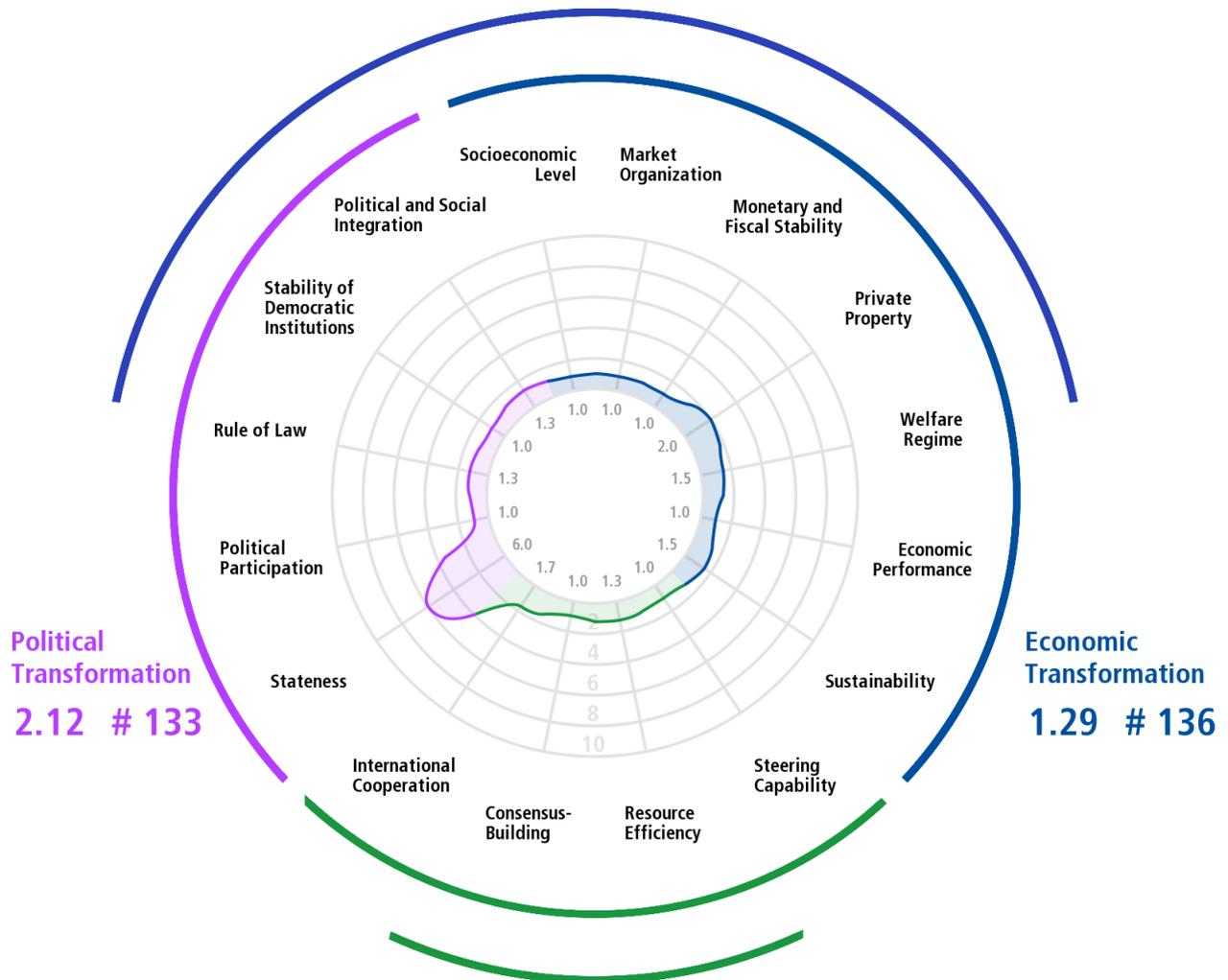


# Eritrea

## Status Index

**1.70 # 135**

on 1-10 scale out of 137



**Political Transformation**  
**2.12 # 133**

**Economic Transformation**  
**1.29 # 136**

## Governance Index

**1.20 # 137**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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**Key Indicators**

|                          |        |             |                                |              |                      |     |
|--------------------------|--------|-------------|--------------------------------|--------------|----------------------|-----|
| Population               | M      | -           | HDI                            | <b>0.434</b> | GDP p.c., PPP \$     | -   |
| Pop. growth <sup>1</sup> | % p.a. | -           | HDI rank of 189                | <b>182</b>   | Gini Index           | -   |
| Life expectancy          | years  | <b>65.5</b> | UN Education Index             | <b>0.269</b> | Poverty <sup>3</sup> | % - |
| Urban population         | %      | -           | Gender inequality <sup>2</sup> | -            | Aid per capita \$    | -   |

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

## Executive Summary

During the period under review, the political stalemate between Eritrea and Ethiopia was brought to an end by Ethiopian Prime Minister Abiy Ahmed's decision to accept an international verdict and cede contested territories to Eritrea. This led to a declaration of peace and friendship in summer 2018 and the reopening of the border in September 2018. In November 2018, the sanctions against Eritrea were terminated and its membership in the regional organization IGAD was fully restored. However, the Eritrean government made no significant changes to its political and economic agenda, continuing to be a surveillance state committed to a command economy and an autocratic political system. The economy is still under the control of the ruling People's Front for Democracy and Justice (PFDJ) party and the military. High-ranking military officers were involved in illegal activities during the period under review, including goods smuggling and the human trafficking of Eritreans seeking to leave the country. Although many Eritreans have used the open border to flee to Ethiopia, smuggling across the closed border with Sudan has continued with the involvement of corrupt Eritrean and Sudanese officials. The high-ranking PFDJ cadres who were arrested in the aftermath of the January 2013 mutiny remain in custody without due legal process, and a former finance minister was arrested in September 2018 after criticizing the president.

The economy is still in a poor state, and chronic electricity blackouts continue alongside shortages of fuel and drinking water, although goods sold by Ethiopian traders brought some relief in the last months of 2018. However, traders could no longer freely cross the border at the start of 2019. The government has not invested revenues from the Bisha mine or funds it has received from Saudi Arabia and the UAE for allowing the port of Assab to be used as a military base in the economy. It also has not provided the population with basic imported consumer goods. Military officers apply their own regulations in the administrative regions under their control, while the civilian administrative apparatus is powerless. Military and PFDJ leaders continue to run their own shops.

Since the “currency reform” of 2015, withdrawal of cash has been severely limited – to 5,000 Eritrean nakfa (ERN) per family per month, a rule that also applies to businesses, and the black-market exchange rate was close to the official exchange rate of ERN 15 to \$1 during the period under review. This practice has severely hampered economic activities in the absence of modern cash-free payment methods.

Politically, Eritrea is still a dictatorship in which political participation is impossible for the general public, civil rights and freedom of expression and assembly are absent, and human rights are routinely violated. In summer 2016, the U.N. Commission of Inquiry on Human Rights in Eritrea stated that the country’s government has committed crimes against humanity since the time of independence, and confirmed in its 2018 final report that no progress has been made to improve the human rights situation. The old constitution of 1997 has not been implemented, and no new constitution has been drafted. The unlimited-term national service is still in place without any reforms despite the reconciliation with Ethiopia. Males aged between 18 and 60 and women between the ages of 18 and 27 are forced to serve either in the army or the national service.

Government functions are executed by the president and a small group of advisers, in which Yemane Gebreab has played a decisive role. The ruling PFDJ is the only party allowed to exist. Together with the military, it holds a monopoly on the economic sphere. The party-owned Hdri Trust Fund controls all state enterprises, and no external financial monitoring is allowed. The mass exodus of tens of thousands of Eritreans continued unabated during the period under review, and it increased after the border with Ethiopia was opened. State institutions and social services were further weakened by this process, as mainly young and educated people left the country, but also children and women who sought to join their relatives abroad. Arbitrary arrests and religious persecution have continued. In 2017, orders by the government to terminate religious education led to a demonstration by students from the Muslim Al-Dia school, which was dispersed by the military.

During the period under review, there was absolutely no progress toward democratization, which has been ruled out by the president. The public is unable to communicate civic interests without the risk of being arrested. In the absence of free market mechanisms, the import-export trade has remained in the firm grip of the ruling party’s elite, while the military have operated large-scale contraband activities. It is not clear if the normalization of relations with Ethiopia will lead to significant changes in this regard since no bilateral trade or other deals have been made public. There is no public welfare system, and traditional social safety networks based on extended family structures have been weakened by the national service. Diaspora Eritreans usually support their families inside Eritrea financially, and many of them pay the 2% tax imposed on them by the government either voluntarily or by coercion, which helps to stabilize the regime.

Malnutrition and poverty remain endemic in Eritrea. The continuous use of charcoal for cooking purposes has accelerated environmental degradation. Generally, Eritrea has continued to follow a destructive path that runs counter to democratization and economic liberalization despite the peace agreement with Ethiopia.

## History and Characteristics of Transformation

Eritrea gained independence de facto in 1991 and de jure in 1993 after an independence struggle that lasted for 30 years (1961–1991). The struggle had been dominated by the Eritrea People's Liberation Front (EPLF) from the early 1980s, which later formed the government of the independent state of Eritrea. In 1994, the EPLF held its third and last organizational congress and changed its name to the PFDJ. The former secretary-general of the EPLF, Isaias Afewerki, has ruled the country as president since independence without ever having been confirmed in his office by a popular vote. He has managed to solidify his power base through his tough style of authoritarian rule with totalitarian tendencies, although his popularity has sharply declined due to the continuous deterioration of the economic situation, gross human rights violations, the forced military conscription of large parts of the population of productive age and the country's complete lack of civil liberties.

In recent years, relations with Western donor nations have been strained, as the government has shown a lack of transparency, has refused with very few exceptions to accept NGO activities in the country and has even rejected emergency aid, claiming to be self-reliant in food production (an assertion that is obviously not true). The Eritrean government terminated development cooperation with the European Union in 2011 without prior notice, but cooperation resumed in 2016 on a very low level. There is currently no EU country strategy paper for Eritrea, but there is a National Indicative Program for 2014 to 2020, which has remained largely unimplemented. Relations with all neighboring countries, including Djibouti and Somalia, improved through the mediation efforts of the Ethiopian prime minister, except for relations with Sudan, which deteriorated in 2017. The targeted sanctions imposed in 2009 by the U.N. Security Council and tightened in 2011 were lifted in November 2018 with the support of Ethiopia and other IGAD member states. In a surprising move, Ethiopia declared that it was ready to cede territories awarded to Eritrea according to the 2002 Eritrea-Ethiopia Boundary Commission's (EEBC) decision, and relations between the two countries improved when both heads of government signed a declaration of peace and friendship in Asmara in July 2018. Two border crossings between Eritrea and Ethiopia were opened in September 2018, but the border still needs to be demarcated on the ground. The leaders of Eritrea and Djibouti also agreed to solve their border problem peacefully. Despite these developments, the Eritrean government did not end the extremely high level of military mobilization through a reform of the national service and a demobilization program; instead, the use of national service recruits as an unpaid labor force for party and military-owned enterprises continue. Eritreans living in the diaspora have to pay a 2% diaspora tax, and most of them send remittances to their relatives in Eritrea to assure their survival. During the period under review, Eritrea remained in a military alliance with Saudi Arabia and the United Arab Emirates to fight the Houthi rebellion in Yemen.

