

RESETTING ETHIOPIA

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Will the state heal or fail?

by

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CONFLICT
SERIES
PREVENTION

INTRODUCTION

While democratic reforms should in principle promote peace and stability, to what extent can they also exacerbate political violence? Although the academic debate is controversial with regard to this question,¹ Ethiopia provides a good test case to look at conflict prevention from the perspective of a country that recently experienced a peaceful transfer of power, followed by fast-paced reformism, and can as a result either stabilise or fall back into conflict.

Since the appointment of Abiy Ahmed Ali as prime minister in April 2018, Ethiopia has undergone a profound transformation. These changes are the result of the peaceful stepping down of Prime Minister Hailemariam Desalegn in January 2018 in response to severe societal turmoil. In an attempt to mitigate conflict and avoid extreme fragility, the new leadership sought to accelerate its progress towards democratisation, expanded political freedoms, introduced market liberalisation and developed a new approach to foreign policy, which led, *inter alia*, to the peace deal between Ethiopia and Eritrea.

These transformations, however, have not occurred without turbulence. Insecurity and ethnic tensions have been worsening, leading to an unprecedented

Summary

- › The appointment of Prime Minister Abiy Ahmed in 2018 marked a turning point in Ethiopia's recent history. The transfer of power was peaceful and the new leadership launched unprecedented reforms to accelerate the country's path towards democratisation.
- › Instead of addressing Ethiopia's vulnerabilities, however, reforms weakened the state even further. Centrifugal forces and claims of self-determination rose, leading to ethnic violence.
- › The trajectory of Ethiopia's transition is currently driven by domestic, economic and external factors, which delineate three possible avenues: (1) spiralling instability and relapse into conflict; (2) gradual stabilisation, progress towards democracy and growth; (3) partial democratisation, combined with protracted turbulence.
- › Strengthening the resilience of the Ethiopian state and preventing an escalation of political violence are two policy priorities in view of the 2020 elections. Conflict risks can be mitigated by reconciling the ambitious reforms with concrete local needs and ethnic grievances.

crisis of internally displaced persons (IDPs). The new foreign policy course paved the way for trade opportunities, but also new border tensions. A coup launched by Brigadier General Asaminew Tsige on 22 June 2019 attempted to seize power in Amhara's regional capital Bahir Dar. The attempt failed, but the coup resulted in the assassination of the Chief of Staff of the Ethiopian Defense Forces General Seare Mekonnen and revealed to the world the country's precarious political situation.

This Brief analyses the drivers and prospects of the ongoing democratic transition in Ethiopia. It argues that while the implementation of reforms launched by the current leadership has the potential to deliver progress on democracy and growth, the outcome of the transition depends on a set of factors (domestic, economic and external), which in turn delineate three possible avenues: spiralling instability and relapse into conflict, gradual stabilisation and democratisation, or a mix of democratisation and turmoil. The conclusion outlines the possible contribution of the international community to reinforce the resilience of the Ethiopian state and its capacity to heal by bridging gaps in the current government's ambitious reform agenda.

THE STRUCTURAL CAUSES OF ETHIOPIA'S FRAGILITY

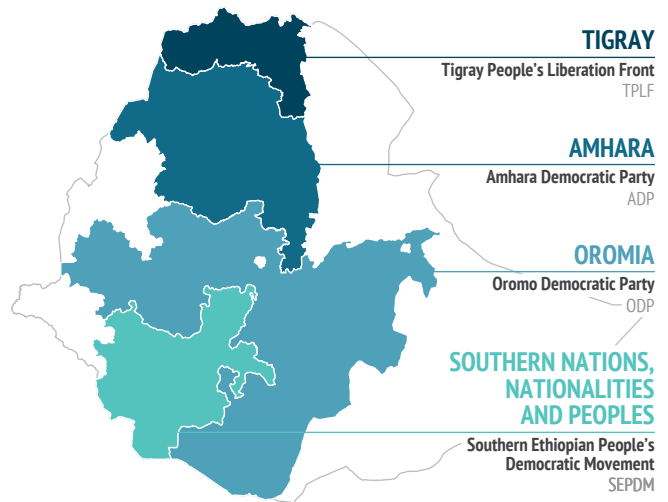
The structural causes of Ethiopia's fragility date back to the end of the Derg regime, the military junta that ruled the country from 1974 until 1991. Back then, a coalition of rebel forces, the Ethiopian People's Revolutionary Democratic Front (EPRDF), defeated the regime. The EPRDF was composed of four political entities: the Tigray People's Liberation Front (TPLF), the Amhara National Democratic Movement (ANDM), the Oromo People's Democratic Organisation (OPDO) and the South Ethiopian People's Democratic Front (SEPDM). The constitution ratified in 1994 established a multicultural federation based on ethno-national representation, transforming Ethiopia from a centralised state into a federal one.

