Formal or Informal, Legal or Illegal: The Ambiguous Nature of Cross-border Livestock Trade in the Horn of Africa

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Abstract

In this article, we address cross-border trade from the perspectives of state institutions and their agents, on the one hand, and private merchants and pastoralists, on the other. It will be shown that at times their agendas strongly conflict, but in other situations workable accommodations and policy interpretations are found even while acknowledging the illegality of the actions. Because of the extensive border zones in the Horn with few custom posts and banking facilities, the state often has no recourse but to turn a "blind eye" to cross-border trade. Throughout the paper, it is shown how vastly different border policies and international relationships among neighboring countries (i.e. Ethiopia, Kenya, and Somalia) in the region challenge generalizations about informality and cross-border trade. In the conclusion we assess recent attempts by government authorities to coerce the trade into formal channels, but with minimal success.

Introduction

In a recent policy report on the Horn of Africa, Nasjid proclaims that the export of livestock from Somalia, including Somaliland, to the Middle East represents one of the largest concentrations of live animal trade in the world (Majid 2010, 2).[1] In 2011 more than 3 million live animals were exported from Somaliland alone, a large percentage targeted to Saudi Arabia during the annual religious pilgrimage period (*Haj*) (Ministry of National Planning and Development [Somaliland] 2012; *Daily Nation* 2012). Other assessments point to similar trends in export trade in the region, which mainly is aimed at meeting increased demand for meat in the Middle East (Catley, Lind, and Scoones 2012; FAO 2012a). What is left out of these discussions, however, is the recognition that informal cross-border trade fuels the exports and links local traders and pastoralists to a range of national, regional, and global actors. Indeed, most of the formal export trade is dependent on mobile pastoralism and an informal, often even "illegal," cross-border trade in livestock that challenges state sovereignty in weakly governed borderlands in the region.

The study of cross-border trade in Africa has received increased attention in recent years (Meagher 2003; Raeymaekers and Jourdan 2009; Roitman 2005; Walther 2014), although there remain relatively few studies of trans-border livestock trade on the continent (Eid 2014; Little 2006, 2013; Mahmoud 2010). In terms of official policy discourses, there are two general assumptions held about cross-border trade: (1) that formal and informal market chains are distinctly independent of each other, and (2) that cross-border trade generates few public revenues and benefits for a country. As we will argue, nothing could be further from the truth in the Horn of Africa: livestock usually are taxed at borders and they traverse between formal and informal channels along the commodity chain from production to final sale. It will be suggested in the article that this kind of flexibility and permeability depend on context-specific historical, political, and market factors. What is informal or even illegal on one side of a border can be legally acknowledged, counted, and taxed on the other side depending on administrative practices and the political will (or lack thereof) to enforce trade policies.

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We address cross-border trade from the perspectives of state institutions and their agents, on the one hand, and traders and pastoralists, on the other. We draw on Scott's well-known concept of "legibility" and related approach of "seeing like a state" to show that cross-border trade in livestock is a particularly illegible activity for states to control despite recent efforts to make it legible and formal (Scott 1998). From the perspective of the state and its agents, pastoralists and pastoralism generally, which is the main economic livelihood along the Kenya/Ethiopia/Somalia borderlands, also are largely unintelligible and proven historically difficult to administer. In the article we also rely on recent theoretical work on informality that challenges (1) the exclusivity of the formal and informal, and (2) the notion that informal economic practice is a historical moment that is associated only with poor countries and disappears in wealthy countries (see Hansen and Vaa 2004; Hart 2008, 2010; Llanes and Barbour 2007). It will be shown that at times the agendas of different actors and institutions involved in trans-border commerce strongly conflict, but in other situations workable accommodations and policy interpretations are found even while acknowledging the illegality of the actions.

The concept of ambiguity also is invoked here, since it will be shown that maintaining uncertainty in the enforcement of laws and trade sanctions allow for increased flexibility by local administrators and customs officials. Throughout the article, it is shown how interpretations of border policies and what is informal (illegal) versus formal (legal) trade vary depending on which actors and countries (i.e. Ethiopia, Kenya, and Somalia) in the region are benefiting from cross-border trade, as well as the different political relationships among them. The ambiguities around the activity complicate and challenge generalizations about the informality of cross-border trade in the region. In the conclusion, we assess recent attempts by government authorities to coerce the trade into formal channels and point to additional research that is needed.

Overview of Cross-border Livestock Trade[2]

Livestock trade represents one of the few economic success stories in the Horn of Africa. Annual exports of livestock and livestock products from this region, including between neighboring countries, are estimated to be close to US $1 billion with domestic production and trade in the region as much as three times this amount (Catley, Lind, and Scoones 2012). A key reason for this success is that Somalia despite its mainly stateless status is a strong industry competitor of Australia, the top sheep exporting country in the world. A recent report from the Food and Agriculture Organization (FAO) notes that Somalia (and Sudan) are even making gains on Australian exports of livestock: "Live trade in sheep continues to support the Australian industry, although shipments to Saudi Arabia, traditionally one of the largest markets for Australian live sheep, have been declining for the past five years as a result of competition from East African nations, including Sudan and Somalia (FAO 2012a, 47)." What is not pointed out in the report is that the bulk of this thriving export trade from Somalia (especially Somaliland) depends on cross-border ("illegal") trade with neighboring Ethiopia. Estimates are that approximately 50% of livestock (mainly sheep and goats) for export from Somalia (mainly Somaliland) are informally sourced informally across Ethiopia's borders (Majid 2010). Recent field observations suggest that the proportion might even be as high as 70% (personal communication, Abdurehman Eid, March, 2013). In Ethiopia itself Gebre-Mariam et al. have calculated that informal cross-border trade in Ethiopia is about four times the volume of its formal exports (Gebre-Mariam et al. 2013, 7).

Other studies of the export sector in the region show a similar dependence on cross-border trade. In Kenya, for example, the bulk of cattle exported from Mombasa, the country's main port, derive from cross-border imports from southern Somalia (see Mahmoud 2010). Similar to other countries of the Horn, Kenya's official trade statistics do not capture where the animals that contribute to the country's livestock exports originate from.

