

Briefing

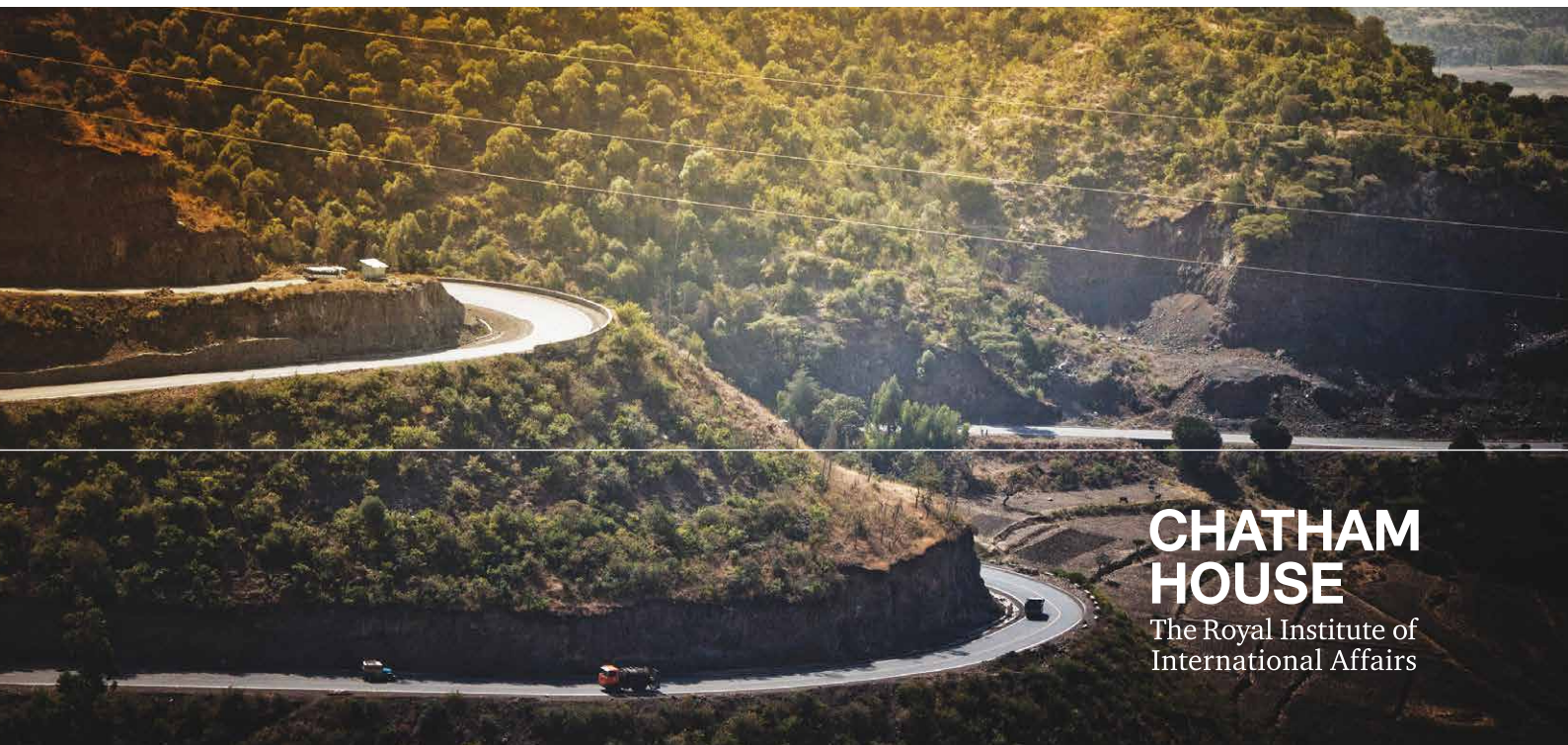
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Eritrea and Ethiopia: Beyond the Impasse

Summary

- Opportunities exist for external efforts to foster improved relations between Eritrea and Ethiopia. This will involve questioning some of the underlying assumptions about their conflict and current regional dynamics. A fresh approach should involve engagement with each country individually, rather than immediate attempts to promote dialogue between them.
- The initial focus should be on promoting the conditions in each country for an eventual confident re-engagement with the other. It is important to avoid a narrow focus on the specifics of the border conflict, and post-conflict boundary demarcation, which has hitherto dominated external engagement.
- Economic incentives are central to enabling improved relations between the two states. However, the prospective economic benefits of re-opening the border will not be the initial catalyst for improved ties given that economic considerations were insufficient to prevent the war.
- International engagement on areas of mutual interest, especially on trade and investment, could go some way to fostering a sense in Eritrea of stable economic sovereignty in the face of Ethiopia's economic and demographic predominance.
- Waiting for a change of leadership before making significant efforts to engage is untenable. There is no guarantee that subsequent leaders would adopt a significantly different foreign policy.





Introduction

It is more than 13 years since the Algiers Peace Agreement marked the formal end to the 1998–2000 war between Ethiopia and Eritrea. The terms of the agreement have yet to be fully implemented. There has also been little external engagement with the two countries over their unresolved tensions since the collapse of talks aimed at moving the process forward in 2007 and the withdrawal of the UN monitoring force along the border in 2008. Yet during the course of 2012 and 2013, several events contributed

to a sense that, after many years of stalemate, it might be possible to break out of the condition of ‘no war, no peace’ that exists between Eritrea and Ethiopia.