Despite the multi-party nature of the EPRDF as a ruling alliance, it was the TPLF, under the leadership of Meles Zenawi, that dominated the Ethiopian political scene for two decades. It confined political power to a very small circle representing a minority group in the ruling coalition and progressively caused a *de jure* multicultural, federal democracy to regress to the margins of a *de facto* centralised, authoritarian rule. Unfulfilled federalism fuelled ethnic cleavages and conflicts, while party loyalty and a rent system undermined the premises of shared economic development.² These contradictions became increasingly unmanageable over time and exploded in 2014, when Oromo youth took to the streets to protest against the federal

government's plans to widen the jurisdiction of Addis Ababa over parts of Oromia and criticising both the TPLF and the OPDO as corrupt elites.³ Protests broke out intermittently in the following months, reaching a peak in October 2016 as security forces fired into the crowd demonstrating at the annual Oromo Irreechaa festival in Debre Zeit.

Ethnic-based politics

parties composing the EPRDF coalition



With ethnic violence erupting in other parts of Ethiopia, a state of emergency was declared on 9 October 2016. But even if this allowed the EPRDF to regain control of the situation through repression and imprisonment, Ethiopia was spiralling ever faster into uncontrolled chaos due to an explosive combination of factors: grievances not being addressed, economic hardship, country-wide ethnic polarisation and a leadership lacking the power and authority to restore order.⁴

Against this backdrop, something unprecedented happened. On 4 January 2018, Hailemariam resigned as both Ethiopia's prime minister and the EPRDF chairman. A peaceful change of leadership and a transfer of power took place amid societal turmoil. The then vice-president of Oromia and OPDO secretary, Abiy Ahmed Ali, was elected EPRDF chairman on 27 March 2018 and was appointed prime minister on 2 April.

Abiy's reforms were expected to address Ethiopia's vulnerabilities, speeding up democratisation and economic growth. Yet they weakened the state even further.⁵ With the TPLF losing its grip on power and being replaced by Oromo leadership, centrifugal forces, claims of self-determination and aspirations of other ethnic groups increased, leading to clashes.⁶ The next sections outline three sets of drivers and related challenges that are shaping the trajectory of Ethiopia's transition – and why they matter for future developments.

INTERNAL DRIVERS: FROM ETHNIC FEDERALISM TO 'REFORMANIA'

The first driver of change in Ethiopia is the need for the leadership to move away from the old tenets of the ethnic-federalist Ethiopian state, its contradictions and drift towards a repressive regime, which brought the country to the brink of civil war. To break with the past, unprecedented reforms have been launched by Abiy, creating expectations, as well as instability.

What is happening?

Ethnic-based federalism has been a building block of the Ethiopian state since it was created in 1994. It includes ethnically defined national citizenship, self-determination on an ethno-linguistic basis as enshrined in the constitution, as well as ethnically defined political representation and decision-making at all administrative levels and related policies.⁷ Initially promoted by the ruling coalition as the solution to hold a multi-ethnic country together, its implementation degenerated so as to undermine the very foundations of the Ethiopian state, for three main reasons.⁸ First, ethnic conflicts that had plagued Ethiopia did not disappear with the new federal system, but were transferred from the national to the regional or district levels, pushing ethnic groups to become more and more competitive to expand their control over land, resources and administrative budgets.⁹ Second, despite the façade of a federal system, a strongly centralised decision-making structure and state bureaucracy, controlled by the EPRDF, characterised Ethiopia's politics, with few powers devolved to the local level.¹⁰ Third, the existence of a *de facto* one-party state was at odds with the initial commitment to deliver multi-party elections. The public space was instead firmly in the hands of the EPRDF.¹¹

When Abiy took office in 2018, Ethiopia switched from the *ancien régime* to modern reformism – and it was shock therapy.¹² The Maekelawi detention centre was closed and an amnesty law led to the release of political prisoners.¹³ In June 2018, parliament voted to lift the terrorist organisation label on groups like Ginbot 7, the Oromo Liberation Front (OLF) and the Ogaden National Liberation Front (ONLF), regularising their political activities. Abiy carried out a fundamental reshuffle of the upper ranks of government, appointing opposition politicians, women and people coming from civil society and diaspora networks. Under the previous regimes, Ethiopia had been one of the most censored countries in the world. Abiy, however, reversed the blocking of over 260 websites and the ban

