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Ethiopia's currency devaluation: Expectations and challenges

It is standard practice for countries to devalue their currencies in the service of immediate and long-term national economic interests. Only the frequency and extent of the devaluation differs, each country adopting its own approach with certain goals in mind. Weakening of the local currency to prop up export earnings and thereby stabilize a deficit in the trade balance is an accepted and widespread technique. But such a move always elicits some sort of reaction, and it cannot be carried out without risk. This is paramount when the state's capacity to control price hikes and the techniques employed by business people to amass profits in the process are complex.

The National Bank of Ethiopia's announcement that it would devalue the *birr* by 15% and raise interest rates from five to seven percent, effective 11 October, generated mixed reviews. During the annual address to the Parliament two days before that date, the President, H.E. Dr. Mulatu Teshome, hinted at a possible devaluation of the *birr*, asserting that such a measure would encourage the export sector. After the announcement, additional explanations highlighted the benefits that the currency devaluation and incremental increase in interest rates are expected to bring to the national economy. Some economists, including experts from the National Bank,

argue that these measures will encourage the inflow of much needed foreign investment money, boost Ethiopia's hard-currency reserves, prop up export earnings, close the gap in the foreign trade imbalance, revive the mega-projects whose performance levels have remained sluggish for quite some time, discourage importing while encouraging import substitution, encourage saving and spending on local products. More significantly, the measures are expected to positively impact Ethiopia's export earnings, which rely heavily on agricultural products and minerals as well as services that bring foreign currency to the country. Coffee, sesame, cereals, commercial flowers and livestock constitute the bulk of the country's exports, and as a result of the current monetary measures exporters are expected to profit. But this may not come to pass. The selling prices of these agricultural items are determined in the world markets elsewhere, and so these currency manipulations may not achieve the intended objectives. On the other hand, one should also take into consideration the benefits the measures will provide by boosting the competitive advantage of the industrial parks that are being established across the country. According to this argument, cheap local currency coupled with cheap and excess labor is expected to encourage foreign investment, in the process yielding quality, affordable products for domestic and international markets.

But many are worried about inflation as a visible side effect. Incremental rises in commodity prices, especially of imported products, could continuously sap the country's foreign currency reserves, which might have an undesirable effect on the resilience of the economy in the short to medium term. As a result, the anticipated boost in export earnings could be overwhelmed by parallel incremental increases in inflation and a reciprocal rise in the price of imported items. Here one has to factor in the fact that Ethiopia imports, in huge quantities, processed food items, sugar (at least for the time being), fertilizers, petroleum and petroleum products, as well as machinery vital to ongoing mega-projects (sugar factories, hydro-electric power generation, road construction, etc.). Combined, these imported goods absorb the lion's share of the country's foreign currency from investments, thereby contributing to the longstanding and ongoing trade imbalance that is currently in the range of 7 to 10 billion US dollars.

In the absence of comprehensive strides forward in the bid to replace the import of even basic necessities with locally produced items, it is argued, trade imbalance and staggering deficit will continue to grow. Likewise, those expressing their reservations about the current economic measures highlight the impact that inflation will have on ordinary people. A 15% increase in the price of

fertilizer means that 80% of Ethiopians—whose livelihoods are dependent on farming—stand to be directly affected. In addition, as a landlocked country, Ethiopia has to pay in foreign currency for all transactions related to port service, transit and stevedoring. Devaluation in this context means price increases elsewhere related to transit services. Naturally, this price hike will be transferred to local consumers, in the process affecting the significant majority of the population that remains uninvolved in 'import-export' activities but consumes the commodities that pass through this process.

The effects of the current devaluation will be even more consequential in the possible scenario of price hikes on fuel imports. This is more relevant as developments in oil-producing countries that will affect world prices are not under Ethiopia's control. The recent price increase to \$64 per barrel following measures related to corruption allegations in Saudi Arabia is a vivid example. Given Ethiopia's total reliance on imported fuel, the current devaluation is bound to directly affect the entire economy that is linked with the energy sector, particularly the transportation sector. One might argue that the government still controls the price of fuel and the transport costs and hence would be in a position to control the impacts of the possible price hikes in this sector. But given the pressure from gas stations and

importers, pushing to increase the profit margins in oil distribution, the government should prepare for the worst in this regard. Some economists are already suggesting the possibility of increasing the price of fuel products by at least 15% in the near future to accommodate the devaluation measures, and this move, when put in place, would in turn trigger a substantial rise in transportation costs that would eventually be transferred to consumers and the prices of both imported and domestic products.

Such a sweeping readjustment demands an assessment of the factors prompting the change and scrutiny of the short- and long-term challenges and opportunities ahead. The National Bank of Ethiopia took a similar measure in October 2010, reducing the value of the *birr* by 17%, which in turn resulted in devastating inflation reaching as high as 40%, catching both the government, the people and partners by surprise. Impromptu government efforts to regulate the price of commodities failed to yield the desired results for two years. The situation only stabilized gradually, after a further series of measures by the government, including the sale of long-term bonds that helped curb the growth of money supply through printing in the economy, but the price of most items remained at the new higher level. The whole experience made a lasting impression on Ethiopians of all walks of

life, with an associated deep sense of uneasiness about the possible side effects of similar devaluation measures in the future.

In a similar vein, the resilience of the local market has been tested time and again, and we know that it is disproportionately affected by the slightest of changes—small salary increases for civil servants, changes in the price of petrol and market-driven modifications of the exchange rate, for example. Each time, the price index has shifted upward, indicating the risk of a recurrence of high inflation. What is more interesting is that the percentage increase of the official devaluation is less than the soaring parallel market currency exchange rate (in the black market), which may point to challenges in the future and embedded problems in the economy.

One must factor in the external pressure coming from international financial institutions like the IMF and the World Bank. These financial institutions—the IMF in particular—have been pushing for devaluation of the *birr* for a long time, as they did before the last devaluation of the *birr* seven years ago. Often, the government has resisted implementing these recommendations, but sooner or later the government has chosen its own course and applied them, in its own time and based on its own rationale, with slight variations from the original

recommendations. Even pundits have been surprised. And yet again, in its fifth economic update, the World Bank recommended the devaluation of the *birr*, with the justification that such a move would raise the country's competitiveness in the global arena. This suggestion was based on the fact that the Real Effective Exchange Rate (REER) has appreciated in cumulative terms by 84% since the nominal devaluation in 2010.

Admittedly, factors like stagnating export proceeds that have remained stuck at a meager three billion dollars for the past three years, plus double-digit inflationary pressure in the past three months (having reached 10.8% in September), the acute shortage of hard currency, the insatiable demand for imports, the widening trade deficit and the staggering foreign debt (close to \$40 billion) might have necessitated a change. But the world's monetary institutions appear to have made the current measures compulsory.

Whatever the reasons are, the measures will have advantages and disadvantages for Ethiopians in the short and long-term. In the short run, those engaged in the export sector, local as well as foreign merchants, and particularly those who trade in agricultural products such as coffee, sesame, leather products and flowers, will benefit from the measures. The comparative value of these items will

diminish locally as compared to the relative spike in the foreign exchange earnings they bring to those involved in the export trade. Simultaneously, again in the short-run, the expected increase in the quantity of export items and the resultant earnings may reduce the imbalance in the import-export trade.

But some advise caution with regard to the adverse effect the devaluation will have on the price of imported goods. In the short-run, the price of commodities, including those already in the country, will increase, in turn driving inflation, which may prove a dangerous side effect. In addition, people engaged in the import trade, because the expected spike in the prices of imported items could impact their overall sales performance, may not appreciate devaluation as the real value of the money in foreign currency has decreased. The spillover effects clearly burden consumers, including the government, and ultimately affect the overall performance of the economy. Some express serious reservations about the country's export sector, which is still dominated by raw materials, and as such may not meet the contribution goal envisioned, let alone compensate for the standing deficit in the trade balance of over \$10 billion. Unless serious steps are taken to transform both the agricultural and manufacturing sectors and export earnings can be derived from processed/semi-processed goods, they argue, the problems afflicting the

country's entire economy are bound to continue.

For now, all agree that the biggest challenge is inflation. This problem is expected to afflict Ethiopia's economy in the short-term, and in the long run as well. Everybody appears to be bracing for the impact, and there are already signs of price spikes, not only on imported items, but in a unique Ethiopian case, on even locally produced goods that have nothing to do with the external markets. The ripple effects on the local economy warrant serious consideration. Already worrying signs of price hikes on domestic and imported products and shortages of essential items are noticeable; they are either due to shortage or to manipulations by the business actors who remove the products from the shelves. This is usually a precursor to a vicious cycle of all trying to compensate real or imagined losses through unsolicited financial gains extracted from available sources of income. There is a real possibility of an incremental rise in rents for buildings, machinery or other items in the market, as well as costs for transportation, services and essential commodities. The ripple effects simply spread, bringing everyone into the concentric circles, with each seeking to escape the pressure.

