Addis Ababa University

College of Social Science

Center for African and Oriental Studies

Ethiopia and Eritrea Reconciliation and its Economic Implications in the Countries

By

Snetsehay Assefa

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Ethiopia and Eritrea Reconciliation and its Economic Implications in the Countries

Snetsehay Assefa

A Thesis Submitted to Center for African and Oriental Studies in Partial Fulfillment of the Requirements for the Degree of Master of Arts in African Studies with Specialization in Human and Economic Development in Africa

Advisor

Dechasa Abebe (PhD)

Addis Ababa University

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This is to certify that the thesis prepared by Snetsehay Assefa, entitled “Ethiopia and Eritrea Reconciliation and its Economic Implications in the Countries ". The thesis is submitted in partial fulfillment of the requirements for the Degree of Master of Arts in African Studies with Specialization in Human and Economic Development.

Signed by the Examining Committee:

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Declaration

This thesis is my original work and has not presented for degree in any other universities and that all sources of information used for the thesis have been fully acknowledged.

Name **Snetsehay Assefa**

Signature ______________

Place **Addis Ababa University**

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Acronyms

- ANDM/ADP - Ahmara National Democratic Movement
- EEBC - Eritrean-Ethiopian Boundary Commission
- EIC - Ethiopian Investment Commission
- ELF - Eritrean Liberation Front EPLF - Eritrean People's Liberation Front
- EPRDF – Ethiopian People’s Revolutionary Democratic Front
- FDRE – Federal Democratic Republic of Ethiopia
- GDP – Gross Domestic Product
- IMF – International Monetary Fund
- OPDO/OPD - Oromo People’s Democratic Front
- SEPDM – The Southern Ethiopian People’s Democratic Movement
- TPLF - Tigrai People’s Liberation Front
- UN -United Nation
- USSR – Union of Soviet Socialist Republic

Abstracts

For Eritrea and Ethiopia 2018, was another defining moment in their thorny historical relations since 1998. The year ended a stalemate that lasted for two decades between the countries. This was followed by a re-opening of the border which was a source of optimism for economic advancement for both countries. Therefore, this research has gathered relevant data through interviews and document review from concerning government bodies, private sectors and experts in the field. And, employed the data gathered to further implore and present in-depth insights to the economic implications of the peace re-installment between the countries. Consequently, the research findings showed a shift in trade, business activity, income and employment in the countries following the Ethio-Eritrea reconciliation. However, it also indicated that it is not welcomed unanimous, especially from the Ethiopian side. The research further recognized a similar pattern between the latest economic/trade relationship between the countries and the 1991 to 1998 economic relations of the two nations. The economic relationship from 1991 to 1998 had factored for the war in 1998, to broke out and lead to the stalemate that lasted for two decades. The disdain which immanent from the reconciliation and the economic/trade relation that followed is in some level attributed to the lack of trade agreement. Based on this the research calls for the introduction of border crossing trade agreements and trade protocol.

Chapter One

1. Introduction

1.1. Background

Long before Ethiopia and Eritrea participated in one of Africa's bloodiest war they used to be, at one period in history, an integrated part. Before, Eritrea gained its independence from Ethiopia in 1991; it used to be under Italian control from 1890 to 1941. Following that, Eritrea became under temporary British Military Administration which ended in 1952 with Eritrea being federated with Ethiopia. In 1962, the federation dissolved and the two countries became unified. This intensified the independence movement of Eritrea from Ethiopia which was mainly dominated by Eritrean Liberation Front (ELF), later known as Eritrean People's Liberation Front (EPLF) (Kidanu, 2014:10). The movement became fruitful granting Eritrea independence from Ethiopia and to be formally recognized as an independent nation in 1993.

However, according to Worku (2016) the country remained economically integrated with Ethiopia until 1998; the year which marked the start of one of Africa's bloodies war. The countries had a free trade agreement that allowed free movement of goods within their respective territorial jurisdictions (Kidanu, 2014). However, the agreement failed to address certain monitory, and fair and free distribution of economic benefit issues which are said to benefit Eritreans more (Worku, 2016). Moreover, since the relationship between both countries was characterized by hostilities the alliance did not last long (Kidanu, 2014:10).

Although, it is unknown what exactly sparked the clash in Badme in 1998, the incident ushered the relation between the two countries that was filled with hostility to transfer into full blown war. The late Ethiopian Prime Minister, Meles Zenawi, later describe the incident as "Sarajevo, 1914. It was an accident waiting to happen" (Pault, 2016). With that, Ethiopia lost its access to use the port of Assab and Eritrea in return access to industrial raw materials and market (Robera, 2011). Additionally, the conflict cost around 100,000 lives and resulted a million civilians to be displaced before it came to halt in 2000 (Pault, 2016). And, this opened a door to the "no peace, no war" state the two countries had been; until, the spell broke on July 9, 2018 with a signing of a joint declaration of peace and friendship between the two countries. Following this, the border re-opened, movement, trade and communication between the countries resumed.

This new development did not stop to be a source of optimism for the economic development of both countries and even to the Horn of Africa in general. Even though, both countries are yet to lay rules and regulation regarding their economic relation. Following the re-opening of the border on September 12, 2018 trade activities in Zalambessa, Adigrat and Meqelle is flourishing (Fasika, 2018). The major trading items include cement, brick, timber, *teff*, pepper powder from Ethiopian side and different electronics and livestock from the Eritrean side (Fasika, 2018). However, what does this exactly mean for the general economy of the two countries in terms of trade and business activities, employment opportunity and foreign direct investment flow, both positively and negatively is yet to be explored in depth.

1.2. Statement of the Problem

On July 9, 2018 Ethiopia and Eritrea signed a joint declaration of peace and friendship ending the no war, no peace state the two countries were in. The war between the two countries that arose in 1998 and concluded in 2000 is said to cause great disturbance in the countries' socio-economic and political development (Robera, 2011). Therefore, this new political development was covered by different local and international news outlets in the form of news and feature. But, when it comes to the implication of the reconciliation only few grazed over the economic issue mostly focusing on the social and political aspects of it. Thus, how the deal is bringing people together and how it will amplify in the Horn of Africa's politics were major aspect of the reconciliation that was extensively discussed by various reporters including Underwood (2018) and Stigant and Knopf (2013).

Following the reconciliation all forms of communications were resumed and ensue for trade and business relationships between the two countries to ignite. A number of agricultural products were flocking to Eritrea from Ethiopia while various electronics and clothing items made it to Ethiopia (Fasika, 2018; Stein, 2018). At a national level, Ethiopia is expected to gain greater economic benefit as it would get access to Eritrean seaport; and, Eritrea to benefit from the port payment as well as from the surplus supply of agricultural products from Ethiopia.

Nevertheless, only few publications had attempted to explore this new trade and business development and shade some light on the would-be economic implications of the reconciliation. Those who did, such as Venage (2018), sought the reconciliation as a source of hope for greater economic cooperation and development for the two countries. However, this hope was not usually discussed backed by either examining what is happening on the ground or having a deeper understanding of the political and economic history of both countries. For instance, many writers had pointed out Ethiopia's access to Eritrea's port could grant the country great economic benefit. Nonetheless, the two ports of Eritrea, Massawa and Assab, are far from providing efficient mode of transport, at the moment. Currently, the ports' transport networks and infrastructures are damaged, both through neglect and as a result of the 1990 war (Anene, 2018).

Moreover, although all the publications mostly painted the economic implications of the reconciliation positively, history has showed us it was never been as such. If we go back in time to the few years following Eritrea's independence from Ethiopia, the economic relation between the two countries had not been rosy. In fact, some say it was a relation that benefited Eritrea while draining Ethiopia's economy (Worku, 2016). To refer, Worku (2016) more on this, the relation back then, includes duty free import of agricultural goods and foods, and export of manufactured goods arrangement the Eritreans enjoyed, purchased made at domestic prices with Ethiopia's currency, the subsidy Ethiopia provided to Eritrea when purchasing the petroleum products refined at the Assab Refinery, and the fees Ethiopia paid for using the refinery. Similarly, there are some incidents that are happening since the re-opening of the border between Ethiopia and Eritrea that can raise eyebrows. This includes current instances such as duty free export of agricultural goods and foods to Eritrea, duty free import of electronic goods, and petroleum purchases made, at individual level, at domestic prices with Ethiopia's currency.

Therefore, it would be unwise to explore potential challenges and short comings that would ensue following the two nations' reconciliation. Consequently, this research is conducted in a bid to fill the gaps pointed out. It set out to provide a deep understanding on both positive and negative, economic implications of the reconciliation on the two countries.

1.3. General Objective

The general objective of the study is to examine the economic implications of the 2018 Ethiopia and Eritrea reconciliation.

1.4. Specific Objectives

The specific objective of the study is to explore the change the Ethiopia and Eritrea reconciliation is having in the countries' economy. Thus,

- To explore the expansion, contraction and creation of trade and business activities in both countries' economy
- To examine the challenges and opportunities faced in relation to income generation
- To give an insight on employment opportunity
- And, to foreign direct investment flow

1.5. Research Questions

The research question of the study is tailored in a way it can answer the main concerns of this research. Therefore, it mainly revolves around asking the implication of the Ethiopia and Eritrea reconciliation on both countries' economy thus,

- How does the reconciliation between Ethiopia and Eritrea contribute to the economy of the nations in terms of
  - trade and business,
  - employment creation
  - and flow of foreign direct investment
- What are the challenges that could arise from the re-established relation between the two countries?
- What should be done to mitigate the challenges that could arise from the re-established relation and expand the possible benefits that would come about?

1.6. Significance of the Study

The findings of this research unravel the negative and positive economic implications of the reconciliation of Ethiopia and Eritrea. Therefore, it is a useful input in the process of formulating policy direction or rules and regulation that best guides economic relationship of the countries. It is also a significant source of reference and a starting point for future studies. In addition, it helps to fill the existing knowledge gap in regards to the study of the subject.

1.7. Scope of the Study

Since, the major aim of this study is to give deep analysis of the case with a limited timeline, it is believed to best accomplish this objective by geographical delimiting the study to the two countries of Ethiopia and Eritrea. And, to the issue of economic implications the current peace accord signed between the two countries will have.

1.8. Limitation of the Study

Given, the long history of Eritrea's exclusion from the world accessing official data that would be significant to this research and securing interviews with Eritreans officials had been challenging. Additionally, as the government of Eritrea and Ethiopia are yet to come up with rules and regulation that conducts the trade transaction between them the availability of recorded data in this regard had be hard to find.

1.9. Organization of the study

This study titled "Ethiopia and Eritrea Reconciliation and its Economic Implications in the Countries" consists five chapters. In the first chapter presents the background of the study, statement of the problem, research questions, objective of the study, significance of the study, scope of the study. In the second chapter literature review is included. The third chapter discusses methodology of the research. The fourth chapter contains the findings and analysis of the study while the fifth chapter explores the challenges and opportunities pose as a result of the reconciliation. In addition it also contains the conclusion and recommendation the research put forward on the economic implication of Ethiopia and Eritrea reconciliation.

Chapter Two

2. Literature Review

2.1 Definition of Terms and Concepts

2.1.1 Reconciliation

Many academics have put forward a variety of definition for the term, reconciliation which has made it difficult to reach up on one agreed concept. The multidimensional nature of the notion – meaning, it could be studied from different angles of studies i.e socio-psychology, economics, international relation and political, makes it a complex notion (Oliva, 2011). Etymologically the English word reconciliation has its roots in the Latin reconciliare: re- "again" and conciliare, "make friendly", that it to say, restoring a relationship that was broken (Brounèus, 2003). Political activists such as Desmond Tutu describe reconciliation as the most natural thing in the world, according to Oliva (2011).

There are many academics that have come up with different definitions as well but often they fall into two categories, those who describe it as an input and others who see it as a process. Reconciliation as an output involves mutual recognition and acceptance, invested interests and goals in developing peaceful relationships based on mutual trust and consideration of the other's party needs (Bar-tal and Bennink, 2004). It is a result of a successful conflict resolution, states Kelman (2010). On the other hand, reconciliation can also be seen as a process through which victim and perpetrator transform the nature of their relationship aiming to build a new social context for a peaceful common future (Oliva, 2011). According to Brounéus (2003) "Reconciliation is a societal process that involves mutual acknowledgment of past suffering and the changing of destructive attitudes and behavior into constructive relationships toward sustainable peace". The International Institute for Democracy and Electoral Assistance (IDEA, Stockholm) has a similar stance defining reconciliation as "a process through which a society moves from a divided past to a shared future." as referred by Brounèus (2003).

The term reconciliation recognizing the shared past history of the conflicted parties which try to heal past suffering both endured makes it crucial to describe the newly established relationship between Ethiopia and Eritrea. The two nations had an intertwined history and culture that passed centuries but broke of as a result of leaders' quarrel. The people of the two nations were longing for the day their leaders would see eye to eye and there would be a reconciliation. Therefore, it would be hard to find a better term to describe the re-installment of relationship between the two nations than the one which describes it as mending a relationship that was broken involving mutual acknowledgement of past sufferings.