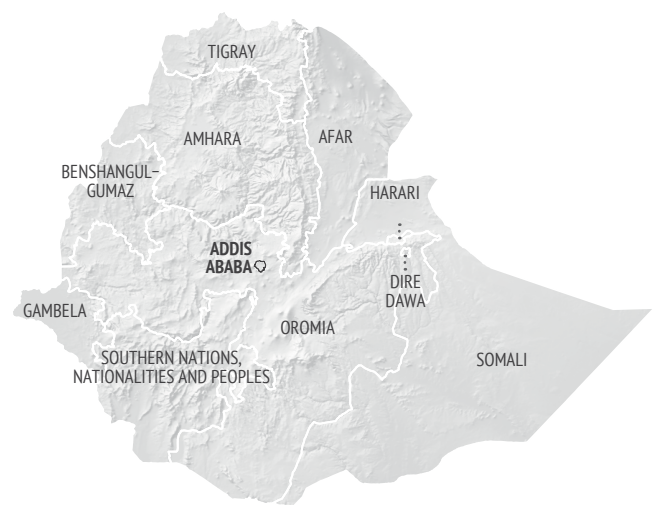
on media outlets, allowing for a free press and expression of opinions.¹⁴

What could go wrong and why?

Despite initial hopes and the mediatic impact of Abiy's reforms, the security situation has not improved. Ethnic tensions and displacement of people continue as ethnic groups have kept conflicts alive in many border areas of the country in pursuit of greater self-determination and autonomy under a reformed federal system.

Ethiopia

regional states and chartered cities

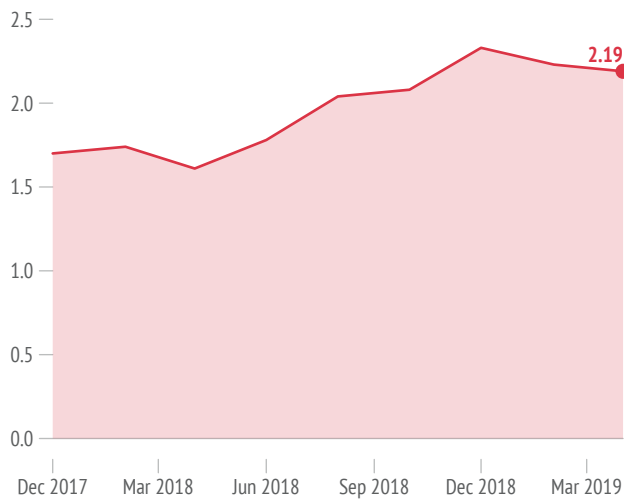


Data: Natural Earth, 2019

Tensions in the West Guji district in the Oromia region, for instance, remain high. Thousands of ethnic Gedeos escaped ethnic violence at the hands of Guji Oromos in 2018 and are still languishing in refugee camps. The OLF made a deal with the federal government to lay down arms, but certain factions are still armed and in control of certain parts of Guji. The Southern Nations, Nationalities and Peoples' Region, where over 40 ethnic groups coexist, is also witnessing an increase in tensions and violence, particularly as a result of Sidama nationalism. Border disputes between the Amhara and Tigray peoples are deteriorating, fuelling ethnic violence that is exacerbated by past grievances, specifically the Amhara's claim to the Wolkait and Raya territories. The Amhara and Oromo groups, though previously allied to oust the TPLF, are now squabbling over government appointments and land disputes. The TPLF keeps defying the new political leadership and it is unlikely that it will quietly let other ethnic groups gain full control of the EPRDF and the Ethiopian state.¹⁵

Internally Displaced Persons (IDPs) in Ethiopia

December 2017–April 2019, million



Data: IOM, 2019

The different components of Abiy's reformism risk defeating each other, especially as they fall short with regard to implementation details: dismantling the ethnic federalist developmental state requires a new comprehensive bargain with the main ethnic groups and a clear definition of the power and wealth redistribution among them, starting from an internal reform of the EPRDF.¹⁶ The balance of power between federal government and regional states has not been re-negotiated, creating a vacuum that is being filled by inter-ethnic political violence. The ruling EPRDF coalition has been deeply divided over political representation as it is no longer dominated by the TPLF and the capacity of the state apparatus to provide security is being questioned as no alternative to authoritarianism and repressive methods has been defined.¹⁷

