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GEOPOLITICAL RISK OBSERVATORY

# Eastern Africa

**Luiss Report**

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**October 2025**

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## GRO Overview: Eastern Africa

GRO Overviews are neither extensive analysis nor news updates. Instead, they offer a general perspective over areas and issues, trying to provide a series of factors and variables that organizations should monitor to anticipate risks. For in depth analysis or day to day updates you should contact the observatory at [strategicchange@luiss.it](mailto:strategicchange@luiss.it)



### Summary

Eastern Africa faces elevated geopolitical risk driven by a convergence of overlapping armed conflicts, extremists' resurgence, intense interstate rivalries, maritime insecurity in the Red Sea, and mounting internal pressures from stressed governance and sovereign debt. Risk is concentrated along three primary fault lines: first, Sudan's nationwide civil war, which threatens to spill into the wider Red Sea periphery; second, simmering Ethiopia-Eritrea tensions, anchored in the fragile peace in Tigray and

Addis Ababa's quest for sovereign sea-access, risking renewed interstate conflict; and third, persistent attacks by Yemen-based Houthi forces disrupting Red Sea shipping, with cascading effects on global supply chains and insurance costs. These primary risks are compounded by second-order pressures, including sovereign debt overhangs that constrain stabilization efforts, the rising threat from terrorist groups, public health emergencies like the mpox upsurge, and volatility in external aid flows. The aggregate picture for 2025-2026 is a medium-to-high probability of episodic, high-impact disruptions to logistics, energy transit, food security, and cross-border capital formation.

### Historical and Geopolitical Context

Eastern Africa's contemporary geopolitical landscape is deeply rooted in a history of complex pre-colonial kingdoms, the divisive legacy of colonial-era borders, and a post-independence period marked by prolonged and often interconnected conflicts. The arbitrary borders imposed during the "Scramble for Africa" disregarded ethnic realities and have fueled recurrent contestation in Somalia, Sudan's center-periphery wars, and the violent split between Ethiopia and Eritrea in the 1990s.

Today's risks build directly on these unresolved historical grievances. Ethiopia's devastating 2020-2022 Tigray war formally ended with the Pretoria Agreement, but the peace remains brittle due to the contested footprint of Eritrean forces and intra-Tigray factionalism. This fragile situation is dangerously inflamed by Addis Ababa's renewed and assertive push for sovereign access to the Red Sea, a move that revives historical grievances with Asmara and challenges its reliance on Djibouti's ports.

A significant new flashpoint in this context is the Memorandum of Understanding between Ethiopia and **Somaliland**, the self-declared independent state that broke away from Somalia in 1991. While Somaliland has maintained relative stability compared to the rest of Somalia, its deal to lease a port to Ethiopia in exchange for potential recognition has been vehemently condemned by Mogadishu as a violation of its sovereignty, dramatically increasing the risk of regional conflict.

Simultaneously, the Red Sea theater has become increasingly internationalized. The Yemen conflict empowered the Houthis to project maritime disruption, drawing sustained U.S.-U.K. military strikes and inviting external security designs by Russia, Iran, Türkiye, and Gulf states, all seeking to establish influence and naval access across Sudan, Somalia, and the broader littoral.

### Global Implications

The geopolitical volatility of Eastern Africa has direct and significant global implications, primarily centered on its strategic waterways and its potential to export instability. The most immediate impact is on **maritime trade and energy flows**. Houthi attacks have already depressed Suez Canal traffic, forcing costly and time-consuming rerouting of vessels around Africa. This has amplified freight costs, war-risk insurance premiums, and delivery times, reverberating through inflation channels to Europe and Asia. Further escalation would severely impact global supply chains and energy markets.

Beyond the maritime domain, there is a severe risk of **interstate conflict** with global repercussions. A renewed war between Ethiopia and Eritrea, potentially drawing in Somalia over the Somaliland issue, would jeopardize the critical trade corridor through Djibouti, trigger massive refugee surges, and likely involve proxy alignments with external powers. Such a conflict would compound already high geopolitical risk premia across emerging markets. This instability also threatens to create a profound **food security shock**. The combination of conflict in the Horn and disruptions to Red Sea shipping endangers the flow of grain, fertilizer, and humanitarian aid into East Africa—the continent with the highest dependency on food imports. This raises the prospect of acute food insecurity, famine, and subsequent migration pressures on a global scale.

