

AN ASSESSMENT ON SOMALIA-CHINA FOREIGN TRADE INDICATORS

Sadak Mohamud HASSAN¹

ABSTRACT

The exchange of products and services between nations through import and export activity is known as international trade. Increasing exports and lowering imports are the goals of a country's international trade strategy, which is formulated by the decisions and actions taken to accomplish these goals. Countries are driven to trade internationally in order to address the growing needs of their populations. In the end, encouraging economic growth is one of the main goals for nations involved in global trade.

The purpose of this study is to assess trade metrics related to Somalia's trade with China from 1992 to 2021. The Chinese Ministry of Commerce, the World Bank, and the United Nations Trade Organization provided the majority of the data used in the analysis. According to the data, Somalia has a trade deficit since more goods are imported from China than are exported. The study's main objective is to look at the two nations' trade volume, import and export values, and trade balance throughout the previous thirty years. The study's conclusions show that trade between the two countries has increased significantly over the last ten years, reaching a total trade value of \$1.01 billion in 2021. China is a significant trading partner for Somalia, making up approximately 12.51% of all trade with the nation. While cattle, agricultural products, and minerals are the main exports from Somalia to China, machinery, electronics, textiles, and chemicals are the main goods shipped from China to Somalia. The study suggests actions to boost Somalia's export potential, reduce the trade imbalance with China, and strengthen the economy as a whole.

Keywords: Trade relations, Economic development, Somalia, China

Jel Code: F1, F14, F17, F19

¹ Ondokuz Mayıs University, ORCID ID: 0000-0001-8581-6575, saadaqyare0120@hotmail.com
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SOMALİ-ÇİN DIŞ TİCARET GÖSTERGELERİ ÜZERİNDE BİR DEĞERLENDİRME

Sadak Mohamud HASSAN

ÖZET

İthalat ve ihracat faaliyetleri yoluyla ülkeler arasında ürün ve hizmet alışverişi uluslararası ticaret olarak bilinir. İhracatın artırılması ve ithalatın azaltılması, bir ülkenin uluslararası ticaret stratejisinin hedefleridir ve bu hedeflere ulaşmak için alınan kararlar ve eylemlerle şekillenir. Ülkeler, nüfuslarının artan ihtiyaçlarını karşılamak için uluslararası ticarete yönelmektedir. Sonuçta ekonomik büyümeyi teşvik etmek, küresel ticaretle uğraşan ülkeler için temel hedeflerden biridir. Bu çalışmanın amacı, 1992'den 2021'e kadar Somali'nin Çin ile ticaretine ilişkin ticaret ölçümlerini değerlendirmektir. Analizde kullanılan verilerin çoğunluğu Çin Ticaret Bakanlığı, Dünya Bankası ve Birleşmiş Milletler Ticaret Örgütü tarafından sağlanmıştır. Verilere göre Somali, Çin'den ithal edilen malın ihraç edilenden daha fazla olması nedeniyle ticaret açığı veriyor. Çalışmanın temel amacı, iki ülkenin ticaret hacmine, ithalat ve ihracat değerlerine ve son otuz yıldaki ticaret dengesine bakmaktır. Çalışmanın sonuçları, iki ülke arasındaki ticaretin son on yılda önemli ölçüde arttığını ve 2021'de toplam ticaret değerinin 1,01 milyar dolara ulaştığını gösteriyor. Çin, Somali için önemli bir ticaret ortağıdır ve ülkeyle yapılan tüm ticaretin yaklaşık %12,51'ini oluşturur. . Somali'den Çin'e ihraç edilen başlıca ürünler sığır, tarım ürünleri ve mineraller iken, Çin'den Somali'ye gönderilen başlıca ürünler makine, elektronik, tekstil ve kimyasallardır. Çalışma, Somali'nin ihracat potansiyelini artırmaya, Çin ile olan ticaret dengesizliğini azaltmaya ve ekonomiyi bir bütün olarak güçlendirmeye yönelik eylemler öneriyor.

Anahtar Kelimeler: Ticari ilişkiler, Ekonomik kalkınma, Somali, Çin,

Jel Kodu: F1, F14, F17, F19

1. INTRODUCTION

The global economy is largely dependent on international trade, which has a substantial impact on the employment rates, economic growth, and general well-being of the two trading nations. Countries trade to take advantage of their comparative advantage and acquire goods and services that they cannot produce internally or manufacture more effectively than other nations. However, there are a number of challenges and unknowns associated with doing business internationally, including exchange rate swings and tariff and non-tariff obstacles. (Hill, C. W. L. 2017).

