

THE ECONOMIC AND POLITICAL INTEGRATION BETWEEN ERITREA & ETHIOPIA: WAS IT FEASIBLE?



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Eritrean – Ethiopian relationships have to be analysed in the context of the economic agreements, social and political relationships between the EPLF/PFDJ and EPRDF/TPLF from 1991 up to 1998 and the economic, social and political consequences for Eritrea.

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IS THE TPLF THE ENEMY OF THE ERITREAN PEOPLE?

There is a lot of confusion regarding the relationship between EPLF/PFDJ and the EPRDF/TPLF. Partly, this is due to ignorance and partly due to a deliberate disinformation and misinformation by social mass media of the PFDJ. It was and is a capital mistake to theorise before one has data. Intensely one begins to twist facts to suit the theories, instead of theories to suit the facts.

All techniques of mass persuasion, (including the overuse of music and dance) warped nationalism and trickery have been used by the Asmera regime and its supporters to convince the Eritrean people that they have mortal and millennial enemies south of the border that have been denying them peace and prosperity that they deserve. The cruel hatred of the Eritrean regime has been directed particularly at the TPLF. Why?

Using as a pretext the fabricated atmosphere of fear of invasion from the south, the Eritrean regime has taken a number of undemocratic and illegal measures that it would not have been able to do otherwise - such as, the suspension of the constitution, denial of civil rights, abolition of press freedom, imprisonment incommunicado without trial, no independent judiciary, and no parliament. **Why?**

Moreover, why has the PFDJ regime placed the country in a war grip and a permanent state of barricade to unleash a silent war on its youth? As most of you know, the indefinite active national service has robbed Eritrea's young men and women of their prime years, deprived them of normal family life, and disrupted the development of their cerebral potential. Its impact is immense, that is destroying the nuclear family and the progress of Eritrean society. **Why?**

It is, therefore, of primary importance to have a closer look at the relationship between the two sides and find out the truth and examine whether the claims of the Eritrean regime make sense.

I say that truth must be the judge - and it is the truth that heals.

I shall now lay the facts one by one so that everyone could see.

After the toppling of the Derg regime, Eritrean – Ethiopian relationships have to be analysed in the context of the economic agreements, social and political relationships between the EPLF and TPLF.

A quick look at the situation to Eritrea today undoubtedly reveals the disquieting continuity between the colonial (Italian, British era) and Ethiopian administration into post-independence Eritrea. There has been no attempt made by the government of the newly independent country to establish its **frontiers**. No attempt has been made to restore pre-colonial culture patterns. It rather took things as found and more or less continued with them.

From the EPLF point of view, the alliance with the TPLF had brought the desired military results. As of May 25, 1991, the EPLF was the undisputed ruler of Eritrea. However, in order to translate the military victory over the Ethiopian army and its de-facto rule of the EPLF over Eritrea into an internationally accepted independent state of Eritrea, the EPLF still needed the support of the TPLF.

It was already clear to the leadership of the EPLF before the end of the war that only the **consent** of the Ethiopian authorities to the independence of Eritrea would guarantee rapid international recognition of Eritrea's independence. In addition, the EPLF was convinced that not only the international community would be reluctant to accept the immediate declaration of Eritrean independence. It also knew that the Ethiopian political public which included not only the Amharas, but also Oromos and other southerner nationalities would react with outright rejection to such a move. Hence, in order to calm down international silence and to defuse the widespread Ethiopian rejection of outright secession, the leaders of the EPLF with the Ethiopian People's Revolutionary Democratic Front/TPLF decided to go along with the concept of a referendum to decide the ultimate political destiny of Eritrea.

