

UNDERSTANDING THE ONGOING CRISIS IN THE MIDDLE EAST AND IT'S POSSIBLE IMPLICATIONS FOR SOMALILAND

4th May, 2026

Executive Summary

The escalating Middle East crisis; the US/Israel-Iran war, the effective closure of the Strait of Hormuz, and Houthi attacks on Red Sea shipping (has struck Somaliland with immediate and severe force. In the first quarter of 2026, government revenue fell by an estimated €55 million (30%), monthly inflation surged from 0.9% to 9.3%, and the fuel prices doubled. These economic shocks are compounded by the diplomatic earthquake of Israel's recognition of Somaliland in December 2025) the first by a UN member state in 34 years. Recognition offers unprecedented opportunities for technology transfer, investment, and lobbying pathways to broader international legitimacy. However, it also exposes Somaliland to backlash from Israel's adversaries, potential security spillover, and diplomatic isolation from traditional Arab and African partners.

This brief, distilled from a national forum of senior policymakers, experts, and civil society leaders convened by the Center for Dialogue and Governance on April 22, 2026, argues that Somaliland must urgently adopt a strategy of calibrated neutrality, internal capacity building, and proactive diplomacy. It provides a prioritized, actionable roadmap to stabilize the economy, manage the Israeli relationship strategically, strengthen decrepit institutions, and secure the nation's long-term resilience.

The Strategic Context - A Region in Flames and Somaliland's Exposure

Somaliland's 800- km coastline and the deep-water-port of Berbera place it astride one of the world's most critical maritime chokepoints. For years, this geography was an under-leveraged-asset; today, it is a vulnerability. The Red Sea has become an active battleground. Iran's pressure on the Strait of Hormuz has choked global fuel flows, whereas Houthi forces in Yemen have demonstrated the capacity to target commercial shipping far into the Gulf of Aden. The result has been a dramatic reduction in the container traffic calling at Berbera. DP World, the port operator, has recorded a sharp drop in TEU volumes, directly draining Somaliland's customs-dependent- budget (75% of revenue).

The macroeconomic fallout was acute. Retail fuel prices rose from €0.65 to €1.50 per liter, driving up transportation, electricity, and food costs. Livestock exports, a traditional hard-currency earner, contracted as Saudi Arabian demand softened. Remittances from the diaspora have slowed, and the diaspora investment appetite has waned. Beyond the numbers, the crisis has generated a refugee flow onto Somaliland's shores without any legal or logistical framework to manage it.

Two diplomatic events have magnified this attention: the 2024 Ethiopia-Somaliland Memorandum of Understanding and Israel's December 2025 recognition. While the MoU brought diplomatic pushback from Mogadishu and the Arab League, Israeli recognition triggered a far wider reaction. Pakistan's intelligence reportedly convened a pre-emptive meeting with Turkey, Djibouti, Somalia, and Egypt. Several foreign Somaliland offices were subsequently closed or restricted. Somaliland, once diplomatically marginal, is now a symbolic battleground in the region's power struggle. Without a clear and deliberate strategy, the country risks being drawn into a conflict it did not choose.

The Israel Recognition - A Dual-Edged Sword Opportunities

The recognition breaks a 34-year diplomatic ceiling. Israel is a global technology leader in precisely the areas where Somaliland's deficits are most severe: arid zone- agriculture, solar and wind energy, water management, cyber-security, and intelligence. A structured partnership can rapidly reduce dependence on imported fuel and food. Diplomatically, Israel's relationships with Washington and other Western capitals provide a lobbying channel that Somaliland has never possessed. A professional, well-resourced-campaign could translate recognition into a wave of additional recognitions. Moreover, the sheer global visibility generated by the announcement has already upgraded Somaliland's profile, creating an opportunity to shape its narrative.

Risks

The timing is perilous. Israel is engaged in a devastating regional war and is viewed negatively by much of the Arab and Muslim world. By formalizing ties, Somaliland risks absorbing the diplomatic, economic, and potentially military consequences of Israel's conflict. Insurance premiums for vessels calling at Berbera have risen, and ports in Djibouti, Mogadishu, and Mombasa are already taking diverted cargo. The prospect of hosting an Israeli or American military base (a topic discussed at the forum) could permanently discredit Somaliland's claim to neutrality and make its territory a legitimate target for HSM attacks. Internally, recognition has not been preceded by a broad national consensus, leaving the polity vulnerable to polarization when external pressure mounts.

The readiness gap

The forum's participants were candid: Somaliland's institutional architecture is not prepared to manage relationships of such complexity. Foreign policy remains over-centralized- in the executive. The parliament is sidelined. The Ministry of Foreign Affairs lacks a dedicated Middle East desk, treaty negotiation-capacity, and a professional communications unit.

Basic legal and regulatory frameworks, such as investment laws, insurance systems, and national ID registers, are either absent or embryonic. The security apparatus, particularly the CID, discourages open expert debates. Without urgent institutional reinforcement, the opportunities for recognition will be squandered, and the risks will be magnified.

