

**ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**THE ETHIO-DJIBOUTI RELATIONS: IMPLICATIONS FOR SUB-
REGIONAL INTEGRATION SCHEMES IN THE HORN OF AFRICA**

**BY
URGESSA DERESSA GUTU**

**MAY 2014
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Table of Contents

	Page
List of Tables.....	v
List of Abbreviations and Acronyms	vi
Acknowledgments.....	ix
Abstract.....	x
CHAPTER ONE: BACKGROUND OF THE STUDY	1
1.1 Introduction.....	1
1.2 Statement of the Problem	2
1.3 Major Assumption.....	3
1.4 Research Questions	3
1.5 Objectives of the Study	4
1.6 Methodology and Methods of the Study	4
1.7 Significance of the Study.....	7
1.8 Scope of the Study	7
1.9 Limitations of the Study	7
1.10 Organization of the Study.....	7
CHAPTER TWO	9
THEORETICAL PERSPECTIVES ON INTERSTATE RELATIONS AND REGIONAL INTEGRATION.....	9
2.1 Perspectives on Interstate Relations in Regional Context.....	9
2.2 The Concepts, Rationales and Theories of Regional Integration	13
2.2.1 The Concepts of Regional Integration	13
2.2.2 The Rationales Regional Integration	16
2.2.3 The Theories of Regional Integration	17
2.3 Foreign Policy and Regional Integration.....	21
2.4 The Foreign Policy Dynamics in the Horn of Africa	24
CHAPTER THREE.....	31
THE HISTORICAL BACKGROUNDS OF ETHIO-DJIBOUTI RELATIONS.....	31
3.1 Ethio-Djibouti Relations During the Reign of Emperor Haile Selassie I.....	32
3.2 Ethio-Djibouti Relations under Derg Rule	36
3.3 The Ethio-Djibouti Relations in Post-1991 Period	41
CHAPTER FOUR.....	45
THE MAJOR REGIONAL INTEGRATION ARRANGEMENTS IN THE HORN OF AFRICA AND THE ETHIO-DJIBOUTI RELATIONS	45
4.1 A Brief Overview of Regional Integration Schemes in Africa	45

4.2	Regional Integration Arrangements in the Horn of Africa	49
4.2.1	Common Market for Eastern and Southern Africa Arrangements	49
4.2.2	Intergovernmental Authority on Development Initiatives.....	53
4.3	The Main Pillars of Ethio-Djibouti Relations and Sub-regional Integration	56
4.3.1	Port Service	56
4.3.2	Transport and Communication.....	59
4.3.3	Trade and Investment	62
4.3.4	Peace and Security	68
4.3.5	Socio-cultural Ties	70
4.3.6	Power Interconnection.....	71
4.3.7	Potable Water	73
CHAPTER FIVE		75
THE IMPLICATION OF ETHIO-DJIBOUTI RELATIONS FOR SUB-REGIONAL INTEGRATION SCHEMES IN THE HORN OF AFRICA		75
5.1	The Opportunities and Challenges to Transform the Ethio-Djibouti Relations Towards Integration	75
5.1.1	The Opportunities to Transform the Ethio-Djibouti Relations Towards Integration	75
5.1.1.1	Complementary Economic Structures.....	75
5.1.1.2	Cross-border Social Connections	76
5.1.1.3	Peaceful Relations/ Absence of Hostility	77
5.1.1.4	Mutual Demand.....	78
5.1.2	The Challenges to Transform the Ethio-Djibouti Relations Towards Integration	79
5.1.2.1	Level of Development of the Countries	79
5.1.2.2	Nature of Governments	80
5.1.2.3	Instability in the Sub-region.....	81
5.1.2.4	Weak Sub-regional Institutions.....	82
5.1.2.5	Influence of Foreign Powers	84
5.2	The Lessons from Ethio-Djibouti Relations for the Horn of African Sub-Region.....	84
5.2.1	Cooperation on Joint Mega Projects	84
5.2.2	Diverse and Deep Interdependences	85
5.2.3	Better Infrastructural Linkages	85
5.2.4	Bilateral Institutional Set-up	87
5.3	The Prospects of Sub-regional Integration in the Horn of Africa.....	87
CHAPTER SIX		90
CONCLUSION AND RECOMMENDATIONS		90
6.1	Conclusion.....	90
6.2	Recommendations	93
Bibliography		96
Appendixes		

List of Tables

Table 1: Distances between surrounding ports and major Ethiopian cities	57
Table 2: The Ethio-Djibouti trade relation	64
Table 3: Licensed Private Investment Projects from Djibouti to Ethiopia	66
Table 4: Number of Djibouti tourists to Ethiopia	70

List of Abbreviations and Acronyms

ADF= African Development Forum

AEC =African Economic Community

AFRICOM = Africa Command

AFSAAP = African Studies Association of Australia and the Pacific

AIAI = Al-Itihad –Al-Islamiya

ALF = Afar Liberation Front

AMISOM= African Peace Keeping Mission in Somalia

AMU =Arab Maghreb Union

AU=African Union

AUC= African Union Commission

B.C = Before Christ

CDE =*La Compagnie du chemin de fer djibouto-éthiopien* - Djibouti-Ethiopia Railway
Company

CEN-SAD= Community of Sahel Saharan States

CET= Common External Tariff

CIA= Central Intelligence Agency

CJTF-HOA = Combined Joint Task Force-Horn of Africa

CLD= Committee for Liberation of Djibouti

COMESA= Common Market for Eastern and Southern Africa

CPA = Comprehensive Peace Agreement

CTO = Commonwealth Telecommunication Organization

CU= Custom Union

DPW = Dubai Port World

EAC= East African Community

E.C= Ethiopian Calendar

EAPP = Eastern Africa Power Pool

EASSy = Electronic Article Surveillance System

ECCAS= Economic Community of Central African States

ECOWAS =Economic Community of West African States

ECSC = European Coal and Steel Community

EEPCo = Ethiopian Electric Power Corporation

EIIPD =Ethiopian International Institute for Peace and Development

ESLSE=Ethiopian Shipping and Logistics Services Enterprise

ETC = Ethiopian Telecommunication Corporation

EU= European Union

FDRE =Federal Democratic Republic of Ethiopia

FRUD = *Front pour le Restauration de l'Unite et la Democratie*, (its English translation *Front for Restoration of Unity and Democracy*)

FTA =Free Trade Area

FTAI= French Territory of Afars and Issas

GNI=Gross National Income

HoAI = Horn of Africa Initiatives

ICSAA = International Conference on the State of Affairs of Africa

IGAD= Intergovernmental Authority on Development

IGADD = Inter-governmental Authority on Drought and Development

IIICF = International Infrastructure Investment and Construction Forum

km= kilo meter

kV= kilo volt

kwh= kilo watt per hour

LAPSSET= Lamu Port South Sudan- Ethiopia Transport

LFSC =Liberation Front of Somali Coast

LPAI =*Ligue Populaire Africaine Pour l'Independence* (its English translation *Popular League for African Independence*)

MERCOSUR=Common Market of the Southern Cone

MFN = Most Favoured Nations

MIP = Minimum Integration Plan

MLD = *Mouvement de Liberation de Djibouti* (its English translation *Djibouti Liberation Movements*)

MoFA =Ministry of Foreign Affairs

MoFED =Ministry of Finance and Economic Development

MoI = Ministry of Information

MoU = Memorandum of Understanding

MPL =*Mouvement Populaire de Liberation* (its English translation *Popular Liberation Movement*)

MTSE = Maritime Transit Service Enterprise

MW= mega watt

NAFTA =North American Free Trade Agreement

NATO = North Atlantic Treaty Organization

NEPAD=New Partnership for African Development

OAU =Organization of African Unity

OLF= Oromo Liberation Front

ONLF = Ogaden National Liberation Front

OSSREA = Organization for Social Science Research in Eastern and Southern Africa

PMAC = Provisional Military Administrative Council

PTA= Preferential Trade Area

RECs =Regional Economic Communities

RPP = Rassemblement Populaire pour le Progres (its English translation *Popular Rally for Progress*)

SADC = Southern African Development Community

Sinopec = China Petrochemical Corporation

SPLM = Sudan People’s Liberation Movement

UAE = United Arab Emirates

UN= United Nation

UNECA =United Nations Economic Commission for Africa

US(A) = United States of America

USD= United States Dollar

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Abstract

This study aimed to analyze the bilateral relations between Ethiopia and Djibouti, and its implications for sub-regional integration scheme in the Horn of Africa. In order to achieve this objective, the thesis has tried to link the concepts of interstate relations and regional integration, analyzed the historical relations between the two countries and the ups and downs that their relations have faced in the due course of its process, outlined the regional integration schemes in the Horn of Africa, identified the key issues in the Ethio-Djibouti relations and how they could fit to the integration arrangements. Finally, the thesis came up with some ideas that indicate the implications for sub-regional integration efforts in the Horn of Africa.

Ethiopia and Djibouti have strong relationships. Historically Ethiopia used to claim unification with Djibouti during the Emperor Haile Selassie. However, with coming to power of Derg, Ethiopia renounced its claim over Djibouti and recognized the independent existence of the country in the subregion. Therefore when Djibouti became independent from France rule in 1977, Ethiopia was among the first countries to welcome the birth of the new state. The formal diplomatic relation between the two countries was established in 1984. Even though their relationships has been good throughout the periods, the Ethio-Djibouti relationships have been transformed to higher level of cooperation and interdependence after the war between Eritrea and Ethiopia of 1998-2000. Ethiopia's heavy dependence on Djibouti's port for its international business transactions, following the war, has motivated the two countries linkages in other areas. Currently, they are tied to each others in various ways including; port use, transport, communications, trade and investment, security issues, electric power and potable water.

Depending on qualitative examination of texts and semi-structured interviews, the study has assessed the implication of the contemporary relationships between Ethiopia and Djibouti on the realization of subregional integration in the Horn of Africa. From the angle of regional integration schemes in the subregion, the Ethio-Djibouti relationships reveals the weakness of the regional institutions such as IGAD and COMESA in coordinating activities of member states to foster regional integration. Even though harmonious with regional integration arrangements in the subregion, the contemporary Ethio-Djibouti relations are mainly independent initiatives of the two countries based on their own pragmatic calculations outside the institutional frameworks of regional organizations. The conclusion of the thesis indicates that the two countries relationships have a positive implication for the subregional integration schemes in the Horn of Africa as essential benchmark up on which a region wide integration could be built. Indeed, the study has identified the opportunities and challenges for the potential of the Ethio-Djibouti relationships to grow to higher level of economic and political integration as well as the positive lessons to be drawn from the two countries' relations for the countries in the subregion in the process of promoting subregional integration.

Key words: African Union, COMESA, Djibouti, Ethiopia, foreign policy, Horn of Africa, IGAD, interstate relations, regional integration

CHAPTER ONE

BACKGROUND OF THE STUDY

1.1 Introduction

There are different factors that influence foreign policy and relations of states towards each other. States always adopt policies towards particular states because of different reasons. One of the reasons could be common border or because of their immediate proximity. The inevitability of cross-border transactions of all kinds makes some considerations necessary between neighbors. Furthermore, while being independent states there may be sharing of resources such as rivers. The political instability of neighboring states may spill over borders. Hence, no neighboring country can be entirely ignored. However, some neighbors may be more important than others. Hence, the relations between Ethiopia and Djibouti are more than being mere neighbors and the national interests of states are important factors to consider.

Ethiopia and Djibouti have continued historical, ethnical, geographical and economic ties for many years. The economic interdependence between the two countries is by far significant. Djibouti and Ethiopia share common economic interests that make bilateral relations of utmost importance to both countries. In post-1991 period, especially after the Ethio-Eritrean war of 1998-2000, the Port of Djibouti is the primary and preferred outlet to the sea for landlocked Ethiopia. This port trade, in turn, spurs much of Djibouti's economic activity. The two nations are also linked by transportation and power infrastructure. Ethiopia and Djibouti have long been connected by a joint-owned rail system (although it is currently under renewal). In addition, a heavily used road system connects the port of Djibouti with Addis Ababa, the Ethiopian capital. Djibouti is also among the largest destination of Ethiopia's export in Africa. The people of Djibouti are largely dependent on Ethiopia for their subsistence. Ethiopia is the principal supplier of all types of food stuffs to Djibouti including vegetables, meat, livestock, khat as well as potable water. Djibouti is the first country that got electric power from Ethiopia. Thus, the two countries have strong interdependence that might culminate into integration.

The peaceful and cooperative relationships between neighboring countries have been vital factor for effectiveness and sustainability of any efforts at improving regional economic cooperation and integration. The key lessons learned from efforts around the world was that regional integration was a politically driven process underpinned by the recognition that sovereign interests were best advanced through regional actions. Therefore, relations between Africa's bigger national economies and their smaller neighbors would be a critical factor in the success of regional integration and in informing programmes to accelerate integration. Hence, the strong economic interdependence and cooperation between Ethiopia and Djibouti could be necessary ingredient for sub-regional integration effort in the Horn of Africa. Thus, in this thesis the nature and scope of relations between Ethiopia and Djibouti is analyzed in the context of multilateral sub-regional integration efforts in the Horn of Africa.

1.2 Statement of the Problem

In the face of the opportunities and challenges posed by competitive global economy, nations are moving to integrate their economies with those of their neighbors to create larger and more competitive regional economic blocs to engage in international trade. This move is necessary in Africa, where the combined impact of relatively small economies, the legacy of colonialism, misrule and conflicts undermined the share of the continent in global market (Healy, 2011; Love, 2009; Medhane, 2004). In order to address the problem, different initiatives have been carried out in pursuance of regional integration and rapid socio-economic development of the continent. Particularly, the period 1960-1980 witnessed the emergence of the major regional integration schemes that pushed forward the continent's integration agenda. Nonetheless, overall progress over the last five decades has been sluggish. A fair general assessment of African regional integration arrangements indicates their failure in meeting their stated objectives.

However, the progress in African integration varies across sub-regions and member states. From among the sub-regions of Africa, Horn of Africa sub-region has shown relatively the least performance towards economic cooperation and integration (Sako, 2006; Youssouf, 2007). There are several impediments to economic integration in the Horn of Africa. It is notable that the region lacked several of the components for integration: regional institutions

are ineffective, the infrastructural developments are inadequate and political will seemed to be lacking (Healy, 2011). Several regional bodies overlap in the region; all reflecting competing yet ineffective economic integration blue-prints. In addition the nature of economic structure of the countries in the region is competitive to each other and trade integration among them is very low. Nevertheless, since the last fifteen years, Ethiopia and Djibouti have been showing promising performance towards achieving mutually beneficial economic cooperation that may foster integration in the sub-region. The economic interdependence between the two countries is by far increasing. Yet, even if economic interdependence between the two countries can be taken as a foundation in integration schemes in the sub-region, it is inadequately appreciated. Thus, this study tried to explore whether and how the enhanced economic cooperation between Ethiopia and Djibouti might contribute to the sub-regional integration schemes in the Horn of Africa.

In the study of international relations a lots of researches have been conducted on the bilateral interstate relations as well as on regional integrations separately. In the Horn of Africa too different studies have been done at different times on these issues. For instance; authors such as Woodward (2003) have studied aspects of relations among states of the Horn of Africa while others like Sisay (2006), Healy (2011), Gaim (2012); to mention a few, have conducted extensive studies on different aspects regional integration in the subregion. This thesis tried to combine these two themes by focusing on the Ethio-Djibouti relations and its implications for subregional integration in the Horn of Africa. Doing so will enrich the knowledge on the International Relations by contributing to filling the literature gap of the implications of interstate relations on regional integrations and on how interstate relations might impact on regional integration schemes in the Horn of Africa subregion.

1.3 Major Assumption

The bilateral cooperations and interdependence between Ethiopia and Djibouti could be important basis in realizing sub-regional integration schemes in the Horn of Africa.

1.4 Research Questions

This study has examined and analyzed the following questions:

- 1) What theoretical perspectives can best explain interstate relations and regional integration in the Horn of Africa?
- 2) What features characterize Ethio-Djibouti relations?
- 3) What are the existing regional integration arrangements in the Horn of Africa and; how Ethio-Djibouti relations fit into those arrangements?
- 4) What would be the implications of the Ethio-Djibouti relations to the sub-regional integration schemes in the Horn of Africa?

1.5 Objectives of the Study

The main objective of this study is to analyze the bilateral relations between Ethiopia and Djibouti and its implications in realizing sub-regional integration schemes in the Horn of Africa. In the process of analyzing the relevant issues attempt will also be made to:

- i. Review relevant theoretical perspectives on inter-state relations and sub-regional integrations in the Horn of Africa;
- ii. Examine the history, nature and scope of relations between Djibouti and Ethiopia;
- iii. Assess regional integration initiatives in the Horn of Africa and relate to Ethio-Djibouti relations;
- iv. Identify the key factors in the relations between Djibouti and Ethiopia;
- v. Explore the implications of the Ethio-Djibouti relations to the sub-regional integration schemes in the Horn of Africa; and
- vi. Use the results with regard to the above objectives as basis for identifying lessons for other countries in the region and make some suggestions that may help to achieve stronger integration in the sub-region.

1.6 Methodology and Methods of the Study

This study is based on a qualitative research approach. Conventionally, there are two approaches for acquiring knowledge: the quantitative and qualitative approaches. Each approach has a distinct epistemological basis and a cluster of methods of data collection. Epistemologically, the quantitative approach is rooted in the philosophy of positivism. Positivism maintains that reality can be mastered by the application of the scientific methods

of experiment and statistics (research instruments of the natural sciences) (Bryman, 2003). On the other hand, qualitative researchers argue that reality in research setting is too complex and the people in it are mysterious to be explained by the techniques of natural sciences. What we can do in research is to “explore, catch glimpse, illuminate and then try to interpret bits of reality. Interpretation as far as we can go” (Holliday, 2002:5). In line with its epistemological conviction, the quantitative approach emphasize on causality, variables, and heavily structured interviews. On the other hand, the qualitative approach focuses on the explanation of subjective perspectives, processes and contextual meanings (Bryman, 2003). Regarding the specific methods of data collection, the quantitative approach focuses on carefully structured interviews, structured observation, experimentation and surveys. The qualitative approach, on the other hand employs methods of participant observation, semi- and unstructured interviews, focus groups discussion and qualitative examination of texts. Despite their differences, the qualitative and the quantitative research approaches are not independent of each other. They are two different approaches / paradigms of social research but they are not irreconcilable and incompatible (Bryman, 2003; Hammersely, 2003). The methods of each approach can be integrated and used in combination. Central in the selection of a methodological approach and methods is the research problem. It is the research problems which guide to what extent one ought to use methods of the qualitative, the quantitative approach or a combination of methods of both approaches (Ibid).

As said above, this study relied on the use of the qualitative approach. The research questions are found to be effectively addressed by the qualitative approach. The concern of the qualitative approach on text and document analysis makes fit to this study. Focusing on the Ethio-Djibouti relations, this paper attempted to assess the role of interstate relations on the realization of regional integration in the Horn of Africa. Hence, it relied on the analyses and interpretations of documents, conditions and experiences that can be better achieved qualitatively.

The thesis is based on the study and analysis of both primary and secondary sources. In-depth interview forms the basic source of primary data for this research. In-depth interviews enable researchers to explore the feelings and experiences of people in detail. In light of this, semi-structured in-depth interview is employed to explore the views of the selected key

informants. Key informants are those individuals who have a privileged social position in the research setting, which in turn gives them specialist knowledge about other people, processes and happenings (Payne and Payne, 2004). Information from key informants is valuable and useful, since it is likely to be more extensive, detailed and privileged than ordinary peoples (Ibid). For this study the key informants were selected purposively on the basis of their specialist knowledge and positions they occupy from Ethiopian Ministry of Foreign Affairs and Ministry of Finance and Economic Development. Four key informants were interviewed on the semi-structured questions attached at the end of this thesis (appendix 1). The plan to get key informants from Embassy of Republic of Djibouti in Addis Ababa failed due to lack of cooperation.

Secondary data is gathered from relevant literature, such as books, internet sources, journal articles, published and unpublished materials, news releases, agreements concluded and other documents dealing with Ethio-Djibouti relations and regional integration in the Horn of Africa. Most of these secondary sources are accessed through the internet. The principal web page used as an important source to this study is Chatham House web page at <http://www.chathamhouse.org/research/africa/current-projects/horn>. The archive page of Chatham House provides access to series of research results on how the economic structure of the Horn contributes to conflict or collaboration between states in the region. The bilateral treaties, Agreed Minutes of Joint Ministerial Commission meetings and other related documents are accessed from the archive department of MoFA. Data on trade and investment performance between Ethiopia and Djibouti are obtained from FDRE Ministry of Trade and Federal Investment Agency databases. The Constitutive Act of African Union (AU), Charter of Common Market for East and South Africa (COMESA), Inter-government Authority on Development (IGAD) and protocols; those constituted important document references, have been accessed from the websites of respective institutions via internet. In addition, as circumstances require in the process of the research, other sources of data have been utilized.

1.7 Significance of the Study

The Ethio-Djibouti relations have been rich sources of the issues of interdependence and cooperation in the Horn of Africa. The consideration of the nature and scope of their relations and the implications for the sub-regional integrations scheme in the Horn is believed to enrich International Relations literatures. Particularly, the study will make contributions to the knowledge on cooperation in the Horn of Africa; the region best known by conflict. Furthermore, the focus on the implications of the Ethio-Djibouti relations on the sub-regional integration schemes in the Horn of Africa will have important contribution to the knowledge on the role of bilateral relations in the multilateral contexts. Besides, this study can serve as springboard for further studies and investigations that may be interested to deal with the inter-state relations and regional integration schemes in the Horn of Africa.

1.8 Scope of the Study

This study is concerned with the relations between Ethiopia and Djibouti in the context of sub-regional integration schemes. The integration parameters will be based on the IGAD and COMESA integration standards. In this study the method of data collection will be confined to semi-structured in-depth interview and text and document analysis. In the thesis the notion of the term ‘Horn of Africa’ is used in the sense of ‘Greater Horn’ which comprises Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan and Uganda.

1.9 Limitations of the Study

It is important to clearly note a major limiting factor in the conducting of this thesis. The primary data obtained for the study is limited to Ethiopian side. Due to financial problems making visit to Djibouti was impossible, limiting the amount of balanced data that could be collected. Given this the least expensive means of obtaining data is expected to be from the Embassy of Djibouti in Addis Ababa and through internet sources. However, the original plan to make in-depth interview with representatives of the Embassy was not realized because of lack of cooperation from the embassy. Also accessing literature even via websites from Djibouti has been difficult because of language barrier; French or Arabic languages in which most of the literature especially official releases are written. Hence, data

are gained from sources within Ethiopia and from scant on-line sources and printed documentation. However, with limited availability of data maximum efforts have been made to analyse obtained data without much affecting the efforts to realize the overall objectives of the study.

1.10 Organization of the Study

The first chapter being discussed above the remainder of the thesis is organized as follows. The second chapter deals with the theoretical perspectives on interstate relations and regional integration. Accordingly, the chapter will briefly discuss the interstate relations in regional context, the concept and rationale of regional integration, regional integration and foreign policy; and the dynamics of foreign policy in the Horn of Africa. The purpose of this chapter is aimed at giving brief view on the nature and applications of these concepts and theories since they will serve as analyzing tools in the process of the study.

