

ADDIS ABABA UNIVERSITY  
SCHOOL OF GRADUATE STUDIES

ETHIO-ERITREAN RELATIONS: PROBLEMS  
AND PROSPECTS IN THE AFTERMATH OF  
ALGIERS PEACE AGREEMENT

BY

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THE AFTERMATH OF ALGIERS PEACE AGREEMENT

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## **Contents**

|   |            |
|---|------------|
| Acknowledgements .....  | <b>i</b>   |
| Abbreviations .....   | <b>i</b>   |
| List of tables .....  | <b>iii</b> |
| Abstract .....  | <b>iv</b>  |
| <b>Chapter One: Introduction .....</b>  | <b>1</b>   |
| 1.1 Background of the Study.....  | <b>1</b>   |
| 1.2 Statement of the Problem.....   | <b>4</b>   |
| 1.3 Objectives of the Study .....   | <b>5</b>   |
| 1.4. Research Question .....  | <b>5</b>   |
| 1.5 Methodology.....  | <b>6</b>   |
| 1.5.1. Method of Data Collection.....   | <b>6</b>   |
| 1.6 Significance of the Study .....   | <b>7</b>   |
| 1.7 Scope and Limitations of the Study .....  | <b>7</b>   |
| 1.8. Organization of the Study .....  | <b>8</b>   |
| <b>Chapter Two: Literature Review, Theoretical and Conceptual Framework</b><br><b>.....</b> | <b>9</b>   |
| Introduction .....  | <b>9</b>   |
| 2.1. Literature Review .....  | <b>9</b>   |
| 2.1.1. The Concept of Conflict.....   | <b>9</b>   |
| 2.1.2. Cause of Conflict .....  | <b>10</b>  |
| 2.1.3. Conflict Resolution and Peace Process.....   | <b>10</b>  |

|  |           |
|--|-----------|
| 2.2. Theoretical and Conceptual Framework.....   | <b>13</b> |
| 2.2.1. Interstate Relations and Complex Interdependence.....                               | 18        |
| 2.2.2. Interstate Relation and Economic Interdependence .....                              | 19        |
| 2.2.3. Interstate Relation and Cooperation.....  | 21        |
| 2.2.4. Interdependence and Restoration of Peace .....                                      | 23        |
| <b>Chapter Three: Background of Ethio-Eritrean Relations (1991-1998).....</b>              | <b>26</b> |
| 3.1 The Cordial Relations .....  | <b>26</b> |
| 3.2 The Conflict .....   | <b>28</b> |
| 3.2.1 Course of the War .....  | 28        |
| 3.3 Peace Process and the Signing of Algiers Agreement .....                               | <b>29</b> |
| 3.3.1. The Algiers Peace Agreement .....   | 32        |
| 3.3.2. Keeping the Peace -The Establishment of UNMEE.....                                  | 35        |
| 3.3.3. The Ethiopian and Eritrean Border Commission (The EEBC).....                        | 37        |
| 3.3.4 Termination of the Boundary Commission.....  | 38        |
| 3.3.5 The Ethiopian Five-Point Peace Proposal.....   | 40        |
| 3.3.6. An Assessment of Algiers Peace Process and Its Weaknesses.....                      | 41        |
| <b>Chapter Four: Economic and Political Impact of the Ethio-Eritrean<br/>Conflict.....</b> | <b>44</b> |
| Introduction .....   | 44        |
| 4.1 Economic Impact of the Conflict.....   | <b>44</b> |
| 4.1.2. Impact on Eritrean Economy .....  | 45        |
| 4.1.3 Impact on Ethiopian Economy.....   | 49        |
| 4.2. The Political Impact of the Conflict.....   | <b>52</b> |
| 4.2.1 Destabilization Action and Expansion of Proxy War.....                               | 52        |
| 4.2.1.1 Eritrea’s Support to Ethiopia’s Opposition Groups .....                            | 56        |

|  |             |
|--|-------------|
| 4.2.1.2 Ethiopia’s Support to Eritrean Opposition Groups .....   | 58          |
| 4.2.2. Destabilization Action and the New Stance of Ethiopia .....   | 59          |
| <b>Chapter Five: Prospects for Ethio-Eritrean Relations.....</b>   | <b>62</b>   |
| Introduction .....   | 62          |
| 5.1. Prospects for Ethio-Eritrean Relation .....   | <b>62</b>   |
| 5.1.1. Towards a pessimistic view: Another devastating war?.....   | 62          |
| 5.1.2. Towards an optimistic Prospect: Possibility of Sustainable Peace .....  | 65          |
| <b>Chapter Six: Concluding Remarks .....</b>   | <b>67</b>   |
| 6.1. Conclusion.....   | 67          |
| <b>Bibliography .....</b>  | <b>70</b>   |
| Appendix 1. Joint communiqué of the first round table Meeting of the Ethio-Eritrea<br>joint ministerial Commission, 27-27 September 1993, Asmara.....                          | <b>i</b>    |
| Appendix 2 Extract form final report of the joint review Committee on the<br>implementation of the Ethio-Eritrea Economic Agreements .....                                     | <b>ii</b>   |
| Appendix 3 Interview Guide.....  | <b>xii</b>  |
| Appendix 4 List of interviewed persons .....   | <b>xiii</b> |
| Appendix 5. Agreement on Cessation of Hostilities between the Government of the<br>Federal Democratic Republic of Ethiopia and the Government of the State of Eritrea<br>..... | <b>xiv</b>  |
| Appendix 6. An Agreement between the Government of the Federal Democratic<br>Republic Of Ethiopia and the Government of the State of Eritrea -----                             |             |
| xviii  |             |

## **Abbreviations**

|              |  |
|--------------|--|
| <b>AU</b>    | African Union                                      |
| <b>EEBC</b>  | Ethiopian and Eritrean Border Commission           |
| <b>EIJ</b>   | Eritrean Islamic Jihad                             |
| <b>EJ</b>    | Eritrean Jihad                                     |
| <b>ENAF</b>  | Eritrean National Alliance Force                   |
| <b>ENCD</b>  | Eritrean National Coalition for Democracy          |
| <b>EPG</b>   | Eritrean Provisional Government                    |
| <b>EPLF</b>  | Eritrean People’s Liberation Front                 |
| <b>EPRDF</b> | Ethiopian People Revolutionary Democratic Front    |
| <b>ERDF</b>  | Eritrean Revolutionary Democratic Front            |
| <b>EPRP</b>  | Ethiopian People’s Revolutionary Party             |
| <b>EU</b>    | European Union                                     |
| <b>FRUD</b>  | Pour Le Restoration Del’ Unite Et De Le Democratie |
| <b>FTA</b>   | Free Trade Area                                    |
| <b>GDP</b>   | Gross Domestic Product                             |
| <b>IDA</b>   | International Development Associations             |
| <b>IGAD</b>  | Inter Governmental Authority for Development       |
| <b>IMF</b>   | International Monetary Fund                        |
| <b>OAU</b>   | Organization for African Unity                     |
| <b>OLF</b>   | Oromo Liberation Front                             |
| <b>ONLF</b>  | Ogaden National Liberation Front                   |
| <b>SRRC</b>  | Somalia Restoration and Reconciliation Council     |
| <b>SNDA</b>  | Sudanese National Liberation Alliance              |
| <b>SPLA</b>  | Sudanese people Liberation Alliance                |
| <b>TFG</b>   | Transitional Federal Government                    |
| <b>TG</b>    | Transitional Government                            |
| <b>TNG</b>   | Transitional National Government                   |

|              |  |
|--------------|--|
| <b>TPLF</b>  | Tigray People Liberation Front                 |
| <b>TSZ</b>   | Temporary Security Zone                        |
| <b>UIC</b>   | Union of Islamic Court                         |
| <b>UN</b>    | United Nations                                 |
| <b>UNMEE</b> | United Nations Mission in Eritrea and Ethiopia |
| <b>USA</b>   | United States of America                       |
| <b>US</b>    | United States                                  |

## List of tables

|   |    |
|---|----|
| Table 1: Eritrea: Overall Directions of Exports, Origin of Imports; and<br>Trade with Ethiopia from 1984-1998 (In Millions of Birr/Nakfa----- | 46 |
|---|----|

## Abstract

*One of the most important developments in the History of Horn of Africa is the achievement of independence by Eritrea in 1991. This changed the geo-politics of the region and determined the type of relations that the Horn countries should have. As far as the relationship between Ethiopia and Eritrea were concerned friendly and cordial relations defined their bilateral relations during the initial years of Eritrea's independence. However, the border conflict of 1998 caused not only economic and political problems for themselves but also for the whole region of Horn of Africa. Not only that, the post-Algiers relations have continued to be characterized by a serious of economic and political problems. This thesis is concerned with the study of the post-Algiers Ethio-Eritrean relations with its major problems and prospects. To this end, the study aims at describing and analyzing the extent to which Ethio-Eritrean bilateral relations have been underpinned by political and economic problems since the aftermath of Algiers peace treaty. Along this line some research questions revolving around the major economic and political problems of the two countries as a result of the conflict and the stalled relation have been posed. Accordingly, data have been collected both from primary and secondary sources of information. The primary sources of information were collected through a series of semi-structured interviews with key informants. Apart from this, secondary sources of information were also collected from old and recent publications. Again, information from day to day news from different Medias was also used in the final analysis of the study.*

*The study concludes that, because of the border conflict and the stalled relation, the two countries are facing great economic and political problems. Economically, the conflict and the stalled relation between the two countries have not only disrupted their past economic interdependence but also resulted in a serious economic problem for both countries. Eritrea lost both its industrial raw materials and market place for its manufactured products, and is facing great economic hardship today. Ethiopia on the other hand has also lost its past free access to the port of Assab and is now compelled to pay a huge amount of money for Djibouti port services. Politically, the study concludes that the post-Algiers stalled relation between the two countries has disrupted the prevalence of peace and stability in the region and both countries as well. Both have engaged in destabilizing actions of the other through the provision of support to the opposition forces of their respective countries in order to weaken the other by way of waging proxy wars. Finally, the study also concludes that as a result of the persistence of the two countries destabilization action of the other, added to the new stance Ethiopia adopted recently against the regime in Eritrea, there will be a probability of future open war between the two countries.*

# **Chapter One**

## **Introduction**

### **1.1 Background of the Study**

Ethiopia and Eritrea have had long-standing, strong economic, political and cultural ties. Both countries have close historical, ethnic and cultural ties that goes back to time immemorial (Guche, 1996). Before gaining its independence in 1991, Eritrea was part of Ethiopia for at least four decades. There was strong bondage between the people living in the two countries, which is not only bound by mythology, legend and history but also by race, culture and ancestral roots. They are indeed an offspring of the same parents, and are largely bounded by blood and flesh (ibid).

Undoubtedly, the bondage between the two countries is not only limited to this but also in politics as well. Both rebel groups fought and overthrew the Derg regime in Ethiopia, and in May 1991, Eritrea achieved its independence, which has brought a new political landscape in the Horn of Africa in general and in Ethiopia in particular by splitting of these people in to two separate political entities (Kinfе, 2004).

Legally, up until the referendum and subsequent formal declaration of independence in April 1993, Eritrea remained part of Ethiopia (Alemu, 2000). The process of the achievement of formal independence was not easily accepted. It had been challenged by OAU and many other African states. The fear was that many other African people would take the same path and that could lead to the destruction of many African colonial boundaries (Kalewongel, 2008). Despite all these challenges, Ethiopia was the only country that first recognized Eritrean independence.

Thus, it was after the 1993 referendum that Eritrea became independent and attained recognition by international community. Soon after its declaration of independence, it began making harmonious relation with its neighboring countries particularly with Ethiopia (Tekeste, 2000). Initially, the relation between the two countries was cordial. They have

agreed to cooperate in every aspects of life that ranges from politics to Socio-cultural aspects (ibid). In this regard, some scholars have stated that both countries, agreed to develop policies of economic harmonization, integration, and substantial flows of trade and seasonal labor migration (Alemu, 2000); Tekeste, 2000 and Mamo, 2002).<sup>1</sup>

As per the above agreement and cooperation, the two countries began to operate under the same currency and banking system (*ibid*). Moreover, both states have also agreed to have a free trade agreement that would allow free movement of goods within their respective territorial jurisdiction. Accordingly, at least during the early period of their cordial relation, the two countries decided to have a multi-dimensional relationship of cooperation to heighten their relation at the highest level (Tekeste, 2000 and Mamo, 2002).

However, this cordial relation did not last long. It began deteriorating starting from 1997 and later, in May 1998 the two countries went into a border conflict near areas of Badme and Shiraro that took many by surprise (Kalewongel, 2008). Soon, the border conflict grew into a conventional war that overshadowed a shortly lived cordial relation between the two countries. The underlying causes of the conflict as Rejouis and Zondi (2005) pointed out are a matter of controversy, for which both countries claims it is the other party that first deviated the international law. Eritrea claims it was Ethiopia, which first deviate international law, and Ethiopia on its turn claims it was Eritrea, which first deviate international law.

Whatever the root causes of the conflict, the immediate cause of the conflict, as many argue was the Eritrean armed force invasion of the Yirga-triangle, which Ethiopia considered its territory (Rejouis and Zondi, 2005 and Kalewongel, 2008). It was after the Eritrean military force's invasion of the area that the conflict brokeout between the two countries. The conflict lasted for two years and resulted in a serious socio-economic and political loss. It seriously undermined socio-economic and political development of the two countries. In fact, the impact of the conflict was not only confined to the two countries alone. It profoundly altered the alliance structure of the entire region of the Horn of Africa. For instance, economically Djibouti was the major beneficiary of the conflict (Healy, 2008). The loss of access to

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<sup>1</sup> See also Appendix 1

Eritrea's ports of Assab and Massawa diverted all Ethiopia's import and export trade to the port of Djibouti.

According to Healy (2008), income from Ethiopian trade accounts 70% of Djibouti's revenue. On the other hand, there was also a consequence for Somalia where both Ethiopia and Eritrea competed to support opposing sides among the Mogadishu warlords, which can also be taken as an indication for the disturbance of peace and security of the region (Cliffe, (2004).

Later, the conflict ended with the signing of an agreement called Algiers peace agreement on December 12, 2000. Although the agreement ended the war, it did not bring about lasting peace. In fact, before the signing of the Algiers peace accord, as Neethling (2004) indicates, there was various reconciliation endeavors out of which the US-Rwandan peace plan stands first. Indeed, it was after the US-Rwandan peace plan that the signing of cease-fire at Algiers took place (*ibid*). The agreement has ended the warfare between the two states by establishing a 25km demilitarized Transitional Security Zone (TSZ) (Kalewongel, 2008).

The agreement was unique in a sense that, it formally ended the war and provided a formal adjudication to a disputed border; settlements of compensation claimed by the two countries and the deployment of UN peacekeepers. Furthermore, the Algiers agreement brought the establishment of a neutral border commission called Eritrea–Ethiopia Boundary Commission (EEBC) to delimit and demarcate the disputed border, the alleged reason for which the two countries were fought (Appendix 6).

Accordingly, the commission delivered its delimitation decision in April 2002 (Kalewongel, 2008). However, the decision of the commission did not yield much. Ethiopia rejected the decision of the commission. As a result, the relation of the two countries continues as it was before, though there was no actual war. So far, peace remains an unattainable objective between the two countries. With the situation in the border continues to be tense and relations yet to be normalized the two countries continue to fight through the third parties.

## **1.2 Statement of the Problem**

The Ethio-Eritrean war of the 1998-2000 has brought not only the breakdown of the two countries relation but also created a serious tension and political instability in the Horn of Africa. The Algiers agreement of December 12, 2000 could not bring peace and normalization of relation between the two countries. Significant elements of the agreement remain unimplemented and cross-border tensions are continued to be high. The conflict has developed into a protracted and costly stalemate, with regional and international consequences.

The perceived tension and hostility of the two countries is continuing to the extent that one could not imagine the future prospects for peaceful relation. There is a temptation that the Ethio-Eritrea destabilization added with the recent Ethiopia's new stance on Eritrea may lead to another party to reopen conflict along the border. Both states are involved in supporting their respective opposition forces to destabilize the other. In the view of this, the two countries are working towards weakening the other. Eritrea is supporting Ethiopia's opposition groups, Oromo liberation Front (OLF) and Ogaden National Liberation Front (ONLF) to accelerate armed action against Ethiopia. In return, Ethiopia in collaboration with some countries, played an active role in creation of the Eritrea's opposition group, Eritrean National Alliance Force (ENFA) and Eritrean National Coalition for Democracy (ENCD) to weaken and destabilize Eritrea.

Ethiopia took the position that there could not be peace and normalization of the relation up until the establishment of transparent and democratic government in Eritrea. On the other hand, Eritrea in turn has also taken the position that, there could not be normalization of the future relation unless Ethiopia gives respect to the virtually demarcated boundary by Ethio-Eritrean boundary commission of April 2002. This indicates that various aspects among which the virtually demarcated border by the boundary commission is taking the lead challenge the future relation of the two countries.

As a result, the stalled relation between the two countries has become a great obstacle to socio-economic development and political stability of the region in general and the two countries in particular. Thus, the study is aimed to find out the problems and prospects for

Ethio-Eritrean relation in the aftermath of Algiers agreement, which is going to be seen in terms of its economic and political aspects as being witnessed in their bilateral relations.

### **1.3 Objectives of the Study**

The study discusses and attempts to identify the problems and prospects of Ethio-Eritrean relation of the post Algiers agreement. Along this line, the overall objective is to describe and analyze the extent to which Ethio-Eritrean bilateral relations have been underpinned by political and economic problems since the aftermath of Algiers peace treaty. In the process of analyzing the relevant issues attempt is made to achieve the following interrelated objectives.

- To briefly assess the economic problems facing both Eritrea and Ethiopia as a result of the conflict and the strained relation.
- To point out the current Ethiopian dependence on port of Djibouti and its problem to economic development of Ethiopia,
- To critically analyze the impacts of destabilization action and proxy war between the two countries on peace and security of the Horn and
- To state the future prospects for the two countries relations in the Horn.

### **1.4. Research Question**

The research question of the study is designed in a way to enable the researcher to answer the stated objectives of the study. Thus, the central research question of the study is: To what extent the continued stalemate in Ethio-Eritrean relations affect the socio-economic and political development of the two countries. With this general research question, the following interrelated questions were posed.

- To what extent the destabilization action and expansion of proxy wars affect bilateral relations,
- To what extent Ethiopia's loss of access to ports of Assab and its current dependence on port of Djibouti affect Ethiopia's economic development?
- What will be the future prospects of the two countries relations?

These interrelated research questions are asked in line with the objectives of the study and will be addressed under different chapters.

## **1.5 Methodology**

Methodologically, the study is based on qualitative research approaches. Qualitative research approaches is a research approach that concerned with offering specialized techniques for obtaining in-depth response about what people think, do and feel (Silverman, 2005). It is an inductive approach, and its goal is to gain a deeper understanding of a person's or group's experience. According to Kenneth (2007), qualitative research is important to promote understanding than explaining cause and effect relationships. Thus, in an attempt to study the problems and prospects for Ethio-Eritrean relations, the study follows this research approach by using descriptive and analytical methods. Accordingly, concepts, discussions and data analysis procedures used in the study are qualitatively described and presented. In the first place, literatures on conflict and conflict resolution strategies were reviewed. Secondly, an attempt has made to base the study on appropriate theoretical foundations for the topic. Accordingly, pertinent theories of interdependence and interstate relations have been used. Added to this, related concepts have been clarified and constructed on the literature review, theoretical and conceptual framework part of the study.

### **1.5.1. Method of Data Collection**

Appropriate data and information for the study were collected from different libraries in Addis Ababa. Both primary and secondary sources of information have been gathered. The primary sources of information were collected through semi-structured interviews with some key informants. They were selected from different institutions like Ethiopian Ministry of Foreign Affairs, Ministry of Trade and Industry and Ethiopian shipping line S.C. The selection of key informants was based purposively on their position's that enable them to have some knowledge of economic and political problems of Ethio-Eritrean relations of post Algiers agreement. Questions used for gathering primary data were discussed and determined to ensure that relevant issues are gathered from the primary sources. On the other hand, secondary sources of information were also used in the study, which includes a comprehensive literature survey of publications such as the review of journals, books, documents, articles, newspapers, magazines and current issues that are directly related with the two countries relations.

Apart from this, agreements/resolutions having impacts on the relation between the two countries and trade agreements and documents related with Ethiopia's uses of port of Djibouti were used. The reviewing of these literatures and data gathered through interviews with selected informants was qualitatively analyzed under different chapters. These are integrated and analyzed in a descriptive and chronological manner. The analysis was only limited to the problems and prospects for Ethio-Eritrean relations of post Algiers agreement.

### **1.6 Significance of the Study**

Although many studies have been done on the Ethio-Eritrean relation focusing on Ethio-Eritrean war, very little has been done on the area of economic and political problems of the two countries particularly in the aftermath of the Algiers agreements of December 12, 2000. In this regard, the study is unique in that, it deals with only those economic and political problems of Ethio-Eritrean relation of post Algiers agreement with its possible future opportunities. It pays due focus to economic and political problems of the stalled relation between the two countries and further endeavors to state their future areas of cooperation. By this the study hopes to add to the existing literature on this crucial issue that has determined the peace and stability of Horn of Africa as such.

### **1.7 Scope and Limitations of the Study**

The study is territorially delimited to two countries. Ethiopia and Eritrea are the two-area focus of the study. It only focuses on the problems and prospects for Ethio-Eritrean relation of post Algiers agreement. The reason for the selection of this is that the breakdown of the Ethio-Eritrean peace implementation process contributed to the dangerous escalation of regional conflicts. In late 2005, for example, concerns mounted when Eritrea imposed restrictions on UNMEE and both Ethiopia and Eritrea moved troops toward their border. Eritrea hoped to pressure the international community to compel Ethiopia to implement the demarcation decision of the EEBC created by the Algiers Agreement. The situation along the border has been stable since 2000 but may escalate because of the presence of proxy wars and destabilization actions of the two countries. Due to this reality, an attempt has been made to extend the impacts of the hostile relations of the two countries to the Horn of Africa. As far as limitations are concerned, because of the political sensitivity of the topic, there were

challenges in gathering relevant primary data through interview with key informants of the study. Hence, the researcher has faced a challenge while the interview. Probably a different look at the issue by way of quantifiable data through appropriate methods would have also been better. Nevertheless, the problem is that any such methods would only be gathered from within Ethiopia. However, despite these challenges encountered, the researcher feels that the objective of the research have largely been realized by way of incorporating ideas from published materials of Eritrean counter parts. Other than this, shortage of time and money to undertake the research is also a major limitation.