Following Somalia's campaign to end China's diplomatic isolation and promote its membership into the UN, the two countries established diplomatic connections in the early 1960s. China is now one of Somalia's main economic partners and has made large investments in commerce, infrastructure, and education. China's assistance and investment in Somalia has recently expanded to encompass security, peacekeeping, and counterterrorism initiatives. Somalia's ongoing trade deficit with China, in spite of the expansion in commerce between the two nations, is a major obstacle to the country's economic progress.

In order to alleviate the trade imbalance, this study will examine the trade volume, import and export values, and trade balance between Somalia and China from 1992 to 2021. The study's conclusions will add to the body of knowledge already available on international trade and offer insightful information about the trade relationship between China and Somalia. Additionally, the study will offer suggestions that can improve Somalia's trade performance with China and other trading partners, thereby advancing the country's economic development.

2. THE ECONOMIC AND FOREIGN TRADE STATUS OF SOMALIA

For many years, Somalia, a nation on the Horn of Africa, has struggled with political and economic turmoil. After the civil war broke out in 1991, the nation's institutions and infrastructure were destroyed, and Somalia was left without an operational central government for an extended period of time. Consequently, this had a negative impact on the economy and international trade of the nation. The main sectors of Somalia's economy are fishing, livestock and agriculture. Over 65% of the workforce is employed in these industries, which also account for over 40% of the GDP of the nation (Mire, Isak, Yassin, 2015).

Somalia has faced major obstacles in its international trade as a result of smuggling, illegal fishing, and piracy. Livestock is the primary export from the nation, although its exports have been restricted because of import countries' stringent laws meant to stop the spread of animal diseases. Illegal fishing and smuggling have impacted the nation's other exports, which include fish and agricultural items.

By implementing reforms and policies targeted at stabilizing the economy and drawing in foreign investment, the Somali government has taken action to enhance the nation's standing in terms of trade and economics. These include initiatives to strengthen security, the creation of regulatory agencies to monitor commerce, and the execution of economic plans to encourage investment and expansion.

Table1: Basic Economic Information About Somalia (2013-2021)

| Year | GDP (Million \$) | GDP Growth (Annual %) | GDP Per Capita (Hundred \$) | Imports (Million \$) | Export (Million \$) |
|------|------------------|-----------------------|-----------------------------|----------------------|---------------------|
| 2013 | 4,577.00 | 7.79 | 356.12 | 3,561.00 | 943.00 |
| 2014 | 5,025.00 | 15.05 | 377.56 | 3,904.00 | 1,051.00 |
| 2015 | 5,335.00 | 8.53 | 387.61 | 3,987.00 | 1,038.00 |
| 2016 | 5,534.00 | 2.35 | 387.19 | 4,194.00 | 1,067.00 |
| 2017 | 5,609.00 | 7.53 | 377.35 | 4,624.00 | 994.00 |
| 2018 | 5,856.00 | 7.46 | 379.99 | 5,122.00 | 1,119.00 |
| 2019 | 6,485.00 | 2.49 | 405.79 | 5,423.00 | 1,131.00 |
| 2020 | 6,883.00 | 4.05 | 416.22 | 5,818.00 | 1,178.00 |
| 2021 | 7,628.00 | 7.79 | 446.98 | 6,544.00 | 1,532.00 |

Source: <https://data.worldbank.org/>

Data indicates that Somalia's GDP increased from \$4.6 billion in 2013 to \$7.6 billion in 2021, indicating some growth in the country's economy over time. But the expansion has been uneven and sluggish, with yearly growth rates ranging from 15.05% in 2014 to 2.35% in 2016. The GDP per capita of the nation is likewise extremely low, falling from \$356.12 in 2013 to \$446.98 in 2021, suggesting that economic progress is still difficult. The amount of goods that Somalia imports and exports has also been expanding; from \$3.6 billion in 2013 to \$6.5 billion in 2021, imports and exports have increased from \$0.9 billion to \$1.5 billion. An opportunity to accelerate economic growth and development may present itself to the nation as a result of the growing volume of trade. However, with more imports than exports, Somalia's trade balance is still negative. The nation's foreign exchange reserves and current account balance may suffer as a result of this circumstance. All things considered, Somalia confronts formidable obstacles in its quest for long-term economic expansion and advancement. Economic advancement is impeded by the nation's political instability, insecurity, and inadequate institutional capacity; natural calamities like floods and droughts exacerbate the problem. In order to overcome these obstacles, Somalia must give top priority to enhancing economic infrastructure, security, and governance while also encouraging the expansion of the private sector and drawing in more foreign capital. To lessen reliance on a single trading partner, the nation must also diversify its economy and increase trade links with other nations.

