A Week in the Horn
5th June 2015

News in brief

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News in brief

African Union

The Chairperson of the Commission of the African Union, Dr Nkosazana Dlamini-Zuma, on Tuesday (June 2) appointed the former president of Mali and former Chairperson of the AU Commission, Alpha Oumar Konaré, as the AU High Representative for South Sudan to coordinate "African action" in the peace process aimed at stopping the ongoing civil war. (See article)

Ethiopia

Prime Minister Hailemariam Desalegn attended the inauguration of President Al-Bashir of Sudan in Khartoum on Tuesday (June 2), along with the Presidents of Chad, Djibouti, Egypt, Kenya, Mozambique, Somalia, Tanzania, and Zimbabwe. (See article)

Prime Minister Hailemariam met on Wednesday (June 3) with the members of the Ethiopian Public Diplomacy Delegation which had a highly successful visit to the Republic of Sudan (May 3-8), to hear the report of their visit. The Prime Minister expressed his satisfaction at the results of the visit and said Public Diplomacy Delegation visits to other Nile Basin countries could be arranged in the near future.

Prime Minister Hailemariam commissioned the Dangote Integrated Cement plant, a US$600 million plant with a production capacity of 2.5 million metric tons per annum, on Thursday (June 4). The plant is expected to create job opportunities for more than two thousand people and generate five thousand indirect jobs.

The United Nations has honored Ethiopia for its significant contributions to the UN's Peacekeeping Operations. At a ceremony held at UN headquarters in New York to mark International Day of UN Peacekeepers, the United Nations awarded Ethiopia a medal in honor of its peacekeepers who had sacrificed their lives in the line of duty in different peace keeping missions. Ambassador Dr Tekeda Alemu, Permanent Representative of Ethiopia to the United Nation, received the medal on behalf of Ethiopia.

Ethiopia will be hosting the third **Africa-Japan Business Investment Forum** in Addis Ababa at the end of August. The Forum is being organized by Africa's biggest publisher, IC Publications, and the leading media group in Japan, Nikkei Business Publications, Inc., and over 350 Heads of State, government officials, business leaders, funding agencies and potential investors including a high-level delegation of Japanese business leaders and investors are expected.

Moody's Investors Service said in a latest comment on the credit analysis of Ethiopia, on Friday (May 29) that the country's favorable growth prospects and low debt burden supported its B1 rating. It said the current government bond rating (B1 Stable) is supported by its strong growth prospects, prudent fiscal management and large and stable donor inflows.

Djibouti

President Ismail Omar Guelleh attended the inauguration of President Al-Bashir of Sudan in Khartoum on Tuesday (June 2). He was accompanied by the Minister of Muslim Affairs, Culture and Waqf properties, Aden Hassan Aden. He was welcomed by members of the Djibouti community in Khartoum who include 320 students.

Djibouti's Minister of Culture Aden Hassan Aden Beleloo, after a visit to Dire Dawa, the seat of the Ugaas Mostafe Mohamed Ibrahim of the Issa, delivered a message from the Ugaas to the newly inaugurated Afar Sultan of Goba'ad, Sultan Habib Mohamed Lu'aite. The Ugaas stressed that Afar and Issa peoples were brothers and should cooperate for mutual benefit and prosperity. The message underlined his commitment to peace, stability, friendly and brotherly cooperation between the two peoples.

Eritrea

Norway's State Secretary, Jøran Kallmyr, travelled to Eritrea this week. He said he was hoping to draft an agreement for the return of refugees with the Eritrean government "along with agreements that would secure Norwegian immigration authorities access to the county so that they can ensure it is safe to send the asylum seekers home."

June 2nd marked the 5,000th day that Dawit Isaak, a Swedish journalist of Eritrean origin, has spent in prison in Eritrea. He has never been charged, tried or even sentenced. He was arrested in September 2001 with a number of other journalists. According to PEN International there are at least 21 Eritrean writers and journalists held in circumstances amounting to enforced disappearance, and at least seven journalists have died in prison in Eritrea.

Kenya

Kenyan President Uhuru Kenyatta, speaking at the 52nd celebration of Madaraka Day, Kenya's independence Day, in the Nyayo National Stadium on Monday (June 1), urged Kenyans to unite to deal with the problems facing the country and called on everybody, in both the public and private sectors "to expel the culture of bribery, extortion, kickbacks and other conspiracies and contrivances against the public interest."

Kenya will be hosting a three-day regional conference on extremism later this month. Kenyan officials said 25 countries from Africa and another 16 from around the world [will attend]. The conference will also hold technical sessions to evolve strategies for implementation of conference decisions.

Somalia

President Mohamud met with Kenyan President Kenyatta in Nairobi on June 1 to discuss the fight against Al-Shabaab militants in Somalia. He was attending Kenya's Madaraka Day. On Friday (May 29), President Mohamud attended the inauguration of Nigerian President Muhammadu Buhari and held talks on ways to strengthen bilateral relations.

President Hassan Sheikh Mahmud, attending the inauguration of President Al-Bashir in Khartoum on Tuesday (June 2) held talks with President Al-Bashir to review bilateral relations and discuss ways to boost these, as well as the situation in Somalia and the role of Sudan in helping the Somali Government restore stability and peace.

Ms Tina Kaidanow, US anti-terrorism coordinator, arrived in Mogadishu Thursday (June 4) to hold talks with President Mohamud and Prime Minister Sharmarke. She said the US government was fully committed to supporting Somalia restore its economic and development infrastructure.

