

## Eritrea

<b>Status Index</b> (Democracy: 1.2 / Market economy: 1.9)		<b>3.1</b>	<b>Management Index</b>		<b>1.5</b>
<b>System of government</b>	Autocracy		<b>Population</b>	3.8 mill.	
<b>Voter turnout</b>	n. a.		<b>GDP p. c. (\$, PPP)</b>	1.030	
<b>Women in Parliament</b>	22 % (2003)		<b>Unemployment rate</b>	n. a.	
<b>Population growth<sup>a</sup></b>	2.3 %		<b>HDI</b>	0.446	
<b>Largest ethnic minority</b>	33 %		<b>UN Education Index</b>	0.49	
			<b>Gini Index</b>	n. a.	
Data for 2001 – if not indicated otherwise. <sup>a)</sup> Annual growth between 1975 and 2001. Source: UN Human Development Report 2003.					

### 1. Introduction

The last five years in Eritrea have been defined by the outbreak of a war with Ethiopia that began in May 1998 and ended in June 2000, when the peace treaty was signed. In addition to such direct effects of war as the displacement of segments of the population, immense humanitarian and material losses, and destruction of the infrastructure, this war has had some indirect effects on the development of democratic and market-economy reform.

National-level democratic elections were announced several times, but they have never actually taken place. This was justified at first by the war with Ethiopia and later by the lack of election and political party legislation, the passage of which was stalled, however, by President Isaias Afworki. The vice president and Minister of Local Government at the time, Mahmud Sherifo, was removed from office after he presented a bill to the national assembly as chairman of the election committee without obtaining the president's consent ahead of time. The elections announced for December 2001 were postponed to an unspecified later date.

On the heels of a temporary revival and intensification of domestic-policy discussion in 2001, in September of that year came a wave of arrests that included pro-reform politicians within the ruling party, traditional civic and religious dignitaries who had tried to mediate between the parties to the conflict, and free-press journalists. This meant a violent end to the attempts at democratic reform, which in turn had a negative effect on the transformation to a market economy. Business and industry are

now increasingly dominated by enterprises that are controlled by the ruling party and the military. This must be seen as a regression for the country during the observation period. At present there are a number of fundamental deficiencies in Eritrea in the areas of market economy and especially democracy, and the remaining leadership elite does not appear to be ready for reform.

## **2. History and characteristics of transformation**

Eritrea was the last African country to achieve political independence, in 1993. The EPLF (Eritrea People's Liberation Front) took power following the military victory over the Ethiopian Derg regime and formed a provisional government. The party changed its name to PFDJ (People's Front for Democracy and Justice) at its party congress in 1994. The EPLF adopted the socialist economic structures of the previous Ethiopian government, but it did introduce various reforms.

Part of their economic reform was the creation of a development strategy that was based on self-reliance but also integration into the world market. The government began to privatize state-owned enterprises, but the ruling party continued to espouse the importance of state investment in business and industry to balance out regional disparities and the lack of investment in economic areas that are not very profitable.

In reality, the party steadily became more involved in business, in that it brought all of the larger enterprises in the country under its control; these include Nacfa Corporation, Segen Construction, Red Sea Corporation, Afenbo and Sawa-Agro-Industry, Anberber (a car dealer), Auwghet Printing Press, and the Himbol Bank. By this method, private industry has grown ever more marginalized and, furthermore, it has been burdened with high taxes and import duties, which the quasi-state-owned party enterprises do not have to pay. This has led to a downturn in private investments and a growing command economy.

In politics, Eritreans voted for independence in a 1993 referendum that was supported by the overwhelming majority of the people. Consequently, a constitutional commission was set up that developed a constitution over the next four years; it was ratified by the national assembly in May 1997, but was never implemented.

Therefore, it must be concluded that, as far as political transformation is concerned, some efforts have been made to foster popular political participation, but they have not been implemented. To date, elections have been held on only a subregional level. The country's political culture was initially defined by broad political consensus that allowed the ruling party, the PFDJ, to contain emerging domestic-policy opposition and to prevent the exiled opposition, especially those who were part of the splinter

groups that arose from the ELF (Eritrean Liberation Front), from gaining a foothold in the country.

Furthermore, the repatriation process for the more than 750,000 refugees living in Sudan and other Arabic states was purposefully delayed by the Eritrean government. The PFDJ government did not consider these refugees as Eritrean people since they did not take part in the independence referendum and did not pay the special tax for Eritreans living abroad of 2 % of their monthly salary. The government also feared that this population group, whose majority consisted of former ELF adherents, could jeopardize the PFDJ's internal monopoly on power, since in case of their return the balance could change to the disadvantage of the Christian Tigrinya Leaders. On the other hand, the government provided a perfect integration with jobs and financial support for the 75,000 Eritreans that have been deported from Ethiopia.

The border war led to temporary national unity, with the slogan "One people, one heart," which was tied to the consensus to postpone implementing the constitution until after the war was over. Immediately after the war was over, a lively political discussion developed regarding the country's future, to which the increasingly active private press also contributed greatly. In addition, lines of conflict became more visible within the PFDJ, which led to the division of the top leaders into two camps: pro- and anti-reformers. In 2001, the pro-reform politicians and the elite civic and military groups that supported them were systematically eliminated by means of detention and intimidation.

### **3. Examination of criteria for democracy and a market economy**

#### **3.1 Democracy**

In the period between 1993 and 1997, some steps were taken toward a democratic transformation. In 1993 a constitutional commission was convened that developed a draft of a democratic constitution taking into account the local populace, and it was ratified in 1997 by the national assembly. The constitution provides for a unicameral presidential system, wherein the president is elected by the national assembly and not directly by the people. The national assembly has not been elected, but consists of persons appointed by the PFDJ, a majority of them belongs to their central committee.

