strong trade relations with Japan, France, and Germany, while it has weak trade relations with the United States, Italy and the United Kingdom. The Trade Complementarity Index of G7 countries to Somalia is higher. So, the export profile of G7 countries are more in line with the import profile from Somalia. Export Diversification Index shows that Somalia exports diverse products to G7 countries. Somalia has the potential to increase livestock exports by finding new markets. Somalia has abundant land for agriculture and food production. However, the nation faces many challenges, including climate change, conflict, and economic instability. Ongoing conflict has severely impacted agricultural production and livestock exports. Therefore, the Government of Somalia should implement import-substitute policies for reducing dependence on import goods, and allow the private sector for production of goods for minimizing trade deficits.

**Keywords:** Business, Export, Import, Transportation, and Trade deficit.

## INTRODUCTION

International trade is the exchange of goods and services between buyers and sellers. In the marketplace, sellers sell both durable and non-durable goods. Many countries have different cultural heritages and natural resources such as land, labour, capital, technology (Jimale & Erdogădu, 2024). Globalization is forcing rich countries to use their resources more efficiently. According to the theory of comparative advantage, countries will accept this fact and will not try to produce more expensive goods in their own countries in order to diversify their economies (Majid et. al., 2021). It benefits consumers by providing them with more choices and increasing competition, allowing businesses to produce quality products to make a profit. Global trade involves the allocation of commodities and services among countries. Developed countries are more expert in production of industrial and technology related goods or services (Banerjee et. al., 2022). Developing countries are well known for production of agriculture related goods. Due to international trade factors of production also transfer between countries, labour, capital, raw materials, and technology (Bouet et. al., 2017).

The ongoing economic recession has negatively impacted the economy and trade. Companies often face a difficult adjustment process as successful foreign companies struggle to compete (Gafowa, 2022). They often look for restrictions such as import taxes (called customs duties) and quotas to raise prices or limit the value of imported goods. Companies may try to limit exports of goods to lower their own production costs (Majid, 2010). However, the rewards are many and those who benefit often do not realise how much it means to them. The Horn of Africa region is likely to increase trade, particularly in the Middle East. Its rich minerals, cattle and strategic locations along the most important marine routes gives geographical advantages (Mahmoud, 2010). However, current restrictions include poor infrastructure, political instability and low standards of regional trade are the basic constraints (Abdi et. al., 2024). Most important areas of improvement include promoting cross-border trade, developing regional value chains, and addressing infrastructure gaps to harness regional economic potential (Little, 2005). Countries in the Horn of Africa region are blessed with natural resources, but have inadequate infrastructure for production and distribution (Tazebew & Kefale, 2021).

## LITERATURE REVIEW

Little (2005) discussed the illegal cross-border trade in the Horn of Africa, focusing on the Somali border region. The report showed that illegal beef exports from Somalia to Kenya have increased over the last 13 years, after the collapse of the government in 1991. Leeson (2007) examined the impact of anarchy on development in Somalia. Somalia remains a country with serious problems. But it seems to have worked better when it was in power sooner rather than later. The conflict that broke out in 1991 created an opportunity for progress that would not have been possible before the fall of the government. Kefale (2019) investigated the cross-border trade between the interior of Ethiopia and the Somali coast has a long and continuous history, but has also been influenced by the state structures established in Ethiopia and Somaliland. Majid (2010) found that live animals and livestock trade are an important part of the economy connecting the Somali region of Ethiopia to Djibouti, Somaliland and Puntland. The Somali region of Ethiopia accounts for the majority of livestock exports. Mahmood (2010) concluded that the livestock sector is not only a commercial activity but also a sector with social and political implications. Cross-border competition, which has long been a business problem, has increased for many business sectors.

Bouet et al. (2017) discussed the joint venture industry in Africa. The small business community and low-cost variety of products in the region are significant. However, the use of improved indicators shows that African countries have more prospects of trade with other countries. Ngasike et al. (2020) analyse the practices and operations of the Somali-Kenya cross-border livestock trade and identify key challenges that arise following the division of core state functions and governance. The article concludes that there should be collaboration between national and local governments to ensure sustainable food security. Tazebew & Kefale (2021) examined the prevalent trends of economic relations in the Ethiopia-Somaliland borderlands, with particular reference to the post-1991 period. These trends are assessed in the context of the entrenchment of state authority. The paper found that 'informal' trade, which is pervasive in these borderlands, is not as such informal. Indeed, the distinction between formal and informal is found to be imprecise. Accordingly, Majid et. al. (2021), economic shock from Covid-19 reduced government revenue, political finance, and patronage from several sources, including trade related taxation, remittances, as well as aid-related rents and patronage.

Gafow (2022) suggested that in order to reduce Somalia's trade deficit, the Somali government should develop trade with East African countries, increase exports of services and goods sold to these countries, and increase domestic production. Banerjee et al. (2022) recommends strategic planning, humanitarian response, and resilience building for livestock value chain actors in Somalia and the Horn of Africa. Jimale & Erdogădu (2024) examined the impact of international trade on economic growth in Somalia. The study's findings contributed to the policy recommendations, which should be taken into account by decision-makers.

