

REVIEW ARTICLE



A Comparative Study on Trade Relation of BRICS Countries with Somalia

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Received: February 20, 2025
Accepted: April 23, 2025
Published: September 15, 2025

Abstract: The objective of the paper is to study the trade relation of BRICS Countries with Somalia. It has found that Somalia has the trade deficit with all the BRICS member countries. Large trade deficit of the country is the big challenge before the government. Somalia has historical and religious ties to the Arab world. Somalia was an important trade center. Somalia's main exports are livestock, bananas, hides and skins, fish, charcoal and scrap metal. Its main export partners are the UAE, Yemen and Oman. Trade Intensity Index shows that Somalia has strong trade relation with United Arab Emirates, Ethiopia, and India. The Trade Complementarity Index value shows that export profile of Somalia is not matches the import profile from BRICS countries. Somalia has higher Herfindahl-Hirschman Index with United Arab Emirates and Ethiopia. It means Somalia export more selected products to United Arab Emirates and Ethiopia than the BRICS countries. Logistic Performance Index shows the poor transport infrastructure and facilities in Somalia. Somalia faced the negative consequences of decades of armed conflict, social and political instability and climate change. Somalia is very vulnerable to natural and external shocks, including malfunctions and safety of natural disasters, supply chains. Therefore, government should implement policies for growing export and establishing import substitute industries. It will reduce pressure on precious foreign currency reserves and trade deficits.

Keywords: Balance of payments, Business, BRICS nations, Somalia, Trade.

1. INTRODUCTION

Trading is the buying and selling of commodities, services, and financial documents. It allows countries to specialise in what they do best and exchange goods and services that they do not produce well (Gafowa, 2022). This can support the growth and prosperity of businesses and benefit consumers by offering a wide range of products at low prices (Kefale, 2019). Patience is the key to learning to be a successful investor, and mistakes and losses are inevitable in developing and advancing investing skills. Successful investors track their profits and losses regularly, which helps them maintain consistency and discipline in every transaction (Little, 2005). When a country opens up to trade, capital and labour are shifted to sectors where they can be used more efficiently. Trade provides people in many countries with access to goods that would otherwise be out of their reach (Mahmoud, 2010). For example, the production of agricultural goods may require a particular type of land or climate, meaning that countries must trade to obtain agricultural goods that they cannot produce themselves. Differences in factors, such as technology, resource diversity, demand, economies of scale, and government regulation are important for increasing global trade (Majid, 2010).

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The Horn of Africa presents business prospects primarily in logistics, fishing, infrastructure development, renewable energy, cattle and agriculture. In this area, there is fertile land suitable for the production of spices, vegetables and fruits (Banerjee et. al., 2022). Rich seawater in the Red Sea and the Indian Ocean offers great opportunities for commercial fishing and seafood processing. The strategic position of African horns related to major trade routes between Europe, Asia and Africa can be used to provide services to logistics services and transactions (Abdi et. al. 2024). BRICS is an intergovernmental organization. It was initially developed in the context of an outbound investment strategy. It includes China, India, Russia and Brazil. The conference, held in Yekaterinburg on 16 June 2009, focused on improving the world economy and reforming financial institutions, and discussed how countries can better cooperate in the future. South Africa joined BRICS in 2010.

2. LITERATURE REVIEW

Little (2005) discussed the illegal cross-border trade in the Horn of Africa, focusing on the Somali border region. The report shown that illegal beef exports from Somalia to Kenya have increased over the last 13 years, despite 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. The conflict that broke out in 1991 created an opportunity for progress that would not have been possible before the fall of the government. Economic development and public services improved in key areas, especially through the elimination of trafficking and corruption. 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 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 animal exports. Local people have good relations and trade with their neighbours, but this can also lead to political tension and conflict in the area and is not easy on the environment.

Mahmood (2010) concluded that the Kenya-Somalia-Ethiopia border region serves as a livestock trading zone supporting the livelihoods of thousands of people. Despite the political turmoil of the last 20 years, animal exports continue to grow to meet Kenya's growing meat market. 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. Gafow (2022) found that Somalia's domestic product has no impact on Somalia's foreign trade with East African countries. The international trade of other East African countries that trade with Somalia positively and beneficially affects Somalia's foreign trade. In order to reduce Somalia's trade deficit with these countries, the Somali government should develop trade with East African countries, increase exports of services and goods sold to these countries, and increase domestic production.

Bannerjee *et al.* (2022) provide recommendations for strategic planning, humanitarian response, and resilience building for livestock value chain actors in Somalia and the Horn of Africa. Abdi *et al.* (2024) stated that in the long run, a decrease in trade openness will hinder economic growth. Furthermore, through the Vector Error Correction Model, they observe that there is a positive relationship between employment, investment, FDI and trade openness with GDP in the short run, but no such relationship in the long run. Therefore, from the above analysis it has been found that Somalia has more prospects of trade with the neighbouring countries although have certain constrains. Majority of articles discussed the trade of Somalia with neighbouring countries, very few studies discussed trade of Somalia with BRICS member countries.

3. OBJECTIVES

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

4. 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, Trade Intensity Index, Herfindahl-Hirschman Index, and Logistics Performance Index were used to study the intensity and diversity of the trade. It has useful to determine the pattern of trade and trade relationships with the BRICS member countries. To reveal trade relations of India with the BRICS countries in general and challenges in particular, descriptive analysis, and content text analysis have been performed.

