

KEY JUDGMENT

The trade of illegal weapons in the Horn of Africa remains highly lucrative and is comprehensively entwined with transnational terrorist groups, drug smuggling, and the conflict in nearby Yemen. The focus of the regional arms trade remains volatile Somalia and its semi-autonomous regions where demand for weapons remains unabated despite various embargoes and other sanctions.

Over the past few years, Djibouti has emerged as an increasingly important hub for weapons trans-shipment to armed groups in the region. There is growing evidence that Djibouti is acting as a strategic transit location for weapons derived from Houthi-held territory in Yemen, which it then ships to the Awdal region of northern Somalia through its peacekeeping deployment in the AMISOM mission.

Djibouti's enhanced role in regional arms trafficking is occurring at the same time as the country's government is seeking fresh foreign investment in its important marine port sector and related industries. Many Djiboutian companies that are engaged in the country's thriving marine sector have been implicated in the illegal weapons trade, raising reputational risks for foreign investors seeking to participate in Djibouti's economy. The proliferation of weapons in Djibouti is also raising concerns over armed criminal activity and rising risk of terrorist attacks in a location frequented by foreign military personnel.

However, none of Djibouti's international partners are willing to flag such risks, fearing the potential loss of their leases on strategically important military bases in the country. One local source described the arms trade in the Gulf of Aden as a 'political mess that most western nations do not want to wade into.' Despite evidence implicating senior Djiboutian officials in the arms trade, there has been no concerted effort to impose punitive sanctions on these individuals.

Djibouti's role in regional arms trafficking is set to grow even further as old foes Eritrea and Ethiopia seek to agree a lasting peace that will have significant ripple effects on the arms trade supply chain in the Horn of Africa. Armed groups in Ethiopia, Somalia, and the Sudans, as well as al-Shabaab, have long relied on Eritrea to supply weapons. As Eritrea seeks rapprochement with Ethiopia and a return to the international community, its role of arms trafficking hub will become significantly diminished.

Djibouti, which favours a weak Somalia and an isolated Eritrea, is likely to step into the gap and leverage its existing arms trafficking networks to continue to supply illegal weapons to armed groups in the Horn of Africa as Eritrea potentially steps out of the trade. Since seizing control of the Doraleh port terminal, the Djiboutian government seems to be preparing to increase shipments through the country's main port. However, most shipments of illegal weapons through Djibouti will continue to be done by smaller dhows via the fishing communities on the south-east coast and via the Garacad port project.

The reluctance of western and other powers to act against Djibouti's increasing arms trafficking activities poses an existential threat to the security of the Horn of Africa and imperils ongoing efforts to end long-running conflicts in the region.

DJIBOUTI

A PEACEFUL OASIS IN A VIOLENT REGION?

Djibouti's port terminals are set for an expansion following increased interest by Ethiopia and the confiscation of DP World's port assets, yet there are growing concerns over the country's role in regional arms trafficking.

Djibouti is often presented as a safe 'island' in a sea of violence, surrounded by neighbours in an otherwise troubled Horn of Africa region. The country's apparent political stability is assured by the presence of multiple foreign military bases and relatively low exposure to regional security threats. Djibouti's strategic location near the world's busiest shipping lanes, controlling access to the Red Sea and Indian Ocean, continues to attract investment from African, western, Asian, and Gulf investors, particularly in the marine, construction, aviation, fuel, and defence sectors.

Over the past few months, Djibouti has attracted an inordinate level of attention due to developments in the country's marine sector and geopolitical rivalry over the country's strategic location in the troubled Horn of Africa region. Djibouti's position near the world's busiest shipping lanes, controlling access to the Red Sea and Indian Ocean, have assured the country of favourable investment flows. Much of the country's recent economic success is down to its ports and particularly landlocked neighbour Ethiopia's decision to use the Port of Djibouti as its main outlet.

Djibouti's port terminals are set to become increasingly important as neighbouring Ethiopia seeks to increase shipments through the Port of Djibouti. In early May, Ethiopia committed to taking a stake in the Port of Djibouti, which is Djibouti's main gateway for trade. Djibouti had been seeking investors for its Doraleh Container Terminal since it terminated the concession for Dubai's state-owned DP World to run the port in February, citing a failure to resolve a six-year contractual dispute. In exchange, Djibouti may take stakes in state-owned Ethiopian firms, such as Ethiopian Electric Power and Ethio Telecom.

This dispute with DP World in Djibouti relates to regional rivalries between Saudi Arabia, the UAE, and other allies with Qatar and its allies, such as Turkey. These regional rivalries have placed Djibouti, as well as Somalia, in a new position of influence and have thrown an economic lifeline to their governments. However, a key concern for the development and expansion of Djibouti's marine sector will be the role of the country's ports in the influx of illegal weapons into the Horn of Africa and the implications of arms trafficking on Djibouti's own political stability.