Official international trade statistics in most of the Horn generally fail to acknowledge cross-border trade as an export activity, even though the exchange crosses international borders. We suggest the reason for this gap is two-fold: (1) these exports do not generate hard currency which devalues them from the perspective of central governments, and (2) the commerce is largely based on production from pastoralists who have always been treated as marginal citizens by the state and assumed to contribute little to national economies (see Little 2014). Instead of treating all commerce across borders as international or export, governments consider only export trade that earns hard foreign currencies to be international (for example, US dollars). In fact, official trade statistics on livestock trade between neighboring countries in the Horn of Africa show that *contra* to reality informal regional (cross-border) trade is almost non-existent (Little 2013).

As many scholars have shown, it is often difficult to distinguish between formal and informal in many part of the world, including Africa, even in cases where relatively firm government controls are in place (see Hansen and Vaa 2004; Hart 2010; Hibou 2004). Recent work even suggests that large capitalist firms based in wealthy countries, including banks and clothing firms, sometimes rely on informality to source supplies and finance (Hart 2008). We suggest that the distinction is particularly problematic in border areas of the Horn of Africa, which are generally remote, administration is weak, and trade policies easily misunderstood, misinterpreted, and/or selectively implemented. For example, those livestock that are unofficially trekked across the Somalia border to be sold in Kenya are officially taxed at different market centers in Kenya and, eventually, sold through formal market channels in urban centers, such as Nairobi. Whether or not this activity constitutes official or informal trade, largely depends on what level of the market chain is examined and whether or not payment of government taxes is included in the definition of formality. Although livestock cross international borders informally or illegally, they are taxed at border markets and other markets *en route* to final urban destinations where they are slaughtered at licensed abattoirs and the meat sold through licensed wholesalers and butchers. Depending on the destination of the animal, the rural trader or buyer also may pay a fee to a Kenyan veterinary department official to have the animal cleared for movement outside the border area. And, of course, at the animal's final point of sale in Kenya, which is often Nairobi or Mombasa, another set of taxes are paid. In short, while the trade is considered to be informal, each animal can be taxed as many as three to four times along the market chain. Thus, contrary to common perceptions, unofficial trans-border livestock trade generates significant amounts of local taxes and revenues at different levels of the market chain.

Like any form of risky, long-distance trade, cross-border animal trade in the Horn of Africa involves a myriad of institutions, actors, and relationships and relies on a range of local institutions and practices to facilitate the activity. For example, since official information about prices of different types of livestock are difficult to find and transactions need to be made quickly, both sellers and buyers often rely on local brokers (called *dilaal* in Somalia and Kenya or *dalala* in Ethiopia) for assistance.[3] The broker's role is to match the buyer with a seller, since the seller often has traveled 50 km or more to market and wants to quickly sell the animals. The broker also is used to insure the legitimacy of the sale and that stolen or sick animals are not being transacted. Brokers often take on a special identity in border markets where they can maintain important social and economic networks across multiple international boundaries. In all of the markets in the region, including Nairobi, there are *dilaal* to match sellers and buyers and negotiate prices on their behalf. A *dilaal* works in the market on behalf of either buyers or sellers or both. The fee is usually around 1–2% of the price of the animal. By finding buyers in a timely fashion, brokers can help sellers avoid the added costs of maintaining the animals until they are sold. A quick sale through a broker minimizes outlays on fodder, water, and hired labor in case the seller needs to wait a few days around the market to find a buyer.

Livestock trade in the Horn of Africa increasingly is influenced by both global market and political forces. It is subject to occasional but very damaging animal health-related bans from major importing countries, such as Saudi Arabia, and to the animal health and sanitary and phytosanitary (SPS) rules of the World Organization for Animal Health (WOAH, formerly the OIE [Office International des Epizooties] which works collaboratively with the World Trade Organization (WTO) to insure market animals are disease free and animal products are safe. As the world's largest exporter of live sheep and a major competitor of African exporters for the lucrative Saudi Arabia market, Australia has a vested interest to insure competitors meet SPS and other formal trade requirements. For much of the 2000s, Saudi Arabia imposed a ban on animal imports from the Horn of Africa due to public health concerns (i.e. Rift Valley Fever[4]), which greatly hurt Horn traders and pastoralists but significantly aided Australian firms and other competitors (see Little 2014). The lack of recent disease outbreaks and the high levels of Saudi private investment in quarantine yards in the ports of Djibouti and Berbera, Somaliland have allayed animal health issues for now, but if Middle Eastern importing countries stringently adopt WTO/WOHA regulations livestock traders could become concerned with the health and source verification of animals ("traceability"). If so, they eventually might avoid trading in informally-sourced animals.

The Geography of Informality

There are other important reasons why trans-border livestock trade in the Horn of Africa represents a particularly important but challenging informal activity. Geography is an obvious factor because of the incredible vastness of the region's borders, with the length of Somalia's border with Kenya and Ethiopia alone being more than 2,000 km in length. It obviously makes administrative presence and border controls very expensive to maintain, evident by the fact that Kenya—the wealthiest country in the region—has only four official border crossings with Somalia and four with Ethiopia. Consequently, much cross-border trade in these extensive territories remains unofficial for the simple fact that customs posts and export banking and processing services are very few, and convenient markets often lie across nearby remote borders. Many of these trading networks precede the establishment of colonial boundaries at the beginning of the 20th century, as well as divide important cultural groups, such as Somali and Borana peoples. Herders and/or traders in these areas often must trek animals up to 250 km at considerable costs if they wish to export through a formal border post. Along Ethiopia's northwestern border with eastern Sudan there is only one official post with facilities for exporting animals to the Sudan. Consequently, more than 50% of the approximately 200,000 cattle exported annually along this border use unofficial transit points (Little, field notes, October 2012).

