Introduction

In 2017, the Dubai-based logistics giant Dubai Ports World (DP World) began operating the port of Berbera on the northern coast of Somaliland. To operate the port, DP World entered into an agreement with the government of Somaliland, which also involves the United Arab Emirates (UAE) and Ethiopia (both having major commercial and strategic interests in Somaliland). Planned investments in the port and transport corridor linking Somaliland with Ethiopia promise to turn Berbera into an important gateway to its land-locked neighbor. This will give impetus to Somaliland’s economic development and, perhaps eventually, international recognition. However, this promise comes with risks. The new agreement has affected power relations around the port—fundamental to the political settlement that Somaliland reached in 1991—and will draw it further into the volatile geopolitics of the Gulf and Red Sea region.1
While Berbera’s history as a hub for intercontinental trade goes back centuries, the current port was constructed with assistance first from the USSR and then the United States in the 1960s and 1980s. The port has mainly functioned as a domestic public service port called at by dhows and small regular vessels. As a conveniently located natural deep-water port in the Bay of Aden, Berbera has the potential to be able to service the large container ships that currently call at Djibouti. In this event, Somaliland would likely provide competition for Djibouti in linking the booming economies of Southeast Asia and the Middle East with Ethiopia, the regional economic powerhouse.

At present, Djibouti channels almost all of Ethiopia’s maritime trade, but its ports have become highly congested. For this reason, Ethiopia is keen to use Berbera port and the Berbera trade and transport corridor, which leads to Addis Ababa, to reduce its dependency on Djibouti. For Berbera port to become a realistic alternative to Djibouti, both it—and the 270 km road that connects the port and the border with Ethiopia—need significant upgrading.

Until its take-over by DP World in January 2017, Berbera handled bulk and containerized imports—now rapidly increasing in volume—mostly arriving via Dubai. Imports are dominated by petrol, vehicles, building materials, textiles, electronics, sugar, rice, wheat and other foodstuffs, including food aid for the region imported by the UN’s World Food Program (WFP). In addition, Berbera exports around three million heads of livestock to the Arabian Peninsula every year.

The Somaliland administration depends on customs taxes and fees from the port for approximately 70-80 per cent of its revenue. An estimated two thirds of imports through Berbera are destined for Ethiopia, but since the transit of goods is informal, the precise share of total imports is unknown.

This briefing examines the details and politics of the DP World deal, the new port regime, the local and national repercussions, as well as the geopolitical implications of the deal and UAE’s increased presence in Somaliland. It is based on the research project, Governing Economic Hubs and...
Berbera Before DP World

The history of Berbera as a node of intercontinental trade, connecting the Abyssinian hinterlands and the Gulf of Aden, goes back more than a thousand years. In the mid-nineteenth century, Berbera was described by the British explorer Richard Burton as ‘the true key of the Red Sea, the center of East Africa.’ After the British Crown established a garrison in the Port of Aden in 1839, Berbera supplied livestock to the soldiers stationed there. From 1884, Berbera became a key location in the protectorate of British Somaliland.

After Somalia’s independence in 1960, Berbera developed a position of economic and political importance to the country. Between 1960 and 1991, before Somaliland broke away from Somalia, almost two-thirds of national exports flowed through the port. Since 1991, Berbera port has financially underpinned the self-declared independent state of Somaliland. For this reason, Berbera was a strategic focus in the armed struggle between the Somali National Movement (SNM) and the government in Mogadishu. Berbera hosted the first peace negotiations in February 1991 after the fall of the Somali government, where various northern clan militias agreed that the port was a national asset, which prevented it from being captured by any one clan.

Nevertheless, dominant clans in Berbera resisted attempts by Abdurahman ‘Tuur’—Somaliland’s first president—to control the city. It was Somaliland’s second president, Mohamed Ibrahim Egal, hailing from Berbera, who managed to close a deal that ensured peace in the area. Egal was able to demobilize clan militias in Berbera in exchange for jobs at the port and decisive influence in the Berbera Port Authority (BPA)—established in 1993 as the port’s governing body.