The third chapter deals with the historical backgrounds of the Ethio-Djibouti relations. In this section the relations that existed between the two countries during the rule of Emperor Haile Selassie, under the reign of Derg regime and in the post 1991 period will be brought to the surface. This part will attempt to identify and analyze the factors that have shaped Ethio-Djibouti relations at different occasions.

The fourth chapter assesses and analyses the major regional integration arrangements in the Horn of Africa and the Ethio-Djibouti relations. The chapter will overview regional integration arrangements in the Horn of Africa and how the Ethio-Djibouti relations may fit to those schemes. Hence, the chapter will assess the IGAD and COMESA regional integration initiatives and the major pillars of Ethio-Djibouti relations in line with those initiatives. The fifth chapter will deal with the implications of Ethio-Djibouti relations to the sub-regional integration schemes in the Horn of Africa. This chapter intends to use the findings of the above chapters to analyze the implications for sub-regional integration. It will also identify the opportunities and constraints in the relations between the two countries in order to lead to integration. It also attempts to draw lessons for future directions. Finally, the thesis portrays concise conclusion that can be derived from the thesis.

CHAPTER TWO

THEORETICAL PERSPECTIVES ON INTERSTATE RELATIONS AND REGIONAL INTEGRATION

2.1 Perspectives on Interstate Relations in Regional Context

In assessing the development of interstate relations, two different, yet compatible, analytical perspectives can be brought to bear: historical perspective and system perspective. The historical perspective believes that the interstate relations are the outcome of nature, scope and extent of historical relations between states concerned (Burant, 1993). As argued by Deighton (2007), history affects states policy outcomes since “the past seeps into the present” and “it shapes the identities, perceptions, and attitudes of individuals and institutions.” For this perspective, the cultural and historical ties promote the two countries interest towards each other. On the other hand, the system perspectives suggest that it is the general nature of the international and/or regional political and economic system that determines interstate relations (Serbin, 1994). This perspective suggests that in contemporary anarchic and competitive international system, states will pursue interstate relations to counter real or potential threat from third state or power. In fact when following interstate relations to counter threats from others, states balance the costs and benefits they get from the relations. Each of these perspectives has several implications for the issue under consideration. But an approach that combines both may provide an accurate account of the course of interstate relations. Both the factors to which the historical perspectives draw attention and those associated with the system perspectives have their own role in the course of interstate relations in the regional contexts. But, within each set of relations the relative importance of these factors may vary overtime, as the governments in question alter their domestic and foreign policies to respond to changing circumstances brought about by the internal and external factors.

There are different dimensions of interstate relations. According to Crescenzi and Enterline (2001), interstate relationships can be determined by four general dimensions: accumulation, temporal distance, extent or degree of relation and rate of change. The first dimension that influences interstate interaction is accumulation. For pairs of states with a history of frequent

interaction, the interstate relationship should be well defined and further interaction should have a decreasing marginal effect. Conversely, in a dyad with a history characterized by infrequent interaction, the relationship is weakly defined and further interaction should have an increasing marginal effect (Crescenzi and Enterline, 2001). The second dimension in interstate relations is temporal distance. The temporal distance between the interactions affects the interstate relationship. For example, the relationship between a pair of states that engage in two events separated by twenty years is different from that of a pair of states that engage in two events within a single year. If two events are temporally proximate, the states involved are less likely to have focused their attention elsewhere after the first event when the second occurs. In the case of two events separated by twenty years, it is far more likely that these events will be treated as independent from one another by the states involved than they would be in the case in which both events transpire in the same year.

Interstate relation is also a function of the extent or degree of the cooperative and conflictual interactions that occur between pairs of states (Crescenzi and Enterline, 2001). Thus, interstate interactions characterized by the trading of verbal threats to restrict immigration are different in degree than states that engage one another in a militarized clash. Similarly, interstate interactions characterized by the mutual lowering of tariffs on a specific commodity are different in degree from interstate interactions in which a pair of states agrees to form an economic union. Finally, rate of change is another factor in interstate relations. An interstate relationship may become more or less intense across a given period of time. Moreover, a relationship does not cease at the point in time when the final interaction event occurs. Rather, it diminishes gradually with the continued absence of further interaction. This deterioration, or decay, toward neutrality is equally applicable to a cooperative or conflictual relationship. This memory aspect of interstate relationships is evident in the difficulty states experience in attempting to stimulate a cooperative relationship with a state with which they have had a history of militarized conflict. Whether cooperative or conflictual, the impact of events on the relationship between two states is likely to be a negative function of time (ibid).

While the above are the kind of broad factors that influence interstate relations, states in a particular region may have special factors of relations. Those states in a given region simply

because of their neighbourhood or immediate proximity form certain sort of relationships: cooperative or conflictual. Hence, interstate relations in regional context can be influenced by different factors such as; interest of protecting borders, the virtual inevitability of cross-border transactions, sharing of resources, and possibility of spillover effects of situations in other state like political instability (Akokpari, 2001). Thus, study of interstate relations in regional context is important interplay of various aspects of international relations. The interstate relations in any region cannot be understood by reference to developments in that region alone, but must be viewed in the context of linkages between systems at various regions and levels (Amare, 1996). It is the combinations of the dynamics within the region and its interaction with other systems- regional and global- that determine the pattern of interstate relations.

In Africa inter-state relations take place in complex regional and global contexts in which states, whose legitimacy and sovereignty are externally granted, are no longer the sole locus of international relations at all and the international politics of insurgency and the roles of non-governmental organizations is remarkable with the ultimate prove of failure of monopoly statehood; in conditions of antagonistic state-society relationships; in which military options take primacy over other actions; in which decision making is highly personalized, unpredictable and has the aim of achieving regime survival with the absence of distinctions between state and personality of state leader and in which leaders seek to extract resources from the international environment in the attempt to survive (Clapham, 1996). The Horn of Africa is not exception. Also in the Horn, interstate relations are handled on the highest level of government and the foreign policy establishments in the region are comparatively weak, personal hostilities and resentments have large potential of derailing bilateral relations and preventing states from entering into sort of relationships that promotes interdependence (Dehez, 2008). Furthermore, at the bilateral interstate level, the countries of the Horn of Africa have well established experiences of backing one another's political oppositions. In the Horn regional interstate dynamics are influenced by interstate security problems such as displacement and cross border incursion of rebel groups all having a profound impact on interstate relations. According to Medhane (2004), the new regional dynamics of inter-state relations in the Horn of Africa is evolving since the final years of last

century. This period saw a dramatic swing in the international relations of the Horn that have remarkable role on the realm of interstate relations in the region (ibid). Indeed the inter-state relations in the Horn of Africa have been influenced by the combinations of factors happened in the region such as intrastate and interstate wars; and continental and global factors like global 'war on terrorism'.

The nature of interstate relationships is one of the determining factors in the success of regional integrations schemes. Sisay (2006:24) explains the process of regional integrations as human and economic development through cooperation that is an evolutionary process of 'learning by doing'. In this sense, the states concerned must learn to live and work together, take correct lessons from their history and cultures, and build sustainable democratic institutions that make cooperations and development possible (ibid). Therefore, as Moore (2004:7) has correctly indicated, "Interstate relation plays a primary role in regional integration." The regional integration schemes based on strong and friendly interstate relations is likely to be successful in achieving its goals. Hence, interstate relations based on mutual trust and confidence among states is crucial inputs for successful regional integrations.

In the light that having good interstate relations is one of the prime prerequisites for the success of regional integration, states in the Horn of Africa are unlikely to progress in unison towards a common desirable end. Because the countries of the region have been bound more by conflict and dissension than by any durable pursuit of common interests. The Horn of African states have long been caught in relationships of mutual suspicion that regularly pulls them into interlocking regionalized conflicts (Verhoeven, 2011). The region constitutes 'Regional Security Complex'¹ in which the security problem of each country impacts on the security of all (Berouk, 2010). This suggests that interactions between the states of the region support and sustain the conflicts within the states of the region, and the different conflicts interlock with and feed into each other, determining regional foreign policy positions. Also the tradition of mutual interference makes constructive interstate

¹ Security Complex is "a group of states whose primary security concerns link together sufficiently closely that, their national securities cannot realistically be considered apart from one another" (Buzan, 1991:190 as quoted in Berouk, 2010:2).

relations difficult in the region (Healy, 2008a). However, increasingly opportunities are arising that could create a more favorable interstate relationships in the region. There is potential for joint natural resource management, agricultural investment projects, cross border trades, energy interconnections and port services to list but a few that would promote mutually beneficial interstate relations in the Horn of Africa. In this regard the evolving relations between Ethiopia and Djibouti based on fundamental economic interests of both countries can be taken as a breakthrough progress in the region that can be the basis of regional integrations. Hence, how the current good relations between Ethiopia and Djibouti could facilitate regional integrations schemes in the Horn of Africa will be thoroughly analyzed in this study.

2.2 The Concepts, Rationales and Theories of Regional Integration

2.2.1 The Concepts of Regional Integration

Regional integration is a preferential, usually reciprocal, arrangement among countries that reduces barriers to economic and non-economic transactions. It is a process in which states enter into a supranational regional organisation in order to increase regional cooperation and diffuse regional tensions. It is defined by Haas (1958:12) as a process “whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations, and political activities towards a new and larger centre, whose institutions possess or demand jurisdiction over pre-existing states”. It is a shifting of certain national activities toward a new center. Integration therefore is a form of collective action among countries in order to obtain a certain goal. This goal can be as grand as political unification, as in the case of the European Union (EU) or a free trade area, as found in the North American Free Trade Association (NAFTA). Lindberg also defined regional integration as an “evolution over time of a collective decision making system among nations. If the collective arena becomes the focus of certain kinds of decision making activity, national actors will in that measure be constrained from independent action” (1970:46). Hence, regional integration is a series of voluntary decisions by previously sovereign states to remove barriers to the mutual exchange of goods, services, capital, or persons. The common nature in all integrations is that a new common center is created out of prevailing autonomous units.

The concepts regional cooperation and regional integration are often used interchangeably in many literature. However, there is quite significant distinction between the two. Regional cooperation typically implies collective state action within defined confines controlled by participating governments (Babarrinde, 1999). Collective state action in this respect is not meant to usurp national authority or to displace sovereignty. This functional cooperation by member states entails minimal regional bureaucracy at best, and national governments are the gatekeepers between the national and regional levels and, thus, can slow down or completely stop the construction of a regional political order (ibid). On the other hand, regional integration connotes a process of creating a larger political entity, whose institutions possess or demand jurisdiction over preexisting national ones and the countries involved surrender some degree of sovereignty and act as a unit (Olubomehin and Kawonishe, 2004). It should be noted, however, that there is no precise point when regional cooperation becomes integration. This is because the process involves more of moving along a continuum ranging from economic isolation, through mercantile policy, then to economic cooperation, and finally to economic integration (ibid). The levers of power reside with the state, and it may decide not to participate in a joint exercise to maintain sovereignty. At least theoretically, no sovereign state could be coerced into collective joint action without, at the very minimum, its consent or its interests being overtly or otherwise served.

The classic scheme of regional integration ranks integration arrangements according to the depth of integration achieved along a continuum starting with a preferential trade area evolving through a free trade area, customs union, common market, economic union to ultimately political union. Each stage differs in the way discrimination is applied to non-members and in the depth and breadth of integration (UNECA, 2004). In preferential trade areas countries lower tariffs on trade with each other while retaining autonomy in setting tariffs on trade with third countries. In free trade areas, countries eliminate tariffs on trade with each other while retaining autonomy in trade policy with third countries. Custom unions remove tariffs on trade with other members and apply a common trade policy towards third countries. A common market in addition aims at removing restrictions on factor mobility (capital, labor) between members as well as freeing trade in goods and services. In an economic union, members pursue some degree of harmonization of national economic policies in order to remove discrimination due to disparities in these policies. It is

a common market with unified monetary and fiscal policies, including a common currency. Political union is the ultimate stage of integration, in which members become one nation. National governments cede sovereignty over economic and social policies to a supranational authority, establishing common institutions and judicial and legislative processes; including a common parliament (ibid).

Countries can start with any of these arrangements but most begin by removing impediments to trade among themselves i.e. with free trade area. They then introduce deeper and wider integration mechanisms. In the Horn of Africa different stages of integration currently coexist. In the formal sector, each country maintains its own import regime but has agreed on targets set by regional organizations such as IGAD, COMESA and EAC, where progress has generally been slow (Healy, 2011). On the other hand, informal cross-border trade is essentially a free trade area with elements of a common market in the movement of labour and capital. This creates a localized common market in south Somalia, northeast Kenya and southeast Ethiopia, and in the Ethiopia–Somaliland border zone (ibid).

Different variables determine the future course of cooperation and regional integration among states including; geographic proximity, complementary economic contexts, converging political values and policies, allowing the flourishing of trade across national borders as well as the will and capacity to push the process forward (Medhane, 2004). In Africa, regional integration has been based on geographic proximity and contiguity of countries and political cooperation through economic cooperation. Conditions in Africa are not especially favorable for the achievement of trade lead regional economic integrations because of the low level of intra-African trade and lack of other economic complementarities between national economies. There is very little manufacturing industries in Africa, reducing the degree of complementarity among and across economies, structural deficiencies, limited product diversification, similarity of products and production structures, and production and supply side constraints are also impediments to trade and market integration (UNECA, 2006). The Horn of Africa is not exception, with regional trade patterns showing an overlapping of primary products, limited trade complementarities in the formal trade sector and heavy dependence on the imports from outside the region.

2.2.2 The Rationales of Regional Integration

There are varieties of rationales for regional integration schemes. Baregu (2005) has put forward four rationales that lie behind the formation and sustenance of regional integration schemes; these are affection, gain, threat and power. According to him it is through these rationales that we should turn to if we are to identify the reasons for implementation or non-implementation of integration agreements, as well as to explain the successes and failures in existing schemes. The affection rationale is essentially emotive. It refers to a situation where countries come into an integration arrangement because they have a lot in common and feel some bonds of affection. In Africa even though the affective rationale, common 'African' identity, is the central in defining the framework of the quest for continental unity; it lacks sufficient drive to push the integration process. As to Baregu (2005) gain is the most famous rationale for initiation as well as for sustenance of regional integration schemes. Regional integration theories have largely been preoccupied with the economic welfare gains from trade within the different blocs or from without. However, the dynamics of integration is more than pure economic motives encompassing the broader political goals.

The shared perception of threat and the quest for collective security and protection is, perhaps, the strongest incentive toward integration (Baregu, 2005). This may arise from two distinct situations. One is where two or more countries find themselves locked in mutually threatening relationships and have to reach some compromise leading to peaceful co-existence. This is what lay behind the formation of the European Coal and Steel Community (ECSC) by France and Germany in 1951 (Alter and Steinberg, 2007). The other is when there exists a perception of a common external threat, in which case countries come closer to enhance their capacity to defend themselves. This is what lay behind the formation of the North Atlantic Treaty Organization (NATO) against the perceived threat from the Soviet Union and its allies. For Baregu (2005), it is this imperative that should inform regional integration in the Third World once the countries concerned realize that globalization threatens their very continued existence. It is notable that regional integration in Africa has been largely driven by economic necessities with security holding the latter position (Oloo, 2007).

Power as rationale to integration refers to the situation where a regional hegemon forces the neighborhood into an integration arrangement (Baregu, 2005). This rationale of integration involves the existence of a relatively more powerful country in the region with the capacity and interest to pay the costs of hegemony by offering incentives for members to stay, and imposing sanction on those that may want to break away. This model has not gained ground in Africa because of lack of clear undisputable hegemon that can take lead in the process. In general the gain and threat imperatives will be critical for regional integration in Africa.

2.2.3 The Theories of Regional Integration

There are many theories of regional integration. Among the classical theories of regional integration functionalism, neo-functionalism, intergovernmentalism, federalism and Confederalism are briefly discussed as follow.

i) Functionalism

Functionalism is based on the assumption that the growing complexity of governmental systems leads to raise greatly the essentially functional, nonpolitical tasks confronting government (Dougherty and Pflatzgraff, 1990). It is argued that such tasks not only created demand for highly trained specialists, but also contributed to the emergence of technical problems beyond national state level whose solution lies in collaboration among technicians across states. Thus, functionalist theory stated that “the development of collaboration in one technical field leads to comparable behavior in other technical fields” (ibid: 432). In other words, the functional practice in one field of cooperation or integration is believed to generate functional collaboration in other areas. Functionalism theory of regional integration believes that successful cooperation in one functional setting would enhance the incentive for collaboration in other fields. To the extent that tasks in specific functional areas could be successfully completed, attitudes favorable to cooperation in other sectors developed.

In the long run, functionalism assumed the inevitability of socio-economic gradualism and the supremacy of welfare and technology over power politics (Pentland, 1973). Functional needs are presumed to have self-evident consequences for the scope, level, and character of regional integration. The technical aspect of the functions, according to this theory, is the

basic elements of the integration process. This is mainly because of the belief that the tasks of integration give rise to collaboration among technicians, rather than political elites (Dougherty and Pflatzgraff, 1990). It views regional integration as technical and non-political nature, and implicitly believes that economics and welfare have a primacy which will and should guide policy. To this end, functionalism prescribed integration that was pragmatic, technocratic, flexible and nonpolitical.

The functionalist stresses that "any discussion touching issues of 'high' politics is prejudicial to the integration of a region" and thus it is argued that an attempt at integration should start with "technical" low politics (non-controversial) issues (Tare, 1993:109). As integration bears fruit, so experts and beneficiaries learn that integration can effectively be extended to other practical, non-controversial needs.

ii) Neo-Functionalism

Neo-functionalism posits that integration results from the need to shift specific functions away from exclusively state control toward supranational institutions (Mitrany, 1975). Neo-functionalism places major emphasis on the role of non-state actors – especially, the “secretariat” of the regional organization involved and those interest associations and social movements that form at the level of the region – in providing the dynamic for further integration. Member states remain important actors in the process. They set the terms of the initial agreement, but they do not exclusively determine the direction and extent of subsequent change.

As integration progresses, the neo-functionalists expected a shift in loyalties to the new centre which is called spillover effect. It is spillover which is the motor or dynamics of integration. According to Lindberg, “... spill-over" refers to a situation in which a given action, related to a specific goal, creates a situation in which the original goal can be assured only by taking further actions, which in turn create a further condition and a need for more action, and so forth” (Lindberg, 1963: 10). Hence, for neofunctionalism regional integration is based on the expansive logic of sector integration. For instance, according to Haas (1958: 311), the founder of neofunctionalism, “liberalization of trade within the customs union would lead to harmonization of general economic policies and eventually spill-over into

political areas and lead to the creation of some kind of political community”. Therefore, for neofunctionalism, the realization of the original goals that prompted the first integrative step can be assured only if a chain process of further expansion of integrative actions is taken (Lindberg, 1963).

Neofunctionalists interpretation of the process of regional integration focused on four dynamics: functional spillover, the formation of coalition (cultivated spillover), bureaucratization/ de-politicization, and the formation of the transnational interest groups (Jensen, 2000). Neo-functionalists have been primarily concerned with the conditions producing incremental progress.

The main argument of the neo-functionalists is that “when certain sectors in the life of sovereign states are integrated, the process will sooner or later also involve interest groups and political parties” (Tare, 1993:113). It is further argued that:

For the integrative activities to be successful, two steps were essential: one, "that the sector which was chosen was important but not so controversial as to affect the interests of the states or of the political entities; two, that the activity to be susceptible to expansion and larger than the sum of independent activities pursued by nation states" (ibid).

In general, neo-functionalism provides more elaborate and broader perspective regarding integration. It deals with not only with the process and schemes of integration as the functionalists point out, but rather focuses on the interests and values to be defended and promoted by the relevant actors of integrating entities, mainly based on “expectation of gain” from the activities (Dougherty and Pflatzgraff, 1990:438) and the process involved. In their approaches, both functionalists and neo-functionalists, however, consider the process of spill over where in certain procedures and behavior occurring in certain situations will lead to other situations (Sullivan 1987:212).

iii) Intergovernmentalism

Intergovernmentalism is a theory of decision-making in international organizations. The theory rejects the concept of the spill-over effect that neofunctionalism proposes. Intergovernmentalism regards integration as a function of negotiations between governments

to produce cooperative agreements that evolve into further integration. It also rejects the idea that supranational organisations are on an equal level (in terms of political influence) as national governments (Moravcsik, 1995). The Intergovernmental approach includes three central tenets: first, member states care and are pre-occupied with the protection of national sovereignty; second; the supranational institutions created are considered to be the “instruments” of the member states and as a result they serve only the interests of the member states; and third, the focus is on the “grand bargains” between member states (Oloo, 2007). Thus, increases in integration happen through treaty reform (not functional spillover or anything else). Intergovernmentalism is in many ways the antithesis to neo-functionalism. All of the focus is on the political leaders and national interests of the member states.

iv) Federalism

Federalism describes a system of government in which sovereignty is constitutionally divided between a central governing authority and constituent political units (like states or provinces). According to federalists, integration must be political and based on new institutional structures and the creation of a new higher level of political organization to unite disparate states (Dosenrode, 2010). Institutional creation is through “constitutive assembly” with representatives from all partisan groups and all nationalities. The goal is to move beyond all these “superficial” differences to arrive at a shared common vision for the future.

v) Confederalism

A confederation is an association of sovereign states or communities, usually created by treaty but often later adopting a common constitution. Confederations tend to be established for dealing with critical issues, such as defense, foreign affairs, foreign trade, and a common currency, with the central government being required to provide support for all members (Oloo, 2007). A confederation, in modern political terms, is usually limited to a permanent union of sovereign states for common action in relation to other states (ibid). The nature of the relationship between the entities constituting a confederation varies considerably. Likewise, the relationship between the member states and the central government, and the

distribution of powers among them, is highly variable. Some looser confederations are similar to international organizations, while tighter confederations may resemble federations. A confederation may consist of member states which, while temporarily pooling sovereignty in certain areas, are considered entirely sovereign and retain the right of unilateral secession.

In general in the effort at creating regional integration in the Horn of Africa in particular and in African Continent in general these theories might be used as guiding tool to provide a choice to choose from either unilaterally or a mixture of them.

2.3 Foreign Policy and Regional Integration

Having discussed the concept of regional integration above, it is appropriate to look at foreign policy briefly before assessing the linkage between foreign policy and regional integrations. States as social institutions exist in two environments: on the one hand, there is the internal environment that is composed of all the other institutions located in the territory demarcated by the state and their interaction with it and each other; and on other, there is the external environment composed of all the other states and their interaction with it and each other. States are involved constantly in attempts at intervening in both environments; that is, they engage in both 'domestic' and 'foreign' policy (Brown and Ainley, 2009). Foreign policy is the totality of actions and non-actions, reactions and proactions, interactions, and contacts taken by sovereign states toward another sovereign entity or entities, or conducted between one sovereign state and another or others (Nanjira, 2010). It is also defined as directions and guidelines that states formulate to use as guiding principles in their diverse interactions with other states and international organizations. In the words of Gove (1976:889): "Foreign policy is the underlying basic directions of a sovereign state in its interaction with other sovereign states typically manifested in peace, war, neutrality, and alliance or various combinations of or approaches to these." According to this statement, states behave and act in their international interactions in accordance to the principles that they design to pursue their objectives in the international arena. Foreign policy is thus the elevation of domestic policies to the international level or scene. It aims at protection,

promotion, and preservation of ‘national interests’² and promotes the image of a nation. Recognizing and articulating national interest is at the core of foreign policy formulation. How foreign policy is made and national interests identified can be influenced by different factors and circumstances. Foreign policy of a given state can be determined by combined factors of political psychology of leaders, organizational process and bureaucratic politics, military capabilities, level of economic development, types of government, geopolitical location, culture and national identity, domestic politics and international system (Hudson, 2007; Wanjohi, 2011).