In Ethiopia, the EPRDF/TPLF's ready acceptance of Eritrean Independence has provided a rallying point for the opposition which has made great play on the emotional loss of part of 'the motherland' and the loss of 'Ethiopia's coastline and ports'. In fact, there was little dispute with the late Prime Minister **Meles Zenawi's** assertion that there is no option to Independence. Ethiopia lost the war and Independence is the price to be paid¹. But Meles had felt the political effects for a long time to come. His opponents still argue that the EPRDF/TPLF, in power by virtue of its military victory, has no right to either offer a referendum or bind

¹ Ethiopian Newspaper "Addis Zemen page 1 May 26, 1993 translated from Amharic to English

succeeding governments to the result. Similar criticisms are directed at the decrees on regional autonomy and self-determination disseminated even before the EPRDF's own constitutional committee was set up. Critics argue that these decisions should be left to the government which emerges after the constitution has been debated².

The pre-victory agreement between TPLF and EPLF was formalised at the National Conference held in Addis Ababa in early July 1991. The EPLF and the EPRDF/TPLF agreed on a transition period of two years, at the end of which an internationally supervised referendum would be held to determine the final political status of Eritrea.

The EPRDF/TPLF formed by the National Conference rapidly passed a number of decisions relating to the relationship between the two countries during the period before the referendum. It was agreed the Eritrean government would continue to use the Ethiopian Birr as its currency, which was to be provided by Ethiopia ([currency union](#)³). The Ethiopian government also assumed responsibility to pay pensions to Eritrean pensioned ex-civil servants.

Both sides concluded an agreement under which **Asseb** was turned into a free port of Ethiopia. Under the terms of the agreement Ethiopia would pay for the use of the harbour facilities but no duties would be levied on goods arriving at Asseb in transit to Ethiopia. Ethiopia **consented** to buy crude oil to be refined at Asseb and to turn over 30 percentage of the refinery's output to the Eritreans as rent payment. The Eritrean authority distributed this petrol to the Eritrean Shell, Mobile and Total stations who sold it back to Ethiopian/Eritrean Drivers. In the process the Eritrean government made a huge amount of economic benefit out of it. As both countries were using the same currency and it was also agreed upon that trade between Eritrea and Ethiopia would be duty free.

The EPRDF/TPLF adopted the policy that Eritreans within Ethiopia would continue to be treated as Ethiopian citizens. It thus practically accepted dual citizenship for Eritreans which the Ethiopian nationality law explicitly forbids. The rationality behind was that until the referendum Eritrea was still technically part of Ethiopia and that there was no internationally recognised Eritrean citizenship.

² From the African confidential archives AC Vol. 34 No 9 | 30 April 1993

³ Bolton, Sally "A history of currency union" December 10, 2001 London, New York

The numerous political, social, economic and security agreements between both governments were very advantageous for the Eritrean side as well. For instance, the government of Eritrea made full use of the [currency and customs union](#)⁴ to maximise Eritrean savings of hard currency. EPLF openly violated the spirit of the currency union by pursuing its own monetary policy in regard to **exchange rates** of hard currency within Eritrea. The EPLF even ran exchange bureaux with an exchange rate of the Birr to hard currencies (i.e. \$100/Birr720), substantially higher than that the one prevailing inside Ethiopia (\$100/Birr 630). Eritrean government induced Ethiopians and Eritreans to exchange their hard currency in Eritrea and then take the acquired Birr to Ethiopia. With this practice, Eritrea increased its hard currency holdings. There were also indications that with the unspoken approval of the Eritrean government Eritrean traders abused the transit rights for Eritrean goods to divert transit goods illegally which were to be sold for a handsome profit on the Ethiopian market. But many countries in Africa and elsewhere were not simply willing to allow any country access to their markets or the cheap labour and raw materials required. Nor were they willing to allow corporations to operate on their territory and undertake large-scale projects such as buying agricultural and mining products as the Eritreans tried to do in Ethiopia.