There were no internal political reforms during the period under review, and the constitution ratified in 1997 was not implemented nor was a new constitution drafted as President Isaias

announced in 2014 that it would be. The small ruling elite composed of high-ranking PFDJ cadres and military officers continued to dominate political and economic affairs. The military was given a free hand to pursue all kinds of illegal activities including human trafficking, and it has so far not posed a serious threat to the president. Yet, it is unclear if there will be power struggles among the military elite, which is affected by the peace with Ethiopia due to lost sources of illegal income through trafficking and smuggling. Leading PFDJ cadres, particularly Yemane Gebreab, play an important role in political decision-making. Eritrea was ranked second-last worldwide in Reporters Without Borders' assessment of press freedom during the period under review, swapping places with North Korea.

Levels of state and military intervention in the economy have remained consistently high in recent years, while the private business sector has continued to be severely restricted by import-export regulations and a lack of hard currency, and local cash circulation has been severely limited. The degree of political suppression has remained extraordinarily high, and arbitrary arrests without due process of law have continued. The political dissidents and journalists arrested in 2001 are still in detention, while hundreds of Christians and Muslims are still in jail for alleged religious extremism without being formally accused or brought before a court of law. The mass exodus of the younger generation has continued as a result of the widespread frustration and disillusionment related to the unlimited scope of national service obligations, which have made it difficult for the majority of the population of productive age to feed their families, and the lack of envisaged political reforms after the reconciliation with Ethiopia. The UNHCR indicated a dramatic increase in the numbers of Eritreans who arrived at Ethiopian refugee camps after the opening of the border in September 2018 from an average of 53 to 390 persons per day. However, the human trafficking of Eritrean refugees to Sudan has continued with the involvement of Eritrean military officers, Sudanese officials and members of the Rashaida.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

The state's monopoly on force exists in principle; yet, the commanders of the military administrative zones enjoy unconstitutional executive and judicial rights, and their power is superior to that of the civilian administration. The post of minister of defense remained vacant during the period under review, and the army's lack of institutionalized power continued.

Militant opposition groups based in Ethiopia were mostly inactive in 2017 and early 2018; after the political rapprochement between Eritrea and Ethiopia in summer 2018, the Ethiopian government told them to cease their operations. In June 2018, Ethiopian Prime Minister Abiy Ahmed announced that his government would accept the 2002 ruling of the Ethiopia-Eritrea Boundary Commission and was ready to hand disputed areas back to Eritrea, including the town of Badme. This meant that Eritrea's territorial integrity would be fully restored. However, no concrete steps for border demarcation on the ground were taken.

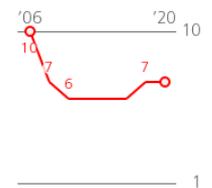
Human trafficking and the smuggling of goods with the involvement of the military continued until the opening of the border with Ethiopia in September 2018, while this continued to and from Sudan throughout the period under review.

The mass exodus of the younger generation has continued, and it accelerated significantly after the opening of the border with Ethiopia. Through the resulting continuation in the loss of large numbers of educated persons, the administrative capacities of the state have been further weakened.

Question  
Score

Monopoly on the  
use of force

7



The legitimacy of the nation-state is rarely questioned, because most Eritreans see it as the legacy of a 30-year liberation struggle (1961–1991) that took a heavy toll on all segments of society. However, the ruling People’s Front for Democracy and Justice (PFDJ) enjoys very little support and credibility among the population, especially among the youth. The unlimited national service requirements imposed on the younger generation have led to increasing levels of alienation from the state, especially since no national service reform was announced following the peace declaration with Ethiopia in July 2018. The absence of internal reforms has made young Eritreans believe even more strongly that fleeing the country is the only option for leading a meaningful life and starting a family, in contrast to fulfilling the extensive demands of the state without enjoying rights and benefits in return.

Ethnic and religious minorities continue to be underrepresented in higher education and state institutions. Jehovah’s Witnesses do not enjoy citizenship rights such as owning businesses.

Following the peace initiative by Ethiopian Prime Minister Abiy Ahmed, the political elite’s attitudes toward Ethiopia shifted rapidly from hostile to extremely friendly. Many Eritreans feared the political leadership was endangering Eritrea’s political sovereignty because no roadmap was made public dealing with the technicalities of peace, such as currency exchange, freedom of movement and tariffs. Many people were not satisfied with the fact that Ethiopians were now free to enter Eritrea to do business while Eritreans themselves were severely restricted by their government in all kinds of economic activities.

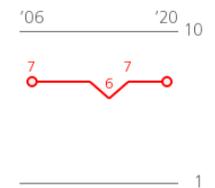
The state is defined as a secular order in which religion and state are separated. The PFDJ ideology prioritizes “martyrdom for the nation” over spiritual values and demands that citizens act accordingly. However, this doctrine has lost even more credibility since the end of the “no war, no peace” situation with Ethiopia. The government considers religion to be a highly politicized issue and tries to keep strict controls over religious practice. Members of Christian minority churches such as Pentecostals and Jehovah’s Witnesses as well as Muslims considered “radical” (especially adherents of Wahabi Islam) continue to be under the scrutiny of the state.

In October 2017, the government tried to ban religious education and closed the only remaining Catholic and Orthodox schools in the country. The Islamic Al-Dia school was told to remove religion from its curriculum. The arrest of a nonagenarian member of the school board who had criticized that order triggered the first demonstration in Asmara since 2001, followed by solidarity demonstrations by diaspora groups in Europe and America.

Religious leaders of the “legal” communities are controlled by the state, namely the Orthodox, Catholic and Lutheran churches, and Sunni Islam. Abune Antonios, the Orthodox Church’s patriarch who had been removed from office and put under house arrest by the government in 2006, outlived his state-imposed successor, Dioskoros.

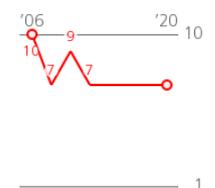
#### State identity

7



#### No interference of religious dogmas

7



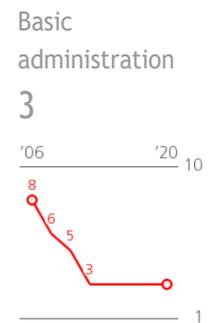
This prompted the government to force the general secretary of the Orthodox Church, a layman called Lukas, to act as if he were the official Abune.

The government accepts the application of customary and religious law (Shariah and Orthodox Church-related customary laws) in civil jurisdiction and conflict mediation in the absence of a functioning secular judiciary system.

The state's administrative structures continue to cover the whole country, but the quality of the provided services has been declining continuously both in the countryside and in urban centers due to the massive outflux of qualified personnel. The economy continues to suffer due to control by the state, more specifically by the PFDJ and the military, and its output was minimal during the period under review. Both families and business owners are not allowed to withdraw more than 5,000 nakfa (approximately \$333) from their accounts per month. In December 2017, the government shut down about 450 small businesses for non-compliance with the strict limitation of cash circulation, although the banking sector is still severely underdeveloped, and the use of checks is the most "modern" form of money transfer in the absence of electronic payment methods.

Juridical services are poor, civil litigation is mainly handled by customary law institutions, and levels of corruption are still high. Basic services and commodities such as electricity, cooking fuels and staple foods remained scarce during the period under review, although the situation eased after the opening of the border with Ethiopia in September 2018. Ethiopian traders sold goods in Eritrean markets, which led to a drop in prices. However, free entry for Ethiopians without permits issued by Ethiopia's federal government was stopped in early 2019.

The funds granted by the European Union in late 2015 remained largely unused during the period under review, and the whereabouts of income generated through the Bisha copper mine remained unknown. Development programs built by national service personnel continued to focus on infrastructure projects of poor quality, while the existing infrastructure was left to decay. The capital city, Asmara, was declared a UNESCO World Heritage Site in summer 2017, but no visible measures have been taken to protect its endangered historical buildings.

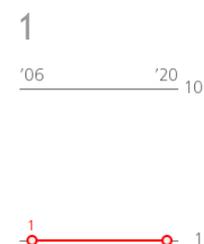


## 2 | Political Participation

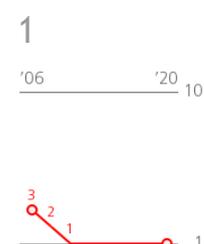
Since Eritrea's independence in 1993, there have been no elections on the national or regional (zoba) levels and no free elections on the subregional and local levels. The PFDJ has been the only legal political party, and President Isaias Afewerki, who has been in power since independence, shows no readiness to accept elections or any change in the country's political status quo. He rules in conjunction with a small number of advisers from the PFDJ leadership, most importantly Yemane Gebreab (in recent years referred to as "presidential adviser"), Hagos "Kisha" Gebrehiwot (head of PFDJ's financial affairs) and Yemane Gebremeskel (the minister of information). The military continues to enjoy considerable political power and the defunct National Assembly has not met since 2002. Plans announced by Isaias to draft a new constitution have not materialized, and the 1997 constitution is still not implemented. The cabinet of ministers, which was hand-picked by the president, has very little decision-making power, and the office of minister of defense has remained vacant since 2014. The political rapprochement with Ethiopia has not led to any kind of internal reform, even though the conflict-ridden relations between the two countries were often used as an excuse to refrain from holding elections.

Political decision-makers in Eritrea are not democratically elected or restricted in their policy-making by constitutional constraints. Twenty-eight years after its de facto independence, the country still has no implemented constitution. Veto powers that undermine democratic procedures do not exist, as democratic procedures are alien to Eritrea's policy-making process. High-ranking military officers have maintained their influence. They might have the ability to prevent the government from making political decisions that could threaten the profits they make through contraband trade and the exploitation of national service conscripts. Eritrea's military elite had profited from the stalemate with Ethiopia over the years, which means that unrest at that level is possible now that the "no war, no peace" situation has ended. An assassination attempt on Major General Sebhat Efrem, the minister of energy and mines since 2014 and an earlier minister of defense, was carried out in Asmara in December 2018 by an undisclosed perpetrator. As usual, state media remained silent about the incident, but there were rumors that he might have passed information about a planned coup to the president and was then assaulted as an act of revenge. This can be seen as an indicator of growing unrest within the military.

Free and fair elections

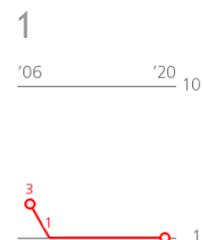


Effective power to govern



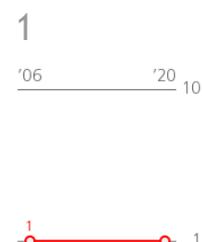
Association and assembly rights are completely denied in Eritrea. Independent civic groups are prohibited, and the PFDJ is the only political party allowed in the country. The National Union of Women, the National Union of Youth and Students, and the Confederation of Eritrean Workers are government-controlled satellites of the ruling party and mostly inactive. Assembly rights are severely restricted, and even gatherings of religious groups (Pentecostal Christians, reformist Orthodox Christians, followers of Wahabi Islam, etc.) are prohibited. Students of the Islamic Al-Dia school protested against government interference in the curriculum and the arrest of Hajji Musa Mohammed Nur, an elderly member of the school board, on October 31, 2017. They formed a protest march toward the centrally located Ministry of Education but were dispersed by soldiers shooting live ammunition (although there were no fatalities), and many of the children and youngsters participating were arrested. The demonstration happened despite the prevailing atmosphere of general suppression, surveillance by security agents and widespread use of force by the police, the military and the state security services. Security agents continue to infiltrate private gatherings such as funeral and wedding ceremonies in order to surveil private conversations.

