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Political and Economic Transitions in
Sub-Saharan Africa:
The cases of Ethiopia and Angola
1989-2019

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Διδακτορική Διατριβή

Πολιτικές και Οικονομικές Μεταβάσεις
στην Υποσαχάρια Αφρική:
Οι περιπτώσεις της Αιθιοπίας και της Ανγκόλας
1989-2019

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Κόρινθος, Οκτώβριος 2023

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Political and Economic Transitions in Sub-Saharan Africa: The cases of Ethiopia and Angola 1989-2019

Keywords: economic liberalization, liberal democracy, authoritarian states, developmental states, hybrid regimes, gradual and radical reforms, ethnic groups, natural resources, China

Summary

The thesis examines political and economic transitions in Sub-Saharan Africa (SSA) and particularly in post-communist Ethiopia and Angola between 1989-2019 by applying the interpretative scheme of transition theory. The research question investigated how the economic liberalization of centrally planned political systems affects their political liberalization and vice versa. The main hypothesis attempted to answer whether transition theory can apply as an interpretative model in order to explain post-communist developments in the SSA context. Characteristic noteworthy country examples, which have experienced communism for an extended period and are now under a hybrid developmental state form - with their impressive economic development being driven mainly by the state - are Ethiopia and Angola. Ethiopia and Angola belonged among the fastest-growing economies in the world among China, India and East Asian countries with astonishing high growth rates for extended periods. In turn, their political transition presented signs of liberalization. Yet, they seem to follow the stagnated path of developmental states and hybrid regimes. In order to examine the political and socio-economic parameters of these transformations, the methodology uses also a combination of qualitative and quantitative research data through a twofold comparative approach. From the political perspective two similar political systems are compared. From the economic perspective, we compare a non-resource-rich economy such as Ethiopia with a resource-rich economy such as Angola. The degree of influence of socio-economic interventions by major external actors such as China, US and the EU to democratic consolidation, and vice versa, is examined as well as the repercussions of radical and gradual reforms. The findings of the study suggest that rapid economic transitions along with gradual political reforms in Ethiopia,

Angola - and broadly in SSA - inevitably cause delays in socio-economic developments such as employment, inclusiveness and poverty alleviation. Structural external transition drivers in SSA such as debt, structural adjustment programs, subsidies, humanitarian aid and trade deficits seem to hamper its economic transitions than to facilitate its progress and non-dependency. These drivers lead to a vicious circle in most of the empirical examples of SSA. The strong hybrid developmental states of Ethiopia and Angola – despite their democratic progress - present more similarities to the developmental states of China or rest East Asia than to the Central Eastern European countries. In a certain degree, there are similarities also with cases of the Commonwealth of Independent States (CIS), which are still under Russia’s significant influence. The most context-specific parameters though, which concern Sub-Saharan Africa and diversify the states of Ethiopia and Angola from the existing interpretative scheme of transition theory are their high ethnic diversity and economic dependence from their external partners as well as their sui generis leadership. These parameters pose significant constraints to the diverse ethnic groups in their struggle for power and for their access to the natural resources.

Πολιτικές και Οικονομικές Μεταβάσεις
στην Υποσαχάρια Αφρική:
Οι περιπτώσεις της Αιθιοπίας και της Ανγκόλας
1989-2019

Σημαντικοί όροι: οικονομική φιλελευθεροποίηση, φιλελεύθερη δημοκρατία, αυταρχικά κράτη, αναπτυξιακά κράτη, υβριδικά καθεστώτα, σταδιακές και ριζικές μεταρρυθμίσεις, εθνοτικές ομάδες, φυσικοί πόροι, Κίνα

Περίληψη

Η διατριβή εξετάζει πολιτικές και οικονομικές μεταβάσεις στην υποσαχάρια Αφρική και ιδιαίτερα τη μετα-κομμουνιστική μετάβαση της Αιθιοπίας και της Ανγκόλας μεταξύ 1989-2019 εφαρμόζοντας το ερμηνευτικό σχήμα της θεωρίας της μετάβασης. Το ερευνητικό ερώτημα εξετάζει πως η οικονομική φιλελευθεροποίηση κεντρικά οργανωμένων πολιτικών συστημάτων επηρεάζει την πολιτική τους φιλελευθεροποίηση και αντιστρόφως. Η βασική υπόθεση επιχειρεί να απαντήσει στο κατά πόσο – και αν – η θεωρία της μετάβασης μπορεί να εξηγήσει τις μετα-κομμουνιστικές μεταβάσεις στην υποσαχάρια Αφρική. Χαρακτηριστικά αξιοσημείωτα παραδείγματα χωρών που βίωσαν τον κομμουνισμό για αρκετά χρόνια και τώρα βρίσκονται υπό μια μορφή υβριδικών αναπτυξιακών κρατών - με την εντυπωσιακή τους οικονομική ανάπτυξη να καθορίζεται και να ελέγχεται κατά κύριο λόγο από το κράτος - είναι η Αιθιοπία και η Ανγκόλα. Η Αιθιοπία και η Ανγκόλα βρίσκονταν ανάμεσα στις ταχύτερα αναπτυσσόμενες οικονομίες του κόσμου μεταξύ της Κίνας, της Ινδίας και χωρών της Ανατολικής Ασίας με εντυπωσιακούς ρυθμούς ανάπτυξης για εκτεταμένα διαστήματα. Παράλληλα, η πολιτική τους μετάβαση παρουσιάζει σημάδια φιλελευθεροποίησης. Ωστόσο, φαίνεται τελικά να ακολουθούν την πορεία αναπτυξιακών και υβριδικών καθεστώτων. Προκειμένου να ερευνηθούν τόσο οι πολιτικοί όσο και οι κοινωνικο-οικονομικοί παράμετροι αυτών των μεταβάσεων, η μεθοδολογία περιλαμβάνει επίσης συνδυασμό ποιοτικών και ποσοτικών ερευνητικών δεδομένων μέσω μιας διττής συγκριτικής προσέγγισης. Από πολιτικής προσέγγισης συγκρίνονται δύο όμοια

πολιτικά συστήματα. Από οικονομικής προσέγγισης συγκρίνουμε μια χώρα με μη-σημαντικούς φυσικούς πόρους όπως η Αιθιοπία με μία χώρα με σημαντικούς φυσικούς πόρους όπως η Ανγκόλα. Διερευνάται ο βαθμός επιρροής των κοινωνικο-οικονομικών παρεμβάσεων κρίσιμων εξωτερικών δρώντων όπως η Κίνα, οι Ηνωμένες Πολιτείες της Αμερικής και η Ευρωπαϊκή Ένωση στη δημοκρατική εδραίωση, και αντιστρόφως, καθώς επίσης και οι επιπτώσεις των ριζικών και σταδιακών μεταρρυθμίσεων. Τα ευρήματα της μελέτης υποδεικνύουν ότι οι ταχείς οικονομικές μεταβάσεις παράλληλα με την εφαρμογή σταδιακών πολιτικών μεταρρυθμίσεων στην Αιθιοπία και την Ανγκόλα - και ευρύτερα στην υποσαχάρια Αφρική - αναπόφευκτα προκαλούν καθυστερήσεις σε κοινωνικο-οικονομικές παραμέτρους όπως η εργασιακή απασχόληση, η ενσωμάτωση και η καταπολέμηση της φτώχειας. Δομικοί εξωτερικοί παράγοντες μετάβασης της υποσαχάριας Αφρικής όπως το χρέος, τα διαθρωτικά προγράμματα, οι επιδοτήσεις, η ανθρωπιστική βοήθεια και τα εμπορικά ελλείματα φαίνεται να εμποδίζουν τις οικονομικές της μεταβάσεις παρά να διευκολύνουν την πρόοδο και την ανεξάρτησή της. Οι παράγοντες αυτοί οδηγούν σε ένα φαύλο κύκλο στα περισσότερα εμπειρικά παραδείγματα της υποσαχάριας Αφρικής. Τα ισχυρά υβριδικά αναπτυξιακά κράτη της Αιθιοπίας και της Ανγκόλας - παρά τη δημοκρατική τους πρόοδο - παρουσιάζουν περισσότερες ομοιότητες με τα αναπτυξιακά κράτη της Κίνας ή άλλα κράτη της ανατολικής Ασίας παρά με τις χώρες της Κεντρικής και Ανατολικής Ευρώπης. Σε ορισμένο βαθμό υπάρχουν ομοιότητες επίσης με περιπτώσεις της Κοινοπολιτείας των Ανεξάρτητων Κρατών (Commonwealth of Independent States – CIS) που βρίσκονται ακόμα υπό τη σημαντική επιρροή της Ρωσίας. Ωστόσο, οι πιο συγκεκριμένες τοπικές παράμετροι που αφορούν την υποσαχάρια Αφρική και διαφοροποιούν τα κράτη της Αιθιοπίας και της Ανγκόλας από το υπάρχον ερμηνευτικό σχήμα της θεωρίας της μετάβασης είναι οι υψηλές εθνοτικές τους διαφορές, η οικονομική τους εξάρτηση από τους εξωτερικούς εταίρους και η ιδιάζουσά (sui generis) τους ηγεσία. Αυτές οι παράμετροι αποτελούν σημαντικό εμπόδιο τόσο για τους αγώνες των διαφόρων εθνοτικών ομάδων για την εξουσία όσο και για την πρόσβασή τους στους φυσικούς πόρους.

Abbreviations

ACP	African, Caribbean and Pacific Group
ACFTA	African Continental Free Trade Area
AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
ANS	Adjusted Net Savings
AU	African Union
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China, South Africa
COMESA	Common Market for Eastern and Southern Africa
CPLP	Community of Portuguese-Speaking Countries
EAC	East African Community
EBA	Everything But Arms
ECA	Economic Commission for Africa
ECOWAS	Economic Community for West African States
EDF	European Development Fund
EIB	European Investment Bank
ELI	Export-led Industrialization
EMDEs	Emerging and Developing Economies
EPAs	Economic Partnership Agreements
EPRDF	Ethiopian People's Revolutionary Democratic Front
ESAF	Enhanced Structural Adjustment Facility
FAO	Food and Agriculture Organization
FDIs	Foreign Direct Investments
FTAs	Free Trade Agreements
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNI	Gross National Income
HDI	Human Development Index
HIPC	Heavily Indebted Poor Countries
IGAD	Intergovernmental Authority on Development
IFIs	International Finance Institutions

ISI	Import Substitution Industrialization
LDCs	Least Developed Countries
LIDCs	Low-Income Developing Countries
MFN	Most-Favored-Nation
MDRI	Multilateral Debt Relief Initiative
MPLA	Popular Movement for the Liberation of Angola
NICs	Newly Industrializing Countries
NIEO	New International Economic Order
NBI	Nile Basin Initiative
NEPAD	New Partnership for Africa's Development
NAFTA	North American Free Trade Agreement
OAU	Organization for African Unity
PTAs	Preferential Trade Agreements
RECs	Regional Economic Communities
SADC	Southern African Development Community
SAPs	Structural Adjustment Programs
SSA	Sub-Saharan Africa
STO	State-Owned Enterprise
TPLF	Tigrayan People's Liberation Front
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNECA	United Nations Economic Commission for Africa
UNITA	National Union for the Total Independence of Angola
USAID	United States Agency for International Development
WFP	World Food Program
WTO	World Trade Organization

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CHAPTER 1 Introduction

1.1 Research problem

Economic and political transitions changed greatly the world's order since the end of the Cold war period. The integration of Central and Eastern European (CEE) countries in global markets and political fora such as the established multilateral organizations of the North American Free Trade Agreement (NAFTA) in 1994 and the World Trade Organization (WTO) in 1995 facilitated these processes. Emerging economies in transition signified a shift of global economic and political order. At the same time, privatizations and market liberalization reforms sought to diminish political intervention in economic processes. The adaptation to the free market caused in several cases social rearrangements, political upheaval and economic changes. Economic, political and business elites seized the opportunity to benefit from these changes, while the middle or lower social class sought for employment alternatives and economic regeneration. Overcoming conflicts through public and private economic incentives was the main challenge of this transition process along with a multiparty political system in an accountable institutional process.

When post-communist countries entered their transition period, they lagged significantly behind in development and social welfare compared to western European countries and the US. Most of the countries that experienced the post-communist transition were characterized by autocracy, low standards of living as well as disappointment and frustration by the population. The Anglo-American system proposed, that in order to reach the living standards of the global North, post-communist countries needed to adopt the model of the free-market economy and liberal democratic standards. This was described as such by the liberal post-communist transition theory arguing that free markets and restrained government interference are essential parts of the Western development model. Indeed, transition in the global North has been demonstrated by democratic transformations accompanied by institutional reforms and civil liberties as well as economic liberalization. However, examples in the

developing South such as in Asia, Latin America and Africa as well as in the Middle East have shown that industrialization and economic development may not be a prerequisite for democratic standards, political participation and civil liberties. These cases concern strong command states initiating rapid economic development.

The aim of this thesis is to investigate how the economic liberalization of centrally planned political systems affects their political liberalization and vice versa. The thesis will focus on the Sub-Saharan African (SSA)¹ context investigating particularly communist-inclined regimes and their post-communist transformations. The main hypothesis of the thesis is whether transition theory can apply as an interpretative model in order to explain post-communist developments in the Sub-Saharan African context. The two case-studies that were chosen are Ethiopia and Angola. Sharing striking similarities and differences, they present particular interest for global politics and international political economy due to their regional characteristics. Even though they belong to the poorest countries in the world, these representative Sub-Saharan African case-studies have marked astonishing high growth rates for long periods due to their economic liberalization reforms marking them among the fastest growing economies in the world. Having experienced a post-communist transition, their political systems still maintain strong centralized leaderships with limited democratic practices, political rights and civil liberties for their population. Remarkably, this governance model of closed command political systems is considered quite a regular phenomenon in SSA. In a nutshell, Ethiopia and Angola present the paradoxical characteristics of SSA's transformations, which involve rapid economic transitions and rather slow political transitions.

1.2 Methodology

The framework of transition theory was chosen for the theoretical scheme of this thesis. Transition theory entails aspects of the different economic and political school of thoughts and thus constitutes an ideal interdisciplinary scheme in order to explain phenomena within the scientific fields of international relations and international political economy. Transition theory developed initially to interpret the economic and

¹ For ease of reading the term Africa used throughout the thesis will refer to Sub-Sahara Africa

political transformations in post-communist Central and Eastern European countries, former Soviet Union and its satellite countries such as the Council for Mutual Economic Assistance (CMEA/COMECON)² and the Commonwealth of Independent States (CIS)³. Since then, and over the last thirty years, several countries have undergone a remarkable transition in their political and economic liberalization. A corollary was the extension of the analysis to the post-communist systems of China, Vietnam, Cuba, Laos and North Korea. Sub-Saharan African post-communist systems⁴ are worth to be examined in depth due to their context-specific features which will be analyzed in this thesis.

In a nutshell, transition theory's dynamic framework provides the necessary theoretical milestones in order to interpret current political and economic developments in the SSA region in this first part of the thesis. Adaptations of transition theory were in some parts inevitable for the scientific fields of development economics, African political economy and African politics. However, these adjustments characterize the innovative elements of this thesis.

Which are the drivers, which affect a state's transition? What is the importance of political and economic transition? Does economic transition precede the political transition or vice versa? Which are the repercussions of rapid transitions? Which are the internal and external challenges in this complex process? Which are the constraints? How is the leadership addressing critical issues such as rapid economic transition and political inclusivity? Can the current transition theory apply in the African context or should a supplementary theory explain Sub-Saharan African transitions? These research questions span over this study from beginning to end.

This thesis aims to seek answers to the above research questions. The implementation of transition theory on the SSA context overcomes African-focused theoretical and

² The foundation of CMEA took place in 1949 with its European members: the former Soviet Union, Poland, GDR, Czechoslovakia, Hungary, Romania and Bulgaria. Mongolia, Cuba and Vietnam were non-European members. Albania abandoned CMEA following its split from the USSR and Yugoslavia was an associate member. Former COMECON countries became OECD members such as the Czech Republic in 1995, Hungary and Poland in 1996.

³ Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan

⁴ such as Ethiopia, Angola, Mozambique, Tanzania, Ghana, Senegal, Mali, Guinea, Zambia, Zimbabwe

empirical approaches. Simultaneously, it provides the fundamentals in interpreting comparative perspectives between *laissez-faire* and command state approaches. These perspectives are deconstructed in the second part of the thesis, which concerns the examination of the SSA region and its characteristics. This largest part of the thesis applies, on the one hand, the methodological and empirical approaches of the initial transition theory interpretations, and on the other hand, it extends these interpretations further. The diverse issues, which were examined in this relative long period of investigation, led inevitably to an extensive analysis. Thus, while transition theory is bounded by a division between gradualism and radicalism, in this part of the thesis, the gradual and radical interpretations were extended to political and economic drivers as well as structural and contingent. The challenge of this process involved the careful reference to the broader region of SSA, which includes forty-six countries. Reference to specific country-case-studies was provided. However, most crucial issues determined the priorities of this analysis.

Further, the case-studies of the thesis are geographically situated cater-cornered in SSA. Ethiopia is situated in the eastern part and more specifically in the Horn of Africa, while Angola is located in the southern part. The examination of the thesis starts at the post-Cold War phase in 1989 and spans until the end of 2019 covering a thirty-year period. Thus, the global economic disruptions that were caused due to the impact of the Covid-19 pandemic in 2020 and the civil war outbreak in Ethiopia the same year are not taken into consideration. However, the causes of Ethiopia's civil war are clearly analyzed in the thesis, which are evidently rooted back to the country's past structural constraints. Yet, an analysis of the global market turbulence, the disruption in the supply chains and the immense governmental support programs for the recovery of the global economy due to the Covid-19 pandemic would have exceeded the limitations of the thesis and are thus not analyzed, although the writing of the thesis has taken place during this period.

The third part of the thesis implements a comparative methodological approach on the two case-studies, Ethiopia and Angola. The case-studies constitute representative examples of the SSA region confirming the diversity of the African continent. Most importantly, their unique characteristics and diverse circumstances indicate that SSA is a puzzle of individual countries rather than a unified region. From the political

perspective, two similar political systems are compared. Both Ethiopia and Angola share a communist background, which gradually transformed to hybrid regimes. Their political transition started with a leadership change and their post-communist one-party-state regimes are in an ongoing process to democratize their institutions under a multiparty political system. Thus, they can be considered, on the one hand, hybrid regimes combining democratic characteristics such as regular elections and relative civil liberties. On the other hand, they present non-democratic characteristics such as authoritarian state behavior, restricted civil liberties and lack of democratic standards.

From the economic perspective, Ethiopia and Angola present quite impressive developments. They both belonged among the world's top-10 fastest growing economies between 2001-10 attracting the interest of the global markets. They are considered emerging, unsaturated, promising economies with significant, but challenging prospects. Their sources of financial inflows are antithetical though. Angola is a resource-rich economy with its growth being mainly driven by its natural resources such as oil and diamond extraction, while Ethiopia is a non-resource-rich economy with its growth being attributed mainly on infrastructure development, manufacturing and construction.

The two countries have another common key point with regard to their foreign policy. They both have a strong political and economic connection to China. Hence, China's political and economic influence, particularly in Ethiopia and Angola and broadly in the entire SSA region, inevitably, occupies a significant part of the thesis. Another important distinction, which characterized the two countries' development process, is the colonial past of Angola in contradiction to the non-colonial past of Ethiopia. In a nutshell, Ethiopia and Angola present the paradoxical characteristics of SSA's transformations, which involve rapid economic transitions and rather slow political transitions, which are expressed into democratic delay and widespread poverty.

Table 1.1 Research problem and methodology

Main hypothesis	Transition theory may apply as an interpretative model in order to explain post-communist developments in the Sub-Saharan African context	
Research question	How does the economic liberalization of centrally planned political systems affect their political liberalization and vice versa?	
Methodology		
<ul style="list-style-type: none"> • Transition theory (period: 1989-2019) + Application on the Sub-Saharan African context • Comparative Political and (Socio-) Economic perspective + External partners influence • Case studies: Ethiopia and Angola • Interviews with diverse stakeholders (Governmental, Non-governmental, Local Communities, Displaced population) 		
Case studies		
Political	<ul style="list-style-type: none"> • similar political systems • Ethiopia & Angola: transition from communist to hybrid 	Economic
		<ul style="list-style-type: none"> • antithetical sources of economic inflows • Ethiopia: non-resource-rich economy (infrastructure development, manufacturing and construction) • Angola: resource-rich economy (oil)
State-building		
External partners: EU, US, China (India, Russia)		
Metrics	<ul style="list-style-type: none"> • Democracy Index (full democracies, flawed democracies, hybrid regimes) measures electoral processes, pluralism, civil liberties, political participation, governmental accountability • Freedom House (free, partly free, not-free) 	<ul style="list-style-type: none"> • Human Development Index (HDI) • Gross Domestic Product (GDP) • Gross National Income (GNI) • Adjusted Net Savings (ANS): measures gross national saving minus depreciation of produced capital, depletion of natural capital, plus public expenditures for education

Accordingly, the thesis is based on the following five hypothesis:

1. Radical political transition takes place in the post-communist transformation of CEE and Baltic countries. Other post-communist examples experience stagnation in their political transition.
2. The Ethiopian and Angolan political transition takes place gradually.
3. The Ethiopian and Angolan economic transition occurs radically.
4. Rapid economic transition in Ethiopia and Angola creates a societal gap.
5. Transitions in SSA are non-linear.

The researcher stayed in Ethiopia for two months in the beginning of 2017 for the purposes of this study. The research field trip included a three-week visit to the eastern part of the country, the city of Harar and the southern part to lake Awassa, Shashamene, Arba Minch and villages close to the Omo Valley as well as a five-week stay in the capital of Ethiopia, Addis Ababa. Open interviews were conducted with representatives from the World Bank, the World Food Program, the EU Delegation to Ethiopia, the Gesellschaft für Internationale Zusammenarbeit (GIZ), the Greek Embassy in Addis Ababa, the Greek Community School in Addis Ababa, USAID, French, Italian and Austrian Development Agencies, Addis Ababa Chamber of Commerce, DAAD, NGO Welthungerhilfe and the local Ethiopian business community. For the second case-study of Angola the methodology concentrates on desk research data collection and literature review. The efforts to conduct interviews with Angolan counterparts stalled due to the unavailability of the questioned persons. The author has also conducted asylum interviews as an associate of the European Union Agency for Asylum on the island of Lesbos in Greece between 2017-18. Anonymous abstracts were included in the thesis, especially from asylum seekers originating from the African continent.

Our case-studies are investigated from a triple perspective. The first and second perspective constitutes the political variable, which includes, on the one hand, the state-building parameters such as the rule of law, the institutions and elections and on the other hand, the issue of leadership and their accountability. As American political scientist, Bunce notes, *“there is widespread agreement that political elites play a*

central role in democratization.”⁵ Particularly in SSA, leadership presents unique characteristics, due to its homogenization between the leader and the state. Distinguishing the leadership from the state was thus essential in understanding the essence of the SSA state. The third perspective of the examination concerns the economic variable, which is measurable and can thus address the level of economic liberalization. The economic variable may include essential financial inflows, which can span from trade, foreign direct investments, foreign aid, structural adjustment programs, debt and natural resources. This threefold differentiation between politics, state-building and economics in interpreting SSA’s transitions spans over this study from beginning to end.

For the researcher of international relations, transition is a complex phenomenon. It entails different research parameters within political and economic empirical evidence. As Deaton notes, political economy phenomena can be dually explained - the determinants of economic growth shall be examined from the economics perspective, while the determinants of political structure and political change shall be examined from the political science perspective.⁶ While political phenomena define economic policies, the economy guides political motives. Inevitably, the examination of the links between political systems and the mechanisms of economic liberalization is necessary in order to understand the causes and the consequences. Causal interpretations need to be handled with consideration. A combined investigation of both determinants and their drivers appears, thus, as a well-rounded perspective in understanding political and economic developments and their socioeconomic impacts. “*The correlation between democratization and economic reform is much higher in the post-socialist world than in Latin America and Southern Europe.*”⁷ Taking Bunce’s words into consideration, the comparative political and economic perspective particularly for the purposes of our study in the examination of post-communist systems seems quite crucial.

Certainly, the current availability of metrics facilitates the conduction of our research under multiple perspectives. After the introduction of the Human Development Index

⁵ Bunce, V., 2000. Comparative democratization. Big and Bounded Generalizations. *Comparative Political Studies*, 33(6/7), 707. California: Sage Publications.

⁶ Deaton A., Miller R., 1995. International commodity prices, macroeconomic performance and politics in Sub-Saharan Africa. New Jersey: Princeton Studies in International Finance, 67.

⁷ Bunce, V., 2000., *op. cit.*, 725

(HDI) by the United Nations (UN) in 1990, development was also measured in terms of health and education. This metric may be considered a more holistic approach compared to the sole measurements of a country's Gross Domestic Product (GDP) and Gross National Income (GNI). Although GDP is a significant indicator of a country's economic development, it may also be misleading. For example, asset liquidation may increase GDP while depleting the resource base of a country without taking into consideration the income distribution of the resources among the country's population. Thus, while GDP is an indication of a country's economic growth, the HDI evolved as an indication of human development, which reflects a socio-developmental perspective. That was a crucial historic turn, because it became clear to the international community that development includes to a great extent the level of societal inclusivity. At that point, it was scientifically clear, that the socio-developmental level of the developing South was significantly lower to that of the developed countries of the North.

Africa is a representative example of the developing South with the most Less Developed Countries (LDCs) and the lowest HDI in the world. According to the African Economic Outlook, "*access to improved sanitation in whole Africa was 36% in 2015*"⁸ in contrast to Asia's 62% and Latin America's 83%. Moreover, the share of population using improved water sources was the lowest in Africa with 63% against 90% in Asia and Latin America. Further, the share of population with access to electricity in Africa was estimated at 47% in 2014, meaning that almost half of the total population had no access to energy, receiving the world's lowest record in contrast to the 97% in Latin America and 89% in Asia.⁹ China and India, which have about the same level of GDP per capita with several African countries, have higher access to electricity and water than most African countries.

The African population experiences thus one of the highest levels of poverty in the world. Further, more than half of the world's fragile countries are in the region of Africa.¹⁰ World Bank's report notes that about 28% of SSA's total population lives in

⁸ African Economic Outlook, 2016. Sustainable Cities and Structural transformation. Abidjan, Paris, New York: AfDB, OECD, UNDP, 71.

⁹ International Energy Agency

¹⁰ World Bank Group, 2019. Africa's pulse. An analysis of issues shaping Africa's economic future. Washington D.C.: The World Bank, International Bank for Reconstruction and Development, 19.

fragile situations¹¹ recording 299 mil. people in 2017. Further, SSA is one of the most climate-change affected areas in the world.¹² Most strikingly, while developed industrialized economies of the global North are responsible for the world's most greenhouse gas emissions (GGE), the developing non-industrialized economies of the South, and Africa in particular, suffer from climate change repercussions the most.

Huntington has clearly highlighted in the twentieth century, that “*the principal locus of political underdevelopment lays in the economic underdevelopment of the modernizing countries of Asia, Africa and Latin America*”.¹³ In his words, “*those modernizing countries, lack food, literacy, education, wealth, income, health and productivity...but their greater shortage is political community and effective, authoritative and legitimate government*”. This political scientist noted, that those characteristics differ greatly from the developed countries of the North such as the US, the UK, European countries and Japan.

Evidently, the political economy researcher investigating different political and economic systems such as that of liberalism, communism or mixed economies shall take into consideration the state-building parameters. These include among others the rule of law, property rights, corruption, the government size and the efficiency of regulatory institutions. Clearly, these parameters indicate a political system's level of transition. Already in 1973, Treisman highlighted some tools in measuring the change of political systems in former communist states since the collapse of communism.¹⁴ The author noted, for instance, the Freedom House, the Polity project and World Bank's Worldwide Governance Indicators as three metrics, through which the democratic transition of post-communist countries may be assessed. In a broader perspective, many methodological constraints such as the time of reference and the contrast of the parameters rendered the assessment procedure difficult. However, these metrics are a frequent point of reference for comparative politics. The Democracy Index of the Economist Intelligence Unit, which is akin to the Human Development Index, is

¹¹ The fragile situations concern most of the times regions in wars, insecurity, limited access to health and education, ethnic conflicts and climate migration.

¹² Institute for Economics and Peace, 2022. Ecological Threat Report 2022: Analysing ecological threats, resilience and peace. Sydney: Institute for Economics and Peace, 2.

¹³ Huntington, S., 1968. *Political order in changing societies*. London: Yale University Press, 3.

¹⁴ Treisman, D., Twenty years of political transition in Roland, G., 2012. *Economies in transition. The long-run view*. United Nations University. New York: Palgrave Macmillan, 109.

another qualitative metric measuring the freedom of political institutions with use of quantitative units for its categorization. This index measures democracy in 167 countries separating them in four categories; full democracies, flawed democracies, hybrid regimes and authoritarian systems, according to the electoral processes and pluralism, civil liberties, political participation and culture as well as the way the government functions.

According to the Economic Freedom Index, the growth indicators that influence a country's future potential productivity are its macroeconomic stability, its market openness and infrastructure, human capital and institutional strength. Additional indexes such as Fraser Institute's Index of Economic Freedom, World Bank's Ease of Doing Business Index, World Bank's Logistics Performance Index, Global Competitiveness Index, Ibrahim Index of African Governance, Food Security Index of the Economist Intelligence Unit and International Corruption Perceptions Transparency Index have provided us with quantitative measures for economic and political transitions facilitating our comparative analysis. Another useful metric used by the World Bank is the Adjusted Net Savings (ANS), which measures gross national saving minus depreciation of produced capital, depletion of natural capital, plus public expenditures for education. A country's economic transition may be measured through the ANS metric in order to assess the potential of its sustainable and inclusive future growth, since it indicates whether a country is investing sufficiently today for its future development. Capital-intensive and resource-intensive investments may deplete a country's resources from its population. SSA is a representative example of "*natural resource depletion being one of the key drivers of dissaving for the region*".¹⁵ This is indicated by the fact that its gross national saving is estimated at just under 20% of its Gross National Income (GNI) in most years.¹⁶ Apparently, the ANS metric is particularly useful as an indicator of sustainable and inclusive development, especially for regions dependent on their natural resources, such as several SSA countries. Further, it creates an assumption of financial exchanges taking place without transparency and lack of participation by the local population. These are undoubtedly strong indicators that need to be taken into consideration for the study of political and economic

¹⁵ African Economic Outlook, 2016, op. cit., 21

¹⁶ World Bank Group, 2018. Angola: Systematic Country Diagnostic. Creating assets for the poor. Washington D.C.: World Bank Group, iii.

transitions. This thesis takes them into consideration in order to assess the quality and quantity of the political and socio-economic transitions taking place in SSA.

1.3 Chapter structure

The first chapter introduces the research problem of the thesis, its methodology, objective and contribution. The second chapter reviews the theoretical framework of the thesis, the transition theory. This period includes the transition process of former Soviet Union satellite countries as well as the political and economic transition of other post-communist countries such as China, Cuba and Vietnam. This part of the theoretical perspectives includes the broader examination of political and economic systems. In turn, empirical evidence divides the transition process in two approaches, gradualism and radicalism. Another dimension which was highlighted were the structural conditions. These were divided into external and internal. The former referred to economic liberalization and political conditionalities, while the latter concerned the issues of leadership and macroeconomic adjustment.

Chapter three investigates the Sub-Saharan African context. This chapter is divided between political, economic, structural and contingent drivers. Political drivers include the analysis of SSA's process towards its political liberalization. This part refers to the trajectories of SSA states since the region's independence along with their different forms such as one-party state, hybrid regimes and multipartyism. In turn, economic drivers outline SSA's economic liberalization progress. This part differentiates the North-South cooperation from the South-South cooperation. While in the first approach the relations of Africa with the European Union and the US are addressed, the second approach captures Africa's relations with China, India and Russia. Structural drivers are divided between external and internal. Structural external drivers concern debt, structural adjustment programs, political conditionalities and development aid, while structural internal drivers refer to leadership, resource dependency and food security. At last, contingent drivers cover the themes of proxy wars, currency dependency, migration and terrorism.