Prime Minister Omar Abdirashid Ali Sharmarke opened the second phase of the Central State formation conference in Adaado on Monday (June 1). He described it as part of the government's efforts to realize Vision 2016. The meeting is expected to produce a provisional constitution, and the Prime Minister called on the technical committee and the Minister of Interior to appease clans feeling dissatisfied with the process. The conference was launched by President Mohamud on April 16.

The Minister of Livestock, Forestry and Range, Saeed Hussein Iid, and Egypt's Minister of Agriculture, Dr Salah Hilal, have signed a bilateral agreement in Cairo. Somalia will now resume livestock exports to Egypt and Egypt will help Somalia rebuild its agriculture, livestock and fisheries industries.

The United Nations Independent Expert on Human Rights in Somalia, Bahame Nyanduga, has recommended that Somalia set up a legal framework to guarantee freedom of expression. Journalists, he said, were often harassed, arrested, censored, even imprisoned. He also called a moratorium on capital punishment and drew attention to weaknesses in security and justice institutions. Mr Nyanduga will submit his report to the Human Rights Council in September 2015.

Somali MPs on Wednesday (June 3), strongly protesting against Kenya's plans to build a wall or fence along the Kenya-Somali border, proposed the setting up of a bilateral border commission, comprising Kenya and Somali members, to ensure that Somali land suffered no encroachment.

The Special Representative of the AU for Somalia and Head of AMISOM, Ambassador Maman Sidikou and the European Union Special Envoy for Somalia, Michele Cervone d'Urso, visited Ethiopian and Djibouti troops with AMISOM in Belet Weyne on Wednesday (June 3).

Burundi peacekeepers in AMISOM were commended for their dedication and selfless leadership on duty by the Deputy Special Representative of the Chairperson of the African Union Commission for Somalia, Lydia Wanyoto, at a ceremony in Mogadishu during which medals were awarded to 1,828 soldiers from Burundi who have completed their tour of duty.
EUCAP Nestor and the National Security Adviser for Somalia organized a second Legal and Policy workshop in Mogadishu on Sunday (May 31) for the Draft Law on the Somalia Coast Guard. The workshop also discussed the need to involve regional entities in the creation of a Federal Coast Guard and collaboration among security agencies and ministries.

South Sudan

On Friday last week, President Kenyatta, hosting a meeting of representatives of the IGAD peace process and of the Arusha SPML reconciliation process, said the two processes provide a new impetus for the South Sudan peace process. (See article)

Five of the former SPLM political detainees went to Juba on Monday (June 1) accompanied by South African Deputy President Cyril Ramaphosa, President Jacob Zuma's special envoy to Southern Sudan, Ethiopia's Foreign Minister Dr Tedros and Kenya's Foreign Affairs Cabinet Secretary, Ms Amina Mohamed. (See article)

South Sudan President, Salva Kiir, on Wednesday (June 3) unconditionally revoked his earlier dismissal of Riek Machar as first deputy chairman of the SPLM party and of other SPLM officials. The SPLM-in-Opposition welcomed the decision but ruled out any possibility that Riek Machar would return to Juba as first deputy chairman of the SPLM without a comprehensive peace agreement being reached by the IGAD-Led Mediation in Addis Ababa. (See article)

UN Secretary-General Ban Ki-Moon on Monday (June 1) condemned the decision to expel Toby Lanzer, Deputy Head of the UN Mission in South Sudan and its humanitarian coordinator, and called on the Government "to reverse its decision immediately." The Government said it had expelled Mr Lanzer, the UN Coordinator for Humanitarian Affairs, this week because he had made irresponsible statements, predicting the collapse of the South Sudanese economy.

SPLM factions intend to convene a meeting in the third week of June in Juba to discuss the reunification on the basis of the Arusha roadmap agreement. The meeting, which may include the leaders of Uganda, Tanzania and Ethiopia, is expected to bring together the SPLM (former detainees), and the SPLM in government. It is not yet clear if the SPLM-in-Opposition will attend.

A new Integrated Food Security Phase Classification (IPC) report on food security and nutrition in South Sudan suggests nearly 70% of the country will not get enough to eat through July, and at least 80% of the counties in the north of the country have reached a critical level of malnutrition. The report says at least 40% of the population, 4.6 million people, will face acute food insecurity within the next three months even with ongoing humanitarian support from the international community.

Sudan

President Omar Al-Bashir was inaugurated for another five-year term as President of the Sudan on Tuesday (June 2) at the National Assembly in Khartoum. The ceremony was attended by the Presidents of Chad, Djibouti, Egypt, Kenya, Mozambique, Somalia, Tanzania, and Zimbabwe, as well as Prime Minister Hailemariam of Ethiopia and representatives of more than 40 states and governments and regional and international organizations. (See article)

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A fresh impetus for South Sudan's peace process

Ever since the war between the two rival factions in South Sudan broke in December 2013, the Intergovernmental Authority on Development (IGAD) mediation, supported by the international community, has been overseeing a number of meetings dedicated to encouraging dialogue between the two warring sides and trying to provide the basis for lasting peace and stability in the country. Following the 23rd Extra-Ordinary Summit of the IGAD Heads of State and Government convened in Nairobi on 27th December 2013, the IGAD-Led Mediation Process was set up by IGAD member states in response to the crisis in South Sudan. In a bid to assist South Sudan in the process of launching and implementing a viable political dispensation, based on principles of good governance and a broad based inclusivity of the interests of the people of South Sudan, the IGAD-Led Mediation included three special envoys from Ethiopia, Kenya and Sudan.