Figure 1: Graphical Representation of Somalia's Exports and Imports



Source: <https://data.worldbank.org/>

The graph demonstrates that from 2013 to 2021, Somalia's imports were continuously more than its exports. This suggests a deficit in trade. The national economy of a nation may suffer from a trade imbalance. It could indicate, for instance, that the nation is paying more to foreign nations, which could result in a decline in foreign reserves. A trade deficit can also lead to a current account deficit, which can be detrimental to the country's economy. As a result, it is critical that Somalia create strategies to lower its trade imbalance and raise exports.

Table2: Foreign Trade Statistics Between Somalia and China (1992-2021)

| <i>Years</i> | <i>Somalia Import From China (US\$ Thousand)</i> | <i>Somali export to China (US\$Thousand)</i> | <i>Trade Volume (US\$Thousand)</i> | <i>Trade balance (US\$Thousand)</i> |
|--------------|--|--|------------------------------------|-------------------------------------|
| 1992 | 5238.43 | 1118.62 | 6357.05 | -4119.81 |
| 1993 | 670.26 | 905.05 | 1575.31 | 234.79 |
| 1994 | 1778.53 | 643.42 | 2421.95 | -1135.11 |
| 1995 | 312.43 | 1314.81 | 1627.24 | 1002.38 |
| 1996 | 458.69 | 603.51 | 1062.2 | 144.82 |
| 1997 | 477.41 | 292.19 | 769.6 | -185.22 |
| 1998 | 177.7 | 45.32 | 223.02 | -132.38 |
| 1999 | 487.23 | 61.06 | 548.29 | -426.17 |
| 2000 | 997.43 | 63.97 | 1061.4 | -933.46 |
| 2001 | 1115.49 | 514.94 | 1630.43 | -600.55 |
| 2002 | 1832.7 | 1559.61 | 3392.31 | -273.09 |
| 2003 | 3903.1 | 6624.31 | 10527.41 | 2721.21 |
| 2004 | 9522.38 | 7811.21 | 17333.59 | -1711.17 |
| 2005 | 16566.62 | 3074.31 | 19640.93 | -13492.31 |
| 2006 | 27577.8 | 3064.84 | 30642.64 | -24512.96 |
| 2007 | 26658.32 | 1722.79 | 28381.11 | -24935.53 |
| 2008 | 40338.65 | 188.57 | 40527.22 | -40150.08 |
| 2009 | 67308.55 | 550.22 | 67858.77 | -66758.33 |
| 2010 | 72231.57 | 1697.3 | 73928.87 | -70534.27 |
| 2011 | 91208.55 | 5796.23 | 97004.78 | -85412.32 |
| 2012 | 101106.74 | 3103.93 | 104210.67 | -98002.81 |
| 2013 | 133760.55 | 16339.55 | 150100.1 | -117420.9 |
| 2014 | 206079.16 | 29879.86 | 235959.02 | -176199.3 |
| 2015 | 298118.24 | 24711.52 | 322829.76 | -273406.72 |
| 2016 | 391942.64 | 10958.16 | 402900.8 | -380984.48 |
| 2017 | 473500.5 | 11803.18 | 485303.68 | -461697.32 |
| 2018 | 635452.08 | 16552.25 | 652004.33 | -618899.83 |
| 2019 | 731381.52 | 18697.71 | 750079.23 | -712683.81 |
| 2020 | 892584.59 | 7871.9 | 900456.49 | -884712.69 |
| 2021 | 999699.4 | 10798.21 | 1010497.61 | -988901.19 |

Source: <https://wits.worldbank.org/> <https://data.worldbank.org/>

3. FOREIGN TRADE STRUCTURE BETWEEN SOMALIA AND CHINA

China and Somalia have had a long-standing economic partnership that has developed throughout time. The interchange of goods and services characterizes the two nations' commercial structure, with China being one of Somalia's main trading partners. We shall examine the foreign trade structure between China and Somalia in this article, emphasizing the major influences that have molded their bilateral economic ties.

The trade relationship between Somalia and China has attracted great attention in recent years, especially as China's economic influence in Africa increases. The presented dataset provides a valuable snapshot of trade dynamics between the two countries from 1992 to 2021.

A crucial component of the trade relationship between China and Somalia is the trade balance, which shows how dependent both nations are on one another for trade. Based on the data, Somalia has been a net importer of Chinese products from 1993 to 2003, with just a few yearly trade surpluses.

