

Chapter 2

Analysis of the Economic System of Somalia

*Italian colonialism could not see beyond bananas, practically it didn't develop anything beyond bananas. It was a kind of colonialism that did not even look after its own interests: In other words it was short-sighted. Then came independence and things did not change very much, because the old leaders were simply the puppets controlled by old colonial interests.*¹ These eloquent words by the historian Del Boca invite us to investigate the real economic situation of those years and examine the conditions of the agricultural, industrial and service sectors which had survived the difficult events the country experienced during the scramble for Africa at the end of the Second World War and the necessary creation of a new international order. This will be done with the help of unpublished sources from the historical archives of the *Banca d'Italia*, which give tangible evidence of its work, even after the end of the Trusteeship.

2.1 The Economic-Agrarian Activities of the Population and Their Evolution

About four-fifths of the population of Somalia was engaged in agriculture and subsistence pastoral farming. The country was divided into four regions: northern Somalia or Migiurtinia with an arid climate and little vegetation, central Somalia or Mudug, equally arid and with a nomadic population, central-southern Somalia, which had the most developed agricultural and animal husbandry sectors and southern Somalia or Lower Juba with thick vegetation and very rich fauna. One of the greatest problems was the shortage of water. Water reserves were limited to the area between the Jubba and Shabelle Rivers and outside of this area there were only wells.

¹ Speech by Siad Barre quoted in Del Boca 1992.

Table 2.1 Agricultural production of Somalia from 1954 to 1957 (Area in thousands of hectares; production in thousands of quintals)

| Products | 1954 | | 1955 | | 1956 | | 1957 | |
|-----------------|---------------------|----------|---------------------|-----------|---------------------|----------|---------------------|----------|
| | Area of cultivation | | Area of cultivation | | Area of cultivation | | Area of cultivation | |
| Dhurra | 300.0 | 1.000.0 | 473.0 | 560.0 | 313.4 | 504.6 | 562.4 | 1179.0 |
| Maize | 25.0 | 200.0 | 79.0 | 540.0 | 71.6 | 500.6 | 76.6 | 486.1 |
| Beans | 3.5 | 6.5 | 3.5 | 6.5 | 2.5 | 5.2 | 5.0 | 9.8 |
| Peanuts | 0.5 | 5.0 | 0.9 | 8.8 | 1.3 | 12.8 | 2.4 | 28.4 |
| Bananas | 6.7 | 550.0 | 8.0 | 734.0 | (a) 8.8 | 650.0 | 8.6 | 600.0 |
| Sesame | 8.0 | 17.0 | 12.2 | 48.0 | 11.5 | 29.8 | 28.8 | 74.4 |
| Sugar cane | 3.5 | (b) 83.6 | 3.2 | (b) 104.0 | 2.5 | (b) 88.9 | 1.1 | (b)100.0 |
| Cotton (fibre) | 7.0 | 2.5 | 10.5 | 8.7 | 6.1 | 4.4 | 5.8 | 5.9 |
| Chewing tobacco | — | — | 0.3 | 3.3 | 0.2 | 1.1 | 0.2 | 0.8 |

Source: ASBI, Banca d'Italia, Studi, pratt., n. 1,009, fasc. 1, p. 5

Note: (a) Area on July 1, (b) Sugar produced

The country has a very poor physical geographical structure and its few resources required a lot of money and effort to exploit them. Agriculture was seriously hindered by the lack of rainfall, especially in the dry area which has at the most 600–700 mm per year. Somalia, therefore, has to be considered an arid region in the north and semi-arid in the south. The climate of seasonal rains, almost continuous winds and, even worse, irregularity of rainfall over the years, made it very difficult for the population to work effectively. In the interfluvial area, where rainfall is sufficient for the cultivation of the crops essential to feed the population, there was another obstacle created by a shortage of agricultural workers. Animal husbandry, limited by the scarcity of drinking water, was considered the main area for long term development, but it had little prospect of providing immediate and consistent income.²

The main crops were dhurra, maize and bananas, the first two consumed only by the local population who used it for their own food, whilst the third was mostly for exportation (Table 2.1).

39% of Somali territory could not be used for either animal farming or agriculture, 43.5% was used for animal farming and 17.5% for agriculture, totalling 8 million hectares. Of these only 800,000 ha were cultivated, 146,000 in irrigated or flooded areas and 654,000 in arid areas.

The situation in Somalia was made even more problematic by the fact that most of the population, which belongs to the Cushitic group, was involved in nomadic pastoralism, whilst only a few tens of thousands could be considered settled farmers.

The reasons for this can be explained basically by two factors:

- Their Camitic origins, with strong cultural nomadic-pastoralist bases
- The climatic and environmental conditions that favour a nomadic-pastoralist economy rather than a settled agricultural economy.

² ASBI, Banca d'Italia, Studi, pratt., n. 1009, fasc.1.

The most modern forms of agriculture were concentrated in the southern area where there are greater water resources: banana and sugar cane plantations. In the other regions of the country the lack of water made agricultural resources very scarce, limiting activity to oases where date palms were cultivated. There were, therefore, two basic agricultural sectors: one of a modern type oriented towards exportation, whose main crops were sugar cane, bananas, cotton, peanuts, cassava and grapefruit; the other was traditional for the subsistence of the population which produced mainly maize, millet and sesame.³ The backwardness of the agricultural sector was evident; in particular the traditional crops, in spite of the area of land occupied, were not capable of satisfying even internal demand. Animal farming was also strongly conditioned by the availability of water.

Cattle were, in fact, concentrated in Benadir and in Middle Juba and Lower Juba where animal husbandry was non-nomadic. In the arid northern regions pastoralist nomads kept goats and sheep. Animal husbandry was by far the largest asset of the territory, but had few prospects of an immediate and consistent income. Industrial activity mostly concerned the transformation of agricultural, livestock and fishing products and was concentrated almost entirely in the southern part of the country near Mogadishu. However, industry remained small and in the hands of Europeans.

Ever since the period of colonialism the Somali economy has had very particular characteristics. Its organization perpetuated a misfit between goods of first necessity for internal consumption and export-oriented products. It relied on foreign aid and subsidies that were the only resources for investment and development, which reinforced the economic status quo. Public resources allocated for the expansion and improvement of agriculture were clearly inadequate. Furthermore, as the organization of the state machine was controlled in an irregular manner by elite factions, the distribution of foreign aid fell under their control. Thus, the concentration of power in the hands of a few led to embezzlement, the wrong use of resources and political instability.

The improvement of the agricultural sector had been one of the prime objectives of Italian policy from the very first years of colonization in Somalia. The method most frequently adopted was to give appropriate incentives of various kinds that could convince the native population to improve and extend their work in rural areas. This kind of invention, which presupposed the enthusiastic collaboration of natives, was called the indirect method. In other situations, in the presence of seriously depressed populations who were underfed and without any will to react against their condition, direct methods were judged essential, though transitory, as they were based on the principle of compulsory cultivation in the exclusive interest of the farmers. Italian programs used exclusively indirect methods.⁴

³ Steiner 1994.

⁴ Mugini 1969a, p. 53.

The rural population lived in two completely different worlds, the pastoral and the agricultural. The main differences lay in the fact that herdsmen, the expression of poor semi-desert regions which at times were almost beyond any possible economic use, led an extremely simple, hard life. It was at times dangerous and marked by the bloody defence of herds and watering places, whilst they lived almost exclusively on milk and other products from their animals. They were proud of the freedom and independence they enjoyed and felt an instinctive diffidence towards any changes in their traditional habits. Pastoralist tribes did not like working the land which they viewed with a certain disdain and as belonging to inferior races.⁵

The farming populations, however, were permanently settled on the land and had a completely different mentality and living habits. They had a habitation, worked the land, produced various crops, kept small farm animals, fed well and could even build up reserves of food in good years. It was a quiet sort of life, less subject to uncertainty, more open to the changes of progress and therefore able to respond to beneficial external stimuli.⁶ One of the biggest obstacles facing the farmers trying to cultivate the land as best they could was the use of primitive tools which involved an enormous waste of energy. Furthermore, the dated farming methods, the spread of bacterial diseases and the persistence of insects that scourged the crops, often ended by annulling the efforts of the farmers. It was exactly in this direction that the first steps were made by Italian aid, but they did not always succeed in obtaining a consistently positive response on the part of the local people.

In the early years of Italian colonization Somali agriculture was thought to have great potential, as the words of the agriculturalist, Dr. Macaluso,⁷ testify in a declaration of 1908: “There are very many tropical crops that can be usefully and safely introduced into all the areas of our promising colony... I can say that the productive potential of our colony is extraordinary”.⁸

With the benefit of hindsight, this statement has proved to be overoptimistic. When Italy tried to start a development policy for the social and economic progress of the country and made explorations of various places, it was immediately evident that in some cases these were more illusions than real possibilities. The rich, very fertile plain of Governor Carletti, for example, was really a never-ending, poor xerophyte wood, whilst the Shabelle River, described as the Nile of Somalia, swells like a torrential seasonal stream, but also has long dry periods. It was clear that the only element that could dominate the economy of the country was water and that everything, or almost, depended on the possibility of being able to use it.

⁵ Ministero degli Affari Esteri-Comitato per la documentazione dell’opera dell’Italia in Africa (ed.) 1955.

⁶ *Ibidem*, pp. 54–55.

⁷ Dr. Macaluso was the Director of Agriculture and ended his mandate in 1910, when he was replaced by Dr. Romolo Onor with the title “Technical consultant for agriculture”.

⁸ Maugini 1969b.

The aims of the Italian strategy in practice focused on the attempt to free rural people from want, instil in them trust, hope and the certainty that tomorrow will be better. There were many schemes for land reclamation and the introduction of new crops into the area, as well as the improvement and spread of the distribution of existing ones. The government created political-administrative and technical organs with the function of checking and following every agricultural scheme and added opportune experimental activities aimed at providing the technical and scientific help necessary for those operating in the sector.

There were, however, many problems connected with these economic activities. In the first place, even when capital goods and the necessary technical skills were available in adequate quantities, the very low population density often made their adoption inefficient. On the other hand, the real problem of the Somali economy was that rationalization in both sectors (pastoral and farming) appeared to be dependent on the introduction of “new” capital goods, which were complementary to the other factors of production that were already available in abundant quantities.⁹

Admittedly, even in the modern sector the fundamental bottlenecking of the development process was not so much the shortage of a particular factor of production, but the absence of a real entrepreneurial base. More generally it can be said that the fundamental disequilibrium of the dualistic system consisted in the disproportionate quantities of resources employed to produce forms of subsistence in the traditional sector and the very small quantity of “surplus” left over for the modern sector. This was due basically to the fact that the formation of a surplus was an occasional and sporadic event that did not determine lasting effects on the production methods for subsistence.

