Does Conflict Explain Ethiopia’s Backwardness? Yes! and Significantly *

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Abstract

This paper draws on the growing literature on conflict and post-conflict societies to examine conflict and economic backwardness in Ethiopia. It identifies major conflicts during the three most recent regimes and shows distinct growth episode and associated ideological and development paradigms, which have experienced periods of conflict that grew more intense and protracted. The paper identifies conflicts by their characterization in terms of their nature (agents involved and the subject of contest), the role of external intervention and their economic ramifications. The paper also examines the causes and costs of major conflict and the modality of their resolution. It argues that conflict in Ethiopia is primarily the result of pursuing violent power-sharing mechanism, has detrimental impact on economic performance and made the state unproductive and militaristic. This, it is argued, is one of the root causes of the countries backwardness.

Key words: Conflict, post-conflict, Economic Performance, Ethiopia, Africa.

I. Introduction

Africa is a conflict prone continent and has had a history of the largest prevalence of civil wars and instabilities compared to any other region of the world. Addison (2001), for instance, noted that there were armed conflicts in 16 of Africa’s 54 countries in 1999. Although many of these conflicts are relatively short-lived, they have, nonetheless, proved to be among the bloodiest compared to similar occurrences elsewhere (Elbadawi and Sambanis 2000b).

Within Africa, some countries are more conflict prone than the others. By all measures, Ethiopia qualifies as a conflict-prone country. In fact it won’t be an exaggeration if one says that the history of Ethiopia is the history of war and conflicts. These conflicts are instigated and perpetuated in various ideological contexts: religion, region, ethno-linguistic and choice of socio-political paradigm.

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The consequence of these conflicts has been devastating. Not only has it resulted in the loss of life and destruction of physical capital, with detrimental implication for growth and development, but have at times threatened the very existence of the Ethiopian polity. As will be shown in this paper, the growth and developmental implication of these conflicts have been devastating and is widely accepted as the major explanatory factor for the country's poverty and backwardness. Notwithstanding their damaging implication and their impact on the development and welfare of the people no study has attempted to make an explicit link between conflict and economic performance in Ethiopia. An early exception is the political economist, Gebr-Hiwot Bayekedagne, who in the early 20th century conceptualized this interlink and outlined the implication for growth and development in his classic work *State and Public Administration in Ethiopia* (see Alemayehu 2002a). This paper has the objective of revisiting these issues.

Understanding the dynamic link between conflict and growth/development requires: understanding the nature and determinants of conflicts, their duration, intensity and the modalities for their cessation. Moreover, analysis of the impact of conflicts and post-conflict conditions is crucial to our understanding of the impact of conflict. Such analysis is also helpful to design appropriate polices aimed at preventing conflicts and managing post-conflict realities where they ensue.

With the above broad objective, the rest of the paper is organized as follows. In section two we will briefly review the growing literature on conflict and attempt to examine how it might shed light on the Ethiopian context. This will be followed by section three where we will identify major conflicts during the three most recent regimes. These regimes not only show distinct growth episode and ideological and development paradigm, but more relevant to this paper, all have experienced periods of conflict that has grown more intense and protracted compared to that of the regime it preceded. The identification of conflicts will be enriched by their characterization in terms of duration, intensity and history. This will be followed by section four where we attempted to examine the causes and costs of the conflict. By making a parallel analysis with the performance of the economy (in terms of growth, poverty and share of defense spending in total budget etc) we will try to examine the cost of such conflicts. This will be followed by section five where we set to examine the different modalities employed to resolve the conflicts. This section also examines the interesting dynamics and modalities employed to resolved one type of conflict (say at time t-1) as well as the hows and the whys of the emergence other conflicts at time (t+1). This will be done by extending the across the three regimes noted. Section six deals with role of both domestic and external agents and their role as ‘agencies of restraint’ (Collier 1991) to bring about durable peace in post-conflict scenario or as catalysts of civil war (Elbadawi and Sambanis 2000a). Concluding remarks are given in section seven.

II. The Theoretical Discourse

2.1 Causes of Conflicts

Two principal categories of causes of conflict are cited in the literature. Collier and Hoeffler (2002) dichotomized the motivations as greed (opportunity, such as finance or natural
resource rent, for building rebel organization) and grievance (such as pronounced inequality, lack of political right or ethnic or religious repressions in the society). Their empirical investigation, however, led them to believe that opportunities provide considerably more exploratory power than motives/grievance as the cause of civil wars. They used three common sources that could give rise to opportunities for conflict: extortion of natural resources (peroxide by primary commodity export as percentage of GDP), remittances from diaspora (measured by the proportion of the diaspora in US as the share of the country’s population) and subversion form hostile governments. They have also used indicators of the opportunity cost of the combatants (per capita income, secondary school enrollment, growth rate of GDP), which are found to be statistically significant. Within this economic explanation, a particular risk factor is found to be dependence upon primary commodity export. Similarly, the size of diaspora is found to increase the risk of a repeat of conflict, if not its initiation. The indicators used for grievance, proxies of ethnic and religious tensions are found to be unimportant. However, ethnic dominance, one ethnic group being between 45-90% of the total population, and lack of democracy are found to be important in increasing the risk of conflict. In general, the three-grievance models estimated are found to have very low explanatory power with an $R^2$ of 0.17 or lower. After testing the two competing models, of greed and grievance, they noted that ‘while the opportunity model is superior, some elements of the grievance model are likely to add to its explanatory power’. This led them to combine the two models. The combined model rendered grievance variables as unimportant, however (Collier and Hoeffler, 2002, Collier 2000b).

Cramer (2001), however, argues that grievance indicators, such as inequality measures, used in such studies are not only badly measured but also taken as not embedded in the social, political, cultural and historical authenticity compared across contexts. If this is corrected, as he did using the case of Angola and Rwanda, grievance indicators such as inequalities do matter in explaining civil conflict (see also Nafziger and Auvinen, 1997, Pastor, Manuel and Boyce, 1997, for a similar argument).

Collier and Hoeffler (2002) using a logit regression and comprehensive data of civil wars over the period 1960-99, arrived at concrete empirical findings about the risk of civil wars. The effect of primary commodity exports is found to be both considerable and highly significant. At its peak (primary export being 32% of GDP) the risk of civil war is about 22%. Although she has used a different dataset and sample, and restricted her analysis to ethnic civil war (as opposed to revolutionary or ideological civil war where natural resource is found to be important), Reynal-Querol (2002) found this to be unimportant, however. Collier and Hoeffler (2002) also found the size of diaspora to be a strong risk of factor. If its size changes from smaller to larger in the sample, the risk of repeat increases six-fold. Opportunity costs for those engaged in the civil war are also found to be important. A rise in secondary school enrollment by 10 percentage points reduces risk of civil war by 3%. Another proxy for opportunity cost, an additional percentage point on the growth of the economy, reduces the risk of war by about one percentage point. Social fractionalization is found to reduce the risk of war: a maximally fractionalized society has a conflict of risk only

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1 The implication of her study for the Collier type model is that there is a need to have two categories of civil wars (ethnic and ideological).
one quarter of a homogenous society\(^2\). (Collier and Hoeffler, 2002: 11-13). Reynal-Querol agrees with this view as far as ethno-linguistic division is concerned. However, she found religious divisions as more important because religious identity is fixed and non-negotiable.

In the Collier and Hoeffler (2002) study only one of grievance indicators, ethnic dominance, was found to double the risk of civil war. However Sambins (2001) and Reynal-Querol (2002) found that civil wars are predominantly explained by political (socio-political) than economic grievance. In particular they find the level of political inclusiveness and level of democracy to be important.

Elbadawi and Sambains (2000b) examined the cause of civil war by focusing on African countries. Their findings are that the relatively high prevalence of war in Africa is not due to the ethno-linguistic fragmentation of its countries (as is usually held on popular media and much of the political science literature), but rather to high levels of poverty, failed political institutions, and economic dependence on natural resource. Africa’s ethnic diversity, they argue, ‘is a deterrent rather than a cause of civil war’. Thus, their finding is fundamentally similar with the Collier and Hoeffler (2002) finding that used a worldwide database and discussed above. Using similar probit model, and focusing on Africa, Elbadawi and Sambains (2000b) found that for a median African country the risk of civil war in any five-year period is relatively high (25\%). This is found to be related to low level of economic development and lack of political rights which could trigger a median African country’s probability of being in war to 0.11 (ie. in any given year there could be about 8 countries in civil war). In particular, they found four important factors that trigger war in Africa: dependence on natural resource, level of per capita income, having an educated and poor young males and failure to develop strong democratic institutions (Elbadawi and Sambanis, 2000b: 9-10). The policy implication of their analysis is that African countries need to promote political freedom and molding a governance framework that accommodate Africa’s social diversity, on top of addressing the issue of ensuring high standard of living and economic transformation and diversification.