### **1.8. Organization of the Study**

The research has six chapters including the proposal/introduction parts. Accordingly, the first chapter encompasses the major parts of the proposal of the research like background of the study, statement of the problem, objectives and other parts that should be included under research proposal of any kind. Chapter two of the study presents theoretical and conceptual framework of the study. Under this chapter, a thorough discussion of pertinent theories of interstate relations and interdependence has been discussed. Chapter three provides the background to Ethio-Eritrean relations between 1991-2000 by discussing the cordial relations between the two countries from 1991-1998. Added to this it gives some pertinent highlight on the relation between the two countries during the border conflict, Algiers agreement and on certain political development that came after the agreement. Chapter four deals with economic and political impacts of Ethio-Eritrean conflict in general and the stalled relation in particular. This chapter provides a detail explanation of the past trade agreements that existed between the two countries. It also discusses the impact of the conflict on the economies of the two countries. It also elaborates the political impact of post Algiers strained relation between the two countries by paying important focus on two aspects: First, it gives highlight on Eritrean support to Ethiopian oppositions and vice versa and its impact on their political stability. Second, it gives an explanation on the two countries destabilization Action and the new stance of Ethiopia. Chapter five deal with the problems and prospects of the two countries relations. It gives a thorough discussion on the post Algiers problems and prospects of the two countries relations. Finally, chapter six of the study brings a precise concluding remark of the study.

## **Chapter Two**

### **Literature Review, Theoretical and Conceptual Framework**

#### **Introduction**

This chapter presents review of related literature on conflict its cause and resolution, and theoretical and conceptual framework of interdependence and interstate relations. It is organized in two sections .the first section presents a review of related literature on conflict; its causes and resolution mechanisms. The second section presents theoretical and conceptual framework of interdependence and interstate relations.

#### **2.1. Literature Review**

##### **2.1.1. The Concept of Conflict**

Already in the sphere of the everyday language the term conflict has no positive connotation. Usually dysfunctional phenomenons like discord, dispute or fighting are associated with it. It is also a very fluid and ambiguous concept as well. Many writers have defined it differently and hence its definition varies with its context. The reason is that there are many types of conflict; intra-personal, inter-personal, inter-group and inter-state. And then, the definition provided to it varies in accordance with its type. Whatever the type of the conflict is, all of them have one thing on common that their definition always contains the incompatibilities of goal or interest. It always occurs because of incompatibilities of interest of the conflicting parties.

Along this line, HIK (2005) and woodhouse and Duffey, (2000) defined the term conflict as the pursuit of incompatible goals by individuals or groups. The use of such a broad definition allows for the consideration of any conflict, whether it is interpersonal or international, whether it is pursued by peaceful means or by the use of force. Nevertheless, contemporary conflict refers to the prevailing pattern of political and violent conflict in the post cold war world, while contemporary armed conflicts refers to those that involve the use of force (Onumajuru, 2005). Stagner also defines conflict as “a situation in which two or more human beings desire goods which they perceive as being obtainable by one or the other, but not both ...each party is mobilizing energy to obtain a goal, a desired object or situation, and each party perceives the other as a barrier or threat to that goal” (Stanger, 1967). Stedman is of the

view that; “Conflict stems from the basic fact of human interdependence. Seeking to satisfy their needs, wants and desires, people make demands upon themselves, upon the physical environment, upon other people, and upon whatever organization and institutions that appear to be in a position to help them”(Stedman, 1996). Therefore, all the above definition of conflict revolves around the concept of incompatibilities of interests. It occurs when the two parties to the conflict perceives the same goals (ibid).

### **2.1.2. Cause of Conflict**

Clearly, there are number of things over which two parties in conflict can get into incompatible goals. For example, according to (Weber 1947) as quoted in (Heinz Jurgen et al, 2006), humans can get into conflict because of wealth, power, and prestige. Understanding political conflict cannot be accomplished without knowing what are the object, and the issue of the conflict. Moreover, achieving conflict resolution is not possible without understanding the issue and the cause of the conflict. Deutsch (1973), the prominent sociology scientist and conflict researcher, makes distinction between five basic issues over which a conflict could arise: control over resources, preferences and nuisances, beliefs, values, or the nature of the relationship. In respects of conflict causes and issues Singer (1996) points out that “the usual suspects” are to be found in: territory, ideology, dynastic legitimacy, religion, language, ethnicity, self-determination, resources, markets, dominance, equality, and, of course, revenge. Having the interstate conflicts in the focus, Pfetsch and Rohloff (2000) have identified nine commodities that have historically proven to be the most disputed conflict issues between the states: territory (border), secession, decolonization, autonomy, system (ideology), national power, regional predominance, international power, resources and other. Given all these background, the causes of the border conflict between Ethiopia and Eritrea are also among the above mentioned causes. As many writers argued, economic interest, border, and other deep-rooted historical causes are among the major cause for the 1998 Ethio-Eritrean conflict (Rejouis and Zondi, 2005; Daniel and Paulos , 2011 and Dade, 2011).

### **2.1.3. Conflict Resolution and Peace Process**

Understanding the process of conflict resolution helps to highlight the formation and structure of conflicts themselves. Conflict resolution is either the manner in which the conflict is

settled once and for all or the *modus vivendi* – that is the situation of conflict becomes the status quo. It refers to a process of activities aimed at addressing the root cause of a dispute that led to the conflict (Wilkenfield et al, 2005 and Gounden, 2001). Conflict resolution is concerned with addressing the fundamental causes of conflicts and aim to produce solutions which are mutually acceptable to all parties (Burton, 1968). Conflict resolution operates at a number of levels or tracks, and encompasses a range of techniques from conciliation to mediation, negotiation, and problem solving. Resolution of conflict implies that the deep-rooted sources of conflict are addressed, changing behaviors so they are no longer violent, attitudes so they are no longer hostile, and structures so they are no longer exploitative. The term is used to refer both to the process (or the intention) to bring about these changes and to the completion of the process

As the causes may vary and be drawn from different sources, the resolution of the conflict also calls upon comprehensive approach that could address the many causes of the conflict as they manifest. Any conflict resolution endeavor, as Stedman (1999) stated, should take into account not only the causes that led to the conflict but also issues of security, and survival that follows once the conflict develops into violence. On the other hand Mac Ginty (2006) stressed on the need to understand violence in conflict. He asserted that understanding violence provides an evidential clue on the nature of the conflict, its actor's dynamics and on how to deal with them. Thus, conflict resolution needs to be designed in a manner that takes into account interdependence of key instruments like diplomacy, development cooperation, trade, finance and the military (Rugumamu, 2001). It requires peace support activities in the wake of peace accord in order to achieve its goals. Peace support in this regard refers to initiatives and programs conducted by third parties and local agents (Jeong, 2000). Mac Ginty (2006) and Lederach (1999) on the other hand, point out that conflict needs to be managed or transformed as part of a long term attempt and concentrate on the relationship between combatants. They asserted that, peace is a process than an event such as the signing of peace accord.

Rebuilding relationship and a transition towards stable peace demands mutual satisfaction with a peace agreement and that emerges when a peace agreement fulfils the basic needs and national aspiration of the conflicting parties.

Generally, each conflict has unique dynamics both in terms of its cause and the context within which it occurs. This demands different conflict resolution approaches for their effective resolution. Researchers contends that, the success of particular conflict resolution depends on the bargaining in involves (Jeong, 2000). Based on the bargaining process involved conflict resolution mechanism can be divided into two; the zero-sum bargaining and non-zero-sum bargaining. Scholars in the field of conflict resolution put different conflict resolution mechanism under these two main categories. Along this line, they put arbitration and adjudication under the zero-sum bargaining categories and where as mediation and reconciliation under the latter.

Mediation as a process of conflict resolution refers to a process in which parties to the conflict endeavors to reach on a mutual agreeable solution under the help of a neutral third party (ibid). It supports the disputant parties own efforts to manage the conflict. Most of the time scholars in the field of conflict resolution argued that, mediation is pursued when negotiation between the two parties unsuccessful. In mediation effort, the third party necessary to lead the parties to the conflict to agreeable position. Nonetheless, as Jeong (2000) stated, the mere presence or involvement of the third party does not necessarily lead to resolve conflict. As he stated, the parties' mutual tolerance and determination to end the conflict plays a paramount role. As scholars to the field argued any conflict resolution endeavor should incorporate the basic principle of conflict resolution. For instance, as Rugumamu (2001) stated, the mere knowing of the root causes of the conflict is not enough to end the conflict peacefully. The issue of security and survival that follows once the conflict develops into violence is vital. He also adds that knowing the nature of the actors involved in the conflict is also important. For him each of the conflict has unique dynamics and all demands different conflict resolution strategies. In this regard any conflict resolution endeavor as much as possible should be comprehensive so that it can easily address the root cause of the conflict. Along these basic principles of conflict resolution, the peace endeavors that were made to resolve the Ethio-Eritrean conflict have several weaknesses. In the first place, almost all of the peace processes reached in Ethio-Eritrean conflict have failed to consider the deep-rooted causes of the conflict. They only focused on the border issue which was in fact the cause but not the underlying cause to the conflict. The causes of the Ethio-Eritrean conflict were many. It ranges from political to economic and as the same time history

of the two countries. There were several problems that the two countries have been faced before the conflict like the incompatible economic and political interests. Nevertheless, the Algiers peace agreement in general and its components in particular did not take into consideration all these, rather it only focused on the border issues and hence on demarcation of the border (Dima, 2006 and Medhane, 1999). From the very beginning, given the multifaceted nature of the cause of the conflict, a correct conflict resolution strategy was not employed. The resolution of the conflict demands the strategy that could take into account the underlying cause of the conflict.

The analysis discussed above can give us a better understanding of the Ethio-Eritrean conflict. For most of the international community particularly to those who engaged in the peace process to settle the conflict, the cause of the conflict seem only the border issue more importantly to the town of Badme. As was argued by many writers, the causes of Ethio-Eritrean conflict were many and are multifaceted. However, the mediators to the conflict were not able to understand the underlying cause of the conflict. They reduced the cause of the conflict only to the border issue and all their effort were largely focused on the demarcation process which was secondary cause to the conflict. Any conflict resolution effort as Mac Ginty (2006) stated requires the review of a wide range of conflict generating causes as most of the time conflict is a multi-causal social phenomenon. Barash (2000) also shares the same idea and further stated that, any conflict resolution attempt should not only focus on the immediate cause of the conflict rather should include the analysis of the pre-existing historical experiences. As many writers have stated the immediate cause of the conflict was rests on border issue (Dade, 2011; Medhane, 1999 and Tekeste and Tronvol, 2000). Nonetheless, the root cause of the conflict has nothing to do with the border. It goes back to the early time of colonial period and latter a growing incompatible economic and political interest between the two countries (ibid). It was the combination of these factors that led to the 1998 Ethio-Eritrea conflict.

## **2.2. Theoretical and Conceptual Framework**

The theoretical framework of this study is based on the liberal theory of international interdependence. The reason why this theory is opted as a theoretical framework of the study

is that, the researcher's view of the importance of interdependence for the current Ethio-Eritrean relation. At the present there is no interdependence between Ethiopia and Eritrea as opposed to the previous time due to the 1998 border conflict. The view is that, as a result of the closure of the relation between them, the two countries are facing several economic and political problems. In the past, the two countries have been interdependent in every aspect of their affairs. Their economies were to a greater extent interdependent. There were many things that they have been benefited from their interdependence. Nonetheless, given the importance of interdependence in every aspect, now a day there is no interdependence and cooperation between them. They are not co-operating each other. Therefore, it is in the view of this that, the theory of interdependence is taken as a theoretical and conceptual frame work of the study.

Before, going to the discussion of the theory it is better to have operational definition for the term interdependence. For the purpose of this study, Interdependence can be defined as a state of affairs where what one nation does impinges directly upon other nations (Rosecrance and et al, 1977). This means that, any improvement in one state's position would directly and adversely affect the other. In other words fully conflictual as well as fully cooperative relations among states would be characterized by high level of interdependence. Most of the time different scholars have wished to use interdependence in a positive sense to see higher interdependence as a fundamental force for better relations among nations.<sup>2</sup>

If interdependent relations are to be interpreted in this positive way, the loose and general notion of interdependence must yield to more precisely and narrowly defined concepts. In this study, "interdependence" mean the direct and positive linkage of the interests of states such that when the position of one state changes, the position of others is affected, and in the same direction.<sup>3</sup> Interdependence, then, suggests a system in which states tend to go up or down the ladder of international position in terms of economic strength, power, welfare, access to information and/or technology together (Rosecrance and et al, 1977).

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<sup>2</sup> See Kenneth Waltz (1970)"The Myth of Interdependence" in C. Kindle Berger, ed., *The International Corporation* (Cambridge, Mass., 1970).

<sup>3</sup> It is striking that the literature has made little or no mention of the difference between situations in which interdependence means movement in the same direction and when it means movement in opposed directions. If complete interdependence in the former sense were achieved, nations would have no incentive to seek advantage at the expense of each other.

Another scholar has also defined interdependence as a particular kind of international relationship that emerges when countries are linked by interactions that can be both costly and beneficial.<sup>4</sup> When seen in terms of economic interdependence, the benefits of these interactions are clear. Countries trade, for example, in order to obtain the 'gains from trade'. However, despite such benefits, international economic interactions can also have substantial costs.<sup>5</sup> As far as this definition is concerned two types of interdependence are generally distinguished in the literature. One is sensitivity which refers to the openness of a country to changes in other countries that are transmitted by a mutual interaction. These changes are usual, occurring within the context of an established set of rules and policies.<sup>6</sup> Another type is vulnerability which refers to and focuses on the effect of changes in rules or policies.<sup>7</sup> Having this definition the following section provides the discussion on theories of interdependence and their relevance to interstate cooperation.

At the present there are two types of theory of interdependence, the liberal and realist theory of interdependence. Liberal theory of international interdependence is the one which has late emerged as an important phenomenon in world politics and a popular concept in international relations literature as well. These two theories perceive interdependence differently and hence, they have a contradictory view on the importance of international interdependence. Thus, this part brings out both of them in order to reveal how they look at interdependence and thereby provide a basis for this research. The whole issue covered by these two theories is too broad to be discussed here since it goes beyond the scope of the

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<sup>4</sup> This definition is based primarily on Keohane and Nye (1977). The definition given by these authors actually does not state that the underlying interactions are beneficial as well as costly. They argue, for example, that the US-Soviet nuclear balance creates a form of interdependence that involves costs but not benefits. However, it can also be argued that the superpowers engage in this relationship to gain the benefits of nuclear deterrence. More to the point, the combination of costs and benefits is a crucial aspect of interdependence. If the interactions that create interdependence were not beneficial in some way, countries could simply forgo these interactions to avoid paying the costs they entail. The combination of costs and benefits produces tradeoffs in which countries must try simultaneously to maximize benefits and minimize costs: deterrence vs. escalation, free trade vs. protectionism. These tradeoffs make policymaking difficult. They also create opportunities for countries to pass certain costs off onto others, raising the possibility of arms races or trade wars.

<sup>5</sup> Unregulated trade can complicate domestic macroeconomic planning and create serious dependencies that expose countries to embargoes or blockades. International economic interactions thus simultaneously can have both costly and beneficial aspects, greatly complicating relations among the countries involved.

<sup>6</sup> For example, inflation and unemployment can be transmitted between countries linked by trade or capital flows. This is of course sometimes caused by international differences in factor prices, and is thus independent of changes in the rules and policies governing these interactions.

<sup>7</sup> Boycotts, embargoes, and other trade disruptions are changes in the formal or informal rules governing international trade that can impose substantial costs on countries that are affected by them

study. They have their own core assumptions in relation to state interactions in international system as a whole. For the purpose of this study the researcher took only their insight on international interdependence and cooperation.

Liberal theory has an optimistic view on the importance of international interstate interdependence and cooperation. The theory perceives interdependence as an important characteristic of the contemporary international political economy in which states are open to one another and are engaged in a large volume of transactions across national borders (Suzuki, 1994). Under the growing international interdependence, states are increasingly motivated to cooperate to constrain unilateral defection. Therefore, for liberal theorists, interdependence leads to welfare, peace, socio-economic and political development. In contrast, realist theory has a pessimistic view of interstate interdependence and cooperation arguing that, in the anarchic international system, states are fundamentally motivated by their relative gains and hence their interdependence further leads to conflict than cooperation<sup>8</sup>. Therefore, interdependence in this globalized world does not lead states to cooperation and peace; rather to intense competition (*ibid*).

A number of studies have appeared on the study of interstate interdependence and its possible benefits for them. Among these, the earlier works of Cooper (1968) which focused mainly on the problems of interdependence for domestic and foreign economic policymaking stand first. More recently, a number of studies have also appeared that examine the implications of interdependence for international politics. The most influential of these has been Keohane and Nye (1977). Whatever the evolution as well as the opposing views on the importance of interdependence for states may be, this study uses the liberal view of interstate interdependence as its theoretical framework as it captures the Ethio-Eritrean relations adequately.

Liberal theory of interdependence, argues that, welfare, peace, positive socio-economic and political development comes when states reach at a level of complex interdependence

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<sup>8</sup> Since a gain for one state is seen as a loss by another, states constantly have incentives to take unilateral actions for extra gains. In this case interdependence does not enhance cooperation because it does not remedy international anarchy. Interdependence may even worsen the prospect of conflict because it sharpens the concerns for relative gains and can be manipulated by rival states to cause strategic threats and dangers to autonomy.

(Keohane and Nye, 2001). Interdependence, according to liberal view has a versatile benefit for all state involved. It has a benefit of inhibiting conflict among state (Moravcsik, 1997). According to Moravcsik (1997), it is the view of liberal interdependence that international open markets and heightened economic exchange inhibit interstate hostilities. Interdependence has also a power of increasing contact and promoting health communication among private actors and governments in different countries. Rising contact and health communication, in turn, can foster cooperative political relations (Mansfield and Pollins, 2003).

In the same token, the work of Keohane and Nye (1977) also indicates that when states reach at a level of complex interdependence there will surely be multiple channels of contacts between states. These multiple channels of contacts could be revealed in terms of both economic and political cooperation. It is when this multiple channels of contacts come into being that states could develop a maximum trust and confidence among themselves.

The benefits of interdependence, as liberal argue is not something limited to this alone. It has a power to create harmonious and peaceful world where one could live peacefully. For liberals commercial interdependence has a power to lead states to peace. In this regard the earliest work of Montesquieu, the French social commentator and political thinker stands first. Montesquieu stated that peace is the natural effect of trade interdependence. According to him, two nations that trade together become mutually dependent if one has an interest in buying, the other has an interest in selling; and all unions are based on mutual needs (Quoted in Ching Chang, 2005). Barry Buzan (1984) has also strengthened the assertion of liberal view of the benefits of commercial interdependence, peace. Buzan states that, a core element of the liberal position is that a liberal economic order makes a substantial and positive contribution to the maintenance of international security.

Added to this, interstate interdependence, be it commercial or other enables states to resolve disputes peacefully. Masterso (2009) in his article 'Analyzing Economic Interdependence and conflict' argues that interstate interdependence enable states to resolve various problems and even interstate disputes through peaceful means. Furthermore, the work of Dale Coupland supports this idea that as states become more interdependent both economically and

politically with each other they will be less likely to solve the problems through the use of force (Coupland, 1996). As Coupland argued, the main reason for this is that the maximum benefits provided by interdependence would be lost and disrupted as a result of war. Therefore, according to liberal theory, interstate interdependence results in welfare, peace, socio-economic and political development among states.

### **2.2.1. Interstate Relations and Complex Interdependence**

Our time is an era of interdependence where states across the world are coming together for the purpose of mutual cooperation than ever before in the history of human civilization (Keohane and Nye, 1989). In today's globalized world, interstate relation to its greater extent is influenced by interdependence nature of states. According to liberal theory of international relations, an increasing interstate relation fosters a sense of international community as well as the development of mutual respect and peaceful relations (Pevehouse, 2004). For liberals, the increasing interstate interactions would surely lead states into a cohesive world where states found themselves important for the existence of the other. In this case interdependence resulted in a more positive and harmonious interaction among states.

By stressing on the importance of interdependence, liberal scholars have argued that it is only when states are found interdependent that an increased cooperation and trust would prevail. Therefore, it is when interdependence prevails in various aspects of interstate relations that states would have a better interaction and cooperation. Several studies have appeared on the benefits of interstate interdependence out of which pacifications of interstate conflict and cross border trade are the major ones. The work of Coupland (1996), Krustev (2006) De Vries (1990) and Mansfield and Pollins (2001) indicate that, interdependence particularly economic interdependence between states has a pacifying impact on international conflicts.

According to the above writers, interdependent states are less likely to resort to the use of force because of the fact that war disrupts all aspects of state's affairs. As for the above writers, their view of interdependence focuses on the relation between states interdependence and probability of conflict. Added to this James Masterson in his article 'Analyzing Economic Interdependence and Conflict' indicates that loss in benefits of trade and economic interdependence among states results in lower national welfare (Masterson, 2009).

From this perspective, one can understand that interdependence among states has a benefit of reducing interstate conflict and enable them to have a good environment of interactions. It has also an advantage of enhancing states economic and political development. Therefore, from this point of view, it can be argued that when states are interdependent there will be chances of cooperation both economically and politically.

### **2.2.2. Interstate Relation and Economic Interdependence**

It has long been argued that, states interaction in international system is inevitable. They interact with each other in various ways. One among them is that economic interaction that manifests itself in the form of trade relations. As such, many of them trade with each other because the virtues of trade make each country better off economically. While interacting with the other there are certain benefit that states would gain that can be seen in terms of economic cooperation or economic interdependence. This interdependence, if based on free market principles including free trade and the full mobility of resources would result in maximum global output.

Any country breaking off such a trade relationship would decrease its own long-run economic well-being, as well as perhaps the well-being of its trading partners and of other countries (Anderton and Carter, 2001). According to liberal theory, economic interdependence is becoming an important characteristic of the contemporary international political economy in which states are open to one another and are engaged in a large volume of economic transactions across national borders. When states' markets are closely linked, events in one state strongly influence conditions in another.

This means that, even under normal activity states need to make constant adjustments to disturbances from abroad. Between the interdependent states, there exists the interconnectedness of policy choices that generates strategic, or game-theoretic, aspects to their interaction. The density of international economic linkage determines the nature of the strategic interaction crucially and by the way in which policy effects are transmitted across the states. If policy effects are positive (maximization by one state favorably influences maximization by another), the states are very likely to cooperate in promoting mutually beneficial maximization policies. Nevertheless, policy effects can be negative under particular constraints: maximization by one state adversely affecting maximization by

another. If such negative policy externalities exist, cooperation is not an equilibrium solution in a static game-theoretic sense.