Chapter four outlines Ethiopia's political and socio-economic transition. This chapter investigates, on the one hand, the trajectory of Ethiopia's transformation from a closed,

command system to a hybrid regime. On the other hand, the chapter examines Ethiopia's mixed-economic structure between capital-intensive state-owned enterprises and a relative weak domestic private sector. Ethiopia's transformations, which are greatly attributed to China's Belt and Road Initiative (BRI) form part of the Africa-China intense cooperation. Ethiopia is China's geostrategic ally in the BRI and one of the world's fastest growing economies with its GDP having reached since the new millennium a steady average of 8% due to mega infrastructure and construction projects financed by the Chinese government. Apparently, China's business-as-usual approach offers more favorable terms than Europe and the US. Moreover, Ethiopia's agriculture-based economy transforms into a manufacturing hub financed by Chinese foreign direct investments. Do labor, incomes and living standards increase because of this transition? Notably, Ethiopia's economic transition, like that of many other African economies, is accompanied by severe poverty, ethnic conflicts, violence and displacements. Instead of peace, Ethiopia's ethnic diversity and federalism still remains a huge challenge. The diverse ethnic groups demand more access to power and economic benefits, a crucial challenge for Ethiopia's state-building process. The chapter reviews the country's political and socio-economic circumstances since the start of its post-communist transition and provides insights into the country's diverse ethnicity, domestic conflicts as well as its prospects for democratic and economic progress, peace and stability.

Chapter five outlines Angola's political and socio-economic transition. From the same comparative perspective as with our previous case-study, this chapter investigates, on the one hand, Angola's transition from a closed, command system to a hybrid regime. On the other hand, the chapter examines the country's mixed-economic structure between capital-intensive state-owned enterprises and, again, a relative weak private sector. Contrary to Ethiopia, which is a non-resource-rich country, Angola is a resource-rich country being mainly dependent on the extraction of oil. During 2001-10 Angola belonged among the top-10 fastest growing economies in the world with 11,1% GDP growth. In turn, China's infrastructure financing in exchange for Angola's resources has led to an intense Angola-China cooperation. However, Angola's oil-driven economy appears as a curse and a blessing for the state and the population. Elite state-led wealth accumulation and rentier-state phenomena render the state-building process unaccountable and obscure. Further, the division of the country between the two main opposition parties has created an ongoing conflict among Angola's ethnic

groups and widespread poverty. The chapter reviews the country's political and economic trajectories since the start of its post-communist transition and provides insights into the country's diverse ethnicity, domestic conflicts as well as its prospects for democratic and economic progress, peace and stability.

Chapter six outlines the conclusions of the thesis. This chapter provides the findings of our investigation, namely, a political and socio-economic comparative perspective among the diverse transition examples in CEE and Baltic countries, CIS, China, Cuba, Vietnam and our case-studies, Ethiopia and Angola. The hypotheses of the thesis are assessed and respectively analyzed. Further, an overview of the similarities and differences of the two case-studies is provided under a comparative analysis. Lastly, future prospects are addressed with regard to the case-studies and the broader African region.

CHAPTER 2 Transition theory

2.1 Introduction

The developments in post-communist Central and Eastern European (CEE) countries, the Baltics, the CIS and former Soviet Union since the collapse of communism are widely established in transition theory. In this regard, economic transition from central planning to market economy and political transition from communism to liberal democracy are widely recorded in the theoretical scheme of transition theory. These interpretations initially covered the above-mentioned former Soviet bloc countries. Later on, the analysis extended to other post-communist systems such as China, Vietnam, Cuba, Laos and North Korea. This chapter reviews transition theory from a threefold perspective. First, it captures theoretical perspectives of political and socio-economic systems, second, it reviews empirical evidence between the gradual and radical transitions and third, it addresses the structural conditions of post-communist closed command systems. As Bunce points out, “*all new democracies confront the same three issues: breaking with authoritarian rule, building democratic institutions, and devising ways to elicit the cooperation of the former authoritarian elite. How they do that and whether these strategies support or undermine democracy, however, seem to exhibit strong regional effects*”.¹⁷ This chapter aims thus to investigate these regional disparities across the world by unfolding their striking similarities and differences in political, economic and social terms. In a nutshell, whether transition theory can apply as a unified and consistent theoretical scheme to these regional trajectories will be attempted.

In this context, past transitions are worth mentioning in order to understand contemporary transitions. Balcerowicz had proposed four different schemes of historical transitions: a) the classical transition during 1860-1920 that leading capitalist nations experienced in the process of expanding their democracies, b) the neoclassical

¹⁷ Bunce, V., 2000. Comparative democratization. Big and Bounded Generalizations. *Comparative Political Studies*, 33(6/7), 716. California: Sage Publications.

transition, which took place in West Germany, Italy and Japan in the 1940s, in Spain and Portugal in the 1970s and in some Latin American countries in the 1970s and 1980s and in South Korea and Taiwan in the 1980s, c) market-oriented reforms in non-communist countries such as in South Korea and Taiwan in the early 1960s, Chile in the 1970s, Turkey and Mexico in the 1980s and Argentina in the 1990s, d) the Asian post-communist transition of China in the late 1970s and Vietnam in the late 1980s.¹⁸

Table 2.1 IMF classification of transition economies

Central and Eastern European Countries (CEE)	Albania, Bulgaria, Croatia, Czech Republic, North Macedonia, Hungary, Poland, Romania, Slovak Republic, Slovenia
Baltics	Estonia, Latvia, Lithuania
Commonwealth of Independent States (CIS)	Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan
Asia	Cambodia, China, Laos, Vietnam

Source: IMF, 2008¹⁹

The transition in China and Vietnam signaled the beginning of market-based policies for post-communist countries, which adopted liberalization practices and initiated rapid economic growth.²⁰ Asian countries managed through strong command states to transform their economies from low-income to middle-income under free market structures and state-led development. At the same time the collapse of the Soviet Union coincided with the significant increase of liberal democracies worldwide. Famous political economist Francis Fukuyama highlighted this significant shift in global

¹⁸ Balcerowicz, L., 1995. *Socialism, Capitalism, Transformation*. Budapest: CEU, 45.

¹⁹ IMF, 2008. *Transition economies: An IMF perspective on progress and prospects*. Washington D.C.: IMF.

²⁰ Arnold, D. J. & Quelch, A., 1998. New strategies in emerging economies. *Sloan Management Review*, 40(1), 14.

political and economic history in his book titled ‘The end of history’. This ‘end of history’ is apparently associated with the decline of communist regimes and the increase of liberal democracies across the world.²¹ By the end of the Cold War, the US rose as the world’s only powerful player in political, economic and military terms.

At the same time, following the protests in Tiananmen Square, China figured at that time as a promising rising giant. With China’s increasing geopolitical and geo-economic role, the world started to wonder whether the discourse over ‘the end of the history’ was still relevant. China’s closed authoritarian command system managed to transform remarkably from a poor agrarian country to the biggest US competitor. Hence, China’s example proved that economic transition, development and prosperity may not be related with the political transition to liberal democracy. A corollary of China’s economic expansion was the demonstration in global politics and economics that democracy was not a precondition for economic growth. China’s ‘business-as-usual’ approach succeeded as a global strategy. In this respect, transition theory has attempted – perhaps inevitably - to explain the two complex phenomena of economic development and democracy versus economic development and autocracy. Under which circumstances have autocratic political systems facilitated economic growth? Is the impact of this growth visible to all segments of the society? Have consolidated liberal democracies achieved better terms?

Transition and integration into the global political and economic system distinguished between two different models, the gradual school of thought and the radical.²² Their main aim was twofold, a) political reforms towards democratic standards and b) economic liberalization and reduction of the state’s intervention into the markets. The gradual approach could last several decades, while the radical transition occurred more abruptly, yet, it could be prolonged for some years. In several cases, a gradual transition provided more time for a smooth adjustment. Contrariwise, a radical transition presupposed a combination of the ideal time, place and circumstances. However, both gradual and radical transitions need the necessary time in order to draw the right

²¹ Fukuyama, F., 1992. *The end of history and the last man*. New York: Free Press, 49.

²² Weitzman, L. M., 1993. Economic transition. Can theory help? *European Economic Review*, 37(2-3), 549. Cambridge: Harvard University.

conclusions. Within this framework, our examination covers a thirty-year period presenting theoretical and empirical evidence from diverse perspectives.

2.2 Theoretical perspectives

Political systems

Political systems may be broadly divided into democratic, autocratic and hybrid. Democratic political systems are characterized by democratic standards, political participation, multipartyism and civil liberties, while autocratic political systems apply restrictions with regard to these characteristics. Autocratic political systems are in several cases synonymous with one-person governance. Hybrid regimes combine usually both the characteristics of liberal democracies and autocratic regimes. Transition theory reviews the transformation of autocratic and hybrid political systems to liberal democracies.

Hence, all these parameters such as democratic practices, political rights and civil liberties constitute a democratic transition. Nevertheless, democratization as a process and transition to democracy are different things, as Lindberg well notes.²³ Carothers notes, that “*any country moving away from the dictatorial rule can be considered as a country in transition toward democracy*”.²⁴ Democratization is historically associated with the end of far-right authoritarian regimes in the mid 70s and the expansion of democracy in Southern Europe, what Huntington called at that time “the third wave”.²⁵ In the early and mid 80s the third wave spread to Latin America replacing military dictatorships. In the late 80s and early 90s, the third wave spread to Eastern Europe, the Soviet Union, Central America and parts of SSA.

Political change in the first half of the 90s was impressive with nearly 100 countries experiencing the process of democratic transition – “*approximately 20 in Latin America, 25 in Eastern Europe and the former Soviet Union, 30 in SSA, 10 in Asia and*

²³ Lindberg, S., 2013. Exchange: Confusing categories, shifting targets. *Journal of Democracy*, 24(4), 162.

²⁴ Carothers, T., 2002. The end of the transition paradigm. *Journal of Democracy*, 13(1), 6.

²⁵ Huntington, S., 1991. *The Third Wave: Democratization in the Late Twentieth Century*. Norman: University of Oklahoma Press.

5 in the Middle East”.²⁶ While during the Cold War the majority of the United Nations members were authoritarian regimes, as of the end of 1993, over half of the UN countries, 107 out of 186, had competitive elections and various guarantees of political and individual rights - that is more than twice the number two decades earlier of 1970.²⁷ Political transition was thus associated with democratization and the introduction of a democratic system.²⁸ Democratization entailed greater equality and public accountability of power. Further, it ensured in a way the transparent allocation of resources.

There are, however, cases, that the third wave never arrived or it is still pending. These countries have experienced an incomplete transition from authoritarianism to democracy combining democratic and non-democratic characteristics. These regimes known as hybrid²⁹ are neither liberal democracies nor fully authoritarian and present at times non-peaceful characteristics. Levitsky and Way note that “*competitive authoritarianism*”³⁰, meaning non democracies, surpassed the third wave of democratization, which developed in the 1990s. Bermeo describes the term “*democratic backsliding*” in a regime change such as in hybrid regimes, processes which are complex and require further research.³¹ Several SSA countries, for instance, belong to this category. In most cases, authoritarian, hybrid, weak or fragile states are not accountable to the civil society, they are not transparent and they do not respect democratic values and human rights. These states are in transition, when a governmental change takes place, during election periods or when the civil society criticizes the ruling majority. Grzymala-Busse and Luong categorize the different types of states in transition in four categories: democratic, autocratic, fractious and personalistic. The authors provide tangible examples such as “*the democratic states in Poland, Hungary and the Czech Republic, the autocratic state in Russia, the fractious*

²⁶ Carothers, T., 2002. The end of the transition paradigm. *Journal of Democracy*, 13(1), 12. John Hopkins University Press.

²⁷ Karatnycky, A., 1994. Freedom in Retreat. *Freedom Review*, 25(1), 6.

²⁸ Oleinikova, O. 2019. Democratic transition research: From Western to post-Soviet East European scholarship. *Journal of Ukrainian Studies*, 6(1), 154.

²⁹ Robinson, M., 2008. Hybrid states: Globalization and the politics of state capacity. *Political studies*, 56(3), 566.

³⁰ Levitsky, S., Way, A. L., 2002. Elections Without Democracy: The Rise of Competitive Authoritarianism. *Journal of Democracy*, 13(2), 51-65.

³¹ Bermeo, N., 2016. On democratic backsliding. *Journal of Democracy*, (27)1, 14.

*states of Tajikistan, Moldova, Bosnia and Armenia and the personalistic states of Turkmenistan, Uzbekistan, Kyrgyzstan, Kazakhstan, and Belarus”.*³²

Curtis notes four characteristics of a state whether it operates under an authoritarian government or a liberal democracy.³³ The author asserts, that a state per se needs to define its sovereignty, legitimacy, effectiveness and consistency.³⁴ While sovereign states can be liberal democracies or authoritative regimes, legitimacy applies usually for the former and rarely for the latter. A legitimate government is hence associated with a state, which has functioning independent institutions towards the society. The ruling majority forwards public policies, while the political opposition can openly criticize them if it finds them contrary to the demands and needs of the society. The effectiveness and consistency of a state can apply to an operational bureaucracy regardless of the regime. Moreover, a sovereign state has the ability to possess the monopoly of force in its territory regardless of its autocratic or democratic regimes.

However, the most common characteristic that marks a democratic state is a functioning “rule of law” (Rechtsstaat). This means that its government is firstly obliged to control itself from immunity and secondly to protect its society from the abusive power of the state itself. Schumpeter defined democracy in his classic work “Capitalism, Socialism, and Democracy”, as “*that institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people's vote*”.³⁵ This characteristic is particular for liberal democracies, while authoritarian systems tend to retain power for several years or even decades. In Anthony Giddens’ words, “*the ability of individuals to intervene in the world, or to refrain from such intervention, with the effect of influencing a specific process of state of affairs*”³⁶ is common for democratic political systems. In authoritarian political systems, the population abstains from the state’s affairs and only affiliates of the ruling party have access to political and economic power.

³² Grzymala-Busse, A., Luong, P., J., 2002. Reconceptualizing the state: Lessons from Post-Communism. *Politics and Society*, 30(4), 530.

³³ Curtis, D. 2013. The limits to state-building for peace in Africa. *South African Journal of International Affairs*, 20(1), 79.

³⁴ Ibid.

³⁵ Schumpeter, J., 1950. *Capitalism, Socialism and Democracy*. New York: Harper and Row, 250.

³⁶ Giddens, A., 1984. *The Constitution of Society: Outline of the Theory of Structuration*. Berkeley, California: University of California Press, 86.

Democracies thus differ to a great extent from autocracies, because people have the right to vote their leaders and have the right to political participation. According to Monten, “*democracies are those states in which political leaders are held accountable to the public through mechanisms such as regular, free, and fair elections.*”³⁷ Another author, Lindberg, well notes that when “*de jure multiparty ballotings are repeated over three, four, or five uninterrupted electoral cycles, participation tends to increase, and elections tend to become more competitive, more legitimate in the eyes of major actors, and more often free and fair overall.*”³⁸ According to some other authors, liberal democracies refer to “*a wider set of practices that go beyond electoral accountability, including the rule of law, private ownership, protection for human rights and civil liberties, pluralistic values and constitutional limits on the power of the state.*”³⁹ Evidently, liberal democracy concerns political systems into which political leaders are organized in political parties and citizens have the right to elect them. Accordingly, Schumpeter has pointed accurately, that “*democracy means only that the people have the opportunity of accepting or refusing the men who are to rule them*”.⁴⁰

Two key conflicting perspectives of democracy include, according to Sorensen, first the government and competitive elections and second, the “*citizen’s ability to determine social and economic structure and the accountability of the state to the public*”.⁴¹ Henceforth, to assess whether one country’s citizens have freedom of choice with regard to its leaders, the observer should analyse the structure and process of elections. As Bratton notes, “*elections remain fundamental, not only for installing democratic governments, but as a necessary requisite for broader democratic consolidation*”.⁴² Hence, electoral systems, constitutional arrangements, participatory civil society and the structure of political parties concern necessary aspects of democratic consolidation and state-building capacity. According to Barnes, “*state building involves two main*

³⁷ Monten, J., 2014. Intervention and state-building: Comparative lessons from Japan, Iraq and Afghanistan. *The ANNALS of the American Academy of Political and Social Science*, 656, 177.

³⁸ Lindberg, I. S., 2013. Exchange: Confusing categories, shifting targets. *Journal of Democracy*, 24(4), 166.

³⁹ Schmitter, P., and Karl T. L., 1991. What democracy is . . . and is not. *Journal of Democracy*, 2(3), 75.

⁴⁰ Schumpeter A. J., 2003. *Capitalism, Socialism and Democracy*. London and New York: Routledge, 285.

⁴¹ Sorensen, G., 1993. *Democracy and democratization*. Dilemmas in World Politics Series. Boulder, CO: Westview Press, 11.

⁴² Bratton, M., 1998. Second Elections in Africa. *Journal of Democracy*, 9(3), 52.

*policy goals: (a) the enhancement of the functional capacity of the state and (b) the facilitation of effective political processes”.*⁴³ While the first refers to the effectiveness of institutions, which leads to ‘performance legitimacy’, the second concerns the exercise of power, state-society negotiation and accountability accounting as ‘process legitimacy’. Cappelli notes, that the state must be capable of providing “*order, security, and a favorable environment for the development of the modern economic world*”.⁴⁴

Some authors warn, that party building and state-building create ideal conditions for patronage politics.⁴⁵ This author showed how the growth of state-bureaucracies was linked to the challenges of party-system consolidation in Poland and Slovakia. Namely, where party-system development has stalled, an increase in the number of personnel was found. Poland’s personnel tripled from 1990 to 1998, although it has actively encountered party fragmentation and governance instability. Slovakia’s administrative national-level personnel also nearly doubled between 1993 and 1998, despite the fact that several parties were presented in the election arena. In contrast, quick party system consolidation, such as in Czech Republic and Hungary, has expanded little or even contracted their state administrations. Nevertheless, in institutionalized party systems with robust competition, elections can constrain patronage-led expansion.⁴⁶

The state’s economic role

The division of the state between its political and economic role is distinguishable among many authors. Jean Bodin had declared during the early European state-building period, that “*financial means are the nerves of the state*” setting the fundamental relationship between the state and extraction.⁴⁷ North stresses the extractive function of the state as “*an organization with a comparative advantage in violence, extending over*

⁴³ Barnes, C., 2009. Renegotiating the political settlement in war-to-peace transitions. Paper commissioned by the UK Department for International Development. London: Conciliation Resources, 3.

⁴⁴ Cappelli, O., 2008. Pre-modern state-building in post-Soviet Russia. *Journal of Communist Studies and Transition Politics*, (24)4, 538.

⁴⁵ O, Dwyer, C., 2004. Runaway state-building: How political parties shape states in post-communist Eastern Europe. *World Politics*, 56(4), 520.

⁴⁶ *Ibid.*, 548

⁴⁷ Braun, R. 1975. Taxation, Sociopolitical Structure, and State-building: Great Britain and Brandenburg-Prussia. In *The Formation of National States in Western Europe*, ed. Charles Tilly. Princeton, NJ: Princeton University Press, 243.

a geographic area whose boundaries are determined by its power to tax constituents".⁴⁸ Tilly, points out to war-making in terms of increasing the taxation and the state revenues.⁴⁹ Another author, Thies, gives particular attention to predatory theory in explaining state-building in SSA.⁵⁰ Predatory theory point outs that states extract revenues from their societies in order to protect them against their external rivals. Further, predatory theory concerns mainly the extraction of resources and the increase of state revenues through the state's penetration in society. Thies highlights that extraction through taxation is the state's main strategy in pursuing its goals.

As a result, states compensate their mechanisms through resource extraction in exchange for the society's protection. Under that cause, states justify war. Lipset defined the state as the most important source of capital, income, power and status.⁵¹ *"Thus, the processes of state making, extraction, protection, and war making are integral to state building"*.⁵² However, fragile and weak states neither protect their societies sufficiently nor do they receive taxes. Particularly in poor livelihoods, public services in exchange for taxes and fees are rarely the case. The state's insufficiency for the support of the poor results in several cases in the provision of foreign assistance by the international community. Foreign aid comes thus, according to Moore, as an *"unearned source of income, similar to the rents available from mineral wealth"*.⁵³ However, development assistance and mineral wealth do not suffice for the protection of the poor. Development assistance and mineral wealth constitute thus economic aspects of fragile and weak states. Taking the above into consideration, the state's political and economic characteristics share differences and similarities, which compete against and complete each other.

⁴⁸ North, Douglass C., 1981. *Structure and Change in Economic History*. New York: W.W. Norton, 21.

⁴⁹ Tilly, C., Ed. 1975. *The Formation of National States in Western Europe*. Princeton, NJ: Princeton University Press.

⁵⁰ Thies, C. G., 2007. The political economy of state building in Sub-Saharan Africa. *The Journal of Politics*, 69(3), 716.

⁵¹ Lipset, S.M. 1994. The social requisites of democracy revisited: 1993 Presidential address. *American Sociological Review*, 59(1), 2.

⁵² Thies, C. G., 2007, *op. cit.*, 716

⁵³ Moore, M., 1998. Death Without Taxes: Democracy, State Capacity and Aid Dependence in the Fourth World. In *The Democratic Developmental State*, edited by Mark Robinson and Gordon White. Oxford: Oxford University Press, 84.

Many authors and scholars have tried to explain the differences and inequalities, which are caused by the distribution of a country's resources. Production, labor and ownership are significant indicators when comparing different economic systems, for instance, a communist system with a free market economy. In a free market economy, the productive means can be private, public or mixed and social connotes within a democratic political system. In a communist economy, all means and the resource allocation are social and they are controlled by the state and the public institutions. As a result, resource allocation and state institutions are theoretically almost equal. "*State and social ownership shall be then under the direct control of the society*"⁵⁴, according to Rousseau's social contract. However, "*social control requires democratic political systems and the exercise of democratic rights in order to be participatory and inclusive*", notes professor Mengisteab.⁵⁵

Western European countries connected the transition to market with social protection measures.⁵⁶ However, central planning in command economies allocated resources without creating a democratic market mechanism such as the social market economy (*soziale Marktwirtschaft*) of Adenauer in Germany or de Gaulle and Pompidou in France. Contrariwise, communist and authoritarian systems in Africa and Asia for instance, have not managed to establish democratic conditions, yet, in terms of securing a safety net for the vulnerable and poor. Inequality is widely referred to in the literature of regime change and democratic transitions⁵⁷ especially in circumstances that the state lacks the institutional capacities to intervene for job creation and social protection. From another perspective, Robert Dahl's polyarchy concept describes the cooperation of civil associations and political parties in an effort to describe an ideal democratization process in controlling public power.⁵⁸ In reality, the democratization process is likely to take longer than marketization in transition economies with autocratic rule of law and lack of functioning institutional capacities. Undoubtedly,

⁵⁴ Mengisteab, K., 1992. Responses of Afro-Marxist states to the crisis of socialism: A preliminary assessment. *Third World Quarterly* (13)1, Rethinking Socialism, 78.

⁵⁵ Ibid.

⁵⁶ Nove, A., 1993. Transition to the market and economic theory. *Problems of Economic Transition*, 35(9), 23.

⁵⁷ Haggard, S., Kaufman, R. R., 2012. Inequality and regime change: Democratic transitions and the stability of democratic rule. *American Political Science Review*, 106(3), 496.

⁵⁸ Dahl, A. R., 1971. *Polyarchy. Participation and Opposition*. New Haven and London: Yale University Press, 17.

democratic systems appear more efficient with regard to their productivity, the transparent allocation of resources and income sufficiency for proper living standards.

On the contrary, the absence of private ownership, property rights and democratic standards may tend to rent seeking, kleptocracy, nepotism and crony capitalism phenomena by elite groups, which deprive the society from democratic standards, political participation and access to economic endowments. The Center for International Private Enterprise (CIPE) divides corrosive capital, financing that lacks transparency and accountability from the constructive capital, which refers to accountable, market-oriented funding. CIPE illustrates examples from Venezuela, Argentina and Ecuador linking democratic decline with corrosive capital. Further, it provides recommendations such as corporate transparency in public contracting and judicial independence.⁵⁹

Economic systems

Economic systems may be divided into liberal, centrally planned and mixed. Liberal economic systems are characterized by non-state intervention in free markets, while command planned systems are controlled by a central governance, which usually controls the means of production to a great extent. Mixed economic systems include a combination of both liberal and centrally planned characteristics. While liberal, free economies interfere with institutional and liberal procedures in regulating the markets, command planned economies tend to control their economic systems under a tighter approach. Transition theories review the transformation of economic systems from command planned economies to free markets. This economic transition includes the macro and microeconomic parameters that constitute the transformation of a command system towards the free markets.

Both liberal and centrally planned economic systems protect their domestic economies through regulations, subsidies, barriers or tariffs in order to protect their local production and to boost or to reduce foreign investments and trade. Liberal and

⁵⁹ Center for International Private Enterprise (CIPE), 2023. Investing in Latin American democracy: impacts of corrosive and constructive capital. Washington D.C.: CIPE, 6.

neoliberal economics proposed global economic growth through sufficient money supply, distribution of wealth, trade and investments in order to enhance global prosperity. According to international financial institutions (IFIs), economies operating in the open market with good economic performance tend to increase their export-led growth. Following that framework, the major concern of developed countries and the IFIs was the maximization of global exports and thereby the promotion of competitiveness. The proposed measures involved in most cases trade liberalization, reduction of trade barriers, strict monetary policy, adoption of market-friendly policies, privatization of state-owned enterprises, cutbacks in budget deficits, public spending and excessive money growth, limitation in corporate taxes, strengthening of regulatory and legal systems and macroeconomic stabilization through a robust financial sector in order to secure the movement of private capital. These policies have been implemented partially or fully by liberal democracies, developing and transition economies as well as by command systems in their process to enter the free markets.

The discourse of the state's role with the markets is dated some centuries ago, but the discussion has become relevant more recently under a comparative perspective of developed global North and developing South. In order to reduce the dependency of developing countries by the developed countries through the increase of local industrialization, Raul Prebisch, Hans Singer and Celso Furtado, influenced by Keynes' ideas, had proposed the import substitution industrialization (ISI) strategies within the UN Economic Commission of Latin America and the Caribbean (ECLA/CEPAL).⁶⁰ ISI strategies were applied in order to confront the increased manufactured exports of industrialized nations. Although major Latin American economies such as Mexico, Brazil and Argentina, followed ISI policies during the economic depression of the 30s and the World War II, for other regions such as Korea and Taiwan, ISI policies did not last longer than ten years due to their proximity to Japan. Africa too developed ISI strategies, which were gradually abandoned after the introduction of the Washington consensus policies.

The shift from ISI strategies to export-led industrialization (ELI) was inevitable. ISI increased short-term production and employment, but in the long-term it resulted in

⁶⁰ Love, J. L., 2005. The rise and decline of economic structuralism in Latin America: New Dimensions. *Latin American Research Review*, 40(3), 101.

high inflation rates.⁶¹ As a result, the prices of imported goods increased and competed therefore with domestically manufactured products. Economic stagnation, inflation, payment imbalances and widespread urban unemployment followed. Due to the succeeded high growth and rapid urbanization, the agrarian sector, which was the major economic source of most developing economies, had difficulties to transform at the same pace. Moreover, technology and know-how progressed faster overseas than in closed protected political and economic systems.

Consequently, from Eastern Europe to Latin America, Africa and Asia, economic and political liberalization triggered the transition of closed political and economic systems following free market principles and the economic development of liberal democracies. In several cases, the shift from ISI to ELI fell together with rising democratic regimes.⁶² After the end of the Cold War and the fall of the communistic bloc, several authoritarian regimes started democratizing and they gradually opened their closed economies to free-market competition. In many cases, it was first the military that implemented the structural reforms, which were later on completed by the democratic regimes. For example, the military regimes, of Pinochet in Chile and Videla's in Argentine adopted ELI policies. Authoritarian regimes gradually acknowledged that their economic blockade from the international economic system was a dead-end. Authoritarian military regimes acknowledged that they had no other choice, but to succumb to the IFIs, which promoted open economies and economic reforms. Regime transition and liberalization helped one another to develop at the same time. Communist regions in other parts of Latin America, Africa and Asia such as Vietnam and China entered the global economic system as well.

The developmental state

Contrary to the conventional model of free markets and liberal democracies, transition theories include aspects of the developmental state, which incorporates parts of the free-market economy and strong command states. This combination leads to hybrid states with non-democratic or partly democratic characteristics with mixed economic

⁶¹ Olivera, J.H.G., 1964. On structural inflation and Latin-American structuralism. *Oxford Economic Papers. New Series*, 16(3), 321.

⁶² Spero, J. and Hart, J., 2010, *op. cit.*, 200

characteristics. Radice suggests, that “*at the heart of the developmental state is the relationship between the state and the business sector, especially with regard to the direction and funding of industrial investment.*”⁶³ The developmental state receives its origin from Chalmers Johnson, who analyzed Japan’s rapid economic transformation following the World War II.⁶⁴ Later, other East-Asian countries such as South Korea Taiwan and Singapore were characterized as developmental states for their state-led growth.⁶⁵ Maintaining their authoritarian political systems, former CIS countries have tried to implement their own version of developmental state by accelerating economic transformation aspiring to emulate China’s success model. China and Vietnam propose that the achievements of their developmental states can function as a model for post-communist Eastern Europe and former USSR countries as well as for the rest developing countries of the global South. While strong development may be associated with industrialisation and urbanisation, political-ideological approach is combined with “*authoritarian technocracy and a relatively egalitarian distribution of income and wealth*”.⁶⁶ Evidently, each country-case differs. For instance, while Uzbekistan and Kazakhstan are becoming developmental states, Turkmenistan is far from that direction. For Kyrgyzstan and Tajikistan, it remains to be seen in the future, which approach they will adopt.

The concept of the developmental state is evident in Africa as well. Strong governments with emerging economies such as in Ethiopia, Angola, Rwanda, Kenya, Tanzania are presenting accelerated economic growth figures and at the same time stagnated or low democratic standards. Both post-communist states of Ethiopia and Angola have marked their political and economic transition according to China’s model; rapid economic growth attributed to industrialization and construction and a gradual, distant approach to liberal democracy and democratic standards. Their states remain constrained to the governance of their first post-communist parties since their official end of communism. The political and business elite commands this closed political system, which remains open to elections and multi-party politics, but maintains limited civil liberties and

⁶³ Radice, H., 2008. The developmental state under global neoliberalism. *Third World Quarterly*, 29(6), 1154.

⁶⁴ Chalmers, J., 1999. The developmental state: Odyssey of a concept in Woo-Cumings, M., (eds.). *The developmental state*. CA: Cornell University Press, 32-60.

⁶⁵ Lee, J., 2020. US grand strategy and the origins of developmental state. *Journal of Strategic Studies*, 43(5), 741-761.

⁶⁶ Ibid.

control of the media. This elite maintains close ties with the economic enclaves of state-owned enterprises, which are gradually and carefully opening to the free markets. Their economic transition seems to be attributed mostly to China's intervention and its developmental model.

2.3 Empirical evidence

Gradualism

China has managed to achieve a gradualist approach to stabilization and internalization, after its reform process in the late 70s at the aftermath of the Cultural Revolution. China's authoritarian, managerial and technocratic state managed through development and stability to expand domestically and externally contributing significantly to the global political and economic order. China's evolutionary model allowed a gradualist strategy permitting market oriented competitive enterprises to develop from within without significant IMF interventions. This crucial observation contradicts most transition countries, which had to demonstrate several reforms externally. The Chinese communist party introduced, according to Cheru and Modi, reforms on agricultural development since 1978, which created combined efforts between the government, the market and the farmers creating a social and economic transformation.⁶⁷ According to other authors, "*China's major institutional innovation under the leadership of the Chinese Communist Party was the introduction of the market economy under communist rule*".⁶⁸ Nevertheless, China's communist rule faces specific survival challenges in the future with few hopes for major political reform.⁶⁹

In the early 80s, China forwarded municipalization, governmental decentralization and financial autonomy to local authorities stimulating rapid urban economic growth. Policies included institutional change, technological innovation, market development, trade liberalization in goods and rapid expansion of infrastructure in rural areas. By trying to explain China's rapid economic growth and the process of its economic transformation, Lo and Zhang observed, that China has undergone a process of "*transition from labor-intensive, consumption-led to capital-deepening and*

⁶⁷ Cheru, F., Modi, R., 2013. *Agricultural development and food security in Africa. The impact of Chinese, Indian and Brazilian investments*. London, New York: Zeb Books, 193.

⁶⁸ Roland, G., 2018. The evolution of post-communist systems. Eastern Europe vs. China. *Economics of Transition*, 0(0), 25.

⁶⁹ Ibid.

investment-led industrialization".⁷⁰ The authors conclude to a "synthesis of Marxian theory of capital accumulation, post-Keynesian theory of demand determination" and an evolutionary approach towards economic development.

