

Eritrea: Future Transitions And Regional Impacts

July 2016



Status Quo

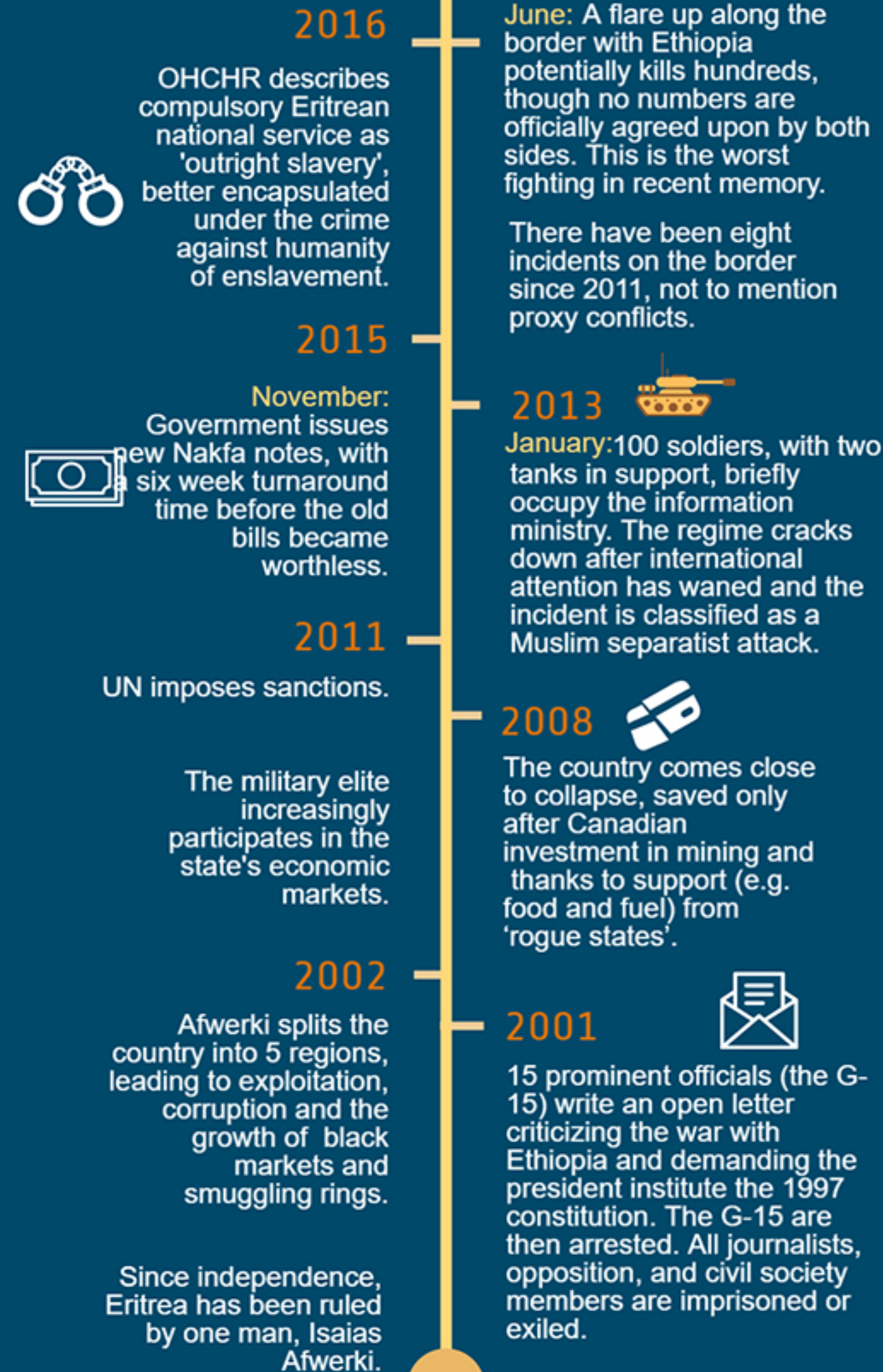
Often dubbed 'the North Korea of Africa', Eritrea's politico-military elite controls all national political power and economic organization. A disastrous border war with Ethiopia, conflicts with Sudan and Djibouti, UN sanctions, and Eritrea's support to rebel groups including al Shabaab isolated the country both regionally and globally.

Eritrea is now poised to come back onto the regional stage as a potentially disruptive force, especially in regards to regional hegemon Ethiopia.