Similar to the studies reviewed above, there is also a growing strand of the literature that could be referred to as game-theoretic approach to civil wars. Although this strand has many variants, it fundamentally assumes the existence of two or more groups with the predicament of making decision regarding engagement in production, fighting and looting. Agents are assumed to effect these decisions by anticipating their rival’s action in the context of a general equilibrium game-theoretic model (see for instance Azam 2001, Noh 1999, Grossman 1991 among others). In similar fashion to the models reviewed earlier, rationality and methodological individualism is at the heart of these models.

Cramer (1999), on the other hand, argued that conflict directly expresses social, political and economic relations and that their study therefore requires analytical tools directly geared towards understanding these associations. Both the ‘grievance (difference)’ and

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\(^2\) The theoretical and empirical literature about the role of ethno-linguistic fractionalization (the probability of two randomly drawn people being from different ethno-linguistic groups) on growth is not conclusive. Easterly and Levine (1998) reported that ethno-linguistic fractionalization significantly reduce growth while Collier and Hoeffler (1998) show that highly fragmented societies have not greater risk of civil was than homogenous ones.
‘greed/opportunity (scarcity)’ arguments, for him, use concepts with an indirect grasp of relations at best. He argued that the former (some times referred as ‘structuralist’) are based on the presumption of differences as causes of conflict, while the latter is rooted on methodological individualism, and rational choice presumptions of neo-classical economics. Both are amenable for statistical analysis. However, Cramer argues, ‘both approaches airbrushed the significance of context and social (class) relations’. Thus, these analyses deprive their subjects of context. The exclusive focus on economic opportunities, Cramer argues, has the danger of being reductionist and ‘…simply replace one simplification – the tribal (sic) or cultural explanation.’ (Cramer, 1999: 12-16). The implication of this critics is that conflict analysis, as exhibited in the recent literature, need to accommodate the social features (see Cramer, 1999, 2000; Stewart 1998). Cramer noted that, the neoclassical based empirical analysis of conflicts includes variables of the ‘social – manifest in form of collective identity – but excluded them from the underlying assumptions of the model, which are neoclassical and methodological individualism. What emerges is a combination of neoclassical utility maximization assumption with social concepts, eg ethnicity, stripped altogether of their history and context’. Cramer calls this ‘the slash and burn approach to historical specificity and … rape and pillage of the social…’ (Cramer, 2001: 3, Cramer, 1999: 17). The alternative to such an approach is to abandon the analytical framework that begin with methodological individualism, non-social assumption that considers the economic and the social as separable spheres. Instead he argues for the adoption of a framework – a political economy approach - which premises economic relations, behaviors and performance as organically embedded in the social and the political context. From this perspective, scarcity, poverty and economic environment crises are themselves to be understood as social events (Cramer 1999: 17).

2.2 The Economic Consequence and Cost of Conflicts

The consequence of war has many dimensions: social, psychological, political and economic (Addison 2001). Notwithstanding the importance of these factors and their bearing on the economic condition, we will focus on the discourse about its economic consequence. Addressing the latte Collier (1999) noted that economic consequence could be either peace dividend or war overhang. These outcomes depend on the composition of stock of factors of production, which have different degree of vulnerability to war: some factors are better able to leave the country than others (Collier 1999). He outlined five ways in which civil war damages the economy: through destruction of some resource, disruption with, often concomitant, social disorder, social disorder, diversion of public expenditure, dissaving and portfolio substitution. He noted that following restoration of peace, destruction, disruption, diversion and dissaving effects are all ameliorated; while the portfolio substitution effect depends on private sectors choice of portfolio. He evaluated the implication of these on the post-conflict economic performance using a standard Cobb-Douglas production function harnessed to provide the differential return for using resource abroad or at home. In this framework disruption and diversion effects are taken to reduce productivity (and hence lowering the rate of return on

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3 The social reality may have an external (atomistic) and internal (organic) relations. According to external/atomistic concepts, reality consists of externally related entities so that all things exist and act in ways that are quite independent of any relationships in which they stand; while concept of internally or organically related social reality have in mind that the essential aspects of any particular entity can only be determined from a knowledge of the relationships in which it stands (Lawson, 1997 quoted by Cramer 1999).
factors endogenous to war) while the destruction effect is taken as equivalent to depreciation (Collier, 1999:2-4). Using this framework he advanced four propositions that he latter empirically investigated. These are: (a) civil wars gradually reduce the stock of endogenous factors, negatively impacting the growth rate of GDP, (b) because adjustment of the endogenous factors may have been incomplete by the time war ends peace may not result in the immediate reversal of GDP growth, (c) because peace may reverse the exodus of endogenous factors there is a potential for accelerated growth – peace dividend and (d) the longer has been the war the more likely is there to be a peace dividend rather than a war overhang (Collier, 1999: 5-6). In the empirical analysis he found strong ‘convergence effect’ interpreted as peace dividend, for distractions (a country is immiserising itself) by war is similar to being reduced to a poor country status. In general, the empirical analysis shows that during civil war the annual growth rate is reduced by 2.2 percent; a fifteen years civil war thus reduce percapita GDP by about 30 percent of what it could have been. Apart from this aggregate growth effect, he also found that the impact of civil war affects different sectors differently (Collier, 1999: 9). In this paper we have attempted to explore the validity of this cross-country based results using data from Ethiopia (see section 4 below).

III. Conflict Theories, Policies to address Conflicts and the Ethiopian Context

The sharp distinction noted between the neoclassical-based approach and the political-economy approach reviewed above is partly the reflection of the unit of analysis used. It is problematic, if not impossible, to treat the ‘social’ and historically specific features of the political economy approach when one is conducting a cross-country analysis. Similarly, it will be quite mechanical to dwell-upon the quantifiable dimension of conflicts when one is analyzing countries. The ‘social’ and the history specificity of the country in question are invaluable to understand the dynamics of conflicts. In particular, since cross-country studies may not tell us much about causation, as opposed to association, political-economy based country studies are vital to redress this weakness. It is our belief that the two methodologies can be creatively used to enhance our understanding of conflicts. The studies based on the neo-classical approach and underpinned by cross-country evidences, are helpful not only to identify factors that are strongly associated with societies in conflict but also to evaluate their relative importance. It is conceivable that researches can use the political-economy approach and hence use the ‘social’ and historical specificity to analyze the ‘stylized’ facts that emerge from the cross-country evidence. Such country level political-economy based analysis may also complement the neoclassical-based cross-country analysis by helping to identify other important factor that could be empirically examined. In fact it will be quite interesting to compare and contrast the two approaches so as to ‘infer to the best explanation’ (see Lipton 1991, Lawson 1989, Wuyts 1992 and Alemayehu 2000b).
Thus, it is quite conceivable to use both approaches to shed light on conflict in Ethiopia. Our task here is fairly simplified thanks to Gebre-Hiwot (1917) who made this analytical connection nearly a century ago.

The major internal constraint to development in Gebre-Hiwot model (the GB model) is war and/or banditry. He, in fact, ranks banditry over and above natural or environmental constraints. For him, the source of banditry is the capacity of certain individuals to unleash violence so as to ensure a regular flow of income without directly engaging themselves in the production process. This is exasperated by the dispersed settlement of peasants, which limits their capacity to organize and defend their wealth as well as themselves. In the GB model, this is the essence of social stratification as it creates a situation in which the number of people engaged in consumption will be far larger than those engaged in production. This in turn leads to a decline in the capacity to create wealth as well as low rate of population growth, both of which adversely affect development in the GB model. He noted this as the fundamental problem of 20th century Ethiopia (Alemayehu 2000a).