Unlike many other commodities livestock have features that make it amenable to cross-border trade even in situations of widespread insecurity. For instance, it is a mobile, high-value commodity that can be walked across borders in rangelands distant from official crossings and does not have easily monitored roads. With market infrastructure, veterinary certification facilities, and transport infrastructure so poorly developed, even if market and other conditions were favorable legal cross-border trade would be a major challenge.

It should be noted that the dynamics and flows of livestock trade can change and be redirected in a relatively short period of time depending on markets and policies. For example, the growth in livestock trade between Ethiopia and Sudan is very recent, especially the trade in camels, and is a response to a favorable export market in Egypt, which is Sudan's northern neighbor and the main camel market. This trade with Egypt via Sudan has ramifications across multiple borders in the region. It has spurred an informal trade in camels between Ethiopia and Kenya that barely existed in 2006 and has redirected some of the regional camel trade to Somalia as Ethiopia, Sudanese, and Egyptian traders now can be found buying animals in northeastern and northern Kenya and in southern Ethiopia (Little, field notes, March 2013).

Generally two important markets, with one being regional and the other external, shape the direction of trade networks and commodity flows in the three countries (Ethiopia, Kenya, and Somalia) under consideration. In the southern border areas of the region Nairobi, an urban market of about 4 million people and the key regional market, influences the direction of cross-border flows in the region especially since the mid-2000s. In the 1990s Kenya liberalized its meat trade and numerous small-scale slaughter facilities emerged and increased informal flows of animals from Tanzania, Ethiopia, and Somalia to Nairobi. By 2002 it was estimated that Nairobi depended on Somalia for about 16% of its annual consumption of beef and received large numbers of cattle from other countries (Little 2003). Another important regional market in the northern part of the region is Addis Ababa, which had an estimated population of 3.5 million people in 2014 with rising incomes and consumption. Along with Nairobi, it represents a second regional node for the trade, especially since nearby abattoirs process meat for export to the Middle East and attract large numbers of small stock (goats and sheep).

In terms of external markets, the export trade to the Middle East and neighboring countries, such as Sudan, depend on cross-border trade for their supplies. Ethiopia's export trade in chilled meat to the Middle East, which relies heavily on cross-border trade in small stock with neighboring Kenya, is a good example of this dependence (Little, field notes, June, 2013). Like other markets in the region, this commerce has mainly emerged in the past 15 years (Desta et al. 2006). For live animal exports the principal external market is also the Middle East, with the bulk of this trade leaving the region via exports from the ports of Berbera (Somaliland) and Bosaso (Puntland). As noted earlier, approximately 50–70% of the animals (mainly sheep and goats) for this annual export trade are informally sourced across the border in eastern Ethiopia through a network of traders and transporters (Desta et al. 2011). There also are growing exports of live animals from Ethiopia to the Middle East and Egypt via Djibouti port, but this remains well below the volume exported from Somalia.

The geography of the trade and its informality is influenced by national policies and politics. Throughout the region pastoralist areas are politically marginalized and despite the generation of considerable revenues from these areas, their citizens receive few government services and infrastructure, often a fraction of what are allocated to more politically-favored locations (Behnke 2011; Little et al. 2010). Both Kenya and Ethiopia have governments that strongly favor investments in highland farming areas and their senior officials usually come from a sedentary farming or urban background. For them the lowland pastoral rangelands are backward, illegible ("vacant") spaces that are troublesome and a challenge to most development models. This attitude was reflected in an interview with one senior Ethiopian official from the Ministry of Finance and Economic Development where he stated that "these pastoral lowland areas are backward and contribute very little to our country's development. These areas and their people are difficult for me to understand" (P. Little, fieldnotes, August 2009). In the discussion the official often referred to the pastoral lowlands as being "vacant," a reference to the fact that they were not being cultivated and appropriately utilized so they could be treated as "unoccupied."

Unsurprisingly, there is a long history of political discrimination and occasional use of force against pastoralists in the region, including in the borderlands, that is well documented in the literature and will not be repeated here (see Sobania 1979; Straight 2009; Wario 2006). This pattern of discrimination fuels a series of derogatory narratives about pastoralists equating them with violence, illegal trade, economic inefficiency, and food aid dependency. These discourses have important political, policy, and practical implications that can be invoked to justify particular actions by the state, including sedentarization schemes, transfers of pastoralist lands to investors and conservation groups, and the restriction of seasonal migration patterns. Hidden in these narratives also are political agendas that perceive mobile pastoralism and cross-border trade as political threats to the state and, therefore, in need of controlling or eliminating.

In the region the Ethiopian government has been the least supportive of mobile pastoralism and the most vigilante in trying to control cross-border trade. The state has effectively classified the trade as contraband (illegal) (see Umar and Baluch 2007). Several times in our Ethiopian research we heard officials complain that cross-border trade by pastoralists was a "contraband activity" that denied the government needed revenues (Little fieldnotes 2013–2014). Its border personnel have confiscated animals on numerous but often random occasions, and at selected border zones (Little 2006). Because of complicated political relations with the country of Somalia and with Somali Regional State, eastern Ethiopia, the border in that area is strongly monitored and attempts to control livestock trade there have been numerous but not often successful. When Ethiopia has tried to clamp down on border markets and halt cross-border animal trade there—for example, at the border market of Togwajale–markets have simply shifted across the border into Somalia or traders have bypassed the policed market center and continued with their business. This same pattern was observed in southern Ethiopia's border with Kenya in the past decade, where enforcement in Moyale, Ethiopia often pushed the trade into Moyale, Kenya (Mahmoud 2003). In short, as the state clamps down on informal exports at a particular border location, it often pops up in dramatic fashion at a site across the border.

In contrast to Ethiopia, cross-border trade in Kenya generally thrives and traders and government officials openly discuss it, although it is also an illegal activity. In a visit to the Garissa market near the Kenya/Somalia border during September 2008, market officials and traders identified the numerous animals in the market from Somalia and spoke openly about the importance of trans-border trade, an openness that was also prevalent during 1996–1998 (Little 2014).[5] Both government officials and merchants know that a large percentage of cattle at Garissa market is imported informally from Somalia, but the commerce remains increasingly out in the open. It can be described as an openly informal activity, neither hidden from authorities nor entirely consistent with an official, public place of business.