In order to bring a successful reconciliation a formal communication between leaders of the conflicted parties on the issues of development, free trade, economic project etc are required to go smoothly. Kelma (2010) has also put forward five main steps that lead to a successful reconciliation. Extension of mutual recognition of other's nationhood is prior in his list. Secondly, developing a common moral basis follows. Then, the conflicted parties need to revisit their past history and take responsibility for their actions. And, finally all of these need to be backed by institutional mechanism of cooperation in order to ensure a common future (Kelma, 2010).

2.1.2 Economic Implications

According to the famous online publisher Investopedia (2018) "an economy is the large set of inter-related production and consumption activities that aid in determining how scarce resources are allocated". There are four categories of economic systems by which we see these scarce resources distributed. The first and ancient economic system is known as traditional economic system (Belyh, 2018). This economic system is characterized by lack of surplus as there is a strong belief by the community in producing only what and how much they require, and lack of technology, states Menger (1976). Consequently, it relies a lot on people and pre-existing trends or tradition.

Command economic system is the second in our category. In the command economic system, the allocation of resources is controlled by a dominant and centralized authority; in main case, it is the government (Belyh, 2018). It is common in communist societies. On the opposite side of the aisle there exists market economy where in contrary a government's interference in the control and distribution of resources is very minimal (Buchholz, 1998). Instead of a centralized authority the economic system is regulated by the relationship between the supply and demand in the economy, explains Buchholz (2018).

The fourth in our category is mixed economic system, marrying both the concept of command and market economies. It allows both the government and the private sector to play a significant role in different parts of the economy, states Belhy (2018). Thus, most industries can fall under the jurisdiction of private sector while the government deals with public services.

No matter the economy system, six major factors determine the contraction or expansion of a given economy. The first two being the use of the least amount of input to achieve the highest amount of output and a consumer's desire and willingness to pay a price for a specific good or service, respectively termed as efficiency and demand (Boldeanu and Constantinescu, 2015). Additionally, capital goods which are tangible assets, a business uses to produce goods or services, natural resources encompassing raw inputs for a production process are other determining factors (Marshall, 1920). The resource that resides in the knowledge, skills and motivation of people, human resources, and technology are the last two determinant factors of an economic activity in a given area (Marshall, 1920).

Moreover, national political border has been an important aspect in regulating the movement and transaction of these determinant factors even when it is not closed. So much so that it has been coined as the border effect and many studies have been carried out in a bid to measure it (Lopes, 2003). Factors such as tariffs and quotas, custom regulations, different tastes and traditions; language and physical obstacles between the countries are the limiting factors in the economic transactions (Lopes, 2003). Therefore, a closed border will have a higher effect on an economy when the movement and transaction of the economic determinant factors not limited but fully restricted. This had been the case during the Ethiopia and Eritrea border closure where much adversity especially, in the Eritrea economy was documented. The country's international trade had become almost non-existent generating about 16 million dollars per year (Tekeste & Tronvoll, 2000).

2.2 Theoretical Framework

Theories are tools we use in order to explain, predict and master a certain relationship or phenomenon and it is an essential component of a descriptive research (Creswell, 2014). They are a crucial understanding ground for the subject under study. Therefore, in this section of the research we will discuss the two international relation theories, realism and liberalism. These theories are frequently adopted and used to study relations amongst states thus; they will lay a ground for analyzing the newly developed relation between Ethiopia and Eritrea and its economic implication. These theories are applied to study relations amongst nations. Thus, according to Donnelly (2005) theories are lenses that guide us to what, according to the theory, are essential for understanding some part of the world.

2.2.1 Realism

The term realism is used in different ways in many different disciplines. For instance in philosophy, it is an ontological theory opposed to idealism and nominalism; while in literature and cinema it is an approach opposite to romanticism (Donnelly, 2005). When it comes to International Relations, it is an analysis of states as key players of world politics (Antanes and Camisáo, 2017) in pursuit of advancing their national interest at all costs (Slaughter, 2011). Realism is one of the oldest theories of international relations. Its root can be traced back to some of humankind's earliest historical writings, particularly Thucydides' history of the Peloponnesian War, which ranged between 431 and 404 BC (Antanes & Camisáo, 2017).

Realism is a school of thought that characterizes the international system as anarchic according to Waltz as refereed by Slaughter (2011) and emphasizes the competitive and conflict filled side of international relations (Antanes & Camisáo, 2017). Therefore, in order to survive in this environment, it assumes, states act as best they can in order to maximize their likelihood of continuing to exist (Slaughter, 2011). Niccolò Machiavelli and Thomas Hobbes are mainly associated with realism in Western political thought (Donnelly, 2005). In his 1532 book entitled 'The Prince' Machiavelli emphasized that any leader's primary focus is to promote national interest. And this interest emanates from human selfish and egoistic interest which reflects in the apparatus of states (Antanes & Camisáo, 2017).

Two major assumptions are central to realism school of though. One is that in this anarchic world states main objective is ensuring their continuity (Slaughter, 2011). Second, states are considered as ration actors and actions taken by state to maximize its survival are based on rational choice thinking (Antanes & Camisáo, 2017). Rational choice thinking "can be understood in terms of the goal-directed behavior of individuals, who act rationally in the minimal sense that they make ends-means calculation designed to maximize the benefits they expect to accrue from particular situation" according to Donney (2005). In this case, it means engaging in any action that would make one's state weak or vulnerable would not be a rational move (Antanes & Camisáo, 2017). Therefore, states are always seeking to maximize their power relative to others and power is understood in variety of ways such as militarily, economically and diplomatically (Slaughter, 20011).

States may form cooperation with each other and create international law and international institution (Antanes & Camisáo, 2017) but they are continuously making choices to increase their own capabilities while undermining the capabilities of others (Donnelly, 2005). Therefore alliance formed or codified rules alone would not guarantee states to act in a certain way, but instead it is the underlying material interests and power relation (Slaughter, 20011).

This stress on states as a sole actor in the international system is a major source of criticism on realism. Many critics state there are other powerful actors in the international system aside from states – i.e international institutions – with a significant power - and our world and nature is not dark and gloomy as portrayed by realism (Antanes & Camisáo, 2017). Consequently, they tend to relay on the good nature of human being which a base for states cooperation and striding for the common good of all.

2.2.2 Liberalism

Liberalism which is among the philosophical products of the European Enlightenment era (Burchill & Linklatter, 2005) can be considered as an anti-thesis of realism. Liberals offer a more optimistic world view, grounded in a different reading of history (Meiser, 2017). For liberals, peace is a normal state affair and in contrary to realist assumption of a world of anarchy and constant competition for survival the laws of nature dictates, harmony and cooperation between peoples (Burchill & Linklatter, 2005). Moreover, it is a main conviction of liberals that states could benefit significantly from cooperation (Meiser, 2017). Furthermore, other non-state actors including international organization, private groups and individual are considered as fundamental actors of the world politics (Slaughter, 2011). Because in a situation where a state could gain more from cheating without consequence an involvement of a third part i.e international organization to monitor the situation is fundamental (Meiser, 2017). Therefore, compared to realism it adds more factors into our realm.

Ensuring the right of an individual person to life, liberty and property is the highest goal of government according to liberalism and, it is this moral ground that states perpetuate in the international system (Meiser, 2017). Therefore, democratic system of government is a central theme of this school of thought (Slaughter, 2011). Even though survival remains states' key goal it does not mean they are trapped in a state of struggle for power and security (Burchill & Linklatter, 2005). Liberals has put their faith on two concepts that could keep in check states from this state. "… [it] could be successfully treated with the twin medicines of democracy and free trade (Burchill & Linklatter, 2005)." Here, intense trade relation between states is considered to decrease conflict and to minimize the occurrence of war, hence it is likely to disrupt the benefit of trade. Therefore, for liberals' democracy and institution can be used to curb states enthusiasm for violence while free trade overcomes the artificial barriers between individuals and unite them under one umbrella (Burchill & Linklatter, 2005).

However, liberalists are often criticized for this very optimistic view of world. Additionally, international institutions' lack of enforcing power to bring states together by adhering them to previously formed cooperation agreements are major criticisms of liberalism (Slaughter, 2011). Many critics argue that states are the one with power still commanding the political allegiances of its citizens and arbitrate relation amongst themselves (Bruchill, 2005). Furthermore, it is unwise to assume that all western norms liberalist subscribe to are universally accepted. There are a growing number of political entities that reject totally or partially the notion of democracy and free trade as put by Bruchill (2005).

Therefore, we can employ these two theories in order to analysis how does the economic relationship of Ethiopia and Eritrea is progressing from past to present. They are useful to understand why and how the two nations conducted themselves the way they do in their economic relation. Furthermore, they could give us guidance in a way their bilateral economic relation should be shaped and carried out.

2.3 Historical Background

Many historians put slices of today's Ethiopia and Eritrea as a united ancient kingdom that could be traced as far back as the first century A.D (Marcus, 1994; Butzer, 1982). These societies have made it intertwined until the 1880s (Wubzgher & Mensah, 2014). Therefore, it is no surprise that they have many shared cultural norms and history. Especially, Tigrai people on both sides of the countries possess similar language, cuisine, dress; rituals of mourning and celebration, veneration of religious values (Andreas, 1994); and lived pledging their allegiance to the Ethiopian Christina Kingdom (Medhane, 1999).

However, comes the 16^{th} century the history of the two societies started to diverge. After hegemonic kingdoms including Axum faded away in 1557, the control over the coastal plain of Eritrea came under the Ottoman Empire (Marcus, 1994). But, following the decline of the Ottoman Empire Egypt, which was annexed by Britain, inherited its place along the Red Sea coast (Plaut, 2016). In the 1870s, Emperor Yohannes in a bid to change this situation and take over Massawa got into an agreement with Britain (Tekeste, 1997). The agreement abided the Emperor to help out the evacuation of Egyptian garrisons from Sudan; the Egyptian garrisons were fleeing from the Sudanese' Mahdi (Plaut, 2016). Unfortunately, the Emperor effort ended in vain because the Britain's did not honor the agreement. Instead, out of fear of France's growing influence in the region it encouraged Italy to take Massawa in 1885 (Plault, 2016). Additionally, the Emperor's collaboration with Britain to help out Egyptian garrisons against the Sudanese' Mahdi had later came to haunt him. In 1889 the Mahdi went up against the Emperor Yohannis IV at the battle of Mettema where he lost his life (Tekeste, 1997). The momentary power vacuum that was caused by the sudden death of the Emperor was a cue for Italy's advancement interest in the area. Thus, it was able to extend its rule on the area until 1896 (Plaut, 2016).

Apart from the Christian Tigrai people, for the BeniAmer, Habab, Mensa, Marya, Baza, Kunama and Bilen who were agonized by the Christian kingdom rule the arrival of Italian force was a blessing in disguise (Tekeste, 1997). Italy's rule was formalized with Wuchale Treaty signed with Emperor Yohannes successor, Emperor Menilik in 1889 (Tekeste, 1997). However, later, this same treaty would be the cause for the war between Ethiopian and Italy. As Italy - in the Italian version of the treaty - self-proclaimed, itself as a protectorate of Ethiopia which caused outrage in Ethiopian side when discovered. This led to the battle of Adwa, one of the significant battles in black people's history. During the battle in 1896 Italians were crushed by Emperor Menilik's force (Plaut, 2016). But, again this had not caused Italy to surrender its control over Eritrea until 1941.

This Italian colonial legacy over Eritrea laid the ground work for emergence of Eritrean Identity (Lencho, 2006). As one informant told the writer Martin Pault (2016) "Italy created Eritrea by an act of surgery: by serving its different peoples from those with whom their past had been linked and by grafting the amputated remnants to each other under the title of Eritrea." Thus, in the 20th century new historical narratives following different liberation movements in the region started to surface. Most argued against Ethiopia as a nation, claiming that it is an obsolete empire-state, imprisoning peoples of different historical origins (Marcus, 1994). This was flared up in 1930s as a result of the works Italian putted in to making Eritreans feel different and superior to the peoples of Ethiopia in general and the Tigrai in particular according to Medhane (1999).

This claim started to get more popular after the anguish of Italy along with the other axis powers during the Second World War. In 1941, the joint force of Ethiopia and Britain diffused Italian expansionist ambition in Horn of Africa by chasing away its force from both Ethiopia and Eritrea (Tekeste, 1997). Unfortunately this had not ended foreigners rule over Eritrea. Following Italy's defeat Eritrea became under temporary British Administration (Eri-Platform, 2018). After struggling to come up with an effective administration Britain proposed to the United Nations (UN) for the division of Eritrea, with the western low-lands going to Sudan and the remainder to Ethiopia (Pault, 2016). The UN declined the proposed plan and, with continues efforts of the Hailesilasse regime it decided the federation of Eritrea with Ethiopia in 1952 (Eri-Platform, 2018).

During the temporary British Administration however, the Eritrean peoples were divided on the notion of whether or not to join Ethiopia. Therefore, UN's decision was met with a great enthusiasm by the Christian Unionist Party that favors unity with the motherland, Ethiopia and was disdain by the Muslim League (Pault, 2016). The Muslim League advocated independence from Ethiopia. Not long after this a new development occurred, that further upset the League and others who advocated for the independence of Eritrea from Ethiopia. That is Emperor's series decrees including the outlawing of the teaching of Eritrean language and the re-location of industries from Eritrea to Addis Ababa at the same time it caused damage to the Unionist's case (Pault, 2016). These actions further alienated the people of Eritrea. This discontent gave birth to the Eritrean Liberation Front (ELF) in 1961. The liberation movement intensified when the federation dissolved and Eritrea was unified with Ethiopia in the following year. In 1970's dispute within ELF caused mainly by hostility towards the highland Christians led to the formation of Eritrean People's Liberation Front (EPLF) (Assefa, 2006). EPLF was a secular and socialist party.