The constitution does allow for the founding of political parties (Art. 9, Para. 6), but thus far no political party legislation has been adopted. Therefore, the PFDJ is the only permitted party. After the border war broke out with Ethiopia in 1998, the democratic transformation was stalled, which was tied in with the detention of

leading reform-minded ministers and members of the military, along with journalists who were members of the free press.

### **3.1.1 Political organization**

*(1) Stateness:* The state monopoly on the use of force has largely been achieved in Eritrea, although it is increasingly threatened by the armed activity of opposition groups operating from neighboring countries. These groups are composed of members of the Eritrean diaspora in northern industrial countries, Arabic states, and the neighboring countries of Sudan and Ethiopia, from which increasing guerilla operations can be noted in recent times. In rural regions, a nighttime curfew has been introduced, which can be interpreted as the state being on alert.

Eritrea is a multi-ethnic society. Nine ethnic groups with varying cultural and linguistic backgrounds live within the state's territory. The populace is composed of approximately equal parts Christians and Muslims. Despite the populace's cultural diversity, the concept of a political nationality is strongly anchored in the people and can be largely attributed to the 30-year struggle for independence from the Ethiopian occupying powers.

Eritrea, a former Italian colony, was annexed by Ethiopia in 1962 in contravention of international law. However, on the part of the state, there is a trend toward linking the awarding of citizen rights to certain conditions: participation in the referendum on independence; working free of charge in the civil service for a certain period of time; fulfilling the National Service requirements (a combination of military and civil service); and payment of special taxes for rebuilding the country (which also applies to the diaspora). Via this system, civil rights are systematically withheld from certain segments of the population: religious minorities, such as Jehovah's Witnesses and the Wahabi Muslims; and adherents of political opposition groups that refused to participate in the independence referendum.

Officially, Eritrea is a secular state that maintains a neutral stance toward the existing religions. In reality, the dominance of Christian groups can be seen in the public sector; that is, state institutions are not unaffected by religious affiliation.

The existing administrative structures were largely adopted after independence, but in the process, Ethiopian government employees and suspected Eritrean collaborators were removed from duty. The positions that became free were then occupied predominantly by ex-combatants. It was possible to maintain the nationwide administrative structures, but a lack of skills meant that decision-making bottlenecks often occurred. The government is making an effort, however, to improve the

employees' qualifications through numerous continuing education programs (for example, the certificate program at the University of Asmara). Local provincial governments are dominated by members of the Tigrinya group, who are not from the local ethnic group. This often leads to distrust and a lack of cooperation between the people and the administration.

(2) *Political Participation.* There have been no national elections since Eritrea became politically independent. The EPLF armed liberation movement assumed provisional power to govern in 1991 and continues in that capacity to this day. The name change to PFDJ, which occurred at their party congress in 1994, has no practical meaning whatsoever. President Isaias Afworki was previously the EPLF's general secretary and was elected as leader of the PFDJ.

The officeholders, who were not democratically elected, have complete control of the power to govern, and this power is increasingly concentrated in the hands of the president and his inner circle of politicians and members of the military. The national assembly, which also was not democratically elected (most members were appointed from the ranks of the PFDJ central committee), is in fact meaningless and did not meet for a single session in 2002. Political decisions are made by the cabinet, which is dominated by the president. The political influence of high-ranking officers has been growing, especially since the end of the border war in 2000, and in fact they have dominated regional government since 2002.

Eritrea has a single-party system. Although political opposition parties are not officially forbidden and the constitution legitimizes their establishment, no laws have yet been passed that govern the founding of parties. The activities of the numerous Eritrean opposition parties are therefore limited to what can be handled in exile. Freedom of assembly also does not really exist.

The existence of civic groups is limited to the quasi-state organizations that emerged from the EPLF's former mass organizations. These groups include NUEYS (National Union of Eritrean Youth and Students), NUEW (National Union of Eritrean Women), NCEW (National Confederation of Eritrean Workers) and EWDF (Eritrean War-Disabled Fighters Association). These groups fundamentally support the regime, and they participate in implementing government programs. Grassroots civic groups that articulate the interests of the people do not exist.

The media in Eritrea are dominated by the state. A rudimentary free-press environment began to develop around 1996, and following the cease-fire in summer 2000 it experienced a short heyday that lasted until September 2001, at which time all free newspapers and magazines were forbidden, under the pretense that they compromised national integration. This development was linked to the

contemporaneous detention of critics of the government from within the party. Approximately 13 journalists were arrested and have been under arrest ever since without being charged. At the same time, the government strengthened its control over the reporting of the official state media, which resulted in the arrest of several employees and their flight abroad.

(3) *Rule of law*: There has thus far been no democratic transformation. Although the institutions of the executive branch, legislative branch and judicial branch exist on paper, these organizations are, in reality, completely controlled by the ruling party, the PFDJ. These institutions are not separated from one another functionally. The executive branch, which consists of the president and his cabinet, also carries out the functions of the legislative branch and enacts legislation by proclamation. The legislative branch (national assembly) meets only sporadically and exerts neither a controlling function nor a representative function.

The judicial branch is divided institutionally into traditional dispensation of justice, civic dispensation of justice and the special court that was created in 1995. At this court, justice is dispensed by high-ranking members of the military who are not subject to civil laws. There is no court of appeal. The special court tries mainly cases of corruption, but is sometimes also used to try alleged members of the opposition.

The modern justice system delegates civic and minor criminal offenses to traditional mediation authorities. Cases that affect the interest of the state are referred to the special court. The Chief Justice of the Supreme Court at the time, former EPLF fighter Teame Beyene, was dismissed in 2001 for having made critical remarks about the independence of the judiciary. The Supreme Court does not perform any control functions vis-à-vis the executive branch. Thus, it is clear that there is no function-specific division of labor in a rule-of-law sense and that there are no checks and balances at work on the state powers.