ARMS TRAFFICKING IN DJIBOUTI

Djibouti is comprehensively entwined in the geopolitical dynamics of the volatile Horn of Africa and the ongoing war in Yemen, while its foreign military bases host some of the most advanced weapons systems in the region.

Djibouti owns a strategically important port in a major shipping lane that places the country at the centre of the regional arms trade and weapons trafficking. Cross-border security is weak, as suggested by the large flows of unregulated imports from Ethiopia of the widely-used qat stimulant. Moreover, with the violent conflict in Yemen

raging just 32 kilometres across the Bab el-Mandeb Strait, Djibouti is now comprehensively entwined in the geopolitical dynamics of the volatile region.

The country's military plays an important role in regional peacekeeping missions, particularly the African Union Mission to Somalia (AMISOM), which is a peacekeeping mission operated by the AU in Somalia with approval by the United Nations. For such deployments, Djibouti's armed forces have procured Ratel-90 and AML-90 armoured vehicles and M109 self-propelled howitzers, while its aircraft holdings include six combat capable aircraft and some Embraer 314 Super Tucano light attack aircraft. Such weapons systems were legally procured and serve Djibouti's self-defence and regional peacekeeping missions.

Djibouti is leveraging its strategic advantage to its benefit, playing host not only to France's largest military base in Africa and the US military's Camp Lemonnier, which is home to about 4,000 personnel, including special operations forces, and is a launch pad for operations in Yemen and Somalia. Japan's military also has a base with over 200 soldiers. In addition, Germany and Italy have a military presence in the country. Notably, France is the external guarantor of Djibouti's security, including its air and maritime space.

Geo-political tensions between the rival world powers are also on display in tiny Djibouti. In early May this year, the US Pentagon formally complained to China claiming that Chinese nationals had pointed military-grade lasers at US military aircraft near Djibouti. China, which has denied the accusations, has its only overseas naval base in Djibouti. Moreover, Djibouti also serves as the logistics hub for anti-piracy and other multilateral missions in the region – including the current EU's first joint naval mission EU NAVFOR Atalanta, an anti-piracy mission.

It is in this tense geo-political climate that Djibouti's foreign military bases contain some of the most advanced weapons systems in the region. The Combined Joint Task Force - Horn of Africa (CJTF-HOA), based at Chabelley Airfield hosts at least 14 unmanned Predator and Reaper drones that are frequently deployed to launch Hellfire Missiles onto Somali and Yemeni territory. Lemonnier also hosts a squadron of F-15E Strike Eagle fighter jets, stationed C-130 Hercules aircraft, and Osprey MV-22 aircraft. The French base holds several Mirage 2000 fighter aircraft.

In July 2018, media reports revealed evidence of large-scale weapons smuggling from China to Djibouti. Our own investigation into such reports have uncovered less convincing evidence. Indeed, the general view from our local contacts finds that such long-distance smuggling routes would be unnecessarily complicated and risky, given the ready availability of high quality weaponry in the Gulf of Aden. There is also no evidence that Chinese weapons are making their way from the Chinese PLA Support Base in Djibouti onto the black market.

Djibouti has become a regional arms trafficking hub, acting as a strategic transit location for weapons derived from Houthi-held Yemen and re-exporting these to the Awdal region of northern Somalia through its peacekeeping deployment in the AMISOM mission.

Despite finding little evidence of direct Chinese smuggling of weapons into Djibouti, our investigation found mounting evidence that Djibouti is already a hub for regional weapons trafficking. Local intelligence suggests that the most prominent network is being run by a prominent Somali fisherman based in Aden, disclosed in the public version of this report only as Person X. Person X manages illegal fishing trawlers run by Yemeni and Somali business

networks. He is also a prominent exporter of weapons from Somalia. One of his export routes (using these fishing dhows) is to Djibouti via the Somaliland port of Saylac.

Back in 2016, the Sultan of Gadabuursi (a northern Somalia sub-clan of the Dir clan), based in Awdal region, was allegedly receiving financial assistance from Djibouti's government to purchase military hardware in order to support their breakaway state in resisting the Somaliland government. Ships operated by Person X were able to deliver to ports and coastal regions stretching from Na'aslei to Bula Har (right on the border with Woqooyi Galbeed region), before the weapons were trucked to Borama, the regional capital of Awdal.