Liberal institutionalist scholars (Keohane, 1984; Axelrod and Keohane, 1986; Oye, 1986) also argue that, despite the presence of negative policy externalities, cooperation will evolve as a long run equilibrium outcome. They formalize convergence toward cooperation as a solution to repeated Prisoner Dilemma.<sup>9</sup> As states deal with one another repeatedly over time, they acquire the ability to punish the current non-cooperative behavior by imposing a penalty in the next period. If states have long planning horizons or share a long shadow of the future, they will recognize that the rewards of cooperation outweigh the gains from defection and will not deviate from cooperation in attempts to maximize their inter temporal absolute payoffs.

Added to this, economic interdependence has also a pacifying effect on interstate conflicts (Baird and George, 2010). The work of Coupland (1996) indicates that, economic interdependence lowers the likelihood of war by increasing the value of trading over the alternatives of aggression. Coupland further explains the importance of interstate economic interdependence on the minimization of interstate conflict by saying that economically interdependent states would rather trade than invade. Other scholars like Ralpa Cossa and Jane Khamne have also argued that interstate economic interdependence can terminate interstate conflict and resulted in harmonious and peaceful world (Cossa and Khamne, 1997).

Furthermore, Rong-I Wu, Chyuan-Shiau and Chi-Chen Chiang in their paper 'Economic Interdependence and Security' take this issue further and argue that an increasing economic interdependence among states contribute to the development of mutual respect and

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<sup>9</sup> Keohane (1984:part 2) claims that interdependent states would create or accept "rules, norms, principles, and procedures" (i.e., international regimes) that ensure repetitive interaction and help reduce barriers to cooperation, including uncertainty, decisional myopia, and transaction costs. Also, he argues that "[a]lthough regimes themselves depend on conditions that are conducive to interstate agreements; they may also facilitate further efforts to coordinate policies" (p. 57). And "there is likely to be increasing demand for international regimes as interdependence grows and policy spaces become more dense" (pp. 79-80). Thus, Keohane believes that regimes provide institutional structures that facilitate cooperation between interdependent states. In this article, a regime is not modeled explicitly and the possibility of cooperation depends on constraints emanating from economic interdependence. For general theories of international regimes, see articles in a special issue of *International Organization* 36 (Spring 1982) and a useful review article by Haggard and Simmons (1987).

harmonious relations as well as fosters a sense of international community (Wu and et-al, 2005). For this reason according to Pavese (2004) increasing level of interstate economic interdependence create a more potential for positive interactions between states which is not only serve as a catalyst for interstate cooperation but also as a deterrent to future conflict. In other words, from pure economic point of view, the more states are economically interdependent the more they will have an interest in maintaining peaceful political relations in order to sustain economic interactions and avoid economic loss (Mochizuki, 1998).

From this point of view, we can understand that economic interdependence among states has a great pacifying effect on interstate conflicts and a greater pure economic benefit. Still for other writers, the importance of economic interdependence is not something limited to trade profit and pacifications of conflict but also it has a greater political benefit.<sup>10</sup>

### **2.2.3. Interstate Relation and Cooperation**

Understanding patterns of cooperation between nations has become an important analytic issue as scholars of International Relations have come to realize that the international environment is not a Hobbesian war of all against all but a system where nations often coordinate and cooperate with one another.

This sentence depicts that there are two types of interstate interaction in international environment. The phrase 'Hobbesian war of all against all' represents the conflictual interstate relationship and the phrase 'but a system where nations often coordinate and cooperate with one another' represents cooperative interstate relationship. Thus, in international system as Crescenzi (2008) points out, states interaction ranges from conflictual to cooperation. Conflictual state relations according to Crescenzi refer to a kind of relationship where there is no cordial and cooperative interaction among states (Crescenzi and et al, 2008).

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<sup>10</sup> Mansfield and Pollins (2010) in their article *the Study of Interdependence and Conflict* argued that economic interdependence among states fosters cooperative political relations.

On the other hand, cooperative state interaction refers to a situation where there is smooth and cordial relations existing among states. Conflictual state interaction most of the time alter interstate relationship in a way that increases the chances of future interstate disputes, whereas cooperative interstate relations decreases the probability of militarized interstate disputes and results in peaceful relations. In a cooperative state interaction benefits gained by state involved ranges from socio-economic to political benefits. According to Mansfield and Pollins (2010), in cooperative interstate relations states share common interest and benefits from the furtherance of their shared interest particularly along economic lines. This kind of furtherance mutually benefits all involved states.

The same aspect of economic and political benefits is emphasized by Bhattacharya (2006) saying that, by working together states enjoy socio-economic and political benefits that may not occur by individual efforts alone. Along the same line, Lloyd Gruber in his article 'Interstate Cooperation and the Hidden Face of Power' also stressed on the benefits of maintaining cooperative interstate relations by saying that: Cooperative interstate relations are perceived to be higher than the anticipated gains from unilateral actions of states (Gruber, 1999).

With the ever-increasing speed of globalization the practices of interstate relation and cooperation is increasing more than ever before. Many scholars have proven that the benefits of cooperative interstate relations are more laudable than the anticipated gains from unilateral actions of state.

Cooperation in the case of Ethiopia and Eritrea has several advantages to the economic wellbeing of the two countries. As kidane (1994) stated, cooperation between these two states can give them a chance of fighting their overwhelming economic problems. In fact, kidane's discussion of cooperation between the two countries was focused on the pre-conflict economic problems that the two countries have been faced. The problems are still there, though its focus is changed. At the present, there are several economic problems that these countries are facing. Previously, though it was only for limited period of time, the economies of the two countries have been interdependent. The two provisional governments, after independence have signed an agreement on several issues. One area of these agreements was

Ethiopia's continued access to the port of Assab and Massawa which Eritrea has granted it. Another important agreement was about the sharing of the oil refinery at the port of Assab. On the Ethiopian side also there were several agreements made to help Eritrea. Soon, its independence Ethiopia granted Eritrea to use its national currency (Alemu, 2000)

Apart from this there were also several things that the two countries have been benefited from the other. Among these, the Eritrean import of different food products and industrial raw materials from Ethiopia was the leading one (Belay, 1996). Long been the lives of Eritrean people had been based on food import from Ethiopia which is currently non-existent. However, with the outbreak of the conflict these benefits have stopped. At the present both countries are facing acute of economic and political problems that would easily be solved if they began working on their interdependence. The cooperation and coordination in every aspect of their affairs would result in economic prosperity. More importantly, their past interdependence, geographical proximity, cultural and historical ties would help them to soften their current status quo and lead them to cooperate in the future. It is only when they become interdependent and co-operate each other that they could come out from their current economic and political mess.

#### **2.2.4. Interdependence and Restoration of Peace**

Liberals argue that, interdependence is a good starting point for building cooperation on higher and broader political and security issues. The positive as well as constructive side of liberal theory says that, interstate interdependence can bring about peace or help upgrade peace. But, the problem is that much of the literature existing on liberal theory of interdependence only focuses on the pre-existing kind of interdependence among states.

Only few studies are there on how interdependence has come into being within former enemies. Nevertheless, there is still a gap on how interdependence has come into being among countries, which are formerly enemies where there is no interdependence. It is obvious that in the case of Ethiopia and Eritrea, which this research focuses on, there is no formal interdependence existing between the two countries at the present. However, given that the benefits of interdependence in various aspects of their relations, the goal of this study is to establish some level of interdependence to begin with.

As mentioned earlier, liberal theory of interdependence depicts that interdependence results in peace and transition to peace is a process that can pass through two stages. The first stage is the achievement of 'cold peace'. Miller (2005) defines cold peace as a condition where the main issues in conflict are mitigated but not fully resolved, where there are intergovernmental channels of communication and strong limitations on transnational activities, significant revisionist groups exist, and the possibility of return to war prevails should international or domestic changes occur.

Often, the signing of a peace treaty ending the formal state of war between the former enemies as in the case of Algiers agreement in Ethio-Eritrean relations for example identifies this stage. The second stage is the process of stabilizing and deepening the peace after the official treaty has been signed. Miller (2005) distinguishes between two more advanced levels of peace. 'Normal peace' exists when the main issues are resolved and transnational ties begin to develop. 'Warm peace' will exist when transnational ties are highly developed and the return to war becomes unthinkable.

Here Stage II (normalization) focuses on any movement from a cold peace towards a normal peace and, in the long run, perhaps warm peace. Warm peace in the case of Ethio-Eritrea relation can only be achieved when both countries turn their attention towards reconciliation endeavors. This process is there if and only if the two countries believe their interdependence would yield something good in the near future. What is important here is to focus on the process of moving toward normal and warmer peace, than to define an outcome. Both normal and warm peaces are subsumed under the broader category of 'stable peace'<sup>11</sup> and the process that this study examines can be described as the process of stabilizing the formal peace. In fact, it is the argument of this thesis that stable peace fits much in to the Ethio-Eritrean case.

As seen above interdependence in one way or the other can contribute to the development of peace among states, which are formerly enemies. Despite the prevailing hostility, the future expectations of interdependence between the formerly hostile states would enable them to restore peace. The expectations of future benefits to be generated from interdependence

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<sup>11</sup> See Kacowicz, Arie; Yaacov Bar-Siman-Tov, Ole Elgstrom & Magnus Jerneck, eds, 2000. *Stable Peace Among Nations*. Lanham, MD: Rowman & Littlefield.

would enable formerly hostile states to restore peace. In this case, the reality between Ethiopia and Eritrea will not be unique. It surely supports this situation. There has been past interdependence between the two countries, which sadly is non-existent. Thus, their future expectations of benefits to be gained from their interdependence will enable them to restore peace.

Therefore, the theory and concepts that has been discussed so far can best explain the Ethio-Eritrea relations. Interdependence between Ethiopia and Eritrea would possibly result in a good environment for cooperation and restoration of peace given the reality that, Eritrea has a port through which Ethiopia could conduct its international trade and Ethiopia on the other hand has different agricultural products to be exported to Eritrea like coffee and teff with which life in Eritrea would be better. Thus, interdependence between these two countries has a paramount importance. Currently, because of the breakdown of the relations between the two countries, the benefits that can be gained from their cooperation and interdependence are no wherein the horizon.

Needless to say, Ethiopia's international overseas trade has long been dependent on ports of Assab and Massawa from the early period to the outbreak of the 1998 border conflict. After the border conflict, Ethiopia shifted its way from Eritrea to Djibouti for its successful conduct of international overseas trade. However, Eritreans were left empty handed for which Ethiopia stopped exporting of teff and other agricultural products upon which the lives of Eritreans were based. It is undeniable hence that, the absence of interdependence and cooperative relation between the two countries largely is affecting economic and political development of both countries. Ethiopia is exposed to pay huge amount of money for port use to conduct its international overseas trade through port's of Djibouti. On the other hand, Eritrea is facing a serious economic crisis because of its past dependence on Ethiopian export of agricultural products upon which the lives of Eritrean people were based. Therefore, it is when these two states are becoming interdependent that they can have a better chance of solving economic and political problems and largely restore peace. Thus, the following chapters will discuss these interrelated issues in some detail.

## Chapter Three

### Background of Ethio-Eritrean Relations (1991-1998)

#### 3.1 The Cordial Relations

As it was mentioned earlier in the introduction part of this study, the coming to power of Eritrean People's Liberation Front (EPLF) in 1991 marked the emergence of a de facto independent Eritrean state. From this early period onwards, Eritrea and Ethiopia began to consolidate their relationships in various aspects. Though, there was no formal cooperation up until 1993, the cordial relation between the two countries began with the Ethiopian Transitional Federal Government's interest to uphold the right to self-determination for all of Ethiopia's peoples upon which the future status of Eritrea was to be based.<sup>12</sup>

It was in this early period that the new Transitional Government of Ethiopia (TGE) approved a plan to hold a referendum by the Eritrean provisional government (EPG) to determine Eritrea's status (HRW, 2003).<sup>13</sup> Despite the presence of some interaction between them up until May 1993, there was no official relationship between the two countries. The formal relations had to wait until the legal independence of Eritrea through the referendum in April 1993 and the official declaration of independence of Eritrea on 24 May 1993. Following this, the newly established government in both countries began practicing cordial relations by being close partners. This was followed by the signing of the 1993 Agreement on Friendship and Cooperation that later formalized the relations between the two countries<sup>14</sup>. The agreement reflected the commitment of the two countries to achieve economic integration and political cooperation (see Appendix 1).

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<sup>12</sup> See the Transitional Period Charter of Ethiopia states: The right of nations, nationalities and peoples to self-determination is affirmed. To this end, each nation, nationality, and people is guaranteed the right to exercise its right to self-determination or independence, when the concerned national/nationality and people is convinced that the above rights are denied, abridged or abrogated. Ibid, art. 2 (c).

<sup>13</sup> In a letter to the U.N. secretary-general dated December 13, 1991, the president of the transitional government of Ethiopia, Meles Zenawi, wrote that "the people of Eritrea have the right to determine their own future by themselves ... the status of Eritrea should be decided by the Eritrean people in a referendum to be conducted in the presence of international observers." Referendum Commission of Eritrea "Referendum '93: the Eritrean people determine their destiny," August 1993, p.13.

<sup>14</sup> This provision of the agreement was intended to promote and further consolidate the historical and cultural relationships long cherished by the peoples of the two countries, and to further strengthen the affinity and bonds of friendship between them

Accordingly, they agreed to cooperate in various aspects.<sup>15</sup> Eritrea was allowed to use Ethiopia's currency, Birr. In return, Ethiopia was given free access to the Eritrean ports of Assab and Massawa (Tekeste, 2000). Their trade and economic interaction heightened with the signing of the September 1993 economic agreement. In the agreement, both countries agreed to harmonize their exchange rate policies, cooperate on interest rates, create inflation controlling mechanisms, synchronize exchange policies and extend the privilege for the nationalities of each of the countries to reside<sup>16</sup> and invest in each of their countries (*ibid*). In addition, according to Mamo (2002) there was a free movement of goods and services without the usual import and export duties including goods and commodities imported from third countries. Moreover, the free movements of people were also allowed to and from both countries with the right to trade and invest (*ibid*).

The cordial relations between the two countries gained its new momentum in the year 1995 at the time when both parties agreed to establish a Free Trade Area (FTA) that came into being at the meeting of the 3<sup>rd</sup> round joint ministerial commission held in Asmara (Tekeste, 2000). According to the agreement, the two countries agreed to remove all tariffs and non-tariff barriers on goods and services traded between them. Furthermore, as Tekeste pointed out, it was during this cordial relation period that the two parties agreed to backup each other in social reconstruction process particularly to Eritrea. The best example of such rehabilitation assistance was Ethiopia's loan agreement between International Development Associations (IDA)<sup>17</sup> to finance the reconstruction project of devastated Eritrea as a result of war of independence (Tekeste, 2000). The rehabilitation assistance was in fact to upgrade their relation to the highest level and as tea me time to sustain their relations.

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<sup>15</sup> Which include cooperation on the areas of trade and commerce, health, education, tourism, environment, finance, science, foreign policy and defense, see Kalewongel (2008:39)

<sup>16</sup> Article 2.3 of the agreement declared that "until such time that the citizens of one of the sides residing in the other's territory are fully identified and until the issue of citizenship is settled in both countries, the traditional right of citizens of one side to live in the other's territory shall be respected

<sup>17</sup> The council of representative of the government of Ethiopia ratified proclamation No.51/1993-A. proclamation to ratify the credit agreement between Ethiopia and IDA. The money secured under the loan agreement, US\$18 million utilized for the reconstruction of Eritrea.

However, the cordial relation between the two countries did not last long. It began to deteriorate from the year 1997 and by 1998 relation between both countries reached in a low level. Later, in May 1998 conflict erupted between the two formerly brother states.

### **3.2 The Conflict**

The shortly lived cordial and cooperative relation between Ethiopia and Eritrea came to an end with eruption of the May 1998 border conflict. Following this, the relations between the two countries changed from cooperation to conflict. The conflict erupted in 1998 with the Eritrean military invasion of a village near “Yirga-triangle” which Ethiopia considered as its territory (Rejouis and Zondi, 2005). Later, according to Kalewongel (2008), the conflict formally started with Eritrea’s mobilization of its military to Badme and its surrounding on 12 May 1998 and Ethiopia’s counter response to Eritrea’s invasion of the disputed territory on 13 May 1998.

#### **3.2.1 Course of the War**

The Ethio-Eritrean border conflict of 1998-2000 took place in three major phases. The first was fought from 22 May to 11 June 1998, which was brief but bloody (Kalewongel, 2008). Both countries attacked some particular places through the mobilizations of ground and air force (*Ibid*)<sup>18</sup>. However, the air raid was temporarily ceased by an agreement between the two parties brokered by frequent telephone calls of President Clinton to President Issaias of Eritrea and Prime Minister Meles Zenawi of Ethiopia (*Ibid*).

The second phase of the conflict was fought on February 1999, which began after an undeclared ceasefire was broken. It was initially started when Ethiopia launched an attack against Eritrean forces. After four days of intense fighting, Ethiopian army recaptured Badme. Though it proved unsuccessful, Eritrean forces also made attempt to regain Badme. However it was unsuccessful and stalemate continued again throughout 1999 and into 2000 (ICG, 2005).

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<sup>18</sup> The ground fighting was centered on three fronts on the border, Badme and Shiraro front in the west, Alitena and Zalmabessa front in the central part and the Bure front in the east. There were also series of air attacks. Ethiopia attacked Asmara’s Air Port and Eritrea attacked Mekele and Adigrat towns.

The third Phase of the conflict has begun in May 2000. As Lortan (2000) and Kalewongel (2008) stated, in May 2000 Ethiopia launched an attack against Eritrean positions on all fronts. This phase of the conflict lasted for one week. Ethiopian forces broke through Eritrean trenches and headed deep inside western Eritrea. On 29 May, President Issaias Afeworki of Eritrea issued an all-front order to the army to withdraw from all the disputed territories (Kalewongel, 2008). On 30 of May, Ethiopia announced its withdrawal from western Eritrean territory claiming that it had successfully achieved its military objective of liberating occupied territories (*Ibid*).

After these protracted three phases of the conflict, on 18 June 2000 the conflict was formally concluded with the signing of the Agreement on Cessation of Hostilities (ICG, 2005). Regarding the conflict, many writers have said both countries have fought one of the catastrophic and biggest wars in the recent history of the world (Paulos, 1999; Tekeste and Tronvoll, 2000 and Reid, 2003). The conflict in general has resulted in a great socio-economic and political shock between the two countries.<sup>19</sup>

### **3.3 Peace Process and the Signing of Algiers Agreement**

Before the signing of the Algiers agreement on the 12 December 2000, there have been a number of peace processes, which had taken place to end the Ethio-Eritrean border conflict. The first of all these was the US-Rwandan led peace proposal, which contained four points<sup>20</sup>. The proposal was prepared immediately within a week of the outbreak of the conflict with the aim of negotiating the two parties on how to agree on the disputed area particularly to enable them to return to the status quo that had prevailed before the conflict (Kalewongel, 2008).

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<sup>19</sup> As many as 100,000 people were killed in the intermittent fighting, and up to one million were driven into exile or internal displacement, diverting hundreds of millions from development activities into arms procurement. Above all it also became a serious problem to peace and security of the Horn of Africa. see Axel Borchgrevink and Jon Harald Sande Lie (2009:29), and Leench Iata (2007:45)Regional Conflicts And International Engagement On The Horn of Africa

<sup>20</sup> The peace plan was led by then Assistant Secretary of State Susan Rice of US and by Vice President Paul Kagame of Rwanda. Working together, they produced a framework for resolution of the border conflict, but it failed to stop the fighting because it was accepted only by Ethiopia. Its main contents were that: commitment by both parties to resolving this and any other disputes by peaceful means and renouncing force as a means of imposing solutions; Deployment of a small observer mission to Badme, while Eritrean forces should redeploy from Badme to positions held before May 6, 1998; Agreement to a swift and binding delimitation and demarcation of the Ethiopia-Eritrea border; Demilitarization of the entire common border, see Minale 2008 and international crisis group 2003;4.

The US-Rwandan led four-point peace proposal demanded the withdrawal of Eritrean forces from Badme and their redeployment to positions they held before the outbreak of the conflict and the reconstitution of the civilian administration.<sup>21</sup> However, the two parties did not agree on the key points of the proposal and continued the conflict. Though the proposal failed to prevent the continuation of conflict, it had paved the way for subsequent peace endeavors. It paved the way for OAU framework agreement that followed US Rwandan peace proposal (ICG, 2005).

According to Kalewongel (2008), the OAU framework of agreement, though it was the second peace endeavor, contained the similar provision with that of the previous US-Rwandan led peace plan. Section three of the framework agreement; for example, suggest the redeployment of Eritrean forces from Badme and its surroundings to the positions they held before 6 May 1998.<sup>22</sup>

Ethiopia initially accepted the OAU framework as well as the accompanying “Modalities of Implementation” but Eritrea had reservations and refused to accept it. It was reluctant to withdraw its forces from Badme and its surrounding areas. As a result, a heavy fighting called “Operation Sunset”<sup>23</sup> resumed in February 1999, in which Ethiopia retook Badme (Kalewongel, 2008). It was after this massive military attack that Eritrea accepted the OAU framework agreement (ICG, 2005).

When Eritrea accepted the framework agreement, Ethiopia began to challenge the OAU peace efforts. Ethiopia labeled the technical arrangements (the second enclosed document to the framework of agreement) to the implementation of the OAU framework agreement

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<sup>21</sup> The four-point peace proposal also called the parties to be committed to a peaceful resolution of the conflict. It provided for the deployment of smaller observer mission around Badme, and investigation of the origins of the armed conflict. It suggested both parties to agree for a swift and binding delimitation of the border on the basis of colonial treaties and applicable international law, and called on the demilitarization of the entire border area.

<sup>22</sup> The OAU framework agreement, with a total of 11 paragraphs, also called the parties to commit themselves to use the service of the UN cartographic unit and other experts, for the delimitation and demarcation of the border (Paragraph-6), investigation of the origins of the armed conflict and humane treatment of the nationals of the other country (Paragraph -7).

<sup>23</sup> An operation named after President Issaias’s comment that Eritrea’s withdrawal from Badme is like the sun never setting.

unacceptable, and delivered a list of questions demanding clarification (ICG.2003).<sup>24</sup> Ethiopia suspected the true intentions of Eritrea in accepting the peace proposal. Eritrea's acceptance of the OAU framework agreement was understood by Ethiopia as a strategy to buy time, reorganize its army and launch counter attacks on Badme. Instead, Ethiopia preferred to continue its military operations.

In May 2000, Ethiopia launched major attacks in multiple fronts (Lortan, 2000 and Kalewongel, 2008). After bitter fighting, Ethiopia penetrated deep inside the Eritrean territory, and occupied areas that were not even in its administration or list of claimed territories (ICG, 2005). The overall military offence of the Ethiopian forces and the penetration of the army deep inside the territories of Eritrea ignited renewed diplomatic efforts for mediation. Mediators shuttled between the capitals of the two countries and finally succeeded to arrange an agreement on cessation of hostilities, signed on 18 June 2000.