Over the next year, the IGAD-Led Mediation Process was able to encourage the achievement of a number of significant steps, including the signing of the Cessation of Hostilities Agreement and the Agreement on the Status of Detainees that the two conflicting parties entered on 23rd January, 2014. With a view to ensuring that the ceasefire held and humanitarian corridors remain open, a Monitoring and Verification Mechanism was put in place under the auspices of the Cessation of Hostilities Agreement, with an IGAD Joint Technical Committee placed in Juba. Following the failure of the two sides to implement the Cessation of Hostilities Agreement, the IGAD-Led Mediation Process persuaded them to sign an Agreement to Resolve the Crisis, under which, the two warring parties committed themselves to seeking a political solution to the crisis through a broad-based inclusive dialogue. In all its efforts, IGAD has been receiving political, technical and financial support from a wide spectrum of partners and both regional and international organizations, including the African Union, the United Nations, the European Union, the IGAD Partners Forum, the Troika (Norway, UK and USA), China, Australia, Denmark, Sweden, the Netherlands and Turkey. IGAD's success has been limited by the intransigence of the two warring parties who have repeatedly broken the ceasefire agreements they have signed and have shown little interest in the sufferings of the people of South Sudan.

Another complimentary strand to the peace process came in late 2014 when Tanzania's ruling CCM and South Africa's ANC parties launched an effort to try to reunite the separate factions of the Sudan Peoples' Liberation Movement (SPLM), and bring the warring parties to the negotiating table in order that they comply with the provisions of the Cessation of Hostilities Agreement. These included the SPLM elements headed by President Salva Kiir, the Chairman of the party, and the SPLM-in-Opposition, led by former Deputy Chairman of the SPLM, Riek Machar, the two warring parties in the conflict; and also the SPLM, former detainees. Following meetings in Arusha, overseen by Tanzanian and South African delegations, an Arusha Accord was signed in late January which laid out a road map for the SPLM Reunification Agreement and also re-committed the signatories, once again, to complying with the provisions of the Cessation of Hostilities Agreement.

Despite the numerous efforts to move the peace process forward with these complementary strands and repeated calls to seek a peaceful and negotiated political settlement in South Sudan, the conflicting parties continued to engage in repeated violations of the Cessation of Hostilities Agreement. In March, after the failure of the last round of the mediation talks, Ethiopia's Prime Minister, Hailemariam Desalegn, Chairperson of IGAD, issued an open letter to the people of South Sudan emphasizing the need for the reinvigoration of the peace process, urging a "comprehensive solution" to the crisis and calling for a new impetus for the peace process from IGAD and other stakeholders. The two warring sides, however, have continued in their repeated violations of the ceasefire and even this week heavy fighting between the two warring factions has been continuing, causing further grave concerns over the security and humanitarian situation in the country.

These last two weeks, however, fresh efforts have been made to revitalize these elements of the peace process, the IGAD-Led Mediation and the Arusha Accord. On May 29 Kenya's President Uhuru Kenyatta chaired a meeting of Ethiopia's Foreign Minister, Dr Tedros Adhanom, Chairman of the IGAD Council of Ministers and Kenya's Foreign Affairs Cabinet Secretary, Amina Mohamed, together representing the IGAD-Led Mediation Process, with the Secretary General of Tanzania's ruling Chama Cha Mapinduzi party, Abdirahman Kinana, and Ambassador Reddy Mampane and Ambassador Mandlenkosi Memela, special envoys from South Africa, together representing the guarantors of the Arusha Accord. Also present were 10 former SPLM officials, representing the SPLM former detainees. President Kenyatta said this demonstrated that the peace process in South Sudan would now have a new impetus to bring the war to an end. He said "Today, the two processes have come together and the former detainees, who have been in Nairobi, are ready to go back home to bring peace back to their country by reconciling the warring leaders." The President added "We want the people of South Sudan to enjoy the prosperity that independence should have brought them." On behalf of the group of the former political detainees, Pagan Amum, former SPLM secretary general, said the group would strive to bring an end to the civil war that has killed tens of thousands of people, forced two million from their homes and put 4.6 million in need of food aid. He told President Kenyatta and the representatives of the IGAD-Led mediation and the Arusha Accord that "Your efforts have not failed. We will restore your dignity and the dignity of South Sudan.".

Two days later, a five-member delegation of the SPLM former detainees arrived in Juba on June 1. The group was led by former cabinet affairs minister, Deng Alor Kuol, who said they had arrived to avoid the collapse of the country and the disintegration of the party. Reminding his listeners that "the economy is collapsing, the country is collapsing," he said the two warring factions should stop fighting, work for the unification of SPLM and restore the party's vision. He added that the national comprehensive peace process overseen by the IGAD-Led Mediation Process and the SPLM intra-party dialogue under the Arusha Accord should go hand-in-hand to bring a peaceful political settlement to South Sudan. The team of former political detainees was accompanied by a High-Level delegation of regional leaders which included Dr Tedros Adhanom, Chairman of the IGAD Council of Ministers, Ms Amina Mohamed, Kenya's Foreign Affairs Cabinet Secretary, Abdirahman Kinana, the CCM Secretary General, and South Africa's Deputy President, Cyril Ramaphosa. Mr Ramaphosa said on arrival at Juba airport "We have brought five of [South Sudan's] outstanding sons back home. We brought them home as part of the process of making sure that we install peace once again in this country." He added "this will provide a face in the peace making process."

