

ETHIOPIA

Dramatic Policy Shift Puts Regional Development at Center Stage

by Douglas DeGroot

July 19—New Ethiopian Prime Minister Abiy Ahmed—only sworn in on April 2—has moved with a rapidity that has surprised Ethiopians and Eritreans, to keep his word on two pledges he made when he was sworn in: to end the drawn-out state of war with neighboring Eritrea; and to end the draconian internal security focus which branded members of opposition groups as terrorists, and sent them to prison.

Abiy is moving rapidly with respect to normalization of relations with Eritrea and aggressive reform of Ethiopia's approach to internal security. These important developments, very significant in themselves, are getting the bulk of the international news coverage.



Xinhua/Michael Tewelde

Ethiopian Prime Minister Abiy Ahmed (with dark glasses) welcoming Eritrean Foreign Minister Osman Salah to Addis Ababa for the first official contact between the two countries in over 20 years.

An Economic Union for the Region

However, before he began implementing these important policy shifts, Abiy was focused on laying the groundwork for ensuring the continued, rapid economic development of Ethiopia—the world's fastest growing economy—and of its immediate neighbors, in a win-win fashion. Abiy undertook visits to Ethiopia's immediate neighbors and several other nations in the region. When he visited Ethiopia's immediate neighbors of Somalia, Djibouti, Sudan, and Kenya, he proposed financial cooperation with each nation to make joint investments and ownership of projects, such as expansion of their ports and transport infrastructure, with the goal of developing the entire Horn of Africa region. These visits demonstrated that the top priority for Ethiopia remains its plan to become the hub of industrialization in Africa, following the development model of China.

Abiy's chief of staff, Fitsun Arega, stated to the *EastAfrican* May 12 that Abiy's goal on the visits was to lay the basis for creating an economic union: "Djibouti, Ethiopia, Kenya, and Sudan will now work towards a true economic union with joint investments and ownership of projects because our people's shared prosperity and security depend on it." Abiy traveled with high-level delegations on each trip.

Ethiopia made a deal to acquire a 19% ownership stake in the Port of Berbera in Somaliland, a region of Somalia that is trying to break away from the Somali government. But Abiy's intention is not to encourage secession. Abiy also offered to participate in four Somali port projects.

Abiy went to Djibouti April 28-29 to meet President Omar Guelleh. They made an agreement for Ethiopia to take an ownership concession in the port, which han-

dles 95% of Ethiopia’s inbound trade. In February, Djibouti nationalized the Doraleh Container Terminal there, cancelling DP-World’s concession to run the terminal, after a six-year dispute. Since then, Djibouti has had difficulty finding other investors in the facility because the legal wrangling between DP-World and Djibouti made it risky. DP-World is owned by the government of Dubai. In return, Abiy offered Djibouti the possibility of acquiring concessions in Ethiopian state-owned companies.

On May 2-3, Abiy went to Sudan. He made an agreement with President Omar Hassan al-Bashir whereby Ethiopia acquired a concession in Port Sudan. Ethiopian Foreign Ministry spokesman Meles Alem said that the two leaders “agreed to develop Port Sudan together,” according to a report in *africannews.com*. They also agreed to build a new railway line from Ethiopia to Khartoum and a trans-border economic zone, and to develop the border town of Assosa into a commercial center.

Abiy went to Kenya May 6-7 for talks with Kenyan President Uhuru Kenyatta. Ethiopia was given rights for formal acquisition of land at the new Port Lamu deep water port to set up a logistics facility. They agreed



Xinhua/Michael Tewelde
Eritrean President Isaias Afwerki (right) and Ethiopian Prime Minister Abiy Ahmed, raising an Eritrean flag as the Eritrean embassy is reopened in the Ethiopian capital of Addis Ababa on July 16, 2018.

to work on joint projects, such as roads and railways. Both sides agreed to jointly invest in the “Moyale Joint City and Economic Zone” project, according to the joint communiqué. Moyale is the main Kenya-Ethiopia border town. The presidents “committed to the development of the Lamu Port-South Sudan-Ethiopia Transport Corridor (LAPSSET); the Northern Corridor including road network between Isiolo [and] Moyale through to Addis Ababa; and the railway from Addis Ababa to Nairobi.” (Isiolo, in Kenya, is on the route between Lamu Port and the border at Moyale.) The LAPSSET Corridor megaproject is East Africa’s largest and most ambitious infrastructure project, bringing together Ethiopia, Kenya, and South Sudan, with the potential to expand to Uganda and Rwanda.

He also visited Uganda, Egypt, Rwanda (often paired with Ethiopia as a similarly minded development economy), and the Gulf states UAE and Saudi Arabia.

Industrialization Perspective

Ethiopia is the second most populous country in Africa, with a population of 102 million. Its economy has been growing at 10% per year for the last ten years. Ethiopia intends to maintain this economic growth rate. At the beginning of the 1990s, its economic growth rate was only 3%. Ethiopia’s Vision 2025 plan has as its target rapid economic growth, to make it the leading manufacturing hub in Africa. The plan projects GDP growing by 11% per year and manufacturing growing





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The Addis Ababa to Djibouti all-electric rail line, built in collaboration with China, as it crosses Holhol bridge.

by 25% per year over the next ten years, in the view of Arkebe Oqubay, the architect of Ethiopia's industrial breakout.

Arkebe said in a BBC interview in August 2017 that "Expanding and building world class industrial parks is a model we have chosen." He also pointed out that "the population is growing by about 5% so we need to create close to one million jobs every year." He understands that population is an important resource. He pointed out that "population growth is not only a challenge, but also an opportunity if it's linked with quite rapid economic growth."