It is obvious that states participate in a collective exercise because their interests are somehow served, not for altruism. Thus, when they participate in foreign policy enterprises within the framework of regional integration or cooperation, they do so because their interests are directly or otherwise involved. Furthermore, since foreign policy is a function of, among other things, domestic economic capacity and population and to the degree that regional integration typically encompasses unequally endowed participating states, it would be in the interest of some states to pursue foreign policy initiatives at the sub-regional level. To that end, Babarinde (1999:226-228) has identified three categories of states and their preference for using the regional integration stage to pursue some of their foreign policies. Accordingly, at one end of the spectrum are the weak/weakest member states. For them, since they do not have the economic ability and/or the population size to independently pursue a credible foreign policy, they may find it in their interest to pursue some or all of their foreign policy through regionalism. At the opposite sides are countries that would prefer to autonomously develop and implement their foreign policy at the state level, largely because of their relative dominance and because the state level is where they expect optimum impact or results. However, because of their sheer population size or regional hegemonic status, they may find it wise to selectively use the sub-regional stage to pursue

² The term national interest is perceived as a high ranking or grand interest of a state, which is presumed to belong to all its members. It is viewed to be the interest of the state in general and which cannot be overwhelmed by the interests of groups within it or by the interests of other external bodies. It gives the bases and a clue for the formulation of the foreign policy of a state. In fact, sometimes it is difficult to decide whether there is a “national” element present on which the term national interest can be attached.

their foreign policy agendas. The third group of states is composed of the medium-sized countries. They belong somewhere along the continuum with regard to their preference for the optimal location for conducting foreign policy (ibid).

Each country would have to find its best location in terms of a predisposition for either a more unilateral national approach or a more multilateral regional emphasis, a decision that would primarily depend on the country and the issue in question. In these scenarios, all members of a regional structure are likely to use the framework for their foreign policy when it serves their interests. It is unlikely that states would endorse or acquiesce to a regional policy incompatible with their interests. In Africa the creation of a collective foreign policy as proposed by the Charter of the Organisation of African Unity (OAU) and its successor African Union (AU) was beset with difficulties. Firstly, at the moment of decolonisation, the necessary and appropriate structures for foreign policy formation were lacking by virtue of the fact that decision-makers were for the first time “on their own” (Phillips, 1964: 4). This was compounded further by “an absence of highly trained administrators, an insufficient and inefficient civil service, and a poorly developed economy” (ibid). Secondly, the majority of African states lacked documentation of their foreign policy behaviour. This often resulted in a mismatch between what African leaders said and what they actually did about their external environments (Aluko, 1977). Thirdly, Africa is a vast continent “characterised by divergences across a range of characteristics, from levels of development to types of regimes, from fairly homogenous national entities (such as Botswana) to multiethnic, multilingual and multi-religious states (such as Nigeria)” (Schoeman, 2006: 241). States were often pre-occupied with achieving and then consolidating their own independence from colonial rule and therefore the emergence of a collective foreign policy position across the continent proved difficult. Hence, for long these problems have prevented adoption and development of collective foreign policy in Africa. In the Horn of Africa sub-region, given their economic and military profile, there is no economic superpower in the sub-region. Countries in the region are weak and poor. Given this background of the region the question, at which level do the Horn of African states prefer to conduct their foreign policy; sub-regional level, unilateral national level or optimal

mix of both national and regional levels? requires close insight of the dynamics of foreign policy formulations and implementations in the region.

2.4 The Foreign Policy Dynamics in the Horn of Africa

Foreign policies of African states are being shaped by changing international and domestic environments to the extent that it is difficult to isolate purely ‘foreign’ policies. These changes are having both detrimental and positive effects on policy options and are particularly impacting intra-African diplomacy (Wright, 1999). Africa’s foreign policy is based on the system of the ex-colonial powers’ foreign policy, which became the main source of Africa’s post-independence foreign policy, in partnership with weak Pan-Africanism that led to the birth of idea of self-determination and African unity (Nanjira, 2010). In the early post independent period, African foreign policy took traditional approach to foreign policy that emphasized the state and its formal relations to the outside world. The foreign policies orientations of newly emergent African states were shaped by various factors such as the impact of colonialism and apartheid, memberships to international governmental organizations, nonalignment, security and sovereignty, the role of resources, economic development, debt crisis, structural adjustment, armed conflicts, centralized decision making and unity (Akopari, 1999; Aluko, 1977; Bischoff, 2008; Wright, 1999). Some of these factors continued to have a degree of influence on contemporary foreign policies of the continent.

The end of cold war has altered superpowers involvement in Africa with mixed implications. It brought new opportunities for African states to pursue more autonomous foreign policies, especially within their own sub-regions, though sometimes still in line with the US or European wishes. Potential regional powers, such as Nigeria and South Africa, got more scope to develop stronger regional presences with less fear of outside intervention (Wright, 1999). Conversely, weaker states had less scope beyond their regions and might become virtually non-players even inside their own regions. Indeed following the end of the Cold War new and expansive foreign policy agendas emerged across the continent. These world historic moments brought to the fore a complex set of competing interests in the continent. In particular, deepening regional cooperation and economic integration, improved intra-African trade relations, and the recognition of non-state actors in the foreign policy

decision-making processes have gained prominence on the continent's agenda (Nkiwane, 1999).

On the other hand, with the end of cold war, Africa became increasingly irrelevant and marginalized in international political economy within the globalizing international system (Mill, 2004). However, the September 11, 2001 (commonly known as 9/11) terrorist attack has brought new international attentions to African foreign policy agenda due to its clear potential to become both a breeding ground and a safe heaven for terrorists (ibid). Having this general understanding about African foreign policy, the thesis will proceed specifically to the dynamics of foreign policy and international politics in the Horn of Africa sub-region. Discussing briefly the intraregional (between/ among countries of the region) and extra-regional (the region's relations with outside world specifically with the neighboring African and Middle East countries and super/major powers) foreign policy dynamics will help to have bigger image about the nature of politics and international relations in the sub-region that may have role in interstate relations and regional integration schemes.

Horn of Africa is a subregion located in North Eastern part of Africa. There is no agreement on the exact boundary of this subregion. As Ayoob (1996: 59 quoted in Kassahun, 2013:72), argues the attributes used to identify regional sub-systems tend to take into account "geographic proximity, regularity and intensity of interaction between actors ... internal and external recognition of group of states as distinctive area consisting of two or more countries." In this sense, all member states of IGAD are used as forming Horn of Africa. Therefore, in this study the concept of the Horn includes Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan and Uganda. This broader definition is both purposive and more appropriate for successful economic integration that reflects the diversity and greater economies of scale as well as consistent with the existing regional cooperation initiative established by the states of the region.

Foreign policies of individual Horn of African states, like all states, are partly a matter of international initiatives taken by them (for a variety of motives) and partly their responses to the activities of other states and international actors. The relative weakness of states of the region leads to their frequent depiction as being more in the reactive position than able to

take positive leads. Nevertheless, Horn of African states can take initiatives that are of significance both with regard to neighbours, and perhaps at wider regional and even, on occasions, global level. A number of factors are involved in influencing foreign policies of Horn of African states. According to Woodward (2003), the region's foreign policies are influenced by four main factors that are explained as follows.

First is the structure and character of domestic politics has a direct impact on foreign policies pursued. The degree of instability within a particular country may well be reflected in attempts to exploit external linkages for regime, if not state, survival; when support is forthcoming, regimes may feel strengthened in their domestic policies. Secondly, and probably more frequently mentioned, are economic factors in policy making. Economic development in Africa in general and in the Horn in particular has often been viewed largely in terms of external trade, but instability and poverty may contribute to conditions such as famine and become a part of the equation for African and non-African actors, with the latter delivering aid packages which seek to enhance the position of the poor. A third factor, and one clearly vital to the Horn, is strategic significance. The region is placed at the strategic position at the point of convergence of Africa, Asia and Europe, as well as a gateway to the oil fields of the Persian Gulf. Finally, ideology, broadly understood, may play its part, not least because ideologies of various kinds have been a significant aspect of international politics in the mid to latter part of the twentieth century. These include the emergence of nationalism that was central to the ending of imperialism and the independence of states in Africa and elsewhere.

The Horn of African states' foreign policies have been characterized by mutual intervention through backing one another's political oppositions. The reciprocal interventions using intra-state protagonists remain one of the major instruments of foreign policy among the countries of the region. This strategy is aimed at weakening actual and presumed adversaries with the hope of strengthening their bargaining position in their dealing with each other (Kassahun, 2013). Therefore, pursuing regional foreign policy through proxy forces in neighboring countries has been the normal pattern of relations for decades in the subregion. The logic of 'the enemy of my enemy is my friend' forms the basis for interstate alliances between states

and among non-state actors in the Horn (Williams, 2011). This activity has proved persistent over time and has survived radical political reconfigurations, including regime changes.

In this context foreign policy, especially regional foreign policy, becomes an intimate part of the governments' strategy for internal stability in the Horn (Healy, 2008a). Each government seeks to deal with its own internal conflicts by some degree of support for insurgencies in neighboring states (Cliffe, 1999). The opponents of the existing regimes all receive some support from governmental or other forces in other countries in the region. Any support for a neighboring insurgency in turn prefigures some degree of common interest in the destabilization of the neighbor (Medhane, 2004).

Lead by this reciprocal strategy almost all states of the Horn of Africa have involved in granting support of some kind to insurgents of their neighbors at different times. For instance, the Sudanese government had been providing support, including bases, for Ethiopian oppositions during Derg era. Similarly, the attitudes of Ethiopia under successive regimes were of significance for the Southern Sudanese movements (Woodward, 2003). Cross border involvement policy was no less significant in the case of Somalia and Ethiopia. From 1960s Ogaden Somalis received encouragement from Somali government and such activities preceded the major Somali-Ethiopian war of 1977-78 (ibid). Eritrea has been supplying weapons and giving training to armed Ethiopian opposition groups while Ethiopia is also doing similar thing to Eritrean oppositions. Eritrea has also been backing opposition armed groups in Somalia as proxies for its long-standing conflict with Ethiopia (Berouk, 2008; Healy, 2008a). Indeed Eritrean foreign policy, under its current ruler, has unfortunately emerged to be the most destabilizing in the region. It has clashed with almost every country of the region. It engaged in deadly war with Ethiopia from 1998 -2000, fought with Yemen in 1996, with Djibouti in 1996 and 2008, and has picked fights with Sudan. Eritrea does not have good relations with any of its neighbours. In general, the foreign policies of states in the Horn have hitherto contributed significantly to conflict and mutually destructive activities while it could be helped more positively by combining in varieties of ways. Having this feature of the region's foreign policy; what is pattern of relations between Ethiopia and Djibouti with regard to mutual interventions and sponsoring each other's

oppositions; and what would be the effect of it on the sub-regional integration schemes in the region?

Another feature in the foreign policy of Horn of Africa is the predisposition of attracting interests of actors outside the region. Regional players outside the Horn have range of interests in the foreign policy of the region. Even though, Horn of Africa is as diverse as any other regions of Africa, states of the region share certain characteristics. Their societies are divided along ethnic and religious lines and political loyalties often cut across state boundaries. Due to this reason, developments in the Horn of Africa have been influenced by events in the Middle East and Gulf region. Throughout history, the countries of the Horn had close religious, cultural, economic and political connections with states of the Middle East and Gulf region (Amare, 1996). The countries of that region such as Egypt, Saudi Arabia, Israel, Iraq, Libya and Yemen have maintained political interest in the Horn (Odock, 2013). Thus the broad contexts of Middle East including the Arab-Israeli disputes have paramount influences on the foreign policy dynamics of the Horn of Africa. Egypt has long standing interest rooted in its strategic concern over water security to maintain its interest in the region from which the Nile water flows. Israel's involvement in the politics of the Horn of Africa has always been guided by the need to prevent the Red Sea from becoming an 'Arab Lake', thereby safeguarding its access to the Indian Ocean. For this reason an alliance with Ethiopia, which also traditionally felt threatened by the Arabs is natural (Amare, 1996). The existent of these wider circles of interests provides opportunities as well as threats to the countries in the region and is never far from their calculations.

The tendency of the countries in the region to seek out opportunities to align themselves with global agendas is another persistent trend and features in the foreign policy of the Horn of Africa. Throughout the colonial era, cold war and 'global war on terrorism' countries in the region aligned themselves to one or another powers to gain support. As a consequence of such alignments regional issues, rooted in local politics, can become amplified as a proxy conflict of global powers (Healy, 2008a). In the period of the Cold War both the Soviet Union and the United States considered the Horn of Africa of great strategic importance. This provided opportunities for states of the region to align themselves to superpowers to secure military and economic aid to deal with their internal and regional wars. Indeed the

Cold War had contributed significantly to the domestic and international relations of the Horn. Domestically both superpowers had sought to back up their client regimes and provided them with the weapons which “may have been intended for protection from hostile neighbours, but they were used far more to prosecute civil wars. As such the superpowers had helped to forge repressive autocratic regimes ... across the Horn.”(Woodward, 2006:153). Externally, the cold war politics exacerbated the hostile relationships among states of the region with granting of weapons to their client regimes. For example, Somalia received support from Soviet Union against Ethiopia prior to 1974/75; Ethiopia under Emperor Haile Selassie got support from the US. During the Derg rule, the two countries switched sides with Ethiopia becoming client states of Soviet Union and Somalia joining the US camp. In general, the Cold War provided states of the region with opportunity to follow client-patron style of foreign policy.

Once the Cold War ended, the US retreated from Africa; and has imposed significant impact on the foreign policy of Horn of African states. The overall significance of the Horn of Africa for the US, the world’s only superpower, had declined as had Africa generally. It was followed by decline of economic and military aid, and the aid that was given had been in many cases linked to good governance, democratization and human rights (Woodward, 2003). However, the growing Islamic fundamentalism in the region and the 9/11terrorist attacks have restored the strategic significance of the Horn as part of ‘global war on terrorism’ (Mill, 2004; Woodward, 2006). The ‘war on terrorism’ following the event of 9/11 attack offered an opportunity for Africa to develop and maintain its global strategic significance. In this realm, states of the Horn of Africa and those in Sahel have emerged as critical frontline states. The United States has established its only permanent military base in Africa, in Djibouti, with about 2,000 American personnel (Styan, 2013). The establishment of this base represents a dramatic shift in the US security policy in the Horn of Africa since the closure of Kagnew Communication Station in Ethiopia many years ago (Davis and Othieno, 2007). Indeed currently in addition to US France, Japan and German have military bases in the territory of Djibouti. Does the presence of foreign powers’ military in Djibouti have any effects on the Ethio-Djibouti relations and integration schemes in the sub-region?

In addition, the global war on terrorism has also been influencing the regional politics of the Horn by giving legitimizing reason for local conflicts. For instance, Ethiopia's intervention in Somalia in late 2006 was carried out in the name of the 'global war on terrorism' and earned Ethiopia the sympathy and support of the US (Healy, 2008a). Furthermore, the America's strategies in the 'war on terror' affect the volume and type of aid received in the region and influences the foreign policies of other countries particularly Ethiopia and Djibouti (Love, 2011). The Horn's alignment with major powers has also been further heightened by the addition of two major emerging economies- China and India that are dependent on the sea lines of the Horn for their own supplies of oil and gas (Odock, 2013).

In general, as indicated above, the foreign policies and international relations of the Horn of Africa is known by the policy of mutual interventions and client-patron systems. With this frame of mind about the general dynamics of foreign policy in the Horn of Africa, the nature of interstate relations between Ethiopia and Djibouti, and the implications it has on the sub-regional integration schemes in the Horn will be assessed in the subsequent chapters.

CHAPTER THREE

THE HISTORICAL BACKGROUNDS OF ETHIO-DJIBOUTI RELATIONS

Ethiopia and Djibouti have continued historical, ethnical, geographical and economic ties for many years. The relations between the two countries have been passed through different arenas under successive regimes. However, because of the complementary nature of the two countries' interests, the relationships between Ethiopia and Djibouti have strengthened from time to time. This chapter is intended to critically assess the historical backgrounds of the two countries relations.

Before proceeding to Ethio-Djibouti relations it is better to introduce briefly the Republic of Djibouti as a political entity. The Republic of Djibouti is a small country of about 23,200 square kilometers with a population of less than one million (CIA, 2013), bordered by Eritrea to the north, Ethiopia to the north-west, west and south, and Somalia (self-proclaimed Somaliland) to the south-east and the Gulf of Aden and the Indian Ocean to the east. It shares 349 kilometers common borders with Ethiopia (ibid). The territory of the Republic of Djibouti was established by France in a series of treaties with Afar and Issa chiefs from 1862 to 1885. The early French colony was centered in Obock until the expansion of trade created the need for better port. A suitable location was discovered across the gulf of Tajourah; there the French built a new city which they named Djibouti. As trade flourished at the new port, French moved the seat of government from Obock to Djibouti and in 1896 Tajourah, Obock and Djibouti were merged together to form what became known as *French Somaliland* (Shehim and Searing, 1980; Thompson and Adloff, 1968; Morrow, 2004). This name remained until 1967 when it was changed to *French Territory of Afars and Issas*. This change of the name in addition to being acceptable to the Afars it was calculated to de-emphasize Somalia's claim to the territory and to appease Ethiopia which opposed Somalia's claim as will be discussed later in detail. Hence, Djibouti had been known for much of its history as *French Somaliland* and later on as *French Territory of Afars and Issas* during colonial rule. It became independent from French colony in 1977. As its former name indicates, there are two major ethnic groups in Djibouti: the Afars and the Issa Somalis.

3.1 Ethio-Djibouti Relations During the Reign of Emperor Haile Selassie I

Much of what has been discussed here in the Ethio-Djibouti relations in the period before independence of Djibouti in 1977 are the contacts made between Ethiopia and Djibouti's colonial master, France, on the behalf of the country since it was not fully self-governing. The first formal deal between the two countries was the Treaty of 1897 (Thompson and Adloff, 1968). Motivated by mutual self-interest Emperor Menelik II of Ethiopia and French governor of Djibouti, Lagarde, signed treaty in the 1897. The Emperor sought French aid to offset Italy's claim to Ethiopia and also use of Djibouti's port for foreign trade especially for the importation of firearms while France needed Menelik's cooperation in realizing their hopes of establishing a foothold in the upper Nile as well as his permission to build railway from Djibouti to Addis Ababa (ibid). This period marked significant era in the Ethio-Djibouti relations. Even though the incident of Fashoda³ ended France's interest in Ethiopia as a potential eastern gateway to the Nile, the completion of the railway to Addis Ababa in 1917 greatly enhanced the economic interdependence of Ethiopia and Djibouti (ibid).

In the pre-independence of Djibouti, the Ethio-Djibouti relations were highly influenced by interferences by European powers especially by France, Italy and Great Britain. The relations were also going forth and back or in other words at once tied and at other loose. The boundary between Ethiopia and Djibouti has been delimited by a convention of March 20, 1897 between the Empire of Ethiopia and France (US Department of State, 1976). For many years, the imprecision of the frontier gave no cause for concern to the government of either Ethiopia or Djibouti. The Italian conquest of Ethiopia in 1936 changed this official attitude towards boundary line. Italy's aggressive interpretation of the 1897 treaty led to some a short of fighting between Italy and French in the frontier of Ethio-Djibouti (Thompson and Adloff, 1968). Soon after occupying Ethiopia, Italy began to develop transportation facilities in her colony so as to lessen her dependence on Djibouti's port and railroad. It started developing the port of Assab and building the road from there to Addis

³ Fashoda accident is the place where France and Britain clashed over their desire to expand colonial possession from east to west and north to south in the present day Sudan.

Ababa, which would directly compete with Djibouti's facilities. Great Britain's conquest of East Africa in 1941 once more altered Djibouti's relations with Ethiopia, especially after Haile Selassie returned to his capital again as ruler of sovereign state. Still another change occurred in 1943, when Bayardelle, the then Free French governor at Djibouti, decided to occupy Afambo at the Western extremity of the frontier zone. The Ethiopian government described this move as an aggressive act and regarded it as France's first step in the seizure of the Awussa sultanate. Relations then became so tense between Djibouti and Ethiopia that the French authorities soon realised the price for reestablishing amicable relation with Ethiopia was a demarcation of the frontiers that would be satisfactory to both countries (ibid).

After long and difficult negotiations, diplomatic relations between Ethiopia and France, Djibouti's colonial master, were resumed in April 1945, and on September 5 of that year, two agreements were signed between them at Addis Ababa. The first of these recognized the railroad company's prewar rights, and the second provided for delimitation of the frontier by a mixed Franco-Ethiopian commission according to the principles laid down in the 1897 Treaty (Morrow, 2004). Because of the inaccessibility of the frontier terrain and the contradictory maps on which the respective French and Ethiopian claims were based, the commission's work was hard. Agreement was finally reached, however, and embodied in an exchange of official letters in 1947. Nevertheless, the terms of the agreement aroused considerable opposition against France from internal of the colony claiming that one-tenth of Djibouti was given to Ethiopia including Afambo. Ethiopia was also accused as organizing subjects of the colony against French (Tholomier, 1977). So French's hostility to Ethiopian government further intensified in 1949 when two strikes were made by Ethiopian railroad company's employee at Dire Dawa. Hence, Ethiopia decided to develop alternative facilities at Assab after Eritrea became federated with it in 1952. Since this seriously harmed Djibouti's economy, French decided to make some arrangements with Ethiopia especially with regard to Ethiopia's use of railroad. By the agreement Ethiopia was pledged not to build competitive railroad to Assab and the tension eased via an increase in the volume of Ethiopia's foreign trade handled by Djibouti's railroad and port (Thompson and Adloff, 1968). A new era of friendship and cooperation between Djibouti and Ethiopia was

inaugurated after Haile Selassie made state visit to Paris in the late 1954 and Governor Petitbon's visit from Djibouti to Addis Ababa in January 1955. The Franco-Ethiopian treaty of November 12, 1959, revised the status, management, and ownership of the railroad company (Shehim and Searing, 1980).