The weak point of Somalia, therefore, was clearly its economic situation which, from the very beginning of the Italian mandate, was still in an embryonic state. As has already been underlined, about 70% of the population was engaged in activities strictly aimed at subsistence and contributed little or nothing to the general economy and to the public income of the country, whilst the remaining 30% enjoyed a still very modest standard of living. There were, in fact, very few active ‘items’ worth noting in the economic life of Somalia: cotton, bananas, leather, ivory, mother pearl, incense and fishing, some of which became the focus of attention for Italian efforts to maximize efficiency.¹⁰

Most of the economy was therefore directly or indirectly connected with the activity of Italians, or at least to existing organized capitalist firms, which were also very few in number and mostly faced with very unfavourable environmental conditions.¹¹

About 12% of local revenue came from direct taxes, to which Italians contributed 95%. About 65% was made up of indirect taxes that hit more than

⁹ Conforti 1939.

¹⁰ ASBI, Banca d'Italia, Studi, pratt., n. 979, fasc. 5.

¹¹ Querini 1969.

half the local population of consumers. Another element to point out is that the wages paid on the plantations contributed very little to the broadening of the domestic market, because they were either spent on the purchase of imported consumer goods or transferred abroad. The social organization of nomadic herdsmen worked clearly in function of the very ecology of the territory and the needs of seasonal transhumance. In the southern areas, where the environment changes and is more conducive to farming along the banks of the two rivers, the Jubba and Shabelle, there were two types of communities with strong hierarchies. Here colonialism used the differences between clans for its own needs of dominion, in the logic of divide and rule, thus pitting various segments of traditional society against the others. This made it particularly difficult to persuade a society, whose sense of belonging and community depended traditionally on blood ties and the institution of clans, to accept a new concept of national belonging that good find its reason for being in the territory. The affiliation to clans actually ruined the logic of belonging to a nation and consequently the management of state institutions. The result of this complex compendium between modernity and tradition can be found in the expression used by J.L. Amselle¹² of “hybridization”, in which the fundamental characteristic was the persistence of traditional, clan practices, but for modern and political objectives.

2.1.1 The Agricultural Sector During the Trusteeship

The sources of the Archivio Storico della Banca d'Italia show clearly how much progress was made in the agricultural sector during the 10 year period of the Trusteeship, though this judgement is based purely on a statistical analysis without considering the ulterior motives of Italian intervention.

Exports showed a notable increase, especially bananas. In 1949 7,542,580 kg of fresh bananas were exported, in 1950 the figure increased to 16,999,063, and in only the first 6 months of 1951 they amounted to 11,000,000 kg, even though heavy rains had caused numerous problems with the harvest and transport from the plantations, especially to Kismayo.¹³

The development and growth of agriculture was helped by the joint participation of inhabitants in the country and in towns. The Chamber of Commerce believed that this collaboration would bring great advantages to Somalia. In fact, it was the Chamber that succeeded in obtaining the entry of custom-free agricultural machinery (after permission from the AFIS) which helped the big agricultural areas and the individual European and native farmers to mechanize as much as possible work in the concessions and neighbouring fields.

¹² Morone 2006b, pp. 9–11.

¹³ ASBI, Banca d'Italia, Studi, pratt., n. 1004, fasc. 4.

In its attempt to promote agricultural development in the best possible way during the Trusteeship, Italy realized that immediately after the independence of the country it could not continue to be the only power to be responsible for the economic situation, as it did not have the necessary capital. Furthermore, it intended to avoid creating situations of artificial economic activity which in general are created where investment plans are decided by state bodies and do not derive from the real needs and economic possibilities of the country.

The Italian state therefore set itself the task of creating healthy economic development based on private enterprise, providing ad hoc norms and directing the activity of private entrepreneurs towards those sectors that showed potential for development and profitability for investors.

Even though there were and still are many who consider Italian intervention in Somalia a failure, others believed that, had the country been well administered, it could have become an interesting consumption market for Italian industrial production, an export market of useful products for the Italian economy and, above all, an important base for the Italian economic penetration of rich African territories neighbouring with Somali and in the Middle East. Somalia as a market in itself certainly could not have become an important outlet for Italian production, nor could it have been considered capable of receiving large numbers of Italian excess workforce. The geographical position of Somalia, however, did offer an advantageous opportunity; from there an important trade network could irradiate out by land towards East and South-east Africa and, by sea, to countries lying on the Indian Ocean.

A project of this kind needed, firstly, an intelligent political-economic strategy to develop the necessary infrastructures and secondly, a nucleus of activities that could be developed into an organic plan. Furthermore, big tax concessions on both direct taxes and indirect taxes were needed to create the conditions necessary to encourage the desired organizational development of private enterprise, especially for Italian firms in Somalia. Completely new juridical norms also had to be created, for both new and already existing Italian firms in Somalia, as they were working in a country that was no longer a colony, nor a foreign country, but a territory under Trusteeship.

The special relationship between Somalia and Italy and the position of Somalia at an international level made the granting of special concessions for the transfer of capital and of currency necessary. Trade terms, especially for Italian-Somali exchanges, also had to be simplified, but in accordance with regulations established by the UN organs. Article 1 of the *Bollettino Ufficiale* of the AFIS no. 9 of 01-12-1950 established the exemption from duties of all machinery and tools imported by anyone, regardless of nationality, from Italy or any other country in the world, for new industrial or agricultural firms or for the extension and improvement of existing companies.¹⁴

¹⁴ ASBI, Banca d'Italia, Studi, pratt., n. 979, fasc. 5.

Article 10 stressed the point that, unlike previous provisions taken for ex Italian East Africa, these exemptions also included machinery and equipment purchased from local representatives of the producers and local importers.

This measure was considered by all as the element that could trigger off the long awaited reconstruction and development to be achieved through total mechanization. It was seen as a possible solution to the very backward state of the Somali agricultural sector, allowing multi-crop farming, but also as the premise for the birth and growth of solid industry that would enhance the value of the natural resources of the country. The needs of domestic consumption would be satisfied and a noticeable margin left for exportation.

In 1952 strong contrasts emerged over the trading of import–export licences, which became even harsher with an article published in *Meridiano Somalo*.¹⁵ The journalist wanted to show that the U.V.C.E., responsible for the distribution of approvals for the importation of first necessity goods, did not grant them to traders with a regular licence who regularly paid income tax, licence fees and the many other small sums that appeared under different names and that generically could be called taxes, but to politicians who never paid taxes at any time because they did not have licences and therefore were not subject to the checks that the real trader was subject to.

Consequently, the commerce of licences ranked first among illegal traffic in Somalia. A trader who wanted to obtain a licence for any good, whose importation had been banned for months, found a solution by turning to those who held the monopoly of licences and by paying an appropriate sum of 5%, 8% and sometimes even 12% ad valorem (in other words, a bribe or kickback).¹⁶

2.1.2 *The IBRD Report: “Is Somalia Ready to Become an Independent State?”*

Missions from the United Nations were sent to check that the work of the Italian Trusteeship was being done efficiently and to ascertain the real potential of the country in view of independence. One of these missions visited the country between March 9 and April 16, 1956 with the purpose of assessing the real economic conditions of the country. The mission published its conclusions in a Report presented to the Protection Council (Consiglio di Tutela) and the Italian government. It affirmed that:

- Somalia had few resources available and none of them could produce rapid development;

¹⁵ ASBI, Banca d'Italia, Studi, pratt., n. 1005, fasc. 3.

¹⁶ Ibidem, p. 29.

- The animal husbandry sector could provide some real possibilities for development, but only in the long term;
- Agriculture offered few possibilities and its exploitation required great skill;
- The aid provided by Italy, directly under the form of annual financial contributions and indirectly by the purchase of the production of bananas at favourable prices, contributed to the development of education, health and public well being and gave the country more roads and other public services than it would have been able to do on its own;
- Somalia alone did not have the necessary capacity to develop national income in order to reach autonomy before the agreed time;
- The programs implemented by the AFIS were considered sufficiently satisfactory and adequate for the real needs of the country.¹⁷

Another mission, the third since the beginning of the Trusteeship, arrived on July 18, 1957 and left Somalia on August 6 of the same year, at the express request of the Italian government. In its report the mission insisted on the fact that some basic economic and financial decisions had to be taken before the end of the mandate and, in particular, aid would have to continue after the end of the Trusteeship for about 20 years.

The Mission believed that it was of utmost importance to decide as soon as possible about the amount and form of possible future aid, given the economic condition of the country, and especially about the aid to be assigned to increase the size of herds that represented one of the most urgent problems.

Another critical point was the banana industry that had to cope with unfavourable natural conditions and high transport costs. The *Banca d'Italia* pointed out, however, that its survival was due simply to its protection in the Italian market, which paid about 50% more for Somali bananas than bananas from West Africa or the Canaries. It argued that once the Italian monopoly ended, the exportation of bananas would no longer be profitable and it was impossible to foresee what other crop could substitute them. In fact, if on the one hand the “concessions” were the most dynamic part of the Somali economy, on the other it could hardly be in the interest of Somalia to continue indefinitely with a crop that was clearly uneconomic. Special attention was given to expenditure on education, health and public services, which attracted the largest share of public investment during the early years of the Trusteeship. The increase in social assistance and higher wages made expenditure rise much more than receipts.

Considering all these factors, what emerges from the words of Mr. Williams, a member of the Bank’s Commission to Somalia, is that it was a very poor country with few opportunities for development: schools, hospitals, roads and other public services existed only thanks to Italian intervention. Given these premises there was very little chance of an increase in income before 1960 that could replace financial aid with internal resources.

¹⁷ ASBI, Banca d'Italia, Studi, pratt., n.1009, fasc.1.

The report also stressed that these problems needed immediate attention, without waiting for the date of independence, and that possible solutions could be:

- Collaboration between the Italian and Somali governments in the search for a practical solution;
- The continuation of Italian aid after 1960;
- Assistance from the Bank and the UN's Department of technical assistance (immediately dismissed because the UN did not have the authority to assist national governments directly);
- Assistance from the United States which could provide the economic and financial aid essential to prop up Somalia after 1960 as part of its efforts in the fight against communism in the world and in favour of the spread of democracy.

The report expressed the hope that Italian banks would remain in Somalia after 1960, because they played an essential role in the country's foreign trade. It also foresaw the possibility of creating a new credit institute with a financial structure that could grant small amounts of credit to Somali small farmers and tradesmen, as well as to cooperatives and other organizations. In fact, the *Credito Somalo* opened in May 1954 and organised a vast network of small branches and agencies offering credit services throughout most of the country. It also ran a special ploughing service for Somali farmers and cooperatives which was paid for partly in cash and partly through loans.