5. 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. Somalia is the official language, and Arabic is the recognized 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://www.alamy.com/stock-photo/somalia-map.html?sortBy=relevant>

6. RESULTS AND DISCUSSION

6.1. Trade Relation of BRICS Countries with Somalia

Somalia's central bank says its economy remains healthy despite the internal conflict, thanks to live-stock, remittances and communications. Somalia has a modern and prosperous economy and is slowly moving towards a modern economy. Somalia is well-known for the camel population. According to the Central Bank of Somalia, majority of the population raise animals and cattle. Nomadic people live by collecting resin and gum. Agriculture is the most important sector in Somalia. It accounts for about 65% of domestic production and employs 65% of the workforce. Livestock accounts for about 40% of domestic

production and more than 50% of export revenues. Other important products include sugar, corn, sorghum, fish, coal and bananas, which are sold to the market.

Small-scale industries based on agriculture account for about 10% of Somalia's gross domestic product. The Central Bank of Somalia is the central bank of Somalia. Somalia has a variety of natural resources, including oil, salt, copper, bauxite, gypsum, tin, iron ore, and uranium. The Multinational Industrial Power and Gas Corporation is an energy group headquartered in Mogadishu. It brings together five major Somali companies operating in the fields of security, finance, trade, and communications. The Central Bank of Somalia stated that as the country embarks on a path of reconstruction, it will not only be enough for the economy to return to pre-war levels, but also that growth and development will accelerate thanks to Somalia's unexplored natural resources.

6.1.1. (a₁) Trade Relation between Brazil and Somalia

The majority of trade between Brazil and Somalia is Brazilian sugar and poultry exports. Brazil has also provided humanitarian aid to Somalia. Brazil has an embassy in Mogadishu, Somalia. The embassy works to develop economic, cultural and political relations between the two countries. The delegation plays an important role in developing bilateral relations between Brazil and Somalia and focuses on strengthening economic, cultural and political ties. Diplomatic relations between Brazil and Somalia were established on 2 February 1987. The Brazilian government also contributed to the transition process in Somalia between 2010 and 2012 through significant public contributions.

Table 1 discussed the import and export of goods/services of Brazil to Somalia. It has found that Brazil has trade surplus with Somalia. Value of goods and services imports by Brazil was 3.21 million in 2012, and 0.047 million in 2018 and finally 0.052 million 2023. The main goods exported from Somalia to Brazil are live fish, essential oils, and insect resins. Value of goods and services exported from Brazil to Somalia was 11.8 million in 2012, and 60.7 million in 2018 and finally 175.0 million 2023. The main products that Brazil exported to Somalia were confectionery sugar, poultry meat, and raw sugar. Therefore, value of goods and services from Brazil to Somalia > Value of goods and services imports by Brazil from Somalia, so, Brazil has trade surplus with Somalia between 2012-2023.

Table 1. Import and Export of Goods/Services of Brazil from/to Somalia.

| Year | Import | Year | Import | Year | Export | Year | Export |
|------|--------|------|--------|------|--------|------|--------|
| 2012 | 3.21 | 2018 | 0.047 | 2012 | 11.8 | 2018 | 60.7 |
| 2013 | 2.23 | 2019 | 0.043 | 2013 | 21.2 | 2019 | 20.5 |
| 2014 | 0.080 | 2020 | 0.005 | 2014 | 24.6 | 2020 | 75.0 |
| 2015 | 0.211 | 2021 | 0.006 | 2015 | 36.9 | 2021 | 61.4 |
| 2016 | 0.014 | 2022 | 0.073 | 2016 | 81.4 | 2022 | 42.1 |
| 2017 | 0.259 | 2023 | 0.052 | 2017 | 69.7 | 2023 | 175.0 |

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

6.1.2. (a₂) Trade Relation between China and Somalia

China and Somalia have a long history of trade relations spanning over a thousand years. In the past 10 years, under the leadership of Chinese and African leaders, China-Africa relations have made remarkable progress and ushered in a new era of the future progress of the China-Africa community. China is one of Somalia's key trading partners, and the two countries enjoy good relations. China supports Somalia in maintaining its national sovereignty and territorial integrity, and promotes Somalia's peace and development. Both sides support each other on issues related to each other's core interests and major concerns. Somalia has an embassy in Beijing. China has a country in Mogadishu. Somalia and China are taking their relations to the level of "good partnership". Somalia's relations with China date back to pre-medieval times. Relationships are established between people from both places through trade. In July 2007, China's

state-owned oil company China National Offshore Oil Corporation, signed an oil exploration agreement with the Somali government in Mudug province, at the northern tip of the Puntland Autonomous Region.

Table 2 discussed the import and export of goods/services of China from Somalia. It has found that China has trade surplus with Somalia. Value of goods and services imports by China was 3.1 million in 2012, and 16.6 million in 2018 and finally 6.72 million 2023. The main goods exported from Somalia is non-fillet frozen fish, insect resins, and molluscs. Value of goods and services exported from China to Somalia was 101 million in 2012, and 635 million in 2018 and finally 1010 million 2023. The main products that China exported to Somalia were Rubber Tires, Coated Flat-Rolled Iron, and Synthetic Staple Fibers. Therefore, value of goods and services from China to Somalia > Value of goods and services imports by China from Somalia, so, China has large trade surplus with Somalia between 2012-2023.

Table 2. Import and Export of Goods/Services of China from/to Somalia

| Year | Import | Year | Import | Year | Export | Year | Export |
|------|--------|------|--------|------|--------|------|--------|
| 2012 | 3.1 | 2018 | 16.6 | 2012 | 101 | 2018 | 635 |
| 2013 | 16.3 | 2019 | 18.7 | 2013 | 134 | 2019 | 731 |
| 2014 | 29.8 | 2020 | 7.87 | 2014 | 206 | 2020 | 893 |
| 2015 | 24.7 | 2021 | 10.8 | 2015 | 300 | 2021 | 986 |
| 2016 | 11.0 | 2022 | 7.38 | 2016 | 392 | 2022 | 1050 |
| 2017 | 11.8 | 2023 | 6.72 | 2017 | 475 | 2023 | 1010 |

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

6.1.3. (a₃) Trade Relation between Egypt and Somalia

Egypt and Somalia has strong bilateral relations. Both countries are members of the Arab League and have a development partnership. Somalia also has an embassy in Cairo, and Egypt plans to reopen its embassy in Mogadishu. Egypt's involvement in Somali affairs is based on its strategic interests in ensuring regional stability and combating terrorism. Instability in Somalia, especially if Al-Shabaab gains more influence, pose a threat to Egypt's interests, including control of the Red Sea and the Suez Canal. Egypt is involved in peace processes in Africa and around the world. Egypt is one of the largest military contributors to UN peacekeeping operations. Egypt's main exports to Somalia include ground and starchy products, sweets, chemicals, salt, stone, and cement. Somalia's main exports to Egypt are live animals, gums and plant extracts, cereals, and vegetable oils.

Table 3. Import and Export of Goods/Services of Egypt from/to Somalia.

| Year | Import | Year | Import | Year | Export | Year | Export |
|------|--------|------|--------|------|--------|------|--------|
| 2012 | 0.277 | 2018 | 1.62 | 2012 | 18.8 | 2018 | 79.9 |
| 2013 | 0.457 | 2019 | 0.422 | 2013 | 23.2 | 2019 | 73.1 |
| 2014 | 0.725 | 2020 | 5.68 | 2014 | 40.4 | 2020 | 60.1 |
| 2015 | 0.515 | 2021 | 1.27 | 2015 | 54.2 | 2021 | 66.2 |
| 2016 | 1.92 | 2022 | 2.19 | 2016 | 53.5 | 2022 | 44.7 |
| 2017 | 0.916 | 2023 | 2.36 | 2017 | 90.8 | 2023 | 55.8 |

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

Table 3 discussed the import and export of goods/services between Egypt and Somalia. It has found that Egypt has trade surplus with Somalia. Value of goods and services imports by Egypt was 0.277 million in 2012, and 1.62 million in 2018 and finally 2.36 million 2023. The main goods Somalia exported to Egypt are Bovine, non-fillet frozen fish, insect resins, and other furniture. Value of goods and services exported from Egypt to Somalia was 18.8 million in 2012, and 79.9 million in 2018 and finally 55.8 million

2023. The main products that Egypt exported to Somalia were Fruit Juice, Packaged Medicaments, and Wheat Flours. Therefore, value of goods and services from Egypt to Somalia > Value of goods and services imports by Egypt from Somalia, so, Egypt has large trade surplus with Somalia between 2012-2023.

6.1.4. (a₄) Trade Relation between Ethiopia and Somalia

Ethiopia and Somalia has strong bilateral trade relations. The relationship is characterized by the fact that the two countries, which have seen many military conflicts in recent years, share a long land border. On January 1, 2024, Somaliland President Muse Bihi Abdi and Ethiopian Prime Minister Abiy Ahmed signed a memorandum of understanding. The memorandum of understanding states that Somaliland will lease 19 kilometers of coastline around the port city of Berbera on the Gulf of Aden to Ethiopia. Somalia strongly opposed the deal. Ethiopia and Somalia trade many goods, including vegetables, cars and other manufactured goods. Ethiopia’s top exports to Somalia in 2022 were potatoes (\$17.1 million), sweet potatoes (\$36.3 million) and vegetables (\$187 million). Ethiopia’s economy is strained by its lack of access to the sea, and its agreement to use Somaliland’s ports has also led to a loss of influence over its neighbours. Ethiopia’s agreement to build a port in Somaliland has angered Somalia and raised fears of conflict.

Table 4 discussed the import and export of goods/services of Ethiopia from Somalia. It has found that Ethiopia has trade surplus with Somalia. Value of goods and services imports by Ethiopia was 0.020 million in 2012, and 0.840 million in 2019 and finally 1.09 million 2023. The main goods exported from Somalia to Ethiopia are processed crustaceans, oscilloscopes, and seats. Value of goods and services exported from Ethiopia to Somalia was 0.904 million in 2012, and 265.0 million in 2018 and finally 142.0 million 2023. The main products that Ethiopia exported to Somalia were animal, vegetable fats and oils, cleavage products, milling products, malt, starches, wheat gluten, and beverages, spirits and vinegar. Therefore, value of goods and services from Ethiopia to Somalia > Value of goods and services imports by Ethiopia from Somalia, so, Ethiopia has large trade surplus with Somalia between 2012-2023.

Table 4. Import and Export of Goods/Services of Ethiopia from/to Somalia.

| Year | Import | Year | Import | Year | Export | Year | Export |
|------|--------|------|--------|------|--------|------|--------|
| 2012 | 0.020 | 2018 | 0.840 | 2012 | 0.904 | 2018 | 265.0 |
| 2013 | 0.038 | 2019 | 0.840 | 2013 | 2.09 | 2019 | 272.0 |
| 2014 | 0.283 | 2020 | 0.360 | 2014 | 10.6 | 2020 | 294.0 |
| 2015 | 1.19 | 2021 | 0.420 | 2015 | 10.1 | 2021 | 361.0 |
| 2016 | 2.06 | 2022 | 0.097 | 2016 | 6.76 | 2022 | 265.0 |
| 2017 | 1.87 | 2023 | 1.09 | 2017 | 8.34 | 2023 | 142.0 |

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

6.1.5. (a₅) Trade Relation between India and Somalia

India and Somalia have had strong trade relations since ancient times. India has been providing Somalia with duty-free preferential trade access for goods and services since 2008. The Indian Ambassador in Mauritius was appointed as the Indian Ambassador to Somalia and issued his certificates in 1961. Somalia is the closest place in Africa to India, and for centuries traders from the two countries have traded frequently. These traders also brought another Indian staple, basmati rice, to Somali tables. Poor security, corruption and crime, weak governance and lack of rule of law hinder investment opportunities. The entire Somali economy is dependent on international support. In addition to the country’s difficult political situation, new crises have also negatively impacted its development.

Table 5 discussed the import and export of goods/services of India from Somalia. It has found that India has trade surplus with Somalia. Value of goods and services imports by India was 8.0 million in 2012, and 11.8 million in 2018 and finally 30.9 million 2023. The main goods exported from Somalia to India are alcohols, industrial fatty acids, scrap copper, and scrap iron. Value of goods and services exported from India to Somalia was 199.0 million in 2012, and 440.0 million in 2018 and finally 780.0 million

2023. The main products that India exported to Somalia are wheat flours, rice, electronic equipment, ceramic products pharmaceutical products, and raw sugar. Therefore, value of goods and services from India to Somalia > Value of goods and services imports by India from Somalia, so, India has large trade surplus with Somalia between 2012-2023.

Table 5. Import and Export of Goods/Services of India from/ to Somalia

| Year | Import | Year | Import | Year | Export | Year | Export |
|------|--------|------|--------|------|--------|------|--------|
| 2012 | 8.0 | 2018 | 11.8 | 2012 | 199.0 | 2018 | 440.0 |
| 2013 | 39.8 | 2019 | 21.8 | 2013 | 168.0 | 2019 | 615.0 |
| 2014 | 49.2 | 2020 | 5.11 | 2014 | 335.0 | 2020 | 544.0 |
| 2015 | 16.3 | 2021 | 16.9 | 2015 | 418.0 | 2021 | 699.0 |
| 2016 | 17.4 | 2022 | 15.6 | 2016 | 502.0 | 2022 | 913.0 |
| 2017 | 3.86 | 2023 | 30.9 | 2017 | 468.0 | 2023 | 780.0 |

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

6.1.6. (a₆) Trade Relation between Russia and Somalia

Trade between Russia and Somalia is limited, but Russia has exported goods and services to Somalia in the past. The Soviet Union established diplomatic relations with Somalia on 11 September 1960. Russia has also provided humanitarian aid to Somalia. Somalia is located in the Horn of Africa and is a major export route for oil and other goods. Russia has expressed interest in the location of military operations in Somalia. Russia exported \$14.6 million to Somalia in 2021. The Somali Embassy is currently located in Moscow. The Russian Embassy in Djibouti represents Russia in Somalia. Moscow has supported the Somali leadership in nation-building, strengthening national unity, improving internal affairs, and combating terrorism and extremism. Russian Federation businessmen are interested in cooperation with Somali partners in the energy and mining sectors, as well as other promising areas.

Table 6 discussed the import and export of goods/services of Russia from Somalia. It has found that Russia has trade surplus with Somalia. Value of goods and services imports by Russia was 0.004 million in 2003, and 0.074 million in 2016 and finally 0.234 million 2021. The main goods exported from Somalia to Russia are not so specified. Value of goods and services exported from Russia to Somalia was 0.150 million in 2003, and 0.899 million in 2016 and finally 14.8 million 2021. The main products that Russia exported to Somalia are wheat flours, rice, agricultural products and raw sugar. Therefore, value of goods and services from Russia to Somalia > Value of goods and services imports by Russia from Somalia, so, Russia has trade surplus with Somalia between 2012-2023.

Table 6. Import and Export of Goods/Services of Russia from/ to Somalia.

| Year | Import | Year | Import | Year | Export | Year | Export |
|------|--------|------|--------|------|--------|------|--------|
| 2003 | 0.004 | 2016 | 0.074 | 2003 | 0.150 | 2016 | 0.899 |
| 2008 | 0.081 | 2017 | 0.062 | 2008 | 0.566 | 2017 | 1.01 |
| 2012 | 0.032 | 2018 | 0.280 | 2012 | 0.903 | 2018 | 5.08 |
| 2013 | 0.012 | 2019 | 0.031 | 2013 | 0.481 | 2019 | 1.70 |
| 2014 | 0.009 | 2020 | 0.697 | 2014 | 0.535 | 2020 | 6.88 |
| 2015 | 0.032 | 2021 | 0.234 | 2015 | 1.22 | 2021 | 14.8 |

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

6.1.7. (a7) Trade Relation between South Africa and Somalia

South Africa and Somalia have strong bilateral trade relations. South Africa exports more to Somalia than Somalia exports to South Africa. Over the past two years, tens of thousands of Somalis fleeing civil war have migrated to South Africa, which offers asylum seekers and refugees freedom of movement, access to justice, education or employment. South African Somalis are people of Somali origin. The first communities were settled in and around Cape Town. Somalia seeks to improve relations with South Africa. South Africa has established friendly relations with Somalia. Over the past two years, large numbers of Somalis have been forced from their homes by deadly factors such as conflict, harsh weather conditions and food shortages. Many IDPs have been living in conflict for years, deprived of basic services and opportunities to rebuild their lives.

Table 7 discussed the import and export of goods/services of South Africa from Somalia. It has found that South Africa has trade surplus with Somalia. Value of goods and services imports by South Africa was 0.048 million in 2012, and 0.842 million in 2018 and finally 5.40 million 2023. The main goods exported from Somalia to South Africa are Hand-Woven Rugs, Oily Seeds, and Insect Resins. Value of goods and services exported from South Africa to Somalia was 3.54 million in 2012, and 13.0 million in 2018 and finally 13.4 million 2023. The main products that South Africa exported to Somalia are apples, pears, other processed fruits and, electrical power accessories. Therefore, value of goods and services from South Africa to Somalia > Value of goods and services imports by South Africa from Somalia, so, South Africa has trade surplus with Somalia between 2012-2023.

Table 7. Import and Export of Goods/Services of South Africa from/ to Somalia.

| Year | Import | Year | Import | Year | Export | Year | Export |
|------|--------|------|--------|------|--------|------|--------|
| 2012 | 0.048 | 2018 | 0.842 | 2012 | 3.54 | 2018 | 13.0 |
| 2013 | 0.119 | 2019 | 0.640 | 2013 | 6.73 | 2019 | 27.4 |
| 2014 | 0.118 | 2020 | 0.059 | 2014 | 5.54 | 2020 | 11.8 |
| 2015 | 0.006 | 2021 | 0.180 | 2015 | 5.75 | 2021 | 9.44 |
| 2016 | 0.047 | 2022 | 0.154 | 2016 | 8.88 | 2022 | 10.1 |
| 2017 | 0.026 | 2023 | 5.40 | 2017 | 12.4 | 2023 | 13.4 |

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

6.1.8. (a8) Trade Relation between United Arab Emirates and Somalia

Somalia-UAE relations refer to bilateral relations between Somalia and the United Arab Emirates. Both countries are members of the Arab League and share a commitment to development goals. Somalia has an embassy in Abu Dhabi, while the UAE has an embassy in Mogadishu. There are opportunities for port development as well as trade in goods and services between the UAE and Somalia. The UAE has contributed to job creation and economic growth through its investments in Somalia’s ports. The government and local businesses funded the construction of the Kalakad Port, which is expected to boost the economy in Puntland and surrounding areas. Somalia’s exports in 2022 mostly to Bulgaria (2.6%), Saudi Arabia (18.3%), Oman (24.9%) and the United Arab Emirates (39%), while leading importing countries were Ethiopia (4.5%), Turkey (6.7%), the United Arab Emirates (1.9%), India (15.8%), China (18.1%) and the United Arab Emirates (32.8%). Somalia’s gold exports to the UAE have been increasing in recent years. Cattle, goats and sheep are exported from Somalia to the United Arab Emirates. UAE port development company AD Ports Group has signed an agreement with Somalia to develop port infrastructure and seafood processing facilities. The UAE has agreed to train 10,000 Somali soldiers to meet Somalia’s security needs, as the United Arab Emirates looks to deliver humanitarian aid to Somalia as it struggles to recover from its worst disaster in decades.

Table 8 discussed the import and export of goods/services of United Arab Emirates from Somalia. It has found that United Arab Emirates is the largest trade partner of Somalia. UAE large trade surplus with

Somalia. Value of goods and services imports by UAE was 79.6 million in 2012, and 148.0 million in 2018 and finally 360.0 million 2023. The main goods exported from Somalia to UAE are sheep, goats, crustaceans, and gold. Value of goods and services exported from UAE to Somalia was 841.0 million in 2012, and 1030.0 million in 2018 and finally 1530.0 million 2023. The main products that UAE exported to Somalia are concentrated milk, broadcasting equipment and, rolled tobacco. Therefore, value of goods and services from United Arab Emirates to Somalia > Value of goods and services imports by United Arab Emirates from Somalia, so, United Arab Emirates has large trade surplus with Somalia between 2012-2023.

Table 8. Import and Export of Goods/Services of United Arab Emirates from Somalia.

| Year | Import | Year | Import | Year | Export | Year | Export |
|------|--------|------|--------|------|--------|------|--------|
| 2012 | 79.6 | 2018 | 148.0 | 2012 | 841.0 | 2018 | 1030.0 |
| 2013 | 73.0 | 2019 | 196.0 | 2013 | 746.0 | 2019 | 1160.0 |
| 2014 | 86,5 | 2020 | 147.0 | 2014 | 432.0 | 2020 | 1280.0 |
| 2015 | 122,0 | 2021 | 139.0 | 2015 | 546.0 | 2021 | 1530.0 |
| 2016 | 73.6 | 2022 | 284.0 | 2016 | 533.0 | 2022 | 1890.0 |
| 2017 | 127.0 | 2023 | 360.0 | 2017 | 643.0 | 2023 | 1530.0 |

Source: <https://tradingeconomics.com/ united-arab-emirates/ imports/ somalia>

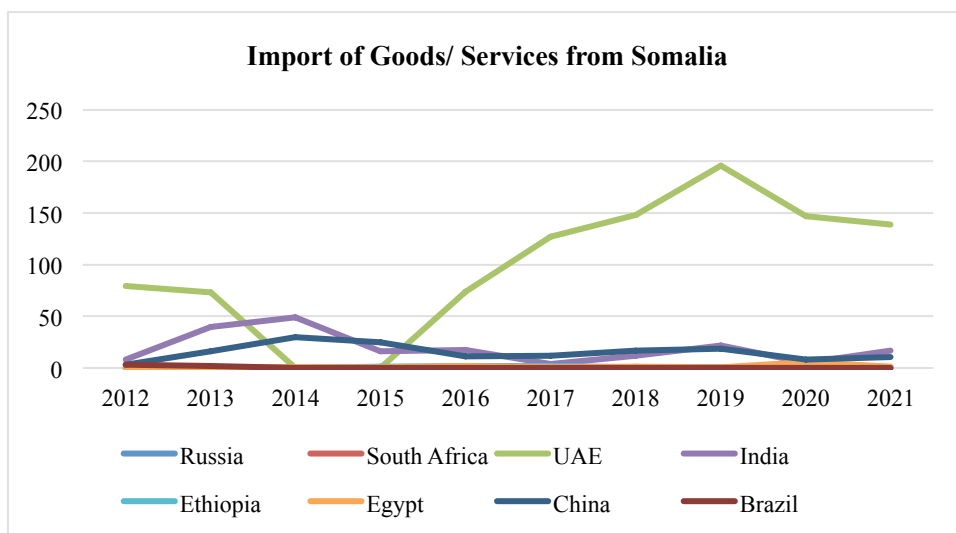
Graph 1 depicted the import of goods/ services of BRICS countries from Somalia. United Arab Emirates is the largest importer of Somali goods/ services, followed by China, India and Ethiopia. Import of Somali goods/ services by other BRICS countries are negligible. There are no accountable data about trade between Somalia and Iran. Graph 2 depicted the export of goods/ services of BRICS countries to Somalia. United Arab Emirates exports highest value of goods / services to Somalia, followed by China, India and Ethiopia. United Arab Emirates is the largest trade partner of Somalia. Somalia has deficit trade balance with each of BRICS countries. It has largest trade deficit with United Arab Emirates.

Let we discuss the trade intensity, export concentration, export diversification, and logistic status of Somalia with the BRICS 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.

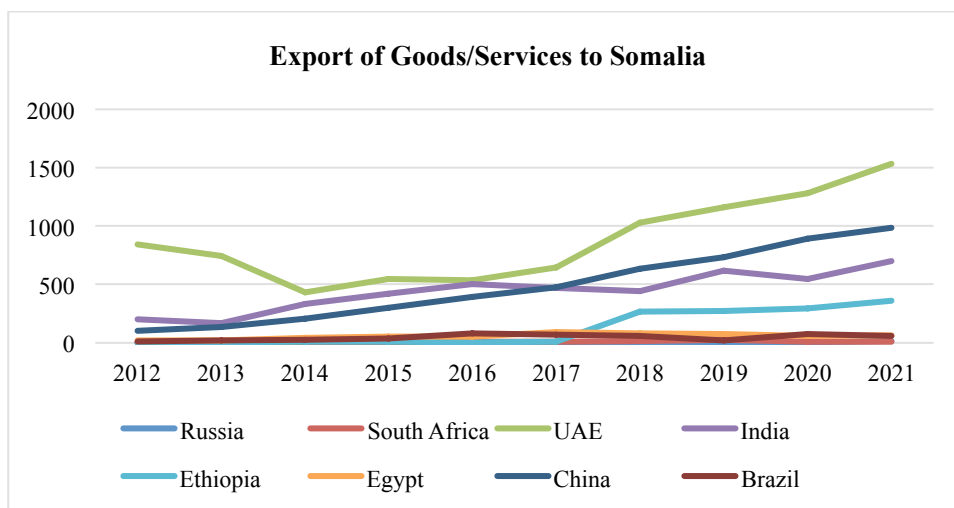
Table 9 discussed Trade Intensity Index of Somalia with BRICS Countries. The Trade Intensity Index used to determine which trading partners have the closest trade relationships. A high Trade Intensity Index value indicates stronger bilateral relations between trading partners, which means that products are more accepted in export markets. From table 9, it found that compare to the BRICS counties, Somalia has the highest Trade Intensity Index with United Arab Emirates, followed by Ethiopia, and India. It has lower Trade Intensity Index with South Africa, and Brazil. Therefore, the Trade Intensity Index shows that Somalia has strong trade relation with United Arab Emirates, Ethiopia, and India. On the other hand, it has weak trade relation with South Africa, Russia, and Brazil.

Table 10 discussed the Trade Complementarity Index between Somalia and BRICS 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 highest Trade Complementarity Index with United Arab Emirates, followed by India, and South Africa. It shows a stronger complementarity between the two countries. On the other hand, it has lowest Trade Complementarity Index Ethiopia, preceded by Russia. The Trade Complementarity Index value between Somalia and the

BRICS Countries are not very high, it means export profile of Somalia is not matches the import profile from BRICS countries.



Graph 1. Import of Goods/ Services of BRICS Countries from Somalia.



Graph 1. Export of Goods/ Services of BRICS Countries to Somalia.

Table 9. Trade Intensity Index (TII) of Somalia with BRICS Countries.

| Country | Trade Intensity Index (TII) | | | | | |
|----------------------|-----------------------------|----------|----------|----------|----------|----------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| United Arab Emirates | 2,750.19 | 2,378.15 | 2,335.13 | 1,727.96 | 2,342.76 | 1,823.04 |
| South Africa | 4.13 | 2.56 | 3.37 | 8.31 | 4.67 | 0.12 |
| India | 105.73 | 159.43 | 54.58 | 127.28 | 74.13 | 109.57 |
| Ethiopia | - | 189.47 | 100.40 | 118.42 | 1.90 | 151.87 |
| Brazil | 0.11 | 0.79 | 0.13 | 0.12 | 0.88 | 0.50 |
| China | 35.22 | 31.51 | 14.94 | 17.33 | 9.44 | 6.27 |
| Egypt | - | - | - | - | 79.14 | 67.80 |
| Russia | 5.29 | 0.45 | 1.18 | 3.43 | - | - |

Source: calculated by author from WITS Website.

Table 10. Trade Complementarity Index (TCI) between Somalia and BRICS Countries.

| Country | Trade Complementarity Index (TCI) | | | |
|--------------------------------|-----------------------------------|-------|-------|-------|
| | 2020 | 2021 | 2022 | 2023 |
| Somalia - United Arab Emirates | 21.90 | 26.26 | 23.87 | 26.15 |
| United Arab Emirates - Somalia | 25.01 | 25.32 | 22.15 | 19.71 |
| Somalia - South Africa | 14.44 | 16.46 | 12.69 | 12.13 |
| South Africa – Somalia | 32.46 | 26.92 | 28.60 | 30.56 |
| Somalia - India | 22.46 | 26.66 | 19.39 | 20.42 |
| India - Somalia | 46.47 | 47.46 | 49.41 | 51.86 |
| Somalia - Ethiopia | 4.91 | 9.41 | 6.27 | 6.61 |
| Ethiopia - Somalia | 18.27 | 13.43 | 14.77 | 16.14 |
| Somalia - Brazil | 11.34 | 11.44 | 8.26 | 8.55 |
| Brazil - Somalia | 40.10 | 32.76 | 36.58 | 38.77 |
| Somalia - China | 11.60 | 14.72 | 12.48 | 14.03 |
| China - Somalia | 37.79 | 39.90 | 40.31 | 43.59 |
| Somalia - Egypt | 12.75 | 13.39 | 8.66 | 8.90 |
| Egypt - Somalia | 36.09 | 36.40 | 34.72 | 42.58 |
| Somalia - Russia | 10.49 | 11.59 | 8.49 | 9.05 |
| Russia - Somalia | 22.60 | 22.64 | 19.50 | 22.01 |

Source: calculated by author from WITS Website.

Table 11 discussed the Export Diversification Index or Herfindahl-Hirschman Index (HHI) of Somalia with BRICS 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 11 shows that Somalia has higher Herfindahl-Hirschman Index with United Arab Emirates and Ethiopia. It means Somalia export more selected products to United Arab Emirates and Ethiopia than the BRICS countries.

Table 11. Export Diversification Index or Herfindahl-Hirschman Index (HHI) of Somalia with BRICS countries

| Country | Herfindahl-Hirschman Index (HHI) | | | | |
|----------------------|----------------------------------|--------|--------|--------|--------|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| United Arab Emirates | 0.7885 | 0.5712 | 0.4815 | 0.7553 | 0.7687 |
| South Africa | 0.5761 | 0.5252 | 0.2208 | 0.2710 | 0.2021 |
| India | 0.8389 | 0.4314 | 0.2414 | 0.2631 | 0.2395 |
| Ethiopia | 0.9134 | 0.5870 | 0.8229 | 0.1071 | 0.9102 |
| Brazil | 0.7117 | 0.5473 | 0.1788 | 0.7234 | 0.2813 |
| China | 0.2325 | 0.2891 | 0.2014 | 0.3590 | 0.1770 |
| Egypt | - | - | - | 0.8109 | 0.4190 |
| Russia | 0.3587 | 0.8003 | 0.3326 | - | - |

Source: Calculated by author from WITS Website.

Table 12 discussed the Logistic Performance Index of Somalia and BRICS 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 13 shown that Somalia has lower Logistic Performance Index value than the BRICS countries. Somalia has rank 137 out of 138 countries. It indicates the intensity of constrains of transport of commodities in Somalia.

Table 12. Logistic Performance Index (LPI) of Somalia and BRICS Countries, 2023.

| Country | Rank | Score | Country | Rank | Score |
|---------|------|-------|----------------------|------|-------|
| Somalia | 137 | 2.0 | Egypt | 57 | 3.1 |
| Russia | 88 | 2.6 | South Africa | 19 | 3.7 |
| Brazil | 51 | 3.2 | India | 38 | 3.4 |
| China | 19 | 3.7 | United Arab Emirates | 07 | 4.0 |

Source: https://lpi.worldbank.org/sites/default/files/2023-04/LPI_2023_report_with_layout.pdf

6.2. Prospects and Challenges of Trade of Somalia with the BRICS Countries

Somalia has more opportunities for increased exports of fruit, sesame seeds, fish, livestock, and gums and resins. Agriculture play a significant role in the Somali economy. Majority of people depends on agriculture and its allied sector. Somalia has the largest power generation capacity in Africa (USAID, Power Africa). When the country reaches its full potential, it will be able to generate 2,000 kilowatt of electricity annually from solar power and 30,000-45,000 MW from wind power. Mobile communications are widespread, with a penetration rate of about 73%. Somalia’s aviation sector is growing both quantitatively and qualitatively, providing opportunities for investors. Somalia has a fragile economy that is recovering from years of conflict and mismanagement. It is an emerging market with abundant natural resources and investments in oil, gas, electricity, telecommunications, ports and other services. It has a market economy, high economic growth and strong trade. Somalia’s population is young and dynamic. Somalia’s geostrategic location near the world’s busiest transportation corridor makes it a gateway to Ethiopia, and recent US investments in Somalia have focused on oil and gas. Somalia has succeeded in creating a business-friendly environment to attract foreign direct investment.

Somalia holds an informal economy. Its economy relies on livestock’s and remittances from Somalis who work overseas. Somali's economy requires diversification to reduce dependence on fisheries, cattle and agriculture. This can be achieved by increasing entrepreneurship, access to financial resources, supporting small businesses., promoting entrepreneurship and strengthening governance. By promoting an environment that promotes foreign investment, Somalia can improve its export capacity and diversify its economy. Livestock’s account for about 85% of export gain and 60% of GDP. Almost 70% of the population group relies on the cattle sector. Improvement and diversification of the Somali animal trade is more important. The government should work to develop another sector to reduce cattle accordingly. The government can encourage the private sector to expand other sectors. Foreign direct investments can also be encouraging. BRICS countries have sought to reduce the US dollar's advantage in international trade for more than a decade, particularly by increasing the use of their own currency for trade. With more pressure from foreign currency before the Somali government, the government can maintain close ties with the BRICS countries for increased trade.

Somalia continues to struggle with security, political and economic problems. Despite renewed international influence, the country faces a persistent threat from al-Shabaab, which still controls many rural areas and has demonstrated the ability to attack major cities, including Mogadishu. The insurgency incidences exposed the growing fragility of its economy. The Somali Federal Government also seeks control of autonomous regions such as Somaliland and Puntland. instability in the country continues to be a problem, with these regions continuing to oppose the central government. In addition, the violence that has accom-

panied years of conflict has left millions Somalis in need of humanitarian assistance. Somalia's long history of conflict has led the country to undertake several peacekeeping missions, the first of which was the African Union Mission in Somalia in 2007.

CONCLUSION

There are certain restrictions in Somalia, but there are more trade prospects with neighbouring countries. Somalia's main exports include scrap metal, coal, fish, skin, bananas and livestock. All BRICS countries have trade surplus with Somalia. Somalia's main export partner is United Arab Emirates. The main products exported to the United Arab Emirates were sheep, goats, crustaceans and gold. Indian exports to Somalia have increased significantly over the last few years. India's main exports of Somalia, including flour, rice and sugar, and Somalia mainly exports industrial fatty acids, scraps and scrap metals to India. Somalia mainly sells fish with Ethiopia. Ethiopian exports mainly produce agricultural products such as vegetables and grains of Somalia. Both countries are improving diplomatic relations and contributing to the increase in trade through initiatives such as Ankar's declaration. Somalia exports have significantly reduced to China. Somalia mainly exports products such as frozen fish, insect resin and mollusk to China. Somalia trade with Russia is less. The transaction between Somalia and Egypt is significantly increased.

Trade Intensity Index shows that Somalia has strong trade relation with United Arab Emirates, Ethiopia, and India. On the other hand, it has weak trade relation with South Africa, Russia, and Brazil. The Trade Complementarity Index value shows that export profile of Somalia is not matches the import profile from BRICS countries. Somalia has higher Herfindahl-Hirschman Index with United Arab Emirates and Ethiopia. It means Somalia export more selected products to United Arab Emirates and Ethiopia than the BRICS countries. Somalia has lower Logistic Performance Index value than the BRICS countries. It indicates the intensity of poor transport infrastructure and facilities in Somalia. Government of Somalia is working for diversification of trade. Close relation and trade between Somalia with BRICS countries will improve economic opportunities for Somalia.

Somalia's trade outlook is mainly concentrated on agricultural exports such as livestock, sesame, fish and fruits, and there is a possibility of service sector, as well as the growth potential of non-used natural resources, especially petroleum and gas. There is a problem with the infrastructure, but approaches to the market as a communication and port; Major export markets include eastern and South Asian countries. Somalia faced the negative consequences of decades of armed conflict, social and political instability and climate change. Somalia's business environment is especially complex for direct foreign investment. Somalia does not impose specific non-tariff barriers to protect the local industry. Almost all foods, non-foods and pharmaceutical products can be imported. Somalia's business environment can provide investors with significant market opportunities, but there are many constrains.

AUTHORS' CONTRIBUTIONS

The author confirms sole responsibility for the following: study conception and design, data collection, analysis and interpretation of results, and manuscript preparation.

CONSENT FOR PUBLICATION

Not applicable.

FUNDING

None.

CONFLICT OF INTEREST

The author confirms that this article's content has no conflict of interest.

ACKNOWLEDGEMENTS

Declared none.

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