Other international transition economies in Asia involved Vietnam, which enjoyed remarkable achievements during the 1991-2000 period reaching an annual average rate of economic growth at 7,5%. Hong Vuong defines, "four characteristic sub-periods of the post Doi-Moi transition" from a centrally planned model to a market orientated economy.⁷¹ First was the period of entrepreneurial policy makers (1986-94), second followed the economic integration and adaption of market economy (1995-99), third came the economic boom and emerging cultural values (2000-06) and fourth was the globalization period with the rise of global geopolitics and geo-economics. Vietnam's membership to the Association of Southeast Asian Nations (ASEAN) took place in 1995 and gained its full WTO membership in 2007. US-Vietnam Trade Bilateral Agreement was signed in 2001 and the country's stock market began in 2000. Vietnam's all time high FDI reached \$71,7 bil. in 2008. However, in the midst of the global financial crisis in 2012, Vietnam's GDP experienced its lowest level in the last 13 years down to 5%. The results appeared in the country's trade deficits, high inflation, corruption, lack of transparency, demonstrations and the sovereignty confrontation with China in the East Sea.

A major global example of a mixed political and economic transition is Cuba. Cuba presents quite low levels of economic growth rates compared to the previous examples of China and Vietnam. Cuba's transition was characterized by a severe downturn beginning in the early 90s and lasting for the entire decade due to the collapse of its largest trading partner, the Soviet Union and by extension the dissolution of the COMECON countries. Soviet Union's sphere of influence included apart from the political ideology of communism, also the economic cooperation among the like-minded communist states. Under Soviet Union's leadership, the COMECON confined trade mostly among its members, while imports and exports with the rest of the world were limited. COMECON was in reality an economic organization, which functioned

⁷⁰ Lo, D., & Zhang, Y., 2010. Making Sense of China's Economic Transformation. *Review of Radical Political Economics*, 43(1), 38.

⁷¹ Vuong, H. Q., 2014. Vietnam's political economy in transition (1986-2016). The Hub: International Perspectives. Texas: Stratfor.

from 1949 until 1991 under Soviet Union's command including the Eastern Bloc and the world's communist states. The members' bilateral and multilateral accords were so tight with each other that in the early 70s, Soviet oil and gas was exchanged at below-market rates among the COMECON members. This meant, that in many cases, goods were sold at a lower price among COMECON members compared to the price of the free markets. Thus, trade among COMECON members took place under central planning. This situation proved useful for keeping relative stable prices detached from free market forces. However, trade was constantly declining due to the enormous price distortions, corrupt state monopolies, scarce hard currency reserves and the lack of access to free markets for export-led profit.⁷²

Cuba's general imports and oil imports were in its largest part dependent on the Soviet Union and the COMECON system. Both its exports and imports came from or headed towards Soviet bloc countries. With the fall of the Soviet Union, Cuba's Special Period was characterized by severe shortages in food, medicine and energy resources. As a result, the 90s decade was for Cuba a transition period, which had to respond to the vast changes of Soviet Union's collapse and Eastern Europe's communist countries transformations. Domínguez presented the emblematic statement of the Political Bureau of the Cuban Communist Party in 1990, signifying Cuba's initiation of its economic transition: *"The solid stability of the country, together with intelligent policies, attract the confidence of foreign investors and open the way for cooperation in the form of joint ventures. This does not clash with our socialist system; rather it means speedier use of potential resources"*.⁷³ Fidel Castro's public announcement followed with the first joint venture between a Cuban state enterprise and a foreign investor for a hotel inauguration. It was obvious through Castro's words, that Cuba hardly maintained its command economic system. To remain as a sole spectator towards other regional transformations and especially economic and political transitions of post-communist countries was quite difficult for Cuba's communist political system.

⁷² Holzman, F. D., 1985. COMECON: A "trade-destroying customs union? *Journal of Comparative Economics*, 9(4), 416.

⁷³ Domínguez, J.I., Cuba's Economic Transition: Successes, Deficiencies, and Challenges in Burki S. J., Erikson D.P. (eds.), 2005. *Transforming Socialist Economies*. London: Palgrave Macmillan.

Since 1993, new types of private enterprises and foreign investments were encouraged mainly in the development of the island's touristic sector, which forms one of the main sources of revenue.⁷⁴ Cuba entered its next transition phase in 2000 with Venezuela emerging as its primary trade and diplomatic partner. Cuban-Russian relations improved as well under Vladimir Putin's presidency. The island's next transition phase towards a market economy may be defined since Raúl Castro assumed power temporarily in 2006 and permanently in 2008. As professor Mesa Lag⁷⁵ notes, the existing centrally planned economic model was updated allowing space for market expansion and non-state property such as distribution of idle state-land, expansion on non-state jobs, dismissal of unneeded state employees, housing purchase and sale, dual currency unification and foreign investments. However, the state's agencies and state planning continued and proved the system's inefficiency, according to the words of professor Lag. Barack Obama visited the island in 2016 - the last US Presidential visit to Cuba was in 1928. This was the first sign for the amelioration of US-Cuba relations. Some major changes involved travel restriction relaxation of US citizens to Cuba and allowance of remittances by migrant workers in the US to Cuba. Nevertheless, Obama did not omit to stress the need for democratic reforms and freedom of expression in Cuba. Cuba's regime remains largely authoritarian maintaining control of the media. Lack of expression and political censorship is the rule and political opponents to the regime are kept in confinement.

Radicalism

Eastern Europe's 'revolutionary' rapid transition model known as 'shock therapy' or 'big bang' was a characteristic example of radicalism. Following closely the steps of European Union's integration, the main challenge of radical transition economies was the reduction of the state's intervention in the economic activities and the enhancement of the market's role. Marangos notes, that a main priority of the radical school was the institutional foundation for a new market system, which allocated resources non centrally, smoothly and reasonably.⁷⁶ Old economic and political interests had to shift to new emerging actors with the implementation of different approaches contrary to the

⁷⁴ Chomsky, A., 2018. Transitions in Cuba. The Progressive. Wisconsin: The Progressive Inc.

⁷⁵ Mesa Lago, C. (no date available). Can Cuba's economic reforms succeed? New York: Americas Quarterly. Americas Society and Council of the Americas.

⁷⁶ Marangos, J., 2003. Was shock therapy really a shock? *Journal of Economic Issues*, 37(4), 949.

established practices of the past. Remarkably, the transition and modernization process that Central and Eastern European countries underwent during the 90s was completely unexpected a few years ago. Moreover, Soviet Union's glasnost (openness) and perestroika (restructuring) involved certainly a generalized shift of former command economies towards the open markets changing the structure of former COMECON states.⁷⁷

Almost all transition economies from the former communist block were in harsh economic conditions and in need of foreign financing at the beginning of their transition. As a result, with the dissolution of the Soviet Union and COMECON, transition assistance programs were provided by IMF with its activities expanding mainly after 1989.⁷⁸ Hence, by 1994 IMF stabilization programs were launched in order to advance market reforms. That moment was significantly challenging for IMF, because it involved expansion of its activities since the end of the Bretton Woods system. Particularly, it involved “*i) individual and multilateral surveillance of the dismantling ruble zone, ii) lending for economic stabilization under specific conditionalities on key policy measures and iii) training and technical assistance with country authorities for specific reforms such as the development of value-added tax, new monetary policy, expenditure control and cooperation*”.⁷⁹ World Bank and the EBRD supported additionally the encouragement of foreign investments and private sector development. EBRD's article 1 of the Agreement Establishing the Bank points out that “*the purpose of EBRD shall be to foster the transition towards the open market-oriented economies and to promote private and entrepreneurial initiative*”.⁸⁰ CEE countries realized quite early that there was no alternative for their path to transition, building up institutional mechanisms such as the Central European Initiative to support their transition process.

Already in the 80s, Hungary, Romania and Yugoslavia were receiving assistance. Further, the 90s transition process involved IMF's strong financial and technical

⁷⁷ Bulsys, J., A. and Makay, J. J., 1989. Gorbachev's Rhetoric of Glasnost: How Openness Intersects with Freedom of Expression. *Free Speech Yearbook*, 27(1), 56.

⁷⁸ Gould-Davies, N. and Woods, N., 1999. Russia and the IMF. *International Affairs*, 75(1), 7.

⁷⁹ Mercer-Blackman, V. and Unigovskaya, A., 2004. Compliance with IMF program indicators and growth in transition economies. *Emerging Markets Finance and Trade*, 40(3), 60.

⁸⁰ European Bank for Reconstruction and Development. The EBRD and transition.

intervention in Eastern Europe's block countries. The shock therapy involved radical reforms in Poland (1990), Czechoslovakia (1991), Bulgaria (1991), Russia (1992), Albania (1992), Estonia (1992) and Latvia (1993). Hungary, Yugoslavia, Romania and the Baltic states (Estonia, Latvia, Lithuania) followed. Poland, specifically, was the first country under the 'Balcerowicz Plan' to enter IMF's program in 1990. Other economies such as Hungary, Croatia and Slovenia had already more liberalized economies at the beginning of the transition period and their need for rapid change appeared less urgent. Economic and social challenges in Albania, Bulgaria and North Macedonia allowed some quick reforms as well. Ukraine, Romania and Belarus followed at a slower pace. Belarus and Ukraine, which had historically stronger ties with the Soviet system, experienced a more gradualist approach to reforms. Gradual reforms were implemented as well in Hungary, southeast Europe and most of the former Soviet Union. Former Yugoslavia - although it was initially more market-oriented economy - and Moldova had to face conflicts and war, which impeded their economic transformation.

Since 2000 onwards, Central European (CE) countries found their economies with new sectors of comparative advantage in labor and capital-intensive manufacturing and an increased domestic value added from their exports. Their exports increased significantly further between 1996-2008. At that point, they managed to reach a comparative advantage in manufacturing particularly in machinery and transport equipment. Their geographic proximity with the German supply chain, efficient labor costs, competitive trade environment and the exports to Germany contributed to their success.

2.4 Structural conditions

External

Economic liberalization

The 90s was a period of major crises in the global economy and consequently also for transition economies, with the greatest crises being the Mexico crisis in 1994-95, the Asian crisis in 1997, the Russian financial crisis in 1998⁸¹. The new millennium followed, with the Argentina crisis in 2001 and the global financial crisis in 2008. Major

⁸¹ Gould-Davies, N. and Woods, N., 1999, *op. cit.*, 1

global financial losses were recorded and in many cases incidents of political insecurity provoked severe social reactions. Following the Mexico debt crisis in 1982, private lending fell sharply as international banks lost confidence in the financial stability of the borrowing countries.⁸² Further, a strong and confident financial system, provoking trust towards trade and monetary circulation, suggested the removal of protectionism for the growth of the international banking system. Free market supporters were opposed against any kind of governmental protectionist measures and proposed that markets' self-regulating balance creates the tendency to regulate by itself. At the same time, fragile financial systems could not secure macroeconomic stability for transition economies in Europe. Surely, most affected economies learned their lesson in reducing their market exposure to risks.

Further, technological advancement increased both the levels of natural resource extractivism and the financial flows, which circulated within global electronic financial transactions. Technological improvement, control of the demand of domestic consumption and rising volumes of imports and investments kept the costs of the free market at low levels and allowed space for decentralization. Global markets brought the internationalization of the production process and an open world labor market. As a result, computers were designed in the US, programmed in Europe and assembled in China. Globalization and neoliberalism intensified the freedom of markets booming the activities of multinational corporations and foreign direct investments in transition countries, developing economies and emerging markets.

Privatization measures and market supporting institutions have introduced new economic, political and social circumstances. Financial engagement of multinational corporations in value-added activities overseas and the transfer of funds from parent firm countries to host firm countries through joint ventures divided horizontal foreign direct investments (FDIs), which headed mostly to the industrialized areas from vertical FDIs, which directed to transition, emerging and developing countries. David Ricardo, major thinker of the neoclassical school, had foreseen that labor specialization would improve the efficiency of domestically produced goods and services and that international competitiveness of comparative advantage would eliminate national

⁸² Mmieh, F., Owusu-Frimpong, N., 2004. State policies and the challenges in attracting foreign direct investment: A review of the Ghana experience. *Thunderbird International Business Review*, 46(5), 584.

monopolies. Within these developments, monopolies were thus crushed, and in turn, commodities' dependence and the terms of trade had a visible impact on vulnerable economies with the fiscal and monetary challenges affecting consumers at macro level and producers at micro level.

The continuous crises involved IMF financial assistance in order to support the nascent market institutions and the restructuring of governmental policies. IMF's challenge involved the careful management of lacking institutional capacity and as a consequence its interference in the state-building process. Support to more than half of the transition countries was provided through the Systemic Transformation Facility (STF), which was set up in 1993. Policy credibility and institutional support were necessary points in order for them to start getting financial assistance by the IMF. The risks of the repayment capacity left little space for STF in providing sufficient financing compared to the transition programs, which were later on provided to Asian and Eurozone countries. Many of these countries faced output losses, economic contraction and currency devaluation making external debt service unbearable. Moreover, the social costs were in several cases severe such as high unemployment, job losses and increase of poverty.

Among major measures of the transition program included privatization and financial restructuring, which faced strong political and social complications. Market-oriented reforms such as the goals of structural adjustments to equilibrate the balance of payments and the debt commitments could not maintain a social balance. In several cases, the poor social classes were exposed to global competitiveness, which contributed to further exposure to poverty and exclusion. In several cases, IMF stabilization measures did not produce the intended results⁸³ with the 'shock therapy' having a several impact on social costs for former COMECON members. The economic challenges of early transition economies included high inflation and high public expenditures as well as budget and trade deficits.

Unemployment rose significantly with many workers in state-owned companies losing their jobs. Many ordinary people saw their life savings disappear through the transition

⁸³ IMF, 2014. 25 years of transition. Post-communist Europe and the IMF. Regional Economic Issues. Special Report. Washington D.C: IMF, 14.

process. Poland's shock therapy had initially high social costs presenting an unemployment rate of 16% with over a million people losing their jobs. Among other constraints was the bankruptcy of government-owned banks, like Sberbank with branches in Russia and in other former Soviet countries. Marangos notes, that the *"negative outcomes were not the result of the reform process as such, but they were rather due to the inconsistencies inherited from centrally administered socialism"*.⁸⁴ Successful transition implied an operative labor market with all countries relying on wage controls. *"For example, the Polish government-initiated penalties on wage increases, the so-called popiwiek under which wages were to increase by 30% of the monthly inflation rate in January 1990 and 20%"*, thereafter.⁸⁵ Undoubtedly though, there was a certain improvement of the rising middle-income population and their living standards, which gradually profited from the opening of the markets and international trade. Already by 1992, the stabilization of the Polish economy permitted its growth.

The transition process was a challenge for the rural population, which could not keep control of the prices of their locally produced commodities. Areas with a comparative advantage in agriculture, which opened to global trade, lowered their domestic prices due to the higher competition of the global markets. Lower prices led to lower incomes and increase in rural poverty. Most affected by these decreases were low-income farmers in developing and transition countries, which competed against the subsidized production of developed economies. The domestic market was being conquered by infant industries investments, whose export bias led to the benefits of the open market. The infant industry argument has been used by the industrialized North in order to justify protectionism and export taxes on raw products. The argument proposed that inferior technology in developing and transition countries cannot compete against established producers in developed countries.⁸⁶ The opposite argument proposed, though, that the low wages of developing economies cannot compete against the significantly higher wages of developed countries. Some authors note, that *"custom duties and other protective measures were always intended to equalize between*

⁸⁴ Marangos, J., 2003, *op. cit.*, 945

⁸⁵ Balcerowicz, L., B. Blaszczyk, and Dabrowski, M. The Polish Way to the Market Economy 1989-1995 in W. T. Woo, S. Parker, and J. D. Sachs (eds.), 1997. *Economies in Transition: Comparing Asia and Europe*, Cambridge: MIT Press, 138.

⁸⁶ Mayer, W., 1984. The infant-export industry argument. *The Canadian Journal of Economics*, 17(2), 249.

productivity differentials, and most countries applied a full import ban when it fitted their own industry".⁸⁷ Thus, protectionism has served as a tool for development and it was reduced gradually once the economy enhanced enough to cope with external competition.

Political conditionalities

Conditionalities in exchange for democratic reforms from the developed countries of the global North to the developing countries of the South as well as to transition countries were used as means to contribute to their integration into liberal democratic standards and market liberalization. The Washington consensus, which was formed mostly by Western policy-makers and experts, insisted that the transition process in closed systems would proceed through the enhancement of structural adjustments, implementation of necessary reforms and provision of incentives for productive economic activities upon the completion of specific set of political conditionalities. Conditionalities were in some cases associated with the control of development aid as a political pressure. Several authors have commented that rapid growth in developing and transition economies was connected with special circumstances and democratic conditionalities as instructed by the IFIs and the EU.⁸⁸ Indeed, the IMF set specific structural conditionalities⁸⁹, involving sensitive policy areas in the 80s. The global North rewarded good governance reforms and respect for human rights, but again, each country-case was different. Mauritania, for example, developed IMF's programs "*for 25 of the 30 years, carrying a total of 1,058 conditions*" attached to these programs. In contrast, "*China had only a one-year stand-by arrangement – through the IMF's staple lending facility - with 28 conditions attached to it between 1986-87*", reports a scholar.⁹⁰

Further, IMF's conditional lending⁹¹, in pursuit of international prosperity focused on

⁸⁷ Merz R. T., Jauch H., 2006. The African textile and clothing industry: From import substitution to export orientation. Bonn: Friedrich Ebert Stiftung, 10.

⁸⁸ Gateva, E., Post-accession conditionality – translating benchmarks into political pressure? *East European Politics*, 29(4), 425.

⁸⁹ Diaz-Alejandro, C. F., 1981. Southern cone stabilization plans. Center discussion paper 330. Yale University, Economic Growth Center, New Haven, CT, 29.

⁹⁰ Kentikelenis, A.E., Stubbs, T.H., and King L.P., 2016. IMF conditionality and development policy space, 1985-2014. *Review of International Political Economy*, 23(4), 552.

⁹¹ Dell, S., 1981. On being grandmotherly: the evolution of IMF conditionality. Princeton Essays in International Finance Section, 144. Princeton, New Jersey, 16.

reforms such as restrictive monetary policy and exchange rate devaluations, macroeconomic adjustments, raising taxes and cutting expenditures. Privatization of state-owned enterprises, financial liberalization and economic deregulation were additional indicative measures. The coordination of the exchange rate and fiscal policies and privatization measures have lasted in most cases for several years. As some authors note, changes in exchange rates affect the size of the budget deficit having an impact on the revenue generated by custom duties and export taxes, foreign debt service, transfers to enterprises and subsidies.⁹² As a consequence, these severe restructuring measures imposed strong pressures for the closed, authoritarian systems of transition countries.

Evidently, the international community felt the need and pressure to intervene into the structure of authoritarian, hybrid or failed states for their own security reasons. Donors, international organizations and governments started getting involved in the affairs of weak states in order to contribute to the viability of their institutions and their state-building. Programs included assistance to fragile and weak states in order to enhance their ability to formulate their budget and collect revenues as well as other basic services such as justice and security. As a result, state-building literature in international relations concerned the “*legitimacy of the international community’s*”⁹³ intervention in ‘weak’, ‘fragile’ sovereign states and hybrid regimes. Further involvement of donors and governments in the structure of weak states added international peace-keeping operations into the state-building process. State-building was thus associated with peace-building, either as a component of peace-building or as equivalent.⁹⁴ However, peace-building concerns the prevention of violent conflict, while state-building aims at a larger set of goals, which concerns institutional development and governance. The broadening of the study of peace-building, including state-building as an element, has led to an increase of international relations literature with a focus on the process of state-building though the state’s legitimacy and effectiveness, as noted previously.⁹⁵

⁹² Thomas, V., Chiber, A., Dailami, M., De Melo, J., 1991. Restructuring economies in distress. Policy reform and the World Bank. Washington, DC: Oxford University Press, 30.

⁹³ Gilbert, L., Mohseni, P., 2011. Beyond authoritarianism: The conceptualization of hybrid regimes. *Studies in Comparative International Development*, 46(3), 281.

⁹⁴ Paris, R. and Sisk, T. (eds.), 2009. *The Dilemmas of State-building. Confronting the contradictions of postwar peace operations*. New York: Routledge, 80.

⁹⁵ Pugh, M., 2003. Peacekeeping and International Relations Theory: Phantom of the Opera? *International Peacekeeping* 10(4), 105.

The intervention of the international community applied as such its legitimacy and effectiveness in using development aid as a tool for democratization processes within hybrid and authoritarian states with non-democratic characteristics.

Internal

Leadership

Democratization analysis has been characterized broadly by transitions from dictatorship to democracy. Political scientist Bunce highlights that “*in every highly successful case of democratization, the military was excluded from political influence from the start.*”⁹⁶ This point seems quite crucial, because, unequivocally, there is a large difference between building a state and building a democracy. For instance, the ownership of the production means in authoritarian or communist states was in most cases entirely managed by the state. Under these terms, command political systems excluded significant segments of the society from the decision-making processes, the ownership of production means and as a consequence their increase of wealth and prosperity. The society and local communities were thus severely affected and not given equal opportunities as opposed to the ‘privileged’ groups. Cappelli noted that post-communist transitions started from very different bases compared to the original European transitions.⁹⁷

Although transitions in southern Europe and Latin America differed from one of them to other, they were all forced to cut their past authoritarian background abruptly despite the rejection of their opposition leaders. Poland’s leadership, for instance, happened to be politically and economically liberal due to the domestic context of Poland’s transition. Bunce notes that, on the one hand “*the newly elected Polish leadership gained a large mandate*” and on the other hand, “*polish rent seekers had begun to reposition themselves to reap benefits from the more liberalized economic order being understood more as partners than as antagonists*”.⁹⁸ In turn, Hungary adopted major

⁹⁶ Bunce, V., 2003. Rethinking recent democratization. Lessons from the post-communist experience. *World Politics*, 55(2), 174.

⁹⁷ Cappelli, O., 2008, *op. cit.*, 536

⁹⁸ Bunce, V., 2003, *op. cit.*, 184

economic reforms only after the second competitive election with former communists taking power with a large mandate.

In contrast, Russia's transition ambiguity lacked any consensus on the new state-building process and elite groups tried to take advantage of Russia's vague state in economic and political terms. Soviet-type regime transition involved oligarchs with conflicting interests and an ineffective, weak state with limited capacity far from the European Leviathan understanding of the state. Moreover, many privatized assets did not end up in the hands of entrepreneurs, who could turn them to productive means.⁹⁹ Consequently, political power ended up misusing public resources for private benefit. This situation resulted in the de-legitimization of the post-communist Russian state and crony-capitalism phenomena. Crony capitalism produced monopolies and rent-seeking phenomena creating a nexus between business and political elites and the exploitation of public goods. Kleptocracy, corruption and concentration of power to elites was often the case. This vicious cycle resulted in one-party governance maintaining the state's military, economic and political control with autocratic means. Within this context, the change of leadership appeared as one of the most challenging points for transition countries.

Macroeconomic adjustment

The integration of transition countries into global monetary and trading systems resulted in institutional reforms, which led to generalized price increases, price liberalization, monetary overhang and significant inflation pressures. Further, the COMECON disruption resulted in disorganization in the production process and the collapse of the central planning system. Output and production contraction lasted for several years in some countries due to the shift of the COMECON trade system. Prices increased, budget revenues collapsed and new taxation systems had to get established. Restructured state-owned enterprises needed to cover their losses and monetary overhang led to hyperinflation. The first three years of transition involved cumulative GDP contractions up to 50% in Moldova, "30-40% in the Baltics, Russia and

⁹⁹ Fukuyama F., 2004. *State-Building: Governance and World Order in the 21st Century*. Ithaca, NY: Cornell University Press, 15.

Ukraine”¹⁰⁰, about 25% in Bulgaria and Romania and 13% in Poland and Czechoslovakia. Between 1990-94, manufacturing productivity in Russia fell by 40%. Within that framework, inflation stabilization was a major challenge for the transition process. “*Countries, which tamed inflation quickly, experienced a stronger and quicker recovery*”, note Fischer and Sahay.¹⁰¹

The expansion of trade and finance liberalization created a dangerous phenomenon for transition economies. The short-term capital inflows enhanced the appreciation of the real exchange rate of the recipient countries along with the inflows of capital for direct investments. According to Edwards, this trend weakened the efforts of macroeconomic stability.¹⁰² Under a fixed exchange rate, inflows of capitals strengthen, but monetary policy loses its independence. Financial globalization and unregulated capital inflows cause this loss of independency, which may lead to monetary loss. In order to stabilize steady exchange rates, inflows of capital allow long-term appreciation of national currencies as a means to control their inflation. However, budget financing as well as private and fiscal deficits blocked the fiscal discipline putting the stabilization program into danger.¹⁰³

Poland, for instance, was a characteristic example of the rapid reforms taking place domestically, which were followed by Czechoslovakia and the Baltic countries.¹⁰⁴ In order to overcome the massive commodities shortages, they abolished their import tariffs. However, they had to face price deregulation, which was significantly harder. Inflation averaged over 1000% in the CIS, nearly 900% in the Baltics and 450% a year in CEE.¹⁰⁵ Due to unrestrained government expenses it was difficult to keep the currency peg to strong currencies. However, central banks adopted tight monetary policies, accepting IMF’s disciplined measures, which helped them control inflation.

¹⁰⁰ European Bank for Reconstruction and Development (EBRD), 1999. Transition Report. London: EBRD, 149.

¹⁰¹ Fischer, S., Sahay, R., 2000. The transition economies after ten years. Working Paper 7664. Cambridge: National Bureau of Economic Research, 7.

¹⁰² Edwards, S., 1996. Exchange-rate Anchors, Credibility and Inertia: A tale of two crises, Chile and Mexico. *The American Economic Review*, 86(2), 176.

¹⁰³ Kontis, A., Tsardanidis, C., 2000. International Political Economy: Theory, structure and challenges of the global economy. Athens: Institute of International Economic Relations, 431.

¹⁰⁴ Svejnar, J., 2002. Transition economies: Performance and challenges. *Journal of Economic Perspectives*, 16(1), 8.

¹⁰⁵ IMF, 2000. Transition economies: An IMF perspective on progress and prospects. Washington D.C: IMF.

Moreover, currencies depreciated considerably in the initial phase before the establishment of exchange currencies, which were necessary as units of exchange. Poland along with Estonia pegged their exchange rates, while many other countries adopted floating exchange rates.¹⁰⁶

Controlling inflation with a hard currency peg meant that the country's currency would be exchanged for a strong currency, namely a stable international currency. By the late 90s most transition economies, including the CIS, had fixed exchange rates or a mixed framework instead of free-floating system, since they were still reluctant to the open markets.¹⁰⁷ Eastern European countries were motivated by the idea of integrating in the EU in order to acquire a more fixed exchange rate and to maintain financial and monetary stability, inflation control and increase in their competitiveness.¹⁰⁸ Hard pegs were in some cases preferred in the form of currency boards both as a political and an economic rational choice such as in the examples of Bosnia and Herzegovina and Bulgaria. After Yugoslavia's break up and the difficulty to allocate a central bank credit system, a currency board was decided as the best option that would meet the process of post-war economic reconstruction in a transparent way. As the Deutsche Mark was broadly trusted and used, a one-to-one link served the credibility of the arrangement keeping financial stability. By 1998, inflation decreased to single digits for CEE and the Baltics and around 30% for CIS.¹⁰⁹

Hence, functioning central bank independence was an immediate priority for transition economies and one of the most important achievements for their transition process. Hard exchange rate pegs or euro adoption required policy and institutional changes to support the state-building process. The main challenge of the central bank system was the separation of policy-based responsibility and commercial banks' business activities. Central bank autonomy would constrain inflation and that would presumably lead to GDP growth. Banks were until then under the communist monobanks command, which dealt with exchange management and commercial banking, providing financing for

¹⁰⁶ Von Hagen, J. and Zhou, J., 2005. The choice of exchange rate regime. An empirical analysis for transition economies. *Economics of Transition*, 13(4), 682.

¹⁰⁷ Ibid., 683

¹⁰⁸ Coricelli, F. and Jazbec, B., 2004. Real exchange rate dynamics in transition economies. *Structural Change and Economic Dynamics*, 15(1), 99. Elsevier.

¹⁰⁹ IMF, 2000. Transition economies: An IMF perspective on progress and prospects. Washington D.C.: IMF.

transactions arranged by agencies. The establishment of independent central banks with monetary base and fixed exchange rates was essential for economic stability and liberalization.

Bilateral trade agreements and investments with the EU accelerated the European integration of Central and Southeastern European countries. In contrast, the partnership agreements of CIS countries with the EU did not bring much progress in their trade liberalization progress. *“The experience of Russia, Eastern Europe and China revealed that marketization without privatization destabilized the economy, increased inflation and the likelihood of corruption and did not heighten efficiency.”*¹¹⁰, notes a researcher. Small-scale privatizations were achieved in most cases through compensations for land and property via auctions at low prices and the transfer of ownership rather than revenue. The privatization of medium and large-scale enterprises was more challenging, particularly when these enterprises were associated with sensitive industries and government revenue. Management employee buyouts were a common way to dispose state assets in Albania, Croatia, Estonia, Poland, Slovenia, Ukraine and Belarus. Mass privatizations took place also in Bosnia and Herzegovina, the Czech Republic, Lithuania, Moldova and Russia through vouchers or certificates. The distributed vouchers were used mainly for the purchase of shares in order to generate the privatization process, which was initially considered an egalitarian method to distribute resources.

However, in some countries, vouchers could be traded in secondary markets, being sold to investment funds, a fact that led to an emergence of privatization by market insiders, especially in Russia and the Czech Republic. Developed financial markets in Russia and Central European countries attracted portfolio inflows as opposed to the CIS countries. Foreign direct investments and cross-border bank flows increased also as a result of the large-scale privatizations that took place. Western banks were the parent banks of these privatizations. Subsidiaries of the Western parent banks took over the role of lending and profit-making in the new markets especially in Central Europe.

¹¹⁰ Graham, C. Strategies for Addressing the Social Costs of Market Reforms: Lessons for Transition Economies in East Asia and Eastern Europe in W. T. Woo, S. Parker, and J. D. Sachs (eds.), 1997. *Economies in Transition: Comparing Asia and Europe*. Cambridge: MIT Press, 320.

Some authors found that state capacity was negatively affected by mass privatization programs along with negative economic growth and property rights protection.¹¹¹ Another author, suggests that all post-Soviet de facto states developed all signs of robust statehood over the last twenty years, lacking though the international recognition that they aspire.¹¹² Other authors understand the “*state as an independent variable influencing political and economic outcomes*”¹¹³. Mc Faul puts particular emphasis on property rights and comments that with regard to Russia, property rights have been allocated according to “*nonmarket norms and principles during the Soviet era*”.¹¹⁴ He explains that “*directors of state enterprises were the primary beneficiaries of this Soviet system of property rights.*”¹¹⁵ With the collapse of the Soviet Union, these directors managed to maintain their property rights.

2.5 Conclusions

This chapter provided an overview of transition theory capturing the theoretical framework of the thesis, that constitutes the main characteristics of political and socio-economic transitions - broadly described as political and market liberalization - since the end of the Cold war period. Introducing a broader overview of transition theories, global post-communist case-studies such as those of CEE and CIS countries, China, Cuba and Vietnam were presented. These examples present some common characteristics, but also major differences. Through our analysis, it was obvious that their economic systems adapted to the needs of the free-markets rather fast. Who could imagine back in the 70s that China would be world’s major economy in 2021 competing the US? China’s communist, authoritarian leadership has managed to increase its disposable income per capita, namely its Gross National Income (GNI) from \$940 to \$10,550 between 2000-20 with a 700% increase. Further, Vietnam’s socialist republic

¹¹¹ Hamm, P., P. King, L., Stuckler, D. 2012. Mass privatization, state capacity and economic growth in post-communist countries. *American Sociological Review*, 77(2), 295.

¹¹² Von Steinsdorff, S., 2012. Incomplete state-building – incomplete democracy? How to interpret internal political development in the post-Soviet de facto states. Conclusion. *Communist and Post-communist Studies*, 45(1/2), 205.

¹¹³ Mc Faul, M., 1995. State power, institutional change and the politics of privatization in Russia. *World Politics*, 47(2), 218.

¹¹⁴ Ibid., 219

¹¹⁵ Ibid.

of one-party system managed to increase its GNI per capita from \$130 in 1992 to \$2,660 in 2020.