Across the Mereb River a new development was also blossoming waging a war against the oppressive Ethiopian administration led by the Tigrai People’s Liberation Front (TPLF). Although, the two liberation fronts did not see eye to eye on ideology, strategy and tactics they had a cooperative relation, especially on the beginning (Pault, 2016). EPLF used to provide support for TPLF. It is EPLF that trained and arm TPLF’s founding members at Saher rear station (Redie, 2019). Later, their divisions will grow along with their popularity.

After decades of bloody struggle with the central government in Addis Ababa, EPLF entered Asmara and TPLF, Addis Ababa in triumph in 1991(Meala, 2011). The triumphs changed the course of history on both nations. TPLF replaced the military regime of colonel Mengistu and install a multi-national revolutionary regime in Ethiopia while Eritrea won its long sought freedom (Araia, 1994). But, it was in 1993 that Eritrea was recognized as an independent nation

2.3.1 Economic Relation of Ethiopia and Eritrea from 1991 -1998

Even though Ethiopia and Eritrea saw light in respect to politics, both their economies were in trenches by the beginning of 1991.

> "At the conclusion of the Eritrean-Ethiopian war in May 1991 the economic scene in both countries required immediate and large-scale assistance just to maintain life and order. Shortages of all items, including foodstuff was visible. Most of the productive sectors, with the exception of the Addis Ababa are, were silent and nonoperational. Transport was at a standstill. The operational government bureaucracy in both countries was in a state of utter confusion and disintegration." (Araia, 1994).

Consequently, many observers saw cooperation as the only way out from poverty and any possible future conflict. The extensive economic interdependence between the two countries developed as a result of their shared history (Andreas, 1994) and the realization that neither could have likely to prosper or live in peace made cooperation a practical choice for their leaders (Tekie, 1994). Commentors had also pointed out paths of cooperation the countries could excel on and reap the benefits together. For instance an expanded network of roads would open the area for extensive cultivation of their most fertile and underutilized land and would provide easier access to markets suggested Tekie (1994).

Therefore, taking the viable road, cooperation, the two countries remained economically integrated until 1993 (Worku, 2016). The year marked the start of one of Africa's bloodiest war.

Economic integration is a process by which countries take various measures to eliminate either gradually or immediately existing trade barriers in order to create a single economic space (Tekie, 1994). For economic integration to work optimally it requires two significant measures. Conditions necessary for the success of an economic integration is the freedom of movement of goods, factors of production and the absence of discrimination (Kidane, 1994). There are three rationales behind this move. Primarily, it is believed to create larger markets to permit economies of scale of production, it helps us to take advantage of location and specialization and finally, it promotes efficiency (Tekie, 1994).

On the road leading to economic integration Eritrea and Ethiopia reached an agreement on three main issues in 1991. The agreement permitted Ethiopia to keep its access to the Eritrean sea ports (Tekeste&Tronvoll, 2000). It was also allowed to use the port of Assab free of charge while a 5 percent surcharge is asked for the use of port Massawa (Yohannes, 1994). The second issue involves the use of currency. The countries had agreed to use a common currency, Birr, until Eritrea comes up with its own (Worku, 2016; Tekeste&Tronvoll, 2000). Birr, was used for all the import and export market between the two countries except high export earning commodities such as coffee, and hide and skins (Tekie, 1994). Furthermore, it is prohibited to export goods imported from either of the two countries (Kalewongel, 2008). The management of Assab oil refinery was also part of the agreement. According to the agreement Ethiopia was allowed to run and maintain the Assab oil refinery (Worku, 2016).

A formal relation, between the two countries began in 1993, right after Eritrea's formal recognition as an independent nation (Kalewongel, 2008). And, it was sealed with the signing of Asmara Pact in September 1993 (Tekeste &Tronvoll, 2000). The pact contains a total of 25 protocol agreements including a deal on harmonization of economic policies and trade. The responsibility for monitoring the implementation of the agreements was delegated to a joint ministerial commission that would meet annually (Tekeste & Tronvoll, 2000).

Tekeste & Tronvoll (2000) summarized the main points of the agreement as follow:

> “To harmonize exchange rates, policies and interest rate structures
>
> To work out a mechanism for making the growth of the money stock consistent with the inflation objectives of the two countries.
>
> To work out a scheme to synchronize policies related to foreign exchange, surrender requirements, allocation of foreign exchange to importers, capital flows and external debt management
>
> To gradually harmonize policies regarding traffic, sales, tax, excise tax and profit taxes
>
> To harmonize investment policies
>
> To provide national investors in both countries with the same and equal treatment in both territories”

Although, a comprehensive accord was not signed the countries had also formally agreed on a free trade area later in 1995 (Worku, 2016). All was done in pursuit of mutual benefit and growth. According to the joint ministerial meeting in Asmara July 30, 1993 as referred by Medhane (1999) all the agreements signed between the two states are with a soul objective of advancing mutual advantage in every field with the ultimate goal of gradual integration of the two economies and societies. However, all of these attempts did not go as planned. Due to lack of institutions and shredded political willingness, their cooperation failed to bring the anticipated benefit (Kidanu and Endalkachew, 2015). Going over various literatures regarding the relationship of Ethiopia and Eritrea during those years there seem to be two contrary premises governing Ethio-Eritrea economic relations. Some, close to Medhane's (1999) taken on the issue who reason “While Ethiopian authorities were rationalizing the mutual advantages of inter-state economic cooperation on equal basis, Eritrean officials were determined to make maximum use of the document of the situation so as to exploit Ethiopia”. And others who claim all the agreements Eritrea entered with Ethiopia demonstrates Eritrea’s good faith and its initiative to minimize Ethiopia’s losses from Eritrea’s independence (Yohannes, 1993). Therefore, who had benefited more over whose expenses and whom to blame for the failure of the integration varies on who we ask.

Eritrean government is sought as a government who is always promoting its national interest in the expenses of its neighboring countries as long as it helped the state to achieve dominance in the region argues Medhane (1999). There are many indicators that are put forward to show the predatory tendency of the government.

The first instance Worku(2016) raised was the use of Assab Refinery which he states comes at a loss for Ethiopia. First, the refinery was built by Ethiopia's loan from USSR and some contribution of Ethiopia's government. But, Ethiopia has not got any retribution for the transfer of the ownership. Furthermore, Ethiopia was required to allocate 30 percent of its refined petroleum products to Eritrea. According to Worku (2016) this puts Ethiopia in disadvantage in two ways. First, it was in hard currency Ethiopia imported the crude oil to refine but sell the refined petroleum in Birr for Eritrea. Secondly, Eritrea bought the refined petroleum at highly subsidized price. Worku (2016) found out that between the years 1992 and 1997 Eritrea spent a total of 5.7 billion Birr but saved about 200 million dollar when converted at the prevailing average auction exchange rate of each year. On top of this, the proportion of petroleum Ethiopia allocated to Eritrea reached 54 percent in 1997 from 17 percent in 1992. This had forced the country to cover its unfulfilled domestic petroleum demand with import and incur additional economic cost.

Ethiopian and Eritrea's agreement on the use of ports of Assab and Massawa is also another central issue related to this argument. The duty free ports disposed for the use of Ethiopia's international trade were not free as it was asserted and generated a significant amount of income for Ethiopia (Worku, 2016). The 1991 Ethio-Eritrea agreement allowed Ethiopia to use the port of Assab free of charge but a five percent surcharge is applied for its use of port Massawa (Yohannes, 1993). Therefore, the gesture showed a good faith of Eritrea's government for mutual benefit and Ethiopians were able to enjoy full and unrestricted access, pointed out Alemseged (n.d). However, the assertion of free or insignificant payment and mutual benefit are not something that could describe the situation for Worku (1216) because the port service fees made by Ethiopia contributed for about 10 percent of Eritrea's Gross Domestic Product (GDP) points out Worku (2016) referring to IMF's 1998 and 2003 reports.

During those short lived economic cooperation years, Ethiopia had also been the main if not the only market source and destination of Eritrea. The vision of turning Eritrea to an industrial and financial center of the region by its government postulated that Ethiopia along with Sudan would serve as suppliers of unskilled labor and primary agricultural goods (Medhane, 1999). Although food was the most largely imported item from Ethiopia to Eritrea, the country used to import agricultural inputs mainly leather for its manufacturing sector, duty free (Tekeste and Trovoll, 2000). From 1992 to 1997, 30 percent of Eritrea's food consumption was covered from imports from Ethiopia but if we go and take into account the unrecorded food imports Worku (2016) states the figure could reach up to 50 percent, at least. Since, Eritrea bought those items with Birr it was also expected to save its spending on hard currency. In meanwhile, most of Eritrea's export went to Ethiopia, as well creating a negative trade balance sheet in Ethiopian side. The country exported 130, 207 and 354 million Birr worth of items to Ethiopia in the years, 1992, 1993 and 1994, respectively (Tekeste &Tronvoll, 2000). To put this into perspective we can look into the trade relationship of Eritrea with one of its close neighbor back then, Sudan. On the same consecutive years the country exported, respectively, 47, 58 and 76 million worth of items to Sudan (Tekeste &Tronvoll, 2000). Eritrea export to Ethiopia had reached as high as 70 percent while only nine percent of Ethiopia's exports made to Eritrea (Tekeste &Tronvoll, 2000).

Furthermore, Eritrean government is claimed to conduct shady business parallel to the formal trade carried out between Ethiopia. Illegal trade, black market, forgery and illegal business transactions were the typical way of the predatory Eritrean government doing things claims Medhane (1999). This includes the importation of high export earning commodities such as coffee and re-exporting to other countries and running an alternative forex exchange market (Worku, 2016; Tekeste &Tronvoll, 2000). The late Prime Minister Meles Zenawi is quota by Medhane (1999) saying " it was obvious that Eritreans were operating a sort of parallel market for dollars both in Asmara and also using some other connection through active and very important agents, in the black market here…"

Another source of contention is the issue of investment opportunities for national of both countries. Even though, many Eritrean unresolved citizenship in Ethiopia have made them to be an easy conduit for the transfer of wealth and foreign currency (Worku, 2016), Eritrea was demanding Ethiopia to open its economy fully for its citizen as it did for Ethiopians (Medhane, 1999). For which to the Ethiopian government insisted to grant investment licenses for Eritreans only in areas of investment not reserved to Ethiopian nationals (Tekeste &Tronvoll, 2000). Thus, exploiting the resources of other countries' using all means is considered to be the base for launching Eritrea's economy for its government states Medhane (1999). Therefore, Worku (2016) concludes that the economic relationship forged between the countries coupled with other factors had brought an economic loss for Ethiopia and an economic gain for Eritrea.

On the contrary this is far from the truth for other critics. Defiling the spirit of the free trade agreement, Ethiopia was practicing a protectionist policy, according to Alemseged (n.d). Tekeste and Tronvoll (2000) referring the joint ministerial committee reports stated that Eritrean products were subjected to indirect taxes and various intermediate payments in every Ethiopian region or *Kelil* they entered. Furthermore, the fact that most Eritrean exports and all of its re-exports to Ethiopia somewhat involved payments in foreign currency being exchanged for the Birr, puts Ethiopia in advantages not in disadvantage, Alemseged (n.d) concludes. Of course, Eritreans voiced almost in every joint ministerial meetings that indirect taxes must be lifted as they are trade barriers points out (Medhane, 1999); however, this is not acceptable for other authors which put the blame back on the Eritrean government illicit trade activity for Ethiopia's action. Ethiopia started to impose indirect taxes in its region in order to control the goods exported to Ethiopia (Medhane, 1999) after, they realized the Eritreans were importing high export earning commodities of Ethiopia and re-exporting again, going against their initial agreement (Worku, 2016).

All of these economic controversies mashed up together created a tension and hostility between Ethiopia and Eritrea. So, by the beginning of 1997 the Asmara Pact had deteriorated and was fading out (Worku, 2016). This economic tension took a bold turn when Nakfa was introduced. When the new Eritrean currency, Nakfa joined the market scene in 1997 it further wreaked the trade relations with Ethiopia (Kidanu and Endalkachew, 2015). Mainly because, the introduction of the new currency disturbed the already troubled trade relation and required a clear delineation of the border, added Pault (2016). Not only that but according to Medhane (1999) the Eritrean government had also another plan to accomplish with the introduction of Nakfa and it tried to turn the focus to border issue, when that failed.

> "The truth is that the Eritrean leaders had a plan to surprise the Ethiopian side with millions of new Nakfa notes so as to destabilize the Ethiopian economy…Having learned the fact that Ethiopia could introduce new bank notes and propose the use of the dollar as a medium of exchange, they began to openly avoid Ethiopian invitation to discuss the procedures. When Ethiopia insisted on the matter they responded by saying that 'precaution is none of our concern rather there is more serious problem to be discussed on the border areas (letters, Meles-Isayas, Agusyt, 1997)."