Considering that China is the world's greatest supplier of products, this tendency is not surprising. As a developing nation, Somalia depends heavily on imports to meet its needs.

The growing trade deficit over time indicates that Somalia's reliance on Chinese commodities has increased and that its export capacity to China has not kept up with this dependence. It is important to remember that the trade balance does not give a complete picture of the two nations' economic relationships. For instance, in addition to trade, there may be help, investments, services, and other types of economic cooperation. Thus, more research is needed to comprehend the larger economic nexus between China and Somalia.

Data on import values show that in 2021, imports will have increased significantly from roughly \$5.2 million in 1992 to over \$999 million. Considering China's increased worldwide market share and economic growth, this growth is not surprising. To understand the factors driving the increase in imports, it is crucial to look at the kinds of items that Somalia imports from China. The data indicates that textiles, chemicals, electronics, and machinery are China's top imports. These products are necessary for the industrialization and economic growth of Somalia. For instance, textiles and chemicals are required for manufacturing and agriculture, whereas machinery and electronics are essential for constructing infrastructure. Somalia may not have been able to maximize the benefits of its economic relationship with China to increase its own exports, as seen by the low value of Somali exports to China throughout time. The data shows that Somali exports to China have been quite modest over the years, just reaching \$29 million in a handful of them. Numerous issues, such as a lack of export diversification, shoddy infrastructure, and restricted access to international markets, could be to blame for the poor export values. Livestock, seafood, and agricultural items make up the majority of Somalia's exports; these goods are vulnerable to changes in supply chains and price swings.

The trade ties between China and Somalia demonstrate how heavily Somalia depends on imports from China. The information also shows that in order to lessen its reliance on a single trading partner and enhance its trade balance, Somalia must diversify its exports. But reaching this objective will involve large expenditures in a number of areas, including infrastructure, technology, and human resources.

Table 3: China's Share of Somalia's Total Imports

| Year | Total Imports of Somalia (Million \$) | Somalia Import From China (Million \$) | Total import share (%) |
|------|--|---|---------------------------|
| 2013 | 3,561.00 | 133.8 | 3.8 |
| 2014 | 3,904.00 | 206.1 | 5.3 |
| 2015 | 3,987.00 | 298.1 | 7.5 |
| 2016 | 4,194.00 | 391.9 | 9.3 |
| 2017 | 4,624.00 | 473.5 | 10.2 |
| 2018 | 5,122.00 | 635.5 | 12.4 |
| 2019 | 5,423.00 | 731.3 | 13.5 |
| 2020 | 5,818.00 | 892.6 | 15.3 |
| 2021 | 6,544.00 | 999.7 | 15.3 |

Source: <https://wits.worldbank.org/> <https://data.worldbank.org/>

The data shows that China's share of Somalia's total imports has been increasing steadily over the years, from 3.8% in 2013 to 15.3% in 2021. This trend reflects China's increasing involvement in Africa and its efforts to expand its trade and investment in the continent, including in Somalia.

China's increasing share of Somalia's imports can have both positive and negative impacts on the country's economy. On the positive side, it can provide access to affordable goods and services, and increase competition in the domestic market, leading to lower prices and improved consumer welfare. Additionally, Chinese investment in infrastructure projects such as ports, roads, and energy can help to improve the country's economic development and integration with the global economy. On the negative side, an increasing dependence on Chinese imports can result in a trade imbalance and a potential loss of local jobs and industries.

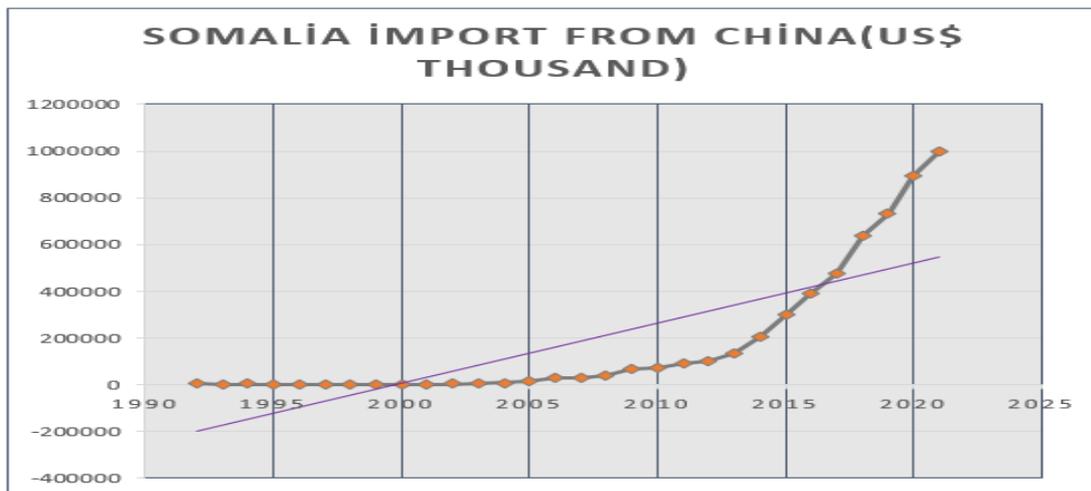
Table 4: China's Share of Somalia's Total Trade