Association /  
assembly rights



Freedom of expression is completely denied in Eritrea. The private press has been banned since 2001, and the state media continues to be controlled by the Ministry of Information. Eritrea changed places with North Korea in the Reporters Without Borders World Press Freedom Index in 2017 and has since been ranked second-last in the world. Numerous independent journalists jailed in 2001 have been kept in detention, and the state media are restricted to reporting on the alleged progress of development projects and about people receiving benefits from the government. Private conversations in bars, cafés, social meetings and religious feasts are monitored by a countrywide network of agents working for the government and the military's security apparatuses. In spite of extremely high levels of suppression, the resistance group called "Arbi Harnet" (Freedom Friday) continues to exist and manages to smuggle some mobile videos that show unreported events out of the country.

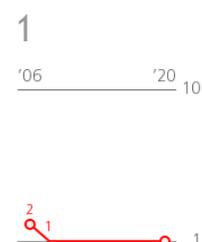
Freedom of  
expression



### 3 | Rule of Law

Separation of powers including checks and balances is nonexistent both de jure and de facto, as Eritrea has no implemented constitution. A small number of high-ranking cadres from the ruling PFDJ and the government form a monolithic power apparatus, and the parliament is not convened. The cabinet of ministers is hand-picked by the president, and ministers have very limited decision-making power in their respective portfolios. Most of them have been in their positions for many years without having challenged the president's decisions. The legislative, executive and judicial branches of government are controlled by the president, who rules by decree. State power is thus not subjected to law. Military generals continue to have some degree of political influence although it is unclear how the peace with Ethiopia will change the internal

Separation of  
powers



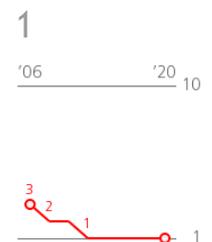
power balance in the near future. Military officers continue to exercise juridical functions over their conscripts, and the commanders of the military operational zones influence government policies, especially in the field of regional administration.

The formal judiciary is poorly organized and dependent on the government, which often means that the president interferes directly. The Supreme Court has been defunct since 2002. The special courts, headed by military officers acting as lay judges and operating without standard procedures, seem to still be in place but nothing was reported about their activities during the period under review. High-ranking military officers continue to exercise juridical power over army recruits. The police, state security and military personnel often arrest people, hold them for several months or years and release them without ever launching formal charges or bringing them before a court of law. The weakness of the formal judiciary has increased because there has been no possibility to study law since the closure of Asmara University in 2006, after which many former judges left the country. Therefore, informal customary juridical institutions remain the backbone of juridical practice in civil matters and to a certain extent in criminal cases. These institutions decide cases on the basis of traditional law, which focuses strongly on mediation and reconciliation between the conflicting parties. There are also government-controlled community courts that are supposed to provide rulings based on customary law, but these enjoy the confidence of the public less than the informal customary institutions.

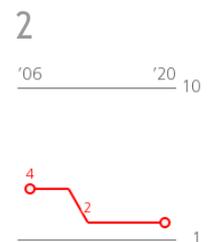
Corruption in the civil administration and especially in the military is still widespread. High-ranking officers continue to engage in illegal activities such as smuggling goods, and their involvement in human trafficking continued during the period under review, at least until the border between Eritrea and Ethiopia was officially opened in September 2018. However, since relations between Eritrea and Sudan are still tense and that border is still closed, smuggling activities between those two countries continue.

Human trafficking from Sudan across the Sahara to Libya continues, although restrictive measures initiated by the European Union to curb the number of irregular migrants has had an effect: militias operating in Sudan have reportedly hunted down refugees and deported them back to Eritrea. The disastrous situation for refugees in Libya and the difficulty of reaching Europe from there may have also diverted refugee routes. It is unclear how Eritrean military personnel involved in human trafficking have reacted to these changes. Many of them had also been involved in the contraband trading of scarce resources such as fuel and staple goods, but the influx of Ethiopian traders to Eritrea in the last months of 2018 eased the supply situation in the country. The end of unrestricted access for Ethiopian merchants, which started at the end of 2018, might be an indicator of the growing dissatisfaction within the military. State media did not report any corruption cases during the period under review, and corruption was clandestinely tolerated by the government.

#### Independent judiciary



#### Prosecution of office abuse

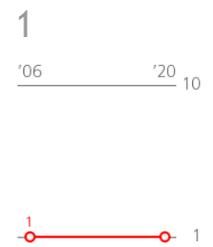


There is absolutely no protection of civil rights in Eritrea. The country has never had an implemented constitution, and civil rights are not guaranteed by any law. Top government officials including the president openly express their disregard for internationally accepted civil rights and the due process of law. There is no freedom of the press, no right to habeas corpus and no freedom of expression or assembly. Religious freedom is restricted to the four officially accepted faiths: Orthodox, Roman Catholic and Lutheran Protestant Christianity, and Sunni Islam. Even representatives of these religions are subject to surveillance, intimidation and arrests. In 2017, the government tried to completely prohibit the teaching of religion by the last three remaining schools that offered religious education in their curriculums (the Catholic Church school at the cathedral in Asmara, the Orthodox Church school at Enda Mariam and the Al-Dia Islamic school in Akria, a suburb of Asmara).

The right to life and security are ignored, and torture is widespread in prisons and army prison camps. The lack of civil rights affects the entire population, but ethnic and religious minorities are often subject to relatively harsher treatment. The United Nations-appointed Mission of Inquiry on Human Rights in Eritrea declared in its final report in June 2018 that no progress had been made since its 2016 statement, which concluded that crimes against humanity, “namely, enslavement, imprisonment, enforced disappearance, torture, other inhumane acts, persecution, rape and murder, have been committed in Eritrea since 1991.” In addition, large segments of the population continue to be kept as recruits in the unlimited-term national service, and they are used as forced laborers by party-owned companies such as Segen Construction.

In 2014, the only noteworthy foreign investor, Nevsun Resources, was sued by a Canadian law firm representing two former national service conscripts for complicity in torture, forced labor, slavery and crimes against humanity. The lawsuit is still pending, now at the Canadian Supreme Court. The company had accepted the services of Segen, the PFDJ-owned construction company, for mining-related construction work, thereby making use of the forced laborers employed by this company. Traditional juridical institutions remain committed to justice, but they neglect gender equality to a certain extent.

## Civil rights



#### 4 | Stability of Democratic Institutions

There are no democratic institutions in Eritrea. The president's position has not been confirmed by elections since he came to power as a guerrilla leader in 1991, and no parliamentary elections have been held since independence. The PFDJ is the only party allowed in the country, and its leadership is not subject to intra-party elections. The party held its last congress in 1994. The National Assembly, a parliamentary body comprised of members of the former politburo and central committee of the PFDJ, has not convened since 2001 and is obviously defunct. Many of its members are either in jail, deceased or forced into exile. Political power rests solely with the president and a few of his advisers within the PFDJ leadership. Twenty-eight years after formal independence, the country still lacks an implemented constitution. High-ranking military officers have broad decision-making powers in the regional administrations, and they control legal and illegal economic activities. In the absence of democratic procedures, the economy is controlled by a highly interlinked conglomerate of the PFDJ elite, the government and the military. The president, who is aware of the generals' powerbase, continues to use divide-and-rule strategies in order to limit the potential threat they pose to his monopoly on power.

All of the few relevant political actors remain determined to obstruct the emergence of democratic institutions. The former supporters of political pluralization within the PFDJ (the so-called G-15) have been in detention since 2001, and many are believed to be dead or in poor health due to unbearable conditions and the denial of medical treatment. Other potential proponents of democratic change have either been arrested, forced into exile or silenced by fear for their own and their family's lives. In September 2018, Berhane Abrehe, former finance minister and close confidante of the president, published a book in which he criticized the president's policies, and he was immediately arrested. The middle-ranking military personnel and high-ranking PFDJ cadres of Muslim faith who were arrested in the aftermath of the attempted coup in January 2013 are still in custody. The political opposition abroad is fragmented and lacks a clear agenda for political change. The youth movements for democratic change that appeared in the diaspora after 2011 are still active, but mainly on social media. One of them, Arbi Harnet (Freedom Friday), continues to have members inside Eritrea, but it could not carry out major activities during the period under review.

Performance of democratic institutions



Commitment to democratic institutions



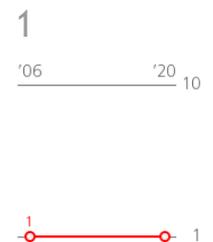
## 5 | Political and Social Integration

The PFDJ has been the only permitted party since independence. The political leadership has no intention of allowing a multiparty system to develop in the foreseeable future. Over the past decade, the population has become progressively alienated from the ruling party, which had initially been welcomed as the liberator of the country. It is now perceived as a “mafia organization” rather than a political party by the majority of Eritreans, with the exception of the considerable number of PFDJ supporters in the diaspora. The PFDJ as the only existing party has been severely weakened by the president. It is not in a position to articulate and aggregate societal interests, and it has lost its former interconnections with at least some parts of society. The PFDJ also has not taken any steps to develop a roadmap for reforms following the declaration of peace and friendship between Eritrea and Ethiopia in July 2018.

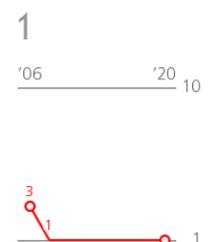
Associations and interest groups acting independently of the PFDJ are prohibited. The party claims that the Eritrean people are a single mass sharing the same interests, and that it is the only organization representing the interests of all societal groups. It has suppressed the emergence of civil society organizations from the beginning and firmly controls the organizations that do exist (the unions of women, workers, youth and students). In reality, the party and the military are groups that represent their own narrow self-interest, while the social interests of the vast majority of the population are unrepresented. Among the population, local elders are highly respected and have acted as mediators when social groups’ interests have collided, for example in cases of land conflict. However, they are barred from intervening in political affairs. The clandestine network Arbi Harnet (Freedom Friday) has communicated events in Eritrea that the government tried to conceal, such as the assassination attempt against Major General Sebhat Efreem in December 2018.

There are no public opinion surveys in Eritrea.

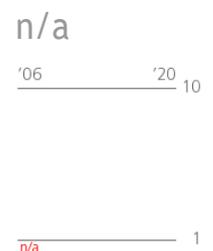
Party system



Interest groups



Approval of democracy

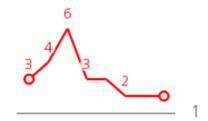


Social trust is rooted in networks based on customary law, common descent and religion. These networks used to alleviate social hardships, but they have been continuously weakened by the structural militarization of society through the national service requirement, which deprives large parts of the population of the opportunity to earn incomes large enough to enable them to support their extended families. Existing local networks such as “equbs” (saving clubs) are infiltrated by government agents, creating further mutual mistrust. However, there are social networks linking Eritreans in the diaspora with those inside the country. In fact, the main objective of the increasing numbers of Eritreans who flee their country is to establish themselves in the diaspora and send remittances back to their extended families, thereby making a major contribution to the stability of the ailing economic system. The government has not officially renounced its program of arming elderly civilians and making them patrol cities and parts of the countryside as neighborhood militias, but it seems to be no longer implemented due to the refusal of the citizens to participate in the program. However, mutual mistrust in Eritrea’s society remains high because of the large networks of informants employed by the national security services and the military.