Another peace process that had taken place to negotiate between Ethiopia and Eritrea was an agreement on the cessation of hostility signed in June 2000. The pillar of the agreement on cessation of hostilities was the deployment of peacekeeping forces and the creation of a 25 kilometers buffer zone inside the territory of Eritrea<sup>25</sup>. The agreement called on Ethiopia to withdraw its troops from positions it occupied after 6 February 1999, which were not under the Ethiopian administration.<sup>26</sup> Eritrea, on the other hand, agreed to settle its troops 25

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<sup>24</sup> The OAU framework agreement was accompanied by two other documents, the modalities for implementation and the technical arrangements. These documents were produced after Eritrea accepted the OAU framework agreement with the view to implement the principles in the framework agreement

<sup>25</sup> The 18 June 2000 Cessation of Hostilities Agreement led to the establishment of the UNMEE as adopted by Security Council Resolution 1312 (2000) on 31 July 2000. The Council in due course authorized up to 4200 troops including up to 220 military observers for UNMEE in September 2000 (Security Council Resolution 1320 (2000) on 15 September). By late October 2000 UNMEE military observers took positions along both sides of the disputed border, and on 18 April 2001 UNMEE declared the establishment of the TSZ, an action that marked the formal separation of the parties' military forces. On 12 December 2000, the governments of Ethiopia and Eritrea signed a comprehensive peace agreement in Algiers in which both sides committed themselves to the full implementation of the Agreement on Cessation of Hostilities and to terminate permanently military hostilities between themselves. The three key issues addressed were delimitation (establishing the course of the border on maps by reference to treaties and other evidence) and demarcation (physical identification of the border on the ground by laying marker stones and similar means) of the border; compensation; and investigations into the origins of the conflict. The agreement thus provided for the establishment of (a) a Boundary Commission; (b) a Claims Commission mandated to decide on all claims of loss, damage or injury from either side; and (c) a commission to conduct an independent and impartial investigation into the origins of the conflict, see Muller, Tanja R. (2006)

<sup>26</sup> February 1999 marks the day Ethiopian armed operations against Eritrea were started in Badme.

kilometers away from the Ethiopian settlements. The treaty also envisaged the formation of a military coordination commission to facilitate the settlement of a peacekeeping mission and monitor the implementation of the agreement.

### **3.3.1. The Algiers Peace Agreement**

The Algiers agreement came into being on 12 December 2000 in Algiers, the capital of the present day Algeria. It was initially brokered by the Algerian president, Bouteflika<sup>27</sup> who was the Chairman of the OAU at the time. The representatives of various international organizations, EU, UN and WE (ICG, 2005) witnessed the agreement. It contained six Articles dealing with various aspects of the peace process in relation with what the two countries should do. In the preamble part of the agreement, the parties reaffirmed their acceptance of the OAU framework of agreement and its modalities of implementation as well as the agreement on the cessation of hostilities. The agreement mainly aimed at ending the conflict. According to the agreement, the two parties agreed, “Permanently terminate military hostilities between themselves and “refrain from the threat or the use of force against the other” (Art 1)<sup>28</sup>.

Article two of the agreement dealt with the prisoners of war, persons under custody in connection with the armed conflict and the treatment of the nationals of the other state. In fulfilling the obligation under international humanitarian law and the 1949 Geneva Convention, both parties agreed to release all prisoners of war in cooperation with the International Committee of the Red Cross. The parties to the conflict also agreed to release, repatriate and return all those persons who were detained because of the armed conflict and extend humane treatment to the nationals of the other state residing in their territories.

The rest of the articles of the peace agreement were devoted to the establishment of three commissions that would work to end the conflict. These are; an Independent Body to investigate the origins of the armed conflict, a Neutral Boundary Commission to decide on the course of the boundary line and an Impartial Claims Commission to decide on issues of compensation. Since the early stages of the conflict, the parties have had a series of

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<sup>27</sup> See <http://www.un.org/en/peacekeeping/missions/past/unmee/background.html>

<sup>28</sup> See appendix. 6

disagreements on the incidents that led to the eruption of the war. They accused each other of igniting the violence and occupying the territory of the other. As a result, investigation of the origins of the armed violence has been an integral part of the mediation efforts since the four point peace proposal of the US and Rwanda.

Similarly, the Algiers peace agreement included a provision that demanded the investigation of events that led to the triggering of the war (Article 3(1)). An independent and impartial body appointed by the Secretary General of the OAU, in consultation with the General Secretary of the UN and the two parties, was given the duty to investigate the origins of the armed conflict and submit its report. Article 4 of the agreement established a neutral boundary commission with a mandate to come up with a non-appealing decision on the disputed border. This was the central part of the agreement. Out of the 47 paragraphs of the agreement, 17 were devoted to the establishment of the commission. Article 4, paragraph 2, states the responsibility entrusted to the commission:

The parties agree that a neutral boundary commission composed of five members shall be established with mandate to delimit and demarcate the colonial treaty border based on the pertinent colonial treaties (1900, 1902, and 1908) and applicable international law. The commission shall not have the power to make decisions *ex aequo et bono*<sup>29</sup> (Algiers agreement Article4).

Thus, the commission was given the mandate to both delimit and demarcate the boundary. The commission consisted of five members. Each party was given the opportunity to appoint two members of the commission upon the condition that they should be neither nationals nor permanent residents of the parties. The four party appointed members of the commission in turn would elect the president of the commission as its fifth member.

The parties agreed to submit their claims to the secretariat of the commission (the UN Cartographic Unit) within 45 days after the effective date of the agreement. It was stipulated that the commission would come up with a delimitation decision within six months after it

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<sup>29</sup> *Ex aequo et bono* is a situation in which adjudicators decide disputes on the basis of what is fair, and appropriate. Denying the courts the ability to make decisions on the basis of *ex aequo et bono* is a precaution intended to ensure that the court decides on the case purely on the basis of the law. In theory, this minimizes the court's bias and leaves low discretion to the court. However, in reality, the absence of consideration of fairness in the decision of the court usually leads to bitterness and a sense of injustice (Gabriel and Sohn, cited in kalewongel, 2008).

held its first meeting. The parties committed themselves to accept the decision of the border commission as final and binding. Article 4 paragraph 15 of the Algiers agreement clearly pointed out that, “The parties agree that the delimitation determinations of the commission shall be final and binding. Each party shall respect the border so determined as well as territorial integrity and sovereignty of the other party determined.” It was further stipulated that after submitting its delimitation decision, the commission would arrange the expeditious demarcation of the border.

As regards to the issue of claims, Article 5 of the agreement established the third organ; the Claims Commission. The claims commission was given a mandate to come up with a binding decision on “all claims of loss, damage or injury” on government, nationals and entities owned by one over the other. The claims commission was designed in a similar structure as the border commission. Like the border commission, the claims commission was constituted with five members. According to the provisions of the commission, each party would appoint two members and the four appointed members of the commission would elect the president of the commission. The commission was given the authority to use relevant international law to make decisions. It could not make decision based on “ex aequo et bono” and its decision would be final and binding. The commission was expected to finalize and communicate its decision within three years after the completion of the filing of claims by the parties. In line with the Algiers agreement, the boundary commission and the claims commission were constituted and accomplished their tasks.

It is worth noting here that these two commissions have now completed their missions and do not exist anymore. The boundary commission was constituted in 2001, which delivered its delimitation decision in April 2002 and de-existed in November 2007. The claims commission, on the other hand, was formally constituted in 2001, gave its verdict in December 2005 and then ended its existence. Unfortunately, however, the impartial body that was envisaged to carry out an investigation on the incidents, which led to the border war, was never been established.

### **3.3.2. Keeping the Peace -The Establishment of UNMEE**

As mentioned above, after two years of border conflict, both parties signed an agreement on the cessation of hostilities on 18 June 2000. In the agreement, the parties committed themselves to the immediate cessation of hostilities and to allow a peacekeeping mission to be deployed by the UN (Sande, 2009). Thus, it was in the request of the parties' to the UN to assist the implementing of the cessation of hostilities agreement that, the Security Council established the United Nations Mission in Eritrea and Ethiopia (UNMEE) in July 2000 (*ibid*). Accordingly, around 4,200 troops and 220 military observers were deployed on the areas of 25 km buffer zone called Temporary Security Zone (TSZ).

The UNMEE was mandated to monitor the implementation of the agreement on cessation of hostilities, oversee the deployment of Ethiopian forces from positions they had taken after 6 February 1999 as well as to oversee the deployment of Eritrean forces within 25 kilometers distance from the new deploying positions of the Ethiopian forces. It was also given the task of monitoring the temporary security zone, chair the Military Coordination Commission of the two countries, coordinate and provide technical assistance to mining activities in the temporary security zone and areas adjacent to it.

In early 2001, the UNMEE had already started its operation on the ground with the contributions of many countries military personnel (Kalewongel, 2008).<sup>30</sup> In 2002, the UN Security Council revised the mandate of the UNMEE to facilitate the implementation of the boundary commission's delimitation decision.<sup>31</sup> Accordingly, the mandate of the UNMEE was expanded to include, de-mining in key areas to help the demarcation process, and offering administrative and logistical support for the field offices of the boundary commission.

UNMEE's operation was planned to be concluded with the completion of the delineation of the border between the two countries (Agreement on the Cessation of Hostilities). However, due to the extension of peace process and restriction from Eritrean government UNMEE was

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<sup>30</sup> More than 40 countries participated in the contribution of military personnel among which India, Jordan and Kenya taking the largest share.

<sup>31</sup> Resolution 1430(2002)

terminated on 31 July 2008 before the completion of its mandate (Sande, 2009).<sup>32</sup> For the last seven years, UNMEE has effectively served as a buffer separating the hundreds of thousands of soldiers settled along the border<sup>33</sup>.

Nevertheless, UNMEE's role of separating the armies of the two countries was recently reduced by the cutting of logistic supplies to the peacekeeping force by Eritrea. With the standing of the virtual demarcation of the border as of January 2008, Eritrea announced that it would not accommodate UNMEE forces in its territory any more. In a letter to the Security Council in January 2008 President Issaias Afewerki wrote that, since the border was virtually demarcated by the commission, UNMEE has continued existence inside the Eritrean territory could be seen as occupation (Kalewongel, 2008).

Taking actions, Eritrea cut down fuel and food supplies to UNMEE. Despite the requests from the Secretary General to urgently address the logistic supplies, Eritrea continued to deny UNMEE diesel and food supply based on the above argument of irrelevance of the presence of UNMEE. As a result, the UN was forced to pull out UNMEE forces from Eritrea and relocate them in Ethiopia as of February 2008.<sup>34</sup> Hence, as of today, there is nothing called the Temporary Security Zone monitored by the UNMEE and the armies of the two countries are facing each other. In such circumstances, the chance of another round of war has been manifesting itself in the form of proxy war over Somalia. Eritrea demands to use force to fulfill its legal rights entitled by the border commission. As it did in Somalia in December 2006 Ethiopia, on the other hand, is attempting to avoid its security threat.

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<sup>32</sup> Eritrea began imposing restriction on UNMEE in early 2004. In March 2004 Eritrea closed off the mission's main supply route between Asmara and its Sector West headquarters in Barentu. The Eritrean authorities refused to let UNMEE use the rather new, paved Asmara– Keren–Barentu road, on the grounds that there were spies and armed rebels along the road and that the Eritrean host government could not guarantee the safety of the mission's personnel, the restriction continued throughout 2005 as a result of this on 31 July 2008 UNMEE became terminated.

<sup>33</sup> According to Tekeste and Tronvoll (2000:30) Ethiopia is suspected of having an army of around 450,000 while Eritrea may have 350,000 soldiers along the border.

<sup>34</sup> See the UNMEE'S website, <http://www.un.org/Depts/dpko/missions/unmee/facts.html>, last visited December 25, 2010

### **3.3.3. The Ethiopian and Eritrean Border Commission (The EEBC)**

As mentioned above, the EEBC was formally established in 2001 in accordance with the article 4.2 of the Algiers peace agreement. The Algiers peace agreement recommended for the establishment of a neutral five-member boundary commission<sup>35</sup> with the mandate to delimit and demarcate the boundary between the two countries based on the three pertinent colonial treaties of the 1900, 1902 and 1908 and applicable international law (article4.2). Few weeks after its formation, on March 2001 the commission began its task of preparing a tentative plan on how delimitation of the borderline should proceed (Kalewongel, 2008).

The commission adopted its rules of procedure on June 2001 according to which the parties filed their first submissions at the end of June 2001. This was followed by the second submissions in September and replies in October 2001. From 10 to 21 December 2001, the commission held hearings of the parties. The parties undertook three rounds of arguments and responded to the questions posed by the commission.

On 13 April 2002, the commission delivered its delimitation decision. The first two chapters of the decision dealt with procedural and substantive introductions. Chapter one traces the background of the commission to the provisions of the Algiers agreement and states how the commission was constituted. The substantive introduction presents a short summary of the history of the two countries and explains the controversy that is involved regarding their common border. Chapter three dealt with the mandate of the commission and the law applied. The delimitation decision was presented by categorizing the border into three sectors, the west, the central and the east. Chapter seven dealt with the boundary line marked by rivers. The last chapter of the commission presents its decisions. According to the seventh chapter of the commission's decision, Ethiopia was awarded the town of Zala Ambassa and much of the Irob area but left without any specification about the disposition of Badme.

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<sup>35</sup> The five members of the Commission are the one composed of two members nominated by Ethiopia (Prince Bola Adesumbo Ajibola, a Nigerian and former judge on the International Court of Justice, and Sir Arthur Watts, former legal adviser of the UK Foreign and Commonwealth Office); two members nominated by Eritrea (W. Michael Reisman, a U.S. citizen and professor of international law at Yale University, and Stephen M. Schwebel, a U.S. citizen and former president of the International Court of Justice); and a president selected by the other four commissioners (Sir Elihu Lauterpacht, director of the Research Centre for International Law at Cambridge University and former legal adviser of the Australian Department of Foreign Affairs) see international crisis group 2005;pp.4.

Initially, Ethiopia claimed Badme since it has administered Badme for a long time as part of the Tigray province. Soon, an OAU official in The Hague reported to his headquarter that Ethiopia shall retain Badme (Kalewongel, 2008). However, after a thorough discussion on the status of Badme, the delimitation decision had found that Badme has to be within Eritrea. Though, initially the two parties have agreed in advance as the decision of the commission will be final and binding, at last Ethiopia rejected the decision (ICG, 2005 and Muller, 2006). Consequently, Ethiopia began challenging the delimitation decision on various grounds.

In the first place, Ethiopia's position of challenging the decision came out of the fact that, the contested area of Badme for which it has fought the war has long been administered by it as part of Tigray province of Ethiopia. The second reason was that the conditionality of its earlier acceptance of the decision upon some adjustment during the demarcation process. Ethiopia's understanding was that the process of demarcation line would be subject to some sort of modification so that the effective administration of the Parties could be determined. It was on this basis that the Government accepted the April decision and it is on this basis only that the government continues to do so (ICG, 2005).

The third reason upon which Ethiopia challenged the decision of the commission was that its failure to consider the local reality of the people and the area. Accordingly, Ethiopia claimed that the decision of the commission did not take into account the human and physical geography of the area and then the decision is unjust and illegal.

#### **3.3.4 Termination of the Boundary Commission**

The boundary commission was terminated in 2008 after it finished its first part of reference to provide a valid legal deposition on the boundary (Healy, 2008). Soon it has passed legal verdict on the demarcation in 2002; challenges arose against its decision from the parties particularly from Ethiopian side. The two parties failed to cooperate on the decision. As a result it could not go further to proceed to the second part, demarcation of the boundary, without the cooperation of the two parties. Such cooperation was clearly not forthcoming. Yet the Commission could not remain in existence indefinitely.

With avenues to progress once more blocked, the Boundary Commission gave notice on 27 November 2006 of a new approach: using ‘modern techniques of image processing and terrain modeling, it had identified the location for the emplacement of boundary pillars in accordance with the 2002 Delimitation Decision (Healy, 2008). It gave the parties a list of the locations of the pillars and 45 maps illustrating the boundary points. It invited them, once more, to reach agreement on the emplacement of the boundary pillars on the ground. It gave notice, however, that if in one year’s time Ethiopia and Eritrea had still failed to agree or to enable the Commission to resume its demarcation activities, the boundary described on the maps would automatically stand as demarcated and the mandate of the Commission would be regarded as fulfilled.

Following Ethiopia’s initiation of new peace proposal, the Boundary Commission made a final attempt to bring the two sides together in September 2007 (*ibid*). However, it failed to do so. Ethiopia insisted that any progress on demarcation required the prior departure of Eritrean forces from the TSZ and the meeting ended without any progress (*ibid*). Concluding that the two sides were unable to create the conditions required for physical demarcation to take place, the Boundary Commission announced on 30 November 2007 that it had fulfilled its mandate. In place of demarcation, the Commission officially presented maps to all the concerned parties, including the UN Cartographic Unit, showing a complete set of coordinates for the emplacement of boundary pillars representing the 2002 Delimitation Decision.

Eritrea has acknowledged as final and valid the coordinates specified by the EEBC. It appears ready to settle for virtual demarcation and to accept border demarcation on the map as the final step in reinforcing the EEBC ruling of April 2002. President Issaias was reported as saying that the border issue in its legal, political and technical aspects had concluded, thus marking the culmination of the Algiers Agreement, and that the sole remaining task was the unconditional withdrawal of the invading Ethiopian forces from sovereign Eritrean territory.

Ethiopia, on the other hand, has stated that it regards the demarcation as invalid as they are not the product of a demarcation process recognized by international law. It has described virtual demarcation as a ‘legal nonsense’ and maintains that border demarcation cannot be recognized unless the pillars are positioned on the ground (Healy, 2008). Since 2007 Ethiopia

has stated with growing emphasis that it has accepted the Boundary Commission Delimitation Decision, and that what was now necessary was for Ethiopia and Eritrea to sit down together and discuss exactly how to demarcate the border as what it has done in the five-point peace proposal which sought the physical demarcation of the border to be worked out through dialogue.

### **3.3.5 The Ethiopian Five-Point Peace Proposal**

Following Ethiopia's rejection of the decision of the boundary commission, the problem around the border area continued to be tense throughout 2000 to the present. The Eritrean government puts the implementation of the decision of the boundary commission as a pre-condition for the normalization of the relation and dialogue between Ethiopia. Initially the two countries agreed that the decision of the boundary commission will be final and binding. However, after the commission delivered its decision in 2002, Ethiopia came with reservation and failed to accept the decision of the commission.

Instead, Ethiopia continued denouncing the decision as unjust and illegal. While denouncing the decision of the commission as unjust and illegal, on November 2004 Ethiopia came up with its own initiative called five-point peace proposal. Prime Minister Meles Zenawi of Ethiopia initiated it. As mentioned in (ICG, 2005) the proposal was motivated to repair the distorted public image of the country as defiant of international law. In its new peace proposal, Ethiopia accepted the decision of the commission in principle and called for dialogue to the immediate implementation of the delimitation decision in a manner "consistent with the promotion of sustainable peace and brotherly ties between the two peoples" and with a view of future normalization of relations.<sup>36</sup>

Though the proposal shows some commitment that Ethiopia has towards peace process, it remained logically unsound to the Eritrea. It was nothing less than a call to the Eritrean

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<sup>36</sup> The initiative as indicated in the International crisis group report reads as; Resolution of the dispute between Ethiopia and Eritrea only through peaceful means; Resolution of the root causes of the conflict through dialogue with the view to normalizing relations; Acceptance by Ethiopia, in principle, of the Boundary Commission decision; Agreement by Ethiopia to pay its dues to the Boundary Commission and to appoint field liaison officers; and Immediate start of dialogue with the view to implementing the Boundary Commission's decision in a manner consistent with the promotion of sustainable peace and brotherly ties between the two peoples (International Crisis Group,2005).

government to come to dialogue for the implementation of the decision of the border commission. It shows Ethiopia's acceptance of the delimitation decision only with a condition and called for dialogue that would be guided by two considerations; Ethiopia's acceptance of the decision of the border commission in principle and the adherence to the principle of give and take. As a result, Eritrea rejected the initiative typically by stressing on the phrase that "Ethiopia's acceptance of the decision of the boundary commission in principle."

Following this, the two countries began deploying their military power around the border.<sup>37</sup> In December 2004 Ethiopia moved its military power to the border area believing that Eritrea could unilaterally implement the decision of the boundary commission (ICG, 2005). In response Eritrea was also stepped up its military readiness<sup>38</sup> that later followed by an expected banning of all flights by UNMEE helicopters. According to the report of International Crisis Group 2005, the main reason for the ban of UNMEE flights was that Eritrea perceives the presence of the UNMEE as imposition on its territory.

Following the restriction imposed on the UNMEE activities, as indicated above in the five-point peace proposal, Ethiopia moved some steps forward in accepting the decision of the boundary commission in principle. However, though the positive gesture that Ethiopia showed towards accepting the decision of the boundary commission was something promising as it may appear, it did not go far enough

### **3.3.6. An Assessment of Algiers Peace Process and Its Weaknesses**

The Ethio-Eritrean conflict started in the remote border town of Badme. Soon the outbreak of the conflict, international community moved to help the parties avoid going to war and solve their problem amicably. Initially, diplomats and mediators must have been tested by the boring task of verifying the claims and counter claims of playing victim by the parties. The

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<sup>37</sup> Following the rejection of the five-point proposal the situation around the border began to deteriorate. On 16 December 2004, Ethiopia moved seven additional divisions, including a considerable component of armour, to within 25 to 45 kilometers of the southern border of the TSZ in the western sector. It described the deployment as "defensive", while some international observers assessed it as an attempt at "dissuasive deterrence" – to prevent Eritrea from unilaterally "implementing" the Boundary Commission's ruling by moving its own troops into the TSZ.

<sup>38</sup> Eritrea began preparing air force training flights, distribution of small arms to units along the border and digging of new trenches in key defensive positions see international crisis group, 2005

amount of time and energy that the fact finding process consumed was enormous. It leads one to wonder if it were more than a coincidence that the remotely Badme happens to be the flashpoint for the clash. Third parties had no way of knowing what exactly happened in the remote area of Badme. Mediators were visibly at a loss to distinguish the victim from the aggressor. It took years to answer a question about the exact location in relation to the border; who was administering it before the conflict, what happened on May 12<sup>th</sup> and the previous days (Rejuois and Zondi, 2005).

All efforts of Ethio-Eritrean peace process have thus far failed to bring a good closure to the conflict. Neither the diplomatic negotiation nor the comprehensive Algiers peace treaty could bring peaceful relation between the two countries. The decision of the boundary commission, the presence of UNMEE and the five-point Ethiopian peace proposal for dialogue were all unable to bring peace between them. Their failure to achieve lasting peace has brought great problems to both countries and the region as a whole (see chapter four). Many writers have argued that, there were several reasons why all peace endeavors particularly of Algiers peace agreement with its components failed to resolve the conflict.