The Gulf States' military intervention in Yemen since 2015 has flooded the region with weaponry and increased illegal smuggling. The majority of the weapons market in Yemen is dominated by the Houthis who with assistance from Iran smuggle the weapons abroad to fund their war efforts. Weapons are exported from the Khokha district of Yemen's Hodeidah province, as well as Mukalla, and end up in Eritrea and Djibouti. To a lesser extent, weapons also provided to the Yemenis supporting the government backed by Saudi Arabia and UAE are also ending up on the black market for export.

The majority of weapons from Yemen transiting Djibouti still end up in the Sultan of Gadabuursi's area of Awdal region to support his claims to autonomy / independence. Source noted that Djibouti briefly considered annexing this area, but is now keener on an arrangement similar to the one which Russia has with Abkhazia: *de facto* control through the provision of military support, but with a puppet regime in place. Apparently the Awdal area holds valuable deposits of gemstones, over which Djibouti is keen to leverage control.

Local intelligence suggests that Djibouti's government tolerates the weapons trade from Yemen and some times holds a stake in such illegal weapons flows. The weapons are distributed in Somalia through the AMISOM mission. Our sources identified a full Colonel hailing from the Issa subclan of the Dir clan, identified in the public version of this report only as the Colonel, as one of the most senior military officials from Djibouti based in Beledweyne (Hiran Province) with AMISOM and as having strong ties to the arms trade in Beledweyne.

According to a report from Somalia's national intelligence agency on 18 June 2018, the Colonel left mission headquarters and went to a nearby al-Shabaab training camp. He and a team of seven of his men provided the militants with weapons (specifically 45 x AK47 PCS, 9 x BKMS, and 5 x RPG7). Part of the report suggested his group also provided training on the tactical use of this weaponry over a seven-day period. As with other reports of this kind, it seems unlikely that the Colonel is acting without instructions from his superiors.

Sources also noted the competition over the regional arms trade between constituent Djiboutian and Ethiopian peace keeping troops. Ethiopian AMISOM forces based in the same region as the Djiboutian forces (Hiran Province) have fought with Djiboutian forces on a number of occasions as a result of the mutual suspicions arising from rumours of their transfers of weapons to al-Shabaab in the area.

The trade of illegal weapons implicates senior government officials in Djibouti, which suggests that the Doraleh port terminal, which is now under government control and suffers from porous customs checks, will increasingly be leveraged as an arms trade hub. However, the most significant flows of illegal weapons will continue to be moved in smaller dhows via the fishing communities in the south-east coast and via the Garacad port project.

So far, and over the past few years, the DP World operated Doraleh terminal was not used for arms trafficking. However, local intelligence suggests that the terminal, which is now under government control, may in future be leveraged as a processing center for the illegal arms trade.

There is some evidence that the Doraleh terminal will increasingly be used for the weapons trade. The Chairman of the Djibouti Ports and Free Zone Authority (DPFZA), Aboubaker Omar Hadi, is a close friend of Ali Abdi Aware, who is a three times presidential candidate of Puntland, as well as a very prominent businessman. They are jointly involved in a venture where Aware is personally in charge of former Yemen president Ali Abdallah Saleh's bank CAC International. This bank is headquartered in Djibouti. Local intelligence suggests that Omar Hadi helped with the registration of the bank and owns shares in it ("part of the investment components"). Moreover, Omar Hadi has established a bank branch in Bosaso that can launder money for underground institutions dealing with weapon imports from Yemen, as the bank hails from Yemen originally.

Aware is also very well established in the Guelleh government and he was the one who set up Puntland's assistance to Djibouti donating 900 camels to Djibouti when it had an armed dispute with its Eritrean rival over the disputed Doumeira Islands. He also helped Djibouti secure an investment commitment for road construction from the Saudi government back in 2009 when late General Adde Muse Hersi was Puntland's president.

Indeed, the trade in illegal weapons in Djibouti stretches to the highest echelons of the government. Local intelligence confirms that one company, which in the public version of this report will only be named as Company Z, is owned by the Guelleh family and handles arms trade. Company Z only deals with weapons imports into Somalia. Those same weapons are then often distributed to political factions backed by the government.

All this suggests that the Doraleh terminal will start to play a more prominent role in regional arms trafficking. Local intelligence suggests that the main port of Djibouti is not secure and that customs procedures are porous, which facilitates illegal shipments. Yet, since this terminal will remain one of Djibouti's main import-export hubs, international scrutiny of cargo flows is high here, which will limit the port's use as a weapons trade center. However, sources say that much of the illegal arms trade does not need to be moved through Djibouti's main port. It is moved in smaller dhows via the fishing communities in the south-east coast.