Table 2.2 Transition theory

TRANSITION THEORY					
POLITICAL SYSTEMS Political transition: communism to liberal democracy			ECONOMIC SYSTEMS Economic transition: central planning to market economy		
Autocratic	Hybrid	Democratic	Centrally-planned	Mixed	Liberal
Flawed/non regular elections, limited human/civil rights	Relative regular elections, but flawed, limited human/civil rights (at times)	Regular, transparent elections, human/civil rights	The central governance controls the means of production	The state intervenes partly in free markets	The state allows free markets (intervenes at times)
Developmental state (state-led growth)			Developmental state (state-led growth)		
Structural conditions			Structural conditions		
External: Political conditionalities (development aid, democratic reforms, state-building, peacekeeping) Internal: Leadership (privileged/elite groups)			External: Economic liberalization (crises, technological advancement, privatizations, foreign direct investments) Internal: Macroeconomic adjustment (inflation, unemployment, currency pegs)		

Source: Author's findings

Remarkably though, despite their rapid economic transitions, China and Vietnam, do not seem to experience a political transition compared to their economic transition. China's gradual transition allowed political space to implement governmental policies in top-down level, which have created a bottom-up socio-economic impact. China had minimal conditionalities imposed by international financial institutions and at the same time its centrally planned government managed to transform its economy by sharing the economic benefits relatively well among its population. Remarkably, China's domestic economy was depicted in the increase of the middle-class along with the expansion of the consumer market through state-led development. At the same time, the enlargement of domestic manufacturing and export-led policies gained significant advantage in international markets. China's policy enabled employment growth both for the poor agricultural population and for the middle-class. However, the East Asia transition, including China and Vietnam, was based on policies implemented by command developmental states, which undermine democratic standards, human rights and civil liberties. Thus, while economic transition is in progress, political transition is stagnated. Obviously, transition to liberal democracy and democratic consolidation is quite far from realization.

Other transition examples such as Cuba or Laos remain clearly agricultural. Some CIS countries are capital-intensive with their authoritarian states leaving few options for the increase of the living standards of their population. Their strong command states allow limited margins for transition. Private entrepreneurial activity is limited, job opportunities for the young population are scarce and freedom of travel in the rest of the world is hardly possible. Further, democratic values such as elections, freedom of expression, respect to human rights and criticism towards the government are banished.

The situation is different for CEE and Baltic countries, whose geographic proximity to Western European countries influenced them evidently to a great extent towards liberal democracy. CEE and Baltic countries have successfully undergone transition from authoritarian to democratic political systems including multipartyism, institutional implementation, rule of law, regular free and fair elections, civil liberties, freedom of speech and free expression of the media. The diverse and unique examples of each country confirm that there is no single and coherent definition of transition theory. On the contrary, transition theory is composed of a set of ideas with a country focus.

Our analysis has shown that transition took place either radically or gradually. While some governments undertook the gradual approach, the radical “shock therapy” reformers had to abruptly implement IMF’s structural adjustment programs. The former took place more smoothly, giving the appropriate time and circumstances to the society, the political and the economic system to adjust. The latter concerned a more absolute treatment causing more harsh results in a shorter period of time. In the second case, the political and social costs were heavier, meaning disappointment, frustration and anger by the society towards the government. The high unemployment and the loss of income by many parts of the society, the insecurity and the declining standards of living were several signs for the gradual reformers to postpone their reforms. Although the growth output initially declined due to the radical reforms, these countries experienced an increased economic growth after some years. Some analysts suggest, that “*the early introduction of democracy was in fact harmful for economic growth*”.¹¹⁶ However, evidence has demonstrated, that rapid reformers achieved better results than gradual reformers.¹¹⁷

For instance, Poland and Czechoslovakia, which favored radical reforms, emphasized that transition from communism to liberalization included a short period during which the population and the political elite would come to a consensus due to the good momentum. Hence, rapid action and results were needed in order to enter dynamically into the liberalization process. Hungary, which favored a gradual reform process suggested that the political cost would be heavier in case of radical reforms. Other scholars note, that “*post-communist states are taking decades, to create the legal order; the centralized and impartial bureaucracy; and the networks of security, redistribution and market regulation that characterize the modern state. These processes are still unfolding and have not reached a stable end point*”.¹¹⁸

Have democracies guaranteed development and prosperity? Is economic transition a precondition for political transition or vice versa? According to the World Bank, the

¹¹⁶ Fidrmuc, J., 2003. Economic reform, democracy and growth during post-communist transition. *European Journal of Political Economy*, 19(3), 583.

¹¹⁷ Havrylyshyn, O., 2007. Fifteen years of transformation in the post-communist world. Rapid reformers outperformed gradualists. Center for Global Liberty and Prosperity, 4. Washington D.C.: Cato Institute, 1.

¹¹⁸ Grzymala-Busse, A., Luong, P., J., 2002, *op. cit.*, 530

dilemma between a ‘laissez-faire’ market and a regulatory state tended to favor a ‘market-friendly’ consensus towards the path to development.¹¹⁹ In the same report, the World Bank noted, that “*the challenge of development in the broadest sense is to improve the quality of life*”. Poverty reduction, access to food, quality of nutrition, equality of opportunities, freedom of expression and speech, political and civic liberties, cultural richness, clean environment, trust towards the institutions and the state apparatus all constitute significant parameters to measure development and prosperity. Linz and Stepan highlight the importance of democratic institutions such as central banks, courts, police, the military, public institutions and their contribution to public life. The authors stress though that “*the quality of democracy can contribute positively or negatively to the quality of society, but that the two should not be confused*”¹²⁰.

Various studies have shown that the shift to democratic and liberal political and economic systems requires the promotion of democratic reforms. Waisman, for instance, argued that a strong market economy is necessary for democracy and “*private ownership of the means of production*”.¹²¹ However, after investigating capitalist societies especially in Latin America, Waisman, concluded that the ownership of the means of production is not enough to foster democracy. Presumably, he associated at that time, the limits of the market to the authoritarianism of Latin American states, claiming that free market needs democracy and vice versa. Other authors found that state capacity was negatively affected by mass privatization programs along with negative economic growth and property rights protection.¹²²

Evidently, economic competition is dependent upon political competitiveness meaning democratic elections, civil society participation to politics, human rights and freedom of speech. Undoubtedly, democratic transition and transparent state-building has constituted institution-building with accountability. This particular point has a significant impact towards the population and the state’s responsibility for proper

¹¹⁹ World Bank, 1991. World Development Report. Washington D.C: World Bank, 5.

¹²⁰ Linz, J., Stepan, A., 1996. Toward consolidated democracies. *Journal of Democracy*, 7(2), 30.

¹²¹ Waisman, C. 1992. Capitalism, the Market and Economy. *American Behavioral Scientist*, 35(4-5), 501.

¹²² Hamm, P., P. King, L., Stuckler, D. 2012. Mass privatization, state capacity and economic growth in post-communist countries. *American Sociological Review*, 77(2), 295.

allocation of public benefits and resources. The transition, though, of command systems towards that direction requires a long and complex process. Political systems with lack of transparency, accountability and democratic standards tend to favor business and political elites, who take advantage of the economic benefits of the state against the population. In today's Russia, for instance, oligarchs rule the country leaving to the opposition minimal options - the Navalny case is among the most recent examples against democratic and civil rights. The rule of law in the state-building process demands respect to equality and freedom. Western governments have managed to incorporate these two basic principles in politics, economics and the society. Moreover, they have managed to maintain global political and economic stability. How countries in ongoing transition will handle their political, economic and social balance remains to be seen.

CHAPTER 3 The Sub-Saharan African context

3.1 Introduction

This chapter investigates the main drivers which have transformed the Sub-Saharan African (SSA) region since the end of the Cold War. SSA, which will be referred for ease of reading as Africa, attracts increased academic interest in the last two decades. Being a representative example of the Third World¹²³ and the developing Global South along with Latin America and several Asian¹²⁴ countries, the SSA region presents quite interesting, diverse and contradictory developments, which play a crucial role for the continent's prospects. Moreover, its regional characteristics appear quite relevant for the international political economy, global geopolitics and development economics.

Some authors saw Africa's emergence into the global interest since 2001 due to oil-extractivism, the economic rise of China and the remaining emerging powers.¹²⁵ Remarkably, the largest embassy-building boom anywhere that ever took place, materialized in the African continent. More than 320 new foreign embassies opened by actors such as Turkey, Qatar and India in the period between 2010-16. The Economist dedicated its new cover title as '*The new scramble for Africa*' in 2019.¹²⁶ Apparently, Africa's resources, which were formerly attractive mostly for Europe and the US, recently turned important for new foreign actors. Especially China's upswing contributed to rising economic flows in investments, trade, aid and military support to the African continent. Obviously, China's economic growth demanded the supply of

¹²³ The division of the globe in three different political and economic areas - the First, the Second and the Third World - separated the two hemispheres geographically, politically, economically and socially during the Cold War. The First World represented the industrialized states of the global North, mainly the US and its Western allies, G7, the Four Asian Tigers (Taiwan, Singapore, Hong Kong and South Korea), Japan, Israel, Australia and New Zealand. The Second World represented the communist USSR, China and Eastern Europe. Between the three Worlds, there were also countries, which were difficult to categorize due to their geopolitical location and their ambivalent political strategies towards the rest of the world. For instance, Cuba and Pakistan could not be grouped neither in the First nor in the Second World, because of their special relation to the global North.

¹²⁴ Some Asian countries such as the Four Asian Tigers (Taiwan, Singapore, Hong Kong and South Korea) were part of the Northern hemisphere and the First World apparently due to their unique transition of rapid development and industrialization after the World War II.

¹²⁵ Huliaras, A., Petropoulos, S., 2016, *op. cit.*, 223

¹²⁶ The Economist, 7/3/2019. The New Scramble for Africa. London: The Economist.

its economy with Africa's natural resources. But also, at the political level, China chose Africa as an ally in order to back its global choices in the United Nations assemblies. Furthermore, China plays a key role in the post-conflict reconstruction of Africa, especially in infrastructure-and construction-financing in exchange for its oil and minerals.

Interestingly, several African countries belong among the fastest growing economies in the world during the last two decades. Moreover, projections show, that “*the African continent is expected to enjoy the fastest urbanization of any region in the world*¹²⁷ and *the infrastructure investment needs will grow significantly*”.¹²⁸ The World Bank indicated, that investment needs for infrastructure in Africa in 2010 accounted to \$93 bil. per year, while only \$45 bil. was eventually spent. In 2018, the African Development Bank estimated Africa's infrastructure finance needs between \$130-170 bil. annually. Thus, the African continent will need to spend an estimated \$6 tril. over the next 20 years to build, upgrade and maintain its infrastructure and achieve its development goals.¹²⁹

This data appears very appealing for the international business community, which views Africa as a promising, profit-making and unsaturated market. Particularly, the African region plays quite an important role for the green and digital technological developments. During the last few years, the world has started to eye eagerly the sustainable use of resources and to seek alternative energy sources. Africa is home to world's several natural resources, commodities and metals. Moreover, Africa's population is expanding rapidly perhaps more than any other region in the world. Indicatively, Africa's population in 2017 was 1,2 bil., up from 477 million in 1980, and forecasts show a rise of up to 2,5 bil. by 2050¹³⁰, meaning that one out of three people in the world will be of African origin in 2100.¹³¹ The above developments justify our scientific interest for the SSA region.

¹²⁷ McKinsey, 2017, *op. cit.*, 11

¹²⁸ Global Infrastructure Outlook, 2017. Infrastructure investment needs, 50 countries, 7 sectors to 2040, Sydney: Global Infrastructure Hub, Oxford Economics, 55.

¹²⁹ Global Infrastructure Outlook, 2017, *op. cit.*, 56

¹³⁰ UNCTAD, 2018. Economic development in Africa, Migration for Structural Transformation. Geneva: UN, 17.

¹³¹ Currently one out of six people on earth live in Africa

The division of this chapter between the political, economic, structural and contingent drivers facilitates the structure of the region's major transformations since the end of the Cold War. Political drivers include the analysis of SSA's process towards its political liberalization. This part refers to the trajectories of SSA states since the region's independence along with its different forms of one-party authoritarian state, hybrid regimes and multipartyism. In turn, economic drivers outline SSA countries' transition towards their economic liberalization. This part distinguishes two categories, the North-South and the South-South cooperation. In the first approach, Africa's relations with its Western developed partners such as the European Union and the US are addressed. The second approach captures Africa's relations with its southern developing partners such as the Africa-China, Africa-India and Africa-Russia relations. Structural drivers are divided between external and internal. Structural external drivers concern debt, structural adjustment programs, political conditionalities and development aid, while structural internal drivers refer to leadership, resource dependency and food security. At last, contingent drivers cover themes such as proxy wars, currency dependency, migration and terrorism.

We considered this division with particular attention, having taken into consideration that in several cases, specific themes may be associated with themes from other sub-categorizations. During our investigation we were confronted with the fact that some political and economic drivers were also structural drivers. We needed thus to assess their complexity. Due to their persistent and repetitive pattern as well as their tendency not to change, even in longer periods, they were categorized as structural. For instance, we categorized debt and structural adjustment programs under structural external drivers, although they may be considered also economic drivers. The same approach applied to the issue of leadership, which we categorized under the structural internal drivers instead of the political drivers.

In a nutshell, the Sub-Saharan African context will be examined from diverse interdisciplinary perspectives in order to shed light on the circumstances, which have transformed the region to its current exciting developments. Most importantly, this analysis will clarify whether transition theory of the post-communist period may apply to the SSA context in order to explain its transformations.

3.2 Historic developments

The slave trade until the beginning of the 19th century, colonialism, independence and the Cold War were some major developments, which have formed the current developments of the SSA region. Africa's international relations with the global North were most of the times based in a "de facto" rather than a "de jure" state. After the division of almost the entire African continent, apart from Liberia and Ethiopia, by the European colonial powers at the Berlin Conference in 1884, the majority of African states kept the borderlines that were arbitrary decided intact - at least in the beginning. Since that division and until its independence, Africa experienced a colonial period, which defines the continent's international relations until now. During their colonial period, African states were mostly formed by international action. Their territorial boundaries, governmental structure, even often their country names and identities were shaped by international interaction. For this reason, the study of African politics and African political economy presents a particular interest within the discipline of international relations and international economic development.

During the Cold War, US foreign policy main concern was the containment and limitation of the communist expansion in the Third World coming from the Second World.¹³² Schraeder notes, that the US considered the containment of the communist expansion also as a European responsibility.¹³³ In some cases, the US would even cooperate with the Soviet Union in order to achieve stability and distribute or stop regional conflicts. These areas developed then into regional arenas for global competition. Kpundeh reports, that the relationship between the African states and the superpowers was generally characterized as client-dependent between the 70s and 80s.¹³⁴ When the conventions of territoriality did not apply, ethnic rivalries turned into domestic or national conflicts resulting in several cases in civil wars.

African leaders received financial inflows in form of aid, trade facilitations or military

¹³² Huliaras, A., Petropoulos, S., 2016. *Africa and the others. Africa's relations with Europe and the world*. Athens: Kallipos, 98.

¹³³ Schraeder, P. J. African International Relations in April A. Gordon and Donald L. Gordon (eds.), 1996. *Understanding Contemporary Africa*, Boulder, Colorado: Lynne Rienner, 147.

¹³⁴ Kpundeh, S.J., 1992. *Democratization in Africa, African views, African voices*. Washington D.C.: National Research Council, The National Academies Press, 30.

support in order to maintain their power against their adversaries. Characteristically, Taylor and Williams describe in their book how the US, France, Britain and Soviet Union adjusted their distribution of financial and military aid to Africa according to their needs and policies.¹³⁵ According to Hentz, “*the value of individual states was firmly embedded in the importance of the US strategic game with the Soviet Union*”.¹³⁶ Clearly, US military assistance to developing countries of the global South functioned as a barrier against Soviet Union’s military presence and communism’s expansion to the rest of the world during the Cold War.

Despite their strong dependency from the global North, several African countries have managed after their independence to exhibit rapid growth. However, they were caught into a debt trap, partly due to the external conditions caused by the 70s global oil crisis and partly due to internal circumstances of conflict and violence. Africa’s high borrowing by its foreign lenders was almost entirely directed to finance its governmental trade and budget deficits. In turn, African states were left domestically almost incapable of managing their sovereignty in trade and finance. Many SSA states needed ‘recovery shocks’ from their economic downfall during the 70s and 80s. Being vulnerable to global commodity fluctuations and the Washington Consensus policies, which caused in many cases the opposite results as anticipated by IMF, several African states were on the verge of collapse. Africa is documented to have received \$580 bil. in aid since 1960¹³⁷ and there are currently states in Africa, which are undoubtedly highly dependent on foreign aid. Liberia, Uganda, Somalia and Rwanda are some of these examples. Has the collapse of African economies forced the support of structural adjustment programs and foreign aid or has the Washington consensus been a chance for transition in Sub-Saharan Africa?

Clearly, the needs and priorities of each state differed. Thus, an a-la-carte inclusive growth policy hardly existed and important decisions were taken either through bilateral agreements or negotiations in multilateral level. In most cases, international

¹³⁵ Taylor, I., Williams P., 2004. *Africa in international politics. External involvement on the continent*. New York: Routledge, 76.

¹³⁶ Hentz, J. J. The contending currents in the United States involvement in Sub-Saharan Africa, 28 in Taylor, I. and Williams P., 2004. *Africa in international politics. External involvement on the continent*. New York: Routledge.

¹³⁷ United Nations Conference on Trade and Development (UNCTAD), 2006. *Economic Development in Africa. Doubling Aid: Making the “big push” work*. Geneva: UNCTAD, 14.

financial institutions and Western governments pressured for conditionalities causing a severe political impact for governments. This affected the timing of financial inflows and the policy conditionality management by bilateral donors and international organizations. External actors that tried to impose conditionalities on governments could not complete their missions in some cases. The pressures were too high for the implementation of economic reforms and the political and social impact was immense.

In fact, most African countries started implementing the Washington consensus policies before the CEE and CIS countries. However, the combination of abundant natural resources in the SSA region along with authoritarian and corrupt governance resulted in negative economic growth. Moreover, the entire African continent was lagging in infrastructure and capabilities to integrate into the global financial and trade system. As a result, by the early 1980s, state led industrialization reached its limits in most countries and Africa entered its first period of industrial decline.¹³⁸ Stone reports, that Africa is one of the wealthiest continents in the planet.¹³⁹ The Africa Private Equity Confidence Survey of Deloitte noted, that around 83% of African sovereign wealth funds' assets are from oil revenues and 17% from mineral and other commodity sources.¹⁴⁰ With the continent's abundance in natural resources, African economies should have been presumably prosperous. Why did SSA countries miss their opportunity to take advantage of their resources for economic growth, good governance and equal distribution of their wealth?

Africa's industrial growth lags behind compared to the majority of Latin American and Asian economies, which have managed to reform their economies in their transition to the free market. Moreover, Africa's negotiation capacity is relatively weak in order to demand better terms of trade. Rodrik notes, that "*trade barriers in SSA have been comparable in magnitude to those prevailing in Latin America and a little bit higher than in East Asia*".¹⁴¹ But, Morris and Fessehaie find, that export concentration was

¹³⁸ Ansu, Y., McMillan, M., Page, J. and Velde, D.W., 2016. Promoting manufacturing in Africa. London and Accra: SET and ACET, 2.

¹³⁹ Stone, W.R., 2004. The political economy of IMF lending in Africa. *American Political Science Review*, 98(4), 590.

¹⁴⁰ Africa Private Equity Confidence Survey, 2017. Translating potential into investment growth. Johannesburg: Deloitte, 4.

¹⁴¹ Rodrik, D., 1998. Trade policy and economic performance in Sub-Saharan Africa, Working Paper 6562, Cambridge: National Bureau of Economic Research, 4.

higher in Africa than Asia and Latin America and it has been improving since 1995.¹⁴² However, the authors stressed that poverty levels have not been reduced proportionately to the high GDP growth rates. As a result, SSA entered the transition period after 1991 with sharp reductions in total output, exports and investments. The African Economic Outlook Report notes, that “*compared to other economic sectors, manufacturing creates jobs, productivity, capital accumulation, technological change and advancement and its positive spillovers and linkages to the economy are stronger*”.¹⁴³ Indeed, African economies’ dependency on raw material export rather than manufactured goods, delayed the facilitation of an export-led strategy, which could have improved Africa’s poor economic circumstances. Moreover, “*since the end of the Second World War, there has been a significant downward trend in the prices of primary commodities in relation to those of manufactured goods*”.¹⁴⁴ Another point is that the imports of capital equipment in the African continent and many intermediaries are primarily destined for commodity extraction.¹⁴⁵ Manufacturing remained thus underrepresented in the continent compared to the successful examples of East Asia, China, Japan and South Korea, which managed to transform from agricultural to industrialized economies.

By the end of the Cold War, Sub-Saharan Africa withdrew from global attention and remained a marginalized continent for the international arena. Although economic transactions between states, elite governments, multinational corporations, donors and non-governmental organizations increased, Africa’s geopolitical importance declined heavily. The afropessimism during the 80s and 90s was present both in media and the academia. Professor Huliaras reports, “*about a significant number of influential American scholars arguing that US academics rarely mentioned Africa in their analysis during that time*”.¹⁴⁶ US policy towards Africa was characterized as passive and distant and US foreign aid to developing countries, including Africa, was being consistently

¹⁴² Morris, M., Fessehaie, J., 2014. The industrialization challenge for Africa: Towards a commodities-based industrialization path. *Journal of African Trade*, 1(1), 26.

¹⁴³ African Development Bank, 2018. African Economic Outlook 2018. Abidjan: African Development Bank, 87.

¹⁴⁴ Maizels, A., 1987. Commodities in crisis: An overview of the main issues. *World Development*, 15(5), 543.

¹⁴⁵ Morris, M., Fessehaie, J., 2014. The industrialization challenge for Africa: Towards a commodities-based industrialization path. *Journal of African Trade*, 1(1), 26.

¹⁴⁶ Huliaras, A., 1996. Sub-Saharan Africa in US foreign policy: from marginalization to domestication? *South African Journal of International Affairs*, 4(1), 72.

reduced. After 1992, nine out of twenty-one US overseas missions in Africa closed.¹⁴⁷ Moreover, “*the State Department Bureau of African Affairs along with the US Agency for International Development (USAID) restructured and reduced their capacities and budget to Africa by 90%.*”¹⁴⁸ The fall of the former Soviet Union resulted also in the withdrawal of Russian intervention in the SSA region. Thus, global interest for African affairs was lost and Africa’s status decreased, playing no major role neither for the US and Russia nor for the EU – apart from certain bilateral relations of Western African countries with France. Nevertheless, economic transition in SSA followed other interesting examples such as China’s economic liberalization in 1978, Vietnam’s in 1986 and India’s in 1991. In a nutshell, globalization, liberal democratic practices and economic liberalization started taking place in the SSA region after the 90s, which is also the starting point of our investigation. Inevitably, major political and economic developments of significant importance prior to that period shall be taken into consideration in order to understand the circumstances that led to Africa’s current context.

3.3 Political drivers

Post-independence

For almost two decades after the decolonization of the 60s, the political and military scene of Sub-Saharan Africa was characterized by violence and conflict. Further, political transitions that took place after Africa’s independence were in most cases non-peaceful. Violent conflicts escalated in several cases to civil wars until the mid 90s¹⁴⁹. Coup d’états have been taking place so often that it is almost difficult to distinguish African countries, which have not experienced any military intervention. In reality, military coups were so frequent during the 70s and 80s that they were considered a normal form of political governance. Goldsmith reports that, “*at least ninety-two successful or unsuccessful military takeovers were recorded, affecting twenty-nine African countries with seven African heads of state losing their lives, while in office in*

¹⁴⁷ Kraxberger M. B., 2005. The United States and Africa: Shifting geopolitics in an “Age of Terror”. *Africa Today*, 52(1), 57.

¹⁴⁸ Huliaras, A., 1996, *op. cit.*, 73

¹⁴⁹ Liberia (1999-2003), Sierra Leone (1991-2002), Angola (1975-2002), the Great African War of the Democratic Republic of Congo (1998-2003), Burundi (1993-2005) and Rwanda (1990-94).

the 80s, and sixteen jailed in 90s".¹⁵⁰ Some conflicts lasting up to twenty years, have resulted by 1998 in four million deaths and three million refugees.

The severity of these harsh circumstances during the early years of independence hardly allowed any democratic standards, human rights, freedom of expression and formation of civil associations. Furthermore, several SSA countries barely possessed any civil rights with the civil society being completely underrepresented, if not absent.¹⁵¹ Despite the introduction of multi-party elections, no transfer of power has been recorded in several African countries. Other countries had no multiparty elections at all and multi-party democracies, which experienced transfer of power via elections were really limited. With the exception of Botswana, Mauritius and the Gambia few countries retained multi-party systems by the early 70s.¹⁵²

The socialist, revolutionary regimes that emerged in Mali, Guinea-Bissau, Angola, Mozambique, Somalia, Ethiopia, Benin, Congo and Madagascar were most of the times followed by a coup. As a consequence of the frequent episodes of violence, the conflicts and the civil wars between the years 1981-96, several states were characterized by the international community as 'failed' and 'weak'. Failed states had to rebuild in the first place their state institutions and to re-establish their rule of law, not to mention their democratic standards and freedom of expression, which hardly existed. These circumstances remain for some African countries until now almost intact. According to the Failed States Index 2019¹⁵³, Sudan, South Sudan, Chad, Central African Republic, DRC and Somalia received the lowest ranking.

A corollary was the interference of the international community at diverse levels. This intervention was addressed by the global North in the form of peacekeeping operations, foreign aid or sanctions. In addition, several UN missions took place in conflict-driven SSA countries such as in the DRC¹⁵⁴, Mozambique, Angola, Somalia, Rwanda and

¹⁵⁰ Goldsmith, A. A., 2001. Foreign aid and statehood in Africa, *International Organization*, 55(1), 128.

¹⁵¹ Lewis P., 1992. Political transition and the dilemma of civil society in Africa. *Journal of International Affairs*, 46(1), 32.

¹⁵² Tordoff, W., 2002. *Government and politics in Africa*. New York: Palgrave Macmillan, 7.

¹⁵³ Fund for Peace, 2019. *Fragile States Index Annual Report 2019*. Washington D.C.: Fund for Peace.

¹⁵⁴ In the 1960s and 1999

Sierra Leone between 1960 and 2000.¹⁵⁵ The international community's interference involved huge amounts of financial flows, which were managed either through foreign or local NGOs or directly by national governments, who received foreign aid in order to combat food insecurity and poverty. Many studies have proven that the achievement of peacebuilding in post-conflict countries as a means of state reconstruction by the international community may be diminished due to the emergence of a parallel bureaucracy.¹⁵⁶ Nevertheless, although peacebuilding operations may be perceived as necessary means of action, in reality, they allowed foreign intervention in fragile states during periods of domestic conflicts. This foreign intervention often pursued its own foreign policy goals, which may have distorted the recipient state's reconstruction process. Call and Wyeth note that state-building presented meritocratic principles, which may conflict with the confidence-building goals of peacebuilding.¹⁵⁷ Other authors view the process of state-building according to the western standards with regard to liberal markets and a respective market-oriented governance.¹⁵⁸

In Burundi, Côte d'Ivoire, the DRC, Kenya, Liberia, Sudan and Zimbabwe, the negotiation of settlements, the end of conflicts and the establishment of peace has been achieved through power-sharing agreements. However, power-sharing resulted in some cases in the rewarding of violence. Power distribution did not take place through the inclusion of the community, but rather through the division of powers encouraging neo-patrimonialism and crony-capitalism instead of successful state-building. The result was further fragmentation of the state. As Mehler observes, conflicts over the past three decades in Africa have resulted in power-sharing pacts between contending parties, nevertheless, without being positive linked to democratization.¹⁵⁹ The author points out some crucial problems, which characterize power-sharing agreements such as elite-centrism, the sidelining of political parties, the absence of democratic procedures with

¹⁵⁵ Adebajo A., Landsberg C., 2007. Back to the future: UN Peacekeeping in Africa. *Journal of International Peacekeeping*, 7(4), 181.

¹⁵⁶ Ghani, A. and Lockhart, C., 2008. *Fixing Failed States: A Framework for Rebuilding a Fractured World*. New York: Oxford University Press, 55.

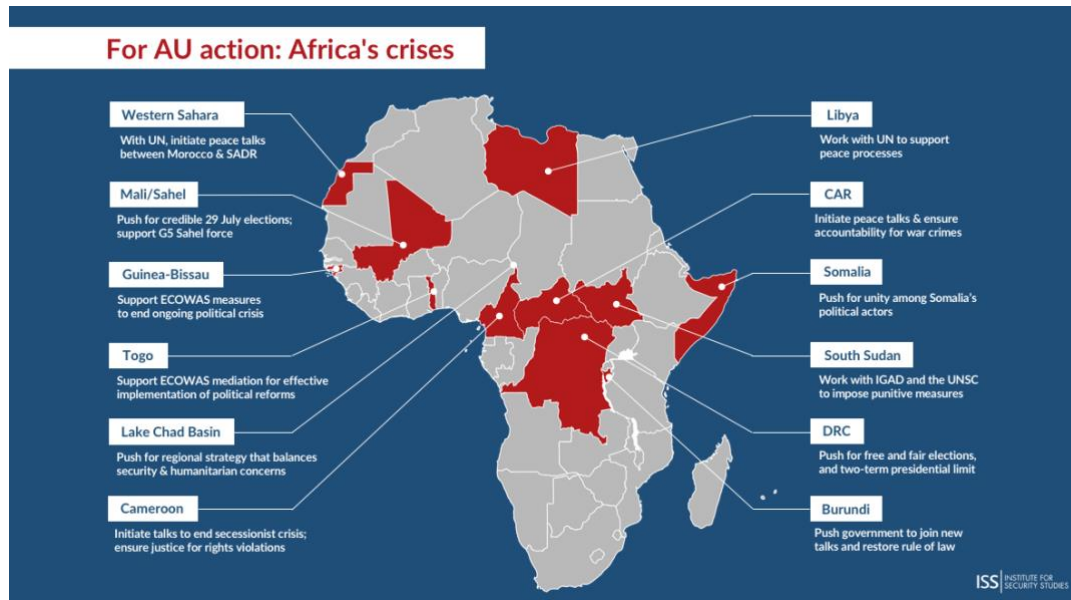
¹⁵⁷ Call, Charles, T., 2008. Building States to Build Peace? A critical analysis. *Journal of peacebuilding and development*, 4(2), 65.

¹⁵⁸ Bendana, A., 2005. From peacebuilding to state building: one step forward and two steps back? *Development*, 48(3), 9.

¹⁵⁹ Mehler, A, 2020. Post conflict democratization and power-sharing in Lynch, G. and VonDoepp, P., 2020. *Routledge Handbook of Democratization in Africa*. Abingdon, Oxon: Routledge, 52.

the political parties and the creation of perverse incentives to engage violently in politics.¹⁶⁰

Figure 3.1 Africa's crises for AU action



Source: Institute for Security Studies, 2017¹⁶¹

Noticeably, instability, violence and insecurity are major issues for the SSA state. Even in recent years, coup d'états have taken place in Central African Republic in 2013, in Niger in 2010, in Mali in 2012, 2020 and 2021, in Zimbabwe in 2017, in Sudan in 2019 and several attempts in Guinea-Bissau, Madagascar, DRC, Gabon, Equatorial Guinea, Sudan, Ethiopia, Burkina Faso, Burundi, Mauritania, Burundi, Chad, Benin, Eritrea, Ivory Coast, Malawi, Guinea-Bissau, Gambia and Niger. Out of the fourteen UN peacekeeping operations half of which were in Africa in 2020. Why are then coups and violence so popular in African politics? Is it because of the disappointment of the population or the lack of accountability in governance and corruption? Undoubtedly, violence such as electoral violence or coup d'états indicate the regression of democratic standards, which may reflect a neglected civil society. This may be also manifested by the fact that the vast majority of the population is left on the political and economic margin with few chances for social advancement, access to proper education, health

¹⁶⁰ Ibid, 58

¹⁶¹ Institute for Security Studies, 2017. AU role in tackling Africa's crises. Pretoria: Institute for Security Studies.

and promising work opportunities. Alternatively, it may reflect the fact that governing actors tend towards political patronage, crony capitalism, kleptocracy, neopatrimonialism and rent-seeking.

It is crucial, however, to stress that Sub-Saharan Africa's diverse political systems cannot be examined as a unified example, but as a puzzle of separate entities under the same region. Several SSA states such as Kenya, Uganda, Tanzania, Rwanda, Angola, Botswana, Cameroon, Ghana, Senegal and Nigeria have not experienced any military coup during the last thirty years. These countries differ widely from one another presenting more differences than similarities. Markakis well-notes, that "*the problem of managing and distributing equitably social and economic resources*"¹⁶², is a pattern common to Africa. "*Resource management is the function of the state and the pattern of distribution among regions, ethnic groups and social classes is basically determined by their access to the state*".¹⁶³ Whether centrally planned or free market orientated, the evidence shows that the state in Africa broadly lacks the capacity to redistribute its resources to the society. Particularly African one-party state approaches have confronted constraints, which are related to the transparency of resource allocation.