Thus, many observers state Nakfa is the immediate cause of the 1998 war to be fought between Ethiopia and Eritrea adding pressure to the already strained economic relation between the two states (Reid, 2018). Then, on May 6, 1997 a clash sparked in Badme following the barging of an Eritrean patrol to an Ethiopian administered area – few Eritreans were killed (Medhane, 1999). As a result, the Eritrean army marched in outrage and forced Ethiopians out of Badme leading Ethiopian government to declared war on Eritrea (Plaut, 2016). Following the 1998 war between the countries any relationship seized to exist. The conflict cost around 100,000 lives and resulted a million civilians to be displace before it came to halt in 2000 (Dias, 2008).With that, Ethiopia lost its access to use the port of Assab and Eritrea in return access to industrial raw materials and market (Robera, 2011). And, there begins the no war, no peace state between the two countries.

2.3.2 Aftermath of the War

In December, 2000 Ethiopia and Eritrea signed an Algiers Agreement which put a stop to the 1998 conventional war (Abbink, 2003). It leads to a cease fire and created a demilitarized Temporary Security Zone (TSZ) under the supervision of the United Nations Mission in Ethiopia and Eritrea (Caprile, 20118). Nevertheless, the agreement could not bring a solution to the conflict or demarcation of their boundaries (Abbink, 2003). In mist of this, the establishment of Eritrean-Ethiopian Boundary Commission (EEBC) to demarcate the disputing borders between the two nations in 2002 became the product of the 2000 Algiers agreement (Caprile, 2008). The commission's decision regarding the borders was however, rejected by Ethiopia in 2003 (Caprile, 2008) paving the way to the 'no peace, no war' situation the two states had been for the past two decades (Robera, 2011).

The stalemate is an indicator that the conflict between these countries goes beyond the issue of border (Abebe, 2016). State of ‘no peace, no war’ refers to a situation where both formal and informal relationship between two people seized and militarization of shared borderlines (Berhe, 2003). This has a significant consequence in the lives and physiology of people who live in border areas. According to Berhe (2003), the stalemate between Ethiopia and Eritrea had made people living on border areas to have unstable state of mind and to second guess about their security and livelihood. Some low levels of incidents including clashes and stealing of live stocks were constant along the Ethio-Eritrea borderlines, according to Dias (2005). Beyond that, the stalemate had also contributed somehow to regional instability. As it was characterized by a proxy war between Ethiopia and Eritrea supporting each other’s opposition group which result to the destabilization of the region (Berhe, 2003). Moreover, it had caused a tremendous effect in the two countries’ economical set up.

During the aftermath of the war Eritrea’s international trade show a significant decline. One can say it has become almost non-existent generating about 16 million dollars per year (Tekeste &Tronvoll, 2000). The private sector in the country has also collapsed many ending up at the hands of the incumbent political party and its affiliates. The economy has become more or less dependent on a two percent ‘voluntary’ income tax collected from the diaspora community. Between 2001 and 2005 its GDP was growing at 3.1 percent. The economy growth had shown a significant improvement during 2011 up to 2012 period with nine percent GDP growth. It was a momentous increment compared to 2.2 GDP growths in 2010. The main drive of this growth was the gold mining sector coupled with the historically high gold price at the time (World Bank, 2018). Unfortunately, current available data from IMF shows that the country’s economic growth stands at 3.8 percent real GDP growth.

On the contrary, although, Ethiopia has also incurred some economical loss in relation to the war and stalemate, its economy is thriving. Using ports of Djibouti and Somaliland it has exported 2.8 billion worth of goods to the international market in 2018 (New Business Ethiopia, 2019). The country had registered an average 10.3 percent broad-based economic growth from 2006/07-2016/17 (World Bank, 2019). The percentage growth stands tall compared to the regional average of 5.4 percent economic growth. In 2017/18 Ethiopia’s real GDP growth was cumulated to 7.7 percent (World Bank, 2019). Currently, the 2019 International Monetary Fund (IMF)

Economic Outlook for Africa puts Ethiopia as the fastest growing economy in Africa. The economy is expected to grow 8.5 percent during the 2019 fiscal year.

2.3.3. Ethiopia and Eritrea peace accord, 2018

During the previous three years Ethiopia underwent through various political commotions that leads to a reshuffle in the government's power. The country was shaken with anti-Ethiopian People's Revolutionary Democratic Front (EPRDF) protest that erupted in most regions of the country. As a result of that a shift of power relationship among the four coalition parties of EPRDF, Tigrai People's Liberation Front (TPLF), the Oromo People's Democratic Front (OPDO/OPD), Ahmara National Democratic Movement (ANDM/ADP), and the Southern Ethiopian People's Democratic Movement (SEPDM) occurred. The dominant party among the four, TPLF, lost its dominance and thus, paving the way for the youngest African leader, Abiy Ahmed to took power. Abiy Ahmed has introduced various reforms in domestic as well as in the international relationship arenas. One of that was mending Ethiopia's relationship with Eritrea.

Early in July, 2018 Ethiopia's Prime Minister Abiy Ahmed announced that Ethiopia, here on ward will accept the disputed border decision with Eritrea. At first, the Eritrean administration headed by President Isaisa Afwerkiwas reluctant to accept the peace offering. However, passed few days Abiy departed to Asmara, the capital of Eritrea. During the visit the two leaders released a joint statement proclaiming that peace has won. On July 9, 2018 a Declaration on Peace and Friendship was signed between the countries.

On September 16, 2018 the two leaders met on Jeddah, Saudi Arabia to formalize the peace deal. With the presence of UN Secretary-General Antonio Guterres and Saudi King Salman the leaders signed a peace accord. Among other issues including political, security and culture the counties have also agreed to promote compressive cooperation in economic, trade and investment fields. Article two of the peace accord has made a special mention of economic cooperation. It states that the "two countries will develop Joint Investment Projects, including establishment of Joint Special Economic Zones". The accord stipulated the formation of a high-level joint committee as well as sub-committees to guide and oversee the implementation of the accord.

Chapter Three

3. Research Methodology

In an attempt to address the problems it raised, this research applied a qualitative research approaches and used some qualitative data. According to Yin (2011) a qualitative research is carried out with an ambition to describe a given event. Therefore, this research will follow a qualitative research with a drive to describe the economic impact of the Ethio-Eritrea reconciliation. The research is set out to be a significant help in guiding the economic/trade policy of the nations. Therefore, it employs data collected on additional job created, business sales/market and income created as a result of the re-opened border. As this economic implication measurements are widely understood and appreciated (Weisbrod and Weisbrod, 1997).

Data is a key foundation of any study, according to (Yin, 2011). In qualitative research data usually is collected in the field at the site where participants experience the issue or problem under study (Creswell, 2014). For the purpose of this research data are collected using two methods. The methods include interviews and documents review/collecting.

3.1 Interviews

In order to gain a better insight to the subject of the study, two levels of data collection units are used in the interview. The broader data collection unit is used to show us the overall economic implication of the event at a national level. Here, interviews with government institutions including Tigrai Urban Development, Trade and Industry Bureau, Amhara Regional State Trade and Investment Bureau, Ethiopian Ministry of Trade, and Ethiopian Investment Commission and chambers of commerce i.e Amhara Chamber of Commerce and Associations, Bahir Dar City Chamber of Commerce and Associations, Tigrai Chamber of Commerce and Associations, and are used. At a narrow unit, interviews with small and big businesses ranging from vendors and restaurant owners in Zalambesa and Asmera, beer distributers in Mekelle to Messobe Cement Factory Plc and Habesha Breweries S.C and residents in Zalambesa and Asmera are included. In total, key informants, amounted to 33, in relation to the subject of the study are used for this research.

For all of the 33 the interviews a semi-structured interview questions were prepared and used in order to create a room for a follow up questions. The researcher used notes during each interviews.

3.2 Document Review/Collecting

Various documents, artifacts and archival records we may compile and accumulate in relation to a given study topic is referred to as collecting (Yin, 2011). With the objects we compiled and accumulated we can produce a variety of verbal, numeric, graphic and pictorial data (Yin, 2011). In this research a compiled and accumulated, available economy, trade and investment data are reviewed.

3.3 Data Collection

Deploying the aforementioned data collecting methods this research carried out its study along the Serha-Zalambesa border crossing by visiting and conducting interviews at Zalambesa, Mekelle and Asmera with border security personnel, local business owners, vendors and residents in November, 2019. Data on the rest of three border crossings: Serha-Zalambesa, Ksadika – Rama and Om Hajer – Humera were collected through phone communications.

Further data were collected from various concerned bodies. All was done with an objective of understanding the nature, extent and implication of the economic relation and business activities which was happening across the borders following the Ethio-Eritrea peace accord. The list includes Tigrai Urban Development, Trade & Industry Bureau, Tigrai Chamber of Commerce and Associations, Mekelle City Chamber of Commerce and Sector Associations, Amhara Regional State Trade and Investment Bureau, Amhara Chamber of Commerce and Associations, Bahir Dar City Chamber of Commerce and Associations, Federal Democratic Republic of Ethiopia (FDRE) Ministry of Trade and Ethiopian Investment Commission.

Mekelle City and Bahir Dar City Chamber of Commerce and Associations had made an official visit to Asmara in September and November, 2018, respectively along with some of their members (Phone Interview with Mekelle City Chamber of Commerce, May 6, 2019, Addis Ababa to Mekelle; Phone Interview with Bahir Dar City Chamber of Commerce and Associations, March 31, 2019, Addis Ababa to Bahir Dar). During their visitations the

Associations met with their Eritrean counterparts, concerning government bodies for trade, agriculture and industry. The FDRE Ministry of Trade had also made an official visit to Eritrea in September, 2018 (Interview with FDRE Ministry of Trade, May 20, 2019, Addis Ababa). The Ministry had carried out a survey during that period. The survey was on the subject of the economic/trade activities that were unfolding following the border re-opening (Interview with FDRE Ministry of Trade, May 20, 2019, Addis Ababa). Therefore, the information gathered from these parties during their visits have also become a useful source of input for this research. Similarly, records on the movement activity along Serha-Zalambesa, Ksadika – Rama and Om Hajer – Humera by Tigrai Urban Development, Trade & Industry Bureau and Amhara Regional State Trade and Investment Bureau is included in the research (Phone Interview with Tigrai Urban Development, Trade & Industry Bureau, May 8, 2019, Addis Ababa to Mekelle; Phone Interview with Amhara Regional State Trade and Investment Bureau, May 6, 2019, Addis Ababa to Bahir Dar).

Furthermore, companies such as Messobe Cement Factory Plc, Habesha Breweries S.C, and Heineken Breweries S.C were contacted for this research. However, although an initial contact was made with Heineken Breweries S.C through its Corporate Relation director the company did not get back with its reply despite a number of requests. On the contrary, Messobe Cement Factory Plc and Habesha Breweries S.C had provided their take on how the re-opening of the border will impact the private sector in Ethiopia (Phone Interview with Messobe Cement Factory Plc, April 10, 2019, Addis Ababa to Mekelle, Email Interview with Habesha Breweries S.C, May 10, 2019, Addis Ababa to Addis Ababa) . Nonetheless, the companies did not incorporate how the re-opening of the border is impacting their market, into their answers. Because of this the research had to look into another option which could bring an insight into this discussion. Therefore, beer distributers in Mekelle city were contacted to examine how the re-opening of the border impacted their market in Ethiopia and Eritrea.

In order to garner in-depth insights into the subject matter, Martine Plaut, an expert on the Horn of Africa's affairs and an author, on the relationship between Ethiopia and Eritrea is included in the research. Plaut has published a book entitled "Understanding Eritrea; Inside Africa's Most Repressive State" in 2016. Plaut's comments are used to further elucidate the Eritrean side narrative since direct contact from the Eritrea Embassy in Addis Ababa, Eritrea's Mission to

African Union in Addis Ababa or other Eritrean concerning government bodies could not be maintained. Although, not because of lack of effort from the researcher.

The research had tried to physically contact Eritrean concerning government bodies for economy and trade while in Asmera but to no avail. Coming back to Ethiopia, Addis Ababa the same attempt was made to Eritrean Embassy in Addis Ababa, Eritrean Mission to African Union in Addis Ababa. Unfortunately, the Eritrean Embassy in Addis Ababa is found to be vacant and yet to be occupied by the staffs. An initial contact was made to Eritrean Mission to African Union in Addis Ababa but the research request was ignored.

Therefore, to make the research whole further inquiries in a form of follow-up interview questions were made. This is employed to the chamber of commerce from Mekelle and Bahir Dar which made an official visits to Asmera. During their visits the chamber of commerce held a discussion with their Eritrean counterparts, concerning government bodies for trade, agriculture and industry (Phone Interview with Mekelle City Chamber of Commerce, May 6, 2019, Addis Ababa to Mekelle; Phone Interview with Bahir Dar City Chamber of Commerce and Associations, March 31, 2019, Addis Ababa to Bahir Dar). Therefore, agendas of the discussions, the general take of the Eritrean side on the re-opening of the border and the trade/economy activity which was happening were extracted from it.