The different elements of South Sudan's SPLM will convene a meeting in the third week of June in Juba to discuss the reunification process on the basis of the roadmap agreement signed in Arusha earlier this year. The meeting is expected to include the SPLM (former detainees), led by former secretary general, Pagan Amum, and the SPLM in government under President Kiir. A Presidential spokesperson said the meeting is expected to be attended by the leaders of Uganda, Tanzania and Ethiopia. The five-member delegation of former detainees met President Kiir on Tuesday (June 2) and the delegation is expected to meet with the leadership of the SPLM-in-Opposition in Pagak and hold similar talks. A Spokesman for the SPLM-in-Opposition said the opposition leadership would welcome the visit to hear about their new initiative. He added that an SPLM party agreement could only complement the Addis Ababa comprehensive peace process under the mediation of the Intergovernmental Authority on Development.

On Wednesday this week (June 3) South Sudan President, Salva Kiir unconditionally revoked an earlier executive order which had dismissed senior members of the country's ruling Sudan Peoples' Liberation Movement (SPLM). In February last year, the President issued an administrative order, removing Riek Machar from his position as first deputy chairman of the SPLM party and dismissing former Unity state governor, Taban Deng and former environment minister, Alfred Lado Gore. They were accused of orchestrating the December 2013 outbreak of violence that marked the start of the conflict. Now, President Kiir, in his capacity as SPLM party chairman, has revoked the dismissal of these party officials. This followed the meeting he held with an advance team of the former political detainees on Tuesday. A spokesperson said all the previous decisions dismissing some members of the SPLM had been revoked in accordance with the Arusha reunification discussions. All bank accounts of the former detainees have been unfrozen. The spokesperson said "They [the former detainees] are free to leave and return to the country as ordinary citizens anytime they want. We have agreed to work together as one family." He added that the ruling party's political bureau had also resolved that the armed opposition leader [Riek Machar] be re-instated back to his position as first deputy chairperson of the SPLM: “We have agreed to recommit ourselves to reunifying the party so that we all take the party and the country forward and embark on [the] reconciliation and healing process.”

The SPLM-in-Opposition welcomed the decision to revoke the “unconstitutional” dismissal of Riek Machar and his colleagues from the ruling party but said there are many other processes and decisions still pending before the crisis could end. It said the revocation of the dismissal decree could smooth further steps in the tripartite intra-party dialogue in order to encourage further negotiations within the party and reach an agreement on reforms in the SPLM structure, organization and future leadership. At the same time, an SPLM-in-Opposition spokesperson said implementation of the Arusha roadmap agreement would help expedite the Addis Ababa process, but he ruled out any possibility that Riek Machar would return to Juba as first deputy chairman of the SPLM without a comprehensive peace agreement being reached in Addis Ababa.

Representatives of the warring parties have been invited by IGAD for a consultative meeting on June 8 before the IGAD-led Mediation talks resume under an expanded mediation mechanism, which will include countries and international bodies outside Africa. IGAD is also expected to hold an extraordinary summit in Johannesburg, South Africa on the side-lines of the African Union Summit on June 14 to discuss South Sudan. The AU’s High-Level ad hoc Committee, established by the AU Peace and Security Council in December 2014 in order to support the IGAD-Led mediation and which comprises the Heads of State and Government of Algeria, Chad, Nigeria, Rwanda and South Africa, will also meet on the margins of the AU Summit. In a related development, designed to further strengthen the South Sudan peace process, the African Union appointed Alpha Oumar Konare, former President of Mali and ex-chairman of the AU, as Special Envoy to South Sudan on June 2. The newly appointed special envoy is charged with the responsibility of facilitating and coordinating the ongoing regional and international efforts of bringing peace and stability to South Sudan. The AU statement said that the High Representative will maintain close contact with the South Sudanese parties and other stakeholders; interact with IGAD leaders, other African stakeholders and the members of the ad hoc High-Level Committee, to facilitate a collective and coordinated African action, in the search for a negotiated solution; and work with the United Nations and other international actors, in support of the African-led efforts.”

Sudan’s President Omar Al-Bashir inaugurated for another five-year term

President Omar Al-Bashir was inaugurated for another five-year term as President of the Sudan on Tuesday (June 2) at the National Assembly in Khartoum. The President won the election last month to extend his 26 years in office with 94% of the vote; and the ruling National Congress Party won 323 of 426 parliamentary seats. The ceremony was attended by the representatives of more than 40 states and governments and regional and international organizations including the Presidents of Chad, Djibouti, Egypt, Kenya, Mozambique, Somalia, Tanzania, and Zimbabwe as well as Prime Minister Hailemariam of Ethiopia and South Sudan’s Vice-President and Qatar’s Deputy Prime Minister. China’s Environment Minister, Chen Jining, led a Chinese delegation to the inauguration and brought an invitation from Chinese President Xi Jinping for President Al-Bashir to visit China. A spokesperson for the presidency said President Bashir had accepted the invitation. Mikhail Bogdanov, Deputy Foreign Minister and Special Presidential Envoy for the Middle East and Africa, represented the Russian Federation. A surprising absentee was President Isaias of Eritrea and no representative was sent from Eritrea for the occasion.