Furthermore, regional instability creates dangerous **terrorism externalities**. With Africa becoming an expanding hotspot for jihadist activity like al-Shabaab, Ansar al-Sunna and Islamic State affiliates, instability heightens risks to foreign embassies, logistics nodes, and extractive industries. Terrorist organizations are exploiting the weakness of state institutions and **humanitarian emergencies** across the region. Indiscriminate attacks against state security forces, foreign peacekeepers, and local civilians are occurring in Somalia, Kenya and Mozambique. This stretches the counterterrorism bandwidth of international powers already taxed by crises in the Middle East. Finally, these pressures are driving a broader **geopolitical realignment**. Cuts or freezes in aid from traditional Western donors could create vacuums for alternative patrons like Russia, China, and Gulf states to fill. Strategic decisions, such as a potential Russian naval base agreement at Port Sudan or shifting security partnerships in Somalia, could fundamentally reconfigure naval access and the balance of power in the Red Sea.

### Practical Implications for Businesses and Interests

For private actors and investors, the region's high risks necessitate robust and dynamic mitigation strategies, as the operating environment is characterized by volatility that can impact everything from supply chains to personnel safety. For the **shipping and logistics** sectors, this means expecting persistent schedule unreliability, higher insurance costs for war risk and K&R, and the need for periodic diversions around the Cape of Good Hope. Contingency planning must assume multi-month elevated premiums and require contract renegotiations on



demurrage and force majeure clauses. Similarly, in **energy and commodities**, price volatility is highly likely due to transit risks and potential refinery outages tied to feedstock delays. Hedging strategies and diversified routing and storage are advisable for any importers, exporters, and traders exposed to Suez-linked flows.

Physical assets are also exposed. Major **infrastructure and port** projects in Djibouti, Somaliland, Sudan, and Ethiopia face permitting delays, security surcharges, and significant community-relations challenges. Due diligence must assess spillover risk from Ethiopia-Eritrea tensions and the SAF-RSF conflict dynamics near key economic corridors. For consumer-facing sectors like **agribusiness and FMCG**, the primary challenges lie in supply chain fragility and regional food insecurity, which elevate demand volatility and invite greater regulatory scrutiny over pricing and imports. Businesses in this space should model for larger inventory buffers and aggressively pursue local sourcing alternatives where feasible.

Finally, firms must address fundamental operational and financial resilience. The spread of diseases like mpox and potential disruptions to public-health funding threaten **health and workforce continuity**, requiring employers to update duty-of-care protocols and plan for health-related absenteeism. On the financial side, rising sovereign risk and policy uncertainty will complicate **political-risk financing** and raise the cost of capital. Therefore, leveraging risk-mitigation instruments from institutions like MIGA, carefully selecting local partners, and securing contractual step-in rights are all critical for ensuring the bankability of investments.

### What to Monitor

To effectively navigate this complex environment, the following indicators should be continuously monitored for signs of escalation or change:

- **Ethiopia-Eritrea-Somaliland:** escalatory rhetoric on Red Sea access from Addis Ababa, and any slippage in the implementation of the Pretoria Agreement could entail an increase in the regional tensions. Closely monitor developments related to the Ethiopia-Somaliland port deal and Somalia's reaction.
- **Sudan War Trajectory:** offensives by the SAF or RSF, particularly RSF drone strikes or advances near Port Sudan should be closely monitored as any other major change in the field. Spillover effects might alter also the Red Sea situation that is already compromised by the Houthi attacks subordinated to the developments of the Israeli operations in Gaza. Keeping track of the frequency, sophistication, and lethality of Houthi maritime attacks, the response from the naval coalition, is crucial to improve readiness.
- **Macro-Financial Stress:** watch for signals of debt distress in key countries (e.g., Ethiopia, Kenya), policy tightening affecting foreign exchange access, and subsidy reforms that could trigger social unrest.
- **Terror Threat Evolution:** movements like al-Shabaab, Ansar al-Sunna and IS affiliates should be closely monitored. Of relevance should be any evidence of cross-border linkages or intent to target soft corporate and logistics assets.
- **Public Health and Aid Flows:** track mpox case trends in the DRC-Uganda-Rwanda-Burundi orbit and any announcements of sustained shifts in

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U.S./Western aid policy that could strain health and humanitarian pipelines, potentially leading to instability.