Gebre-Hiwot has also made an explicit link between this fundamental constraint and inter and intra-ethnic/linguistic/cultural group (what he calls Neged) conflict. He noted that the phenomenon termed banditry operates to a greater degree in each ethnic/linguistic/cultural group (Neged). Peasants in each of such groups are squeezed through tax levy and surplus extraction by their own group ruling class. This process pushes peasants away from their earlier settlement (supposedly fertile land) into marginal land - leading them to confront other peasant groups of another ethnic/linguistic/cultural group (Neged). This will culminate in conflict, which perpetuates the internal constraint (Alemayehu, 2000a). Gebre-Hiwot is clear about the class nature of this ethnic conflict. He underlined that the ruling class of each ethnic group wages war using peasants. The sole objective of this war is accumulation of wealth by plunder. He noted,

...the principal aim of each koro [leader?] is to plunder. However by covering up their true intention, they make it appear that they are only after gaining fame...However, at first, the koro do not want to kill each other ...while their peasants kill each other , the chiefs will not shy away from exchanging cordial message’ …The small kingdom of one will be taken by another. In the course of time, large kingdoms will emerge. They will appoint as Ras and Dajazemach [military cum political titles] those who excel in killing and pillaging . Emulating these [chiefs], expecting to be awarded appointments and fame, each person in the community will strive to be rewarded for his killing and pillages. The subsequent war will be worse than the previous one...the kings and military leaders [engaged in wars] do not express their burning ambition which is to acquire wealth, but appear as if they are seeking fame, disseminating a certain faith or helping supposedly oppressed people. The real aim and the conclusion of the war is looting and subjugation. Such pillage is not shunned by great and enlightened government either; their pillage [i.e. of the great ones] is, however, more subtle. (Gebre-Hiwot, 1917 in Tinker, 1995: 72-74).

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4 We will be using the English translation and a condensed summary of his point here. Interested readers are advised to see the Amharic version where the issue of conflict is written in a very beautiful Amharic (See Tenkir for English Translation of this book and Alemayehu 2002a for a formal model of his idea).
We will attempt to analyze conflict and post-conflict condition in Ethiopian with this general framework.

Once conflicts occur, the next question is how to address them. Hirshcman (1995) noted that 'social conflict is inevitable, every change throws up new conflicts, and the mark of successful societies is their management of conflicts rather than the lack of them'. Thus, the most important issue is to identify policies that help to manage conflicts and minimize their duration and damage where they breakout. Policies for conflict and post-conflict societies are multifaceted (Addison 2001).

Collier and Hoeffler (1998) identified three policy related pre-conflict risks and related structural risk factors such as population size and geographic concentration. The policy related risks are, in the order of their importance, the extent of dependence on rent extracted from natural resource, lack of alternative economic opportunities, especially for young men, and existence of ethnic dominance. Collier (2000a) noted that, given a post-conflict society that has a particular composition of pre-conflict risk factors noted above, it may need not only to reexamine the risk composition but also to focus on natural resource rent and the growth of economic opportunities as these are found to be very important (Collier 2000a: 6).

Collier (2000a) noted that, given a post-conflict society that has a particular composition of pre-conflict risk factors noted above, it may need not only to reexamine the risk composition but also to focus on natural resource rent and the growth of economic opportunities as these are found to be very important (Collier 2000a: 6). It is interesting to contrast this finding with the condition in Ethiopia. Coffee constitutes 65% of the total export, as share of GDP this is about 10% in 1999/2000 (primary commodity export, in total, is about 15% of GDP, however), the largest ethnic groups is about 30% of the population. On this count the risk is not significant. The other risk indicator, low percapita (about US 100.00) and unemployment (about 29% using household data) could be taken as risk factors, using the Collier-Hoeffler framework. Perhaps the most important finding of Collier and Hoeffler – the importance of diasporas on conflicts (they found that a society with the largest observed diasporas relative to its resident population has a six-fold greater risk of renewed conflict) - is relevant to Ethiopia. Not only such communities re-ignite conflicts at home but their lack of harmony with the new neighboring country diasporas (Eritrea's diasporas in Ethiopian case) are also important in triggering conflicts. In line with Collier and Hoeffler's finding this diasporas harbors grievance much longer, finance conflicts and provide ideological guidance for rebellion. This is pretty much explained by that fact that diaspora communities yearn to

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5 The peak danger level for the ‘natural resource rent’ is if natural resources export constitutes 25-30% of GDP. The second risk factor, ‘economic opportunity’ is measure by percapita income level and growth, male secondary school enrolment, and population growth. A one percentage point increased in the rate of population growth is around four times more potent in increasing risk than one percentage point reduction in growth of percapita GDP, according to Collier and Hoeffler’s estimate. The final risk factor, ‘ethnic dominance’ is defined as a presence of an ethno-linguistic group that constitutes between 45-90% of the population. This factor estimated to approximately double the risk of conflict.

6 It is worth examining whether Collier and Hoeffler do take the association of primary commodity export with countries in civil war for causation. One empirical possibility is to use the Granger causality notion.

7 The data on ex-combatants in Ethiopia shows that most were young – between the age of 20 and 25. The unemployment (as % of the labour force) figure was also 34.3, 55.4 and 51.4 in 1990, 1994 and 1999, respectively. However, they had a relatively high level of formal education by Ethiopian standard (Daniel et al 1999).

8 Addison noted in one of his conflict papers an in ternate motto on Eritrea’s Diaspora website which reads as ‘a dollar a day keeps a weyane [core Ethiopia’s ruling elite] away’.
define their identity, in the light of their position in their new (US) homeland, and the fact that they do not bear the brunt of this conflict9 (see Collier and Hoffler, 2000, Collier 2000a).

Another important dimension of conflict relevant to policy, and more particularly with regard to the international community, relates to understanding of the nature and effect of external forces on the duration and intensity of civil wars. Collier, Hoeffler and Soderborn (2001) argued that the duration of civil war is positively (though non-monotonically) related to the level of ethnic fractionalization of the warring society. They also noted that economic and political variables identified in the literature for initiation/incidence of civil war seems to have no important impact on war duration. As noted by Elbadwi (1999) and Elbadawi and Sambanis (2000a) the duration model of Collier et al (1999) failed to take the impact of external interventions. This is a very important dimension for most civil wars in Africa in general, and Ethiopia in particular, where the role of external intervention was very important. For instance Elbadawi and Sambanis (2000) noted that out of 138 intra-state conflicts since 1944, 89 attracted external intervention at least by one of the warring parties. Such interventions make the median duration of civil wars nine years, compared to 1.5 years for non-intervention scenario (Elbadawi and Sambanis, 2000a: 10). Building on the earlier work of Elbadwi (1999), Elbadawi and Sambanis (2000a) built and estimated a probit model aimed at exploring this issue. The model showed that external intervention is more likely to make it bloodier, while it is less likely to occur in ethnic wars and when the state involved in the civil war has strong military. Moreover, they found that ethnic wars are longer and harder to resolve than others, external intervention having strong and positive effect on the duration of the war. Autocratic regimes have a negative effect on war duration while external intervention under such regime, however, increases the duration (Elbadawi and Sambanis, 2000a: 12-16).

IV. Causes and Characterization of Conflict in Ethiopia

4.1 Characterization of Conflicts in Ethiopia

Conflict has been and still is a major feature of Ethiopia and it is one the major factors for its underdevelopment (see Gebre-Hiwot, 1924, Alemayehu 2000a, Pankhrust 1963a, 1963b)10. To understand the motivations and the driving force for the initiation and continuation of conflicts in the country, one has to look at the social, cultural and political configuration of the country and people.

According to the 1994 Population and Housing Census of Ethiopia (CSA 1999), there are no less than 80 ethno-linguistic groups in the country. This number notwithstanding, two ethno-linguistic groups account for 62 percent of the population (32 percent Oromo and 30 percent Amhara). With another four ethno-linguistic group (Tigravie 6 percent, Somalies 6 percent, Guragie 4 percent, and Wolaita 3 percent) account for 81 percent of the total population. Of the total population 61 percent are Christians (51 percent Ethiopian

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9 One finds an extremely greater ethnic harmony in Ethiopia than among the Ethiopian diasporas in developed countries. Similarly, one finds relatively greater harmony among Ethiopian and Eritreans in Ethiopia than those in diaspora.

10 See Alemayehu (2004) for details on the economic impact of war on historic Ethiopia.
Orthodox 10 per cent other), and 33 percent are Muslims. 42 percent of the total and 81 percent of the urban population speak Amharic either as a first or second language (see Alemayehu and Befekadu, 2004).