In Eritrea there is no independent judiciary. Not only does it play second fiddle to the executive branch, but also there is a close integration of personnel between political rulers and the jurisdiction, especially in the case of the special court. Furthermore, the legal system suffers from a lack of professionalism, which is largely due to the fact that ex-combatants who have only a minimal legal education have been put into the judicial system, while professional lawyers and judges have only very limited access to the legal system.

Officially, the Eritrean government follows strict anti-corruption policies and proclaims the country to be largely free of corruption. In reality, however, a continual increase in corruption can be observed since the country's independence, especially since the outbreak of the border war in 1998. Numerous high-ranking members of the

armed forces and employees of the party's own business enterprises (for example, Red Sea Corporation, Segen Construction Company, Nacfa Corporation, etc.) are ensnared in cases of corruption. As a rule they are protected from criminal prosecution, so long as they demonstrate loyalty to the government. Behavior that is critical of the government can, however, lead to being arrested for actual or alleged corruption. The intentional creation of opportunities for abuse of authority is therefore also used as a mechanism for enforcing political assimilation.

In Eritrea prior to independence, the Derg regime carried out massive human-rights abuses. Those who participated were deported to Ethiopia following independence, where some of them were arrested by the EPRDF government or transferred back to Eritrea. Details regarding the number of people who continue to be arrested in Eritrea without ever being tried are not available; the topic is taboo. In less serious cases, collaborators were required to work for no pay without being prosecuted further. Immediately following independence there was an improvement in the human-rights situation, but this was not protected institutionally.

The free press was banned completely in September 2001, and at least 13 journalists were arrested, while countless others fled the country. Increasing authoritarian tendencies soon cropped up and the incidence of human-rights abuses escalated. The following examples illustrate this fact: Also in September 2001, 12 high-ranking PFDJ politicians and members of the armed forces were arrested; they belong to the group that founded the EPLF and had criticized the president in an open letter. They were accused of treason related to the Ethiopian-Eritrean border war, but as of yet, no official charges have been pressed.

While these cases have been documented to a great extent by international human-rights organizations, numerous other civilians have been arrested, especially in rural areas near the border with Ethiopia, for having supposedly collaborated with the Ethiopian government. When civil opponents of the government were arrested, the reason for their arrest – that they allegedly cooperated with the Ethiopian government – was only a pretense. The real reason is the support for Eritrean opposition movements operating from Ethiopia, like Sagem, ELF (Abdallah Idriss), der DMLEK (Democratic Movement for the Liberation of Eritrean Kunama), und RSADO (Red Sea Afar Democratic Organization). While the existence of sympathizers of such opposition movements is a taboo, they are called “enemy collaborators”.

The events of September 11, 2001, were used as a tool to arrest members of the Muslim community under the pretense that they supported active jihad fighters in Eritrea, although these groups actually have very few supporters in the country. All these episodes make clear that the civil and human rights of Eritreans have been seriously curtailed; the possibility of suing is not available.

### **3.1.2 Political patterns of behavior and attitudes**

(1) *Institutional stability of democracy:* Eritrea's state institutions have proven to be stable and functional, but not in a democratic sense.

(2) *Political and social integration:* A multi-party system does not exist in Eritrea; the PFDJ is the only party permitted. As a "mass party," it takes responsibility for articulating and aggregating all societal interests.

The interest groups that are officially registered in Eritrea are the following national unions, which emerged from the EPLF's former mass organizations: NUEYS (National Union of Eritrean Youth and Students), NUEW (National Union of Eritrean Women), NCEW (National Confederation of Eritrean Workers) and EWDFEA (Eritrean War-Disabled Fighters Association). These unions purport to reflect and stand up for the interests of the groups that they represent. A certain amount of alienation can be observed between the leaders of these unions and the regular members, however, especially in rural areas. Nevertheless, they can be interpreted as a mediation entity between the people and the political system. Other than the official interest groups, there are no groups that are involved in a dialogue with the government.

No survey data exist regarding the degree to which the people approve of democracy. National-level democratic traditions do not exist, with the exception of the time as a British protectorate (1941–1952), when several parties were established. Therefore, it can be assumed that a common agreement regarding Western democratic values can at best be found among the diaspora and the urban elite.

Beyond the authoritarian government structure, a high level of societal organization prevails at the local level, and traditional societal customs of self-help and conflict resolution are brought to bear. These traditional organizational forms compensate at least somewhat for the deficiencies in the functionality of state administrative structures. Mutual trust or respect between various societal groups exists to a relatively high degree. Despite Eritrea's cultural heterogeneity, the customs of solidarity and mutual assistance, which were strengthened during the struggle for independence, persist and were revived during the border war.

## **3.2 Market economy**

After it achieved independence, Eritrea adopted the socialist/planned-economy economic structure of the previous Ethiopian Mengistu government. Initial steps were taken toward market-economy reform, such as the privatization of state-owned



enterprises. These reforms made sluggish progress, however, and can be considered stalled since the outbreak of the border war with Ethiopia in 1998.

Serious restriction of the labor market continues due to the failure to a large extent to demobilize the army (at least 300,000 persons out of a total population of about 3.5 million are serving in the military). They have been drafted in 1998 under the pretense of a "National Development Campaign" and are with the military since. Their number exceeds 500,000, adding 12,000 school-leavers every year. In addition, army and police comprise re-mobilized former fighters. While there is a major shortage of skilled labor in the free economy, large segments of the population who are of the right age for productive earning are being used in government reconstruction programs whose success in the medium term appears questionable at best.

