

BTI 2008 | Eritrea Country Report

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Market Economy	1-10	2.14	# 124 of 125	→
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scale: 1 (lowest) to 10 (highest) score rank trend

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Key Indicators

Population	mn.	4.4	HDI	0.45	GDP p.c.	\$	986
Pop. growth ¹	% p.a.	3.9	HDI rank of 177	157	Gini Index		-
Life expectancy	years	55	UN Education Index	0.50	Poverty ³	%	-
Urban population	%	19.4	Gender equality ²	-	Aid per capita	\$	80.6

Sources: UNDP, Human Development Report 2006 | The World Bank, World Development Indicators 2007 | OECD Development Assistance Committee 2006. Footnotes: (1) Average annual growth rate 1990-2005. (2) Gender Empowerment Measure (GEM). (3) Percentage of population living on less than \$2 a day.

Executive Summary

During the period under review, very little has changed politically in Eritrea and the economic situation has deteriorated further. Eritrea is characterized by a complete lack of political participation on the part of the public, the absence of civil rights and freedom of expression, a very poor human rights record, a lack of opportunities for higher education – especially since the country’s only university was closed in 2006 – an exceptionally high rate of militarization and increasing control of the economy by the government and the ruling People’s Front for Democracy and Justice (PFDJ) party. Thus, the country’s leaders have chosen a path antithetical to democratization and economic liberalization.

The state maintains its monopoly on the use of power through a great degree of political coercion and military involvement in political and economic affairs. The ruling party is the only party allowed, independent press outlets have been banned since 2001, arbitrary arrests are frequent and there is no independent system of courts. Eritrea’s National Assembly has not met since 2002, and the president rules by decree. Thousands of Eritreans, especially the youth, have fled the country to evade military conscription, although citizens aged between 18 and 45 are not allowed to leave the country without an exit visa, which is rarely obtained. Since 2005, the government has arrested thousands of parents whose children have left the country illegally or even legally before the border war with Ethiopia (1998 – 2000). Parents are released only upon paying an exorbitant fine that is unaffordable for the majority of the population.

The Eritrean state is autocratic and lacks democratic institutions. Civic interests cannot be communicated, as the government claims to be the sole representative of popular interests. Large segments of society of working age (at least 600,000) are forced to serve in the military or the national service under the framework of the so-called “warsay-yikealo development campaign” without payment. Participants of the national

service are frequently used to serve for party-owned companies in the field of infrastructure reconstruction, while the private sector has been further marginalized in recent years.

The government blames private businessmen for the economic decline, high inflation and scarcity of goods. In 2006, several private businessmen were arbitrarily arrested. The state and thus, de facto, the party have almost achieved monopolistic control of the economy. There are still no independent banks in the country and the government controls all foreign trade. As hard currency shortages have grown, the government has introduced harsh punishment for illegal money transfers and the possession of undeclared foreign currency. Official exchange rates are significantly lower than black market rates. The database for economic indicators has not improved and no state budget has been released since independence. Although there are no official data, diaspora remittances seem to be gradually decreasing due to growing dissatisfaction among the diaspora with the political and economic situation in Eritrea. Eritreans in exile are obliged to pay a 2% tax to the government to obtain services of any kind, including passport renewal.

Social services remain rudimentary and poverty is widespread. There is a growing scarcity of basic consumer goods such as bread, sugar and fuel. In 2006, electric supply was often interrupted even in the capital city due to energy shortages. The educational sector has suffered from increased militarization since 2003, when the final year of schooling for all students was transformed into military training. The Eritrea's only institution of higher learning, the University of Asmara, was shut down in 2006. It was replaced by a system of decentralized colleges headed by military commanders, who do not provide internationally recognized levels of education. There is no academic freedom.

The downward turn in political and economic transformation has fostered growing discontent among the population, which is deprived of any opportunity to raising its voice. This state of affairs could lead to political violence in the future.

History and Characteristics of Transformation

Eritrea gained de facto independence from Ethiopia in 1991 and formal independence in 1993 after holding a referendum. Prior to 1991, the Eritrean liberation movements, Eritrean Liberation Front (ELF) (until 1981) and Eritrean People's Liberation Front (EPLF), had struggled for independence from Ethiopia for 30 years. The EPLF took over the provisional government in 1991. During its third organizational congress in 1994, it changed its name to the People's Front for Democracy and Justice (PFDJ). The former secretary general of the EPLF, Isaias Afewerki, has been president of Eritrea since independence. His rule has never been confirmed by a democratic election and public support for him has waned over the years as a consequence of his arbitrary policies, growing human rights violations in the country, and high numbers of forced military conscription and a declining economy.

In recent years, the president has alienated most Western donor nations and relations with the United States have become increasingly hostile. The government accuses the United States of favoring Ethiopia in the border conflict between the two countries and of having tried to oust the Eritrean government during the border war with the help of the CIA. The war with Ethiopia from 1998 to 2000 interrupted the government's one-time path toward gradual democratization and economic liberalization. There has been no political solution to the conflict ever since, as Ethiopia refuses to abide by the ruling of an international commission that defined the border between both states in 2002. In terms of Eritrea's domestic policy, the border stalemate serves as an excuse to block political reforms and demilitarization. In its foreign relations, the Eritrean government supports the Union of Islamic Courts (ICU) in Somalia, whereas Ethiopia, with open U.S. backing, invaded Somalia to support the Transitional Federal Government of Somalia in December 2006. Though fought on Somalian territory, this conflict is in some ways a proxy war between Ethiopia and Eritrea with U.S. involvement.