| Year | Somalia's Total Trade with the World (Million \$) | Somalia's Total Trade with the China. (Million \$) | China's share of Somalia's total Trade (%) |
|------|---|--|--|
| 2013 | 4504.00 | 150.00 | 3.332595 |
| 2014 | 4955.00 | 236.00 | 4.762039 |
| 2015 | 5025.00 | 323.00 | 6.424473 |
| 2016 | 5261.00 | 403.00 | 7.658255 |
| 2017 | 5618.00 | 485.00 | 8.638371 |
| 2018 | 6241.00 | 652.00 | 10.44711 |
| 2019 | 6554.00 | 750.00 | 11.4446 |
| 2020 | 6996.00 | 900.00 | 12.87102 |
| 2021 | 8076.00 | 1010.00 | 12.51235 |

Source: <https://wits.worldbank.org/> <https://data.worldbank.org/>

The data shown in the table illustrates how China's percentage of Somalia's overall commerce has increased over time. China's percentage of all commerce with Somalia rose from 3.33% to 12.51% between 2013 and 2021, demonstrating a notable expansion of economic relations between the two nations.

Figure 2: Somalia Export to China



Source: <https://wits.worldbank.org/> <https://data.worldbank.org/>

The graph illustrates Somalia's imports from China between 1992 and 2021, expressed in US dollars. The imports began at approximately 5,238.43 thousand US dollars in 1992 and stayed largely steady until 1999. Imports increased steadily starting in 2000 and occasionally decreased in between.

The largest increase in imports happened between 2014 and 2015, when they nearly doubled to 298,118.24 thousand US dollars from 206,079.16 thousand dollars. Subsequently, the imports have risen steadily, amounting to 999,699.4 thousand US dollars in 2021. With sporadic dips and spikes, the graph shows a considerable overall growth in imports from China throughout time.

Figure 3: Somalia Import from China (US \$ Thousand)



Source: <https://wits.worldbank.org/> <https://data.worldbank.org/>

From 1992 to 2021, the graph displays the value of Somali exports to China annually in US dollars. Over the first ten years, the export pattern seems to have been quite steady, with some variation in the mid-1990s and a decline in the late 1990s. Exports to China have been rising steadily since the early 2000s, with a notable spike in growth from 2011 to 2015. The graph indicates that exports have been varying between 10,000 and 30,000 US dollars over the past few years, but there is a notable decrease in 2016. Overall, it seems that there has been some volatility in the value of Somali exports to China, with some years seeing notable gains and others seeing declines.

4. CONCLUSIONS AND RECOMMENDATIONS

Trade relations entail cross-border exchanges of commodities and services between two nations. Trade allows nations to obtain goods and services that are either unavailable or more expensive when they are provided domestically. Trade can be carried out through a number of channels, including international organizations like the World Trade Organization (WTO) and bilateral and multilateral agreements.

The study's objective was to evaluate Somalia's international trade association's trading parameters with China between 1992 and 2021. Data from the Chinese Ministry of Commerce and the United Nations Comtrade database served as the foundation for the analysis. The results showed that Somalia was trading less with China than it was exporting, resulting in a trade deficit. The study's objectives were to look into the two countries' trade volume, import and export values, and trade equilibrium over the preceding three decades.

In conclusion, a sizable trade deficit has always been a feature of Somalia's trade relationships with China. In order to solve this problem, Somalia should look into exporting value-added goods, expanding its export markets, boosting domestic output, and enhancing the business climate in order to draw in outside capital and advance trade. Enhancing trade balance and exports could be facilitated by collaborating with international organizations and partners in Somalia. By following these suggestions, Somalia may be able to boost its overall economic development and lessen its trade imbalance with China. The government and other relevant parties must work together to put these measures into practice in order to create a more balanced and sustainable trading relationship with China.

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