As early as 1961 external financing of about 1.3 billion lire was granted to balance the budget, in addition to about 600 million to pay for the services of non-Somali technical staff which the country would certainly still need and 870 million for financing other economic works. This need for financing could have decreased if the Somali government had successfully been helped to economize in the expenditure on personnel and to involve a larger part of the population, which was excluded before 1960, in the development.

The IBRD report was followed by some comments in the *Corriere della Somalia*, some of which shared the pessimism expressed by the mission, whilst others showed excessive defeatism. Many thought it was a mistake to believe that a country and a population could reach full and absolute political independence only after having reached economic self-sufficiency; very few of the peoples who had won national independence in various parts of the world had reached that target with a "self-sufficient" economy and many had had to face the enormous problems of a deficit economy immediately after independence.

The Somali government was, on the other hand, sure that aid from Italy would reassure the Somali people of economic and social development. In concrete terms, this aid consisted in the presence of 250 experts to sustain and facilitate the functioning of the most important and vital branches of the new state, in the provision of scholarships for Somali students to study in Italy and a liquid financial contribution which the Somali government could use freely as it wished. It was also decided to allocate a sum of 5 million dollars which the country needed; the Italian representative at the Protection Council of the UN, Girolamo Vitelli, said that two fifths could be covered by Italy and the remaining figure by the American and

British governments. With this additional aid Italy hoped that Somalia could satisfy its economic and financial needs as had been planned by its government, thus giving its people the orderly and peaceful economic and social development that is an essential factor for the independence of free peoples.¹⁸

2.1.3 Economic Development Between 1960 and 1969

After independence one of the main problems for the country continued to be the scarcity of food which had persisted for many years; according to Querini (op. cit.) the reason lay not so much with the 1963 floods or the 1965 drought, but rather with the growing rural exodus.¹⁹ “The accumulative effects of the exodus on traditional agricultural structures, especially the increasingly extensive and marauding exploitation of natural resources, exacerbated, at least in relative terms, the backwardness of the traditional producers, on whom the provision of food for most of the population ultimately depended.”

Somalia enjoyed comparative advantages in the production of many agricultural goods; however, foreign capital was concentrated in only one activity, banana plantations, which did not require a very large workforce, but needed an expensive network of storage and transport infrastructures, because the product was extremely perishable.

In general, it can be said that the problem of the structural interdependence between agriculture and industry in a country like Somalia consisted basically in increasing the local value added in the commercialization and transformation of the traditional sector's products. There was the risk, on the one hand, of these products being hastily consumed in the domestic market with a large amount of waste, as happens for highly perishable goods such as meat and fish, and, on the other, of their being exported in a natural state, leaving foreign industries all the benefits of subsequent processing.

At the time of independence the Somali economy was still firmly anchored to a level of subsistence and the new state did not have a public administration capable of levying taxes on the productive activities of farmers and nomadic herdsmen. In the 1960s, in fact, most of its revenue came from exports and international trade, but these resources were insufficient to satisfy the needs of government and its development objectives. In the first 3 years of independence Somalia covered 30% of its budget with financing from Britain and Italy and loans and funding from Western and Arab countries. This revenue made it possible to start a 5-year plan of national development from 1963, which provided for investments in infrastructures for a total value of about 100 million dollars.

¹⁸ ASBI, Banca d'Italia, Studi, pratt., n. 987, fasc. 6.

¹⁹ Querini 1969, p. 210.

The main objective was to favour the cultivation of bananas and the exportation of livestock, after the necessary infrastructures, better roads, ports and irrigation systems, had been built. As most of the Somali population was nomadic and animal husbandry put pressure on the land that was already very arid, it was decided to target investments on the creation of agricultural models that could attract nomads towards settled activities and train them in the use of modern farming techniques. These projects were made in Baidoa, Afgooye and, in the north, the second city of the country Hargeisa, where agriculture was non-existent.

These efforts in agriculture were matched by those in pastoral farming. Between 1965 and 1966 the Livestock Development Agency was created which provided veterinary services, water and food for animals and means of transport. The exportation of animals was the leading productive sector of Somalia and this policy was welcomed by nomads because it not only guaranteed the health of the animals, but also made their activity more efficient by offering an outlet on the international livestock market.

Until just a few years before exports were blocked because of a lack of health certification, Somalia was the leading livestock exporter to countries in the Gulf. In the post-independence period, therefore, trade in Somalia developed in two key economic sectors, livestock and bananas, making the country the leading exporter of bananas in the world for a few years.

In spite of these early successes Somalia did not manage to free itself of external aid; although there had been a surplus in the current accounts, Mogadishu was still dependent on external aid and finance. Agricultural practices were still tied to the traditional farming methods that had undergone very little modernisation and the backwardness of the subsistence level agriculture could not satisfy the needs of the growing urban population.

2.1.4 Scientific Socialism Between 1970 and 1975

Mohamed Siad Barre legitimized his coup d'état in 1969. On October 20, 1970, the first anniversary of the coup in Somalia, Barre announced his adherence to soviet socialism in the rhetoric typical of that period.

1970 was a very intense year for the political and economic life of Somalia, which saw the publication of the First Charter of the Revolution whose general declarations of intention contained a very precise meaning. The Supreme Revolutionary Council in the First Charter of the Revolution promised to: (1) build a society based on work and the principle of social justice, bearing in mind the environment and conditions of the Somali people; (2) prepare and guide economic, social and cultural development in order to achieve rapid progress; (3) eliminate illiteracy and develop the cultural heritage of the Somali people; (4) create the basic conditions to prepare for the written form of the Somali language; (5) eliminate corruption, anarchy, tribalism and every other phenomenon of social misbehaviour

in the State; (6) abolish political parties; (7) call a popular election with absolute impartiality at the first opportune moment”.²⁰

On the advice of the Soviets the Somali president announced a 3-year plan for national social development that was to run between 1971 and 1973. The objective was to improve the living conditions of the population, guarantee everyone a job, eliminate capitalism from Somalia, modernize agriculture and create new industries.

Siad Barre soon put the economic system under state control; he nationalised the banks, insurance companies and all industries and at the same time created national agencies to replace private companies. After the introduction of nationalization laws, the whole credit sector and the most important industrial firms passed into the hands of the state, with the sole exception of the Balad cotton company which remained with mixed Somali-German capital. Two state bodies were created to work in the commercial sector: the National Agency of Foreign Trade (NAFT) which dealt in export-imports and became monopolist for the importation of products such as flour, cement, edible oil, rice, textiles, raw cotton and the National Banana Board (NBB) which exported bananas. The NBB was set up in 1970 and from that time onwards always paid producers a fixed price of 54 Somali shillings per quintal exported, a price that is certainly higher than producers obtained before the body was created. Furthermore, the NBB granted credit to producers for the purchase of insecticides, tractors and boxes for packaging, which at the end of 1973 amounted to 18,000,000 Somali shillings.

The transformation of agriculture was generally undertaken independently of changes in ownership or expropriation. The “Crash” Programme for collective farming was started in land that was already cultivated, especially Italian concessions which had been abandoned. The “Crash” Programmes basically were intended to fulfil the national objectives of land reform by reclaiming uncultivated land, increasing the production of food produce, eliminating urban unemployment and rural under-employment, directing young people towards agriculture, introducing modern techniques in agriculture and encouraging a spirit of collaboration within the general framework of real development. As the Crash Programme gradually developed, it was the nomads who were willing to move to agriculture and actually formed the main nucleus. On February 16, 1970 the first recruitment involved 2,500 young people, of whom 1,060 were employed in agricultural companies in Genale, Afgooye, Jowhar, Beledweyne and Tog Wajaale, 500 in road building and 1,000 in reforestation, digging wells, etc. Food, clothing and accommodation were provided free by companies; in addition a daily recompense of 2.10 shillings was given for personal expenses and, if food was not provided, 2 extra shillings were paid.

The so-called nationalization of the land had ideally the objective of fighting ancient tribal values, since private property continued to be recognized in spite of

²⁰ From “Nuova era”, *La Prima Carta della Rivoluzione*, febbraio 1970.

the negative consequences of the excessive subdividing of the land itself. Barre was, in fact, very good at involving the population and stoking Somali nationalism to obtain popular support for the construction of the Nation. In these years of a centralized economy some fundamental measures were undertaken, such as the transcription of the Somali language, the extension of free education to every Somali and a health service. The only sector that was not included in the Somali-socialist neologism “hantiwadaag”, a word meaning common property, was the ownership of the nomadic populations’ animals. Livestock is a good that is strictly personal for each nomad who, by tradition, was not responsible to anyone and did not recognize any sovereignty above himself. Siad Barre, aware of this very widespread attitude, did not dare to declare that the livestock were also “hantiwadaag”.

In addition to nationalization the Somali president introduced changes to the laws on investment to favour the entry of foreign capital. Industry in Somalia was fairly modest and nationalization was more for appearance sake than a real change in the economic system of the country. Barre proved himself to be very able in making the resources present in the country efficient because he succeeded in involving all members of the community in his plans.

In 1973 the government passed a law on national agricultural cooperatives²¹; in that year agriculture absorbed 10% of all available resources, but a year later this percentage had already risen to 29%. There were three types of cooperatives: multipurpose cooperatives, group farm cooperatives and production cooperatives. The first were conceived as organizations to protect a number of lower level organizations. Their initial objective was to start an education programme to convince individual herdsmen and farmers of the value of agricultural cooperatives. Once the social environment was prepared, the next step for the cooperatives was to work gradually towards the collectivization of the means of production. In the first phase farmers would continue to own their land and livestock, but would have to share their work tools, such as agricultural machinery and sprayers. The common use of the factors of production was intended to prepare work on the land for the more advanced and final development phase of the cooperatives, when production cooperatives were to be created. In this last phase the ownership of land and other resources of production became public property.

At Galooley, an area in the district of Gabiley in the north west of Somalia, the first cooperatives were formed in 1973 by members of the government who made agreements with farmers. On a purely formal basis, a conference was held to promote the superiority of the cooperative business organization as compared to individual efforts and the government’s intention to help the development of cooperatives on condition that farmers agreed to form their own cooperatives. State help consisted mostly in providing tractors and a sum of 30,000 Somali shillings. These funds were used to build one single big central cooperative,

²¹ Samatar Abdi 1989.

which was completed in 1974 with the help of farmers. Thanks to substantial state aid, the members of this cooperative were asked to move on to the highest stage of cooperatives, the *Tacabwadaag*.²² Ideally, its formation was based on the promise that the state would look after the administration of the free agricultural land for the benefit of the members who farmed it collectively and were paid wages for their labour. As there were not sufficiently large areas of land available in the Galooley area, farmers contributed by adding a small part of their own land to the *Tacabwadaag*, whilst the state participated by donating tractors and other tools. After the harvest and farmers had been paid, the surplus went into a common fund. Surpluses were possible because those who worked in the *Tacabwadaag* businesses had their own fields and therefore were totally or partially self-sufficient. If the harvest were inadequate for the needs of the members of the *Tacabwadaag*, then the common reserve was dipped into to help them.