The National Assembly of Eritrea, consisting of the political bureau of the PFDJ and government-appointed members, ratified a constitution in 1997. During the ratification procedure, a substantial number of National Assembly members were coerced into accepting it. Many had opposed it because of the national language policy, a secular-based civil law and the nationalization of land. The constitution has not yet been implemented. While this delay was first attributed to the border war with Ethiopia, it has since become clear that the president and his small coterie of advisors have no intention of relinquishing power in a democratically elected institution. The president governs by decree and the National Assembly remains defunct, as does the judiciary.

State control of all sectors of society, including the economy, has become an obvious fact. In 2006, the government tightened its grip on private businessmen who were

defamed in public. In Asmara alone, more than 90 were detained in fall 2006 without being charged or subject to due process. The number of those arrested in other regions is not known. The degree of political oppression is extraordinarily high, and there are no means of expressing any kind of criticism toward the government. Intellectuals such as teachers, lawyers, and engineers have been dismissed from their posts and are not allowed to leave the country. Political dissidents arrested in 2001 remain in anonymous imprisonment and there are rumors that some of them have died in confinement. Independent press outlets remain shut down, none of the imprisoned journalists arrested since 2001 have been released, and in 2006, nine members of the government-controlled media were arrested after a popular journalist on state TV defected. The degree of religious prosecution remains high, and the Orthodox Church, to which almost 40% of the population belongs, is subject to state interference.

Having qualitatively deteriorated since 2001, Eritrea's political system is currently characterized by the president's obsession with exercising control over all aspects of politics, the economy and society in general. Employing large segments of the population in forced labor camps, his political strategy is reminiscent of Maoism and Albanian-style socialism. Further comparisons can be made in terms of the concerted effort to destroy the education system deprive citizens of their political and economic liberties. In the absence of a political opposition, it is perhaps a question of time until an economic collapse forces the government to either introduce democratization or face its own demise.

Transformation Status

I. Democracy

During the past two years, the Eritrean government has not taken any steps toward democratization. The PFDJ remained the only legal political party, and political power was firmly concentrated in the hands of the president. There was no separation between legislative, executive and judicial branches of government, the National Assembly did not convene and there were no changes within the cabinet of ministers. There has been no successor to Foreign Minister Ali Said Abdallah since his death in August 2005 – a further indication that the president and the small number of his personal advisors make all strategic decisions in the country. In short, the deterioration of the political system since 2005 has been devastating.

1 | Stateness

The state's monopoly on the use of force is established nationwide, but it is unclear how far the regions bordering Sudan in the western lowlands might have been used for incursions by militant opposition movements operating from Sudan and/or Ethiopia. The government has been extremely reluctant to release any information on the subject. The state is faced with an illegal mass-exodus of young national service and army recruits who seek refuge in Ethiopia and Sudan. Additionally, there are well-organized groups (Afar, Kunama, Islamic Jihad Movement) operating in the Southern Red Sea Region/Dankalia, Gash Barka Region/Setit and Northern Red Sea Region/Sahel. They perform acts of sabotage. The government shows a low profile in these areas and leaves control to local tribal militias.

Monopoly on the use of force

Due to the fact that the existence of the Eritrean nation-state is a result of a 30-year-long struggle for independence from Ethiopia, it remains highly valued among the population. Some religious minorities such as the Jehovah's Witnesses have been excluded from citizenship rights, and those among the diaspora who refuse to pay the government-imposed 2% tax are denied state services upon their return. There is a high degree of discrimination against citizens who try to evade the unlimited national service, including persecution of parents who cannot prove that their children have reported for military service or whose children left the

State identity

country years ago. It is important to mention that some ethnic groups are disadvantaged within the political system dominated by the PFDJ.

The state is defined as a secular order and, in theory, there is a strict separation between state and religion. In practice, in the legal field, traditional law with religious components plays a significant role. Among the Muslim population, the Shari'ah is applied in some aspects of civil legislation (family law), and the traditional law of the ethnic groups following Orthodox Christianity, mainly the Tigrinya, is strongly influenced by religious impacts. It is often applied in land distribution and local conflicts, while the Muslim community is denied the right to apply their customary laws in these aspects.

No interference
of religious
dogmas

The administrative structure of the state covers the whole country, but is deficient in rendering more than the most rudimentary services in many parts of the country due to a growing scarceness of resources. There are certain remote areas of the country – including Sahel and Dankalia – which are not reached by administrative services, because the state is unable to recruit personnel willing to give service in these areas.

Basic
administration

2 | Political Participation

Since Eritrea's independence in 1993, there have been no elections at the national level. The constitution, which was ratified in 1997, has not been implemented and there are no plans to hold elections at the national level in the foreseeable future. The PFDJ is the only legal political party in the country.

Free and fair
elections

There are no democratically elected rulers in the country and no potential veto powers, as there are no opposition parties or independent civic groups. Eritrea is an autocracy with an increasing tendency toward despotism.

Effective power
to govern

There are no political groups other than the ruling party, the PFDJ, and no civic groups independent from the government are allowed. What were once popular former mass organizations – the National Union of Eritrean Women, the National Union of Eritrean Youth and Students, the National Confederation of Eritrean Workers – are now closely linked to the government. The very few national NGOs are strongly restricted in their activities to developmental issues. There is no freedom of association. Assemblies of more than three participants are forbidden, and citizens are not allowed to talk about the political situation of their country. During the Somali conflict of 2006, Eritreans did not support their government's intervention, including sending young soldiers on the side of the UIC, but any discussion of these issues was taboo.

