**Pro Case:**

**Judge the framework for our argument is utilitarianism.**

We affirm the resolution: The African Union should grant diplomatic recognition to the Republic of Somaliland as an independent state.

Thus, our first contention: **Alleviating Poverty** and **Growing the Economy**

Somaliland’s economic state is inhabitable for the wellbeing of it’s people, along with the low standard of living and higher poverty rates. **World Bank Group 14** states, ‘GDP for 2012 is estimated to have been $1.4 billion, this would be the fourth lowest in the world’

According to **Hargeisa 14,** ‘low employment-to-population ratios, with 28% for males and 17% for females’ **World Bank 14** tells us, ‘poverty in urban areas of Somaliland is 29% with rural poverty at 38% as well’

However with diplomatic recognition economic growth and poverty reduction can happen with **trade**

Somaliland is unable to participate in global trade forums, because of its illegitimate recognition and statehood. However with recognition Somaliland can. **ICTTM 23** says, ‘[trade] expands market opportunities, stimulates economic growth, and provides access to a wider variety of goods’

**ICTTM 23** connects, ‘trade creates employment opportunities, promoting higher living standards and improving the overall quality of life.’

**ASI (Adam Smith International)** writes, ‘Somaliland’s lack of international recognition and volatile environment constrain growth and investment.” Recognition would solve this by allowing for a more safe, stimulated Somaliland economy.

It would also be able to participate in trade forums like the African Continental Trade Agreement.The AfCTA (African Continental Trade Agreement) according to **WBG 23, ‘**Has the potential to lift 50 million people out of extreme poverty by 2035.’

Employment and wage increase could also come from the AfCTA, **Washington 22** explains ‘It could also create almost 18 million more jobs’ **WBG 22** exclaims, ‘Wages would rise by 11.2 percent for women and 9.8 percent for men’

Numerically, **World Bank Group 23** vocalises, ‘when developing countries increased their share of global exports from 16 percent to 30 percent; in the same period, the global poverty rate fell from 36 percent to 9 percent’ and ‘trade has helped to lift some 1 billion people out of poverty in recent decades.’

Lastly, according to **Ferragamo and Klobucista 24**, ‘independence could put Somaliland as only the 18th poorest country, instead of its position as the 4th lowest.’

Then our second contention: **Combating Terror in the Red Sea**

The Red Sea encompasses most of the world’s commercial trade, allowing it to be a transit for countries to grow trade and profits. **Kuoman 24** states, ‘Estimates indicate that around 12% to 15% of global trade passes through the sea route”

Continetal trade also flows through the Red Sea, **Berman 24** says, ‘40 percent of Asia-Europe trade normally transits the sea.’ Such trade allows for exports and imports of countries in the Eurasian commerical area to be able to connect together in the global market.

Rich resources go through the Red Sea as well, **Tobin and Webster 24** explain, ‘About 8.8 million barrels per day of oil and oil products the Red Sea. About 12 percent of maritime oil trade goes through the sea as well.’ However, the Houthi, a Islamic terror group based in Yemen, has been disrupted global supply chains and threatening to destroy the trade in the sea.

**Berman 24** says, ‘Houthi rebel group has attacked dozens of commercial ships in the Red Sea, with no signs of slowing down.’

These attacks have already caused massive economic losses, **Kuoman 24** mentions, ‘Red Sea oil traffic has increased by 140% due to the redirection of charges.’ and ‘European natural gas prices have also experienced a 7% jump.’

Further implications of attacks would worsen the already degrading state of trade.

**Anderson 24** states, ‘Disruption to Red Sea trade lasting a year could surge goods inflation by up to 2%’ Inflation would hurt economies who have long lasting depending on these goods.

**Webster 24** explains, ‘Gulf economies are deeply dependent Red Sea trade. It accounts for 40 percent of Saudi and Qatari GDP, and 50 percent of Kuwait’s GDP.’

However with Somaliland's recognition counterterror operations are possible. This is because Somaliland has also shown its strength alone against terror groups such as Al-Shabaab, **Horton 23** explains, ‘Al-Shabaab has not done a large-scale attack since 2008’. Somaliland has been able to do this with little resources, states **Horton 23**, ‘Somaliland has only 6,000 police personnel Thus, recognition of Somaliland would help reduce terror in the Red Sea.

And thus, for the economical and political impacts of the resolution,

We strongly affirm the resolution.

**1AC:**

**Poverty Reduction and Economic Growth:**

**FRAMEWORK:**

The framework for this round is utilitarianism. Judge to win this round, the affirmation and negation must prove that their side would boost the utmost welfare and happiness of the people.

Poverty in Somaliland is a consistent problem that negatively stigmatizes the Somaliland economy and overall wellbeing of the population.Giving diplomatic recognition allows for trade, commerce, open business, and investment which would allow for reduction of poverty. Economic growth would also shoot-up, allowing for Somaliland to become a bustling financial hub.

[World Bank Group, January 19, 2014, *Hargeisa*, [New World Bank GDP and Poverty Estimates for Somaliland](https://www.worldbank.org/en/news/press-release/2014/01/29/new-world-bank-gdp-and-poverty-estimates-for-somaliland)]

Since its self-declaration of independence in 1991, Somaliland has – against many odds – es**tablished a system of democratic governance** and **embarked upon an ambitious development agenda including development of a National Development Plan** (NDP 2012-16). To help strengthen planning and budgeting processes, and improve the allocation of scarce resources, the World Bank has undertaken several pieces of analytical work to help provide the first GDP and poverty estimates for Somaliland. These will be discussed at the Somaliland Economic Conference on Growth & Unemployment, Poverty & Inflation and Budget Policy hosted by the Ministry for National Planning and Development and the World Bank in Hargeisa on 29 January, 2014.

GDP and Unemployment

W, which was financed through a combination of remittances and external aid. Somaliland has very low levels of investment, **ranked approximately 180th in the World for gross fixed capital formation as a percentage of GDP**. Furthermore, Somaliland has very **low employment-to-population ratios, with 28% for males and 17% for females** (15-24 year olds in Borama, Hargeisa and Burao[2]).

Poverty[3] & Wellbeing

Initial estimates suggest that **poverty in urban areas of Somaliland is 29%, similar to Ethiopia (26%) but that rural poverty at 38% in Somaliland is higher.** Although urban households are better off, inequality is high and similar to levels recorded in the 2005 household survey in Kenya. Access to health services in urban areas compares well to other countries in the region, but in rural areas most births are at home without a skilled attendant. **Mothers are more likely to die giving birth, and babies more likely to die before their first birthday, in Somaliland than in neighboring Ethiopia or Djibouti.**

Only about **half of 6-13 years olds go to primary school in Somaliland**, in stark contrast to 87% in neighboring Ethiopia[4]. As current school enrollment is much lower in Somaliland than in all countries in the region, Somaliland could well have poor comparative literacy rates in the future.

Budget Policy

**Tax revenue as a percentage of GDP in Somaliland (approximately 7% in 2012) is less than half the sub-saharan African average.** Historical low levels of domestic revenue have only been able to sustain core Government functions and maintain peace and stability. The lack of investment in social services, has taken a toll on human development. The Somaliland authorities have taken recent, commendable, strides in strengthening budgeting and planning and enhancing revenue, and the Budget Policy Committee now ring-fences 10-13% of the growing budget for investment activities. Establishment of the Somaliland Development Fund (SDF) has also enabled Government to exercise greater control over external resources.

However, **reform of key sectors is needed to sustain revenue generation and create a more competitive economy.** The absence of a conventional financial system is significantly hindering access to finance which is the number 1 constraint on private sector activity in Somaliland. Improving public service delivery is vital through revising decentralization policies, civil service reform and implementing the Public Financial Management (PFM) Reform Strategy 2013-2017. The influence of the private sector must not prevent the Government harnessing revenues by adopting a tax strategy with a focus on consistent and moderate taxation of large corporations, to help bring the Somaliland tax to GDP ratio more in line with regional averages.

Somaliland’s poverty problem could be fixed if they have access to diplomatic recognition because they would be able to receive more copious amounts of aid, would be able to trade freely and have investments in the country, and be able to participate in foreign economic forums.

[International Centre for Trade Transparency and Monitoring, Jan 27, 2023, *The Benefits of International Trade: Advantages for Economies and Businesses*, [The Benefits of International Trade: Advantages for Economies and Businesses - International Centre for Trade Transparency](https://icttm.org/the-benefits-of-international-trade-advantages-for-economies-and-businesses/)]

International trade brings numerous benefits to economies and businesses. It **expands market opportunities, stimulates economic growth, promotes specialization and efficiency, and provides access to a wider variety of goods** and services at competitive prices. Trade also **fosters cultural exchange, social development, and poverty reduction.** While challenges exist, embracing the advantages of international trade is crucial for building a sustainable and inclusive global economy.

International trade has long been recognized as a key driver of economic growth and prosperity. By enabling the exchange of goods and services across borders, it opens up new opportunities for economies and businesses to thrive. The advantages of international trade are far-reaching, encompassing economic, social, and cultural aspects. In this article, we will explore some of the key benefits of international trade and shed light on how it positively impacts economies and businesses.

One of the primary advantages of international trade is the expansion of market opportunities. By engaging in trade with other countries, **businesses can access a broader customer base and tap into new markets**. This allows them to **increase sales, expand their reach, and diversify their revenue streams.** Additionally, entering foreign markets can help **businesses leverage their competitive advantages, such as lower production costs or unique product offerings, to gain a competitive edge and increase profitability.**

International trade also fosters economic growth and development. It stimulates investment and innovation, as businesses seek to enhance their competitiveness in the global marketplace. Trade **promotes specialization and efficiency**, encouraging countries to focus on producing goods and services in which they have a comparative advantage. This leads to **increased productivity, resource allocation, and overall economic efficiency.** Moreover, international trade creates **employment opportunities**, both directly in export-oriented industries and indirectly in supporting sectors.

Another notable advantage of international trade is the access to a wider variety of goods and services at competitive prices. When countries engage in trade, they can import products that may not be available or produced domestically. This enables consumers to enjoy a diverse range of quality goods and services from around the world, promoting **higher living standards and improving the overall quality of life**. Trade also encourages competition, driving businesses to innovate, improve product quality, and offer competitive prices to attract customers.

In addition to economic benefits, international trade has positive social and cultural impacts. It promotes cultural exchange, as people from different countries come into contact with each other through trade interactions. This fosters understanding, appreciation, and tolerance of diverse cultures and perspectives. Furthermore, **trade can contribute to poverty reduction and the improvement of living conditions in developing countries** by providing opportunities for income generation and economic empowerment.

[World Bank Group, Feb 12, 2023, *Trade Has Been a Powerful Driver of Economic Development and Poverty Reduction*, [Trade has been a powerful driver of economic development and poverty reduction](https://www.worldbank.org/en/topic/trade/brief/trade-has-been-a-powerful-driver-of-economic-development-and-poverty-reduction)]

From 1990 to 2017, **developing countries increased their share of global exports from 16 percent to 30 percent; in the same period, the global poverty rate fell from 36 percent to 9 percent.** Not all countries have benefited equally, but overall, trade has generated unprecedented prosperity, **helping to lift some 1 billion people out of poverty in recent decades.**

Trade has multiple benefits. Trade leads to faster productivity growth, especially for sectors and countries engaged in global value chains (GVCs). These links allow developing countries to specialize in making a single component, like a keyboard, rather than a finished product, like a personal computer. **GVCs give them access to foreign technology, know-how, and investment.** Trade eases the diffusion of **technologies that reduce greenhouse gas emissions and support adaptation** – such as solar panels and wind turbines or drought-resistant seeds. Consumers enjoy a greater variety of goods and services at lower cost, though some firms and workers in individual sectors may see their livelihoods at risk through increased competitive pressures.

Despite these benefits, globalization is under fire. Critics blame it for the loss of manufacturing jobs in advanced economies, environmental degradation, and disruptions to supplies of vital goods like vaccines. These concerns, combined with geopolitical tensions, are prompting major players to raise barriers to trade and investment and to subsidize the domestic production of goods deemed essential and strategic. In 2022, many countries reacted to disruptions of food supplies from Ukraine by restricting exports of wheat, corn, and other foods. This tit-for-tat cycle only drove prices higher, briefly threatening a global food crisis.

Trade disputes and restrictions have weakened the rules-based global trading regime centered on the World Trade Organization.

Smaller developing economies cannot be self-sufficient and need to export to import. They critically need to be able to compete at fair terms, a capacity that trade distortive subsidies and protectionist policies will hurt. **To attract investment, they also critically need the certainty provided by a credible and coherent system of global trade rules.** Furthermore, many developing countries don’t have the fiscal resources to counter steps taken by advanced countries to subsidize domestic production.

The World Bank estimates that a slump in investor confidence due to increased trade tensions among major players could push 30-50 million people into poverty by 2030, depending on the severity of protectionist policies put in place by advanced and developing economies. This compares with the 70 million people pushed into poverty in 2020 because of COVID-19.

How should developing and advanced economies respond? For now, trade restrictions and subsidies affect a small portion of global trade. There are still tremendous gains to be reaped from deeper and broader regional trade agreements. For example, the recently created **African Continental Free Trade Area has the potential to lift 50 million people out of extreme poverty by 2035.**

Countries can boost trade by lowering the cost of moving goods across borders through streamlined border procedures and better infrastructure. They can also adopt policies that help them leverage rapid growth of trade in services, especially digital services.

The global trade system should address legitimate concerns about national security and reliable access to key goods, but not at the expense of development. It must distinguish between subsidies that provide public goods, like electric cars, and those that distort trade and disadvantage trade partners. Rules on the protection of intellectual property must ensure that subsidized technologies are made widely available. Exporters of food and other key goods must refrain from imposing restrictions in times of crisis; importers should permanently reduce or eliminate import tariffs to ensure adequate supply in good times and bad.