Ambiguous Policies and their Implementation

As noted above, Somalia (including Somaliland), Kenya, and Ethiopia all have different and often contradictory positions toward regional livestock trade. Comparatively speaking, Somalia represents an extreme case of weak controls at border areas and pastoral regions generally. It was essentially stateless until 2012 more than 20 years since the implosion of the state in 1991 (Little 2003, 2013).[6] For most of this period Somalia effectively served as an *entrepôt* economy for large parts of the Horn of Africa and beyond, taking advantage of its geography (i.e., proximity to the Middle East) and its stateless economy. To quote Hagmann, Somalia became the world's "largest duty free port" (Hagmann 2005, 535). Trucks with consumer goods and foods move between the different border regions and travel to countries as distant as the Democratic Republic of Congo (DRC), even when there are on-going conflicts. Somalia imports "duty free" rice, sugar, electronics, textiles, and other goods, which are then re-exported through southern Somalia's large and porous borders into neighboring Kenya and Ethiopia and beyond with few if any border taxes, although different militia groups collect fees for moving across boundaries. In Ethiopia and northeastern Kenya revenues from informal cross-border livestock trade with Somalia are used to finance much of these imports, especially of food commodities that then find their way to shops throughout the food-deficit borderlands (see Umar and Baluch 2007). Thus, the trucks that ferry livestock from the border markets to terminal markets, such as Berbera (Somaliland) or Nairobi, often load up with foodstuffs on their return to sell back in the borderlands.

Somali business activities across the Horn of Africa already operated at the margins of the state, so the neoliberal reforms, such as the liberalization of livestock and currency markets, in the region during the 1990s and 2000s actually made it easier to trade and conduct business (Little 2014). The reduced presence of the state in neighboring economies, especially in Kenya, and the elimination of tariff and other trade barriers allowed Somali traders to operate more openly. The border economies of Somalia increasingly became globalized, with links throughout the Horn and beyond, and the borders themselves became opportunities for accumulation and survival. Although there are no formal policies in Somalia toward cross-border trade, it clearly benefits from the imports of hundreds of thousands of animals from neighboring Ethiopia for eventual export from Somali ports. Recent fears of international terrorism, however, raise concerns about border areas of Somalia and traders generally. As a large-scale exporter noted in an interview, "the issue of terrorism is also making [formal] money transfer more difficult for payments. Now there are anti-terrorism laws related to money transfers. … If the name is Mohamed they [banks and government] become suspicious and this delays transfers up to 7 days" (Little, fieldnotes, March 2013).

Until recently Kenya has done little to discourage cross-border livestock trade because its urban markets and commercial ranches need the supply of animals, and local municipalities require the local taxes it generates. The official border between Kenya and Somalia has been closed to most population movements since 2009 due to increases in terrorist threats and insecurity in neighboring Somalia, but the cross-border livestock trade continues although at a reduced level.[7] Kenyan businesses and consumers, as well as the government which derives market taxes from it simply benefits too much to completely stop it. At Garissa market near the Kenya/Somalia border government officials speak openly about the importance of trans-border trade. According to a Garissa municipal council representative, “the market alone nets 1.2 million Ksh (US $17,150) in tax revenues and fees per month for the council’s coffers, which covers most of the monthly salaries for council employees. It is the single most important revenue generator for the town” (Little, field notes, Sept. 2008). Thus, it is not surprising that local officials have little incentive to control illegal animal imports from Somalia.

Despite increasing tensions in the Kenya/Somalia borderlands after Kenya’s invasion of Somalia in 2011, the informal cross-border trade in livestock between Kenya and Somalia continues (interview with NGO official, December 14, 2011; also see Little 2014). For example, livestock market data for the period January–March 2012 shows that cattle sales in Garissa were still the highest in Kenya among different markets and supplied the largest number of cattle to Nairobi and Mombasa, the country’s two largest consumption markets. About 14,000 cattle were sold in an approximate 2-month period between January 1 and March 5, 2012 (Farmer and Mbwika 2012, 20–21), which is only about 20% below what normally would be sold at the market during dry season months. Since livestock are trekked on foot to Kenya from Somalia, cross-border trade in this commodity is less affected by the on-going conflict than other types of commerce that are dependent on truck and road transport.

The prevalence of informal cross-border trade and its tight integration into daily practice serves to legitimize it. Somali livestock that are imported illegally into Kenya but openly traded, discussed, and inscribed in daily practice assume almost official status in the border regions but—as noted earlier—are not reflected in most trade statistics. Other smuggled imports, such as drugs or weapons, are secretively traded but treated as *more illegal* or *dirty* in status than animals. If discovered by Kenyan border officials, they likely will be confiscated.

As noted earlier, the Ethiopian government has been more stringent in policing informal cross-border trade than Kenya or Somalia, but even the implementation of its policies are inconsistent *vis-à-vis* different border areas. Most of its attention has been on the troubled border with Somalia and Somaliland informal trade in these corridors where, as noted earlier, the Ethiopian government has taken a strong stand. Not only are there political and security concerns along that border, but Ethiopian officials do not like to see their animals crossing into Somalia where they are then exported to international markets. This export trade generates significant amounts of hard currency (foreign exchange, such as US dollars) which is in short supply and a prime focus of the Ethiopian federal government. Because Ethiopian officials realize the low potential for earning US dollars (foreign exchange) through informal exports along the southern Ethiopia/Kenya border trade and because Ethiopia and its export enterprises now benefit from the flow of Kenyan animals into Ethiopia, controls at this border have been relaxed. This border also does not invoke the strong security concerns that the Ethiopian government has for its border with Somalia and Somaliland.