Association /
assembly rights

Independent press outlets in Eritrea were closed down in 2001. Since then, most of the country's independent journalists have been arrested and the state media,

Freedom of
expression

which is controlled by the Ministry of Information, is under close government surveillance. There is absolutely no opportunity to express opinions freely. State security is tight and covers the country with a network of informants, so that even private conversations in public places are under state observation.

3 | Rule of Law

Eritrea is characterized by the absence of the rule of law, and there has been a further deterioration of the situation during the past years. Arbitrary arrests and the absence of any accountability of the judiciary are widespread. The main target groups of state persecution in 2005 and 2006 were those evading military service, and parents who are held responsible for any youth over 18 that has not reported for military service. Parents are arrested and charged fines or face prison sentences if they are unable to present their children. Other target groups include religious minorities and entrepreneurs suspected of being involved in illegal money transfers, which may be seen as a pretext to confiscate their hard currency accounts. The separation of powers is nonexistent. The sole political power is in the hand of the executive, namely the office of the president, which rules by decree. The only legislative body, the National Assembly, has not convened for 5 consecutive years. The judiciary is weak and there has been no chief justice since 2001; so-called special and military courts under the directive of the president's office are highly involved in "jurisdiction".

Separation of powers

The only area where there is a functioning judiciary is on the level of civil law, where jurisdiction is often transferred to traditional institutions operating on the basis of rather successful mediation procedures. Otherwise, arrests are often made without charge and prisoners are kept for months and are released without having been given a reason for their prison term. A modern judiciary system exists only on paper, there is no protection against the interference of the executive in matters of jurisdiction.

Independent judiciary

The government claims to be consistent in its fight against corruption, but this is not done by following due process of law. Suspects are generally brought before "Special Courts" without the right of defense by a lawyer or right to appeal. Corruption charges are often used as a political tool against potential critics within the government system, while there seem to be high levels of corruption among the higher echelons of the political system. Especially high-ranking military and security personnel are not prosecuted for corruption, as they are seen as the guarantors of the system's stability.

Prosecution of office abuse

Civil rights in Eritrea are virtually nonexistent. There is no freedom of press, no right to habeas corpus, and no freedom of expression or assembly. Religious freedom is severely restricted for followers of minority churches and Muslim

Civil rights

minorities. There are thousands of political prisoners and people are prohibited from leaving the country without an exit visa, which is rarely given to citizens between the age of 18 and 45. Intellectuals and other persons known to hold critical opinions are also not granted exit visas, whatever their age may be. The exact number of those who are forced to serve in the army or national service is not known. Some experts estimate this figure at 600,000. In reality the number is likely to exceed 900,000, owing to new recruitments every year, especially from students who have refused to continue their education or have failed exams. There has not been any demobilization since 1995. Food scarcity and high numbers of recruits in the “warsay-yikealo development campaign” have forced parents to support their children by sending food items every month to those serving in the army or national service. The same applies to secondary school students at the Sawa military camp. Most of the students try to escape from the camps, because they do not see any future in the educational system of the country, which has been militarized since 2003.

4 | Stability of Democratic Institutions

There are no democratic institutions in the country. The president was not elected but came to power as a guerilla leader in 1991. There have never been parliamentary elections at the national level, there is only one legal party, the PFDJ. The National Assembly, which consists of appointed members, has not convened for five years, the cabinet of ministers is appointed by the president. Legislation is in the hands of the president as well, and the judiciary is weakly institutionalized and powerless. The administration is dominated by ex-combatants with sometimes poor qualifications and, to a growing extent, by the current military commanders of the four military zones in which the country is divided.

Performance of democratic institutions

There are no democratic institutions as such, and potential promoters of political pluralization are either arrested (e.g., dissidents within the PFDJ who opted for democratization) or generally prohibited, such as civic organizations independent from the government.

Commitment to democratic institutions

5 | Political and Social Integration

There are no political parties in Eritrea.

Party system

Interest groups presenting social interests are not allowed apart from the so called National Unions (former mass organizations of the liberation movement), which are not able to act independent of the government. Even the intervention of religious leaders and traditional mediators in social and political affairs is

Interest groups

suppressed. Independent NGOs are nonexistent. The ruling party claims to represent the entire population, thus claiming that there is no need for civic organizations apart from the PFDJ.

It is impossible to estimate the level of consent to democratic norms and procedures due to lack of data.

Consent to
democratic
norms
Associational
activities

Apart from government institutions, society rests on traditional forms of social organization, providing a network of social security, conflict mediation and normative orientation which guarantee social stability and cohesion even under difficult circumstances. This system rests mostly on ethnically and religiously-oriented institutions. The government has so far not dared or managed to exceed its control over this system, but indirectly tries to undermine it by socializing the youth in its military apparatus where it imposes its own normative system on them. It sometimes exploits latent inter-ethnic tensions in order to secure its power by intensifying mutual mistrust between different groups.