Tensions between the two countries run much deeper than the border conflict, which was the proximate cause for the war. The dynamics that contributed to the fracturing of relations and the outbreak of war have been extensively examined by scholars and policy experts. In 2000, after a cessation-of-hostilities agreement had been signed, but before the Algiers peace talks had concluded, Tekeste Negash and Kjetil Tronvoll wrote that:

A lasting and sustainable peace between Eritrea and Ethiopia is unlikely to emerge as long as the conflict is seen in terms of border demarcation, no matter how important this might be. The economic, political, cultural and historical links that bind these two states together have to be built somehow into a sustainable framework for peace.¹

Nevertheless, the border has remained the main focus for those attempting to resolve the impasse and navigate the rhetoric of the two states. Since the mid-2000s, when external engagement over the floundering Algiers process began to wane,² diplomatic energy and research capacity targeting the Horn of Africa has been largely occupied with the transitional processes in Somalia and relations between Sudan and South Sudan. Understanding conflict dynamics in the Horn of Africa – particularly with relation to Eritrea – has come to be seen through the lens of Ethiopian and Eritrean involvement in the wider region, especially in the Somali conflict.³

To break out of this stalemate requires a shift away from an oversimplified understanding Eritrea as a ‘bad neighbour’ and an exporter of instability, towards an understanding that the Ethiopian and Eritrean governments are pursuing their national security interests in the context of a historically unstable region, where cross-border interference is the norm, not the exception. In these terms, Eritrea’s efforts to undermine Ethiopia and its interests, and Ethiopia’s attempt to do the same, as well as its steadfast refusal to comply with the terms of the Algiers Agreement regarding the border ruling, are more comprehensible.

Eritrea, a small state with limited resources, is using the Horn of Africa’s tried and trusted methods to undermine its perceived adversary. Meanwhile, Ethiopia, a much larger state on the path to unlocking its economic potential, is not only using traditional methods, but is also exploiting its international diplomatic position strategically in an effort to keep Eritrea (and the threat of instability that it poses to Ethiopia) isolated and contained.

Some of the assumptions underpinning the understanding of relations between Eritrea and Ethiopia remain valid, while others need to be re-examined in the light of changing circumstances. This paper makes the case for renewed attention on this frozen conflict with the intention of spurring internal and external diplomatic efforts to re-examine the dynamics and prospects for reconciliation between the two countries. It aims to point the way towards engagement with both countries – under their current leadership – that could contribute to a restoration of functional relations. The paper also examines the challenges inherent in such engagement.

The report is informed in large part by a series of off-the-record discussions held at Chatham House in 2012 and 2013 during which different aspects of the impasse were examined to look for entry points where external engagement – by long-standing influencers and new ones – might usefully move the two countries towards resolving their tensions and restoring functional relations.

Reasons for re-imagining prospects

Eritrea and Ethiopia fought a bloody war between 1998 and 2000, ostensibly triggered by an escalating dispute over the administration of the border district of Badme. Heavy losses were endured on both sides with between 70,000 and 100,000 people estimated to have died.⁴ The conflict, and particularly the border issue and symbolic town of Badme, came to dominate foreign engagement on Ethiopian–Eritrean relations. In particular, external perceptions of the conflict as a border dispute, rather than something deeper and more complex, have profoundly shaped responses, beginning with the mediation efforts that evolved into the framework for the Algiers Agreement.

That agreement, meant to be final and binding, has failed to address tensions between the two states. As a result, the two governments have actively continued to destabilize each other by fostering the other’s opposition, including armed movements, and seeking to counter each other’s influence in the region. This latter dynamic has seen Eritrean and Ethiopian involvement in the conflict in Somalia, particularly in the south of that country. Ethiopia’s engagement there is far larger, driven by national security objectives related to its own Somali population and the perceived threat of militant Islamism spilling over from Somalia. Ethiopian troops are now officially part of a more muscular and direct intervention through the African Union Mission in Somalia (AMISOM). The international community is similarly concerned about the prospect of another proxy war opening up in South Sudan, should conflict there deepen.

Both countries have also paid direct costs related to the conflict. In Ethiopia, the government has survived the potential reputational damage of its failure to comply with the 2002 Eritrea-Ethiopia Boundary Commission (EEBC) ruling. However, the communities along the border region have been divided, cutting long-standing economic and familial linkages and increasing vulnerability for some populations. In Eritrea, the loss of access to Ethiopian

¹ Negash, Tekeste and Tronvoll, K (2000), p. 171.

² An excellent analysis of the multiple, failed efforts to resolve the impasse over the implementation of the Algiers Agreement is found in Healy and Plaut (2007).

³ See Healy (2008) for a thorough exploration of the interlinkages between the conflicts of the region.

⁴ See Dominique Jacquin-Berda, ‘Introduction’, in Jacquin-Berda and Plaut (2004), p. 1.