Therefore, from the above analysis it has been found that Somalia has more prospects of trade with the neighbouring countries although they have certain constraints. Majority of articles discussed the trade of Somalia with neighbouring countries, very few studies discussed trade of Somalia with G7 countries.

### **Objectives**

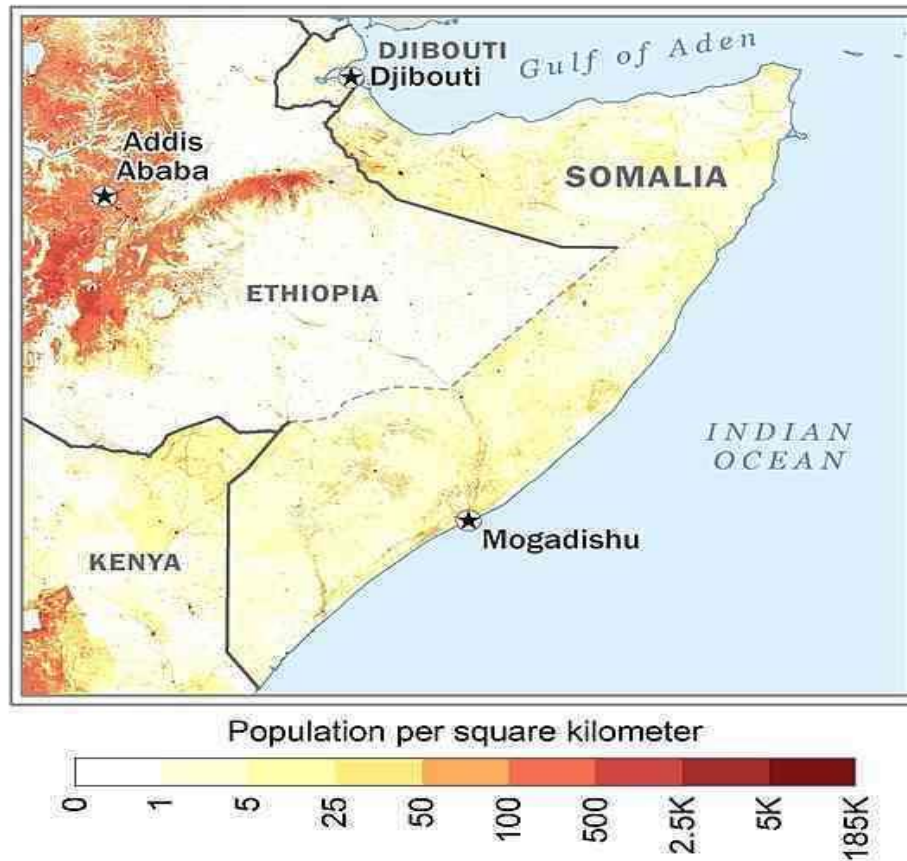
The main objectives of this paper are (a) to study the trade relation of G7 countries with Somalia; and (b) to study the prospects and challenges of trade of Somalia with the G7 countries.

### **METHODOLOGY**

This study is descriptive in design and has utilised qualitative approaches. Secondary data for the study collected from the World Integrated Trade Solution (WITS), tradingeconomics.com, and research papers. Trade Complementarity Index, Export Diversification Index or Herfindahl-Hirschman Index, Trade Intensity Index, and Logistics Performance Index were also used in the study. To reveal trade relations of Somalia with the G7 countries in general and challenges in particular, descriptive analysis, and content text analysis have been performed.

### **Study Area**

Somalia is the easternmost Horn of African countries. It is adjacent to Ethiopia, Kenya and Djibouti. It has a long coast that extends to the Indian Ocean. Its capital and largest city is Mogadishu. Somali is the official language, and Arabic is the recognized national language. Sunni Islam is a religious tradition. Somalia's total area is 637,657 square kilometers, with a population of 18,143,378 (2023 EST). The population density per square kilometre is 27.2 people. Somali shilling is Somalia's currency. According to 2023, Somalia's nominal GDP (dollar) is USD 12.8 billion, with an income of 775 per capita.



Source: [https://theodora.com/wfbcurrent/somalia/somalia\\_geography.html#google\\_vignette](https://theodora.com/wfbcurrent/somalia/somalia_geography.html#google_vignette)

## RESULT AND DISCUSSION

### (a) Trade relation of G7 countries with Somalia

Somalia is a growing country in the Horn of Africa, although it has many internal challenges. The Somali Agricultural Regulatory and Supervisory Authority is a new regulatory body that is expected to strengthen control over the import and export of agricultural products. Somalia's main exports include metal plating, fish, precious metals, precious or semi-precious stones, natural or cultured pearls, animal farming, resins, gums and other fruit juices and extracts. Somalia's major markets include the United Arab Emirates, China, India, Turkey and Ethiopia. Somalia has historical and religious ties to the Arab world. Consequently, the Somali population is entirely Muslim, mostly Sunni. In ancient times, Somalia was an important trading center. Strong Arab, Persian, and Indian influences shaped the ancient coastal city, and Italian colonial architecture can still be seen in Mogadishu. Inadequate transportation has greatly affected Somalia's economic development. In addition to official trade, there is also illicit trade in Somalia, with thousands of Somali workers working in Arab countries evading customs duties and providing Somalia has scarce goods in the market. Because wages are so low in Somalia, almost every family is directly or indirectly affected by the illegal economy.