II. Market Economy

Eritrea's economy has been in steady decline since the conflict with Ethiopia from 1998 to 2000. The country's economy is undergoing a process of de-liberalization and a move toward a command economy controlled by the PFDJ (government) and the military, which increasingly controls all aspects of economic life. Private business and investment have been discouraged by strict controls of money transfers and the hard currency market, public campaigns against the private business sector, which is blamed for the country's poor economic performance, inflation and scarcity of basic consumer goods in the country. In fall 2006, dozens of businessmen were arrested for alleged involvement in illegal currency transfers (they were not formally charged with any offence). The foreign currency market in Eritrea is highly restricted, and the possession of any amount of undeclared hard currencies is subject to fine and prison sentences. On the other hand, party-owned businesses are exempted from paying tax and do not undergo any form of public accounting. As large parts of the working age population are kept in the military or are forced to into "national service" working for government or military organizations without payment, the economy suffers from a lack of labor force, a lack of purchasing power and a lack of financial input due to severe hard currency shortages. The development of human resources is curtailed, as the country's only university was closed in summer 2006.

6 | Level of Socioeconomic Development

Poverty is endemic among almost all segments of Eritrean society, irrespective of ethnicity, gender or religion. Eighty percent of the population lives on subsistence agriculture. Wealth is limited to a small class of businesspeople and functionaries, but is not widely demonstrated in public, which runs contrary to the norms and values of the country. Poverty does not lead to social exclusion per se, as basic social services like health and education are available for all segments of society, although they are generally of poor quality. Poor subsistence farmers are often upon their children's labor and are thus not able to send them to school. Traditional value systems contribute to the cohesion of society, providing for social networks. Eritrea is rather characterized by widespread poverty than by large income gaps.

Socioeconomic
barriers

Economic indicators		2002	2003	2004	2005
GDP	\$ mn.	631	584	635	970
Growth of GDP	%	0.7	6.1	1.9	0.5
Inflation (CPI)	%	-	-	-	-
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	3.2	3.8	-1.2	1.2
Export growth	%	-2.9	-32	-7.4	-0.1
Import growth	%	-3.4	1.3	-14.6	-1.2
Current account balance	\$ mn.	-	-	-	-
Public debt	\$ mn.	489.2	605.1	704.0	723.0
External debt	\$ mn.	520.3	634.6	718.2	735.5
External debt service	% of GNI	1.5	2.1	3.1	2.1
Cash surplus or deficit	% of GDP	-	-	-	-
Tax Revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	44.0	51.5	52.6	44.6
Public expnd. on edu.	% of GDP	4.1	4.1	3.8	5.4
Public expnd. on health	% of GDP	2.3	2.0	1.8	-

		2002	2003	2004	2005
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	24.2	19.6	-	-

Sources: The World Bank, World Development Indicators 2007 | UNESCO Institute for Statistics | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security

7 | Organization of the Market and Competition

Eritrea inherited a government-controlled economy after independence. After a cautious policy of privatization during the 1990s, state intervention in the economy has increased to the extent that it leaves almost no space for private enterprise. Rules for market participants are arbitrarily changed by the government, and in recent years private businesspeople even undergo the threat of arrest for alleged involvement in illegal currency transfers. There is no significant informal sector in the country, as this is not tolerated by the government. Rather, the country is characterized by its large agricultural subsistence sector. Recently, the military confiscated all agricultural plantations in fertile areas of the country without giving any compensation to the owners. The owners were accused of not producing enough output, and the land is now cultivated by national service recruits. Even in the fishery sector, all fishing activities along the Red Sea coast were taken over by the navy, leaving the property of ship owners, small artisans, as well as fish processing, transport and storage companies to be confiscated by the navy without compensation. In the construction sector, all companies and constructors are supposed to work under government-owned companies such as Seghen and Denden, and are not allowed to provide private services. Even craftsmen are not allowed to conduct small repair activities without the permission of the municipality, which fixes prices at a very low level.

Market-based competition

The state (via the PFDJ) and the military can be regarded as an economic oligopoly controlling almost all economic activities beyond the subsistence sector. As such, although there are no monopolies or oligopolies formed by the private sector, the state itself is in control over most economic activities. Peasants are not allowed to sell their products in the private market, but rather are compelled to sell to government-owned companies at fixed prices. Those who violate this rule are punished with high fines.

Anti-monopoly policy

Foreign trade is increasingly state-controlled and the government tries to extend total control over foreign currency transfers. Even basic imported goods and spare parts are charged with high customs. Since 2006, private businessmen have not been allowed to import goods or spare parts without getting a special permission

Liberalization of foreign trade

from the Chamber of Commerce, which is difficult to get unless you are affiliated with the PFDJ and able to bribe high-ranking officials. The government propagates an ideology of self-reliance, including limited access of private business to the world market and discouragement of foreign investment, while it counts on a so-called “development campaign” involving army conscripts in infrastructure and reconstruction work.

There are no private banks in Eritrea. Besides the state-owned Bank of Eritrea, the Commercial Bank and the Housing and Commercial Bank (all of which are government-controlled), there is only a PFDJ-owned bank (Himbol Financial Services), which is highly involved in money transfers from diaspora Eritreans and dubious activities which led to the closure of one of their offices in the United States. There is no free capital market in the country. Foreign currency must be declared upon arrival and official exchange has to be documented on departure. Private business owners are required to declare all foreign currency deposits and are obliged to keep them with the official banking system.

Banking system

8 | Currency and Price Stability

Officially, the government claims to fight inflation, but has been unable to do so in practice. Inflation of consumer prices is very high, official data is unreliable. This is due to poor economic performance and lack of necessary imports (fuel, food, basic consumer goods, and raw materials), leading to a general scarcity of resources and a growing shortage of energy supply. The foreign exchange rate is fixed on a rate over valuating the local currency, the nacfa, against the dollar. The central bank (Bank of Eritrea) is not independent from the government.