Box 1: Timeline

2000 (December)	Algiers Agreement signed
2002 (April)	Eritrea-Ethiopia Boundary Commission (EEBC) ruling
2002 to 2006	International mediation efforts, focused on EEBC, all without success
2006 (December)	Ethiopian military intervention in southern Somalia, to combat Islamic Courts Union and bolster Transitional Federal Government
2007 to 2009	Ethiopia occupation of Mogadishu and various parts of southern and central Somalia
2007 (April)	Eritrea suspends its membership of the Intergovernmental Authority on development (IGAD), in protest against the regional bloc's support for the Ethiopian intervention in Somalia
2008 (June)	Eritrea and Djibouti clash along border
2008 (July)	Following more than a year of Eritrean restrictions on supplies and movements, the UN mission to patrol the border is dissolved
2009 (December)	UN Security Council adopts an arms embargo and targeted sanctions on Eritrean leadership, owing to Eritrean involvement in Somalia conflict and unresolved conflict with Djibouti
2011 (January)	Eritrea sends envoy to AU summit in Addis Ababa for the first time in a decade
2011 (July)	Eritrea indicates its intention to reactivate its IGAD membership
2011 (November)	UN Security Council reaffirms and slightly toughens sanctions on Eritrea
2011 to present	Eritrean begins exporting gold from Nevsun's Bisha mine
2012 (August)	Ethiopian Prime Minister Meles Zenawi dies, succeeded by his deputy, Hailemariam Desalegn
2012 (September)	UN Human Rights Council appoints a special rapporteur on the situation in Eritrea
2013 (January)	Mutinuous Eritrean troops briefly occupy 'Forto', the site of the state broadcaster
2013 (May)	UN special rapporteur releases report on human rights in Eritrea.

markets has been compounded with an insular economic policy framework, leading to a period of economic stagnation. Recent expansion of the mining sector is a notable deviation from the post-war trend. Even Ethiopia's strong growth since 2003 could arguably have been more robust if access to Massawa and Assab had not been lost.

As the stalemate in relations between Ethiopia and Eritrea has dragged on, external perceptions of the conflict and the drivers of policy on both sides have stagnated. This is problematic because resolving the stand-off and opening up a more functional regional politics requires fresh thinking. For external engagement to be more effective, two fundamental shifts in understanding must occur.

First, the reality of Ethiopia's demographic and, increasingly, economic predominance in the Horn of Africa must be understood, accepted and accommodated by its neighbours, including Eritrea, and by international actors. This is not to overstate Ethiopian influence, or to imply that its neighbours will simply become clients of Addis Ababa. However, it will probably mean violating the letter (if not the spirit) of the 2000 peace deal, and working around the EEBC ruling, since Ethiopia cannot be forced to comply with it (see Box 2).

Second, moving Eritrea away from its steady focus on the implementation of the 2002 EEBC ruling will require a rethink of external engagement with the country. Eritrea has developed a reputation as a regional spoiler and exporter of instability; the result of a decade of dispute, smouldering tension and proxy conflict between the two neighbours. Eritrea's perceived defensive and acerbic foreign policy engagement has not helped to dispel this impression. This oversimplified model, actively promoted by Ethiopia, makes the concept of external engagement with Eritrea more complicated, even to the point of appearing to be pointless. However, Eritrea's valid national security concerns *vis-à-vis* Ethiopia must be recognized and addressed.

Finding ways to engage Eritrea by creating more linkages between its government, economy and the outside world will be crucial to establishing the counter-incentives needed to draw it out of a narrow rhetorical focus on the border. The deeper Eritrea's linkages outside of the region are, the more secure its position relative to Ethiopia will become (much as Ethiopia has managed its external linkages). Having both countries, and particularly Eritrea, more secure in their own international and regional positions could help move them towards a more realistic set of expectations for the eventual normalization of relations.

It is useful to understand these two states as disparate entities in the process of building national identity and unity

Box 2: The quagmire of the EEBC ruling

The 2000 Algiers Peace Agreement was the culmination of international mediation efforts going back to 1998, when open hostilities broke out. Running through these efforts, and enshrined in the agreement, was a focus on demarcation of the border as the fundamental step to restoring peaceful relations. The 2002 ruling of the Eritrea–Ethiopia Boundary Commission, meant to be final and binding on both parties, was expected to bring resolution to the conflict. However, this approach failed to resolve the dispute because, although border demarcation is a significant issue for both governments, tensions run much deeper than that.

The ruling placing the flashpoint town of Badme on the Eritrean side of the border served to forestall implementation.^a Eritrea has the weight of international law on its side, and correctly accuses Ethiopia of occupying its sovereign territory, while blaming the UN, EU, African Union (AU) and United States – as guarantors of the Algiers Agreement – for failing to enforce Ethiopia’s compliance. Eritrean diplomacy on this matter has been counterproductive, however, damaging key bilateral relations, particularly with the United States, which has been a frequent target of conspiracy theories. It has also been detrimental to Eritrea’s standing in multilateral bodies, for example, by suspending its participation in the Horn of Africa’s Intergovernmental Authority on Development (IGAD) in 2007.

Ethiopia accepted the EEBC ruling in 2006 but has failed to abide by it and has rhetorically maintained a focus on the need to engage with Eritrea over its implementation, while continuing to cultivate its key bilateral and multilateral diplomatic relationships. The resulting impasse has served the near-term interests of both governments: for Ethiopia, any direct threat from Eritrea is reduced, while Asmara remains diplomatically isolated; for Eritrea, President Isaias Afewerki’s leadership has remained secure, as the external threat has allowed the government to centralize control under a small elite within the military and the ruling People’s Front for Democracy and Justice (PFDJ).

^a For the ruling and a catalogue of the responses by both governments, see the EEBC archive on the Permanent Court of Arbitration website, http://www.pca-cpa.org/showpage.asp?pag_id=1150.

within the context of a volatile political landscape, rather than as former comrades in arms that have since fallen out.⁵ Ethiopia’s approach to national identity is manifested in the constitutional framework of ‘ethnic federalism’ and

Box 3: A bad neighbour or a bad neighbourhood?

The dominant trend in regional relations in the Horn of Africa is of fluctuation between alliance and opposition. The governments of Sudan, Ethiopia (and later Eritrea) and Somalia have moved back and forth between periods of confrontation, including supporting the armed opponents of their neighbours, and periods of improved relations, usually including agreements not to support rebels in other countries.