Social capital

2

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## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Eritrea remains one of the world’s poorest countries, and poverty is endemic. The Global Hunger Index did not rank Eritrea’s nutritional situation in 2018 – it listed it as country with insufficient data yet serious concerns. UNICEF also criticized the lack of data but estimated that in 2018 about 23,000 children were threatened by acute malnutrition. The government did not give details about the nutritional situation in the country. The prolonged national service continues to hamper subsistence farming and pastoral activities, from which an estimated 80% of the population makes a living; despite the reconciliation with Ethiopia, no demobilization program was envisaged during the period under review. The supply of basic consumer goods such as potable water, cooking fuels and electricity in urban areas remains insufficient, although more staple goods have been delivered to Eritrea since the opening of the border with Ethiopia, which led to a temporary fall in consumer prices. However, the border was closed again for Ethiopian traders at the end of 2018.

Statistical data is either not available or unreliable due to the complete lack of government transparency. Rankings on the Gender Inequality Index and Gini Index are not available, and neither is the poverty rate. The UNDP’s 2017 Human Development Index ranked Eritrea 179 out of 189 countries (with a score of 0.44), which indicates a very low level of socioeconomic development. Due to the

Question  
ScoreSocioeconomic  
barriers

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unlimited-term national service, which has been in place for 16 years and has forced the majority of the adult population to serve as recruits in return for pocket money, the poverty rate is very high and large numbers of Eritreans depend on the support of relatives in the diaspora for survival. Thus, the majority of the people are structurally excluded from opportunities to make a decent living, which has led to a continuous mass exodus. Most vocational training centers, colleges and health centers are found in the capital and in the Southern Region where the dominant Tigrinya ethnic group is concentrated, while other groups have little access to education and are generally taken as conscripts in the Sawa military training center when they reach the age of 18. Subsequently, they are used as forced laborers in PFDJ and military-owned enterprises or in the civil service and administration. Ethnic minority groups such as the Saho, Afar, Kunama, Nara and Hedareb tend to be more vulnerable and poorer, and they suffer more frequently from malnutrition; among these communities, the child mortality rate is very high as few parents have family members in industrialized countries who can support them financially.

Wealth is concentrated in the hands of a few corrupt army officials and PFDJ cadres who control the command economy and are engaged in contraband trade and illegal activities such as human trafficking. It is believed that large sums of money have been transferred to Chinese bank accounts under the names of the president and his son. Gender inequality persists, especially in educational settings, as does indirect discrimination against citizens who do not belong to the dominant Tigrinya ethnic group.

| Economic indicators       |          | 2015  | 2016  | 2017  | 2018         |
|---------------------------|----------|-------|-------|-------|--------------|
| GDP                       | \$ M     | -     | -     | -     | -            |
| GDP growth                | %        | -     | -     | -     | -            |
| Inflation (CPI)           | %        | -     | -     | -     | -            |
| Unemployment              | %        | 6.8   | 6.7   | 6.5   | <b>6.5</b>   |
| Foreign direct investment | % of GDP | -     | -     | -     | -            |
| Export growth             | %        | -     | -     | -     | -            |
| Import growth             | %        | -     | -     | -     | -            |
| Current account balance   | \$ M     | -     | -     | -     | -            |
| Public debt               | % of GDP | 190.3 | 170.2 | 196.2 | <b>174.3</b> |
| External debt             | \$ M     | 873.0 | 796.0 | 818.5 | <b>791.2</b> |
| Total debt service        | \$ M     | 34.8  | 28.2  | 28.2  | <b>26.1</b>  |

| Economic indicators       |          | 2015 | 2016 | 2017 | 2018 |
|---------------------------|----------|------|------|------|------|
| Net lending/borrowing     | % of GDP | -    | -    | -    | -    |
| Tax revenue               | % of GDP | -    | -    | -    | -    |
| Government consumption    | % of GDP | -    | -    | -    | -    |
| Public education spending | % of GDP | -    | -    | -    | -    |
| Public health spending    | % of GDP | 0.4  | 0.9  | -    | -    |
| R&D expenditure           | % of GDP | -    | -    | -    | -    |
| Military expenditure      | % of GDP | -    | -    | -    | -    |

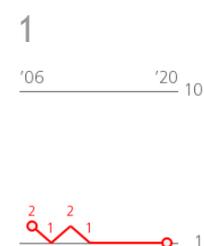
Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

In Eritrea, the basic conditions for market organization are very weak. Starting a business takes 84 days and 13 procedures with a cost of 27.3 % of GNI per capita. In the World Bank Doing Business sub-index on starting a business, Eritrea is ranked 187 out of 190 countries. The reason for these weak results lies mainly in the fact that the government maintains a command economy in which government activities predominate over private enterprise. All in all, consistent government commitment to structural reform is missing, which continues to hamper Eritrea's economic prospects. Until now, the government has not implemented specific measures to reform the command aspects of its economy or to spur broad-based growth and market development, nor has it taken steps to enable private business practices. The legal and regulatory frameworks for economic activities are underdeveloped, and Eritrea's judicial system is not experienced or independent enough to protect the sanctity of contracts. Moreover, weak enforcement of property rights and uneven rule of law have driven many people into informal sectors. The inefficient public sector remains the largest source of paid employment, while about 80% of the population is engaged in subsistence agriculture.

Market-based competition remained mostly absent in Eritrea during the period under review with the exception of some cross-border trade with Ethiopia starting from fall 2018, which disadvantaged Eritrean traders who were subject to strict monetary controls, in contrast to their Ethiopian counterparts. The government, through the PFDJ and the military, maintains an informal economy, which is controlled by the party. The state and the PFDJ retain the control over trade, production and cash-crop agriculture. PFDJ-owned companies such as Segen Construction have a monopoly in the construction sector, where private sector activities have been prohibited since 2006. Restrictions regarding the possession of foreign currencies were slightly eased

Market  
organization



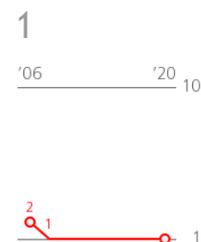
in 2013, mainly to facilitate the influx of cash from the diaspora. Since early 2016, withdrawal of local currency from bank accounts has been highly restricted and limited to 5,000 nakfa (\$333) per month.

Despite the increased national income generated by the Bisha mine, a joint venture of Canadian Nevsun and the Eritrean Mining Corporation (ENAMCO), which initially produced gold and has been transformed into a copper mine, the scarcity of consumer goods and kerosene for cooking purposes, as well as regular blackouts due to electricity shortages, continues. Illegal activities by military officers, including contraband trade and human trafficking, also continue and are tolerated by the government. Even after the opening of the Eritrean-Ethiopian border, smuggling over the Sudanese border did not decrease significantly because the established cross-border trafficking networks continued their activities. The confiscation of locally produced agricultural goods for the purpose of sale on the black market continues. Foreign investment, including from diaspora Eritreans, remains low; rather, the government relies on remittances from the diaspora and continues to levy a 2% diaspora tax on all Eritreans living abroad. Diaspora Eritreans also contribute significantly to the survival of their relatives by sending private remittances.

In Eritrea, there is no separate agency to protect competition and review transactions for competition-related concerns. The country does not have a dedicated domestic competition law regime and thus no legal framework for competition policy. Still, Eritrea is a member of the Common Market of Eastern and Southern Africa (COMESA). As part of the effort to promote economic integration, COMESA adopted a competition law regime to address anti-competitive business practices and to exert merger control, with its competition regulations binding for all member states of the COMESA. Enforcement of the regime lies with the COMESA Competition Commission, located in Lilongwe (Malawi). The Commission's responsibilities include enforcement of the prohibitions against anti-competitive business practices and merger control.

Through membership of COMESA, a regional competition law regime has effectively introduced a competition law in Eritrea indirectly. But Eritrea's economy continues to be controlled by the ruling PFDJ and its enterprises in the trade, retail market, construction and cash-crop sectors and in the mining of copper and other precious metals (as in the case of joint ventures with the Canadian company Nevsun and other foreign companies still in the stage of exploration). The government, PFDJ and the military continue to form a monopolistic conglomerate, leaving no space for fair competition. The Hdri Trust Fund, under the supervision of PFDJ Financial Director Hagos Gebrehiwot "Kisha," control all relevant companies operating in Eritrea. The government has not implemented any measures aimed at preventing the emergence of monopolies and has done nothing to change the inefficient monopolistic structures it has created.

#### Competition policy



All foreign trade and trade in foreign currencies are under the supervision and control of the state. Since 2013, controls on the transfer of hard currencies have been eased for diaspora Eritreans entering Eritrea with cash but, on the other hand, the withdrawal of local cash (nakfa) and foreign cash from bank accounts has been severely restricted. The PFDJ-owned Red Sea Corporation controls the import-export trade, but contraband activities, which are mainly run by the military, continue.

From September to December 2018, Ethiopian merchants were allowed to enter Eritrea without restrictions to sell their goods, but since then the government has demanded special permits from the Ethiopian authorities. Farm laborers and local merchants are not allowed to transport agricultural goods from one zoba (region) to another and doing so risks confiscation. The military is involved in the confiscation of such goods, subsequently selling them on the black market for a high profit. The government continues its policy of alleged self-reliance and isolation from global free-market trade.

The town Tessenei, which borders Sudan, is still a smuggling hub where corrupt Eritrean and Sudanese officials cooperate in the contraband trade of goods, although Eritrean-Sudanese relations deteriorated in late 2017, and the border was officially closed in early 2018. However, mediation attempts by Ethiopia and the Sudanese Beja Congress representing people living close to the border were underway in 2018, and there are signs that point toward the possible normalization of bilateral relations.

There are three state-controlled banks in Eritrea – the Bank of Eritrea, the Commercial Bank and the Commercial and Housing Bank – while the PFDJ runs Himbol Financial Services. Himbol is in charge of handling remittances and tax payments from diaspora Eritreans, which are channeled through Eritrean embassies and consulates abroad or through appointed government “money collectors.” Private banks are prohibited, and there is no free capital market.

The local currency, the nakfa, remained artificially fixed to the U.S. dollar during the period under review, at a severely overvalued rate of ERN 15 to \$1. In November 2015, the government announced a currency reform that forced all citizens to exchange nakfa notes in their possession for new ones. However, it was only possible to exchange ERN 20,000 in cash – the rest had to be deposited in a bank account. Since then, access to cash notes has been severely limited. The currency black market using the “hawala” system continues to flourish. Diaspora Eritreans usually prefer to engage in private money transfers via third persons, many of whom are based in Dubai and allegedly are often government agents, when they send money to support their extended families in the home country. Beneficiaries inside Eritrea receive the cash transfer in nakfa, but the unofficial exchange rate has dropped significantly since the “currency reform” and the artificially created scarcity of circulating cash (as noted above, it is now around ERN 15 to \$1). However, after the opening of the border with Ethiopia, a black market for the exchange of nakfa with the Ethiopian birr emerged immediately in northern Ethiopian towns and cities.