On more than one occasion we have heard government and even NGO officials making comments like “Somalia earns all those US dollars by exporting Ethiopian animals.” The perception is that Ethiopian pastoralists who participate in this trade, as well as in commerce at other border areas are not contributing taxes and revenues like other citizens. These exaggerated portrayals of pastoralists and their presumed evasion of taxes through cross-border trade fail to appreciate several factors. First, is that livestock markets in the Horn of Africa are very dynamic and increasingly international in scope, where benefits for different countries change rapidly often depending on external factors that individual states cannot control. Recall the earlier case of informal camel exports to Sudan and Egypt from Ethiopia and Kenya that have grown considerably in the past few years because of conflict-related disruptions to camel markets and routes in Western Sudan, especially Darfur. Market fluctuations in the past 6–7 years loudly confirm this tendency. Second, is that pastoralism itself is a regional/cross-border activity with livestock herders, including those who are Ethiopian citizens, frequently traversing international borders in search of grazing and water. Finally, cross-border trade often is taxed on both sides of borders and generates important revenues for local and regional administrations.

In and Out of Informality

The boundaries between formal and informal increasingly are blurred in the context of cross-border livestock trade. A new development that illustrates this point is the supply of immature livestock from southern Somalia to commercial ranches near Mombasa in southeastern Kenya (see Mahmoud 2010). These are ranches that were once owned by cooperatives or the government, but ran into financial troubles and subsequently were leased to Somali traders from northeastern Kenya. Many of these merchants used them to fatten animals for the Mombasa, Kenya and overseas export markets (see Mahmoud 2006). They initially benefited from the state's push to increase exports from Mombasa and the country's foreign exchange earnings. Because the traders were using the ranches to fatten animals for export from Mombasa port, the state encouraged their activities and provided extension and technical support to them. By these actions, the state actually was subsidizing an economic activity whose products were sourced informally, even illegally. Suspected of aiding poachers in neighboring Tsavo National Park, the Kenyan government evicted most of them and their cattle from the ranches during 2012–2013. It is not well understood what the impacts of this action will be on cross-border or export trade, or if the traders and their herds will be allowed back on the ranches in the future (Mahmoud 2013).

The export of meat from Ethiopia is another cross-border activity that complicates the distinction between formal and informal. While the Ethiopian government heavily publicizes recent gains in this trade to the Middle East, many of the goats and sheep that are processed at Ethiopia's abattoirs are sourced from northern Kenya via informal trade channels. Once the animals are sold at border markets to agents of export companies, they enter the formal market and are taxed and transported to abattoirs near Addis Ababa.

Another example where boundaries between formal and informal are especially ambiguous is the export trade in camels from Ethiopia. In this case, exports of camels via Djibouti port to the Middle East and via western Ethiopia to the Sudan, both rely on animals sourced informally from neighboring countries even though many of them are eventually officially exported.

Official attitudes toward informal cross-border trade frequently change depending on particular market conditions and perceived benefits. For example, as shown earlier, the Ethiopian state's stance towards informal livestock exports to Kenya has changed because its own export sector now benefits from unofficial flows of trade animals from Kenya. This transition in trade earns Ethiopia foreign exchange through exports of Kenyan animals to the Middle East. Interviews with livestock traders in Moyale, Ethiopia during 2013–2014 indicate that customs officials of the Ethiopian Revenue and Customs Authority (ERCA) and local municipal administrators are now taking a different stance toward this trade. One trader explained how there has been a relaxation on controls of informal animal trade between Kenya and Ethiopia since the animals are now coming from Kenya and benefitting Ethiopia: "many animals for Ethiopian export are trekked from Kenya and then trucked to Adama or for slaughtering [for meat exports]" (Interview, March 20, 2014). The trader suggests that it would not be in the interest of ERCA officials to try to halt these informal imports.

In the past Ethiopia was openly hostile toward cross-border livestock trade along its border with Kenya (Little 2006; Mahmoud 2003), but with the reversal in the direction of the trade this has changed and it is now Kenyans who are concerned about loss of revenues. A recent Kenyan newspaper quoted one Kenyan livestock expert complaining that "the sad thing is that Kenya does not get anything as Ethiopia gets all the revenue since the trade takes place inside her borders. The Ethiopian government levies taxes on every animal bought" (Kebaso 2013). The article goes on to claim that "Kenya loses more than Sh1 billion in revenue every year due to unregulated camel trade on the border with Ethiopia" (Kebaso 2013). Venture back just 6–7 years ago and very similar complaints were being made by Ethiopian officials about revenues lost to Kenya from informal cross-border trade.

In 2012 the government of Ethiopia increased taxes and fees on export traders, some of whom also either exported or sourced animals at border markets and/or indirectly sourced them from neighboring countries. By their actions the state sought more revenues instead of attempting to halt informal trade. At the same time inefficiencies and increased costs at Djibouti port are motivating Ethiopian export traders to look to nearby Berbera port, northern Somalia (Somaliland), which is Djibouti's main competitor and has recently attracted substantial Saudi business investment in modern quarantine facilities. Interviews with livestock export traders in Adama, Ethiopia, which is the main fattening and quarantine area for Ethiopia's export trade, indicate that some licensed Ethiopian exporters are beginning to ship animals via cross-border trade from Berbera (Little, field notes, March, 2013). Moreover, importers from Saudi Arabia, which is the Horn's largest export market, often prefer to import through Berbera, Somaliland because of (1) reduced bureaucratic "red tape" and costs, (2) they can purchase young bulls less than 3 years old in Somaliland which is banned by Ethiopia, and (3) the presence of two Saudi-owned quarantine yards at the port. Combined, these factors challenge Djibouti as the key port for Ethiopia's growing livestock export trade.

Contradictions between trade policies of national governments and regional organizations and authorities are apparent and add to the uncertainties of cross-border practices. For example, Kenya, Ethiopia and Somalia are all members of the African Union (AU), the Common Market for East and Southern Africa (COMESA), and the Intergovernmental Authority on Development (IGAD), which have endorsed the liberalization of cross-border trade in livestock. To quote development expert Pavanello:

> Key regional institutions such as the African Union (AU), the Common Market for East and Southern Africa (COMESA), and the Intergovernmental Authority on Development (IGAD), have been developing policies and mechanisms to support and facilitate mobile pastoral production systems and livestock trade across international borders. Since 2008, for example, COMESA has developed the Green Pass System, a commodity-based health certification that offers opportunities to formalise and facilitate transnational movements and the trade of livestock and related commodities within the region. Moreover, since 2007 the AU Border Programme has sought to facilitate cross-border integration of African states and the development of local cross-border cooperation initiatives within the framework of the Regional Economic Communities (RECs) such as COMESA, IGAD, and the Economic Community of West African States (ECOWAS). (Pavanello 2010, 3).