There were two projects in this field which were particularly important: The Northwest Region Agricultural Development Project (NWAP) and the Agricultural Extension and Farm Management Training Project (AEFMET). The NWAP aimed at self-sufficiency in wheat. It built on the bunding work started by the British administration in the 1950s and U.S. Agency for International Development in the 1960s. Most of the funding for the project (72%) was provided by the World Bank which gave a loan of 10 million dollars. The objective of this project was aimed at the consolidation of the soil by building solid embankments to reduce erosion and to store water for agricultural purposes.

The other project, AEFMET, also financed by the World Bank, was set up in 1970 and continued until the end of Barre's regime. It was designed to overcome the lack of technical and administrative expertise at the Ministry for Agriculture. The main objective was to improve agricultural productivity, especially of small businesses, and to spread new and better farming methods. One of the target areas was situated in the region of the Middle Shabele to the north of Mogadishu, outside the regional capital of Jowbar and one of the most evolved agricultural regions of the country, where rice was introduced for the first time and developed.

The cooperatives for national development did not concern just the agricultural sector, but also included pastoral farming, where there was a need to guarantee the regeneration and administration of pastoral lands. The provisions and practices that were introduced were to prove very useful during the years of drought towards the end of the 1970s. In addition to administering the land, the government organised education programmes for the nomadic populations, especially for the young. Siad Barre sent children who had completed their schooling in towns to spend a year doing civil service with nomadic families to teach adults to read and write and to give a basic education to children. Attempts were also made to improve the provision of health and veterinary services.

²² *Tacabwadaag* is a Somali term which indicates a semi-productive cooperative.

The great drought between 1974 and 1975 hit pastoral farming badly. In the north of Somalia tens of thousands of animals died: more than 60% of sheep, 80% of cattle and 40% of camels, totalling more than 7 billion Somali shillings (almost 1,000 billion lire at the time) of economic damage.²³ The worst hit area was the vast dry plateau near the border with Ethiopia, where livestock had always been the only source of livelihood for nomadic populations. This terrible natural calamity had devastating effects on the population itself, which was forced to significantly change its lifestyle. But the main problem lay in the need to work on the mentality of the nomads, who considered farming as slave's work. The idea of proposing a new system of social organization presented many unforeseeable problems, since it was a situation steeped in centuries of perennial uniformity in the nomadic life and the direct and exclusive relationship between man, tribe and nature.

From 1978 onwards in the aftermath of the calamity and with the help of the USSR, Somalia relocated about 90,000 nomadic herdsmen who had lost all their livestock to cooperatives in agricultural villages and fishing ports along the coast. New cooperatives appeared at Djujuma on the banks of the River Jubba, at Kurtunwaarey near the Schebelle River and at Sablaale near Kismayo. However, the finance promised by the World Bank and cooperation from Kuwait in the production of rice, maize and beans were not sufficient to modify the nomadic way of life. Only women and children lived in the cooperatives, whilst the men, as soon as they had saved enough money, invested in livestock and returned to their old life.

The behaviour of the nomads is symptomatic of Somali liberalism and the ideological restriction that socialism imposed on the population. The successes of the first 5 years ended with the war of Ogaden, which broke out in 1977. In spite of the excellent results obtained, the involvement and participation of the state which had encouraged and rallied farmers began to fade. This failure marked the end of the era of cooperatives. Although they had been set up in the capital and regional centres, cooperatives disappeared and reappeared only when the state authorities decided to re-establish them temporarily to extract "development contributions" from the farming class. Military defeat and the impoverishment of the country caused by the waste of so many resources, both human and material, also disillusioned the population and the socialist experiment came to an end. The Russians had, in fact, decided to support Ethiopia against Somalia. In addition there was the corruption of the state apparatus, where managers used their positions for personal interests rather than for the community. All of this explains why nationalism ran out of steam and left the door open for a return to clanism.

At the end of the 1970s the Somali economy was suffering from the effects of both a war and a drought, but in that period the greatest damage was caused by the abnormal growth of foreign debt and the collapse of the industrial sector. Indebtedness to foreign countries grew during the 1970s at a higher rate than earnings from

²³ Arecchi 1983.

exports. In 1978 Somalia's debt stood at 4 billion shillings, equal to 25 years of banana exports, according to IMF estimates. The foreign debt of Somalia was made up of three parts. One-third was to be paid back to the USSR (approximately 110 million dollars), China (87.2 million), Bulgaria and East Germany; a second third to OECD countries and the last third the OPEC countries, namely: Saudi Arabia 81.9 million dollars, the Arab Fund for Economic and Social Development 34.7 million dollars, Kuwait 27.1 million dollars and others, such as Iraq, Qatar, Libya and Algeria. The loans from the USSR were all cancelled, whilst those from the OECD countries were only spread out in time. However, the Somali economy no longer attracted foreign investment as it had done previously because of the accumulation of debt and delays in repaying it.

The financial weakness of Somalia led to the country being taken under the control and administration of international financial institutions and it lost control and management of the macroeconomic level of the system. The years between 1975 and 1981 saw a decline in the industrial sector with its exports falling to 20% of total exports at the time of the war of Ogaden. The Somali economy had thus entered a phase of total stagnation.

2.2 The Availability of Labour

In traditional Somali society there is a social hierarchy with the nomadic herdsman at the top. Settled farmers are, instead, considered to be of a lower social class, "insofar as they are less warlike and ethnically contaminated by pre-Somali populations living along the banks of the Jubba and Shebelle Rivers".²⁴

From the very early years of Italian presence in the country development plans were based on the principle of improving and increasing native agriculture in the remote areas far from the centres of colonization and of directing as many workers as possible towards national firms in the areas closest to the reclaimed land. The first criterion to be adopted by the government was "rotation"; in practice this meant that some families in a *cabila* or a village, in agreement with their leaders,²⁵ were given shifts of work in concessions at Genale.²⁶ This system could not lead to excellent or even satisfactory results, because it involved a continuous, or almost continuous, rotation of workers, so that it was impossible to train the specialized or semi-specialized workers necessary for the development of more advanced agricultural areas as the reclaimed lands hoped to become or were becoming. Furthermore,

²⁴ Querini 1969, p. 150.

²⁵ Maugini 1969b, p. 140.

²⁶ Genale was the seat of the *Azienda Agricola Sperimentale* of the Italian colonial Government. It was the first nucleus in a vast area of agricultural concessions for the irrigated production of bananas, cotton and other cereals. Many agricultural firms were connected to the complex system of irrigation fed by the giant dam built across the River Shebelle.

it provoked inevitable unfairness and discontent in the cabile and villages, and resistance from individual workers and the leaders themselves. Given the few gratifying results obtained with the shift system, the Governor's Decree of May 10, 1929, no. 7375, amended later on January 20, 1930 no 7937, made it compulsory for a working family to live in the company and fixed the rights and duties of both the employer and the worker in various articles.

The results of this new decree were much better than earlier ones, but the labour supply still remained problematic, especially in Genale, where farm workers often abandoned the land and were not replaced by the cabile. In this way, given the reluctance of the Somali to work in agriculture, there was a growing abhorrence to work in the concessions and a consequent total or partial departure from the area around some villages.

It seemed increasingly obvious that it was going to be difficult, if not impossible, to satisfy the labour demand in the colonized areas by hiring workers only from neighbouring areas. The government therefore studied the possibility of transferring workers from distant farming cabile to these regions and to place these families in Italian companies. Italian entrepreneurs were very careful to offer these workers working conditions which were fair and free from exploitation and abuses. The most frequently used method of payment at that time, which mirrored Somali tradition, was to pay for labour on the basis of the work done, rather than a daily wage.

Nomads exploited natural resources almost exclusively on a family basis, whilst contact was made with other clans only at times of famine and war. Traditional farmers tended to group together in villages, both along river banks and close to easily accessible water resources.

Efforts to solve the problem of labour scarcity included studies on the possible mechanization of planting and harvesting, which involved the introduction of different types of machinery and their adaption to local environmental conditions and crops, which in many cases was very successful. The main objective was to help the natives succeed in producing what is absolutely essential for life, correcting the production rotation and adopting a strategy based on three main points:

- Public works to directly increase native agricultural activities;
- Technical assistance and information in the most important and interesting agricultural areas;
- Government-controlled forms of agricultural collaboration and partnerships between Italian entrepreneurs and native farmers.

Each of these measures obviously did not exclude the others and, indeed, they were almost always integrated in order to reach satisfactory results in the best possible way and in the least possible time.

The subdivision of Somalia into clans influenced the distribution of the workforce in the country. The very essence of the clan system, made up of vast and scattered units, meant it was impossible to act together on a plan for organization and the economy. As Somali production was fundamentally for subsistence,

Table 2.2 Employment by sector

| Somalia 1963 | | |
|---|------------------------|-----------------------|
| Sector | No. of people (in 000) | % of total population |
| Agriculture, Forests, Hunting and Fishing | 1.899 | 82.8 |
| Livestock (nomads and semi-nomads) | (1.379) | (60.0) |
| Agriculture | (500) | (21.7) |
| Fishing and Forests | (20) | 0.9 |
| Mines | 4 | 0.2 |
| Manufacturing | 32 | 1.3 |
| Construction | 40 | 1.7 |
| Electricity; Gas; Water | 4 | 0.2 |
| Trade | 80 | 3.4 |
| Transport and Communications | 64 | 2.8 |
| Public Sector | 120 | 5.2 |
| Various | 60 | 2.6 |
| Total | 2.303 | 100.0 |

Source: Nigam 1965, p. 11 (The data refers to only 19 districts in the southern region and ten urban centres in the northern regions)

families constituted the basic productive units. The coexistence of individuals belonging to different clans in the same country created further problems for nomads in their fight for survival, because it increased the pressure of the population and livestock on the limited resources available, especially water and pasture land, in the short term at least. This type of coexistence, therefore, gave rise to rivalry and conflict. The settlement of more or less permanent villages close to water points or urban centres could not in itself solve the problem for these groups, so long as they felt uncertain about their rights and the resources necessary for survival remained very scarce. Subsistence for most of the population was provided by animal husbandry, which involved transhumance in search of water and pasture land (Table 2.2).

Part of the campaign undertaken against tribalism included the decision taken in 1960 by the government to declare all the land that was not actually cultivated public property, so that each Somali citizen could farm. The power of the stronger clans was therefore restrained.