One among these was Ethiopia's non-compliance to the decision of the boundary commission (ICG, 2008 and Ashenafi, 2009). Initially, during the signing of Algiers Agreement the two countries have agreed as the decision of the commission will be final and binding. Nonetheless, Ethiopia rejected the decision (ICG, 2005 and Muller, 2006). The second reason, as many writers argued, was the wrong conflict strategy employed by the international community (Dima, 2005 and Medhane, 1999). In principle, mediation needs to be carried out with proper understanding of the nature of the conflict and the parties. Nevertheless, mediators in the Ethio-Eritrean peace process lacked enough understanding of the real and deep-rooted cause of the conflict. The Ethio-Eritrean conflict, as many writers have argued was caused by several incompatible political and economic interests (ICG, 2008; Dima, 2005 and Medhane, 1999). However, all the mediation efforts reduced the cause of the conflict to only border issue and have focused on its resolution (*Ibid*). Largely, all endeavors of peace process do not take into consideration what causes the conflict. The root cause of the conflict was not given focus by the mediators. They only paid especially attention to the border issue which, as many argued, was secondary (Dima, 2005; Kalewongel, 2008 and Medhane, 1999).

Particularly, as Medhane (1999) stated the ruling of the boundary commission did not provide the framework for the peaceful resolution of the conflict. In this regard, had the impartial body that was envisaged to carry out an investigation on the incidents that led to the war been created, peace would have easily been achieved. As per the Algiers agreement, this body was mandated to investigate on the causes that led to the conflict. Nonetheless, it has not been created. Had it been created, the root cause of the conflict would have been properly addressed and peace be achieved.

The last reason for the failure of Algiers agreement was blind justice given by the ruling of the boundary commission. The ruling of the commission awarded the town of Badme to Eritrea without taking into consideration the fact about Badme. The town of Badme had long been administrated by Ethiopia. However, the commission did not consider this reality and it just blindly given the area to Eritrea, for which Ethiopia rejected the decision.

## **Chapter Four**

### **Economic and Political Impact of the Ethio-Eritrean Conflict**

#### **Introduction**

The demise of the Derg regime in 1991 and the coming to power of the two rebel groups, EPLF and EPRDF in Eritrea and Ethiopia respectively was a landmark development in the history of Ethiopia in several ways. Politically, a new country Eritrea came into existence. Moreover, economically, the independence of Eritrea in 1991 has brought a great challenge to Ethiopia's international overseas trade. Before Eritrea's independence, the two international ports in Eritrea, Assab and Massawa were under the control of Ethiopia for more than half a century. This was true starting from the independence of Eritrea from Italian colony in 1941, up to 1991. Beginning from the above period up to Eritrea's independence, Ethiopia had enjoyed full control of the ports of Assab and Massawa and has been conducting its international overseas trade through these ports. However, this right came to an abrupt halt with the creation of independent state of Eritrea following which the sovereign possession of Ethiopia over these ports ceased to exist and thereafter it became a landlocked state.

This chapter will discuss both political and economic impact of the Ethio-Eritrean border conflict both of which have been analyzed and written extensively by many. However, for the purpose of bringing this in line with the objectives of the study, it is essential that these are discussed and understood in context. Therefore, while the discussion on the political impact of the conflict largely focuses on the post Algiers peace agreement and political development between the two countries, the discussion on economic impact of the conflict looks in to the possible challenges facing Ethiopia and Eritrea. However, the chapter begins with the brief discussion of the past trade ties between both countries.

#### **4.1 Economic Impact of the Conflict**

The origin of trade and economic relation between the two countries has gone back to the Eritrean independence period. As Tekeste (2000) and Mamo (2002) stated, soon the two-rebel groups assumed political power in their respective countries, they began launching new trade and economic relation between them. Initially the two countries have agreed to cooperate in every aspect of their affairs. Ethiopia was agreed to allow its national currency to Eritrea and

Eritrea on the other hand granted Ethiopia free access to its ports of Assab and Massawa. Up until the outbreak of the conflict, for at least seven years, the economies of the two countries showed a high degree of interdependence. Lives in Eritrea were based on food products notably ‘teff’ that was gained from informal and formal cross-border trade with Ethiopia (Belay, 1996). Beside, Ethiopia has also been serving Eritrea as a major market place for its industrial outputs. On the other hand, Eritrea was also found so important for Ethiopian economy in that it has been serving as a transit state through which it has conducted its international overseas trade (Girma, 2009). However, with the outbreak of the conflict such economic interdependence between the two countries has come to an abrupt halt. The past trade relation and all other benefits gained from their interdependence was ceased. As a result, Eritrea was forced to import various consumable products from different distant countries like Yemen and Saudi Arabia (Ravinder, 2004; Healy, 2007 and Venkataraman and Solomon, 2011). On the other hand, Ethiopia also lost its right of free access to Eritrea’s port of Assab and is exposed to pay huge amount of money for Djibouti port services (Girma, 2009). With this general highlight, the following subsections give a brief discussion on the impact of the conflict on the economies of the two countries.

#### **4.1.2. Impact on Eritrean Economy**

As it is narrowly mentioned in the above section the conflict and the strained relation between the two countries has greatly affected Eritrean economy. Largely, Eritrean economy to its greater extent has been dependent on Ethiopia in many aspects. In the past, significant portion of food import for local consumption in Eritrea was come from trade with Ethiopia (Belay, 1996; Phillips, 2006 and Ravinder 2004). As the above writers stated, because of different natural and human factors Eritrea has rarely produced less than half of its food requirements.

As a result, the country has showed structural dependence on food imported from different countries notably of Ethiopia. Most importantly ‘teff’, the staple high land grain upon which the lives of Eritreans were based was imported from Ethiopia. As Styan (2004) indicated, out of the overall Eritrea’s import from Ethiopia, 50% of it was food imports typically of ‘teff’. It was not only food produces that Eritrea has been imported from Ethiopia but also other industrial raw materials (Belay, 1996). David Styan takes this issue and further stated that,

Eritrea have been imported different industrial raw materials such as crude minerals, mineral fuels, oil seeds and chemicals from Ethiopia (Styan, 2004).

In addition to the above-mentioned food and industrial raw materials import, Eritrea had also been dependent on Ethiopia for its export as well. Ethiopia had been serving Eritrea as a major market place for its industrial outputs (Belay, 1996). As Styan (2004) stated, out of the total Eritrea's commodity export 67% of it was exported to Ethiopia. This indicates that Ethiopia was a major market place for Eritrea's industrial products.

Another dimension of the impact of the conflict on Eritrean economy is evidently the loss of the port traffic transiting to and from Ethiopia via the port of Assab. Because of the re-routing of Ethiopia's international overseas trade from the port of Assab to Djibouti, Eritrea lost the revenue generated from Assab port services. As Clapham (2007) stated, the loss of such a port fees has bought major impact on Eritrea's governmental revenue. According to the IMF estimate, the primarily port fees paid by Ethiopian companies for port use of Assab fall from 22% of the total government revenue prior to 1998, to just 5% during and after the conflict period. Such a loss, furthermore, was also accompanied by multiplier effects of the loss of associated economic activities and employment around the ports of Assab and Massawa.

Generally, the nature and magnitude of the past Eritrea's import and export trade with Ethiopia and other countries is illustrated in the following tables.

**Table 1: Eritrea: Overall Directions of Exports, Origin of Imports; and Trade with Ethiopia from 1984-1998 (In Millions of Birr/Nakfa)**

|                         | 1994 | 1995 | 1996 | 1997 | 1998 |
|-------------------------|------|------|------|------|------|
| Total exports           | 297  | 529  | 520  | 375  | 197  |
| Exports to Ethiopia     | 208  | 354  | 342  | 238  | 52   |
| As % of overall exports | 52%  | 67%  | 66%  | 63%  | 27%  |
| Total imports           | 1993 | 2536 | 3063 | 3062 | 2693 |
| Imports from Ethiopia   | 91   | 147  | 262  | 275  | 25   |
| AS % of overall imports | 5%   | 6%   | 9%   | 9%   | 1%   |

Sources: extracted from IMF Eritrean statistical appendix IMF staff country report No 00/55, April 2000 table 29, 30, and 31

Table 1 shows that economic relations appear to have been much more beneficial to Eritrea because Eritrea's exports to Ethiopia were greater than its imports. From 1994-1998, Ethiopia shared 2/3 of Eritrean exports. For instance, in 1995 while just 6% of overall imports, worth 147 million birr came from Ethiopia, a full 2/3 of Eritrea's exports (67%) worth 354 million birr went to Ethiopia, the bulk of which was manufactured products notably textiles, food ware and beverages. As depicted in the above table, both overall directions of Eritrea's import and export showed a level of increment consecutively for four years. However, at the eve of the outbreak of the conflict, both Eritrea's import and export trade with Ethiopia reduced to almost none when compared to the past.

Currently, as Phillips (2006) indicated Eritrean economy is in a state of hardship with food and oil shortages. With the outbreak of the conflict, the formal and informal trade links and food imports from Ethiopia was stopped, and left Eritrean people suffering acute of food shortage (Ravinder, 2004). As mentioned earlier many factors have contributed to this. As Healy (2007) and Ravinder (2004) noticed, the amount of food imported from different countries is becoming below the general consumption level of the people. Phillips (2005) also further indicated that, the mass conscription has deprived many industries of workers and private sector in Eritrea. In January 2005, the government in Eritrea introduced a currency declaration form to control all transactions and let down the people only to wait for remittances from Diaspora (ibid). At present, the lives in Eritrea are based on remittances that come from Diaspora Eritreans. Since its independence, Eritrea has not showed a level of self-sufficiency in food productions rather as (Belay, 1996 and Styan, 2004) indicated, it has long been depending on agricultural products imported from Ethiopia and other donor sources.

An International Monetary Fund (IMF) staff report published in June 2003 starkly revealed the centrality of remittances to the Eritrean economy: the importance of the Diaspora for the public finance and foreign exchange. According to the report, the level of bonds issued to the Diaspora reached 3.1% of Gross Domestic Product (GDP) in the 1999 and grants amounted

to 3.2% GDP in 2000.<sup>39</sup> There is a great dependence of Eritreans on remittances coming from abroad. However, such dependence on remittances poses acute problem to further economic growth of the country. Initially, during the war, the amount of remittances gained was high however, over the durations of the war and the crises of legitimacy surrounding the increasingly authoritarian president, the amount of remittances have further declined.

Of even more significance for the core concerns of this study are the ways in which the conflict and the stalled relation between the two countries affected a drastic change in Eritrea's pattern of foreign trade. For Ethiopia, trade with Eritrea was of a minor significance overall. This of course does not mean that it is valueless to Ethiopia as a whole. However, relatively speaking it was more worth to Eritrea than Ethiopia. In fact, clearly trade with Eritrea was of a great importance for neighboring Tigray province of Ethiopia. Data is lacking on all aspects of cross-border trade, migrations and remittances. However, for the Eritrean economy, trade with Ethiopia was of a major importance. It presented two thirds of all export earnings in 1997 with exports representing around 10% of overall national income in 1997 (Styan, 2004). Generally, before the conflict particularly during the cordial period, Eritrea has pursued an export-oriented trade policy. Given this, the loss of the Ethiopian market therefore, appears crucial long-term impact on Eritrea's economic development.

This was doubly important given the emphasis put on an export-oriented industrial growth strategy for the economy as a whole. This is significant in the industry, which accounts for a larger share of GDP in Eritrea than agriculture. According to the IMF figure, the industrial sector accounts 27% in the late 1990s where as the agricultural sector only accounts 16% of the total GDP of the country in this year<sup>40</sup>. Given that, the conflict, temporary at least, removed the industrial sector's primary market place and raw materials, which has a very significant implication for economic stability and the potential for future recovery and growth.

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<sup>39</sup> See IMF Country Report 2000 No. 00/55, Eritrea: selected issues and statistical Appendix

<sup>40</sup> IMF Country Report 2000 No. 00/55, Eritrea: selected issues and statistical Appendix

### 4.1.3 Impact on Ethiopian Economy

Like that of the Eritrean case, the conflict has also affected Ethiopian economy in various aspects. Currently when compared to Eritrea, Ethiopia has registered a significant economic development. As indicated in different governmental reports this slight and significant economic development is registered due to the government's collaborative work with different Asian countries like China and India. Recently, in the year 2009/10 Ethiopia has achieved 12.7% of annual economic development.<sup>41</sup> However, when it is seen from the point of view of the conflict and the closure of trade relation with Eritrea, Ethiopian economy is impacted to well.

The most important aspect in which we can see the impact of the conflict and the stalled relation on the Ethiopian economy is through Ethiopia's maritime communication. Unlike the present landlockedness and fully dependency on coastal states for its conduct of international overseas trade, Ethiopia had been one of the major maritime countries in the Horn of Africa. It had a long history of access to the sea that goes back to the ancient history of Axumite civilization during which it had conducted international trade through the port of Adulis<sup>42</sup>. Starting from the early Axumite period of the BC era to the 7<sup>th</sup> century, Ethiopia had been using the port of Adulis as its main getaway to the sea.

Next to Adulis the port of Assab and Massawa, which are currently under the possession of Eritrea, had been serving Ethiopia for many years. For the past several years, it had been enjoyed full possession over the ports of Assab and Massawa. This was particularly true while Eritrea was part of Ethiopian territory. However, following the independence of Eritrea, Ethiopia became landlocked country and joined a fourteen land locked African state.<sup>43</sup> The Eritrean independence in 1991 converted Ethiopia to a landlocked state dependent for its maritime communications on costal states of Eritrea and Djibouti. In fact, as Tsahaye G/kidan, spokesperson in the Ministry of Ethiopian Foreign Affairs<sup>44</sup> and Clapham (2007)

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<sup>41</sup> <http://www.nationsencyclopedia.com> › Africa › Ethiopia (accessed on 6 June 2011)

<sup>42</sup> See Abir Mordaechai (1980), *Ethiopia and the Red Sea: The Rise and Decline of The Solomonic Dynasty and Muslim-European Rivalry in The Region*, FRANK CASS AND COMPANY LIMITED, 2 Park Square, Milton Park, Abington, Oxen, Ox14 4RN pp 19-25

<sup>43</sup> The fourteen African land locked countries are Botswana, Burkinafaso, Burundi, CAR, Chad, Lesotho, Malawi, Mali, Niger, Rwanda, Swaziland, Uganda, Zambia, and Zimbabwe see

<sup>44</sup> From interview conducted on February 16, 2011 at Ministry of Ethiopian Foreign Affairs

stated, this by itself did not create a major problem in that, Ethiopia had been landlocked for many years right from the early Ottoman Turkish occupation of the area around Red Sea coast up to the federation of Eritrea with Ethiopia in 1952. Of course, this does not mean that the situation has not certainly reduced Ethiopia's openness to international trade. Rather, it is to mean that it was generally been manageable.

The port of Assab, which is currently under the total possession of Eritrea, has been serving Ethiopia for the past many years. Up until the border conflict, more than 80% of Ethiopian overseas trade was conducted through the port of Assab. The bulk of Ethiopian export has been directed to external market through the port. During this period, only 15-20% of Ethiopian foreign trade had been conducted through the port of Djibouti (Girma, 2009). Nonetheless, with the Eritrea independency, Ethiopia lost its full possession over the port and its access reduced to be determined by agreement. Thus, in 1993 the newly independent state of Eritrea and Ethiopia signed a protocol of understanding upon which the issue of Ethiopia's access to the sea was solved. As mentioned earlier, according to the protocol the port of Assab was freely given to Ethiopia (Tekeste, 2000).

Nevertheless, with the outbreak of the border conflict the whole share of Ethiopian international trade was re-directed to the port of Djibouti. Up until the conflict, the viability of the port for Ethiopian international trade was minimal. However, after the conflict the port has become the only significant port for Ethiopia to conduct its foreign trade. Currently, the port is serving about 98% of Ethiopian foreign trade, which is about 85% of the whole port traffic (Girma, 2009). As he stated, with the closure of Ethio-Eritrean trade link, the growth of Ethiopian trade volume via the port of Djibouti went up from 1.7 million tonnes in 1997 to 3.1 million tonnes in 1998 and 4.2 million tonnes in 2002. This figure depicts only the early total of Ethiopian trade volume at the port of Djibouti. Currently, the volume of Ethiopian foreign trade at the port is doubled its self twice the earlier one. It accounted 8.1 million tonnes in 2009 and 8.8 million tonnes in 2010<sup>45</sup>. Nevertheless, the port has only the capacity of handling 10 million tonnes of cargo and 500,000 containers per annum. It has also 180,000 m<sup>2</sup> of storage space. With this, given the storage capacity of the port and a rapid

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<sup>45</sup> From interview with Ato Birhan Eshetu, expert and economist in Ethiopian shipping line S.C on 17 February 2011.

increment of Ethiopian trade volume, it is evident that in the near future Ethiopia will face a problem in its international trade.

The conflict and the strained relation, therefore, have disrupted the direction of Ethiopian international trade. It redirected Ethiopia's foreign trade from a freely accessed port of Assab to the more pricey port of Djibouti. As it was mentioned earlier, as per the protocol agreement, the port of Assab was freely given to Ethiopia. However, with the conflict this free access was stopped. This brought most obviously disadvantaged Ethiopia, to find longer and more expensive outlet for its foreign trade. In fact, the closure of the trade between the two countries does not only harm Ethiopia but also Eritrea as well in that a lion share of its economy was heavily dependent on its strategic location between Ethiopia and the Red Sea. As stated earlier, the revenue generated from port services was a base for its economy. However, with closure of the trade between the two countries such advantages have stopped and are yet to resume.

Ethiopia is also not in a position to resume its past trade relation with Eritrea nor has it shown willingness to use the port of Assab which it had been utilizing unrestrictedly. Given this, the major economic problem faced by Ethiopia is that it is forced to pay a huge amount of money for port services. According to Ethiopian trade statistics, the overall Ethiopian trade volume at the port of Djibouti is increasing from year to year. For instance, in 1998 the overall Ethiopian trade volume accounted 3.1million tonnes per year. However, according to the interview made with Ato Birhan Eshetu, an economic expert in Ethiopian Shipping Lines<sup>46</sup> S.C, in 2009-2010 it accounted 8.8 million tonnes. As a total trade volume increases the amount of charge Ethiopia is expected to pay increases. For instance, as Birhan stated, in the year 2006 the total Ethiopian trade volume at the port of Djibouti accounted 5.3 million tonne. At this particular year, the total amount of money Ethiopia paid for port services was 2 billion birr (ibid). However, at the present the estimated total transit costs are about two million dollars per day, and 12.4 billion<sup>47</sup> birr per annum while its total trade volume is 8.8 million tones, which literally bleeds the economy of the country. If this amount of money is used for other purposes, it will contribute a lot to the investment of the country.

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<sup>46</sup> The interview was conducted on 17 February 2011 at Ethiopian shipping line S.C

<sup>47</sup> See also [http://www.kilil5.com/news/23346\\_high-djibouti-port-tariffs-hurti](http://www.kilil5.com/news/23346_high-djibouti-port-tariffs-hurti) (accessed on May 13, 2011)

Another problem related to this is that, currently Ethiopia is not comfortable for its dependence only on the port of Djibouti. The huge amount of money that Ethiopia is charged is causing discomfort on Ethiopian side.<sup>48</sup> It began seeking for other alternative port services like the port of Berbera in Somalia and port of Mombassa in Kenya. If these two alternative sources are activated then the fear of dependence on only one port will be reduced, though it may have other problem like too distance from the center, Addis Ababa. Except the port of Berbera, which is too small in terms of its capacity, the port of Mombassa is too far from Ethiopia. It is found at a distance of around 1804 km from Addis. Thus, if the problem with Eritrea be solved in a manner that any one would expect, such economic hindrances will easily be solved, and the two countries will be benefited more from the link.

## **4.2. The Political Impact of the Conflict**

The 1998-2000 Ethio-Eritrean border conflict and the stalled relation between the two have brought about serious political instability both within them and by extension to the region as a whole. Politically, throughout the first decade of the outbreak of the conflict the relation between the two countries continued to be tense. Significant element of Algiers peace agreement and the expected decision of the boundary commission, as both countries agreed to be final, has remained unimplemented and dissatisfaction between the two countries continued.

As a result, stalemate continues and has resulted in political instability throughout the Horn. Both countries began practicing a tradition of pursuing foreign policy through providing support to proxy forces in neighboring countries and other opposition forces. Destabilization actions and development of proxy wars inside the third state has become common practice of the two countries. The following section highlights this in some detail.

### **4.2.1 Destabilization Action and Expansion of Proxy War**

Destabilization action and expansion of proxy wars inside the third state of the region are the two important political developments characterizing the post Algiers relation between the two countries. Failure to restore peace between them has led to these political developments.

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<sup>48</sup> [http://ports.co.za/didyouknow/article\\_2006\\_01\\_21\\_3058.html](http://ports.co.za/didyouknow/article_2006_01_21_3058.html), Ethiopia's Search for a port Jan 21, 2006 author: The Reporter (Addis Ababa) accessed on 24 December 2010

Neither the ruling of the boundary commission nor the consecutive diplomatic engagements did bring peace in the relation of the two countries. Although there have been a wide range of effort in peace, peace and normalization are nowhere in the horizon between them. No aspect of Algiers agreement is able to bring normalization. The two parties were unable to agree on the ruling of the boundary commission.

Instead, as many writers have argued, the two countries have engaged in destabilizing action of the other and involvement in proxy wars inside the third state of the neighboring state of Somalia (Dade, 2011; Daniel, 2011 and Kidist, 2011). As far as the post Algiers political development between the two countries is concerned, the two countries involvement in proxy war inside Somalia has brought great instability in the Horn in general and inside the two countries in particular. The continued stalemate between the two countries developed into an indirect war in Somalia. Throughout 2005-2007/8 Somalia has become a battleground in which the forces of Ethiopia and Eritrea have fought.

As Daniel and Paulos (2011) pointed out, the proxy war has first begun by Eritrea because of the US Government and international communities' unwarranted diplomatic and political support to Ethiopia. As a result, Eritrea began arming, training and financing major insurgent groups in Somalia aims to weaken successive transitional governments in Somalia, which are generally seen as close allies of Ethiopia and the US. As Daniel and Paulos (2011) and Menkibus (2007) stated, this is also intended to produce a direct threat to Ethiopia, as instability in Somalia can spill over to Ethiopia by aggravating and steering the restlessness in the Ogaden region of Ethiopia. In 2006 with the increasing level of insecurity in Somalia, the two countries began taking sides with the rival parties in Somalia. Ethiopia began providing support to the forces of TFG and Eritrea to the forces of UIC (Menkibus, 2007). When conflict in Somalia broke out in 2006, Eritrea continued providing material and military support to the Union of Islamic Court (UIC), the faction struggling with force of Transitional Federal Government (TFG) of Somalia, to assume political power.