### **3.2.1 Level of socioeconomic development**

The level of socioeconomic development in Eritrea is low. The country placed 148th on the UNDP Human Development Index (HDI) in 2001, which was a jump of nine places over the previous year (in 2000, Eritrea placed 157th out of 173). Statistics regarding the Gini index and absolute poverty are not available; the GDI is 133 (UNDP 2002). Eritrea's economic structure is characterized by an agrarian subsistence economy, and approximately 80 % of the population is accounted for by settled farmers, agropastoralists, nomads and fishermen. These activities, however, account for only 17 % of the GNP, while industry accounts for 29 % and the service sector for 54 %. The social exclusion of women puts them at a disadvantage, which is expressed also by their educational status: 66 % of women and 33 % of men are illiterate. Women are nevertheless not excluded from gainful employment.

There are no official figures for the labor market and unemployment, but women in urban areas definitely find employment in industry and, especially, in the service sector. Although traditional restrictions on the economic activity of women exist in rural areas, these customs are eroding due to an increase in households headed by women (because of war, displacement and the drafting of men into the military). As for ethnicity, the dominance of the numerically strongest group, the Tigrinya, can be seen in high positions in the government and industry; however, the other ethnic groups are not, on principle, excluded.

### **3.2.2 Market structures and competition**

State intervention in free-market competition is still present to a relatively great degree, whereby the ruling party (the PFDJ) and, increasingly, the military are

involved in economic activities, handicapping the private entrepreneurs' scope for action. Although the government officially promotes its liberal investment climate for foreign investors, the extensive red tape has a negative effect on the extent of foreign investment. In particular since the border war, attempts are being made to regulate pricing in order to check inflationary trends. Large private concerns do not exist in Eritrea; there are merely a few joint ventures, Coca-Cola for example, and some state-owned enterprises. After licensing for private businesses was liberalized in 1996, stricter limits have been seen in this area in recent years.

Despite a rudimentary industrial sector, government-owned enterprises can be observed stealthily forming monopolies. Private competitors for state-owned enterprises are not allowed in quite a few fields (for example, the beverage industry and road construction).

Eritrea's balance of trade is negative; imports exceed exports by far. As a result, the country depends heavily on foreign trade, and it would be impossible to withdraw from the world market. Despite a formally liberal trade policy, there are a multitude of state regulations and special rules. Import duties on upscale consumer goods are relatively high, which does not have any protectionist effects on domestic industry, because it manufactures only simple consumer goods. In 2001 the port city of Massawa was declared a free-trade zone, which has thus far done little to increase trade activities.

The banking system in Eritrea is underdeveloped and inefficient, and it is to a large extent controlled by state banks (Bank of Eritrea, Commercial and Housing Bank) and the party's own bank (Himbol). The degree of government regulation is high, although a capital black market that thrives based primarily on bank transfers from the diaspora does exist. In recent times, however, the government has arrested private currency traders in an attempt to stem the tide of currency trade not controlled by the state.

### **3.2.3 Stability of currency and prices**

Controlling inflation is a priority of Eritrea's economic policy. Inflation was contained relatively successfully until the border war erupted, although it must be pointed out that Eritrea continued to use the Ethiopian birr as its currency up until fall 1997, when it introduced its own currency, the nakfa. The slightly lower value of the birr compared with the Ethiopian exchange rate contributed to the economic friction between the two governments in advance of the border war. The nakfa is not pegged to the US dollar.

The war has caused the inflation rate to rise steadily since 1998, but the government holds only the “misconduct” of private importers responsible; according to the official interpretation they are driving up the prices of goods by importing them through third countries and hoarding them. The shortage of foreign currency continues apace, and it is eased only by bank transfers from the Eritrean diaspora. The state does have a stability policy, however, which was able to prevent hyperinflation despite the devastating effects of the border war with Ethiopia.

In the years immediately following independence, macroeconomic stability did exist. The immense costs of the war rapidly led to new indebtedness along with slowly recovering economic growth, however. There is a danger that macroeconomic stability could be threatened by increasing state interference in business and industry.

### **3.2.4 Private property**

Property rights and regulation of the acquisition of property are defined on various overlapping legal levels. Modern civil law exists alongside the traditional land rights; this modern civil law functions in urban areas particularly as a parallel settlement authority in conflicts over property (mostly regarding land and buildings). The land reform of 1996 transferred all land to state ownership, but the public is awarded usufructuary rights. The government uses land for commercial agricultural enterprises, which leads to conflicts of property and interest with agropastoralists.

### **3.2.5 Welfare regime**

Eritrea’s state welfare systems are rudimentary. Only the war-disabled and families of soldiers killed in the war for independence receive compensation. No state social security system has been introduced in the last 10 years. On the contrary, the old-age pension systems that existed under the Ethiopian government were reduced, in that no new rights to a pension can be acquired from now on. There is a stable private social network, however, which is based on family structures and region or ancestry.

The diaspora is another important component to cushion social need. All in all, despite the low per capita income, income distribution is comparatively egalitarian, and social impoverishment has been avoided for the most part, also due in part to the strength of the civil society. Social services are lacking, although the state is keen to guarantee at least basic medical care. Regional disparities have not yet been abolished, though the government had advertised such abolishment as its fundamental goal. In fact, the disparities were actually strengthened by investments that were

concentrated mainly in the capital city of Asmara and the surrounding regional subcenters.

Eritrean society is quite heterogeneous; there is fragmentation along ethnic lines (nine ethnic groups), and also the society is split into ex-combatants, returned refugees, several hundred thousand Eritreans and Ethiopians of Eritrean heritage deported from Ethiopia during the war, internally displaced persons, and others. In almost all Eritrean cultures, women were clearly disadvantaged, and efforts are now being made to give them equal access to education and jobs, but success is coming slowly and almost exclusively in urban areas.