The existence of a large number of ethno-linguistic groups notwithstanding, Ethiopians are considered as a culturally homogeneous people due to the continuous interaction through intermarriages, trade, migration, war and other social activities for thousands of years thus creating unity in diversity, which has helped resist the pressure from internal disintegration and external aggression (see for instance Hess 1970, Levin 1974, 1992, Pankhurst 1966). There has not been an inter-ethnic or religion motivated conflict in the country in recent years. In fact, one of the bloodiest periods of conflict in the 19th century, called ‘the era of the princes’, is characterized by regional, as opposed to ethnic civil war. The last religious war was fought between Christians and Muslims back in the 16th Century. These facts on the ground correspond neither to the Collier and Hoeffler (2002) quantitative definition of ethnic dominance nor the Reynal-Querol (2002) concern of religious fractionalization, both of which are associated with high risk of civil conflict.

The causes of conflict in Ethiopia can be characterized by appealing to three power players in the country: competition for position of power (Type I), popular revolt against those in power (Type II) and conflict among ordinary people over resources (Type III). The major analytical basis for such distinct class of conflicts lies in the characterization of (a) the nature of agents involved in the conflict (b) and the subject of their conflict, and the specific form in which (a) and (b) are combined. In ‘Type I’ conflict, the agents of conflict are either the ‘educated elite’ (after the 1974 revolution) or regional aristocrats (before 1974). The subject of conflict is power in its generic form (i.e. both political and economic) as can be exercised through capturing the state machinery. In ‘Type II’ conflict, the agents in conflict are the elite in power and the masses (usually the under-class). The subject of conflict is usually a violation of basic economic and political rights. In ‘Type III’ conflict, the agents are peasants usually organized across regions or ethnicity (see Alemayehu and Befekadu 2004).

Most of the conflict that has rendered the country unstable was motivated by competition for power (Type I). This corresponds to the conflict that is referred to as crucial in Gebre-Hiwot (1924). No ruler in Ethiopia has vacated office of his on free will and few naturally died while holding office in recent years. Each aspirant revolts against the government in power, mobilizing people by appealing to the oppression meted out to them by those in power. The new usurpers, treat the people no better, and often worse, than those they unseated. This is the major cause of conflict in the country. This cycle of revolt and conflict, seen in the context of the long history of the country, apparently looks ethnic though was essentially regional and class-based. Evidence is provided in (a) the ‘king of kings’ system where the strongest regional-based king became the king of all regional kings and occupied central power. The king of kings normally comes from one regional group and maintains power by drawing its officials from different regions (usually tying regional lords through marriage to his off-springs), and (b) the subjugation of all peasants from all ethnic groups by the ruling elite. This argument in no way denies the historic domination of the northern highlander’s language and culture over the others but takes it as secondary (Alemayehu and Befekadu 2004).
The assertion about the importance of type I conflict may be read from Table 1 below which shows level of poverty across regions between 1995 and 2000, after the control of the political realm by the EPRDF whose core is the Northern based elite from the Tigray ethno-linguistic regional state. The table shows that despite the latter’s control of power, the level of poverty of the ordinary people in Tigray (and to some degrees in Amhara ethno-linguistic regional state) in fact is very high compared to, say, the Southern and Oromo ethno-linguistic regional states, whose political entrepreneur-elite strongly argue that ‘its’ people are under subjugation and by the North and in poverty in current political discourse. In fact the latter regions fare better in terms of poverty indices. This shows that the ‘ethnic’ card is primarily an ideology of mobilization and the real issue at stake is power sharing (both political and economic) at the level of the elite.

Table 1: Regional Variation of Poverty and the Political Elite

<table>
<thead>
<tr>
<th>Region</th>
<th>1995/1996</th>
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<th>1999/2000</th>
<th></th>
<th></th>
<th></th>
<th>% Change in Po</th>
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<th></th>
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<tbody>
<tr>
<td></td>
<td>Rural</td>
<td>Urban</td>
<td>Total</td>
<td></td>
<td>Rural</td>
<td>Urban</td>
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<td></td>
<td>Rural</td>
<td>Urban</td>
<td>Total</td>
</tr>
<tr>
<td>Tigray</td>
<td>0.579</td>
<td>0.457</td>
<td>0.561</td>
<td></td>
<td>0.616</td>
<td>0.607</td>
<td>0.614</td>
<td></td>
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Revolt by the people against the government in power (Type II) arises because of the governance system that has been, and continuous to be, in place. Before the onset of salaried civil servants and the military, the peasants were made to carry the burden of supporting these government functionaries. An official, along with his retinue, is assigned a given part of the country from whose residents he collects rent. Accountability is only to the chief who gave him this right and not to the people. The chief in turn gets this power based on the strength of his solders. Since the tenure of such officials solely depends on the will of his overlord to whom he is accountable, he pillages the peasants without mercy, thus laying the ground for another cycle of poverty and violence. Although an effective salaried civil servant and military system started less than a century ago, the old tradition of government officials and functionaries serving the sole interest of and being accountable to those in power remains in force up to now. The upshot of such a political paradigm is to render the people and the country unstable, further accentuating the vicious cycle of poverty and violence (Alemayehu and Befekadu 2004).

Conflict among the ordinary people (Type III) has been rare and where it has occurred it happened not because of ethnicity but in competition over resources. These are driven by economic rather than political or ethnic interests. Uneven distribution of natural resources,
environmental degradation, and migration of a group to other parts of the country are often the determinants of conflict among the people (Alemayehu and Befekadu 2004).

While these three types of conflict have rendered the country prone to wars and instability, their resolution and the laying of the groundwork for lasting peace and stability depend on the extent to which political leaders are made accountable to the people. Will there be another conflict in Ethiopia? Unless and until there is real political reform in the country that would make government accountable to the people, there is bound to be one (Alemayehu and Befekadu 2004).

4.2 Background to Recent Conflicts in Ethiopia

Three distinct recent periods can be identified, during which conflict occurred: the Imperial period, prior to the 1974 revolution; the Dergue (an Amharic word equating to ‘committee’ of soldiers) between 1974-1991, during which the civil war took place (the ‘civil war’) and the current government, during which the 1998-2000 Ethiopia-Eritrea war occurred. Each regime has also implemented different sets of policies that suits best its interest. Such politics and policy formulation processes do influence economic agents’ behavior. The cyclical political process that accompanied these regime shifts was not only unpredictable but also violent. Economic insecurity pervades the system as rule of law, enforcement of contracts and property right security were configured on shaky political base. It is within this broader framework the three regimes outlined below need to be understood (see Alemayehu 2004).

External intervention has had an important role in the initiation and continuation of conflict in Ethiopia. External intervention can be classified as: historic (religious and colonial); cold-war related; and conflict with neighboring countries. The country had a number of historic conflicts: between 1868–96: three with the Egyptians, four involving the Dervishes, five with Italy and once with the British. These conflicts were protracted and shaped the Ethiopian state, making it militaristic. They also aggravated and exploited internal conflict. The economic impact of such intervention was devastating and contributed to the backwardness of the country.

Ethiopia’s strategic position in the Horn of Africa also attracted superpower interest. Pre-1974 support from the USA reversed following Ethiopia’s socialist revolution. Subsequently, the USA switched their support to Somalia and the USSR switched from Somalia to Ethiopia. This disrupted the socio-economic organization of society (with detrimental impact on economic performance) and accentuated conflict between Ethiopia and Somalia. Similarly, conflict with Eritrea has roots in Italian and British colonial history but also led to the involvement of China and middle-eastern countries. Their finance and training of the warring parties prolonged the conflict. Conflict also led to migration, creating a large diaspora who further prolonged the conflict through financing both it and the economy (see Alemayehu and Befekadu, 2003). Although the effect of the re-engagement of the USA in the region following 11 September 2001 is hard to assess, it is hoped that the end of the cold war has minimized the strategic importance of Ethiopia and risks of further occurrences of this type of conflict.