Eritrea has increasingly been singled out as a regional spoiler since Ethiopia’s military intervention and two-year occupation in Somalia from December 2006, leading to Eritrea’s subsequent self-suspension from IGAD in protest. Seen in historical context, the interventionist trend in the region has been mostly ‘business as usual’. Ethiopia benefited from international legal sanction for its 2006–09 mission in Somalia. Its subsequent intervention since late 2011 came at the invitation of the internationally recognized government in Mogadishu. Ethiopian troops are also currently deployed in the disputed Abyei region on the Sudan–South Sudan border under a UN mandate.

By contrast, Eritrean efforts to influence regional stability have followed the more familiar regional pattern of low-level hosting of political and insurgent movements. Other forms of intervention have also taken place, for example the channelling of funds to Somalia, including to individuals associated with al Shabaab or other militant opposition to the Mogadishu government. Such support is a common feature of regional policy for all countries of the Horn. Eritrea’s misstep was to come down on the other side of the fence from the main Western powers. Ethiopia astutely pursues its regional security strategy in a form that is more compatible with the interests of these international actors, which mainly centre on containing Islamist militancy.

implemented in the context of a tightly managed electoral system. It attempts to address the tensions inherent in its multilingual, multi-ethnic society by creating avenues for the expression and value of ethnic identity. On the other hand, the vision of the political and military elite around Isaias in Eritrea is of a unifying national identity that supersedes ethnic, religious and linguistic diversity, thereby diminishing any tensions related to those identities. Eritrea’s tightly controlled economy and politics, the policy of ‘self-reliance’, as well as its infamous national service/Warsai-Yikealo development campaign, are all rooted in this vision.⁶

⁵ A reference to the fact that the ruling party in Eritrea, the PFDJ, and the Tigrayan People’s Liberation Front (TPLF), the dominant party within the ruling Ethiopian People’s Revolutionary Democratic Front (EPRDF) coalition, have their roots as insurgent movements that together toppled the government of Ethiopia in 1991.

⁶ For a recent analysis of the national service and its impacts, see Kibreab (2013).

Expectations that either political model will collapse imminently have been confounded for years. It makes little sense for the two countries to base their policy towards each other – as they have done for the last decade – on the hope that the other regime is near to collapse. Nor does it benefit external partners to wait for such a development before tackling the issue. Those interested in improving the region’s security cannot idly wait for leadership change, or more dramatic changes in Eritrea or Ethiopia. Continuity in Ethiopia’s stance since the death of Prime Minister Meles Zenawi in 2012 should have made clear by now the fallacy of arguments that the long stalemate was linked closely to personal animosity between the two leaders.

In Eritrea, a generation has by now come of age under an independent government, but also under the shadow of a perceived threat from Ethiopia. This threat has underpinned the government’s tight control over society, and is used to justify national service and the country’s highly militarized status. However, after more than 20 years in power, it may also be that the government will view its strategy as having outlived its usefulness – especially with many in this new generation now choosing to risk death by crossing the border illegally in order to seek economic opportunities abroad.⁷ The impacts of this exodus have been managed by the government, which may actually view the remittances sent by young people who successfully find work in the diaspora as a positive outcome. Having made Eritrea’s first independent generation part of its national and regional narrative, the government may be more secure in its national position. As such, the time could be right for new engagement.

Incentives for the two countries

The rational case for restoring functional relations between Ethiopia and Eritrea rests largely on the back of the economic benefits that would accrue from reopening the border. As noted by Sally Healy,

‘a high degree of economic integration clearly did not raise the cost of war to an unacceptably high level for the elites involved. However, the interdependent communities on each side of the border have paid a very high price, both in the war itself and in the failure to implement the subsequent peace agreement.’⁸

That these incentives were insufficient to prevent war breaking out is a good warning against the supremacy of economic incentives in the face of political considerations.

This observation relates to another aspect of the potential for restored relations, which is that the communities which have been divided for the past 15 years retain their latent connections across the boundary, but that these common interests are not sufficient to restore relations (see Box 4).

Box 4: Cross-border community linkages

The conflict between Eritrea and Ethiopia is one between states, not societies, and more importantly between two governments with very statist perspectives. The breadth and depth of relations between the Eritrean and Ethiopian peoples will not in themselves create momentum towards resolution of the stalemate. However, cross-border experience will inform societal interaction after the restoration of functioning relations. Once the border is reopened, these linkages will be significant for maintaining stability and providing the glue for future relations. That being said, it will not be a simple matter of reactivating previous connections. The past 15 years has been the first period during which the boundary has been tightly closed, cutting off communities from ethnic kin and natural markets.

The war was not a means of settling an economic dispute between Eritrea and Ethiopia, despite the economic dimensions of tensions between the two countries during the mid-1990s. Rather, tensions between the two governments in the 1990s fundamentally reflected their contradictory approaches towards rectifying decades of marginalization in Tigray and Eritrea as provinces under ethnic Amhara-dominated Ethiopian governments.⁹ For the Eritrean revolutionaries, gaining independence, including over their own economic policy, was a way to take control over the development of the territory – notwithstanding the difficulties associated with the creation of new institutions, national identity and cohesion. For the Tigrayans, taking control over the levers of the Ethiopian state enabled them to reverse decades of economic neglect – albeit alongside inheriting the challenges of running the multi-ethnic Ethiopian state, as well as the management of fraught international relations (not only with newly independent Eritrea but also with Somalia, Sudan, Egypt, the Gulf states and the wider international community).