Anti-inflation /
forex policy

Macroeconomic stability is an official aim of the government, However, due to its hostile policy toward private business activities, its own incapability of promoting development, its high spending for military purposes (which in turns has lead to growing indebtedness and lack of foreign currency), the government constitutes the main actor endangering macroeconomic stability.

Macrostability

9 | Private Property

Private property is restricted in Eritrea by tight government controls. As the overwhelming majority of the population relies on agricultural income, land rights are the most important issue in this regard. Officially, the state owns all land since a land reform was ratified in 1996, and gives only usufruct rights to farmers. It has, however not been able to suppress traditional land rights regulating usufruct rights in the agricultural sector. Pastoralists and agro-pastoralists do not possess reliable access to land according to the law. In the

Property rights

housing sector, diaspora Eritreans are given priority in purchasing land for building purposes, as they are supposed to pay in hard currency. Property rights concerning houses are usually respected, but there have been cases of confiscation of houses for unclear reasons and the favoring of high-ranking military and government personnel.

The state dominates the economic system and increasingly interferes in all kinds of private business enterprises in order to extract hard currency reserves from the private sector for its own purposes. The military as an institution is increasingly involved in economic activities and confiscated a number of cash-crop plantations in fertile areas without compensation. They use the free labor of national service conscripts and the profit is distributed among the higher military ranks. Eritrea's industrial private sector is very small and increasingly threatened in its very existence by these hostile government policies.

Private
enterprise

10 | Welfare Regime

There is no state-run social security network in the country, except for a diaspora-funded "martyr's fund" supporting families of combatants or soldiers who died during the war for independence or the war with Ethiopia. Social safety is organized on a private basis and linked to extended family networks. The diaspora plays a very important role by sending support to their families in need in Eritrea. Poverty is widespread and state capacities to combat it are limited. However, there are no groups of society who are systematically denied access to the few services offered, except for food coupons, which are sometimes denied if families fail to report children to avoid military conscription. There is a system of community shops run by the government which was introduced after the monopolization of import-export activities by the state. Citizens are entitled to receive coupons for basic food items, but these coupons are not equally distributed: There is favoritism for party members and military personnel. It is difficult to get all basic food items in these shops, and especially large families suffer from food shortages. People working in these community shops (mostly ex-fighters) often sell goods to be distributed among the community members on the black market instead. In rural areas, the situation is even worse, and in remote areas such as the southern Red Sea and southern region, there is an almost-total absence of basic goods like sugar, kerosene and even drinking water.

Social safety nets

In principal, all social groups, including women, have the same access to the limited services provided by the state. There is sense among ethnic minorities and Muslims that they are disadvantaged. They are in fact less likely to benefit from higher education, and their numbers in government as well as local and central administration are lower. The same is true for women. Jehovah's Witnesses are denied citizenship because they are conscientious objectors and refused to take

Equal opportunity

part in the referendum on independence in 1993. Other religious minorities, like the so-called “Pente” churches, are persecuted and face harsh punishment, especially when they are caught practicing their religion in the military service. Women are not exempted from military service.

11 | Economic Performance

Quantitative indicators in the form of statistical data are very limited for Eritrea and those available are hardly reliable, as there is very little transparency from the side of the government. The state of Eritrea has never published a budget since its existence. However, the few data available as well as daily evidence show clearly that there is a negative trend in the economic performance and per-capita GDP is declining. There is a growing budget deficit and strong lack of hard currency, leading to a shortage of daily consumer goods such as bread, milk, beverages and cigarettes. The price of the most basic consumer goods such as rice, oil, soap, sugar, coffee and tea has increased threefold during the past three years. Unemployment rates are hard to measure, as up to 600,000 of a total population of about 3.5 million are conscripted in the army or national service and there are no official employment figures. The trade balance is extremely unfavorable and the balance of payments is negative, but the latter is improved to some extent by diaspora remittances. The number of army conscripts and people performing national service in the administration and civil services exceeds 900,000.

Output strength

12 | Sustainability

In theory, the government promotes environmental protection and preservation by measures such as planting trees and terracing, which are conducted in the framework of the national service. The use of plastic bags is prohibited. The government also seems to plan to turn the entire coast into a protected area. In fact, the coastline is largely uninhabited due to its inhospitable climate, so that almost no pollution has occurred so far. Generally, industrial development has been very limited, such that no real challenge related to environmental damage has occurred thus far. Deforestation remains a problem, as wood and charcoal are needed for cooking purposes, especially as kerosene has become scarce in recent years.

Environmental policy

Although the primary sector of education has improved since independence, it has stagnated during the past two years. In addition to this there have been worrying events regarding the educational sector in general, which is increasingly integrated into the military system of the country. Since 2003, the twelfth school year has been moved to the military camp at Sawa, forcing all students (male and female) who want to acquire a secondary school qualification to move there and

Education policy / R&D

undergo military training. Those who fail to qualify for tertiary education are kept in the military service. The University of Asmara was officially closed in 2006, leaving the country without an institution of tertiary education. It was replaced by a system of decentralized colleges bearing a military character, where students can acquire diplomas, but no B.A. degrees as was the case at the university. This policy has been justified by decentralization of the educational system, but there is a widespread consensus that the true reason is that leader of the country disapproves the training of intellectuals who might challenge his rule. External donors providing research opportunities are discouraged, and the long-term negative impact of the militarization of the educational system on the human resource development of the country will be disastrous.