The BPA was a public, semi-autonomous entity with direct economic and political links to the president’s office. The BPA oversaw both the management and development of the port and its day-to-day operations. It also claimed oversight of customs and intervened in related matters, to the point of effectively creating a parallel taxation system. In the past, port customers complained that the systems were cumbersome and lacking in transparency, and that bribes were necessary for goods to be cleared from the port within reasonable time-limits.

The port authority maintained important formal and informal relations with local authorities. In particular, this included Berbera municipality and its population, which benefited from jobs, support to the municipality, and hand-outs to mosques, the children of veterans, schools, sport clubs and former community leaders. Thanks to the control he commanded over the management and revenue of the port, the former head of BPA, Engineer Ali ‘Horhor’ Omar Mohammed, was a key political broker in both local and central government affairs for more than two decades.

After training its staff and upgrading the security systems, in 2007, the International Maritime Organization (IMO) certified Berbera port according to the International Ship and Port facility Security code (ISPS)—an international standard introduced to increase maritime security in the wake of 9/11. The port’s throughput increased considerably in the 2010s. From 2014, the World Bank and UK Department for International Development (DFID) supported the introduction of online custom systems.

Despite BPA’s, albeit limited, investments in equipment, managerial capacity and online processing systems, the financial costs of using Berbera compared poorly to other ports in the region, as well as taking longer to process standard shipping loads. Given Berbera’s infrastructural and organizational limitations, investments were necessary to increase the port capacity but the lack of national sovereignty barred Somaliland’s government from obtaining international credit. As an alternative solution, in the early 2010s, the government began pursuing other options for privatization and international investments for an upgrading of Berbera port and transport corridor.

The DP World Deal

In May 2016, DP World announced it had agreed with the Government of Somaliland to enter a joint venture to operate Berbera port for a period of 30 years. This included an investment of USD 442 million in the development of a multi-purpose port facility and a free economic zone close to the port.
Details of the deal were not disclosed but it formed part of a Memorandum of Understanding (MoU) between Somaliland and UAE concerning economic cooperation, including a visa agreement that allows Somalilanders to work in UAE.

The contract with DP World was signed in September 2016 and it was later announced that the state-owned Ethiopian Shipping and Logistics Services Enterprise (ESL) would hold a share in the joint venture to develop the port. As part of the agreement, Ethiopia stated that it would contribute to road construction on the Somaliland side of the cross-border trade corridor.\textsuperscript{17}

DP World took over port operations in Berbera in January 2017. In February 2017, Somaliland’s parliament approved an agreement that will allow UAE to build a military base close to Berbera Port.\textsuperscript{18}

The key stakeholders behind the Berbera port deal are:

Somaliland

For several years, Somaliland’s government had been in negotiations with French company Boloré and other bidders for a port operation and development contract for Berbera port. Family members of the former president, Ahmed Mohamed Mohamoud ‘Silanyo’ (2010-2017), in particular his son-in-law, Bashe Aweil Omar (Somaliland’s former representative in Dubai), managed relations with DP World.\textsuperscript{19} In the short-term, Somaliland will lose customs revenue due to its planned transit agreement with Ethiopia. However, the government’s long-term hope is that increased economic activity and employment along the Berbera corridor to Ethiopia will more than make up for this. It is also hoped that the economic and military deals with UAE will strengthen Somaliland’s argument for international recognition.

UAE

The decision by UAE, and its parastatal DP World, to enter into agreement with Somaliland is motivated by a variety of economic, political and security interests, particularly related to UAE’s involvement in the Yemen war.\textsuperscript{20} This created an immediate need for access to port facilities in the Horn of Africa that could support its airforce and navy and help protect UAE shipping interests in the Red Sea and Gulf of Aden. While the port of Doraleh in Djibouti—also developed and operated by DP World—may have been the obvious first choice for these operations, in 2016, the Government of Djibouti opened a court case against DP World and threatened to terminate the contract.\textsuperscript{21} Djibouti ceased to be an option for locating the UAE’s military facilities during the Yemen war. As an alternative, UAE invested in Assab port and military facilities in Eritrea, much to Ethiopia’s concern. Berbera represents another alternative with strategic economic and military advantages for DP World and UAE.