Inevitably, the state's deficit to intervene in the structure of its social market economy, led, on the one hand, to high poverty and inequality, and on the other hand, to the strong international community's presence in the region. Interestingly, Sigman and Lindberg, emphasize that, although "*state and politics in Africa are commonly described as neopatrimonial..., they are not considerably more neopatrimonial than those of other regions of the developing world.*"¹⁶⁴ By providing a theoretical association of neopatrimonialism to democratic instability, the authors try to understand, the external and internal circumstances, that allow the development of democratic institutions, even during neopatrimonial rule.¹⁶⁵ This view receives particular attention, especially for the study of SSA states. Respectively, another author demonstrates, the "*small positive effect of foreign aid on democracy*" in SSA countries between 1975-1997.¹⁶⁶

¹⁶² Markakis, J., 1989. Nationalities and the state in Ethiopia. *Third World Quarterly*, 11(4), 129.

¹⁶³ Ibid.

¹⁶⁴ Sigman, R. and Lindberg, I., S., 2020 in Lynch, G. and VonDoepp, P., 2020. *Routledge Handbook of Democratization in Africa*. Abingdon, Oxon: Routledge, 18.

¹⁶⁵ Ibid., 20

¹⁶⁶ Dunning, T., 2004. Conditioning the effects of aid: Cold War politics, donor credibility and democracy in Africa. *International Organization*, 58(2), 416.

Another important dimension, which is of particular importance for the African state-formation is the role of war in the state building process. According to Herbst, the vast majority of states in Africa did not have to worry about a security threat without resorting to combat since their independence.¹⁶⁷ Herbst argues that African states seldom fought interstate wars compared to European states. This is particularly important, taking into consideration that ethnic politics in Africa are quite sensitive and complex.¹⁶⁸ African states inherited the colonial boundaries after the Berlin Conference in 1884 widely known as the Scramble for Africa. In turn, African leaders strengthened the norm that borders should not be changed with the aim of deterring any interstate conquering within the Organization of African Unity (AOU). Indeed, all independent African states agreed to belong to the organization of the African Union (AU), despite their differences, under the precondition of the principle of juridical sovereignty, uniquely characterized by its Charter.¹⁶⁹

African judicial sovereignty would come above the intentions of any supranational continental union and national sovereignty would be protected by any external or internal threat. For instance, the invasion of Tanzania into Uganda in 1979 did not have the goal of conquering Uganda, but simply to overthrow Idi Amin. Further, South Africa's internal conflicts did not aim to threaten the borders of Lesotho and Swaziland, which wouldn't have existed most probably until today without AU's border principle. Rather, South Africa's conflicts were rooted mostly in discrimination policies of the apartheid regime. Somalia's invasion in Ethiopia in the 70s and Libya's war against Chad in the 80s were two exceptional cases, which threatened their neighbouring states, however, without success in the end. The failures of Katanga's secession from DR Congo in 1960-1963 and Biafra's secession from Nigeria in 1967-1970 are some examples indicating the principle of the continent's inviolable borders.¹⁷⁰

¹⁶⁷ Herbst, J. 1990. War and the State in Africa. *International Security*, 14(4), 117.

¹⁶⁸ Koter, D., 2020 in Lynch, G. and VonDoepp, P., 2020, *op. cit.*, 317

¹⁶⁹ The continent's independence resulted to the founding of African Union after being split between two main contradictory blocs. The Monrovia group consisted of francophone Cameroon, Senegal and Nigeria, which shared a vision of pan Africanism with mostly nationalist values. The Casablanca group involved radical left-wing leaders from North Africa such as Algeria, Egypt, Libya and Morocco, but also from West Africa such as Ghana, Guinea and Mali with more supranational ideas.

¹⁷⁰ Huliaras, A., Petropoulos, S., 2016, *op. cit.*, 61

Border inheritance of SSA states is an indication of the strong influence of colonial powers in the state formation of SSA states. SSA's strong political and economic dependence on its European metropolises, initiated several other developments for African states and African society during the continent's independence. In the Democratization Handbook, Haynes notes characteristically, that "*when most Africans achieved independence after less than a century of colonial rule, they inherited the extractive, repressive, divisive state apparatus that had been developed as the antithesis of the democratic state by the colonial powers.*"¹⁷¹ African political institutions have copied in several cases, during the continent's colonial rule, their metropole's institutions "*such as the bureaucracy, the police and the courts*".¹⁷² This imitation has created particular circumstances for Africa's democratic developments, which have been developing gradually, but in different terms compared to Europe and the US. It is thus crucial to take into consideration that African democratic standards have been influenced to quite a certain extent by Western powers, however, they differ widely from them due to their diverse geographic, cultural and social characteristics.

Political liberalization

Liberal democracies across the world, including those in the region of Sub-Saharan Africa, have significantly increased the last thirty years since the fall of communism in 1989. The end of Cold War has found nearly the entire SSA region marginalized, since the US and former Soviet Union have almost entirely withdrawn from the continent. Nevertheless, SSA's domestic developments presented a sincere progress leaving civil wars behind and introducing gradually democratic reforms. A representative indication of this political transition concerned the increase of democratic elections. Characteristically, only 36 elections have taken place in the whole continent during the 80s, while the number increased to 65 in the 90s.¹⁷³ "*Moreover, the reduction of civil wars by 50% decreased inevitably also the deaths of millions of Africans*".¹⁷⁴ It can thus be undoubtedly claimed that Sub-Saharan Africa's political transition started taking

¹⁷¹ Haynes, J., 2012. *Routledge Handbook of Democratization*. Abingdon, Oxon: Routledge, 65.

¹⁷² Young, C. 1988. The African colonial state and its political legacy. In Rothchild, D. & N. Chazan (eds.), *The Precarious Balance: State and Society in Africa*. Boulder, Colorado: Westview, 30.

¹⁷³ Huliaras, A., Petropoulos, S., 2016, *op. cit.*, 212

¹⁷⁴ Huliaras, A., 2009. EU-Africa relations: Dealing with the challenges of the future. Brussels: Center for European Studies, 10.

place by the end of the Cold War. In a nutshell, the 90s may be broadly understood as the democratization era for SSA.¹⁷⁵ In the literature, this democratization increase has formed Africa's third wave of democratization. Thus, a "third wave" of democratization took place in the continent, however, its establishment takes longer to establish and undergoes many fluctuations.

Evidently, SSA's third wave of democratization has involved several transitions from one-party authoritarian state, to hybrid regimes and multipartyism, but the trade-offs still remain challenging. Relative frequent electoral violence across the African continent justifies the fact that political accountability and political freedom are a work in progress. One crucial observation is the fact that democratization and political liberalization are not synonymous. While democratization depicts the change of a political system from authoritarianism to multipartyism, political liberalization concerns the level of civil liberties. The difference between these two processes is proved by the fact, that authoritarian political systems, which tend to democratize through multipartyism, may organize regular elections. In several cases though, the quality and transparency of elections are questioned. Despite their significant increase in absolute numbers, flawed elections prove the lack of participation by the civil society. Indeed, elections in SSA are in several cases still flawed, manipulated and non-transparent. As Cheeseman well notes, "*democratization-by-elections has and has not occurred in Africa*".¹⁷⁶ Evidently, demands for political participation shall be taken seriously into consideration by the ruling authorities for the avoidance of social escalations. Moreover, freedom of political and civil rights may emancipate bottom-up political and social movements.

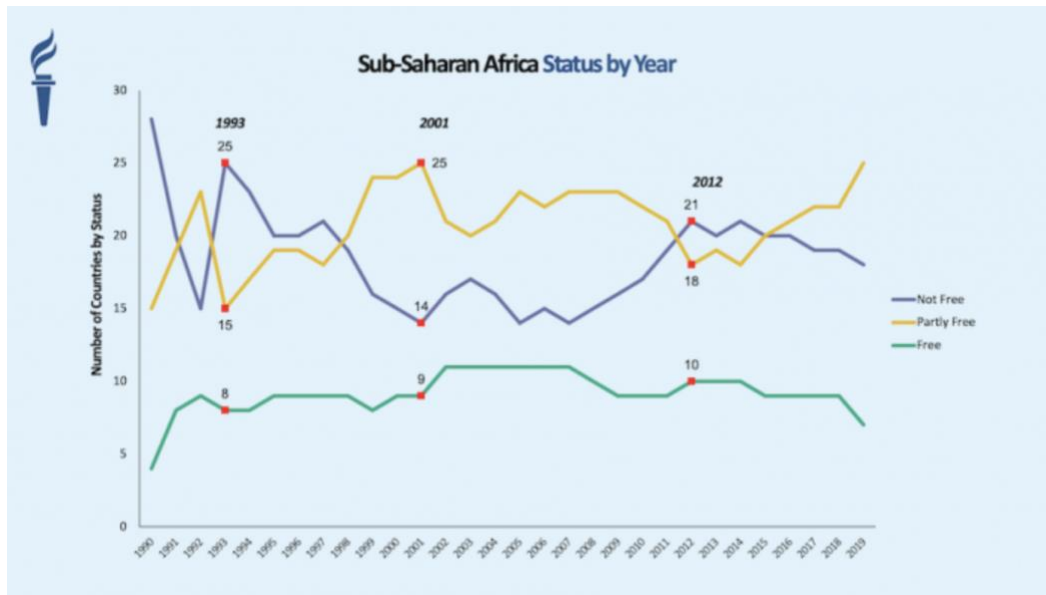
The proof of the above argumentation is that hybrid and authoritarian regimes still constitute the majority in the SSA region. According to the Democracy Index of the Economist's Intelligence Unit, which scores countries' democratic progress¹⁷⁷ measuring different parameters such as the electoral process and pluralism, the functioning of government, political participation, political culture and civil liberties,

¹⁷⁵ Kpundeh, S. J., 1992, *op. cit.*, 17

¹⁷⁶ Cheeseman, N., 2018, *op. cit.*, 333

¹⁷⁷ Full democracy: 10-9,58, Flawed democracy: 8-6,02, Hybrid regime: 5,97-4,01, Authoritarian regime: 3,93-1,08.

Figure 3.3 Sub-Saharan Africa's freedom status, 1990-2019



Source: Freedom House, 2020. Democratic Trends in Africa. Washington D.C: Freedom House

One-party states

Have multiparty democracies achieved qualitative better and faster political transition towards democratic consolidation, liberal democracy and civil liberties? If the African politics researcher tries to answer this question according to the Western perspective, then the answer is perhaps obvious. Evidently, state institutions in Africa can reflect the mechanism of Western institutions only in certain circumstances. For instance, one-party state, according to Western standards, is associated with authoritarian leadership and autocracy. But how feasible is it to investigate SSA's democratic characteristics, based on the Western perspective? For instance, the multiparty democratic systems that appeared in parts of Sub-Saharan Africa such as in Ghana¹⁷⁹, Kenya, Senegal, Zambia and Tanzania differed widely from the Western democratic developments. These examples presented stable civilian one-party states. They also developed rural democratic peasant initiatives, which prove the existence of strong self-directed democratic African societies.¹⁸⁰ Botswana, Burkina Faso, Cameroon, Gabon, Lesotho,

¹⁷⁹ Gyimah-Boadi, E., 1998. The rebirth of African liberalism. *Journal of Democracy*, 9(2), 19.

¹⁸⁰ Hyden, G., 1980. *Beyond Ujamaa in Tanzania: Underdevelopment and an Uncaptured Peasantry*. Berkeley: University of California Press, 18.

Mauritania, Namibia and Zimbabwe are ruled by a single-party, but they are considered relatively stable, democratic states.¹⁸¹ Nevertheless, countries, which have introduced multiparty democratic systems have provided a certain framework creating the circumstances for liberal democratic standards and civil liberties. Are these countries more democratic than the others? If in certain Sub-Saharan African countries, one-party governance has succeeded in creating and maintaining a democratic and stable state, why have other parts of the continent delayed in their democratic implementation? Which other reasons have contributed to the delay of democratic consolidation?

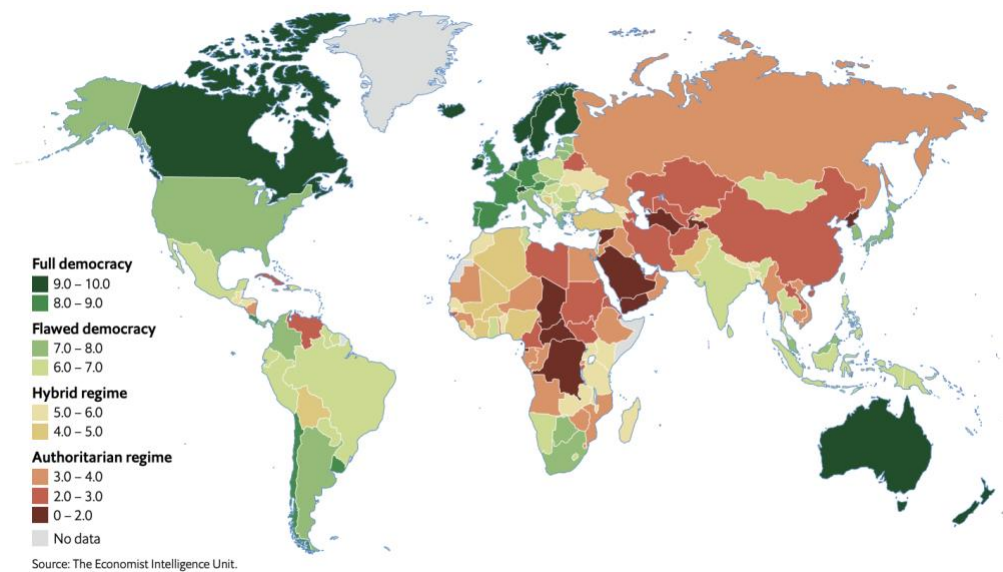
Hybrid regimes, military interventions, manipulation, limitless presidentialism, violence, insecurity, fragility, corruption and in several cases flawed ethnic voting are some major indicators of Africa's slow progress towards liberal democracy. These phenomena occur both in multiparty systems and in one-party state systems. Some authors, note that, "*the third wave of democratization resulted in the proliferation of regimes neither as fully democratic nor classic authoritarian*", providing the characterizations such as '*defective democracy*' and '*electoral authoritarianism*'.¹⁸² Mazrui, a Kenyan-born American professor notes that the continent's political development is divided firstly, in the continuing tension of political organization between single party and multi-party solutions and secondly, between strong ethnic ties and weak class gaps and elitism. In other words, while Africans are responsive to democratic rhetoric, ethnicity and weak class structure have militated against a democratic consolidation - or a '*genuine socialism*'¹⁸³ for socialist states - through the establishment of efficient democratic institutions. Hence, authoritarianism, hybrid regimes of semi-authoritarian governance and informal political practices, such as interest groups and political networks have managed to prevail over the formal institutions in many parts of SSA.

¹⁸¹ Cheeseman, N., 2018. *Institutions and democracy in Africa. How the rules of the game shape political developments*. Cambridge: Cambridge University Press, 298.

¹⁸² Bogaards, M., 2009. How to classify hybrid regimes? Defective democracy and electoral authoritarianism. *Democratization*, 16(2), 399-423.

¹⁸³ Mazrui, A., A., 1983. Political engineering in Africa. *International Social Science Journal*, 35(2), 279.

Figure 3.4 Democracy Index 2019 by regime type



Source: The Economist Intelligence Unit, 2019¹⁸⁴

Another crucial factor for the democratic consolidation delay in SSA is class structure and particularly the working-class. Contrary to the Western perspective, which approached democratic socialism on the working-class movement, based on social and working-class rights, Africa’s democratization delay may also reflect on its failure to emancipate the working-class movement. Professor Mengisteab of the Pennsylvania State University notes that “*workers participation in the workplace management has been minimal*” in socialist systems and most socialist regimes used their power as a monopoly.¹⁸⁵ While both Asia and Africa seem to have received the socialist idea from Europe, ‘African socialism’ seems to be perceived by some African scholars as “*those codes of conduct in the African societies, which have over the ages conferred dignity on the African people and afforded them security regardless of their station in life*”.¹⁸⁶ This perception differentiates inevitably from the Western ideological one. Other

¹⁸⁴ The Economist Intelligence Unit, 2019. Democracy Index 2019. A year of democratic setbacks and popular protest. London: The Economist Intelligence Unit, 5.

¹⁸⁵ Mengisteab, K., 1992. Responses of Afro-Marxist states to the crisis of socialism: A preliminary assessment. *Third World Quarterly* (13)1, Rethinking Socialism, 78.

¹⁸⁶ Mboya, T., 1963. African socialism. *Transition*, 8. Hutchins Center for African and African American research at Harvard University, 17.

African scholars perceive socialism in Africa as the idea of communal philosophy based on Africa's traditions and tribalism.¹⁸⁷

Contrary to orthodox Marxism principles, communist regimes in SSA established a ruling elite of one-party state, which in most cases used authoritarian means to achieve their political and economic goals. But also, non-communist, authoritarian regimes developed one-party states in SSA. This, of course, had a serious impact on their state-building process, the state formation and their democratic consolidation. Evidently, the SSA state has a historic pattern of certain political authority.¹⁸⁸ Some regimes proceeded towards a revolutionary social change and the introduction of liberal democratic standards. However, they missed the opportunity for inclusive political participation. Other political systems remained closed and authoritarian despite the seemingly political liberalization of the electoral processes, which proved several times flawed or manipulated. In turn, command authoritarian political systems tended in several cases towards civil war and internal catastrophe. Professor Mengisteab reports that *"by the absence of developed political and economic structures, socialism in Africa has been undermined more than in other developing regions"*.¹⁸⁹

Afro-Marxist regimes¹⁹⁰, which experienced African socialism or Afro communism¹⁹¹ developed diverse approaches according to each country's characteristics and their leader's vision. In the 70s, they were particularly present in Lusophone Africa¹⁹² such as in Angola, Mozambique and Guinea Bissau. Other regions such as Madagascar, Benin, Ghana, Guinea, Congo-Brazzaville and Zimbabwe developed a Marxist

¹⁸⁷ Osolo, A., Osolo-Nasubo, N., 1971. Democratic African socialism: An account of African communal philosophy. *African Studies Review*, 14(2), 265.

¹⁸⁸ Curtis, D. 2013, *op. cit.*, 83

¹⁸⁹ *Ibid.*, 80

¹⁹⁰ The broader term of 'African socialism' or 'Afro-Marxism', which has prevailed during the period of the Cold War, may be understood as a broader idea with mixed Western and African views. The emergence of about 35 communist or socialist African states in the continent's postcolonial independence reveals the tendency towards so-called Afro communism. Following the Russian Revolution of 1917, Marxism in Africa launched economic and political revolutions, which were incorporated into Afro-Marxist ideas of the African liberation movements against European colonialism. The transfer of the trade unions and the socialist traditions of the workers during the First World War resulted, on the one hand, in stronger industrial development in countries such as Egypt, Sudan, but also Algeria and South Africa. On the other hand, the communist presence in these countries, compared to the rest African continent, was more intense. Remarkably, only six African communist parties existed in Algeria, Morocco, South Africa, Sudan, Tunisia and Reunion until 1961 with only the last two being legal.

¹⁹¹ Ottaway, D. and Ottaway M., 1981. *Afrocommunism*. New York and London: Africana.

¹⁹² Portuguese-speaking African countries: Angola, Cape Verde, Guinea-Bissau, Mozambique, Sao-Tome and Principe and Equatorial Guinea.

approach without a fixed ideological orientation. For some countries such as Zambia, Tanzania, Mozambique and Zimbabwe socialism developed as an internal domestic ideology by its leaders followed by a close partnership to former Soviet Union opposing the US. This context becomes quite clear in Ethiopia and Angola, where multiparty democracies have been institutionally established, but remain under the political control of the centrally planned governance. Further, ethnic division has resulted in brutal competition for power including military means, economic monopolies and political manipulation of the state's role against ethnic diversity. Evidently, the dominance of political elites over the economic benefits of their countries' resources has certainly spread more tension. Another interesting example, Tanzania, experiences a more liberal post-communist political transition compared to Ethiopia's and Angola's closed command systems, which, despite their relative political progress present yet limited civil liberties and political freedom.

Multipartyism

Electoral violence across the continent proves that democratic consolidation in SSA is still at crossroads despite the efforts for multipartyism. For instance, the incidents in Côte d'Ivoire in 2010, in Kenya in 2007, 2013, 2017, Malawi in 2014, Zimbabwe in 2018, Nigeria in 2011 and 2019, Mozambique in 2019, but also in Cameroon, the Democratic Republic of Congo, Liberia, Equatorial Guinea, the Gambia, Guinea, Madagascar, Sierra Leone, Senegal and Uganda prove the existence of violence during election periods. At the same time, there is still a significant number of non-transparent elections taking place in the continent. African leaders have shaped the types of political and party systems in Africa's new democracies¹⁹³ illustrated as 'typical' African polity¹⁹⁴ of single-party dominance being characterized by low levels of electoral competition and electoral volatility. For instance, during the 2005 elections in Ethiopia there was a government ban on protests throughout the whole election period. On another occasion, the 2014 elections in Mozambique were characterized as partly free. Uganda's hybrid regime, under President Museveni rule since 1986, leaves restricted

¹⁹³ Riedl, R., B., 2014. *Authoritarian origins of democratic party systems in Africa*. Cambridge: Cambridge University Press.

¹⁹⁴ Shaheen, M. and Scarritt, J. R., 2005. The puzzle of African party systems. *Party Politics*, 11(4), 400.

opportunities for opposition political parties despite its democratic parliamentary system.

Also, the frequency of elections does not necessarily prove the absence of electoral violence. While Nigeria holds the second position¹⁹⁵ after Kenya with regard to the quantity of the conducted elections, there were claims of fraud by the opposition after the 2019 Nigerian elections. Kenya may be widely considered to be a democratic state in SSA, however its electoral violence in 2007 troubled the international community. Once more, civil conflict and military power were the results of political instability and social unrest during the period that followed Kenya's 2017 elections. Political, economic and humanitarian crisis erupted after the opposition candidate alleged electoral manipulation. On the contrary, African states with low electoral frequency may be associated with authoritarian governance such as Angola, which counts only four elections between 1992-2017, being among the most authoritarian states in SSA. Eritrea holds the last position with only two elections having taken place in the country from 1997-2003.

Can elections enhance the establishment of civil liberties, political rights and presidential term limits? There are some authors who have tried to answer this crucial question.¹⁹⁶ Although many liberation struggles in SSA aimed towards political and democratic liberalization, the evidence shows that democratic liberalization does not necessarily mean liberalization of civil liberties. Also, the transparency of the electoral process appears as quite an important issue, which indicates a state's democratic consolidation. The SSA region differs widely from country to country and the above examples prove that the frequency and quality of elections vary widely. Although elections are strong indicators of a country's path towards democratic standards, the African experience is diverse and presents several paradoxes.

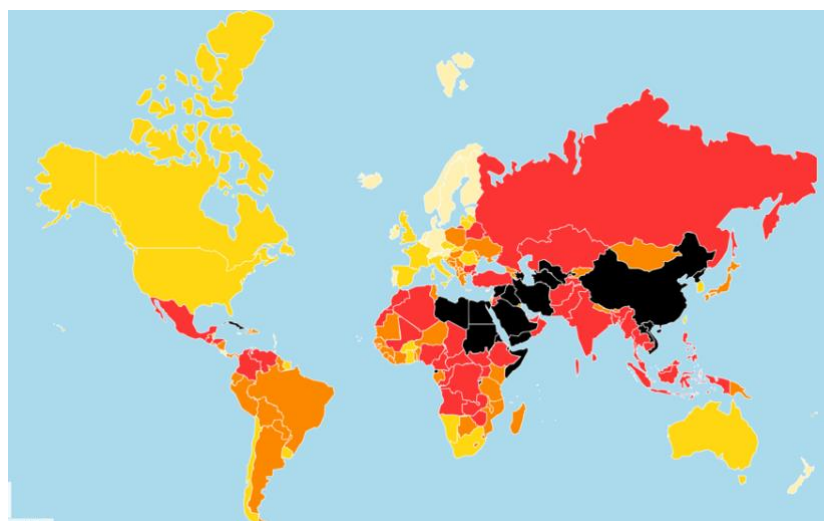
Another important point is the fact that frequent elections neither guarantee the existence of civil liberties nor that elections are fair and free. For instance, Cape Verde and South Africa display high levels of civil liberties despite the fact that few elections

¹⁹⁵ Sixteen elections have taken place between 1999-2019

¹⁹⁶ Lindberg, S., I. 2006. *Democracy and elections in Africa*. Baltimore, MA: Johns Hopkins University Press.

are recorded.¹⁹⁷ Cheeseman’s investigation on ‘*democratization by election*’ identifies the strong effect of the quality of elections on democratization. The study of Cheeseman has concluded that the democratizing power of elections is enhanced both by higher quality elections - the de facto, informal institution - and by repeating elections - the de jure, formal institution.¹⁹⁸ One more significant finding of the study on SSA elections is that elections are correlated with democracy and civil liberties. However, while only the first five elections since their initiation have democratizing effects, the impact of holding additional elections on civil liberties levels off after about the fifth election.¹⁹⁹ The Gambia or Zimbabwe, which have held quite a substantial number of elections record low levels of civil liberties. Kenya, Nigeria and Ghana – despite the latter’s previous Marxist orientation – seemed to have introduced sooner liberal policies and multiparty democracies. However, their civil liberties are often questioned. Another representative example is Botswana, which is considered one of the most stable democracies in SSA. However, its dominant party remains uncontested since the country’s independence in 1966. Another crucial, but different, example is South Africa. South Africa’s political transition was marked by the end of apartheid and the country’s first democratic elections in 1994 with the participation of citizens of all races. Nevertheless, South Africa presents one of the largest inequality rates in the world²⁰⁰, while its white economic rule remains in place.

Figure 3.5 World Press Freedom Index 2018



Source: Reporters without Borders

¹⁹⁷ Cheeseman, N., 2018, *op. cit.*, 339

¹⁹⁸ *Ibid.*, 348

¹⁹⁹ *Ibid.*, 346

²⁰⁰ See Gini index

Undoubtedly, democratic consolidation can be assessed in the effectiveness of a country's institution building, that is, legislatures and judiciaries, which are responsible for the monitoring and the implementation of the rule of law, as well as the quality and quantity of elections. Legislatures and judiciaries provide to states and their citizens the benefit of exercising their control over the authority of their political leaders. Further, the state's capacity to correspond to its citizen's demands reflects the trust of the citizens in the state's institutions. Within this framework, the judicial system and the rule of law reflect the state's accountability and transparency. Informal practices such as norms and customs can be accounted also as institutions when they are broadly understood as rules by the individuals²⁰¹. This argument is supported by authors²⁰² who understand formal rules such as constitutions and legal systems as weak in controlling the political leadership due to the social customs and traditional forms of political behavior.²⁰³ For instance, in many remote rural areas consensus over the disputes of residents is achieved only under the supervision of the council of elders and the village assembly. Guenzi and Lambright note that in Senegal, for instance, "*the members of entire villages are sometimes mobilized to vote in a particular way*".²⁰⁴ These electoral activities may be neither legally institutionalized nor recorded by any official state authority.

Nevertheless, the democratic sense of this participatory process cannot be underestimated. Adding the difficulties of the geographic distances, the hard accessibility and the inability of the state to intervene into the regional conflicts, many observers have characterized these societies as stateless. In turn, the effectiveness of SSA's institutional organizations is undermined, constituting the SSA state as weak and 'institutionless' and the society as strong.²⁰⁵ Typical examples of the insufficiency of formal institutions resulted in the Nigerian civil war between 1967-70 and the 'Congo-Crisis' after DRC's independence. Another example is Mugabe's land redistribution

²⁰¹ Gretchen, H., and Levitsky, S., 2006. *Informal institutions and democracy: Lessons from Latin America*. Baltimore, MD: John Hopkins University Press, 5-6.

²⁰² Chabal, P., and Daloz, J.-P., 1999. *Africa works: Disorder as political instrument*. The International African Institute. Oxford: James Currey; Bloomington: Indiana University Press, 49.

²⁰³ Cheeseman, N., 2018. *Institutions and democracy in Africa. How the rules of the game shape political developments*. Cambridge: Cambridge University Press, 22.

²⁰⁴ Kuenzi, M., Lambright, G. M. S., 2007. Voter turnout in Africa's multiparty regimes. *Comparative Political Studies*, 40(6), 668.

²⁰⁵ Migdal, J., S., 1988. *Strong societies and weak states: State-society relations and state capabilities in the Third World*. Princeton: Princeton University Press.

policy when the country's Supreme Court decided that occupied white-owned farmland was illegal. The result was a violent wave of pro-government 'war veterans' against the independent judges and their replacement by judges, who favored the government. Part of this result, among other serious developments, forced the former Chief Justice of the Supreme Court of Zimbabwe to early retirement.

3.4 Economic drivers

North – South cooperation

Two significant drivers are shaping North-South economic relations in the transition period of the 90s until now. First, subsidies such as governmental price-support and supply-control programs²⁰⁶ especially in agricultural products by the developed global North continue to outweigh the South's production despite their significant decreases. Secondly, trade negotiations shifted from multilateralism to regionalism or bilateralism, which appears to have benefitted the countries of the global South.

Increased support prices in the US and the EU along with the high inflation of the 80s resulted in large governmental food supplies, a strengthened dollar and world market prices below support prices. Developed countries from the North such as rice producers in Japan and the Republic of Korea and grain producers in the US and the EU were protected from international competition. The International Food Policy Research Institute notes, that agricultural subsidies of OECD countries exceeded “36% of the value of gross farm receipts with a number of countries such as Iceland, Japan, Norway and Switzerland providing support averaging 60% or higher”.²⁰⁷ With the high domestic prices and in order to regulate inflation, governments removed often surplus production from the market. This large buildup of public reserves had to be distributed again to the market. Therefore, “governments either sold surplus stocks in world markets at below-cost prices or attempted to manage supply by restricting planting or marketing of specific crops through mandatory supply-control programs”.²⁰⁸ In several cases, food surplus ended up in the world market in the form of food aid or as an export subsidy support.

²⁰⁶ International Food Policy Research Institute (IFPRI), 2018. Global Food Policy Report 2018. Washington: International Food Policy Research Institute, 56.

²⁰⁷ Ibid., 56

²⁰⁸ Ibid.

Overproduction and price depression resulted in a restart of governmental policies. The gradual introduction of reforms and legislative intervention reduced support prices for most commodities and delinked income support from production. Both the United States and the EU implemented reforms, which resulted in sharp reduction of governmental food stockpiles by the early 1990s. Japan, the Republic of Korea and Canada changed many of their price-supported programs during the 90s under a framework of direct payments. Australia and New Zealand diminished commodities support in the mid 80s and liberalized their agricultural trade in the late 90s, putting support levels 5% below the value of production.²⁰⁹ Further, EU's Common Agricultural Policy (CAP) of 1992 lowered support prices and forwarded direct income support.

After the liberalization of agricultural trade and the controversial discussions within the G33 coalition in the World Trade Organization (WTO) during the 2000s, developing countries of the South negotiated more reforms. Further, the Uruguay Round Agreement on Agriculture set limits on domestic support by reducing tariffs and support prices below world prices between 1986 and 2005. Moreover, "*the food sovereignty movement questioned the role of agricultural trade both within and between countries*".²¹⁰ Characteristically, the level of support of gross farm receipts in OECD countries declined from 33,4% in 1992 to 18,8% in 2016.

With the exception of dairy products and EU grain, which became competitive in world markets, the EU has gradually ended its export subsidies for most commodities. The decoupling of income payments and production further continued with the "*greening of the CAP and in 2013, quotas for dairy, sugar, and wine were further eliminated*".²¹¹ Overall, EU agricultural policies tended to reduce import needs and stimulate output. During the last decade, policy reforms have stagnated and policies moved from direct support to production to fewer distorting forms not tied to production.