3.4 Data Analysis

As noted above the research had employed a qualitative approach which usually has a descriptive nature. Data that emanates from qualitative approach are descriptive, states Creswell (2014). According to Marshal and Rossman (1999) data analysis is a tool we use to draw conclusion and inferences from a piece of research. Therefore, this research by differentiating the primary and secondary data gathered from various sources in differ themes and providing description has attempted to shade some light on the economic implication of Ethio-Eritrea reconciliation. Furthermore, an ethnography and exploratory approaches are also used to analysis the relationship between the two nations and how it has been progressing.

Chapter Four

4. New Economic Development along Ethio-Eritrea Border crossings

4.1 Trade

It was in the early cold morning of November 25, 2018 the researcher arrived on Zalambesa, one of Ethio-Eritrea border crossings. As it to reflect the state of the cold morning the place was also quitter with few movements. It had been like this for the past decades following the war, pointed out one of the residents the researcher met in Zalambesa, refereeing to the 1998 Ethio-Eritrea war (Interview with Zalambesa Resident 1, November 25, 2019, Zalambesa). Located 153 Km from the center of Tigrai Regional State, Mekelle, Zalambessa is one of the unfortunate towns which encountered massive destruction during the war. The ruins of homes and infrastructures left by the war can still be witnessed right and left of the main road. The resident remembered the horror of the war as it was yesterday he said, as he points out to the researcher the ruins and reminiscence what used to be there instead of the concrete piles. "…this used to be a shop….that was a school…" (Interview with Zalambesa Resident 1, November 25, 2019, Zalambesa).

Fig 1. By Snetsehay Assefa. *The ruins of Zalambesa town 1.*Zalambesa, 25 Novemeber, 2018. Digital Image.

Fig 2. By Snetsehay Assefa. *The ruins of Zalambesa town 2.*Zalambesa, 25 Novemeber, 2018. Digital Image.

However, it did not take long for the cold morning to give up the turn to the sun that was started to shine warmly in the town of Zalambessa. Following that the true current state of the town started to reveal as it became devoured by the hustle and bustle of the car and human traffics, crossing the border. "This has been the norm since the re-opening of the border" (Interview with Zalambesa Resident 2, November 25, 2018, Zalambesa).

The border crossing between Ethiopia and Eritrea including the Serha-Zalambesa came to be in a little over a month after Ethiopia and Eritrea agreed upon a Declaration on Peace and Friendship. The border crossings along Serha-Zalambesa and DebaySima- Bure were opened on September 11, 2018 during Ethiopia's New Year celebration day (Maasho, 2018). Few days following that the Ksadika – Rama border crossing was opened. Then, on January 7, 2019 a third root along Om Hajer - Humera, Ethiopia was opened (Engidu, 2019). All the borders were sealed for almost two decades with no communication what so ever. Thus, followed the ecstasy through both nations' communities as sons and daughters meet their moms and dads, little brothers greeted their older brothers and sisters were allowed once again to plant a kiss on their sisters. In the meantime, the border re-opening had also created a door for a trade relationship between the two nations, although unofficial. Immediately after the borders between Ethiopia and Eritrea were opened thus, commenced, the trade relation.

But, there is no one to regulate this import/export trading. The researcher making her way to Zalambesa-Serha had encountered a check point where she was asked to provide ID and required to register. There were check points set up from both sides in Zalambes, Rama, Assab and Messawa which carried out only a customary search and registration up on entering/existing the borders (Phone Interview with Tigrai Urban Development, Trade & Industry Bureau, May 8, 2019, Addis Ababa to Mekelle).

Fig 3. Snetsehay Assefa*The Zalambesa Checkpoint.* Zalambesa, 25 Novemeber, 2018. Digital Image.

As the researcher waited on her queue for the registration for about 10 minutes, nine trucks were seen leaving Ethiopia carrying beers and cement. On the other side of the road also she had witnessed four trucks crossing to Ethiopia empty. All trucks were allowed to pass with no one inquiring about their trade activity. The type of items that are traded across the border varies border to border.

Main items that were traded across Serha-Zalambesa, Om Hajer – Humera and Ksadika – Rama sourced from Ethiopia include agricultural produce such as *teff*, barely, coffee, sesame and corn

(Phone Interview with Tigrai Urban Development, Trade & Industry Bureau, May 8, 2019, Addis Ababa to Mekelle). Furthermore, house bricks, metal works, timbers, furniture, traditional attires, fuels, washed sands, beer and cement were items that were sold across the border (Phone Interview with Mekelle City Chamber of Commerce &Sectoral Associations, May 6, 2019, Addis Ababa to Mekelle). The low agricultural production in Eritrea was the main reason for Ethiopian agricultural products to gain higher market access in Eritrea. Additionally, the inability of the sole cement manufacturing in Eritrea to fulfill the demand of the public had also opened broad market for construction materials from Ethiopia (Interview with Asmera Resident Abreham, November 26, 2019, Asmera).

From the Eritrean side manufactured goods such as television, mobile, textile and garment, plastic consumer goods and powder milk were traded (Phone Interview with Mekelle City Chamber of Commerce &Sectoral Associations, May 6, 2019, Addis Ababa to Mekelle). These items as a result of Eritrea's open access to the sea arrive easily with a cheaper price. Thus, it is highly pursued by Ethiopian traders and consumers. Livestock including sheep and goat were also arriving across the border from Eritrea (Phone Interview with Tigrai Urban Development, Trade & Industry Bureau, May 8, 2019, Addis Ababa to Mekelle). Across the DebaySima – Bure border crossing mainly red pepper along with other crops such as *teff*, barely and corn were sold from Ethiopia to Eritrean market; whereas electronics goods such as television and mobile made it across the Ethiopian border from Eritrea (Phone Interview with Amhara Regional State Trade and Investment Bureau, May 16, 2019, Addis Ababa to Bahir Dar). Similar to the other border crossings livestock including sheep and goat were also coming from Eritrea (Phone Interview with Amhara Regional State Trade and Investment Bureau, May 16, 2019, Addis Ababa to Bahir Dar).

Table 1.Trading Items

Type	Border Crossing			
	Ethiopia to Eritrea		**Eritrea to Ethiopia**	
	Serha-Zalambesa, Om Hajer – Humera and Ksadika – Rama	**DebaySima – Bure**	**Serha-Zalambesa, Om Hajer – Humera and Ksadika – Rama**	**DebaySima – Bure**
Agriculture Goods	Corn, *teff*, barely, coffee, timber and sesame	Red pepper, *teff*, barely and corn		
Manufactured Goods	House bricks, metal works, furniture, traditional attires, fuels, beer, washed sands and cement		television, mobile, textile and garment, plastic consumer goods and powder milk	television and mobile
Livestock			Sheep and goat	Sheep and goat

Source: compiled by the researcher; 2019

Not only the trading items vary from one border crossing to the other but also the number of vehicles that crosses loading the aforementioned items also fluctuates. The main trade across the border was carried out via Serha-Zalambesa and Om Hajer – Humera border crossings and few along Ksadika – Rama and DebaySima – Bure. Mainly carrying trading items and sometimes transporting travelers in total on average, 1,000 vehicles crossed the Serha-Zalambesa border crossing (Phone Interview with Tigrai Urban Development, Trade & Industry Bureau, May 8, 2019, Addis Ababa to Mekelle). This border crossing had more vehicular traffic compared to the rest of the border crossings. The Om Hajer – Humera border crossing only saw 250 to 300 vehicles moving along the border per day (Phone Interview with Tigrai Urban Development, Trade & Industry Bureau, May 8, 2019, Addis Ababa to Mekelle). Whereas, between 150 and 200 vehicles crossed the Ksadika – Rama daily (Phone Interview with Tigrai Urban Development, Trade & Industry Bureau, May 8, 2019, Addis Ababa to Mekelle). Out of the total vehicles which crossed the border daily 90 percent were Ethiopian trading trucks the rest consisted transport vehicles both from Ethiopia and Eritrea (Phone Interview with Tigrai Urban Development, Trade & Industry Bureau, May 8, 2019, Addis Ababa to Mekelle). Majority of the transport vehicles were from Ethiopia. The least vehicular traffic was seen along the DebaySima – Bure hosting 30 to 40 vehicles per day (Phone Interview with Amhara Regional State Trade and Investment Bureau, May 16, 2019, Addis Ababa to Bahir Dar). The trading items which arrived in Ethiopia from Eritrea mainly came through the Ethiopian trucks which were making their journey back to the country. Although, these trucks leave from Ethiopia fully loaded they came back from Eritrea carrying few items and usually with an amount only enough for personal consumptions (Interview with Security Personnel, November 25, 2018, Zalambesa).

Table 2.Trade Intensity

Border Crossing	**Vehicular Traffic (per day)**
Serha-Zalambesa	1,000 (on average)
Om Hajer – Humera	250 – 300
Ksadika – Rama	150 – 200
DebaySima – Bure	30 – 40

Source: compiled by the researcher; 2019

4.2 Business

4.2.1 Local Businesses

The trade activity that was happening across the border is the primary reason that transferred Zalambessa and other border crossing areas from ordinary towns to business areas. The flourishing of new local businesses following along the main road had given Zalambesa a new look, as observed by the researcher. Likewise, other border crossing towns in the Ethiopian side also came alive with new business development that is born out of the traffic created with the reopening of the border. The towns unlike never before are filled with a crowd of people and commotion of businesses that were happening here and there (Phone Interview with Amhara Regional State Trade and Investment Bureau, May 16, 2019, Addis Ababa to Bahir Dar; Phone Interview with Tigrai Urban Development, Trade & Industry Bureau, May 8, 2019, Addis Ababa to Mekelle). Anyone who would wish to have something to eat before living Ethiopia to Eritrea would be encountered with plenty of options. Just in hindsight the researcher scanned around 20 eateries in Zalambesa next to one another. These eateries were mainly conducted by renting small residential areas or sometimes by setting up small tents along the main road. Ethiopian meals, snacks, water, soft and hot drinks as well as alcoholic beverages are the main items that were sold by the businesses. Some of the business owners are people that came from other parts of Ethiopia to embark on the newly created business opportunity. One of these business owners, Almaz arrived in Zalambesa immediately after the re-opening of the Ethio-Eritrea border. She used to own similar kind of business in Semera. "But, as soon as I heard that the borders are opened I make my way here to seize the business opportunity I anticipated" (Interview, November 25, 2018, Zalambesa). And, of course she anticipated right, because the researcher conducted the interview sitting in her kitchen because the house was full of customers and there were nowhere to sit. Many businesses used to be closed around here, states Zalambesa Resident 1 (Interview, November 25, 2018). But, with the border opening it seems it is time that would be changing too, he added (Interview November 25, 2018). After failing the grade 10 national exam Daniel had opened a pool house to generate income to live on and support his family. But, he faced lose and was forced to close it. Although, that venture broke his entrepreneur spirit the developing business environment because of the border opening has revived it again. So now, he has embarked on a new business adventure. There are many people that pass through this route and many are re-inhabiting the town so there needs to be services that cater to their day to day demand, reasoned Daniel (Interview, November 25, 2018, Zalambesa). That is why he decided to "give this business thing another go" and opened men's hair salon which is thriving (Interview, November 25, 2018, Zalambesa). Additionally, dstv screening houses, pool houses etc were started to be opened targeting the growing business community in the area (Interview with Resident 2, November 25, 2018, Zalambesa).

In addition to the newly established business centers, already existing businesses' market had seen expansion too. Shop owner the researcher interviewed states their sells have doubled especially, items such as water and beer (Interview with Zalambesa Local Business Owner 3, November 25, 2018, Zalambesa). This business expansion was not limited to the border crossing areas. Bigger nearby cities had seen a spike in their businesses as well. The never seen before traffic at the border crossing areas and the demand in Eritrea were the main responsible factors (Phone Interview with Beer Distributer in Mekelle 2, May 20, 2019, Addis Ababa to Ethiopia). There are traders who come to their corner and buy many trucks of beer from beer distributors that will be sold in the Eritrean market, a beer distributer Meseret stated (Phone Interview, May 20, 2019, Addis Ababa to Mekelle). This market opportunity is expected to increase the profit and strengthen the manufacturing industry specifically, the brewery sector in Ethiopia (Email Interview with Habesah Breweries S.C, May 10, 2019, Addis Ababa to Addis Ababa).

4.2.2 Vending

Another business activity that could be witnessed along the Ethio-Eritrea border crossing is vending. Aman who is 11 years old is a grade four student. The researcher met him along the Zalambesa-Serha border crossing when he offered her to buy some bread. And, he was not the only one who was seen doing that, in fact, there were many school children who would have been helping their mothers at the kitchen or their fathers at the field that could be seen crowding the checkpoint at Zalambesa.

Fig 4. By Snetsehay Assefa. *Vending at Zalambesa.* Zalambesa, 25 Novemeber, 2018. Digital Image.

Most of the kids started vending after the border is reopened states Helen (Interview, November 25, 2018, Zalambesa). Helen is a grade 8th student, she explained to the researcher "since there are many people that come and go along this road we get to sell our goods" (Interview, November 25, 2018, Zalambesa). Out of the ten children who were interviewed only one was engaged in such kinds of business activity before the border opened. The rest started engaging in the business after the re-opening of the border.