Whatever the justifications, devaluing any currency brings a certain amount of risk, economic as well as political.

Economists argue that the success of such a measure requires a strong capacity to preempt potential fallout, with the foresight to provide for effective mechanisms to protect the local economy. Apart from the customary awareness creating campaigns, serious regulatory measures are required to protect the consumer, particularly in low-income segments of the society.

Government policies such as the current devaluation cannot merely be assumed to be effective, as the government must overcome roadblocks before even the most sophisticated attempts to control the economy can succeed. Once the state determines that the existing value of the local currency in terms of a foreign currency is to change, it is difficult to explain to the business community that the value of the money remains the same. The challenge becomes more significant when policies such as devaluation are made based on the expectation of a bumper harvest, when the yield is not assured and the season is full of risks until the harvest becomes part of the market system.

The resilience of the government machinery will be much tested in the practical steps it takes at all levels to deal with the impending challenges, especially of inflation. For the time being, people hope that the government's regulatory bodies will do whatever is in their power to protect consumers. The government

has promised that prices of basic items such as fuel will not change. This depends on world markets as well. Recent data indicates a rising trajectory for oil prices. If this forces the government to fail to keep its promises, the economic consequences could have huge political insecurity implications. Complacency would hardly be justified.

Resolving differences between Somalia's Federal government and the Federal States critical to move Somalia forward

Recent developments in Somalia suggest that the country is at a critical juncture. Somalia leaders' sense of their own popularity following the election and their failure to recognize the end of the euphoria is blinding them to the fact that they are pursuing mistaken policies. The leaders misinterpreted their "nationalist credentials" and are following the path of the leadership that was created following the Arta peace process.

There is serious political infighting between the Somalia Federal Government (SFG) and the Federal States, each segment of the administration striving to assert what it deems to be under its jurisdiction. The divisions regarding the Gulf crisis and its spillover effects in Somalia have only intensified the disputes. This is raising questions as to whether Somalia's leaders can cement the federal structures that the country adopted constitutionally

in 2003. Instead, it seems that the leaders at the federal level may well continue with the illusion of establishing a unitary state by undermining existing structures. A constitutional crisis was triggered between the Federal government and the Federal States in the interpretation of Articles 53 and 54, as the regional states expected to be consulted on the position of the Federal government regarding the Gulf crisis. The SFG seems determined to teach the vulnerable Federal States a lesson, and this has inevitably triggered a reaction. Some commentators draw a parallel between the federal government's incapacity to govern and its incapacity to fight al-Shabaab, noting that the Federal government is undermining the Federal States through corruption, despite the fact that regional administrations have the capacity to fight al-Shabaab and could be vital partners in this effort. It's a pity that a Federal government that has a very limited capacity to govern and cannot survive al-Shabaab for a day without AMISOM is concentrating on undermining administrations that fight al-Shabaab and provide a semblance of governance for their respective peoples. Moreover, rather than looking at creating the necessary capacity to team up with AMISOM from the beginning of its establishment, the federal government is questioning the effectiveness of AMISOM and was requesting the drawing down of AMISOM's forces. Neither was constructive in any way.

In fact, AMISOM has been critical to the fight against terrorism in Somalia, and it remains central, in collaboration with the forces of the Federal States. The Federal government knows this. For now, AMISOM is essential to its own survival as well. AMISOM has been facing challenges in terms of its sustainability from various angles. Resource availability, the threat by some Troop Contributing Countries (TCCs) of withdrawal has continuously affected AMISOM's operations. But now the TCCs are forced to begin to reduce their troop numbers, in response to the new leaders' grandstanding during the Presidential election campaign and the recent decision of the UN Security Council for a phase-by-phase drawdown. But what is critical here is the fact that some countries were using their engagement and the fight against terrorism in Somalia as leverage regarding the question of their role elsewhere in the region. Those governments who were threatening to withdraw from Somalia were using this to fend off pressure about their role elsewhere. They of course have succeeded in achieving their objectives to-date. The international community should have understood this game much earlier. Fighting terrorism in Somalia and playing a different game elsewhere should not be used to continue with actions that do not ensure peace and stability in the region. Putting pressure on someone else's unhelpful role will not affect the fight against terrorism in

Somalia. This is not a binary choice, and these threats are in fact empty.

The international community must avoid buying into this charade, as it has already bought into the idea that the federal government could create the capacity to fight al-Shabaab. There is no sign at all that this wish will come true—nor should it, if the international community is committed to peace and security in Somalia. Financial pressure notwithstanding, AMISOM's troops cannot be drawn down in the middle of the battle without creating the necessary conditions on the ground. AMISOM's immediate withdrawal is unrealistic since the SFG is far behind in creating a capable national force to withstand al-Shabaab's threats. And in fact al-Shabaab has stepped up the fight, and is creating havoc on the ground, and hence this calls for decision-makers to rethink the drawdown of AMISOM forces.

While the Federal government and the Federal States are engaged in a tug of war on the ground, the terrorist group has conducted the deadliest terrorist attack in the history of Somalia, a heinous and unprecedented crime, destroying properties in Mogadishu and claiming more than 400 lives. This attack should not only be condemned in the strongest terms, but also calls for an ongoing united response from the international community, who should combine their efforts to fight the terrorist

group. For now, there can be no talk of withdrawal.

Indeed, although this heinous incident attracted unusual international attention—with the lights of the Eiffel Tower dimmed and the Toronto sign lit up in the colors of the Somali flag in solidarity with the victims—many hundreds more people have died and thousands have been injured this year in Al-Shabaab’s violent assaults on civilians in Somalia. Suicide and car bombs, mortar attacks and roadside bombs killed 34 people in January; 39 in February—and the list continues, with more every month of the year. A week after the massive explosion in Mogadishu, while people were urging unity and offering the federal government an unexpected opportunity to use the nation’s unity following the bombing, and as people were still struggling to deal with the attacks, al-Shabaab struck again, killing another 29 people and wounding dozens more.

The failure of state security that has allowed these continuing attacks to take place and resulted in the killing of hundreds of people, triggering a reaction from the population, forced the federal government to dismiss the intelligence and police chiefs in the midst of the onslaught last month. The Defense Minister and the Chief of Defense Forces had already resigned from their positions before al-Shabaab struck with the

massive truck bombing on October 14. But the dismissal of the two senior government intelligence officials will not solve the problem either, and will certainly raise serious doubts about the capacity of the leadership.

However, the dismissal of the chief of intelligence is suspected of being linked to the handing over of Qalbi Dhagax (see CDRC Digest, September 2017 issue), which put into question the nationalist credentials of Farmajo’s government. But the real question is: What is a nationalist credential in Somalia? Is irredentism essential to Somali patriotism? Why should Farmajo’s nationalist credentials be called into question because he handed over an Ethiopian citizen involved in an armed terrorist movement? These credentials should rather be evaluated on the basis of his accommodative policies towards Somalis and their own regional administrations, his capacity to create frameworks for equitable and fair elite bargain in the country, his ability to create institutions of governance and his preparedness to lead the country forward. But all these are eclipsed by the handing over of Qalbi Dhagax, indicating how insincere Somalia’s politics has become.

Following this, Somalia’s challenges are increasing manifold as tensions between Somalia’s federal government and the federal states grow. Albeit unstated, the central government appears to be intent

on dismantling the federal arrangement, as recently demonstrated in its attempt to intervene in the affairs of Hir-Shebelle and Galmudug regions. This in turn has triggered a reaction from the five federal states, which convened a meeting in Kismayo last month to discuss the options for withstanding the pressure coming from Mogadishu, which triggered a conciliatory reaction from the SFG.

Observers are already questioning the timing and the wisdom of the Federal Government's actions, as they appear to antagonize the federal states and damage the existing political arrangement. Some experts associate the situation with power politics, used by the elite at the center, who appear to be threatened by the existing arrangements. With no other recourse in the case of a stalemate, these elites used nationalist rhetoric in order to stay in power. Since none of the leaders and their advisors at the top have federal states as their backyards, contradicting the federal states is a natural reaction. Nonetheless, the Federal Government could have spared itself a lot of trouble had it accommodated the federal states and amicably resolved differences with them. Prioritizing the threats Somalia faces would have spared them from committing mistakes that are allowing the resurgence of Al-Shabaab.