EPRDF/TPLF allowed Eritrea to import a wide range of goods such as wheat, barley, corn, cotton, coffee, sugar, honey, wool, dairy produce, peanuts, chickpeas, lentils, gum Arabica, soybeans, fruits and mining products for Birr from Ethiopia, which Eritrea would otherwise have to pay for in scarce hard currency. The agreement on the Asseb refinery not only guaranteed Eritrea a stable supply of most of its fuel needs but also considerably helped the Eritrean government to save hard currency. The agreement about nationality allowed Eritreans living within Ethiopia as well as inside Eritrea to freely engage in economic activities inside Ethiopia and even to retain positions in the civil service and the state-controlled sector of the Ethiopian economy.

Yet even at the moment of victory, cracks were appearing in the relationship. The EPLF not only expelled from its soil the Ethiopian army of occupation, it insisted that tens of thousands of Ethiopian citizens who had been involved in the Ethiopian administration should leave as well. Between 1991, 1992, 1998 and 2000 as many as 150,000 (EPRDF news

⁴ David R Henderson, The concise of Encyclopaedia of Economics, 2008

bulletin, August 30, 1999 144,000)⁵ Ethiopians, including thousands of Eritrean wives and their children⁶, and many Tigrayans, were expelled, forced to leave property and belongings behind. Some had worked in Eritrea all their lives, and knew no other home⁷. The newly installed government of Ethiopia did not officially complained during the first two years. Ethiopia has retaliated according to Human Rights Watch and expelled about 77,000 Eritrean origins during the war⁸. They were, no doubt, expelled under harsh, inhuman and excessive circumstances.

Even after the referendum the new state of Eritrea was economically still in its infancy and in terrible need of the economic opportunities offered by the agreements with Ethiopia. After May 1993 the government of Eritrea even stepped up its violation of the spirit of the currency union in an attempt to maximise economic gains for Eritrea. Soon after independence, as it is to be recalled that Ethiopia was described by the president of Eritrea as one of the most important and crucial countries in the region in building economic, social and political knots. Stressing his pragmatism and flexibility, EPLF/PFDJ President **Isayas Aferworki** told journalists in Asmara on 25 April 1993 that he would not rule out very close economic ties or even the establishment of a confederation with **Ethiopia** – although this was not offered as an option to voters in the referendum. Eritrea and Ethiopia: From conflict to cooperation, 1994, is a well-expressed testimony of such exploration. The recurrent theme at that time was a plea for economic integration as a preface to political integration. The president of Eritrea and his political associates took actions along the same lines. In September 1993, the leaders of both countries signed a treaty known as the Asmera pact, where both countries reached an agreement to cooperate in a wide range of activities. Although the rhetorical framework for closer Ethiopian-Eritrean relations was made within the context of the Horn of Africa, the principal states (or the core regions) were Eritrea and Ethiopia. The series of declarations made by Eritrean political leaders in 1996 were encouraging indeed to those people (like me) who had argued for an economic integration⁹.

⁵ EPRDF News Bulletin, August 30,1999

⁶ Tekeste Negash and Tronvoll, Kjetil "Brothers at war" Ohio University, 2000

⁷ Martin Plaut and Patrick Grilkes: conflict in the horn: why Eritrea and Ethiopia are at war, March 1999

⁸ Human Rights Watch: Ethiopia and Eritrea vol.15, no 3 January 2003

⁹ Machlup, Fritz (1977). A History of Thought on Economic Integration. New York: Columbia University Press

In July 1996, the president of Eritrea stated that both governments (Eritrea and Ethiopia) were developing their relations where boundaries would be meaningless. Known to be outspoken and candid at that time, the president further stated that he did not care whether the progressive dismantling of boundaries was called federation, confederation or union. What mattered to him was praxis and not so much forms.

A Few weeks later, the Eritrean Ambassador to Ethiopia went even further and stated clearly that **political integration**¹⁰ was the goal and that it will be easier with Ethiopia as, "we share common history, culture and have also lived together under a common political system"¹¹". In the same interview the Eritrean Ambassador also revealed an aspect of the thirty years of war which surprised the great majority of the inhabitants of both countries. He stated that "forming an independent state was never the ultimate goal of our long struggle"¹². Ethiopian reactions to such clear and encouraging proposals from Eritrean leaders were enthusiastic.