The result is enduring and escalating violence, taking different forms and now shifting from vertical (the government against the people) to horizontal (ethnic groups against one another) conflict.¹⁸ Ethiopia's internal fragility continues to grow, as do the humanitarian repercussions such as the rising level of conflict-affected internal displacement – out of the 2.19 million IDPs in April 2019, approximately 1.62 million were conflict-affected.¹⁹

ECONOMIC DRIVERS: FROM DEVELOPMENTAL STATE TO FREE MARKET

The second driver of change in Ethiopia is an ideological pivot from a state-centred doctrine of economic development to liberalisation and a free-market

economy, aimed at fixing Ethiopia's economic troubles. The neoliberal approach of the current leadership does not entail an immediate or full withdrawal of the government from the economy, but it does expose Ethiopia to market competition in ways that were unthinkable a few years ago under the previous regime.

What is happening?

A building block of the system established by Meles in 1994 was the political economy of the 'developmental state', in which the state actively regulates, shapes and controls the economy, with the intention of enhancing economic development.²⁰ Just as international thinking in the first decade of the 2000s started to shift away from neo-liberalism towards the acceptance of state-led development,²¹ Meles seized the opportunity to try and transform Ethiopia into a democracy, free from patronage and rent-seeking and where the private sector could create value.²² However, the attempt was unsuccessful due to the enormous contradictions that characterised Ethiopia under EPRDF rule: the authoritarian and repressive nature of Meles' regime produced internal discontent, which in fact exacerbated Ethiopia's economic woes.

Upon taking office, Abiy shifted to a neo-liberal and free-market paradigm. The government announced a plan to boost economic growth by opening up the state-owned telecommunications, energy and transport sectors (including Ethiopian Airlines) to foreign investors and allowing for full privatisation in areas such as the railways, sugar production, industrial parks, manufacturing and hotels.

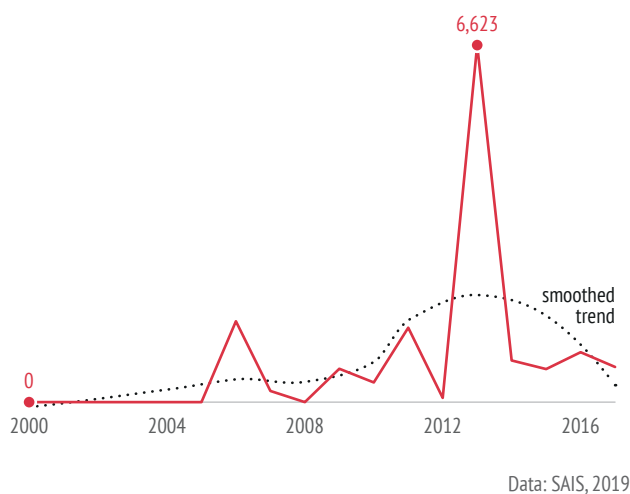
What could go wrong and why?

Abiy's proposed liberalisations have generated enthusiasm among business elites, donors and investors. Yet, the shock therapy risks going wrong: Ethiopia is Africa's fastest-growing economy (with GDP growth averaging 10.3% a year from 2006/07 to 2016/17, compared to a regional average of 5.4%) and the second-most populous country on the continent (105 million people, most of whom are not directly benefiting from the reforms, especially those who live in rural areas), but also the 17th least-developed country in the world, with a per capita income of \$783.²³ Ethiopia's rise as an economic powerhouse has been driven by an increase in industrial activity, infrastructure and manufacturing during the Meles years, combined with strong growth in foreign investment. Yet, the free market reforms undertaken by Abiy and the paths towards sustainable growth and poverty reduction are proving to be challenging due to the many structural constraints that make the outlook much less positive than the double-digit GDP figures.

First, Ethiopia lacks important enablers which would allow the market to flourish, such as an established banking sector, stock market, regulation capacity and a foreign exchange regime.²⁴

Second, industrial and infrastructure development contributes to inter-ethnic tensions. A case in point is the Addis-Djibouti standard gauge railway (SGR), a flagship project of China's Belt and Road Initiative (BRI), which opened to commercial service in January 2018. Due to frequent collisions between trains and livestock, the railway became a target of blockades during flare-ups in regional ethnic tensions in the last year.