Apart from Al-Shabaab, the dispute between the Federal States and the

Federal government, pundits warn, is the most serious political threat that Somalia faces at the moment. Though somewhat overshadowed by the recent twin terrorist attacks in Mogadishu, they argue, this dispute requires careful scrutiny and follow-up. Specifically, they point to the importance of the Kismayo meeting—attended by the Presidents of Puntland, Galmudug, Hir-Shebelle, Southwest and Jubaland states—which provided for the establishment of the Council of Interstate Cooperation (CIC).

The agreement that the leaders signed at that meeting recalls their obligation to take a leadership role in revitalizing Somalia's federalism and building a more constructive and cooperative federal system, as stipulated in the 2003 transitional charter. The Kismayo agreement reiterates that Somalia's constitution divides power equally between the Federal States and the Federal government, and hence requires that both levels of governance be given resources to meet their obligations. Altogether, the agreement advocates for a "federalism that is based on shared principles including respect for the constitution and the division of powers, while being aware that Somaliland has not agreed to the Provisional Federal Constitution, and accepting that there are differences among the federal states and that governments may have different policy priorities and preferences."

Through this agreement, the Federal States' leaders underscored the need to establish a new era of intergovernmental collaboration by promoting a constructive dialogue involving all parties to the federation. The agreement further reiterates the importance of participating in the evolution of the federation and demonstrates the Federal States' commitment to leadership through institutional innovation. According to the agreement, the "Council of Interstate Cooperation (CIC) will be an enduring and evolving institution that will be flexible, efficient and able to anticipate and act quickly to make Somalia work better for all Somalis."

In effect, the Federal States are acting in self-defense, trying to reassert their positions of influence in the administrative structures of the new Somalia. By establishing the CIC they are institutionalizing their power base collectively. These new dynamics in the power balance may encourage the Federal government to reconsider its campaign to undermine the Federal States. But, if the federal government continues with its current policy and if the situation gets out of hand, this could result in an extended and widening rift between the Federal government and the Federal States, providing Al-Shabaab with further opportunities to exploit grievances, just as it does differences within clans and sub-clans.

Most commentators agree that the establishment of the CIC is the result of the positions taken by the Federal States regarding the Gulf crisis and the resultant aggressive actions of the Federal government. It is a reaction to the policies of Mogadishu. Senior government officials have used finances that originated in the Gulf, in the order of millions of dollars, to dispose of leaders of the Federal States; and there are ongoing efforts to undermine and weaken others who have taken a position on the matter. But there are rumors that the SFG is bent on destabilizing even Somaliland, which has achieved tremendous progress and held several rounds of democratic elections. Somaliland is getting ready for another round of elections whose outcomes will be critical in sustaining its hard-won peace and stability. Now there are rumors that the SFG is determined to support one of the parties in the Somaliland elections and undermine those others that Mogadishu considers unfavorable.

The recent visit the President of the SFG made to Kampala, Addis Ababa and Djibouti was aimed at pressurizing the regional administrations. The crisis in Somalia between the Federal government and the Federal States is the single most important competition affecting the Horn that has arisen from the Gulf crisis. Of course, the Horn of Africa governments have taken varying

positions and have been encouraged by other extra-regional actors to unite to address the threats that the Gulf crisis may create in the region. Indeed, the approaches Horn states take towards the ongoing Gulf crisis could potentially reflect on how the CIC will be viewed and whether it will be considered at all. There is a real possibility of new dynamics developing in Somalia, with sub-regional and regional dimensions influencing the course of events.

The *modus operandi* of the CIC

The CIC is created among the five federal states, namely: Puntland, Jubbaland, South West State (Koonfur Galbeed), Galmudug, and Hir-Shabelle, as represented by their presidents. It is the first of its kind in terms of a cooperative framework among Somalia's major actors, initiated and financed internally. This is an important development, particularly when compared to the alliances and counter-alliances that Somalia's actors create. Previously, Somalia's actors have even failed to create an alliance against the Islamic Courts Union (ICU) to fend off threats the latter posed to them individually. Of course, Ethiopia's unilateral intervention reversed the incursion of the ICU, protecting the fledgling administrations of Puntland and Somaliland at that time,

in addition to the then federal government led by the late President Abdullahi Yousuf.

The objectives of the CIC, *inter alia*, include: cooperation towards the evolution of a federal system in Somalia, effective provision of leadership on national issues and improving Federal-States' territorial relations, promoting better relations between the Federal States in recognition of the diversity within the federation, and working towards increased transparency and better communication. The CIC also determined its mandate to include analyzing the actions or measures of the federal government that have a major impact on the Federal States, developing a common vision on the basis of fundamental values and principles of federalism, addressing issues of priority that require the pooling of experience and expertise for better dialogue between them, serving as a forum for exchanging information, experience and knowledge, providing an integrated and coordinated approach through the development of common and shared analysis and positions where appropriate, and reinforcing the work of sectoral intergovernmental forums.

The CIC is organized in such a way that all the Federal State Presidents are represented and the majority must be present to convene a meeting biannually and once elsewhere in one of the states

as agreed, with a rotating presidency every year. The subsequent President serves as a deputy before his term begins. Consensus has been agreed to as the basis of decisions, with special sessions where the Federal government might be invited to attend. Ad hoc committees might be created and would be chaired by the incumbent President or Minister of the CIC. A secretariat that will be funded by the members of the CIC will also be created with a mandate to assist the work of the CIC in analysis and in the discharge of its responsibilities as described in the agreement in which the member states resolve to contribute one representative apiece.

What makes this CIC agreement unique? The most important aspect of this alliance is that it is generated and owned by Somalis themselves, with a clear commitment to foot the bills as well. They have also created their own leadership arrangement, which will rotate between the Federal States. The critical aspect of this alliance is that it targets the actions of the Federal government in Mogadishu and would be used as a leverage to get the maximum concession from the center. The Federal States are most threatened by the SFG, and they are reacting to this threat. And as a reaction to the creation of the CIC, the Federal government has stopped providing resources that it used to transfer to the federal states, which may well undermine the relative peace,

security and stability that those regions have been able to provide to the people within their territories, albeit fragile and deficient. In the meantime, the President has invited the leaders of the CIC to Mogadishu and there is an ongoing dialogue with the leadership that has been concluded this week. The dialogue has concluded in an agreement on creating alliance to fight al-Shabaab, cooperate in the constitutional reform, and the creation of a strong Somali National Army, although there are little details on how those agreements are to be pursued. Within this dialogue, the CIC is demanding to have a role in the nomination of new officials in the places recently vacated by the Defense Minister, the Intelligence Chief, the Chief of Staff and the Police Chief.

On the other hand, the presence of the leaders of the federal states in Mogadishu has allowed the SFG and AMISOM to have an in-depth discussion regarding Somalia's security and chart out a common framework to fight Al-Shabaab. The discussions are also indicative of the frustrations AMISOM has regarding the differences of approach and lack of concrete front between the SFG and the federal states in the fight against Al-Shabaab. This coordination should have started since the beginning of the election of the new leadership. A lot of water has passed under the bridge to recreate confidence and trust in a common platform on the way forward.

AMISOM is expected to drawdown the numbers of its soldiers, which is not a favored move currently by the federal government and the federal states. But this doesn't mean that the momentum in the coordination will fail to bear fruit. However, this requires a serious commitment and transparency about the future trajectory of the country and where Somalia's actors all aim to go together. In the meantime, AMISOM should also look at options to make its operations more effective. In this regard, resectoralization of its deployed forces, decentralization of its operations to fit into realities on the ground, and creating a monitoring and evaluation mechanism of its activities to ensure coordination would be critical.

What is important to note is that the international community did not discourage the creation of the CIC, and it has already begun to engage with the structures that the CIC has created. This of course has triggered reactions from Somalis insisting that the international community should not deal with the Federal States. Obviously the international community is realistic, and Somalis elsewhere should be also. The Federal States cannot be ignored. They are the basis for undermining al-Shabaab and limiting its capacity to carry out terrorist attacks such as the ones

recently undertaken in Mogadishu. Al-Shabaab has declined to take responsibility for the heinous crime, fearing a backlash from the community in and around Mogadishu. To build on the unity inadvertently created, Somalia's leaders must address their differences amicably and work together. If they continue to quarrel, they will create rifts for al-Shabaab to exploit, creating disorder and distrust in the country by manipulating differences at local, regional and national levels. Division between the Federal States and the Federal government would be the most dangerous development, and all efforts need to be geared towards avoiding this if Somalia is to progress towards peace and development.