These contradictory economic and political visions culminated in open conflict. However, it may be that the factors underlying them afford the opportunity for an

⁷ The UNHRC special rapporteur’s May 2013 report cited a figure of as many as 4,000 per month attempting to flee. See A/HRC/23/53 <http://www.ohchr.org/EN/countries/AfricaRegion/Pages/ERIndex.aspx>.

⁸ Healy (2011), p. 42.

⁹ To be sure, additional factors played into tensions between the post-liberation governments in Asmara and Addis Ababa. The two liberation movements had sparred over strategy *vis-à-vis* their common enemy, the Ethiopian government. The EPLF, the older of the two liberation movements, did not consistently support the TPLF, and relations deteriorated badly in the early 1980s. Their divergent visions for the post-liberation agenda also quickly re-emerged after Eritrea’s independence.

eventual renewal of relations. In particular, the significant development of Tigray since the 1990s has fundamentally shifted the economic landscape within Ethiopia. Tigray's development – and Ethiopia's growth more generally – is entrenched by a variety of infrastructure projects, including rail linkages and an envisioned new port at Tadjourah in Djibouti. As such, there is less concern in Tigray (and by extension, Addis Ababa) over the exposure to Eritrea's economy.

For Eritrea, the past 15 years have been less kind economically, mainly for political reasons. The ruling party has brought most of the economy under the control of state-owned enterprises, and the heightened security footing has seen young people, whose contribution is essential to the economy, fleeing the prospect of indefinite national service. Headline growth rates have been helped by the expanding mining sector, but expansion in the extractive sector does not automatically translate into broad-based economic growth.

Successful engagement with Eritrea will have to rely on a broader process than simply pushing for the re-opening of the border. Politically and economically, it will be vital for a post-conflict Eritrea to engage broadly within the region and beyond – if it is to entrench its existence as an independent economy and polity. Perhaps counter-intuitively, this probably offers the most encouraging space for external engagement, since working with Eritrea to further these goals does not require the restart of Ethiopia-Eritrea relations. The mining sector and the potential of the large Eritrean diaspora to return and invest offer the prospect of economic improvement.

It is important to point out, however, that these benefits will only be fully realised as part of eventual re-engagement with the Ethiopian economy. It is inevitable that the larger and regionally influential Ethiopia will overshadow and influence the path of the smaller economy. Nevertheless, the first steps do not (and cannot) depend on Ethiopian re-engagement with Eritrea.

Regional integration

It is important not to overstate the prospect of economic reintegration once relations between Eritrea and Ethiopia eventually improve. Indeed, the past two decades have seen them moving through a process of economic de-integration.¹⁰ It may well be, however, that integration is actually essential for the viability of future relations.

A look at Ethiopia's priorities regarding regional integration is useful. Within the regional economic bloc, IGAD, integration policy attention is focused on physical integration.¹¹ On that front there is significant work to be done in terms of transport linkages and the sharing of electricity.

During the past decade landlocked Ethiopia has devoted significant resources to improving its road network and in 2013 it commissioned the rehabilitation of the main rail link between Addis Ababa and Djibouti, as well as a new set of domestic rail projects. In December 2012 Ethiopia and Djibouti symbolically broke ground on a new port in Tadjourah, which could eventually serve northern Ethiopia.¹² In March 2012 the leaders of Ethiopia, Kenya and South Sudan participated in a ground-breaking ceremony for a massive new deepwater port project at Lamu, on the Kenyan coast. Lamu Port is part of an envisaged transport corridor that could eventually provide linkages to southern and central Ethiopia, as well as to South Sudan. Ethiopia also began exporting some of its vast hydroelectric capacity with a 30–70 MW link to Djibouti in 2011, and in December 2013 inaugurated exports to Sudan through a new interconnector with capacity for 300 MW. A third link to Kenya is under construction, with initial capacity of 200 MW.

Physical linkages to its neighbours are part of Ethiopia's strategy for overcoming its landlocked status and boosting its exports, while diversifying its options for access to ports (see Box 5). This is in line with a general economic policy aimed at reducing its perennial current account deficit, which has been exacerbated by the rising import bill associated with its infrastructure investments, and in general it entrenches Ethiopia's dependence on aid flows for its balance of payments.¹³ Ethiopia sees these physical linkages as achievable without first integrating or harmonizing economic policy with its neighbours. This reflects a policy of pursuing economic expansion while minimizing external risks and retaining as much room for manoeuvre as possible.

While reliable economic data for it are hard to come by, Eritrea has clearly experienced significant negative impacts as a result of the closure of the border. The economy had been geared towards the Ethiopian market, in terms of its ports (particularly Assab) and the role of Eritrean businesses in the Ethiopian economy. During the last 15 years, along with the loss of the Ethiopian market, the government has overseen a process in which state-owned or associated enterprises have gained dominant positions

¹⁰ For more on this see David Styan, 'Twisting Ethio-Eritrean Economic Ties', Chapter 10 in Jacquin-Berdal and Plaut (2004).

¹¹ See comments of IGAD Executive Secretary Mahboub Maalim made at Chatham House in May 2013, <http://www.chathamhouse.org/sites/default/files/public/Research/Africa/090513summary.pdf>.

¹² See Styan (2013).

¹³ See Mosley (2012), p. 12.

Box 5: Ports as economic incentives for re-engagement

One idea that is frequently mooted is that of an arrangement to exchange access to Eritrea's ports for supply from Ethiopian hydroelectricity. Such an arrangement, it is thought, could create positively reinforcing dependencies between the two countries, helping to defuse tensions and avert future conflict. The case for this rests in large part on the fact that Assab (the main port for all of Ethiopia until 1998) and Massawa are the 'natural' ports for Ethiopia, particularly the northern regions of the country (including Tigray). The reality is that Ethiopia no longer needs Assab, which would in any case require major rehabilitation after 15 years of limited use (the Eritrean economy relies on Massawa).