#### (A<sub>1</sub>) Trade between Germany and Somalia

In 2012, the political and security situation in Somalia improved, and relations between Germany and Somalia became closer. Germany has not had an ambassador in Somalia since 1989, and relations with Somalia are overseen by the German ambassador in Nairobi. Germany plays a variety of roles in the EU

and the UN to strengthen national security. Through the EU Training and Assistance Mission in Somalia and the European Union Training Mission in Somalia, the agency provides training to security forces and supports national and civil society structures in the country. Germany also participates in the counter-terrorism operation Atalanta and the UN Assistance Mission in Somalia. Somalia has an embassy in Berlin. German-Somalian trade relations are limited but important for Somalia's development cooperation. German development cooperation includes aid and funding, vocational training, and support for agriculture and food security.

**Table 1: Import and Export of Goods/Services of Germany from/to Somalia**

Year	Import	Year	Import	Year	Export	Year	Export
2012	0.493	2018	1.03	2012	2.44	2018	27.0
2013	0.673	2019	3.06	2013	5.19	2019	30.6
2014	0.725	2020	2.61	2014	7.16	2020	33.3
2015	1.08	2021	7.05	2015	16.7	2021	27.9
2016	1.21	2022	4.12	2016	10.4	2022	17.8
2017	1.35	2023	2.10	2017	15.4	2023	17.4

Source: <https://tradingeconomics.com/germany/exports/somalia>, Note: Figure in million USD.

Table 1 discussed the import and export of goods/services of Germany to Somalia. It has found that Germany has a trade surplus with Somalia. Value of goods and services imports by Germany was 0.493 million in 2012, and 1.03 million in 2018 and finally 2,10 million 2023. The main goods exported from Somalia to Germany are live fish, essential oils, and insect resins. Value of goods and services exported from Germany to Somalia was 2.44 million in 2012, and 27.0 million in 2018 and finally 17.4 million 2023. The main products that Germany exported to Somalia were cars, used clothing, and sawn wood. Therefore, export value > import value. So, Germany has trade surplus with Somalia between 2012-2023.

**(A2) Trade between Japan and Somalia**

Japan and Somalia established diplomatic relations in the 1960s, when the Somali Republic gained independence. Japan's diplomatic relations with Somalia are conducted through its embassy in Nairobi, Kenya. Japan has good trade relations with Somalia and provides financial and development assistance to Somalia. Japan's assistance includes cooperation, grants, and loans. Japan provides assistance to improve social conditions such as education, health, and sanitation. Encourage the development of domestic industries such as fishing and the service sector. Provide support for youth livelihood development, job training and peacebuilding. Provide support to strengthen the capabilities of law enforcement and maritime safety agencies. Provide support to improve the livelihoods of vulnerable groups such as women and internally displaced persons. Japan and Somalia work together to achieve peace and economic development. Both countries work together to improve the lives of people facing humanitarian problems.

**Table 2: Import and Export of Goods/Services of Japan from/to Somalia**

Year	Import	Year	Import	Year	Export	Year	Export
2012	0.432	2018	14.3	2012	0.157	2018	6.18
2013	0.062	2019	19.6	2013	0.957	2019	5.08
2014	0.190	2020	17.1	2014	3.27	2020	4.69
2015	1.49	2021	10.8	2015	5.40	2021	2.85
2016	8.25	2022	4.45	2016	3.65	2022	2.51
2017	11.2	2023	7.98	2017	3.75	2023	5.14

Source: <https://tradingeconomics.com/japan/imports/somalia>, Note: Figure in million USD.

Table 2 discussed the import and export of goods/services of Japan to Somalia. It has been found that Japan has a trade surplus with Somalia. Value of goods and services imports by Japan was 0.432 million in 2012, and 14.3 million in 2018 and finally 7.98 million 2023. The main goods exported from Somalia to Japan are fish oil, fish fillets, molluscs, and other oily seeds. Value of goods and services exported from Japan to Somalia was 0.157 million in 2012, and 6.18 million in 2018 and finally 5.14 million 2023. The main products that Japan exported to Somalia were bicycles, delivery tricycles, other cycles, poultry meat, and nitrogen compounds. Therefore, export value > import value, so Japan has a trade surplus with Somalia between 2012-2023.

#### (A<sub>3</sub>) Trade between Canada and Somalia

Canada and Somalia have a relatively small trade relationship, but Canada has expressed interest in increasing trade with the African country. Canada re-established diplomatic relations with Somalia after more than two years. Canada's trade in goods with Somalia is minimal. Canada established diplomatic relations with Somalia in 1968. Canada announced plans to strengthen bilateral cooperation with Somalia in early 2019. The partnership focuses on promoting gender equality and empowering women and girls by investing in education and health and strengthening governance. Respect for governance and the promotion of human dignity for the poor and most vulnerable. Canada's main exports are machinery and equipment and protein. Canada's main imports from Somalia are essential oils, sea cucumbers and similar products.