Moreover, Djibouti is also now involved in the construction of Garacad Port. Djibouti became following a political disagreement with the Somali government with regards to the Eritrea-Ethiopia-Somalia rapprochement following the meeting between the Somali President and his counterpart Afewerki in Asmara. Djibouti are taking advantage of the Puntland disagreement with the Somali government here over the Garacad port. Prime Minister Hassan recently visited the region and was invited to the grand opening of the Garacad Project but refused to do so as the Somali government recently began the Hobyo port construction plan, only 90 km down the road.

There is a lot of tension between the Somali government and Djibouti over their involvement in this project. Local intelligence suggests that the Somali government is rightly worried about Djibouti using this as a base for moving weapons from the Gulf of Aden into Puntland and then onwards into Somalia proper (see previous comments on support for destabilising factions within Somalia such as al-Shabaab). Also, Garacad is a regional hotspot for weapons shipments landing, as it was pirate territory from 2008 - 2011. Boats disguised as fishing vessels still land there for smuggling purposes.

It is at Garacad that Djibouti plays its heaviest role in regional arms trafficking. The logistics, freight, and construction companies involved in the Garacad Port Project are often owned by senior Djibouti government officials and military officers. Most of the construction materials for the project will be transported overland from Djibouti or shipped to the coast off Garacad. There is ample opportunity here for weapons smuggling. Again, the UN Monitoring Group reports for this region include names of some entities which local intelligence suggests are still accurate.

IMPLICATIONS OF PROLIFERATION OF ARMS TRAFFICKING THROUGH DJIBOUTI

Foreign military bases in Djibouti and multilateral missions in the region are currently not concerned by curbing arms trafficking, while western partners are unwilling to wade into the political mess of the Gulf of Aden arms trade.

One of the foci of Western naval forces in the region is the confiscation and disposal of illegal weapons transiting the Gulf of Aden (see images in Eritrea section). However, this tends to be in relation to anti-piracy activities rather than disrupting on-land smuggling networks. Moreover, the illegal arms trade is not a focus for ground forces in areas such as Camp Lemonnier, Héron French Base or Baledogle Airfield.

A security source in Mogadishu noted: “The arms trade in the Gulf of Aden is a political mess that most Western nations do not want to wade into. You might get the odd special forces raid, such as off Djibouti in 2015, but generally speaking as long as they don’t think you’re a pirate, you’re good to go. In fact, the US has specifically stated that they’re drawing down their special forces in Africa, so we will see even less efforts in this area from now on. I don’t think I have ever heard of a drone strike in Somalia targeting weapons smugglers specifically. The focus now is on countering Chinese influence in the area, not stopping weapons smuggling.”

Another security source in Puntland noted: “The net contribution of these foreign military bases to the weapons situation is neutral, or in some cases perhaps negative. Al-Shabaab have had a few great successes in the past few years intercepting convoys headed to Baledogle and stealing all the weaponry that was headed for the US Special Forces there. I think the US drawing-down makes little difference. Also, the growth of Chinese presence makes little difference, given their stated policy of non-interference in domestic policy.”

It is this sense of complacency and lack of political will by foreign powers to become embroiled in the complex arms trade of the Gulf of Aden that potentially poses the greatest threat of proliferation of weapons trafficking through Djibouti. As Djibouti’s strategically positioned port terminals acquire even greater importance for regional trade, yet remain relatively unmonitored, the flow of illegal weapons is likely to proliferate.

The proliferation of small arms in Djibouti as a result of increasing flows of arms trafficking is already increasing instances of armed criminal activity, while also posing a heightened threat of insurgency and terrorism.

There is also a domestic consequence of increased arms trafficking through Djibouti. Armed criminal activity and political violence would be intensified by a proliferation in the numbers of small arms. Djibouti already imports small arms from European countries, like France, Germany, Denmark, Malta, and others, as well as the US, China, Japan, and Turkey. These are mostly possessed by the military and police forces. Yet local sources report that criminal groups are obtaining increasing numbers of illegal small arms. Moreover, the rate of common forms of armed violence, particularly interpersonal violence and firearm homicide, has steadily increased over the past few years.

Despite Djibouti's relative political stability, which is assured by broad regional and international military and diplomatic support, its local influence dynamics remain fraught by deep clan-based and political divisions. Djibouti's political landscape continues to be characterised by divisions between Issas and Afars, which are the two dominant clans. Previous elections have been marred by outbreaks of violence. Since last year, the political environment has destabilised significantly. In February 2018, the opposition alliance boycotted the parliamentary election. Attempts to resolve the political impasse have so far failed. The current deadlock in political reform talks between the opposition alliance and the government puts any political reform agreement at risk, while increasing the likelihood of riots in the one year outlook.