One of the sectors that gave the greatest training opportunities to the Somali workforce was the banana industry, which, in addition to being of real economic importance, also took on a social function, because it guaranteed jobs to a significant number of workers and their family nucleus. In fact, the number of Somali workers permanently employed in the sector were:

| | |
|--------------------------------------|---------------------|
| Agricultural sector | 8,000 units |
| Transport, packaging, repairs | 4,000 units |
| Total | 12,000 units |

Source: Mission BIRS 1955

There was a total of about 12,000 units with four dependents (spouse, two children, one dependent relative) which relied on the banana industry for work and their livelihood.

The figure of 12,000 corresponds to one per cent of the total population of Somalia. However, it must be considered that this industry recruited workers only in the cities of Mogadishu, Merca and Kismayo, therefore the ratio increases to 12% and the total number of people who, together with the worker himself, lived off the production of bananas was about 30–35% with a significant impact on the maintenance of political and social order in the three main urbanised areas of Mogadishu, Merca and Kismayo.

Another positive contribution of this industry came from the kind of training it provided workers and farmers, directing them towards forms of mechanized modern agriculture and going beyond the traditional ways of mere subsistence farming. Consequently, numerous Somali farmers began to work for European companies operating in the banana export business, thus establishing Italian-Somali collaboration that was to bring benefits to both the political and economic fields.

2.3 A New Law on Foreign Trade

After national independence on July 1, 1960 there were two different trade and currency systems in Somalia that needed to be incorporated and integrated into a new code of regulations which reflected the growing needs of the new state in the international community and the changes that had taken place in foreign trade.²⁷ The system that was in force in the northern region was regulated by the ordinances passed by the British administration on December 20, 1950 and December 10, 1952, which adopted in practice the principles of the currency policy that was in force in the sterling area and was quite liberal, with special conditions for purchases in Commonwealth countries. The system in force in the southern regions was characterized by a certain restrictiveness, granting Italy special treatment in the class of goods subject to licensing. The norms were based on those of the Italian trusteeship with the ordinance of June 8, 1950, which was later revised in the decree of December 8, 1956. With the birth of the new state and the introduction of liberalisation, a single customs tariff was prepared and preferential treatment abolished (decree of March 1961). In the meantime Somalia joined the Bretton Woods system (August 1962) and the association agreement of the European Community was signed in Yaoundé (July 20, 1963)²⁸ making it even more urgent to unify the system of foreign operations into a single set of norms that were appropriate for the development of the country and could satisfy the obligations it

²⁷ Graziosi 1967b, pp. 492–509.

²⁸ Aliboni (1969).

had undertaken internationally. For this purpose, a commission was created in 1963 to draft a bill which was to become the decree of September 26, 1964 and converted into law on October 29 in the same year. In accordance with what had been provided for in the “new system of foreign economic operations”, all transactions that involved movements of currency could be made in Somali shillings or in currency that could then be used for any transaction inside the country. Special permission was required for transfers abroad. In general, the new law established the basic criteria for procedures to do with trade and currency policy, though it did not specify any restrictions. The practical application of the law was to be clarified in regulations at a later date, so that it could become clear which operations should be restrictive and how the new system should be administered. In the wake of this, two new decrees were passed on March 24, 1965 and March 30, 1965.²⁹

The first listed which goods, services and capital were subject to licence and created an advisory commission and two committees for the issuing of licences. In the second decree the Ministry of Industry and Commerce, which was the main organ responsible for the functioning of the new system decided the laws that were to regulate the daily handling of operations, procedures concerning applications, and permissions for payments, etc. Essentially these provisions were intended to avoid the creation of reserves for speculative purposes and to facilitate the sale of goods from abroad in the domestic market with special credit concessions as well as favouring the supply of goods produced locally.

2.4 Terms of Trade in Somalia

After having presented a general view of the economic condition of the country and before moving on to analyse one of the most important productive sectors for Somalia, it will be useful to briefly analyse the position of Somali exports and imports in international trade.

Table 2.3 shows the destinations for all Somali exports and it clearly highlights the geographical concentration of the areas to which Somali products were directed. In contrast, Table 2.4 shows that most imports came from developed capitalist countries.

Two trends can be seen from the data examined so far. The first is a decrease in the percentage of Somali exports to capitalist countries (especially Italy); and the second is an increase in imports from developed capitalist countries, accompanied by a corresponding decrease in imports from underdeveloped countries.

Moving on now to consider Somali exports from a quantitative point of view, they show a certain, though very irregular, growth, whilst from the point of view of their value there is not such a well-defined trend. This can be explained by the

²⁹ Andreis 1967.

Table 2.3 Countries receiving somali exports in %

| Countries | 1960 | 1961 | 1962 | 1963 | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Italy | 56 | 56 | 51 | 49 | 36 | 22 | 41 | 38 | 31 | 27 | 28 |
| Saudi Arabia | 16 | 17 | 24 | 27 | 30 | 30 | 34 | 43 | 50 | 56 | 49 |
| South Yemen | 13 | 12 | 15 | 14 | 16 | 18 | 14 | 13 | 13 | 11 | 13 |
| U.A.R. | 1 | 2 | 3 | 5 | 10 | 5 | 2 | 1 | – | – | 1 |
| Iran | 5 | 4 | 3 | 2 | 2 | 1 | 1 | 2 | 2 | – | – |
| East African Community | 3 | 1 | 1 | – | – | 3 | 3 | – | – | – | 1 |
| U.S.A. | 1 | 1 | 1 | 1 | 1 | 2 | 3 | 1 | – | 2 | 1 |
| Others | 5 | 7 | 2 | 2 | 5 | 19 | 2 | 2 | 4 | 4 | 7 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Total in millions of So. Sh | 164.2 | 188.0 | 180.2 | 227.1 | 215.1 | 192.0 | 213.9 | 198.5 | 212.0 | 232.0 | 154.4 |

Source: Bertolani-Garibbo 1971–1972

Table 2.4 Imports from somalia according to area of origin in %

| | 1966 | 1967 | 1968 | 1969 | 1970 |
|--------------------------------|-------|-------|-------|-------|-------|
| Developed capitalist countries | 66.9 | 67.4 | 69.7 | 73.6 | 70.8 |
| Socialist countries | 5.7 | 12.4 | 9.6 | 6.1 | 9.4 |
| Third world | 27.4 | 20.2 | 20.7 | 20.3 | 19.8 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Banca Nazionale Somala, Bollettino n. 25–26, Mogadiscio, June 1971

growing difficulties faced by traditional agricultural products, especially bananas, in finding markets in developed countries (see below). The total value of livestock exports was increasing in this particular period, whilst their unit value remained stationary, though with an irregular trend. However, there was actually a slight decrease, if the inflation that had hit the shilling in the past is taken into account. A common characteristic of livestock and bananas (80% of total exports) is that their demand is very inelastic. When prices fall, demand grows only a little,³⁰ and in the case of bananas it does not increase at all, so that earnings from Somali imports did not increase and in some cases actually fell. In fact, Somalia was caught up in the consequences of a more general process that saw a change in the composition of exports from underdeveloped countries. Whilst the exportation of some agricultural products increased only slightly or, at times, remained stationary, exports of mineral and fuel products increased much more.

Another factor to point out is that Somalia's share of international trade decreased proportionately more than other underdeveloped countries' in general. The problem was always the same – Somali exports were based, and still are today, on only two products: livestock and bananas.³¹ Obviously this situation dates back to the colonial period and what all that meant for industry, agriculture and trade.

³⁰ Bettelheim 1968a, p. 414.

³¹ Jallè 1968, p.81.

The only effect international trade has had on countries like Somalia has been to “promote the production of primary goods, which became the bulk of exports. These articles, however, often had inelastic demand in the export market, often with demand trends that did not grow very quickly and excessive fluctuations in prices”.³²

As mentioned above, one of the main problems of the Somali economy was, and still is, that “the movement of the economy is mainly dominated by external factors. These external factors determine the structure and size of investments”.³³ Therefore, one of the key requirements for the development of this country was for it to free itself of external influence and rely on decisions taken inside the country for national needs rather than those of foreigners.

2.5 Banana Plantations: Profitable Agriculture or Not?

In 1928, just as a dam was being built on the River Shebelle at Genale and most of the vast irrigated area was allocated to the production of bananas,³⁴ the exportation of bananas was introduced into the south of the country. The main areas were Afgooye and Giamane. At the beginning private entrepreneurs freely exported the products and there was no control or regulation by the government. It was only after a decree was passed in 1931 forbidding the importation of bananas from abroad that the state was forced to become interested in it. As a result exports rose from 7,176 quintals in 1930–1956, 483 in 1932.

As the sector was expected to grow constantly, the Azienda Monopolio Banane (AMB) was created by Law no. 2085, December 2, 1935 to regulate and strengthen Italian interests, on the assumption that Italy would maintain sovereignty over Somalia and have a state fleet for the transport of bananas.³⁵ The AMB’s activity was suspended between 1940 and 1948. Many disputes arose over the waste of goods on arrival between producers and the AMB, which set prices that were fob (free-on-board) with cif (cost, insurance and freight) approval and weighing. The AMB intended to make the producers pay for the waste, whilst the producers claimed that the faults in the fruit found on arrival were generally the consequence of the bad functioning of the refrigerated holds and the damage was caused during transport for which the AMB was responsible. The fob price refers to the traditional clause in sea transport contracts that indicates in price lists that shipping costs and risks up to the time of the loading of the goods on the means of transport are charged to the seller. This clause is used in national and international foreign trade statistics

³² Myrdal 1966, p. 58.

³³ Bettelheim 1968b, p. 41.

³⁴ Castellani 1985.

³⁵ Brusasca 1949.

to indicate the value of the goods plus transport costs and insurance from the place of production or commercialization to the national border of the seller. The cif price refers to the traditional clause of contracts for sea transport in national and international foreign trade statistics to indicate the value of goods including transport costs and insurance from the foreign place of production or commercialization to the national border of the buyer.

The consumption of bananas in Italy reached 460,000 quintals in 1939, whereas in 1947 and in 1948, according to the Associazione Commercianti Importatori Banane (Association of Banana Traders and Importers) 200,000 quintals of bananas were imported each year into Italy, of which 10,000 from Somalia.³⁶ In 1949 7,542,580 kg of fresh bananas were exported, in 1950 16,999,063 and in the first quarter of 1951 alone they reached 11,000,000 kg, in spite of harvesting and transport difficulties, especially in Kismayo because of the rains.³⁷

After the Second World War bananas became the most important crop in the country. In 1950, banana plantations covered only 2,800 ha producing 28,000 t. In 1954, taking into consideration the fob price paid by the AMB, producers made a profit of 18 lire/kg. (the Monopoly paid 98 lire minus 80 lire for costs). It is important to stress that this profit was gross of loss of weight and waste insofar as the AMB bought fob with cif approval and weighing. This led to a reduction in fob which had previously been set at about 10%, so that profit was approximately 10 lire a kg, the equivalent of a profit of about 12% on the amount invested in production and fob delivery of a kilo of bananas. Substantial improvements in the production systems were made from 1954 onwards with new agricultural techniques that produced a greater yield per unit, greater mechanization and better organization within the firm.