**Table 3: Import and Export of Goods/Services of Canada from/to Somalia**

Year	Import	Year	Import	Year	Export	Year	Export
2012	0.614	2018	0.620	2012	0.344	2018	6.42
2013	0.374	2019	0.759	2013	0.794	2019	3.84
2014	0.597	2020	0.308	2014	1.31	2020	2.44
2015	0.209	2021	0.338	2015	1.10	2021	2.62

2016	0.219	2022	0.321	2016	1.85	2022	2.58
2017	0.240	2023	0.289	2017	4.93	2023	2.35

Source: <https://tradingeconomics.com/canada/imports/somalia>, Note: Figure in million USD.

Table 3 describes the import and export of goods/services to Somalia, Canada. It has been revealed that Canada has a trade surplus with Somalia. The value of goods and services by Canada was 0.614 million and 0.620 million in 2018, and ultimately 0.289 million 2023. The main products Somalia exported to Canada are ball bearings, forklifts, processed crustaceans and other edible preparations. The value of goods and services exported from Canada to Somalia in 2012 was 0.344 million, 6.42 million in 2018, and ultimately 2.35 million in 2023. The main products Canada exported to Somalia were machines with individual functions, chicken meat and raw sugar. Therefore, Canada has a trade surplus with Somalia between 2012 and 2023.

#### (A4) Trade between France and Somalia

France and Somalia have strong cooperation in the fields of trade, counter-terrorism and humanitarian aid. France supports Somalia's economic development, security and regional cooperation. Somalia and France reiterate their joint commitment to long-term development and successful cooperation. The meeting highlighted France's interest in supporting Somalia's regional security, economic development and international cooperation, and called for the opening of the way for stronger cooperation and more. In addition to economic cooperation, the discussions also focused on supporting French investments in Somalia's infrastructure, fisheries and hydrocarbon sectors. The decision to reopen France's embassy in Mogadishu was seen as a step towards strengthening diplomatic relations. On migration, both sides stressed the need to combat human trafficking and improve governance and human resources to prevent tragedies such as the disappearance of Somalis near Madagascar.

**Table 4: Import and Export of Goods/Services of France from/to Somalia**

Year	Import	Year	Import	Year	Export	Year	Export
2012	2.08	2018	8.38	2012	13.1	2018	19.1
2013	4.78	2019	6.24	2013	17.0	2019	9.82
2014	6.21	2020	2.79	2014	17.1	2020	14.5
2015	8.41	2021	3.34	2015	14.3	2021	13.2
2016	11.00	2022	3.27	2016	11.9	2022	16.3
2017	11.00	2023	2.80	2017	43.1	2023	37.5

Source: <https://tradingeconomics.com/france/exports/somalia>, Note: Figure in million USD

Table 4 discussed the import and export of goods/services of France to Somalia. It has found that France has a trade surplus with Somalia. Value of goods and services imported by France was 2.08 million in 2012, and 8.38 million in 2018 and finally 2.80 million 2023. The main goods exported from Somalia to France are broadcasting equipment, essential oils, insect resins, and other oily seeds. Value of goods and services

exported from France to Somalia was 13.1 million in 2012, and 19.1 million in 2018 and finally 37.5 million 2023. The main products that France exported to Somalia were confectionery sugar, poultry meat, and raw sugar. Therefore, export value > import value, so, France has a trade surplus with Somalia between 2012-2023.

#### (A<sub>5</sub>) Trade between Italy and Somalia

Italy and Somalia have strong relations, including cooperation in the fields of security, development assistance and cultural exchange. Italy and Somalia also signed a friendship agreement in 1960. Bilateral relations between Italy and Somalia have a deep historical background, not only in relations and institutional relations, but also in various exchanges between the two countries' public institutions, universities and other international organizations and private sectors. Italy and Somalia have strong relations, including trade, development cooperation and historical ties. Italy has a development partnership in Somalia, focusing on economic development, agriculture and infrastructure. The Italian Agency for Development Cooperation (AICS) is working with the Food and Agriculture Organization of the United Nations (FAO) to improve water and land management in Somalia. Somalia's main exports to Italy are insect resins and other seed oils. Italy's major imports include bakery products, used clothing and timber.

**Table 5: Import and Export of Goods/Services of Italy from/to Somalia**

Year	Import	Year	Import	Year	Export	Year	Export
2012	1.05	2018	0.687	2012	6.80	2018	41.1
2013	0.711	2019	0.386	2013	14.9	2019	37.1
2014	0.539	2020	0.879	2014	30.4	2020	30.2
2015	0.381	2021	1.16	2015	24.8	2021	37.7
2016	0.982	2022	0.303	2016	22.5	2022	29.0
2017	0.626	2023	0.734	2017	37.7	2023	37.3

Source: [tradingeconomics.com/italy/imports/Somalia](https://tradingeconomics.com/italy/imports/Somalia), Note: Figure in million USD.