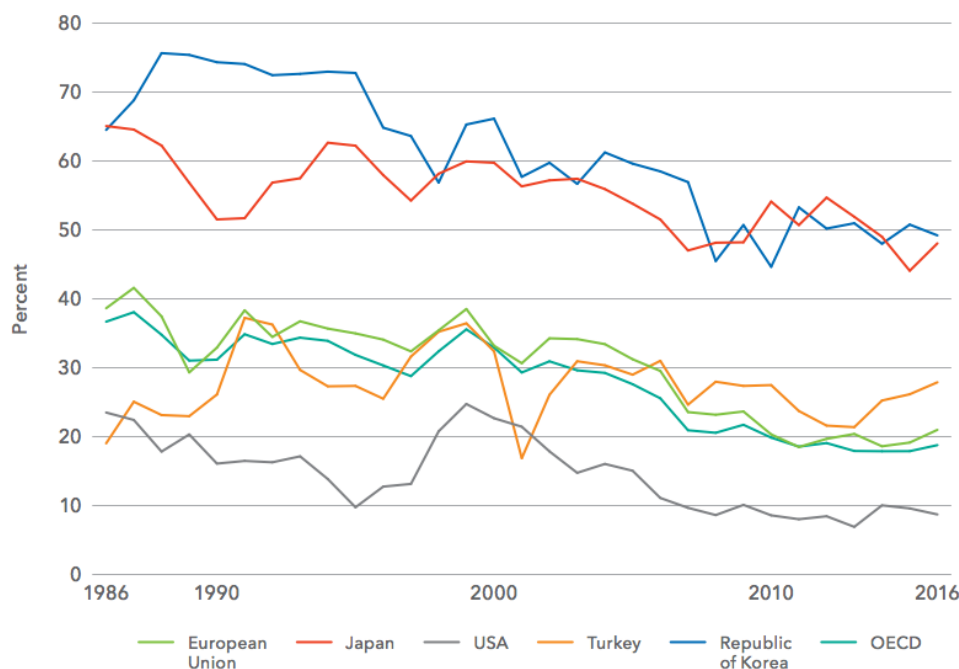
²⁰⁹ Ibid., 57

²¹⁰ Food and Agriculture Organization (FAO), 2018. Global report on food crises. Food Security Information Network. Rom: World Food Program, 23.

²¹¹ IFPRI, 2018, *op. cit.*, 56

Support levels remain, nevertheless, despite the progress towards reduction in farm support over the last 25 years, significantly high causing many inequalities and distortions in the global markets. Governments tend during recession to support their domestic economies. For example, during the commodity price fall of the 2009–2019-decade subsidy support has risen. US sugar support averaged between 2014–16 at 34,2%, while “support for beef producers reached over 20% of receipts in EU, Japan and the Republic of Korea. Dairy support was particularly high in Japan and Korea with over 50% and 25% in the EU of the total farm revenues”.²¹²

Figure 3.6 Producer support as a percentage of gross farm revenue



Source: OECD (Organisation for Economic Co-operation and Development), OECD Data, <https://data.oecd.org>, accessed December 2017.

Source: International Food Policy Research Institute, 2018²¹³

These high numbers indicate that a significant number of commodities remain far above the OECD subsidy average. The last Ministerial Conference in Buenos Aires in 2017 confirmed that the elimination of harmful subsidies can be hardly achieved soon. WTO members did not manage to reach an agreement for the reform of domestic agricultural support. The EU is spending around \$50 bil. on the CAP “with the primary goal to

²¹² Ibid., 59

²¹³ Ibid., 56

support farmers income and to improve the environmental impact of agricultural production”.²¹⁴ Of the OECD gross farm revenue, 90% total producers support levels account to EU, Japan, US, Turkey and the Republic of Korea.²¹⁵ OECD countries exceeded the amount of \$228 bil. in 2016 and “including support policies in major emerging markets such as China, Indonesia and Russia, support levels reached the astonishing amount of \$508 bil.”²¹⁶

The second driver characterizing the transition period of the 90s was the shift from multilateralism to regionalism. The long-delayed negotiations of multilateral WTO Rounds²¹⁷ have resulted in the post-Cold War period to regionalism²¹⁸ and bilateralism. GATT transformed to WTO in 1995 crossing already the 8th Round, known as the Uruguay Round, which lasted from 1986 until 1994. The negotiations at the 9th Round of Doha, which began in 2001 prove the evident situation that regional trade blocs seem to develop quicker and deeper in contrast to the slow pace of WTO Rounds. Regionalism was thus forwarded through regional agreements by the developing South. The Organization for African Unity (OAU) divided after the adopted Lagos Plan of Action in 1980s the African continent into Regional Economic Communities (RECs) that would constitute the African Economic Community. African Union’s member states had to consider their future of building sustainable regional economic trade blocs within Africa, but taking into consideration their colonial past, their ties with the Western world, their ethno-linguistic diversity as well as their high conflict zones.²¹⁹

²¹⁴ Rizov, M., Pokrivcak, J., Ciaian, P., 2013. CAP subsidies and productivity of the EU farms. *Journal of Agricultural Economics*, 64(3), 537.

²¹⁵ IFPRI, 2018, *op. cit.*, 57

²¹⁶ *Ibid.*, 55

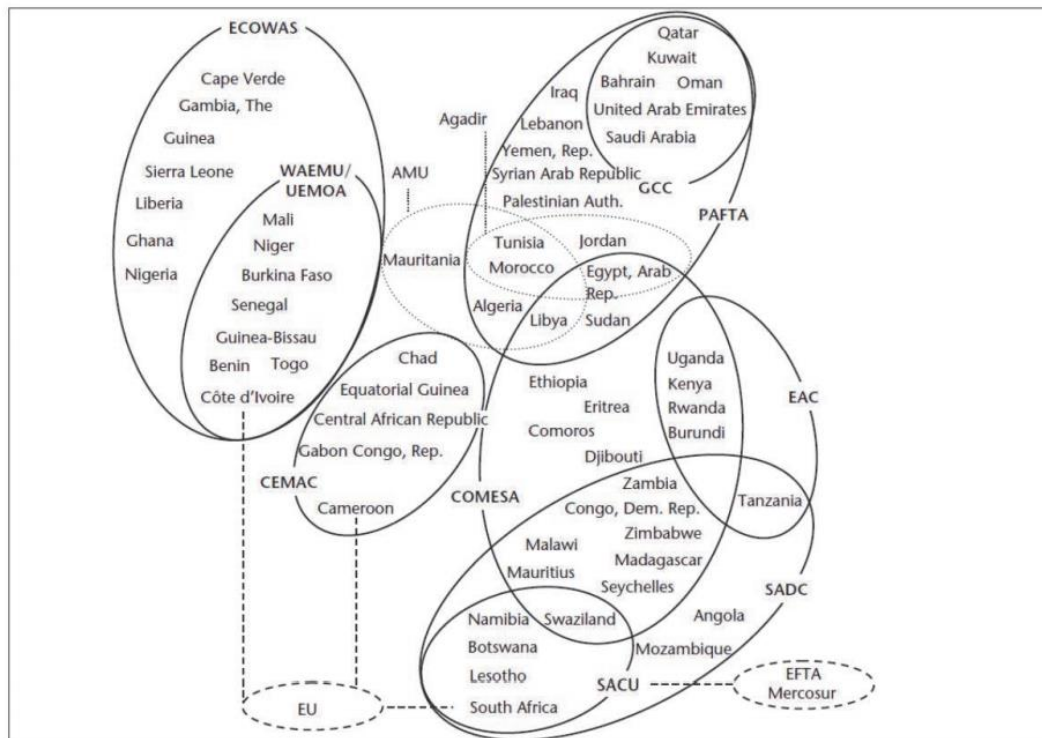
²¹⁷ Total WTO Rounds: 2nd Annecy Round Tariff Conference (1949), 3rd Round Torquay Conference (1950-51), 4th Geneva Round (1955-56), 5th Dillon Round (1960-61), 6th Kennedy Round (1963-67), 7th Tokyo Round (1973-79), 8th Uruguay Round (1986-94), 9th Doha Round (2001-now). The global legal agreement for an international trade regulating mechanism, which reduced barriers such as tariffs, quotas or preferences - as described in its preamble “on a reciprocal and mutually advantageous basis” was signed by 23 nations in Geneva in 1947. The International Trade Organization (ITO) - the analog mechanism of IMF for trade - got established with the signing of its creation known as the Havana Charter. The first multilateral trade negotiations were introduced in the Geneva Tariff Conference and the General Agreement on Tariffs and Trade (GATT). The world market pressure resulting in reforms of the Uruguay Round Negotiations in 1986 led finally to the creation of the World Trade Organization (WTO) in 1995. Thus, WTO, GATT’s successor, was signed by 123 nations in Marrakesh during the Uruguay Round Agreements.

²¹⁷ Article XXIV

²¹⁸ Alesina, A., Devleeschauwer, A., Easterly, W. Kurlat, S., Wacziarg, R. 2003. Fractionalization. *Journal of Economic Growth*, 8, (2), 182.

²¹⁹ Portugal-Perez, A. and Wilson, J., 2009. Why trade facilitation matters to Africa. *World Trade Review*, 8(3), 380.

Figure 3.7 African Regional Economic Communities



Source: De Melo, Tsikata, 2014²²⁰

The Economic Commission for Africa adopted three regional integration communities, the Economic Community of West African States (ECOWAS) in the west, the Common Market for Eastern and Southern Africa (COMESA) in the southeast, the Economic Community for Central African States (ECCAS) in the center and later, the Arab Maghreb Union (AMU) in the north. Another five RECs were later on added; the East African Community (EAC) and the Intergovernmental Authority on Development (IGAD) in the east, the South African Development Community (SADC)²²¹ in the south²²², which represented the reintegration²²² of South Africa into the post-apartheid regional economy and the community of Sahel-Saharan States (CENSAD) in the north. It is worth noting that within the regional trade blocks there is wide diversity; for instance, the East African Community (EAC) is a mixture of coastal (Kenya and Tanzania) and landlocked countries (Burundi, Uganda, Rwanda). Another strong

²²⁰ De Melo, J., Tsikata, Y. 2014. Regional integration in Africa: Challenges and prospects. WIDER Working paper, 37. Helsinki: UNU-Wider, 3.

²²¹ Hwang, K. 2007. The historical evolution of SADC and regionalism in Southern Africa, *International Area Studies Review*, 10(1), 55.

²²² Southern African Development Community (SADC) has 16 member states including Southern African Customs Union (SACU), the oldest customs union in the world, established in 1910.

example of diversity within regional economic communities is the Pan Arab Free Trade Area (PAFTA), which involves resource-weak countries such as Djibouti, Egypt, Morocco, Sudan and Tunisia and resource-rich countries such as Bahrain, Kuwait, Oman, Qatar, and United Arab Republic.

In the rest of the world, further political cooperation and continental integration agreements seemed challenging and demanding in the multilateral system. Argentina and Brazil promoted a unified trade policy within the Latin American countries.²²³ Following the steps of US and Europe towards full customs union and preferential trade agreements (PTAs), Latin America initiated its multilateral organization, Southern Common Market (MERCOSUR), which was launched among Argentina, Brazil, Paraguay and Uruguay. Asia too promoted regionalism through the Association of Southeast Asian Nations (ASEAN), which transformed in 2004 into the South Asian Free Trade Area (SAFTA) in order to foster cooperation and trade between its member states and to reduce political tensions between India and Pakistan.²²⁴ In 1989, the Asia Pacific Economic Cooperation (APEC) was initiated with the goal to “*pursue free and open trade and investment*” among its 12 founding members on a non-preferential basis.²²⁵ Australia and New Zealand followed with the Closer Economic Relations (CER) fostering free trade.

Africa – European Union

Africa’s biggest and closest partner is Europe. The two continents share a long-established partnership with historical ties and interests, which are commonly framed in their ongoing developments and challenges. Following the fall of the Berlin wall, the Africa-Europe relations remained in a stalemate. By the end of the Deutsche Demokratische Republik (DDR) in 1990 West Germany was not sure about the future structure of the German state under Chancellor Helmut Kohl’s Deutsche Einheit (German unity). Europe was thus occupied with reorienting its own political, ideological and economic direction. The Honorary Consul of Ethiopia to Greece

²²³ Mansfield, E. and Reinhardt, E. 2003. Multilateral determinants of regionalism: the effects of GATT/WTO on the formation of Preferential Trading Agreements. *International Organization*, 57(4), 858.

²²⁴ Tinu, J. 2014. Learning from SAFTA experience: a way forward for the future FTAS of India. *The Asian economic review*, 56(2), 133.

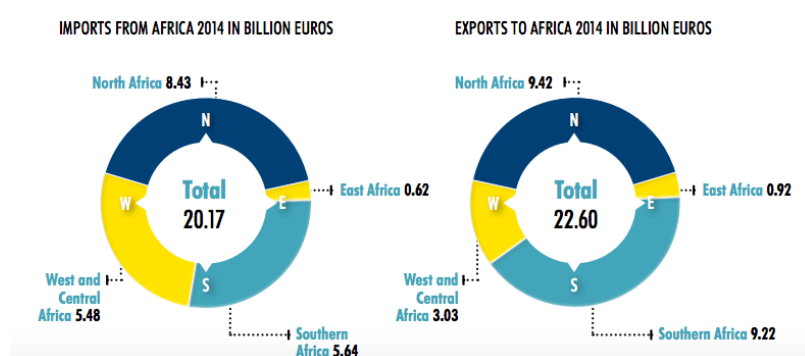
²²⁵ Pomfret, R. 2006. *The central Asian economies since independence*. Princeton University Press, 171.

noted²²⁶ to the author, that the EU has turned its focus to the Balkans rather to Africa after the fall of the communistic bloc. “On the one hand, post-socialist transformation of Eastern Europe was for Europe geographically closer than Africa. On the other hand, Europe’s economic transition in the Eastern territory seemed more important for the EU than the preservation of its former colonies”, reported Katerina-Kalogeropoulos Armenakis.

However, EU’s institutional cooperation with Africa was marked already with the foundation of the European Economic Community (EEC) in 1957. The Rome Treaty included provisions on EU’s overseas territories²²⁷ based on Europe’s colonial past. These provisions established the principle of reciprocity in Africa-EU cooperation in order to keep Europe’s close relations with its former colonies during Africa’s post-independence. The initiative of the European Community (EC) to build deeper links with its former African colonies came mostly from France. But other states from the EC such as Germany²²⁸ benefitted as well from the established trade and aid relations with their former colonies. These relations are maintained, in one way or another, until now. Germany’s imports from North Africa, for instance, amounted to 8,43% in 2014 from their total trade, while its exports concentrated mostly in North Africa (9,42%) and Southern Africa (9,22%) (graph below).

Figure 3.8 German-African trade relations

GERMAN-AFRICAN TRADE RELATIONS IN FIGURES



Source: Made in Germany, Bridging the Gap. The German-African Business Association as a Facilitator between two continents. Hamburg, Berlin: Afrika Verein der deutschen Wirtschaft.

²²⁶ Interview, 09/2018, Athens

²²⁷ Part IV, Articles 131-6

²²⁸ Germany follows France, the United States, and China in terms of its trade with Africa.

The pressure in Europe's borders by African migrants and refugees entering the Mediterranean since 2016, the economic partnership agreements, which are negotiated between the two continents since 2000, the prevention of criminal activity and terrorism, but also the investment in the future of the rapidly growing young African population are some of the main issues concerning African and European leaders. All of these themes are framed in partnership-frameworks, which are continuously negotiated either bilaterally between certain African and European states or multilaterally through their institutions such as the European Union (EU) and the African Union (AU).

EU-Africa conventions

Europe needed evidently to establish a partnership framework structure with its former colonies in order to keep its bilateral and multilateral relations in a "de jure" state. As a result, the transition period for African-European relations found the continuation of EC's partnership-framework under the Lomé Conventions. However, the first EU-Africa conventions were put in place already under the Yaoundé Conventions starting in 1963. The Yaoundé Conventions I (1963-69) and II (1970-75) further ensured trade, cooperation and financial flows between the two continents. Further, Africa's post-independence relation with the EU continued with the Lomé Convention I, which was signed in Togo in 1975 opening the way for enhanced regional, trade and aid cooperation. As Taylor and Williams describe, the Lomé Convention between the EEC and the 46 African, Caribbean and Pacific Group (ACP)²²⁹ enabled Paris to maintain France's "*part of Africa while sharing the cost with its European allies and rivals on the continent*".²³⁰ Sheth points out that it was a classic case of neo-colonial control through multilateral cooperation.²³¹ Another author reports in his study that Euro-African relations metamorphosed from colonialism to neo-imperial paternalism between 1957-71.²³²

²²⁹ A large cooperation scheme within the Georgetown Agreement, which developed in 1975 between the industrialized North and the developing South formed the ACP group including 79 countries - 48 countries from Sub-Saharan Africa, 16 from Caribbean and 15 from Pacific.

²³⁰ Taylor I., Williams, P., 2004, *op. cit.*, 72

²³¹ Sheth, V. S., 1999. French policy in Africa: An assessment, *Africa Quarterly*, 39(2), 82.

²³² Mailafia, O., 1997. *Europe and Economic reform in Africa: Structural adjustment and economic diplomacy*. London, New York: Routledge, 34.

The next Lomé Conventions (II, III, IV), which followed and lasted until 1999, allowed, on the one hand, accessibility of African states to Western Europe and on the other hand, they paved the way for EC member states to pursue their interests in Africa without displacing bilateral relationships. Especially after the accession of the UK and Spain to the EEC, preferential market access was negotiated in order to develop further cooperation between the ACP group and the EEC. Within this framework, ACP countries' duty-free access for most agricultural and mineral exports to the European market was secured along with EC aid and investments.

The last agreement, the Cotonou Partnership Agreement (CPA), which lasted from 2000 to 2020 involved cooperation at a political level, peace building, conflict prevention and resolution as well as investments and trade. The CPA linked migration and development through preferential trade agreements.²³³ Hence, under the two main pillars of Africa-EU relations, the Cotonou Agreement and the Joint Africa-EU Strategy (JAES), which was adopted in the Lisbon Summit in 2007, the wide areas of cooperation between the two continents, which span over trade, development, security²³⁴, migration and counter-terrorism were incorporated.

EU's regional strategies for Africa

The EU Council has adopted three regional strategies for the entire African continent by linking the geographic locations with the issues that needed attention. For instance, for the Horn of Africa, migration, radicalization and influence in the region are some major strategic points. For the Gulf of Guinea, criminal activity in terms of drugs, oil theft, piracy and illegal fishing are of importance to the EU Council. For the Sahel, good governance, prevention of radicalization, migration and fight of illicit trafficking are some of the main issues. Apart from these policy areas, formal dialogues take place regularly through the EU-Africa Summits in order to establish further cooperation. The first Africa-EU Summit took place in Cairo in 2000 and with the second Africa-EU Summit, the Joint Africa-EU Strategy was embraced under the agreement of the EU-

²³³ Orefice, G., 2015. International migration and trade agreements: The new role of PTAs. *Canadian Journal of Economics*, 48(1), 310.

²³⁴ EU security missions are part of the Common Security and Defense Policy (CSDP) currently deployed in the Central African Republic, Libya, Mali, Niger and Somalia.

Africa Roadmap 2014-17. At the 5th African Union-EU Summit, which took place in 2017 in Abidjan, Ivory Coast, key priority was the investment in the youth and the agri-food sector promoting Africa’s agricultural production. After the Summit, EU President Jean Claude Juncker characteristically proposed a new “Africa-Europa Alliance for Sustainable Investment and Jobs” planning significant financial sums for Africa. Characteristically, between 2014-17, the EU leveraged approximately €35 bil. for Africa.

Table 3.1 EU-Africa cooperation schemes

2020-40	Post-Cotonou Agreement
2018	begin of negotiations
Lisbon Summit 2007	Joint Africa-EU Strategy (JAES)
2017	EU-Africa Abidjan Summit
2000-20	Cotonou Agreement
1990-99, 1986-90, 1981-85, 1976-80	Lomé Conventions (I, II, III, IV)
1975	ACP establishment
1970-75, 1963-69	Yaoundé Conventions (I and II)

Source: Author’s research

Table 3.2 EU funds to Africa

EU Budgetary period 2021-27	proposes €40 bil. plus other funds (Africa-Europe Alliance)
EU Budgetary period 2014-20	€32,5 bil. plus other funds amounting to a total of €42 bil.
European Development Fund 2014-20	€30,5 bil.
Pan-African program 2014-20	part of the Joint Africa-EU Strategy (JAES) funded by EU’s Development Cooperation Instrument amounting to €845 mil.

Source: Author’s research

The European Development Fund (EDF), which was established during the Yaoundé Convention, is currently EU’s main financial instrument towards the entire ACP group. Remarkably, EDF is increasing its budget for each consecutive period spectacularly. The 9th EDF (2000–07) amounted to €13,8 bil., the 10th EDF (2008–13) to €22,682

bil.²³⁵ and the 11th EDF reached €30,5 bil. (2014-2020). Regardless of the discourse on whether the EDF should join the EU budget²³⁶, the EU Budgetary period 2021-27 proposed €40 bil. plus other funds for Africa.²³⁷

Other Africa-EU partnership support measures include EU's Annual Action for the Pan-African Programme 2018 funded by its general budget, which spans over eight actions with a total sum amounting to €155,7 mil.²³⁸ The EU pledges another €4 mil. for the African Union Trade Observatory towards the African Continental Free Trade Area (ACFTA). Further, the EU pledged €5 mil. to support customs and trade facilitation for African countries in order to reduce customs costs and international trade facilitation. The project will be implemented by the World Customs Organization and is intended to support the African Regional Communities.

Other priority areas for EU-Africa cooperation, according to EU's Research and Innovation Directorate, concern infectious and parasitic diseases, food and nutrition security, sustainable agriculture and energy, climate change, marine strategy, transport, chronic diseases, violent extremism, forced displacement and astronomy. The EU aims to finance projects in the future, which will include access to electricity, increase of renewable energy capacity by 5 GWs as well as transport infrastructure expecting to create 3,2 mil. jobs just by the investment programs focusing on small and medium enterprises.

Development assistance

The EU grants also international development assistance bilaterally through its member-states and multilaterally through the EU mechanism. EU aid from Official

²³⁵ Plus EIB own resources contribution of €2 bil. and complementary EU's Member States bilateral aid.

²³⁶ D' Alfonso A., 2014. European Development Fund. Joint development cooperation and the EU budget: out or in? European Parliamentary Research Service, 23.

²³⁷ Africa-Europe Alliance

²³⁸ Africa-EU partnership support measures of €11,7 mil., €12 mil. for migration, €30 mil. for the African Union support program, €27 mil. out of the total €91 mil. for the youth employability program, €20 mil. for intra-Africa academic mobility, €13 mil. for the AU-EU higher education program, €30 mil. for science and education and €12 mil. for the continental economic integration. The EU supported (2014-20) bilateral education programs in Africa of approx. €1,34 bil. with nearly €230 mil. (17%) of this amount for Vocational Education and Training. In total, EU support under the PanAfrican programme will increase from €45 mil. in 2014-17 to €63 mil. in 2018-20, reaching €108 mil.

Development Assistance (ODA) represents more than half of global aid accounting for 60% from the total aid flows to Africa with 34% offered by Germany, France and UK.²³⁹ EU ODA to Africa amounted to €22,66 bil. (55%) and €11,76 bil. (29%) for the US in 2016. In 2006, the EU provided \$59 bil., 57% of total aid provided by the members of the Development Assistance Committee (DAC).²⁴⁰ For humanitarian reasons, the EU deploys the European Civil Protection and Humanitarian Aid Operations (ECHO) fund, which has an annual budget of \$1 bil. in average. ECHO does not rely on emergency contributions from member states and it is also not included in EU delegations on the ground in order to avoid the risk of politicizing aid and to remain independent.

Economic Partnership Agreements

The EU entered into force unilateral non-reciprocal market access for Least Developed Countries (LDCs) in 2001, which was granted through the Everything But Arms (EBA) initiative offering duty-free and quota-free market access to its territory.²⁴¹ Hereupon, the EU initiated reciprocal free trade agreements with the African continent through the Economic Partnership Agreements (EPAs) in 2002 in order to forward free trade partnerships between the two continents. EPAs belong to the Free Trade Agreements (FTAs) and concern multilateral agreements taking place in regional and bilateral level in order to promote free trade facilitation, elimination of tariffs and quotas and trade barriers.

EPAs and FTAs belong to wider WTO approach of preferential trade agreements (PTAs)²⁴² as initiated by General Agreement on Tariffs and Trade (GATT)/WTO. According to WTO, PTAs²⁴³ liberalize trade between two or more countries and lower trade barriers increasing trade flows among small groups of countries with geographical

²³⁹ OECD, 2018. Aid at a glance 2018. Development Assistance Committee data. Paris: OECD.

²⁴⁰ Carbonne M., 2007. *The European Union and International Development: The politics of foreign aid*. London: Routledge.

²⁴¹ Grain Report, 2017. EU's EPAs with Africa, 2. Barcelona: Grain.

²⁴² Article XXIV

²⁴³ The most prominent PTAs include NAFTA, EU, Mercosur and ASEAN. PTAs were usually negotiated without any tariff concessions to non-member countries, which may have often resulted in a decrease in the welfare for the neighboring countries.

proximity²⁴⁴ avoiding unfair treatment towards non-member countries. Further, PTAs avoid discrimination against goods entering their borders based upon the country of origin. Hence, PTAs paved the way for free trade deals between the developing South and developed North, known as FTAs. FTAs would open trade regulations between regional blocks or countries and would simplify the procedures for the transfer of goods and investments.

Table 3.3 Economic Partnership Agreements EU-ACP

Region	Countries	Status	Next steps
West Africa	Côte d'Ivoire, Ghana	Stepping stone signed with Côte d'Ivoire in 2008 and Ghana in 2016	EPAs provisionally applied; technical meetings planned in 2018
	13 West African countries (except Nigeria and Mauritania)	Regional EPAs were signed in 2014, the Gambia signs in 2018	
	Mauritania	Signs an Association Agreement with ECOWAS	
Central Africa	Only Cameroon	Signs an EPA with EU in 2009, 2014 provisional application starts	Ongoing contacts between the region and EU on accession to this EPA by other Central African countries
Eastern and Southern Africa (ESA)	Mauritius, Seychelles, Zimbabwe, Madagascar	Sign an EPA in 2009, provisionally applied since 2012	Exploring possible deepening of the agreement
Southern African Development Community (SADC)	6 (Botswana, Lesotho, Mozambique, Namibia, Swaziland and South Africa) out of 15 members	Sign an EPA in 2016	
East African Community (EAC)	Kenya and Rwanda	Negotiations for regional EPA successfully concluded in 2014, Kenya and Rwanda sign in 2016	Follow up by Museveni in EAC Summit in Feb. 2018
	Tanzania	Call for an EPA analysis and implications on EAC's industrialization	
Caribbean (CARIFORUM)	All members	EPA signed in 2008	Implemented
Pacific	Papua Nea Guinea, Fiji	EPA signed in 2009	

Source: EC, 2018²⁴⁵

²⁴⁴ Alesina, 2003. The size of countries: Does it matter? *Journal of the European Economic Association*, 1(2-3), 307.

²⁴⁵ Overview of Economic Partnership Agreements, June 2018. Data based on EC. Brussels: European Commission and Grain Report, 2017. EU's EPAs with Africa. Barcelona: Grain.

The EU has signed EPAs with 14 African countries (up to June 2018). However, it should be noted that EU FTAs with African countries take a long time to conclude. African countries continuously consider global North's high subsidies along with their strong commodity dependence, which results in the protection of their economies. For instance, significant African economies such as Nigeria among the ECOWAS group and other countries from the East African Community were either reluctant to sign the EPAs or negotiate toughly due to their strong protectionist policies. Undoubtedly, EPAs enhanced the EU-Africa trade with the EU gaining the first place among SSA major trading partners. Further, European partners cover one third of the overall foreign direct investments (FDIs) taking place in the African continent.²⁴⁶

Taking into account the trade possibilities that EU's EPAs potentially offer, why are African countries still reluctant to proceed with them? In a competitive global economic system, international organizations and free trade agreements offered theoretically the opportunity for less developed countries to integrate into the global economic system and to acquire its benefits. Advocates of free trade and foreign direct investments argue that investments facilitate trade in goods and services allowing multinational corporations to improve market imperfections. Further, the industrialization process boosts economic development.²⁴⁷ Moreover, the causal link of export-led policies²⁴⁸ and growth performance compared to the import substitution strategies are noted by numerous authors.²⁴⁹ Other authors suggest the creation of competitiveness as a generic requirement of exports in association with the public organizations²⁵⁰, the reduction or removal of barriers to exports and the creation of export incentives.²⁵¹

²⁴⁶ According to the Africa-EU Partnership Factsheet, total EU FDI in Africa amounted to €262 bil. accounting for 49,1% of overall FDI in Africa in 2014. In 2015, EU-Africa trade volumes reached \$305 bil., \$188 bil. with China, \$53 bil. with the US and \$36 bil. with the UK. The same year, EU companies invested €32 bil. in Africa from €13,1 bil. in 2014. Africa's trade in goods in 2017 amounted to €248 bil. (36%) with the EU, €109 bil. (16%) with China and €45 bil. (6,5%) with the US.

²⁴⁷ Helleiner, G.K., 1995. Manufacturing for export in the developing world. Problems and possibilities. Helsinki: UNUWIDER, 168.

²⁴⁸ Balassa, B., 1990. Incentive policies and export performance in Sub-Saharan Africa. *World Development*, 18(3), 383.

²⁴⁹ Balassa, B., 1978. Exports and economic growth: Further evidence. *Journal of Development Economics*, 5(2), 189.

²⁵⁰ Seringhaus, F. H., Rosson, P. J., 1991. Export promotion and public organizations: state-of-the art. Boston: Springer, MA, 3.

²⁵¹ Michaely, M., 1977. Exports and growth: An empirical investigation. *Journal of Development Economics*, 4(1), 49.

However, ACP-EU EPAs proved initially to be in non-compliance to the WTO rules and the Sustainable Development Goals.²⁵² The EU finally brought the Cotonou Convention²⁵³ within the WTO regulation through its Green Paper and the EPAs were found to be the best option in order to promote single trade versus multiple trade agreements, differentiated versus generalized trade agreements, reciprocal versus non reciprocal trade agreements and contractual bilateral or multilateral versus unilateral.²⁵⁴

From another perspective, while proponents of the free-market economy divided states into competing regional trade blocs, centrally planned systems favored protectionist measures against free markets in order to regulate their economic position against the open competition. Clearly through, protectionism to imports acts as a tax to exports, because domestic resource costs for exports appreciate real exchange rate, thereby reducing international competitiveness and the incentive to export. Nevertheless, several researchers of developing economies²⁵⁵ point out that opening up the markets of the structurally weaker partners in a Free Trade Agreement would not be beneficial for their development.

Further, the exports of producers from low-income countries, whose income is dependent on a single-commodity export, are sidelined by the increased subsidies of the North. Economies of the developing South, and Sub-Saharan Africa in particular, are agriculture-based. According to UNCTAD²⁵⁶, “*Africa is a net exporter of non-renewable resources and a net importer of renewable resources*” with each African economy relying mainly on the export of its land-specific commodities. Being dependent on their rural agricultural economies, African governments seek ways in order to increase their productivity and to address malnutrition and food insecurity.

²⁵² Hurt, 2003. Co-operation and Coercion? The Cotonou Agreement between the European Union and ACP States and the End of the Lomé Convention, *Third World Quarterly*, 24(1), 164.

²⁵³ The most recent framework convention between the EU and ACP

²⁵⁴ Townsend, I. 2009. Economic Partnership Agreements (EPAs) between the EU & African, Caribbean & Pacific countries, London: British Parliament, House of Commons library, 3.

²⁵⁵ Frisch D., 2008. The European Union’s development policy. A personal view of 50 years of international cooperation. Policy management report 15, Maastricht: European Center for Development Policy Management, 34.

²⁵⁶ United Nations Conference on Trade and Development, (UNCTAD), 2012. Economic development in Africa: Structural transformation, decoupling and sustainable development in Africa. Geneva: UNCTAD, 44.

Developed economies of the North hold a comparative advantage²⁵⁷ in exporting, contrary to the African infant industries²⁵⁸. Infant industries are, for instance, cotton producers such as Mali, Burkina Faso, Benin and Ivory Coast, which receive lower prices for the export of their products due to the lack of their manufacturing capabilities. These so-called sensitive commodities, which are prone to frequent price fluctuations generally benefit from high-tariff protection. Being isolated from global markets, they struggle to compete respective subsidized manufactured commodities. In such cases, trade liberalization “*has been detrimental to the economic growth of some countries such as Kenya, Tanzania and Uganda*”.²⁵⁹ There are authors, who have proved through empirical data that “*export performance does not seem important for economic growth*”²⁶⁰, while other researchers point out the importance of alternative trade strategies in Least Developed Countries (LDCs) with regard to employment and labour supply.²⁶¹ Le Goff and Singh concluded, that “*trade liberalization is considered as a tool to enhance development, both theoretically and empirically, but its impact on poverty reduction is ambiguous*”.²⁶² Bhagwati favours free trade and proposes, that free trade forces are more robust and fundamental in contrast to protectionist forces, while the adaptation of institutions is very crucial in absorbing the different ideologies and interests.²⁶³

Tanzania, for instance, as most African countries, is a single-commodity country that is strongly affected by international commodity price slumps. Its economy is based on the export of cashew nuts exporting 75% of East Africa’s cashew nuts. However, globalization and free markets benefitted the cashew nuts’ exports of India and

²⁵⁷ David Ricardo, theoretical initiator of the *laissez-faire* thought, developed the theory of comparative advantage in order to explain the reasons that countries export the products, which they are more efficient in producing in return for other goods. For example, in Egypt, Japan and the Republic of Korea, where the land is scarce with only about 0,04 hectares per person, domestic supply relies to global agricultural imports for domestic needs. On the contrary, Argentina, which an abundant agricultural exporter acquires about 2 hectares of agricultural land per person.