Chinese loans to the Ethiopian government
since 2000–2017, \$ millions



Third, because of the high reliance on foreign investments, Ethiopia has a problem with debt relief. The 2018 Debt Sustainability Analysis by the World Bank and the International Monetary Fund confirmed that Ethiopia remains at high risk of debt distress.²⁵ About half of its external debt is owed to China, which has invested in several massive infrastructure projects and industrial parks in the country. This growing debt burden and a foreign exchange shortage, worsened by poor export performance, have challenged Ethiopia's ability to repay many of the loans that financed the projects.²⁶ For instance, the Ethiopia Railway Corporation (ERC) is not only behind in its loan repayments to China, but also unable to front the remainder of the management fees for the Chinese companies operating the railway.²⁷ Ethiopia is also China's second-biggest African debtor after Angola (with around \$13.7 million borrowed between 2000 and 2017).²⁸

Finally, an important element to consider is the sustainability of the economic reforms and liberalisation plan promoted by Abiy in the absence of a political deal among main ethnic groups. Short of the emergence of a social consensus on how wealth is going to be redistributed and who will control or benefit from the process, political unrest and disruption are likely

to undermine the government's efforts to reform the economy.

EXTERNAL DRIVERS: A NEW FOREIGN POLICY IN A CHANGING GEOPOLITICAL CONTEXT

A third driver of Ethiopia's transition is the new geopolitics unfolding in the Horn of Africa and the Red Sea, as well as a new approach to foreign relations implemented by Abiy, with the aim of ensuring the necessary external support for his reform agenda.

What is happening?

In stark contrast with his predecessors, Abiy is pursuing a policy of regional economic integration, free trade and open borders.²⁹ At the same time, Ethiopia's diplomacy has shifted from simple traditional support to multilateral platforms and channels, such as the African Union (AU) or the Intergovernmental Authority on Development (IGAD), to place a greater emphasis and concentrate efforts on building strategic partnerships. These partnerships have the dual objectives of allowing Ethiopia to access new flows of foreign investments, but also redefine the way of addressing regional disputes.³⁰ examples are the new ties Ethiopia developed with states across the Red Sea, specifically Saudi Arabia and the United Arab Emirates (UAE), allowing for foreign aid and investments, and the 2018 tripartite agreement between Somalia, Ethiopia and Eritrea.³¹

The most striking action has been the peace deal with Eritrea. This came about as a direct result of regime change in Ethiopia, although plans for a *rapprochement* had been prepared by the previous administration.³² The marginalisation of the TPLF in the new ruling coalition made it possible for the leadership to move forward with peace plans with Asmara. This was more than a political window of opportunity: for Abiy, it is also a way to reduce Tigrayan influence. Despite representing only 6% of the Ethiopian population, Tigrayan rule between 1991 and 2018 created deep roots in the Ethiopian state and administration, particularly the security services and the intelligence sector, which are almost entirely dominated by Tigrayans. Removing the Eritrean threat weakens them further, creating a mutually beneficial anti-TPLF alliance between Eritrea's President Isaias Afwerki and Abiy.³³

There are, of course, other considerations behind the deal beyond the containment of the TPLF. The implementation of a peace deal can unlock bilateral and regional trade, boosting economic development – which is vital for Ethiopia's stability, but can also prevent Eritrea from collapsing as a result of economic struggles and sanctions, especially since the closure of the Sudanese border in early 2018. Overall, peaceful relations between Ethiopia and Eritrea have the potential to pay enormous economic, security and political dividends. The deal was remarkably fast: within a few weeks in the summer 2018, Ethiopia accepted the Ethiopia and Eritrea Boundary Commission's ruling, reinstated diplomatic and economic ties, reopened road links and resumed flights between Asmara and Addis Ababa.

What could go wrong and why?

The peace deal with Eritrea is also an important potential spoiler. Because of the lack of regulatory measures and institutional arrangements, problems have arisen related to border management, the containment of migration flows (especially economic migrants from Eritrea to the wealthier Tigray region) and the disarmament and demobilisation of Ethiopian troops stationed at the border.³⁴ Unsurprisingly, Eritrea unilaterally closed all borders with Ethiopia in April 2019. The peace deal between the two countries has since remained informal, confined to the leadership level and with no mechanisms to ensure an enduring stable relationship. Despite a strong economic rationale, the deal is unlikely to be fully implemented if the underlying political issue of Tigrayan nationalism is not addressed. An incomplete, or badly implemented peace deal will be a sword of Damocles hanging over Ethiopia's future.