Table 5 discussed the import and export of goods/services of Italy from Somalia. It has found that Italy has a trade surplus with Somalia. Value of goods and services imports by Italy was 1.05 million in 2012, and 0.687 million in 2018 and finally 0.734 million 2023. The main goods exported from Somalia to Italy are Bovine, non-fillet frozen fish, insect resins, and other furniture. Value of goods and services exported from Italy to Somalia was 6.80 million in 2012, 41.1 million in 2018 and finally 37.3 million 2023. The main products that Italy exported to Somalia were baked goods, used clothing and sawn Wood. Therefore, export value > import value, so, Italy has a large trade surplus with Somalia between 2012-2023.

#### (A<sub>6</sub>) Trade between United States and Somalia

The United States and Somalia have strong trade and investment ties. The United States exports a variety of goods to Somalia, including grain, machinery, and donated goods. The United States responds by exporting low-quality goods and diamonds from Somalia. There is no trade agreement between the United



States and Somalia. The United States supports Somalia's economic recovery, governance, and security. The main US exports to Somalia are automobiles, grain, wheat products, machinery, and electronics. Somalia exports precious metals and jewellery to the US. The US and Somalia have maintained informal contacts, but relations were severed after the collapse of the Somali government. The US reopened its embassy in Mogadishu in 2019. The US recognizes Somalia's sovereignty and territorial integrity within its 1960s borders, including Somaliland and Puntland, and supports the African Union Mission in Somalia (AMISOM) and the Somali military in their fight against Al-Shabaab and in strengthening security.

**Table 6: Import and Export of Goods/Services of United States from/to Somalia**

Year	Import	Year	Import	Year	Export	Year	Export
2012	0.317	2018	1.34	2012	16.7	2018	49.5
2013	0.387	2019	1.08	2013	16.0	2019	105.0
2014	0.196	2020	0.53	2014	35.7	2020	58.9
2015	0.902	2021	1.19	2015	45.0	2021	52.6
2016	1.02	2022	1.17	2016	38.8	2022	88.1
2017	1.01	2023	3.23	2017	70.6	2023	53.1

Source: <https://tradingeconomics.com/united-states/exports/somalia>, Note: Figure in million USD.

Table 6 describes the import and export of goods/services from the US to Somalia. The US has been found to have a commercial surplus with Somalia. The value of goods and services by the US in 2012 was 0.317 million, and in 2019 was 1.34 million, and ultimately 323 million. The value of the goods and services exported by the US to Somalia in 2012 was 16.7 million, 49.5 million in 2018, and ultimately 53.1 million in 2023. The main products that exported the US to Somalia were animals, vegetable fats and oils, gap products, grinding products, malt, strength, excess wheat and drinks, spirits and vinegar. Therefore, the US has a large trade surplus with Somalia between 2012 and 2023, as export values are higher than the import values.

#### **(A7) Trade between United Kingdom and Somalia**

The existing territorial relationship between Somalia and the UK dates back to the 19th century. Somalia has no embassy in London and no media outlets have been present in the UK since its closure in 1994. Safety. Preventing violence. The UK's relationship with Somalia is structured around four key themes: human development, economic development, security and governance. The UK is Somalia's largest donor and has played a key role in international efforts to build a political solution and a functioning state.

**Table 7: Import and Export of Goods/Services of United Kingdom from/to Somalia**

Year	Import	Year	Import	Year	Export	Year	Export
2012	0.208	2018	0.959	2012	12.5	2018	18.5

2013	0.174	2019	1.04	2013	16.8	2019	16.1
2014	0.051	2020	1.28	2014	13.8	2020	16.9
2015	0.141	2021	0.911	2015	11.7	2021	20.4
2016	0.271	2022	0.989	2016	11.2	2022	18.1
2017	0.299	2023	0.830	2017	15.2	2023	16.1

Source: <https://tradingeconomics.com/united-kingdom/imports/somalia>, Note: Figure in million USD.

Table 7 discussed the import and export of goods/services of the United Kingdom from Somalia. It has found that the United Kingdom has a trade surplus with Somalia. Value of goods and services imported by the United Kingdom from Somalia was 0.208 million in 2012, and 0.959 million in 2018 and finally 0.830 million 2023. The main goods exported from Somalia to the United Kingdom are dried legumes, insect resins, and other oily seeds. Value of goods and services exported from the United Kingdom to Somalia was 12.5 million in 2012, 18.5 million in 2018 and finally 16.1 million 2023. The main products that the United Kingdom exported to Somalia are vehicles, optical devices, X-Ray equipment, broadcasting equipment, and electrical equipment. Therefore, export value > import value, so, the United Kingdom has a large trade surplus with Somalia between 2012-2023.