Implications of Isreal Recognition to Somaliland

Israel's recognition of Somaliland in December 2025 acted as a "diplomatic earthquake," providing a historic breakthrough in international legitimacy while simultaneously triggering severe economic and security challenges.

Economic Impact

This recognition, occurring alongside an escalating Middle East crisis, contributed to a period of intense economic shock in the first quarter of 2026.

- **Revenue and Inflation:** Government revenue plummeted by approximately €55 million (a 30% decrease), and monthly inflation surged from 0.9% to 9.3%.
- **Energy Costs:** Fuel prices doubled, rising from €0.65 to €1.25 per liter, which subsequently drove up the costs of transportation, food and electricity.
- **Trade and Logistics:** Insurance premiums for vessels docking at Berbera port increased, causing cargo to be diverted to competing ports in Djibouti, Mogadishu, and Mombasa. Additionally, traditional livestock exports were contracted as demand from Saudi Arabia softened.
- **Future Opportunities:** Despite these shocks, the recognition opened doors for high-tech investments. Israel is viewed as a potential partner for arid-zone agriculture, solar and wind energy, and water management, which could eventually reduce Somaliland's dependence on imported food and fuel.

Security and Diplomatic Impact

This recognition transformed Somaliland into a "symbolic battleground" for regional power competition, leading to significant security risks.

- **Regional Backlash:** The move triggered a hostile reaction from Israel's adversaries and traditional Arab and African partners. Intelligence reports indicated that Pakistan convened a meeting with Turkey, Djibouti, Somalia, and Egypt to coordinate a response, leading to the closure or restriction of several Somaliland foreign offices in Pakistan.

- **Military Vulnerability:** By formalizing ties, Somaliland risks being drawn into the US/Israel-Iran war. There is a specific concern that hosting an Israeli or American military base would strip Somaliland of its neutrality and make its territory a "legitimate target" for regional actors like the Houthis.

Maritime Threats: Somaliland's 800 km coastline has become a vulnerability as the Red Sea evolved into an active battlespace, with Houthi forces targeting shipping in the Gulf of Aden.

Internal and Humanitarian Pressures: The crisis has generated a flow of refugees onto Somaliland's shores, for which the country currently lacks a legal or logistical framework to manage them.

Furthermore, the security apparatus has been criticized for a culture of secrecy that stifles the strategic debate needed to navigate new threats.

Policy Recommendations

The forum's deliberations converge on a single strategic imperative: Somaliland must build internal resilience, manage external relationships with surgical precision, and institutionalize decision-making-. The following are six interdependent, prioritized recommendations.

1. Declare and Institutionalize a Doctrine of Calibrated Neutrality

Somaliland should formally adopt a policy of no permanent foreign military bases and no use of its territory for offensive operations by any external power. This neutrality must be codified by a presidential decree and parliamentary resolution. Simultaneously, the country must maintain economic and diplomatic relations across the region's divides, refusing to let one partnership define its entire foreign posture. A standing National Security Council, including civilian expertise, should monitor alignment risks.

2. Stabilize the Economy and Build Fiscal Buffers

Three urgent measures are required: (a) establish strategic fuel and grain reserves with a minimum 90-day supply; (b) negotiate alternative trade corridor agreements with Kenya (Mombasa) and Somalia (Mogadishu) to guarantee cargo access during Red Sea disruptions; and (c) launch a currency diversification strategy to reduce dependence on the US dollar and create a fiscal stabilization fund to smooth revenue shocks. Over the medium term, the government must expand the tax base beyond customs and develop a regulated insurance and banking sector.

3. Invest Urgently in Energy and Food Independence

Somaliland's crippling reliance on imported petroleum can be reduced. Within 18 months, at least two utility-scale- solar farms and a wind energy- pilot should be commissioned, potentially in cooperation with Israeli technical partners. Simultaneously, a national water harvesting- and irrigation programme must be launched to reduce food imports, stabilize rural livelihoods, and build resilience against recurrent droughts.

4. Manage the Israel Relationship Proactively and Transparently

The government should present a comprehensive Bilateral Framework Agreement to Israel, prioritizing technical cooperation (water, energy, agriculture, and cyber-security) and diplomatic lobbying support. All agreements are subject to full parliamentary review and ratification. A professional lobbying team should be deployed to Washington and other capitals within three months. A structured national dialogue should be convened to establish clear, publicly endorsed red lines on military cooperation before any external pressure forces the issue behind closed doors.

5. Strengthen Democratic Institutions and the Foreign-Policy Machinery

The parliament must assert its constitutional role in foreign relations. A dedicated Foreign Relations and Recognition Committee should be established immediately with the power to summon ministers and review all international agreements. The Ministry of Foreign Affairs requires a permanent Middle East and Red Sea Desk, Treaty Directorate, and merit-based-recruitment system. A National Policy Advisory Council, drawn from academia and civil society, should be instituted to channel expert input into policies. Foundational legislation, including a modern Investment Law, an Insurance Act, and a Freedom of Information Act, must be enacted.