Transformation Management

I. Level of Difficulty

Structural constraints on governance are high, as the government inherited a country depleted of all resources after the independence struggle in 1991, and had to start the development of the country from a low level and under difficult climatic conditions which make nutritional self-sufficiency hard to obtain. The country has not yet recovered from the war with Ethiopia that began in 2000. While Eritrea was debt-free at the time of independence, the war has produced increasing foreign debt and the breakdown of trade with Ethiopia, previously its main trade partner. There has not been a political solution to the border problem and a new war continues to be a threat. On the other hand, the liberation movement could count on a motivated population during the 1990s, ready to postpone private interests for reconstruction efforts, and faced a very low level of internal violence. The national service, including 12 months of civil service without payment until 1997, was accepted by the majority of the population before it was extended to unlimited periods after the war. In contrast to its prudent policy of gradual reconstruction during the 1990s, the government has aggravated structural difficulties since 2001 by its own mislead foreign policy, economically and politically poor governance, thus alienating large parts of the population which formerly supported the government.

Structural
constraints

While Eritrea has considerable traditions of civil society, these do not fit into current Western definitions of civil society as being constituted by interest groups, NGOs, and trade unions. The state-controlled national unions have been further restricted in their activities during the past years and many leading members of the NUEYS (National Union of Eritrean Youth and Students) defected. But if civil society is defined simply as institutions mediating between private interests and the government, traditional institutions of local self-government and conflict mediation play an important role and exist parallel to government institutions such as those in the judiciary. This is particularly true as regards self-help activities. Traditional and religious elders and mediators (shemagelle) play an important role in local conflict resolution and decision-making. These traditional civil society institutions play an important role in maintaining peace and solving social problems, a fact the government is well

Civil society
traditions

aware of. Thus, it tolerates traditional jurisdiction and decision-making on the local level in spite of its ambiguous stand toward these institutions, which contradict the official state ideology. The shifting of education towards the military sector can be seen as a medium-term attempt of the government to bring the youth under its ideological control through massive indoctrination.

Although the government has tried to eliminate ethnic and religious cleavages by a policy of “unity in diversity,” it was not successful in extinguishing what it calls “primordial feelings” based on regional and ethnic loyalties, which still play an important role in the country. Administrative reforms introduced in 1994 restructured the administrative units of the country, diffusing the old units based on ethnicity, but was unsuccessful in destroying regional sentiments. At the moment, it is not possible to mobilize ethnic and other groups due to the complete lack of freedom of expression and assembly. But as there are no channels to express real or perceived deprivation of certain ethnic and religious groups, there is an imminent danger that such differences might become aggravated in the case that political changes result in a vacuum of power. Some of the Muslim population – which constitute about half of the country’s inhabitants – feel disadvantaged by the country’s language policy which favors Tigrinya, the language of the highland Orthodox Christians. Ethnic minorities also are disadvantaged in the state apparatus and administration. Particularly worrying is the increased involvement of the government in religious affairs by banning numerous evangelical churches and the Wahabi branch of Islam and its growing interference in the accepted religious communities, mainly Islam and Orthodox Christianity. It thus further alienates its supporters and the situation may lead to the development of religious extremism as a substitute for secular political organizations. It must be noted that the major religious groups played an important political role in the pre-independence history of Eritrea, when Muslims opted for independence of the territory, while the Orthodox Church actively supported a reunion of Eritrea with Ethiopia. Therefore, the Muslim community suffered prosecution and displacement during the time of the national struggle. These latent feelings may lead to potential conflicts between the two groups.

Conflict intensity

II. Management Performance

Eritrea’s political leadership seems increasingly concerned with extending and securing its power on all segments of its frustrated population, and has taken a course contrary to any rational reforms regarding economic policy and democratization. All reforms undertaken during the 1990s have been blocked or turned into an adverse political strategy which is more reminiscent of Maoism

than of any contemporary development model. Political and economic management can only be described as extremely poor, and there is no doubt that it will lead to economic decline, human suffering, and the deprivation of a whole generation of means of education and building a future, as military and national service continue to start at the age of 18 with unlimited duration. The political management is destructive, characterized by depleting the economy through complete state control, which in turn has led to a decline of foreign currency and lack of consumer goods, and widespread poverty. It deprived the population of political rights and freedom, degraded the educational sector, and does not accept an independent civil society. Relations with foreign donors and Western countries, especially the United States, are poor, and there are high levels of military spending.

14 | Steering Capability

The long-term goals of the political leadership have turned far away from establishing democracy and market economy. These aims seem to have been replaced by an obsession with power which finds its expression in the lack of political pluralism, state control of the economic sector, militarization of society, negligence of even the most basic human rights. Development is still proclaimed as the major goal of all activities introduced by the government, such as the “warsay-yikealo development campaign,” by which large segments of the society of working age are kept in the military or national service. It can thus be concluded that the government does hold strategic priorities, but in a negative sense, contradicting the values of democracy and liberalism.

Prioritization

There are no plans for a reform policy in the sense of market reform and democratization. The contrary is the case. In this negative sense, the government is effective in implementing counter-reform policies, which in turn has led to steady economic decline.

Implementation

The political leadership insists on continuing obviously mistaken and harmful policies, both for reasons of its distorted ideology and in order to stay in power. While it had started with innovative ideas how to develop a war-devastated country in the 1990's, the current political course contradicts all common rational paths of policy-making. The concentration of political power in the hands of the president leads to a complete lack of opportunities for the mere expression flexible and innovative political ideas.