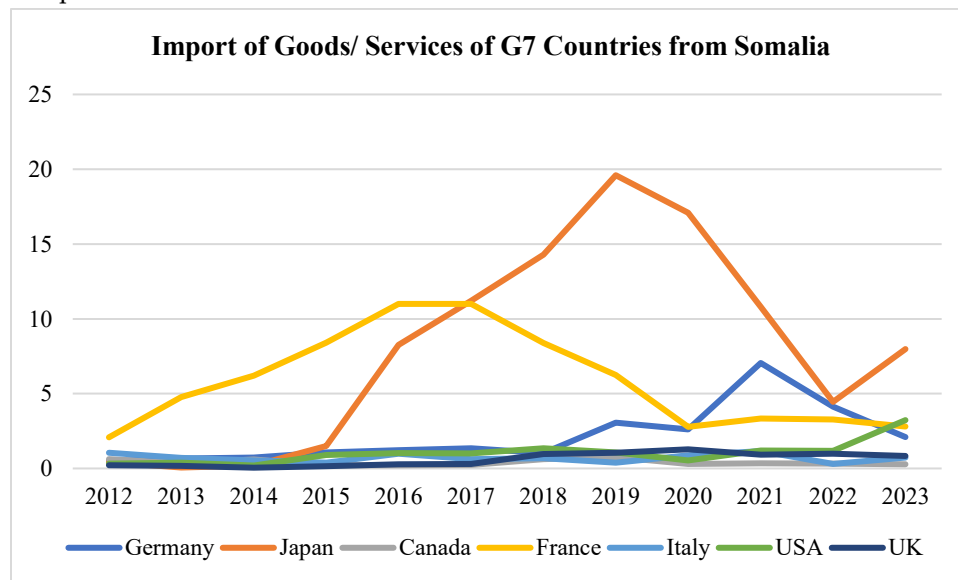


Figure 1: Import of Goods/ Services of G7 Countries from Somalia (Import value in million US\$)

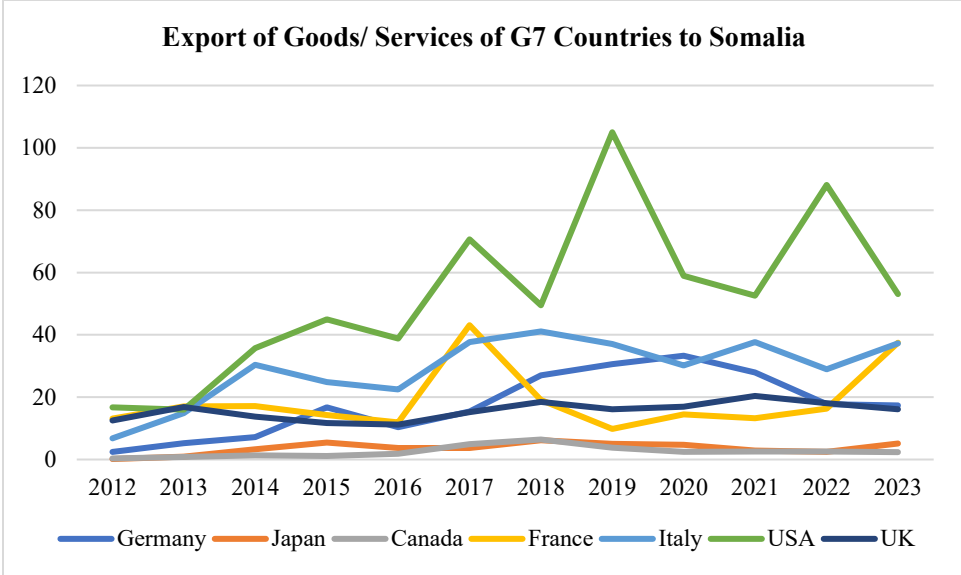


Figure 2: Export of Goods/ Services of G7 Countries to Somalia (Export value in million US\$)

Figure 1 shows Japan, France, and Italy are the major importer of Somali goods and services in the G7 group. Their major importing goods from Somalia are scrap metal, charcoal, fish, skins, bananas, and livestock. Figure 2 shows that the United States, Italy, and France are the major exporting countries of the G7 group to Somalia.

Let us discuss the trade intensity, export concentration, export diversification, and logistic status of Somalia with the G7 countries. The Trade Intensity Index is an indicator that shows the value of a country's exports to a partner country compared to the total world exports to that partner country. The Trade Complementarity Index is a measure of how well one country's exports match up with another country's imports. The Export Diversification Index measures the extent to which a country's export structure differs from the world's export structure. The Logistics Performance Index combines weighted averages of national scores across six important dimensions.

Table 8: Trade Intensity Index (TII) of Somalia with G7 Nations

Country	Trade Intensity Index (TII)				
	1999	2020	2021	2022	2023
Somalia - Germany	8.64	8.75	21.32	9.00	3.41
Somalia - Japan	95.07	105.96	59.97	17.19	25.34
Somalia - Italy	2.72	8.06	8.76	1.51	2.74
Somalia - Canada	5.85	2.99	2.96	1.95	1.24
Somalia - United States	1.47	0.87	1.75	1.21	2.44

Somalia - France	34.01	18.86	20.08	13.84	8.59
Somalia - United Kingdom	5.26	7.95	5.70	4.18	2.50

Source: calculated by author from WITS Website.

