

HOW PRIME MINISTER ABIY ENVISIONS “NEW ETHIOPIA”: MOVING TOWARDS PEOPLE’S RECONCILIATION AND SUSTAINABLE ECONOMIC DEVELOPMENT

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SUMMARY

- The vision for a “New Ethiopia” aspired to by Prime Minister Abiy Ahmed is as follows: (1) Firmly establish democracy and achieve reconciliation among Ethiopia’s people; (2) Maintain the current level of strong economic growth and become a “low and middle-income country” by 2030; and (3) Promote the peace in the “Horn of Africa” region, which will be essential for the long-term stability of Ethiopia, and play a leading role in the region both politically and economically.
- The most pressing challenge facing Prime Minister Abiy is winning the May 2020 general election. After this, in the short term, he will pursue political and economic reforms and the full-scale launch of infrastructure projects. In the medium-to-long term, his aims are to establish export-driven agriculture and manufacturing industries to increase employment and obtain foreign currency, and to make Ethiopia a continental-level manufacturing hub on the assumption of stability in the Horn of Africa region.
- Prime Minister Abiy’s leadership will be tested as Ethiopia accomplish reforms that will force pain on people.

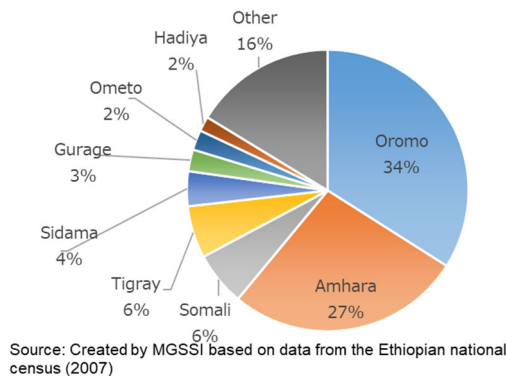
1. SOCIAL TRANSFORMATION IN ETHIOPIA AND THE BIRTH OF A NEW LEADER

Before discussing the challenges facing the Abiy administration, let’s first take a brief look at the history of Ethiopia and the background to Prime Minister Abiy’s political appointment. From the 13th century onwards, the Ethiopian Empire controlled a territory comprising more than 80 different ethnic groups. However, the Empire collapsed following a military coup de état in 1974. President Mengistu Haile Mariam, who became the leader of the country in 1977 during the Cold War, governed Ethiopia under a single party dictatorship with the aim of building a socialist state. From 1974 to 1991, hundreds of thousands of opponents were purged, and more than one million people fled to other countries as refugees. The next leader to emerge was former Prime Minister Meles Zenawi, who led an anti-government guerilla force composed of Ethiopia’s major ethnic groups. After overturning the Mengistu regime in 1991, his long administration lasted until his death from illness in 2012.

Former Prime Minister Meles formed the Tigray People’s Liberation Front (TPLF) anti-government group in 1975. In 1989, the group was merged with the major ethnic guerilla groups into the Ethiopian People’s Revolutionary Democratic Front (EPRDF). This organization became the power base for former Prime Minister Meles, as well as the precursor to the political party led by Prime Minister Abiy. The EPRDF was composed of the Oromo people (34% of the total population), who are Ethiopia’s largest ethnic group, as well as the Amhara (27%), the Tigray (6%), to which former Prime Minister Meles belonged, and Southern Ethiopian minorities (around 10.5% in total) (see Figure 1). Despite being from a minority ethnic group, former Prime Minister Meles commanded the EPRDF through his overwhelming charisma. He established a de facto authoritarian regime

led by the Tigray by transforming originally a coalition system, and suppressed ethnic minorities, and enforced controls on the media. Meles's authoritarian power succeeded in promoting Ethiopia as a promising market, but he also left negative aspects of discontent among other ethnic groups.

Figure 1 Ethnic composition of Ethiopia (2007)



After the death of former Prime Minister Meles, Ethiopia's largest ethnic group, the Oromo, held frequent protests and riots against the government, dissatisfied with the seizure of political and economic control by the Tigray. Unable to control a deterioration in security, a state of emergency was declared both in 2016, and in 2018. To end the unrest, the four political parties that made up the EPRDF agreed to elect Abiy Ahmed, who is from the largest ethnic group, the Oromo¹, a new Chairman of the EPRDF. He was appointed prime minister in April 2018 at the age of 42.

Prime Minister Abiy has a Muslim father and a Christian mother from the Amhara people. His wife is also Amhara, which shows his deep understanding of other ethnic groups and religions. After a 17-year military career, he switched to politics in 2010 and became Deputy President of his home region, the Oromia Region, where he tackled issues such as youth employment, and investment and land reforms. When demonstrations against illegal land acquisitions by the federal government in the area of Ethiopian capital Addis Ababa turned violent, Abiy successfully led the Addis Ababa Master Plan, which had been the original cause of the demonstrations², to halt. His great popularity in the Oromia Region because of this achievement provided the cornerstone for his later appointment as prime minister.

Thus Prime Minister Abiy has taken the first steps towards building a "New Ethiopia" that realizes sustainable economic growth, while at the same time aiming to firmly establish democracy and achieve reconciliation among the people of Ethiopia.

2. ABIY'S VISION FOR ETHIOPIA AND THE CHALLENGES HE FACES

The vision for the "New Ethiopia" strongly aspired to by Prime Minister Abiy Ahmed can be summarized in the following three points: (1) Firmly establish democracy and achieve reconciliation among people; (2) Maintain the current level of strong economic growth and become a lower middle-income country by 2030; and (3) Promote the peace in the "Horn of Africa" region, which will be essential for the long-term stability of Ethiopia, and play a leading role in the region both politically and economically. Below is the review of these three points.

¹ The Amhara Democratic Party (formerly ANDM), Oromo Democratic Party (formerly OPDO), Tigray People's Liberation Front (TPLF), and the Southern Ethiopian People's Democratic Front (SEPDF) each selected 45 electors (180 in total), and Abiy Ahmed was elected through a vote by the electors. (Aljazeera News, March 28, 2018) <https://www.aljazeera.com/news/2018/03/abiy-ahmed-elected-chairman-ethiopia-ruling-coalition-180327201015850.html>

² "Dr Abiy Ahmed: a biography" Eritrea Focus, November 7, 2018 (<https://eritrea-focus.org/dr-abiy-ahmed-a-biography/>)

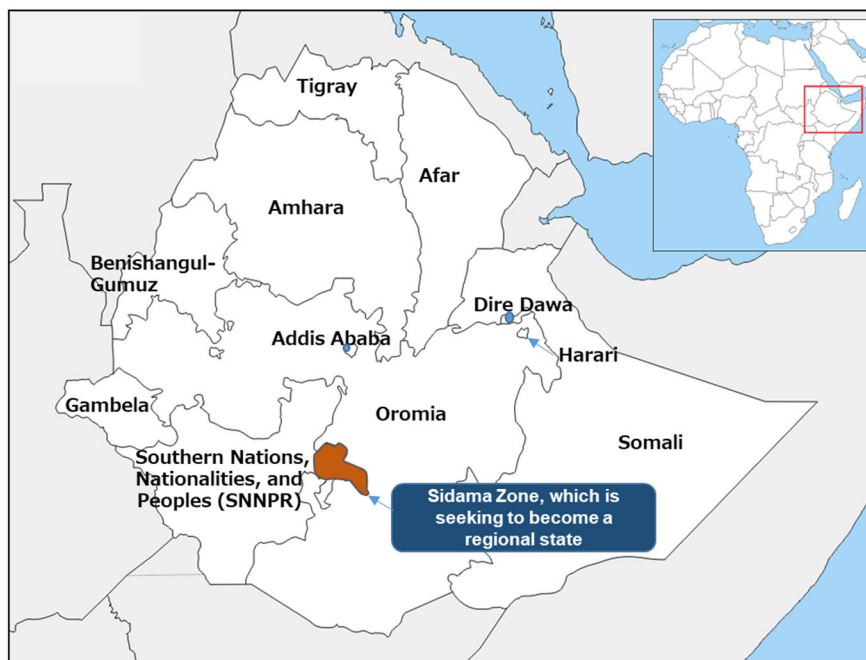
2-1 Public Discontent Released with the Democratization Process and Concerns about National Reconciliation

The first challenge Prime Minister Abiy took on right after his appointment was to attempt to resolve the friction among ethnic groups that had accumulated under the authoritarian Meles administration, and resume the process of democratization. He released thousands of political prisoners, encouraged the return of exiles, and legalized anti-government groups that had been designated by the government as terrorist organizations.

However, because the authoritarianism of the federal government have been constrained and freedom of speech and that of association have now been granted, returning exiles have started leading anti-government demonstrations in various regions. This has caused numerous deaths in clashes with security forces. Many people are still unhappy about the fact that the special privileges given to the Tigray people during the Meles era have yet to be eliminated, and protests have continued. Moreover, these protests arising from dissatisfaction are reinforcing the ethnic consciousness of each group in some aspects, which could be combined with the issues of poverty and unemployment among the younger generation and lead to a serious expansion of ethnic nationalism.

A typical example of this is the issue of raising the status of the Sidama Zone. Each of Ethiopia's nine regional states has a president and receives benefits in the form of regional grants distributed by the federal government according to the size of its population³. The Sidama people are the largest ethnic group in the Southern Nations, Nationalities, and Peoples' Region (SNNPR) (accounting for approximately 20% of the population of SNNPR). In November 2019, under the Ethiopian federal system, a referendum was held for independence of the Sidama Zone from the SNNPR (Figure 2), where the Sidama people reside, and the creation of Ethiopia's tenth regional state which was passed with 98.5% of voting in favor of independence⁴. Prime Minister Abiy has promised to respect the result and, if the Parliament of Ethiopia approves, the Sidama Zone will become the tenth regional state of Ethiopia. Some Ethiopia experts believe that raising the status of Sidama to a regional state may spark greater calls for self-governance among other ethnic minorities.

Figure 2 Ethiopia's ethnically-based administrative districts and the area where the Sidama people are seeking the creation of a new regional state



Source: Comments added by MGSSI to a map from d-maps.com (<https://d-maps.com/m/africa/ethiopie/ethiopie19.gif>; <https://d-maps.com/m/africa/afrique/afrique09.gif>)

³ Minako Ishihara (2001), "Decentralization and Ethno-politics in Ethiopia", "Africa Research 59", pp.85-100

⁴ Christine Yohannes (2019), "Ethiopia referendum: Sidama poll could test Prime Minister Abiy Ahmed", BBC, November 20, 2019, (<https://www.bbc.com/news/world-africa-50480087>)

There have been signs of the ruling party's centripetal force weakening. Prime Minister Abiy has sought to remove the ethnic emphasis from the EPRDF and to establish a process of democratization shared by all Ethiopian people. In November 2019, the decision was made to merge the EPRDF into the Prosperity Party (PP). and a policy of the party's decision-making shift from agreements among ethnic groups towards a more democratic way was announced. On December ¹, three major parties of the EPRDF (excluding the TPLF of the Tigray people, who have been the ruling ethnic group until now) and five ally parties signed an agreement on the integration into the PP⁵.

On the other hand, the Minister of Defense of Ethiopia, Lemma Megersa (current Deputy Chairman of the Oromo Democratic Party), has expressed the view that the timing is wrong for the formation of the PP and he personally is in favor of the ethnic-based coalition system⁶. It shows cracks even in Prime Minister Abiy's party are already becoming apparent. Although the ruling party holds an overwhelming majority in the current parliament and is expected to win the general election, the election result might be different depending on the political and security situation.

2-2 Establishing Sustainable Economic Growth: Becoming a Lower Middle-income Country and a Manufacturing Hub

Economically, Prime Minister Abiy is aiming to make the current high level of economic growth sustainable by establishing more robust infrastructure and strengthening the manufacturing industry.⁷ As a basis for this economic policy, the former Prime Minister Meles formulated the "Growth and Transformation Plan (GTP)" national policy.

The GTP aims to bring Ethiopia into the group of lower middle-income countries by shifting the focus of the economy from agriculture to industry and making Ethiopia an "African hub" for the manufacturing industry. The first phase of the GTP (GTP I) has finished (2010/11 to 2014/15), and now the second phase of it (GTP II) (2015/16 to 2019/20) is approaching its end.

The GTP I under the Meles administration promoted the establishment of a basic structure for shifting the Ethiopian economy focus from agriculture to industry. The GTP II implemented after the death of former Prime Minister Meles, focus has been on attracting foreign capital more actively, developing infrastructure as well as human resources skills⁸.

A major achievement of the GTP is large-scale infrastructure development. In recent years, a standard gauge railway linking Djibouti to Addis Ababa was completed using Chinese capital, and a light railway has gone into operation as a city railway in Addis Ababa. Constructions are also underway for an expressway linking cities and neighboring countries as well as industrial zones currently under development in 22 locations throughout the country. As for power generation facilities, the Grand Ethiopian Renaissance Dam (GERD) is currently under construction in the upper Nile, with the aims of both meeting domestic demand and exporting electricity. Once completed, it will become one of the largest hydro power



A light railway city train in Ethiopia
Taken by the author (during field survey in November 2019)

⁵ The three main political parties are the Oromo Democratic Party (ODP), the Amhara Democratic Party (ADP), and the Southern Ethiopian People's Democratic Movement (SEPDM). The five alliance parties include the Somali Democratic Party, the Afar National Democratic Party, the Harari National League, the Benishangul Gumuz People's Democratic Party, and the Gambella People's Unity Democratic Movement.

⁶ "Ethiopia's Prosperity Party officially formed in the capital Addis Ababa", borkena.com, December 5, 2019 (<https://borkena.com/2019/12/01/ethiopias-prosperity-party-officially-formed-in-the-capital-addis-ababa/>)

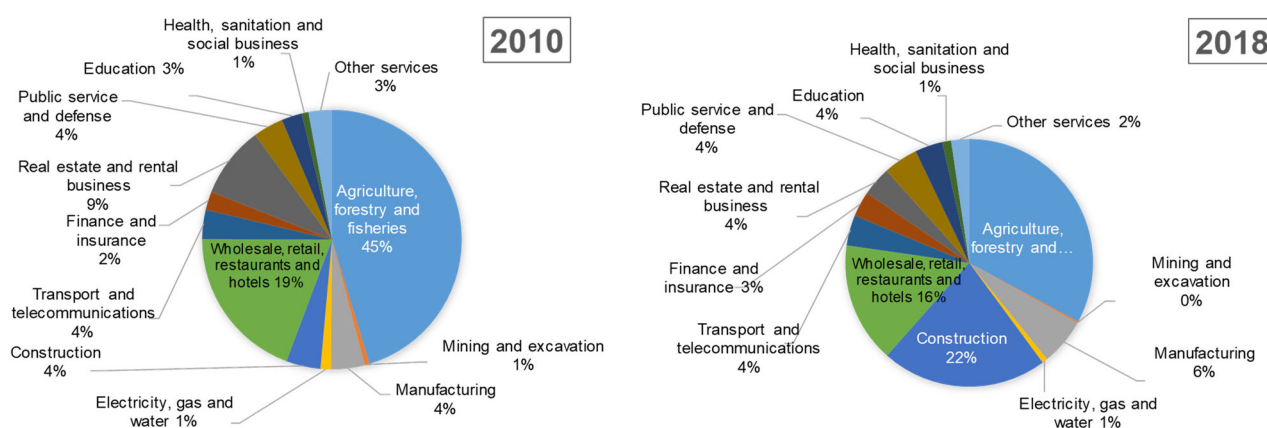
⁷ Under GTP I, Ethiopia has recorded an average real GDP growth rate of more than 10%. GTP II is seeking to achieve an average growth rate of 11%, but the 2018 growth rate slowed down to 7.7% (IMF).

⁸ National Planning Commission (2018), "The Second Growth and Transformation Plan (GTP II)" Midterm Review Report, The Federal Democratic Republic of Ethiopia

dams in Africa⁹. If negotiations with stakeholders go well, the above industrial zones and the hydro power plant are expected to be in operation on a full scale within two to three years from now.

Meanwhile, the shift from agriculture to industry, which is the main aim set out under the GTP, has only made gradual progress so far. As Figure 3 shows, the share of Ethiopian GDP accounted for by the manufacturing industry has increased from around 4% (2010) to around 6% (2018) only, and has yet to reach the level at which it would contribute to a reduction in the country's trade deficit. In order to grow foreign direct investment in the labor-intensive manufacturing industries, which are currently the mainstay of Ethiopian manufacturing, and to reach the level at which the industrial zones are able to launch operations (including maintenance) and start to acquire foreign currency, it is necessary to transfer technology to the country from overseas and develop human resources. At the current stage, investments from countries such as China, Turkey, and India, have been increasing in industries such as textiles, leather-making, and shoe-making, as these countries seek cheap Ethiopian labor. However, because of the low productivity of laborers coming from rural areas, these investments have yet to gain any comparative advantage.

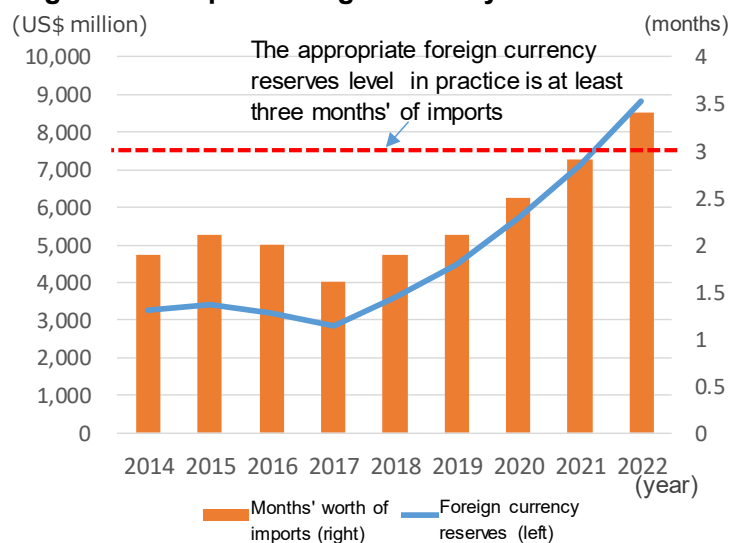
Figure 3 Changes in share of Ethiopian GDP by industry



Source: Created by MGSSI based on the African Statistical Yearbook 2019

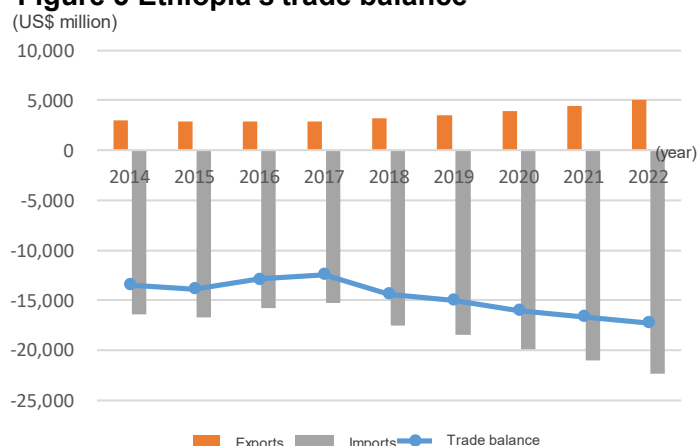
Another issue that is hindering the growth of the manufacturing industry is a shortage of foreign currency. Foreign currency reserves have remained below the appropriate level (normally said to be at least three months' worth of imports) (see Figure 4). This is largely due to an increase in the country's trade deficit led by increased imports of construction materials for large-scale infrastructure developments and stagnant export growth caused by a slump in global coffee prices and other factors (coffee accounts for approximately 30% of Ethiopia's exports)(see Figure 5). Foreign exchange regulations are currently very strict, and manufacturers are finding it difficult to procure foreign currency to import raw materials. During a field survey carried out in Ethiopia by the author in November 2019, unfinished buildings in the city and product shortages in supermarkets were stood out. The foreign currency shortage has clearly had an impact on imports of not only building materials but also daily necessities. Public debt was around 60% against 2018 GDP, and half of this was external debt. The IMF has warned that the risk of Ethiopia falling into a debt crisis remains high.

⁹ According to African Business (Dec 2019/Jan 2020 Edition), 70% of construction under GERD is currently complete, with plans for completion by 2023. At a meeting of the foreign ministers of Egypt, Sudan, and Ethiopia held in Washington, United States in November 2019, the three countries decided to aim for an agreement on GERD by January 2020.

Figure 4 Ethiopian foreign currency reserves

Source: Figures for 2018 onwards are estimates.

Source: Created by MGSSI based on IMF Country Report No. 18/354 (2019)

Figure 5 Ethiopia's trade balance

Note: Figures for 2018 onwards are estimates.

Source: Created by MGSSI based on IMF Country Report No. 18/354 (2019)

Examples of ways in which Ethiopia can expect to acquire foreign currency in the future include¹⁰: (1) full-scale operation of the 22 domestic industrial zones currently being developed (two to three years from now); (2) gas development being promoted by China in Northeastern Ogaden and completion of a gas pipeline linking to Djibouti (for export to China); (3) remittances from around three million Ethiopian diaspora (Ethiopians living overseas); (4) electricity exports to Kenya, which are planned to begin in 2020 (further electricity exports are expected once GERD is completed); and (5) the privatization of state-owned companies such as Ethio Telecom and Ethiopia Airlines.

Under these circumstances, in September 2019, Prime Minister Abiy announced a new “Homegrown Economic Reform Agenda (HERA)”, which substantially complements the GTP, and he pointed out again the lack of progress in achieving the main aim of the GTP, in particular with regard to the economy focus shift from agriculture to industry. From a medium-to-long term perspective, the HERA advocates the postponing of the target for Ethiopia to become a lower middle-income country to 2030, which was originally targeted for 2025 under the GTP. The government plans to eliminate the bottleneck over the next three years, which has caused a shortage in foreign currency, and to promote reforms targeting increased productivity¹¹. However, specific

¹⁰ Listed based on an interview survey of government institutions, including Japanese institutions, and private sector companies carried out by the author in Ethiopia from November 5-7, 2019.

¹¹ Matt Ward (2019), “Ethiopia's homegrown Economic Reforms Face Challenges”, Oxford Analytica, October 22, 2019

measures have yet to be set out, and it is still unclear whether a more detailed measures will be announced under HERA, or whether GTP will be in the third phase and be integrated into the HERA.

As described above, Prime Minister Abiy is promoting the economic measures of privatizing state-owned companies, a hotbed of inefficiency, while reallocating people, goods, and money to the manufacturing industry, where further growth potential is expected. The pain in the process of reforms such as a shakeout among companies with deteriorating performance and an increase in unemployment will be inevitable. The next few years will be a crucial stage in the pursuit of reforms. Mr Abiy's leadership will be tested in the face of certain pain as he endeavors on to move forward with the implementation of economic reforms aimed at bringing Ethiopia into a group of lower middle-income countries.

2-3 Leading Role in Building Peace in the “Horn of Africa” Region

In addition to the domestic political objective of promoting reconciliation among the people, and the economic objective of becoming a lower middle-income country and a manufacturing hub, Prime Minister Abiy's third key objective is to achieve stability in neighboring countries through diplomacy. In particular, it would be difficult for Ethiopia to achieve sustainable economic growth without long-term stability in the Horn of Africa region¹². In less than six months after his appointment, Prime Minister Abiy concluded a peace agreement with Eritrea in September 2018. He then went on to sign a trilateral cooperation agreement among Eritrea, Somalia, and Ethiopia, relaunched dialogue between Djibouti and Eritrea with the goal of reaching a settlement on the border issue, and took a lead of peace-building in Sudan as a mediator. He has steadily set about rebuilding relations in the region (Figure 6). These actions by Prime Minister Abiy, including his efforts to stabilize the domestic political situation in Ethiopia, received widespread acclaim from international society. On October 11, 2019, the Nobel Peace Prize was awarded to Prime Minister Abiy.

Figure 6 Peace-building achievements in neighboring countries through initiatives by Prime Minister Abiy

September 16, 2018	Conclusion of a peace agreement between Ethiopia and Eritrea	After carrying out negotiations since July 2018, a peace agreement was signed between Eritrea and Ethiopia in Jeddah, Saudi Arabia on September 16, 2018. Negotiations will now be held on opening an Ethiopian embassy in Eritrea, Eritrean Airlines flights to Ethiopia, the use of Massawa Port in Eritrea, and the opening of telecommunications.
September 5, 2018	Signing of a trilateral cooperation agreement between Eritrea, Somalia, and Ethiopia	A trilateral cooperation agreement was signed in Eritrea by Eritrea, Somalia, and Ethiopia. The agreement included the promotion of peace and security in the region, and the establishment of high-level meetings to monitor progress on these.
September 5, 2018	Talks launched for normalizing Djibouti-Eritrea relations in respect to the border issue	An announcement was made in Djibouti that dialogues will be held for normalizing Djibouti-Eritrea relations in respect to the border issue.
August 17, 2019	Mediation in the establishment of civilian government in Sudan	Thanks to Ethiopia-the African Union (AU)mediation, the Transitional Military Council of Sudan and the Forces of Freedom and Change alliance reached a final agreement to carry out joint governance of Sudan under an interim government for a period of three years and three months, and to hold elections in 2022, and signed an interim constitution.

Source: Created by MGSSI based on a July 2019 interview of COMESA and representatives of parties involved in the respective corridors.

Prime Minister Abiy is not only working to build peace with neighboring countries from a diplomatic perspective but also to obtain practical benefits, that is, to improve relations with neighboring maritime nations to secure ports for exports from land-locked Ethiopia. In order to become a manufacturing hub in the African region and in the world, it is necessary to increase Ethiopia's port options to secure distribution routes. To establish strong distribution routes, robust regional infrastructure development will be needed. As for access to ports, up to now, Ethiopia has relied almost completely on the Port of Djibouti (which handles more than 90% of Ethiopia's exports

¹² The Horn of Africa includes six countries – Ethiopia, Eritrea, Djibouti, Somalia, Somaliland (a self-declared state), Sudan, and South Sudan, whereas the Greater Horn of Africa also includes Kenya and Uganda. Ikeuchi Satoshi (2017), “Gulf Scramble for Red Sea and Horn of Africa and its Consequences”, Middle East Review, Volume 4, published March 2017, IDE-JETRO
https://www.ide.go.jp/library/Japanese/Publish/Periodicals/Me_review/pdf/201703report.pdf

and imports) because of deteriorated relations with its neighboring countries. As part of the ongoing efforts to improve relationships with Eritrea, Somalia, Sudan, and Kenya, Ethiopia is trying to secure a port portfolio with the acquisition of concessions and to build access roads, etc. (Figures 7 and 8).

Figure 7 Prime Minister Abiy's logistical infrastructure development concept for the Horn of Africa region

Commercial name of port	Related corridors	Progress	Distance from Ethiopia and water depth of port
Port of Djibouti (Djibouti)	Djibouti Corridor (the corridor linking Ethiopia, Sudan, and South Sudan from the Port of Djibouti)	A standard gauge railway has been newly constructed between the Port of Djibouti and Addis Ababa using loans from China. A multi-purpose port has already been constructed in Djibouti, including new container and freight terminals.	(1) Addis Ababa-Port of Djibouti: 867 km (2) Water depth (max.): 12 m
Port Sudan (Sudan)	Port Sudan Corridor (the corridor linking Chad, Ethiopia, Central African Republic, and South Sudan from Port Sudan)	There are already five ports in Sudan. The road from Port Sudan to Addis Ababa passes the Metemma-Gallabat border. The full length of the road has been laid with asphalt, but its condition is poor. The governments of Sudan and Ethiopia have signed an MOU concerning the construction of a 1,512 km standard gauge railway covering the length of the route. Applications have already been submitted to the African Development Bank for funding.	(1) Addis Ababa-Port Sudan: 1,770 km (2) Water depth (max.): 12.6 m
Port of Lamu (Kenya)	LAPSSET Corridor (the corridor linking South Sudan and Ethiopia from the Port of Lamu in Kenya)	A road has already been developed linking Isiolo in Kenya to Addis Ababa in Ethiopia, and its condition is good. One of the three berths at the Port of Lamu in Kenya has already been almost completed, and the remaining two are scheduled for completion by 2020.	(1) Addis Ababa-Port of Lamu: 1,279 km (2) Water depth (max.): 18 m
Port of Berbera (Somaliland)	Linking the Port of Berbera with Addis Ababa in Ethiopia	In Somaliland, construction of a multipurpose port at Berbera began in October 2018. It will be completed by 2020. Operating rights at the port are owned 51% by DP World of Dubai, 30% by Somaliland, and 19% by the Ethiopian government. Construction of a road between Ethiopia and the Port of Berbera began in April 2019.	(1) Addis Ababa-Port of Berbera: 936 km (2) Water depth (max.): 12 m
Massawa Port (Eritrea)	Linking Massawa Port with Addis Ababa in Ethiopia	In response to the establishment of peace between Ethiopia and Eritrea, the EU has contributed approximately EUR 20 million to the construction of a road between Ethiopia and Eritrea. Work to upgrade the road linking the Ethiopian border to Massawa Port in Eritrea began in February 2019 (however, Asmara, where Massawa Port is located at an elevation of 2,400 m, and the road drops suddenly by 2,400 m in just three hours as traffic makes its way towards the port, making the route unsuitable for logistics).	(1) Addis Ababa-Massawa Port: 1,317 km (2) Water depth (max.): 12 m

Source: Created by MGSSI based on a July 2019 interview of COMESA and representatives of parties involved in the respective corridors.

Figure 8 Nearby ports linking to Ethiopia



Source: Information added by MGSSI to a map from d-maps.com (<https://d-maps.com/m/africa/afriqueest/afriqueest05.gif>)

However, challenges remain. Efforts to build peace and strengthen logistics infrastructure are being made simultaneously, but the peace process between Ethiopia and Eritrea has currently stalled. After the peace agreement was reached, the border was reopened, but around five months later in December, it was suddenly reclosed by Eritrea. The Eritrean government has not made its reasons clear, but media reports widely think that its aim is to prevent an influx of illegal trade and anti-government forces. Flights are currently still operating, but the border has yet to be reopened. The two countries have been at war for around 20 years, and eliminating all barriers at once is impossible. For the time being, it seems likely that political dialogue will be continued to repair the trust relationship between the two countries.

3. POSSIBILITY OF REALIZING A NEW ETHIOPIA

Winning the general elections to be held in May 2020 is a prerequisite for Prime Minister Abiy to realize his vision of the long-awaited "New Ethiopia". Assuming he wins the elections, the measures for a strong possibility of realization in the short term (two to three years), and in the medium- to long-term are described below.

In the short term, the full-scale operation of logistics Infrastructure projects, including the industrial zones, is anticipated. There are plans for the operationalization of industrial zones being developed in 22 locations domestically over the next two to three years. Several major roads linking Ethiopia to neighboring countries, ports, and dry ports are also scheduled for completion over the next two to three years. In addition, a hydro power plant is scheduled to start exporting electricity in 2020. If all of these projects progress smoothly, they can be expected to start contributing to exports and an increase in foreign currency reserves in 2022 or 2023.

In medium- to long-term, improvements of investment and business environment are expected to be implemented. According to the World Bank's "Doing Business 2020" report, which lists the business environment rankings for countries and regions, Ethiopia ranks 159 out of 190 countries and regions. Specifically, it comes close to the bottom of the ranking under items such as "protecting minority investors" and "getting credit" due to a negative impact from the recent foreign currency restrictions. In 2019, Prime Minister Abiy established a special committee, which he has chaired, and promised to work to improve the business environment with the goal of breaking into the top 100 countries by 2021. However, development of institutional and legal framework and putting them into practice take time from initial formulation through firm establishment in the actual operation, and it cannot be achieved in just a few years. In particular, eliminating the non-tariff barriers that cause an increase in logistics costs, requires the cooperation of neighboring countries, and even elsewhere it normally takes five to ten years for the improvement to be seen. In respect to tariff barriers, currently 80% of Ethiopia's total trade is delivered outside the region, and there would be limited benefits for Ethiopia to participate in regional FTAs. However, as Ethiopia intends to become a hub for the manufacturing industry under the GTP, the country plans to actively participate in FTAs at a regional and continental level. Ethiopia has already signed and completed ratification for joining the African Continental Free Trade Agreement (AfCFTA), and this became effective in May 2019. The complete elimination of tariffs will, however, takes around ten to fifteen years.

In order for Ethiopia to establish a sustainable economy and become a lower middle-income country, it must achieve the strong growth of export-oriented agriculture and manufacturing industries in ways that create both employment and foreign currency. This is likely to require an even longer period of time. If the production of export products increases, the development of the above logistics network with neighboring countries will become essential. However, the peace-building process across the Horn of Africa region as a whole is not something that Prime Minister Abiy can achieve on his own. Especially, regarding the establishment of peace with Eritrea, the large number of refugees caused by conflicts with neighboring countries and Eritrea's repressive political system under the long one-party dictatorship of President Isaias Afwerki may negatively impact future progress. Although Ethiopia and Eritrea, after a twenty-year border conflict, agreed on a peace deal, it does not mean that all barriers will be immediately removed. For the time being, it seems likely that political dialogue will continue and the two countries will focus their efforts on the process of rebuilding trust and developing an environment to receive refugees and exiles.

Lastly, international society has placed great expectation and hope on Ethiopia in terms of its progress towards democratization. Momentum remains strong, and the 2020 election of Ethiopia is no longer just for one country under the leadership of Prime Minister Abiy. This historical moment is being watched closely, not only by the Horn of Africa region, but also by other countries around the world to follow the path of Ethiopia towards democratization. The international community has shown a fully supportive stance. Although many of the challenges described above still remain, there are strong expectations for Ethiopia to overcome structural reforms with pain and become a continental hub of manufacturing industry fully equipped with logistics infrastructure in the medium to long term. The leadership of Prime Minister Abiy over the next few years will be keenly watched.