Policy learning

15 | Resource Efficiency

The government wastes human resources to a great extent by employing them in the national service instead of providing them with a chance to meaningful employment and maintaining their families. Human resource development, once a government priority, now exists only on paper, as military training is given priority to formal education. Financial resources have always been scarce and private consume by the elites is not exacerbated, but all private sector efforts to invest in the economy in a meaningful way by are blocked. Organizational resources are wasted to maintain an exceptionally high level of militarization instead of investing in human resource capital. This strategy will have a negative impact on human resources not only in a short-time, but also in a long-time perspective, especially because of the systematical destruction of the educational system.

Efficient use of assets

Government policy is coherent and well-coordinated, but directed at achieving objectives contrary to democracy and market reform. There is no chance to channel interests contrary to the government's policy, as freedom of opinion and speech as well as political pluralism is absent. The government developed effective mechanisms of coercion to prevent its citizens from political organization and even from raising any limited form of criticism publicly.

Policy coordination

The government contains corruption by harsh punishments and an ideology which condemns corruption as one of the worst evils of society. Probably, there are high levels of hidden corruption by those in power, as there is a complete lack of auditing of state spending, no access of the public to information, which is only provided by the state media and there are no transparent public procurement systems. State and party-controlled enterprises are not subject to any form of transparency, turning them into lucrative potential sources of corruption. Most of the ministries misuse part of their budgets by falsified receipts, incorrect per diems and luxury invitations in the big hotels of Massawa and Asmara. Especially within the military, there are high levels of uncontained corruption which is tolerated by the leadership.

Anti-corruption policy

16 | Consensus-Building

The political actors in power in Eritrea follow their own doctrine based on self-reliance and extensive state control. This means that their political aims are diametrically opposed to market economy and democracy. Those political actors who were committed to democracy and market economy, at least to a certain extent, were either arrested in 2001 (as was the case with the politburo members of the PFDJ who were opposed to the president's policy), silenced, or have left the country.

Consensus on goals

As the government is the central anti-democratic veto actor, this question cannot be meaningfully applied in the Eritrean context. All possible reformers have been imprisoned or silenced.

Anti-democratic veto actors

The political leadership has indeed managed to prevent cleavage-based conflicts from escalating by making its own doctrine of national unity the only legal opinion in the country. However, this does not mean that such cleavages do not exist. In the event of a breakdown of the present authoritarian structures, they may well erupt in violence, as there are no channels for peaceful and democratic exchange of views and no democratic culture has been nurtured.

Cleavage / conflict management

The government has suppressed civic organizations in the modern sense from the beginning, and the existing national unions (National Union of Women, National Union of Youth and Students, National Confederation of Eritrean Workers) are firmly under government control. The ruling party PFDJ claims to be a representative of all sectors of Eritrean society by itself. Almost all of the few remaining foreign NGOs were forced to leave the country in 2005 and 2006. Traditional civil society institutions like religious leaders and mediators (shemagelle) still play an important role in conflict reconciliation in private matters and on the local level, but they are prevented from getting involved in political matters. This was clearly demonstrated by the events of September 2001, when some respected elders who tried to mediate the conflict between the president and the political dissenters within the ruling party were detained following their efforts.

Civil society participation

17 | International Cooperation

The government has always shown a critical approach toward international donors and international organizations, including the UN and the AU. The regime's ideology is based on self-reliance, and it accepted donor support only under its own conditionality. In 1997, it ousted most bilateral donors and international NGOs, but had to call them back after the war due to the humanitarian crisis in the country. Since 2005, it has driven out again most independent international NGOs, but maintains working relations with certain UN organizations like UNDP and UNICEF. Bilateral donors were alienated by a tax they have to pay on imported items, including food aid. The sector of health care is probably one of the very few where the government shows preparedness for meaningful international cooperation with a positive outcome for the population, especially in early childhood development. Otherwise, there are no domestic reform policies which might be supported by international partners.

Effective use of support

The government frequently acted unpredictably in international relations. After 2001, it sought to establish positive relations with the United States in the framework of the fight against terrorism, but during the past two years, Eritrean

Credibility

– U.S. relations have deteriorated to historic lows. European development partners were alienated by the country's poor human rights record. The government allows no interference in internal affairs, and has repeatedly rejected any advice from the diplomatic community, e.g. the EU ambassadors. It categorically denies the existence of any violations of human rights in the country, ignoring obvious evidence. It has expelled almost all international NGOs from the country. Its relations with UNMEE, the peace mission overseeing the borders with Ethiopia, are tense, and the freedom of movement of UNMEE has been severely curtailed. American and European personnel of UNMEE were forced to leave Eritrea in 2005. Members of the UNMEE forces were accused by the government of illegally smuggling Eritreans over the border to Ethiopia. As a consequence of these poor relations, most probably the UNMEE force will be significantly downgraded in the near future, bringing about a new threat of war between the neighbors Ethiopia and Eritrea who are already involved in a proxy-conflict in Somalia.