In this regard, Eritrea's actions seem to have no bounds, as they include hosting individuals such as Sheikh Hassan Dahir Aweys (a national of Somalia), who is one of several individuals designated by the UN Security Council as a terrorist on its list of suspected

terrorists.<sup>49</sup> Formerly a leader of a Somali Islamic group known as al-Ittihad al-Islamiya (AIAI), Aweys is suspected of involvement in the 1998 terrorist attacks against US embassies in Kenya and Tanzania. His involvement in these attacks was allegedly funded by the leader of al-Qaeda, Osama bin Laden. As Daniel and Paulos (2011) and Jonathan (2008) pointed out, between September 2007 and mid-2009, Aweys was offered sanctuary by the Eritrean government and was openly living in Asmara during this time, in contravention of the measures adopted by UN Security Council Resolution 1368 (2001). In using Somalia as a proxy war, the Eritrean government has violated a UN Security Council sanction that has imposed, among other things, a travel ban and an arms embargo on certain groups in Somalia.<sup>50</sup> The embargo has been violated by several countries, Eritrea being one of the major violators. This has been verified by the periodic reports of a panel of experts and a monitoring group established by the UN Security Council to oversee the sanctions imposed on Somalia.<sup>51</sup>

The Eritrean government has never admitted that it has continuously provided military and financial support to Somali political forces that have been fighting the transitional governments in Somalia. However, Eritrea claims that it has a moral responsibility to offer political support to the people of Somalia. The problem lies in the fact that the Eritrean government does not recognize the transitional governments in Somalia as legitimate government, claiming that outsiders imposed it on the Somali people. This is a concern that should really have mattered most to the Somali people, and, by logic, the Eritrean

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<sup>49</sup> See the Consolidated list of targeted individuals and entities associated with al-Qaeda, Osama bin Laden, and the Taliban, compiled by the al-Qaeda and Taliban Sanctions Committee, last updated on 9 October 2007. See also US Department of State, Office of the Coordinator for Counterterrorism, Comprehensive list of terrorists and groups identified under Executive Order 13224, 31 December 2001. On 20 November 2008, the Office of Foreign Assets Control (OFAC) in the US Department of the Treasury added a person named Mukhtar Abdullahi Ali to the list of Specially Designated Nationals (SDNs), which are generally referred to as 'terrorists'. The person carries an Eritrean passport and is born in Eritrea. See OFAC, The terrorism sanctions, December 2008, <http://www.treas.gov/offices/enforcement/ofac/programs/terror/terror.pdf> (accessed 28 May 2011).

<sup>50</sup> The UN Security Council, by Resolution 733 (1992), urged all states to implement a general and complete arms embargo on all deliveries of weapons and military equipment to Somalia until the Council decides otherwise.

<sup>51</sup> See, for example, Report of the Monitoring Group on Somalia, submitted in accordance with Resolution 1724 (2006), UN Doc S/2007/436, 17 July 2007; Report of the Team of Experts, submitted in accordance with Resolution 1407 (2002), UN Doc S/2002/722, 3 July 2002, Annex 4. In one of the reports, Eritrean Colonel Yusuf Negash Warque is mentioned as a person involved in violation of the arms embargo. See Report of the Monitoring Group on Somalia, para 5.

government does not have any stake in this. Nonetheless, since Ethiopia has been a close ally of the transitional governments in Somalia, it appears that Eritrea's involvement in the Somali conflict has come about as a reaction to its conflict with Ethiopia. Aside from the old antagonism between Eritrea and Ethiopia, it is also important to identify the real motives behind Eritrea and Ethiopia's interests in Somalia.

One of the most important factors in judging which of the two countries has greater interest in the stability or instability of Somalia is their relative proximity to Somalia, although this may not be taken as a conclusive factor. All three countries belong to the Greater Horn of Africa region. However, Eritrea does not share any common borders with Somalia, whereas Ethiopia shares one of its longest borders with Somalia. Clearly, any form of instability that foments in Somalia, particularly as there are some Somali political forces who have declared a jihad war against Ethiopia, may seriously affect Ethiopia. In addition, Ethiopia and Somalia have had several conflicts throughout their history, starting from the period of Emperor Haile Selassie I and the Derg. Somalia has repeatedly claimed ownership of the Ogaden region of Ethiopia and over this issue alone, the two countries have been at war on several occasions.

By contrast, Eritrea does not have any distinct direct interest in the stability or instability of Somalia. The only clear interest to Eritrea may be to destabilize Ethiopia, which it currently carries out by arming, financing and training Somali political forces who are hostile to both the latest transitional governments of Somalia and Ethiopia.<sup>52</sup> At any rate, the direct involvement of the Eritrean government in the ongoing Somali conflict is in the interests of neither the Eritrean people nor the peace and stability of the region. Worst of all, it clashes with the interests of other countries, as well as regional, international and inter-governmental organizations such as IGAD, the AU and the UN. As a result, the AU, for the first time in its history, called on the UN Security Council to impose stringent sanctions against Eritrea after the AU's continued but unsuccessful efforts to convince Eritrea to desist from the destructive role it is currently playing in the Somali conflict. The sanctions were accordingly imposed in December 2009 (Daniel and Paulos, 2011). The US Government has also continually warned

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<sup>52</sup> See, for example, Report of the Monitoring Group on Somalia, submitted in accordance with UN Security Council Resolution 1724 (2006), UN Doc S/2007/436, 17 July 2007.

Eritrea to desist from fomenting instability in Somalia. US Secretary of State Hilary Clinton reiterated this during her visit to Kenya in August 2009 (*ibid*).

Previously, the US Government also warned that it would include Eritrea in the list of state sponsors of terrorism, unless the country refrains from supporting al-Shabaab, a designated Somali terrorist group. A combination of all these factors finally led to the imposition of stringent sanctions by the UN Security Council on 23 December 2009. The new regime of sanctions includes the imposition of an arms embargo against Eritrea, travel bans and the freezing of assets of its military and political leadership.<sup>53</sup>

Another aspect, which helps us to see the political impact of the conflict and the stalled relation between the two countries, is through their policy of destabilizing action. To get the upper hand in their stalled, both countries have adopted a policy of destabilization action with the objective of weakening if possible to overthrow the regime in the other country. Like what they have done in the proxy wars, both countries have involved in creating, supporting and financing the others opposition forces.

As Glikes (2000) and Cliffe (2004) stated, since the border conflict both countries have found arming training and harboring of the others opposition groups. For the past several years, the Eritrean government has found supporting the two Ethiopian opposition forces like the Ogaden National Liberation Front (ONLF) and the Oromo Liberation Front (OLF). By forming alliance and proxy wars with them the Eritrea government has found actively supporting and working with them in most countries of the region. Similarly, Ethiopia has also taken the same instance and began backing up Eritrean opposition groups, such as Eritrean National Alliance Force (ENFA), Eritrean Islamic Jihad (EIJ) and Eritrean National Coalition for Democracy (ENCD) (*ibid*).

#### **4.2.1.1 Eritrea's Support to Ethiopia's Opposition Groups**

As mentioned earlier, in an effort to weaken the government in power in both countries, both Ethiopia and Eritrea have adopted a policy of destabilization action of the other. Since the start of the conflict, the government in Eritrea has found engaging in destabilizing Ethiopia.

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<sup>53</sup> UN Security Council Resolution 1907, UN Doc S/R/1907, 23 December 2009.

As Tsahaye G/kidan, spokesperson in Ministry of Ethiopian Foreign Affairs stated, Eritrea is becoming number one regional spoiler in the Horn of Africa engaging in a series of destabilization activities including Ethiopia<sup>54</sup>. Gilkes (2000) also further stated that the Eritrean government has recently adopted a policy of destabilization strategy of the region particularly on Ethiopia. To meet its objective of destabilizing Ethiopia, as indicated in Dade (2011), Eritrea has begun supporting Ethiopian separatist insurgency forces such as ONLF and OLF both operating in eastern and south western part of the country.

The Eritrean armies have been channeled to these insurgent groups via different entry points since the start of the conflict. In fact, as many writers have argued, the Eritrean government has a long-standing policy of support for these opposition groups (Glikes, 2000; Cliffe, 2004 and ICG, 2010). Their relations have dated back to the 1980s<sup>55</sup> when the combinations of both Eritrean and Ethiopian rebel groups fought to overthrow the Derg regime (ICG, 2010). Later, with the deterioration of the relation between the two countries those past links got reactivated. For the past several years the Eritrean government has supported these opposition groups. It has provided them with all necessary materials that range from hosting to financing services.

As Dereje (2011) pointed out, currently despite seeking to appoint its permanent representative to AU headquartering in Ethiopia, it has found engaging in destabilization activities. Recently, after 12 years of its isolation, Eritrea has submitted a proposal seeking permanent representative to the AU. Nonetheless, as Dereje (2011) stated, it has continuing its action of destabilization. It has sent group of individuals arming bombs to Ethiopia to disrupt the 16<sup>th</sup> AU ordinary summit held in Addis Ababa last January 2011<sup>56</sup>.

Even though, it has publicly claiming to seek peace and stability in the Horn of Africa, the government in Eritrean is still pursued a widespread strategy of destabilizing the region as a

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<sup>54</sup> From an interview made on January 16<sup>th</sup>, 2011.

<sup>55</sup> Eritrea's ongoing support for the OLF in Ethiopia dates to the 1980s, when both fought the *Derg*. When the OLF resumed its insurgency in the mid-1990s, having withdrawn from the EPRDF coalition, Asmara remains sympathetic to it. Similarly, the support to ONLF was dated back to the mid-1980s and 1990s, when the ONLF renewed its armed struggle. In the case Oromian territory and the Ogaden have long been a fruitful fields of intrigue for Eritrean movement in Ethiopia, See international crisis group, 2010:22

<sup>56</sup> See Dereje, Birhanu (2011), "Eritrea appoints its envoy to the African Union", *The Sub-Saharan informer*, vol. IX, No.02, Friday January,21:pp. 1&2

whole. As Frazer (2008) stated, Eritrea is sponsoring instability different areas of the Horn typically in Somalia and Sudan. Lyons (2007) also further pointed out that the destabilization action of Eritrea is currently causing political instability in the region. He added that, Eritrea is undermining all efforts for broad-based, inclusive dialogue and reconciliation both in Somalia and Sudan. As Lyons stated Eritrea has repeatedly been accused by the Sudanese government for its active involvement in armed conflicts along with the SPLA.

Added to this, the Eritrean government has also been supporting and hosting some terrorists<sup>57</sup> and different Somali extremist groups. As mentioned earlier, Eritrea has been hosting individuals such as Sheikh Hassan Dahir Aweys who is the most wanted individuals by the UN Security Council as a terrorist (Daniel and Paulos, 2011). As Daniel and Paulos (2011) stated, from 2007-2009 Aweys was offered sanctuary by the Eritrean government and was openly lived in Asmara. Furthermore, as Frazer (2008) stated, the Eritrean government still appears to be interested in the Afar areas of Ethiopia. She also further stated, there have also been some indications that, Eritrea is trying to use improved ties with Sudan to reactivate its previous links with Ethiopian opposition groups in Sudan along Ethiopia's western border.

#### **4.2.1.2 Ethiopia's Support to Eritrean Opposition Groups**

Similar to that of Eritrea, Ethiopia is also found supporting different Eritrean opposition forces. To date, different Eritrea opposition forces are operating inside Ethiopia. As mentioned earlier, its collaboration with some of these opposition groups is dated back to the early start of the conflict. For instance, according to the report of international crisis group (2005), Ethiopia's support to Eritrean Revolutionary Democratic Front (ERDF), the leading Eritrean opposition force, started during the 1998-2000 Ethio-Eritrean border conflict. According to the same source, during this period Ethiopian military power were entered Eritrea with the force's of ERDF. Since then, Ethiopia became a haven for Eritrean opposition forces. As Alemu (2000) stated Ethiopia has been found serving them by providing material and political support including the opening of radio transmission station in Mekelle town. Alemu stated that, Ethiopia was granted ENAF a radio transmission station near Mekelle

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<sup>57</sup> Hassan Dahir Aweys, a US and UN-designated terrorists, see Frazer, 2008:64

town. This opposition force is in fact an artificial creation of Ethiopia. It was constituted with the help of Ethiopian government soon the outbreak of the border conflict with Eritrea (*ibid*).

Recently, as Dereje and Binyam (2011)<sup>58</sup> pointed, Ethiopia is also engaged in organizing other Eritrean opposition forces to revolt against the regime in Eritrea. This year, Ethiopia has promised Eritrean National Coalition for Democracy (ENCD) to be at the back of them in their struggle to overthrow the government in Eritrea (*ibid*). Even, the recently adopted new stance of Ethiopia on the regime in Eritrea also includes the act of destabilization through organizing and providing material and political support to them (Yemane, 2011).<sup>59</sup> Currently, as Yemane stated, Ethiopia is ready than ever before to work to topple the regime in Eritrea in all possible ways.

#### **4.2.2. Destabilization Action and the New Stance of Ethiopia**

Ethiopia's relation with Eritrea has long been based on defensive policy. For the past decade, it has followed a kind of passive policy with the government in Eritrea. However, because of the continued destabilizing actions of the relation between the two countries, Ethiopia has come up with new strategic plan in its relation with Eritrea. Recently the Ethiopian government has changed its past passive policy on Eritrea to a more pro-active one because of Eritrea's repetitive action of dstablization (Derreje and Biyam, 2011; Yemane, 2011).<sup>60</sup>

Ethiopia has made policy change in its relation with the government in Eritrea. It has adopted a new policy, which was recently made public on March 2011(*ibid*). The Ethiopian Prime Minister, Meles Zenawi, recently said, "Ethiopia has adopted a new strategy of toppling the current Eritrean government" (*ibid*). As he stated, the new strategy of Ethiopia towards Eritrean government will change from passive to active. Similarly, the deputy Prime Minister and Minister of Foreign Affairs, Ato Hailemariam Desalgn said that, Ethiopia is adopted a

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<sup>58</sup> See Dereje, Birhanu and Binyam Tamene, (2011), " Eritrean Opposition Forces Welcome Ethiopia's New Stance", *The Sub-Saharan Informer* , Vol. X, No. 10 (Addis Ababa), 19 March: pp. 1&3

<sup>59</sup> Yemane ,Negash, (2011), "From Defensive To Proactive", *The Reporter*, English version, vol. XV, no. 758, (Addis Ababa), 19 March: pp 1&25

<sup>60</sup> See Dereje, Birhanu and Binyam Tamene, (2011), " Eritrean Opposition Forces Welcome Ethiopia's New Stance", *The Sub-Saharan Informer* , Vol. X, No. 10 (Addis Ababa), 19 March: pp. 1&3 and Yemane ,Negash, (2011), "From Defensive To Proactive", *The Reporter*, English version, vol. XV, no. 758, (Addis Ababa), 19 March: pp 1&25

new strategic plan on Eritrean government (Yemane, 2011).<sup>61</sup> As the minister stated, Ethiopia has changed its long-standing policy on Eritrea that had been entirely based on defensive measures, and further indicated that, now Ethiopia is adopted pro-active measures on the government in Eritrea.

On the other hand, Birhane Gabrekirstos, state Minister at Ethiopian foreign Affairs said, “Eritrea is continuously engaged in intimidating the current peace, development and democratization process in Ethiopia”.<sup>62</sup> Because of this, Ethiopia vows to take measures on the government in Eritrea soon. As he stated, the act of Eritrea’s destabilizing action has reached to the point that it affects all development and peace endeavors in the country. Therefore, the minister further stated, such kind of aggression has to end soon, and that is why the new strategic plan towards Eritrea is needed.

There is no consensus on what form the new strategic plan would take. Different sources indicate that the new strategy will take two forms, diplomacy and military muscle (Kasahun, 2011). However, according to the recent speech of Prime Minister Meles Zenawi,<sup>63</sup> the new Ethiopia’s stance on the Eritrean government will take three steps, diplomatic and political struggle, economic struggle and taking of equivalent measures. The first step, diplomatic and political struggle aspect of the new plan, would be to urge the international community to take all the actions against the Eritrean government to force it to desist from its terror activities. The Ethiopian government has urged the UN and US government to take appropriate action against Eritrean government to stop it from destabilizing the Horn of Africa and warned that, it would take unilateral action if the Eritrea government is to continue with its policy.<sup>64</sup>

According to Prime Minister Meles Zenawi’s speech, the second step of the new plan is economic struggle. This step of the plan focuses on drying up of all economic sources of

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<sup>61</sup> See Yemane ,Negash, (2011), “From Defensive To Proactive”, *The Reporter*, vol. XV, no. 758, English version, (Addis Ababa), 19 March: pp 1&25

<sup>62</sup> See Dereje, Birhanu and Binyam Tamene, (2011), “ Eritrean Opposition Forces Welcome Ethiopia’s New Stance”, *The Sub-Saharan Informer* , Vol. X, No. 10 (Addis Ababa), 19 March: pp. 1&3

<sup>63</sup> Live speech on Ethiopian Television on Monday April 05, 2011

<sup>64</sup> See Yemane ,Negash, (2011), “From Defensive To Proactive”, *The Reporter*, vol. XV, no. 758, English version, (Addis Ababa), 19 March: pp 1&25

Eritrea's destabilizing policy. This step is all about drying up of all the necessary sources that Eritrea is used in all its destabilizing actions. As Prime Minister stated, the third step of the new plan is taking equivalent measures with the act of Eritrean government. This aspect of the plan will encompass the military means if it first acted by the Eritrean government. According to the prime minister's speech if the Eritrean government declare war on Ethiopia the same and equivalent action will be repeated by Ethiopia. Thus, it can be generalized from this that, unless such kind of counter actions are stopped it will be difficult to hope good days in the future. As part of the new plan, it is the view of the Ethiopian government that, if Eritrea continues with its policy of destabilizing the country, there will not be a reason to see it and keep silent. Ethiopia could take the same path and this will lead to another war.

## **Chapter Five**

### **Prospects for Ethio-Eritrean Relations**

#### **Introduction**

In the previous chapter the major economic and political impacts of the post-Algiers agreement has discussed in some detail. This chapter demands to forecast what will be the future relation between the two countries. The chapter is largely guided by the question that what will be the future prospects of Ethio-Eritrean relations.

#### **5.1. Prospects for Ethio-Eritrean Relation**

Despite the fact that, both Ethiopia and Eritrea have many things in common, the prospects for peaceful relation have remained unpleasant. The intransigence and inflexibility of the government of both countries prevented a final settlement from taking place. As a result, stalemate continues and began characterizing the relation between them until date. Within the past 12 years, there have been a many events happened in the relation between the two countries that could help us to see what would be the prospects for the future relation. From what has been happening since the signing of Algiers Peace Agreement, two important prospects, pessimistic and optimistic prospects can be made.

##### **5.1.1. Towards a pessimistic view: Another devastating war?**

Several factors can contribute towards this prospect. These are; the centrality of Badme, hostile propaganda and repeated actions of destabilization, the recently adopted new stance of Ethiopia, withdrawal of UNMEE, and detrimental military development.

Badme, as many writers have argued, is a flashpoint where the two countries have fought each other (Kalewongel, 2008 and Edwin, 2010). As the same time it is also, the main cause for the current stalled relation. The official perception of the two countries is that, the country that is awarded bade will be seen as the one fought a just war which has given Badme a symbolic importance. For Eritrea, Badme provides an assertion of its sovereignty and the primary justification for aggression. Again acknowledging Ethiopian claims to Badme would mean Eritrea's acceptance that it started the war for the wrong reason. For Ethiopia also,

Badme remain a symbolic importance, which it has been administering for long time. The town of Badme has been administered by Ethiopia as part of the Tigray regional state. Thus, for Ethiopia accepting the decision of the boundary commission means that losing of its legal territory, which it has been administering and dividing of homesteads from their vital water and other sources. Therefore, both countries may possibly resort to war to retain this highly symbolic place.

Another factor, which supports this prospect, is the hostile propaganda and repeatedly occurred action and destabilization between the two countries. As Kidist (2011) stated, the media in both countries have continued with their wartime propaganda. There have been usages of derogatory terms ‘shabia’ and ‘woyane’ to refer to the government in Eritrea and Ethiopia respectively. Furthermore, the repeatedly occurred action and counter action of destabilization between the two countries can also contribute to these prospects. As mentioned earlier, in an effort to weaken if possible to overthrow the government in the other country, both states have adopted a policy of destabilization action. In this case, both Ethiopia and Eritrea are engaging in destabilization of the other through providing political and military support to the others opposition groups. For instance, as it was mentioned earlier in the preceding sections, Eritrea is aiding the OLF and the ONLF, while Ethiopia is also aiding ENAF and ENCD. Thus, as Kidist (2011) states, in the long term, Eritrea seems to pursue a dangerous strategy with the dual aim of bringing the international community to pressurize Ethiopia and at the same time of destabilizing Ethiopia by provoking a political crisis. This strategy could lead to dangerous situation as it may lead Ethiopia to resort to military means, from aggressive military deployment to selected air attacks, which will probably provoke a larger war.

The recently adopted new stance of Ethiopia against the regime in Eritrea also supports this prospect. Recently Ethiopia has adopted a new strategic plan on how to deal with the Eritrean government. As pointed out earlier, Ethiopia has changed its past defensive policy on the Eritrea government to the more pro-active one that would encompass three important areas of measure to be taken.

The new stance was adopted because of the continuing action of destabilization between the two countries. As far as the contents of the new plan are concerned, taking the equivalent measure with the action of the government in Eritrea supports this prospect. This measure includes deployments of military forces and other equivalent measure to be taken against it. Therefore, if the action and counter action of such kind continues, it would possibly lead the two countries into another open and devastating war.

The withdrawal of UNMEE and detrimental military development between the two countries also supports the pessimistic prospect. UNMEE withdrew its forces in 2008, when it was ordered to leave Eritrean territory by the Eritrean government. This started in 2005, when Eritrea imposed a number of restrictions on UNMEE, banning all flights of its helicopters. Eritrea also forced UNMEE to evacuate some its observation posts in the TSZ. Due to these restrictions, UNMEE's monitoring capacity was reduced by 60 per cent (the number of outposts was reduced from 40 to 18). Although a number of attempts were made by the international community to make Eritrea lift the restrictions, the country refused to restore the TSZ posts to UNMEE and to cancel the restriction on UNMEE's freedom of movement. The Eritrean government reportedly took this action in frustration at Ethiopia's failure to accept the border commission's decision and the UN's failure to pressurize Ethiopia to comply with the decision.