A second spoiler concerns the new Red Sea geopolitics, specifically the role of Gulf states in the Horn of Africa and the proxy influences they exert. While partnerships between Ethiopia and Gulf actors have the capacity to yield benefits for economic integration and growth, adverse effects can also pose a threat to peaceful developments in the Horn and affect the transition in Ethiopia. An example is the emergence of proxy rivalries, resulting in a myriad of Gulf alliances with Horn states and creating dangerous geopolitical fault lines across the UAE/Saudi Arabia/Egypt and Qatar/Turkey camps. Gulf competition can fuel local conflicts, compel Horn states to choose between one of the axes and unsettle regional and internal politics.³⁵

A third factor has to do with the risks emerging from the promise of an economically integrated Horn, with

open borders, particularly with regard existing and new transnational security threats. The authoritarian features of past Ethiopian regimes, the presence of a strong security and intelligence apparatus, as well as the cultural and social fabric of the country have so far protected Ethiopia from a number of external threats and infiltrations (by violent extremist groups such as al-Shabaab, for instance).³⁶ The expansion and proliferation of ethnic violence, but also the reconfiguration of the Ethiopian state, can create new security risks: by exposing local communities in some border areas to radicalisation, recruitment and illicit trafficking, for example.³⁷

THREE AVENUES FOR TRANSITION

The current transition in Ethiopia presents both opportunities and risks. As this Brief has shown, the potential internal agency to bring about positive transformation is enormous,³⁸ but rests on a set of conditions, which, in turn, delineate three possible avenues for transition.

Avenue 1: spiralling instability and relapse into conflict. This is the worse-case scenario. It can materialise if ethnic tensions keep rising to unmanageable levels and in particular if the current leadership fails to reform the country and rebuild an effective state apparatus to replace the old, TPLF-dominated one. The economy is an important variable in the equation as the absence of a deal among ethnic groups on wealth redistribution could undermine economic growth, exacerbating poverty and inequality, which would subsequently fuel conflict. A collapse of the Ethiopian state and a relapse into conflict would have huge implications on regional stability, producing shockwaves in the Horn and East Africa.

Avenue 2: gradual stabilisation, progress towards democracy and growth. This is the best-case scenario. It can materialise if the current government delivers on all the reforms it announced and if a shared consensus is built among ethnic groups and communities on the implementation and outcomes of these reforms. While ethnic clashes may keep occurring, they would gradually decrease over time as the state and federal bureaucracies adopt the characteristics of the new system. The success of market liberalisation and the capacity of the government to generate shared growth would be crucial, as would the injection of capital from external investors. A condition for this

The reconfiguration of the Ethiopian state can create new security risks by exposing communities to radicalisation, recruitment and illicit trafficking.

scenario to happen is that the leadership resists the temptation of addressing current ethnic conflicts and internal tensions by rebuilding a centralist or repressive state, but instead makes concrete steps towards a multi-party, federal democracy.

Avenue 3: partial democratisation, combined with protracted turbulence. This scenario can materialise if the current leadership manages to remain in power and implement some reforms, but fails to achieve a full reset of the Ethiopian state or manage to bring internal tensions and ethnic conflicts under control. On the economic side, this scenario could take place if liberalisation produces economic growth, but also contributes to inter-ethnic tensions, or if debt issues result in reduced service delivery for the population. Foreign relations between Eritrea and Ethiopia may also be a trigger of instability and produce border tensions. While in the short term this scenario would not drag Ethiopia into a large-scale conflict and keep the current government in place, the main danger is that, if protracted, a situation like this could weaken the Oromo leadership, increasing the appeal and likelihood of a coup.

The national elections due in 2020 will be an important test to see which avenue Ethiopia is taking. By then, the role of the international community to mitigate risks and avoid the worse-case scenarios can also be decisive, particularly to bridge three gaps: first, the political gap between the ambitious pace of reforms and the mediation required to create trust among the main parties (especially within the EPRDF) and ethnic groups, which would allow for these reforms to be implemented successfully; second, the gap between local needs, communal tensions and grievances and the objectives of liberalisation, free trade and economic integration, which will likely be a source of tensions and conflict as they alter the underlying political economy of the Ethiopian state, as well as its permeability to new threats; third, the gap between multipolar competition and regional stability in the Horn, so as to foster cooperative behaviour among states and prevent the emergence of proxy rivalries or conflicts.

The resilience of the Ethiopian state *vis-à-vis* these three gaps will be a main determinant of peace and prosperity – and of effective prevention of political violence in view of the elections.

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