Since the border closed, the growth of Ethiopia's transport infrastructure has entrenched Djibouti's position as the dominant hub for Ethiopia. Port Sudan helps to offset dependence on Djibouti for some trade, and eventually so will the new Kenyan port at Lamu. Plans to upgrade a second port in Djibouti at Tadjourah also diminish the case for Assab because the two ports are geographically proximate and would serve the same function for Ethiopia. A more sustainable relationship could see Eritrea as one of several outlets to the sea for Ethiopia. Some have mooted a formal linkage between access for Ethiopia to Eritrea's ports and supply to Eritrea of Ethiopian hydroelectricity, as a way to reinforce the incentives for both countries to maintain peaceful relations.^a However, this runs contrary to the experience and inclinations of both governments. More likely, any Eritrean power imports, like those of Sudan or Djibouti, would be treated as a separate transaction and not tied to port access.

^a This idea was put forward in one of the private workshops at Chatham House which informed this report.

in the economy.¹⁴ For the Eritrean government, avoiding future economic dependence on Ethiopia will be a priority – although given the disparity between the two economies, it is difficult to envision that it could avoid Ethiopian economic influence altogether.

Eritrea has begun to find the basis of an independent economy through the emergence of its mining sector, which reportedly generated state revenues of \$148 million in 2011 and \$317 million in 2012.¹⁵ Although Eritrea's current international

isolation and concerns about its policy and regulatory environment have dampened appetite for most investment outside the mining sector, it is conceivable that a rehabilitated Eritrea could attract such investment – perhaps first from the diaspora-based business community, although many of the individuals involved would be likely to wait for significant political shifts before risking their capital or a return to the country in person.¹⁶ Nevertheless, despite significant current obstacles to investment by foreign firms or diaspora, the potential should not be discounted. Prospective investment would be an area for discussion with external interlocutors.

Challenges

Shifting external engagement towards one of the Horn of Africa's most intractable conflicts will not be straightforward – especially because Eritrea and Ethiopia have entrenched their own engagement strategies over time. The principal challenges are political, relating to Eritrea's relations with the main Western influencers in the Horn of Africa, the existence of UN sanctions and Ethiopia's regional dominance.

This is not to create a false sense of equivalence between the two countries, or to imply that they can be treated in the same way. Other realities also must also be factored in: Ethiopia is a major regional player, with a large population and growing economy, whose national security objectives its government seeks to align with those of external actors in furtherance of its own agenda. Eritrea is a small country, whose economy has stagnated (with the exception of expansion in the mining sector); its government has framed its national security and regional foreign policy objectives in terms of opposing a purported Western-driven (particularly United States-led) 'conspiracy' in the region, thus undermining its own position in regional bodies and larger multilateral forums.

Engaging Eritrea

It is difficult for the international community to navigate a path between providing the space to support Eritrea's constructive engagement with Western and other interlocutors and being seen to 'reward' or at least ignore its record outlined above. This is particularly the case for the EU, which has placed human rights at the centre of its comprehensive approach towards the Horn of Africa.¹⁷

¹⁴ See Kibreab (2009), Chapter 6.

¹⁵ See report of UN Monitoring Group on Somalia and Eritrea, July 2012 (S/2012/545), p. 39, <http://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/Somalia%20S%202012%20545.pdf>.

¹⁶ During one of the roundtable discussions that informed this project, participants expressed scepticism about the role of the diaspora in investment inside Eritrea until there had been a change of government.

¹⁷ See Soliman, Vines and Mosley, 'The EU Strategic Framework for the Horn of Africa: A critical assessment of impact and opportunities' (EXPO/B/AFET/FWC/2009-01/Lot2/11), http://www.chathamhouse.org/sites/default/files/public/Research/Africa/0912ep_report.pdf.

In reality, the Eritrean and Ethiopian governments have contributed to or perpetrated human rights abuses in their own countries and through their interventions in the region.¹⁸

Still, after several years of adopting an increasingly confrontational stance with regard to Eritrea, the international community might benefit from a more constructive approach. Less abrasive engagement could yield results in terms of addressing the country's national security concerns. There could be scope for taking a more pragmatic approach towards it without letting go of the objectives of an agenda driven by democracy and human rights concerns. This characterizes Western policy towards Ethiopia, in which such concerns are expressed without obviating other forms of engagement. To be sure, engagement would necessarily involve the Eritrean government taking some steps to build the confidence of the international community.

The inducement of eliminating UN sanctions is a practical example of a step towards efforts to reengage. Another is Western influence on Ethiopia and the other members of IGAD to facilitate Eritrea's resumption of its place in that bloc. More significant would be the pursuit of relations with Eritrea on areas of mutual interest, separate from other relations in the Horn of Africa. This would involve investment in the mining sector, probably not by the main Western donors in the region, but rather by those countries with a major role in the global extractive sector, such as Canada, Australia and potentially Norway.

Assuaging Ethiopia

Taking a more constructive approach to Eritrea could create new challenges too. Moving towards a situation where Eritrea is less isolated internationally will very likely concern Ethiopia and strain relations between Addis Ababa and its international partners. However, it should be possible to address these concerns. Ethiopia has a legitimate concern about the risk of instability emanating from Eritrea. This concern has long historical roots, which have been intensified by recent speculation (particularly since the 'Forto' incident in January 2013 – see Box 1) about what a future Eritrean government's stance towards Ethiopia might be. Ethiopia wants to prevent Eritrean efforts to undermine its stability, but also to avoid potential spillover in the case of a disorderly political transition there.¹⁹ From the perspective of Addis Ababa, the past few years have represented a significant success: Eritrea's isolation is seen to be in Ethiopian interests.