[World Bank Group, October 25, 2017, *How Developing Countries Can Get The Most Out Of Direct Investment*, Vienna, [How Developing Countries Can Get the Most Out of Direct Investment](https://www.worldbank.org/en/topic/competitiveness/publication/global-investment-competitiveness-report)] {THIS IS A REFUTATION ARTICLE, ONLY USE THE EVIDENCE IN REBUTTAL}

Reducing risk in developing countries is key to spurring investment and growth. A new report and investor survey published today by the World Bank Group concludes that, on balance, foreign direct investment (FDI) benefits developing countries, bringing in technical know-how, enhancing work force skills, increasing productivity, generating business for local firms, and creating better-paying jobs.

The question examined in the report is when and under what circumstances are these benefits of FDI most likely to occur.

The Global Investment Competitiveness Report 2017/2018, launched today at an international investment forum, combines a survey of **750 multinational investors and corporate executives with detailed analysis and recommendations concerning FDI in developing countries**. Co-authored by the World Bank Group’s International Finance Corporation (IFC) and the Trade & Competitiveness Global Practice (T&C), the report considers developing countries as both sources and recipients of FDI. The analysis examines t**he ability of developing countries not only to attract private investment but to retain and leverage it for inclusive and sustainable growth.**

The investor survey shows that **political stability and security along with a stable legal and regulatory environment are the leading country characteristics** considered by executives in multinational corporations before they commit capital to a new venture. These considerations far outweigh such issues as low tax rates and labor costs.

Investment incentives may help attract FDI but are generally effective only when investors are wavering between similar locations as a new base for their exports. When investment is motivated by a desire to access a domestic market or extract natural resources, incentives are generally ineffective.

Of far greater importance, the report finds, is the **level of legal protections against political and regulatory risks,** such as expropriation of property, currency transfer and convertibility restrictions, and lack of transparency in dealing with public agencies. Reducing these risks at the country level is a foundation without which reducing project-level risks will not lead to increased investment and growth in developing countries.

In examining the contribution of foreign investment to local economies, the report finds that most of the research and **empirical evidence demonstrates that FDI helps foster development in recipient countries.** For example, the analysis finds that **local high-growth firms in developing countries benefit the most from increased FDI in their markets through business linkages and introduction of new technologies and know-how.**

FDI flowing outward from developing countries (OFDI) is one of the emerging storylines covered in the report. This kind of investment has increased 20-fold in the last two decades and by 2015 made up one fifth of total global FDI flows. While much of this investment comes from the so-called BRICS (Brazil, the Russian Federation, India, China, and South Africa), about **90 percent of developing countries are now reporting outward FDI.**

Both the report and survey find that while investors in developing countries weigh similar factors in their decision-making, investors from developing countries are more willing to target smaller and often higher-risk regional economies as part of a stepping-stone strategy. This is a key consideration, particularly for countries coping with conflict and fragility looking to attract more and more diversified investment. The report recognizes that **governments must have a nuanced understanding of investor motivations to best unlock the benefits of FDI for local economies** and that each type of FDI brings its own set of potential challenges and rewards.

This publication comes in a global development context heavily focused on the importance of the private sector in achieving poverty alleviation, equitable growth, shared prosperity and other benefits laid out in the Sustainable Development Goals. Yet despite the abundant evidence of development benefits of FDI, the prospects for sustained global economic growth are clouded by the risks of trade and investment protectionism and other geopolitical pressures.

[World Bank Group, 2024, *The Role of Trade in Ending Poverty,* [World Bank Group](https://www.worldbank.org/en/topic/trade/publication/the-role-of-trade-in-ending-poverty)]

Living under $1.25/day often involves running a single-employee businesses, many of them owned and operated by women or working for an informal sector firm, without a social safety net when economic shocks occur. In many countries, a significant proportion of trade involves people crossing borders on a daily basis to sell goods and services. And it is in these places – at dusty border crossings where produce sits idle unless and until bribes are passed, where pitted roads are inadequate to the traffic they carry, where poor farmers are disconnected from market opportunities, and where civil and interstate conflict slows commerce – that transformations in trade can benefit the world’s poorest and most vulnerable people.

Transformation might be as simple as a new road.

“Before we had the new road, selling our products and sending our kids to school was very difficult,” said one Laotian farmer. “Now cars from nearby villages can reach our village. And we can sell our goods.”

These are among the findings of a report published jointly today by the World Bank Group and the World Trade Organization. The report, “The Role of Trade in Ending Poverty,” was presented by World Bank Group President Jim Yong Kim and WTO Director General Roberto Azevêdo at the WTO’s Fifth Global Review of Aid for Trade.

A dramatic increase in developing country participation in trade has coincided with an equally sharp decline in extreme poverty worldwide. Developing countries now **constitute 48 percent of world trade**, up from **33 percent in 2000, and the number of people living in extreme poverty has been cut in half since 1990**, to just **under one billion people**. Trade has helped increase the number and quality of jobs in developing countries, stimulated economic growth, and driven productivity increases,

But for the World Bank Group to achieve its Twin Goals of ending extreme poverty and boosting shared prosperity, the benefits of trade must be extended to the poorest and most vulnerable. This, in turn, requires a concerted effort by the international community working with the private sector and governments to establish and implement a comprehensive array of policies, programs, and financial interventions that will reduce the costs of trade and create a more transparent and predictable environment for regional and global commerce.

The extreme poor face numerous constraints that limit their capacity to benefit from wider economic gains. In this context, trade integration is important not only because of the boost to growth it can provide, but also because there is room for it be **executed in ways that more effectively overcome the constraints faced by the extreme poor.** A novel feature of this report is the link drawn between these challenges facing people living in extreme poverty and their capacity to benefit from trade, as a key driver of growth. The report describes four leading characteristics of the poor that have a particularly strong impact on their capacity to **extract the full potential benefits of trade: rural poverty; fragility and conflict; informality; and gender.**

Each of these four characteristics shapes the environment in which the extreme poor live, and constrains them from benefiting from trade opportunities. Poverty in many parts of the world — especially in Sub-Saharan Africa, where the challenge of ending extreme poverty is greatest — is a strikingly rural phenomenon. For the rural poor, trade and internal market barriers in agriculture present real challenges to benefiting from trade opportunities. More than half of the extreme poor live in fragile and conflict-affected areas (often dominated by revenues from high value minerals and other natural resources) and are less likely to be able to benefit from trade opportunities, even though export diversification by providing alternative livelihoods can be an essential pathway out of conflict. Poverty and informality often go hand in hand. Informal sector workers and the micro-enterprises that dominate the informal economy face particular challenges, and are vulnerable to sudden economic shocks.

Finally, **women are often at the forefront of poverty reduction, and trade has brought particular benefits for women in terms of jobs and empowerment.** However, women face specific constraints, both within and outside the household, which can make it difficult to participate in and gain from trade opportunities.

The report outlines actions in five areas to address these constraints:

Lowering trade costs for deeper integration of markets. **Trade facilitation – including implementation of the WTO Trade**

Facilitation Agreement – as well **as tackling other policy and infrastructure barriers** to goods and services trade **are critical to growth and poverty reduction**.

Improving the enabling environment. Trade openness itself and lowering trade costs is essential for delivering gains for the poor. A range of complementary policies helps maximize the gains of openness for the poor – including policies related to human and physical capital, access to finance, governance and institutions and macroeconomic stability. Strengthening the enabling environment can be done through innovative policy frameworks that improve consultation with the poor, and target their needs more carefully. To achieve this will require deeper cooperation across sectors, better coordination across government ministries and agencies and that a wider range of stakeholders work effectively together.

Intensifying the poverty impact of integration policies. Bringing a greater focus on **tackling remoteness from markets at the sub-national level, and facilitating the activities of poor and small traders, can help improve gains for the poor, especially in rural areas.** This also entails reforms to tackle costs generated by a lack of competition, and other sources of domestic costs. Promoting greater inclusiveness of women, and targeting the challenges they face as distinct from men, is central to efforts to intensify the poverty impact of integration policies.

Managing and mitigating risks faced by the poor. More focus is needed on managing the existing risks that poor people face that limit them from benefiting from trade opportunities when they arise. Effective risk management can be a powerful instrument for development, through **building poor people’s resilience to the effects of adverse events and also by allowing them to take advantage of opportunities for improvement.** Addressing any potential risks to livelihoods for the poor through trade-related adjustments is also important.

[World Bank Group, June 30, 2022, Accra Washington, *Free Trade Pact Could Lift Up to 50 Million Africans from Poverty*, [World Bank Group](https://www.worldbank.org/en/news/press-release/2022/06/30/free-trade-pact-could-help-lift-up-to-50-million-africans-from-extreme-poverty)]

Improving data and analysis to inform policy. The gaps in understanding of poverty, the nature of the informal economy, the participation of women in trade, and of the trade-related constraints in general that many countries face continue to be large. Better data is required for the design and implementation of effective policies to maximize the poverty reduction gains from trade.

Publication of the joint report is part of a broad effort by the Bank Group and WTO to support targeted policies designed to help integrate developing countries into the global economy.

The African Continental Free Trade Area (AfCFTA) **has the potential to bring significant economic and social gains for the region, leading to higher incomes, lower poverty, and faster economic growth, according to a new World Bank report done in partnership with the AfCFTA Secretariat.**

If fully implemented to harmonize investment and competition rules, **the trade pact could boost regional incomes by as much as 9 percent—to $571 billion. It could create almost 18 million more jobs, many of them higher-paying and better-quality jobs, with women workers seeing the biggest gains. By 2035, the resulting jobs and income growth could help up to 50 million people exit extreme poverty.**

The implementation of the trade agreement would also lead to larger wage gains for women and skilled workers. **Wages of female workers are expected to be 11.2 percent higher in 2035 as compared to the wage level without the agreement,** outpacing 9.8 percent growth of male workers’ wages.

The report, Making the Most of the African Continental Free Trade Area, extends the work done in 2020, when the World Bank initially assessed the economic potential of AfCFTA. As part of its first phase, which took effect in January 2021, the AfCFTA will gradually eliminate tariffs on 90 percent of goods and reduce barriers to trade in services. The new report, released today, examines the effects of the larger trade market on the continent’s ability to attract investment – both from within Africa and outside—and the resulting economic impact.

“**The AfCFTA comes at a critical time when regional cooperation is needed to navigate compounded risks and enhance the resilience of supply chains, to support green, resilient and inclusive growth in Africa,**” said Mari Pangestu,Managing Director for Development Policy and Partnerships, World Bank. “Countries must work together to make the AfCFTA a reality and reap its many benefits – including reducing barriers to trade and investment, enhancing competition, and ensuring markets function fairly and efficiently through clear and predictable rules.”

**The report discusses two scenarios to assess the benefits for a market of more than 1.3 billion people with a combined GDP of US$3.4 trillion.**

The key findings indicate that the AfCFTA has the potential to encourage greater foreign direct investment (FDI) required for Africa to diversify into new industries, such as agribusiness, manufacturing, and services, and reduce the region’s vulnerability to commodity boom-bust cycles. A deeper integration beyond trade and trade facilitation measures, that harmonizes policies on investment, competition, e-commerce, and intellectual property rights could boost market efficiency and competitiveness, reduce regulatory risks, and attract even more foreign direct investment. By 2035, this integration would increase incomes by **9 percent, or $571 billion, and create 18 million new jobs, with 2.5 percent of the continent's workers moving to new industries.** This would **expand the number of people leaving extreme poverty to 50 million.**

The report finds that **greater FDI could raise Africa’s exports up to 32 percent by 2035**, with **intra-African exports growing by 109 percent**, especially in the manufactured goods sectors. **All countries in Africa will see their intra-African exports increase, that includes Tunisia (165%), Cameroon (144%), Ghana (132%), Tanzania (126%), and South Africa (61%)**. **As barriers to trade and investment are reduced, export sectors likely to grow the most are textiles and apparel; chemical, rubber and plastic products; and processed foods.** Deeper integration would lower trade costs and boost capital inflows boosting exports from services sectors such as transport; communications and hospitality.

“Today Africa is one of the least integrated regions globally. African countries trade more with the outside world than with each other. The pact can help countries to simplify and harmonize trade and transit procedures, improve infrastructure, transport and logistics and spur the flows of goods, services, capital, and people that are so vital for development,” said Wamkele Mene,Secretary-General of the AfCFTA Secretariat.

To unlock these potential gains in trade, investment, and jobs, countries must first successfully conclude the negotiations and the treaty’s most ambitious goals must be carried out by each country. The report highlights several other areas countries could reform to amplify economic gains from trade.

[Brookings, February 23, 2024, Hippolyte Fofack, *The future of African trade in the AfCTA era*, [Brookings](https://www.brookings.edu/articles/the-future-of-african-trade-in-the-afcfta-era/#:~:text=World%20Bank%20estimates%20show%20that,between%20111%25%20and%20159%25.&text=The%20AfCFTA%20has%20brightened%20African%20trade%20and%20growth%20prospects).]

In a sign of the stickiness of the colonial development model of resource extraction—where African countries systematically exported raw materials and natural resources to European powers and imported value-added manufactured goods at higher prices—the round-tripping model, which has been responsible for huge foreign exchange reserve leakages and sustained balance of payments pressures, has persisted, even as Africa’s direction of trade has shifted eastward. According to most recent estimates, hydrocarbons dominate India-Africa trade, with refined petroleum and related products topping India’s total exports to Africa in 2022. In addition to huge foreign exchange reserve leakages, that colonial development model greatly exposes countries to recurrent adverse commodity terms of trade shocks largely responsible for the high frequency of balance of payments crises and the inexorable rise of external liabilities. And in a world of global value chains where trade is dominated by intermediate and manufactured goods with increasing technological content, it has contributed to a steady decline of African trade in relative terms. The region now accounts for less than 3% of global trade, down from about 5% in the aftermath of independence and notwithstanding the fact that its share of the world’s population has increased steadily to reach 17%. Furthermore, it has skewed the distribution of African trade towards extra-African trade—intra-regional trade has remained dismally low, at around 15% of total African trade, compared to 60% in Asia and 70% in Europe.3

However, the African Continental Free Trade Area (AfCFTA)—which establishes one of the largest free trade areas in the world with a market of 1.4 billion people and a combined GDP of USD 3.4 trillion could significantly transform Africa’s trade and economic landscape.4 The AfCFTA has been touted as a game-changer owing to its potential to significantly increase investment flows, with their composition and direction shifting away from natural resources towards labor-intensive manufacturing as corporations take advantage of economies of scale as well as competitiveness and productivity gains associated with the drastic reduction in the risk of investing in smaller markets.