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11 An interesting example is that the private sector has been virtually excluded from participation in economic activity for about two decades (1974-1991)
The Imperial Period

Ethiopia was ruled by a monarchy (although not necessarily hereditary, see Clapham, 1990) for around a millennium. The socio-economic system was essentially ‘feudal’ with two distinct classes, the aristocracy and peasantry, with the monarchy at the apex. Until the early 20th century, before the establishment of a salaried bureaucracy and military, the peasantry carried the burden of supporting government functionaries. An official, along with his retinue was assigned a given part of the country from whose residents he collected rent. Accountability was to the chief who gave him this right, not to the peasants. The official's sole responsibility was to ensure that his patron remained in power. Chiefs derived their power from military strength; the tenure of officials depended on the will of the patron, so pillaging was rampant, the grievances arising engendering another cycle of violence. Despite a century of a salaried civil and military bureaucracy, former traditions continue, resulting in instability and continued grievance.

Control of resources was achieved through power (Gebre-Hiwot 1924). Each aspirant revolted against the government in power, mobilizing supporters by appealing to perceived oppression by those in power. The new leaders then treated the people no better than those they unseated. This cycle of revolt and conflict, seen in the context Ethiopia’s history was regional and class-based rather than ethnic. This is supported by the ‘king of kings’ system where the strongest regional-based king became the king of all regional kings and occupied central power. The king usually comes from one regional group but maintains power by recruiting officials from the different regions (usually through a system of systematic intermarriage with his own family). Furthermore, all peasants from each ethnic group were subjugated by the ruling elite.3

As noted by Clapham (1988), the root causes of the fall of Haile Selassie and the imperial regime, and hence the birth of the 1974 revolution, are structural rather than personal. Factors included the oppression of the majority of the rural population (who were basically in a condition of serfdom) and the government’s alienation from the urban intelligentsia, military and bureaucracy. The immediate causes were linked to famine in northern Ethiopia (Wello), which the government attempted to hide, the reaction of taxi drivers following the 1974 oil crisis and a revised education curriculum, which was opposed by the intelligentsia. The military staged a coup in 1974, declaring a socialist state. The revolutionaries believed that the grievances against the system could only be resolved through its abolition by popular uprising or military coup. The importance of the peasants’ grievances can be inferred from the first proclamation of the military government, which was nationalization of land and its distribution to the peasants.

In sum, the history of Ethiopia has predominantly been a history of wars/conflict among different groups under the ideology of religion, region, nationality or a combination of these but basically aimed at power and resource control. This had many consequences. First, it has created a serious crisis in the agricultural sector (See Gebre-Hiwot, 1924). Second, two clearly distinct antagonistic interest groups have characterized Ethiopia’s history before the 1974 revolution: the landed aristocracy (and also the Church) and the peasantry, with corresponding state structures (see Gebru, 1995, Addis 1975). The main preoccupation of the landed aristocracy and the church has been to maintain their power and privileges which
intimately linked with land ownership. Thus, land was (and still is) a very contestable and important resource. Third, to some degree colonialism in the rest of Africa had made Ethiopian independence basically a besieged one. Hostile and powerful colonial forces had encircled it. Such foreign aggressions were not rare either (three times with the Egyptians, four times with Dervishes, five times with Italians and once with British over the period 1868 to 1896) (see Pankhrust, 1963b, Bahru 2002). As a result Ethiopia developed as a militaristic state (and related institutions)\textsuperscript{12}, with a dependent economy based on the export of commodities and import of manufactures, in particular fire arms. Acquisition of fire arms from the nearby European powers by Ethiopia's regional lords greatly shaped internal conflict and regional balance of power. This conflict ridden history could be identified as the major internal constraint to Ethiopia's development (see Gebre-Hiwot 1924, Pankhrust 1963a & 1963b, Alemayehu 2000a, & 2004)

This internal conflict is aggravated by foreign aggressions noted above. Most importantly these conflicts have created a militaristic state with accompanying institutional set-up that is detrimental for growth/development and might perhaps informed the current socio-political set-up of the country. Thus, economic performance in Ethiopia is highly correlated with conflict and the political process that accompanies it.

**The Dergue 1974-91 (The 1974-91 civil war)**

There were two major conflicts, with Somalia (July 1977- March 1978) and the civil war that began immediately after the coup in 1974 and resulted in the overthrow of the Dergue in 1991. The war with Somalia was related to Somalia’s attempt to create a greater Somalia, one part of which, the ethnically Somali Ogaden, lies within the state of Ethiopia. This was also a period of the cold war during which the USA and the former USSR were realigning their strategic allies in the Horn of Africa. The USSR had previously supported socialist Somalia and the USA imperial Ethiopia. Following the coup in Ethiopia each power switched its allegiances. After a brief but intense war, the Ethiopian forces repelled the Somalia forces in March 1978.

During this period the dominant ideology of the Ethiopian elite and educated was primarily socialist or left-leaning, so the basis of opposition analysis tended to be either a critique of socialism with a view to addressing the Ethiopian context, or a rejection of socialism in favour of historical grievances such as ethnicity. The opposition included Meison (All Ethiopian Socialist Movement), the Ethiopian People’s Revolutionary Party (EPRP), Eritrean People’s Liberation Front (EPLF) and the Tigray People’s Liberation Front (TPLF) on the other. Meison and EPRF were multi-ethnic with the objective of a democratic Ethiopia. However TPLF and EPLF analysis focused on ethnic dominance or difference

\textsuperscript{12} According to Pankhrust (1963), by late 19\textsuperscript{th} and early 20\textsuperscript{th} century each emperor is estimated to have 100 to 225,000 solders (eg. Emperor Yohannes (1872-89) about 196,000 and Emperor Menilek II (1889-1913) 100 to 120,000). If we make a simple computation, the population at the beginning of the 20\textsuperscript{th} century is estimated not to exceed 9 million (Pankhrust 1968). If one assumes the average size of an army under one regional king to be 200,000, the entourage (including the soldier’s family) needed per soldier about 5, and about five regional kings (say Gojam, Shewa, Tigre, Wello and Gonder) at one time, the army which is dependent on the peasants output, constitutes about 50\% of the total population and about two-third of the economically active population.
(whether perceived or real), resulting in a regional nationalist ideology with the objective of secession. The EPLF had been established following the abolition of a UN sponsored federation of the Italian colony of Eritrea with Ethiopia by Haile Selassie in 1961 (see below). The TPLF was a Marxist guerilla opposition established with the help of the EPLF. The TPLF initially flirted with secession but in the 1980s changed its objective to overthrowing the Dergue and creating a democratic Ethiopia.

The years following the 1974 were unstable. Power struggles within the Dergue led to the assassination of three consecutive chairmen (General Aman Amdo, Brigadier-General Teferi Banti and Major Attafu Abate) by Major Mengistu Haile Mariam, who finally controlled the helm of the state power until 1991. The opposition was also fragmented, with different origins, leadership, ethnic balance, objectives and attitudes to the Dergue (see Clapham, 1988). For instance, the EPLF and TPLF were active in their home region in the North and followed the strategy of rural insurgency. On the other hand, Meison and EPRP were multi-ethnic, operating nationwide. Meison was prepared to cooperate with the Dergue, with the objective of capturing power. All draw support from the youth, especially of university students, both at home and abroad, as well as from trade unions.

By 1976 all the major opposition groups, with the exception of Meison, had opted to take up armed struggle against the Dergue. The EPRP launched its urban struggle and the Dergue (together with Meison) responded with the ‘red terror’ in which thousands of the educated elite perished. By 1977 the EPRP had been defeated in the urban areas and began a guerilla struggle in the north. The Dergue’s ‘red terror’ now turned towards Meison, at that time its ally, with the aim of dislodging it from the power structure. This left the TPLF, EPLF and to a lesser extent the EPRP, as opposition, based mainly in the north.

The TPLF began to engage with other ethno-linguistic based organizations (including the Amhara Nation Democratic Movement, the Oromo People’s Democratic Organization and the South Nations and Nationalists Organization) to form what is called the Ethiopian People’s Revolutionary Democratic Front, EPRDF, whose chairman is the current Prime Minister of Ethiopia, Melse Zenawi. The EPRDF, together with EPLF, overthrew the Dergue in 1991 and established a transitional government which included other ethno-linguistic organizations such as the secessionist Oromo Liberation Front (OLF). The transitional government reorganized the country as a federation structured along ethno-linguistic lines. It also conducted two elections to form the current federal government, which claimed to win more than 90 per cent of seats.

It is interesting to reflect on what the source of these conflicts has been during this period. It is not ideology, since almost all these political organizations were Marxist. Although grievances over cultural/linguistic domination by Amharic speakers have a grain of truth, the fundamental conflict is principally power amongst the educated elite. Ethnicity (and/or refinement to the socialist ideology pursued by the incumbent) is used as a convenient ideology in the struggle for power.