In 1955 bananas were grown in 233 concessions, of which 191 were in the area of the River Shebelle (153 at Genale and 38 at Afgooye) and 42 in the area of the Jubba, where cotton had once been produced.³⁸

In 1963 banana plantations covered 11,000 ha, producing 110,000 t.³⁹ Table 2.5 shows that the exportation of bananas rose from 45.8% to 58.9% between 1958 and 1959 with an increase of 28.6%, a figure that grew considerably until 1963, taking the production of bananas to first place ahead of all other crops.

It is easy to understand from these data why Italian public opinion was outraged by the purchase of Somali bananas at the special price set by the Italian Azienda Monopolio Banane.

From 1950 to 1956 Somalia exported 2,321.6 thousand quintals of bananas to Italy,⁴⁰ all purchased by the A.M.B., which paid 22.9 billion lire at the agreed

³⁶ Brusasca 1949.

³⁷ ASBI, Banca d'Italia, Studi, pratt., n. 1004, fasc. 4

³⁸ Data taken from the *Economist*, cited in ASBI, Banca d'Italia, Studi, pratt., n. 1009, fasc. 1, p. 8.

³⁹ Samatar 1989, pp. 89–90.

⁴⁰ The data have been taken from the official reports of the Italian government at the Protection Council of the UN, cited in ASBI, Banca d'Italia, Studi, pratt., n. 1005, fasc. 4, p. 3.

Table 2.5 Production and exportation of bananas in somalia, 1950–1963

| Year | Production | | | | Exports | | |
|------|------------|---------|---------|--------|------------------------------|------------------------------|-------------------------|
| | Area (ha) | Tons | Tons/ha | Tons | % Of total banana production | Value (thousands of So. Sh.) | % Of all banana exports |
| 1950 | 2.800 | 28.000 | 10.0 | 22.065 | 78.8 | – | – |
| 1951 | 3.600 | 34.000 | 9.4 | 25.200 | 74.4 | – | – |
| 1952 | 3.800 | 40.000 | 10.5 | 32.030 | 80.1 | – | – |
| 1953 | 6.200 | 60.000 | 9.7 | 30.178 | 50.3 | – | – |
| 1954 | 6.700 | 55.000 | 8.2 | 43.389 | 78.9 | – | – |
| 1955 | 8.000 | 73.400 | 9.2 | 48.278 | 65.8 | – | – |
| 1956 | 8.800 | 65.000 | 7.4 | 36.515 | 56.2 | – | – |
| 1957 | 8.600 | 60.000 | 7.0 | 42.565 | 70.9 | 45.859 | 44.2 |
| 1958 | 8.498 | 83.000 | 9.9 | 55.848 | 67.3 | 58.960 | 45.3 |
| 1959 | 8.500 | 85.000 | 10.0 | 58.763 | 65.7 | 65.000 | 44.6 |
| 1960 | 9.100 | 91.000 | 10.0 | 73.735 | 81.0 | 74.430 | 45.3 |
| 1961 | 11.000 | 98.000 | 8.9 | 84.316 | 86.6 | 90.267 | 48.0 |
| 1962 | 12.000 | 107.000 | 8.8 | 75.555 | 70.6 | 80.149 | 44.1 |
| 1963 | 11.000 | 110.000 | 10.0 | 94.512 | 85.9 | 101.000 | 45.0 |

Source: Shirname 1965, p. 16

price.⁴¹ On the basis of the pure fob cost, it can be said that the price of Somali bananas was on average 15–17 lire a kg higher in the period under consideration than the average price on the international market. Considering these figures, the AMB therefore seems to have paid Somalia overall a premium of about 3.7 billion for bananas, whilst the Monopoly made a profit of about 15 billion in the same period, of which 13 came from the trade of Somali bananas and the rest from trading bananas from other places.⁴²

From the very beginning Somali bananas cost 100 lire more a kg than, for example, Spanish bananas. The explanation given by the AMB concerned the high war costs incurred by farmers, higher Somali labour costs, the greater cost of packaging and the lack of means for loading in Somali ports.⁴³ In spite of these explanations there were, in fact, a number of circumstances which could seriously condition an objective judgement of the question.

⁴¹ The data have been taken from the Report of the IBRD Mission on the economy of Somalia in 1957, cit. in ASBI, Banca d'Italia, Studi, Pratt., n. 1005, fasc. 4, p. 3. This figure refers to the fob price with cif approval according to the contractual clause for the purchase of Somali bananas and corresponds to the total actually paid by the AMB to producers, but differs from the figure of the Statistics Office of Somalia that refers to conventional customs prices.

⁴² The data have been taken from Dr. Malagodi's report, "Linee programmatiche per lo sviluppo economico e sociale della Somalia" of 1953; from the Report of the IV Permanent Commission (Finance-Treasury) at the Chamber of Deputies (n. 640 A del 1954) and the Bill (2026 of the Chamber of Deputies) on the Ministry of Finance's budget for the year 1956–1957, present in the ASBI, Banca d'Italia, Studi, Pratt., n. 1005, fasc. 4, p. 3.

⁴³ ASBI, Banca d'Italia, Studi, Pratt., n. 979, fasc. 7.

First of all, many of the concessionaires had rented banana plantations with contracts that guaranteed 35% of income from the production of bananas and had returned to Italy to follow other business activities; secondly, the AMB insisted on being supplied by two main Somali firms under conditions of a monopoly or near monopoly rather than importing packaging from Italy at a price that was 20–30% lower. Furthermore, many Italian operators insisted on the fact that in Somalia the cost of bananas on board ships should not exceed 45/55 lire a kg, given that the production costs on the plant varied between 10 and 25 lire a kg, transport on board 5–10 lire a kg and the cost of packaging from 25 to 30 lire a kg.

The 1955 IBRD mission pointed out that Italy paid a cif price for Somali bananas (Italian ports) at 174 lire a kg. made up in the following way:

| | |
|--|-----|
| Production costs and producers' profit | 64 |
| Packaging, transport and loading on ship | 48 |
| FOB price at Somali ports | 112 |
| Cost of transport by sea to Italy borne by Monopoly | 62 |

Considering that bananas from Guinea and the Canary Islands were exported to Italy at an average cif price of 110 lire a kg., the excess price paid to Somalia by the consumer was actually 64 lire a kg, a figure that covered entirely the cost of production and the producer's profit. As Italy imported 492 thousand quintals of bananas, the indirect contribution paid in that year to Somalia therefore added up to 3 billion lire (3,149 billion lire to be exact), representing about 60% (more than 5 billion, 5,412 billion to be exact) of the total value of the imports. The higher cost of Somali bananas compared with those of other countries, was mainly due to the scarcity of rainfall and the long distances that separated the plantations from the ports.

The data collected by the Mission shows how important the production of bananas was for Somali agriculture and foreign trade, as expressed by the percentages given below:

| Year | Revenue for public accounts | Balance of trade |
|------|-----------------------------|------------------|
| 1955 | 24% | 75% |
| 1956 | 16% | 57% |
| 1957 | 17% | 56% |

Source: IBRD Mission 1955

It is important to stress, however, that the Italian interest in bananas should not be viewed in relation to the Monopoly's profits, but considered within the broader framework of its importance for Italian-Somali economic-commercial relations. It appears that Somalia imported a total of 27.3 billion lire of Italian goods between 1950 and 1956, paying on average 25% higher prices than the cost of the same goods in the international market.⁴⁴ Therefore, whilst it is true that Italy granted

⁴⁴ The data were taken from the official reports of the Italian government at the Protection Council at the UN. These data refer to the conventional values at the Somali customs.

Somali bananas a substantial advantage, it is equally true that Somalia gave an overall greater advantage on goods that it bought from the Italian market.

To be more precise, on the basis of what has already been said, whilst the purchase of 22.9 billion lire of Somali bananas by the Monopoly brought the concessionaire a total premium of 3.7 billion compared to the supposed international price, the purchase of 27.3 billion lire of Italian goods in the same period corresponded to a premium of 6.8 billion. Bananas made up, in fact, 71.3% of the value of Somali exports to Italy in the years under consideration and therefore the Italian currency available in the local market as a result of this trade must have directed a considerable amount of Somali purchases towards Italy.

The banana business was not only an important factor in the public income of the country, but it also gave rise to a series of complementary activities (transport, workshops, exchange, packaging, etc.).

The conditions in which the cultivation of the banana took place varied in the areas of the Shebelle and the Jubba, depending on the different water regimes of the two rivers. In fact, whilst the Jubba flowed continuously, the Shebelle normally ran dry for 3 months a year from the end of January to the end of April. To deal with this problem, farmers in the Genale area created huge basins for the plantations, which were used to store water for the dry period of the river so that the banana plants could be irrigated regularly.

As far as the production costs of Somali bananas were concerned, a special Commission was sent to Somalia in 1958 by the Italian Ministry of Finance to estimate the cost of the bananas produced by the 230 firms operating at that time.

| | |
|---|------------|
| Cost of a hand on the plant | 32 lire/kg |
| Costs packaging, land transport, loading, unloading, customs, income tax, administrative costs | 48 lire/kg |
| Total cost | 80 lire/kg |

Source: Ministero Italiano delle Finanze in ASBI, Banca d'Italia, Studi, Pratt., n. 1005, fasc. 4, p. 7

Immediately after the independence of the country, in the attempt to strengthen the economy and independence, it was decided that the best thing to do was to improve the banana production as much as possible, especially as this crop, which had absorbed most foreign investment, had enjoyed considerable success. It was hoped that it could act as the driving and regenerating force for the economy of the country.

The authorities wanted to show that the differences between Somali bananas' production costs and prices and those of other producer countries were not so substantial. A document, which can be found in the ASBI,⁴⁵ contains a comparison between the sales price in Italy of Somali and French bananas: The French cif bananas cost about 118 lire/kg, whilst the Somali bananas in 1958 cost 153 lire/kg (98 lire + 55 lire for transport). It has to be stressed, however, that this price

⁴⁵ ASBI, Banca d'Italia, Studi, Pratt., n. 1005, fasc. 4, p. 10.

included 15 lire paid by the AMB extra to Italian shipping companies compared to international freight. If international freight was applied, the cif cost of Somali bananas became 138 lire, which fell to 115 lire/kg in 1960, and 75 a kg for a fob sale as established by the Italian report of the Trusteeship at the United Nations on the economic needs of independent Somalia.