Table 8 discussed the Trade Intensity Index of Somalia with G7 Countries. The Trade Intensity Index is used to determine which trading partners have the closest trade relationships. A high Trade Intensity Index value indicates stronger bilateral relations between trading partners, which means that products are more accepted in export markets. From table 8, it found that compared to the G7 countries, Somalia has the highest Trade Intensity Index with Japan, followed by France, and Germany. It has a lower Trade Intensity Index with the United States, Italy and the United Kingdom. Therefore, the Trade Intensity Index shows that Somalia has strong trade relations with Japan, France, and Germany. On the other hand, it has weak trade relations with the United States, Italy and the United Kingdom.

**Table 9: Trade Complementarity Index (TCI) between Somalia and G7 Countries**

Country	Trade Complementarity Index (TCI)			
	2020	2021	2022	2023
Somalia - Germany	11.23	11.68	8.68	8.70
Germany - Somalia	41.55	44.66	43.97	47.29
Somalia - Japan	11.76	13.06	10.64	10.31
Japan - Somalia	34.13	38.15	38.06	39.75
Somalia - Italy	14.85	14.62	10.66	10.65
Italy - Somalia	47.96	50.17	50.08	53.74
Somalia - Canada	11.89	12.96	10.25	10.83
Canada - Somalia	37.57	38.35	36.33	40.26
Somalia - United States	12.22	11.92	9.33	9.47
United States - Somalia	36.74	40.74	38.86	42.18
Somalia - France	11.15	12.08	9.48	9.84
France - Somalia	43.80	46.58	46.16	48.77
Somalia - United Kingdom	24.02	19.03	12.78	12.92
United Kingdom - Somalia	38.27	37.67	36.83	40.88

Source: calculated by author from WITS Website.

Table 9 discussed the Trade Complementarity Index between Somalia and G7 Countries. The Trade Complementarity Index can help identify potential trade growth opportunities. If one country exports no goods and the other country imports no goods, the index will be zero; if export and import shares are exactly matched, the index will be 100. The table 10 shows that Somalia has the highest Trade Complementarity Index with the United Kingdom and Italy. It shows a stronger complementarity between the two countries. On the other hand, it has a lower Trade Complementarity Index with Germany, France and Japan. The Trade Complementarity Index value between Somalia to G7 Countries is not very high; it means the export profile of Somalia does not match the import profile from G7 countries. On the other hand, The Trade Complementarity Index of G7 countries to Somalia is higher. So, the export profile of G7 countries are more in line with the import profile from Somalia.

**Table 10: Export Diversification Index or Herfindahl-Hirschman Index (HHI) of Somalia with BRICS countries**

Country	Herfindahl-Hirschman Index (HHI)				
	2019	2020	2021	2022	2023
Somalia - Germany	0.3410	0.2170	0.4566	0.4085	0.6780
Somalia - Japan	0.2483	0.2275	0.1759	0.4434	0.4658
Somalia - Italy	0.3419	0.8924	0.6497	0.7726	0.2867
Somalia - Canada	0.2067	0.2447	0.2191	0.3014	0.3304
Somalia - United States	0.2258	0.0753	0.1756	0.3541	0.2925
Somalia - France	0.5381	0.8850	0.8851	0.9304	0.8466
Somalia - United Kingdom	0.2324	0.4221	0.2823	0.3953	0.2410

Source: Calculated by author from WITS Website.

Table 10 discussed the Export Diversification Index or Herfindahl-Hirschman Index (HHI) of Somalia with G7 countries. The Export Diversification Index values range from 0 to 1, with higher values indicating greater differences. The index shows how concentrated the country's exports are on several products instead of diversifying into many products. It also shows how different countries' exports differ from the global export structure. The table 10 shows that Somalia has a higher Herfindahl-Hirschman Index with France. It means Somalia exports more selected products to France than the G7 countries. Overall, Somalia exports diverse products to G7 countries.

**Table 11: Logistic Performance Index (LPI) of Somalia and G7 Countries, 2023**

Country	Rank	Score	Country	Rank	Score
Somalia	137	2.0	Canada	7	4.0
Germany	3	4.1	United States	17	3.8

Japan	13	3.9	France	13	3.9
Italy	19	3.7	United Kingdom	19	3.7

Source: [https://lpi.worldbank.org/sites/default/files/2023-04/LPI\\_2023\\_report\\_with\\_layout.pdf](https://lpi.worldbank.org/sites/default/files/2023-04/LPI_2023_report_with_layout.pdf)

Table 11 discussed the Logistic Performance Index of Somalia and G7 Countries. The Logistics Performance Index is a World Bank analytical tool that combines weighted averages of national scores across six important dimensions. This is a way to deliver the quality of logistics services, ease of delivery, infrastructure quality, customs performance, freight tracking and tracking, and delivery using implementable data to measure local logistics efficiency. The table 11 shows that Somalia has lower Logistic Performance Index value than the G7 countries. Somalia has rank 137 out of 138 countries. It indicates the intensity of constraints of transport of commodities in Somalia. Germany and Canada have respectively 3<sup>rd</sup> and 7<sup>th</sup> rank in the Logistic Performance Index.