Speaking at the swearing-in ceremony at the start of his new five-year term of office, President Al-Bashir reiterated his commitment and determination to serve the people of Sudan. The President said “I will be, God willing, a President for all. There is no difference between those who voted for us and those who didn’t, between those who participated and those who boycotted [the election].” He dedicated his new mandate to the preservation of national unity and reiterated his commitment to the national dialogue process that he launched in December 2013, and called on the holdout forces from the opposition and rebel groups to join in. He said the Government had finalized “the arrangements and identified mechanisms of the comprehensive national dialogue with its political and social tracks for which we called all people last year.” The process would, he said, “begin its activities, with the benediction of God, in the next few days.” He renewed his call for the “undecided” or “refusing” opposition parties to join in the internal process and made the same appeal to the rebel groups that “have chosen the path of violence.” The President also renewed the offer of a full amnesty for rebels who sincerely want to return to participate in the dialogue. He said “we welcome them all around the table of dialogue to get out a document acceptable to all the people of Sudan.”

The African Union High-Level Implementation Panel (AUHIP), headed by former South African President, Thabo Mbeki, has been trying to facilitate this process, but efforts to organize a preparatory meeting for the national dialogue earlier this year failed when the Government asked for it to be held after the elections. The main alliance of the opposition and rebel forces wants to create a new process for peace and constitutional reforms involving the international community. The Government wants an internal process.

The President also sounded a conciliatory note referring to Sudan being open to dialogue with Western nations. Sudan has been the target of UN and bilateral economic sanctions from the US for years and President Al-Bashir himself has been charged with organizing genocide and other activities in Darfur by the International Criminal Court. He has denied all charges. The President said "Sudan will seek, God willing, and with an open heart, to continue dialogue with Western countries in order for relations to return to normal, guided by recent positive indicators."

President Al-Bashir emphasized that he would work for the welfare of all the Sudanese and improve the economy of the country, pledging to make the necessary efforts to attract Arab capital to invest in food security projects in Sudan. He also underlined his determination to fight corruption and nepotism.

COMESA-EAC-SADC's Tripartite Free Trade Area to be launched next week

The three Regional Economic Communities (RECs) in Eastern and Southern Africa, namely the Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC) and Southern Africa Development Community (SADC), have been finalizing arrangements for the Summit to launch their Tripartite Free Trade Area, due to take place at Sharm El Sheikh, Egypt, on Wednesday next week (June 10). The joint COMESA-EAC-SADC Tripartite Sectoral Ministerial Committee convened in Dar es Salaam last weekend to consider progress in preparation for next week's summit.

The main reason why the three Regional Economic Communities originally decided to launch the Tripartite Program in 2006 was to remove some of the inconsistencies and costs in regional integration brought about by overlapping memberships. The Tripartite Summit launched the concept of the Free Trade Area in 2011 when the Heads of State and Government of the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern African Development Community (SADC) met and signed a declaration launching negotiations for the establishment of the COMESA-EAC-SADC Free Trade Area (FTA).

When in operation, the Tripartite Free Trade Area (TFTA) will encompass 26 member states, half of the African continent, with a GDP of over 1.2 trillion US dollars. This represents a population of 625 million and over 50% of the continent's GDP. It is intended to become a means to enhance economic inter-linkages and produce a business environment that will be able to unlock regional potentials, scale up productive capacities and competitiveness, stimulate beneficiations and value chains, and enhance technological setups.

Members also intend the TFTA to constitute an important element in the negotiations for setting up a continental free trade area that will be launched at the African Union Summit later this month, and therefore become a central factor in the move towards the realisation of the African Union's Agenda 2063.Indeed, the commencement of the TFTA will provide an important milestone on Africa's path towards economic integration. The establishment of the area is the logical consequence of the integration efforts in the three regional economic communities in the eastern and southern parts of the continent. They have already concluded preferential trade agreements with considerable economic benefits for their own regions and are moving forward to integration. In future, the TFTA will offer broader advantages including an improved business environment, more foreign direct investment, enhanced economic development in general, and, most importantly, bring a real impetus to the realization of the idea of the continental free trade area, a project currently led by the African Union. The completion of the Tripartite Free Trade Area will also simplify the complicated geography of regional integration schemes, and fit into the integration efforts promoted in the framework of the Economic Partnership Agreements already negotiated by the European Union with two of the regional groupings involved.

Significant progress has, in fact, been made in implementing the TFTA, though negotiations have been behind schedule. Now, efforts are being made to catch up and complete the final negotiations within the 36 months set out in the roadmap. Of the 26 countries in the Tripartite, 23 are already in a Free Trade Area, two, Ethiopia and Eritrea, are in a Preferential Trade Area (PTA) and three others, Angola, DR Congo and South Sudan, offer no trade preferences to their regional partners.

Ethiopia was one of the countries that originally recommended the setting up of a sub-regional Preferential Trade Area (PTA) at a meeting of Ministers of Trade, Finance, and Planning in Lusaka in 1978. This resulted in the adoption of the Lusaka Declaration of Intent and Commitment to the Establishment of a Preferential Trade Area for Eastern and Southern Africa, set up in 1981. This recommended the creation of a sub-regional economic community, a trade area that could be gradually upgraded over a ten-year period to a common market. The treaty for a Common Market for Eastern and Southern Africa (COMESA) was signed in 1993 by 16 founding member states, of which Ethiopia was one. It was established "as an organization of free independent sovereign states which have agreed to co-operate in developing their natural and human resources for the good of all their people." COMESA now has 19 members: Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe.