At the eve of Djibouti's independence, Ethiopia tried to take possession of Djibouti by claiming it as one of the lost provinces of Ethiopia along the Red Sea. The claim of Ethiopia was based up on an historical presence in the area and the nineteenth century treaties it made ceding the land to France (Marks, 1974). By the first century B.C, the land now called Djibouti had been part of the ancient Ethiopian kingdom of Aksum⁴ (Morrow, 2004). In 1894 France had obtained the concession for a railroad from Addis Ababa to Djibouti and in 1897 Djibouti was designated by treaty as the official outlet for Ethiopian commerce. In addition in 1959 Ethiopia's special claims to access to Djibouti were recognized by the French and the head quarters of the railroad were transferred to Addis Ababa (Shehim and Searing, 1980). Hence, Ethiopia's 'historic' rights were used by Emperor Haile Selassie to claim Djibouti as part of it. The Emperor pointed out that "Djibouti indisputably is ours and its people know they belong to Ethiopia" (Bowyer, 1976:24). On a press conference on 16 September 1966, the Emperor put forward the strongest claim to Djibouti asserting that for historic, economic, strategic and demographic reasons Djibouti is part of Ethiopia and that Ethiopia would automatically fall heir to Djibouti if France renounced sovereignty over the Territory⁵ (Ministry of Information, 1967). He also affirmed that "We do not seek what belongs to others. However, we will continue impressing people that are concerned in this matter that the Djibouti Territory had always formed, prior to the last part of the 19th century, an integral part of Ethiopia." (ibid: 684). Thus, the Emperor claimed unification with Djibouti and stressed that the boundary between the two countries was artificial and had been imposed against the will of the people.

⁴ The Aksumites originally lived in the Ethiopian highlands but through growth and conquest eventually took over much of the surrounding region and even held territory across the Red Sea on the Arabian Peninsula.

⁵ For the whole press conference on Issues of Djibouti see Ministry of Information (1967), *Selected Speeches of His Imperial Majesty Haile Selassie I (1918 –1967)*, Addis Ababa, p.683 -690.

This aspiration of Ethiopia on Djibouti disgusted it against Somalia that also had strong claim to the Territory. Since its emergence as independent state in 1960 the Republic of Somalia had made the attainment of Greater Somalia prime objective of its foreign policy (Negussay, 1984). The Greater Somalia project was aimed at bringing all lands inhabited by Somali ethnic groups under single flag that would include northern district of Kenya, Ogaden region of Ethiopia and Djibouti territory. The lack of centralized government among Somalis prior to the colonial era leaves ethnic considerations the main bases for Somalia's claim to its neighbors including Djibouti (Said, 1977). On the press conference of September 16, 1966, the Emperor implied that Ethiopian government would resist by force any attempt by Somali Republic to take over the Djibouti Territory. He also asserted that there was no reason for Somalia to be involved in the matter of Djibouti; it was affirmed as it concerned only the Ethiopian government and the inhabitants of Djibouti territory (Ministry of Information, 1967). For Ethiopia the Territory had economic and strategic importance, but Somalia did not need Djibouti and her claims to it were purely political (Thompson and Adloff, 1968). In fact both Ethiopia and Somalia had already established stronghold in the politics of Djibouti through the political parties formed by their active supports. The pro-Somalia, Liberation Front of Somali Coast (LFSC) was operating from Mogadisho while the Ethiopian backed the Committee for Liberation of Djibouti (CLD) was formed in December 1964 at Dire Dawa. Later on the CLD had moved its headquarter from Dire Dawa to Addis Ababa where it took the name of the *Mouvement de Liberation de Djibouti* (MLD) (Tholomier, 1977).

Indeed Ethiopia's interest on Djibouti stemmed from two basic premises: the Afars and part of Issas spill over into her territory; and the economic interests (Both, 2004; Schweb, 1978). Fundamentally, Ethiopia's interest in Djibouti was economic i.e. to secure access to port of Djibouti via the Franco-Ethiopian railway (Ododa, 1985). Although Ethiopia had other ports at Assab and Massawa the port of Djibouti was preferred by accommodating about sixty percent of Ethiopia's foreign trade due to the connection of the port with Addis Ababa-Djibouti railway-Ethiopia's only rail link with the sea, the proximity of Djibouti port to many parts of Ethiopia and moreover Assab and Massawa ports were vulnerable because they lay in Eritrea where there was growing violent secessionist movement (Barratt, 1977).

Therefore the railway from Addis Ababa to Djibouti, despite the road system to the Eritrean ports of Assab and Massawa was vital for Ethiopia's expanding foreign trade.

Hence, Ethiopia was carefully following the outcome of March 19, 1967 referendum arranged by French to determine the future of Djibouti's fate with it. The referendum had two alternatives: to vote either for independence or against it and remain in France's hand. At the time of referendum Ethiopia and Somalia were eager to swallow the would be independent state by all means. "Ethiopia massed forces along the Territory's frontier; Somalia seized the opportunity to send a sizeable portion of its army to the French border" (Thompson and Adloff, 1968:128). But contrary to what may normally be expected, the majorities of the inhabitants of Djibouti voted for continuation of French rule that relieved Ethiopia from burden of waging inevitable war with Somalia on the Territory. Ethiopia declared its stand of respecting the outcome of the referendum. The then Ethiopian government was in favor of the perpetuation of French rule in the Territory as lesser of evils. The fear was that if Djibouti won its independence, Somalia would annex it to materialize her policy of "Greater Somalia" and would endanger Ethiopia's interest on the railway and port of Djibouti (Both, 2004; Schraeder, 1993). Also for the Ethiopian government, "France's remaining in the Horn of Africa guaranteed freedom of navigation through the southern outlet of the Red Sea and to some degree allayed its chronic fears of being encircled by Muslims." (Tholemier, 1977:79). Therefore, for various reasons Ethiopian government during Emperor Haile Selassie concerned on the independence of Djibouti and tacitly favoured France's colonialism. This attitude continued until it was changed with the down fall of the Emperor in the 1974 by Derg.

3.2 Ethio-Djibouti Relations under Derg Rule

With the coming to power of Derg in 1974, Ethiopia's foreign policy towards Djibouti was changed. Ethiopia renounced officially her claim to Djibouti and declared unconditional and full support for independence of Djibouti. Derg gave up claim to incorporate Djibouti with Ethiopia and showed interest to support its independent existence. This policy has been articulated on several occasions by Derg officials. First, on the occasion of Africa Liberation Day on 25May, 1975, in a nationwide address to people of Ethiopia, chairman of the

Provisional Military Administrative Council (PMAC) Brigader General Teferi Bante said that "... Ethiopia warmly supports the right of people of Djibouti to determine their own future without external interference." (Ministry of Foreign Affairs, 1976:15). Also a considerable concern had been showed by Derg on Djibouti issues on the international and continental forums. On address to meeting of African Heads of States and Governments in Kampala on 29 July 1975, Teferi affirmed the policy of Derg as follows;

Ethiopia believes that the future destiny of [Djibouti] should be based on the free will of the people. If independence is their choice, Ethiopia will accept that ... Whatever historical rights Ethiopia might have had in this area she recognizes that these are overridden by the right of the people to independence.... Ethiopia does not have any legal act or legislation on its books asserting any claim to the territory. (ibid)

Throughout the 1975 Derg's good intention was manifested on several situations. Among them was a statement by the foreign minister, Ato Kifle Wodago, who declared that his country "would accept the decision of the FTAI population should it opt for independence" and that the Ethiopian nation would be satisfied by an acknowledge of Ethiopia's positive "economic interest in that region" (Tholomier, 1977:80). Also, Mengistu Haile Mariam when addressing the 14th Assembly of Heads of States and Governments of the OAU on July 3, 1977, put clearly that the independent existence of Djibouti will contribute positively to the peace and stability in the region and Ethiopia will do everything in her power to help independent status of Djibouti within its present borders (Hancock, 1979). When Djibouti gained her independence on June 27, 1977, Ethiopia was among the first countries to welcome the birth of the new state and recognized her independence (Legum and Lee, 1979). Furthermore, Ethiopia showed her readiness to help Djibouti in case of threatening scheme of annexation from Somalia (ibid). As mentioned earlier the border between the two countries is based on the Franco-Ethiopian convention of 20 March 1897. A protocol signed by France and Ethiopia on 16 January 1954, stated that the demarcation of the boundary between the colony of Djibouti and Ethiopia was considered final and with the independence of Djibouti, there have been no significant issues over this border.⁶

⁶ U.S. Department of State, International Boundary Study No. 154 – 20 February 1976; "Djibouti – Ethiopia Boundary", available at:

In the process leading to independence of Djibouti, France's stand regarding Afars and Issas as well as interests of Ethiopia and Somalia can be divided into two phases. From the 1967 to February 1976 it seemed that France was searching a settlement that would favour the Afars and Ethiopia (Berouk, 2011). The second phase began in February 1976 and led to independence under conditions which favoured the Issas and Somalia as relations with Ethiopia cooled (Shelim and Searing, 1980). Also the new independent Djibouti Government, under Hassan Guoled, leaned politically towards Somalia while the Afar-based government of Ali Arif before mid-1976 inclined more towards Ethiopia (Barratt, 1977). In fact the Afars and Issas had been displaying divergent positions towards independence and neighbouring states. The Issa were pro-independence and had demonstrated sympathy to pan-Somalia nationalists; while the Afar vacillated from pro-French rule through Pro-independence up to joining Ethiopia (Mbugua, 2009).

Similar to the time of the Emperor, port of Djibouti and jointly owned Addis Ababa-Djibouti railway had remained important factor of relations between Ethiopia and Djibouti during Derg rule. Due to the intensification of secessionist insurgences in Eritrea, Ethiopian government was not able to exhaustively use ports of Assab and Massawa for its import-export transaction. Also the existence of Addis Ababa-Djibouti rail way; the only Ethiopia's rail link to the sea, made port of Djibouti preferable port for Ethiopia's international trade (Barratt, 1977). Therefore port and rail way remained important pillars of relations between Ethiopia and Djibouti in the time of Derg rule.

The issue of refugees had been another factor in the Ethiopia and Djibouti relations in the late 1970s and early 1980s. Following the outbreak of Ogaden war of 1977-78 and the 'Red Terror' of 1976-78 large number of refugees estimated at 42,000 persons (about 38,000 of Issa Somalis from the Ogaden and around 4,000 students, professionals and skilled people who had left Ethiopia to escape from persecution) arrived in Djibouti (Adepoju, 1982). Both Ethiopian and Djiboutian governments had serious concerns with the repatriation of these refugees. As expressed by Crisp (1984), for the government of Djibouti the presence of the

refugees exacerbated the serious problems already confronting the country. The economy, already strained by the drought and Ogaden conflict, could not carry the burden of newcomers even with international aid and assistance. Politically, the influx of so many Somali Issas reinforced the numerical superiority of the dominant ethnic group, and thereby threatened to provoke the Afar rebels into new and more destructive acts of violence. In addition, the government feared a growing level of unrest amongst Issas and Afars alike if scarce national resources were seen to be used for the benefit of the refugee population. Djibouti's fragile external relations were also put at risk by the refugees' presence (Crisp, 1984). From the side of Ethiopia after the war and the 'Red Terror', Ethiopia urgently needed to improve its status in the international community and to attract economic aid. At the same time, the Ethiopian government had to contend with the activities of insurgents in Eritrea and Tigray which were mobilizing support for their cause. All of these objectives were obstructed by the presence of Ethiopian refugees in Djibouti, some of whom were political dissidents (ibid). Therefore, both Djibouti and Ethiopia had strong desires to see the refugees repatriated and were working together towards that goal.

While this coincidence of interest on the refugee issue was emerging, other factors were forcing the government of Djibouti to align its foreign policy more closely with Ethiopia. According to Kadamy (1996) Djibouti was compelled to take closer note of Ethiopia's wishes by virtue of its successful demonstration of regional military superiority in the Ogaden conflict. Second, through its support for the Afar rebels in Djibouti, the Ethiopian government had an effective means of placing more direct pressure on the government of Djibouti (ibid). Thus in May 1978 Djibouti government sent a high-level mission to Addis Ababa in order to negotiate the settlement of several outstanding disputes between the two countries. Finally, Djibouti and Ethiopia were drawn closer together by the need of both countries to restore traffic on the vital rail link between Addis Ababa and Djibouti city (Crisp, 1984).

In 1978 Djibouti and Ethiopia concluded an agreement for closer cooperation on trade, transport and communication. In 1979 Djibouti's President Hassan Gouled visited Ethiopia and established foreign trade and first level embassy which has strengthened their relationships (Hancock, 1979). In 1982 improved radio communication was established

jointly by Ethiopia and Djibouti. In addition to Djibouti railway agreement of 1981, a ten year cooperative and friendship treaty was made on the basis of which the old agreements were modified. The railway company has got board of directors which consists of six Ethiopians and six Djiboutian representatives (Woodward, 2003). Djibouti also tried to act as mediator in the dispute between Ethiopia and Somalia after 1977-78 war. With the effective reconciliation efforts of Djibouti, Mengistu Hailemariam and Said Barre met for the first time on the establishment of Inter-governmental Authority on Drought and Development (IGADD) in 1986 for which Djibouti became headquarter (ibid).

However, the relations between Ethiopia and Djibouti had not always been smooth during Derg regime. There were certain points of divergence. Since independence the government in power has been Issa dominated *Ligue Populaire Africaine Pour l'Indépendance* (LPAI) which has changed its name to *Rassemblement Populaire le Progrès* (RPP). Hence, Afars resentment to the Ligue was followed by tension and series of clashes, and the government of Djibouti suspected Ethiopia for supporting the Afars. On the crisis of December 1977 due to Afars opposition to Issa dominated government of Hassan Gouled, Djibouti government accused Ethiopia for agitating the opposition (Shelim and Searing, 1980). At the same time, there were Afar movements in Ethiopia. Both the Somalia and Djibouti were helping the Afar Liberation Front (ALF) against Ethiopian government (ibid).

The Ogaden War of 1977-78 between Ethiopia and Somalia had also roughened the relations between Ethiopia and Djibouti. In spite of officially declaring neutrality, Issa dominated government of Djibouti showed clearly noticeable favor to Somalia. The Djibouti government refrained from condemning the disruption of the Ethio-Djibouti railway by Somalia, abstained from opposing the full scale invasion of July 1977, prevented the Port of Djibouti for Ethiopia's importation of arms and munitions, banned daily flight of the Ethiopian Air Lines from Dire Dawa to Djibouti, and facilitated transition of armaments and logistic materials to Somalia troops through her territory (Hancock, 1979). Furthermore, Djibouti's sympathy to Somalia on the war was manifested when many Issas and other Somali clan volunteers joined Somalia under tolerant eyes of Djibouti authorities (Shehim and Searing, 1980). Also Djibouti government welcomed thousands of Issa migrants of the war from Ethiopia and hastened their naturalization as citizens of Djibouti (ibid). Hence, on

the War Djibouti explicitly sided with Somalia and that negatively affected the Ethio-Djibouti relations.

On the other hand, the Djibouti's Issa and Afar ethnic groups showed opposing stands on the Ogaden war. The Issas gave their support for Somalia while the Afars worked in favour of Ethiopia. Legum and Lee (1979:102) expressed the situation as follows:

...Issas discreetly opened training camps along the frontier with Ethiopia in readiness to join their 'brothers' fighting against the Ethiopians... At the same time in response, militant Afars in Djibouti were rallying with their kinsmen across the border in Ethiopia in striking new display of Afar solidarity. Outraged by the Gouled regime's soft line on the militant Issas, Djibouti Afars sought to ship arms to a faction of Ethiopian Afars who were helping in the Ethiopian campaign against the Somalis in the Ogaden.

That divergent stands of Afars and Isas in Djibouti stemmed from the fact that;

while many Djiboutian Afars feel a special affinity for their counter parts in Ethiopia as well as often strong feelings for and against the central government that have held power in Addis Ababa, some Djiboutian nationals with ethnic ties to Somalia ... were sympathetic to the creation of 'Greater Somalia' in which all Somalis in the Horn of Africa would become part of a Somali state. (Schraeder, 1993:209)

The hostilities between the two countries have normalized after a series of talks especially after the Addis Ababa-Djibouti railway was reopened. And they were developing step by step friendly relations and strengthened by continuous visits of delegations of both countries to Addis Ababa and Djibouti. The two countries established formal diplomatic relations in 1984. In general, the Ethio-Djibouti's relations were cordial during the reign of Derg, even though susceptible to mutual mistrust as a result of the latter's fear of its bigger neighbour's long-range ambitions of pre-independence scheming, and the former's persistently worries of a Muslim Djibouti would succumb to the pressures of, and be controlled by, Ethiopia's Arab 'enemies', thus depriving it of a major outlet to the seas (Amare, 1989).

3.3 The Ethio-Djibouti Relations in Post-1991 Period

In the post 1991 period the relations between Ethiopia and Djibouti have been deepened and diversified. Especially after the Ethio-Eritrean war of 1998-2000, the economic, political

and diplomatic linkages between the two countries have been strengthened. Following the war, the Port of Djibouti became primary outlet to the sea for landlocked Ethiopia as the later channeled almost all of its imports and exports through Djibouti and relocated its merchant fleets to the city's port. In 1998 its handling of Ethiopian cargo and petroleum products quadrupled as it became, almost overnight, the principal conduit for Ethiopia's foreign trade. Currently, the port of Djibouti handles about 95% of Ethiopia's import- export businesses (Styan, 2013). The two countries have been also undertaking extensive construction of transport projects to facilitate their economic transactions. The old Addis Ababa-Djibouti railway was the main source of interconnection between the two countries. Nowadays the two countries are constructing two modern railway lines those connect Addis Ababa with Djibouti port and Ethiopia's Mekele town and Djibouti's Tadjourah port. Ethiopia and Djibouti are also interconnected by road system.

The accelerated growth of Ethiopia's economy over the past decades has boosted the bilateral relationships between Ethiopia and Djibouti in multidimensional ways as discussed under chapter four (section 4.3). Whilst in much of the continent intra-African trade remains near non-existent, at least Djibouti and Ethiopia have established a pragmatic approach that is mutually beneficial. Their economic interdependence changed gear when Ethiopia began to supply hydro-electric power to Djibouti. Djibouti is the first country that got electric power from Ethiopia. On October 5, 2011 the 283 kilometers long Ethio-Djibouti electric power transmission project was officially inaugurated in Djibouti. They have also concluded the second electric power interconnection agreement on July 3, 2013 that will allow Djibouti to import additional electricity. As discussed somewhere in chapter four, the power interconnection is of strategic importance for both countries. A further element of bilateral infrastructure integration was added in January 2013 when the two countries signed agreement to construct a pipeline to supply drinking water from Ethiopia to Djibouti.

In terms of bilateral diplomatic and political ties, the relations between Ethiopia and Djibouti in the post 1991 period are outstanding more than ever before. They have signed many memorandums of understanding, protocols and agreements of friendship and cooperation at various times. Currently, more than seventy agreements are signed in various fields between the two countries (Hailemariam, 2012). The successful implementation of

these agreements will enable to achieve common objectives and further deepen the existing relations. This of course requires trust, confidence and tireless efforts from both sides at all levels. Since 1991, there have been several official visits at Head of States and Ministerial levels between the two countries where political, economic and social issues have been examined and significant results have been achieved to further strengthen the relations between the two countries (ibid).

The two countries have also established several joint mechanisms to further strengthen their bilateral ties. Some of such mechanisms are; the Joint Ministerial Commission that examines political, economic and social issues; the Follow-up Committee that oversees the implementation of agreements and decisions made at the Head of State and Ministerial levels; the Joint Border Administrators and Commissioners Committee that examines border security, immigration, refugee and health matters; and the Joint Border Sub-Committees, which react and give on the spot solution to problems that may arise along the common border. In general Ethiopia and Djibouti have good political and diplomatic relations and cooperations.

Furthermore in the post 1991 period, Ethiopia and Djibouti have been showing positive interdependence on domestic and sub-regional political issues. For instance due to coincidence of the interests of both countries during the 1991 civil war in Djibouti, Ethiopia cooperated with the government of Djibouti (Kadamy, 1996; Schaeder, 1993; Woodward, 2003). The civil war was caused by the *Front for Restoration of Unity and Democracy* (FRUD)'s determined attack to overthrow the Issa dominated government of Djibouti. The FRUD received the majority of its support from Afar-inhabited areas of Djibouti while the formal institutions of government have been dominated since independence by the Issa ethnic groups (Schaeder, 1993). Ethiopia, having large Afar populations, exerted considerable pressure on the rebels fearing that the success of Afars in Djibouti may motivate dissatisfied Afars in Ethiopia (Kadamy, 1996). Indeed Ethiopia changed its position from April 1992 onwards and actively promoted a peaceful solution to the crisis. This positive role was uncommon in the tradition of Horn of African sub-region that was known for sponsoring each other's oppositions. Also the two countries are working together

on common sub-regional issues such as on the revitalization of IGAD and on the conflict in Somalia.

However, the friendly relations between Ethiopia and Djibouti, in the post 1991 period, are not without some sort of hostilities between the two countries. The increased economic ties between Djibouti and Ethiopia has created new diplomatic and political linkages, reconfiguring a highly unequal mutual dependency (given Ethiopia's vastly greater size and power) that is marked by frequent tensions and frictions. Ethiopia's dependence over Djibouti's port services generates frequent tensions over costs and taxation. In 2000 trade tensions between Djibouti and Ethiopia arose due to Ethiopia's ban on certain merchandises imported from Djibouti and Djibouti's increase in tax on Ethiopian state-owned company Maritime Transit Service Enterprise (MTSE) (*The Indian Ocean Newsletter*, 2000). Also there has been trouble between Ethiopia and Djibouti relations in July 2011 due to Djiboutian civil aviation authority's ban of Ethiopian Airlines from operation in Djibouti because of the type of aircraft it uses, Bombardier, as Djiboutians felt they were not adequately served with the aircraft (*Capital*, 2011). The issue was settled and restored to normal after sort of negotiations. In mid-2012 a serious crisis developed owing to administrative and regulatory changes in Ethiopia. This resulted in gridlock in the container terminal and considerable costs for Djibouti. The crisis was triggered by Ethiopia's creation of Shipping and Logistics Services Enterprise (ESLSE), a vast new parastatal body intended to combine the functions of three hitherto separate bodies: the shipping, maritime services and dry ports agencies (Styan, 2013).

Djibouti has also resisted allowing Ethiopia to have equity stakes in port facilities. It has been careful to protect its sovereignty and economic margin of manoeuvre vis-à-vis Ethiopia. It has been cautious of direct Ethiopian investment, relying largely up on Gulf Arab capital and expertise for the expansion of its port facilities. Dubai was central to the funding and construction of the new container and oil terminal at Doraleh in 2009, while Saudi Arabia is contributing to funds for the new Tadjourah port development in north (ibid). In general Ethiopia and neighbouring Djibouti enjoy particularly close and mutually beneficial relationships in the post 1991 period even though there are meager conflicts of interests on some cases.

CHAPTER FOUR

THE MAJOR REGIONAL INTEGRATION ARRANGEMENTS IN THE HORN OF AFRICA AND THE ETHIO-DJIBOUTI RELATIONS

4.1 A Brief Overview of Regional Integration Schemes in Africa

The idea of continental unity has long been recognized in Africa. At the beginning of twentieth century the voice of William Du Bios, George Padmore and Leopold Senghor among others spearheaded political campaigns against colonialism and triggered the belief that Africans, whether born on the continent or abroad, should be united as part of a global African community (Tavares and Tang, 2011; Tesfaye and Kennes, 2007). In the early independent era, on the question of how to unite African continent, there were two groups. One was the group that advocated for the immediate political union among newly independent African states which were known as the ‘Casablanca group’; while the other extreme was advocates of gradual regional integration and continental unity which was known as the ‘Monrovia group’. Although both groups accepted and agreed on the principles of unity, they disagreed on their approach to the issue i.e. whether political integration should occur now or in the future and whether it should be top-down or bottom-up (Olubomehin and Kawonishe, 2004; Oloo, 2007).