Currently, the TSZ has been re-occupied by Eritrean troops and there is no military force that prevents the two countries' military forces from engaging in overt as well as covert military operations. In some of the areas, the two militaries are only separated by a few meters and small skirmishes could result in another devastating war, as was the case in 1998. Likewise the detrimental military development by the two countries since 2004 is also becoming an indication for future probability of conflict. Dozens of divisions comprising many thousands of troops from the two countries' militaries remain along the common border. Eritrea is reluctant to demobilize its 300 000-strong military. In fact, all adults from 18 to 50 are being recruited into Eritrea's army by force (Kidist, 2011). Furthermore, there are reports that Eritrea has obtained fighter planes (SUKHOI 27 planes, together with pilots and technicians) and anti-tank weapons from Russia (Ibid). According to the International Institute for

Strategic Studies, Eritrea is the second most militarized state in the world<sup>65</sup>. This fact could create a dangerous situation. One such situation occurred when Ethiopia deployed seven divisions near the TSZ in December 2004. In response to this deployment, Eritrea prepared itself militarily with air force training and the digging of new trenches (Kidist, 2011). To make matters worse, there are repeated incursions and shootings along the border. And reconnaissance missions seem to be carried out in order to find out as accurately as possible about the enemy's preparations, strengths and weaknesses, and to identify the location of possible attacks.

### **5.1.2. Towards an optimistic Prospect: Possibility of Sustainable Peace**

Despite the fact that the above-mentioned developments could lead the two countries into war there are a number of factors that may serve as a base for peace and normalization of the relation. The fact is that a second war would be disastrous because each country could only aim for total victory. The argument is based on the assumption that the current strained relation between the two countries will be resolved and relation between the two will be normalized. Apart from this, many grounds could be a base for cooperation and normalization of the relation. These grounds could be the deep-rooted historical and cultural ties and the economic interdependence course.

If properly worked out, the past historical and cultural ties between the two countries will help the current government of Ethiopia and Eritrea to restore peace and normalize their relation in the future. As Kife (2004); Medhane (1999) and Spencer (1993) argued, both Ethiopia and Eritrea have deep-rooted, historical and cultural ties that should be worked out properly. The communities of the two countries have had a long history of social, cultural, linguistical and blood ties. It is clear the conflict and the strained relation have complicated the past communality of the two countries. However, what is needed from the current and future generation is to work out on such kind of grounds to the good of the coming generation. If these grounds will in the future be properly utilized peace will surely be restored and relation be normalized. Therefore, it is up to the communities of the two countries to take into consideration all these only for the good of the future generation.

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<sup>65</sup> International Institute for Strategic Studies, The military balance 2009: the annual assessment of global military capabilities and defence economies, London: IISS, 2009.

Another important area that helps the two countries to restore peace and normalize their relation lies on the past economic interdependence and the current economic hardship that they are facing. It can be taken for certain that the need for normalization of the relation and cooperation between the two countries is clearly seen on economic grounds. As mentioned many times in this study, for the past many years the economies of the two countries had been so close and interdependent that trying to separate them is a disadvantage than advantage (Tekeste, 2000 and Dade, 2011). There is so much to lose by separating the two economies, which not only stifles growth but continues to be a source of tension and conflict. Ethiopia had been serving Eritrea as a source for industrial raw materials and market place for its manufactured products (Belay, 1996). Whereas on the other hand, Eritrea had also serving Ethiopia as a main gateway to the sea through which it had conducted its international overseas trade (Girma, 2009).

However, because of the conflict and later the strained relation, their past economic linkage closed and hence invited them to face a multiple of economic problems. Eritrea lost its past sources for industrial raw materials and food produces and is exposed to wait for remittances from Diasporas. Again, the repeatedly occurred drought in Eritrea throughout 2006-2007 has also resulted into serious economic loss, and let the people to shortage of food. Ethiopia also lost its past free access to the Eritrean port of Assab and is currently exposed to pay much amount of money for Djibouti port services.

Thus, this problem will continue unless due focus is paid to the economic relationship between the two countries. Their past economic ties have a great importance to play in the future prospects for cooperation and normalization of the relation. Therefore, although, the prospect for the normalization of the relation between Ethiopia and Eritrea does not seem likely to occur in the foreseeable future, the fact that the economic hardship which both countries are currently facing cannot be denied.

## **Chapter Six**

### **Concluding Remarks**

In the preceding chapters, an attempt has been made to present the major problems and prospects for the post-Algiers Ethio-Eritrean relations. The major economic and political problems encountering the region in general and the two countries in particular have been discussed under different chapters and headings. By taking into consideration the existing reality and the past historical, cultural, linguistic and blood ties between the communities of the two countries, the prospects for their future relations has also been discussed in line with the established theoretical and conceptual framework of the study. This part, therefore, provides a concise picture of issues, ideas and facts about the subject under study. Accordingly, the following part provides concluding remarks by reiterating core points that have been discussed in the preceding chapters.

#### **6.1. Conclusion**

The long history of commonality, which Ethiopia and Eritrea have had together, has come to an abrupt halt in 1998 with the outbreak of border conflict around their common boundary line near Badme village. As has been pointed out in the previous chapters, before the outbreak of the conflict there have been many things that they have shared in common. They have shared similar history, culture and ancestral origin. However, despite such kind of commonality the two countries went into border conflict in 1998 over a tiny plot of land found around their common border. The conflict unexpectedly escalated into full-scale war and has claimed thousands of lives from both sides. Later, two years after its outbreak, it has ended with the signing of Algiers peace agreement on December 2000.

As far as the post Algiers political and economic developments are concerned the two countries today facing various economic and political problems that could possibly continue in the future unless amicably resolved. Although, economically both countries are facing acute problems Eritrea is the most disadvantaged as compared to Ethiopia. The fact is that, the only thing that Ethiopia has lost from the closure of trade with Eritrea is its free access to the port of Assab, which is currently substituted by the port of Djibouti though it costs high price. Nevertheless, Eritrea lost many advantages from the closure of trade with Ethiopia.

Eritrea lost its past source of industrial raw materials, import of food products and center of market place for its industrial outputs. As a result, Eritrea is forced to depend on remittances from Eritrean Diaspora and few imported food from distant countries. Thus, with the continued stalemate and untried solution to their economic problems, Eritrea could continue facing this problem in the years to come.

Ethiopia on the other hand, is also facing acute economic problems though its extent is lesser than the Eritrean case. Previously, Ethiopia has been dependent on Eritrea's port of Assab for its conduct of foreign trade. As it was discussed in the 1993 economic agreement between the two countries, the port of Assab was free to Ethiopia. Nonetheless, with the conflict Ethiopia is forced to re-direct its maritime communication from the port of Assab to Djibouti. With this re-routing, it is exposed to pay huge amount of money for Djibouti port services. Thus, with the increasing Ethiopia's trade volume at the port of Djibouti added with the increasing oil price, in the future Ethiopia will continue to face such a problem.

Politically, also the two countries are facing serious problems. Both states went in to serious of destabilization action and expansion of proxy wars in the third state of Somalia. They are engaging in destabilizing the other state through the provision of support to the other's opposition forces. Eritrea has been providing support to the Ethiopian opposition forces and vice versa. However, out 2006-2007 Somalia became battleground wherein the forces of the two countries fought each other. Therefore, it can be concluded that, given the current political developments in both countries the stalemate could continue with an average possibility of conflict in the future. More importantly, the action of destabilization and proxy wars could continue to be a source of conflict in the future.

Ethiopia may seem to be the most interested in the continuing stalemate in the short term, as it continues to control territories. In the long run, however, both countries will be affected, as each continues with its attempts to weaken and destabilize the other by supporting rebel movements. This could invariably increase internal tensions and lead the two countries to experience a vicious circle of conflict as each tries to manipulate internal weaknesses. Although peace benefits both countries, the two governments have clearly failed to negotiate and resolve their differences amicably. Hence, it is time to involve the people who have had

no say in the peace processes that have taken place, but who have continued to pay dearly due to the continued stalemate. If the people had been involved in the first place, the issues of the border and economic relations would not have been complicated as much by the rhetoric of their governments. Therefore, both countries should embrace the process of accommodation to come out of such problem.

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## **Appendix 1. Joint communiqué of the first round table Meeting of the Ethio-Eritrea joint ministerial Commission, 27-27 September 1993, Asmara**

The JMC meeting took place in accordance with the provision of the agreement of friendship and cooperation signed between the two governments on July 30, 1993 in Addis Ababa.

In view of the very high value attached to the advancement and promotion of cooperative relations between the two countries, the two sides expressed their profound satisfaction with the establishment of a JHMC. The JHMC is composed of the prime minister of TGE and the minister of local government of the government of Eritrea as co-chairmen. Foreign ministers of the two countries and the ambassadors of the two countries to each other, as the supreme body entrusted with the task of preserving and building upon the achievements already made facilitate the implementation of the agreements signed and identify and promote further areas of cooperation.

The JHMC formed three joint committees: political, economic and social affairs which held extensive discussions and consultations in their specific areas

The Discussions were conducted in the spirit of brotherhood, mutual trust and understanding reflecting the close and friendly relations between the peoples of the two countries and led to the signing of 25 protocol agreements aimed at reinforcing and further expanding fields of cooperation which would contribute towards promoting mutual interests.

In the fields of economic cooperation it was decided to work together and to coordinate development strategies and policies of the two countries. In this connection, a protocol agreement on harmonization of economic policies between the two countries has been signed, covering the issues of fiscal, monetary, trade and investment policies. On the sectoral level specific cooperation agreements were signed on industry, transport and communication, agriculture, natural resources development and environmental protection, mining and energy, construction and tourism.

The two governments have reaffirmed their commitment to vigorously continue their efforts to further expand their cooperation in various areas of mutual interest. The JHMC and the three joint committees are entrusted with the task of following-up coordinating and expanding the implementation of agreements reached in the political, economic and social fields.

Tamrat Layne, Romedan M. Nur

Asmara, 27 september 1993

## **Appendix 2 Extract form final report of the joint review Committee on the implementation of the Ethio-Eritrea Economic Agreements**

**Addis Ababa, 1 January 1997.**

### **Table of contents**

1. Introduction
2. Review of the Agreements, their implementation status and underlying constraints
  - 2.1. summary of main feature of agreements
    - 2.1.1. trade agreement
    - 2.1.2. customs
    - 2.1.3. transport and communication
    - 2.1.4. Banking
    - 2.1.5. Harmonization of economic policies
  - 2.2. Implementation status and underlying constrains
    - 2.2.1. trade and customs
    - 2.2.2. transport and communications
    - 2.2.3. Banking
    - 2.2.4. Macroeconomic policy harmonization
    - 2.2.5. Investment
    - 2.2.6. Settlement of financial claims
3. Problems identified by each side
  - 3.1. trade
  - 3.2. customs
  - 3.3. transport and communication
  - 3.4. Banking
4. Analysis of identified problems and proposed measures
  - 4.1. Trade
  - 4.2. customs
  - 4.3. Transport and communications
  - 4.4. Banking
  - 4.5. Macroeconomic policy harmonization
  - 4.6. Investment and business licensing
  - 4.7. Settlement of financial claims
5. summary and conclusions

Annex 1. Terms of reference for the reviews of the Ethio-Eritrea economic cooperation

Annex 2 lists of members of the joint review committee

The following notes were made under the following points:

2.1.5 Harmonization of Economic policies

A protocol on economic policies signed on September 27, 1993 included, among other things, several provisions on the harmonization of macroeconomic policies which are summarized below.

- a) to harmonize exchange rate policies and interest rate structures
- b) to work out a mechanism for making the growth of the money stock conform with inflation objectives of the two countries
- c) 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;
- d) to gradually harmonize policies regarding tariffs, sales tax, excise tax and profit taxes;
- e) to harmonize their investment policies;
- f) to provide national investors of both countries the same and equal treatment in each other's territories.

### **2.1.3 Transport and communication agreements**

In the transport and communication fields the agreements concluded by the two countries include Transport and communication protocol agreement, the commercial road transport services agreement, and port and transit services agreement, all of which were signed on September 27, 1993. Since problems raised with respect to commercial road transport services are few and largely administrative, only highlights of port and transit services agreements are summarized.

#### **Port and transit agreement**

- a) Assab and Massawa shall serve as transit ports for Ethiopia; speedy movement of goods in transit shall be expedited and transit documentation and procedures shall be simplified and harmonized.
- b) Ethiopia goods transiting through Assab and Massawa shall be free of taxes and customs duties.
- c) Eritrea shall provide all necessary port handling and agency services to ships owned by Ethiopia and cargo destined to or originating from Ethiopia.
- d) Payments for services rendered to Ethiopian ships and cargo shall be effected in Birr except where the handling costs were paid for by the shipper or consignee in hard currency.
- e) Payment for Eritrean freight cargo loaded on Ethiopia ships shall be effected in Birr and the rate of payment shall be according to the agreed governing international freight rate.
- f) Food aid cargoes and materials which serve the immediate human need shall be free of port dues and storage penalty charges.
- g) Port services regulations and tariffs used by Eritrea shall be given to the Ethiopian government and when Eritrea intends to make changes of these regulations and tariffs it shall notify the Ethiopian government 60 working days in advance.

### **2.1.1 Trade agreement**

On September 27, 1993 the Transitional Government of Ethiopia and the state of Eritrea concluded a trade agreement and protocol in order to promote and expand trade between the two countries. The agreement included the following main provisions.

- a) There shall be free movement of goods and services between the two countries for local consumption except those that are in short supply
- b) Goods imported from a third country shall be re-exported freely subject to that laws and regulations of the two countries.
- c) Goods and services originating in a member country cannot be re-exported to a third country.
- d) A uniform standardization system shall be established for the goods and services traded between the two countries.
- e) Trade and service transactions between the two countries shall be made to birr
- f) A joint trade committee shall be established to review the implementation of the agreement.

A memorandum of understanding signed on October 7, 1994 by the ministers of the two countries further liberalized trade between the two countries making the following provisions.

- a) No additional intermediate and local payment should be imposed on goods and services traded between the two countries
- b) The two parties agree to establish a joint customs committee to monitor day to day activities and give solutions to problems arising during implementation.
- c) Both parties agree that free movement of goods and services should not be distracted by short supply.
- d) Transit goods shall be checked at end check points if the proper authorized documents are presented.

On April, 3, 1995 the government of the state of Eritrea and the Transitional government of Ethiopia further agreed to form a free trade area (FTA) as a first stage in the process of economic integration. The main provisions of the agreements are the following.

- a) Removal of tariff and non-tariff barriers on all goods and services produced and exchanged by the two countries

- b) Periodic review to include new products and services produced and exchange between the two countries.
- c) Harmonization and simplification of customs documents and procedures, introduction of common classification of goods (based on SITC method), common instruments for data collection and a system of exchange of trade data.

## **2.2. Implementation status and underlying constraints.**

As can be gathered from the above summaries of the main elements of the sectoral and macroeconomic agreements signed by the two countries, the agreements have opened up at least on paper a wide door for economic cooperation between the two countries. But realization of the economic and social benefits to be derived depends on the extent of implementation of the agreements. The degree of implementation in turn depends on the fulfillment of prerequisites for successful implementation and on whether the set of agreed upon actions to be taken within a given time frame to translate the agreements into practice have been taken or not. The prerequisites against which the implementation of the agreements has to be judged are the following:

- a) The degree to which agreements signed are in harmony or out of tune with the domestic economic and social policies of the two countries.
- b) Whether the gains expected by both parties from the agreements outweigh the sacrifices of independent policy making
- c) Whether the independently followed economic policies of the two countries were converging or diverging over the implementation period.
- d) The degree of complementarity or competitiveness of the structures of domestic output of the two countries.
- e) The adequacy of the institutional mechanism set up to monitor the implementation of the agreements.
- f) Whether the substance of the agreements is fully communicated to those who are responsible for their implementation at various levels
- g) Whether the agreements are stated in a manner that does not give rise to misinterpretations or differences in interpretation during implementation.

### **2.2.1 Trade and customs**

But as will be seen in the section on identified implementation problems the removal of tariff barriers is less than total because an important provision of the agreement, which in effect says that no additional local and intermediate payment should be imposed on goods and services traded between the two

countries, has not been fully implemented. Besides, the payment of profit taxes at customs posts is a practice which can be regarded as a tariff barrier on trade.

With respect to the removal of non-tariff barriers, on the other hand, as noted by the Eritrean side, very little has been done since important provisions of the agreement with respect to this are still encountering implementation problems.

Eritrea has been facing restrictions and outright prohibitions on its imports of Ethiopia's exportable products throughout the implementation period. The practice of multiple checks in between origin and destination is still going on contrary to the agreement which says that goods and services moving between Eritrea and Ethiopia with the appropriate documents shall be examined at point of origin and destination only Ethiopia's decision to prohibit Franco-valuta imports is a measure which can totally block re-export trade between the two countries and also can be a cause for the further intensification of illegal trade along the borders of the two countries. Differences in licensing requirements of the two countries are still acting as further obstacles to trade.

The Ethiopian side indicated that the agreements signed in the area of trade and customs have significantly contributed to the growing trade transactions between the two countries. However, the current practice of charging sales and excise tax on the basis of differences in tax rates of the two countries is not in line with the customs agreement.

The Ethiopian side further indicated that the restriction of exportable goods is in conformity form it with the trade agreements. Moreover, the prohibition of Franco-valuta imports which is aimed to address problems which are associated whit the operation of such importing procedures is consistent with article H: 2 of the trade agreement signed on September 1993.

Although the two countries have entered into an agreement to combat illegal trade, no cooperative action has been taken so far. In fact, discussion with customs officers at Zalenbessa border post revealed that coffee is being smuggled to Eritrea.

With respect to the request by Eritrean customs officers for overtime payment the Ethiopian side regards such practice as a barrier to trade since such addition costs among other things, raise the final price to customers.

Moreover, it has been noted that Ethiopian traders are often requested to either present import-export licenses or rent import-export licenses form Eritrean traders in their sales or purchase of goods form Eritrea, traders in their sales or purchase of goods form Eritrea, which is believed to inhibit the free flow of goods between the two countries.

A broad conclusion that can be drawn from the above brief assessment of the implementation of various articles of the agreements is that the overall progress achieved in implementing the trade and customs agreements is not fully satisfactory. The underlying constraints which have impeded the implementation of the trade and customs agreements are mainly:

- a) divergences in economic policies of the two countries:
- b) differences in their trade regulatory systems:
- c) differences in the interpretation of various articles of the agreements:
- d) gaps in the agreements which provide loopholes for maintaining or introduction tariff and non-tariff barriers; and
- e) Failure to establish in time the institutional mechanisms for following up the implementation of the agreements.

#### **2.2.4 Macroeconomic policy harmonization**

Despite the protocol agreement of macroeconomic policy harmonization little practical measure has been taken by the two countries to harmonize their macroeconomic policies due to the absence of the prerequisite of fully developed banking transport and communication system and other institutional mechanisms required for full coordination within the framework of their cooperation agreements. Indeed new investment codes, tariff regimes, and exchange and interest rates have been put in place by the two countries independently since the cooperative agreements were signed. In the case of Ethiopia, the investment policy and interest rates were revised for the second time and tariff rates for the third time after the two countries signed the economic cooperation agreements. Although it is not the result of the joint efforts to harmonise the macroeconomic policies of the two countries, the divergence between the investment policies and tariff regimes of the two countries is narrower now than it was the case immediately after the signing of the cooperation agreements.

Full harmonization of economic policies and particularly the macroeconomic policies of the two countries is a stage in the process of economic integration which can be reached only after successful implementation of the less demanding integration schemes of free trade and customs union.

Thus it could be argued that harmonization of macroeconomic policies is an issue which must be pragmatically addressed at a proper time in the future after the two countries have reached a high stage of cooperation particularly in the area of trade transport and communications, banking, investment and institutional mechanisms for cooperation.

On the other hand, Ethiopia and Eritrea have on a number of occasions expressed their commitments to regional and sub-regional economic integration.

And these commitments in most cases call for the difficult task of harmonization and coordination of macroeconomic policies. Given the common currency (though the introduction of a new currency in Eritrea is imminent), the relatively high level of cross border trade, the use of common ports, to mention but a few, Ethiopia and Eritrea are in a better position than most African countries to move into economic integration in a relatively short time.

### **2.2.5 Investment**

A comparison of the investment policies of the two countries shows that there are more areas for investment open to a foreign investor in Eritrea than can be found in Ethiopia. Citing these and other differences in investment policy, the authorities of both countries have on a number of occasions sought clarification as to how to implement the protocol agreement.

One thing has been made clear, however, by the latest investment code of Ethiopia. Eritrea nationals residing in Ethiopia can enjoy the privileges of a domestic investor. The question of whether Eritrea-residing in Ethiopia or not can be granted investment licenses in areas reserved for Ethiopian nationals was the subject of discussion both at previous technical meetings as well as at the fourth JHMC meeting held in Addis Ababa in August 1996. Although not included in the original terms of reference of the joint review committee, it was learned from the Minutes of Understanding of the JMC (this reached the joint Review committee two months after the start of the review exercise) that the JRC has to study the implications of opening investment areas reserved for Ethiopia and vice versa and come up with recommendations to the JMC.

## **4. Analysis of identified problems and proposed measures**

### *2. Restrictions on Eritrea's imports of Ethiopia's exportable products.*

Overtime payment of Eritrean customs personnel by Ethiopian traders

4. *Implementation of free trade agreement.* It is proposed that the ministries of both countries closely monitor and set deadlines for the assignments of the various parts of the agreement.
5. *Lack of adequate institutional mechanisms.*
6. *Illegal trade.* Until the divergences in policies are harmonized, the two countries had entered an agreement to combat illegal trade, but so far no concrete action has been taken.
7. *Joint committee on trade.* As a result of the absence of a joint trade committee to follow up the implementation of the agreement, many problems that could have been solved at lower levels have become a national issue.

10. *Differences in licensing systems.* Eritrean traders who have only general import export licenses are required to have additional letters of support for their purchase of commodities like coffee, hides, skins, wood etc. from Ethiopia the time and cost involved in trying to secure a license for every commodity one wants to trade in separately is very discouraging and a cause of delays and missed opportunities to many traders and may be regarded as a non-tariff barrier. It is suggested that Ethiopian side, on the other hand, indicated that differences in licensing system were a problem requiring serious attention and proposed that steps be taken to include a provision which can address such problems in the ongoing revision of the Ethiopian licensing system.

12. *Local charges and intermediate payments.* It was pointed out by the Eritrean side that various levies made by the zonal and local authorities were becoming tariff barriers to trade between the two countries. In order to enable trade between the two countries to be conducted with minimum barriers, it is necessary to make provisions which enable the trade agreement to supersede zonal and local laws and regulations.