The Cost of Conflict: Expenditure on defence and impact on growth (1974-91)

The costs of conflict are multifaceted and complex, ranging from destruction of human and physical resources to disruption in economic activates and social disorder. Thus we will
focus on the measurable dimensions of conflict in Ethiopia\textsuperscript{13}. Defence expenditure has been a major proportion of government expenditure since the mid-1970s. In the last year of the imperial regime it accounted for 13 per cent of government expenditure, 1.9 per cent of GDP. Under the Dergue regime it increased to 17 per cent of expenditure, or 3 per cent of GDP. Between 1977-9, during the Somali invasion, it rose to 26 per cent of expenditure (6 per cent of GDP). This high share continued through the era of the Dergue until its overthrow in 1991 by the current government (figure 1). From 1991 defence expenditure declined, but increased again towards the end of the century.

![Figure 1](image-url)  
**Figure 1** Total government and defence expenditure 1972–2000 as a percentage of GDP

This pattern had a detrimental effect on growth. Although growth variability in Ethiopia often results from drought, Table 2 shows that GDP growth declined during years of conflict and recovered during post-conflict years. For instance table 8.1a shows that GDP growth averaged 3.8 per cent 1969-74 and fell to 2.6 per cent between 1975-80 (the civil war period and conflict with Somalia). Between 1980-5 there was drought, then 1991-2 was the peak period of the 1974-91 civil war and instability associated with regime shift. Post conflict, growth then improves, with the exception of 1993-4.

**Table 2** Conflict and growth performance in Ethiopia: first conflict context (1969–1997)

\textsuperscript{13} See Addison, *et al* (2002) and Addison and Alemayehu (2003) regarding the impact of conflict on financial development. Issues of financial reconstruction are also discussed in the studies.
Does Conflict Explain Ethiopia’s Backwardness? Yes & Significantly

Alemayehu Geda

Looking at sectoral contributions to GDP from pre-conflict through to post-conflict one observes a changing trend. Although no sector is immune from the effects of conflict, agriculture is relatively less affected because it has a structure of a large number of small holders, confirming Collier’s (2000b) observation. During conflict, assuming that weather conditions are propitious, its share decreases but then rises after the cessation of conflict. The industrial sector, especially manufacturing, suffers greater negative impact, due to a reliance on imported inputs, which during periods of conflict suffer from the government’s increased need for foreign exchange. On the other hand, the service sector has an inflated contribution because of increased government expenditure, and the need to finance the combatants.

Conflicts that arise out of economic or resource factors where one group invades another, such as among pastoralists are usually easier to resolve. They are usually short-lived and are resolved easily by the intervention of elders and/or the government. Conflicts that are motivated by political interests are difficult to resolve amicably. For example the most recent civil war was resolved only when the Dergue lost to the rebel forces after the failure of international mediation to resolve the issue peacefully. During the civil war the elites did not suffer opportunity costs in continuing to achieve their ambitions through conflict. Under the Dergue the promised benefits of socialism failed to materialize. The population became frustrated, especially educated elites, whose exclusion from power by the Dergue aggravated the problem.

As noted above, the dominant ideology in Ethiopia during the Dergue period was left leaning; opposition to the Dergue implied either refinement of socialism to meet Ethiopia’s needs or an appeal to alternative analyses, such as ethnicity. Of the opposition groups, those which were successful in toppling the Dergue, the EPRDF and EPLF, used ethnicity as an ideology. On peace, the modality of resolving conflict and political discourse came to be based on ethnicity. This is exemplified by the policy priority of the EPRDF to reorganize the country using a federal structure based on ethno-linguistic states.

<table>
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<tr>
<th>Pre-conflict Growth Performance</th>
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<th>Post Conflict Growth Performance</th>
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<tr>
<td>Year</td>
<td>Growth (%)</td>
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<tr>
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<td>1990/1</td>
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*Source:* Author’s computations based on Ministry of Finance & Economic Development data.
The Ethiopia - Eritrea war 1998-2000

Eritrea was historically part of Ethiopia but became an Italian colony following the partition of Africa in the late 19th century. It remained a colony for about 60 years, comprising about nine ethno-linguistic groups and a population of about 3 million equally divided between Moslems and Christians. Following the defeat of Italy in World War II, in 1945 it became a British protectorate. In 1952 a UN-sponsored referendum giving the choice of federation with Ethiopia or independence resulted in the former option. However, annexation by Ethiopia in 1960 led to the secession struggle that lasted over three decades. The former province finally seceded in 1993 under the leadership of the EPLF. This was achieved with the help of the current government in Addis, with whom the EPLF had fought against the Dergue. Given the historic, cultural and political ties between Ethiopia and Eritrea, and in particular the civil war period of 1974-1991, the Ethiopia - Eritrea war can be considered as a continuation of the 1974-91 civil war, since prior to the war they acted as a single country with two states allied by ethnic ideology and configuration.

Ethiopia and Eritrea signed cooperation agreements following Eritrea's independence in 1993. 80 per cent of Ethiopia's foreign trade passed through Eritrean ports (which are free ports for Ethiopia). Ethiopia was also a market for about 80 per cent of Eritrea's exports and the two countries commonly used the Ethiopian currency, the Birr, as well as sharing the oil refinery at Assab port.

There were obstacles to the implementation of the agreements, illustrated by two conflicting views (Socio-Economic Study Team, 1992, cited in EEA, 2002; Tekeste and Tronvoll 2000). One holds that economic relations between the two countries were based on mutual benefit. The other view asserts that, whether deliberately or due to negligence by the Ethiopian government, Eritrea took unfair advantage of Ethiopia, or that the political decision-making processes and structure of the Ethiopian government were under the control of Eritrea.

The trade agreement allowed the tax-free mutual importation of products of each country, although commodities which were sources of foreign exchange earnings were excluded from the agreement. When imported commodities passed through each other's country, they were considered to be in transit and free from customs taxes. The agreement on transport stipulated that Ethiopian Airlines flew to Asmara. Eritrean nationals residing in Ethiopia were allowed to live and work in Ethiopia with similar status to Ethiopians and vice versa (Economic Analysis Team, 2000, cited in EEA, 2002).

Ethiopia complained that the agreement was abused by Eritrea. For instance when a US dollar was exchanged at 6.25 Birr in Ethiopia, its value in Eritrea was 7.2 Birr, contrary to the trade agreement. Eritrea bought coffee and oil seeds for re-export (EEA, 2002). In addition, the Eritreans allegedly sold untaxed commodities (imported as goods in transit) in Ethiopia, excluding Ethiopian traders from the market. Furthermore, grievance was generated because the Ethiopian government had committed itself to the reconstruction and rehabilitation of the Eritrean economy, before Eritrean independence, signing an 18.1 million SDR (Special Drawing Right) loan agreement with the International Development Assistance (IDA) group.

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14 The information used in this section is primarily based on EEA (2002) (see Alemayehu and Befekadu 2004 for detail).
of the World Bank, without passing on the debt to Eritrea (Negarit Gazeta, 1993, cited in EEA, 2002). On the other hand Eritrea argued that Ethiopia was being protectionist and discriminating against Eritreans engaging in the Ethiopian Economy (Tekeste and Tronvoll, 2000).

There was also a problem coordinating macro-economic policy. The two countries adopted two different development strategies; Eritrea was outward-oriented while Ethiopia was inward looking. Monetary union in such a context strained macro and fiscal policy coordination, which was apparent just before the onset of the war. When Eritrea issued its currency, the Nakfa, in November 1997, the Ethiopian government took a position that economic relations with Eritrea should be identical to its other neighboring countries, using the US dollar as the medium of exchange through letters of credit. This became one of the major causes of the outbreak of the conflict. According to this analysis the Eritrean military drive to the border might have been motivated by an attempt to threaten the Ethiopian government so as to obtain favourable policy, on the assumption that the Ethiopian government was a weak, minority-based government fragmented along ethno-linguistic lines (which was not an unreasonable assumption at that time). An impasse on the border, coupled with the arrogance and stubbornness of the leadership in the two countries, led to war.