Fig 5 .Snetsehay Assefa. *School Children at Zalambesa.* Zalambesa, 25 Novemeber, 2018. Digital Image.

The kids buy bread, soft drinks, gums, candies and biscuit from shops which they would sell back at the check point, she further explained (Interview, November 25, 2018, Zalambesa). All of the children are elementary school students and carry out the business activity after school and full day during Saturday and Sunday (Interview with Zalambesa Vendor 5, November 25, 2018, Zalambesa). The research found out that the children sell 200 to 300 breads per day when business is good amounting to 300 Birr to 900 Birr sale, usually in Saturday and Sunday. They use the profit to buy things for them and support their parent. "With the money I get I buy school utensils" said Luab, 14 and grade 8th student (Interview, November 25, 2018, Zalambesa). The children stated this is a great relief for their parents who toil to make ends meet. This scene was also true for the other border crossings where a crowd of children hassle to sell goods for travelers in Bure, Humera and Rama (Phone Interview with Amhara Regional State Trade and Investment Bureau, May 16, 2019, Addis Ababa to Bahir Dar; Phone Interview with Tigrai Urban Development, Trade & Industry Bureau, May 8, 2019, Addis Ababa to Mekelle). But, not for the Eritrean side of the border crossings. In fact, all of these new business developments started to fade out as the researcher made her crossing from Ethiopia to Eritrea and faced with scattered houses which existed quietly in the Eritrean side of the border.

Fig 6. Snetsehay Assefa. *The Vacant Serha.*Serha, 25 Novemeber, 2018. Digital Image.

4.2.3 Real Estate/House Rent

With the coming of new people across the country having an objective of establishing a business a house rent was booming in the border crossing areas. This development again, is mainly witnessed in the Ethiopian side of the border. For instance, in Zalambessa town there were vacant houses that were left following the 1998 war as observed by the researcher. However, at that moment these vacant houses were renting out (Interview with Zalambesa Resident 1 and 2, November 25, 2018). Additionally, as the town was becoming more alive with the business activity and the traffic across the border people were showing more interest to re-inhabit the area (Interview with Zalambesa Resident 1, November 25, 2018). Moreover, the spike that was seen in the Eritrean refugee number since the re-opening of the border had also factored in for the growing house rent business in the nearby bigger cities. European Civil Protection and Humanitarian Aid Operation's ECHO Flash (2018) reported that referring to Shire District administration up to 15,000 Eritrean have arrived in Ethiopia within around 20 days of following the border re-opening. And, many have crossed into Ethiopia to seek a permanently settlement.

4.3 Challenges and Opportunity

Through the in-depth interviews this research conducted and the documents it reviewed, it has learned how the re-opening of the border was playing out in the ground in terms of economical aspect. It has assessed the opportunity which was born out of it or the challenge it had presented for the two nations' economies. Possible future opportunities and challenges which could come out of the border re-opening were also explored.

This is done both at a narrow data collection unit level in the form of interviews with residents, business owners and vendors. In the broader unit, information from various concerned bodies and an expert, were sought. Aiming to bring an insight to the impact the re-opening of the border was having/will have to the nations' economies.

Furthermore, two theories of international relations, realism and idealism was used to understand the economic relationship of Ethiopia and Eritrea. If we take a look at the previous economic relationship of the two countries spanning from 1991 to 1998 it is mainly characterized by one nation trying to maximize its economic interest over the back of the other. Here, we can find the theory of realism to better explain and understand how the states conduct themselves. The nations were usually looking out for themselves despite the existence of mutually agreed trade rules and regulations which were supposed to ensure their mutual benefit. Therefore, their relationship was filled with competition and hostility that finally culminated into a full scale war. Currently, contrary to the past, there is a hopeful beginning where the nations are trying to cooperate in many fields for their mutual economic benefits.

4.3.1 Market

The research has found out that the data collected are consistent on the idea that the re-opening of the border can create a market opportunity for the two countries. But, there is a disagreement on the issue that to which country the market created due to the re-opening of the border benefits. 12 informants interviewed regarding this specific issue have agreed that Ethiopia can be a great source of market for Eritrea's primary as well as some manufactured goods. Furthermore, textile and garment products, sheep and goats from Eritrea had been enjoying some amount of market opportunity in Ethiopia. Nonetheless, when it comes to Ethiopia out of the twelve interviewed people/bodies only six of them had said Eritrea can be a source of an alternative market for Ethiopian producers.

In the few months, the border was opened various trading items were migrating from Ethiopia to Eritrea in search of market. And, this illustrated Eritrea's market capability as an alternative source of market for Ethiopian producers (Phone Interview with Amhara Regional State Trade and Investment Bureau, May 16, 2019, Addis Ababa to Bahir Dar). Agricultural produce such as red pepper, *teff*, corn, barely, coffee, timber and sesame from Ethiopia were sold with a better price in Eritrea compared to the price in Ethiopia. For instance for agricultural products such as pepper which is produced vastly in Bure area in the Amhara region and end up thrown out because of lack of buyers in occasions can now enjoy a better market opportunity in Eritrea (Phone Interview with Amhara Regional State Trade and Investment Bureau, May 16, 2019, Addis Ababa to Bahir Dar). Manufactured goods including house bricks, metal works, furniture, traditional attires, fuels, beer, washed sands and cement were making it to Eritrean market from Ethiopia as well.

Therefore, the re-opened border had created an alternative market source for the Ethiopian producers. And, in the long run this could play a significant role in enhancing the whole agricultural and manufacturing industries in Ethiopia, the interviewee reasoned. This "will happen as the productivity and quality of products steps up to meet the demand created and from incomes which could be generated from the export market." (Phone Interview with Amhara Regional State Trade and Investment Bureau, May 16, 2019, Addis Ababa to Bahir Dar). Additionally, according to interviewee from Tigrai Chamber of Commerce and Association since these products were sold in contraband via Sudan border it is beneficiary that it had now, an official outlet to engage with the Eritrean market (Phone Interview, May 6, 2019, Addis Ababa to Mekelle). Traded via Sudan, most items were exposed to accidents and the profit mainly ends up in the hands of middlemen. However, this same argument was provided to the failed Ethiopia and Eritrea economic integration between 1991 and 1998 when reasoning on economic way they can proceed following Eritrea's succession. And now learning that the economic integration between the two nations crumbled and worst enough led to war, this make the forwarded argument flawed. Here, we can take a glimpse of this argument during the eve of Eritrea's independence.

> "Long distance trade and informal exchange were facts of life even before the advent of colonialism. Recently, informal trade and across-border exchanges have kept prices down through completion, alleviated shortages difficult years of Mengistu's rule it was the informal, unofficial, across the border trade, channels that supplied drought and war victims with the necessities of life. Thus, the integrative scheme suggested for Eritrea, Ethiopia and the Sudan will supply, formalize and expand the extensive informal trade already in existence." (Yohannes, 1993)

Furthermore, the size of the Eritrean economy coupled with the purchasing power of its consumers' limit the ability of Eritrea to be an alternative market destination, according to two other interviewees (Phone Interview with Bahir Dar City Chamber of Commerce and Association, March 31, 2019, Addis Ababa to Bahir Dar; Phone Interview with Tigrai Chamber of Commerce and Association, May 6, 2019, Addis Ababa to Mekelle). Given the bulk amount of products which were arriving in Eritrea the market is fated to saturate in short amount of period (Phone Interview with Bahir Dar City Chamber of Commerce and Association, March 31, 2019, Addis Ababa to Bahir Dar.). Therefore, this puts a limit to the market opportunity that could be seized from the Eritrean market at its current state.

If we look into the trading activity it substantiates this argument. Few months following the border re-opening Ethiopian traders had sold one quintal *teff* for 3,000 to 3,500 Nakfa (5,550 to 6,475 Birr, using that time, conversion rate) in Eritrea's market (Phone Interview with Tigrai Chamber of Commerce and Association, May 6, 2019, Addis Ababa to Mekelle). However, the price had spiraled down to around 1,000 Nakfa (around 1,950 Birr, using that time, conversion rate) during the month of November, 2018 due to the stunt in the market demand. On the same month, in Mekelle, one quintal *teff*used to be sold for around 2,600 Birr (around 1,300 Nakafa, using that time, conversion rate) (Phone Interview with Tigrai Chamber of Commerce and Association, May 6, 2019, Addis Ababa to Mekelle).

Nonetheless, these interviewees anticipated an optimistic future regarding the concern they raised. In the long run Eritrea's economy could get stimulated with more trade transactions as well as with an income that could be injected from the ports income (Phone Interview with Bahir Dar City Chamber of Commerce and Association, March 31, 2019, Addis Ababa to Bahir Dar). Therefore, these factors could strengthen and expand its market size.

The rest of the interviewees nonetheless, do not hold an optimistic stance like the aforementioned findings. "There is nothing Ethiopia could benefit from this relation in fact; it is expected to harm its economy." (Phone Interview with Tigrai Urban Development, Trade & Industry Bureau, May 8, 2019, Addis Ababa to Mekelle). The first rationale behind this is the inability of the government as well as significant companies to generate income from the trade activity which was happening across the borders (Phone Interview with Messobe Cement Factory Plc, April 10, 2019. Addis Ababa to Mekelle). The checkpoints in Zalambesa, Rama, Assab and Messawa were only carrying out a search and registration tasks on the coming and going vehicles and people. Therefore, the governments had not been able to garner any tax income from the import and export goods (Phone Interview with Tigrai Urban Development, Trade & Industry Bureau, May 8, 2019, Addis Ababa to Mekelle). Consequently, this deemed the market created as a result of the re-opened borders not beneficiary for four of the research interviewees. This has also further consequence.

Since the trading was done in Nakfa and Birr without involving banks none of the parties involved in the trade across the border were able to fetch a foreign currency i.e. Dollar and Euro (Phone Interview with Mekelle City Chamber of Commerce &Sectoral Associations, May 6, 2019, Addis Ababa to Mekelle). The goods which were finding an alternative market in Eritrea caused more harm to the economy than the benefit it draws, according to these interviewees. Especially, coffee, Ethiopia's high export earning commodities is making it to Eritrea (Phone Interview with Tigrai Urban Development, Trade & Industry Bureau, May 8, 2019, Addis Ababa to Mekelle). Coffee accounts for 19 percent of Ethiopia's total export (Interview with Ministry of Trade, March 10, 2019, Addis Ababa). This has deteriorated the Ethiopian economy which is already in its knee because of hard currency crunch. The shipment of high export earning commodities from Ethiopia to Eritrea was also one of the contention points when discussing about the two countries economic integration that run from 1991 to 1998. Eritrean government defiling the trade agreement between the two nations that forbids the trade of high export earning or short surplus goods used to buy and sometimes re-export items such as coffee (Worku, 2016; Tekeste&Tronvoll, 2000). And, it was painted as a predatory state behavior that does not take offense in the crumbling of its neighboring state (Medhane, 1999). And, referring the way the current trade relation was progressing between the states similar tag was given regarding the action of the Eritrea government.

Additionally, these products were traded outside the jurisdiction of Ethiopian Commodity Exchange which is a national multi-commodity exchange market in Ethiopia. Therefore, the informants argue that this outlet had also been encouraging illegal trading across the border. "The trading of coffee and sesame across Ethio-Eritrea border is being carried out without the knowledge of ECX [Ethiopian Commodity Exchange] and it is illegal to say the least", (Phone Interview with Tigrai Urban Development, Trade & Industry Bureau, May 8, 2019, Addis Ababa to Mekelle).

Further, the research has found out that the trade of primary goods such as *teff* although created a relief to Eritrean consumers in terms of availability and price it had created a frustration in the Ethiopian side. For instance, after the reconciliation, *teff* that used to be sold for 4,500-5,000 Nakfa and sometimes spiked to 7,000 Nakfa was started to be sold for 3,000Nakfa (5,550 to 6,475 Birr), later even for 1,000Nakfa (1,950 Birr) (Interview with Zalambesa Resident 1, 2 and Local Business Owner Almaz, November 25, 2018, Zalambesa). Although, a great news for Eritrean consumers, the residents in Zalambesa were panicking with the rise of *teff* price and the decline in its availability. One resident of Zalambesa expressed his frustration saying "We were in shock and feared we would not have anything left to eat" (Interview with Zalambesa Resident 1, November 25, 2018). The one quintal *teff* that used to be sold for 2,700 Birr was sold for 3,300 Birr few months following the border opening (Interview with Zalambesa Local Business Owner Almaz, November 25, 2018).

On top of this, the fuel trading that had been carried out across the border further illustrates the point these informants raised. Fuel, one of the government’s subsidized products in Ethiopia, was sold to Eritrea with arbitrary exchange rate set between Birr and Nakfa. One Nakfa was bought for 1.85 - 1.95 Birr as the researcher encountered. Furthermore, many Eritrean automobiles that arrived to Ethiopia usually leave filling up their gas tankers, culminated to around 400 liters per day (Phone Interview with Tigrai Urban Development, Trade & Industry Bureau, May 8, 2019, Addis Ababa to Mekelle). This is as a result of the fuel ration imposed by the government in Eritrea. Unfortunately, this had caused a fuel shortage in border crossing nearby cities such as Mekelle, Adigrat, Axum, Wekro and Adwa (Phone Interview with Mekelle City Chamber of Commerce &Sectoral Associations, May 6, 2019, Addis Ababa to Mekelle). Previously, the two countries had been relatively in a similar stride where petroleum was a source of economic tension between them.