#### Liberalization of foreign trade



#### Banking system



## 8 | Monetary and fiscal stability

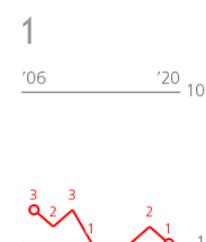
The government continued to follow an irrational financial policy during the period under review and kept fixing the nakfa to the U.S. dollar at a rate of 15 to 1, which means that the nakfa has been severely overvalued for years. This has contributed to a steady expansion of the currency black market. In an attempt to curtail the black market by diminishing the amount of cash in circulation, the government exchanged old nakfa notes for new ones up to a value of ERN 20,000 per person. The rest had to be deposited in a bank account, and access to local cash was severely restricted. Withdrawals were limited to 5,000 ERN (\$333) per family per month. Import-export trade and the foreign currency market remained under firm control of the government.

The IMF indicated an inflation rate of 9% in 2018. Hard currency reserves remained very low and dependence on diaspora remittances high. Due to this chronic scarcity of hard currency and the limitations on the import of vital consumer goods and spare parts, a large number of corrupt government and military officials are involved in illegal contraband activities that undermine the official austerity policy. The government has continued to deny the presence of any food scarcity in the country, and it has not accepted food aid from the international community. As a result, food has had to be imported through contraband trade channels and has been sold at constantly high prices on the market. Only after the opening of the border with Ethiopia in September 2018 were goods brought into Eritrea by Ethiopian traders, which meant prices became cheaper; however, two border crossings were closed again for Ethiopian traders three months later, and no trade agreements between the two countries have been made known to the public.

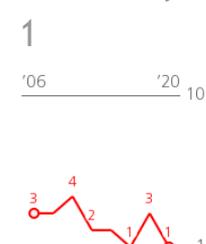
Statistical data on Eritrea's macroeconomic stability is either nonexistent or unreliable as the country has not published a budget since independence. In addition, all economic enterprises of any significance are controlled by the PFDJ or the military and are not subject to financial oversight, including the mining sector. In 2011, the Canadian mining company Nevsun (a joint venture with the Eritrean National Mining Corporation) started gold extraction at the Bisha mine and shifted to copper extraction when the gold deposits were exhausted in 2013. It continued production throughout the period under review, but it remained unclear how the Eritrean government has spent the mining-related income.

The African Development Bank estimates that the government debt-to-GDP ratio in Eritrea is 23%. The IMF estimates that Eritrea's fiscal balance is -13.73% of GDP. The prevailing shortage of basic consumer goods continues, and the government has neither invested in the existing state-run factories nor created new business opportunities. The government has been unable to import sufficient fuels to generate a stable electricity supply. The use of national service conscripts as forced laborers in return for only minimal pay continued during the period under review and fueled

### Monetary stability



### Fiscal stability



the ongoing mass exodus. The continuous large outflow of several thousand Eritreans per month, which further increased after the border with Ethiopia opened, can be largely attributed to the poor macroeconomic situation and the impossibility of making a decent living in Eritrea for the majority of the population. The current situation is a vicious circle in which the government's misguided economic policies, including the recruitment of the workforce into the national service, fuels the exodus. This damages macroeconomic stability even more severely in the long term and cements the government's dependence on remittances. Hopes of political and economic reforms as a result of the reconciliation with Ethiopia have so far not materialized.

## 9 | Private Property

Property rights and regulations are formally defined by law; however, due to the lack of a constitution or the rule of law, there is no protection against arbitrary confiscation of land and property. Despite the 1994 land reform, which declares that all land belongs to the state, highland farmers are usually granted usufruct land rights based on customary law. There have been no major resettlement projects during the period under review, but generally the people are not safe from being arbitrarily expelled from land over which they enjoy usufruct rights.

The western lowlands have been the focus of numerous resettlement programs in the past, in which the indigenous population was not compensated for their loss of land. The eastern lowlands and highland escarpments on the Red Sea coast have also experienced resettlement programs in which members of the indigenous Saho population group were similarly uncompensated. The same is true for those who have lost their land to the military, which has established cash-crop farms run by conscripts, mainly in the Gash-Barka region. The handling of property rights by the government lacks transparency and is unpredictable.

Colluli Mining Share Company (CMSC), a joint venture between the Australian Danakali Ltd. (formerly South Bolder Mines) and ENAMCO, plans to construct a future potassium mine in the Southern Red Sea region on an area comprising 400 square kilometers, although construction had not started by the end of the period under review. The local Afar population fears that their customary land usufruct rights will be disregarded once the project becomes operational. At the time of this writing, it remained unclear when and if the demarcation of the border between Eritrea and Ethiopia will begin and how local populations along the border will be affected.

Property rights

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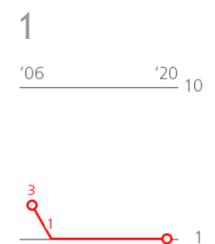
The government's hostile policy toward the private business sector continued during the period under review, and all economically significant companies are owned by the PFDJ, the government or the military. Foreign companies active in the exploration of gold and other precious metals or raw materials are forced to enter into joint ventures with government companies in order to obtain a license. Outside the mining sector, foreign investment is discouraged. The government has a record of extracting money from diaspora Eritreans for investment projects that fail to be finalized, for example in the housing construction sector. There are few private companies left in Eritrea. Those that are there are mainly small enterprises and shops, and it is impossible for them to convert profits into hard currency in order to purchase spare parts and other materials. Tessenei, a city at the border with Sudan, continues to serve as a contraband trade hub, although activities have been hampered by deteriorating relations between Eritrea and Sudan. The smuggling business is run by high-ranking military personnel and by PFDJ cadres, including Minister of Trade and Industry Nesredin Bekit, whose history as a smuggler dates back to the independence struggle.

## 10 | Welfare Regime

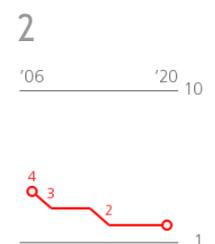
The state does not provide a social security system that covers risks such as unemployment, illness, old age or disabilities, except for the Martyr's Trust Fund, which raises money from diaspora Eritreans for the benefit of the relatives of fighters and soldiers killed in action. The funds are distributed in a nontransparent manner, and many potential recipients have passed away due to old age. The provision of social security is left to traditional solidarity networks based on clan and enda (extended family) structures. However, these traditional security networks have been weakened substantially by the unlimited-term national service program that has now been in place for sixteen years. Most male and many female Eritreans of working age (18 to 50 years and above) are conscripted. They are prevented from earning an income sufficient enough to care for themselves and their nuclear families, let alone their extended families. The state does not provide compensation for relatives of conscripts. Even the traditional solidarity networks are under the scrutiny of the ruling elite, because they are based on ethnic, clan and religious affiliations, which could develop into political resistance movements in collaboration with the diaspora's political opposition movements. Consequently, the only options left for many Eritreans are fleeing the country to sustain themselves abroad or depending on diaspora remittances from their relatives to survive. Meanwhile, a transnational network has evolved in which the diaspora is responsible for caring for their relatives at home to compensate for the lack of social security provided by the state.

Eritrea has a functioning basic health care program, including malaria prevention. The World Health Organization estimated that 3.3% of GDP was spent on health care in 2015. The system suffers from increasing institutional weakness as large and rapidly increasing numbers of doctors and other qualified medical staff have fled the country in recent years. In 2018, Ethiopia sent a team of 35 doctors and four specialists to Eritrea for two months to support the population.

### Private enterprise



### Social safety nets

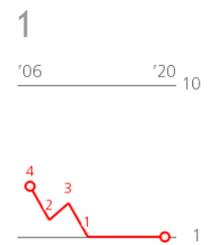


In principle, all social groups have equal access to the limited services provided by the state, including basic health care, education and food coupons in urban areas. Schools and the limited number of health care centers are concentrated in cities and towns dominated by the Tigrinya ethnic group, while other ethnic groups – especially pastoral and agropastoral social groups – are excluded from many services. Food coupons are often withheld for political reasons. In practice, women, Muslims and ethnic minorities are underrepresented in higher education and in the administration, which is dominated by Tigrinya men. Gross enrollment rates were 54% at the primary level in 2015 and only 16.4% at the secondary level. The tertiary rate was just 2.3% in 2016. There are no reliable figures concerning the literacy rate –UNESCO’s latest data refers to the year 2008.

The number of girls attending school is significantly lower than that of boys. There are structural disparities between urban and rural areas. Large numbers of qualified teachers have fled the country, as they would otherwise be forced to work without payment as national service recruits. They were regularly replaced by young college graduates with a lack of technical qualifications, motivation and experience who were trying to leave the country rather than serve as unpaid teachers for indefinite periods. This situation has contributed to a steady decline in the quality of instruction.

Jehovah’s Witnesses are denied all civil rights, and Christian and Muslim denominational minorities are persecuted. The 12th school year is held at the Sawa military training camp for all students nationwide, and female students often face sexual harassment there. This discourages all female students from school attendance, but especially Muslims. Only a small minority of students who pass the 12th grade are granted access to tertiary education at so-called colleges, while the vast majority are directly conscripted into the army and the national service. Thus, most citizens are deprived of a personal career. According to the World Bank, the female labor force makes up 46.9% of the total labor force. However, the Eritrean Ministry of Labor and Social Welfare has never published any data related to the labor market, and large numbers of women either serve in the military as national service conscripts or perform labor in the informal sector as housemaids or service workers. Government officials have not mentioned any plans to reform the national service despite the peace agreement with Ethiopia.

## Equal opportunity



## 11 | Economic Performance

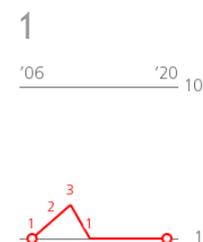
The command economy controlled by the PFDJ and the military is in very poor shape. The copper mining activities at the Bisha mine (a joint venture of the Canadian Nevsun and the Eritrean National Mining Corporation) suffered from falling world-market prices for copper in 2018. The World Bank has not given any figures for the economic growth rate in Eritrea since 2011 due to a lack of data. The government is still in a military coalition with Saudi Arabia and the UAE. It was reportedly rewarded with fuel deliveries and financial incentives for granting these states access to the port of Assab, which has been used as a military base in the anti-Houthi war in Yemen. Shortcomings in electrical supply and infrastructural neglect, resulting in a shortage of potable water supply in the capital, Asmara, continued during the period under review, and no maintenance measures were applied.

Asmara was declared a UNESCO World Heritage Site in 2017, but nothing was done to stop the decay of the historical buildings in the city center. Basic consumer goods remain scarce, and most imports were in the form of contraband trade of consumer goods and fuel by the military, at least until the border with Ethiopia was opened in September 2018. Many goods were sold on the black market at exorbitant prices, while the formal economy was still very limited. Statistical data is nonexistent or unreliable due to the complete lack of transparency and the failure of the government to produce a state budget and other statistical data. Consumer price inflation was 9% in 2018, according to IMF estimates. The continuing militarization of society, which requires most of the adult population to work in the national service for no more than pocket money, has distorted the labor market and continues to fuel the mass exodus of the youth and the educated, thus further increasing the fragility of the state's institutions.