World Bank estimates show that the AfCFTA could raise Africa’s exports to the rest of the world by 32% by 2035 and catalyze foreign direct investment, which is expected to increase by between 111% and 159%.6 The AfCFTA has brightened African trade and growth prospects. Leveraging its huge potential to transcend the colonial development model of resource extraction will help to accelerate the diversification of sources of growth and exports, propelling the region into a virtuous cycle of robust economic growth and a broader tax base that will strengthen Africa’s foundation of fiscal and debt sustainability.

The AfCFTA has brightened African trade and growth prospects. Leveraging its huge potential to transcend the colonial development model of resource extraction will help to accelerate the diversification of sources of growth and exports...

As corporations take advantage of competitiveness and productivity gains associated with increasing economies of scale under the AfCFTA, lithium-rich countries such as the Democratic Republic of Congo and Zambia will no longer export raw lithium but will instead integrate into global value chains of new energy vehicles as exporters of lithium batteries. Staying with the automotive industry, West African countries such as Liberia and Cote d’Ivoire will no longer be integrated into global value chains [only as providers of natural rubber](https://knoema.com/data/africa+foreign-trade-exports+natural-rubber), but instead as global hubs for tire manufacturing, diversifying the sources of growth and expanding employment opportunities. The future of African trade in the AfCFTA era is one in which commodity-based industrialization will become the continent’s modus operandi to foster vertical integration. But the future of regional trade is also one in which intra-African trade will become a more important component of total African trade to further enhance the resilience of the region to global volatility and negative shocks. Preliminary estimates show that intra-African exports would increase by 109%, led by manufactured goods, especially if the implementation of the AfCFTA is accompanied by robust trade facilitation measures, understandable in a region where the consequences of nontariff barriers—equivalent to an import tariff of 18%—have been just as costly for trade and endogenous growth as market fragmentation.789 But intra-African trade will also drive industrialization because manufactured goods dominate intra-African trade. So, as intra-African trade expands under the AfCFTA, so will industrialization, which will then drive operationalization of the commodity-based industrialization model. The economies of scale associated with the AfCFTA rationalizes the commodity-based industrialization model, which has the potential to transcend the debilitating colonial development paradigm of resource extraction and mitigate risks associated with the inherent long-term deterioration of commodity terms of trade that have been the bane of African economies for decades. But the AfCFTA must not be seen as a panacea to decades of economic regression, which has led to a steady decline of Africa’s share of global trade. Although necessary, it is not a sufficient condition for economic transformation and expansion of income-generating opportunities in a region where the colonial development model of resource extraction has consistently exported jobs to sustain Great Depression-era unemployment rates, which stand at more than 30% in Nigeria and perhaps even higher in other countries where informality has become a disguised form of unemployment. Realizing the huge potential of the AfCFTA hinges on implementing robust trade facilitation measures to increase efficiency and reduce the time and costs of African trade. At the same time, more should be done, including implementing the rules of origin, which are viewed as the industrialization passport that will enable made-in-Africa goods to circulate free of duty within the free trade area and hence fuel commodity-based industrialization.African governments should also invest aggressively to close their yawning gap in infrastructure (both physical and digital) and in human capital to improve the business environment and foster regional connectivity to sustain cross-border trade flows. Likewise, resisting the rush to bilateral trade deals which frequently lead to trade deflection and either weaken Africa’s voice at the global level or create dissonance is critical, especially for the continent which for far too long has been at the short end of the international trade negotiation stick. Finally, and perhaps the most challenging of all—considering the sheer number of countries that comprise the AfCFTA, the largest in the world by membership— speaking with one voice will be extremely important to strengthen Africa’s bargaining power in international trade negotiations and shift the boundary of fair trade to a more inclusive process of globalization. Speaking with one voice will also enhance the development of the robust regional value chains needed to effectively implement the commodity-based industrialization model that transcends the extremely costly and sticky colonial development paradigm of resource extraction.

[World Bank Group, June 30, 2022, *Free Trade Deal Boosts Africa's Economic Development*, [World Bank Group](https://www.worldbank.org/en/topic/trade/publication/free-trade-deal-boosts-africa-economic-development)]

The deal creates a continent-wide market embracing 54 countries with 1.3 billion people and a combined GDP of US$3.4 trillion. Its first phase, which took effect in January 2021, would gradually eliminate tariffs on 90 percent of goods and reduce barriers to trade in services. That could raise income by 7 percent, or $450 billion, by 2035, reducing the number of people living in extreme poverty by 40 million, to 277 million, according to a World Bank [report](https://www.worldbank.org/en/topic/trade/publication/the-african-continental-free-trade-area) published in 2020. A new World Bank study, released in collaboration with the AfCFTA Secretariat, accounts for the additional benefits that would accrue from an increase in foreign direct investment (FDI) – both from within and outside of Africa – that the deal is expected to generate. FDI is important because it brings the fresh capital, technology, and skills so badly needed to raise living standards and reduce Africa’s dependence on volatile commodity exports. In this scenario, real income would rise further, to about 8 percent in 2035, and the number of people living in extreme poverty would fall by 45 million.

The new report also models what would happen if the agreement is expanded, as planned, to harmonize policies on investment, competition, e-commerce, and intellectual property rights. Deeper integration in these areas would help build fair and efficient markets, improve competitiveness, and attract even more FDI by reducing the risks of shifting regulations and policies. This scenario would bring income gains of 9 percent by 2035 and reduce extreme poverty by 50 million. The report, [Making the Most of the African Continental Free Trade Area: Leveraging Trade and Foreign Direct Investment to Boost Growth and Poverty Reduction](https://openknowledge.worldbank.org/handle/10986/37623), is intended to be a guide for policy makers charged with carrying out the agreement. To maximize its benefits, the first step will be to conclude planned negotiations on investment, e-commerce, and intellectual property. The report also recommends building grass-roots support for and understanding of the agreement, simplifying red tape to encourage investment, and pairing the deal with a “complementary agenda” that includes training and advice for national trade ministries charged with supervising compliance and administration.

The AfCFTA promises broader and deeper economic integration and would attract investment, boost trade, provide better jobs, reduce poverty, and increase shared prosperity in Africa. Africa could see FDI increase by between 111 percent and 159 percent under the AfCFTA. Inflows of FDI attracted by the AfCFTA would bring jobs and expertise, build local capacity, and forge connections that can help African companies join regional and global value chains. The AfCFTA can bring higher-paid, better-quality jobs, with women seeing the biggest wage gains. Wages would rise by 11.2 percent for women and 9.8 percent for men by 2035, albeit with regional variations depending on the industries that expand the most in specific countries.

To make the most of the AfCFTA, African governments should conclude talks as planned and ensure the agreement covers investment and competition policy, intellectual property rights, and e-commerce. African governments should seek to build broad public support for AfCFTA and help businesses benefit from its provisions. Distributional impacts should be carefully monitored, and policies designed to provide social safety nets and programs for worker-retraining and job-switching.

If AfCFTA’s goals are fully realized, 50 million people could escape extreme poverty by 2035, and real income could rise by 9 percent. Under deep integration, Africa’s exports to the rest of the world would go up by 32 percent by 2035, and intra-African exports would grow by 109 percent, led by manufactured goods.

**Combating Terrorism In the Red Sea**

Somaliland has been able to combat terrorism in its own country (terror: Al Shabaab) without proper materials and counterterror units. This shows how international partnerships with Somaliland can help combat instability in the Red Sea.

[Combating Terrorism Center, November, 2019, Micheal Horton, *How Somaliland combats Al-Shabaab*, [West Point Somaliland](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/)]

Analysts and officials have made frequent predictions about the decline and demise of al-Shabaab over the years. However, the al-Qaeda-allied terrorist group has not only survived but continues to thrive in much of Somalia. On September 30, 2019, al-Shabaab launched attacks on two high-profile targets. It attacked a military base that hosts U.S. Special Forces soldiers at Balegdole in Lower Shabelle (southern Somalia), and then its operatives also targeted an Italian armored convoy carrying military advisers in Mogadishu. Both attacks failed. Al-Shabaab did not succeed in penetrating the outer defenses of the military base nor did they did injure or kill any of the military advisers.[2](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference2) However, both attacks demonstrate al-Shabaab’s ability to target extremely well-guarded sites and individuals.

Since 2006, when al-Shabaab began to coalesce as an organization, billions of dollars have been spent by the United States and the international community to fight the group.[3](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference3) The expenditure of vast sums of money and the eventual deployment of 22,000 soldiers by the African Union Mission in Somalia (AMISOM), however, have failed to defeat the organization.[4](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference4)

The key to al-Shabaab’s resiliency and its resurgence is two-fold. First, the failure of the Somali Federal Government to police and govern its territory consistently and effectively provides al-Shabaab with a high degree of operational freedom.[5](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference5) Second, al-Shabaab’s ever-increasing organizational competence allows it to out-govern the government and other armed factions in many parts of Somalia. This competence extends well beyond its war-fighting capabilities. While important, these are not as critical as the group’s ability to operate what is in effect a shadow government that is often more effective, efficient, and predictable than the Somali Federal Government.[6](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference6)It is the presence of this often efficient shadow government, far more than its armed operations or ideology that arguably allows al-Shabaab to maintain its influence across much of Somalia.

Notably, al-Shabaab has failed to establish an enduring foothold in the unrecognized Republic of Somaliland. There, the government of Somaliland exerts consistent control over most of the territory that it claims. Al-Shabaab has not launched a large-scale attack in Somaliland since 2008 when it struck the presidential palace, the Ethiopian consulate, and UNDP offices in Hargeisa, Somaliland’s capital.[7](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference7) The reasons for al-Shabaab’s failure, at least so far, to establish a foothold in Somaliland are due in large part to the Somaliland government’s ability to disrupt al-Shabaab’s attempts to insert itself and its operatives into communities where it could then establish its shadow government.[b](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#referenceb) This ability is predicated on the Somaliland government’s fostering of a virtuous circle. This virtuous circle begins with effective, locally derived governance that supports broad community buy-in.[8](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference8) This then provides the critical human intelligence (HUMINT) that allows the government to combat militancy. This capacity to combat militancy contributes to the security and governance that yields the broad support that allows the circle to perpetuate itself.

In Somalia, on the other hand, it is uneven, unpredictable, and often corrupt governance that gives al-Shabaab the space it requires to operate so effectively.[9](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference9) Al-Shabaab, much like the Taliban in Afghanistan, mixes brutality with efficiency and predictability to secure the support—often through fear and terror—required to survive and thrive in many parts of Somalia. The government of Somaliland understands this, and despite severe limitations on its national budget, it has largely managed to thwart al-Shabaab’s efforts to expand its influence in the territory that it controls. However, Somaliland faces a growing list of challenges that include stalled governmental reforms, refugee and migrant inflows from Yemen and Ethiopia, climate change, and worryingly high youth unemployment. It is in Somaliland’s relatively undeveloped and less well-governed border areas where its efforts to counter al-Shabaab are most in danger of being compromised and overwhelmed.

Somaliland, which declared its independence from Somalia in 1991, has spent nearly three decades building its capacity to govern. The former British protectorate was briefly independent in 1960 before it joined with what was Italian Somalia. Almost immediately after its union with Somalia, friction arose between Hargeisa, the capital of Somaliland, and Mogadishu over the centralization of power and other issues. These tensions only increased with the rise of Siad Barre, Somalia’s president turned dictator. The Somali National Movement (SNM) was formed in 1981 with the goal of overthrowing Barre. The SNM was most active in northern Somalia where Barre launched a brutal war that resulted in the deaths of an estimated 50,000 to 100,000 civilians.[10](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference10)

After Barre was overthrown in 1991, the SNM was instrumental in Somaliland’s decision to declare its independence. Many of the leaders of the SNM went on to play important roles in what was to become the government of Somaliland. The formation of the government of Somaliland was fraught in its early years as officials grappled with clan and inter-clan rivalries, the disarmament of militias, and the creation and formation of the structures of governance. However, by 2003, Somaliland had transitioned to a multi-party democracy that has subsequently held parliamentary elections and has elected three presidents.[11](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference11)

Somaliland has adopted a kind of hybrid government that is very much of its own making. Clan elders continue to play formal and informal roles in governance and are represented in Somaliland’s upper house of parliament, the Guurti. It is this hybrid form of government and the fact that Somaliland has had to contend with little outside interference that have most contributed to its relative stability.[12](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference12) However, Somaliland, just like Somalia, has battled and continues to combat the pernicious threat of al-Shabaab and, more generally, militancy.

Between 2003 and 2004, jihadis murdered four foreign aid workers in Somaliland—an Italian nurse (2003), two British teachers (October 2003), and a Kenyan aid worker (March 2004).[13](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference13) The attacks prompted the government of Somaliland, with some assistance from the United Nations and United Kingdom, to create the Special Protection Unit (SPU), a police force tasked with protecting foreign organizations in its territory and those who work for them. At the same time, Somaliland began to build up its intelligence-gathering capabilities in response to the increased threats from militant groups.[14](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference14)

On October 29, 2008, suicide bombers launched coordinated attacks on three targets in Hargeisa and one in the neighboring semi-autonomous Puntland State of Somalia. In Hargeisa, the presidential palace, Ethiopian consulate, and UNDP offices were all bombed, leaving 25 dead.[15](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference15) While al-Shabaab never claimed credit for the attacks, U.S. authorities and officials in Somaliland blamed the group and al-Qa`ida for the attacks.[16](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference16)

For officials in Somaliland, the attacks were a wake-up call. It was after these attacks that the government began to focus more of its limited resources on local governance, counterterrorism, and community-driven intelligence initiatives.[17](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference17) Officials within the executive branch and the ministries of interior and defense recognized that they had been lulled into a false sense of security by the relative stability that Somaliland had enjoyed since 1997. Efforts to strengthen local and district governance and to build ties between these communities and the police and military were redoubled following the 2008 bombings.[18](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference18)

The link between effective, predictable, and reliable governance—especially at the local level—and counterterrorism efforts was recognized at the most senior levels of government. To that end, the government of President Dahir Riyale Kahin focused on formalizing and funding—to the extent possible at the time—government structures from the community level up to the district level. Each substantive village in Somaliland has a community leader who may also be a clan elder. The community leader, in turn, answers to authorities at the district level who are accountable to regional officials. The structure for local governance has existed since 2002, though much of it was informal and inadequately funded.[19](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference19)

At the same time that these structures were being formalized after 2008, efforts were underway to build up Somaliland’s capacity for gathering and acting on intelligence. Local buy-in and participation were fundamental to this effort and were encouraged through more responsive governance. Even community leaders can gain access to officials at the national level if they feel they have not received an adequate response from district- and regional-level authorities.[20](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference20) While this closeness is at times problematic since it subverts the chain of command, it does facilitate swift responses and the rapid collection and dissemination of human intelligence.

Accurate, rapid, and actionable HUMINT is Somaliland’s force multiplier in its war against al-Shabaab and other militant groups. Somaliland has no air force, no helicopters, and no drones, and its police and military struggle with minimal budgets that are not likely to increase.[c](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#referencec) Somaliland already spends an estimated 35 percent of its national budget on its security services, police, and military.[21](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference21) Somaliland’s army is small with an estimated total force of under 8,000 soldiers.[22](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference22) The Somaliland police field a nationwide force of under 6,000 men and women. Housed within the police force are the Special Police Unit (SPU), which guards foreign organizations and those who work for them, and the Rapid Response Units (RRU), which are dedicated counterterrorism forces. The Somaliland Police and the SPU have and continue to receive aid and training from the United Kingdom.[24](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference24) The Somaliland military and coast guard also receive some aid and training from the United Kingdom and the European Union.[25](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference25)

In 1992, in response to the civil war in Somalia, the United Nations imposed an open-ended arms embargo on the country that is still in place. Since the United Nations considers Somaliland to be a part of Somalia, it cannot import weapons or materiel that might be used for kinetic operations. This means that Somaliland’s army and police forces suffer from acute shortages of critical equipment. Communications equipment is in particularly short supply.[d](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#referenced) Recruits to Somaliland’s police and army are required to supply their own personal weapon or purchase one before enlisting.[e](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#referencee) This is partly due to budget constraints and the embargo and partly a means of removing small arms from general circulation.[26](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference26) Despite these shortages and budget constraints, Somaliland’s police and army have proved themselves to be effective at combating al-Shabaab.

One of the keys to their success are the formal and informal intelligence gathering capabilities of Somaliland’s National Intelligence Service (NIS) and the army’s and police’s own intelligence officers.[f](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#referencef) Informal intelligence gathering networks are extant throughout Somaliland where they are nested within local communities. Formal networks led by officers from the NIS, army, and police exist alongside and in conjunction with the informal networks that act as early detection systems or tripwires.[27](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference27)

Somaliland employed a similar approach with its anti-piracy efforts during the period of 2007-2010, when the threat from pirate gangs was at its most pronounced. Somaliland’s coast guard set up observation posts along its 528 miles of coastline. However, given the distances and its limited resources, the coast guard could only actively monitor limited portions of the coastline. To overcome this, the coast guard, in conjunction with local police, trained and deputized coastal residents as shoreline monitors. These citizen monitors were given cellphones if they did not have them and numbers to phone to report suspicious activity.[28](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference28) The low-cost program, which continues to operate, proved effective. To date, there have been no recorded acts of piracy originating from Somaliland’s coast. However, much like its counterterrorism efforts, Somaliland’s under-resourced coast guard faces growing challenges. The coast guard is largely unable to patrol the coastal areas near Puntland. Consequently, both al-Shabaab and ISS use small vessels to move men and materiel into Somaliland from small ports in Puntland.

Somaliland’s broader intelligence effort was largely modeled on its anti-piracy program.[29](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference29) Citizen monitors and field officers report suspicious persons and activity to designated officials or community leaders.[30](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference30) When a possible or confirmed threat is detected and reported, the authorities decide whether to set up surveillance or to bring the suspected individual or individuals in for questioning.[g](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#referenceg) If the threat detected warrants it, authorities dispatch either the police or an RRU to apprehend suspects. By and large, the response by authorities is swift and measured.[31](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference31) The level of trust between many citizens, their community leaders, and the police is such that it is not unheard of for relatives to inform authorities on a family member that they fear may be subject to recruitment by al-Shabaab.[32](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference32)

It is this quick, generally reliable, and targeted response that helps secure citizen participation. Somaliland’s efforts to combat al-Shabaab hinge on citizen participation and the HUMINT this provides.[33](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference33) If trust is lost or if authorities fail to respond in measured and accurate ways, then the virtuous circle breaks down and al-Shabaab gains a point of entry, whether that be with an individual or an entire community.

It is these points of entry that al-Shabaab is expert at detecting. While al-Shabaab has not successfully launched a large-scale attack in Somaliland since 2008, the organization has operatives and informants in both urban and rural Somaliland.[34](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference34) Since 2008, Somaliland’s intelligence service, working with the police and army, has prevented at least three attacks al-Shabaab was attempting to orchestrate. The attacks were disrupted due to the human intelligence that was collected by formal and informal networks.[35](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference35)

This is no easy feat given that al-Shabaab’s own intelligence and security apparatus, the Amniyat, is highly capable.[36](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference36) In Somalia, the Amniyat has agents and informers in most, if not all, of Somalia’s various ministries and security services.[37](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference37) Al-Shabaab devotes considerable resources to the Amniyat and its operatives and officers are drawn from the most capable and best educated recruits.[38](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference38) Over the last five years, al-Shabaab has worked to further professionalize, formalize, and expand the Amniyat.[39](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference39) Within the Amniyat there are compartmentalized units that are tasked with internal security and with identifying individuals and communities that might be vulnerable to being recruited by al-Shabaab.[40](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference40) Amniyat operatives also identify areas and communities where clan and inter-clan rivalries can be exploited and leveraged by al-Shabaab.[41](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference41) Just like the government of Somaliland, al-Shabaab recognizes that HUMINT and the deep socio-cultural understandings that should inform it, are fundamental to its success.

As part of its efforts to out-maneuver and combat al-Shabaab, the government of Somaliland looks to identify areas where clan conflict is likely. To do this it uses many of the same networks that it relies on to detect suspicious activity and persons. Authorities within the government and the NIS recognize that clan and inter-clan conflict are readily exploited by al-Shabaab in both Somalia and Puntland.[42](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference42) Therefore, detecting and mitigating conflict in Somaliland is a core part of the Somaliland government’s counterterrorism efforts. To this end, the government tailors local governance and policing to particular areas. In some areas where it is deemed beneficial and necessary, the government makes use of less formal and more traditional forms of governance.[43](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference43) A failure to respect clan and inter-clan politics as well as traditional seats of power can be just as problematic as an absence of governance.

Balancing effective and active state governance with respect for traditional authority is difficult. The struggle to find this balance was best captured by the author and British officer Gerald Hanley who served in Somaliland and Somalia during World War II. When Hanley asked a Somali man what he wanted most, the man responded, “to be well governed but to be left alone.”[44](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference44) For Somaliland, finding this balance means employing its hybrid form of government, which combines traditional power structures and authority with representative democracy. This hybrid government is a key part of Somaliland’s battle against al-Shabaab. It helps Somaliland diffuse and mitigate conflict while keeping the government close to the people it governs.

Facing Down al-Shabaab and the Islamic State in Somalia (ISS) in its Borderlands

The government of Somaliland exerts control over most of its territory. The Borama-Hargeisa-Berbera-Burao area, which includes Somaliland’s largest cities, is relatively safe and secure.[45](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference45) However, Somaliland’s border with Puntland and the eastern reaches of its territory are vulnerable to infiltration by al-Shabaab and, to a lesser degree, the Islamic State in Somalia (ISS). It is here that Somaliland’s police, army, and intelligence service are being most severely tested.[46](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference46)

Al-Shabaab and ISS, which are also battling one another, have identified these borderlands as the soft underbelly of Somaliland.[47](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference47) It is in these border areas and the Cal Madow Mountains, which form part of Somaliland’s border with Puntland, that communities are most vulnerable to infiltration by al-Shabaab and ISS.

While much of Somaliland has enjoyed economic growth, the states of Sanang and Sool, which abut the border with Puntland, remain largely undeveloped. In addition to limited investment, the border between Somaliland and Puntland is contested by Puntland.[48](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference48) The government of Somaliland bases its border on the one demarcated by British authorities when Somaliland was a British protectorate.[49](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference49)

The border runs through lands claimed by the Warsengeli and Dhulbahante sub-clans as well as the Majerteen sub-clan. The Warsengeli and Dhulbahante sub-clans, which are spread across the Somaliland regions of Sool and Sanaag, do have members and clan elders in the government of Somaliland. However, grievances and claims of underrepresentation in the government of Somaliland by these sub-clans have helped fuel tensions in both Sool and Sanaag.[50](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference50)

This combination of uneven governance, clan tensions, and a lack of economic development all make the communities in these borderlands ideal targets for al-Shabaab and ISS. This is particularly the case in the Cal Madaw mountain range. The mountains are largely inaccessible by road and they offer year-round springs and ample grazing. The mountains also allow militants easy access to isolated beaches along the Gulf of Aden. Many of these beaches offer excellent landing sites for small boats and skiffs.[51](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference51) Al-Shabaab and ISS both maintain strongholds in Puntland where they frequently use small craft to move men and materiel up and down the coast of Puntland and into Somaliland.[52](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference52) [h](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#referenceh)

In parts of the Cal Madaw mountain range and Garof Hills, the police and army are engaged in a bitter battle with al-Shabaab,

and, to a lesser degree, with ISS.[53](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference53) The government of Somaliland is trying to implement its virtuous circle in the mountains and in the border areas, but it is struggling with a lack of resources and two determined foes. While al-Shabaab is the most active group in both the mountains and along the border, ISS has also set up small semi-permanent camps in the mountains.[54](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference54) Both groups know that Somaliland’s police and army do not have the required resources to police the mountains.

Consequently, both groups have established themselves in the parts of the mountains that border Puntland. Here, they move back and forth between Somaliland and Puntland largely at will. Both groups are also trying to build ties with local communities in these areas.[55](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference55) Due to its deeper pockets, numerical superiority, and far better developed organizational structure, al-Shabaab poses the greater threat. In parts of the Cal Madaw that abut the border with Puntland, al-Shabaab has covertly and overtly funded madrassas, the rehabilitation of water catchments, and has also bought livestock for those who lost their herds due to recent droughts.[56](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference56)

It is in the borderlands that Somaliland’s virtuous circle is under strain. Here, HUMINT is especially critical given the inaccessibility of much of the area. Yet, in these borderlands, Somaliland is struggling to compete with al-Shabaab with respect to governance and the delivery of basic services, both of which are vital to securing the kind of broad community buy-in that leads to the provision of timely and actionable HUMINT. Somaliland’s lack of air assets and a limited number of off-road vehicles means that police and army units are often unable to quickly follow up on the intelligence they do receive.[57](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference57) This in turn dissuades many who might contribute to the government’s efforts to combat al-Shabaab since there is no guarantee that there will be a response. If Somaliland fails to implement the virtuous circle that has served it well in other parts of the country, al-Shabaab and even ISS may be able to take full advantage of the vulnerabilities that exist in Somaliland’s border areas. This, in turn, might well allow them to move north.

The case of Somaliland demonstrates what can be done when a government works closely with its citizens to combat militancy. The case of Somaliland also shows the critical importance of HUMINT. Somaliland has steadily built up its capacity to govern despite the limitations imposed on it by its non-recognized status. However, as is evidenced in the borderlands, the government is butting up against some of these limitations. It is there that Somaliland’s capacity to govern is less well-developed. Consequently, al-Shabaab, and, to a lesser degree, ISS are concentrating their efforts on these areas. It is unlikely that al-Shabaab or ISS will be able to move from these areas to other parts of Somaliland over the near or medium term. The government of Somaliland enjoys significant public support, support that will not be easily eroded or co-opted.[58](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference58)

However, Somaliland’s stability and security should not be taken for granted. As is evidenced by al-Shabaab’s recent attacks on hardened targets in Somalia, the militant group is highly capable, and it is steadily enhancing these capabilities. This is especially the case with respect to its intelligence and infiltration capabilities.[59](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference59) In Somalia, al-Shabaab benefits from and readily exploits uneven and frequently corrupt governance. Al-Shabaab’s ability to out-govern the federal government in many parts of Somalia, far more than its military capabilities, is what gives al-Shabaab the advantages that it enjoys.[60](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference60)

Somaliland faces numerous challenges going forward. Its unrecognized status puts great pressure on its national budget since it cannot receive international loans, and many international investors remain wary due to the legal limbo of non-recognition. Somaliland is also grappling with climate change and a youth bulge. Youth unemployment in Somaliland exceeds 70 percent.[61](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference61) Somaliland must also contend with the fallout from the war in neighboring Yemen. It is now home to more than 25,000 Yemeni refugees, in addition to an estimated 100,000 Ethiopian migrants and refugees.[62](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference62) The war in Yemen has also led to a dramatic increase in weapons trafficking as small and medium arms make their way out of Yemen to the Horn and other parts of East Africa where prices are much higher than in Yemen.[63](https://ctc.westpoint.edu/somaliland-combats-al-shabaab/#reference63)

So far, al-Shabaab has had little success with gaining support or establishing itself in Somaliland’s territory. However, without well-targeted and appropriate international assistance, the virtuous circle that Somaliland relies upon to fight militancy could be compromised. What is certain is that al-Shabaab will seize on the opportunities that any instability—even if localized—might provide.

The Red Sea has increasingly became more instable by the month, allowing for more trade losses and trade impacts to many countries. If the Red Sea is lost to terror groups, vital trade could be cut off from countries that rely on it for commerce growth.

[Universidad de Navarra, February 16, 2024, Andrea Kuoman, *Red Sea on edge: Houthi attacks disrupts vital shipping routes*, [Universidad de Navarra](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes)]

The Red Sea, an essential conduit for international commerce, is becoming more susceptible to assaults perpetrated by Yemen's Houthi insurgents. The targeting of commercial vessels in these attacks has raised concerns about the safety of the region's maritime activities and presents substantial risks to global supply lines.

The military retaliation to Hamas' invasion in Israeli territory on October 7, 2023, has thrust the previously unknown Houthis of Yemen into the spotlight. Their harassment to international maritime business in the Red Sea has raised global concerns about the safety of the region's marine activity and presents considerable hazards to global supply chains.

The Houthi movement is a Zaidi religious and political group based in Yemen. The Houthis identify themselves as 'Ansar Allah', or supporters of God; They are commonly known by the name of their founder, Hussein al-Houthi. [[1]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn1) Originating from a small Shia Muslim sect in northern Yemen, they gained prominence as an insurgent faction engaged in armed conflict against the regime of Yemeni dictator Ali Abdullah Saleh during the 1990s. The movement was profoundly radicalized by the American invasion of Iraq in 2003, as were other Arab groups. In response to the US-led invasion of Iraq, the Houthis embraced the slogan: “God is great; death to the US; death to Israel; curse the Jews; and victory for Islam.” [[2]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn2) This was a pivotal moment that went mostly unnoticed beyond Yemen, yet another unforeseen outcome of US military actions in Iraq. Saleh was ultimately overthrown during protests related to the Arab Spring in 2012, and the Houthis capitalized on the resulting power vacuum to capture the capital, Sana'a, in 2014. Since that year, Yemen has been embroiled in a violent civil war, with the Houthis—who get substantial financial and military backing from Iran— [[3]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn3) battling against Yemen's internationally recognized government and a coalition commanded by Saudi Arabia (backed by the United States).

The war has been going on for almost a decade and has resulted in the death of over 377,000 individuals, according to the United Nations. [[4]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn4) The majority of these deaths were caused by starvation, contaminated water, and inadequate medical care, all of which were exacerbated by the ongoing fighting. The level of violence decreased after a ceasefire was negotiated by the United Nations in 2022.

At present, the Houthis have dominion over around one-third of Yemen's land, including the capital city, and between 70% to 80% of its population, despite which they lack recognition from the international community as the legitimate government of Yemen. [[5]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn5) The recent incidents in the Red Sea illustrate that the conflict in Yemen is not confined to the country exclusively. The intervention of the Houthis in the Red Sea in support of Hamas destabilizes the region and threatens with an extension of the war between Israel and the Palestinian group.

The Red Sea is a crucial maritime choke point characterized by two narrow passages: the Suez Canal in the north, located in Egypt, and the Bab el-Mandeb Strait—20 miles wide at its narrowest point and currently the epicenter of Houhtis' attacks— , situated between Yemen and Djibouti on the eastern coast of Africa; Estimates indicate that around 12% to 15% of global trade passes through this specific sea route, accounting for approximately 30% of the overall global container traffic. [[6]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn6) Additionally, around 7% to 10% of the worldwide oil supply and 8% of liquefied natural gas (LNG) are conveyed along the same waterway. After the Hamas attacks on October 7 and the subsequent Israeli military operation in Gaza, Iran-supported armed factions in the region, commonly known as the 'Axis of Resistance,' including the Houthis, Hezbollah in Lebanon, [[7]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn7) and various militias in Iraq and Syria have intensified their assaults on both Israel and US military installations. [[8]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn8)

Houthi attacks

Among all these factions, the Houthis' activities in the conflict have been particularly bold, mostly due to their considerable geographical distanc e from the current battleground. The Houthis have been consistently launching ballistic missiles towards Israel, which is located over 1,000 miles away from Yemen. In October, they officially declared hostilities against Israel and launched a small number of missiles into Israel's Port of Eilat. [[9]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn9) All missiles launched from Yemen have been successfully intercepted by Israel's Arrow missile defense system or by US naval forces in the Red Sea. The Houthis have also previously launched missile attacks on targets located in Saudi Arabia and the United Arab Emirates. [[10]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn10)

The Houthis assert that the attacks are a demonstration of their solidarity with Hamas, their Palestinian counterpart. [[11]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn11) In mid-November, as it became evident that they lacked the necessary missiles to directly harm Israel, the Houthi rebels shifted their focus to targeting ships that were passing via the Bab el-Mandeb Strait and the Red Sea. Houthis' tactics have involved firing ballistic missiles and drones against maritime traffic in the Red Sea, as well as forcibly boarding and taking control of ships through the use of helicopters and speedboats.

On November 19, for example, heliborne Houthi rebels forcibly boarded and took control of the 'Galaxy Leader,' a ship that is partly owned by an Israeli businessman. [[12]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn12) After the interception, the Bahamas-flagged vessel was taken to the port of Hodeidah, which is under the authority of the Houthi group. The 'Galaxy Leader' was held off the coast of Yemen, with its crew held captive and only allowed modest contact with their families. [[13]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn13)

Subsequently, throughout the month after, the Houthis carried out a minimum of 100 assaults of varying severity against 12 different commercial ships in the Red Sea, most of which have little or no direct affiliation with Israel. [[14]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn14) Several of these Houthis attacks have showcased remarkable technological innovation, potentially marking the first deployment of an anti-ship ballistic missile in combat by any armed force. [[15]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn15) These high-altitude and fast speed missiles have the capability to substantially extend the range at which military forces can attack adversary vessels while rendering many current defense systems obsolete. The Houthis possess two types of large anti-ship ballistic missiles, the 'Asef' and the 'Tankil,' both, probably, an adaptation from pre-existing Iranian designs. [[16]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn16) Notwithstanding, the models used by the Houthis appear to have a relatively lower level of sophistication compared to those tested by nations such as China in the South China Sea. [[17]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn17)

Trade disruption

To avoid the Bab el-Mandeb Strait, the Red Sea and the Suez Canal, shipping companies have opted for the alternative route via the Cape of Good Hope which increases the length of the voyage from Asia to northern Europe and the eastern Mediterranean to 11,800 nautical thousands in a 36-day journey, adding 3,000 nautical miles and 10 days, respectively, by disrupting the initial shortest shipping chain connecting Shanghai, China, to the Dutch port of Rotterdam. [[18]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn18) This long swing around Africa became practically obsolete with the opening of the Suez Canal over 150 years ago.

The majority of the world's leading container-shipping corporations, [[19]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn19) such as Maersk from Denmark, Hapag-Lloyd from Germany, and Cosco from China, have ceased transporting goods via the Red Sea. Even BP, the oil firm, is doing the same. [[20]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn20) Approximately 7 million barrels of oil are typically transported across the ocean on a daily basis. [[21]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn21) Despite this, there are ships still navigating through the Red Sea but the VesselFinder tracking site demonstrates that a significant number of them have activated their transponders to signal the presence of armed guards on board. [[22]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn22)

The route has seen disruptions in the past, particularly in 2021 when the container ship 'Ever Given' ran aground in the Suez Canal, resulting in a week-long obstruction of commerce. [[23]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn23) Nevertheless, the present disturbance has the capacity to endure for a significantly extended period, resulting in considerably serious repercussions.

This crisis has occurred at an inopportune moment for the global shipping industry, which is in the midst of a slump due to

stagnant global industrial output and the return of consumer demand to pre-pandemic levels. [[24]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn24) Shippers are concerned not just about the potential danger to their ships, cargo, and personnel, but also the expenses associated with insuring against such risks. The insurance companies have increased the war risk premiums for ships in the Red Sea from approximately 0.07% of a ship's value in early December to approximately 0.5% in Jauary. [[25]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn25) If these premiums continue to increase, the cost of shipping in the Red Sea could become excessively expensive, especially given the high value of oil tankers, which can be worth hundreds of millions of dollars.

Estimates from the freight platform Xeneta indicate that each round trip on the longer voyage will result in an additional fuel cost of up to $1 million. [[26]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn26) Retailers and manufacturers will likely transfer the increased expenses to customers, perhaps leading to an increase in inflation during an extended period of cost-of-living crisis.

Oil prices have experienced an uptick after a downward trend over the past two months due primarily as a result of reduced demand from major consumers like China. [[27]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn27) Markets have recorded a recent increase of over $1 per barrel [[28]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn28) ; Following BP's announcement to suspend its liquefied natural gas exports to the Red Sea, European natural gas prices have also experienced a 7% jump. [[29]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn29)

Furthermore, the disruption occurs during a period when numerous European economies have had to increase their reliance on shipborne oil and natural gas, much of which originates from the Middle East [[30]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn30) , to reduce their dependency on Russian pipelines following Putin's invasion of Ukraine. For instance, Italy [[31]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn31) , France [[32]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn32) , and the Netherlands [[33]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn33) have all signed long-term LNG contracts with Qatar in October this year. This move highlights the growing value of Qatar [[34]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn34) as a major gas supplier in the future and the vital trading pathway for LNG from the Arabian Peninsula to Europe. Concurrently, Russia has increased its own oil exports [[35]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn35) to India, China, and other Asian markets and a considerable amount of this oil is transported via ships across the Red Sea as well. Therefore, the Red Sea oil traffic has increased by 140% due to the redirection of charges. Certain nations, notably the cash-strapped government of Egypt, [[36]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn36) may experience a direct effect. Egypt generates almost $9 billion a year from fees collected for the transit of ships via the Suez Canal. But given the complex and interconnected system of global trade facilitated by maritime shipping, it is certain that other countries, including Jordan and Saudi Arabia, will also experience indirect consequences. However, the impact on the Israelis will be minimal as their primary ports are situated along the Mediterranean coastline.

Considering that the Houthis are not actively engaging in attacks on Israeli ships and that only a small fraction of approximately 5% of Israel's trade relies on the Red Sea, [[37]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn37) it is possible that their motivation for such actions is to enhance their domestic reputation and position themselves as the authentic defender of the Arab population. This strategy aims to improve their standing not only among the Yemeni public but also among other Arab groups, who are generally dissatisfied with their leaders' hesitancy to respond to Israeli actions. But more importantly, their main aim is to force the international community to withdraw its support for Israel and to bring the Palestinian cause to the forefront.

US reaction

To respond to this growing challenge to global stability, the US Defense Secretary Lloyd Austin, on December 18th, announced Operation 'Prosperity Guardian,' [[38]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn38) a multinational naval operation under the umbrella of the Combined Maritime Forces and the leadership of its Task Force 153, consisting of 10 nations aimed at safeguarding maritime transportation in the Southern Red Sea, Bab-el-Mandeb and Gulf of Aden.

Ships from the United States, France, and Britain in the area have been effectively intercepting and destroying numerous drones operated by the Houthi group; Greece and Australia have also become members of the coalition, together with Bahrain and the Seychelles, bringing the coalition up to 20 members, some of which have agreed to contribute with a limited amount of personnel. [[39]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn39)

Notably, some European nations like Spain, Italy, and France, have declined the US' request for their ships to be placed under the direction of the US Navy while deployed in the operation. [[40]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn40) Western countries are facing increasing demands to enhance their efforts in safeguarding international shipping. Yet, Austin added that at least eight participating countries have chosen not to be identified publicly.Spain has stated that it will only consent to a military mission under the leadership of NATO or the European Union. [[41]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn41) The Italian frigate 'Virginio Fasan' will continue to be stationed in the region, but it is not going to participate in Operation 'Prosperity Guardian.' France is currently involved in the situation, but it has made it clear that it will not allow its ships to be placed under the direction of the United States. Therefore, the specific size and operational procedures of this task group remain uncertain.In response to the coalition, Mohammed Ali al-Houthi, a high-ranking leader of Yemeni Ansar Allah, has announced that Yemen will direct its attacks at the ships of nations that have joined the US-led naval coalition against Yemen in the Red Sea [[42]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn42) The Houthis remain unperturbed by the formation of the new task force; as expressed by a spokesperson, “Our war is a moral war, and therefore, no matter how many alliances America mobilizes, our military operations will not stop.” [[43]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn43)Alongside the establishment of the new task force, the United States has deployed the 'Dwight D. Eisenhower' carrier strike group to the vicinity of Yemen's waterways with the intention of bolstering a potential subsequent American reaction to the strikes. More recently, the Biden administration and its allies issued a warning that there would be consequences to the non-stop attacks by the Houthis. On January 11, US and British warplanes, ships, and submarines carried out numerous airstrikes against Houthi forces in Yemen. According to the Pentagon, the joint US-British attack has significantly diminished the Houthis' ability to carry out attacks, particularly intricate operations similar to the ones they executed earlier this week. [[44]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn44) The US military reported that it successfully targeted 60 objectives across 28 different locations, employing over 150 ammunition. President Joe Biden affirmed that the strikes will persist “as necessary” in order to protect the free movement of global trade. [[45]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn45)

Following January 11, the Houthis have persistently launched missiles against ships on an almost regular basis. [[46]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn46) On January 14, the US Navy successfully shot down a Houthi anti-ship cruise missile in the vicinity of the coast of Hudaydah with no injuries or damage. [[47]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn47) Although it failed to hit its intended target, the missile effectively fulfilled its objective by maintaining heightened tensions and deterring Western vessels heading to Israel. However, the United States' capacity to consistently intercept missiles is far from certain: on January 15, a Houthi missile effectively struck an American-owned container ship in the Gulf of Aden. [[48]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn48) ​​Consequently, the Houthis have already achieved their goal of causing economic harm to Israel, while simultaneously undermining the efforts of President Biden and British Prime Minister Rishi Sunak to restore deterrence.

Mohammed Abdulsalam, the chief negotiator for the Houthis, stated that the group's stance remained unaltered following the strikes conducted by the United States. He also suggested that the strikes will persist against vessels en route to Israel by highlighting that their position on the events in Palestine “has not changed and would not change, neither after the strike nor after the threats.” [[49]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn49)

Over the past two decades, the United States has conducted hundreds of drone strikes on suspected terrorist targets in Yemen. [[50]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn50) Notwithstanding, this could mark a major shift in direction for the Biden administration because in 2021, the US government initially suspended assistance to the Saudi-led coalition in Yemen as one of its first foreign policy actions and has also been reducing the extent of the US drone warfare. [[51]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn51)

Furthermore, China, which has a military installation in Djibouti and relies heavily on importing oil from the Middle East and shipping consumer goods to Europe by sea, has not figured as a key stakeholder in the conflict. Although Hong Kong-flagged vessel 'Maersk Gibraltar' has been among those attacked. [[52]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn52) Beijing has shifted to a more proactive stance in the political affairs of the region. This includes facilitating a historic diplomatic agreement between Saudi Arabia and Iran earlier this year. [[53]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn53)

Despite the US and Chinese navies having previously collaborated together in the region, such as in combating Somali piracy a decade ago, the current geopolitical tensions between the two nations is significantly elevated. [[54]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn54) Contrary to Beijing's participation in the multinational task force, the Pentagon has accused Chinese navy warships of disregarding a distress signal from an Israeli-owned tanker that was attacked in late November. [[55]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn55)

Another country that is absent is Saudi Arabia, which is particularly unexpected considering its long-standing confrontation with the Houthis. But Saudi leaders, who have recently been making efforts to distance themselves from the violent and expensive Yemen conflict and have facilitated multiple rounds of peace negotiations with the Houthis, have allegedly urged the US to show restraint in its response to the attacks on shipping. [[56]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn56)

In addition, the Iranian government has explicitly stressed that it does not intend to directly intervene with its own military forces. Iran's Supreme Leader Ayatollah Ali Khamenei informed Hamas leader Ismail Haniyeh that Tehran will not participate in the battle against Israel because they were not informed in advance of their destructive terrorist attack on October 7. [[57]](https://www.unav.edu/web/global-affairs/red-sea-on-edge-houthi-attacks-disrupt-vital-shipping-routes#_ftn57)

[AP News, January 18, 2024, Paul Wiseman and Mae Anderson, *Attacks on ships in the Red Sea are disrupting global trade. Here’s how it could affect what you buy,* [AP News](https://apnews.com/article/red-sea-houthi-attacks-shipping-inflation-124d5445bec8ce6864112e3095646308)]

Car factories have idled in Belgium and Germany. Spring fashion lines are delayed at a popular British department store. A Maryland company that makes hospital supplies doesn’t know when to expect parts from Asia.

Attacks on ships in the Red Sea are delivering another shock to global trade, coming on top of pandemic-related logjams at ports and Russia’s invasion of Ukraine. Houthi rebels in Yemen, seeking to stop Israel’s offensive against Hamas in Gaza, are attacking cargo ships plying the waters connecting Asia with Europe and the United States, forcing traffic away from the Suez Canal and around the tip of Africa. The disruption is causing delays and driving up costs — at a time when the world has yet to vanquish a resurgence of inflation.

“What’s happened right now is short-term chaos, and chaos leads to increased costs,” said Ryan Petersen, CEO of the supply chain management company Flexport. “Every ship that gets rerouted has 10,000 containers on it. It’s a lot of emails and phone calls getting made to replan each of those container journeys.”

Adding to the bedlam in global shipping is what Petersen calls a “double whammy": Passage through another crucial trade corridor — the Panama Canal — is restricted by low water levels caused by drought. And shippers are in a rush to move goods before Chinese factories shut down for the Feb. 10-17 Lunar New Year holiday.

The threat grows considerably the longer the war in Gaza drags on. Disruption to Red Sea trade lasting a year could surge goods inflation by up to 2%, Petersen says, piling on pain while the world already struggles with higher prices for groceries, rent and more. That also could mean even higher interest rates, which have weakened economies.

For now, Man & Machine in Greater Landover, Maryland, is awaiting a shipment from Taiwan and greater China. It’s been one setback after another for the company, which makes washable keyboards and accessories for hospitals and other customers.

Founder and CEO Clifton Broumand usually gets a shipment of components about once a month, but the latest delivery, which departed Asia four weeks ago, is delayed. The normal route — three weeks via the Suez Canal — has been shut down by the Houthi attacks.

Rerouting to the Panama Canal didn’t work either — the shipment was stymied there by the drought-related mess. Now, it might have to cross the Pacific to Los Angeles and come by truck or train to Maryland. Broumand has no idea when the products will arrive.

“It’s annoying, and it’s interesting. I think our customers, everybody understands. This is not like, ‘Why didn’t you plan this?’ — who knew?” he said. “We call our customers and say, ‘Hey, it’s going to be delayed. This is why it is.’ Nobody likes it, but it’s not going to kill anybody, it’s just another frustration.” Other industries are seeing similar hassles. Electric carmaker Tesla has to shut down its factory near Berlin from Monday to Feb. 11 because of shipment delays. The Chinese-owned Swedish car brand Volvo idled its assembly line in Ghent, Belgium, where it makes station wagons and SUVs, for three days this month while waiting for a key part for transmissions. Production at a Suzuki Motor Corp. plant in Hungary stopped for a week because of a delay in getting engines and other parts from Japan. The British retail chain Marks & Spencer warned that the turmoil would delay new spring clothing and home goods collections that were due in February and March. Chief executive Stuart Machin said the Red Sea trouble was “impacting everyone and something we’re very focused on.” Roughly 20% of the clothes and shoes imported into the U.S. arrive via the Suez Canal, said Steve Lamar, CEO of the American Apparel & Footwear Association. For Europe, the impact is even bigger: 40% of clothes and 50% of shoes traverse the Red Sea.

“This is a crisis that has global implications for the maritime shipping industry,” Lamar said. As of Jan. 19, Flexport says, almost 25% of global shipping capacity is being or will be diverted from the Red Sea, adding thousands of miles and a week or two to trips.

The cost of shipping a standard 40-foot container from Asia to northern Europe has surged from less than $1,500 in mid-December to nearly $5,500. Getting Asian cargoes to the Mediterranean is even costlier: almost $6,800, up from $2,400 in mid-December, according to the freight booking platform Freightos. But things could be worse. At the height of [supply chain backups](https://apnews.com/article/inflation-health-china-business-united-states-8d5fffd96a46d0690d843f5e1de410fe) two years ago, it cost $15,000 to ship a container from Asia to northern Europe and nearly $14,200 to take one from Asia to the Mediterranean. “In terms of supply chain disruptions, we’re not even close to what was happening during the pandemic,” said Katheryn Russ, a University of California, Davis, economist. In 2021 and 2022, American consumers, stir-crazy from COVID-19 lockdowns and armed with government relief checks, [went on a spending spree](https://apnews.com/article/business-global-trade-e9b91af9bce8e32a7df2d5b4f75a30ee), ordering furniture, sports equipment and other goods. Their orders overwhelmed factories, ports and freight yards, leading to delays, shortages and higher prices. Things are different now. After that supply chain mess, shipping companies expanded their fleets. They have more ships to cope with shocks.

“The market is in a state of overcapacity,” said Judah Levine, Freightos’ head of research, “which happens to be a good thing. There should be enough capacity to accommodate this disruption.” Global demand also has cooled off — partly because the U.S. Federal Reserve and other central banks have raised interest rates to combat inflation and partly because China’s powerhouse economy is sputtering. Inflation has come down over the past year and a half, though it’s still higher than central banks would like. “There are really big forces bringing down inflation,” said Russ, who was a White House economic adviser in the Obama administration. “It’s hard to see (the Red Sea disruption) would substantially muck up the declines in inflation that we’ve been seeing beyond a tenth of a percentage point here and there.”

Many companies say they have yet to see meaningful impact. Retailer Target, for instance, said most of its products don’t pass through the Suez Canal and was “confident in our ability to get guests the products they want and need.” BMW said: “All lights are green… our factory supplies are secure.” Norwegian fertilizer giant Yara said it was “only mildly impacted by the transit challenges in the Red Sea.” Carlos Tavares, CEO of automaker Stellantis, has said: “So far, it’s OK. Things are moving well.” The respite may not last. If shippers avoid the Suez Canal for a year, Flexport CEO Petersen warned, “it’s a really big deal.” The higher costs would lead to “goods inflation of 1 to 2%.”

Jan Hoffmann, a U.N. shipping expert, warned Thursday that Red Sea shipping snags [posed a risk to global food security](https://apnews.com/article/un-global-trade-red-sea-ukraine-panama-440507f5e8b0b6961f611274b6b19269) by slowing the distribution of grain to parts of Africa and Asia, which depend on wheat from Europe and the Black Sea area.

It would be even worse [if the Middle East conflict widens](https://apnews.com/article/israel-palestinians-houthis-iran-pakistan-islamic-state-03a06c8afd156c1b6ecf5bd619d5d084) and drives up oil prices, which are now lower than they were the day before Hamas attacked Israel on Oct. 7.For now, companies are muddling through. Retailer Urban Outfitters’ Free People subsidiary imports clothing from India and is shipping “a lot of that through air,” co-president Frank Conforti said at an investors’ conference this month. But it’s too costly to put furniture and household goods on planes. At least home goods aren’t as “fashion-sensitive” as clothing, Conforti said, so losing 15 days “sailing down the tip of Africa isn’t the end of the world.”

[CFR, January 12, 2024, Noah Berman, *How Houthi Attacks in the Red Sea Threaten Global Shipping*, [CFR](https://www.cfr.org/in-brief/how-houthi-attacks-red-sea-threaten-global-shipping)]

Since mid-November 2023, the Yemen-based, Iran-backed Houthi rebel group has attacked dozens of commercial ships in the Red Sea, with no signs of slowing down. An exodus of shipping companies from the region now threatens to scuttle supply chains and increase consumer prices just as global inflation begins to ebb. The United States has announced an international security initiative to protect commercial vessels and has launched strikes on Houthi sites in Yemen. Some experts worry the response could catalyze a wider regional conflict.

The Houthis say their strikes are directed at boats with Israeli interests, and that the attacks will continue until [Israel ends its war in Gaza](https://www.cfr.org/in-brief/israels-war-hamas-what-know). But in practice, the Houthis have targeted ships indiscriminately, experts say. Shipping is notoriously opaque, with vessel ownership and operation, crew nationality, and flag of registry often differing. Fearing attacks, major shippers including global leader A.P. Møller-Mærsk have announced plans to avoid the Red Sea and the Suez Canal—diverting some $200 billion in trade.

The Red Sea is one of the most important arteries in the global shipping system, with one-third of all container traffic flowing through it. Any sustained disruption in trade there could send a ripple effect of higher costs throughout the world economy. This is particularly true of energy: 12 percent of seaborne oil and 8 percent of liquified natural gas (LNG) transit the Suez Canal.

Avoiding the Red Sea means abandoning one of the most common global shipping routes from Asia to Europe. Indeed, 40 percent of Asia-Europe trade normally transits the sea. Ships shunning the Red Sea will have to instead sail around the Horn of Africa, which can cost $1 million more round trip in additional fuel costs. Still, more than one hundred fifty commercial ships have chosen the longer route since November. On the other hand, insurance premiums for ships using the Red Sea have shot up nearly tenfold since the attacks began.

Avoiding the Red Sea Means Much Longer Shipping Routes

Some shipping companies are already passing down these expenses. France’s CMA CGM, the world’s second-largest shipper by market share, recently announced that it would double its rates for shipping from Asia to Europe. The Houthi strikes are only the latest in a series of disruptions that have highlighted the interconnected nature of shipping and its crucial role in the global economy. In 2019, [Iran attacked](https://www.cfr.org/in-brief/strait-hormuz-us-iran-maritime-flash-point) several oil tankers in the Strait of Hormuz, leading many freight companies to opt for the Cape of Good Hope route. In 2021, a ship ran aground in the Suez Canal, holding up $10 billion in goods each of the six days the canal was clogged. Most recently, a drought in Panama has compounded shipping woes as the country’s namesake canal, through which 5 percent of global trade flows, is operating at a fraction of its usual capacity.

But as of early January 2024, these trials have yet to produce major price increases for consumers, especially in energy markets. The price of brent crude, a U.S. benchmark, remains lower than the October average, though it has flared after major strikes. Europe is likely to feel economic stress sooner than the United States, CFR Fellow Zongyuan Zoe Liu says, because the Red Sea is the only route to the Suez Canal, which links some of the largest European consumers of tradable goods to their [Asian suppliers](https://www.cfr.org/tracker/china-overseas-ports).

To ensure freedom of navigation, long a primary goal of U.S. foreign policy, the United States has spearheaded a [twenty-country naval task force](https://www.nytimes.com/2023/12/31/world/middleeast/us-houthi-clash.html) to protect commercial ships in the Red Sea and the neighboring Gulf of Aden, and deployed aircraft carriers to the region. The coalition approach was also applied during the 2019 spate of attacks. However, that effort included regional powers such as Saudi Arabia and the United Arab Emirates, who [experts say](https://www.dw.com/en/red-sea-attacks-why-arab-nations-wont-join-naval-coalition/a-67790545) are unlikely to join the operation today.

Skeptics of this strategy have argued that a defensive posture alone is unlikely to deter Houthi attacks. The Houthis are using relatively inexpensive weaponry, including drones, to wreak costly damage, and naval vessels cannot escort every commercial ship. As a result, “it’s harder now than it’s ever been” to protect commercial vessels in the Red Sea, says CFR Military Fellow John P. Barrientos, who has commanded ships in the region. On January 11, the United States and United Kingdom [bombed more than sixty Houthi targets](https://apnews.com/article/yemen-houthis-biden-retaliation-attacks-0804b93372cd5e874a0dd03513fe36a2) in Yemen. U.S. President Joe Biden [said the strikes will continue](https://www.whitehouse.gov/briefing-room/statements-releases/2024/01/11/statement-from-president-joe-biden-on-coalition-strikes-in-houthi-controlled-areas-in-yemen/) “as necessary” to protect the free flow of international commerce. Prior to the attack, Pentagon officials and independent analysts cited a track record of deterrence established by previous strikes. After Houthi rebels attacked commercial and U.S. military vessels in 2016, Washington responded with strikes of its own, and the Houthis stood down. “Disrupting or destroying the Houthis’ ability to disrupt shipping is hardly akin to the overambitious [U.S.] policies of the past aimed at regime change and remaking of societies,” [writes](https://foreignpolicy.com/2023/12/29/houthis-yemen-red-sea-biden-united-states/) CFR Senior Fellow Steven A. Cook. “Rather, it’s a move to protect a vital national interest.” But such strikes could raise the risk of regional conflict, including with Iran, which has sent its own warship into the sea. The Houthis openly relish the idea of war with the United States, and unlike in 2016, they are no longer [mired in daily conflict](https://www.cfr.org/backgrounder/yemen-crisis) with their northern neighbor Saudi Arabia—though experts say U.S. strikes could also [reignite Yemen’s civil war](https://www.foreignaffairs.com/yemen/dont-bomb-houthis). Every option the West could take therefore has “serious downsides,” the Brookings Institution’s Bruce Jones [writes](https://foreignpolicy.com/2023/12/20/red-sea-houthi-attacks-trade/). “Tensions and bad choices abound in the Red Sea—but they are also a harbinger of tougher choices and turbulent waters ahead.”

[Atlantic Council, January 25, 2024, William Tobin and Joseph Webster, *Houthi attacks in the Red Sea hurt global trade and slow the energy transition*, [Atlantic Council](https://www.atlanticcouncil.org/blogs/new-atlanticist/houthi-attacks-in-the-red-sea-hurt-global-trade-and-slow-the-energy-transition/)]

Recent attacks on commercial ships in the Red Sea have underscored the importance of seaborne international trade, and challenged the role of the United States in safeguarding commerce in the global commons. Maritime choke point disruptions have worldwide consequences because the price of oil is set globally. Simply increasing oil supply will not solve the problem of a major disruption, such as in the Strait of Hormuz, which has been overtly [threatened](https://www.crisisgroup.org/trigger-list/iran-us-trigger-list/flashpoints/hormuz) by Iran. This is why the United States has a deep interest in freedom of navigation. Maritime trade of energy is of fundamental importance to the security of supply for energy and to the price felt by consumers worldwide. In addition, the effects of a major disruption to freedom of navigation would hold many damaging but indirect consequences—including slowing progress on addressing climate change.

The Houthi movement, or Ansar Allah, is a Shia Islamist group that seeks to maintain control of critical territory in Yemen. It operates as a proxy group for Iranian influence, especially the Islamic Revolutionary Guard Corps. The Houthi movement has ramped up attacks on merchant vessels transiting the Red Sea since November 19, 2023, according to [US Central Command](https://www.centcom.mil/MEDIA/STATEMENTS/Statements-View/Article/3643121/).

The United States’ response to the attacks, Operation Prosperity Guardian, concentrates naval assets and command-and-control bandwidth on the Bab el-Mandeb Strait, wedged between the Horn of Africa and the southwestern corner of the Arabian Peninsula. It is a key choke point for commercial traffic transiting between the Arabian Sea and Red Sea toward the Suez Canal—another choke point through which more oil is flowing than ever before.

Due to Russia’s invasion of Ukraine and the subsequent trade diversion, the Suez Canal is increasingly used for Middle East-to-Europe flows of energy, as well as Russia-to-India shipments. About 8.8 million barrels per day of oil and oil products utilized the Suez transit in the first half of 2023, or about 12 percent of maritime oil trade. Operation Prosperity Guardian has engaged Houthi drones, surface-to-ship ballistic missiles, small combatant vessels, and other arms in defense of merchant traffic and naval assets. However, the operation has thus far failed to deter further Houthi attacks and provide assurance of safe passage to commercial vessels transiting the Red Sea. In order to restore deterrence, the United States and the United Kingdom are conducting airstrikes against Houthi military infrastructure. These actions are not only necessary to restore the safety of trade through the Suez Canal, but to assure the principle that maritime trade cannot be disrupted by force.

Freedom of navigation matters deeply for preserving the security and efficiency of global energy markets. Forty percent of maritime trade by weight consists of oil, coal, gas, or petrochemical products, per the United Nations Conference on Trade and Development. Thus far, the Houthis have largely not targeted vessels engaged in energy trade, perhaps stemming from a desire to avoid an environmentally catastrophic oil spill along Yemeni shores, which was only narrowly avoided in August as the oil tanker FSO Safer, abandoned off of Yemeni shores, was successfully [drained](https://www.imo.org/en/MediaCentre/HotTopics/Pages/FSO-SAFER-oil-spill-risk.aspx) of its contents.

The Houthis are also likely to avoid drawing Arabian Gulf states deeper into the conflict. Most Gulf economies are deeply dependent on maritime energy trade—hydrocarbon exports are responsible for 40 percent of [Saudi](https://www.elibrary.imf.org/view/journals/002/2022/275/article-A001-en.xml) and [Qatari](https://economic-research.bnpparibas.com/html/en-US/revenues-provide-robust-economic-prospects-10/9/2022,47840) gross domestic product (GDP), and [50 percent](https://thedocs.worldbank.org/en/doc/4c85cb612909f86c89305c5a3625cc57-0280012021/original/8-mpo-am21-kuwait-kwt-0926-kcm.pdf) of Kuwait’s GDP.

Additionally, the Houthis’ Iranian patrons wish to avoid antagonizing major oil importers China and India, or partners such as Russia. Last week, a Houthi spokesman [told](https://www.voanews.com/a/houthis-won-t-target-chinese-russian-ships-in-red-sea/7446893.html) a Russian news channel that Chinese and Russian cargoes would not be targeted.

The prospect for escalation, and the potency of the threat which the Houthis have displayed, is substantial. Major oil traders such as [BP](https://www.washingtonpost.com/world/2023/12/18/red-sea-bp-houthi-israel-gaza-hamas/), [Shell](https://www.wsj.com/world/middle-east/shell-suspends-red-sea-shipments-amid-fears-of-more-houthi-attacks-c7fa936d), and [Trafigura](https://www.ft.com/content/e5fd639b-2c5f-4895-bbfa-35db5535259b) have now suspended shipments through the Red Sea completely. Although the United States conducts limited oil and liquefied natural gas trade through the Suez Canal, the risk of a supply disruption in this critical choke point matters to US economic security, as oil prices are set globally. Moreover, the United States must ensure that its European allies retain access to energy supplies amid Russia’s invasion of Ukraine. Regardless, it is the threat of escalation, in the Red Sea or other choke points such as the Strait of Hormuz, and the broken principle of freedom of navigation that most acutely threatens US interests.

For the United States, free maritime commerce has long been central to its economic prosperity, from the nation’s founding as a merchant power to the modern era, when maritime vessels [account](https://www.bts.gov/data-spotlight/national-maritime-day-and-every-day-us-economy-relies-waterborne-shipping) for 40 percent of US international trade by value and 70 percent by weight.

The United States’ rising oil exports underscore how its economic competitiveness is intertwined with the global maritime commons. The United States has emerged as the world’s leading producer of oil, as US exports of oil and oil products have consistently been above [ten million barrels](https://www.eia.gov/dnav/pet/pet_move_wkly_dc_NUS-Z00_mbblpd_w.htm) per day since early 2023, with seaborne exports often accounting for more than [seven million barrels](https://maritime-executive.com/article/u-s-sets-new-records-for-oil-exports-as-eu-looks-for-new-supplies) per day of this trade. Global maritime trade of oil is estimated to be approximately forty-three million barrels per day, according to commodity services firm Kpler, and the US export share of maritime oil trade has expanded dramatically since the crude oil export ban was lifted in 2015.

While the Red Sea is not a major transit point for US oil exports, which primarily traverse the Atlantic crossing or Panama Canal, it is not in the US national interest for any waters to be closed to energy trade. If energy vessels are required to reroute amid security threats and a fragmented global commons, shipping costs and energy prices will rise, lowering world economic growth. Secondly, although some US energy companies will benefit temporarily from rising prices, overall US energy and economic security suffers, as the US remains a large oil importer, typically receiving [over six million](https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WCRIMUS2&f=W) barrels per day due to domestic refinery configurations. Moreover, disruptions to global supply chains would reverberate across other sectors of the US economy that rely on international trade. It is in the economic interest of the United States to ensure that the global maritime commons remains free from disruption.

Maritime security does not only affect fossil energy. If freedom of navigation is no longer secured—if merchant vessels can be disrupted or even sunk by armed groups—then the clean energy transition will face disruption. Shipping costs and insurance rates will rise sharply amid greater uncertainty.

Additionally, the inputs for clean energy supply chains often transverse many different maritime nodes across the globe, from mine to factory to final installation. For instance, cobalt that is mined in the [Democratic Republic of the Congo](https://www.mining-technology.com/marketdata/ten-largest-cobalts-mines/#:~:text=1.,tonnes%20of%20cobalt%20in%202022.) may be refined in [Finland](https://jervoisfinland.com/products/battery/), assembled into a battery in [Japan](https://www.panasonic.com/global/energy/company/global-network.html), and shipped to an electric vehicle factory in the [United States](https://www.tesla.com/manufacturing). With maritime supply chains facing greater uncertainty, firms will require greater redundancy and inventory stockpiling. These dynamics will lower efficiency and increase inflation. The snarling of supply chains and resultant inflation will also necessitate higher interest rates, all things being equal. Higher interest rates, in turn, will pressure capital-intensive clean energy projects by raising financing costs. The global clean energy transition will be slowed considerably if freedom of navigation is no longer a reasonable assumption of seaborne trade. In sum, a world without freedom of navigation would represent a disaster for not only the world economy but also squash any aspiration of reaching net-zero emissions by 2050.

[Arab Center Washington DC, April 5, 2024, Jim Krane, *Houthi Red Sea Attacks Have Global Economic Repercussions*, [Arab Center DC](https://arabcenterdc.org/resource/houthi-red-sea-attacks-have-global-economic-repercussions/)]

The Houthi attacks on Red Sea shipping present a new phenomenon in geo-economic conflict: a non-state actor using asymmetric warfare not just to fight conventional armed forces, but to also impose targeted [economic sanctions](https://www.bakerinstitute.org/research/houthi-red-sea-attacks-impose-economic-sanctions-israels-backers-0) by selectively attacking international shipping. The Houthis have made this leap by combining two factors: inexpensive and high-tech weaponry that can threaten—even sink—oceangoing ships and control over strategic coastal territory overlooking one of the world’s busiest maritime chokepoints: the Bab al-Mandab Strait. Scores of incidents have damaged three dozen ships as of late March, a result that the Iran-friendly Houthis describe as retaliation for the Israeli bombardment and blockade of Gaza starting last October. The Iran-backed group says it aims to increase international pressure on Israel to halt its Gaza offensive.

The siege on Red Sea shipping has re-oriented trade between Asia and Europe in an uneven way. Shipping firms based in countries where governments have spoken out against the Israeli offensive in Gaza have received exemptions from Houthi attacks, resulting in cost advantages and higher profits. Conversely, shippers based in countries supporting Israel, along with those carrying Europe- or US-bound cargoes, have lost access to the Red Sea shortcut between Asia and Europe. As a result, cost and voyage duration have increased together with demand for vessels, which helped push up cargo fees, including on routes that do not travel via the Red Sea.

The skewed disruption to global shipping suggests that the Houthis have succeeded in meeting their objective of imposing costs on supporters of Israel, although the anti-ship campaign has not had a noticeable effect on Israel’s offensive in Gaza. Houthi leaders have reportedly cemented competitive advantages for Chinese and Russian shippers by providing [free Red Sea passage with guarantees against attack](https://www.bloomberg.com/news/articles/2024-03-21/china-russia-reach-agreement-with-yemen-s-houthis-on-red-sea-ships?sref=Q77DYrNe) in exchange for yet-unspecified diplomatic support. The selective strategy employed by the Houthis is imposing economic penalties resembling economic sanctions that disproportionately affect EU-based firms as well as Egypt, which is [losing](https://www.barrons.com/news/huthi-attacks-idle-suez-canal-deepen-egypt-s-economic-woes-97aea043) Suez Canal transit fees due to shipping detours around the southern tip of Africa. Indeed, the added supply chain costs are weighing heavily on already pessimistic economic forecasts for the European Union and Egypt. The longer the attacks continue, the greater the residual impact, dampening the prospects for growth.

The Houthi campaign in the Red Sea has produced a new form of global economic disruption. Moreover, the Houthi campaign in the Gulf of Aden and the Red Sea has produced a new form of global economic disruption based on grievances with Israel, and is proving difficult to deter or counter. The campaign is similar to the [1973 Arab oil embargo](https://history.state.gov/milestones/1969-1976/oil-embargo#:~:text=During%20the%201973%20Arab%2DIsraeli,the%20post%2Dwar%20peace%20negotiations) in seeking to inflict economic damage on wartime supporters of Israel. But the 1973 embargo, which tripled global oil prices nearly overnight, offered no exemptions for countries friendly to the Arab cause. The Houthis are able to provide such exemptions by leveraging vessels’ automated messaging systems and registry details to distinguish between “targetable” ships and “friendly” vessels that should be allowed to transit unmolested. The strategy unfolding along the Yemeni coast poses new and worrisome confrontation with global norms such as freedom of navigation and access to the global commons. As a result, the Houthis have managed to win the admiration of many in the [Global South](https://www.bloomberg.com/opinion/articles/2024-03-21/israel-hamas-we-should-listen-to-the-global-south-on-gaza?sref=Q77DYrNe), and citizens of Arab and Muslim states in particular. The Houthi campaign has also exposed ineffective countermeasures by the United States and its NATO allies as well as inaction by Arab governments and regional organizations that have so far failed to impose costs upon Israel or its backers in the United States and Europe.

The list of victims in Houthi attacks and responses is growing. Killed in the attacks thus far have been three sailors on the Barbados-flagged [True Confidence](https://www.cnn.com/2024/03/14/middleeast/houthi-hostages-philippine-seafarers-gaza-war-intl-hnk/index.html), a cargo ship in the Gulf of Aden, along with [two US marines](https://abcnews.go.com/Politics/navy-identifies-2-seals-lost-sea-off-yemen/story?id=106568203) drowned in a related vessel boarding, and at least [34 Yemenis](https://www.aljazeera.com/news/2024/3/15/vessel-struck-in-red-sea-as-houthis-vow-attacks-on-more-shipping-lanes) who died amid various American-British airstrikes. One Israel-linked ship, the [Galaxy Leader](https://www.cnn.com/middleeast/live-news/israel-hamas-war-gaza-news-11-22-23/h_0227ac008d5a5c51392787fc6e231bd7), [remained impounded](https://www.scmp.com/news/world/middle-east/article/3250119/galaxy-leader-cargo-ship-seized-yemens-houthis-now-tourist-attraction) in Yemen at the time of writing, along with its 25-member crew. Another victim, the Belize-flagged Rubymar, was hit by a Houthi missile and [sunk](https://www.washingtonpost.com/world/2024/03/03/rubymar-houthi-attack-red-sea/) in the Red Sea. Countermeasures launched thus far have degraded Houthi weapons stocks and capabilities but have failed to deter attacks on shipping. Measures include several rounds of US-UK airstrikes on Houthi sites across Yemen and aerial defenses that have [knocked down attack drones](https://www.politico.com/news/2024/03/09/us-allies-down-28-houthi-drones-in-red-sea-attack-00146140) and missiles, a significant US-led [multinational naval presence](https://www.reuters.com/world/us-red-sea-taskforce-gets-limited-backing-some-allies-2023-12-20/) (Operation Prosperity Guardian), and even a [UN Security Council resolution](https://press.un.org/en/2024/sc15561.doc.htm) condemning the attacks and insisting on rights of states to defend their vessels. US and British attacks on Houthi sites inside Yemen have created new grievances and a rationale for a potential extension of the Red Sea attacks beyond a ceasefire in Gaza. As shown in Fig. 1 below, Houthi attacks on shipping actually [intensified](https://crsreports.congress.gov/product/pdf/IN/IN12301) after the onset of US-UK retaliatory strikes.  
The lack of success of the US-UK military response may have created the impetus for direct talks with the Houthis and indirect [US-Iran talks held in Oman](https://www.middleeasteye.net/news/us-asked-iran-rein-houthi-attacks-secret-oman-talks) that have yet to deter the anti-ship campaign. Although Iran supports the Houthis—and the group’s leadership shares many of Tehran’s goals—the Yemeni militants are largely [autonomous](https://www.cfr.org/in-brief/irans-support-houthis-what-know) and could resist Iranian entreaties to stand down, although it is not clear that such demands from Tehran have been forthcoming. Iran-backed militias in Iraq and Syria did hold their fire after the United States retaliated in Iraq and Syria for the deaths of three American troops in a January 28 attack on [Tower 22](https://www.aljazeera.com/news/2024/2/2/us-launches-strikes-in-response-to-attack-that-killed-troops-in-jordan), a small US base in Jordan. Meanwhile, as Fig. 1 shows, the Houthi attacks did not decline in similar fashion. The Houthi movement has demonstrated since the launch of its 2004 offensive to take the Yemeni capital Sanaa that the group is not particularly cautious, casualty-averse, or susceptible to typical military deterrence. Houthi weaponry is simple and orders of magnitude cheaper than weapons used by the US-led naval coalition countering them. Much of the group’s hardware is [assembled locally](https://www.interregional.com/article/After-the-2024-Elections:/2277/En) in Yemen. Countering budget drones and [submersibles](https://news.usni.org/2024/02/19/houthi-lethal-underwater-drones-adds-new-threat-to-red-sea) has become increasingly costly for western militaries.

Crewmembers on a US warship in the Red Sea [told the BBC](https://www.bbc.com/news/world-middle-east-68595451?xtor=AL-72-%5Bpartner%5D-%5Bbbc.news.twitter%5D-%5Bheadline%5D-%5Bnews%5D-%5Bbizdev%5D-%5Bisapi%5D&at_link_type=web_link&at_bbc_team=editorial&at_ptr_name=twitter&at_link_origin=BBCWorld&at_format=link&at_campaign=Social_Flow&at_medium=social&at_link_id=CF7D1154-E54A-11EE-AB6A-ABB84B3AC5C4&at_campaign_type=owned) that the US Navy had not come under such consistent hostile fire since World War II. Inside Yemen, the Houthis have leveraged the popularity of the attacks to gain hard and soft power, recruiting thousands of new fighters attracted by [favorable publicity](https://www.vox.com/world-politics/24094638/houthis-red-sea-yemen-gaza-israel) across the Muslim world. The emboldened militant group announced on March 14 that it would [extend attacks](https://mykn.kuehne-nagel.com/news/article/houthis-plan-to-expand-their-attacks-to-the-i-15-Mar-2024) beyond the immediate Bab al-Mandab area to the broader Arabian Sea and Indian Ocean to target Israel- and allied-linked shipping diverted via the Cape of Good Hope. As of the time of writing, no attacks along this alternative route have been reported

Meanwhile, some shipping firms are profiting from the chaos, according to a report and author conversations with the ratings agency Fitch. For example, costs to European, American, and some Asian firms re-routing around the Cape of Good Hope on the way to and from Asia have increased by around 50 percent. But shipping rates on Asia-Europe routes have [increased by almost 300](https://www.fitchratings.com/research/corporate-finance/red-sea-disruptions-benefit-shipping-companies-near-term-profitability-07-03-2024) percent, enhancing profits for firms taking either route (see Fig. 2). But the biggest recipients of these rate increases are shipping firms able to continue transiting the Red Sea and avoiding the long African detour. Shipping costs [tabulated](https://www.fitchratings.com/research/corporate-finance/red-sea-disruptions-benefit-shipping-companies-near-term-profitability-07-03-2024) by World Container Index depict costs rising by 151 percent since early October. The most affected routes, those between Asia and Europe, have seen rates increase by 284 percent.

Several factors are behind the rate increases. First, the costs associated with longer transits for ships traveling via the Cape of Good Hope are higher. Second, those longer journeys are removing shipping capacity from the market, resulting in a nearly [10 percent jump in vessel demand](https://theloadstar.com/diversions-from-red-sea-proving-a-real-silver-lining-for-carriers/), along with higher rates in what would otherwise be a slumping market. Third, some shippers still using the Suez Canal face higher costs in the form of spiking insurance and security costs—especially for onboard security personnel—and increased [hazard wages](https://fortune.com/2023/12/29/shipping-companies-hazard-pay-red-sea-suez-canal/) for seamen facing new risks. IMF data show transits through the Suez Canal declining by more than half in recent weeks. The combined effect is making the Asia-Europe route more attractive, albeit more dangerous, especially to firms that can charge higher rates while avoiding the southerly detour around the Cape of Good Hope. The alleged Houthi transit “guarantees” to Russian and Chinese shippers may have widened cost disparities. Various [reports](https://theloadstar.com/niche-players-continue-to-risk-red-sea-transits-with-new-services-at-a-price/) have shown that higher profits on the Asia-Europe route has attracted Chinese firms to shift into the trade based on [preferential access](https://mykn.kuehne-nagel.com/news/article/cosco-ships-join-dwindling-number-risking-red-23-Feb-2024) to the Red Sea.

One potential impediment for the restoration of free navigation is whether higher profits provide a perverse incentive to governments to protect their firms’ competitive advantage by refraining from diplomacy aimed at halting Houthi attacks. According to [Fitch](https://www.fitchratings.com/research/corporate-finance/red-sea-disruptions-benefit-shipping-companies-near-term-profitability-07-03-2024), de-escalation in the Middle East and a return of transit to the Suez Canal are likely to reverse the increased shipping rates and reimpose fair competition among shipping firms. Transits through the Suez Canal are among those most affected. [Prior to the Houthi campaign](https://www.cnn.com/2023/12/19/economy/oil-price-inflation-red-sea-attacks/index.html), the canal hosted 12 percent of global sea trade, including a 30 percent share of container vessels. The canal linking the Mediterranean and Red seas is also one of the most important strategic chokepoints affecting the energy commodity trade. Some 15 percent of globally shipped goods, including crude oil and refined products, [pass through](https://www.reuters.com/article/idUSKBN2BI26C/) the canal which is an essential source of income for Egypt.

As the Houthi attacks approach the six-month mark, International Monetary Fund [data show transits](https://portwatch.imf.org/pages/c57c79bf612b4372b08a9c6ea9c97ef0) through the Suez Canal declining from a weekly average of 74 ships in 2023 to about 35 (more than half) in recent weeks (see Fig. 3). Simultaneously, transits around the Cape of Good Hope are up by a nearly similar amount in the same period (see Fig. 4).Most or all container ship voyages by Denmark’s Maersk, Israel’s ZIM, Japan’s Mitsui OSK, Swedish-Norwegian Wallenius Wilhemsen and others have [routed around](https://www.bakerinstitute.org/research/houthi-red-sea-attacks-impose-economic-sanctions-israels-backers-0) southern Africa’s Cape of Good Hope, while France’s CMA CGM said in March that it was rerouting on a [case-by-case](https://mykn.kuehne-nagel.com/news/article/houthis-plan-to-expand-their-attacks-to-the-i-15-Mar-2024)

All [Qatari LNG shipments to Europe](https://www.bloomberg.com/news/articles/2024-01-24/qatar-delays-lng-shipments-to-europe-amid-red-sea-conflict) have been forced to detour south around Africa, with the last LNG transit of the Red Sea taking place in mid-January. The diversions of LNG ships and their supercooled cargo may have more to do with safety—relating to the potential harm and expense from an attack—than with any Israel connection. Some Chinese [COSCO container ships](https://mykn.kuehne-nagel.com/news/article/cosco-ships-continue-to-brave-red-sea-despite-06-Mar-2024) were reported passing unobstructed as recently as early March, while others avoided the Red Sea. Taiwan’s [Evergreen](https://theloadstar.com/niche-players-continue-to-risk-red-sea-transits-with-new-services-at-a-price/) was continuing to offer Red Sea services but via subcontractors. Smaller Chinese shipping firms were [taking advantage of higher rates](https://theloadstar.com/niche-players-continue-to-risk-red-sea-transits-with-new-services-at-a-price/) and offering new services through the Red Sea. China United Lines in March launched a Red Sea Express service between Chinese and Red Sea ports, and other niche operators have made similar moves to capitalize on higher rates, including a Singapore-based carrier and another in Oman. Meanwhile, crude oil shipments from Saudi Arabia to Europe [were at higher levels](https://english.alarabiya.net/News/saudi-arabia/2024/02/16/Report-Saudi-Arabia-s-strategic-maneuvers-in-the-face-of-the-Red-Sea-shipping-crisis) than normal, with the exception of a brief spike during the 2020 price war. The jump in shipments is possible because Saudi Arabia operates oil export terminals on its own Red Sea coast—well north of Houthi-controlled Yemeni territory—which allows it to send crude oil cargoes unmolested through the Suez Canal to Europe and beyond.

The Houthi ultimatum notwithstanding, a ceasefire agreement in Gaza offers the most appealing route to ending the attacks. A full ceasefire and release of Israeli hostages and Palestinian prisoners are near-universal goals at this point. The expanding human catastrophe in Gaza may eventually overcome the formidable barriers to exercising American leverage over Israel to reduce some of its ceasefire demands. A halt to the Houthi attacks may therefore serve as an additional positive outcome of a ceasefire, along with numerous others such as return of hostages and resumption of aid shipments to Gaza. However, a Gaza ceasefire alone may not be sufficient to halt the Houthi attacks and restore free navigation in the Red Sea and Bab al-Mandab. Houthi grievances extend to the states launching counterattacks on their weapons sites. The group may also be loath to lose the international media attention that appears to be assisting with its longstanding goal of consolidating domestic power. Further pressure is likely to be needed, perhaps through a resumption of diplomatic conversations or economic pressure on Houthi benefactors in Iran.

Finally, China may seek to mediate an end to the attacks. As a major export-oriented economy seeking to maintain access to global markets, China’s exposure to increasing shipping costs is high. Any sign of weakening demand—or substitution—for Chinese goods would probably elicit a strong response from Beijing.

The shipping attacks by Yemen’s Houthi represent a new and novel form of exploiting deep international divisions on the Israeli-Palestinian conflict. The selective campaign has created a skewed disruption of global trade between Asia and Europe, while causing an increasing level of physical damage and a few deaths. The Houthi attacks have brought about expensive detours and additional costs for shippers based in countries with links to Israel. Meanwhile, firms from nonaligned countries have benefited from Houthi targeting discrimination to effectively maintain profit-enhancing access to the Red Sea. The Houthi practice of distinguishing targets by country of origin or ownership serves as a new and unfamiliar form of targeted economic sanctions by a nonstate actor, based on a political grievance. Most alarmingly, the Houthi strategy has succeeded in undermining longstanding institutional norms around oversight roles of the great powers and freedom of maritime navigation. As such, the Red Sea attacks could serve to inspire copycat actions by other groups with similar grievances. However, it appears that few actors can combine the asymmetric advantage of strategic geography—including control over territory adjacent to a vital maritime chokepoint—with access to inexpensive and sophisticated weaponry.