However, Eritrea has blamed the northern Ethiopia region of Tigray (where the core of the current ruling elite in Ethiopia, including the Prime Minster, come from) for blocking competition from Eritrea. Ethiopia’s protectionist stance and its refusals to accept the Eritrean currency with a value on a par with the Birr are some of the economic reasons for the conflict (Tekeste and Tronvoll, 2000).15

The Cost of Conflict: the Ethiopia-Eritrea war

The estimated cost of destroyed public and social infrastructure form the Ethiopian side is over US$ 200 million (World Bank, 2000, cited in EEA, 2002). The number of people displaced was about 674,000. The number of people killed is not yet known (media sources estimate up to 70,000 lives from both countries). According to the Maritime and Transit Service Enterprise, the total volume of property in transit to Ethiopia but looted at Eritrean ports was 137,000 tons with a CIF value of US $ 133 million.

Since Eritrea has consumption habits similar to Ethiopia, commodities that cannot be exported to other countries, such as teff (a staple grain) and berbere (red pepper), used to be exported to the Eritrea. Eritrea’s products also used to be imported into Ethiopian at competitive prices. Following the conflict, trade and economic relations with Eritrea were embargoed. This also affected the cross border petty trade, which used to support the livelihood of many Ethiopians and Eritreans living in the border areas.

Development costs

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15 Asked about the cause of the war, one prominent Ethiopian politician answered: ‘The war is the result of the psychological problem of the highland Eritrean and the Tigrian elite’. Given the history and sociology of that part of the country, this observation is important in partly explaining the causes of the conflict
Defence expenditure increased from 9 per cent of total expenditure in the 1990s to about 40 per cent at the height of the conflict, negatively affecting social and economic development. For example, capital expenditure on transport construction decreased by 6.1 per cent from the 1997/8 level. Capital expenditure in the industrial sector declined from 93 million Birr in 1997/8 to 40 million Birr in 1998/9. Using foreign exchange for military expenditure, apart from the budgetary implication noted above, limits the purchase of raw materials for the industrial and service sectors. This increased the domestic borrowing, risking a reduction of private sector investment.

According to Commercial Bank of Ethiopia (CBE) figures in 1998, outstanding loans to 393 Eritreans who had been deported from Ethiopia totaled 376 million Birr. Of this amount 22 per cent has yet to be recouped. Furthermore, Ethiopia had a huge transfer account balance over Eritrean claims (EEA, 2002). Ethiopian Airlines has also been affected. During the conflict, the airline cancelled flights to the north and northwestern parts of the country and for a short period, international flights were actually based in Nairobi. Since the airline could not over fly Eritrean airspace, there were probably re-routing costs. Flights to Asmara and Asab were cancelled, and because of a decrease in tourist inflow, there is a loss of income from tourist sites as well. Ethiopian Airlines reported its first ever annual loss in its long history.

Before the conflict, recurrent budget expenditure was circa 60 per cent of total expenditure. During the conflict this share rose to 70 per cent in 1998/9 and 80 per cent in 1999/2000. This is attributed to the increase in defence expenditure, which was about 8 per cent of the total or 14.6 per cent of recurrent expenditure (4.9 per cent of the GDP) in 1996/7, and 39.8 percent of the total or 49.8 percent of recurrent expenditure (13.2 percent of the GDP) in 1999/2000. As defence expenditure increased the overall government deficit increased nearly nine fold (from 635 million Birr in 1996/7 to 5,365 million in 1999/2000). Likewise the import-export gap widened and the foreign exchange reserve was reduced from six months of imports in 1996/7 to two months by the end of 1999/2000.

The conflict also reversed the demobilization of Dergue solders. Before the conflict, Ethiopia had an army of about 60,000. At the end of the Ethiopia-Eritrea conflict its size had reached about 350,000. Although it was then reduced by about half following the peace agreement (EEA, 2002), the conflict (and absence of normalization with Eritrea) left Ethiopia with a large army and a drain on its resources (the 2003/4 defence budget being about 37 and 16 per cent of current and total planned public spending, respectively).

At the outset of conflict Ethiopia’s import and export activities shifted to Djibouti port. It is estimated that this shift resulted in a 31 per cent increase in transportation costs and, according to a World Bank estimate, a cost to GDP of nearly one per cent. There was also a tariff of US $1 per ton at Djibouti port, which also increased the prices of commodities to consumers (World Bank, 2000, cited in EEA 2002).

As can be seen in table 3 it is less clear that conflict had negative impact on growth when compared with trends during the civil war. Indeed, during the two years of conflict with Eritrea GDP growth was 6.31 then 5.33 per cent. However, there was a shift in the source of this growth. Of the 6.3 per cent growth in 1998/9 27 per cent of this came from agriculture, whilst the contribution of industry amounted to 20 per cent. The major growth impetus
came from the service sector, with a contribution to GDP growth of 52 per cent. Of the service sector, it was government consumption that contributed the major share, accounting for 35 per cent of the GDP growth for 1998/9.

Table 3 Conflict and growth performance in Ethiopia: second conflict context (1992-2002)

<table>
<thead>
<tr>
<th></th>
<th>Pre-conflict</th>
<th>During Conflict</th>
<th>Post Conflict</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>Growth (%)</td>
<td>Year</td>
<td>Growth (%)</td>
</tr>
<tr>
<td>1992/3</td>
<td>6.06</td>
<td>1997/98</td>
<td>-1.16</td>
</tr>
<tr>
<td>1993/4</td>
<td>-3.65</td>
<td>1998/99</td>
<td>6.31</td>
</tr>
<tr>
<td>1994/5</td>
<td>3.39</td>
<td>1999/2000</td>
<td>5.33</td>
</tr>
<tr>
<td>1995/6</td>
<td>14.68</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996/7</td>
<td>3.44</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Authors’ computation, based on Ministry of Finance & Economic Development data.

Growth has relatively declined in 1999/2000, which impacted on poverty reduction. A growth rate of about 5.7 per cent per annum is needed to reduce poverty by half to meet the international development objectives (Alemayehu et al., 2002). Not only did the growth rate decelerate to 5.3 per cent but its quality was further eroded as the major part of the growth was the result of inflated government expenditure to finance the war. 52 per cent of the growth rate was due to increased government consumption while the contributions of agriculture and industry plummeted to 15 per cent and 9 per cent respectively.

Considering all the above, and without taking account of human loss and suffering, the total measurable cost of the war sustained by Ethiopia is estimated by the Ethiopian Economic Association at 25.4 billion Birr (about US$ 3 billion), excluding the un-recovered loans given by banks to deported Eritreans. This is equivalent to eighteen months of the national budget or nearly half of the annual GDP.

The two year war ended following a peace agreement signed in Algiers, December 2000. The agreement outlined the establishment of a commission in The Hague, to rule on the border issue and whose ruling, based on relevant treaties and applicable international law, is final and binding. Prior to this, diplomatic effort by the USA and Rwanda and by the Organization of African Unity had failed to bring an end to the war. The Algiers peace accord was a consequence of Ethiopia’s successful military offensive deep into Eritrea and its military success in controlling the disputed areas. This explains Eritrea’s acceptance of the ‘OAU Framework’ (which it had previously rejected) and the establishment of the 25 kilometer buffer zone actually inside Eritrea’s territory. A UN peacekeeping force currently guards the buffer zone awaiting implementation of The Hague commission’s ruling.

The economic crises brought on by the war, together with drought, encouraged both countries to come to the negotiation table. The result has been a state of neither war nor peace, both Ethiopia and Eritrea rejecting normalization of relations. It is interesting to note the role of external forces as agencies of restraint in bringing the warring parties to the peace
deal. The arms embargo imposed on both countries (despite smuggling from the former USSR and Eastern Europe) and most importantly the freezing of aid to both countries were of critical importance. Sustainable peace, however, requires going beyond such aid-related coercive measures and addressing the root causes of the problem. In this endeavor, amicable solutions to the economic co-existence problem are central for durable peace. Furthermore, examining the historical, political, sociological as well as regional dimension of the conflict helps in resolving it and achieving durable peace. In each country, the first step is to address the damages caused by the war.¹⁶

To related the conflict in Ethiopia with the cross-country studies reviewed in section one, we evaluated the predictive power of two of the models (Collier and Hoeffler, 2002 [C-H] and Elbadwai and Sambanis 2000b [E-S]) using Ethiopian data. The C-H model fairly predicted the occurrence of war in the first civil war while its has become less successful in predicting second conflict. On the other hand, the E-S model that happened to be weaker in predicting the first conflict performed better in the second one. The two models seem to converge in predicting the 1998-2000 war (see figure 2). The predictive power of these models points to the importance of factor identified as cause of conflict in those models (see section one). This in turn is important to design relevant policies for conflict management.