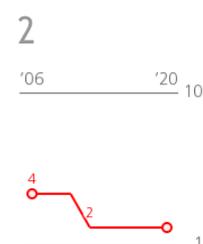
## 12 | Sustainability

The government's environmental policy remained unchanged during the period under review. While environmental protection is promoted in theory, it does not seem to be a government priority in reality. Pollution levels are low due to the very limited levels of industrial production and limited exploitation of marine and coastal resources. However, chronic shortages of fuel and kerosene force the population to use firewood for cooking for extended periods, even in urban areas, which has resulted in countrywide deforestation. The contraband trade of illegally harvested wood with the involvement of the military is common. The informal production of charcoal for sale by poor households is still widespread and is largely tolerated by the government. It is unknown if the pollution created by the activities of the Bisha mine in the Gash-Barka region is dealt with appropriately, because access to the area is heavily restricted. Plans to use alternative sources of energy such as solar panels have

Output strength



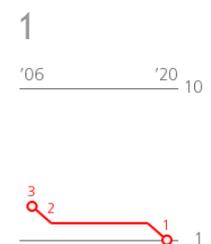
Environmental policy



progressed slowly due to import restrictions. In 2015, the European Development Fund granted €200 million to improve the use of solar and other renewable energies; however, so far only €8 million has been used, which was spent on one single solar energy project in Zoba Debub. There seem to be no plans for further projects, which means that the bulk of this money has remained unused during the period under review.

Data related to public expenditure for education was not available for the period under review, but it has probably remained low at about 2% of GDP. Gross enrollment ratios are among the lowest in the world (54% at primary level, 16.4% at secondary level and 2.3% at tertiary level in 2016), and female-to-male enrollment rates are low (0.86, 0.85 and 0.7 at the primary, secondary and tertiary levels, respectively). The same is true for enrollment ratios among disadvantaged minority groups in mother-tongue primary schools, especially among the pastoral and agro-pastoral groups. Mother-tongue schools are located in remote rural areas and very poor in manpower and facilities. They are mostly run by unqualified and unpaid national service teachers, many of whom have meanwhile fled the country. Many underage students are targeted and conscripted by the military in rural areas without consulting their parents. Early school withdrawal rates have steadily increased in urban as well as in rural areas. This is mainly due to the fact that all students have to pass their 12th schoolyear at the Sawa military camp in order to finalize their secondary education. About 2% of each age cohort transfers from here to tertiary education, while the rest are forced to enter the unlimited-term national service, where some receive vocational training. For these reasons, large numbers of Eritrean youth prefer to drop out of school or flee to neighboring countries as unaccompanied minors before they reach the age of 18 in order to avoid subscription. The literacy rate was estimated at 73.8% in 2016, but functional literacy is probably much lower. Caretakers and educators of Eritrean refugees who have arrived in Germany in recent years regularly complain about the very poor reading abilities of those young people. The lack of paid employment opportunities since the introduction of the open-ended national service has had a negative effect on students' motivation to study. There was no investment in research and development during the period under review, and the University of Asmara remained closed. Research is seen as a dangerous and challenging issue, and scholars are not allowed to perform research without first obtaining permission from the president's office. The subject must be one accepted by the authorities. Tertiary education is limited to so-called colleges that do not grant internationally accepted grades, and only a very limited number of students have access to these facilities.

Education policy /  
R&D



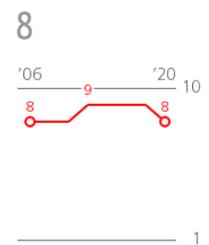
## Governance

### I. Level of Difficulty

When the current government came to power in 1991, it inherited structural constraints related to the 30-year struggle for liberation, such as poor infrastructure, widespread poverty and illiteracy. Another structural constraint is the dry climate, which limits the productivity of rain-fed agriculture. However, it also inherited a fairly developed and diversified industrial sector that had been created under Italian colonization and continues to form the heart of the country's industrial production. In the first years following independence, the government developed programs to overcome the damage done by the war, setting out a cautious path of liberalization and democratization. However, these developments came to an end with the outbreak of the Eritrean-Ethiopian war (1998–2000), when the population paid a heavy toll and parts of the newly erected infrastructure were destroyed. Since the end of the “border war,” the government has made no moves to loosen political, social or economic restraints, and has shown no interest in pursuing policies leading to democratization or the construction of a market economy. Indeed, the government is actively working against democratization by claiming that the educated and merchants are the primary enemies of the government's development strategy. It has imprisoned or exiled hundreds of thousands of civilians and young officers who have criticized the government's economic policies. NGOs and national investors seeking to provide aid or other supplies to the population have been refused access because the government claims that Eritrea is self-sufficient. In 2015, the government declared its desire to reengage in cooperation with the European Union and has accepted aid amounting to €200 million. However, due to a lack of local NGOs or other organizations with the ability to develop projects on the ground, most of these funds have hitherto remained untouched.

Because of the misguided economic policies, lack of democratic transformation and militarization of society, Eritrea has continuously created new constraints that hinder sustainable development. The government has now been forcing its population into unlimited-term national service for more than one and a half decades, a requirement that has driven hundreds of thousands of Eritreans into a mass exodus. Several thousand are fleeing the country each month, which is decisively weakening state institutions and public services. Even the reconciliation with former “archenemy,” Ethiopia, in 2018 has not triggered a reform process.

Structural  
constraints



The government's policies create additional constraints by strictly limiting opportunities for entrepreneurship, tolerating contraband trade and human trafficking by military officers, and severely hampering higher education and increasingly the rest of the education sector too. Through these failed policies, the government is increasing the risk of state failure from year to year and depriving generations of Eritreans of the ability to make a dignified living inside their home country. Fresh revenues created by the mining sector are not used for the benefit of the population or for investment purposes. They probably end up in the coffers of government and military officials, including those of the president himself. The sanctions imposed by the United Nations Security Council in 2009 and 2011 were lifted in late 2018 after Eritrea's reconciliation with Ethiopia and Djibouti. Due to the peace agreement with Ethiopia and the lifting of the sanctions, the level of structural difficulties has decreased. This also means that the government's justifications for the militarization of society and for denying the population all kinds of civil liberties and political rights have ceased to exist.

Civil society organizations such as NGOs, labor unions and organized interest groups of all kinds are prohibited in Eritrea. Attempts to create civil society organizations that work independently from the government have been suppressed from the beginning of the state's existence. The national unions for women, youth and students, as well as the worker's confederation, are the leftovers of the former mass organizations of the Eritrean People's Liberation Front (EPLF) and are de facto branches of the government. They have become increasingly inactive during recent years. On the other hand, traditional civil society networks, based on elaborate mediation procedures performed by religious and local elders, have strong roots in Eritrean culture and continue to be a means of solving conflicts between various interest groups in the absence of a democratic judiciary system. These have also served as the backbone of the social security network given the lack of a state-run welfare system. The creation of PFDJ-loyal community courts in 2004 has weakened these traditional mediation networks to some extent, especially in urban areas. More importantly, the one and a half decade and a half-long militarization of society through the national service program, which alienates people from their social roots and prevents them from founding and caring for a family, has further weakened traditional civil society networks inside Eritrea. However, most Eritreans living in the diaspora continue to feel obliged to send remittances to their extended families in the homeland. These private remittances constitute the only existing social security network for Eritreans and provide a lifeline for increasing numbers of households.

#### Civil society traditions

10



1

According to government dogma, there are no conflicting interests between the various ethnic and religious groups in Eritrea, and the people are unified under the PFDJ's doctrine of "one people, one heart." In reality, there are cleavages between the dominant ethnic group, the Tigrinya, and smaller ethnic groups who feel disadvantaged and excluded from the limited services provided by the state such as education and employment in the state administration. Muslims also feel discriminated against as Arabic, their lingua franca, is suppressed in educational circles and is not used in the state administration. The attempted military coup of January 2013 was led by Muslim colonels, and consequently the government cracked down on various high-ranking Muslim PFDJ cadres who have remained in jail without trial ever since. The Tigrinya ruling elite and President Isaias portray any kind of criticism and protest from Muslim PFDJ leaders and intellectuals as jihadist or terrorist resistance attempts, and some Christian intellectuals in the diaspora follow this line of argumentation. Armed insurgency groups acting from Ethiopia were told to lay down their arms by the Ethiopian government following the declaration of peace and friendship between the two countries in summer 2018.

The government's strategy – introduced in 2012 – of arming elderly civilians in the cities, mainly Asmara and Keren, but also in some rural areas, and having them patrol as "neighborhood militias," met growing and continuing resistance among the affected population and seems to be no longer in place.

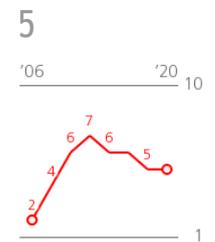
In December 2018, an assassination attempt was carried out on Major General Sebat Efreem, the minister of mines and energy, and former minister of defense. This is an indicator of growing unrest among the military in the aftermath of the reconciliation with Ethiopia.

## II. Governance Performance

### 14 | Steering Capability

The government's long-term goals and implemented strategies run counter to the establishment of democracy and a market-based economy. President Isaias has made it clear several times that he has no intention of standing for election or of giving up power in the foreseeable future. It is still unclear how his succession will be organized. In 2013, Woldenkiel Abraha was appointed as the new minister of local government, a post that had been vacant since 2001. According to the unimplemented constitution, the minister also acts as vice president, but it is highly unlikely that Woldenkiel, a veteran fighter, a long-term member of the PFDJ's executive committee, and a former minister of transport and communication who is currently in his seventies and lacks a broader support base, will be the political successor of the

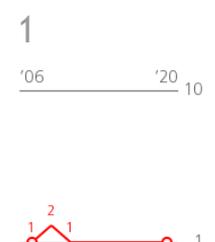
### Conflict intensity



### Question

Score

### Prioritization

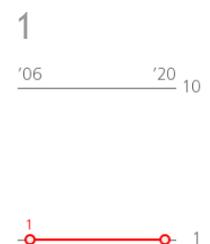


current president. In May 2014, Isaias announced that a new constitution would be drafted, but so far, no concrete steps have been announced. In the period under review, his eldest son, Abraham Isaias, accompanied him on various official occasions, which led to rumors that President Isaias may consider him as his possible successor.

Eritrea's political leadership has ruled out the market economy as a viable model for the country. Instead, the government's ideology is based on militarism, state control over the economy and collectivization of the population within the framework of the unlimited-term national service. The inherent lack of sustainability in this system has led to growing levels of corruption and a decline in values among the leadership, the high- and middle-ranking military officers, and segments of the population. The government has continued to ignore the negative impacts of its policies, such as the steadily declining economy, the lack of essential consumer goods, widespread poverty and a mass exodus that accelerated further after the opening of the border with Ethiopia. Despite that, the leadership seems to be unaware of or heedless of the long-term consequences of its policies, a fact that may result in state failure if policies are not changed in the near future. Yet, it does not seem as if the government is making use of the historic opportunity to transform the militarized social and political system after the achievement of peace with Ethiopia.