According to the 1991 economic agreement between the two states, Ethiopia was assigned to run and maintain the Assab oil refinery (Medhane, 1999). Based on that Ethiopia is required to allocate 30 percent of its refined petroleum products to Eritrea which rose to 54 percent by 1997 (Worku, 2016); which putted Ethiopia in disadvantage. Eritrea was buying the petroleum from Ethiopia in local currency at a subsidize rate -at the same time Ethiopia bought the crude oil to be refined with hard currency- moreover, as Eritrea's demand for petroleum rise Ethiopia was required to import additional petroleum from outside according to Worku, 2016. Although, this situations varies in some level the kind of lose they had incurred/incurring to Ethiopia is similar which should put it in government's radar. Consequently, the Tigrai Regional State tried to control the situation by prohibiting people from buying fuel using any other containers or basins except into their trucks gas tankers as a temporary measure (Phone Interview with Tigrai Urban Development, Trade & Industry Bureau, May 8, 2019, Addis Ababa to Mekelle).

These informants were asked if these faults in the current market can be righted with time and curbed with trade regulation they have showed reservations. Their main uncertainty is directed towards the Eritrean government. As one interviewee best puts it “Eritrea is governed by an unpredictable, complex dictator, who is answerable to no-one.” (Email Interview with Martin Plaut, May 9, 2019, Addis Ababa to South Africa). Secondly, the lack of signs for the establishing of trade rules and regulation to be put in the ground months after the border was re-opened nails the coffin for any optimistic future for them (Phone Interview with Tigrai Urban Development, Trade & Industry Bureau, May 8, 2019, Addis Ababa to Mekelle).

In contrary, though, the installment of rule and regulation is not something that should be shrugged lightly as it ensures mutual economic benefit emphasized an informant from the Ministry of Trade (Interview, March 20, 2019, Addis Ababa). Any economic cooperation that is not based on mutual benefit is destine to cause tension between states and ultimately fail. If we examine the history of Kenya, Tanzania and Uganda we will find out just that. In 1971 the three countries had initiated cooperation which later was perceived to benefit one member of the agreement, Kenya which led it to crumble (Yohannes, 1993).

4.3.2. Income

Here, the research has examined the new and additional income generated and potentials as a result of the Ethio-Eritrea reconciliation. The research had seen that many items were sold to the Eritrean market from Ethiopia with a better price margin, particularly in the beginning. Therefore, this has created an additional income for the Ethiopian traders as well as producers. For instance beer distributers in Mekelle have informed this research that their sale had doubled during the time the border remained opened. Meseret, who has been in beer distribution business for the past five years in Mekelle said since September [2019] his business has shown a significant growth (Phone Interview, May 20, 2019, Addis Ababa to Mekelle). Additionally, one quintal *teff* was sold in Eritrea with a minimum of 500 Birr price difference from the Ethiopian market (Phone Interview with Bahir Dar City Chamber of Commerce and Association, March 31, 2019, Addis Ababa to Bahir Dar; Phone Interview with Mekelle City Chamber of Commerce and Sector Association, May 6, 2019, Addis Ababa to Mekelle).

Nonetheless, this had ignited some disdain from the Eritrean side. These traders smuggled most of their products via Sudan and sell it with a better price in the Eritrean market. But, now with the rush of supply and price drop caused by the trade from Ethiopia their market hold was threatened (Phone Interview with Bahir Dar City Chamber of Commerce and Association, March 31, 2019, Addis Ababa to Bahir Dar).

On the other hand, Eritrean trades on their part were able to garner additional income through the products they were selling to the Ethiopian market. Especially, the textile and garment market was so significant that it had caused some commotion from Ethiopian traders in Tigrai region (Phone Interview with Mekelle City Chamber of Commerce and Sector Association, May 6, 2019, Addis Ababa to Mekelle). The fact that they are competing with a product that arrived exempted from any taxes in the country and sold in a lower price due to that; while their product goes through the proper taxation system was the main cause of the grievance (Phone Interview with Mekelle City Chamber of Commerce and Sector Association, May 6, 2019, Addis Ababa to

Mekelle). Therefore, these combined factors had decreased the income of the traders. And, it led them to voice their concern to Tigrai Urban Development, Trade & Industry Bureau in November, 2018 (Phone Interview with Tigrai Urban Development, Trade & Industry Bureau, May 8, 2019, Addis Ababa to Mekelle). The Bureau to cool the tension, allotted a market space for Eritrean traders in various parts of the region (Phone Interview with Mekelle City Chamber of Commerce and Sector Association, May 6, 2019, Addis Ababa to Mekelle).

In the contrary, the sun was shining for Ethiopian businesses which flourished around the border crossing areas. The businesses were able to fetch new and additional income from the vehicular traffic formed as a result of the re-opened borders. One of the business owner Almaz, although, not disclosed how much exactly she makes she told the researcher business is going great with knowing smile in her face while she cooks *shiro wet* for the rush of customers nonstop (Interview, November 25, 2018, Zalambesa). Roughly, around 20 businesses can be scanned near the Zalambesa-Serha border crossing in the Ethiopian side. Most of these businesses however, are done informally. This has made it challenging to access an official data to understand the exact extent of the businesses (Phone Interview with Bahir Dar City Chamber of Commerce and Association, March 31, 2019, Addis Ababa to Bahir Dar; Phone Interview with Mekelle City Chamber of Commerce and Sector Association, May 6, 2019, Addis Ababa to Mekelle).

Additionally, the flourishing businesses in the areas had increased the demand for house rent in the nearby cities. Furthermore, the spike seen in the Eritrean refugee number had contributed to the influx in house rent demand thus, the income for house owners. The growing demand had also created the house rent to surge in these areas. But, this had created a frustration among Ethiopian house renters, who suddenly found their house rent marked up (Interview with Zalambesa Resident 1, November 25, 2018).

On the other hand, according to the survey carried out by the FDRE Ministry of trade in mid-September, 2018 hotels, restaurants and transport providers income had shown an increase as the movement of people across the border begun (Interview with Ministry of Trade, March 20, 2019, Addis Ababa). The same can also be said to the Eritrean side given that the same numbers of people are crossing the border to the other side, as well.

The same survey had also found out that remittance had increased due to the additional number of Eritrean refugees in Ethiopia (Interview with Ministry of Trade, March 20, 2019, Addis Ababa). This is a welcome addition to the country which is struggling with shortage of forex in the market but it is far from a long term remedy. Ethiopian market is a complete opposite to Eritrean where, the government controls and limits the amount of money people can withdraw from their saving account (Interview with Asmera Resident Abreham & 2, November 26, 27, 2018, respectively, Asmera). And, this is considered as a possible explanation for this occurrence.

At a national level, as the border re-opened and relationship between the two countries restored an easier and alternative access to the sea was also opened for Ethiopia (Interview with Ministry of Trade, March 10, 2019, Addis Ababa). Currently, Ethiopia import/export its products almost entirely depending on the ports of Djibouti. Therefore, a relationship with Eritrea can mean an alternative access and expect to reduce its dependence on ports of Djibouti (Interview with Ethiopian Investment Commission, April 19, 2019, Addis Ababa). Furthermore, having an alternative access will also diminish the risk of congestion and thus, creates efficient and effective way of import/export trade (Interview with Ethiopian Investment Commission, April 19, 2019, Addis Ababa). This is a win for Eritrea as well, because it will have a possible new source of foreign currency in a form of port payments (Email Interview with Martin Plaut, May 9, 2019, Addis Ababa to South Africa).

Nevertheless, the capability of the ports to handle Ethiopia's import/export commodities is under question for few of our informants. Additionally, distance wise there is little difference between port of Assab and Port of Djibouti. The distance from Addis to Port Assab is 882kms, only 30kms less than the distance from Addis to Port Djibouti (910kms). Informants who visited both Assab and Massawa ports confirmed the destruction the ports have encountered especially, Assab (Phone Interview with Bahir Dar City Chamber of Commerce and Association, March 31, 2019, Addis Ababa to Bahir Dar; Phone Interview with Mekelle City Chamber of Commerce and Sector Association, May 6, 2019, Addis Ababa to Mekelle). However, the effort that is currently made by the Eritrean government could possibly rule out this doubt (Phone Interview with Bahir Dar City Chamber of Commerce and Association, March 31, 2019, Addis Ababa to Bahir Dar).

Although small in size port of Massawa is accompanied by quality infrastructures. And, it has remained almost intact throughout the years. In order to remedy its limited size, this research has learned that the Eritrean government was clearing some lands as a short term measure (Phone Interview with Bahir Dar City Chamber of Commerce and Association, March 31, 2019, Addis Ababa to Bahir Dar). Moreover, a new road that will be a short cut from the port to Asemera is under construction (Phone Interview with Bahir Dar City Chamber of Commerce and Association, March 31, 2019, Addis Ababa to Bahir Dar). This is expected to make the transportation of commodities from the port to Asmera then, Ethiopia much easier.

The government is also carrying out a restoration work to Assab port. Although, encountered a significant damage especially its road infrastructure, Assab port is a modern port. Currently, the Eritrean government is in a midst of restoration. This includes the road that used to connect Assab to Bure (Phone Interview with Bahir Dar City Chamber of Commerce and Association, March 31, 2019, Addis Ababa to Bahir Dar). After all, what this means is, having relatively close perks, the ports of Eritrea and Djibouti would be competing for Ethiopia's trade.

On another stance, the installment of peace can mean a new income for Eritrea as a nation, in forms of developing a mine deposit located in its far east. The opening of the border between the two nations is critical to develop this existing potash mine as the deposit straddles the border (Email Interview with Martin Plaut, May 9, 2019, Addis Ababa to South Africa). Therefore, as the relation between the nations continues and this section of the border is opened Eritrea can develop the deposit and generate a new income from export.

The flag barrier, Ethiopian Airlines can also benefit from the peace accord. The airlines resumed its flight to Eritrea on July 18, 2018. Former Prime Minister Hailemariam Desalegn stated in an interview with TesfaNews (2018), that the flight connection through Asmera will save a significant cost to the airlines. This is because it is the easiest and shortest way to make a flight to Europe and the Middle East than flight connections through Cairo, Dubai and Istanbul. Since, the Ethiopian Airlines was not allowed to fly over Eritrean airspace for the past two decades so, it has been losing 80 million dollars annually, emphasized the former Prime.

In addition, the restored stability in the region is not something that can be brushed easily. As it would have a significant role to play to allure investors and engage in both nations' economy.

This can be from investors from the two countries and investors from other countries. Since, peace and friendship is announced between Ethiopia and Eritrea, two Eritrean investors have contacted Ethiopian Investment Commission (Interview with Ethiopian Investment Commission, April 9, 2019, Addis Ababa). Although, a small start the Commission expects this interest to grow in the coming future (Interview, April 9, 2019, Addis Ababa).

4.3.3. Employment

This research has found out that an employment opportunity was created due to the newly established businesses along the main roads of Zalambesa-Serha border crossing. The businesses which were a result of the re-opening of the border in return had created an employment opportunity for the owners as well as for employees who waits on guests. Similar information is also obtained in regards to the other border crossings in Debay Sima- Bure, Ksadika – Rama and Om Hajer – Humera (Phone Interview with Amhara Regional State Trade & Investment Bureau, April 30, 2019, Addis Ababa to Bahir Dar; Phone Interview with Tigrai Urban Development, Trade & Industry Bureau, May 8, 2019, Addis Ababa to Mekelle).

Additionally, the vehicular traffic across the border has allowed school children to have an income generating part time job. Moreover, as time goes by, the relationship gets deeper and the flow of labor starts, the employment opportunity that will be created will become more visible (Interview with Ministry of Trade, March 20, 2019, Addis Ababa).

4.4 Current Stance

Currently, the border between Ethiopia and Eritrea are closed putting a stop on the trade activities and the enthusiasm of the reconciliation is also fading out day by day. The Serha-Zalambesa and Ksadika – Rama border crossings was restricted starting from December 24, 2018. Then, the Om Hajer – Humerawas closed on April 18, 2019. In four days apart the closure of Debay Sima – Bure crossing followed. The border closures were carried out from Eritrean side and any official statement has not been made disclosing its cause, from both sides (Interview with Ministry of Trade, March 20, 2019, Addis Ababa). However, there are few people that could be spotted crossing the border by walk according to Tigrai Urban Development, Trade & Industry Bureau (Phone Interview, May 6, 2019, Addis Ababa to Mekelle).

Standing near the anniversary date of the reconciliation between Ethiopia and Eritrea Plaut (2019) wrote the glow of the historical accord is fading away. “Rather than working to consolidate the peace, the leaders of both countries have drifted elsewhere”, Plaut (2019) continues. However, there is no sign of going back in fact; the nations have plans to embark on a shared developmental project. As the Ethiopian Reporter, Birhanu (2019) reported mentioning Ahmed Shide, Ethiopian Minister of Finance, the construction of railway projects that connects Ethiopia with port cities of Eritrea is in motion. The feasibility study of the project backed by World Bank Group is underway (Birhanu, 2019). Therefore, understanding that there has not been any back stroll but only distractions on both sides, the friendship between Ethiopia and Eritrea is not going anywhere.