**(b) Prospects and Challenges of Trade of Somalia with the G7 countries.**

Somalia's economic prospects include increased exports, improved business environment, and investment in agricultural businesses. However, the country faces challenges such as a fragile economic balance and lack of regulatory framework. Somalia has the potential to increase livestock exports by finding new markets. The products with the greatest export potential are fish and sesame. Fruits, gum, and resin products also have the potential to increase sales. Developing suitable products will help create jobs and incomes, and help reduce the country's trade deficit. Better quality control will help reduce the export of cheap, low-quality, or counterfeit goods. Strengthening intellectual property rights protection will make exports of goods and services to Somalia more attractive to foreign companies. Agriculture plays a vital role in ensuring Somalia's food security.

Agriculture accounts for one-third of all employment. The main exports of Arab countries are live animals and bananas. The most important resource of Somalia is the pastures that cover most of the country. Somalia has mineral resources such as uranium, iron ore, guano, coal, gypsum, phosphate, and tin. Natural gas reserves have been discovered but are not yet produced. Sea salt is collected from various places along the coastline. South-central Somalia has large deposits of sponge soils or sepiolites. However, the sector faces many challenges, including climate change, conflict, and economic instability. Somalia has abundant land for agriculture and food production. Charcoal, resin, and rubber are mined from Somali forests. The Somali seas are home to a variety of marine animals. With better governance and public investment, Somalia can improve water supply, flood control and transportation.

Somalia is home to a large number of animal species that provide a significant portion of the region's food supply. The northern part of the country is home to arid forests that produce gums and resins such as frankincense, myrrh and gum Arabic. Somali waters are rich in fish such as tuna, and sardines. The country has the resources to produce, process and market fish. Somalia has great potential in terms of oil and gas reserves and now is the time to make significant investments. Somalia has invested in creating special economic zones, industrial zones and fishing zones. The aviation sector in Somalia is rapidly developing and air traffic and passenger numbers are expected to increase in the future. The Somali economy is considered to be developing. These sectors include financial services, banking, travel and accommodation. Somalia's hospitality and tourism sector has potential in many areas, from hotel services to international travel. Investing in the leather industry helps increase the country's income and build better economic

relationships. Expanding access to microfinance helps create jobs and support economic growth. Somalia has many investment opportunities in energy, livestock, fisheries and agriculture. However, the country still faces problems such as corruption, uncertainty and instability. It is rich in marine life and is home to millions of cattle, camels, goats and other animals. Somalia is promoting technology, including digital financial services. The Federal Government of Somalia welcomes foreign direct investment. The Somali Investment Promotion Board provides incentives to retail companies.

Somalia experiences frequent severe droughts. Ongoing conflict has severely impacted agricultural production and livestock exports. Desertification is the reduced ability of rainfall to sustain agricultural and livestock production. Soil degradation is a major risk for smallholder farmers, food producers and agricultural pastoralists. Government corruption is a major obstacle to investment and growth. Somalia has poor roads and unreliable electricity. Reliable internet access is limited in Somalia, especially outside cities. Unemployment is high in Somalia and jobs created are often unprofitable. Expensive and unreliable electricity is a problem for businesses. Somalia's economic growth is hampered by conflict, climate change and poor infrastructure. The withdrawal of the Somalia Africa Transition Mission in December 2024 is likely to pose a security risk. Al-Shabaab, the terrorist group that controls large areas of the country, is cashing in on the economy. The corruption of the rich is a problem for investors.

### **Conclusion**

Somalia is a growing country in the Horn of Africa, although it has many internal challenges. Somalia's main exports include metal plating, fish, precious metals, precious or semi-precious stones, natural or cultured pearls, animal farming, resins, gums and other fruit juices and extracts. Somalia's major markets include the United Arab Emirates, China, India, Turkey and Ethiopia. Inadequate transportation has greatly affected Somalia's economic development. Somalia has a trade deficit with the G7 countries. Japan, France, and Italy are the major importer of Somali goods and services in the G7 group. Their major importing goods from Somalia are scrap metal, charcoal, fish, skins, bananas, and livestock. The United States, Italy, and France are the major exporting countries of the G7 group to Somalia. The Trade Intensity Index shows that Somalia has strong trade relations with Japan, France, and Germany, while it has weak trade relations with the United States, Italy and the United Kingdom.

Somalia has the highest Trade Intensity Index with Japan, followed by France, and Germany. Trade Complementarity Index values between Somalia and G7 Countries are not very high. It means the export profile of Somalia does not match the import profile from G7 countries. Somalia has a higher Herfindahl-Hirschman Index with France. It means Somalia exports more selected products to France than the G7 countries. Overall, Somalia exports diverse products to G7 countries. Somalia has the potential to increase livestock exports by finding new markets. Fruits, gum, and resin products also have the potential to increase sales. Somalia is home to a large number of animal species that provide a significant portion of the region's food supply. Ongoing conflict has impacted agricultural production and livestock exports. Desertification is the reduced ability of rainfall to sustain agricultural and livestock production. Somalia's economic growth is hampered by conflict, climate change and poor infrastructure. Therefore, there should be proper policies and plans of the government for mitigating such challenges and increasing production of goods that will increase export volume. It will reduce the trade deficit. Government and private sector should work together for set-up import-substitute industries.

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