The government has no clear policies to implement. Daily politics depend on the changing moods and attitudes of President Isaias and his small circle of advisers who seem to be unaware of the unsustainability of their "development model." Despite the deteriorating economy and the mass exodus of people from the country, the government has no plans to reform its policy by introducing a market economy or by embarking upon a path of democratization. It has retained its policy of aiming to achieve development and social justice purely through self-reliance and the sacrifices of the population. The government's main development policy instrument is still the recruitment of the working-age population into the unpaid unlimited-term national service. Recruits are supposed to improve the country's infrastructure by building dust roads, micro-dams and the like. By pursuing this policy of forced labor while simultaneously strangling any private sector economic initiatives, the government has not only failed to achieve its goal of developing the country, but it has also maneuvered the country into a deep economic and social crisis. The government has increasingly tolerated the mass exodus of people fleeing the national service and regarded Eritrean refugees abroad as a secure source of income by coercing them to pay a 2% diaspora tax, which is levied on all Eritreans abroad. Eritrean embassies around the globe force national service deserters to sign a "letter of regret," in which they pledge to pay the tax, which is also levied on social welfare benefits provided by Western governments. The government relies on private remittances sent by refugees and diaspora members abroad to compensate for the lack of a welfare system and the lack of income opportunities. The government intermittently uses the mass exodus as a political tool with regard to Western donors who show willingness to

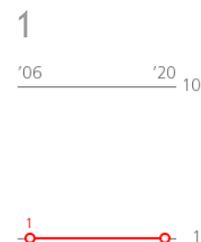
Implementation



finance aid programs in Eritrea to curb the outflow of refugees. However, currently it seems that Saudi Arabia and the UAE are providing the government with sufficient resources, and for now the Eritrean government has ended its charm offensive toward Western governments, which is another example of the erratic character of Eritrean foreign policy.

Since the 2001 political crisis, the government has demonstrated absolutely no willingness or ability to engage in policy learning. The policy-making process is controlled by the president and a small group of advisers. There is no constitution, no functional parliament, no independent press and no NGOs, and the cabinet of ministers does not have any decision-making power. Thus, the leadership has not been challenged in its decision-making and continues to ignore the serious problems arising from its failed development policies and the militarization of society. Even after the end of the “no war, no peace” situation with Ethiopia initiated by Ethiopian Prime Minister Abiy Ahmed in 2018, the government did not envisage reforms. President Isaias and his followers in the diaspora still consider Eritrea as a model for other African countries, ignoring the dire straits of a population forced to flee the country en masse. The only learning capacity perfected by the regime has been to compensate for its economic failure by deriving income from foreign sources who seek to gain advantages for their own political agendas. During the “refugee crisis,” these were European governments, and during the period under review, Saudi Arabia and the UAE seem to have become the major financiers of Eritrea, compensating the government for their use of a military base in Assab in their war against the Houthis in Yemen.

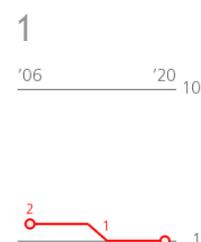
#### Policy learning



## 15 | Resource Efficiency

Substantial parts of the state administration are staffed with national service recruits who are forced to work for pocket money. Since 2002, the government has been recruiting high-school graduates into the national service, employing them in the administration to perform routine daily tasks, while the top administrative echelons are occupied by aging ex-fighters with often only a rudimentary education. This has seriously hampered the efficiency of public services. Rapidly increasing numbers of teachers, doctors and other qualified personnel trapped in the ranks of the national service program have fled the country, rendering state institutions and public services increasingly weak. Veterans of the independence struggle continue to be employed in the administration despite their old age and lack of requisite skills, while large parts of the younger generation are deprived of vocational training or higher education and instead used as a cheap labor force for infrastructure projects, on military-run cash-crop farms or in the administration. In recent years, every college graduate reportedly has had to serve as a teacher for one or more years, often teaching subjects he or she is not qualified in, in order to compensate for the severe lack of teachers since the last generation of educated teachers is increasingly aging. Eritrea has not published a state

#### Efficient use of assets

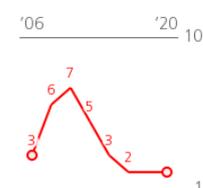


budget since independence, and there is no auditing of government spending whatsoever. Regional administrations are run in a parallel system by civil administrators and military commanders who control the country's four military command zones. Each zone is supposed to be self-financing, collecting money both legally and illegally through the taxation of land and trade but also through the contraband trade of consumer goods and spare parts across borders. A basic public health service exists, but large numbers of qualified personnel have left the country, further reducing its efficiency. The mass exodus caused by the unlimited national service constitutes a huge waste of human resources because those who receive an education try to leave the country rather than perform forced labor under the current system. Financial revenues created by copper mining have been unaccounted for instead of being used to alleviate urgent problems such as a lack of energy and affordable food items. After the opening of the border with Ethiopia, traders from the neighboring country were free to sell their goods in Eritrea, but this was at the expense of local traders who suffer from severe restrictions due to their limited access to cash.

Policy-making is concentrated in the hands of the president and a few top PFDJ advisers, among whom presidential adviser Yemane Gebreab and the head of the PFDJ's financial department, Hagos Gebrehiwot "Kisha," play crucial roles. The objectives of the government's policy have become increasingly obscure since the 2001 political crisis, when Isaias cracked down on the PFDJ reformists and the free press. The military has retained considerable influence and plays an important role in the economy, in contraband trade and in the human trafficking of Eritreans who wish to flee the country. It is currently unclear how the peace agreement with Ethiopia will affect the internal power balance between the president, the PFDJ cadres and the military officers, and what kind of power struggles are going on behind the scenes. The government's overall policy is coherent in principle but only in a negative way: its core policy, the militarization of society within the framework of a command economy based on forced labor, has had adverse effects on all other policies such as economic development and social welfare, and it has triggered an alarming population outflow. Coordination between the various ministries is poor, the president's unpredictable decision-making often depends on his unstable moods, and most state institutions are affected by corruption. The post of minister of defense was still vacant in January 2019. The president's office continued to appease high-ranking military officers by tacitly tolerating all of the generals' methods of self-enrichment, including contraband trade, human trafficking, the use of forced labor to reap private profits and bribes of all kinds. It seems that human trafficking into Sudan continues despite the open border with Ethiopia because Ethiopian refugee camps have been overwhelmed by the arrival of more than 10,000 Eritreans since the fall in 2018, most of whom are women and children.

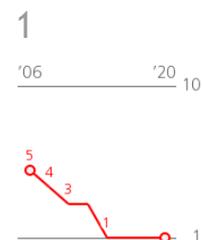
## Policy coordination

2



The government's official goal of containing corruption has been effectively abandoned, and corruption by military personnel and civil servants is usually not persecuted. The government's "currency reform" of 2015/16, which forced the population to deposit all assets exceeding ERN 20,000 into a bank account, can be seen as an attempt to contain corruption and dry up the black market, but individuals who had enriched themselves illegally have not been prosecuted. There is absolutely no auditing of state spending or income due to a complete lack of checks and balances. This includes the revenues derived from the mining of gold and other precious metals, which commenced in 2011. The PFDJ's Hdri Trust Fund controls all major companies in the country (trade, construction, retail etc.) and is "audited" by a single person, the financial head of the PFDJ. Eritrea is ranked second-last worldwide in terms of press freedom, and state media sources are prohibited from reporting any negative developments. There is no public accountability for mismanagement or corruption, and even the military-headed special courts, which are supposed to deal with cases of corruption, have remained largely inactive. High-ranking military officers continue to be engaged in contraband trade and human trafficking. They accept bribes to smuggle young Eritreans out of the country and cooperate with corrupt Sudanese officials and members of the Rashaida tribe to traffic these refugees.

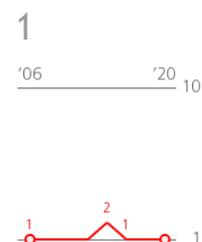
#### Anti-corruption policy



#### 16 | Consensus-Building

None of the few political actors that have remained in a decision-making position in Eritrea want democracy; on the contrary, they seem to be determined to continue the autocratic style of government despite the cessation of the "no war, no peace" situation with Ethiopia, which has served as an excuse for postponing all democratic and economic reforms since 2001. Accordingly, Eritrea was ranked second-last worldwide in terms of press freedom during the period under review, changing places with North Korea, and state media sources are prohibited from reporting any negative developments. There is no public accountability for mismanagement or corruption, and even the military-headed special courts, which are supposed to deal with cases of corruption, have become largely inactive.

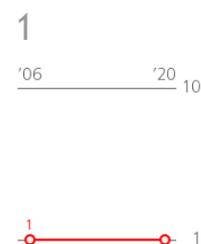
#### Consensus on goals



The government continues to run a command economy based on systematic forced labor of national service recruits and has no plans to liberalize the economy, which remains firmly under the control of the military and the PFDJ elite. There are also no plans to reform the national service and to reduce its length in the framework of a demobilization program. During the period under review, it remained unclear if and how the reconciliation with Ethiopia and the opening of the border for traders and goods would trigger economic reforms.

The country's significant political actors, which effectively means the president and his top PFDJ advisers, remained strictly opposed to the establishment of a democracy during the period under review. Political actors who had promoted reform from within the PFDJ (the so-called G-15 group) were still in jail without any access to the due process of law. Other critics of the government's policy were forced into exile or remained silent due to the authoritarian political system, with one exception: in September 2018, former Minister of Finance Berhane Abrehe published a book in which he criticized the president's policies. He was promptly arrested and is being kept in jail without a trial.

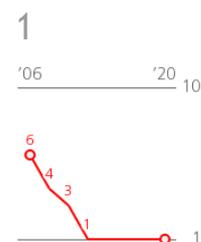
Anti-democratic actors



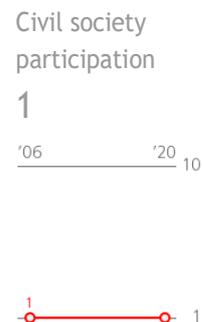
The opposition in exile is fragmented, and there is no opposition party that has developed a political program dealing with the implementation of democracy in a convincing manner. The underground resistance group called "Freedom Friday," which was founded in the diaspora and has slowly gained support inside the country, continues to exist and provides the diaspora with news occasionally. However, its activities are strongly restricted by the totalitarian political environment. Eritrea's four Catholic bishops published a pastoral letter in 2014, in which they harshly criticized the government; however, they remained silent during the period under review. Generally, it can be assumed that the government has muted all possible resistance inside the country. However, there is a possibility of intensifying resistance due to the lack of political reforms following the reconciliation with Ethiopia, possibly within the middle ranks of the military.

The government denies the presence of cleavages along ethnic and religious lines in Eritrea. By claiming that all societal groups have equal rights and form an inseparable unity of Eritrean nationalists, the state conceals the structural discrimination faced by ethnic and religious minorities. The administration, the educational system and the military are dominated by the Tigrinya ethnic group, which comprises around 50% of the population. While the entire population is subject to political oppression and human right abuses, there is structural discrimination against the other eight ethnic groups, which are predominantly Muslim. The political leadership instrumentalizes ethnic and religious cleavages in order to maintain its power and political control. It also plays individual clans within ethnic groups against one another by dividing them into alleged government loyalists and alleged opponents. The political leadership declares existing cleavages to be taboo on the one hand, while exacerbating them on the other by marginalizing pastoral groups, using the western and eastern lowland regions to host large cash-crop agricultural projects or resettlements, suppressing the Arabic language in the administration and as a medium of instruction, and pursuing a controversial mother-tongue policy. The existing cleavages manifest themselves in the diaspora, where most newly arrived refugees organize themselves into religious- or regional/ethnic-based communities.