Later on the vision of achieving African integration through the incremental approach of cooperation in functional areas got upper hand among African statesmen with the establishment of Organization of African Unity (OAU) in 1963. The OAU aimed to promote the unity and solidarity of African States; co-ordinate and intensify their co-operation and efforts to achieve a better life for the peoples of Africa; defend their sovereignty, territorial integrity and independence; eradicate all forms of colonialism from the continent; and promote international cooperations (*Article II of OAU Charter*). Even though the OAU has its own successes in solving problems of the continent such as helping eradicating colonialism from the continent, it had not moved far distances in achieving the socio-economic and political integration of the continent. The Lagos Plan of Action of 1980 was the first continent-wide effort by the OAU towards regional integration through forging a comprehensive unified approach to economic development. The Plan adopted regional

approach based primarily on collective self-reliance for economic development of Africa and elaborated goals and tasks in detail and sector-by sector. The drive towards regional integration was given a further boost in 1991 with the adoption, by the OAU summit, of the Abuja Treaty which came into force in 1994 establishing the African Economic Community (AEC). The Treaty provides the guiding principles and goals as well as a region-wide framework to strengthen the integration agenda. The idea of the Treaty is to form the AEC in six phases over thirty four years. At each such phases, specific activities have been assigned to be implemented as follows (*Abuja Treaty Article 6*):

- First phase, 1994-99 (5 years): Strengthen existing regional economic communities (RECs) and create new RECs in regions where they do not exist.
- Second phase, 1999-2007 (8 years): Ensure consolidation within each RECs, with a focus on liberalizing tariffs; removing non-tariff barriers; harmonizing taxes; and strengthening sector integration regionally and continentally in trade, agriculture, money and finance, transport and communications, industrial development and energy.
- Third phase, 2007-17 (10 years): Set up in each RECs a free trade area (FTA) and customs union (CU) (with a common external tariff and a single customs territory).
- Fourth phase, 2017-19 (2 years): Coordinate and harmonize tariff and non-tariff systems among the RECs with a view to establishing a continental customs union.
- Fifth phase, 2019-23 (4 years): Set up an African common market through the adoption of a common policy in several areas such as agriculture, transport and communications, industry, energy and scientific research; the harmonization of monetary, financial and fiscal policies; the application of the principle of free movement of persons.
- Sixth phase, 2023-28 (5 years): Establish the AEC through integration of all the sectors namely economic, political, social and cultural and setting up of structures including an African Monetary Union, a single African currency and Pan-African Parliament.

The idea behind the six phases is that economic integration should first be consolidated regionally, through the creation of RECs that would eventually merge together to form the

AEC. The RECs are expected to serve as the building blocks for the AEC. In the words of Article 88(1) of the Abuja Treaty, the AEC ‘shall be established mainly through the coordination, harmonization and progressive integration of the activities of [RECs]’. Hence, progress by the RECs is progress for and a step closer to the AEC. Currently there are around fourteen RECs in Africa of which eight of them are recognised by African Union Commission as pillars of the AEC⁷. Now every country in the continent is member of at least one REC. Out of all African states 25 of them belong to two RECs, 17 are members of three RECs, and 6 are members of four RECs (UNECA, 2012). This reflects the fact that there is problem of overlapping membership in Africa which some argue hinders further integration in the continent (Edris, 2013).

The extraordinary summit of OAU held in Sirte, Libya in September 1999 decided to amend OAU Charter to strengthen the OAU’s capacity to meet the challenges of the new millennium (Kinfu, 2003). The Summit also called for the establishment of the African Union (AU) in conformity with the objectives of the OAU Charter and provisions of AEC Treaty. Following this, the Constitutive Act of AU was adopted during the Lome Summit of the OAU 36th Heads of State and Government on July 11, 2000, and officially replaced OAU Charter on 9 July 2002 in Durban, South Africa. The birth of the AU is significant occasion marking progress towards the vision of enhanced cooperation and integration that is expected in the long run to lead to economic and political union of the continent (ibid).

The objectives of AU are different and more comprehensive than those of OAU. The main objectives of AU, as contained in its Constitutive Act (*Article 3*), are to: achieve greater unity and solidarity between the African countries and the peoples of Africa; defend the sovereignty, territorial integrity and independence of its member states; accelerate the political and socio-economic integration of the continent; promote and defend African common positions on issues of interest to the continent and its peoples; promote peace and security and human rights; coordinate and harmonize the policies between the existing and

⁷ The eight recognized RECs are: the Arab Maghreb Union (AMU), the COMESA, the Community of Sahel Saharan States (CEN-SAD), the East African Community (ECA), the Economic Community of Central African States (ECCAS), the Economic Community of West African States (ECOWAS), the IGAD and the Southern African Development Community (SADC).

future RECs for the gradual attainment of the objectives of the Union; and promote democratic principles and institutions, popular participation and good governance in Africa.

Hence, AU is the continental responsible organ for implementing and monitoring the terms of Abuja Treaty (the Treaty establishing AEC). The Treaty declared in Article 98(1) that 'the community shall form integral part of the OAU'. Article 99 went on to declare that the treaty and protocols adopted under it shall form an integral part of the OAU Charter. Therefore by implication since the OAU metamorphosed to AU, the AEC is the integral part of the Constitutive Act of AU. In order to formalize, consolidate and promote closer cooperation among the RECs and between them and the AU through the coordination and harmonization of their policies, measures, programmes and activities a Protocol on the Relationships between RECs and AU is adopted. Here it is appropriate at this point to ask the question, what is the current status of establishing AEC as stipulated in the Abuja treaty to realize regional integration in the continent?

It is almost over two decades since the Treaty establishing AEC came into force and by now as specified by the Treaty the continent is expected to enter the third phase i.e. on the condition of setting up in each RECs FTA and CU (with a common external tariff (CET) and a single custom territory). Therefore how far each RECs has gone to set up FTA and CU? The RECs are undertaking various activities and programmes in many areas of integration. In terms of progress made in advancing the goals of establishing AEC, the results are mixed with a general sense that there remain substantial gaps in achievements. In fact there are variations from RECs to RECs on this point. Although some RECs such as EAC, ECOWAS and COMESA have made steps towards free trade and a CU, others like IGAD, AMU, CEN-SAD have limited progress and are still in the early stages of cooperation among their member States (AUC, 2013). Hence, the overall achievements of RECs are not to the level of their expectations. The slow performance by some of the RECs can be explained by the enormous challenges they are facing such as shortage of financial and human resources; membership of numerous member states to more than one REC; inadequate physical infrastructure; in some cases a lack of coherence and correlation between sector cooperation programmes and the macro-economic policies implemented by RECs; lack of political will; poor institutional infrastructure; inadequate coordination among

Pan-African institutions; and lack of cohesion vis-à-vis the numerous development partners (Olubomehin and Kawonishe, 2004; Sako, 2006; Nzewi, 2009). Having this general image of integration in the continent, specifically how far the RECs to which states in the Horn of Africa sub-region belong have progressed will be assessed below in detail.

4.2 Regional Integration Arrangements in the Horn of Africa

4.2.1 Common Market for Eastern and Southern Africa Arrangements

The Common Market for Eastern and Southern Africa (COMESA) was founded in 1994 as a successor to the Preferential Trade Area for Eastern and Southern Africa (PTA), which was established in 1981. The establishment of COMESA was a fulfillment of the requirements of the PTA Treaty, which provided for the transformation of the PTA into a common market ten years after the entry into force of the PTA Treaty (*COMESA profile*). It has nineteen members including Burundi, Comoros, the Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

The main objectives of COMESA as indicated in Article 3 of Treaty establishing COMESA are:

- 1) To attain sustainable growth of the member states by promoting a more balanced and harmonious development of its production and marketing structures;
- 2) To promote joint development in all fields of economic activity and the joint adoption of macro-economic policies and programmes to raise the standard of living of its peoples and to foster closer relations among its members states;
- 3) To cooperate in the creation of an enabling environment for foreign, cross border and domestic investment and in the joint promotion of research and adaptation of science and technology for development;
- 4) To cooperate in the promotion of peace, security, and stability among the member states in order to enhance the economic development in the region;
- 5) To cooperate in strengthening the relations between the common market and the rest of the world and in the adoption of common positions on international issues or forum; and

- 6) To contribute towards the establishment, progress, and the realisation of the objectives of the African Economic Community.

Unlike other sub-regional organisations, COMESA was intended to be a purely trade and investment oriented organisation. Its focal areas of integration include trade in goods and services; monetary-integration payments and settlement arrangements; investment promotion and facilitation; and infrastructure development- air, road, rail, maritime and inland transport, information and communications technology and energy (UNECA, 2012). Thus, let us briefly look at COMESA's efforts towards realizing these targets as follows.

COMESA has developed a number of policy instruments to deepen trade and investment integration. It launched its FTA in October 2000 and CU in June 2009. The COMESA FTA has been launched since October 2000 when nine of the member states eliminated tariffs on COMESA originating products⁸, marking the first ever FTA within the African continent. The FTA was launched with three stated objectives (UNECA, 2012):

- a) Complete removal of tariffs for all tradable goods among COMESA members by the year 2000, as well as the continued development of the region as a common investment area.
- b) Establishment of a customs union, by adopting a Common External Tariff (CET) with third countries by the year 2004.
- c) Establishment of an economic community (monetary union and free movement of people) by the year 2025.

COMESA has established principle of 'Rules of Origin' as the linchpin of FTAs. The COMESA Rules of Origin are set of criteria that distinguish between goods produced within the COMESA member states and are entitled to duty-free or preferential treatment with respect to customs duty and/or other charges of equivalent effect and those considered to have been produced outside the region and pay full national duties when traded (COMESA, 2002). Five independent criteria have been laid for the COMESA Rules of Origin. To

⁸ The nine countries are: Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia and Zimbabwe. Today 16 of the 19 member states acceded to it.

qualify as COMESA originating goods, products should meet any of the five criteria (as stated in *Rule 2 of COMESA Protocol on Rules of Origin*):

1. The goods should be wholly produced or obtained in a Member State (that is they should contain no materials imported from outside the Common Market); or
2. The goods should be produced in the member States and the value of any foreign (that is, non-COMESA) materials should not exceed 60% of the total cost of all materials used in their production; or
3. The value added resulting from the process of producing the goods from imported materials should account for at least 35% of the ex-factory cost of the goods; or
4. The goods should be produced in member states and be classified, after the process of production, under a tariff heading other than the tariff heading under which they were imported; or
5. The goods should be designated by the Council of Common market as “goods of particular importance to the economic development of the Member States” and should contain not less than 25% value added, notwithstanding the provision no. 3 above.

Goods that meet the COMESA Rules of Origin above are those that are eligible for duty-free treatment. However, simple production or manufacturing processes are not sufficient to confer origin. These include simple assembly of components and/or parts; mixing or blending of ingredients; processes of preservation of goods in storage or during transportation; marking and labelling; packing, repacking or decanting; washing, painting and cutting up operations (*Rule 5 of COMESA Protocol on Rules of Origin*). Thus, the Rules of Origin have been shaped in such a way that goods that will be traded should have undergone sufficient processing within the region to contribute to economic development and to create and sustain employment in the region. To prove the origin of each consignment of goods to be traded under the FTA and on preferential terms, the good must be accompanied by an original Certificate of Origin, which is issued in the member states by competent authorities. Djibouti is among the nine COMESA members that first accepted the FTA. Ethiopia has not yet acceded to the COMESA FTA and CU arrangements (but Ethiopia grants a 10% discount on most favoured nations (MFN) import tariffs to COMESA

members). Hence, COMESA's FTA and CU have little impact with regard to facilitating trade interconnection between Ethiopia and Djibouti.

In order to ensure the growth of infrastructure, especially transport development, the COMESA countries have undertaken reforms in road sector management and funding. Djibouti and Ethiopia are among the countries that have set up road funds and road development agencies in order to maintain both the regional and national road networks (AUC, 2013). The new rail way links under construction between Ethiopia and Djibouti are within the framework of the Union of African Railways Network which advocates the construction of standard gauge railways. The rail link for Djibouti, Ethiopia, Southern Sudan and the Sudan originating from Djibouti and terminating in Juba are adopted in corridor approach (ibid).

COMESA has also embarked on an energy programme as main purpose to promote regional cooperation in energy development, trade and capacity-building. The Eastern Africa Power Pool (EAPP) was established in 2005. In November 2006 it became a specialized institution of COMESA for power issues and a vehicle for the enhancement of energy interconnectivity in the area and the rest of Africa (Oduor, 2012). A strategic road map for 2025 and a regional market design have been adopted, a regional power master plan and grid code have been developed and an independent regulatory body has been established. The East African Power Master Plan was completed in May 2011. The master plan outlines a least-cost generation and transmission programme for meeting the region's electricity demand over the period 2013-2038. It was developed together with an interconnection code which will govern the design of the transmission system and operational requirements for regional interconnection (Zelalem, 2013). In this regard Ethiopia is at top of countries with large potential of surplus power to sale for other countries (about 44% of surplus) (ibid); and Djibouti became the first country to be connected to Ethiopian power grid in the region as discussed below in detail.

In the free movement of persons COMESA is still facing challenges. Despite the progress made, several obstacles are hampering and even undermining the integration process in this regard. The movement of people is faced with a number of problems, including those related

to infrastructure, especially road transport, and security issues due to vulnerability of many countries to insurgent movements and terrorist attacks (AUC, 2013). Hence, security is becoming the main reason for delaying the implementation of decisions on the free movement of persons which have been taken at the regional level.

4.2.2 Intergovernmental Authority on Development Initiatives

The Intergovernmental Authority on Development (IGAD) was established in 1996 as the successor of the Intergovernmental Authority on Drought and Development (IGADD) that was formed in 1986 as a response to the severe drought and desertification in the countries of the Horn of Africa. The revitalization of IGADD was required to enable the organization respond to emerging sub-regional challenges such as inter-and intra-state conflicts and to find a mechanism for their resolutions and to address economic problems as well as poverty through close economic cooperation and integration (IGAD, 1996b). In this connection, the Declaration of Heads of state and government on the revitalization of IGADD, states the need to extend cooperation among the countries of IGADD so that the sub-region plays its role in the sub-regional and continental integration as stipulated in the Abuja Treaty (IGAD, 1996c). On 21 March 1996, the Heads of State and Government of Djibouti, Eritrea, Ethiopia, Kenya, Sudan and Uganda met in Nairobi and finalized the structure of the organization and adopted a new Charter that expanded its mandate. The revitalized IGADD was renamed the Intergovernmental Authority on Development (IGAD). New IGAD has expanded goals beyond the narrow focus of combating desertification and mitigating the effects of drought by its predecessor. Other than food security and environmental protection, it incorporates peace and security, intra-regional trade and development of improved communication infrastructure in order to enable the sub-region to interact and compete in the global economy, eventually leading to regional integration (*ibid.*).

The ultimate goal of IGAD is to achieve economic integration and sustainable development for the sub-region. In order for IGAD to play its proper role in regional and continental integration and promote development in the sub-region, Article 7 of the Agreement establishing IGAD underlines the following aims and objectives: promote joint development strategies and gradually harmonize macro-economic policies and programmes in the social,

technological and scientific fields; harmonize policies with regard to trade, customs, transport, communications, agriculture, and natural resources, and promote free movement of goods, services, and people and the establishment of residence; create an enabling environment for foreign, cross-border and domestic trade and investment; achieve regional food security and promote sustainable development of natural resources and environment protection; develop a coordinated infrastructure, particularly in the areas of transport and energy; promote peace and stability in the sub-region; and promote and realize the objectives of COMESA and AEC.

The agreement establishing IGAD identified three priority areas: food security and environmental protection; conflict prevention, management and resolution; and economic cooperation and integration (IGAD, 1996a). IGAD is making efforts to work on these three areas; however this thesis attempts to assess the economic cooperation and integration role only. The fact that IGAD is one of the eight AU-recognized RECs in the continent implies that it provides the institutional framework for the ultimate objective of creating the economic integration of Africa as a whole. The question now is how far has IGAD progressed on accomplishing its stated ultimate objectives?

At the IGAD summit of June 2008, members took a decision to strengthen IGAD's structure and functioning to enable it to more effectively implement its mandate on regional integration (Bienen, 2010). Hence the roles and functions of IGAD expanded and refocused to create viable and effective integration bloc based on market integration of member states. Such further integration includes establishment of a PTA, from which could emerge a FTA, CU and common market in the medium to long term. Currently, IGAD has designed MIP as dynamic strategic framework for the integration process. Still the implementation of the Plan remains distant vision (Ali and Edris, 2013). "Due to volatile nature of the sub-region a considerable amount of time has been spent on matters of security and yet, peace and stability issues are at the top of agenda of IGAD."⁹ In fact there are certain successes on peace and security issues such as initiatives in Somalia and South Sudan. It managed to broker peace processes for Somalia, leading to the formation of the Transitional Federal

⁹ Interview with ato Tesfaye Etayi, IGAD Desk at Ethiopian MoFA, on 25 March 2014

Government, in October 2004 and for Southern Sudan, leading to the signing of the Comprehensive Peace Agreement (CPA), in January 2005. Nowadays, IGAD is engaged in spearheading the peace talks on the South Sudan crisis in Addis Ababa. Since the outbreak of the crisis in South Sudan in mid December 2013, IGAD is exerting efforts to engage the parties to the conflict for the restoration of peace in South Sudan.

In general a rough assessment of the results achieved in relation to the articulated objectives reveals that IGAD regional integration has not succeeded in realizing the expected outcomes at this point in time. While other RECs have pursued free trade, customs unions and even agreed to adopt common currencies among their members, IGAD has yet to accomplish even the most basic steps toward regional economic integration. The sub-region has yet to adopt the Preferential Trade Area. Its plan to create a free trade area by 2012 failed. Indeed, there are various causes for low success of IGAD including; lack of commitment of member states, parallel membership in other integration schemes, structural problems¹⁰, poor physical infrastructure, political instability and military conflicts among member states (Akililu, 2013; Ali and Edris, 2013; UNECA, 2012).

In light of the current inability to create trade-related integration in the IGAD sub-region, the case for building sub-regional integration around ports, infrastructural development, waters and oilfields is worth considering (Aklilu, 2013). Healy (2011a:iv) agrees that “there is great potential for enhancing regional economic integration through the development of transport corridors to sea ports, the management of shared water resources ... and improved energy security.” In this regard the contemporary interdependence between Ethiopia and Djibouti could be essential benchmark in the sub-region. The key issues in the Ethio-Djibouti relations and how they are related to the sub-regional integration in the Horn of Africa have been discussed below.

¹⁰ Structural issues that pose trade-led integration in the sub-region: the manufacturing sector in the Horn is undersized (and almost non-existent in Somalia, Djibouti and South Sudan). The overwhelming majority of imports, therefore, come from outside the sub-region. Meanwhile, IGAD states only export a limited number of primary commodities such as coffee, livestock and oil seeds, and many do so in competition with one another for international markets.

4.3 The Main Pillars of Ethio-Djibouti Relations and Sub-regional Integration

Here under this subsection attempts have been made to identify the key issues in the Ethio-Djibouti's relationships and to assess how these issues might impact the sub-regional integration schemes in the Horn of Africa.

4.3.1 Port Service

The use of port has been longstanding bond between Ethiopia and Djibouti. For Ethiopia Djibouti port was (is) preferred outlet to sea even when the former had its own ports at Assab and Massawa due to the connection of the port with Addis Ababa-Djibouti railway, and its proximity to many parts of Ethiopia (Pankhurst, 1968; Barratt, 1977). However, as noted somewhere in chapter three, during the Ogaden war (1977-78) Somali forces interrupted the transit via Djibouti by cutting the railway line. Thereafter Ethiopia invested heavily in its own infrastructure, constructing a new road to Assab and upgrading the port equipment to compete with Djibouti. With the addition of an oil refinery, Assab served Ethiopia well in the 1980s and continued as its principal port into the 1990s. Eritrea's independence from Ethiopia in 1991 and with it the latter's loss of sovereignty over the ports of Massawa and Assab initially had a limited impact on trade flows via Djibouti. In 1997, Assab was handling 80–85% of Ethiopia's international traffic, with only 15–20% passing through the port of Djibouti (Love, 2009). However, following the war between Ethiopia and Eritrea in 1998–2000, the former channeled almost all of its imports and exports via Djibouti and relocated its merchant fleet to the city's port. Hence, the significance of Djibouti port to Ethiopia declined only for two decades (i.e. from 1977/78 to 1997). In 1998 Djibouti's handling of Ethiopian general cargo and petroleum products quadrupled as it became the principal conduit for Ethiopia's foreign trade (Styan, 2013). Inevitably, this strengthened the existing physical and political links between the two countries.

Therefore use of port revived as important pillar of relations between Ethiopia and Djibouti for over period of time. Nowadays Djibouti Port is the principal transit point for cargo in and out of Ethiopia handling about 95% of Ethiopia's import/export traffic (ibid). In fact "Djibouti port is natural outlet for Ethiopia. From the beginning Djibouti port was developed to serve Ethiopia. We have been getting service of Djibouti port since the port started giving

service.”¹¹ From all the ports Ethiopia could use Djibouti is the closest port to Addis Ababa (some 781km away) as shown in Table 1 below. This reinforces the critical importance of Djibouti for a cost efficient Ethiopia supply chain.

Table: 1 Distances between surrounding ports and major Ethiopian cities (in km, via road unless stated rail)

Cities	Djibouti	Eritrea		Kenya	Somalia				Somaliland	Sudan
	Djibouti port	Port of Massawa	Port of Assab	Mombasa port	Port of Bossaso	Mogadishu port	Merca port	Kismayo port	Berbera port	Port Sudan
A.A	910 781 rail	1163 Via Mekele	882	2077 via Moyale	2231 via Garoowe	1507	1567	1979	964 via D.D	1881 via Metema
D.D	303 rail	-	937	-	-	-	-	-	483	2404
Gonder	-	646	1521 via AA	-	-	-	-	-	-	-
Mekele	940	391	899	-	-	-	-	-	1736	1788
Bahr Dar	1021	1003	987	-	-	-	-	-	-	1326

Source: Love, 2009:15 and Healy, 2011:31

Note: A.A= Addis Ababa D.D= Dire Dawa

Several bilateral agreements have been signed between the Governments of Djibouti and Ethiopia relating to port use and transit services. Of course “The Agreement on the Utilization of the Port of Djibouti and Services to Cargo in Transit “(April 13, 2002), is the major one dealing with customs, road transport and facilitation. By this agreement Ethiopia has been guaranteed a permanent right of access to the sea and unhindered transit through Djibouti’s territory. Goods would also be free of taxes and customs duties (Article, 2(2)). Djibouti has also agreed to give Ethiopia sixty working days advance notice before implementation if there is to be any change in tariffs or regulations (*Article 6*).