To accompany the industrial parks, Ethiopia is building—with China's help—large, affordable apartment blocks, in addition to new road systems. The new electric rail line from Addis Ababa to Djibouti has been completed. As Arkebe pointed out: "We can learn from China that making investment in the long-term, in infrastructure, is quite important. We have seen China emerge from low level, into being a manufacturing powerhouse."

Hawassa Industrial Park, said to be the biggest in Africa, is one of a dozen or more that are being built or have been built in Ethiopia. It covers 140 hectares (350 acres) and will have a workforce of 60,000. It was built by China Civil Engineering Construction Corporation (CCECC) in nine months.

Arkebe made it clear that Ethiopia will not rest on the laurels of its past accomplishments. He stated that "Building democracies, and sustaining them, requires effort for many generations, and we recognize that, and

we are going to put more effort despite the achievements we have made."

Half of the adult population is illiterate, according to reports, and 80% are rural. Rapid industrialization and the ongoing push for education will continually lower these percentages.

Ethiopia now has only enough reserves for two months' worth of imports. To be able to keep spending at the rate required for its ambitious development program, it is now going to sell stakes in some of its state-

run businesses, to generate more funds.

Internal Policy Shift

The Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) has ruled Ethiopia since defeating the bloody Derg regime of Haile Mariam Mengistu in 1991. After its popular first prime minister, Meles Zenawi, died in 2012, Hailemariam Desalegn became prime minister until he suddenly resigned on Feb. 15, 2018. The last three years of his term in office were marked by extensive political unrest in the two largest regions, Oromia and Amhara, which he suppressed. These developments preceded the EPRDF's decision to select Abiy as prime minister.

The issue of relations with Eritrea was addressed on June 5. The EPRDF Executive Committee unexpectedly issued a communiqué, stating that it had decided to accept and implement the 2000 Algiers Peace Accord that ended the 29-month war between Ethiopia and Eritrea. It would also implement the 2002 ruling by the UN-backed Eritrea-Ethiopia Boundary Commission, which gave to Eritrea some disputed territories and the town of Badme, where the conflict originated. Eighty thousand or more troops were killed during that conflict. Prior to that time, Ethiopian policy had been not to accept the rulings of the Algiers Accord and the Boundary Commission.

It took two weeks for Eritrean President Isaias Afwerki to respond to this surprise announcement. He said in a speech on June 20 that he would send Foreign Minister Osman Saleh and Afwerki's right hand man, Yemane



Xinhua/Michael Tewelde

Partial view of Hawassa Industrial Park, the largest in Africa at this point, 275 kilometers south of Addis Ababa.

Gebreab, to visit Addis. As a result of this visit, Abiy made a trip to Eritrea for a direct meeting with Afwerki.

Afwerki traveled to Addis Ababa a week later, on July 14. He re-established relations with Ethiopia. After his return, Eritrean troops were pulled back from the border and 35 people who had been detained on religious grounds, were released by Eritrea.

Two months ahead of schedule, Abiy lifted the state of emergency that had been imposed when Abiy's predecessor, Prime Minister Hailemariam Desalegn, had resigned. Abiy also freed political prisoners. At the historic summit on July 8 with Afwerki in the Eritrean capital, Asmara, he signed a declaration ending the state of war between the two countries. This move was met with enthusiasm and tearful reunions on both sides of the border.

Eritrea seceded from Ethiopia in 1993. After the war, the two countries had a rigid focus on internal security. Political opposition groups in Ethiopia were given sanctuary in Eritrea. Both countries were dominated by security concerns. Eritrea had a policy of mandatory army conscription for an indefinite period of time. Many fled the country to escape being in the army for an undetermined period. As a result, more of the refugees fleeing to Europe from Africa came from Eritrea, which has a population of only 5 million, than from any other single African country.

As part of his policy reversal, Abiy has publicly stated that branding opposition groups as terrorists and putting their members in prison, was a form of state terrorism. He has released and pardoned these political

prisoners, after his meetings with Afwerki in Eritrea and in the Ethiopian capital of Addis Ababa on Afwerki's reciprocal visit.

Normalization of relations with Eritrea makes it more likely that the Eritrean ports of Assab and especially Massawa, a container port, can be developed, and transport connections to them upgraded, providing access to the sea, as was the case before secession. During the state dinner hosted by Afwerki in Eritrea on July 8, Abiy said that Ethiopia is ready to use the Eritrean port.

Three armed opposition groups have been removed from the terror list as a result of the reforms. One of them, the Ogaden National Liberation Front (ONLF), however, has repeated its pledge to disrupt Ethiopian production of oil and gas in the Ogaden region. China's POLY-GCL Petroleum Group Holdings Ltd. is set to start oil tests. Gas reserves are estimated to be 6-8 trillion cubic feet. Plans have been made for a \$4 billion project to construct a pipeline to a liquefaction plant to be built in Djibouti. In 2007 a Chinese-run oil field in the Ogaden was attacked by ONLF, killing nine Chinese and 65 Ethiopians. The ONLF was set up in 1984 and was headquartered in Kuwait.

On June 7 Abiy carried out a wide-ranging reshuffle of top security officials. On June 23, in Addis Ababa where he addressed a big rally, a hand grenade was thrown at the platform. Two died, but Abiy escaped injury. The person who threw the grenade wore a police uniform, and came to the location in a police car. The car was torched, preventing any evidence related to the incident from being analyzed.

Ethiopia has already come a long way, if one considers that in the 1950s and 1960s, Ethiopians would prostrate themselves on the ground when Emperor Selassie passed in his black Rolls Royce. Ethiopia still has a lot to accomplish, but it is doing it at only one speed—as fast as possible. People who doubt that Ethiopia can accomplish its goal, are asked by Ethiopians to look at what China did in 40 years.

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