Key uncertainties



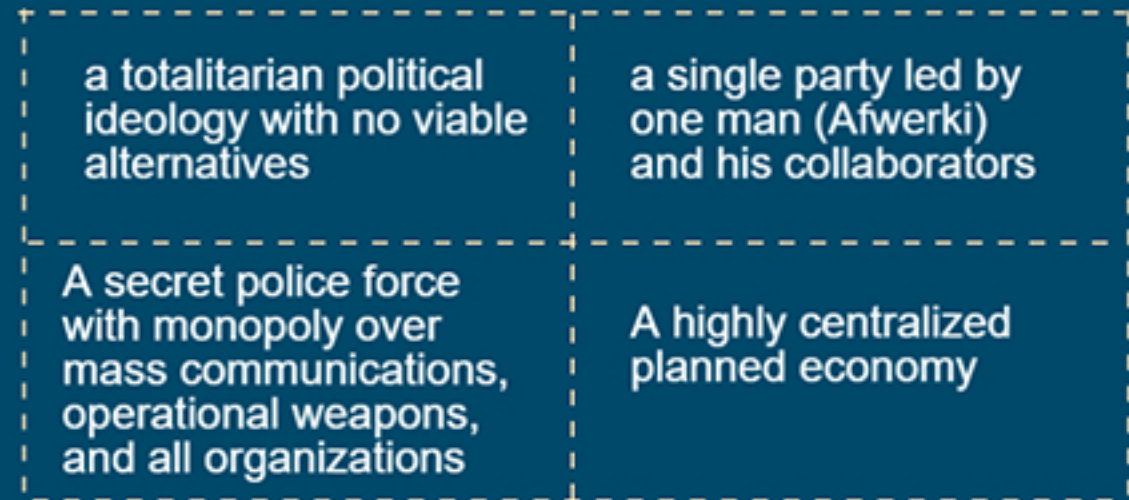
A brief timeline



A closer look at 3 critical uncertainties

Political realities

Eritrea is characterized by:



Economic Networks

Eritrea has never published an annual budget.

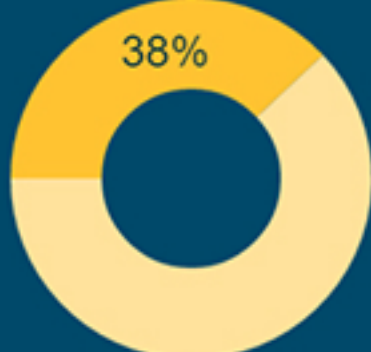
The black market thrives, especially on the border with Sudan, and benefits the military elite. Staple goods are extremely expensive and the possibility of a 'silent famine' is high.

Eritrea's strength at the moment lies in booming mineral exports alongside very low oil prices.

Expensive oil or a collapse in commodities could spark trouble for an Eritrea, a country which does not have the ability or the will to diversify its economy and open itself up for stronger growth.

"This political system developed out of the liberation struggle, hardened after the war with Ethiopia [1998-2000], and mutated after the collapse of the economy in 2008."

In a good year Eritrea can only meet 80% of its food needs.



Remittances account for up to 38% of Eritrea's GDP

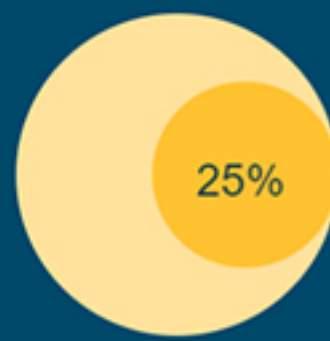
1 in 3 households is dependent on remittances

Migration concerns

Eritrea is one of the fastest emptying countries in the world
Nearly half a million Eritreans reside outside their country