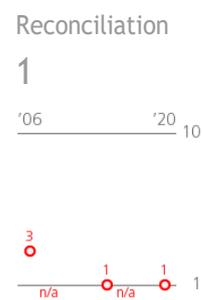
Cleavage / conflict management



The government has prevented the emergence of an independent civil society since coming to power, and it has banned all NGOs and other civic groups with the exception of the former EPLF mass organizations (the National Union of Eritrean Women, the National Union of Eritrean Youth and Students, and the Confederation of Eritrean Workers). However, these are under strict government control, and they do not play any role in representing the interests of the groups they should represent in theory. Their purpose is to impose the government’s ideology on their members; yet, they did not engage in any significant activities during the period under review. Traditional civil society, represented by religious and local elders and mediators, is still excluded from political decision-making. Private charities and religious civil society groups are still prohibited. The PFDJ claims to be the only representative of society and denies the existence of other interest groups. The clandestine resistance movement “Arbi Harnet” (Freedom Friday), which strives for human rights improvements and democratization, has no chance to operate legally, and its activists risk being arrested and tortured. Accordingly, the movement could carry out few activities during the period under review, though that included reporting the assassination attempt on General Sebhat Efrem and other events in the country that were concealed by government media.

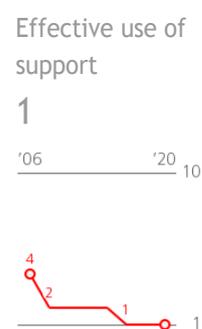


Historical injustices are ascribed to the time of Ethiopia’s annexation of Eritrea and the period of the independence struggle between 1961 and 1991. The current regime has also committed countless atrocities against the population, which have been partially documented by the U.N. Commission of Inquiry on Human Rights in Eritrea. It will be the task of a future government to achieve reconciliation between the current victims of the regime and the perpetrators.



### 17 | International Cooperation

The government aims to achieve economic and social development through a strategy of self-reliance, a status it evidently intends to achieve by recruiting the working-age population into the unlimited-term and poorly paid national service program where recruits perform coerced labor for government- and military-led enterprises. Generally, the leadership considers international cooperation to be undesirable, believing that it creates dependency. One purpose of the government’s refusal to cooperate with international donor organizations is to deny expatriates access to the countryside, thus hiding the effects of its misguided policies, such as malnutrition, mass displacements and the use of forced labor in infrastructure projects. Foreigners, including diplomats, are not allowed to leave Asmara without prior permission from the Eritrean authorities. In 2015, the government accepted development aid worth €200 million from the European Union; however, only €8 million have so far been spent, being used for a solar energy project. The remaining funds have not been utilized. Foreign investment is only tolerated in the mining sector, where companies

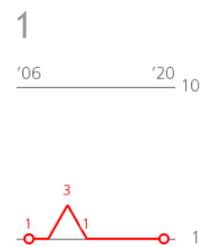


from Canada, Australia and China have been granted exploration licenses. However, they are required to enter into joint ventures with the Eritrean National Mining Corporation (ENAMCO) and abide by its rules and regulations. Bisha mine, a joint venture of Canadian Nevsun Resources and ENAMCO, began operations in 2011 and is the only operating mine so far. Nevsun is currently being sued by a Canadian law firm for having been involved in the use of forced labor and crimes against humanity. The firm is acting on behalf of several Eritreans who claim to have been forced to work on the construction of the mine. As of January 2019, the lawsuit was pending in Canada's Supreme Court.

The Eritrean government has no policies oriented toward democratic and market reforms. It has cut all relationships with bilateral and multilateral donors, and it has expelled all foreign NGOs from the country. Apart from the mining sector, where companies from Canada, Australia and China have invested, there are hardly any foreign investors. The only official investment agreement is with Italy, but this seems to be obsolete. Following the peace and friendship agreement with Ethiopia, there have reportedly been investments in road repairs and improving port infrastructure to make Eritrea's ports accessible for Ethiopian exports, but very little information has been made publicly available in this regard. In January 2019, the Ethiopian prime minister held talks with the Italian government, which agreed to finance a feasibility study for a railway connecting Ethiopia and the Eritrean port of Massawa, but the Eritrean government did not comment on it. All foreign investors are supposed to enter into joint ventures with Eritrean state companies or PFDJ-run enterprises. Canadian Nevsun Resources, which runs the only operational mine in the country, was involved in the use of forced labor during the construction of its Bisha mine and is currently facing a lawsuit in Canada related to the exploitation of national service recruits as forced laborers.

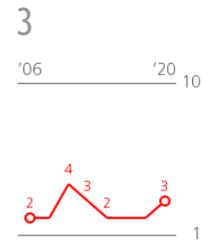
The Eritrean government has a long record of acting unpredictably toward international donors. It has expelled most bilateral aid agencies and NGOs. In December 2011, it returned EU Commission funds accepted in 2009, originally earmarked for supporting the agricultural sector and road maintenance, without giving an explanation. However, it accepted EU funds worth €200 million in December 2015. These funds are supposed to be invested in the renewable energy sector and in improving governance, but they remained almost untouched during the period under review. Promises to reform the national service by reducing its duration to 18 months have not been fulfilled despite the cessation of the military threat from Ethiopia.

Credibility



In a surprising move, Ethiopia's new Prime Minister Abiy Ahmed announced in June 2018 that he would accept the Eritrea-Ethiopia Boundary Commission's 2002 border verdict and was ready to enter into talks with Eritrea. The Eritrean side reacted positively, and several high-level bilateral meetings took place. In July and September, the two countries signed a peace and friendship agreement and pledged to work together for the development of the region. President Isaias then met his Djiboutian counterpart Ismael Omar Guelleh in September 2018 (again due to Abiy's initiative) and both promised to solve their border conflict peacefully. As a consequence, the U.N. Security Council terminated all sanctions against Eritrea in November 2018, and the country's membership in the regional organization IGAD was fully restored. However, it can be assumed that tensions between Eritrea and Djibouti will persist, especially because the use of Eritrean ports by Ethiopia could harm Djibouti's economy. Similarly, relations between Eritrea and Sudan improved due to Ethiopian pressure, but latent tensions remain. No details on the bilateral agreements between Eritrea and Ethiopia have been communicated to the public, which makes many Eritreans fear that their president is putting Eritrea's sovereignty at risk. With regard to Europe, Eritrea has ceased efforts to present its most attractive side; on the contrary, the government harshly criticized Germany for having held "a hostile stance against Eritrea" and warned it "to refrain from meddling in the affairs of the Horn of Africa."

### Regional cooperation



## Strategic Outlook

Since 2001, the Eritrean government has pursued a destructive strategy that has blocked democratization, strangled the economy due to control by the ruling PFDJ and the military, and militarized society to an extremely high degree. The practice of unlimited-term conscription into the army and the national service has continue unabated, and hundreds of thousands of Eritreans have been serving for up to two decades without earning noteworthy salaries. This has resulted in a mass exodus of young people and skilled workers, with thousands of Eritreans fleeing their country every month since 2014. Even though it signed a declaration of peace and friendship with its former foe, Ethiopia, in 2018, the government refuses to abolish the open-ended national service or to follow a policy of demobilization and economic liberalization. It seems that the regime has increasingly tolerated the mass exodus since 2013 because refugees turn into a reliable source of income for the state budget through a 2% diaspora tax that is often extracted through coercion as well as for their family members at home. Diaspora remittances are exceptionally high and make up more than one-third of the national budget.

At the same time, the exodus has resulted in increasingly weak state institutions and continuously deteriorating services. The health and educational sectors have suffered severely from the flight of teachers, doctors and nurses. The government has made it clear that even in peacetime it continues to demand self-sacrifice from the population as a legacy of the independence struggle, while high-ranking military officers and other PFDJ officials profit directly from the forced labor of national service recruits. An assassination attempt against Major General Sebhat Ephrem in late 2018, reportedly carried out in retaliation for betraying a group of military personnel who had planned a coup, points to the possibility of future unrest in the military. Parts of the military leadership are unhappy about the president's reconciliation with Ethiopia – some because they fear for Eritrea's sovereignty, others because they lose income from human trafficking and contraband trade. In addition, the mass exodus of economically active youth prevents people from rising up against the government. There has been no open unrest and no demands for demilitarization following the peace declaration with Ethiopia in summer 2018.

The government has also failed to stop the downward spiral of the economy. Despite deriving more than \$1 billion dollars from the mining industry and undisclosed funds from Saudi Arabia and the UAE, it has been unable to provide reliable services. It has been unable to contain widespread poverty and malnutrition or to provide basic consumer goods at affordable prices. Eritrea did not continue attempts to improve relations with European donors during the period under review; instead, it warned Germany, for example, not to meddle in the affairs of the Horn of Africa. The private economy remained suppressed during the period under review, and human rights and civil liberties continued to be denied. In November 2017, the closing of the Muslim Al-Dia school and the arrest of the nonagenarian Hajji Musa, a member of the school board, triggered the first demonstration in Asmara since 2001. The unrest continued after his death in prison in March 2018 when thousands attended his funeral. In 2018, the U.N. Commission of Inquiry on Human Rights in Eritrea stated that the government has continued to commit crimes against humanity.

The opposition in exile is still fragmented and without a convincing program for democratic change and economic liberalization. Armed insurgents operating against the Eritrean regime have no longer been tolerated by Ethiopia since the reconciliation. The complete lack of civil society institutions and the extremely high levels of oppression in Eritrea have long obstructed the emergence of internal resistance movements. However, the underground movement “Arbi Harnet” (Freedom Friday) continues to act as a small resistance movement. The president’s popularity is still extremely low, especially among disadvantaged minorities and the youth. The diaspora remains divided between staunch PFDJ supporters and a fractured opposition camp.

For large numbers of young Eritreans, leaving the country seems to be the only way to protest the regime’s policies and to strive for a decent life despite the dangers en route to their destinations. This process continues despite the peace agreement with Ethiopia and is weakening state institutions. Eritrean authorities have not come up with any roadmap for development after the peace deal due to a severe lack of state functioning. On the other hand, the diaspora tax and private remittances from Eritreans abroad help to stabilize the regime by compensating for the government’s ruinous economic policies. The president’s physical health seems stable, and there were still no mechanisms for his succession in place at the time of this writing.

The international community’s impact on the internal policies of Eritrea is very limited, and there has been no consistent pressure on the government to reform its economic policies, end its strategy of militarization and introduce democratic reforms – not even since the peace agreement with Ethiopia. The mass exodus of the younger generation has been causing a severe brain drain for more than a decade, and Eritreans inside the country increasingly depend on their relatives abroad for their survival.

The international community’s ability to influence the internal policies of Eritrea is limited despite the resumption of economic cooperation with the European Union, which seems not to have gone beyond an initial stage. The regime has even stopped paying lip service to reforms, and pressure from Europe to act in this regard has been very limited. The attempts of EU policymakers to motivate the authoritarian government in Asmara to engage in a reform process through dialog and through offering financial support has failed. Even the reconciliation between Eritrea and Ethiopia happened due to the initiative of Ethiopia with the backing of Saudi Arabia and the UAE, and not through European endeavors.