Equality of opportunity exists formally, but in terms of access to education and public services there are some vast differences that result, in part, from ethnic affiliation. Thus, residents of the western and eastern lowlands are disadvantaged when it comes to educational opportunities and other public services, while those in the capital city of Asmara and in parts of the Eritrean highlands, which are inhabited mainly by members of the dominant Tigrinya population, are more privileged in this respect.

### **3.2.6 Strength of the economy**

While the GDP showed regular high growth of about 7 % from 1991 to 1998, the war induced negative growth and, later, stagnation. Statistical data is insufficient overall, and certain macroeconomic data, such as employment figures, is lacking. It is clear, however, that the macroeconomic situation, which was stable at a low level until the border war, suffered considerable damage because of this conflict. While Eritrea's balance of trade has always been negative because of the country's low level of industrial development and the low agricultural productivity, before the war the country had a relatively even balance of payments and low debt, thanks to bank transfers from abroad. War-related expenditures increased the debt level considerably.

The employment situation is characterized by a high degree of mobilization (military and national reconstruction service) and a high proportion of subsistence agriculture. A free labor-market exists only to a limited extent. Furthermore, the economy does have potential for growth if the appropriate economic policy is used. Up until the end of World War II Eritrea had compared with other African regions, a highly diversified industrial sector, a high degree of urbanization and agricultural export potential. Since then its development has been hindered steadily by Ethiopian occupation, the struggle for independence and, following a short interim period, the border war. Some aggravating factors include the climatic conditions, which have influenced agricultural production negatively, as well as the government's increasing

curtailing of the economic policy, which was liberal to a certain degree during the 1990s.

### **3.2.7 Sustainability**

An environmental management plan was announced in Eritrea in 1995, but it exists mostly just on paper. The environmental sustainability of growth is difficult to judge because of the country's low level of industrialization. The rather advanced state of deforestation is the main problem in the non-industrial realm; attempts are being made to counteract it with a selective reforestation program, but this has not resulted in any real improvement. Plantations are becoming increasingly common in the river valleys of the western lowlands; they are having a negative effect on the water table, and they are jeopardizing the precarious ecological balance through the logging of doum palms, which play an important role in the subsistence economy and the environment.

Although the government is placing the highest priority on promoting and developing human resources, investments in education are low, which can be blamed in part on the general shortage of resources. A private education sector exists to a limited degree among Christian (Orthodox, Catholic and Protestant) and Muslim religious communities. The government is critical of developing a private education sector. The highest degree awarded by the university is the bachelor of arts, and a full-fledged medical degree cannot be earned in Eritrea. Numerous career-oriented continuing education programs are available at the diploma and certificate levels, in order to provide the employees of state institutions, especially former combatants, with additional qualifications. There are few opportunities for a scientific or technical education. Research capacities are very limited.

## **4. Trend**

The period from 1998 to 2003 in Eritrea was defined by the outbreak of a war with Ethiopia that erupted in May 1998 and ended in summer 2000 with a cease-fire. The war ended a seven-year period of peace following the country's 30-year struggle for independence. To date there has been no political rapprochement between the two former enemies; the border is controlled by UN troops (UNMEE – United Nations Mission to Ethiopia and Eritrea), and a 25-kilometer-wide temporary security zone between the two countries has been established on Eritrean soil. The war not only had immense humanitarian and material costs, but it also appears to have put a stop to the (admittedly slow progress that was being made in the transformation to democracy and liberalization.

At the moment, Eritrea is undergoing a regression. On the other hand, it must be acknowledged that the country did not suffer economic collapse, despite the flight of massive segments of the population to other countries, internal displacement and the mobilization of large portions of the populace of working age into the army, along with immense costs for the war. The political situation also remained stable, and a trend toward national disintegration cannot be observed, but anti-reformers are continuing to gain power in the ruling party. These events form the background of transformation in Eritrea and its temporary suspension.

(1) *Democracy*: Eritrea became independent from Ethiopia in 1993 and is thus the last decolonized state in Africa. It was necessary to create democratic and market-economy structures on the foundation of the socialist structures of the previous Ethiopian regime and those of the (until 1987, at least) Marxist-oriented EPLF liberation movement. The now-ruling EPLF/PFDJ has formally declared its belief in these new forms. A constitutional commission was formed, and a democratic constitution was adopted in 1997, but never implemented.

National elections have thus far never been held in Eritrea, and opposition parties are not authorized in the country. During the period, the rule-of-law situation worsened, and special courts were increasingly dominated by the influence of the military and the top political leaders, but the state monopoly on the use of force remained in effect for the most part.

**Table: Development of socioeconomic indicators of modernization**

	<b>HDI</b>	<b>GDP Index</b>	<b>UN Education Index</b>	<b>Political representation of women</b>	<b>GDP per capita (\$,PPP)</b>
1999	0.416	0.36	0.44	10.5% (quota)	837
2000	0.421	0.35	0.46	14.7	750

Sources: UNDP Development Report 2000: [http://hdr.undp.org/reports/global/2000/en/pdf/hdr\\_2000\\_back1.pdf](http://hdr.undp.org/reports/global/2000/en/pdf/hdr_2000_back1.pdf). UNDP Development Report 2002: ([http://hdr.undp.org/reports/global/2002/en/indicator/indicator.cfm?File=cty\\_f\\_ERI.html](http://hdr.undp.org/reports/global/2002/en/indicator/indicator.cfm?File=cty_f_ERI.html)) Weltbank: [http://www.worldbank.org/data/countrydata/aag/eri\\_aag.pdf](http://www.worldbank.org/data/countrydata/aag/eri_aag.pdf); <http://www.state.gov/r/pa/ei/bgn/2854.htm>

(2) *Market economy*: The situation concerning Eritrea's economic data is unsatisfactorily. Most data are simply not available (unemployment rate for example), and if they are, they seem doubtful. The development of the economy as a whole worsened measurably because of the border war. In 2000 the GDP decreased by 8 %

and increased by only 5 % in 2001. In the postwar period the economic development deteriorated in quality due to increasing state dominance of the economy and decreasing foreign investments. The dependence on foreign donors rose sharply on account of the war, and the previously promoted goal of self-reliance with simultaneous integration into the world market had to be abandoned.