The Ethiopian side, however, explained that the power to tax import export trade rests with the central government only and therefore, the question of local tax on trade between the two countries does not arise. The question of non-tax intermediate payments charged by regional governments be adequately dealt with in the next round of customs agreement negotiations

14. *Prohibition of Franco-valuta goods.* The Eritrean side stated the prohibition of Franco-valuta imports by Ethiopia with considerable negative impact on the Eritrean economy. Since the birr is a common currency of both countries and all trade transactions between the two countries are conducted in birr the prohibition of Franco-valuta imports means that Eritrea cannot have legal export trade with Ethiopia. This move by the Ethiopian side is a violation of article II.2 and article V of the 1993 trade agreement. This move is a reversal of the progress achieved so far in the expansion of trade between the two countries. Therefore, the trade and other relevant agreements should be revised to take account of this new development.

The Ethiopian side, on the other hand, indicated that the new regulations regarding the prohibition of Franco-valuta imports is aimed at addressing problems of proliferation of the black market and unfair trade practices which are associated with the operation of such importing procedures. Furthermore, it was noted that the new regulation is consistent with article II. 2 of the trade agreement signed between the two countries in September 1993.

#### *4.6 Investment and business licensing*

Both countries should implement what they already allow in their investment laws.

In the case of Eritrean investment law does not restrict foreign investment such as custom clearing.

Likewise, in accordance with the new investment code of Ethiopian which provides for Eritrea residing in Ethiopia to invest in all areas except in banking, Insurance, electric power supply and air transport services Eritrea national residing in Ethiopia should be granted investment licenses in the areas not reserved for Ethiopians only.

The Eritrean side believes that such investment and licensing demands of the nationals of ether country can only be fully satisfied when the existing disparities in the investment laws and practices of the two countries are reconciled through bilateral investment promotion and protection agreement. Addressing the issue of treatment of resident nationals alone will leave the issue of the treatment on nonresident nationals unsolved which is in fact the main source of current demands for investment licensing. Beside, determining who is a resident national of either country would require having an agreed definition of residence in order to ensure a fair reciprocal treatment. Thus, the areas of investment which would open to the nationals of both countries irrespective of whether they are residents or non-residents.

## **5. Summary and conclusions**

3. Several agreements were signed on the basis of the objective reality prevailing prior to the formulation and introduction of its macroeconomic policy, in and institutions arrangements (such as the restructuring of port administration) Have taken place in both countries since the agreements were signed. These developments have rendered the agreements somehow outdated. In some cases, field officers, under strict orders from their headquarters to adhere to directives, find that provisions of the agreement are sometimes contradictory with current laws and regulations.
8. Lack of investment delineating areas of economic activity which would be open to investment by the government and nationals of either country: for example Ethiopian nationals and enterprises are repeatedly requesting to operate transit, , clearing and forwarding and banking services in Eritrea and similarly, Eritrean enterprises have indicated their desire to start up banking and transport businesses in Ethiopia, but they cannot obtain a positive response in the absence of an investment agreement.
9. The similar production structure of the economies of the two countries is also a constraint which forces them to look for most of their import needs especially with respect to development inputs form third countries. This together with the use of the birr as a common currency for both countries has led Ethiopia to restrict exportable form entering the Eritrean market.

10. The above constrain is reinforced by the lack of a provisioning the trade agreement on how trade surpluses and deficits are to be settled periodically accumulated surpluses on one side means interest free loan to the deficit side and no incentive to reduce one's deficit by expanding exports to the other side

Having analysed the above problems and issues associated with them, the JRC has come up with proposals which call for measures including:

- a) A thorough revision of the existing agreements in areas of trade, customs transport, port and transit services and macroeconomic harmonization and conclusion of new agreements in the areas of banking, investment promotion and protection and in institutional set-ups for cooperation.
- b) Provision of clear instructions and guidelines for those responsible for the implementation of the agreements both at the operational and supervisory levels.
- c) Ensuring that all concerned have clear and timely information the provisions of the agreements; procedures and new developments that affect established norms.

Finally, the JRC believes that with the implementation of the proposed measures, a strong foundation and a conducive environment for an all round cooperation between the two countries will be created.

## Appendix 3 Interview Guide

1. How do you see the post Algiers Ethio-Eritrea relation?
2. How do you see the post-Algiers Ethio-Eritrean destabilization action?
3. To what extent the Eritrean destabilization action affects Ethiopian economic and political development?
4. Is there any official strategy designed by Ethiopia to decrease speed of Eritrean destabilization policy?
5. How do you see the Ethio-Eritrean proxy war in Somalia?
6. What do you think the reason for Ethiopian involvement in Somalia conflict?
7. What do you think that the impact of Eritrean involvement in Somalia conflict on Ethiopia and the security of the horn?
8. Do you think that the recent Eritrean willingness to reinstate its membership in AU has an impact on the stalled relation between Ethiopia and Eritrea?
9. Is there any interest in Ethiopia government to have harmonious relation with Eritrea in the future?
10. Is there any mechanism that Ethiopia is undertaking towards normalization of peace with Eritrea in the future?
11. How do you see the current Ethiopia's import and export cargoes? Is it decreasing or increasing?
12. How is the total annual fee paid for Djibouti port use?
13. How do you see the total congestion of load at the port of Djibouti? Does the port has sufficient place to store goods?
14. How is the total storage capacity of the port of Djibouti?

#### **Appendix 4 List of interviewed persons**

1. Ato Tsahaye Gebrekidan, spokes person at the Ministry of Ethiopian Foreign Affairs
2. Ato Birhan Eshetu, economics at the Ethiopian shipping line S.C

## **Appendix 5. Agreement on Cessation of Hostilities between the Government of the Federal Democratic Republic of Ethiopia and the Government of the State of Eritrea**

The Government of the Federal Democratic Republic of Ethiopia and the Government of the State of Eritrea, Having taken part in the Proximity Talks called by the Organization of African Unity in Algiers from 29 May to 10 June 2000, under the Chairmanship of Algeria the Current Chair of the OAU and with the participation of its partners namely the United States and the European Union, Committing themselves to the following principles:

- Resolution of the present crisis and any other dispute between them through peaceful and legal means in accordance with the principles enshrined in the charters of the OAU and the United Nations;
- Rejection of the use of force as a means of imposing solutions to disputes;
- Respect for the borders existing at independence as stated in resolution AHG/Res 16 (1) adopted by the OAU Summit in Cairo in 1964 and, in this regard, determine them on the basis of pertinent colonial treaties and applicable international law, making use, to that end, of technical means to demarcate the borders and, in case of controversy, resort to the appropriate mechanism of arbitration;
- Reaffirming their acceptance of the OAU "Framework Agreement" and "the Modalities for its Implementation" which have been endorsed by the 35th ordinary session of the Assembly of Heads of State and Government, held in Algiers, Algeria from 12 to 14 July 1999, Taking into account the latest developments in this crisis, Commit themselves to the following:
  1. Immediate cessation of hostilities starting from the signature of this document. In particular the two Parties agree to the following:
    - 1.1 cessation of all armed air and land attacks;
    - 1.2 guarantee of the free movement and access of the Peacekeeping Mission and its supplies as required through the territories of the Parties;
    - 1.3 Respect and protection of the members of the Peacekeeping Mission, its installations and equipment.

2. A Peacekeeping Mission shall be deployed by the United Nations under the auspices of the OAU.
3. The mandate of the Peacekeeping Mission shall be:
  - 3.1 monitor the cessation of hostilities;
  - 3.2 monitor the redeployment of Ethiopian troops;
  - 3.3 ensure the observance of the security commitments agreed by the two Parties in this document, in particular those provided for in paragraph 14;
  - 3.4 Monitor the temporary security zone provided for in paragraph 12 of this document.
4. The size and the composition of the Peacekeeping Mission shall be adapted to the mission assigned to it and shall be determined by the Secretaries General of the United Nations and the OAU with the acceptance of the two Parties.
5. The Peacekeeping Mission shall terminate when the delimitation-demarcation process of the border has been completed.
6. A Military Coordination Commission shall be established by the OAU and the United Nations with agreement of the two Parties in order to facilitate the functions of the Peacekeeping Mission. It shall be composed of representatives of the two Parties and chaired by the leader of the Peacekeeping Mission.
7. The mandate of the Military Coordination Commission shall be to coordinate and resolve issues relating to the implementation of the mandate of the Peacekeeping Mission as defined in the present document. The Commission shall deal with military issues arising during the implementation period.
8. Upon the signing of the present document, both Parties shall conduct demining activities as soon as possible with a view to creating the conditions necessary for the deployment of the Peacekeeping Mission, the return of civilian administration and the return of population as well as the delimitation and demarcation of their common border. The Peace-keeping Mission, in conjunction with the United Nations Mine Action Service, will assist the Parties' demining efforts by providing technical advice and coordination. The Parties shall, as necessary, seek additional demining assistance from the Peacekeeping mission.
9. Ethiopia shall submit redeployment plans for its troops from positions taken after 6 February 1999, and which were not under Ethiopian administration before 6 May 1998,

to the Peacekeeping Mission. This redeployment shall be completed within two weeks after the deployment of the Peacekeeping Mission and verified by it.

10. In accordance with the principle established in paragraph 3 of the Framework Agreement, it is understood that the redeployment of Ethiopian forces will not prejudice the final status of the contested areas, which will be determined at the end of the delimitation and demarcation of the border and, if need be, through an appropriate mechanism of arbitration.
11. Upon verification of Ethiopian redeployment by the Peacekeeping Mission, Eritrean civilian administration, including police and local militia, will be restored to prepare for the return of the population.
12. In order to contribute to the reduction of tension and to the establishment of a climate of calm and confidence, as well as to create conditions conducive to a comprehensive and lasting settlement of the conflict through the delimitation and demarcation of the border, the Eritrean forces shall remain at a distance of 25 km (artillery range) from positions to which Ethiopian forces shall redeploy in accordance with paragraph 9 of this document. This zone of separation shall be referred to in this document as the "temporary security zone."
13. The Eritrean forces at positions defined in paragraph 12 of this document, as well as Ethiopian forces at positions defined in paragraph 9 of this document, shall be monitored by the Peacekeeping Mission.
14. Ethiopia commits itself not to move its troops beyond the positions it administered before 6 May 1998. Eritrea commits itself not to move its troops beyond the positions defined in paragraph 12 above. The OAU and the United Nations commit themselves to guarantee the respect for this commitment of the two Parties until the determination of the common border on the basis of pertinent colonial treaties and applicable international law, through delimitation/demarcation and in case of controversy, through the appropriate mechanism of arbitration. This guarantee shall be comprised of:
  - a) measures to be taken by the international community should one or both of the Parties violate this commitment, including appropriate measures to be taken under Chapter VII of the United Nations Charter by the UN Security Council ;

- b) actions by the Peacekeeping Mission to monitor key and sensitive areas of the temporary security zone through liaison officers at the division and regimental levels with Ethiopian and Eritrean units deployed at key points along the temporary security zone on their respective sides ; regular patrols ; reconnaissance missions; and challenge inspections throughout the temporary security zone coordinated through the Military Coordination Commission with the participation of liaison officers of the Parties as decided by the Chairman of the Military Coordination Commission;
- c) deployment to and continuous monitoring by military units of the Peacekeeping Mission at posts in key and sensitive positions within the temporary security zone in order to monitor the implementation of the commitments made by both Parties in paragraphs 9 and 12 of this document;
- d) periodic technical verification of the temporary security zone to help determine compliance with this document.

15. Upon the signature of the present document, the two Parties shall initiate separate requests to the Secretaries General of the OAU and the United Nations, as necessary, for assistance to implement this document.

Algiers, on June 18th, 2000 For the Government of the Federal Democratic Republic of Ethiopia:SEYOUM MESFIN

Minister of Foreign Affairs

For the Government of the State of Eritrea:

HAILE WELDENSEAE

Minister of Foreign Affairs

## **Appendix 6. An Agreement between the Government of the Federal Democratic Republic Of Ethiopia and the Government of the State of Eritrea**

The Government of the Federal Democratic Republic of Ethiopia and the Government of the State of Eritrea (the “parties”),

REAFFIRMING their acceptance of the Organization of African Unity (“OAU”) Framework Agreement and the Modalities for its Implementation, which have been endorsed by the 35th ordinary session of the Assembly of Heads of State and Government, held in Algiers, Algeria, from 12 to 14 July 1999,

RECOMMITTING themselves to the Agreement on Cessation of Hostilities, signed in Algiers on 18 June 2000, WELCOMING the commitment of the OAU and United Nations, through their endorsement of the Framework Agreement and Agreement on Cessation of Hostilities, to work closely with the international community to mobilize resources for the resettlement of displaced persons, as well as rehabilitation and peace building in both countries,

Have agreed as follows:

### *Article 1*

1. The parties shall permanently terminate military hostilities between themselves. Each party shall refrain from the threat or use of force against the other.
2. The parties shall respect and fully implement the provisions of the Agreement on Cessation of Hostilities.

### *Article 2*

1. In fulfilling their obligations under international humanitarian law, including the 1949 Geneva Conventions relative to the protection of victims of armed conflict (“1949 Geneva Conventions”), and in cooperation with the International Committee of the Red Cross, the parties shall without delay release and repatriate all prisoners of war.
2. In fulfilling their obligations under international humanitarian law, including the 1949 Geneva Conventions, and in cooperation with the International Committee of the Red Cross, the

parties shall without delay, release and repatriate or return to their last place of residence all other persons detained as a result of the armed conflict.

3. The parties shall afford humane treatment to each other's nationals and persons of each other's national origin within their respective territories.

#### *Article 3*

1. In order to determine the origins of the conflict, an investigation will be carried out on the incidents of 6 May 1998 and on any other incident prior to that date which could have contributed to a misunderstanding between the parties regarding their common border, including the incidents of July and August 1997.

2. The investigation will be carried out by an independent, impartial body appointed by the Secretary General of the OAU, in consultation with the Secretary General of the United Nations and the two parties.

3. The independent body will endeavor to submit its report to the Secretary General of the OAU in a timely fashion.

4. The parties shall cooperate fully with the independent body.

5. The Secretary General of the OAU will communicate a copy of the report to each of the two parties, which shall consider it in accordance with the letter and spirit of the Framework Agreement and the Modalities.

#### *Article 4*

1. Consistent with the provisions of the Framework Agreement and the Agreement on Cessation of Hostilities, the parties reaffirm the principle of respect for the borders existing at independence as stated in resolution AHG/Res. 16(1) adopted by the OAU Summit in Cairo in 1964, and, in this regard, that they shall be determined on the basis of pertinent colonial treaties and applicable international law.

2. The parties agree that a neutral Boundary Commission composed of five members shall be established with a mandate to delimit and demarcate the colonial treaty border based on pertinent colonial treaties (1900, 1902 and 1908) and applicable international law. The Commission shall not have the power to make decisions *ex aequo et bono*.

3. The Commission shall be located in The Hague.

4. Each party shall, by written notice to the United Nations Secretary General, appoint two commissioners within 45 days from the effective date of this Agreement, neither of whom shall be nationals or permanent residents of the party making the appointment. In the event

that a party fails to name one or both of its party-appointed commissioners within the specified time, the Secretary-General of the United Nations shall make the appointment.

5. The president of the Commission shall be selected by the party-appointed commissioners or, failing their agreement within 30 days of the date of appointment of the latest party-appointed commissioner, by the Secretary-General of the United Nations after consultation with the parties. The president shall be neither a national nor permanent resident of either party.

6. In the event of the death or resignation of a commissioner in the course of the proceedings, a substitute commissioner shall be appointed or chosen pursuant to the procedure set forth in this paragraph that was applicable to the appointment or choice of the commissioner being replaced.

7. The UN Cartographer shall serve as Secretary to the Commission and undertake such tasks as assigned to him by the Commission, making use of the technical expertise of the UN Cartographic Unit. The Commission may also engage the services of additional experts as it deems necessary.

8. Within 45 days after the effective date of this Agreement, each party shall provide to the Secretary its claims and evidence relevant to the mandate of the Commission. These shall be provided to the other party by the Secretary.

9. After reviewing such evidence and within 45 days of its receipt, but not earlier than 15 days after the Commission is constituted, the Secretary shall transmit to the Commission and the parties any materials relevant to the mandate of the Commission as well as his findings identifying those portions of the border as to which there appears to be no dispute between the parties. The Secretary shall also transmit to the Commission all the claims and evidence presented by the parties.

10. With regard to those portions of the border about which there appears to be controversy, as well as any portions of the border identified pursuant to paragraph 9 with respect to which either party believes there to be controversy, the parties shall present their written and oral submissions and any additional evidence directly to the Commission, in accordance with its procedures.

11. The Commission shall adopt its own rules of procedure based upon the 1992

Permanent Court of Arbitration Optional Rules for Arbitrating Disputes Between Two States. Filing deadlines for the parties' written submissions shall be simultaneous rather than consecutive. All decisions of the Commission shall be made by a majority of the commissioners.

12. The Commission shall commence its work not more than 15 days after it is constituted and shall endeavor to make its decision concerning delimitation of the border within six months of its first meeting. The Commission shall take this objective into consideration when establishing its schedule. At its discretion, the Commission may extend this deadline.

13. Upon reaching a final decision regarding delimitation of the borders, the Commission shall transmit its decision to the parties and Secretaries General of the OAU and the United Nations for publication, and the Commission shall arrange for expeditious demarcation.

14. The parties agree to cooperate with the Commission, its experts and other staff in all respects during the process of delimitation and demarcation, including the facilitation of access to territory they control. Each party shall accord to the Commission and its employees the same privileges and immunities as are accorded to diplomatic agents under the Vienna Convention on Diplomatic Relations.

15. The parties agree that the delimitation and demarcation determinations of the Commission shall be final and binding. Each party shall respect the border so determined, as well as territorial integrity and sovereignty of the other party.

16. Recognizing that the results of the delimitation and demarcation process are not yet known, the parties request the United Nations to facilitate resolution of problems which may arise due to the transfer of territorial control, including the consequences for individuals residing in previously disputed territory.

17. The expenses of the Commission shall be borne equally by the two parties. To defray its expenses, the Commission may accept donations from the United Nations Trust Fund established under paragraph 8 of Security Council Resolution 1177 of 26 June 1998.

#### *Article 5*

1. Consistent with the Framework Agreement, in which the parties commit themselves to addressing the negative socio-economic impact of the crisis on the civilian population, including the impact on those persons who have been deported, a neutral Claims Commission shall be established. The mandate of the Commission is to decide through binding arbitration all claims for loss, damage or injury by one Government against the other, and by nationals (including both natural and juridical persons) of one party against the Government of the other party or entities owned or controlled by the other party that are (a) related to the conflict that was the subject of the Framework Agreement, the Modalities for its Implementation and the Cessation of Hostilities

Agreement and (b) result from violations of international humanitarian law, including the 1949 Geneva Conventions, or other violations of international law. The Commission shall not hear claims arising from the cost of military operations, preparing for military operations, or the use of force, except to the extent that such claims involve violations of international humanitarian law.

2. The Commission shall consist of five arbitrators. Each party shall, by written notice to the United Nations Secretary General, appoint two members within 45 days from the effective date of this agreement, neither of whom shall be nationals or permanent residents of the party making the appointment. In the event that a party fails to name one or both of its party-appointed

arbitrators within the specified time, the Secretary-General of the United Nations shall make the appointment.

3. The president of the Commission shall be selected by the party-appointed arbitrators or failing their agreement within 30 days of the date of appointment of the latest party-appointed arbitrator, by the Secretary-General of the United Nations after consultation with the parties. The president shall be neither a national nor permanent resident of either party.

4. In the event of the death or resignation of a member of the Commission in the course of the proceedings, a substitute member shall be appointed or chosen pursuant to the procedure set forth in this paragraph that was applicable to the appointment or choice of the arbitrator being replaced.

5. The Commission shall be located in The Hague. At its discretion it may hold hearings and conduct investigations in the territory of either party, or at such other location as it deems expedient.

6. The Commission shall be empowered to employ such professional, administrative and clerical staff as it deems necessary to accomplish its work, including establishment of a Registry. The Commission may also retain consultants and experts to facilitate the expeditious completion of its work.

7. The Commission shall adopt its own rules of procedure based upon the 1992 Permanent Court of Arbitration Optional Rules for Arbitrating Disputes Between Two States. All decisions of the Commission shall be made by a majority of the commissioners.

8. Claims shall be submitted to the Commission by each of the parties on its own behalf and on behalf of its nationals, including both natural and juridical persons. All claims submitted to the Commission shall be filed no later than one year from the effective date of this agreement. Except for claims submitted to another mutually agreed settlement mechanism in accordance with paragraph 16 or filed in another forum prior to the effective date of this agreement, the Commission shall be the sole forum for adjudicating claims described in paragraph 1 or filed under paragraph 9 of this Article, and any such claims which could have been and were not submitted by that deadline shall be extinguished, in accordance with international law.

9. In appropriate cases, each party may file claims on behalf of persons of Ethiopian or Eritrean origin who may not be its nationals. Such claims shall be considered by the Commission on the same basis as claims submitted on behalf of that party's nationals.

10. In order to facilitate the expeditious resolution of these disputes, the Commission shall be authorized to adopt such methods of efficient case management and mass claims processing as it deems appropriate, such as expedited procedures for processing claims and checking claims on a sample basis for further verification only if circumstances warrant.

11. Upon application of either of the parties, the Commission may decide to consider specific claims, or categories of claims, on a priority basis.

12. The Commission shall commence its work not more than 15 days after it is constituted and shall endeavor to complete its work within three years of the date when the period for filing claims closes pursuant to paragraph 8.

13. In considering claims, the Commission shall apply relevant rules of international law. The Commission shall not have the power to make decisions *ex aequo et bono*.

14. Interest, costs and fees may be awarded.

15. The expenses of the Commission shall be borne equally by the parties. Each party shall pay any invoice from the Commission within 30 days of its receipt.

16. The parties may agree at any time to settle outstanding claims, individually or by categories, through direct negotiation or by reference to another mutually agreed settlement mechanism.

17. Decisions and awards of the commission shall be final and binding. The parties agree to honor all decisions and to pay any monetary awards rendered against them promptly.

18. Each party shall accord to members of the Commission and its employees the privileges and immunities that are accorded to diplomatic agents under the Vienna Convention on Diplomatic Relations.

#### *Article 6*

1. This agreement shall enter into force on the date of signature.

2. The parties authorize the Secretary General of the OAU to register this agreement with the Secretariat of the United Nations in accordance with article 102(1) of the Charter of the United Nations.

DONE at [Algiers, Algeria] on the [12th] day of December, 2000, in duplicate, in the English language.

FOR THE GOVERNMENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF  
ETHIOPIA:

[Prime Minister Meles Zenawi]

FOR THE GOVERNMENT OF THE STATE OF ERITREA:

[President Issaias Afewerki]

**DECLARATION**

I, the undersigned, declare that the thesis is my original work, that has not been presented for a degree in any other University and that all sources of materials used for the thesis have been duly acknowledged.

**Declared by**

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Signature

**Confirmed by**

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Advisor's Signature