²⁵⁸ Infant industries of developing countries were used as part of the import industrialization strategies in order to boost their development and to protect their growth against the developed economies.

²⁵⁹ Read M.Y.D., Parton K., 2009. Economic deregulation and trade liberalization in Kenya, Tanzania and Uganda: Growth and Poverty. *Journal of Economic Issues*, 43(3), 567.

²⁶⁰ Ram, R., 1985. Exports and economic growth: some additional evidence. *Economic Development and Cultural Change*, 33(2), 422.

²⁶¹ Krueger, An., 1978. Alternative trade strategies and employment in LDCs. *American Economic Review*, 68(2), 271.

²⁶² Le Goff, M., Singh, R.J., 2014. Does trade reduce poverty? A view from Africa. *Journal of Africa Trade*, 1(1), 5.

²⁶³ Bhagwati, J., 1988. *Protectionism*. Cambridge: MIT Press.

Vietnam, which exceed Tanzania's quantities. The country's President, John Magufuli, has ordered a 94% price increase in order to protect farmers from low prices after the price-fall of 2018 from \$9,500 to \$7,500/per ton. Private buyers refused to acquire the 220,000-tonne crop at a higher price and the Indian commodity trading company Relobridge allocated the upcoming shortage to Indian and Vietnamese processors as a result of the lack of storage in Tanzania. A new warehousing system doubled Tanzania's export revenues to \$540 mil. in 2017 from \$270 mil. in 2016.²⁶⁴

In a nutshell, the global trade system and WTO, whose role is to regulate the markets, presents flaws and weaknesses such as political dependencies and discrimination based on specific needs and policies. Stiglitz and Charlton note that "*even the structure of tariffs has traditionally been designed to inhibit developing countries from moving up the value-added chain into manufacturing*".²⁶⁵ African producers, for instance, pay the same duties with the industrialized countries of the North under the most-favored-nation (MFN) principle of the WTO. As the development economist, Asche, Professor at the University of Mainz, argues, MFN advantages the industrialized countries of the North instead of the developing countries of the South.²⁶⁶ Former Dutch Member of Parliament and WTO and UN Representative, Herfkens notes that although "*tariffs between the EU and the US are already very low, averaging at less than 3%, processed agricultural products, footwear, textiles and clothing as well as fish products and agricultural goods (bananas, vegetables, sugar) receive particularly high tariffs*".²⁶⁷ These are the products that constitute the main exports of SSA such as Ethiopia's vegetables, Mali's and Burkina Faso's textiles and Senegal's fisheries.

Financing mechanism

The ACP Investment Facility is EU's main mediator for the transfer of funds from EU member states to the ACP. It functions through the European Investment Bank (EIB) and it was created under the Cotonou Agreement in 2003 for a period of 20 years. The

²⁶⁴ Mohammed O., 15/11/2018. Tanzanian cashew price hike could lead to global shortage, traders say. London: Reuters.

²⁶⁵ Stiglitz, J.E., and A. Charlton, 2005. Fair Trade for All. New York: Oxford University Press, 282.

²⁶⁶ Asche, H., 2017. A proposal for renegotiation of Economic Partnership Agreements between the EU and African regional economic communities, University of Mainz, 3.

²⁶⁷ Herfkens, E., 2016. Lost in a spaghetti bowl? Mega regional trade agreements, Sub-Saharan Africa and the future of WTO. Geneva: Friedrich Ebert Stiftung, 5.

EIB provides credit lines to financial intermediaries in order to support medium sized enterprises, equity investments and financing of infrastructure projects focusing on consumer goods, financial services, telecommunications and manufacturing. Further, the EIB participates in investments through private equity funds by being represented on the fund’s advisory committee.

Table 3.4 Investment Facility Credit Lines 2011-2014

Investment Facility credit lines 2011–2014 (million euro)

Country/Region	2011	2012	2013	2014	Total
Botswana				20.00	20.00
Dominican Republic	15.50		1.00		16.50
Ghana	8.00		20.00	20.00	48.00
Haiti	8.00				8.00
Kenya	13.50	76.50		50.00	140.00
Malawi			15.00		15.00
Mozambique				5.00	5.00
Nigeria		100.17	120.00	50.00	270.17
Regional - Africa				80.11	80.11
Regional - Caribbean	50.00				50.00
Regional - East Africa	4.00	60.00	114.00	152.00	330.00
Regional - Southern Africa				25.50	25.50
Regional - West Africa	10.00				10.00
Rwanda	8.00				8.00
Seychelles		5.00			5.00
Zambia				25.00	25.00
Total	177.00	241.67	270.00	427.61	1 056.28

Source: EIB.

Source: European Investment Bank

According to the EIB, the ACP Investment Facility “a) provides beneficiaries in the ACP countries with access to long-term financing, b) provides financing in local currency and c) increases the credibility of beneficiaries by mobilizing other financial resources”.²⁶⁸ The EIB channeled through the ACP Investment Facility €4,5 bil. between 2003-14 and invested a total amount of €1,38 bil. in SSA, the Caribbean and the Pacific in 2016.²⁶⁹ The fund’s first investment was a participation in an acquisition of Tanzania’s leading producer of personal care products. “The buy-out was carried out in a consortium with a large international bank and another private equity house”.²⁷⁰

²⁶⁸ Ibid., 45.

²⁶⁹ European Investment Bank, 2016. Annual Report - On EIB activity in Africa, the Caribbean and the Pacific and the overseas countries and territories. Luxembourg: European Investment Bank, 6.

²⁷⁰ European Court of Auditors, 2015. The ACP Investment Facility: does it provide added value? Luxembourg: EU Publications, 12.

Africa – US

African - US relations base their trade cooperation on the African Growth and Opportunity Act (AGOA), which was forwarded during the Clinton Administration in 2000. The current version of AGOA was revised in 2015 until its expiration in 2025. AGOA is a non-reciprocal trade agreement that grants 40 African countries, eligibility for duty-free access to the US market for over 6,800 products under the Generalized System of Preferences program (GSP). According to AGOA 2018 Biennial Report²⁷¹, total goods trade between the United States and Sub-Saharan Africa amounted to \$39 bil. in 2017 increasing 5,8% from \$36,9 bil. in 2015. Moreover, US investment in SSA stood at \$29 bil. in 2016 compared to \$37,5 bil. in 2014, while US foreign direct investment in SSA stood at \$4,2 bil. in 2016 compared to \$1,6 bil. in 2014. US largest investment destinations were Mauritius with \$6,7 bil., South Africa with \$5,1 bil. and Nigeria with \$3,8 bil.

Evidently, complex rules of origin limit the number of eligible products for preferential treatment. Herfkens notes, that *“AGOA removes tariffs on roughly 98% of products, but excludes key agricultural products, such as cotton – in other words, precisely those products in which poor African countries have a comparative advantage and the sector that employs the vast majority of the poor”*.²⁷² For instance, Côte d’Ivoire and Ghana, world’s major cocoa exporters, are not profiting enough from the process of their cocoa due to the lack of manufacturing activity losing thus the comparative advantage. The same principle applies to African cotton producers such as Benin, Mali and Burkina Faso, which have to compete against the significantly high US subsidies. In 2012, 86% of US imports from Africa were petroleum products²⁷³ under the AGOA scheme, which would have been imported presumably without duty-free status, if the AGOA scheme would not have been in place. The remaining 14%, namely \$4,8 bil., concern other

²⁷¹ Office of the United States Trade Representative, 2018. Biennial report on the implementation of the African Growth and Opportunity Act. Washington D.C.: Office of the United States Trade Representative.

²⁷² Herfkens, E., 2016, *op. cit.*, 5

²⁷³ African Growth and Opportunity Act, 2012. U.S. Trade with Sub-Saharan Africa. Washington D.C.: Department of Commerce, International Trade Administration.

products such as vehicles, apparel, minerals and agricultural products.²⁷⁴ Notably though almost half imports amounting to \$2,1 bil. came from South Africa.²⁷⁵

In theory, AGOA requires efforts for democratization as a pre-condition for qualification. However, in practice, US interests and oil multinationals did not avoid cooperating with autocratic regimes in Africa in order to pursue oil-extractivism. The Economist notes that the US ignored Angola's democratic deficit and has contributed with significant diplomatic efforts in order to safeguard good relations with a country that has never been one of its traditional allies".²⁷⁶ Remarkably, the US engaged in Angola's oil extraction during the country's long civil war, although its government avoided conducting democratic elections for 16 years.

Table 3.5 US-Africa trade 2018

Top US goods exports to SSA	machinery \$2,3 bil.	vehicles \$1,6 bil.	aircraft \$1,5 bil.	mineral fuels \$1,4 bil.	electrical machinery \$864 mil.
Top US export markets in the region	South Africa \$5 bil.	Nigeria \$2,2 bil.	Ghana \$886 mil.	Ethiopia \$873 mil.	Angola \$810 mil.
Top US imports from SSA	oil \$11,2 bil.	precious metals \$4,1 bil.	cocoa \$1,2 bil.	vehicles \$1,2 bil.	Iron, steel \$950 mil.
Top SSA suppliers to the US	South Africa \$7,8 bil.	Nigeria \$7,1 bil.	Angola \$2,6 bil.	Côte d'Ivoire \$1,2 bil.	Botswana \$772 mil.
Top destinations for US investment	Mauritius \$6,7 bil.	South Africa \$5,1 bil.	Nigeria \$3,8 bil.		

Source: AGOA, 2018 Biennial Report factsheet²⁷⁷

²⁷⁴ Tralac Trade Law Center, 2012. AGOA Exports by Product Sector. Western Cape, South Africa: Tralac Trade Law Center.

²⁷⁵ Tralac Trade Law Center, Bilateral Trade by Sector: United States and South Africa. Western Cape, South Africa: Tralac Trade Law Center.

²⁷⁶ The Economist, 2009. Hillary (not Bill) on Safari. London: The Economist.

²⁷⁷ Office of the US Trade Representative. African Growth and Opportunity Act: 2018 Biennial Report. Washington D.C.: Office of the US Trade Representative.

Table 3.6 US trade in goods with Africa 1997-2018

(\$ bil., sums on average)

Year	Exports	Imports	Balance	Year	Exports	Imports	Balance
2018	19	27	-8	2007	23	92	-68
2017	22	33	-11	2006	18	80	-61
2016	22	26	-4	2005	15	65	-50
2015	27	25	2	2004	13	45	-32
2014	38	34	3	2003	10	32	-21
2013	35	50	-15	2002	10	22	-11
2012	33	67	-34	2001	12	25	-13
2011	33	93	-60	2000	11	27	-16
2010	28	85	-56	1999	10	17	-7
2009	24	62	-38	1998	11	16	-4,6
2008	28	113	-85	1997	11	20	-8,5

Source: United States Census bureau²⁷⁸

The above tables present quite interesting findings with regard to Africa – US trade cooperation. US trade in goods with Africa presents mostly deficits for the US and surpluses for Africa. Apparently, US trade deficits are taking place with several other countries as well forcing the Trump administration to secure US trade surplus through protectionist measures.²⁷⁹

The US-China “trade war” had a profound negative impact on the world economy and of course on the African economies, which are interdependent with major trade players.²⁸⁰ The impact of US tariffs was evident in commodity prices, local currencies

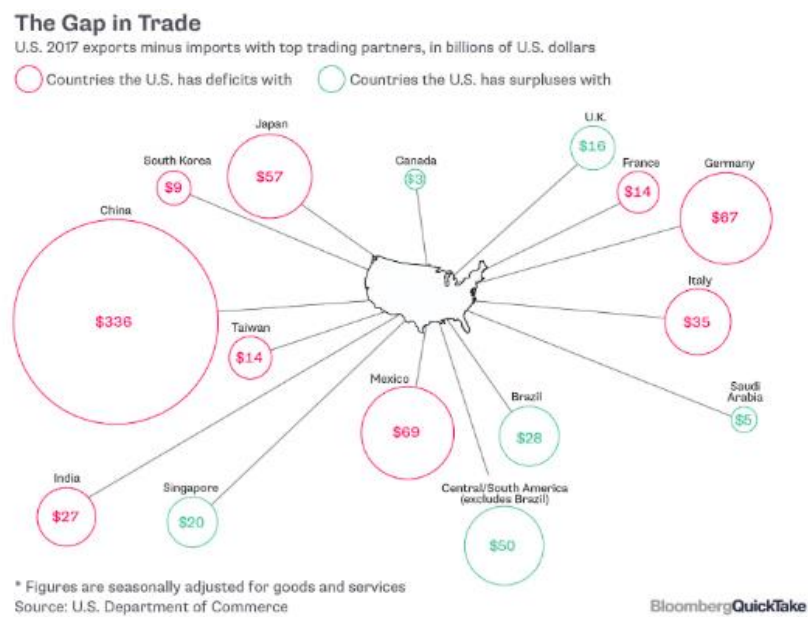
²⁷⁸ United States Census Bureau. Foreign Trade - Trade in Goods with Africa. Washington D.C.: United States Census Bureau.

²⁷⁹ With the US presenting significant trade deficits against various strong economies in 2017, its trade deficit with China amounted to \$336 bil., with Mexico to \$69 bil., with Germany to \$67 bil. and with Japan to \$57 bil., the Trump administration planned to secure US trade surplus through protectionist measures.

²⁸⁰ Devermont J., Chiang K., 2019. Innocent Bystanders. Why the US-China trade war hurts African Economies. Washington D.C.: Center for Strategic and International Studies, 1.

and major stock exchanges. Devermont and Chiang present in their study how SSA countries are undergoing negative economic impact from the US-China “trade war”, although they are not the main recipients of US tariffs - excluding South Africa. US tariffs provide crucial impediments to global growth rates and apply pressures to global commodity prices.²⁸¹ During President Trump’s administration tariffs of \$250 bil. in Chinese goods imports were applied. For its part, “China retaliated with tariffs on more than \$110 bil. of US products”.²⁸²

Figure 3.9 US 2017 exports minus imports with top trading partners



Source: Takeo, Y., Reynolds, I., 2019²⁸³

Evidently, Africa plays a small role in US trade policy, while US presence is losing ground compared to China’s increased presence in the African continent. Africa seems thus profitable for US interests, but it is a rather peripheral partner. The Director of the Africa Growth Initiative, Dr. Brahim S. Coulibaly stresses in his article ‘Looking forward: US-Africa relations’²⁸⁴ that US presence in Africa is rather weak compared to

²⁸¹ Lawder, D., 9/10/18. IMF cuts world economic growth forecasts on tariff war, emerging market strains. London: Reuters.

²⁸² Liu, T., Woo, W.T., 2018. Understanding the US-China trade war. *China Economic Journal*, 11(3), 324.

²⁸³ Takeo, Y., Reynolds, I., 26/8/2019. What’s at stake and at risk in US-Japan trade talks. New York: Bloomberg Quicktake.

²⁸⁴ Coulibaly B. S., 27/3/2019. Looking forward: US-Africa relations, Africa Growth Initiative, Washington D.C.: Brookings Institution.

China's and Europe's. US engagement, according to the author, is not adapting so fast as Africa's rapid transformation. Recent empirical data show that US interests in Africa are unilateral favoring more the former than the latter, although African oil-exporters seem to benefit as well. Ambassador Lighthizer proposed at the US-SSA Trade and Economic Cooperation Forum in 2018²⁸⁵, the introduction of free trade agreements between the US and SSA in order to advance trade cooperation following EU²⁸⁶ and China examples. Ambassador Lighthizer proposed in his speech that major investments have a great potential for development on the African continent for large multinational companies such as Kellogg's Cereal, Marriott Hotels, Prudential Insurance, PVH, apparel companies as well as infrastructure investments. Currently, the first US-African free trade agreement is on the way with the government of Kenya.

South – South cooperation

The early 80s was a period of rapid growth and economic liberalization in Asian and Latin American economies. The rise of the “Four Asian Tigers”, namely Taiwan, Singapore, Hong Kong and South Korea, presented exceptional industrial growth from the 60s until the 1997 Asian crisis, rising again until the 2009 recession. The Asian tigers experienced particularly rapid industrialization with high growth rates amounting to an average of 7% between the 1960-90s. The success of the Four Asian Tigers was based on their disciplined macroeconomic policies with regard to their budget deficits, external debt and exchange rates. Low governmental deficits, export-led growth and market-oriented reforms have been adopted by their strong economies, which managed to internationalize as part of the world economy.

The term “Newly Industrializing Countries” (NIC) applied to countries²⁸⁷ that underwent rapid economic growth, which mostly correlated with export-led growth. NICs were characterized by economic transition criteria such as rapid “*economic development and governmental policies favoring economic liberalization and the*

²⁸⁵ Office of the United States Trade Representative, Executive Office of the President, 7/11/2018. Statement of USTR Robert Lighthizer at the Opening Plenary of the 2018 US-Sub-Saharan Africa Trade and Economic Cooperation Forum (AGOA Forum). Washington D.C.: Office of the United States Trade Representative, Executive Office of the President.

²⁸⁶ The East African Community (EAC), the Southern African Development Community (SADC) and West Africa have already signed FTAs with the EU.

²⁸⁷ Mexico, India, Indonesia, Malaysia, Philippines, Thailand and Turkey

adoption of a free-market system".²⁸⁸ Van Agtmael, former officer of the International Finance Corporation (IFC) and chief investment officer at Emerging Markets Management LLC proposed to the IFC in 1981 "*a new global investment fund for stock markets in developing countries*" providing fund managers of industrialized countries the necessary stocks. While the initial proposal 'Third World Equity Fund' was associated with poverty and underdevelopment, the final creation of the Emerging Markets Database emitted dynamism and optimism for a promising future ahead for developing and transition economies.

Asia presented the highest continuous growth rates doubling the South-South cooperation and trade flows between emerging markets and economies in transition. East Asia represents a successful example of the offered stimulus of globalization and liberalization to the transformation of its regimes and adjustment of its economies to free-market principles based on FDI inflows through multinational corporations. Mkandawire notes that no such development would have been achieved if strong states were not able to keep the economic stability.²⁸⁹ Indeed, East Asia's economic transition was often presented as an economic miracle.

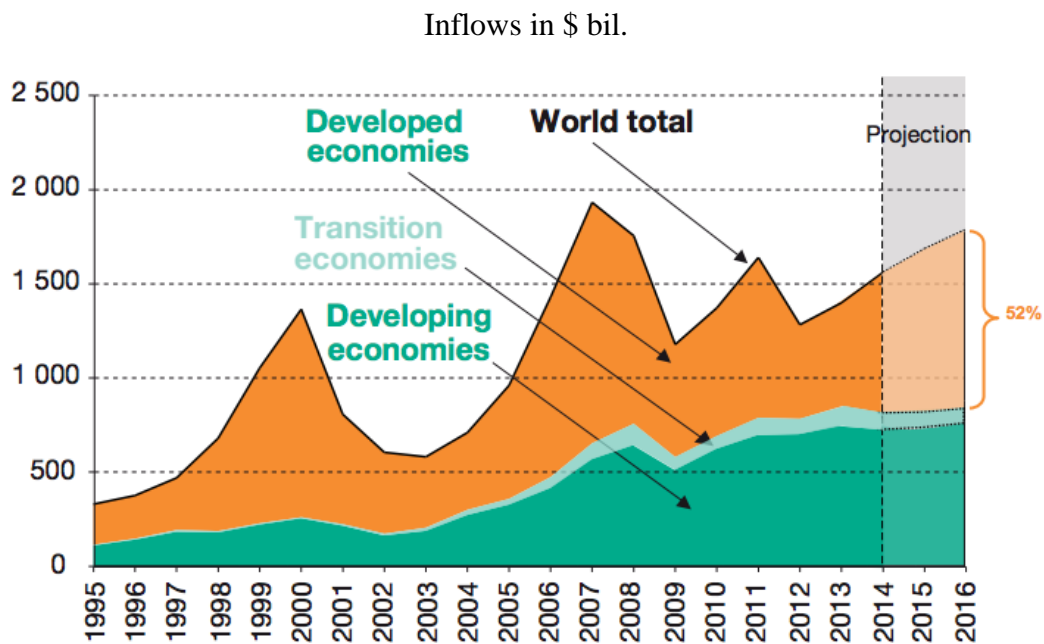
Until the 1997 Asian financial crisis, East Asia developed an export-led industrialization policy, which functioned as a trade generator through FDIs, profit maximization of multinational corporations through access to local markets, increased productivity and stimulated growth. This process involved minimization of production costs and increase of competitiveness on the international markets through effective allocation of the productive sectors. Thus, skilled-labor intensive activities took place in skilled-labor intensive locations and unskilled-labor-intensive activities were conducted in unskilled-labor-intensive locations.²⁹⁰ The transfer of funds, expertise and technology served the extraction of domestic resources within international intra-firm trade.

²⁸⁸ Arnold, D.J. & Quelch, J.A., 1998. New strategies in emerging economies. *Sloan Management Review*, 40(1), 11.

²⁸⁹ Mkandawire, T., 2001. Thinking about developmental states in Africa. *Cambridge Journal of Economics*, 25, 292.

²⁹⁰ Lipsey, R. E., 2004. Home and host-country effects of foreign direct investment, 343. In Baldwin, R. E., Winters, L. A., 2004. *Challenges to Globalization: Analyzing the Economics*. Chicago: University of Chicago Press.

Figure 3.10 FDI developing & transition vs developed economies 1995-2013



Source: UNCTAD, 2014²⁹¹

The above graph presents the significant growth of emerging and transition economies compared to the developed economies of the North. Especially, China, India and many SSA countries have reached astonishing GDP growth rates between 4-7%. “In 2012, for the first time ever, the share of FDI received by developing economies exceeded the share received by developed economies. In 2013, developing economies widened this lead, hitting a new high of \$778 bil. or 54% of global FDI”.²⁹² Outflows of the developed countries in the beginning of the 80s accounted to ¾ in trade and bank lending, 20% FDIs and 5% portfolio investments.²⁹³ However, during the 90s, the percentage of bank and trade lending compared to the FDIs reversed. FDIs increased dramatically from \$20 bil. in 1975 to \$50 bil. in 1990 reaching \$200 bil. in 1996. Surprisingly between 1995-96, bank and trade lending accounted to 20%, while FDIs and portfolio flow reached 80% with the portfolio flows splitting between bonds and equities. An author reports, that “in 1999, 53% of the world’s publicly traded companies were in developing economies”.²⁹⁴ From \$100 bil. in 1983 the total equity capital of

²⁹¹ UNCTAD, 2014. World Investment Report. Investing in SDGs: An action plan. Geneva: UNCTAD.

²⁹² Pigato, M. and Tang, W., 2015. China and Africa: Expanding economic ties in an evolving global context. Washington D.C.: World Bank Group, 9.

²⁹³ UNCTAD, 2003. Trade and development report 2003. Chapter 2, External finance, debt and foreign direct investment. Geneva: UNCTAD, 33.

²⁹⁴ Moss, T. J., 2003. Adventure capitalism. Globalization and the political economy of stock markets in Africa. New York: Palgrave Macmillan, 98.

stock exchanges escalated to \$1,9 tril. by 1994 and continued rising to \$3 tril. by 1999. According to IMF, the capital flows declined to \$32 bil. in 2000 due to the Asian financial crisis and the outflows of bank loans to Asia.

Africa's impressive economic growth, as part of the rapidly growing developing South, contributed significantly to the rise of emerging economies compared to industrialized North's relative saturated growth. The OECD noted that emerging economies created economic surpluses during the 2000s, while elite global economic management created a fast accumulation of imbalances. Indicatively, global foreign exchange reserves reached from a total of \$1,8 tril. in 2000 a peak of \$12 tril. in mid-2014.²⁹⁵ This, in turn, meant that the African continent appeared ideal for investments and growth opening a new chapter to its past.

To confirm the above, Africa received much of its investments from the developed countries, but recent major sources of FDI have come to the continent by diverse emerging economies such as China, South Korea, Brazil, Saudi Arabia, India, Malaysia, Qatar and the United Arab Emirates.²⁹⁶ Moreover, the IMF listed several African countries among them Botswana, Kenya, Ghana, Mozambique, Nigeria, Tanzania, Uganda, Rwanda and Zambia in its emerging markets list. Odusola reports that the African continent experienced the highest rate of return on FDI at 11,4% during 2006-11 compared to 9,1% in Asia or 8,9% in Latin America and the Caribbean²⁹⁷, while the world's average stood at 7,1%. In addition, capital accumulation for the African continent projected in its GDP growth in the first decade of 2000 averaged close to 5,4% annually and 7,3% for the oil exporters²⁹⁸, while world's GDP stood at 3%, North America's at 1,7% and EU's at 1,4%.²⁹⁹ Significant opportunities for investments in Africa presented among the highest return rates among all developing

²⁹⁵ African Economic Outlook, 2016. Sustainable Cities and Structural transformation. Abidjan, Paris, New York: AfDB, OECD, UNDP, 27.

²⁹⁶ Matondi, P.B., Havnevik K., Beyene A., 2011. *Biofuels, land grabbing and food security in Africa*. Africa Now. Nordic Africa Institute. New York: Zed Books, 70.

²⁹⁷ Odusola A., June 2018. Addressing the foreign direct investment paradox in Africa. New York: UNDP Africa.

²⁹⁸ McKinsey Global Institute, 2016, op. cit., 1

²⁹⁹ Comparatively emerging Asia stood at 9,1%, Middle East at 4,8%, Latin America 3,3%. Average growth in emerging and developing economies accounted at around 4,4% between 2015-17 (UNECA).

regions. In part, “*these high returns reflect compensation for high risks, but they also demonstrated that Africa is now on the map of global business*”.³⁰⁰

Notably, economic growth in several emerging markets and economies in transition had been rapid and uninterrupted until 2008. Private capital flows to developing economies rose constantly, while the levels of growth of the industrialized countries remained either stable or declining. Herfkens notes, that 20 years ago the US and the EU, “*with some help from Japan and Canada, were the major powers in the world, but over the past decade their economic power has declined.*”³⁰¹ New economic powerhouses like China, Brazil and India³⁰² have emerged becoming indispensable players in the system. The director of the Africa Growth Initiative at the Brookings Institution reports that in 2000, the US, France and Italy were Africa’s top three trading partners, while in 2017 the top three trading partners were China, India and France.³⁰³

In 2010, US, Europe and Japan GDP accounted for “*less than half of global GDP in purchasing power terms*”³⁰⁴ signifying China’s strong competitive strategy against these long-established global economies. This trend known as ‘*the diminished Giant syndrome*’³⁰⁵ or ‘*curse of declinism*’ coincided with the Brexit insecurity and the US-China “trade war”. Particularly, the involvement of the BRICS³⁰⁶ - Brazil, Russia, India, China, South Africa - in the African continent can be clearly observed through the increase of trade and investments. “*Trade grew from \$34 bil. in 2002 to \$465 bil. in 2014 with China accounting for 60% of significant investments along with India and South Africa*”, according to an author.³⁰⁷ However, the most essential change of the

³⁰⁰ Huliaras, A., 2009, *op. cit.*, 14

³⁰¹ Herfkens, E., 2016, *op. cit.*, 1

³⁰² Cheru, F., 2015. Emerging southern powers and the new forms of South-South cooperation: Ethiopia’s strategic engagement with China and India, *Third World Quarterly*, 37(4), 596.

³⁰³ Coulibaly, B. S., 27/3/2019. Looking forward: US-Africa relations, Africa Growth Initiative. Washington D.C.: Brookings Institution.

³⁰⁴ Demertzis, M., Sapir, A., Wolff, G.B., 2018. Europe in a New World Order, *Weltmärkte im Wandel. Wirtschaftsdienst Zeitschrift für Wirtschaftspolitik*, 98(13), 24.

³⁰⁵ Bhagwati, J. N., 1993. The diminished Giant syndrome, *Foreign Affairs*, 72.

³⁰⁶ The BRICS term can be traced back to Goldman Sach’s chief economist Jim O’neil in a study titled ‘Dreaming with the BRICS: The Path to 2050’.

³⁰⁷ Arkhangelskaya, A., 2015. What does BRICS cooperation mean for African trade and sustainable development? *Bridges Africa*, 4(2). Geneva: International Centre for Trade and Sustainable Development.

BRICS in the global system was the encouragement of state-owned capitalism through free-market mechanism and private enterprises rejecting the neoliberal model.³⁰⁸

The emerging economies mainly led by the BRICS have managed to achieve high GDP rates signaling an alternative globalization towards the industrialized economies of the global North and the established multilateralism of IMF, WB, WTO as well as approaches of the UN. The BRICS formation in 2009 stood thus as a challenge for the improvement of their poor infrastructure and the elimination of substantial socio-economic inequalities within their own territories.³⁰⁹ Sharing discontent towards the prevailing political and financial institutions, BRICS represent almost 40% of the global population, 20% of the world's total GDP and approx. \$19 tril. of the global economy.

Differentiating in their growth, cultural and socio-political systems from the industrialized North, the BRICS represented the strength of developing countries competing significantly against the industrialized North. Developing and emerging economies changed the global geopolitical balance creating new economic and political conditions. Moreover, they have proven to be more dynamic and resilient than developed industrialized countries against the global crisis of 2008. Finding new economic development perspectives within the developing South, emerging and transition economies of the global South³¹⁰ took advantage of the opportunities presented and were opposed thus to the saturated markets of the global North.

An author notes, that “*BRICS have fundamentally different views about the role of trade in their economies and about the priorities of the WTO*”.³¹¹ However, they refrained from considering themselves competitive towards the international financial institutions. They rather proposed alternative policies within the Bretton Woods institutions and the Sustainable Development Goals. For example, they put an emphasis

³⁰⁸ Lipton, M., 2017. Are the BRICS reformers, revolutionaries or counter-revolutionaries? *South African Journal of International Affairs*, 24(1), 48

³⁰⁹ Maskin, E., 2015. Why Haven't Global Markets Reduced Inequality in Emerging Economies? *World Bank Economic Review*, 29(1), 48.

³¹⁰ Gray, K., Gills, B.K., 2015. South-South cooperation and the rise of the global South, *Third World Quarterly*, 37(4), 557.

³¹¹ Lipton, 2017, *op. cit.*, 42

on the ‘development cooperation’ of Africa³¹² instead of the established conditionality terms of Europe and the US on development and aid.³¹³ Nevertheless, Patnaik observes that “*even though China stands on a somewhat different footing, all the other BRICS countries have substantial domestic big bourgeoisies, which are integrated with international finance capital*”.³¹⁴ As a result, developing and emerging economies as well as economies in transition are considered as newly developing integrated economic systems within the global economic system. On the one hand, they are independent creating their sovereign dynamics, but on the other hand, they are directly influenced by the fluctuations of the global economic decision-making.

Despite the 2009 global recession, the rise of new emerging developing economies proved that “*only a handful of emerging multinationals rely on natural resources or cheap labor as a major competitive edge*”.³¹⁵ In Van Agtmael’s words, a new phenomenon in world’s attention comes up, “*the rise of the emerging consumer in a brand-new middle class, stretching from Seoul, Shanghai and Bangalore to Sao Paulo and Santiago*”. Hence, the rise of a consumer middle-class along with the exponential population growth in emerging market economies will turn the established economic order upside down in few years from now. The Harvard Business Review in an enlightening article notes characteristically that Africans spent \$860 bil. on goods and services in 2008 - 35% more than Indians spent.³¹⁶ The main findings of this report highlight the growth acceleration of thirty African emerging economies with the contribution of all sectors - resources, finance, retail, agriculture, transportation and telecommunications. The progress and potential of African economies is depicted also in Africa’s total GDP, which amounted to \$1,6 tril. in 2008, about equivalent to Brazil’s and Russia’s.

³¹² Ibid., 45

³¹³ Gelb, S., 2005. South-South investment: The case of Africa. In: Africa in the World Economy: The National, Regional and International Challenges. Fondad: The Hague, 200.

³¹⁴ Patnaik, P., 2019. The BRICS Bank, *Peoples Democracy*, 43(15).

³¹⁵ Van Agtmael, A., 2009. The emerging markets century revisited. The global Indian firm. *Indian Journal of Industrial Relations*, 45(1), 133.

³¹⁶ Chironga, M., Leke, A., Van Wamelen, A., Lund, S., 2011. The globe: Cracking the next growth market: Africa. *Harvard Business Review*, 1.