Cooperation with neighboring countries is erratic and often based on strategic alliances following a “the-enemy-of-my-enemy-is-my-friend” tactic. The best example is the Eritrean government's current support of the Union of Islamic Courts in Somalia, which contradicts its own secular ideology. The situation in Somalia can be seen as a proxy conflict, as the Ethiopian government supports the Transitional Federal Government of Somalia with active military intervention. Political and economic relations between Ethiopia and Eritrea have not been re-established since the end of the border war. Relations with Sudan, although they improved somewhat in 2005, have predominantly strategic purposes. Eritrea played a positive role in reconciling the Sudanese government with its Eastern opposition groups, but its role in the Darfur conflict is doubtful. Even the settlement of the Eastern Sudan conflict is facing problems, because a branch of the Eastern Sudan Movement accused Eritrea of hindering the implementation of the 2006 agreement, and some leaders of the Eastern Front are under house arrest in Asmara. In recent weeks, there have been signs that the Sudan – Eritrean relationship is deteriorating, and the flow of goods from Sudan to Eritrea has been interrupted. Eritrea has been hostile toward the African Union since independence, as the OAU never supported the Eritrean case during the times of the independence struggle, and during the border war, the Addis Abeba-based OAU was accused by Eritrea of favoring Ethiopia. Regional organizations such as IGAD are generally weak, and Eritrea has not played a constructive role in overcoming regional constraints through meaningful regional cooperation in recent years. In the 15 years since it has come into existence, Eritrea has been involved in military conflicts with three of its four neighbors, namely Ethiopia, Yemen and Djibouti and interfered in the internal affairs of Sudan, sometimes exacerbating problems, while at other times contributing constructively.

Regional cooperation

Strategic Outlook

The Eritrean government's disdain for the donor community and external intervention dates back to its struggle for independence and eventual success in 1991. The leadership of the Eritrean People's Liberation Front (EPLF), including its then-secretary general and current president of the state of Eritrea, Isaias Afewerki, still holds all decisive political, military and economic positions in the country. Imbued with the sense that Eritrea has been treated as a pawn in world politics, the EPLF's elite are deeply distrustful of the superpowers, who did not support Eritrea's independence from Ethiopia and supported Ethiopia in the border war from 1998 – 2000. The United States in particular has shown support for Ethiopia under Meles Zenawi's TPLF/EPRDF. Eritrea has thus rejected all kinds of foreign support that comes with attendant conditionalities.

Some aid, albeit that which conformed to Eritrea's terms of condition, was accepted in the 1990s, as was some foreign advice. Progress was made in reconstruction, economic development and in privatization, though this was pursued rather cautiously. Some steps toward democratization were taken, the most important of which was the process of writing a constitution that was ratified in 1997, but never implemented. Since its border war with Ethiopia and the political stalemate that has emerged, the Eritrean regime has embarked on an increasingly destructive course. Now internationally isolated, it repeatedly rejects all attempts made to address the country's very poor human rights record, refusing to accept even aid in the form of foodstuffs. The regime has managed to destroy all hopes of a better future among the population, which has prompted a growing number of youths to flee the country under risk of death.

Eritrea's large diaspora population, which numbers more than 500,000, includes adherents to the country's first liberation movement, the Eritrean Liberation Front (ELF). The number of the diaspora, especially in Arab countries, exceeds one million, 700,000 of which live in Sudan, and about 150,000 in Saudi Arabia and the United Arab Emirates combined. Although large in number, the Eritrean opposition in exile has not been able to develop a meaningful strategy to challenge the government. It is deeply split into diverse factions, and the emerging opposition within the PFDJ close to the arrested dissidents, which form the EDP today, have not come up with any convincing plan for the future.

Seemingly obsessed with maintaining absolute control over all segments of society through forced militarization of large parts of the working age population, the present government shows no sign of change. It has run the economy into the ground since 2001, and the general population is paying the

price of an increasingly isolationist policy of self-reliance. The government is also destroying the country's educational infrastructure by systematically abolishing meaningful institutions of higher learning, which is bound to have a long-term negative impact on the economy in a globalized world. The government has been successful in preventing the population from forming civic organizations and precluding any form of political organization. There are no independent press outlets and the security apparatus has a tight grip on the country.

To date, the international community has exercised limited effort with even less success in bringing about change in Eritrea. The flow of aid has been significantly reduced in recent years, as major donors like USAID were told to leave the country in 2005. But humanitarian programs are still in progress. At the moment, it seems that the government is determined to stay its course, even as the system shows signs of a near breakdown, at least in economic terms. In spite of diaspora remittances, the government has run almost entirely out of foreign currency reserves. Though risky for the continued stability of the government, dissent is growing among its members.

It is extremely difficult to reach the government through advice or consultation, both in terms of politics and economics. One important point for external actors is to strengthen Eritrean civic organizations emerging among the diaspora. Younger Eritrean exiles, many of whom have benefited from higher education, are particularly important as they refuse to return to a country in which future opportunities are currently undermined. They might provide a political alternative in the future, as the existing opposition parties are marginally more committed to democratic values than the government itself. It is important to carefully register human rights abuses committed in the country and confront the government with these observations, even if this does not evoke an official response.

It is also important to apply a policy of granting asylum to refugees from Eritrea, as they will face harsh punishment if forced to return to their country. Economic aid should be withheld as far as possible, especially when donations might be abused for military purposes. In the long-run, the country's traditional forms of civil society organizations should not be disregarded, as they play an important role in maintaining internal peace and social justice in the country. If traditional authorities are brought into the fold of "modern" civil society institutions, efforts to promote the common good and foster development could prove successful within a framework of democratization and market liberalization with limited state interference. Doing so would signify a re-emergence of the positive values voiced during Eritrea's battle for independence.