Chapter Five

5. Conclusion and Recommendation

5.1 Conclusion

Going over the recent economic/trade relation the people of Ethiopia and Eritrea embarked on, this research has come across with certain similar themes to the economic relation they had between 1991 and 1998. It is usually by studying the past and recognizing patterns that we can explain what is happening in the present and predicts what is there to come.

The economic relation (1991 – 1998) is mostly argued over whether it favors one country while harming the other. The same theme did come about while exploring the implications the re-opening of the border has in the economies of the countries. The fact that primary goods were being sold to Eritrean market without it earning Ethiopia a foreign currency is one of the issues some of the interviewees had with the re-opening of the border.

In chapter two, the research presented a similar point about the economic relation between Ethiopia and Eritrea (1991 – 1998). It was stated that most of Eritrea's food consumption was covered from imports from Ethiopian. Since, these items were bought with Birr; Ethiopia was not earning the supposed foreign currency from the transaction which should be generated in exporting one's products. Additionally, Eritrea was saving its spending on hard currency from those purchased goods, at the same time. Therefore, this had put Ethiopia at odds.

A same issue regarding fuel trading was also raised. The research has found out that the re-opening of the border had opened the door for fuel to be sold from Ethiopia. Additionally, the fuel was sold with an arbitrary set exchange rate of Birr to Nakfa. The fuel, Ethiopian government bought with hard currency and provided at a subsidized price for its citizens. This was also one of the concerns discussed regarding the 1991 -1998 economic relationship of the two countries. During those years, Ethiopia refined petroleum at Eritrea's Assab Refinery. But, it was required to allocate 30 percent of its refined petroleum products to Eritrea. Furthermore, although Ethiopia bought the crude oil it refines using foreign exchange it was selling it in Birr for Eritrea. To top that, the refined petroleum was bought by Eritrea at highly subsidized rate.

Aside from these, the challenges and the grievances which were voiced from both sides in the brief periods the border was re-opened should be addressed at a national level. Before, all of it culminated and be a source of unpleasant encounter between the nations. Because, the past economic relation between the countries and the dissatisfaction which was caused by it, is what usually pointed out as the primary cause of the 1998 war. Therefore, it is to be underlined a mutual cooperation rather than competition based on a genuine intention of mutual benefit is a key for the newly established relation to flourish.

5.2 Recommendation

This research has examined the events that unfolded following the re-opening of the border between Ethiopia and Eritrea in relation to economic aspects. It has also found out that it is characterized by various challenges and opportunities. Therefore, if this border is to open again for economic activity an introduction of a cross border trade protocol and trade agreements should be a necessary part of it. Because most of the dissatisfaction which was raised during those few months the border was re-opened could be resolved with these. These agreements can work out how the cross border trade should look like in terms of area it covers. Moreover, business with how much investment capital could be involved in the cross border trade; in what frequency should trade trucks move goods across the border and what items…etc could be covered in the cross border trade agreement. Hence, this will protect the hinterland traders as the same time facilitating business and legal trade in the border crossing areas. Furthermore, a trade protocol will make sure all the economic relationship to be carried out under each country's and international law provisions. Thus, all the trade/economic relation between the two countries will proceed in line with the existing market rules and regulations as it is with other countries.

However, the research goes further and inquired if setting abiding rules and regulation will be enough to ensure mutual benefit. The question is inspired by examining the past economic relationship between the two countries. Because, in the past whether one country or the other was put in disadvantage was raised even though a trade agreement between the two countries was signed. Coming across this, these countries can still agree on a preferential trade agreement and it may not assure a mutual economic benefit.

But, if the current status of both countries which evolved through time is to be considered the result could turn out to be different. Some researchers rigorously argued that the past economic relationship between the two countries harmed Ethiopia. However, at the same time they concluded that the government of Ethiopia at the time let that to happen. The past relationship of the TPLF with EPLF during their liberation movement days and the priority given to consolidate its power without a hitch were factors which got Ethiopia in this kind of economic relationship.

Currently, however, we are now living in a different time, different community and economy outlook having different people on power, at least in Ethiopia's case. Consequently, this could possibly turn the relationship between the two countries towards a prosperous path. Additionally, seeing the current change of regime in the region and the growing opposition movement in Eritrea, Issayas Afewerki's ruling days are may be numbered. In general, all these could play an important role in making sure the agreements to end up in creating a mutual economic benefit for Ethiopia and Eritrea.

Lastly, aside from the economic issue, border demarcation issue does need to be workout between the two countries need before going further with their relationships. Because it could result in a sizeable population transfer when effect and no one cannot be sure how they would react.

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Appendix 1

Overview of the Research Informants

Stakeholder	Position	Size	Date of Interview	Place of Interview
FDRE Ministry of Trade	➢ Bilateral and regional trade relation and negotiation directorate director ➢ Public relation and communication expert	2	➢ May 10, 2019 ➢ March 20, 2019	Addis Ababa, Ethiopia
Ethiopian Investment Commission	Public relation and communication director	1	April 9, 2019	Addis Ababa, Ethiopia
Tigrai Urban Development, Trade & Industry Bureau	Deputy head	1	May 8, 2019	Phone Interview (from Addis Ababa to Mekelle)
Tigrai Chamber of Commerce and Associations	Secretariat	1	May 6, 2019	Phone Interview (from Addis Ababa to Mekelle)
Mekelle City Chamber of Commerce and Sector Associations	Secretariat	1	May 6, 2019	Phone Interview (from Addis Ababa to Mekelle)

Amhara Regional State Trade and Investment Bureau	Head	1	April 30, 2019	Phone Interview (from Addis Ababa to Bahir Dar)
Amhara Chamber of Commerce and Associations	Secretariat	1	March 31, 2019	Phone Interview (from Addis Ababa to Bahir Dar)
Bahir Dar City Chamber of Commerce and Associations	Secretariat	1	March 31, 2019	Phone Interview (from Addis Ababa to Bahir Dar)
Messobe Cement Factory Plc	General Manager	1	April 10, 2019	Phone Interview (from Addis Ababa to Mekelle)
Habesha Breweries S.C	Corporate Communication Manager	1	May 10, 2019	Email Interveiw (from Addis Ababa to Addis Ababa)
Beer Distributers	Owners	2	May 20, 2019	Phone Interview (from Addis Ababa to Mekelle)

Small Businesses in Zalambesa and Asmera	Owners	4	November 25, 2018 (Zalambesa) and November 25 & 27, 2019 (Asmera)	Zalmbesa, Ethiopia & Asmera, Eritrea
Vendors at Zalambesa	Owners	10	November 25, 2018	Zalambese, Ethiopia
Residents in Zalambesa and Asmera	Citizens	4	November 25, 2018	Zalmbesa, Ethiopia & Asmera, Eritrea
Zalambesa Checkpoint	Security personnel	1	November 25, 2018	Zalmbesa, Ethiopia
Martin Plaut	Expert	1	May 9, 2019	Email Interveiw (from Addis Ababa to South Africa)

Appendix 2

Agreement On Peace, Friendship And Comprehensive Cooperation Between The Federal Democratic Republic Of Ethiopia And The State Of Eritrea

The Federal Democratic Republic of Ethiopia and the State of Eritrea, hereinafter referred to as the Two Parties;

Considering the close bonds of geography, history, culture and religion between the two countries and their peoples;

Respecting each other's independence, sovereignty and territorial integrity;

Desiring to achieve lasting peace and cement their historical ties to achieve their lofty objectives;

Determined to establish comprehensive cooperation on the basis of complementarity and synergy;

Determined further to contribute actively to regional and global peace and security;

Reaffirming the Joint Declaration on Peace and Friendship that they signed on July 9, 2018 in Asmara;

Reiterating their commitment to the principles and purposes of the Charter of the United Nations;

The Two Parties agree as follows;-

Article One

The state of war between the two countries has ended and a new era of peace, friendship and comprehensive cooperation has started.

Article Two

The two countries will promote comprehensive cooperation in the political, security, defense, economic, trade, investment, cultural and social fields on the basis of complementarity and synergy.

Article Three

The two countries will develop Joint Investment Projects, including the establishment of Joint Special Economic Zones.

Article Four

The two countries will implement the Eritrea-Ethiopia Boundary Commission decision.

Article Five

The two countries will promote regional and global peace, security and cooperation.

Article Six

The two countries will combat terrorism as well as trafficking in people, arms and drugs in accordance with international covenants and conventions.

Article Seven

The two countries will establish a High-Level Joint Committee, as well as Sub-committees as required, to guide and oversee the implementation of this Agreement.

This Agreement is made at Jeddah, Kingdom of Saudi Arabia on this day of September 16, 2018 in two original copies in Amharic, Tigrinya, Arabic and English languages; in case of discrepancy in interpretation, the English version shall prevail.

For	For
The Federal Democratic Republic of Ethiopia	The State of Eritrea
Abiy Ahmed Ali	Isaias Afwerki
Prime Minister	President

Appendix 3

Interview Guide

Trade Bureaus (Amhara and Tigrai Regional States)

- How was the economic activity in the borderline cities (i.eZalambesa, Adigrat and Humera) between Ethiopia and Eritrea had been before the re-opening of the border?
- And, how has it changed since then?
- How many trade licenses have been issued in these areas since the re-opening of the border?
    - With how much total capital?
    - How many people have gotten employed with these businesses?
    - And, in what sector are these business engaged?
- How many vehicles cross the border daily on average (both ways) and what type of vehicles are there?
    - If the vehicles are transporting trading items, what kind (both ways)?
- What do you say are the effects that you have been able to assess in the economic livelihood of people who inhabit the border areas as well as in the region since its re-opening?
- What kinds of implications the re-opening of the border is having (will have) in the economic development of the nearby cities?
- What kinds of opportunities/benefits/harm it will cause to the private sector?
- What do you suggest to be done to enhance the benefits and limit the negative impact the re-opening of the border is having in the economy/trading activities in Ethiopia?

Chamber of Commerce (Amhara and Tigrai Regional States)/Eritrean National Chamber of Commerce

- How many of your members have involved in a trade activities between Ethiopia and Eritrea?
    - In what types of trading?
- How much more income are they able to generate with this outlet?

- How do you think is the re-opening of the border benefiting or harming your members?
- What do you suggest to be done to enhance the benefits and limit the negative implications the re-opening of the border is having in the economy/trading activities in Ethiopia?

Major Private Companies (Heineken Breweries S.C, Habesha Breweries S.C. and Messebo Cement Factory P.L.C.)

- Are involved in a trade activity between Ethiopia and Eritrea? if so,
- What are you trading, where and amount of products
- How it is helping your sales, income, work hurdles etc? (Please, forward a numerical date, if possible)
- How is this new trading endeavor affecting your pricing both in Eritrea and Ethiopia?

Small Businesses and vendors along the borderline (i.e Zalambesa, Mekelle, Humera, and Asmera)

- Since when have you been engaged in your business activity in this area?
- How do you compare your market before and after the re-opening of the border (not for new business)?
- How has the re-opening of the border helping your sale and your livelihood?

Residents (i.e Zalambesa, Mekelle, Humera, and Asmera)

- What is your thought on the re-opening of the Ethio-Eritrea border, what is changed since then?
- Has it in any way affected your livelihood?

Ministry of Trade (Eritrea and Ethiopia)

- How is the economic relationship between Ethiopia and Eritrea evolving since the re-opening of the border?
- Tell me about the trading item types and quantities of products imported and exported (and along which border crossing)

- What kinds of implication has the re-opening of the border in Ethiopia's/Eritrea's general economy and how exactly? (in terms of market, raw material, investment, consumer goods price, cutting costs and hurdles of exporting)
- What is the competitive economic advantage Ethiopia/Eritrea has in its economic relation between the other countries?
- What are its implications towards the private sectors in the country?
- How is the government involving in strengthening and regulating this economic relationship between the two countries?
- If there are any negative implications that may arise with it and how does the institution foresees to limit its impact in the country's economy?

Expert

- What do you think is the economic relationship between Ethiopia and Eritrea evolving since the re-opening of the border?
- What does this mean to the private sector in each country, the cities and people along the borderlines and to their general economy as well both, positively and negatively?
- What is the competitive economic advantage Ethiopia/Eritrea has in its economic relation between the other countries?
- How can the government in both countries involve in strengthening and regulating this economic relationship between the two countries?
- Given the past economic relationship of the two countries immediately after the independence of Eritrea which is marked by uneven economic benefit distribution that is said to favor Eritrea while harming Ethiopia's economy, or the vice versa, what do you say are the challenges that will arise in the newly fueled economic relationship between them, along this line of thinking?
- If there are any negative implications that may arise with it and how do you think is that the government ought to do to limit it?

Investment Commission/Center (Ethiopia/Eritrea)

- Is there any role the peace accord and the re-opening of border between Ethiopian and Eritrea play in attracting more investment and how so?

Appendix 4

Political Map of Ethiopia

Source: UN Cartographic Section

Appendix 5

Political Map of Eritrea

Source: UN Cartographic Section