9% of all Eritreans live outside Eritrea

In 2015 39,162 Eritreans used the Central Mediterranean route



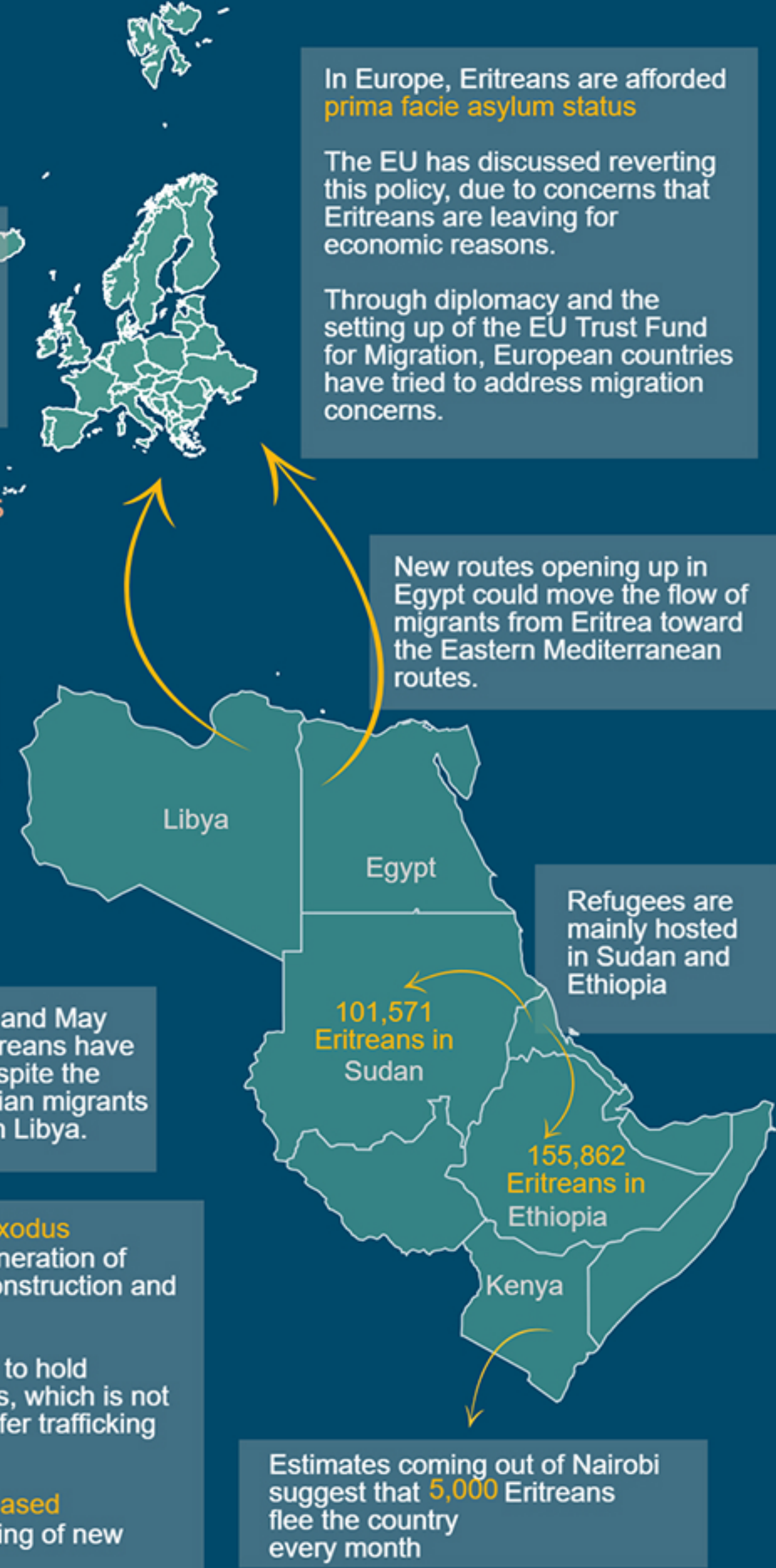
In 2015, 1 in 4 arrivals in Italy were Eritreans

Between January and May 2016, 6,076 Eritreans have arrived in Italy, despite the targeting of Christian migrants by ISIS affiliates in Libya.

Eritrea is experiencing a **youth exodus** – the disappearance of whole generation of labour – impacting agriculture, construction and manufacturing.

Eritreans are only legally allowed to hold 5,000 Nakfa outside of the banks, which is not enough to access many of the safer trafficking networks to leave the country.

Refugee numbers have not decreased in recent months despite the issuing of new Nakfa notes.



Regional implications of Eritrea's return

Ethiopia

Eritrea's greatest enemy

Biggest threat since the border war ended in 2000

Both countries host one another's various rebel groups in an 'enemy of my enemy' tactic.

Ethiopia has committed significant resources to keeping the Eritreans in check.

Tensions between the two will remain elevated with the possibility for a single spark to ignite renewed war.

Djibouti

Djibouti has gained the most in the region from Eritrea and Ethiopia's mutual antagonism

When the border closed, Ethiopia lost its access to the sea, and Ethiopia and Djibouti have been close since.

The border between Eritrea and Djibouti remains closed and heavily militarized.

Sudan

Omar al-Bashir is one of Eritrea's few allies in the region.

The Sudanese may view the Eritreans as more of a headache to be prevented than as any real ally.

The two sides may engage in some faux antagonisms, but it is likely their position in the political marketplace will keep the border quiet for the foreseeable future.

The Gulf States

Eritrea allegedly has 400 troops engaged in the Yemeni Civil War alongside Saudi Arabia and other members of the Gulf Cooperation Council.

Somalia

Eritrea was sanctioned by the UN in part due to its support for al Shabaab in Somalia.

Eritrea's support for Islamists may not come out of ideology but out of tactical considerations meant to undermine Ethiopia

It is too difficult at this time to know whether Eritrea will again seek to support rebel groups in Somalia or whether the threat of continued international isolation will temper their goals in the region.

Eritrea has returned from the brink of collapse and is now poised to grow even further on the regional stage thanks to recent contribution to the Yemeni Civil War, economic resurgence, and a Europe looking to end its isolation in order to stem migration.

One should never believe that Eritrea has found a new strategic alliance. The country has no friends, only interests.

If regional tides begin shifting, it is likely that Eritrea will actively seek out the best deal it can find regardless of alliances.

Post - Afwerki Scenarios



Conclusion

Eritrea has engineered a remarkable turnaround from its near economic collapse and its status as an international pariah state only a few years ago. However, the recent UN investigation into the state of human rights in the country shows that little has changed internally. The perennial problem in the Horn of Africa, Eritrea will now have to decide what it does with its emergent power.