The government maintains that Eritrea responds only to negative pressure and that the 'carrots' of engagement would be unproductive. A firm rhetorical stance by the international community that it will not tolerate efforts to destabilise the region, or destabilise Ethiopia specifically, should be maintained as part of efforts to re-assure Ethiopia. Quiet engagement with both countries should stress the costs involved in Eritrea's continued isolation.

Moreover, Ethiopia should be reassured that it still represents the West's main partner in the Horn of Africa for the pursuit of goals related to counter-terrorism. It is worth considering that the current policies have not produced stability, either between the two neighbours or more broadly in the region. A more stable Eritrea and a functional relationship between the two states would also further Ethiopian interests – in terms of stability and economic opportunity – if it were sustainable.

What role for the international community?

For many governments, engagement in the Horn of Africa is increasingly being treated (correctly) as a complex problem requiring a regional strategy, in addition to traditional bilateral relations. Alongside familiar Western governments, governments less traditionally associated with a strong influence on the Horn of Africa – so-called 'new powers' – such as Turkey, South Africa and Qatar have displayed an increased interest in the region. In the case of the stalemate between Ethiopia and Eritrea, however, the question of engagement is more subtle than taking a nuanced approach to mediation between the two countries. Eritrea's diplomatic stance precludes dialogue over the border, and the steps taken to isolate it have fed counterproductively into a hardening of that stance. It is also problematic to engage with Ethiopia directly on the question of the border.

In order to move away from the border disagreement, what is required is external engagement capable of first shifting the region's political landscape enough that it feeds into the conditions for improved relations between the two countries. Eventually there will be a return to the question of the border, but it must be addressed in a way that avoids the EEBC ruling remaining the impasse that it has become during the past decade. For the external interlocutors considered below, the combination of a regional strategy and the possibility of a non-traditional approach to the two countries could facilitate that process. In particular, this would involve the creation or enhancement of relations with Eritrea.

¹⁸ See, for example, the catalogue of reports by Human Rights Watch on Ethiopia (<http://www.hrw.org/africa/ethiopia>) and Eritrea (<http://www.hrw.org/africa/eritrea>); see also Report (A/HRC/23/53) of the Special Rapporteur on the situation of human rights in Eritrea, Sheila B. Keetharuth, to the UN HRC (http://ap.ohchr.org/documents/dpage_e.aspx?si=A/HRC/23/L.17).

¹⁹ See Crisis Group (2013).

The EU

The creation of the position of the EU Special Representative (EUSR) for the Horn of Africa in 2012 offers the possibility of a new kind of engagement between the EU and both Eritrea and Ethiopia.²⁰ In terms of engagement with Eritrea, in particular, the EU is hampered on two fronts. First, as a guarantor of the Algiers Agreement, its influence in Eritrea has suffered from its perceived failure to enforce compliance by Ethiopia. Second, the EU also has a diplomatic stance rooted in a human-rights based approach to foreign policy, although it is not the only actor in the region in this regard. Neither of these factors leaves it well placed to act as an 'honest broker' from Asmara's perspective.

However, the EUSR, Alex Rondos, has managed to cultivate a functional relationship with Eritrea. With the goal of improving overall regional stability in mind, and thus consistent with his mandate, it is possible that his office could play an important role in improving relations between Eritrea and the EU and its member states. This engagement could focus on areas of common interest such as migration, which has risen in profile since the Lampedusa tragedy in October 2013, in which some 366 African migrants (mainly Eritrean) perished when their boat sank off the Italian coast. The extractive sector is also an area of interest for some EU members such as the United Kingdom.

The EUSR's mandate reflects the EU's move towards a focus on the Horn of Africa as a region. However, the crises in Somalia and in Sudan and South Sudan have tended to dominate the EU's engagement. Moreover, the mandate of the EUSR for Sudan and South Sudan was allowed to lapse into late 2013, with responsibility for these countries added to Rondos's portfolio. Given that initial moves on the Eritrea–Ethiopia issue would involve mostly quiet diplomacy from the EU, significant additional resources would not necessarily be needed at the outset. However, if results were encouraging on this front, the case would need to be made for additional capacity for the EUSR's office.

Turkey

Turkey has stepped up its presence in the Horn of Africa in recent years, and in particular it has a strong interest in Somalia and Somaliland. It has emerged as one of the key partners for the internationally backed federal government of Somalia. Moreover, an Anglo-Turkish energy company, Genel Energy, is a major investor in the

emerging hydrocarbons sector in Somaliland. As Turkey has increased its engagement, it has moved to adopt a regional approach. This has included opening an embassy in Asmara in November 2013, following a visit by Turkish Foreign Minister Ahmet Davutoğlu in 2012. Turkey's policy in the region is pragmatic, focused on areas of mutual interest and the promotion of Turkish business interests. Although Eritrea's economy is an uncertain environment for foreign investors, Turkey's experience of promoting its interests in Somalia and elsewhere in Africa could usefully guide its engagement with Eritrea. This need not jeopardize deep and long-standing relations with Ethiopia. For example, in 2013, a Turkish company, Yapi Merkezi, secured the contract for the management of a major rail project connecting the Tigrayan capital Mek'ele to the main rail line between Addis Ababa to Djibouti. Ayka Addis Textile and Investment Group, a Turkish firm, has been actively promoting Turkish investment in the textiles sector in Ethiopia. Turkish Airlines, already serving Addis Ababa, is expected to add flights to Asmara during 2014.