For all these reasons it was firmly believed that government intervention was necessary if Somali production was to match the level of international prices (in the countries of the European Economic Community). Intervention included measures such as:

- (a) The improvement of roads so that the fruit could be transported more easily from the plantations to the port;
- (b) The building of a dock at Kismayo that would allow the direct mooring of banana ships to reduce by a third the cost of loading in the bay, which was about 7.50 lire a kg;
- (c) The gradual concentration of banana production on the Jubba where production costs were lower and the yield per unit higher, and above all more constant, as compared with the Afgooye and Genale areas, which were conditioned by the frequent drying up of the River Shebelle;
- (d) The adoption of more rational systems of production in closer rows with plantations of 2,500 plants per hectare instead of the 500, as occurred normally;
- (e) The direct intervention of the Somali government, which declared internationally that it would abolish the export duty on bananas by 1960.

The banana business was marked by the fact that it was oriented to one single market: the Italian one. Even after independence Italy was the only country prepared to absorb the banana production at such an uncompetitive price, and this was “for a number of non-economic reasons among which it is difficult to distinguish between a sincere desire to help Somalia and condescendence to groups of Italians interested in maintaining a privileged regime for the importation of Somali bananas”.⁴⁶

However, the monopolistic relationship between Italy and Somalia characteristic of the exportation of Somali bananas created many problems for the country.⁴⁷ The exportation of bananas was the most important item in the balance of payments and was also one of the basic sources of income for the State budget from the various direct or indirect taxes and levies on production. But this is true only from a strictly financial point of view, because an analysis of the situation from a broader, economic point of view shows that the real contribution of the plantations to the development of the country was extremely modest. The main problem was that this type of production needed factors of production that were very scarce in Somalia, namely fuel, fertilisers and skilled labour, with the added drawback of the work

⁴⁶ Querini 1969, p. 204.

⁴⁷ Bettelheim 1968b, p. 415.

Table 2.6 Production costs of bananas Somalia 1963

| | Somali Shilling/quintal | % |
|---|----------------------------|--------|
| Expenditure on administrative staff | 3.80 | 17.27 |
| Labour | 9.05 | 41.14 |
| Fertilisers | 2.30 | 10.45 |
| Fuels and oil | 2.83 | 12.87 |
| Spare parts and various consumables | 1.02 | 4.64 |
| Amortization, improvements to firms, buildings, machinery and equipment | 2.05 | 9.32 |
| General expenses (welfare, health, interest, etc.) | 0.95 | 4.31 |
| Real cost of the fruit in warehouse, packaging in firm | 22.00 | 100.00 |

Source: Italconsult 1965, p. 28

Table 2.7 Percentage of Somali partners in banana producing companies (1962)

| | S.A.C.A | % | S.A.G | % | Total | % |
|----------|---------|-----|-------|-----|-------|-----|
| Italians | 173 | 73 | 51 | 30 | 224 | 55 |
| Somali | 63 | 27 | 121 | 70 | 184 | 45 |
| Total | 236 | 100 | 172 | 100 | 408 | 100 |

Source: Italconsult 1965

being intensively seasonal. In contrast, it had very little power to absorb those factors of production that were relatively abundant, such as land without irrigation and unskilled urban labour.⁴⁸ Furthermore, the packaging and transport of this product, which is delicate and extremely perishable, needed a capillary network of infrastructures to quickly harvest the crop and transport it towards commercial centres for loading and packaging⁴⁹ (Table 2.6). This type of activity requires very good entrepreneurial abilities and working capital that were consequently directed away from alternative uses that could have absorbed more local resources.

On the other hand, unlike many other tropical products, bananas cannot be easily transformed industrially, so that they have to be exported as a raw material. Besides, they are so perishable, they cannot become the target for the action of “Marketing Boards” which have successfully managed to stabilize producers’ incomes in other countries and for other products by also regulating the absolute level and the percentage of profits transferred abroad by exporters.

One of the main problems the plantation sector faced in starting off an accumulative process of development was the limited possibility of creating local value added, because the exported good was produced mainly by foreign operators (Table 2.7), with foreign factors of production, including modern capital goods and skilled labour, whilst very few of the underemployed local factors of production were used. The non-mechanized agricultural banana companies in the northern,

⁴⁸ Ibidem, p. 206.

⁴⁹ F.A.O. 1966, pp. 5–10.

central and southern coastal regions employed 410,000 people, with an average of 7.4 people per company. This meant that the remuneration paid out in the plantations, especially profits and wages, did very little to broaden the domestic market, because it was spent on the purchase of imported consumption goods or transferred abroad thanks to the law (no. 10 of 1960) which was rather liberal as far as foreign investments and capital transfers were concerned.

The problem of real efficiency in the sector became more pressing at the end of the Italian mandate in 1960, when the question arose of whether Somalia would succeed in running the sector profitably without Italian support. In 1957 the *Economist*⁵⁰ expressed its opinion in a special issue about the problem of banana production in Somalia: "Somalia is moving towards independence and complete bankruptcy". The *Economist* quoted the World Bank Mission which had stated on a visit to Somalia that the country would need foreign aid for another 20 years after 1960. It was reasonable, therefore, to suppose that as soon as Italian aid stopped, it would be very hard to find other resources that could provide a source of income. The very same Mission estimated that once the banana subsidy was abolished Somalia would need about 6 million dollars a year just to maintain its standard of living at the same level, which was, in any case, very low.

As the development of the European irrigated plantations tended towards the creation of an artificial economy based on bananas, the future of workers also seemed very uncertain. For this reason Italian and American companies carried out investigations in the hope of finding oilfields, without obtaining concrete results however.

Nevertheless, many people still believed that the banana business could continue, especially with the introduction of more appropriate systems of planting, fertilising and cultivating. Poor rainfall and the long distances from the plantations to the ports meant bananas cost more to produce than in other areas,⁵¹ so the convenience and profitability of continuing the banana business in the future depended entirely on substantially reducing the fob price of Somali bananas, but also and especially the cif price. In addition to a substantial reduction in company costs, the fob price could be 'lightened' by conspicuous economies in packaging, land transport and loading, if a dock were built in the bay at Kismayo to enable ships to moor and land directly. Essential port equipment was also needed and roads leading to the port laid or repaired.

Studies forecast the possibility of saving about 18% on the fob price, whilst the cif cost of Italian ports could, thanks to this advantage and a better use of stowage (following improvements in packaging with direct loading and applying international freight tariffs), be reduced by 24%. In this way the Somali production could become competitive with the average price of bananas from other countries, without the need to ask for local tax concessions, whilst the Italian monopoly

⁵⁰ *Economist* 1957.

⁵¹ ASBI, Banca d'Italia, Studi, pratt., n. 1009, fasc. 1.

Table 2.8 Italian importation of bananas (in quintal)

| Year | Imports from Somalia | Indices | Imports from other countries | Indices | Total | Indices | % Other imports compared to Somali imports |
|------|----------------------|---------|------------------------------|---------|---------|---------|--|
| 1949 | 60.495 | — | 12.390 | — | 72.485 | — | 20 |
| 1950 | 144.607 | 100 | 29.618 | 100 | 174.225 | 100 | 20 |
| 1951 | 211.307 | 146 | 43.280 | 146 | 254.587 | 146 | 20 |
| 1952 | 271.797 | 187 | 55.669 | 187 | 327.466 | 187 | 20 |
| 1953 | 321.793 | 222 | 65.910 | 222 | 387.703 | 222 | 20 |
| 1954 | 378.065 | 261 | 77.435 | 261 | 455.500 | 261 | 20 |
| 1955 | 469.198 | 324 | 96.101 | 324 | 565.202 | 324 | 20 |
| 1956 | 375.601 | 259 | 83.900 | 283 | 469.501 | 269 | 22 |
| 1957 | 436.016 | 301 | 109.003 | 368 | 545.019 | 312 | 24 |
| 1958 | 537.900 | 372 | 133.600 | 451 | 671.500 | 385 | 25 |
| 1959 | 553.100 | 382 | 174.400 | 588 | 727.500 | 417 | 31 |

Source: Società Romana in Somalia in *Relazioni e bilancio al 30 Giugno 1959*, p. 11

would have less interest in promoting purchases in other markets, so that its supply in Somalia could eventually satisfy the entire demand in Italy.

On the other hand, banana production was considered the backbone of the Somali economy and the best way of strengthening any sector is to find good outlets for the product, either by deliberately aiming at strong markets or by attracting new currents of consumption. The arguments presented by a statistician, Enzo Umberto Rossi, in his paper *Il problema bananiero*, Ed. Roma, 1958, *Arte Grafica Romana*⁵² at the VII Conference on Italian-African trade therefore seemed very interesting. He stressed how the Somali banana, for its organoleptic qualities and its standards of marketability, was highly appreciated by consumers and was much superior to other world varieties. He also pointed out that the German market was the largest banana market in the EEC and this market was supplied almost exclusively by Ecuador and Columbia with almost 3 million quintals a year. He therefore suggested that Somalia, which was included among the countries associated with the EEC, should try to place as many bananas in Germany as it did (thanks to the Monopolio) in Italy through special agreements. In view of these indications it was decided to defend and maintain banana production, whose viability depended on its concentration in the Jubaland by 1960 and on the completion of the project for the port of Kismayo by the set date.

The concentration of the banana production in Jubaland started with the transfer of groups of workers who had been employed in companies in Afgooye and Genale, after new facilities had been added to the companies already existing in Jubaland. In this way production was to be made in units which allowed a more economic administration, thus reducing unit costs.

The success of this transfer depended entirely on the completion of the port at Kismayo, so that the Shebelle banana producers could concentrate their business in

⁵² ASBI, Banca d'Italia, Studi, pratt., n. 1004, fasc. 1.

Jubaland, lower costs and give the banana sector some chance of survival after 1960. Consequently, another contract was signed with the AMB for the 4 years after the end of 1960 in the hope of safeguarding banana income in Somalia, and thus creating greater economic security and covering the costs of financing the work on the port of Kismayo.

It was thought that the expected increases in sales would have favoured the birth of new Somali companies to work directly and effectively in this business. In fact, the increase in the consumption of bananas by Italians, which was satisfied by the total imports of the Monopoly, was higher than the increase in imports from Somalia (Table 2.8).

From 1950 to 1959 the index of imports from Somalia rose to 382, whilst the index of imports from other countries increased in the same period to 588. As the data for 1959 was provisional and therefore cannot be considered complete, "other countries" amounted to more than 174,000 quintals, which represented 31% and was by far the highest for all the period under examination.

In this way, with no damage to, but only advantages for the Monopoly, Somalia could supply ever greater quantities to meet the progressive increase in Italian consumption, whilst the "other" suppliers integrated the supply in the market when Somalia, for seasonal or other reasons, could not meet the demand satisfactorily. These 'other' bananas came from the Canaries and Brazil.

A similar reason for keeping the AMB alive was really quite attractive to Italian finances, which collected more than 7 billion lire from this company in the financial year 1956–1957. After 1960, when the premium paid for Somali bananas was much smaller, Somali production had the advantage of a solid commitment to the continuous purchase of the goods.

The extension of the AMB's business was closely linked to the gradual introduction of Common Market regulations. Although the AMB was to continue until 1964,⁵³ the Somali production of bananas would later have to be in a position to cope with the conditions of the Common Market (EEC). In actual fact, it only had to be competitive with bananas from French West Africa, whilst it would have 20% protection against those from elsewhere. The main firms' prime objective was to weaken the bilateral relations in the sale of bananas between Italy and Somalia, in order to enable Somalia to supply other countries in the Common Market which were not bound by preferential supplies from other markets.

In 1963 bananas accounted for approximately 45% of exports from the country. Between 1958 and 1963 the proportion of exports in terms of value remained more or less stationary. This was in great part due to the fall in the price of Somali bananas; the average price of bananas in 1949 was 155 lire and in 1963 91 lire (Table 2.9).

⁵³ ASBI, Banca d'Italia, Studi, pratt., n. 1009, fasc. 1

Table 2.9 Average price of bananas in Somali ports, 1949–1963, fixed by the AMB

| Year | Lire/kg | Annual % of fall price/kg |
|------|---------|---------------------------|
| 1949 | 155 | |
| 1950 | 140 | 9.7 |
| 1951 | 137 | 2.1 |
| 1952 | 127 | 7.3 |
| 1953 | 123 | 3.1 |
| 1954 | 115 | 6.5 |
| 1955 | 112 | 2.6 |
| 1956 | 106 | 3.4 |
| 1957 | 101 | 4.7 |
| 1958 | 98 | 3.0 |
| 1959 | 94 | 4.1 |
| 1960 | 94 | 4.3 |
| 1961 | 92 | 2.1 |
| 1962 | 92 | 2.2 |
| 1963 | 91 | 1.1 |

Source: IBRD, *The Economy of the Trust Territory of Somaliland*, 1957, and Ministry of Agriculture and Animal Husbandry, quoted in Shirname, Report to the Government of Somalia on Food and Agricultural Economy, p. 16

Before 1960 banana plantations were entirely under Italian ownership. It was only after independence, to be more precise between 1964 and 1965, that things changed so that 350 of the 450 banana plantations passed into Somali hands.

In spite of their substantial numerical superiority, the area of land held by Somali firms was smaller than that of the Italian plantations which amounted to about 250–350 ha. Italian plantations also maintained the monopoly of exports which were managed by their associations, the Società Azionaria Concessionaria Agricoli di Genale (SACA) and the Società Agricoltori Giuba (SAG).

From the mid 1970s onwards, the development of the cultivation of bananas became one of the main objectives of Somali government policy, if for no other reason than to aim at an increase in inflows of a valued currency from the exportation of a product which, even though there was strong competition in the international market, still seemed to have some concrete possibilities for outlets. At the same time, however, the government aimed at a greater diversification of Somali exports based mainly on livestock.⁵⁴ It is clear that the development of the cultivation of bananas depended to a large extent on certain economic policy choices made by the government:

- (a) The price of bananas;
- (b) Whether it was compulsory to export the whole output of bananas that had the characteristics required by the international market;

⁵⁴ Castellani 1985.

Table 2.10 Area of banana cultivation in Somalia and area of production in the period 1975–1983

| Year | Area cultivated with bananas | | Area of production | |
|----------------------|------------------------------|------------------------------|--------------------|------------------------------|
| | Ha | Index (base 1975–1977 = 100) | Ha | Index (base 1975–1977 = 100) |
| 1975 | 8.300 | 109.2 | 6.100 | 110.2 |
| 1976 | 7.400 | 97.4 | 5.300 | 95.8 |
| 1977 | 7.100 | 93.4 | 5.200 | 94.0 |
| 1978 | 6.800 | 89.5 | 5.200 | 94.0 |
| 1979 | 6.000 | 78.9 | 5.800 | 104.8 |
| 1980 | 4.600 | 60.5 | 2.600 | 47.0 |
| 1981 | 3.600 | 47.4 | 2.900 | 52.4 |
| 1982 | 4.300 | 56.6 | 2.800 | 50.6 |
| 1983 | 4.400 | 57.9 | 2.800 | 50.6 |
| Average 1975–1977 | 7.600 | 100.0 | 5.533 | 100.0 |
| Average 1978–1980 | 5.800 | 76.3 | 4.533 | 81.9 |
| Average 1981–1983 | 4.100 | 53.9 | 2.833 | 51.2 |

Source: Castellani 1985, p. 10

- (c) Technical means, which often had to be imported from abroad, to be made available to producers at more or less favourable conditions;
- (d) Priority to be given to the cultivation of bananas in the use of aid from one or more countries (or one or more international organizations)

The companies which cultivated bananas were mostly of a considerable size and worked by waged employees and differed generally from most agricultural companies in the area, which were usually small or very small and run on a family basis. When the military regime proclaimed scientific socialism in 1970, the economy of bananas in the valleys of the two rivers was the most developed capitalist production in the whole country. Both labour and the agricultural land of the region, especially of the plantations, were highly commercialized.

The plantation system in the south of Somalia provided an opportunity to put into practice “the received idea” of socialism. Following the principles of the doctrine, but also aware of the limitations imposed by the underdeveloped structure of the economy, the regime could have addressed the question of the plantations in a number of ways. It could have used the classic doctrinaire approach by simply appropriating the plantations and transforming them into farms. As an alternative, they could have gradually transformed these lands into firms producing food and made them almost public agencies by promoting self-sustainment and food self-sufficiency. Another possibility was that the regime passed legislation on agricultural work to increase the market power and well-being of agricultural workers. Lastly, an agrarian reform could have been introduced and put into practice. The military regime, surprisingly however, did not adopt any strategy of agrarian reform. Its first legislative act concerning the economy of the plantations was to transform the commercial apparatus of bananas that had previously been run by a

colonial organization and create a National Banana Board. Whatever its real function was supposed to be, it had little positive impact on the plantation economy. The production of bananas increased from 145,000 t in 1970 to 168,300 t in 1973, whilst the area cultivated grew from 6,500 ha to 9,500. This growth was the result of investments and improvements made before 1969 and immediately after the regime had seized power. The regime held all the main landowners in its power; and the state's general condemnation of the formation of unions of independent workers and industrial action, together with the severity of military justice, prevented any possibility of progressive social improvement in the plantation economy. Working conditions were not very different from those during the period of colonization. Furthermore, the social relations and inherited property of the Italian fascist system still lay at the heart of the plantation system.

The growth and expansion of the banana economy in the 1960s was followed by a downward trend in 1974. The area of cultivation diminished by more than 50% from 9,500 ha in 1973, the year in which it reached its maximum level, to 3,600 ha in 1981 (Table 2.10). The yield per hectare fell substantially until 1978–1979 and this reflects the state of extreme negligence experienced by Somali banana farming in the early 1970s. From 1979 onwards, however, the official statistics show a net inversion of the trend: the yields increased rapidly until 1983 when they reached values that were about twice those recorded in the 3-year period 1975–1977.

This inversion in trend was due to a drastic decrease in the area cultivated with bananas between 1978 and 1981, almost indicating the will to abandon marginal banana plantations. Furthermore, there were new consistent investments made in the sector in the early 1980s, together with some radical changes in Somali banana policy.

One of the most critical periods was in 1981 with 59,000 t, which was less than a third of the quantity in 1973. The collapse in production can be explained by a number of factors⁵⁵:

1. The loss of technical skills, as a result of the departure of many Italian producers;
2. An increase in the salinity of the soil, as a result of poor drainage systems;
3. The lack of a good supervision of the soil;
4. The poor use of fertilisers (about 100 kg per hectare as opposed to the standard of 800 kg per hectare);
5. Low export prices and the increase in internal production costs, such as packaging and transport.

The economy of bananas was in a stagnant phase and in great difficulty in the early 1980s. The diplomatic break between the regime and the USSR in the late 1970s, the realignment of economic policy with the West and the adoption of structural adjustments as a strategy for development changed the destiny of the plantation economy. It was, in fact, in this period that the Somali government

⁵⁵ Samatar 1994, p. 82.

believed it was opportune to raise the purchasing price level of bananas for export and to radically modify the organization of the banana sector. These circumstances led to the beginning of a liberal economic policy, which called on Italian interests to start new negotiations with the government for private investment in the banana sector. As a result, the Somalfruit, a joint venture managed by the Italian De Nadai group, was set up in 1983. The De Nadai group took its name from the head of the family Guido De Nadai, who was invited by Siad Barre in 1980 to straighten out the economy that was almost on its knees. De Nadai invested 136 billion lire, levelled out land with a special laser machine, agreed on credit to farmers, provided the necessary agricultural machinery and invested in irrigation and marketing. Production increased from 40,000 to 120,000 t. Thus Somalfruit was set up with 51% belonging to the family, 20% to the government and the remaining 29% to the association of producers (143 firms). De Nadai also bought a share in the INCAS company which produced material for tinning and joined in the direct production of bananas in Lower Juba. Exports in the same year were entrusted to the De Nadai fleet which had 14 banana ships. With the outbreak of the civil war, however, almost all the firms in the Lower Juba were destroyed, putting Somalia back half a century. The De Nadai family continues to run what has become a multinational with interests and companies in the United States, Costa Rica, Chile, Turkey and the Philippines operating in the production and processing of fruit and refrigerated warehouses.

Although De Nadai investments enabled a transformation of the plantation system and increased its profits, the benefits from the growth and expansion of the industry had only a little impact on the wellbeing of those who worked in the fields. The problem of the banana economy was that the greatest gains from the agricultural land went to the advantage of the older members of the old regime, Italian companies and less than 200 Somali owners.

The production of bananas is highly intensive work and there are more than 15 essential tasks that have to be done regularly from the moment of planting to harvesting. Most of this work was done by children aged between 8 and 15. The large sums of money invested directly in the sector and the good will with which the cultivators planned to expand their activities indicate that the industry was heading towards better conditions.

Without doubt, therefore, the plantation economy reacted in the best possible way to the economic crisis in Somalia from the 1980s onwards. The problems of the economy of bananas were not only those linked to stagnation, but also arose from the use of the precious, but limited irrigated land for exports, three quarters of whose value left the country. Theoretically banana exports helped to lift the economy of the country, but the advantages remained in the hands of foreigners. The economic impact of the industry on the accumulation of capital in the country was marginal and, in spite of the growth in banana exports, workers did not benefit from higher wages or better working conditions.



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