Despite official rhetoric in the region about market integration and reduced border controls on livestock trade, national agendas trump regional ones when it comes to livestock trade. National narratives about losses in potential foreign exchange earnings, tax evasion, and insecurity counter the real comparative advantages and benefits of regional cross-border trade. The individual states and/or their border officials are the ones who opt to relax or tighten up controls on cross-border trade and, in some cases, require procedures that make it almost impossible for traders to export legally without incurring financial losses. On the ground, trade policies of COMESA and other bodies have had little impact on cross-border trade in livestock.

The Extraction of State Taxes and Cross-border Trade

Paying market and local taxes does not necessarily legalize livestock trade in the Horn of Africa. Even after paying multiple taxes to local authorities, traders are still subject to random penalties if they try to sell their animals across international borders. However, because borders are far from capital cities and national bureaucracies, local administrative and state customs officials often work out their own informal arrangements to allow cross-border trade while collecting needed revenues. For example, at the border town of Moyale, Ethiopia, which is just across from Moyale, Kenya, local tax officials collect fees at town markets when an animal is sold and another tax if the animal crosses the border for resale in Kenya. Because Moyale, Ethiopia is administratively and ethnically divided between two different regions, Oromia and Somali Regional States, there are separate livestock markets for each and no sharing of revenues between the two administrations. The tax collected from the trader(s) is a relatively small amount, less than 1% of the animal's value, but because of the volume of sales it generates significant revenues for the local administration. A similar arrangement for collecting revenues occurs on the Kenyan side of the border but Moyale, Kenya falls under only one local administration. On both sides of the border there had emerged by 2013–2014 a mutual understanding between local border officials that traders who pay fees will not be harassed and/or fined or arrested. In 2001 Mahmoud estimated that local authorities in Ethiopia and Kenya, respectively, earned EBirr 649,857.6 (US$ 78,296) and KSh 17,697,000 (US$ 226,884) from taxes and fees on cross-border livestock trade at Moyale (Mahmoud 2003, 155–156). This amount greatly exceeds revenues from any other source of taxation.

There are so few banks along the southern Ethiopian borderlands that Ethiopia officials often allow traders to openly exchange currencies on the black market without fear of arrest despite its illegality. One local Ethiopian bureaucrat near a major border market for informal small stock imports from Kenya, explained that: "there is no bank around here so it is okay that they [traders] have to do black market currency exchanges—what else can we do? If there was a bank here, then it would be illegal for the trader to exchange money on the local market but there is not" (Waktole Tiki, field notes, May 2013). These kinds of administrative accommodations at borders that often violate official policy, including the use of unlicensed tax collectors and regulators, has been observed elsewhere along international borders in Africa and in other countries (see Galemba 2012; Roitman 2007; Titeca and de Herdt 2010). Similar to statements made about other border regions, arguments about the lack of public benefits and revenue generation from cross-border trade in the Horn of Africa are simply untrue. What may contribute to these misunderstandings is that foreign exchange earnings and taxes for national treasuries may be the main consideration and not whether or not the trade generates revenues for local and regional administrations and/or benefits for local communities. For the livestock trader s/he is still paying a tax regardless of what bureaucrat and level of government collects it or how it eventually is used.

Although it is not a major concern for local administrations, livestock exports for the Ethiopian state equate to foreign exchange earnings (US dollars). The goal of building up national foreign exchange accounts favors almost all the federal (central) state's perceptions of livestock trade, including informal cross-border commerce. The Ethiopian government simply tries to squeeze as much foreign exchange earnings from this activity as possible despite the fact that much livestock trade is largely "off the books." As will be discussed later in the paper, the Ethiopian government has developed an arsenal of techniques to encourage informal traders to operate in formal export channels that generate foreign exchange earnings and taxes for the federal government.

For regional, district, and sub-district officials, however, livestock trade is all about generating revenues to cover local and regional services, salaries, and other local government commitments. Recall the comment by the municipal official at Garissa, Kenya about the revenues from cross-border livestock trade and the earlier discussion of tax revenues from Moyale, Kenya. In interviews with other local bureaucrats they also admit that their local tax bases are dependent on local livestock markets and cross-border trade, although they often mimic in conversations national narratives about contraband trade, illegality, and revenue losses. Local administrations near and along the borders attain needed revenues by taxing animal sales. For instance, in southern Ethiopia market places are fenced with only one entrance to enter/leave the sale yard, which facilitates revenue collection. Local (municipal) and regional state tax officials can collect taxes as the buyer leaves the marketplace. Around the outskirts of the fenced market yards in southern Ethiopia are armed police who try to ensure that transactions are not conducted outside the marketplace or, if they are, fees are collected.

The case of one trader (KK) of Moyale, Ethiopia shows how merchants can pay multiple taxes for the sale of one animal. It also reveals some of the ambiguities about fees and taxes that traders currently face.

> KK is based in Moyale and supplies animals to Adama traders, who often then export them to the Middle East. He sources the animals from Ethiopia as well as from Kenya. When he buys from Kenya, KK says that he pays double taxes, 35 birr (about US $2) on the Kenyan side for a bull and 12 birr (about US$0.70) on the Ethiopian side for the same bull. When he loads and transports the animals from Moyale to Adama, he also must pay a transport tax of 50 birr (US $2.80) to the local municipality. (Tiki, field notes, October 2012)

The same trader goes on to explain that it is not the amount of taxation which is the problem, rather it is the uncertainties about border policies and fee structures. For example, despite the fact that the federal state eliminated a transport tax on trucks (called *kote*, translated as foot) imposed by municipalities in 2011, Moyale maintains this tax and charges a fee on each animal that is transported out of town on a truck. The example of KK and the economic realities of border markets and revenue collection spotlight the glaring contradictions between interests of central authorities, on the one hand, and cash-strapped local administrations, on the other. The latter know that when they try to clamp down on cross border livestock trade it simply goes underground or moves across the border, thus denying them needed revenues.