Qatar

Qatar is cited as one of Eritrea's few existing allies,²¹ although the relationship is reported not always to be easy. Relations between Qatar and Ethiopia have been strained too in recent years. Ethiopia severed diplomatic relations in 2008, following a report by Doha-based Al-Jazeera on the government's response to the insurgency of the Ogaden National Liberation Front (ONLF) in the Somali region of Ethiopia,²² although the two countries restored ties in late 2012. Qatar could eventually play an important role in mediation, although that prospect remains distant at this point. Qatar's efforts towards other mediation processes in the region suggest that this could be the case. The most relevant is Qatari intervention between Eritrea and Djibouti and the deployment of a force to their disputed boundary, but other examples include the Darfur peace process in Sudan and its active involvement in Somalia. Qatar's foreign policy has been increasingly active across the Middle East and Africa during the past decade, and particularly since the Arab Spring revolutions in 2011. Qatar's influence in Egypt and Syria has put it at odds with the current Egyptian government and the Gulf monarchies, leading to a diplomatic row in early 2014.²³ Nevertheless, Qatar will likely continue to cultivate its influence in the region. Isaias's visit to Doha in March 2014 indicates that despite any tensions, relations continue.

²⁰ After the adoption of the EU strategic framework for the Horn of Africa in 2011. See http://ec.europa.eu/europeaid/news/horn_of_africa_en.htm.

²¹ See, for example, Crisis Group (2013). See also Abel Abate Demissie, 'The role of Qatar in mediating Ethiopia and Eritrea', <http://www.eipdethiopia.org/contentadmin/index.php?news=31>.

²² The ONLF's insurgency dates to the mid-1990s, after its leaders – initially part of the coalition that took control of Ethiopia following the overthrow of the Derg – fell out with the EPRDF. The ONLF seeks enhanced autonomy/self-determination for the Somali-inhabited Ogaden region of Ethiopia.

²³ See David Kirkpatrick, '3 Gulf Countries Pull Ambassadors from Qatar over its Support of Islamists', http://www.nytimes.com/2014/03/06/world/middleeast/3-persian-gulf-states-pull-ambassadors-from-qatar.html?_r=0.

South Africa

South Africa maintains a more functional relationship with Eritrea than many other African countries. Its ambassador to Eritrea, Iqbal Jhazbhay, has an academic background and a long-standing interest in the Horn of Africa. Like Canada and Australia, South Africa is an important base for businesses engaged in mining exploration and production. The overlap of diplomatic and business interest for South Africa makes it a potentially interesting partner for Eritrea. Cultivating this relationship could be important for helping Eritrea to rehabilitate itself within the African Union especially as the chair of the AU Commission, Nkosazana Dlamini-Zuma, is the former foreign minister of South Africa. Eritrea has had a difficult relationship with the African Union but appears to have recognized the utility of functional ties with the continent's multilateral forum, reopening its mission to the AU in 2011. South Africa is also an important international interlocutor within the context of the Global South, and in combating the perceived dominance of the West in international affairs. These themes resonate well with the Eritrean leadership.

Conclusion

The leadership transition in Ethiopia and some small but important changes in the economic environment in Eritrea suggest that there is a potential opening for engagement to pull the two sides towards a more functional relationship. In particular, a less embattled Eritrean government could play a constructive regional role.

Especially since the 'Forto' incident in Asmara in January 2013, the focus of analysis of Eritrea has been on post-Isaias scenarios. However, the main scenario in the near to medium term remains an Isaias government. And in the event of a transition it cannot be assumed that there will be an immediate or significant foreign policy shift in Eritrea. As such, policy planning must consider engagement with the current leadership.

Economics are the key entry point. There is a paradox, however: while the economic dividends of reintegration would benefit both economies, especially Eritrea's, the political dimensions of reconstituting economic linkages (within Eritrea, and between Ethiopia and Eritrea) mean that on the Eritrean leadership's side there is a disincentive for re-engagement. Therefore an approach that initially focuses on boosting Eritrea's economic linkages with partners outside the region is needed.

In economic terms Ethiopia needs Eritrea far less than Eritrea needs Ethiopia. The leadership in Addis Ababa is confident that it can contain any security threat from

Asmara. As such, it has an incentive to maintain the status quo in relations and wait Isaias out. External engagement will need to overcome this structural obstacle to re-engagement.

Drawing Eritrea into external engagement will require a dramatic change of approach from the traditional and non-traditional actors interested in improving the region's security. Ethiopia favours the current approach of international pressure on the Eritrean government ('sticks') and resists the idea of positive ('carrot') engagement. Addis Ababa will need to be encouraged to allow external interlocutors to approach Asmara with an eye to inducing the leadership's engagement. The key element will be continued quiet reassurance of external support for Ethiopia's national security, alongside public support for moves to restore functioning relations.

In order to achieve results the EU and other Western interlocutors will need to make pragmatic national and regional incentives for improving relations the focus of their diplomatic engagements, not at the cost of a democratic and human rights informed policy agenda, but as a means towards the more fruitful pursuit of that agenda in the longer term. In reality, both countries have major shortfalls in terms of democratic governance and respect for human rights. Creative engagement will be required, whereby the political and economic issues are unlocked first and human rights agendas pursued more softly. This calculation has already been made for Ethiopia; if adopted for Eritrea, such an approach could lead in the medium term to an improvement in livelihoods, and help to stem refugee flows and outward migration.

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