## **5. Transformation management**

### **5.1 Level of difficulty**

With a GNP of about \$190 per capita, Eritrea is clearly a low-income country. The population's educational level is also low, especially in the case of women; there is also a difference between the urban and rural populace. Eritrea's UN Education Index is 0.44. The Eritrean society is composed of nine ethnic groups, of which the Tigrinya and the Tigre are the greatest in number; in addition, about half of the population is Muslim and half Christian, with the majority of the latter belonging to the Orthodox Church.

There are no irreconcilable ethnic, religious or social conflicts. The peoples are relatively tolerant toward one another, but there is a certain danger that latent cleavages could lead to violent conflicts if the restrictive domestic politics continue. Eritrea has a strong civic tradition of community-oriented involvement. The people's participation in the struggle for independence is an example of powerful civic involvement under adverse conditions. Local NGOs were not tolerated by the government after independence, and therefore they do not exist; nevertheless there are some traditional civic organizations.

Eritrea has not implemented a system for the rule of law, but the state administration's efficiency under the given circumstances is moderate. The overall level of difficulty of the transformation is high because of the negative macroeconomic baseline conditions and the lack of democratic traditions at a national level. Some of the constructive approaches that were visible after independence have increasingly fallen victim to the top leaders' strategies for remaining in power.

### **5.2 Reliable pursuit of goals**

In the period from 1993 to 1998, the government set clear strategic priorities that were expressed in the Eritrean Macro Policy of 1996 and in the PFDJ's 1994 party platform. One of the priorities was a development strategy for integrating into the world market while at the same time emphasizing self-reliance, which implied a

critical attitude toward donor organizations, especially NGOs. Loans with conditionalities were not accepted. Eritrea's role model in development strategy was Singapore. Since the end of the border war, however, an increasingly negative view must be taken of the implementation and focus of these priorities.

The increasingly restrictive domestic politics, whose aim is to maintain the power of the leadership elite, are becoming noticeable in the development strategy. A development campaign announced in fall 2002 allows for more members of the public to be conscripted to work on rebuilding the country for no pay as part of the National Service program. This strategy not only appears dubious from a standpoint of market-economy criteria, but also it is meeting with resistance from the people, which could lead to political destabilization.

While the government followed a relatively consistent and coherent reform policy in the years immediately following independence, all reform strategies are now stalled. A group associated with President Isaias Afworki was able to prevail in the party's internal power struggles; this group wants to expand control from the top to all areas of society, which has led to the military's increasing influence on politics, the dispensation of justice, and business and industry. Because Eritrea's state budget is not public, it is difficult to quantify any statements regarding the reform policies. But it is certain (1) that the costs resulting from the war and the effects of the current drought are seriously limiting the allocation of resources to sectors that are relevant to development and (2) that those factors will lead to more debt.

The citizens' reliability of expectations has decreased in the latest five-year period. This is true not only during upheaval caused by the war, but also on the postwar period. Regional peace is in no way guaranteed, and 2.2 million people out of a total population of 3.5 million are currently threatened acutely by famine and are reliant on food aid. The rule of law is not guaranteed, and entrepreneurs feel abandoned by the government's erratic interventions in the market economy. The rural populace, especially agropastoralists and pastoralists, does not have the assurance of justice for land and water-use rights.

### **5.3 Effective use of resources**

The Eritrean government has made an effort to use resources efficiently in the time since the country achieved independence, and its development strategy has partly consisted of the employment of volunteer workers, including ex-combatants. For the last five-year period, it is key to note that the war with Ethiopia, whose cost to Eritrea is estimated at \$300 million, vastly exceeded the country's resources, even though the



diaspora took an active role in helping to finance it. According to UNDP 2002 data military expenditure in 2000 amounted to 22.9 % of the GDP in 2000.

Corruption among government employees increased during the postwar period, while its prosecution increasingly incorporates political elements (undesirable persons are arrested on suspicion of corruption).

The administration's efficiency suffers from its employees' lack of qualifications and from outdated bureaucratic procedures. Politically motivated dismissals and arrests of government employees are on the rise. The recruiting process is based in part on competitive standards, but ex-combatants are clearly preferred, and ethnic minorities are definitely at a disadvantage.

The planning and execution of the state budget is not transparent; the budget is approved by the president and his cabinet, and in recent years it has not even been discussed in the (not-democratically-elected) national assembly. Transparent auditing is also nonexistent, and this holds for state- and party-owned enterprises as well. This policy of a lack of openness does not so much serve to enrich the elite; it is more a component of the EPLF/PFDJ's political culture of secrecy, which developed during the struggle for independence.

The administrative structures were adopted from the previous government and are sufficiently clearly structured. However, the provinces (*zobas*) were restructured as part of an administrative reform in 1994, which the public has been reluctant to accept. Decentralization, in the sense of local popular participation in local policy-making, has not occurred. The regional administrators appointed by the government often belong to the dominant Tigrinya ethnic group, or they are co-opted. Since 2002 the provincial governments have been controlled de facto by generals and the subregions (subzobas) by colonels. Therefore, neither public-control mechanisms nor autonomy at the level of local self-administration exist.

Within the framework of its increasing shortage of resources, the government is making an effort to maintain the development of human resources in the areas of education and health and to develop the infrastructure at the lower level. There are, however, deficiencies in protecting property rights and guaranteeing functional markets and a liberal investment climate.