Market tax rates for animal sales have increased considerably in some markets in southern Ethiopia since 2012. During August–December 2012 tax fees per cattle sold in southern Ethiopian markets ranged from 11–41 birr (US $0.64–$1.56), with one municipality unilaterally raising their market fees per animal by more than 50% in just two months. In addition to a municipal tax, a local government tax (called *limat*) is often collected from livestock traders by local (*kebele*) officials. In pastoral areas where populations are mobile and administration is weak, the tax on traders is an important source of revenue for financing schools and other development activities since production taxes from producers are difficult to collect. Taxes for goats and sheep (small stock) are the most regressive since they unfairly punish those poorest herders and traders (including women) who are most likely to sell or trade in small stock than in cattle or camels. Based on livestock prices in 2013 small stock traders pay rates that are about 2.5 times more than those collected from cattle or camel traders. Recent increases in tax rates at southern Ethiopia's largest livestock market, Dubuluq, has moved small stock trade from the formal market place out into informal bush markets well away from tax collectors. In a visit to the Dubuluq market in February, 2013, almost no small stock sales were observed in the formal marketplace, although many were being sold at informal bush markets within a 20 km radius.

Attempting to Formalize the Informal

The Ethiopian government has pursued several techniques to control cross-border trade and make it legible for collecting taxes. First, they have begun to require border traders to obtain letters of credit (LC) from a registered bank, which forces them to register and license their business. The LC is between the bank of the exporter and that of the importer, and the exporter must show the Ethiopia bank the invoice from the importer and s/he then is given local currency to purchase his animals. The bank, in turn, is paid the full amount in US dollars by the importer's bank once the animals are delivered. The Ethiopian bank then reimburses the trader in local currency at the official rate of exchange, which most export traders complain is 2–3% below the rate on the private currency market (Little, field notes, March 2013). Through letters of credit the government often inflates prices for livestock above market rates, which forces traders to borrow more local currency at official exchange rates.

A second recent state intervention for formalizing cross-border trade is to grant import licenses to small-scale traders within 10 km of the border. Under this regulation traders are allowed to import up to 20,000 ETH birr of goods (approximately US $1,120) duty free twice per month to markets located within 10 km of the border (Desta et al. 2011). Not only is this an unrealistically small amount for many traders, but many key markets are further from the border than 10 km (Desta et al. 2011). With this policy the Ethiopian state apparently recognizes that traders and informal import channels often overlap with the cross-border trade in livestock, especially along its borders with Somalia. As noted earlier, the business of importing foods often is financed by livestock trade and at times even backhauled across borders by the same transport after the animals are off-loaded at the port. By rewarding traders and encouraging informal imports into official market channels, the state hopes that it might entice traders to also utilize official procedures for exports of livestock. However, because the value limits and spatial restrictions of the policy are unpopular with traders, it has had little impact on livestock trade.

Thirdly, the government opened bank branches during 2011–2013 in two of the key border markets along the Ethiopia/Somalia border, including Togwajale, in the hope that traders would use them to take out letters of credit, deposit savings, and exchange currency. The rationale is that if financial services are more convenient and accessible for traders, they might take out LCs to export their livestock. Similar to the strategy mentioned above, this action has redirected little of the cross-border trade, but instead has shifted more of it across the border into Somalia where state presence and regulations are minimal.

Finally, the Ethiopian government has initiated a program of tax free import licenses for selective large-scale wholesalers in the borderlands (called the *Franco Valuta* program, Desta et al. 2011; FAO 2012b). These licenses are not restricted by proximity to the border area or value as is the other import intervention mentioned earlier. The policy allows 27 large merchants in Somali Regional State to import foods and other necessities, which importantly serves a food security function as well as provides a token offering of good will to pastoralist communities that depend on these products. Like other state initiatives, the assumption is that if the state can relax import restrictions, traders would be willing to export their animals through formal channels. Because of the scale of the import trade of large-scale wholesalers, this measure calls for traders to open letters of credit so they can obtain US dollars to finance their imports but at the government/official exchange rate. However, because the federal government has limited these duty-free import licenses to only 27 traders in the region, it has effectively created local monopolies, driving up food prices rather than reducing them for pastoralist consumers. These unanticipated market impacts have provoked ill feelings rather than good will among residents of the region and, not surprisingly, has had modest impacts on livestock trade (Desta et al. 2011).

Using the common analogy of a "carrot and stick," the above policy techniques can be considered the carrots to encourage informal trade to transition to formal market channels. The Ethiopian government also has employed the stick approach, which are forceful interventions to force informal trade into officially-sanctioned markets. One is random but large-scale confiscation of livestock as a policing strategy along with fines and even prison time. In interviews with 76 livestock traders in southern Ethiopia controls on cross-border livestock sales have relaxed in southern Ethiopia with few reporting incidents, but they remain prevalent along the Ethiopia/Somalia border. One of the traders from the south of the country did indicate that local police confiscated his trade animals in 2012 near the border. They even placed him in jail at the border town of Moyale but he was released within a few days and recovered all of his animals. He did so by providing evidence that the animals were not going to Kenya for sale. This same trader indicated that now when traders have their animals confiscated by the Ethiopian Revenue and Customs Authority (ERCA), they usually recover them through the local administration or local courts. This pattern, once again, shows a disjuncture between official trade and customs policy at the national level and local realities and practices at the border. However, these positive outcomes are in strong contrast to the situation along the Somalia border where enforcement and confiscations remain prevalent and very costly (Devereux 2010).