The Ethiopian government is now finalising instruments and expediting internal consultations for the accession of the Common Market for Eastern and Southern Africa (COMESA) Free Trade Area (FTA). The Ministry of Finance and Economic Development identified relevant industry areas for the free trade area at the end of last year. The study recommended a phase by phase approach for COMESA-FTA accession and accordingly categorised industries and trade areas according to their capacity and potential competitiveness on the basis of their responsiveness to FTA competition after accession. Trade areas categorised as 'extremely competitive' or 'competitive upon capacity building' will join the Free Trade Area with complete elimination of tariffs from the outset. With Ethiopia's growing economy, a number of industries have the potential to be able to contend in the FTA area. Less or un-competitive industries will join the FTA gradually, with 30% reductions of tariffs every year. The changes in the tariff system are being based on the industries selected to join COMESA FTA and are now ready to be submitted to the Council of Ministers for final endorsement. The Ministry of Finance and Economic Development has been given authorisation by the Inter-Ministerial Coordination Committee to conduct internal consultations with different stakeholders such as the Ethiopian Revenue and Customs Authority (ERCA) and commercial associations. Overall, the accession of Ethiopia into the COMESA FTA will result in more market opportunities for domestic industries, increased efficiency of local industries, access to less expensive and higher quality products for consumers, and also led to the prevention of domestic monopolies charging high prices.

The traditionally dominant agricultural sector in Ethiopia is increasingly losing ground to a rapidly growing services sector in the economy. According to official statistics, real GDP growth has averaged 11% over the past twelve years, making Ethiopia the fastest growing non-oil-producing country in Africa. The government plays an active role in economic development by channeling foreign investment and other financial resources to the sectors it believes can contribute most to economic growth and which it has prioritized. It has also invested heavily in infrastructure including power, education and health, and other pro-poor areas, which have all helped create a favorable environment for economic growth. Ethiopia, like other COMESA member countries, has significant potential for growth in trade. Indeed, all COMESA member states are developing countries that have the potential to develop new sectors in which they can offer comparative advantages, creating new trading opportunities among themselves. Trade volumes are likely to remain modest in the short term, but there is considerable scope for expansion.

Ethiopia is working to supply neighboring countries, including South Sudan, with electric power. Ethiopia has a potential hydropower generation capacity of 45,000mw. It is currently generating a little over 2,000mw, and had hoped to generate 10,000mw by the end of this year. This has proved optimistic, but some of this power is already being exported, to Sudan, Djibouti and Kenya, and much more is earmarked for neighboring countries at relatively low prices. Negotiations are also under way for exporting hydropower to Rwanda and South Sudan and there has been talk of Yemen as well.

In terms of regional transportation, Ethiopia, Kenya and South Sudan have also embarked on a number of joint transport projects that will enhance economic co-operation. In November 2011, Ethiopia and Kenya signed a Memorandum of Understanding to construct the **Addis Ababa–Mombasa highway**. The African Development Bank approved a loan of $743 million for the project, which has been divided between the two countries. This highway will enhance regional integration, and it will also be linked to the Trans-Africa highway. It will allow Ethiopia to use the port of Mombasa, and increase trade ties with southern African countries. Another notable infrastructural project is the **LAPSSET Corridor**, which will stretch from a new port of Lamu in Kenya to South Sudan and Ethiopia. It will include a highway, rail links and an oil pipeline as well as airports and other elements. The route starts at Lamu Port and splits into two to reach Moyale on the border between Kenya and

Ethiopia, and Nakodok on the border between Kenya and South Sudan. To connect to the West African coast, the highway will link up with the Central African Republic–Cameroon highway. When complete, the project will bolster economic integration not only between Kenya, South Sudan and Ethiopia but also with central and western African countries.

Ethiopia has been faced by a number of complex internal political and security dynamics over the years, but it has consistently, and actively, sought to enhance economic co-operation with its neighbors. Indeed, it has made it very clear that it sees regional infrastructure links as a key element in regional development. Over the past decade, it has recorded impressive economic growth in all sectors, with the service sector taking a leading role. Exports have grown by 24% a year over the past few years, and imports by 20%. Imports have been dominated by the capital goods essential for economic growth. Ethiopia's bilateral relations with neighboring countries have resulted in a series of projects to enhance economic integration. Trade liberalization will have costs as well as benefits, but Ethiopia is already bolstering regional development by initiating sustainable projects that will enhance regional economic integration. Any benefits to be gained from joining the FTA do, of course, largely depend on the specific FTA agreements between Ethiopia and other member states, but already, in general, trade between Ethiopia and COMESA member states has increased, with new trade avenues opening and strong potential for further growth.

Ethiopia believes joining the COMESA-EAC-SADC Tripartite Free Trade Area, with its resulting unilateral and reciprocal trade liberalization, will have significant impact on Ethiopia's economy. A free trade area requires harmonization of rules and regulations to provide a common framework for all, and this requires careful evaluation by member states as community law prevails over national law on matters pertaining to the implementation of the Treaty. Member states, therefore, have to evaluate how the courts are set up, their jurisdiction and the appeal and the decision making processes as well as ensuring their own national interests are protected. The formation of the TFTA will also have implications on social welfare and employment. In the short-run, the economy will experience a positive impact on GDP as liberalization can be expected to cut the cost of doing business in Ethiopia and induce increased investments from abroad.

At the same time, to maximize the benefits of joining the TFTA, Ethiopia is undertaking a set of complementary reforms to strengthen its domestic industries and increase its export capacity. The Government is actively working to build up the capacity of existing manufacturers and improving their efficiency and productivity, including encouraging and promoting modern and hygienic animal processing methods, as well as intensifying privatization of state-owned industries and promoting possible mechanisms for establishing joint venture businesses in other countries. Other key areas of intervention for the Government are encouraging the provision of technical know-how and technology transfer for the benefit of local firms, and allowing the promotion and establishment of linkages between research institutions, universities and manufacturers.