Discussions with both leaders of both countries in 1995 indicated that at this time, both sides were clearly aware that each side was pursuing a strategy absolutely opposed to the other. As you might remember, Ethiopia was developing an economic strategy of **import substitution**¹³; while Eritrea's economic strategy was **export oriented development both in industry and agriculture**¹⁴.

A first indication that things were not as they appeared to be was the disagreement over the use of the **Asseb refinery**. It appears that in late 1996 or in early 1997 the Eritrean government had demanded from Ethiopia an increase from 30 to 40 percentages, in the share of the refinery's output to be given to Eritrea for the use of the refinery to process Ethiopian crude oil. This may even have been acceptable to the Ethiopian government. However, the Eritrean government demanded an additional payment of 56 million Birr, payable in hard currency. The Eritrean government apparently wanted to use this money to pay for the urgently needed rehabilitation and modernisation of the ageing refinery in order to be able to use it in future to refine the expected production from the Eritrean off-shore oilfields in the red sea.

¹⁰ Daniel, Brou and Michele Ruta, Economic and Political integration, Colombia University and European University December 2007

¹¹ The Reporter, Addis Ababa, vol.1no.2, September 18, 1996.

¹² Africa spectrum 33 (1998) 3: 2h57 to 289 der Aethiopische und Eritreische Krieg translated from German

¹³ Bruen, Stefan/Heinrich, Wolfgang 1999, "Der Aethiopische und Eritrische Krieg Munchen, translated from German

¹⁴ The Government of the State of Eritrea "Macro Policy", November 1994

Understandably, the Ethiopian government was inflexible about this request. The Ethiopian government's economic experts rapidly concluded that it would be much cheaper for Ethiopia to obtain its petroleum products from other refineries in the region, rather than to continue using the Asseb refinery. Consequently, in the summer 1997 Ethiopia began to import refined petroleum products rather than crude oil. It also embarked on a policy of building up a six-month strategic fuel reserve by creating fuel depots all over Ethiopia. Parallel to this, Ethiopia began to diversify its import routes and to shift more and more of her fuel imports away from Asseb, through Djibouti and even Mombasa.

Once Ethiopia ceased to refine crude oil imported at its cost at Asseb, the refinery became uneconomic. By August 1997 the Eritrean government closed it down to avoid incurring additional financial losses. The working communities dispersed and the facilities destroyed. Eritrea paid a huge price for the refinery gamble (alongside loss of vast technical human knowledge that they had acquired over years of training, when individuals are out of work, their skills may erode through lack of use. The erosion or "depreciation of human capital" increases as time passes), it now had to use hard currency to import its fuel needs.

The handling of the refinery issue was indicative of the worsening climate between the two countries in regard to economic issues.

Another hotly questioned issue was the question of how Eritrea would repay the Eritrean National Bank debts to the Ethiopian national bank. Both sides held completely opposed positions in this respect. Although no detailed information on this topic is available, it appears that ultimately it was agreed that most of the exchanged Birr in the possession of Bank of Eritrea would be used to repay the Eritrean debts with the Ethiopian National Bank. Finally, EPRDF/TPLF decided to block the issue of Eritrean Birr holdings by introducing a New Birr currency simultaneously to the introduction of the Nakfa on November 8, 1997.

The PFDJ government reacted to this move by demanding that trade between Eritrea and Ethiopia should be conducted with both New Birr and Nakfa as equivalent legal tenders in both countries. However, such an agreement would only have made sense, if both Eritrea and Ethiopia had agreed to the same exchange rate settings of both currencies. As Eritrea had refused to do so during the time of the currency union, it was hard to imagine why it should do so now. Indeed, by fixing the exchange ratio of the Nakfa to the US Dollar at a level moderately above the current Ethiopian one, the Eritrean government made quite clear that it would continue with its separate policy on exchange rates. With this decision,

the invitation of the Eritreans to accept parity of the Nakfa with the Birr in bilateral trade and other financial transactions was equal to total sham for the Ethiopian government. Taking up this request would have involved substantial losses for the Ethiopian government.

Not surprisingly, EPRDF/TPLF reacted strongly and declared that all trade between both countries was to be conducted in hard currency. This Ethiopian decision rendered a severe blow to PFDJ hopes of continuing to enjoy preferential trade relations with Ethiopia and to save hard currency at the expense of Ethiopia. The banking systems in Eritrea were ill equipped to effect the transition smoothly and handle the substantial trade between both countries on the required letter of credit base. The consequent fundamental break down of commercial relations between the two countries hit Eritrea particularly hard.

EPRDF/TPLF in general, Meles' generosity in particular towards Eritrea has also been controversial. Eritrea will set off essentially debt free. Two alternatives in distributing debts were considered: one way to 'settle up the accounts', working out just how much each had contributed to the other since federation of Eritrea. Meles preferred to ignore the compensation issue and start from scratch. Precise figures are not available but from 1962 onwards, Eritrea got more funding than all other Ethiopian provinces put together, with the exception of Showa, and for most of the last twenty years Eritrea contributed no taxes¹⁵. The question is, however, does this take into account that the \$50 Million annually the Ethiopian state was receiving from the US government for renting Eritrea for their Kagnew Station in Asmera which was used as Communication base?

At any rate, the EPRDF/TPLF realised that Eritrea was starting from scratch as far as the economy was concerned and were willing to open its market to create favourable and stable economic, social and political conditions for the Eritrean people. However, we must realise that many countries in Africa and elsewhere are not simply willing to allow any country access to their markets or the cheap labour and raw materials required. Nor are they willing to allow corporations to operate on their territory and undertake large-scale projects such as buying agricultural and mining products. Indeed, EPRDF/TPLF allowed Eritrea to find new avenues from which Eritrea can easily obtain economic resources and at the same time it exploits the cheap natural resources that are available there.

¹⁵ From the African confidential archives AC Vol. 34 No 9 | 30 April 1993

On the other hand, EPRDF/TPLF was not only supporting Eritrea economically, but also politically and socially working very hard in Ethiopia to convince the Amharas, Oromos and other southern nationalities and defending the right of the Eritrean self-determination. As time went on, the EPRDF/TPLF was under tremendous pressure from inside Ethiopia regarding its special relationship with PFDJ. The TPLF was paying very high risk of economic and political gamble in Ethiopia in order to satisfy the PFDJs foreign currencies thirst and as a result it was forced to realign the economic relation, which was being abused by PFDJ. In response, the Ethiopian government refused, and even the threat of Eritrean military bombardment and aggression could not persuade its government to open its market.

As the result of the border war with our Ethiopian neighbour and the lack of domestic production for domestic consumption, Eritreans (remembers **Turnuff Hrisha** 1998) have faced disastrous consequences when Ethiopia suddenly earmarked her production for its own population and stopped the constant supplies of food at the expense of Eritrean people who have been accustomed to constant supplies from Ethiopia.

According to a ruling by an international commission in The Hague, Eritrea broke international law and triggered the war by **invading** Ethiopia¹⁶. As can be remembered, in the early 90s the vicious PFDJ regime has tried in a similar manner to persuade the Sudan, Yemen and Djibouti to open their markets for its malicious and illegal trade activity. These countries were not interested, and they resisted even the pressure of wars which had to be fought back.

So, what happened and what changed to change course from peace to war? Was the PFDJ **genuine** with its economic and political integration? And why is the Eritrean vicious regime denying the TPLFs constructive contribution towards Eritrea's economic, social and political recovery? Why is the totalitarian PFDJ in Eritrea hostile and has been labelling and preaching the TPLF and the Tigrigna speaking people in Ethiopia as the **number one enemy** of the Eritrean people? Why does the PFDJ **abuse the ignorance and deliberately misinform and deceive the Eritrean** people against the amicable neighbouring? Why does the regime in Asmera fierce attempt to wedge a serious divide between Eritreans and Tigreans in particular resembles like the strategy of Emperor Menelik II which hurt us a lot already? Therefore, what do we gain (I mean economically, socially and politically) by alienating our brothers in the south who are the closest

¹⁶ "International commission: Eritrea triggered the border war with Ethiopia". BBC News. 2005-12-21. Retrieved November 2012.

to us anyway? And finally, why is the PFDJ so greedy over its limits to have unfixed foreign currency? As you can see there are more questions than answers.

As far as I comprehend, the uncomfortable truth is that the TPLF (since starting the armed struggle 1976) and the Tigrigna speaking people of Ethiopia have still encouraging and unswerving stand regarding Eritrea's economic, political and social independence.

Of course, at the time of independence, young Eritreans at large numbers were unemployed and unemployable youth. The economy was neglected and broken by war and there were no employment opportunities. There was no proper education, functional skills, and opportunities for employment. Hence, according to the announcement of the government 1994, the objectives of national service are to create a strong reserve army, fill the youth with the philosophy of the armed struggle, cultivate strong discipline, indoctrinate work ethic, and foster national unity feeling. The objectives of national service, in principle, as originally conceived (18 Months), were admirable and amenable. But, the Eritrean people did not agree for indefinite deployment of the youth.

As a result, the indefinite deployment and use of national service recruits has not brought significant innovation in infrastructure construction and engineering works, improvement in economic productivity, or any enhancement in the standard of living. In the contrary, they made an irreparable damage to the environment, social and economy of the country. The unlimited deployment, however, typically lacks proper planning (Input-output analysis), advance preparations, adequate resources and essential follow-ups to make a difference.

Why has the vicious regime placed the country in a fake war grip and a permanent state of barricade to unleash a silent war on its youth? The indefinite active national service has robbed Eritrea's young men and women of their prime years, deprived them of normal family life, and disrupted the development of their intellectual potential. Its impact is immense, that is destroying the nuclear family and the progress of the Eritrean society. Why?

It is worth noting the fact that Isayas Afewerki and his cliques started the national service in 1994 as part of their malicious military preparation which I think he had a long term plan to destabilise the region in order to cover up the dictator's numerous crimes which he committed during the revolution and after, followed by strict enforcement of his institutional criminality which inflicted intolerable hardship for the Eritrean people. His greed for foreign currency is a means to finance his criminal activity inside and outside the country, and it helps him furthermore to continue his grip of dominance. Consequently, he wants to avoid responsibility and accountability. It has evolved into central element of a strategy of survival for the regime. **Elements of his strategy of control and survival include:** (a) keeping the youth under leash youth labour slavery¹⁷ using the national service, (b) keeping economic development on hold to insure poverty in the country so that people will only think about survival, and (c) ignorance as a strategy of control.

As result, the harassment, intimidation (bulling), imprisonment, labour slavery and hopelessness are all factors driving Eritrean youth today to flee their beloved homeland in masses and risk their lives on the way out of the country at border crossing, across desert checks or in the depths of hazardous sea passageways. We, Eritreans, are now in grieved totally over the loss that we are incurring.

Ultimately the Eritrean case and the behaviour of the Eritrean regime can be explained; in practice, however, the leadership of PFDJ during the political and armed struggle and after independence has developed the culture of secrecy. The leadership is extremely secretive, authoritarian and manipulative. Political conversations and practical interactions with the Eritrean masses at best can be marked by strong ambivalence. While on the one hand the Eritrean masses were glorified as the essence of society, on the other hand they were perceived and described as being unenlightened and bound by the strong chains of harmful social and cultural practices and educational and political ignorance. The conclusion is that they have to, therefore, be led by strong PFDJ who can decide on their behalf without consulting them. Thus the relationship between PFDJ and the Eritrean masses was and still characterised in essence by heavily patronising pedagogic intervention and lecturing, rather than genuinely listening to and learning from the Eritrean people.

¹⁷ Adhanom Gebre Mariam, Wefri Warsay Ykealo wefri barnet, October 17, 2007

Given this background, it is not surprising that this PFDJ was singularly unfit to conduct a genuine reflective economic and political debate within its own ranks. No matter which internal public discussion could be adopted, in essence PFDJ is undemocratic, authoritarian, militaristic and highly centralised organisation whose leadership had the strong conviction that destiny has chosen to achieve the liberation of our nation. Instead PFDJ's goal should have been long term sustainable economic growth, fighting for and the alleviation of poverty.

However, PFDJ openly violated the spirit of the **currency union** (economic integration¹⁸) by pursuing its own monetary policy in regard to exchange rates of hard currency within Eritrea. This cannot be achieved in an environment where a dictator with wicked political, economic and social policies and corruption is rife. There is, of course, a number of ways in which corruption retards growth. The elite (PFDJ leadership) must be suitably equipped if it is to impose their export oriented economic policy on the rest of the Eritrean population, since this kind of economic policy must lead to the expropriation and eventual impoverishment of most people. In a context of high degrees of corruption and political uncertainty fewer entrepreneurs will risk their money in business ventures. Despite the opportunity of Chinese activity in Africa, current forecast of Foreign Direct Investment (FDI) to Eritrea remains disappointingly none. According to the Economist Intelligence Unit (EIU¹⁹), global FDI inflows are projected to grow at an annual average rate of 8 percentages between 2006 and 2015, whereas for Eritrea the share remained depressing little.

As you might know, the industrial sector inherited from Dergue consisted of 42 factories in the public sector and some 650 small scale enterprises in the private sector. The industrial sector was producing till 1995 about 85 percentage of total industrial output. Although the factories in the hand of the public sector consist of light manufacturing units with out-dated technology, they were functional and producing and most importantly a number of people were dependent on them. On the other hand most of the industrial enterprises in the private sector were really nothing more than small firms employing 3-5 persons and mostly engaged in such activities as woodwork, metalwork, garages, bakeries, leather products, etc. The government announced 1995 that the factories in the public sector were not viable to continue and told us those new

¹⁸ An economic arrangement is between different regions marked by the reduction or elimination of trade barriers and the coordination of monetary and fiscal policies. The aim of economic integration is to reduce costs for both consumers and producers, as well as to increase trade between the countries taking part in the agreement.

¹⁹ Economic Intelligence Unit, December 4, 2006 London

industries will be erected with up-to-date technology; the industrial enterprises in the private sector could not continue because of the indefinite active national service of the youth; both industries were the lifeblood of the economy throughout the country. Our out-dated industries were promptly put out of business, and with it extinguished the skill. Why? PDFJ government dispersed the working communities, destroyed the facilities and disrupted external trade networks and restricted domestic marketing outlets. The employees in both sectors could no longer support their dependants (who are now forced to depend on hand-outs). Without sizeable and sustained investment, Eritrean workers remain unable to earn competitive wages. Hence, they will migrate.

I strongly believe that we could have built, after 1993, a lasting, credible and **strong middle class and civil service who could build the foundation of economic prosperity, if we had a benevolent Dictator**. A middle class that has vested economic interest: a middle class in which individuals trust each other (and have a court to go if the trust breakdown) and that respects and defends the rule of law: a middle class that has a stake in seeing its country run smoothly and under transparent legal framework; a middle class along with the rest of the population that can hold its government accountable. At that time, if we could have had introduced tax base system, minimum wages and increased the existing salaries of the public sector employees (police, army, judges, teachers, medical staff, tax collectors, bankers etc.), thereby limiting the need for corruption, we would have ethically responsible middle class who would have been ready to work with small amount of salaries. Moreover, higher salaries would have attracted competent and higher quality employees to the civil service.