Meanwhile, growing political repression is likely to foster unrest. Although Djibouti has a multi-party political system and opposition parties are allowed to exist, government handling of political dissent frequently attracts criticism from international organisations like Human Rights Watch and western governments. Hundreds of opposition activists have been imprisoned in connection with protests and frequently get accused of various public disorder charges. Prevailing social problems such as unemployment and poverty continue to fuel political discontent. Additionally, the continued absence of a political system through which those unhappy with the status quo can challenge the ruling party is only likely to foster political tension, potentially planting the seed for the rebirth of an armed opposition. Such an armed opposition is likely to draw its support predominantly from the Afar community but is unlikely to pose an existential threat to the current regime.

Finally, the availability of small arms is also likely to play in the hands of militant and terrorist groups seeking to target Djibouti. The continuous presence of thousands of US and French military forces in Djibouti makes the country a potential target for Islamist terrorists, with militant groups such as al-Qaeda and its Somalia-based regional affiliate al-Shabaab identifying Djibouti as a target. Al-Shabaab has repeatedly threatened countries with a military presence in Somalia and has successfully carried out attacks in Kenya and Uganda. The threat posed by al-Shabaab was realised in May 2014, when the group carried out an IED attack at a restaurant in Djibouti city, killing a foreign national and injuring several others.

The group justified the attack by citing Djibouti's military involvement in Somalia with AMISOM and its support for the Western military presence in the region. Similar terrorist attacks of this scale are likely in the future; however, the Western intelligence and military presence mitigate the likelihood of large-scale attacks such as those witnessed in Kenya (2013) and in Uganda (2010).

ERITREA

INTERNATIONAL PARIASH STATUS AND ARMS EMBARGOES

Eritrea's instability has stoked intense insecurity and violence throughout the region, while resultant arms embargoes and diplomatic isolation have fostered an important trade in illegal arms across the Horn.

Eritrea has become one of the most isolated and secretive states in the world, following its two-year border conflict with neighbouring Ethiopia, which concluded in 2000. This is in contrast to its promising start as a nation state in 1993 following its independence from Ethiopian rule, achieved through a 30-year armed struggle. Although no fighting barring minor skirmishes has taken place in the latest conflict with Ethiopia since June 2000, the Asmara government has used Ethiopia's refusal to abide by an international border ruling as a pretext to maintain the country on a war footing, and run it under an effective state of emergency rule rather than focusing on development. This state of limbo and the Asmara government's negative role in the wider Horn of Africa region has undermined the country's relationship with the international community, including the United Nations and the regional African Union, making Eritrea subject to international sanctions, and derailing any development efforts.

As a result of Eritrea's instability, it has stoked intense insecurity and violence throughout the region. Over the past few years, the Eritrean government has suffered attacks from armed Eritrean rebel groups, such as Eritrean National Salvation Front (ENSF), the Red Sea Afar Democratic Organisation (RSADO), the Eritrean Popular Congress, the Democratic Movement for the Liberation of the Eritrean Kunamas, and the Islamic Party of Eritrea for Development and Justice. Meanwhile, fighting on the border with Ethiopia has intermittently broken out since the end of the last war. The UN Monitoring Group has also accused Eritrea of staging attacks on Ethiopia, including the African Union summit in 2011, although Eritrea has denied such claims.

Eritrea's military spending has been one of the highest in the world, estimated around 20% of GDP. As well as maintaining a reported 200,000 active and 120,000 reserve soldiers, the country's military has acquired an impressive arsenal of hardware. Eritrean weapons systems include a large number of T-54/T-55 tanks, reconnaissance and armoured personnel carriers, as well as BMP-1 armoured infantry fighting vehicles. Its air-force holdings also include combat capable aircraft and attack and support helicopters. The UN Monitoring Group notes that Eritrea's most sophisticated fighter aircraft are Mig-29 Fulcrums, Su-27 Flankers, and Mi-24 Hind helicopter gunships, however many systems are not operational and in a state of disrepair. The nation's military holdings have surely eroded. Multiple embargoes and sanctions have been imposed against Eritrea, precluding any major new acquisitions.

In response, Eritrea has reportedly turned to illicit trafficking for some of its perceived hardware needs. Sources of weapons trafficking to Eritrea include Russia, Bulgaria, and North Korea. The imposition of comprehensive UN sanctions against the Eritrean military in 2009 as retaliation for Eritrea's alleged support for al-Shabaab has ensured that North Korea is one of the only countries willing to sell arms to Eritrea. Meanwhile, Eritrea's armed forces have also become involved in the trafficking of weapons and people from Eritrea into Egypt (the Sinai) via Sudan. The below section lists some of the most recent evidence obtained in our investigations.