Figure 2

Prediction of Civil Wars in Ethiopia Using Two Models

Source: Authors computation based on Collier-Hoeffler and Elbadawi-Sambanis Models

Note: To allow comparison, we have estimated logit model using the two data sets of C-H and E-S. The data is updated using official sources. The data on ethnic dominance is employed as used in the original (C-H and E-S) models (although Ethiopian doesn’t fit the description as discussed in this document). We thank Collier & Hoeffler, and Elbadawi & Sambanis for providing us with the original database.

¹⁶ At the timing of writing, Ethiopia has rejected the boarder ruling by the Hague-based commission and asked the UN security council to intervene.
4.3 Modalities of Resolving Conflicts and Duration of Peace

Of the modalities generating and driving conflicts in the country, the easiest to resolve are those that arise among people either for economic or cultural factors where one group invades another. This latter aspect of conflict is frequent among pastoralists. Conflicts of this nature are usually short-lived and are resolved easily by the intervention of elders and/or the government.

Conflicts that are motivated by political interests of one kind or the other are the difficult to resolve amicably. Seldom do leader die peacefully while in office, the usual practice being decided in war. Attempts at peaceful resolution of issues are difficult under the circumstances. For example the most recent civil war was resolved in Military Junta losing to the rebel forces after international mediation to resolve the issue peacefully failed. The reasons behind the peaceful resolution of conflict are that the motivating force lies in the ambition of the parties to power.

When we examine this issue across the three regimes in Ethiopia (the Imperial, Dergue and the EPRDF) one observes certain pattern – a pattern that the modality employed to resolve one conflict saw the seed for another round of conflict. The dawn fall of the imperial regime can best be explained by the misery that system caused on the majority of the rural population, who were basically in the state of serfdom. This is resolved by the abolishing of the system, through popular uprising-cum-military coup. This grievance can be read from the first important proclamation of the Dergue – nationalization of land and its distribution to the peasants. This, with its concomitant - and suitable - ideology of ‘socialism’ is the modality used to resolve the first round of the conflict (ie. pre 1974).

In the second round of the conflict (1974-1990) the failure of promises that were supposed to come form socialism started to frustrate the population in general and the ‘educated elite in particular’. Since that period’s elite was virtually left leaning, the ideological weapon should be either some refinement to the idea of socialism, or other historically appealing grievance indicators – such as ethnicity. The rebels, who are successful in toppling the Dergue (the EPRDF and EPLF), have used ethnic dominance or difference (whether perceive or real) ideology. The second crisis period thus reaches its peak by the end of 1990s. Owing to the major ideology used by the rebels, the modality of solving the second crisis (1974-1990) and the political discourses associated with it became ethnicity. This started to inform, the economic, the political and the social arena of the Ethiopian polity since 1992. Thus, the second modality of resolving the conflict started to saw the seed for another (future) one – ie., those elites left-out form the power arena began to castigate the post-Dergue government both for its ultra-focus on ethnicity at the cost of national unity and/or its bias to its own group, using the same ethnic ideology. This is aggravated by the fact that rebels do normally accumulate wealth during their struggle days (witness TPLF and EPLF’s post-struggle companies) and become economically in better shape, supported by the state machinery that they have recently acquired, compared to other groups. This triggers both greed (at the elite level) and grievance (at the ordinary citizen level) and serves as a catalyst for the next round of conflict. An intriguing question is why there was a failure to design
peaceful power sharing mechanisms. The historical and social specificity of Ethiopia helps to answer this. A broader answer is greed for power; the negligible (relative to those in power) opportunity costs of pursuing conflict to those excluded from power; the role of external intervention and the fear of reprisals for past wrongs when the incumbent plans (if at all) to peacefully transfer power - most rebels come to power with blood on their hands and it is hard to imagine them leading a peaceful life in their own country once they relinquish power. This is accentuated by the existence of institutions that are informed by historically militaristic nature of the Ethiopian state (see Alemayehu 2004).

V. Conclusion.

Conflicts and their violent resolution seem to be an enduring characteristic of the Ethiopian polity. Recently, periods of peace have been short lived; new regimes have failed to learn the lessons of their predecessors. In Ethiopia power is absolute, despite the reforms of each incoming administrations. The problem is that the laws are not applied and it is the whim of leaders that rules the country. This is the substance from which recurring instabilities are made. The only way that the country can end the vicious circle of conflict and instability is when the leaders become accountable to their people.

External interventions have also implication, either as a restraint or a catalyst of conflict. Which way the external forces react depends on their long-term national interests. During the cold war USA and USSR interests were a catalyst of the Ethiopia - Somalia conflict. On the other hand, to some degree, the international community was a constraint on the Ethiopia - Eritrea conflict.

Post-conflict years experience high rates of economic revival. Economic growth normally picks up and life becomes more orderly. Such is the case in Ethiopia under the current government. Between 1992 and 1997, GDP growth averaged 6 per cent, the longest and the highest rate in recent past. Years of conflict show either low or negative growth rates or where they are high they are the wrong type relative to one that is capable of reducing poverty.

This paper has shown that recent research on conflict sheds important light on the nature and driving force of conflict in Ethiopia. An attempt to characterize conflicts and their economic ramification has also been made. Analysis of conflict, post-conflict and economic conditions in Ethiopia underscored the class nature of major conflicts and the significance of the political economy approach to offer adequate explanation.

The major cause of conflict in Ethiopia is grounded in the political economy of the country, underscored by competition for power. History, institutions, the path-dependent nature of state formation and external intervention are important. Ethiopian governments have never

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17 For instance the current government promised devolution of power to regions, yet the centre still retains control (about 80 per cent of public revenue and expenditure). There have been democratic elections but their results have been questioned. A clear distinction between the mandates of the party and civil servants (technocrats) has been made, yet party cadres are primarily in control. A free and competitive economic space has been promised to the private sector, yet a focus on party-owned businesses is the rule, not the exception.
been accountable to the people. This created a fertile ground for insurrection and offered opportunities for people to express their grievances or greed only through violence, often at negligible opportunity cost to the opposition but relative high cost to the incumbents. Inevitably, the incumbent’s attempt to defend and maintain its position led to increased militarism: just as good institutions enhance growth so are bad institutions - are detrimental for long-term development and durable peace. This seems to be the case in Ethiopia..

Considering the three recent regimes - the imperial, the Dergue and the EPRDF - one discerns a certain pattern: the means of resolving one conflict sowed the seeds of the next. The downfall of the imperial regime can best be explained by the misery it caused the majority of the rural population, who were essentially serfs. Resolution was through popular uprising and military coup, replacing the existing system with a socialist system. This grievance was expressed in the first important proclamation of the Dergue – nationalization of land and its redistribution to the peasants. The failure of the Dergue to meet the expectations of the population, and the educated elite, led to grievances which fueled the next round of conflict, 1974-90, the basis of which became ethnicity. Resolution of the civil war on an ethnic basis precipitated its next phase, the Ethiopia – Eritrea war.

Conflict is the major and fundamental explanatory factor for the poverty and backwardness of Ethiopia. It not only creates human misery but also suppresses economic activity. Resources shift from productive to destructive activities, reducing growth or negatively affected its quality and composition. Economic revival intensifies following conflict. Such is the case under the current government. Between 1992 and 1997 GDP growth averaged a healthy 6 per cent, the longest period of such growth at such a high rate. As noted above, during periods of conflict Ethiopia generally experienced either low or negative growth rates or, where they were high, an inherently unstable growth which exacerbated rather than reduced poverty.

However, in Ethiopia power remains absolute. Despite institutional and legal reforms implemented by incoming administrations, laws are not applied equitably, transparently or accountably but according to the whims of leaders ruling the country. This is the substance of recurring instability. In essence, the only way that the country can end the vicious circle conflict and instability is when the leaders become accountable to their people. Peace and stability depend on the extent to which political leaders are made accountable to the people. Will there be another conflict in Ethiopia? Unless and until there is real political reform bringing government accountability to the people, further conflict is probable.
Does Conflict Explain Ethiopia’s Backwardness? Yes & Significantly

Reference:


