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Economic impact of RVF outbreaks on trade within and between East Africa and Middle East

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Dwarfing the direct losses due to ruminant abortions and flock mortality, the main economic impact of RVF is systemic and ensues from the trade restrictions aimed at its containment. Indeed, past outbreaks of RVF in East Africa and Middle East came as disturbing events in a commercial context of high specialization in trade of small ruminants and interdependence between East-African exporters and the Middle-Eastern importing countries. The two successive bans imposed by Middle-Eastern countries on livestock products coming from the Horn of Africa in 1998-1999 and 2000-2002 highlighted this interdependence. Both bans caused an abrupt stop in exportations from IGAD countries. Nevertheless, the impact of the outbreaks motivating these bans differed due to their unique timing with regard to the Muslim celebrations that trigger the main flow of livestock from the Horn of Africa to Mecca. Hence, in 2000, the worst impact was observed on pastoralist households because the ban was imposed in September, prior to the Haj festival, when the main seasonal export flow had not been realized yet. Regarding the 1997 outbreak, the ban was implemented only in February 1998, after the main trade flow had occurred.

The impacts of the bans on Somalia were particularly severe, due to the high specialization of the concerned region in an export-oriented livestock sector, benefitting from a niche market organized around the above-mentioned religious festivals and Arab consumers preferences. The country was all the more affected, as they own two main ports involved in this trade, i.e. Berbera (Somaliland) and Bossaso (Puntland). Prior to the bans, the size of the export market from Somalia to Saudi Arabia and the United Arab Emirates was estimated around US$600 million, with Saudi Arabia representing 66% of the total. The bans led the Somali livestock market to collapse. Losses for the livestock industry were estimated at US$109 million and US$326 million, for the first and second ban respectively. The government also directly incurred an important loss around US$45 million from foregone export taxes and docking fees. In the same time, livestock exporters lost a net cumulative profit of US$330 million, whereas producers estimated their annual losses at over US$8 million. Hence, the successive RVF-related trade bans impacted the employment rate, the public treasury, the exchange rate of national currency and thus, the price of imported goods, inducing a general inflationary pressure and important socio-economic upheavals.

More generally, the livestock market in the whole East Africa was affected, due to the fall in prices caused by the loss of outlets for livestock. Using market equilibrium models taking these shocks into account, the impact of the trade bans on the Somali region of Ethiopia were estimated at a 36% fall of the GDP. Other impacts originated in the closure of markets inside East Africa, being part of national control strategies. In Kenya, e.g., the closure of the Garissa Market, which is a major outlet for Somali and Ethiopian livestock, resulted in a more than 25% decrease in the price of cattle, inducing a total loss of US$10 million for the value chain. The emergency destocking response of distressed households also participated to the fall in prices and worsening of terms of trade. Together with flock mortality and abortion, destocking moreover affects the herds' dynamics on the long run and the commercial potential of households. These mechanisms show greater impact on smallholders, due to threshold effects in livestock capitalisation and the loss in risk management ability in such variable environmental conditions. In the Middle East too, the bans showed drastic economic impacts. In Yemen, e.g., the bans caused a loss of US$15 million from foregone custom taxes and US$27 million profit losses for traders.

The two bans, combined with the prolonged ban maintained till 2009 by Saudi Arabia on Somalia, contributed to a restructuration of trade within and between the two regions. Indeed, trade actors soon reorganized their activity, as highlighted through official figures, notwithstanding the importance of informal trade. Hence, Yemen and the United Arab Emirates appeared as major alternative entry points on Arab Peninsula for Somali livestock. The latter could also transit through Djibouti or Sudan to reach Saudi Arabia. Benefitting from the prolonged bans on Somalia, the port of Djibouti emerged as a major player in the region between 2006 and 2009, thanks to massive investment in port infrastructures and agreements with Saudi importers. Therefore the private sector played a considerable role in adapting to new risks. The Djibouti port diverted much of the livestock trade previously handled at the Berbera and Bossaso ports. On this occasion, as it has been the case in Somalia after ban lifting in 2009, the Middle East has been a source of investment for the Horn of Africa for biosecurity infrastructure. Finally, the second ban led to the emergence of Australia as a major livestock supplier for Saudi Arabia from 2000 till now, and to a certain a point Australia has been a country of major Saudi investments which is seen as another way of adapting for some major value chain agents.

In the two last decades, the intraregional livestock trade grew rapidly in East Africa, spurred by the urban demand. Most of this trade is informal, thus lacking official figures. It nevertheless shows a great importance regarding poverty alleviation aspects, the small to medium actors being the main operators of this trade. In recent years, a considerable growth in recorded intraregional trade is noticed, mainly due to a growth of recorded exports from Ethiopia to neighboring countries, as a result of a policy aiming at the facilitation of registration procedures through the CAC/AP-system.

As a conclusion, livestock export to Middle East and the growing intraregional East-African livestock trade are both threatened by RVF-linked bans due to loss of outlets and price volatility. Thus, stability of the livestock sector being crucial to human and economic development in the region, a high priority must be given to RVF prevention and control, as supported by figures of impact of past outbreaks.