In Eritrea state expenditure policy is monitored by neither Parliament nor other institutions. There is no official monitoring of the financing of the only permitted party, the PFDJ; the judicial system is not independent, and the free press was prohibited in September 2001. Nevertheless, fighting corruption is on the political agenda, and it can be assumed that the power elite will be monitoring officeholders;

prosecution of corruption cases thus has a political-monitoring component. The state generally operates independent of the influence of private-interest groups and is dominated by the ruling party. Patronage networks do exist, but corruption is being contained by the continued existence of an “anti-corruption ethic.”

The government’s reform plans during the 1990s were founded on the ideology of the struggle for liberation and included a pan-ethnic, secular, national consciousness while respecting cultural differences. Reform plans also included a demand to develop independent democratic reform, which did not necessarily have to be based on the pattern of the Western, multi-party system, but which allowed for the involvement of various population groups.

In the field of economic reform, there was a commitment to having a controlled market economy and an emphasis on self-reliance. A traditional cultural legacy, including social solidarity and democratic decision-making structures—although to varying degrees—also exists. The moral concepts mentioned do provide a basis for potential transformation, and in the future they could contribute to carrying forward an independent transformation process. In recent years, these types of moral concepts have been increasingly neglected, because they run contrary to the power-maintenance interests of the leadership elite’s inner circle, which today is ignoring its own party’s 1994 platform.

#### **5.4 Governance capability**

The political actors’ flexibility and ability to learn has declined in recent times in Eritrea. This is primarily due to an internal power struggle among the leadership elite of the PFDJ, in the course of which the pro-reform members ended up in an inferior position and were arrested. This has had a negative influence on the political organizational capability; calculation for political power and control of the people gained the upper hand; what might be called a policy change in the negative sense took place, accompanied by the decline of innovative approaches.

The stakeholders who profited from this are for the most part high-ranking members of the military who were able to expand their political influence considerably (it must be kept in mind here that both the civilian and the military political leaders emerged from the former EPLF freedom movement). This resulted in an increase in political transgressions—for example, the failure to demobilize the army, even two and a half years after the end of the war, which is counterproductive to economic recovery. The restrictive domestic politics, which codify the lack of rule of law, political participation and freedom of the press, are equally off-target.

So far, the government had sufficient authority to implement both reform plans and also repressive measures. As the formerly victorious liberation movement, it still has a certain “prestige bonus,” although this is declining. The government’s authority has thus far not been challenged by any organized opposition groups from within the country itself, but there are numerous opposition groups within the Eritrean diaspora, some of which are striving for a peaceful regime change and some of which are aiming for an armed one.

The country is suffering from a general shortage of resources, and capital and goods markets are rudimentary. The beginning of the war corresponded with increasing capital flight and the relocation of production facilities to neighboring countries, especially to Sudan, because the conditions needed to allocate production efficiently were growing ever worse. In addition, the government no longer has sufficient means to promote through the allocation of funds those production factors that have an appreciable effect on economic development.

Because all the reform-minded politicians within the government were disempowered, and most of them were arrested in September 2001, there are no relevant political actors in the country at the moment, who want to advance political and societal reforms.

## **5.5 Consensus-building**

Because the pro-reform political forces in Eritrea have been neutralized, there is no public interest visible at the moment for creating a free-market democracy. This does not mean, however, that these types of trends do not exist in the populace as a whole, but they are being repressed by the current leadership elite. There are no independent interest groups and economic actors who can articulate their interests freely.

During the struggle for independence, the EPLF developed the strategy of bridging existing ethnic and religious cleavages with a national consciousness and an integrative policy. This policy was continued after independence in principle, even though there were deficiencies in putting all areas of the population on equal footing. There was an essential consensus, however, on the state’s goals, which transcended conflict lines. The present worsening of the political and social situation presents the danger that existing cleavages could reappear more forcefully, even though they have not yet manifested themselves in conflicts between the various societal groups.

Traditionally, a high level of societal solidarity prevails in Eritrea. The government has always tried to foster this sense of solidarity—for example, during the times of the struggle for independence, in the allocation of resources from the diaspora during

times of war and peace, and most recently because of the conditions brought about by the drought, which threaten famine. A sense of solidarity is also interpreted as demanding a high level of willingness on the part of each citizen to make sacrifices, in particular through serving in the National Service. Time spent in the National Service damages the social networks in that participants are no longer available to provide the support that is important to their families. This program is increasingly seen as senseless and is meeting with rejection. Furthermore, the populace's lowered expectations of the country's opportunities for development could also lead to a decreasing sense of solidarity among the people.

As with the entire Horn of Africa, Eritrea's history is marked by conflicts among ethnic and religious groups, struggles for political power, and violent means of dealing with conflict. In the past, attempts were made to mediate in acute conflicts between various ethnic groups, but all in all, reconciliation has not made sufficient progress. Latent lines of conflict still exist, but they have been covered up by the state motto "unity in diversity." This statement alludes to the following areas, in which reconciliation has failed: in foreign policy, with regard to the conflict-charged history with Ethiopia; between the adherents to various freedom fronts during the struggle for independence; and between the ex-combatants and those who did not participate actively in the struggle for independence. Furthermore, ethnic and religious cleavages were merely covered up and could not be cleared up.

## **5.6 International cooperation**

Prior to the outbreak of the border war in 1998 the Eritrean government used foreign aid in a targeted fashion to gain support for its own projects without giving up control over the development process. The government was very critical of NGOs, but it had good relations with the UNDP, and the World Bank praised Eritrea's development strategy. In the last five years, a clear line like that has been missing. This can be explained by the worsening of the social situation in Eritrea and increasing financial dependence on foreign countries. There was some friction with donors in fall 2001 after the Italian ambassador, who also functioned as a representative of the European Union, was expelled after he criticized the detention of critics within the party and the shutting down of the free press.