Unfortunately, unregulated money from illegal weapon transactions and money laundering which was the vision of sizeable ill-gotten gains is exceptionally corrosive, and misallocates talents. In an environment the talented, the better educated and more principled, which should be building the foundation of economic prosperity were made unprincipled and were drown out from productive work towards nefarious activities that undermine the country's improvement prospects. Those who remained principled are silenced, imprisoned or driven away abroad. Certain agents of the regime and rings of operators with links to the regime stand accused of involvement or complicity in illicit human trafficking²⁰. The proceeds that come from (sales of weapons,

²⁰ Report of monitoring Group on Somalia and Eritrea pursuant to Security Council resolution 1916 (2010)

Human trafficking and drugs) have lacked accountability, checks and balances and acts as substitution for tax revenue. The tax receipts were diverted to unproductive and often wasteful purposes (supporting Al Shebab, Knigit etc.) rather than productive public expenditures (education, health, hard and soft infrastructure) for which they were supposedly intended.

The reason for this 'anomaly' is that this dictator, whatever his faults, **will not** be able to ensure property rights²¹, functioning institutions (effective rule of law and independent judiciary, efficient tax collection system, effective health and education system), improvement and growth promoting economic policies (monetary and fiscal management) and a favourable investment climate.

On balance, the PFDJ and its social mass media are **not serving the truth** as ERTV claims. The truth is the above described facts and one can say that the totalitarian Eritrean regime is the culprit in triggering the war by invading Ethiopia and being the cause in the deterioration of economic, social and political relationship between the two neighbouring countries. The **truth** is the losers are the Eritrean people, who are the victims of casualties, displacement, mass migration, social humiliation, material deprivation and economic disruption, while Ethiopia under the leadership of the TPLF/EPRDF is on the path of economic progress and social improvement which is the envy of many developing countries.

The **truth** is throughout Eritrea, families are broken and uprooted, the countryside is deserted, and social stability (social capital) is destroyed. Today, as we contemplate these issues, there is great concern about the beyond one million refugees who have been forced to flee the tragic events in Eritrea²². The **truth** is the ERITREAN brutal government have created mass migrations of refugees on a scale thousand times greater. The regime have profoundly and tragically destabilised the Eritrean population than ever done. This is heinous crime.

The **truth** is a gap is developing in Eritrea between young and old, male and female, rich and poor and Christian and Muslim. The truth is Ecological, economic and social weaknesses in Eritrea are reflected by the **resource gaps**: The Saving –Investment gaps, the balance of payments gaps, continuous budgetary gaps, skilled human resource gaps, technology gaps, a significant agricultural (food security) gaps, water

²¹ Macro Policy, The Government of The State of Eritrea, November 1994

²² UN's Higher Commissioner for Refugee annual report 2013

security gaps, Energy security gaps, rule of law gaps and most importantly a good governance gap.

Therefore, do you think TPLF is the enemy of the Eritrean people?

In conclusion, we know now that "**Shwawyan rulers** did not understand and tolerate Afar's, Kunama's and Tgrigean's identity. They have divided the united Afar, Kunama and Tgrigean '**bonds**' into **twigs**. Nevertheless, there is still great affinity between the divided peoples, as the long-lasting cultural, religious, linguistic and kinship ties kept on energising the historical bonds. And it is very sad and heart-breaking, however, to see that Isayas and his associates are now breaking these **twigs** one by one. This is principal crime.

Finally, healthy relationship between Eritrea and Ethiopia is of vital importance to the peoples of both countries. Hence, we, Eritreans, should avoid complications and unnecessarily obstacles in future and really hope and work very hard to establish a meaningful dialogue on controversial issues and create deep rooted confidence and understanding with the people of Ethiopia for better relationships in economic, social and political order for the benefit and advancement of both countries.

I believe if we understand this, we shall have made a big progress in the right direction and please let us work very hard together till late nights, to generate on the lights for our ERITREAN people.

The best time to plant a tree was twenty years ago.
The second best time is now.
The African Proverb

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