Grand Ethiopian Renaissance Dam induces U-turn in old Nile policies*

In the past, any description of the Nile, no matter how brief, could not fail to mention Egypt. Nowadays, any talk regarding the Nile cannot avoid discussing the Grand Ethiopian Renaissance Dam—the GERD. The GERD has become the Nile, and vice versa. In fact, the GERD has almost become larger than the river itself. It is the defining element of the Nile, changing the Nile Basin landscape to the point of no return.

* This piece was contributed by Wondwosen Michago Seide. He welcomes readers' comments at wondwosen.seide@chch.oxon.org.

It has brought the Nile Basin into the new hydro-political structure.

NBI meetings

The Nile Basin was busy in October this year. The 5th biennial Nile Basin Development Forum (NBDF) of the Nile Basin Initiative (NBI) took place in the ever-clean city of Kigali, Rwanda, from October 23-25, 2017 with more than 500 attendees. The Forum's theme was Investing in Nile Cooperation for a Water Secure Future, the aim being to bring all stakeholders and friends of the Nile together to discuss the NBI's future agenda and priorities, to build common understandings among the Nile riparian countries and encourage new ideas, insights and innovations.

Prior to that, the 25th Nile Council of Ministers (Nile-Com) meeting was held in Entebbe, Uganda on October 12 and approved the NBI's ten-year strategic plan that aims to increase hydropower development and power trade, improve food security, improve basin resilience to climate change impacts and strengthen trans-boundary water governance. The Nile Basin Technical Advisory Committee (Nile-TAC), that usually precedes the Nile-Com, discussed, inter alia, the issue of Egypt's resumption of its membership and active participation in the NBI and ENTRO (Eastern Nile Technical Regional Office). It is known that Egypt and Sudan have frozen their membership in protest against the signing of the Cooperative

Framework Agreement (CFA), also known as the Entebbe Agreement. Six Nile Basin countries have signed the CFA—Ethiopia, Rwanda Uganda, and Tanzania in 2010, plus Kenya and Burundi in 2011—and it has been ratified by Ethiopia, Rwanda and Tanzania. Sudan rejoined in 2012 while Egypt is still only partially involved in the NBI activities. Egypt continues to insist on the need to renegotiate the Entebbe Agreement and wants to revise Article 14 (b) that deals with the 'water security' issue. The other countries have vehemently asserted that the CFA is non-negotiable. To put it differently, the struggle is between the past and new agreements on the Nile waters. In fact the *status quo* changed long ago with the signing of the CFA and the launch of the GERD project. The Nile Basin has already been ushered into a new era, and the riparian countries are cognizant of the fact that not only climate and hydrology, but also old treaties and unfair water utilization, have changed for good.

On October 18, the 16th Tripartite National Committee (TNC), which includes Egypt, Ethiopia and Sudan, met in Addis Ababa to discuss the environmental and social impact assessment of the GERD. The study is contracted to French companies. The TNC was convened primarily to discuss the draft guidelines for the proposed study. Before the meeting of the TNC, the Water Ministers of Egypt, Ethiopia

and Sudan visited the GERD construction site in a demonstrable gesture of the three countries' commitment to working together for the sustainable development and utilization of the Nile waters. The visit has both functional and symbolic significance. First, it indicated full acceptance of the GERD as a regional project. The GERD, as an energy hub, has become the site of development and cooperation. It also has a firm political meaning: the only option for resolving the issues around the Nile River and the GERD is through continuous diplomatic talks and with a spirit of shared value. This is also a signal of departure from Egypt's uncompromising position, a stance that it once maintained gave it veto power and sole utilizer rights. This indicates that Egypt now acknowledges the GERD as a *fait accompli*, and Ethiopia as a force to be reckoned with.

The first Nile Heads of State Summit was conducted in Entebbe, Uganda on June 22, 2017. The main objective of the Summit was not clear, mainly due to the lack of proper consultation on the agenda beforehand. Most suspect that this ineptitude was due to pressure from Egypt, and that Uganda relented. This sparked controversy and as a result there was a low turnout, with only the heads of Ethiopia, Egypt and Uganda present. Some questioned whether there was even a need to have the Summit in the first place. The absence of Sudan's President from the Summit was taken as

an adroit diplomatic signal that Sudan is not aligning itself with Egypt when it comes to the CFA. This was a subtle but deliberate gesture from the Sudan.

GERD as a regional investment

The NBI's Eastern Nile Technical Regional Offices (ENTRO) that comprises Egypt, Ethiopia and the Sudan has prepared various investment projects, including dam construction. The Joint Multi-Purpose (JMP) long-term and large-scale project was one of the ENTRO's multi-billion dollar projects identified by the three countries in 2003. The JMP scoping study identified, analyzed and recommended the construction of four successive dams on the Blue Nile in Ethiopia, one of which was the Border Dam. Unfortunately, Egypt began to change its mind and soon opposed the idea. As some noted, it was only when the implementation of these proposed dams began to drag on unnecessarily on the ground that Ethiopia turned the JMP-Border Dam into the GERD. That is why some scholars have noted that, the GERD, in a way, is an offshoot of the NBI-ENTRO, though it has a different shape and size. In this regard, putting aside all the politics, the GERD can be viewed as a regional investment project.

At the 18th Ordinary Session of the African Union (AU) held in Addis Ababa, Ethiopia, on 29-30 January 2012, the AU Heads of State and Government formally endorsed the Program for Infrastructure

Development in Africa (PIDA) through adoption of the Declaration on the Program for Infrastructure Development in Africa. This program is a joint initiative of the African Union Commission (AU), the New Partnership for Africa's Development Planning and Coordination Agency (NPCA), the United Nations Economic Commission for Africa (UNECA) and the African Development Bank (AfDB). PIDA is an African-led and African-owned initiative. It is stated that PIDA is a multi-billion dollar* and multi-sector program covering: Transport, Energy, Transboundary water and Telecommunication/ICT. According to the AU, PIDA "aims at facilitating continental integration in Africa through improved regional infrastructure and is designed to support implementation of the African Union Abuja Treaty and the creation of the African economic Community." PIDA has identified the GERD as one of the Priority Action Programs (PAPs) in the energy sector, among 40 projects to be implemented between 2012 and 2020. The GERD, as an African solution to Africa's problem, is part and parcel of continental master plans and action plans. It is with this in mind and in this spirit that IGAD staff visited the GERD and bought one hundred thousand dollars worth of bonds. IGAD also acknowledges the

GERD in its trade and energy interconnectedness activities. As a JMP, PIDA and IGAD regional and continental investment project the GERD disproves International Rivers' flawed piece entitled '5 Myths Surround the Grand Ethiopian Renaissance Dam,' published in January 2017. The piece presents nothing more than the usual views of the Luddites who express a development phobia. The GERD is not only a monumental water infrastructure project but also a symbol of the environmental struggle that the South is having with the North. It is a bold project fully supported by its own people with not a single penny contributed by the West, development partners or international institutions. It is a promising example of an African solution to an African problem, as echoed by the AU. The GERD is the only multi-billion-dollar project in Africa that is fully financed by its own people.

Knowledge of discontent

Disregarding misinformation like Dunne and Pollock's recent sensationalist article 'River of Discontent' that drew the sweeping and spurious conclusion that the GERD "may sharply reduce the Nile flow and leave Egypt high and dry," the three countries are relentlessly discussing how to bridge their differences on how to fill the GERD. The 'River of

* While it's difficult to accurately project the cost of PIDA's long-term implementation through 2040, the current estimate of the budget is more

than \$360 billion, while the overall cost of delivering the priority programs between 2012 and 2020 is expected to be \$60 billion.

Discontent' authors' audacious statement, even before the impact assessment has been completed, is nothing more than what comes from 'knowledge of discontent'; it does not make them cognizant of the ongoing processes in the Nile Basin nor does it demonstrate any genuine attempt to do their research well. It seems that their data is one-sided (e.g., the absolute water index applies not only to Egypt but also to other riparian countries. And with the looming threat of climate change and climate variability, the rain patterns will be unpredictable and, according to the Falkenmark Indicator, all the Nile countries will face severe water scarcity by 2030, i.e., less than 1000bcm per year per person). Dunne and Pollock's article neither conveys the cooperative spirit nor demonstrates any technical expertise with regard to the Nile waters. To begin with, the chairmanship of the Nile-Com rotates annually and it is not clear why the authors saw this as an "unpleasant new fact" and a misfortune for Egypt. Contrary to the scientific studies conducted by scholars in the 2016 special issue of the *Water International Journal* on "The Grand Ethiopian Renaissance Dam: Legal, Political and Scientific Challenges," with suggested possible arrangements of reservoir coordination for the filling of the GERD, these ivory tower authors make an unfounded, sweeping assertion about the GERD's cataclysmic impact.

Dunne and Pollock's tone is self-righteous, their article focused on the devastation they foresee downstream. But this piety leads somewhere else, as they hint at impending battles over scarce water resources. Fortunately, this war-drumming neither deters the continuation of Ethio-Egyptian diplomatic negotiations nor affects the work of the NBI. It is unfortunate to see this kind of minimally researched and sensationalist, if not inflammatory, article produced by researchers at the Carnegie Middle East Center, but it has no greater import. All this while the NBI has been working closely with the Nile Basin's journalists writing on the Nile issues. During the NBDF, the NBI presented awards to outstanding journalists for their continuous, balanced and forward-thinking writing that has highlighted the benefits of 'Cooperation in the Nile Basin.' It is comforting to know that both countries have moved beyond gloomy and unscientific predictions about the GERD and are now trying to come up with workable arrangements to manage the Nile flow.

GERD as energy hub

Energy security has become a concern for all countries; in many, it tops the policy agenda. There is a rush to go green for the sake of saving our planet. Hydropower is a clean and renewable source of energy with low emissions. It is the best tool to fight climate change.

According to the World Energy Council, "Hydropower is the leading renewable source for electricity generation globally, supplying 71% of all renewable electricity." The GERD will contribute, increasing Africa's capacity to harness its hydropower potential.

Ethiopia promotes the GERD through publicity that promotes clean and renewable energy and fits well with the global climate change narrative. Ethiopia is one of the few African countries that has come up with a Climate Resilient Green Economy (CRGE) document, promulgated in 2011. As a result, Ethiopia's image percolates in the minds and heart of the world with almost no objection to the GERD from other African countries or the West. However, Egypt is supporting Inga Dam in the Democratic Republic of Congo to project DRC's power and challenge Ethiopia's ambition of being the sole source of energy exports to African countries. But even with competition, the Grand Ethiopian Renaissance Dam is no less than the realization of a dream in this part of the world.

The GERD has changed Ethiopia's image, even before its completion. The country is no longer merely the 'Water Tower of the Horn of Africa' but a 'water user' in its own right and an 'energy hub.' Ethiopia is no more to be seen as simply a 'water catchment space' for the societies downstream. It has also

changed the idealized interpretation of 'virgin' and 'unused' land to that of 'productive land' that will generate abundant electricity to light the Horn of Africa and beyond. Ethiopians are now admired and applauded for taming the lion, just as Egyptians did in 1960 during the construction of the Aswan High Dam (AHD).

The GERD makes it possible to portray Ethiopia as a 'highly-voltage lamp' that will light up Africa. Ethiopia has steadily constructed the energy discourse and has been accepted by many as the ideal land of the 'Energy Hub' in Africa. Ethiopia has managed to promote this imagery in the Horn of Africa and beyond.' In fact, Ethiopia has successfully enshrined this imagery at the continental and global level. Donald Kaberuka, the former African Development Bank president, noted that the GERD is a model for other countries. Ethiopia has "approached power from the viewpoint of energy security but also as an export sector. In the long run this is what will transform the Ethiopian economy."

At this point, western diplomats almost unanimously support Ethiopia's right to build the dam in the context of seminars and diplomatic gatherings. Off the record, they say they don't see any reason for Egypt to cry about it; it's a hydropower project. They support Ethiopia's right to the Nile. Recently

these western ambassadors, diplomats and ministers have been pouring in to see the GERD. The Ambassadors of the US, Japan and Canada, the High-level delegation of Saudi Arabia and others may have presaged the visit of the Egyptian water minister, and all of these official visits build a spirit of cooperation and development, auguring well for the entire Nile Basin's future.

The energy giant imagery has been accepted by many countries throughout the world. That is why Kenya, Djibouti, Sudan and South Sudan (soon) have jointly invested in infrastructural development for the transmission and importing of electricity from Ethiopia. Sudan and Djibouti are already importing electricity and asking for more. The most striking signal came from Sudan, a staunch ally of Egypt for more than half a century, when Khartoum expressed official support for the GERD, even going so far as to list the environmental, economic and social benefits of the dam. The Sudan has always been sensitive about Egypt's interests since Egypt has had a number of mechanisms to influence decisions in Khartoum. But that appears to be changing since the Arab Spring affected Egypt's internal and regional politics. Moreover, Sudan now sees its interests clearly aligned with the construction and completion of the GERD. The Tekeze Dam in northern Ethiopia is believed to have contributed to the Sudan's agriculture on the banks

of the Atbara River. Without any doubt, the GERD will do more in this regard.

This new reality and the consensus around the CFA among the upper riparian countries has put Egypt on an ever more isolated 'island' in the Nile hydropolitics landscape. In the span of a few years, Ethiopia's Nile vision has been promoted and shared by almost all upstream riparian states, the Sudan, IGAD, the African continent and the world at large. Accordingly, Egypt has to shift its position, since its previous policy on the Nile has become obsolete. Egyptian policy has swung from threat of war against Ethiopia, particularly during President Morsi's time, to creation of mechanisms to negotiate about how to 'fill and operate the dam.' This is a major shift and emanates from the fact that the dam, now, is not only a done deal, but also a major force to contend with. A country that used to enjoy a pervasive monopoly over the use of the Nile waters has now begun negotiating to ascertain in what manner the flow of the river will be regulated and in how many years the dam will be filled. This has transformed Ethiopia from the 'backwater' in Nile geopolitics to the agenda-setter in Nile power relations.

Here, it should be emphasized that now is an ideal time for Egypt to learn to share the Nile waters. The old mentality that seeks to monopolize the waters is neither possible nor relevant currently. With the

looming threat of climate change, the erratic rainfall, the increasing desertification and other environmental problems, the riparian countries have only one option: to cooperate and coordinate. The basin has to be made to produce more by addressing complex environmental problems through compounded efforts. That is why the 5th NBDF calls for joint investment and new ideas. These are crucial elements in the NBI's ten-year strategy.

The Ethiopian Presidency of the UN Security Council

Ethiopia assumed the Presidency of the Security Council for one month in September 2017. The Presidency rotates in alphabetical order according to the name of state members of the Council. The Presidency of the Security Council in September is considered different as it coincides with the start of the annual session of the UN General Assembly. The program of work for the month is supposed to be light, as members will be busy accompanying their delegations attending the General Assembly session. However, the month of September also provides an excellent opportunity, as UNSC members can take advantage of the presence of Heads of State and Government as well as senior officials to organize high-level meetings of the Council on important and topical issues. Although it was by coincidence that Ethiopia assumed the Presidency during

this important month, the term was used effectively to advance the country's own agenda, as well as Africa's.

The program of work was basically comprised of four parts. The first part included those issues which should be incorporated into the draft program of work as part of the reporting cycle, arising from various resolutions adopted by the Security Council. The second part included thematic issues proposed by Ethiopia and/or jointly with other Council members. The third included the organization of a Security Council mission. The fourth and last part included the high-level events.

Every month the Security Council considers the situation in South Sudan based on the thirty days report of the Secretary-General. In addition to the Special Representative of the Secretary-General David Shearer, the Chair of the Joint Monitoring and Evaluation Commission (JMEC) Former President Festus Mogae was invited to brief the Council.

Every ninety days the Council also receives a briefing on the situation in Somalia. Special Representative of the Secretary-General Mr. Michael Keating and Special Representative of the Chairperson of the African Union Commission Ambassador Francisco Madeira briefed the Council via VTC. Furthermore, the Council discusses the situation in Darfur every sixty days. The

first six-month report of the Secretary-General on the situation in Lake Chad Basin, based on resolution 2349 (2017), also came out at the end of August and the Ethiopian Presidency took it up in its Program of Work. Under Secretary-General Jeffrey Feltman briefed the Council on the report. In addition, a Civil Society Representative from the Borno State of Nigeria was invited to participate at the meeting and briefed the Council via audio teleconference.

The annual report of the Secretary-General on UN-AU cooperation is normally considered when an African member of the Security Council assumes the Presidency. This report was particularly relevant in light of the Ethiopian Presidency's plan to raise the issue of partnership and the financing of AU-led peace support operations as part of the high-level debate on peacekeeping operations. The Special Representative of the Secretary-General Mr. Haile Menkerios briefed the Council on the annual report.

Two briefing sessions dedicated to discussing counter-terrorism were also organized in consultation with the UK and the Russian Federation. The first one was focused on aviation security and the aim of the briefing session was to discuss the implementation of resolution 2309 (2016) one year after its adoption. The Director-General of the International Civil Aviation Organization (ICAO) and the

Chair of the UNSC Counter-Terrorism Committee briefed the Council. The second one was focused on resolution 1373 (2001), which established the UN Security Council Counter-Terrorism architecture and its upcoming review by the end of this year. The newly appointed Under Secretary General for the Office of Counter-Terrorism Mr. Voronkov made his maiden briefing to the Council outlining his vision and priorities. The Chair of the UNSC Counter-Terrorism Committee and the Officer in Charge of the Counter-Terrorism Executive Directorate also made their respective briefings.

The Security Council holds joint annual consultation with the African Union Peace and Security Council. The venue for the Joint Annual Consultation alternates between New York and Addis Ababa. This year the Annual Consultation was hosted in Addis Ababa. However, the meeting was postponed several times because of tight scheduling. Finally, Ethiopia decided to include the Joint Annual Consultation in its program of work and both members of the Security Council and the AU Peace and Security Council agreed to this. Ethiopia is the chair of the Security Council Ad-Hoc Working Group on the Prevention and Resolution of Conflicts in Africa and one of its responsibilities is to organize this joint annual consultation. As President of the Council for the month and Chair of the Ad-Hoc working group,

Ethiopia led the Security Council delegation during this visit.

The meeting between the two Councils was held in two stages. First, an informal seminar was held on the 7th of September to discuss important thematic issues including the UN-AU partnership, financing of AU-led peace support operations and cooperation on peace building. Second, the joint annual consultation took place on the 8th of September, focusing on conflict specific situations, which include Somalia, South Sudan and Lake Chad Basin.

During their visit in Addis Ababa, Council members met with Prime Minister Hailemariam Desalegn and exchanged views on regional issues of peace and security. They also met and held important discussions with Special Envoys and Representatives of the Secretary-General operating in the region before the joint annual consultation. Furthermore, Council members met with Ambassador Smail Chergui, the AU Commissioner for Peace and Security.

Ethiopia organized one high-level open debate on the reform of UN peacekeeping operations. The aim of the high-level open debate was to discuss implementation and follow-up of the reform of UN peacekeeping operations two years after the High Level Independent Panel on the Peace Operations Review presented its report

and two years after the Leaders' Summit on UN Peacekeeping.

Prime Minister Hailemariam Desalegn chaired the High Level Open Debate in which nine Heads of State and Governments from members of the Security Council attended. In addition, a number of Heads of State and Government as well as many Foreign Ministers from non-member states also participated at the Open Debate. The Secretary-General of the UN, the Chairperson of the AU Commission and the Chair of the High Level Independent Panel for the Review of Peace Operations briefed the Council on the theme of the Open Debate.

Ethiopia had proposed a draft resolution, which was unanimously adopted by the Council. The draft resolution addressed a number of substantive and operational issues relating to the reform of UN peacekeeping operations: implementation and follow-up of HIPPO, reform of the UN peace and security architecture, filling the gap in terms of force generation and capabilities, and enhancing UN-AU partnership, particularly the financing of AU-led peace support operations. Resolution 2378 (2017) could be considered as Ethiopia's legacy in the Council and it will certainly guide the discussion on reform of UN peacekeeping operations over the coming years.

In addition, Ethiopia also organized a Ministerial level briefing session on non-proliferation upon the request of the United States. The meeting attracted a lot of attention in light of the current and ongoing discussion on the DPRK issue and the Iran Nuclear Deal. Ethiopia's Foreign Minister Workineh Gebeyehu presided over the meeting and the UN High Representative for Disarmament Izumi Nakamitsu briefed the Council. There was also another Ministerial level meeting organized in consultation with the UK to adopt the resolution on holding members of ISIL/Daesh accountable for the crimes committed in Iraq. Foreign Minister Workineh Gebeyehu chaired the meeting and several Ministers including the Foreign Minister of Iraq were in attendance.

During the month of September, the Council discussed urgent and topical issues, which are considered to be matters of serious concern to international peace and security. In this regard, there were a series of meetings on DPRK and Myanmar both in briefing sessions in the open chamber as well as in close consultation.

The Council unanimously adopted the toughest sanction ever on DPRK, sending a strong signal to the country to stop its continued provocative acts which threaten regional and international peace and security and return to the negotiating table. Council also agreed on

press elements with regard to the situation in Myanmar, supporting the three recommendations made by the Secretary-General including immediately ceasing all military operations, ensuring access to humanitarian assistance and implementing the recommendations of the Advisory Commission led by Kofi Annan to address long-term issues. The holding of the Open Briefing Session on Myanmar demonstrated the seriousness with which the Council has seized with the issue. Secretary-General Antonio Guterres briefed the Council on the situation. The representatives of Bangladesh and Myanmar—the two countries directly concerned—were given the opportunity to explain their respective positions to the Council.

During the Ethiopian Presidency six resolutions and one Presidential Statement were adopted. In terms of statistics, twenty-two meetings were held in September (fourteen briefing sessions, six Adoptions, one Debate and one Open Debate). There were close consultations on ten items and three discussions were held under Any Other Business (AOB). Six resolutions, one Presidential Statement and six Press Statements were adopted.

Ethiopia had two major priorities during its Presidency: the joint annual consultation between the UNSC and the AUPSC and the High Level Open Debate on the reform of UN Peacekeeping

Operations, which were held successfully. The joint annual consultation afforded an opportunity for a frank exchange of views on both thematic and conflict-specific situations, aimed at strengthening the cooperation and partnership between the two Councils in advancing peace and security in Africa.

The outcome of the High Level Open Debate was also a great success for Ethiopia and Africa. Resolution 2378 (2017) is the first since the peace operations review two years ago, and it will lay a good foundation for future discussions and follow-up on reform of UN peacekeeping operations. The Security Council Working Group on Peacekeeping Operations is now tasked with the responsibility of following up on this issue.

Based on this resolution, there will be a dedicated annual debate on reform of UN peacekeeping and the Secretary-General will give the Council briefing on the progress made in this regard. The resolution also addresses the capabilities issue which is critical in light of the fact that peacekeepers are more and more frequently operating in a very challenging environment, and the Secretary-General will also update the Council on this issue as part of his annual briefing.

Most importantly, the partnership between the United Nations and the African Union was given particular

importance in the resolution. Now that both the UN and the AU have identified concrete options for the financing of AU-led peace support operations, the Security Council has decided to consider taking practical steps towards financing on a case-by-case basis. This is indeed a work in progress, and Africa may not have gotten what it wanted but Ethiopia together with the other African members will continue to build on what has been achieved.

Ethiopia intends to continue to work on this issue with the incoming African members next year. However, it is important for Africa to work on filling all the remaining gaps in terms of the financing issue to avoid any excuse that could hamper progress in future discussions. Hopefully, the AUPSC will continue to follow this matter closely and play an active role in this regard in close coordination with the African members of the Security Council.

It is important to note that significant progress has indeed been made to enhance the cooperation and close coordination among the three current members of the Security Council: Egypt, Ethiopia and Senegal. The African members of the Security Council worked closely on the draft resolution proposed by Ethiopia. The support and cooperation of both Egypt and Senegal throughout the negotiation process was valuable.

The AU Peace and Security Council, in its Communiqué adopted at the 723rd meeting on 5 October 2017, “commend[ed] the A-3 for their closely coordinated collective efforts in defending and promoting Common African positions within the Security Council. In this context, Council stresses the importance for the A3 to continue to work as a coherent and coordinated group, speaking with one voice and to also further strengthen their consultations with other members of the UNSC and the Africa Group in New York, and to continue to keep the PSC regularly informed of the results of these efforts.”

The two except Ethiopia will complete their two-year mandate in December and will be replaced by Equatorial Guinea and Côte d’Ivoire. It is hoped that the same level of cooperation would be maintained with the incoming African members of the Council.

As far as Ethiopia’s presidency is concerned, the general conclusion of most observers is that it was very successful, this at a time when the nature of global politics has not been exactly easy and in a lot of ways things have been in flux.

China’s Communist Party drives the country’s development endeavors

China has recently taken center stage in connection with the 19th National Congress of the Communist Party,

attracting the world’s attention and curiosity about how it will chart the country’s future. The timing of the Congress very much coincided with the world’s changing political dynamics and China’s transformation as the world’s second largest economy, set to assume a role in global leadership in major sectors. China has progressively demonstrated both acumen and tenacity, constructively engaging the world community and in the process attaining a position of importance in matters pertaining to international politics and the global economy. This leadership is growing more visible in areas such as climate change and globalization, from which the leading world power, the USA, appears to be retreating.