Ethiopia's economic development is neither "cautious" nor "paranoid"

Last week, *the Economist* described Ethiopia's economy as "Neither a sprint nor a marathon." Exactly what the title was supposed to convey wasn't clear, but the sub-title "Africa's most impressive economic managers suffer from excessive caution" made it clear this was going to be one of *the Economist*'s usually critical pieces. At first sight, given *the Economist*'s basic disagreement with Ethiopia's developmental state processes and the country's rejection of neo-liberalist development, it is a surprise to see any acknowledgment of Ethiopia's economic successes or references to "Africa's most impressive economic managers". The article quickly returns to its more usual approach claiming all is not well in Ethiopia's relationship with China, which is described as a "lodestar" for Ethiopia, and making references to "paranoid leaders" who suffer from "a lack of courage".

The Economist puts Ethiopia's successes down to China and to the "close intellectual links with China's Communists' and to the supposed fact that "Ethiopians imbibe the gospel of industrialization overseen by a strong state that exerts tight control over an ethnically diverse population with a history of strife" at the party school in Beijing. However, now, it claims China is insisting Ethiopia "discard the isolationism of the past and open up an economy in which the flow of money and information is still restricted." *The Economist* describes banking and telecoms as "almost antediluvian' and claims investors are frustrated. It admits the Government's main priority is industrialization but then claims endless red tape and restrictions on finance deter investors. This is where the problem is a lack of courage: "many in the Ethiopian government, ruling party and security apparatus acknowledge that only further reforms can sustain the goals of economic growth and political stability" but they simply aren't carrying these out. *The Economist*, whose political analysis is as wide of the mark as its economic views, claims this is because a fear of being overthrown lies behind the reluctance to reform.

The central problem with all of this is that much of it is inaccurate and frequently just plain wrong, not least, as Prime Minister Hailemariam noted in his last half-yearly report to Parliament, that the 10-year strategic plan recently signed between Ethiopia and China will boost their strategic partnership “particularly in the area of infrastructural development.”
The article makes much of its claim that Ethiopia’s mobile phone connection is one of the lowest in Africa, giving a figure of around 23 million. In fact, as of the end of 2014, the figure was 34 million and it is expected to be up to 50 million by the end of this year. Still lower than most but increasing fast. It might also be relevant to note that Ethiopia launched a 4G service in March this year. Banking is not “almost antediluvian”, it is merely not open to western institutions. Not quite the same thing.

The article mentions the Chinese Huajian, rather disparagingly referring to it as “a Chinese shoemaker” despite the fact it is the largest producer of shoes in the world and says Huajian now employs 3,500 workers in Ethiopia, up from 600 just a few years ago. *The Economist* says “Ethiopia needs a hundred Huajians”. Well, yes, but *the Economist*, typically, doesn’t mention that the Huajian Group’s ‘Shoe City’ in the eastern industrial zone, now employing 3,200 (not 3,500) workers, making 180,000 pairs of shoes a month, has now been joined by another 20 Chinese firms. Nor does it bother to note that Huajian plans to invest an additional US$2 billion to build its own industrial park and expand its Ethiopian workforce to 30,000 in the next few years. As *the Economist* could have easily found out, there are now six industrial zones in Ethiopia with more under development.

Certainly the key question is whether Ethiopia can create or attract the level of private sector productive enterprise and of foreign direct equity investment necessary to turn the infrastructure development into the basis for a functioning modern economy. Despite *the Economist*’s allegation that the late Prime Minister Meles “hated the private sector”, a stupid comment which merely displays ignorance, a more accurate version of the Government’s economic approach is that described by the State Minister of Finance, Ahmed Shide: “success to our plans will now be determined by the response of the private sector. Investment is key in this. This process can’t just be led by the state which can’t itself generate wealth; it can only facilitate it.”

The Economist suggests the prospects for attracting investment remain “dim”. Others, including most importantly investors, have a different view. The United Nations Conference on Trade and Development’s **World Investment Report 2014** recently defined Ethiopia as one of the major investment destinations in Africa. It said it had become a steadily increasing recipient of foreign capital flow and described it as the most attractive destination of investors in the region in 2013. It said Ethiopia had received US$953 million of FDI in 2013, and implied that this notable progress in attracting FDI was a response to the Government’s right mix of industrial policies and strategies. The report indicated the country’s industrial strategy had played a crucial role in attracting foreign investors into the manufacturing sector and bolstering the growth of FDI. In this context, the UNCTAD Report also noted that Ethiopia had used the FDI flows to start to build its Climate Resilient Green Economy.

Ethiopia is certainly located in a volatile region suffering from considerable conflict and instability, but it is itself one of the most stable states in Africa and is frequently described as a hub of peace and stability in the Horn and East Africa regions. Indeed, *the Economist* might also have noted that Ethiopia has a number of real advantages in attracting the needed private sector enterprise and foreign direct investment. A large and young population with a median age of 17; cheap and expanding power supplies; a state that works and a government with the capacity to make and implement policies effectively; further education is booming with over 30 universities geared especially to turning out graduates in engineering and natural sciences; better governance provides less corruption than many states; and above all overall peace and stability. It also has an effective foreign policy that recognizes the need for regional stability, as exemplified by its international peacekeeping role. Ethiopia’s vision is to be “a middle income country according to a democratic development model, an activist state grounded by plans and a comprehensive development outlook … and grounded in the party and in discipline. We are free market and open, but with caveats”. In the last resort, Ethiopia’s prospects are good not least because it “owns its recovery and its security.” Both of these appear to offend *the Economist* which cannot apparently forgive Ethiopia for its refusal to hand over its financial institutions to western organizations.