The old port of Djibouti has long been under considerable pressure to handle high import requirements of Ethiopia. The accelerated growth of Ethiopia’s economy over the past

¹¹ Interview with expert from MoFED on 12March 2014 in Addis Ababa

decade has increased the demand of Djibouti port, and necessitated a major expansion and upgrade of port facilities. In order to deal with the rapid traffic growth and stimulate economic development activities around the port, Djibouti has launched *The Djibouti Hub Project* based on public/private partnership practice in the management of port and development of free zones. In this regard, in 2000 Djibouti signed an agreement with Dubai Port World (DPW) for management concession of the port for twenty years to provide an efficient and reliable service, to promote the capacities and resources of the port both regionally and internationally and to attract more foreign investment to develop modern intermodal infrastructure facilities and establishment of Free Zone area (Ntamutumba, 2010). Therefore, Djibouti has been undertaking wide scale ports expansion projects in order to provide enough services for and take advantages of growing Ethiopian economy.¹²

As part of its plan to expand ports in addition to the old port, Djibouti built new port at Doraleh and giving services totally for Ethiopia. The new port of Doraleh is located 12 km from the old port and is equipped with a Container Terminal (operational since beginning of 2009), an Oil Terminal (operational since 2005), Free Zone and new bulk terminal.¹³ Also other specialized ports are under construction such as Livestock Terminal at Doudah for export of camels, sheep, goats, cattle from Ethiopia and other Horn of African countries, and a mineral port at Goubet. Another port development project under construction is the Tadjourah port. On 14 December 2012 the construction of the port was formally launched by President Ismail Umeir Guelleh of Djibouti and Prime Minister Hailemariam Dessalegn of Ethiopia. During the inauguration ceremony Hailemariam stressed the importance of integrating infrastructure ties with Djibouti (Muluken, 2012). The port's three new quays are scheduled for completion in 2015. The development of Tadjourah port helps Djibouti to develop its northern districts of Obock and Tadjourah while it provides more accessible outlet to the sea for northern Ethiopian highlands. Indeed the development of the port of Tadjourah is the logical extension of an expanded northern Ethiopian rail network (Mekele-Tadjourah railway). The proposed development of the port of Tadjourah illustrates the desire

¹² Oromiya Television, "Hulaa Guddina" documentary programme transmitted on 03/04/2006 E.C

¹³ Website of Djibouti port <http://www.portdedjibouti.com/Pages/Overview.php?Types=PortHistory>, accessed on 12 February 2014.

of both Ethiopia and Djibouti to achieve closer economic integration in order to boost their growth (Styan, 2013).

In general port service is vital factor of economic interdependence between Ethiopia and Djibouti. About 80-85% of Djibouti revenues is obtained from port fees and related activities.¹⁴ Also Ethiopia's use of Djibouti port created substantial job opportunities for many Djiboutians (ibid). Overall the shift of Ethiopia's external traffic to Djibouti is generating much closer economic interdependence and integration between the two countries by facilitating infrastructural interconnection between them as discussed below.

4.3.2 Transport and Communication

i. Railway

Ethiopia and Djibouti have been interconnected by railway for about a century since the colonial period. The idea of constructing a railway to link the Ethiopian capital with Djibouti was first planned during the reign of Menelik II to build railway from Djibouti to Entoto via Harar and then to the White Nile via Kaffa (Pankhurst, 1968). Ethiopia was interested in construction of the railway to use Djibouti's port for foreign trade and especially for importation of firearms¹⁵ while France needed the project to establish foothold on the upper Nile to realize its hope of expanding colonial possession from Dakar, Senegal (West) to Djibouti (East)¹⁶ (Thompson and Adloff, 1968). The construction was started in 1897 under jointly formed company in Ethiopia called *Compagnie Imperiale des Chemins de Fer Ethiopian* (Imperial Railway Company of Ethiopia) and became operational in 1917 under a new name and status: *Chemin de Fer Franco-Ethiopien* (Franco-Ethiopian Railway Company) until it became in October 1981 *La Compagnie du chemin de fer djibouto-ethiopien* - CDE (Djibouti-Ethiopia Railway Company) (Pankhurst, 2006; Atnafseged et al, 2000). The construction of the railway from Djibouti to Addis Ababa marked significant era

¹⁴ Oromiya Television, "Hulaa Guddina" documentary programme transmitted on 03/04/2006 E.C

¹⁵ Note that Ethiopia's boundary of the time was similar to the current boundary of the country i.e. it did not have access to sea coasts due to occupation of Eritrea by Italy.

¹⁶ The failure of the Marchand expedition at Fashoda ended France's interest in Ethiopia as a potential eastern gateway to the Nile.

in the Ethio-Djibouti relations by greatly enhancing the economic interdependence of the two countries (Thompson and Adloff, 1968). Since its completion the railway has been serving as key linking line between the countries. However, currently the railway collapsed from old age, lack of maintenance, poor management and local civil wars (especially attacks from OLF and ONLF); and ceased giving services in 2011.

Nowadays Ethiopia and Djibouti are actively working together on the construction of new modern railway lines. They established Joint Railway Commission in new form. The two countries are to be interconnected through two modern railway lines which are under construction: Addis Ababa (Sebeta)-Dire Dawa-Djibouti line and Mekele-Weldya-Semera-Tadjourah line. The Ethiopian Government is working on the projects as part of its plan to construct nearly 6000 kilometers of railway network as set in the Five-Year Growth and Transformation Plan (2010/11-2014/15). The Addis Ababa–Dire Dawa-Djibouti project is in the list of top priorities of the Government of Ethiopia. It has a significant social, political and economic importance to the country (Seyoum, 2012). It is the busiest corridor handling most of Ethiopia’s import-export trade activities. As part of the 800km Addis Ababa-Dire Dawa-Djibouti rail route, Ethiopia and Djibouti launched the construction of the new Nagad Railway Station on 7July, 2013 in Djibouti. The construction of this line reduces the travel time from Addis Ababa to the Djibouti port by more than fifty percent and will contribute to the economic development of hinterland Ethiopia.¹⁷ In the longer term, this rail link will serve as a key component of the proposed trans-continental East to West African Railway Network.

The Mekele-Weldya-Semera-Tadjourah railway line will connect the north and north-western regions of Ethiopia to the port of Tadjourah in Djibouti. It has a total length of 675km and gives alternative Port access thus contributing to the economic development of the north and north-western parts of Ethiopia (ibid). This line is part of segment of longer corridor that will be further extended to the west interconnecting the railway networks of Djibouti, Ethiopia and Sudan. Hence, it connects Djibouti with the North Sudan via Ethiopia

¹⁷ Website of Ethiopian Railways Corporation <http://www.erc.gov.et/index.php/projects.html>

fostering sub-regional interconnection (Seyoum, 2012). Therefore, the opening of this corridor will enable Ethiopia to open additional corridor for its import and export activities.

Furthermore, a rail link for Djibouti, Ethiopia and South Sudan originating from Djibouti and terminating in Juba is also on the preliminary stages of a consultation process (New African, 2012). As stated in *A Week in the Horn* issue of 12 July 2013, the construction of the rail link will have a significant impact in advancing Ethio-Djibouti's economic integration and social connections between the two countries. In general Ethiopia and Djibouti have long history of linkage through railway and also currently developing railway networks that are hoped to contribute to the political and socio-economic transformation of the countries as well as to the integration of the Horn of Africa sub-region.

ii. Road

Ethiopia and Djibouti have long been connected by road system. Currently the road system from Addis Ababa via Dire Dawa to Djibouti port carries almost all traffic loads between the two countries. They have also set to build another highway connecting them; the 250km Dire Dawa-Dewale road. The road project, will upgrade the current gravel road to concrete asphalt and will be another major artery connecting Ethiopia to a sea port, making it a vital route (Elias, 2013). As mentioned earlier Ethiopia currently handles more than 95% of its import- export business through the port of Djibouti, while a recent sea port project whose construction started recently in Tadjourah, is expected to alleviate the congestion of commodity traffic in the current port. Thus the road as well as rail line development is related with transporting the import-export business. In fact the road project is part of the wide plan of Ethiopia to connect itself with neighboring countries.

iii. Telecom Connections

Ethiopia has been connected to submarine cables by optic fiber and micro wave networks via Djibouti. It has constructed and deployed a high capacity microwave and optic fiber networks from Addis Ababa to a cable landing station in Djibouti to connect with the existing and emerging international sea cables. The Ethiopian Government invested on the project with the ownership of the Ethiopian Telecommunication Corporation (ETC)

including transfer of responsibility for operation and maintenance of the network. The network established by ETC on the Djiboutian territory would only be used for Ethiopia.¹⁸ The optic fiber and micro wave telecommunication connection facilities between the two countries enabled Ethiopia to be connected to the rest of the world through undersea cables. This has had direct corresponding effect on broadband uptake in the country. Due to connection to submarine cables, broadband has become relatively affordable and growth in broadband subscribers has accelerated. For instance, following the entry into service of the submarine cables such as EASSy in Ethiopia, the price of fixed broadband decreased from 2721.4% of GNI per capita in 2008 to 1070.8% in 2010 (CTO, n.d:16). In general Ethiopia's interconnection with Djibouti in telecom sector is very crucial as telecom service is becoming key issues in the socio-economic development of a country.

4.3.3 Trade and Investment

a) Trade

Ethiopia and Djibouti have long lasted trade relationships. The trade between the two countries can be categorized as: formal/ large-scale trade and informal/ small-scale cross-border trade.¹⁹ The formal/ large-scale trade is trade that involves convertible currencies and bank procedures such as opening of letters of credit by importer. It is run by business firms with large capital and formal organizational set-ups. While informal/ small-scale cross-border trade is commercial activities in tradable goods conducted by people residing in the border areas without going through formal payments through banks or without involving convertible currencies (UNECA,2010). (Note that informal trade should not be confused with illegal (contraband) trade.) The main objective of the cross-border trade is to facilitate the availability of consumer goods to the people residing across the borders. It plays a vital part in maintaining food security and is a key source of income and employment especially for women in the remote areas of Ethio-Djibouti borders where other economic opportunities are very limited (Tegegne and Alemayehu, 2002; Ajumbo and Africa, 2012).

¹⁸ Agreed Minutes of the 8th Ethio-Djibouti Joint Ministerial Commission meeting, 18-20 May 2004, Djibouti.

¹⁹ There are also significant illegal (contraband) trades across the border of the two countries even though it is decreasing nowadays due to strong control on the border areas.

Officially cross-border petty trade was introduced for the first time in 1978/79 between Ethiopia and Djibouti with the expressed purpose of rehabilitating displaced persons during the Ethio-Somalia war and stopped in early 1990 (Tegegne and Alemayehu, 2002). After some time during 1996/97, the government of Djibouti requested to resume the cross-border trade. The request was based on facts pertaining to the border area. These include: (i) the people found in both sides of the border area are similar and inter-linked; (ii) the items did not stop crossing the border illegally; and (iii) alternative trade networks to supply the required items in the area are absent (ibid: 14-15). Nowadays Ethiopia and Djibouti have introduced a licensing system to regulate cross-border petty trade. The bilateral agreement between the two countries liberalize small-scale border trade by specifying the value (upper limit) and type of goods that can be traded, as well as the frequency of crossings and the distance to cover. Thus, as indicated in 'Border Trade Protocol between Ethiopia and Djibouti', a trader engaged in border trade can export and import tradable goods including animals the value of which not exceeding birr 10,000 or the equivalent in Djibouti frank in one month, but for goods excluding animals the value of which not exceeding birr 4,000 or the equivalent in Djibouti frank in one month. In both cases a trader can make two trips in a month where the total sum of the value of goods shall not exceed the values stated above within 90kms radius of the border.²⁰ The goods allowed in the Ethio-Djibouti cross-border trade are basically intended for domestic consumption not for re-export. Ethiopia exports khat, fruits and vegetables, livestock, animal feed, cereals and other food items to Djibouti. Merchandise imports from Djibouti are limited to very few items such as salt, fish and other re-exported industrial products (Tegegne and Alemayehu, 2002).

Ethiopia and Djibouti also make substantial large-scale trades. Ethiopia accounts for 95% of Djibouti's regional exports, consisting primarily of domestically produced salt, and re-exports. Ethiopia also provides 76% of Djibouti's regional imports (Imani Development International, 2007:2). Djibouti is also significant trade partner for Ethiopia. It is the third largest destination of Ethiopian export in Africa next to Somalia and Sudan. However, the importance of Djibouti as Ethiopia's largest export markets in Africa should not be over-

²⁰ Unpublished material from MoFA 'Border trade Protocol between Government of Ethiopia and Djibouti'

exaggerated. The country is not only least developed but also very small population with very low consumption capacity, and can hardly provide large market for Ethiopia's export.

Table 2: The Ethio-Djibouti trade overtime

Year	Exports (ETB)	Imports (ETB)	Trade Volume (ETB)	Trade Balance (ETB)	Export Ratio
2003	1,108,392,403.39	230,295,020.27	1,338,687,423.66	878,097,383.12	4.81
2004	186,672,812.90	24,599,014,254.89	24,785,687,067.79	-24,412,341,441.99	0.01
2005	504,086,174.37	33,279,413,166.07	33,783,499,340.44	-32,775,326,991.70	0.02
2006	524,658,347.34	39,994,873,301.49	40,519,531,648.83	-39,470,214,954.15	0.01
2007	507,238,050.12	48,687,778,991.18	49,195,017,041.30	-48,180,540,941.06	0.01
2008	472,532,087.58	79,440,821,359.77	79,913,353,447.35	-78,968,289,272.19	0.01
2009	558,677,107.21	90,359,804,502.35	90,918,481,609.56	-89,801,127,395.14	0.01
2010	784,561,906.42	120,849,670,168.52	121,634,232,074.94	-120,065,108,262.10	0.01
2011	1,167,096,026.97	149,339,404,633.66	150,506,500,660.63	-148,172,308,606.69	0.01
2012	1,536,584,444.00	983,152,285.33	2,519,736,729.33	553,432,158.67	1.56

Source: FDRE Ministry of Trade (*given to the author up on request through official letter*)

Note: ETB= Ethiopian Birr

As shown in the Table 2 the volume of trade (i.e. import +export) between the two countries is increasing in general since 2003. But it declined in the year 2012. The net trade balance is in favor of Djibouti with exception of the 2003 and 2012 which favor Ethiopian side. This is due to, as noted earlier, Djibouti's small market size attributed to its small population and low consumption capacity in the country to absorb Ethiopian products. Even though this negative balance of trade, in pure business sense, may discourage Ethiopia from making trade with Djibouti; the deep rooted interconnection in many ways between the two countries will sustain their trade relations.

In general Ethiopia and Djibouti enjoy important cross border trade that indicates natural interdependence between the two countries which is the base for creation of successful regional integration. The agro-ecological and natural resource difference, access of regular transportation facilities (railway and road) and strong social connections between Djibouti and eastern part of Ethiopia positively contribute for strengthening trade between the two countries²¹. Djibouti largely depends on imported goods from Ethiopia especially for daily food items such as vegetables and fruits. Djibouti on its part is complementing Ethiopian consumer goods such salt. Therefore the two countries could enhance their market linkages in order to further integrate their economies.

b) Investment

In order to promote and facilitate investment activities between themselves, Ethiopia and Djibouti have signed ‘Preferential Investment Facilitation and Property Acquisition Agreement’ on 18th November 2006 in Djibouti. The agreement is serving as guiding tools in the investment relations between the two countries. By this Agreement the two countries agreed to allow the nationals of each other to engage in investment in all sectors in the other country except banking, insurance, micro credit and saving, broadcasting and press services investment areas.²² According to the Agreement both countries extend ‘Most Favoured Nations Treatment’ in all areas of investment to the nationals of each other. Hence, without prejudice to the above exceptions both countries agreed to permit investment areas and extend benefits and privileges to nationals of the other to the extent permitted and extended to its nationals.²³

Therefore, currently nationals of both countries are engaged in investment activities in other country in different areas. Djiboutian investors are engaged in the investment areas like food processing; construction and construction machineries rental; livestock raising, dairy farm

²¹ Interview with expert from MoFED on 12 March 2014 in Addis Ababa

²² The exception is the reflection of Ethiopian government’s economic policy that restricts some sectors from being open for foreign investors. Indeed sectors such as telecommunication, electricity and water supply are not open even for domestic private sectors. Currently these sectors are under exclusive domain of the government.

²³ The Ethio-Djibouti Agreement on ‘Preferential Investment Facilitation and Property Acquisition’ article 3(2 &3) and article 5.

and milk processing; cattle feed processing; transit forwarding and transport services; tour operation and manufacturing sectors in different parts of Ethiopia on themselves as well as in joint venture with other nationals.

Table: 3 Licensed Private Investment Projects from Djibouti to Ethiopia (since August 22, 1992 – January 31, 2013)

Country of Origin	Status of the Projects															
	Pre-Implementation				Implementation				Operation				Total			
	No.	Capital in '000'Birr	P.E	T. E	No.	Capital in '000'Birr	PE	T E	No.	Capital in '000'Birr	P E	T E	No.	Capital in '000'Birr	PE	TE
Djibouti	10	479,933	1387	962	3	11,200	23	67	1	1,000	5	6	14	492,133	1,415	1,035
Djibouti /Egypt/ Ethiopia	1	68,744	40	200									1	68,744	40	200
Djibouti /Ethiopia	2	21,500	44	129	1	10,000	20	15					3	31,500	64	144
Total	13	570,177.481	1471	1291	4	21,200	43	82	1	1,000	5	6	18	592377.481	1519	1379

Source: Ethiopian Federal Investment Agency (*given to the author up on request through official letter*)

♥ Note: TE= Temporary Employment PE= Permanent Employment

The phases indicate the status of realizing/ actualizing the projects. Hence, projects at pre-implementation phase are those given license but didn't proceed further into actual implementation process while projects at implementation phase are those under construction

or in the process of facilitating activities to start production/ actual functioning. The operation phase project is the one that started production/ functioning as per the license given. In this sense as can be observed from the Table 3 above;

- Out of eighteen projects one is in the operational phase and the rest four are under implementation but the majority of the projects (fourteen) are in the pre-implementation phase until January 2013.
- If all the projects, which are in the pre-implementation and implementation phases were finalized they would create 1,379 temporary and 1,519 permanent job to the citizens and injects 592,377,481 birr capital to national economy.
- Of the total projects 77.8 % (fourteen projects) are wholly intended to be run by Djibouti investors and only 22.2 % (four projects) are intended to be run with joint venture. All the joint venture projects are jointly run with Ethiopians although Egypt is also included in one of the project.

With regard to the trend of investment from Djibouti to Ethiopia overtime; out of the eighteen projects licensed so far one is licensed in 2005, two in 2007, four in 2008, five in 2009, three in 2010 and three in 2012 (*for details on date of permission, type of investment, investment activity and other specific information see the appendix 4 at the end of this thesis*). Also the President of Djibouti Ismail Omar Guelleh engaged in different investment activities in Ethiopia. In July 2008, the President, who had already built a five-storey guest house in the Ethiopian city of Dire Dawa, where he was born, was given a large tract of land estimated to be 20 hectares in Sebeta for flower growing and 10,000 square metres in the town of Bishoftu (Debre Zeit) for the construction of a house (Berouk, 2008). He also received more than 5,000 hectares in Bale for wheat farming (ibid).

On the other hand, Ethiopians are also engaged in different investment activities in Djibouti. There are more than fifteen hotels, restaurants and clubs and more than fifty five transport organizations/associations agents owned by Ethiopians in Djibouti.²⁴ Indeed exact data for current Ethiopians investment in Djibouti was not found. In addition, Ethiopians and

²⁴ Ethiopian Embassy in Djibouti, 'Ethiopians' Business Engagement in Djibouti' December 2012 (unpublished)

Ethiopian origins estimated to 60,000 are living in Djibouti engaging in various activities.²⁵ The remittance from Djibouti reached 33.9 million USD in last Ethiopian fiscal year (2005 E.C) and 19.6 million USD in the first half of this year (ibid). But it is estimated to be much more than these since many people send money by person rather than using modern money transfer system.²⁶ Overall given the level of development of their economies, Ethiopia and Djibouti have encouraging investment interconnections. In general Ethiopia and Djibouti have trade and investment arrangements that would make the two countries virtual free trade areas.

4.3.4 Peace and Security

Cooperation in the field of peace and security is another key issue in the relationships between Ethiopia and Djibouti. Ethiopia and Djibouti have longstanding relations of good neighborliness and cooperation. To further strengthen these cooperations on various issues concerning defence and security, Joint Security Administration and Defence Forces created with the objective to create cooperation mechanism between the adjacent administrative and defence organ of the two countries along the common border to combat illegal activities and security threat at the common border areas. Thus the following joint plan of action was prepared to ensure their mutual security. The joint activities include:²⁷

1. Joint monitoring of common border areas to create peace and security.
2. Cooperate in exchange of criminals, joint control illegal trade activities and illegal border crossing of people from both sides.
3. Cooperate in anti-terrorism activities and exchanges of experiences
4. Organize cooperation between the administration and defence organs stationed on the Afar Regional States of Ethiopia and the adjacent region of Djibouti in the areas of security and development.

²⁵ Unpublished material from Diaspora Engagement Affairs Directorate, MoFA

²⁶ Personal talk with an expert from Diaspora Engagement Affairs Directorate, MoFA

²⁷ Joint Security Proposal of Ethio-Djibouti Adjacent Administration and Defence Forces, April 2006, Djibouti.

The two countries have also bilateral defense cooperation agreement signed in 2010. By this agreement the two countries agreed to promote and strengthen closer bilateral relations and to further strengthen ties of friendship and fraternity between their armed forces. Pertinent to article 4(c) of the Agreement on offering training to their respective military personnel on capacity building, forty Djibouti trainees have completed their training in BATTALION Hiil Chatting T55 from Ethiopian Defence College in 2013. Also six additional Djibouti military personnel are attending training in Ethiopia in shooting, loading and maintenance fields. Hence the two countries are cooperating in mutual defence and security issues to the level of their capacity.

Also Ethiopia and Djibouti are working cooperatively in the maintenance of peace and security in the sub-region. In the issue of Somalia, Sudan and South Sudan, and crisis in South Sudan they are actively working together under IGAD institutional frameworks. On this issue Hailemariam Daselegn, the then Deputy Prime Minister and Minister of Foreign Affairs of Ethiopia, once stated as follows:

We certainly have gone a long way in addressing security threats in the region mainly under the umbrella of IGAD. In this regard our principled support to the peoples of Sudan and Somalia springs to mind. Our efforts have been instrumental in ensuring that the parties in the Sudan reach an amicable political solution to the conflict. We are also working together to strengthen the efforts of African Peace Keeping Mission in Somalia, AMISOM, to bring peace and stability in Somalia. We have also worked together in the effort to force the regime in Eritrea to change its behavior and to join instead in our collective efforts to foster regional cooperation based on mutual interest and on the need for the realization of the regional peace and stability.²⁸

Also on general issues of terrorism, Islamic fundamentalism in the region as well as human and drug trafficking the two countries are cooperatively working together. The joint border administrators/ commissioners regularly meet each other and give solution to any cross-border security concerns.²⁹ Generally speaking, the two countries are cooperating each other on the wider peace and stability issues in the Horn of Africa as well as on their bilateral cross border security concerns.

²⁸ Speech Delivered on the 11th Ethio-Djibouti Joint Ministerial Commission Meeting 17.1.2012, Djibouti.