Following developments in China and observing how the leadership envisages the future, therefore, is crucial, with the double advantage of providing an understanding of the global power trajectory and learning from China’s experience. Particularly, those emulating the Chinese model, with distinct approaches to handling domestic and international affairs, may benefit from the exercise. Without any doubt, developing nations, particularly those in Asia and Africa, could draw vital lessons from the goals and ambitions the Communist Party of China laid out during its 19th National Congress. The changing realities in the world, and the rise of China therein, demand a frank

assessment of the latter's policy frameworks and intentions. This piece may be valuable not only in apprehending the inner thinking of the Chinese leadership but also in reminding those who aspire to emulate the trajectory of China to reexamine their approaches to political leadership and social/economic transformations.

Two central points have been emphasized in China's five-year strategic plan, as was clearly stipulated in President Xi Jinping's address to the Congress: realizing the building of a moderately prosperous society in all respects by the time of the centenary celebration of the Party's establishment in 2021 and striving for "the great success of socialism with Chinese characteristics for the new era"—a critical aspect now enshrined in the Party's constitution. While examining the course thus far traversed during the Communist Party's 95-year rule, with due emphasis on activities undertaken in the past five years, the Congress equally aspired to inculcate a new mind-set with regard to the Party's ideological orientation, geared towards realizing the dream of national rejuvenation. The formulation is this—that, in spite of the tremendous achievements made so far, China finds itself at a new historic juncture, with determination to reconcile the contradictions in the visible imbalance in society and the inadequacy of development and to address the ever-

growing aspirations of the people for social, economic and political transformation. Members of the ruling party in particular are urged to be visionary, courageous and decisive, with the sole duty of transforming China and its people, so as to achieve the objectives set for the upcoming five years. Achieving this, President Xi clearly stipulated, is no mean task and requires a great struggle. "It is in the movement of contradictions that a society advances," the President said, underscoring the fact that when contradictions prevail they generate struggle, which in turn may positively propel a nation forward. The motto "China needs to respond to the call of the times" was equally emphasized.

More relevant to those seeking to draw lessons from China's experience in handling domestic and international affairs is the way the ruling party undertakes soul-searching, with the clear goal of steering the country into a brighter future, whereby more Chinese are lifted from poverty and the government delivers services to its people with efficiency and diligence. It is in this context that the party conducted an in-depth assessment of the past five years, not for the sake of grandstanding but with the clear intent to invigorate the Communist Party and further develop administrative, institutional and capacity related provisions, with a vision of China's complete transformation to

modernity by the middle of the century. Much has been accomplished in the economic sector, in regional development, science and technology, in the development of socialist democracy and the advancement of law-based governance, in revitalization of the armed forces, advancement in diplomacy, and the launching of several trans-boundary mega-projects within the Belt and Road Initiative. The Party also reported that it has maintained full and strict governance and internal discipline, and combatted corruption and misconduct. As a result, the Congress pronounced, the task of building the Chinese nation with an entirely new posture, standing tall and firm in the East, has been realized.

But there was an equally frank admission that many inadequacies and challenges remain, and they need to be addressed urgently. Among the issues identified as challenges worthy of serious consideration are the imperfections in the quality and effects of development; the urgency to improve the real economy; sluggishness in assuring public wellbeing; slow progress in poverty alleviation; disparities in rural-urban development between regions and in their income distribution; challenges of ascertaining societal welfare and justice; addressing social tension and injustice; guaranteeing law-based governance and strengthening governance capacity; addressing the ongoing ideological

struggle; and ensuring Party building which has remained weak in many dimensions.

With these points in mind, the Congress has envisaged the formulation and implementation of the thirteenth five-year five-sphere integrated plan to promote coordinated economic, political, cultural, social and ecological advancement; and constitutionalized the 'Thought on Socialism with Chinese Characteristics for a New Era.' There is a strong belief within the Chinese leadership that this New Thought provides for maintaining political integrity; thinking in terms of the big picture; following the core leadership and staying in alignment; ensuring the principal status of the people and exercising power in the interest of the people; getting rid of all outdated thinking and ideas and all institutional ailments, and breaking through the blockade of vested interests; ensuring comprehensive socialist economic development, accommodative of the public and non-public sectors with a market-driven resource allocation paradigm; improving the Chinese socialist system of laws, 'at the heart of which is the constitution,' through coordinated law-based governance, administration and exercise of state power; ensuring and improving living standards and addressing the concerns of the people by promoting social justice and fairness; pursuing a holistic

approach to national security, giving equal emphasis to development and security, and ascertaining preparedness against potential dangers in time of peace; upholding the principles of 'one country, two systems,' with a view to maintaining Hong Kong and Macao as integral parts of China; encouraging self-reform and conducting strict self-governance within the Party, through strengthening "the Party's ability to purify, improve, and reform itself, and forever maintain its close ties with the people."

With justified emphasis on economic development, the Congress asserted that China's economy is transforming, moving from a phase of rapid growth to a stage of high-quality development. But it also underscored the need to develop the economy with "more effective market mechanisms, dynamic micro-entities and sound macro-regulation." Measures identified for attaining this include furthering the supply-side structural reform, with priority place on improving the quality of the supply system; reforming the rural collective property rights system, safeguarding the property rights and interests of rural people and strengthening the collective economy; developing the social market economy by concentrating on improving the property rights system and ensuring the market-based allocation of factors of production, ensuring free flow of factors of production, flexible prices, fair and

orderly competition and business survival determined by competition; deepening reform in the business sector, breaking administrative monopolies, precluding the forming of market monopolies and speeding up the reform of market-based pricing of factors of production; putting in place a comprehensive, procedure-based, transparent budget system; deepening reform of the taxation system and improving the local tax system; and breaking new economic ground in pursuing opening up on all fronts, by giving equal emphasis to 'bringing in' and 'going global.'

Perhaps even more critical, the assertion was made during the Congress that China must work towards improving the system of institutions through which the people run the country, and in the process develop socialist consultative democracy. Achieving this, the Party emphasized, should not be associated with copying the political systems of others, but rather upholding three integral parts of Chinese socialist democracy, i.e., ensuring the unity of Party leadership, the people running the country and law-based governance. Particularly, the Party emphasized the imperative of promoting the rule of law and work by way of ensuring sound law-making, strict law enforcement, impartial administration of justice in which everyone obeys the law. In a similar vein, the Party as well as government institutions and the system of

government administration must undertake a deepening reform, whereby more decision-making power devolves to government at and below the provincial level. In this context, provisions are made to consolidate and develop the Patriotic United Front of the ruling party, but with equally important consideration of the need to develop and be "guided by the principles of long-term coexistence in the Communist Party's relationships with other Chinese political parties." The Party underscored the idea of heightening public awareness of ethnic unity and progress, thereby creating a strong sense of community for the Chinese nation.

The assessment of China's success on all fronts was directly linked to ensuring and improving the wellbeing of the people and strengthening and developing new approaches to social governance. President Xi's report stated, "The nature of a political party and of a government is determined by those whom they serve," with more attention to be focused on pressing, immediate issues that concern the people the most. Specific cases detailed for attaining this include, among others, prioritizing the development of education which is fundamental to the pursuit of national rejuvenation; improving the quality of employment and raising incomes; and strengthening a sustainable, multi-tier social security system, with all sorts of insurance and gender equality.

In line with China's newfound global posture, the congress also deliberated on developing an ecological civilization (China is making significant investments in this regard, and taking all the opportunities availed in relation to climate change and resilience); building a strong, modern armed forces; deepening national defense and military reform; upholding a "one country, two systems" policy with the full intent of realizing eventual national reunification; ascertaining closer cooperation with the fast transforming global community based on the principles of shared peace and development. The Congress also asserted China's commitment to pursuing 'an independent foreign policy of peace,' accommodative of each country's right to forge its own development path without interference in the internal affairs or imposition of any sort from those considered powerful.

Clearly, the 19th National Congress was strictly a party affair, outlining China's strategic vision for the next five years and beyond, with emphasis on reviewing, strengthening and ascertaining the Communist Party's mandates and power base. Obviously, the past five years have amply demonstrated the Party leadership's determination to address the challenges of corruption institutionally. This has created a platform that cannot allow anyone to challenge the leadership. The anti-corruption campaign has succeeded, and if maintained, is

expected to positively impact China's transformation. Just a couple of years ago the level of corruption threatened the future of the Party, but the leadership appears to have reversed this trend for the time being. In a similar vein, many provisions are outlined in the strategic plan to further strengthen the Party's leadership role, ensure socialist democracy as a system of governance of the land, and ensure China's economic success at home and abroad. It now appears clear that China will remain a global powerhouse, making use of an alternative basis of engagement in contradistinction to the liberal order that became prominent after the Cold War.