Ethiopia is ranked 55 out of 148 for security by the World Economic Forum, Global Competitiveness Report, 2013-2014, well above most of its regional peers such as South Africa (109), Kenya (131), and Nigeria (142). With an estimated 43 million or more workers, it has the second largest labor force in Africa, and is the second largest domestic market in Africa with a population of at least 85 million. It is also a member of the Common Market for Eastern and Southern Africa (COMESA) comprising 19 member countries and over 400 million people, and of the TFTA. Ethiopian products have duty-free, quota-free access to U.S. markets under the African Growth and Opportunities Act (AGOA) and access to EU markets under the Everything but Arms (EBA) initiative. A broad range of manufactured goods from Ethiopia are also entitled to preferential access under the US Generalized System of Preference. No quota restrictions are placed on imports from Ethiopia for some 4,800 products currently eligible under the GSP.

Ethiopia's public debt level is one of the lowest in the world and the recent successful launch of a one-billion-dollar sovereign bond sale will also make a substantial contribution to increasing investment inflows. The credit ratings of Fitch, Moodys and Standard and Poor last year (of B and B1), and Fitch recently providing another B rating this year, as well as Moodys' most recent research note, also supporting this evaluation, are all factors that might have been considered by *the Economist*. Another point of relevance is the Prime Minister's point in his most recent report to Parliament that the Small and Medium Enterprise Projects had created over one million jobs in the previous six-months. In fact, the SEMEP has created some 4 million jobs over the first four year of the Growth and Transformation Plan which ends this year.

All this has certainly contributed significantly to attracting foreign investment and Ethiopia has become one of the preferred investment destinations on the continent today. FDI this fiscal year is set to be a record, following successful efforts to attract overseas manufacturing companies, showing an increase of 25% up on last year's US$1.2billion to reach US$1.5 billion. China is providing the largest number of investments currently, though by value the biggest investors are Turkey and India, with more recently growing investment from Europe and the US. Recent arrivals include Europe's Unilever which is currently building a factory and India's largest paint-maker, Asian Paints.

Ethiopia received no more than US$100 million in FDI in 2007, but since then international companies have been attracted by the country's low wages, cheap power and supportive policies as well as the industrial zones to provide production facilities notably for textiles, leather and garments, political and security stability and the excellent international links provided by Ethiopian Airlines, which runs the biggest global network of any African airline. The Government has designed highly competitive and attractive benefit packages for investments and exports in priority areas. Among other incentives are customs duty payment exemptions on capital goods and construction materials and on spare parts whose value is not greater than 15% of the imported capital goods' total value. Tax breaks include income tax exemption from two to seven years for manufacturing, agro-processing and agricultural investments. There are also a series of export incentives, including the Duty Draw-Back, Voucher, Bonded Factory and Manufacturing Warehouse, and Export Credit Guarantee schemes. The Government guarantees the remittance of profit, dividends, principals and interest payments on external loans as well as provision of land at competitive leasehold prices.

Forecasts are for FDI inflows to average US$1.5 billion each year for at least the next three years, and accountants Ernst and Young, for example, predict the country will rank among Africa's top four manufacturing hubs by 2025. It notes "the big surge" in deals since 2011 from the US and Europe as well as China, Turkey and India. "Ethiopia", it says, "is fast becoming the 'must-visit' destination for virtually all private equity funds with an emerging market focus." There are now more than half a dozen private equity firms operating in Ethiopia. Ethiopia in fact offers major investment opportunities with competitive incentives in the agriculture, manufacturing, tourism, mining, hydropower and social services sectors. The country's industrial development strategy has given substantial attention to boost and expand the manufacturing sector by building vertical and horizontal linkages between agriculture and industries, and establishing industrial parks tied to particular sectors and investments. These have been very successful and they continue to offer convenient environments for manufacturing as well as foreign private investment.

The Economist neglects to consider any of this and also fails to actually look at the facts about development and about foreign investment. It is true that a state-centric approach to development has not yet created a private sector as productive as required, nor one able "to translate major infrastructural investment into the basis for a dynamic modern economy." This is, however, something that the Government is both aware of and is working to correct, a point *the Economist* could easily have taken note of, if it had bothered to carry its enquiries just a little further.

In fact, the Government has demonstrated a consistent, determined and successful policy of creating the conditions for development, notably through infrastructural investment. The rebuilding of the railway from Djibouti to Addis Ababa, at a cost of US$4 billion by Chinese companies, and the planned 5,000 km of new rail lines across the country by 2020; the significant expansion of the domestic airline network, funded by commercial borrowing; the national fibre optic cable system to improve telecommunications; the significant hydro-electric projects, in addition to the Grand Ethiopian Renaissance Dam, being financed through bonds and the people of Ethiopia and the Diaspora. Funding for these are coming from improvements in tax revenue, concessional financing from China and other donors, and domestic borrowing.

The Economist rather sarcastically describes this as “trying to help industry by building roads, railways, power stations and dams - following the Chinese playbook.” This is hardly an accurate account of a deliberate policy of laying down the foundations of infrastructure as the basis for development, not just of Ethiopia but for the region, or of the value of such a policy. It is, after all, a policy which is providing for 5,000 kilometers of railway, thousands of kilometers of both internal and cross-border roads, the development of 10,000mw of power, including the construction of Africa’s largest dam, providing enough power to export to neighbors, and developing a Climate Resilient Green Economy by 2025. None of this can be described as “cautious” and it gives no indication of “paranoia”. *The Economist* should really do more homework.