²⁹ Interview with ato Terefe Tujuma, Senior Djibouti Desk officer, MoFA on 17 March 2014

4.3.5 Socio-cultural Ties

Ethiopia and Djibouti have strong social and cultural interconnections. The people of Djibouti and Eastern and North Eastern part of Ethiopia have similar cultures, languages, religious beliefs and traditions those connect them. Djibouti consists of two major ethnic groups: Issa Somalis and Afars; the majority of whom are living in Ethiopia. Hence, the two peoples have cross border linkages and make various interactions. Pastoral living styles of Afars and Issas from both sides make frequent movements across the borders part of their daily life. As expressed on the 18th Ethio-Djibouti Joint Border Commissioners/ Administrators meeting, pastoralist movements on both sides is going on with cordial and cooperative spirit.³⁰ Both sides agreed to maintain the existing relations. Also a number of Djiboutian tourists make visit to Ethiopia. Many Djiboutians make move to Harar and Dire Dawa towns of Ethiopia during hot seasons.

Table: 4 Number of Djiboutian tourists to Ethiopia

Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
No. of tourist	5004	4247	6197	2377	3441	8031	7557	27955	19564	14627	4179	4650	4562	5038	7276	8140

Source: Ethiopian Ministry of Culture and Tourism (*given to the author up on request through official letter*)

As shown in Table 4, though the tourist flow fluctuates, the number of tourist flow from Djibouti to Ethiopia has increased in general since the year 1998. On Ethiopian side even though exact statistics is not found available estimates show number of Ethiopian tourists to Djibouti is not significant to mention. Thus, a lot remains to be done from the concerned Ethiopian and Djiboutian offices to promote their tourist attractions and destinations in each other's country. In this regard the current infrastructural especially transport

³⁰ Agreed Minutes of the 18th Ethio-Djibouti Joint Border Commissioners/ Administrators meeting, 05-06 June 2012

interconnections between the two countries may contribute positively for facilitation of cultural exchanges and tourist flows between them.

Social connections across borders facilitate the movement of people, goods and money that are necessary to underpin regional economic integration. Such networks strengthen trade and can build the foundations for business and commerce since trade and managing trade routes play an important part in the economic life of the people in the borderlands (Healy, 2011). Hence, the existing across border social connections between Ethiopia and Djibouti, if properly handled, could play important role in promoting integration between the two countries.

4.3.6 Power Interconnection

The hydro-electric power interconnection has become important issue in economic interdependence between Ethiopia and Djibouti since October 2011. Ethiopia is endeavoring to fully exploit its potential of generating hydropower which is estimated to be more than 45,000MW (MoFED, 2010) and export to all its neighbors to become regional power hub in the Horn of Africa.³¹ Djibouti became the first country to be connected to Ethiopia via electricity. The 283-km long electric power transmission line was officially inaugurated on 5th October 2011. The line transmitting 230-kilo volt (kV) power enabled Djibouti to get 35-70MW of electricity from Ethiopia. Ethiopia in exchange would get at least 1.5 million USD per month from the energy export (African Development Fund, 2011).

The electric power interconnection is of strategic importance for both Ethiopia and Djibouti. For Djibouti the supply constitutes a major development for the country, leading to improvement in the business environment because of a better availability of energy and a reduction in Djibouti's balance of trade deficit resulting from lower oil imports (African Economic Outlook, 2012). Electricity in Djibouti has hitherto been expensively produced by

³¹ Ethiopia plans to export power to neighbouring countries, including Sudan, Kenya, Uganda, Somalia, South Sudan, Djibouti, Egypt and Yemen. In addition to Djibouti the transmission line with Sudan has already started while the 500kv transmission line connecting Kenya with Ethiopian grid is expected to be completed by 2016. Also in June 2012 the fourth power export agreement with South Sudan was negotiated to be undertaken in two phases.

oil-fired generators.³² Following Djibouti's connection to Ethiopia's electricity grid, retail and industrial domestic tariffs were cut significantly, easing pressures on household and business budgets. For instance the cost of energy to households was reduced by 30% in January 2012 (ibid). The industrial sector, that is critical for national employment generation and poverty reduction, saw significant development as the electricity interconnection became operational (Styan, 2013). For Ethiopia there are multiple benefits, including increased export revenues by generating foreign currency³³, electrifying the border towns, significantly reduced energy costs at the port, and it is also the first stage in what is envisaged as a major regional export strategy of its abundant hydro-electric power (African Development Fund, 2011).

Currently the grid is providing clean and cheap electric power to Djibouti and twelve rural towns along the transition line collider in Ethiopia. However after commencing the first line, the energy transmitted by Ethiopia to Djibouti is limited due to high demand in the Eastern part of Ethiopia and limited capacity of Koka to Dire Dawa transmission line. To increase the quantity of energy transfer and increase reliability of power supply, the two countries signed "Protocol Agreement on the Second Electric Power System Interconnection" on July 4, 2013. The Agreement signed by Tedros Adhanom, Minister of Foreign Affairs of Ethiopia and Ali Yacoub, Minister of Energy in Charge of Natural Resource of Djibouti during the twelfth Joint Ministerial Commission meeting, emphasized the need of creating a second interconnection line of 230kV connecting Semera (Ethiopia) to Jaba'As (Djibouti).

In addition to its contribution to development of both countries, the electricity interconnection between Ethiopia and Djibouti is in line with strategy for regional cooperation and economic integration which encompasses promoting regional infrastructure development and the power subsector integration in particular. Thus the power interconnection is an integral link in establishing for electricity trade among the countries in

³² Ethiopia provides electricity cheaply at tariff rate of 0.07USD per kwh that is much lower than the oil price used by generator.

³³ As data obtained from Ethiopian Electric Power Corporation (EEPCo) indicates from May 2011 to March 2014 Ethiopia got 66,413,137.38 USD by transmitting 1,001,071,344.58 kwh of power. The country's monthly export earning ranged from 1.7 to 2.6 million USD.

the region and a cornerstone in the scheme to realize sub-regional integration in the Horn of Africa.

However, in the long-term the importance of this link is uncertain given the small consumption capacity of tiny state, Djibouti. Also in the future the country has a plan to generate massive amounts of power from geothermal. Djibouti has significant geothermal potential and it was announced in 2012 that the China Petrochemical Corporation (Sinopec) will construct a 300 MW geo-thermal plant on Lake Assal. Furthermore already one project with generation capacity of 56 MW is scheduled to begin generation by 2018 (New African, 2012).

4.3.7 Potable Water

Potable water is becoming additional element of bilateral infrastructure integration between Ethiopia and Djibouti. In September 2012 the two countries signed a Memorandum of Understanding (MoU) on the terms of bilateral cooperation in the field of drinking water. The deal is aimed at creating access to affordable, socially sustainable and safe drinking water in Djibouti and border towns of Ethiopia. On the implementation procedure of the project contract was signed by Sufian Ahmed, Minister of Finance and Economic Development (MoFED) of Ethiopia, and his counterpart Ilyas Moussa Dawaleh, Minister of Finance of Djibouti on 20 January 2013 in Djibouti. Hence, according the Agreement Djibouti is to construct a pipeline that carries water from the Ethiopian town of Adi Gala seventy kilometers to the Guelileh border crossing, all the way to Djibouti City. The project that is due for completion at the end of 2014 is expected to supply Djibouti with 100,000 cubic meters of water daily, five-fold from Djibouti's current generating capacity of 20,000 cubic meters (Muluken, 2013). From this project, Ethiopia expects to earn foreign currency in addition to provide drinking water to border towns. This potable water agreement is made in the context of shared vision of the two countries towards greater integration of their economies (Styan, 2013). Thus, the interconnection between Ethiopia and Djibouti via drinking water will add other element to further strengthen the two countries relationships as well as the Horn of African sub-region's integration through infrastructural interdependence.

Generally, all the issues discussed above are key matters in the bilateral relations between Ethiopia and Djibouti and in the facilitating conditions to enhance sub-regional integration in the Horn of Africa. As indicated above the importance of co-operation in major infrastructure projects is central to the relations of the two countries. This becomes clear from the numbers of projects that are now being embarked upon such as construction of new rail corridors, energy interconnections, expansion and developments of ports, telecom fibers and potable water. In the future the two countries have desire to strengthen the existing relationship and raise it to a higher level to realize strong regional economic ties and increased economic integration between the two countries. In the way to transform their contemporary relationships to higher level of cooperation and integration, they are working to adopt what is known as ‘Strategic Integration Plan’ as a long term strategic vision.³⁴ The strategic plan aims to facilitate the realization of economic integration of the region and between the two countries to set-up a model of regional integration. This shows the interest of the two countries to further interconnect their economies and politics. Also the relations between Ethiopia and Djibouti started to attract other states in the sub-region to the arrangement. For instance, in February 2012 a tripartite MoU was signed in Addis Ababa among Ethiopia, Djibouti and South Sudan (A Week in the Horn, 2012). It outlines plans to create a logistical corridor between the three countries comprising oil pipelines and parallel optic-fibre cables alongside the new rail network. If materialized, this tripartite axis would enhance the ties between Djibouti and Ethiopia and be a tangible stepping-stone to broader sub-regional integration.

³⁴ The plan was first presented by Djibouti on the 12th Ethiopia-Djibouti Joint Ministerial Commission meeting held on July 4, 2013 in Addis Ababa. Ethiopia appreciated the initiative and in principle accepted the proposal even though specific technical details are not yet prepared.

CHAPTER FIVE

THE IMPLICATION OF ETHIO-DJIBOUTI RELATIONS FOR SUB-REGIONAL INTEGRATION SCHEMES IN THE HORN OF AFRICA

5.1 The Opportunities and Challenges to Transform the Ethio-Djibouti Relations Towards Integration

This sub-section is intended to identify the available opportunities and challenges in the Ethio-Djibouti relations to potentially lead to integration between the two countries and become model for countries in the Horn of Africa. In this regard first factors that could facilitate relations between the two countries to integration have been assessed and then issues that may create obstacles have been identified.

5.1.1 The Opportunities to Transform the Ethio-Djibouti Relations Towards Integration

5.1.1.1 Complementary Economic Structures

One of the factors for failure of integration in Africa is lack of complementarity among and across economies of African countries. In many African countries structure of their economy is not favourable for the achievement of regional economic integration because of the low levels of complementarities between national economies; in most cases the economies are in competition with one another (UNECA, 2006). The Horn sub-region is no exception, with dependence for their exports on a relatively small number of primary commodities in which they often find themselves in competition with one another, limited trade complementarities and their imports heavily dependent on manufactured goods from outside the region (Aklilu, 2013). However, Ethiopian and Djiboutian economies have the potential to complement with each other. Ethiopia is endowed with fertile productive

highlands and abundant water resources, while Djibouti maintains long coastline facing the strategic straits of Bab-el Mandeb on the Red Sea.

These divergent endowments of the countries create complementary economic structures that could strengthen the economic interdependence between them to ultimately lead to integration. Ethiopia provides significant share of Djibouti's food demands of vegetables, fruits, cereals, eggs, meats and other animal products. In fact most of these items are traded via cross border petty traders (Tegegne and Alemayehu, 2002). Djibouti on its part has important sea ports that serve Ethiopia's international trade. In general Ethiopia and Djibouti are, in many ways, interdependent and complementary. Hence, if the two countries are able to exhaustively exploit their potential endowments it could lead to integration of the two countries laying important foundation in the Horn of African sub-region.

5.1.1.2 Cross-border Social Connections

The existences of social connections across borders facilitate the movement of people, goods and money that are necessary to support regional economic integration (Healy, 2011). Such networks strengthen trade and can build the foundations for business and commerce. The natural cross-border social connections simplify the process of integration schemes by promoting citizens involvement in the different economic activities across borders. As discussed under subsection 4.3.5 above, Ethiopia and Djibouti have strong cross border socio-cultural interconnections. The people of Djibouti and Eastern and North Eastern part of Ethiopia have similar cultures, languages, religious beliefs and traditions those connect them. Djibouti consists of two major ethnic groups: Issa Somalis and Afars the majority of whom are living in Ethiopia. Hence, the two peoples have cross border linkages and make various interactions. This factor could positively contribute for the facilitation of integration between the two countries by eliminating communication/interaction barriers. For instance, as some sources indicate Djiboutians engage in trade in Ethiopian markets coming as interior as to Adama and Matera towns (Scott, 2005).

In fact on the high level decision making the role of the social connections especially that of Ethiopian Afars and Somalis is not as such prominent as they are strategic minorities and less integrated in Ethiopian state politics (Yasin, 2008). Furthermore, as there are active

armed groups in these areas such as Afar Liberation Front (ALF) and Ogaden National Liberation Front (ONLF) if not solved democratically they can pose threat to the relationships between Ethiopia and Djibouti by disturbing infrastructural interconnections between the two countries, especially as the vital road, railway, electricity and water lines that connect Ethiopia and Djibouti lie in this conflict prone areas. On the other hand, the existence of ties of community across national boundaries especially on kinship loyalties may have potential detrimental effects on relations between states. In volatile political environment of Horn of Africa, where spillover effect of insurgents are common, kinship ties to neighboring countries can create stress and conflict. For instance, in the early 1990s (1991-1994), when FRUD was waging an armed struggle against the Djibouti government, many Afar from Ethiopia and Eritrea joined to fight in support of FRUD against the Djibouti government while the Ethiopian Issa-Somali involved in support of the Djibouti government assuming the Issa government in Djibouti was under attack from Afars (Tadesse and Yonas, 2007). For a while the consequence of the cross-border mobilization and support based on kinship had negatively affected the relations between the neighbouring states of Djibouti, Ethiopia and Eritrea (ibid). Therefore, the existence of cross-border social connections could have negative consequences in certain specific situations. But its positive effects could be maximized especially since the whole ethnic groups in Djibouti have majority of their kinship members are in Ethiopian counter parts.

5.1.1.3 Peaceful Relations/ Absence of Hostility

The existence of peaceful relationships between/ among neighboring states is one of the key requisites for the initiation of meaningful integration since the progress in regional cooperation is dependent on building trust between member states. Trust and confidence between and among member states of an integrative scheme is essential pre-requisite for successful economic cooperation and integration. Inter-state trust and confidence refers to political harmony, spirit of compromise and cohesion; and the degree of mutual understanding and rapport (Deutsch, 1970). Hence, for effective economic integration, relations among member states must be normal and predictable, which guarantee peace and stability in the sub-region.

In this regard uncommon to interstate relations in the Horn of Africa, Ethiopia and Djibouti have more or less pacific relations for over period of time. There has been no case of major security problem between the two countries. In this context the evolving relations, discussed in previous chapters, between the two countries based on their fundamental economic interests is a positive factor to lead to integration between them.

5.1.1.4 Mutual Demand

The relationship between Ethiopia and Djibouti is very important strategic relations for both countries. Ethiopia being land locked country needs Djibouti as key outlet to the sea while Djibouti, with arid and semi-arid climate and only 0.04% of arable land (African Economic Outlook, 2012), needs Ethiopia as its essential economic partner, supplier of foodstuffs and, most importantly, major client of its port. As quoted in Nurye (2014) Djiboutian Ambassador to Ethiopia, Mohamed Idris Farah, has explained the relations between the countries by saying, “Ethiopia and Djibouti are inseparable; they are linked forever through their collaborative progress.” He symbolized the Ethio-Djiboutian relations as a body system, saying that “the rail is like an umbilical cord; electricity is the heart; and water is blood.” Since the relation between Ethiopia and Djibouti is mutually beneficial both countries strongly demand each other. Not only does Ethiopia depend on Djibouti for the transit of its trade goods, but also Djibouti depends on Ethiopia for its revenue and import of food items.

Driven by the shared belief that they have common destiny in terms of economic development and security, the two countries have embarked on creating closer links in all conceivable dimensions. Of these the economic aspect figures prominently. As discussed earlier the Ethio-Eritrean war (1998-2000) heralded the beginning of long-term bilateral cooperation between Djibouti and Ethiopia. Explaining tiedness of the fate of the two countries, on the inauguration ceremony of the first electric power grid interconnection, the late Premier Meles said “we in the region swim or sink together. We are determined to make sure that we swim together rather than sink together.” Hence the two countries relations based on their pragmatic interests is vital to transform the countries relations into integration.

5.1.2 The Challenges to Transform the Ethio-Djibouti Relations Towards Integration

5.1.2.1 Level of Development of the Countries

Regional integration requires capable and willing state to pay cost of integration. As the experiences of other parts of the world reveals success of regional integration partly depends on the role of leading state(s) in the region to champion the integration processes (Germany and France in EU, USA in NAFTA, Brazil and Argentina in Common Market of the Southern Cone (MERCOSUR) in Latin America) (Steinberg, 1993; Bhalla and Bhalla, 1997). Therefore, “relations between Africa’s leading national economies and their smaller neighbours would be a critical factor in the success of regional integration and in informing programmes to accelerate integration.” (ADF, 2002:4). In this regard, scholars like Dehéz (2008) credit Ethiopia to play a larger positive role in creating regional integration in the Horn of Africa at least because of its sheer size and its large population. However Ethiopia's lack of internal consolidation and its inability to formulate a coherent and comprehensive framework for an ethnically inclusive state is a huge constraint for its hegemonic role in the sub-region (Taylor, 2012). This inability has left regional integration between the two countries in particular and in the Horn of Africa in general under pessimistic environment.

Lack of sufficient resources needed to implement agreed programmes is another challenge in transforming the Ethio-Djibouti relations. As both Ethiopia and Djibouti are poor countries, they face problem of funding the common infrastructure projects, those are the prime pillars of integration, as per planned. Overwhelmingly, the successes of the projects depends on the availability of aids and loans from funding countries (like China) and institutions such as African Development Bank and World Bank.³⁵ Furthermore the unbalanced level of development of the two countries, Ethiopia being large state with about ninety million population and Djibouti being tiny state of less than one million population

³⁵ For instance, 80% of the finance for the first power transmission line, which costed 1.5 billion dollars, was secured from the African Development Bank (AfDB), with the balance being contributed by the two countries (Bewket, 2013).

with little or no resource; also poses potential threat in relations of the two countries. As Moore (2004: 6) puts, “The more uneven regional partnerships are (in terms of the economic development), the more disproportionate are the gains and losses from regional integration. Adequate compensation for losses is yet to be resolved, resulting in less commitment to regional projects”. Thus, huge economic disparity between member states could lead to failure of effective cooperation and integration. This idea is practically proved in Horn of Africa due to conflict between Eritrea and Ethiopia in 1998. Before the war (1991-1997) the two countries maintained de facto economic integration (with single currency, free movements of goods and people, no trade barriers and unrestricted use of Eritrean ports for Ethiopia) (El-Affendi, 2009). Therefore important care must be taken not to repeat the mistakes in the Ethio-Djibouti relations.

5.1.2.2 Nature of Governments

The nature of government has its own role on the achievement of regional integration. Ethiopia and Djibouti have different sorts of governments with different models of economic development and ideological orientations. The current government of Ethiopia is following the ‘developmental state’ model of development in which government plays active role in economic activities while on the other hand, Djibouti is ‘neoliberal’ government with minimum role of state in economy. This variation in the ideologies of governments could impose risk on the integration processes of the countries. For instance as Terefe Tujuma, Senior Djibouti Desk Officer at MoFA says the ideological difference between Ethiopia and Djibouti is sometimes creating challenges as the priority of the countries’ differ and the relatively minimum role Djiboutian government is expected to play. As a result in most cases Djibouti faces difficulty to build agreed up on projects³⁶.

On the other hand, for a viable integration to take place in the long run, some conditions of democratic governance, similar kind of value system and compatible political systems need to be met (Mansfield et al, 2008; Libman, 2012). Hence, to be successful regional integration depends on different kinds of governments that are more democratic and

³⁶ Interview with ato Terefe Tujuma, Senior Djibouti Desk Officer at MoFA on 17 March 2014.

answerable to their people. In this context Sisay (2006) rightly puts forward that, first individual states of the Horn must move toward democratization at the domestic level by taking credible political and economic reforms before they can form political and economic integration. In this regard current level of democracy in Ethiopia and Djibouti could be challenge in transforming the two countries relations into integration. In general the vast differences in history, governance, national development strategy and ideological orientations between the two countries could pose challenges on policy harmonization and formulation of a common vision.

5.1.2.3 Instability in the Sub-region

Horn of Africa remained as one of the unstable subregion of Africa. Interstate and intrastate wars are common experience of all states in the subregion to the varying degrees and extents. The long history of conflict in the region is a huge obstacle to the achievement of economic integration (Love, 2009). Conflict affects the viability of regional economic integration both directly and indirectly. The dangerous consequence of frequent conflict is that:

governments give priority to national security and defence interests at the expense of wider regional economic and human security. The other legacy of conflict is a profound lack of trust between governments, affecting their willingness to enter into long-term economic agreements for mutual benefit. (Healy, 2011:19)

The Ethiopia-Eritrea conflict, chaos in Somalia, civil war in Sudan, Sudan-South Sudan issues, and the current crisis in South Sudan are major threats to stability in the Horn of Africa with negative consequences on the integration schemes in the sub-region.

The behavior of Eritrean government under its present leader also remained that of destabilizing the region. Its contemporary strategic goal in the region seemed to be to keep its neighbours divided. Within the region Eritrea is trying to alter the balance of power by supporting insurgents in neighbouring states (Healy, 2008b). It had tried to advance its goals in Sudan through associations with opposition allies such as the Beja and the Sudan People's Liberation Movement (SPLM). It was doing much the same with Somali groups. Ethiopia and Eritrea are still at war - it is war by other means though not in conventional as before.

Eritrea's militaristic pattern of behaviour in foreign relations has led to conflict with Sudan in 1994, Yemen in 1995, Djibouti in 1996 and 2008, and Ethiopia in 1998. The July 17, 2011 UN report revealed that Eritrea was behind a plot to incite instability during the AU summit in Addis Ababa. It is also accused of supporting forces like al-shabaab. In general Eritrea is often cited as threat to stability in the sub-region. Given all these Eritrea could be a problem to Ethio-Djibouti's relations³⁷ as well as to the role of IGAD, as a regional intergovernmental organisation, in promoting sub-regional cooperation and integration in the Horn of Africa. To sum up the general unstable nature of the subregion as well as various stability problems in the two countries might have their own impacts to create a viable environment for cooperation and integration of the two countries in particular and the Horn of Africa in general.

5.1.2.4 Weak Sub-regional Institutions

Regional institutions are important inputs for success of regional integration. "Effective regional institutions [are] critical for the sustainability and effectiveness of any efforts at improving regional integration and economic co-operation" (ADF, 2002:4). Furthermore, it is argued that: "successful regional integration would depend on the extent to which there exist national and sub-regional or regional institutions with adequate competence and capacity to stimulate and manage efficiently and effectively the complex process of integration" (Asante, 1997:151-52). However in the Horn of Africa the regional institutions responsible for integration are weak and ineffective. In the subregion IGAD is acknowledged to provide institutional framework for economic integration. The AU, for instance, recognizes IGAD as one of the continent's prime RECs, alongside others such as the SADC, the ECOWAS and the EAC. As already noted, while these groupings have pursued customs unions, free trade and even common currencies among their members, however, IGAD has yet to accomplish even the most basic steps toward regional economic integration. Also its plan to create a FTA by 2012 failed due to various reasons.