A second strong-handed approach ("stick") toward formalizing the trade is mandating traders to use special computer-wired cash registers, called electronic sales registry machines (ESRM) (see Ali et al. 2015). The government is trying to require livestock traders to install ESRMs in their offices (or in a common town office) that directly transfers sales information to the federal revenue collection agency.[8] Many of the largest export traders already have been compelled to install these and most bitterly complain about them: "You must keep all receipts to deduct against gross sales, and then pay a 35% tax on income." One trader even complained about the audit procedures: "how do I get receipts from a *dalala* (broker) or transporter and trekker in the bush. They do not have receipts" (Little, field notes, March, 2013). The official mandate on ESRMs is now being implemented among smaller livestock traders in Ethiopia who operate on the margins of the formal economy: "I will be out of business next month if I am forced to buy and install a cash register. The government has been harassing me about installing one, but I am not a shop that sells sugar every day—and what happens if one of my children hits a wrong button on the machine. Do I go to jail?" (Little, field notes, March, 2013). Because many small-scale traders do not have offices, they often install their registers in the office of a large-scale trader whom they know. How this new technique of fiscal control will affect trade and the activities of traders remains to be seen, but it already is viewed by many as intrusive and could encourage those traders who now officially export livestock to seek alternative markets and/or livelihoods. For governments, however, ESRMs are viewed as a good alternative "for monitoring earnings information and improving their fiscal capacity" (Ali et al. 2015, 3).

Conclusions

This article has argued that the dynamic nature of livestock trade in the Horn of Africa, its increased integration with global markets, and the public revenues it generates muddles the distinction between formal and informal. Formal, licensed traders and export-oriented enterprises depend on informality to profitably operate in the region. It also has shown that not only do licensed firms and traders depend on unofficial (illegal) cross-border trade, but local bureaucracies need it to fund their services and payrolls. As we suggest, traders are less concerned about tax payments than they are about the uncertainties surrounding other state interventions, such as unexpected changes in fee structures and confiscations of animals. Cross-border trade continues to exist because both traders and governments are earning revenues from it and because the costs of policing it are too high and logistically troublesome to pursue.

As the article has demonstrated, cross-border livestock trade generates considerable tax revenues at local and regional levels and is the engine that drives large-scale imports of foods and other products into highly food-insecure areas of the Horn. For governments to eliminate the trade even if it could, would leave vulnerable populations of the borderlands without access to an important source of income and badly needed imported foods and other essential commodities. Because a few governments in the region are now including estimates of informal cross-border trade in their official statistics, the informal is no longer as illegible to national policy makers as it was in the past (see Desta et al. 2011). To borrow from Scott's (1998) theoretical treatise on the state, the trade is becoming more "legible," which we see as a first step in government efforts to control and tax the activity. Where it is able to do so, the state is trying to selectively incorporate certain segments of the informal sector into the official taxed economy, especially in Ethiopia through the use of ESRMs.

As we have shown, in the geo-political sphere informal cross-border trade faces special challenges because of concerns with international terrorism and criminality in the Horn of Africa, especially in the Somali borderlands. National security concerns trump regional trade protocols and other agreements, as well as provide a convenient reason to clamp down on border trade in relatively benign products like livestock and foods. The paper has shown how cross-border trade in livestock has been able to avoid many of the national and global security-related disruptions that have challenged other types of cross-border commerce in the Horn, but the continued threat adds to what is already a highly volatile and risky economic activity.

Finally, there are aspects of cross-border trade that we did not address but would benefit from additional research. These topics, include: (1) the impacts on food security in border areas of intermittent bans on cross-border trade of livestock, (2) the gendered dimensions of cross-border trade, (3) relationships between customs officials with goals of maximizing revenue collection and local administrators who benefit from informal trade and its revenues, and (4) the effects of increased regulations and tax collections on informal cross-border trade in livestock, especially the use of new technologies such as ESRM (see Ali et al. 2015, 24). By showing the widespread prevalence and importance of cross-border trade of livestock in the Horn of Africa, we hope that this article will motivate additional research on the above mentioned topics and other related issues.

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Endnotes

[1] Somaliland (northern Somalia) formed its own autonomous government in 1994 and declared its independence from Somalia. Its independence is not recognized by the African Union or the United Nations and the status of Somaliland versus the new government in Somalia remains a highly contested issue in the region. We do not wish to engage this debate in this article. However, when referring to northern Somalia, the article often refers to the region as Somaliland because that is how it is frequently addressed in publications and reports regardless of whether or not it is internationally recognized as an independent country.

[2] With the exception of the Ethiopia/Sudan border trade, all cross-border trade in livestock that is discussed in this paper is informal. Thus, when the phrase cross-border livestock trade is presented, it assumes an informal activity. We also are well aware of the problems associated with the use of the term informal economy or sector (including its trade dimensions), which numerous scholars have addressed (Chen 2007; Hansen and Vaa 2004), but opt to use it for lack of a better term.

[3] Some NGOs and government organizations operating in the area collect prices on different types of animals, grain and fuel wood. However, the dissemination is limited to areas where mobile phone connection is available and their market coverage is limited. Moreover, even when it is available herders and livestock traders rarely use this information.

[4] Rift Valley Fever (RVF) is a particularly deadly mosquito-borne disease that causes deaths of livestock and humans who consume undercooked livestock products from infected animals. There have been two serious outbreaks (1998 and 2008) of the disease in the Kenya/Somalia borderlands during the past 17 years.

[5] This refers to the situation pre-2013 before the heavy Kenyan military presence along the border and apparent changes in some of the cross border trade.

[6] The *lasseiz-faire* nature of the economy and the absence of a central government in Somalia did not mean there were no governance structures or restrictions on commerce in place. Northern Somalia (Somaliland), in particular, has a functioning government and administration with a constitution, parliament, and elected President.

[7] This section draws on materials from Little (2014, 184–185).

[8] There also is a concern among *dalala* (brokers) that the government is trying to eliminate their positions in the market system by introducing livestock auctions in rural areas and requiring weigh scales for animals to be used at markets. Both of these interventions would threaten the jobs of *dalala*.

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