ETHIOPIA

ADRIAN BRADSHAW/POOL/REUTERS

The relationship with China has blossomed, from infrastructure provision to the creation of new economic zones

OVERVIEW

Addis rising

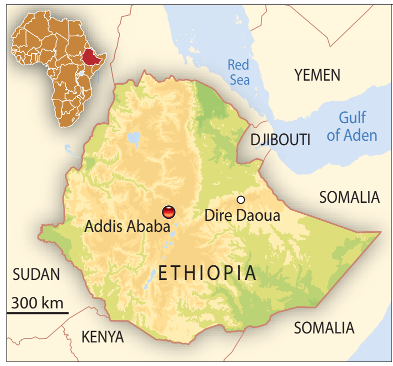
Ethiopia's power is growing as the government emulates the centrally driven development policies and restrictions on freedoms favoured by some of Asia's newly industrialised countries

By **Nicholas Norbrook**

On every level – economically, militarily and diplomatically – Ethiopia is building its power on the continent. Prime Minister Meles Zenawi, alongside Rwanda's President Paul Kagame, is the leading exponent in Africa of what has come to be called 'developmental authoritarianism.'

In practical terms, it is a dirigiste style of government married to an eager pursuit of commercial opportunities. In Ethiopia, that means building massive state-backed hydropower schemes to export electricity across the continent, but also facilitating a foreign-financed boom in agribusiness and export crops. The aim is to end Ethiopia's chronic food shortages and to make it a net food exporter. With a population of more than 85 million (Africa's largest after Nigeria) and growing at 2.9% a year, time is pressing. Some 70% of Ethiopians are under 30, and the demographic boom represents an opportunity and a threat.

This strategy borrows heavily from the Chinese Communist Party's state-capitalist policies that have produced double-digit growth and lifted some 400 million people out of poverty over



ETHIOPIA IN NUMBERS

GOVERNMENT'S SPENDING SET TO EXCEED 100bn BIRR ($71.7bn) IN 2011/12

Much is infrastructure, rising to 59% of total government spending in 2011, over twice the level in most African countries.

- According to the GTP, government and public enterprise spending will reach 1.26trn birr ($71.7bn) over the plan period, with half the $33bn financing requirement in foreign currency.
- Local and foreign contractors will do much of the work and maintenance, sharing billions of birr in profits and creating hundreds of thousands of jobs.

INFRASTRUCTURE TARGETS:

- An eight-lane expressway on the export route from Addis Ababa to Adama;
- 71,000km of new roads costing $7.2bn;
- 2,400km of railways including replacing the Djibouti line to the sea and a mass transit for Addis Ababa ($6bn);
- a fivefold increase in electricity to 10,000MW, including the $4.8bn Grand Millennium Dam and electricity exports;
- huge increases in irrigation.

SOCIAL TARGETS:

- Increasing primary school enrolment to 100%;
- more than doubling university students to 500,000 with 40% in science or engineering;
- increasing technical and vocational schools to over 1 million students;
- 100% primary health coverage and big cuts in infant and maternal mortality.

EXPORTS (2010/11):

- Coffee - $842m
- Gold - $485m
- Oilseeds - $323m
- Quat - $238m
- Gross foreign exchange earnings at Ethiopian Airlines are estimated at $1.1bn a year

the past 30 years. Premier Meles' government also uses some of Beijing's political ideas: it cracks down on dissidents and seeks to win legitimacy through raising living standards and boosting the country's economic and regional power.

Ethiopia's armed forces are less well-equipped than their Nigerian and South African counterparts, but its army is bigger and more battle hardened. Coming from a tradition of guerrilla fighting before he took power in 1991, Meles has used his country's military power to make it the leading diplomatic force in north-east Africa.

INDEPENDENT MINDED

Ethiopia's history of defeating colonial occupation made it an obvious choice as headquarters of the Organisation of African Unity, now the African Union (AU). At the opening of the new Chinese-built AU headquarters in Addis Ababa in January, Meles lambasted the neo-liberal economic prescriptions pushed by institutions such as the World Bank and International Monetary Fund (IMF).

Addis boasts of its transformative economic successes. Its figures chart double-digit economic growth over the past eight years. It is Africa's fourth-largest economy, rated in 2011 at $95bn by the IMF using purchasing power parity (PPP).

Yet the government's own Growth and Transformation Plan (GTP) from 2010 to 2015 is far more bullish. It forecasts average real growth of at least 11% per year and aims to achieve the Millennium Development Goals by 2015. Zemedeneh Negatu, managing partner of Ernst & Young Ethiopia, forecasts the economy will "reach $472bn in 15 years" (also using PPP).

By then, Ethiopia would be sub-Saharan Africa's third-largest economy, with a gross domestic product (GDP) of more than $4,000 per capita. The IMF forecasts 5.5% growth this year after 7.5% growth in 2011 and investment company Access Capital projects rates of 8-11%.