³⁷ For instance, in 2008 following conflict between Djibouti and Eritrea on Ras Doumeirah, the latter threatened to pose problem on the Ethiopia-Djibouti trade corridor. Also it has been providing aid in various ways to armed groups (such as ONLF, OLF, ALF) those have potential to challenge the Ethio-Djibouti interconnections as they operate widely in the eastern part of Ethiopia that is close to Djibouti-Ethiopia corridors.

The IGAD faces problems of coordinating major projects in the sub-region those have vital importances to promote integration among member states. For instance, projects such as Kenya's LAPSET project, Ethiopia's hydropower export plans and Ethio-Djibouti's railway projects, even though they have potential to enhance regional cooperation and integration, are not brought under an IGAD institutional framework. They are fragmented and isolated initiatives where short-term commercial outcomes have been the prime consideration, without a view to enhancing longer-term political cooperation, conflict prevention and regional stability (Aklilu, 2013). IGAD has also limited success in securing funding for large capital investment projects such as roads. Its efforts have been limited to lobbying, facilitation and advocacy on behalf of the member states in the development of regional priority projects (IGAD, 2012). For instance, IGAD is currently lobbying to mobilize funds for the projects such as Nairobi - Addis Ababa corridor (Isiolo - Moyale - Addis Ababa road), Kampala - Juba corridor, Berbera corridor (Somaliland - Ethiopia), Djibouti - Addis Ababa corridor (remaining section of Arta - Guelile road section in Djibouti) (AUC, 2013), although the transport projects are dealt with at the bilateral level among member countries.

There are also multiple regional institutions with overlapping memberships and mandates in the Horn of Africa that has potential negative consequences on achieving regional integrations. In the subregion there are at least three AU recognized RECs: IGAD, ECA and COMESA. All members of IGAD except Somalia belong to COMESA whilst Uganda and Kenya are members of the EAC. The Sudan, Djibouti, and Somalia, are members of the Arab League and Conference of Islamic States showing inclinations towards Arab and Islamic world. Dr. Girmachew Alemu as quoted in Alemayehu (2010:3-4) states:

the overlapping membership of states in the various sub-regional communities weakens the ability of states in sub-regions to pull together their resources in building up relevant security institutions. It also causes potentially conflicting political commitment of states to opposing objectives of the various sub-regional organizations. Moreover, it can also be used by states to evade the responsibility to address specific security problems by claiming that responsibility lies with one or another sub-regional organization.

In general the regional institutions for integration in the subregion are ineffective and weak attributed to various reasons such as lack of coordination and finance, overlapping membership as well as lack of commitment from members.

5.1.2.5 Influence of Foreign Powers

The influences of external powers are sometimes responsible for undermining efforts at regional integration. The influences and intervention of extra-regional powers especially Egypt and some Arab countries share the blame for the fracturing of regionalism in the Horn of Africa (Odock, 2013). Egyptian politics have been structured around its desire to control the source of the Nile, and therefore sought to isolate Ethiopia and prevent an alliance of the states in the Horn from emerging to challenge its sub-regional hegemony (Medhane, 2004). Since independence, Djibouti has maintained close relations with France and the Arab world, receiving significant foreign aid and development assistance from both sources. In addition, much of the country's trade is with France. Djibouti hosts large foreign military forces in the continent. It is home to a growing France, the American's Combined Joint Task Force-Horn of Africa (CJTFHOA)³⁸, Japanese, Chinese and other military bases. In order to maintain their interests there in one way or another, foreign powers have been imposing challenges on realizing sub-regional integration.

5.2 The Lessons from Ethio-Djibouti Relations for the Horn of African Sub-Region

5.2.1 Cooperation on Joint Mega Projects

Ethiopia and Djibouti are able to establish unique levels of relations which included cooperation on joint mega-projects. In this regard railway and road developments, construction of new ports and joint power and water projects can be cited as key issues. "Ethiopia has never formed such level of relations with its neighbor that reached level of working together to achieve major national development plan so far as the one with Djibouti."³⁹

Further cementing the close cooperation between Ethiopia and Djibouti on joint mega projects is the latter's investment in Ethiopia's hydroelectric programme. Djibouti is the

³⁸ The United States' CJTF-HOA has been based in Djibouti since 2002. Originally conceived as part of the response to the 9/11 attacks, it became the USA's only permanent military facility on the African continent with the creation of Africa Command (AFRICOM) in 2008.

³⁹ Anonymous, Interview with senior expert, MoFA on 11 March 2014.

largest foreign buyer of bonds that Ethiopia has issued to finance the Abay River (Blue Nile) hydroelectric facility. Djibouti's investment in the Grand Ethiopian Renaissance Dam amounts to one million USD (New African, 2012).

5.2.2 Diverse and Deep Interdependences

The relations between Ethiopia and Djibouti is becoming diversified and widened in scope yielding immense benefit for both countries (A Week in the Horn, 12July2013). The two countries are working together on wide areas such as economic, political, peace and security, culture etc reaching the real life of their citizens.

The countries are deepening their cooperation to the level that can be easily tasted by the ordinary citizens. The Djiboutians know how Ethiopia is important for them more than any time after the operationalisation of the first phase of power interconnection that relieved them from the expensive and noisy sound of diesel generators. Also our citizens long realize how Djibouti is life blood of our economy. Hence, the relation between the two countries is reaching level of concern beyond the decision makers to daily life of citizens.⁴⁰

The relations between the countries are not based on one or two pillars that can be easily broken. Thus, making pillars of cooperation diversified could also be essential lesson to be learned from the relations between Ethiopia and Djibouti by other states of the Horn of Africa.

5.2.3 Better Infrastructural Linkages

In Africa in general and in Horn of Africa in particular inadequacy of infrastructure is one of the prime obstacles for regional integration (Sako, 2006; Asante, 1997). The Horn of Africa sub-region is characterized by inadequate level of investments in infrastructure which has resulted in poor services. The integration of transport, communications and energy infrastructure was seen as a critical component of regional integration. African Union Commission identified completion of missing links in transport networks, development of more efficient communications, and exploitation of the potential for pooling power grids as key strategies to improve connectivity among African countries (ADF, 2002).

⁴⁰Anonymous, Interview with expert from MoFED on 12 March 2014

One area where Ethiopia and Djibouti have scored good record is investment in infrastructure to combat the existing deficit. Relatively speaking the two countries have better infrastructure interconnections. The old railway has been linking the two countries for almost a century. Currently the two countries are constructing two modern standard gauge railway lines from Addis Ababa via Dire Dawa to Djibouti and from Mekele via Semera to Tadjourah. The road system also connects the two countries. The energy and water interconnection are also another important infrastructural linkages between the countries. The telecom cables and the planned oil pipe line construction form additional bond. In general the available relatively sophisticated infrastructure linkages between the two countries can be model of infrastructure linkages for facilitating conditions to enhance sub-regional integration in the Horn of Africa the sub-region.

Indeed the sustainability and effectiveness of the infrastructural linkages that are believed to be the bases of integration between Ethiopia and Djibouti is largely dependent on the degree of stability in the sub-region as well as within the integrating units themselves. As history shows interstate and civil wars have been affecting the function of Addis Ababa-Djibouti railways. For instance, during Ogaden war of 1977/78 Somali forces blocked railway transport between the two countries by cutting segments of the Addis Ababa- Djibouti rail way line. Also attacks by groups such as OLF, ONLF and Al-Itihad –Al-Islamiya (AIAI) have been challenging operation of the railway at different times. For instance, from 1991 to 2007 OLF is reported as alleged to have conducted thirty three attacks targeting railway lines, stations and trains at different places from Addis Ababa to Djibouti in places such as Dire Dawa, Shinille, Awash, Dawole, Adi Gala and others resulting in twenty death and fifty eight wounded and cutting railway lines, burning stations, destroying railway machineries and damaging trains whose value was worth of more than three million birr (Woldeselase, 2011:423-449). Similarly in 1996 ONLF and AIAI made three attacks targeting railway cargo train resulting in death and injure on people and damage on properties (ibid). Therefore, the potential threats from armed insurgents in the area could pose challenges on the sustainability of infrastructures (such as the new railway, electricity lines, telecom facilities and water pipelines) between Ethiopia and Djibouti thus endangering fostering of integration in the subregion.

5.2.4 Bilateral Institutional Set-up

In the processes of interstate relations institutions and mechanisms to regulate the relations and solve the possible disputes are needed. Ethiopia and Djibouti have established institutions with clear mandates and responsibilities to shape their relations. The two countries have established several joint mechanisms of cooperation to further strengthen their bilateral ties. Some of such mechanisms are: the Joint Ministerial Commission that examines political, economic and social issues; the Follow-up Committee that oversees the implementation of agreements and decisions made at the Head of State and Ministerial levels; the Joint Border Administrators and Commissioners Committee that examines border security, immigration, refugee and health matters; and the Joint Border Sub-Committees, which react and give on the spot solution to problems that may arise along the common border. The Ethio-Djibouti Joint Border Commission was established in 2003. The commission is entrusted with the role of solving border-related problems peacefully, and realizing peace and development along the borders of the countries. Furthermore, the commission serves as a platform to evaluate cross-border movements of people and goods between the two countries. Hence, the commission combats contraband trade, human trafficking and other illegal activities. Ethiopia and Djibouti also established High-Level Joint Ministerial Commission to review the implementation of bilateral cooperation between the two states and to address impediments that obstacle the processes. In general Ethiopia and Djibouti have formed various joint institutions to facilitate their relations even though their effectiveness requires further investigations.

5.3 The Prospects of Sub-regional Integration in the Horn of Africa

As already discussed regional integration achievements in the Horn of Africa remained poor. The region's achievement in the area of trade logistics, movements of goods and person, transport and other related infrastructures is not significant even in comparison with other subregions of the continent. There are several critical and complex factors. The conditions prevailing in the subregion and its structural characteristics (low income, poor infrastructure), instability and conflict, weaknesses of regional institutions such as IGAD are the main reasons.

On how to create successful integration of the Horn of Africa Mesfin Araya (2002: 6) explores three closely related building-blocks that may improve the prospects : (1) democratization of the region: authoritarian political culture could not sustain integration; (2) fostering coordination and institutional linkages of intra-regional civil society activities- the purpose being to cultivate a new regional political culture of diversity and tolerance- a critical missing link in the Horn; (3) expanding and strengthening intra-regional trade. In addition to this one of the key issues to promote regional integration in the Horn of Africa is promoting infrastructural development in the sub-region. Poor and inadequate infrastructure has been a major obstacle to integration in the region. Effective regional integration demands the promotion of transport, telecommunications and energy projects which help member countries to eliminate physical and non-physical barriers to trade, facilitate the movement of people and goods thus promoting regional economic integration. The level of intra-regional roads and railways among states in the region remain absent and under developed if any. In recent periods there has been some vision of improvement in infrastructure development especially in energy sector and road construction among the member states. Ethiopia which has a huge hydroelectric power potential in the region is now supplying electricity to Djibouti and Sudan, and projects are underway to supply other countries in the sub-region; the one with Kenya being planned to be completed by the end of 2016.

Also as argued by Sisay (2006) states in the Horn of Africa need to overcome internal structural and institutional challenges to democratization and development before they can pursue a viable regional economic and political integration. Especially countries like Eritrea and Somalia cannot positively contribute for development and integration of the subregion given their current conditions of isolation and instability respectively. Therefore, necessary conditions of development and democratization must be made in the subregion.

Another important factor for the low level of regional integration in the Horn is instabilities and conflict. The IGAD member countries tend to concentrate on political and conflict related matters, which of course are basic for economic growth and stability, but tend to give reduced attention to the social, cultural and most importantly economic dimensions of integration. After all, the sub-region has yet to adopt the Preferential Trade Area although it

has existed for about two decades. Quite a lot preparatory work such as institutionalization of basic requirements has been done so far but commitment on assuring real integration in the subregion is by no means satisfactory (Ali and Edris, 2013).

In general in the Horn of Africa conditions for region wide economic integration such as elimination of conflict, promotion of social cohesion, responsive institutions and improving the governance system must be achieved to bring about successful integration that may be of mutual benefit to the Region.

CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

6.1 Conclusion

This study has attempted to analyze the bilateral relationship between Ethiopia and Djibouti in the multilateral context of regional integration schemes in the Horn of Africa subregion. Here it should be clear that the aim of this study is not to drive generalization about integration schemes in the subregion by taking the case study of relations between Ethiopia and Djibouti. Also it is not to assess whether the Ethio-Djibouti relations could be model of sub-regional integration or not in the Horn of Africa. Rather it is concerned with assessing the nature and scope of contemporary relations between Ethiopia and Djibouti; and how these issues might impact regional integration schemes in the sub-region. The study is based on the major assumption that the bilateral cooperations and interdependences between Ethiopia and Djibouti will be important cornerstone in realizing sub-regional integration schemes in the Horn of Africa.

Ethiopia and Djibouti have strong economic, social and political ties for many years. The relations between the two countries have been passing through different dynamics under successive regimes. Due to the strong mutual demand of the two countries' interests, their relationships have strengthened from time to time. The first formal deal between the two countries was the Treaty of 1897 signed between Emperor Menelik II of Ethiopia and Djibouti's colonial master, France. This period marked significant era in the Ethio-Djibouti relations laying the foundation for long-term interconnections with construction of the railway from Djibouti to Addis Ababa, which was completed in 1917, greatly enhancing the economic interdependence of the two countries. Since then the railway line and the port of Djibouti remained vital bonds between the two countries.

Nowadays, especially after the Ethio-Eritrean war of 1998-2000, the relations have been deepened and diversified. Following the war Ethiopia channeled almost all of its imports and exports through the port of Djibouti. This port trade, in turn, stimulated much of Djibouti's economic activity. The two countries are linked by different infrastructures such

as transportation (like railway, road and airway); communication facilities; trade and investment and others. Djibouti is also among the largest destination of Ethiopia's export in Africa. The people of Djibouti are largely dependent on Ethiopia for their subsistence. Ethiopia is the principal supplier of all types of food stuffs to Djibouti including vegetables, meat, livestock, khat as well as potable water. Djibouti is the first country that got electric power from Ethiopia. Thus, the two countries have strong interdependence on many ways.

In the Horn of Africa, the region best known by conflict and mutual destabilization rather than mutually beneficial interstate relations, the evolving relations between Ethiopia and Djibouti based on fundamental economic interests of both countries can be taken as a breakthrough progress that can be the basis of regional integration. The two countries are also working on 'Strategic Integration Plan', as a long-term strategic vision, to facilitate the realization of economic integration of the region and between the two countries to set-up a model of regional integration. The two countries have interest to realize strong regional economic ties and increased economic integration by strengthening the existing relationship. Hence, the strong relationships between the two countries have positive implications on the integration scheme in the sub-region. It could be taken as a base up on which to build integrated sub-region. For instance, the two countries initiation of construction of railways has potential to create wider sub-regional railway networks. For example South Sudan has already joined the arrangement to connect itself with the railway, oil pipeline, and telecom facilities; also the Mekele-Tadjourah line is to be extended to Sudan and beyond. In many ways other states in the region can take lessons from the countries relations. This lesson can be more valuable than lessons from somewhere else due to proximity / similarities of experiences and conditions in most cases in the sub-region.

The current cooperation between Ethiopia and Djibouti is made at bilateral level not within the framework of the existing regional integration institutions such as IGAD framework. That means the infrastructural and other interconnections are carried out by the funds and plans designed by the states themselves based on their pragmatic interests. With the loss of access to the sea via Assab after 1998-2000 war with Eritrea, Ethiopia heavily depended on the ports of Djibouti for import-export business. Thus, following the shift of international

traffic to Djibouti the economic and political linkages between the states strengthened expanding to other areas of cooperations.

However, the cooperation is not under IGAD or other regional institutional framework does not mean that bilateral cooperation between Ethiopia and Djibouti has nothing to do with fostering sub-regional integration in the Horn of Africa. Rather it is to mean that the activity or programme is not under the planning, monitoring and funding of IGAD or other mandated RECs for their implementation and realization. In this sense the current interconnections in multidimensional ways between Ethiopia and Djibouti is carried out almost wholly by the independent initiatives of the states themselves. But in most cases even if the time frame and scale does not confirm, these initiatives are in harmonious with the arrangements of regional integration frameworks. For instance, the issues of infrastructures such as transport, communication, energy interconnections are at the top priority of IGAD Minimum Integration Plan. Therefore the Ethio-Djibouti relationships could be essential building stone with positive implications to build wider sub-regional cooperation and integration. It has high potential to attract other states into the sub-regional network.

The potential for the Ethio-Djibouti relations to grow into high level of regional integration is catalyzed and constrained by both internal and external factors. The potential of complementarity between their economies, the cross border social connections, existence of peaceful relations and pragmatic mutual demand of the two countries are vital factors to catalyze their relationships and positively motivate integration in the Horn of Africa. However, the low level of development and nature of the governments of the two countries, conflicts in the region, weakness of regional institutions as well as influences of extra-regional bodies pose constrain on the prospects of promoting integration between the two countries as well as the subregion as a whole. Therefore, important care must be taken by individual states as well as regional bodies to strengthen and expand the catalysts and minimize the constraints in order to encourage regional integration between Ethiopia and Djibouti as well as in the Horn of Africa.

6.2 Recommendations

As noted above, Ethiopia and Djibouti are developing strong mutually beneficial relationships. In the Horn of Africa, the region best known by conflict and mutual destabilization rather than cooperative interstate relations, the evolving relations between the two countries based on fundamental interests of both countries is contributing positively towards realizing regional integration in the subregion. Expanding best experiences and removing (at least minimizing) constraints identified above are required by individual states as well as regional institutions in the subregion in order to promote regional integration between Ethiopia and Djibouti in particular and in the Horn of Africa in general. In this regard few recommendations are suggested as follows:

1) Promoting Level of Commitment towards Regional Integration

Realizing of regional integration is largely dependent on the level of commitment of the integrating states. In this regard, Ethiopia and Djibouti even though they are interested in transforming and strengthening their bilateral relations based on their own pragmatic mutual demands, their commitment to realize region wide integration is not sufficient/ satisfactory. Especially on the part of Ethiopia the practical measures to achieve integration is relatively poor. Even though Djibouti is among the nine COMESA members that first accepted the FTA, Ethiopia has not yet acceded to the FTA and CU arrangements. As Ethiopia and Djibouti are among the active members of IGAD, they are partly responsible for the failure of IGAD to adopt free trade area.

2) Focusing on Long-term Benefits Rather than on Short-term Strategic Interests

The habit of planning and implementing as a region is poor and lacking in the Horn of African subregion. As noted above, the major projects, such as Ethiopia's hydropower developments, Ethio-Djibouti's railway projects and Djibouti port expansions, even though they have potential to enhance regional cooperation and integration, are fragmented and isolated initiatives where short-term commercial outcomes have been the prime consideration, without a view to enhancing longer-term political cooperation, conflict prevention and regional stability. Therefore, Ethiopia and Djibouti in particular and

countries in the Horn in general have to develop habit and culture of working together based on their long-term national interests rather than short-term benefits.

On the other hand, in terms foreign policy behavior in the Horn of Africa, giving priority for short-term interests especially for securing regime survival at the expense of long-term benefits is also another problem in the Horn of Africa. Since this is one of the challenge for peace and stability as well as democracy in the subregion countries have to avoid short term calculations at the expense of long-term interests.

3) Mobilizing Domestic Funds to Finance Joint Infrastructural Projects

As noted before, most of the finance for joint infrastructural projects between Ethiopia and Djibouti are funded by bilateral and multilateral donors and loan providers. For instance, majority (80%) of the first Ethio-Djibouti power interconnection was funded by African Development Bank while Djibouti's port expansion project was based on Arab fund. Since in most cases foreign sources are not reliable it is difficult to run the projects as per planned. Therefore the two countries have to try to mobilize funds from domestic source. Indeed in this regard, Ethiopia's current effort to finance the Grand Ethiopian Renaissance Dam is encouraging. Such practice has to be expanded in other sectors and projects in the subregion.

4) Avoiding Overlapping Membership

One of the major problems in fostering regional integration in Africa in general and in the Horn of Africa in particular is overlapping membership to RECs complicating the integration efforts. For instance in the Horn there are three AU recognized RECs (IGAD, COMESA and EAC). This is creating problem (constraining integration) in different ways including weakening the ability of states to pull together resources, creating potentially conflicting political commitment and making states to escape responsibility to address specific problems by claiming that responsibility lies with one or another sub-regional organization. To which RECs' responsibility the member states have to be committed is challenging.

Therefore the AU, as the continental responsible body, has to work on the mechanisms to avoid the overlapping membership problem. Indeed it can be difficult to limit the number of

membership the states have to belong to but it is possible by rearranging the structure and mandate of the existing RECs in the continent that may require radical decision and commitments. The individual states also have to reconsider to their role in promoting regional integration.

5) Subregional Institutions have to Provide Active Support

As mentioned earlier, the projects between Ethiopia and Djibouti even though they have vital in facilitating regional integration in the Horn of Africa are not under institutional framework of IGAD or other RECs. Therefore, IGAD and other RECs in the subregion should be actively involved in the efforts of the two countries. IGAD, as mandated RECs in the subregion, has to provide technical, financial and logistic support for Ethiopia and Djibouti to encourage efforts of the two countries in consolidating regional integration.

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⁴¹ For Ethiopian authors the first name is used both in the text and bibliography because family name is uncommon in Ethiopia.

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Appendix 1

Interview Guide Questions

- 1) What is your impression of the Ethio-Djibouti relations over time?
- 2) What do you think are the key issues in the current relations between these two countries?
- 3) Do the current Ethio-Djibouti relations have any implications for the sub-regional integration schemes in the Horn of Africa?
- 4) How do you evaluate the role of Ethiopia and Djibouti as members of IGAD particularly with regard to sub-regional integration?
- 5) Relatively speaking Horn of African sub-region has less success in terms of sub-regional integration. Why does this region lagged behind even by African standards in achieving sub-regional integration?
- 6) What preconditions must be met in order to promote/facilitate sub-regional integration in the Horn of Africa?
- 7) What would be the effects of nature of governments on the regional integrations efforts in the sub-region?
- 8) Eritrea is often cited as threat to stability in the sub-region. Do you anticipate Eritrea to be a major problem to Ethio-Djibouti's relations and their role in IGAD as a regional intergovernmental organisation?
- 9) Do the presences of foreign powers' (France, USA, and others) military on Djibouti soil have any effect on the Ethio-Djibouti relations as well as sub-regional integration scheme in the Horn of Africa?
- 10) What would be the role of social connections across borders (existence of the same ethnic groups, languages, cultures, religion etc on different sides of the borders) on the Ethio-Djibouti relations as well as sub-regional integration in the Horn?
- 11) How do you view the prospects of subregional integration in the Horn of Africa? What do you think are the main *opportunities* and *barriers* for integration in the sub-region?

Thank You Very Much!

Appendix 2

List of Key Informants

No.	Name	Position	Date	Place
1	Terefe Tujuma	Senior Djibouti Desk Officer; MoFA	17 March 2014	Addis Ababa
2	Tesfaye Etayi	IGAD Desk; MoFA,	25March 2014	Addis Ababa
3	Anonymous	Senior expert; MoFA	11March 2014	Addis Ababa
4	Anonymous	Expert from Ministry of Finance and Economic Development	12 March 2014	Addis Ababa

Appendix 3

Map of Greater Horn of Africa



Source: Arab Atlas