6. Create a Refugee Framework and Enhance Maritime Security

A national refugee law aligned with international standards should be passed within a year, with dedicated reception centers and a trained immigration cadre. Coastal surveillance capacity must be upgraded using patrol vessels, radar, and inter-agency coordination. A quarterly National Security Dialogue with civilian expert participation should be institutionalized to break the culture of secrecy that currently stifles strategic thinking.

7. No Military Base in Berbera

In light of the current understanding of the conflict in Iran and its effects on the broader Middle Eastern region, foreign military bases pose more of a threat than benefit. Israel's recognition of Somaliland presents significant risks to Somaliland's civilian infrastructure, including the ports of Berbera, Berbera Oil Terminal, and the airport. Although the government asserts that Somaliland has not allowed Israel to establish a military base (lacking concrete evidence), Somaliland must avoid inviting Israel to Berbera under any circumstances, as it could potentially lead to an attack on the Houthis in Yemen.

a) According to the provided geopolitical analysis, hosting a foreign military base (specifically an Israeli or American one) presents several significant problems and risks for Somaliland.

b) Loss of Neutrality: Hosting such a base would permanently discredit Somaliland's claim to neutrality in the war. Experts argue that Somaliland should instead adopt a "doctrine of calibrated neutrality," which explicitly includes a policy of having no permanent foreign military bases.

c) Becoming a "Legitimate Target": Formalizing military ties through a base would make Somaliland's territory a "legitimate target" for regional actors such as Houthi forces in Yemen. This could draw the country into the broader US/Israel-Iran war, a conflict that it did not choose.

d) Risk to Critical Infrastructure: There is a high risk that military installations will invite attacks on vital civilian infrastructure, including the port of Berbera, the Berbera Oil Terminal, and the local airport.

e) Regional Backlash: The prospect of military cooperation with Israel is viewed as a "risk and not a reward" given the current regional climate. This could further isolate Somaliland from traditional Arab and African partners who already view the Israel-Somaliland relationship negatively.

8. How could the port of Berbera be protected?

a) Adopt a Doctrine of Calibrated Neutrality: The primary recommendation is to formally adopt and codify a policy that prohibits permanent foreign military bases and ensures that no part of Somaliland's territory is used for offensive operations by external powers. Specifically, experts warn that bringing an Israeli or American military presence to Berbera would make the port a "legitimate target" for regional actors like the Houthis,

b) Enhancing Maritime Security: Protecting the port and the 800 km coastline requires an urgent upgrade of coastal surveillance capacity, including the acquisition of patrol vessels and radar systems, alongside better interagency coordination to monitor the active battlespace of the Red Sea.

c) Establish Strategic Reserves: To mitigate the impact of supply chain disruptions at ports, the government should establish strategic fuel and grain reserves with at least a 90-day supply.

d) Secure Critical Infrastructure: Policymakers emphasize that protecting civilian infrastructure (including the port, the Berbera Oil Terminal, and the airport) depends on avoiding military entanglement in the US-Israel-Iran war.

e) Institutionalize Oversight: The sources recommend creating a National Security Council and a dedicated Foreign Relations and Recognition Committee in Parliament to monitor alignment risks and review all international agreements that could impact the security of national assets, such as the port.

Policy Brief

Implementation and Monitoring

The window for action is narrow and limited. A phased roadmap is proposed: -

The window for action is narrow and limited. A phased roadmap is proposed: -

- Phase 1 (0-6 months)-Establish strategic reserves, deploy the lobbying team, draft the refugee bill, declare calibrated neutrality, and begin parliamentary oversight.
- Phase 2 (6-18 months) - Break ground on solar farms, pass insurance and investment laws, operationalize the Foreign Ministry's Middle East Desk, and conclude the Mombasa and Mogadishu transit agreements.
- Phase 3 (18+ months) - Achieve measurable progress toward recognition by multiple states, embed parliamentary treaty ratification as a permanent practice, and institutionalize the National Policy Advisory Council.

A joint government-parliament-Civil Society Taskforce will monitor progress quarterly, publish public scorecards, and escalate stalled initiatives to the President and Speaker. The first national dialogue to review progress will be convened at the 12-month mark.

Conclusion

Somaliland is at a generational crossroads. The external environment has rarely been more threatening, and the opportunity to secure international recognition has never been more tangible. The choice is between a reactive, personalized approach that will absorb the full cost of regional turmoil and a deliberate, institutionalized strategy that converts turbulence into state-building. This brief, drawn from the collective deliberation of the nation's leading experts, makes a case for the latter. The recommendations are specific. The implementation of this approach can begin immediately. The responsibility now rests with Somaliland's leadership and its people to ensure that their nation is not a passive victim of great power-games but a confident actor at the table.