Growth prospects are spread across sectors. There is a scramble to find and develop mines after decades of neglect. Manufacturing is growing: exports of textiles and leather goods doubled over five years to $165m, but the GTP target is to reach $1bn in textiles and clothing exports and $500m for leather.

Agriculture – which produces 41% of GDP but accounts for 85% of jobs – is soaring, driven by foreign and local investors taking on commercial farms of up to 100,000ha. The successful Ethiopian Commodity Exchange passed $1.1bn in trading in 2010/11. Output from the country's 12 million smallholder farmers could be boosted through more irrigation and fertiliser and better seeds.

The retail food and beverage sectors are also booming. Britain's Diageo bought the Meta Abo Brewery in January for $225m after Heineken bought Harar Brewery for $78m and Bedele for $85m in 2011. Other consumer-goods investors include SABMiller, Tiger Brands, Proctor and Gamble, Nestlé and Unilever. Ethiopian-Saudi Arabian billionaire Mohammed Al-Amoudi said in April he would invest $600m in growing groundnuts and making edible oil, after snapping up a government farm and four other enterprises in a recent privatisation exercise. His MIDROC company is the biggest private conglomerate in the country.

Government needs to tackle high inflation and prevent the rise of an oligarchy

On the down side of the chart is inflation, the second highest in the world. After a 2011 peak at 40.6% it was down to 36.3% in February, still driven by soaring food prices. World Bank country director Guang Zhe Chen warned in April "There is a limited scale of how much the government can really invest in all these state enterprises unless you continue to borrow from the banking sector, which is again going to be fuelling inflation."

There are other, more systemic, risks to the country. The pushing out of international non-governmental organisations (NGOs) in 2009 has weakened local opposition. But land disputes could spiral into regional territorial and secessionist clashes. In May 2011, the Oakland Institute published a tough report on land grabs in Ethiopia that argued investors are paying well below market rates for the land.

Oakland's policy director Frederic Mousseau believes that anyone who speaks out on the issue in Ethiopia is in danger.:"The problem in Ethiopia

ALFREDO BINI/COSMOS

Horticultural exports towards the EU and the Gulf are growing, with a new cold chamber being installed at Addis airport

today is that you have no real political freedom. Any NGO or journalist or opposition member who speaks out is at risk."

In late March, Kenya's deputy parliamentary speaker Farah Maalim sparred with Ethiopia's ambassador to Kenya Shemsudin Roble. Maalim openly criticised Ethiopia's human rights record in the Nairobi press: "It is open knowledge that those opposed to the regime in Addis often find themselves in jail, exile or in the grave."

YOUR LAND IS MY LAND

Maalim suggested that Addis must be prepared to give a chance for dialogue to the Afar Liberation Front, Oromo Liberation Front, Ogaden National Liberation Front and Benishangul/Gambela movements. These movements are active in areas where land holdings have been sold to foreign investors in the Afar, Oromia and Gambella regions. For Mousseau, "what's happening in Ethiopia is an internal colonisation of indigenous land by people from the highlands – this is what we have seen in Afar. The idea is that this is going to bring jobs, but in the plantations I have seen in Afar, they are working with highlands people, not local Afar."

This is confirmed by Sai Ramakrishna Karuturi, managing director and founder of Karuturi Global, a floriculture company from Bangalore that is now one of the largest landholders in Ethiopia, leasing some 100,000ha. "It is true that we employ a majority of 'highlanders,' but then they make up a majority of the population. And because of the large roadwork programmes in recent years, they are the people with the skill sets that we need."

Karuturi denies reports from organisations like Human Rights Watch that claim that villagers were forced from their lands at gunpoint. "We are working with communities – we moved back from an area where we had not realised they had a cemetery, and we have moved back from a zone where villagers were growing crops next to the River Baro."

As in South Africa, the lack of skills in the economy could also cause problems. Take, for example, the proposed creation of large parastatals such as the Metal Engineering Corporation (MetEC). The Ethiopian government is protecting it like an infant industry while giving it important contracts. For Henock Assefa, managing partner at Precise Consult in Addis, this new parastatal will not turn into an expensive white elephant like Ajaokuta Steel Mill in Nigeria because "it has a major anchor client, creating parts for the Millennium Dam".

Lands set aside for agribusiness often offer jobs to 'highlanders' rather than locals

But others are less sanguine. A member of the development finance industry, on condition of anonymity, raises concerns about MetEC, which is run by a former Brigadier General, Kinfu Dagnew: "The early stages of developmental states – putting in roads, infrastructure and so on – is relatively easy. But the next stage, running complex state-owned enterprises is much harder." The financier points to Singapore as a model for structuring incentives and performance targets for parastatals, but suggests that Ethiopia lacks the managerial expertise to make them work.

A narrow business elite that is dependent on the ruling party for contracts remains a big risk. For Precise Consult's Assefa "this is exactly why the government said that it wanted to privatise slowly, to avoid an oligarch problem like Russia had." Others will point to the eight companies that were recently privatised, of which five were sold to MIDROC – owned by the ever-present Al-Amoudi.