The United States unofficially support the regime because of its opposition to the Sudanese government under Omar-al-Beshir. However; the US largely ignores the human-rights abuses in Eritrea, presumably in its own strategic interest, although two Eritrean employees of its embassy were arrested even after the US ambassador had criticized the detentions. In addition to official bilateral and international assistance, the country receives generous support from quite a few oil-producing countries,

especially Libya, Saudi Arabia, Qatar, the United Arab Emirates, etc., the amount of which is not officially known.

The government's critical stance regarding the donors increased steadily until 1998, which the donor community found more and more irritating. Now that Eritrea turned around and is again resorting to heightened cooperation with international organizations, bilateral aid and NGOs, the government appears to be regarded as a relatively reliable cooperative partner in developmental cooperation. The donor community's current slow responsiveness to appeals from the Eritrean government for urgently needed food aid could be attributed to latent disgruntlement with the country's negative human-rights situation.

The investment climate has worsened; there is insufficient reliability of expectations, and the high degree of military mobilization means that there is a shortage of workers, which has a negative effect on willingness to invest. Eritrea's role in foreign policy is rather ambivalent and unpredictable—for example, it was a mediator in the Sudan conflict while also supporting the Sudanese opposition. Eritrea's international profile has suffered greatly due to the border war with Ethiopia, because Eritrea was seen as the sole aggressor for a long time, partly because of diplomatic clumsiness.

The Eritrean government is represented in international and regional organizations (such as the African Union, the Intergovernmental Authority on Development, the Community of Sahel and Saharan States, etc.), but it has problems cooperating with neighboring countries, which must be viewed against the background of the difficult regional environment. Relations with Ethiopia, Sudan and Yemen are conflicted, but the relationship with Djibouti has improved. Eritrea's attitude toward joining the Arab League is ambivalent, and it currently has observer status in the organization.

## **6. Overall evaluation**

In view of the originating conditions, current status and evolution achieved, as well as the actors' political achievements (management), this report arrives at the following concluding evaluations:

*(1) Initial conditions:* The starting conditions for the transformation were difficult. Eritrea first achieved political independence in 1993 and had to simultaneously master the challenges of state- and nation-building, as well as economic reconstruction, after a 30-year war for independence. This occurred against the background of the socialist economic and administrative structures adopted from the previous Ethiopian government, a destroyed infrastructure, and ailing education and health-care systems.

In the decades prior to independence, the people did not have the opportunity to develop modern civic structures or a democratic culture in the modern sense, although democratic decision-making structures do exist in traditional society. The initial enthusiasm for “working a miracle by nation-building” (the PFDJ’s party platform in 1994) and the people’s strong cohesion were positive factors.

*(2) Current status and evolution:* The democratic reformation that was present in the early days of the country has been stalled since 1997. In that year, the Eritrean constitution was adopted by the national assembly, but it has yet to be implemented. This can be attributed partly to the border war with Ethiopia, which broke out in 1998, and partly to the fact that (1) the anti-reform faction within the PFDJ prevailed during the postwar period in its internal-party power struggle and (2) the pro-reform groups within the party, the military and the civilian elite were eliminated via arrests and intimidation. At present it does not appear that the transformation process will begin again.

The evolution of the market-economy transformation can be evaluated as follows: Following some initial moderate success in privatizing smaller state-owned enterprises and awarding business licenses, especially to repatriated members of the diaspora and to ex-combatants, there has been a gradual return to a military command economy, which came initially with the war. The most important branches of the economy (trade, road construction, commercial agriculture) are today under the control of either the ruling party (PFDJ) or the military. The private sector is suffering from a shortage of both workers and specialized skilled laborers, because demobilization has yet to occur since the end of the war in December 2000.

Instead, as part of a “development and reconstruction campaign,” the government is now trying to reconnect with the prewar successes by taking unpaid workers from productive population groups, which appears to be a dubious strategy for reasons ranging from a lack of incentive to a refusal to grant subsistence protection for family members, and in any case it serves only to further burden the underdeveloped private sector.

*(3) Management:* During the period of this report, transformation management worsened considerably; and the country regressed largely because pro-reform individuals within the government were removed from their posts. The top leaders have increasing control over the political and economic spheres, and positive advances in political transformation toward a democratic system of government and toward a liberal economic climate, with a limited role for state-owned businesses were curbed. Development in this direction has come to a standstill.

## **7. Outlook**

At present it is not clear when the stalled transformation toward a democracy and market-economy liberalization will be resumed. The current regime coalition, which consists of the president, his advisors and the cabinet, as well as an increasing number of influential members of the military, appears stable and also resistant to foreign pressure. An organized opposition that could force reforms does not exist in Eritrea right now. Increasing frustration on the part of the people was expressed vaguely last year, through such acts as isolated bombings of party institutions. The opposition, which is organized abroad, is divided and to some degree at loggerheads; furthermore, it is unclear whether a decisive initiative to return to market-economy liberalization and democratization could originate from this opposition.

The internal PFDJ reformers who are currently incarcerated and their EPLF-DP-organized adherents abroad appear to be the key reform powers. While a certain amount of macroeconomic stability has been maintained in Eritrea, which does not appear natural in light of the grave aftermath of the war, tasks such as strengthening the private sector as an engine for development, creating attractive investment conditions for private investors and rehabilitating the rural population remain undone.

With regard to the democratic transformation, Eritrea could theoretically fall back on its 1997 constitution, but it appears doubtful whether advances can be made in the areas of rule of law, respect for human rights and implementation of the planned pluralistic democratic structures without a change of the current leadership. Furthermore, despite growing dependence on external sources, the Eritrean government has shown itself to be resistant to all pleas from other countries to at least guarantee minimal rule-of-law fundamentals such as freedom of the press and the pressing of formal charges against political prisoners.