Of course, commentators on China have focused more attention on succession issues and power relations within the Central Committee of the Communist Party, and the 'dominance' of the President, who is said to be putting his imprint on the Party and other institutions. But when viewed from the perspective of the Chinese model of governance, most would agree that nothing special is happening. A system of collective leadership holds sway, at times controlled by a 'strongman' at the top, with strict provisions for periodic joint succession. Speculation and interpretations aside, only time will tell what will occur in the future; but given the embedded rules governing Party matters, it is safe to assume that succession will become an issue only in

the next Party congress, which is expected to take place five years from now.

Nonetheless, given the political arrangement in China, succession remains a momentous issue, with immense implications for local, regional and global developments in the near future. The world has been transfixed, absorbed in watching how China positions itself and imagines the future; and in the context of the fast-changing global political and economic dynamics, the decisions of the 19th National Congress are critical. Without any doubt, China has refrained from boldly asserting a position of leadership in world affairs, but President Xi Jinping and the Communist Party have emerged political forces to reckon with globally. With recent global developments economic resources and the balance of power have shifted to the East, with China center stage. Undoubtedly, China is asserting itself in the region, and visibly extending its line of engagements into the rest of the world. Well positioned as the second largest global economy, and in light of the political/diplomatic clout this involves, China is determined to scale up its level of engagement in matters pertaining to the world. One has to only underscore the fact that, together with the motto of 'Socialism with Chinese Characteristics for a New Era,' the economic imperatives including the Road and Belt Initiative (with the

accompanying local, regional and international dimensions to the project) are now constitutionalized within the Party. This means full political commitment and hence resources will be dedicated for their success. Therefore it is up to states near and far to seize the opportunities that these policies would create. Accomplishing this, of course, requires understanding China's viewpoints from within, aligning policy orientations accordingly, and thinking ahead strategically for those who aspire to prevail and excel. One would wish that countries with state structures and apparatuses crafted in a similar fashion could take lessons and adopt critical reform measures to address their own daunting tasks of eradicating poverty and shaping a better trajectory for their people and country.

Book Review: Professor Christopher Clapham, *The Horn of Africa: State Formation and Decay*

Prof. Christopher Clapham's latest book, *The Horn of Africa: State Formation and Decay* (London: Hurst & Company, 2017), endeavors to synthesize a set of developments in the post-1991 period. The narrative is a reflection of the author's life-long preoccupation with the region, encapsulated in carefully choreographed thematic frameworks outlining the peculiarity of the Horn as compared to the rest of sub-Saharan Africa. According to Clapham, the 'non-

colonial' experience and the distinctive geographical/environmental features inform the uniqueness of the sub-region. Taking the process of state formation and decay within a timeframe beginning in 1991 as a unit of analysis, the book strives to paint a picture of what actually underlies the dynamics of peace and stability in Ethiopia, Eritrea, Somalia, Djibouti and Somaliland.

With emphasis on the peculiarity of the Horn, as compared to the rest of the continent, Clapham considers the region as an enclave caught up in a cycle of political upheavals associated with ongoing state formation processes. Apparently, the Horn is a region where quick political transformations occur, making it altogether a most volatile, unpredictable and, as a result, fascinating focus of scholarly attention. Clapham recounts stories about certain aspects of these upheavals with a striking level of detail and with great ingenuity, particularly in his account of the post-1991 developments. He has the acumen to analyze apparently disjointed incidents into designated frameworks. Much attention is devoted to events in Ethiopia, Eritrea and Somalia, and Ethiopia is consistently characterized as a prism of 'hegemony' overshadowing proceedings with far-reaching consequences for the region. The author also focuses attention on what has transpired in Eritrea and Somalia, and to a lesser extent on major developments in Djibouti and Somaliland.

Altogether, the book is a thought-provoking account, worth reading for all intent on understanding the contemporary Horn of Africa.

Nonetheless, gaps are evident in the analysis. It is noticeable, for instance, that attention is focused only on the geographical designation generally associated with the sub-region. But geo-political considerations necessitate a more expansive scope, inclusive of the member states of the regional organization IGAD, at a minimum. In failing to consider the larger context, much is overlooked. Of course, such an approach would have rendered the framework selectively utilized in the book inapplicable to Sudan, Kenya, Uganda and South Sudan. This also reflects on the chronological structure employed in the book, which takes 1991 as a watershed moment. The alternative would have been a comprehensive treatment of broader geo-political change, which followed the demise of the Cold War order resulting in political transformations across the region and final outcomes for East-West tit-for-tat military confrontations that resulted in regime change and collapse. The effort to ensure that the Eastern-block leaning countries collapsed and the instrumentalization of the Gulf countries in this context should also be noted and considered. All that transpired within the Horn proper, in conjunction with the rest

of the region, could also be alternately synthesized within this framework.

Such a scenario also provides for consideration of the historical parallels, probably with varying degrees of significance, that have determined the evolution of state formation and decay in the region. Passing treatment of the post-colonial developments in Eritrea and Somalia; the nationalist movements of the late 1950s and early 1960s that resulted in the re-creation of nation states in the Horn and beyond; reformist-cum-revolutionary movements that dictated the machinery of the state in Ethiopia, Sudan and Somalia; and external interventions, in the form of either colonial rule or super-power manipulation that ultimately have influenced the nature of inter-state relationships in the region could have been approached from this perspective.

Rather, the non-colonial experience, predominantly of the Ethiopian state, is amplified in the context of a creation in the process of an equally expansionist and hegemonic political order, superimposed on the rest of the countries in the region. In addition, the non-colonial experience is characterized in terms of the negative connotations it has entailed in connection to the absence of clearly marked international boundaries separating certain states in the Horn, as was the case in the rest of sub-Saharan Africa. This explanation is

not altogether without merit. But there has also been of a unique state formation process that incorporates different cultural, religious and technological antecedents, constituting both indigenous as well as extraneous elements. Ethiopia's state formation process represents a substantially local affair, evolving through extended processes of fusion and friction, but equally influenced and motivated by pressures originating from within and abroad. More characteristic of the uniqueness of the process is the fact that it continues to evolve, with new dimensions and approaches being consistently applied to the notion of the Ethiopian state. These dynamics in turn leave distinct marks on the country's relationships with immediate neighbors, especially Eritrea and Somalia. Similarly, there is little or no mention in the book of the environment and resource related factors that have propelled large-scale population movements and religion-motivated mobilizations that have significantly informed the conflict-cooperation pattern of inter-communal and inter-state relationships in the region. The distinct nature of the region likewise emanates from these undulating courses of violence and coexistence that have been evolving for a long time.

In a way, the book also disregards the introduction from outside of the concept of international boundaries in the sub-region and the notion of national

identities among communities who didn't consider this conception in the first place. Historical precedents leading to the rise of the states of Somalia, Eritrea, Djibouti and Somaliland are visibly left out, with only selected presentations of the colonial experience shaping the state of affairs in these territories, which also hampered the possible expansion of the Ethiopian state. Vestiges of colonialism have been equally visible in the Horn of Africa, with distinct imprints on the political and economic landscape of each and every member state. Ethiopia, the only non-colonized country, might have escaped physical occupation, but still freedom did come at the cost of encirclement and isolation. In the process, a more reactive and protective state formation process has occurred, which made balancing the interests and expectations of immediate neighbors imperative. For a long time the Horn has remained a source of contention for those keen on controlling the strategic trade routes along the shores of the Red Sea, the Indian Ocean as well as the sources of the Nile waters. Some set out to physically occupy territories in this geo-strategic region, others have opted for indirect manipulation as long as their interests are preserved. Such practices have brought all sorts of political powers to-be to the region, and this continues to be the case—it is something that has occurred since pre-colonial times. If one discusses Ethiopia's peculiarities, it should be noted that the country evaded

physical occupation successfully—an imaginable feat worthy of study. But this can be explained in terms of the failure of the colonial powers to overcome their differences when it came to who should occupy the country, a mistake much manipulated by every single Ethiopian ruler. As a result the country has remained independent, but so much scathed by the vestiges of colonialism, the Cold War and all sorts of intransigencies originating from near and far. One would have liked to see these points underscored in the book while discussing the peculiarities of Ethiopia and the region.

Irrespective of such lapses and missed opportunities, however, the book remains a fair account of post-1991 developments in the Horn of Africa. None other than Clapham could have approached these complex issues in such a clever way. Any attempt to discuss the region in its entirety is bound to generate strong reactions, originating from contestations of history and political orientations of the region's constituent parts. This book presents a comprehensive and balanced approach, with insights that acknowledge the broader geo-strategic bottlenecks in the region.