ARMS TRAFFICKING IN ERITREA

Eritrean military officers and senior officials are deeply entrenched in the regional arms trade, facilitating shipments of weapons to embargoed destinations like Sudan, South Sudan, and Somalia. Eritrea previously also shipped weapons to Islamist militant group al-Shabaab, while it continues to arm Ethiopian rebel groups.

Although the recent rapprochement between Ethiopia and Eritrea may change this dynamic in the near future, Eritrea has been significantly involved in the armament and training of militant factions across the region for many years, among them is al-Shabaab, the Ogaden National Liberation Front (ONLF) and the Oromo Liberation Front (OLF). Since 2009 the UN Monitoring Group has accused Eritrean President Afwerki's government of providing material support to these three groups.

Identified locations where weapons transfers between the Eritrean government and these groups have occurred include Saylac and Lughaya (both in Awdal region, Somaliland). Along Somalia's southern coastline, Mudug region's ports of El Hur and Harardhere have been used to smuggle Eritrean weapons using fishing dhows, with multiple deliveries reported between 2009 and 2015.

Yemen's civil war has increased Eritrea's access to arms as Eritrea is part of the Gulf coalition, with their troops specifically deployed with the UAE Armed Forces in both Al Hudaydah and Aden. Local intelligence suggested that Eritrean military officials are involved in weapons sales, with weapons exported from Yemen and provided to both Sudanese and South Sudanese rebel factions. These weapons are usually moved across the Red Sea or Gulf of Aden with Somali smugglers acting as middlemen.

Sources suggest that this trade has at least the tacit support of Saudi and UAE officials, who wish to keep Eritrea "on-side" and hope to see some of the arms transferred to their regional supporters in the Yemeni conflict. It is not clear whether this is a governmental policy, or the acts of a few corrupt military officials on the ground in the conflict zone.

The Eritreans have a reputation in the region for having access to high-quality modern weaponry. Below are two images from 2016 allegedly showing a weapons shipment from an Iranian dhow which was intercepted off the coast of Saylac by international naval forces. Local intelligence suggest this shipment was organized by Eritrea and was destined for Sudan.



According to three separate security contacts in the region, Eritrea has acted as the leading hub for military training and logistics provision to al-Shabaab since 2006. Weapons transported from their seaports (especially around Assab and Halib) were landed at Baraawe, Harardhere, and El Hur in Somalia. Numerous intelligence reports, including those of the UN Monitoring Group, suggested that weapons were also airlifted to al-Shabaab in Somalia's southern and central regions from Eritrea back in 2009, although this was discontinued in favour of shipping to keep a lower profile given the AMISOM presence in some of these areas.

The 2014 UN Monitoring Group Report implicates several senior Eritrean military officers and officials in the regional arms trade, including General Teklai Kifle "Manjus" and Teseney branch manager of the Red Sea Corporation Nusredin Ali Bekit.

PEACE AT LAST? ETHIOPIA MAKES OVERTURES TO LONG-TIME FOE ERITREA

While international partners have praised Ethiopia's peace overtures to Eritrea and both countries are set to reap substantial economic benefits from such an agreement, the negotiations do not take into account Eritrea's important role in regional arms trafficking. As a result, Djibouti is prepared to increase its market share of the illegal weapons trade, particularly those from Yemen to Somalia.

On 14 July, Eritrea's President Isaias Afwerki began his first visit to neighbouring Ethiopia in more than two decades. Eritrea formally seceded from Ethiopia in 1993, but the two countries fought a border war in 1998. Though a peace deal was signed two years later, Ethiopia had so far refused to implement it. Yet on 5 June, new Ethiopian Prime Minister Abiy Ahmed said his government would unconditionally accept a UN 2002 Boundary Commission's award of the contested territory of Badme and other areas to Eritrea.

Afwerki's visit to Addis Ababa follows Abiy's own high-profile mission of reconciliation to Eritrea's capital Asmara on 8 July. There the two leaders signed a joint declaration to end to their 'state of war' and promised to implement the Algiers peace agreement signed in 2000 that ended the border war. International partners have widely praised the peace initiatives as reconciliation between Ethiopia and Eritrea would benefit security in the volatile Horn of Africa and it is hoped will limit flows of Eritrean immigrants to the European Union.

Since the declaration of peace, the two countries have restored phone lines and have agreed to open embassies, develop ports, and restart flights. The visit by the Eritrean delegation to an industrial park in the southern Ethiopian town of Hawassa was telling as Ethiopia is seeking expanded access to ports for its export sectors. Ethiopia is constantly seeking new export routes to lessen its dependence on the port of Djibouti, while it has expressed interest in running trade flows through the Eritrean ports of Assab and Massawa.

Meanwhile, Ethiopia has asked the UN to lift its sanctions on Eritrea, which also looks set to rejoin the Addis-dominated regional body, the Intergovernmental Authority on Development. UN Secretary-General António Guterres has expressed his hope that the UN Security Council would drop the sanctions against Eritrea, especially since UN investigations have reported that Eritrea no longer provides material support to the al-Shabaab Islamist militia.

During Abiy's trip to Eritrea, he met with representatives of armed groups operating against Ethiopia from Eritrea. He had previously removed the designations of 'terrorist' from Ginbot 7, the Oromo Liberation Front (OLF) and the Ogaden National Liberation Front. A faction of the OLF hosted by Eritrea is reported to be behind some of the violence in western Wollega in Ethiopia. Abiy met the OLF leader Dawud Ibsa to calm the fighting. On 7 August 2018, Ethiopia's government said it had signed an agreement to end hostilities with the OLF. The OLF will conduct its political activities in Ethiopia through peaceful means.

The tentative peace bid is as much motivated by economic considerations, as security imperatives. The policy of isolating Eritrea and ignoring the UN ruling on the status of Badme has been a failed policy that has left Ethiopia cut off from the Eritrean ports of Assab and Massawa. Ethiopia is constantly seeking new export routes to lessen its dependence on the port of Djibouti. An improvement in the countries' relations would allow more regional trade flows to transit Eritrea's ports and also benefit the adjoining Tigray region in Ethiopia. The economic benefits that

would ensue from improved relations with Eritrea and liberalising the Ethiopian economy's key sectors underline the importance of the potential policy shifts.

However, the ongoing negotiations do not take into account Eritrea's strategically important role in the illegal arms trade, supplying arms from Yemen to embargoes groups in South Sudan, Sudan, and Somalia, as well as Ethiopian rebel groups. While some Ethiopian rebel groups like the OLF may opt for peace and political inclusion, other militant organisations are more likely to pursue armed rebellion and will continue to require arms shipments. Local sources say Djibouti's government is preparing to assume such a role as Eritrea steps back from the trade in order to facilitate its eventual return to the international community.

According to local intelligence, Djibouti's government is already angered about Somalia's involvement in the peace discussions between Ethiopia and Eritrea. According to a source, 'Djibouti prefers the region divided, with Somalia weak and Eritrea isolated.' In response, Djibouti's military leaders are already threatening to withdraw their AMISOM contingent to put pressure on Ethiopian forces in the southern regions.

A local source commented that 'it would make sense for Djibouti to ramp up arms exports to groups such as al-Shabaab (or their suppliers) if Eritrea were to cut off these sources of weapons exports. Djibouti might also grow weapons exports to Sudan and South Sudan if Eritrea scales back theirs.'

SOMALIA

THE POLITICAL AND SECURITY OUTLOOK FOR SOMALIA

Despite fresh investor interest in Somalia, especially in its marine ports and nascent oil & gas sector, the indicators for continued instability and insecurity are not subsiding, while the illegal arms trade is set to continue to flourish.

In 2017, Somalia held a much dragged out process of limited suffrage elections, which were meant to have restored credibility to Somalia's administration and ended some of the political violence and insecurity in the volatile country. However, President Mohamed Abdullah Mohamed 'Farmajo' and the government headed by Prime Minister Hassan Ali Khairi are creating new opportunities for foreign investors, especially Qatar and western countries like the UK and US.

For example, DP World's 51% stake in the Port of Berbera is being challenged by Ethiopia's new interest in the Somali port. Both disputes with DP World in Somalia and Djibouti relate to the regional rivalries between Saudi Arabia, the UAE, and other allies with Qatar and its allies, such as Turkey. These regional rivalries have placed Djibouti, as well as Somalia, in a new position of influence and have thrown an economic lifeline to their governments.

Nevertheless, the new government will continue to face complex inter-clan disputes between the major Habr Gedir/Hawiye and Darod clans, as well as growing rivalry among autonomous regional administrations and AMISOM troop contributing countries. Kenya and Ethiopia in particular will continue to leverage their military presence to influence political control of border regions.

As a result, arms embargoes remain in place, though often evolving on a yearly basis, thus superficially allowing supplies to be delivered to the Somali government and the AMISOM peacekeeping mission. The usual international suppliers of weaponry have seemed reluctant to sell arms to the Somali government. European countries have seemed willing to bolster Somali government with training in military tactics but unwilling to supply weapons themselves. Countries like China, Russia and Eastern European suppliers that feature prominently as providers to other Horn of Africa nations have not stepped in to fill the gap in the case of Somalia.

As a result, the illegal weapons trade is flourishing. According to Conflict Armament Research, based on ongoing research, “the majority of weapons in the hands of al-Shabaab are legacy weapons often found in circulation in East Africa and the Horn. These include decades old AK pattern rifles, PKMs, RPG, recoilless rifles, and mortars. The dominant source of weapons to al-Shabaab and other clan militias in Somalia is Yemen. Most of these weapons enter through small ports on the northern coast of Puntland and Somaliland. Recent evidence suggests that Iran supplies significant quantities of weapons to Somalia as well. A third source of weapons and ammunition for Al-Shabaab derives from accidental and deliberate diversion from Somali State and AMISOM stockpiles”

The UN Monitoring Group on Somalia and Eritrea has accused various military contractors operating in Somalia, including from the UAE and the UK, of gross violations of the embargoes. In the following section, we display some of our latest evidence of arms trafficking in Somalia and how this relates to the wider region.

ARMS TRAFFICKING IN SOMALIA

The trade of illegal weapons in Somalia remains highly lucrative and is comprehensively entwined with transnational terrorist groups, drug smuggling, and the conflict in nearby Yemen.

The illegal arms trade in Somalia is centred on the autonomous region of Puntland, specifically the far north-east of the region (especially Bari administrative region (Gobol)). Other areas of activity throughout the country include Lasqorey and Mayr (Sanaag region), Adado (Galguduud region) and Eelayo (60kms east of Lasqorey in the Sanaag region, which is subject to an ongoing armed dispute between Puntland and Somaliland).

Other areas of secondary importance in the smuggling routes are Habo, Alula, Qandala, Mur’anyo, Hul Anod and other minor unpopulated locations that stretch along the vast Bari region coastline. Many of these areas have suitable boat docking facilities that allow smugglers to beach illegal shipments.

The smuggling routes across the Gulf of Aden are all interlinked, with drugs, arms, refugees and members of militant or terrorist groups all being moved by smuggling networks organised along Somali clan lines. The smuggling routes around Bari are still dominated by Isse Yulux, who is a member of the Ali Saleebaan subclan of the Majeerteen clan, however, his smuggling networks incorporate other sub-clans throughout the region.

Yulux was formerly one of the most famous pirate kingpins in the region, but his illegal activities now centre on smuggling. One source in Puntland noted: “His reputation...is very highly valued among all the operatives in the network and he is regarded as the most fearsome character in the region. He keeps very large villas in each and every city or small town across the north-eastern seaboard and controls almost 100 dhows, about 30% of which are his personal property.”

Yulux's second in command in the region is known by the locals as "Indhoolka" and "Laba-baale" or in short the "Blind guy" or "The double winged". Indhoolka deals with the exportation of untaxed natural frankincense gum to the Gulf State of Oman. He is linked with Iranian businessmen with ties to the criminal underworld in both Oman and Iran. Our investigation has obtained identities of other high-level associates of Yulux, which are not disclosed in the public version of this report.

The standard operating procedure is for boats filled with frankincense gum to head out from Bari's ports to offload in Yemen and return filled with arms or drugs. They tend to be unloaded at uninhabited locations then routed through Mur'anyo or Qandalla for consolidation before moving onwards by truck or another dhow.

Most of the Iranians involved in this cartel are Balochis who are an ethnic group from south-east Iran, western Pakistan and southern Afghanistan. The Balochis smuggle heroin and hashish into Yemen and onwards to other North and East African countries. They also import fuel and many other untaxed commodities which are consumed by the coastal communities in Bari region.

The Balochi's representative in Lasqorey is identified in the public version of this report only as Person Y. Person Y is a man who represents almost 20 Iranian and Yemeni dhows. Person Y is responsible for facilitating the delivery of weapons shipments to al-Shabaab in the Galgala Mountains after they are dropped at coastal locations such as Lasqorey, Eelayo, or Mayr (right on the Somaliland border). He also facilitates the delivery of drugs to Mombasa in

Kenya. One his boats was recently confiscated by the Kenyan coastguard as it was carrying heroin from Iran via Lasqorey. There is evidence that smugglers at the Yemeni end of this cartel (based in Mukalla and Ash Shihr) are also members of al-Qaeda and Islamic State's networks.

Local intelligence provided an example of Yulux's level of control in the Bari region: last month a boat carrying weapons from the port of Ash Shihr (Hadhramaut, southern Yemen) docked at Mur'anyo village in Qandalla district and offloaded weapons belonging to the al-Shabaab. The Puntland Maritime Police Force attempted to interdict this shipment with a seaborne assault but were repelled by force of arms from the shore, without confiscating any weapons. The drugs hub of the Iranian Baloch cartel is the port city of Mukalla in Yemen.

Yulux's men also have a heavy presence in the Yemeni port, with Yulux and his high-ranking operatives often seeking medical attention there (rather than Bosaso, where US and UAE agents are always monitoring for their presence).