Ethiopia

Since the 2000s, landlocked and economically booming Ethiopia, which depended on Djibouti for more than 95 per cent of imports, has considered an upgraded Berbera port part of the solution to its logistical challenges, in particular serving Ethiopia’s Somali and Oromo regions in the east. For this reason, the Ethiopian government has been instrumental in bringing DP World and UAE into negotiations with Somaliland. Before the current rapprochement between Ethiopia and Eritrea, this also served to reduce the likelihood of more UAE engagement with Eritrea.\textsuperscript{22} In March 2016, Ethiopia and Somaliland signed an MoU agreeing to work to develop a customs and transit agreement with the aim of directing up to 30 per cent of Ethiopia’s future trade through Berbera.\textsuperscript{23}

The Government of Somaliland hopes that the deals it has made with DP World, UAE and Ethiopia will advance its aim of gaining international recognition. While Somaliland sees these agreements as a major victory, they represent a significant defeat for the Federal Government of Somalia (FGS), which pronounced the deal with DP World and UAE to be null and void, on the grounds that it violates Somalia’s sovereignty.\textsuperscript{24} From the viewpoint of the FGS, which wants to maintain a monopoly on agreements with foreign companies and absorb lucrative rents and revenue streams from concessions, a dangerous precedent has been reached. This could cause relations with Mogadishu to deteriorate further. The FGS also wants to avoid other federal member states following Somaliland’s example and making their own deals with governments or private companies. Separately, Somaliland’s relations with Djibouti are
deteriorating due to the economic competition that Berbera port potentially represents.

Somaliland’s deals with DP World and UAE have wider, geopolitical implications related to the increased involvement of Gulf states in the Horn of Africa. In particular, Saudi Arabia, UAE and Qatar are developing economic, political and military relations in the Horn, including investments in ports and military facilities. In 2017, a conflict between Saudi Arabia and UAE on one side and Qatar on the other broke out due to their differing positions in the ongoing conflict between Iran and Saudi Arabia, which is also being played out in the war in Yemen. There are signs that the conflict between Gulf states is having repercussions in countries where they are targeting investments and seeking out strategic allies.

Alongside the investments in naval bases by other countries, such as China, the US, France and Russia, the Gulf conflict and the war in Yemen are leading to a securitization of ports in the Horn of Africa, increasing the risk that countries in the region will be drawn into the conflict between UAE/Saudi Arabia and Qatar.

A New Port Regime

The Government of Somaliland and DP World/UAE have remained secretive about the contract they have signed. This is because parts of the agreement are likely to be controversial, such as UAE’s plans to establish a naval base in Berbera. Some details of the contract also remain undefined. This is because they are contingent upon decisions yet to be made about the specific involvement of Ethiopia in DP World Berbera through the Ethiopian parastatal, Ethiopia Shipping and Logistics Services Enterprise (ESL).

The details that are known about the deal with DP World include the fact that from 2020, the Government of Somaliland will receive five million USD per annum, plus ten per cent of the revenue from the port’s handling services. Income from the port will be controlled by the Ministry of Finance (previously it had been fed directly into the presidential coffers).

Credible information on the actual income from port operations (excluding customs) is scarce, but it is estimated that income increased from USD 1-2 million per year in the early 2010s to around USD 5 million at the time of DP World’s take-over in 2017.

Apart from the new economic arrangements, other changes have taken place to the port’s operational regime. These include governance, employment, handling procedures and investment in machinery and new infrastructure, as detailed below.

Governance

The practice whereby the former port administration ran its own customs regime, in parallel to the Ministry of Finance’s Berbera Customs, has been discontinued. Port and customs now operate separately, with DP World in charge of port operations and Berbera Customs responsible for revenue generation. In addition to customs, the Somaliland government remains in control of the port’s Maritime Department, which is responsible for issues pertaining to identification, registration, migration and disease control.

At the commencement of the DP World contract, Berbera changed from a public service to a landlord port, whereby the government owns land and infrastructure, while operations are managed by a private company. The original terms of the agreement between Somaliland and DP World stipulated that DP World Berbera would have a board with seven members, of which the Somaliland government would appoint two and DP World five. However, after the announcement that Ethiopia/ESL will join DP World Berbera, no final decision has been made public regarding the board’s composition. There remains some uncertainty regarding the precise involvement of Ethiopia/ESL.

The Government of Somaliland claims to have established a new Somaliland Port and Free Zone Authority, but decisions on its composition, as well as the relationship between the DP World Berbera board and the new port authority, are yet to be made.

Employment

While DP World retained most of the port’s former staff, it took measures to streamline the work force. This included a trial implementation period, which would be used to clear the port of ghost workers and reduce absenteeism and overstaffing before new contracts could be extended. It
also substantially increased wages and cut staff allowances. New safety standards for personnel and vehicles were also introduced, including screening trucks and offering more training for port personnel.

For a long time, stevedores and dockworkers, who previously worked through their own unions—contracted by the port and the individual vessels every time their services were needed—did not have an agreement with DP World. However, by mid-2018, the regular workers concluded a contract with the new port management, while temporary workers employed to manage labour peaks were left out completely. Since the DP World takeover, recruitment has become more merit-based. Due to DP World’s limited local entanglements, the importance of clan and party affiliation has been reduced significantly.

Procedures

For the port’s customers, procedures have also changed. Handling fees are now fixed, and payments go through local banks to a Dubai-based bank, which pays the salaries of DP World employees in Berbera. This has cut off the port treasury from its formerly powerful role in distributing funds locally. With partly online port-service management and the separation of port and customs, processing times as well as the need for bribes in various offices, have been reduced substantially. Customers now only visit two offices in the port to release their goods instead of previously seven or eight. Reduced absenteeism has helped decrease handling time from several days to less than an hour. Finally, thanks to the introduction of new cranes and a shift from 16 to 24-hour operation, unloading times have also improved.

Construction

In October 2018, long-awaited construction works began but progress tends to be too slow to meet locals’ expectations of DP World. Dubai-based Shafa Al Nahda Contracting is overseeing the first phase—the construction of an extra 250,000 m² port yard and the extension of the berth from 650 to 1050 m. Combined with the addition of cranes and 24-hour operation, this should increase the port’s container capacity from 128,000 MTU (Maximum Transfer Unit) to more than 400,000 MTU. Further investments by DP World depend on whether throughput volumes increase as expected, but as an indication of development, the port is now being visited by increased numbers of ships from China and elsewhere, rather than almost exclusively from Dubai.

Local and National Repercussions

The port deal and abrupt arrival of DP World in Berbera has spurred public uncertainty, discontent and rumors about the deal and its consequences for Somaliland. There has been strong local opposition, including violence, to the deal with DP World from the majority sub-clan in Berbera, Issa Muse. These have required interventions from local and central government.

Since the takeover, various groups that have lost access to the port—temporary workers, owners of trucks that did not meet safety standards and clan elders who used to mediate port-related conflicts—have expressed their discontent. Some groups have lost previous privileges that stemmed from the port, such as hand-outs for clan-elders, war veterans, football teams and mosques. Among Issa Muse there is a perception that the central government has gained influence in Berbera at the expense of local government. The port deal, managed by former President Silanyo and his family, is seen as a means of giving his Habr Jeclo clan more influence.

The announcement of the deal spurred a land-rush in Berbera, with land prices increasing rapidly until mid-2017, when high expectations for investments, the promised Free Trade Zone and new infrastructure in Berbera, and along the corridor, were dampened by the lack of visible progress. Unlike in other cities in Somaliland, public land was still abundant in Berbera before the port deal, with the city’s mayor playing a key role in its distribution. Buyers of land generally came from the Somali diaspora or were businesspeople from home and abroad. Combined with rumours about the role of the president’s family in the negotiations with UAE and DP Word, in Berbera this was interpreted as a sign that President Silanyo’s Habr Jeclo clan family was trying to take over the city.

DP World has made efforts to improve its reputation in Somaliland. To this end, it has
assisted in the distribution of humanitarian aid during droughts, supported the drilling of new wells in Berbera city and the construction of a training facility for local logistical firm employees, and launched other corporate social responsibility projects. However, due to the initial violent clashes and widespread discontent with DP World’s arrival and the lack of transparency in the process, clan elders have called for a consultation or dialogue mechanism between the company and the local community.41

While historic trade relations and a shared religion can give DP World a certain legitimacy in Berbera, the company’s future standing will depend on its ability to reach out to local communities, the impacts of its investments, creation of local jobs, visible construction projects and whether Somaliland enjoys improved levels of economic growth in the coming years.

At the national level, the agreement to establish a UAE military base in Somaliland has been met with political opposition, due to the perceived risks of a security partnership with UAE while Gulf politics remain volatile.42 In addition, representatives of marginalized areas and clans have pointed out that the planned upgrade of Berbera port and corridor will favor the areas and clans where economic wealth and political power is already concentrated.43 There remains a need for a mechanism to redistribute some of the benefits of the port and corridor development to other parts of Somaliland, particularly the east of the country.

Conclusion

The coinciding interests of Somaliland, Ethiopia and UAE have made the investment and upgrading of Berbera Port possible. This has energized long-held hopes in Somaliland that the breakaway republic can benefit from its strategic location—between important sea-lanes and landlocked Ethiopia—to spur economic development and achieve international recognition. However, the investments come with risks. Firstly, the rapid changes may upend the political economy of Berbera and threaten the delicate political settlement that has underpinned Somaliland’s stability. Secondly, it may draw Somaliland into the volatile geopolitics of the Gulf states as they increasingly pursue their, often antagonistic, interests in the Horn of Africa.

To address these risks, the government of Somaliland should better define relations of authority around the port and corridor; finish negotiations over the transit agreement with Ethiopia; and, together with DP World, ensure that the benefits of economic development are spread beyond the port and free trade zone to the city of Berbera and less privileged parts of Somaliland.

Notes


4 This number is often mentioned in interviews with government officials. The website of the Ministry of Finance and Development suggests that in 2019 less than 50 per cent of the revenue will come from Berbera customs, but does not include non-customs revenue from Berbera (www.slmof.org/tax-revenue/).


13 Interviews with importer and shipping- and forwarding agent, Berbera, 10 April 2017; 17 July 2018.
14 Interviews with clan elders, Berbera, 14 May; 8 December 2018.
15 MTBS, Strategic Economic Assessment of Berbera Port.
17 While first being given 10 per cent against DP World’s 60 per cent and Somaliland’s 30 per cent, ESL’s share was increased to 19 per cent against DP World’s 51 per cent in February 2018. DP World, ‘Ethiopia acquires 19% stake in DP World Berbera Port’, Dubai: DP World, 1 March 2018. (https://www.dpwworld.com/~/media/Files/Regulatory-Announcements/2018_03_01-Ethiopia-acquires-stake-in-DP-World-Berbera.aspx).
28 Several MPs who opposed the base deal were escorted out of the Parliament during the debate. ‘Somaliland agrees to UAE military base in Berbera’, BBC, 13 February 2017. (https://www.bbc.com/news/world/africa-38956093).
30 MTBS, Strategic Economic Assessment of Berbera Port; 38; Skype-interview, Ahmed Musa, 20 June 2019.
31 Interviews, Berbera Port Authority, Maritime Department, Berbera, 10 July 2017
33 Most of the 700 to 800 BPA employees continue to work in the port.
34 In 2012 there were up to 1200 stevedores and dockworkers, including temporary workers, employed in the port in 2012. MTBS, Strategic Economic Assessment of Berbera Port.
35 Interview with stevedores’ union, Berbera, 9 July 2017; 14 May 2018.
36 Interview with port officer, Berbera, 8 December 2018.
37 Interviews with port customers, Berbera, June 2017; July 2018.
38 Interview with clearance agent, Berbera, 8 December 2018.
39 This happened after some initial problems with weather conditions, which due to new security standards disrupted operations, and with congestion at peak times of livestock export.
41 Interview with customs officer, Berbera, 10 July 2017.
42 Interviews with clan elders, 14 May; 8 December 2018.
45 Interviews with clan elders, Berbera, 14 May; 8 December 2018.
47 Musa and Horst, ‘State-formation and economic development in post-war Somaliland’. 

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