Table 3.7 Africa's exports and imports trade partners, 2004 and 2014

(%)

	2000		2014	
	Exports	Imports	Exports	Imports
Traditional partners	78.3	75.4	46.7	54.3
EU25	51.3	56.4	34.0	37.4
United States	20.4	10.1	5.5	6.4
Emerging partners	21.7	24.6	53.3	45.7
Brazil	2.0	1.3	1.7	3.0
China	4.6	4.9	18.4	15.3
India	2.4	2.1	6.1	7.4
Russian Federation	0.3	1.0	1.0	0.6
Turkey	1.9	1.3	2.4	1.0
Thailand	0.6	1.2	1.5	0.8
Total value (billion USD)	142.4	104.0	566.6	531.5

Sources: 2000 data: AfDB et al. (2011); 2014 data: UN Comtrade (2015).

Source: African Development Bank

Table 3.8 New foreign embassies in Sub-Saharan Africa 2010-2015

NEW FOREIGN EMBASSIES IN SUB SAHARAN AFRICA (2010-2015)



The following countries have established 2 new embassies in sub-Saharan Africa between 2010 and 2015:
Algeria, Argentina, Australia, Belarus, Egypt, Georgia, Iraq, Ireland, Israel, Kuwait, Mexico, Morocco, Netherlands, Ukraine, Vatican City

The following countries have established 1 new embassy in sub-Saharan Africa between 2010 and 2015:
Azerbaijan, Bangladesh, Colombia, Democratic Peoples Republic of Korea, Denmark, Fiji, Guyana, Kazakhstan, Malaysia, Nepal, Norway, Oman, Pakistan, Portugal, Russian Federation, Serbia, Slovak Republic, Sri Lanka, United States

Source: Center for Strategic and International Studies. Africa Program. Washington D.C.

According to projections, substantial new business opportunities will accelerate in the near future the rise of the African urban consumer as 40% of Africans live in urban areas. The Economist's cover of 2011 argued, that "*Africa has a real chance to follow in the footsteps of Asia showcasing Ethiopia, Ghana and Mozambique among the fastest growing economies in the world*".³¹⁷ Moreover, UNCTAD's report noted that the most attractive FDI destinations in 2016 took place in Angola, Egypt, Nigeria, Ghana and Ethiopia amounting to \$59 bil.³¹⁸ According to the WB and IMF, Senegal presented 7% GDP growth with no public debt risks, while Ethiopia presented an average growth rate of 8% for almost 20 years. Angola's oil-driven economy is important for oil-importers and the extractive industry, but also for the stability in the region of Southern Africa and the Portuguese-speaking African communities.

Africa – China

China's strategy has changed the world economic order emerging as a major actor in the global arena among the rising economies of Brazil and India. Economic growth and technological advancement in China, India and Brazil have changed global trade and capital flows balance, the farming techniques and the nutrition of the growing population. China's growth strengthened the South-South cooperation³¹⁹ in global political and economic forums³²⁰ such as the G20, BRICS and the WTO representing the rise of emerging markets over the global North with an alternative model in the North-South diplomacy. Indeed, Africa's increasing dynamism since the new millennium was attributed to China's growing presence in the African continent. Some authors note that "*Sub-Saharan African countries such as Ethiopia, Kenya, Tanzania, Zimbabwe and Namibia began to pursue a strategy of 'looking Eastward'*" with the anticipation to cooperate with the emerging markets of China and India.³²¹

³¹⁷ The Economist, 2011. A more hopeful continent. The lion kings? Africa is now one of the world's fastest growing regions. London: The Economist.

³¹⁸ UNCTAD, 2017. Foreign direct investment to Africa fell by a moderate 3% in 2016 says UN report. Press Release. Geneva: UNCTAD.

³¹⁹ Beeson, M., Zeng, J., 2017. The BRICS and global governance: China's contradictory role. *Third World Quarterly*, 39(10), 1962.

³²⁰ Nayyar, D., 2015. BRICS, developing countries and global governance, *Third World Quarterly*, 37(4), 575.

³²¹ Guimei, Y., 2013. Economic Considerations in Africa's Looking Eastward' in Zhang Hongming (eds.), *China-Africa Relations: Review and Analysis* (1), Paths International, 114.

The current growing influence of China's engagement in Sub-Saharan Africa tends to overlook their long and traditional established relations. In fact, China is not a new power in Africa, but a long-established diplomatic partner with their relation dating back to the Ming Dynasty fleet visit in East Africa in the 15th century. China was also one of the leaders of the Non-Aligned Movement, the Afro-Asian assembly of 29 Asian and African governmental representatives, which consolidated a coalition of developing economies at the Bandung Conference in Indonesia in 1955. The Non-Aligned Movement signaled a different political and economic direction than the one that was proposed by the industrialized global North. Among the other Second World countries, China, USSR and Eastern Europe led the movement. Cuba also developed a leading role and its alliance with the Soviet Union played a major role for the struggles against colonialism and imperialism. Paradoxically due to its pro-Western position, another country leading the Non-Aligned Movement was Pakistan.³²² During the Cold War in the 60s and 70s, China fully supported the African independence movements by providing apart from moral support extended military and political support.³²³ Chinese economic aid to Africa was substantial although China's own domestic economic situation was not optimal at that time.³²⁴ China followed Soviet Union's military supply, which was by far the most significant in Africa during the 70s.³²⁵

Trade

China's relation to Africa changed radically since the former's accession to the WTO in 2001 and the boom in their multilateral trade. The initiation of the Belt and Road Initiative (BRI) in 2013 featured China as the world's largest trading nation with its total trade in goods amounting over \$4 tril. surpassing the US.³²⁶ In 2017, the largest exporter from Africa to China was Angola, followed by South Africa and the

³²² Calvert, P. and Calvert, S., 2007. Politics and society in the developing world. Essex: Pearson Education Limited, 5.

³²³ Devermond, J., 2018. Implications of China's presence and investment in Africa, Statement before the Senate Armed Services Committee, Subcommittee on Emerging Threats and Capabilities. Washington D.C.: Center for Strategic and International Studies, 6.

³²⁴ Ottaway, M., 1978. Soviet Marxism and African Socialism. *Journal of Modern African Studies*, 16(3), 473.

³²⁵ Chazan, N. et al., 1992. Politics and Society in Contemporary Africa, Boulder, Colorado: Lynne Rienner Publishers, 410.

³²⁶ Monaghan, A., 10/1/2014. China surpasses US as world's largest trading nation. London: The Guardian.

Democratic Republic of Congo. South Africa was the largest buyer of Chinese goods, followed by Egypt and Nigeria. Ethiopia, Angola and South Africa appear to have a clear strategic posture towards China, while Kenya, Nigeria and Tanzania do not have yet the same level of engagement.

According to the China-Africa Research Initiative of John Hopkins University³²⁷, China-Africa bilateral trade has been steadily increasing for the past 16 years with more than 10,000 recorded privately owned Chinese firms investing in the African continent.³²⁸ Taylor reports, that “*China was Africa’s third most important partner in 2006 following the US and France ahead of the UK*”.³²⁹ The same year, several African countries, which closely cooperate politically and economically with China, participated in the Beijing Summit of the Forum on China–Africa Co-operation (FOCAC). In turn, China signed memorandums of understanding (MoU) with 37 African countries and the African Union. “*Surpassing the US in 2009, China is now Africa’s largest trading partner*”, note the authors of a report for the Center for Strategic and International Studies.³³⁰ Donou-Adonsou and Lim report in their study that over the period 2003-12 Chinese FDI has improved the average income in Africa and that the impact, however, appears more pronounced for US and German investment.³³¹ The authors found evidence that Chinese investment crowd out US investment in Africa, with France being the only competitor against China. Remarkably though, the results of the study conclude that with the rise of the Chinese economy, the demand for resources has increased China’s intensive competition with the US rather than with France. China is, in fact, the main US competitor, as its FDI on the African continent grew by 40% annually at the past decade.³³²

³²⁷ China-Africa Research Initiative, 2019. China-Africa trade 1992-2016. Washington D.C.: John Hopkins University.

³²⁸ Sun, I. Y., Jayaram, K., Kassiri, O., 2017. Dance of the lions and dragons. How are Africa and China engaging and how will the partnership evolve. New York: Mc Kinsey & Company, 10.

³²⁹ Taylor, I., 2006. China’s oil diplomacy in Africa, *International Affairs* 82(5), 937.

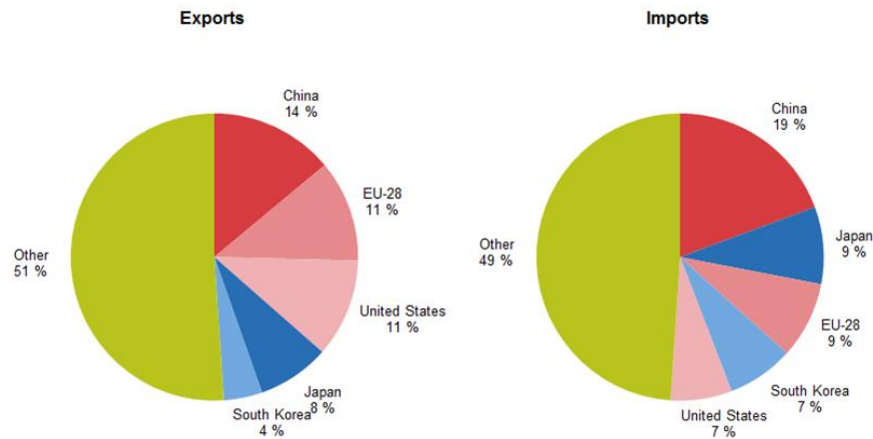
³³⁰ Cooke, J. G., Downie, R., 2015. Rethinking engagement in fragile states, Washington D.C.: Center for Strategic and International Studies, 3.

³³¹ Donou-Adonsou, F. and Lim, S., 2018. On the importance of Chinese investment in Africa, *Review of Development Finance*, 8(1), 64.

³³² Devermond, J., 2018., *op. cit.*, 2

Figure 3.11 African trade in goods: export and import with main partners, 2017

African trade in goods: export and import shares with main partners, 2017
(%)



Source: UNCTAD

eurostat

Source: Eurostat

China became Africa’s closest ally favoring the continent’s economic development offering new development opportunities for African partners under different conditions than those proposed by Europe and the US. Moreover, China’s resource-seeking investment strategy in the African continent drew the attention of global affairs, because it confirmed in a way that there is an alternative against the established global North’s conditionalities. Both the EU and the US push the African governments consistently for democratic and governance standards in exchange for development aid. Furthermore, African economies have to deal often with high interest rates of either the international financial institutions or the Western loans. A German professor of African politics reports in a study commissioned by the German Federal Ministry of Economic Cooperation and Development that the China-Africa cooperation in terms of trade, foreign direct investments and development cooperation since 2000 was quite impressive for the Western standards.³³³ The reasons lay on the concessional loans offered by the Chinese state-owned Exim Bank, China Development Bank, Export-Import Bank of China, People’s Bank of China and China-Africa Development Fund, including in many cases debt-cancellations. Moreover, *“China’s quest for resources, energy, and potential markets is supporting African autocratic regimes, hindering*

³³³ Asche, H., Schüller, M., 2008. China’s engagement in Africa - Opportunities and Risks for Development. Eschbor: Deutsche Gesellschaft für Technische Zusammenarbeit, 10.

economic development, and exacerbating existing conflicts and human rights abuses”³³⁴ in fragile countries such as South Sudan, Zimbabwe, Angola and Ethiopia.³³⁵

Table 3.9 Africa’s top exporters to China 2017

Africa’s Top Exporters to China	
Country	Percentage of 2017 Exports Destined for China
South Sudan	95%
Angola	61%
Eritrea	58%
Gambia	52%
Democratic Republic of the Congo	45%
Guinea	44%
Zimbabwe	44%
Gabon	42%
Central African Republic	41%
Republic of the Congo	40%
Sierra Leone	36%
Equatorial Guinea	28%
Chad	24%
Mauritania	23%

Source: Devermont J., Chiang K., 2019³³⁶

In addition, China provides to Africa apart from investment and trade, development assistance without any serious preconditions such as the Western donors, although “in most cases, China’s activities in Africa seem to be bound altogether”.³³⁷ The China-Africa Research Initiative of the John Hopkins School of Advanced International Studies reports about global Chinese foreign aid, that it has steadily increased in the

³³⁴ Taylor, I., 2007. Sino-African relations and the problem of human rights. *African Affairs*, 107(426), 65.

³³⁵ Brookes, P., Shin, J. H., 2006. China’s influence in Africa: Implications for the United States, 1916, Background, Washington D.C.: The Heritage Foundation, 5.

³³⁶ Devermont J., Chiang K., 2019. Where does China export to? The observatory of economic complexity in Innocent Bystanders. Why the US-China trade war hurts African Economies. Washington D.C.: Center for Strategic and International Studies, 3.

³³⁷ Ziso, E., 2018. A post state-centric analysis of China-Africa relations. Internalization of Chinese capital and state-society relations in Ethiopia. *Critical studies of the Asia-Pacific*. Cham: Palgrave Macmillan, 9.

past decade growing from \$631 mil. in 2003 to \$3 bil. in 2015 showing an average growth rate of 14%. The steepest growths were observed between 2005-08 when annual growth rates ranged between 14% and 45% and the lowest growth since 2003 was observed in 2015 decreasing to \$2,2 bil. in 2016. “*In 2002, some 44% of China’s widely spread overall assistance to developing countries of \$1,8 bil. went to Africa*”, notes an author.³³⁸ Among many projects, some examples of Chinese donations to African countries include a hospital in Luanda, Angola, a road in Lusaka, Zambia’s capital, “*stadiums in Sierra Leone and Benin, a sugar mill and a sugarcane farm in Mali, a water supply project in Mauritania*”.³³⁹

In turn, African economies with significant natural resources support China’s growth with their potential sources of raw materials.³⁴⁰ Concentrated in oil producing countries such as Nigeria, Angola and Sudan³⁴¹ as well as mega infrastructure and construction projects such as the Standard Gauge Railway in Kenya amounting to \$4 bil. and the Djibouti-Addis Ababa electric train line worth \$3,4 bil., China’s strategy focuses on infrastructure-for-resources loans.³⁴² In the case of Angola, China’s strategy is widely known as ‘the Angola model’ meaning the exchange of Angola’s oil for the financing of its infrastructure by China. Some authors note that “*Côte d’Ivoire is at the very beginning of developing a partnership with China*”.³⁴³ South Africa and Zimbabwe remain Beijing’s major sources for platinum and iron ore, Guinea and Ghana for bauxite mining. Demand for copper in China focuses on Zambia’s resources, keeping the Zambian economy stable, however, the country presented excessive exchange rate volatility and inflation rates at 18,2% due to its copper-export dependence. Chinese investments and contracts in Ghana between 2005-19 amounted to \$10,88 bil.³⁴⁴

³³⁸ Tull, D.M., 2006. China’s engagement in Africa: scope, significance and consequences. *The Journal of Modern African Studies*, 44(3), 463.

³³⁹ UN, Africa Renewal 2013. China in the heart of Africa: Opportunities and pitfalls in a rapidly expanding relationship. New York: UN.

³⁴⁰ Power, M. and Mohan, G., 2010. Towards critical geopolitics of China’s engagement with African development. *Geopolitics* 15(3), 463.

³⁴¹ Ziso, E., 2018, *op. cit.*, 17

³⁴² Alves, A. C., 2013. China’s “win-win” cooperation: Unpacking the impact of infrastructure-for-resources deal in Africa. *South African Journal of International Affairs*, 20(2), 210.

³⁴³ Sun, I.Y., Jayaram, K., Kassiri, O., 2017, *op. cit.*, 13

³⁴⁴ American Enterprise Institute, 2019. China Global Investment Tracker 2019. Washington D.C.: American Enterprise Institute.

Hence, the finance of Africa's infrastructure through Chinese loans and technical expertise in exchange for access to resources appears as a two-sided coin. On the one hand, it enhances Africa's development and, on the other hand, it fuels China's growth. Is thus China's expansion in Africa taking place at the expense of African economies or is it a mutual cooperation? In China's "*pursuit of this growth-oriented strategy, a number of African countries, particularly those with significant natural resource endowments, have come to occupy a central role in Chinese foreign policy, as potential sources of raw materials fueling China's growth*".³⁴⁵ Alden³⁴⁶ reports about the 'resource-based' China's diplomacy in Africa, while Taylor notes that China has a 'singular focus on resource acquisition and commercial opportunism'.³⁴⁷ Indeed, studies examining FDI with the mineral volume indicate a positive correlation.³⁴⁸

However, China's rhetoric considers the China-Africa relations as an equal partnership opposed to the African-European post-colonial relation. Nevertheless, some authors³⁴⁹ recognize China's strategy³⁵⁰ in Africa as neo-colonialist³⁵¹. Africa's trade deficit opposed to China's surplus enhances the neocolonialist argument. The global commodity price slump of 2014 reduced the total value of China-Africa trade from \$215 bil. in 2014 to \$148 bil. in 2017.³⁵² The impact was astonishing: African exports to China declined, whereas Chinese exports to Africa remained steady. It is thus obvious that the African producing capacity was reduced, implying also reductions in the African employment, income and purchasing power. In turn, Chinese exports increased.

³⁴⁵ Power, M. and Mohan, G., 2010, *op. cit.*, 463

³⁴⁶ Alden, C., 2005. China in Africa, *Global Politics and Strategy*, 47(3), 148.

³⁴⁷ Taylor, I., 2009. China's new role in Africa. Boulder: Lynne Rienner, 19.

³⁴⁸ Cheung, Y. and De Haan, J., 2013. The evolving role of China in the global economy, Cambridge: MIT Press, 431.

³⁴⁹ Berger, B. and Wissenbach, U., 2007. EU-China-Africa trilateral development cooperation. Common challenges and new directions. Bonn: German Development Institute, 11.

³⁵⁰ Zhao, S., 2014. A neo-colonialist predator or development partner? China's engagement and rebalance in Africa. *Journal of Contemporary China*, 23(90), 1033.

³⁵¹ Lusumba-Kasongo T., 2011. China-Africa relations: a neo-imperialism or a neo-colonialism? A reflection. *African and Asian Studies*, 10(2-3), 234.

³⁵² Data including North Africa

Loans

According to John Hopkins China Africa Research Initiative, the Chinese government, banks and contractors extended in total \$143 bil. in loans to African governments and their state-owned enterprises (SOEs) between 2000-2017.³⁵³ Chinese loans to Africa reached \$30 bil. only in 2016 with Ethiopia, Kenya and Angola being China's three major debtors receiving \$13,1 bil., \$6,85 bil. and \$19,2 bil. between 2000-15 respectively. Foerstel notes, that "*China committed \$8 bil. loans to Nigeria, Angola and Mozambique in 2005, while the World Bank distributed just \$2,3 bil. throughout the continent*".³⁵⁴ Other authors report that in 2007, "*the China Exim Bank stated that it had extended concessional loans to Africa with a total outstanding balance of approximately \$8–9 bil., while the China Development Bank reportedly set up a \$5 bil. China–Africa Development Fund to finance infrastructure, industrial and agricultural projects*".³⁵⁵

China extended in 2004 a \$2 bil. loan to the Angolan government in exchange for a contract to supply 10,000 barrels of crude oil per day.³⁵⁶ This was actually a reinvestment in Angola's oil infrastructure construction with 70% of the loans heading to Chinese companies. In 2005, "*PetroChina concluded a \$800 mil. deal with the Nigerian National Petroleum Corporation to purchase 30,000 barrels of oil per day for one year*".³⁵⁷ Moreover, the China National Offshore Oil Corporation (CNOOC) purchased a 45% stake in a Nigerian offshore oil and gas field for \$2,27 bil. in 2006.³⁵⁸ Gabon has received several investments by China National Petrochemical Corporation (SINOPEC) despite its declining oil industry.

³⁵³ John Hopkins, 2020. Data: Chinese loans to Africa. China Africa Research Initiative. Washington D.C.: John Hopkins University.

³⁵⁴ Foerstel K., 2008. China in Africa: Is China gaining control of Africa's resources, *CQ Global Researcher*, 2(1), 3.

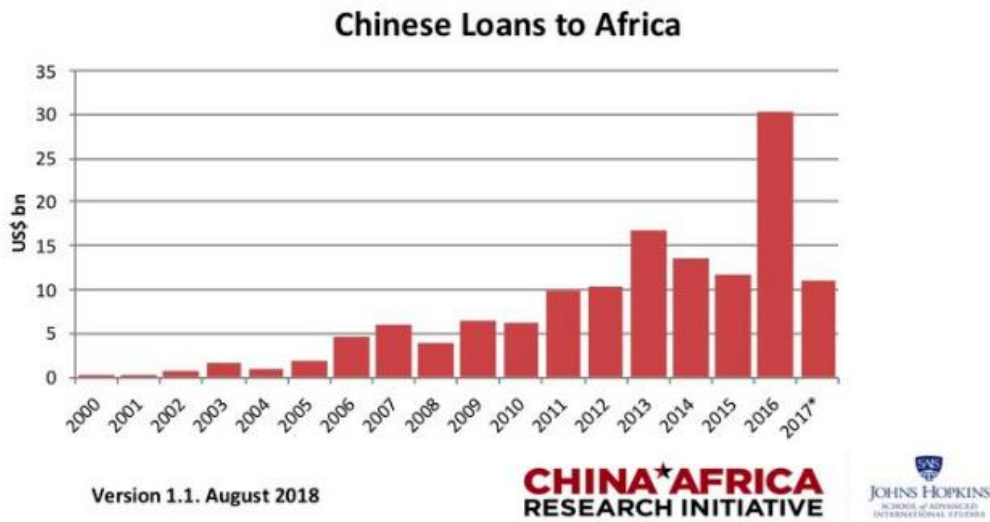
³⁵⁵ Lum, T., November 2009. China's Assistance and Government Sponsored Investment Activities in Africa, Latin America, and Southeast Asia, CRS Report for Congress, 8.

³⁵⁶ Lee, D., 14/11/2004. China Barrels Ahead in Oil Market. California: The Los Angeles Times.

³⁵⁷ The Economist, 7/3/2019. The new scramble for Africa. London: The Economist.

³⁵⁸ Linebaugh, K., Oster, S., 10/1/2006. CNOOC Pays \$2.27 Billion for Nigerian Oil Gas Stake. New York: The Wall Street Journal.

Figure 3.12 Chinese loans to Africa, 2000-2017



Source: John Hopkins, 2020³⁵⁹

In turn, the US administration of the Barack Obama presidency accused China of predatory lending in Africa. According to the US, this debt-trap is causing increasing debts in developing economies, while the terms of the loans remain opaque benefiting mainly China’s expansion. However, recognized scholars such as Deborah Brautigam, who is a professor at the John Hopkins University and Director of the China-Africa Initiative claim, that there is no Chinese ‘debt-trap’. Brautigam refers to several examples across the world with China’s involvement in lending and concludes that ‘hidden’ debt is more of a “*general failure of borrowing countries to report consistently to the World Bank*”.³⁶⁰ China’s debt cancellations are an indication of this debt-trap US rhetoric, which might signalize US regrets of its inefficiency to get more involved in SSA compared to China. The Overseas Development Affairs Commission of China³⁶¹ reports that over the period of 2000-18, China forgave \$9,8 bil. of debt to other countries most of them from the region of Africa. The debt cancellation varies though year-to-year with the years 2001 and 2007 appearing to have the highest amount of debt forgiveness, \$577 and \$838 mil. respectively. Ziso notes that China cancelled by the end of the 1st quarter of 2009, 150 mature debts of 32 African countries.

³⁵⁹ Ibid.

³⁶⁰ Brautigam, D., Huang Y., 2021. What is the real story of China’s ‘Hidden Debt’? China Africa Research Initiative. Washington D.C.: John Hopkins School of Advanced International Studies, 5.

³⁶¹ Overseas Development Affairs Commission of China, 17/4/2019. China: Debt cancellation. Overseas Development Affairs Commission of China. Beijing: Development Reimagined, 19.

Figure 3.13 Chinese port investments in Sub-Saharan Africa



Source: Devermont, J. et al., 2019³⁶²

US Vice President Mike Pence accused China of using debt-diplomacy in order to expand its global influence in providing loans in return for infrastructure deals. The Center for Strategic and International Studies notes in its report that “at least 46 existing or planned port projects in Sub-Saharan Africa are funded, built, and or operated by Chinese entities”.³⁶³ Chinese investments were found to be present in roughly 17% of the 172 Sub-Saharan African ports as captured in the World Port Index 2017. In general, “Chinese entities operate 11 of the 46 Sub-Saharan African ports, seven of which situated in the West coast and four in the East coast”.³⁶⁴ The report raises the US attention against China’s potential aim to extract intelligence or block the use of ports to dock military vessels in critical access points such as the Djibouti City, where China administers two out of the five terminals at the Doraleh Port. China’s engagement in Africa is therefore diverse and complicated.

³⁶² Ibid., 3

³⁶³ Devermont, J., Cheatham, A., Chiang, K., 2019. Assessing the risks of Chinese investments in Sub-Saharan African Ports. Washington D.C.: Center for Strategic and International Studies, 1.

³⁶⁴ Ibid., 4

Defense and security

China's contribution to UN peacekeeping missions is quite significant, counting five of them in Africa, the biggest one in South Sudan (UNMISS) with 1,031 contingent troops, Darfur (UNAMID), Mali (MINUSMA), Democratic Republic of Congo (MONUSCO) and Western Sahara (MINURSO). China has also contributed funding to the African Union mission in Somalia (AMISOM) and the IGAD South Sudan mediation. According to *The Economist* 2019³⁶⁵, China is the biggest arms seller to Sub-Saharan Africa with its defense technology expanding to over 45 countries. Other reports show that China exported arms amounting to a value of \$3 bil., while “*the US shipped \$4,9 bil. to Africa, 87% of which heading to Egypt and Morocco*”.³⁶⁶

Chinese weaponry has been provided even recently to conflicts in DRC, Ivory Coast, Sudan, South Sudan and Somalia. All of these African countries are condemned systematically by the international community for their human rights violations.³⁶⁷ The first Chinese military base overseas opened in Djibouti in 2017, strategically located on the Gulf of Aden and the Red Sea. Djibouti hosts apart from the Chinese, a US military base, Camp Lemonnier, counting a force of 4,000 soldiers and anti-terrorism units. France, Germany, Italy, Saudi Arabia and Japan acquire also military bases in Djibouti. Since 2008, China participates also “*in international anti-piracy operations in the Horn of Africa and the Gulf of Aden*”.³⁶⁸ Yet, according to the Africa Growth Initiative of the Brookings Institution (below map), the United States is, still, the power with the most military bases in the region, followed by France.

³⁶⁵ *The Economist*, March 2019. The new scramble for Africa. London: The Economist.

³⁶⁶ Spross, H., June 2018. Why has China invited African army chiefs to Beijing? Bonn: Deutsche Welle.

³⁶⁷ See European Country of Origin Information Network (ecoi.net)

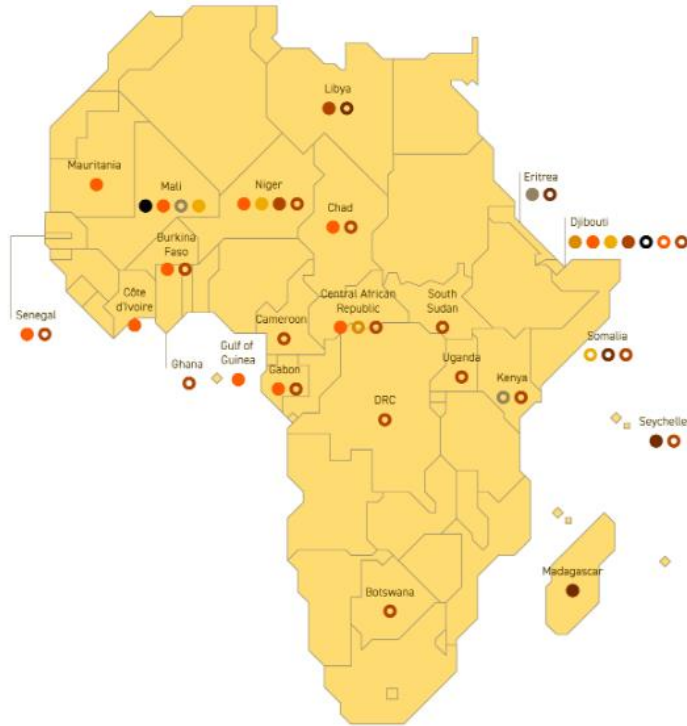
³⁶⁸ Lin-Greenberg, E., 2010. Dragon boats: Assessing China's anti-piracy operations in the Gulf of Aden. *Defense and Security Analysis*, 26(2), 216.

Figure 3.14 Defense partnerships: Military outposts in Africa 2019

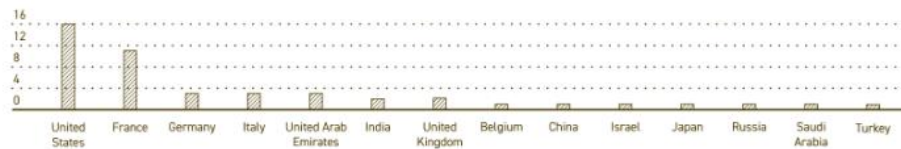
Defense partnerships: Military outposts in Africa

As commercial engagement has increased so has security collaboration, with many African countries hosting a number of European and Asian military outposts. Djibouti's location on the Red Sea makes it a particularly strategic security partner. Even so, the United States remains the partner with the most military outposts in the region, followed by France.

- Belgium
- China
- France
- Germany
- India
- Israel
- Italy
- Japan
- Russia
- Saudi Arabia
- Turkey
- United Arab Emirates
- United Kingdom
- United States



Military outposts by foreign country



Source: Andrews Atta-Asamoah, "Proceed with caution: Africa's growing foreign military presence," Institute for Security Studies, August 27, 2019.



Source: Africa Growth Initiative. Washington D.C.: Brookings Institution

Africa – India

India's interest in the promotion of the South-South cooperation began with the trilateral India-Brazil-South Africa (IBSA) in 2003. Growing imports of agricultural commodities from Africa such as oil, coal and gold and exports of processed food products from India to Sub-Saharan Africa increased the bilateral trade volumes particularly with Nigeria and South Africa. Oil dominates the overall India-Africa trade, while India's investments in Africa have risen recently in the sectors of agriculture, infrastructure, telecoms, petroleum refining and mining. India has four

leading trade partners in Africa; Nigeria and Angola supply 20% of its oil imports while Algeria and South Africa rest on commodity base. India is Africa's fourth-largest trading partner with the India-Africa trade volume standing at \$62,66 bil. for 2017-18. India's growing demand of crops such as cashew and pulses has provided opportunities for African markets such as Malawi and Tanzania. In 2010, India's agricultural commodities' imports from Africa amounted to a total of \$1,15 mil. Africa had a trade surplus with India of \$14,8 bil. in 2011, with commodity exports reaching 91% of its exports in 2010. African imports from India concern mostly manufactured commodities.

The Confederation of Indian Industry and India's Export Import Bank (Exim), the leading credit mechanism, promoted business opportunities through the first India-Africa business summit that took place in Africa in 2005. Evidence shows, that Indian independent entrepreneurs address Africa independently compared to India's governmental initiatives.³⁶⁹ Nevertheless, India's official engagement with Africa has been increasing significantly since the first India Africa Summit in 2008, which was held in New Delhi attended by 14 African heads of states. The declaration of the Africa-India Framework for Cooperation set targets for the intensification of the Indian-African partnership until the second India-Africa Summit in Addis Ababa in 2011 with the Addis Ababa Declaration and the Framework for Enhanced Cooperation. A further credit for Africa of \$5 bil. was announced in 2011 and in 2012 India hosted the BRICS Summit. Agricultural development projects such as irrigation and hydropower projects were supported in Africa by India through EXIM Bank.

India launched a Duty-Free Tariff Preference (DFTP) scheme in order to provide 'preferential market access for exports from 48 least developed countries (LDCs), 34 of which being in Africa' in 2008. The DFTP scheme targeted, on the one hand, the enforcement of resource extraction in Africa by Indian companies. On the other hand, it allowed access to African countries by the Indian markets. *"The scheme covers 94% of India's total tariffs and provided preferential market access for 92,5% of the global*

³⁶⁹ Alden, C., 2006. The new diplomacy of the South: South Africa, Brazil, India and trilateralism. *Third World Quarterly*, 26(7), 1092.

exports of all LDCs".³⁷⁰ Products of interest for Africa concern aluminum ore, cashew nuts, cane sugar, cocoa, cotton, copper, fish, garments and non-industrial diamonds. The intensification of the India-Africa partnership resulted in the overall bilateral trade increase from \$25 bil. in 2006-07 to \$57 bil. in 2011. India's trade with Africa, covered, however, "*a comparatively small proportion of Africa's total trade with 5,8% in 2012*".³⁷¹

India has managed to operate as a role model for Africa in securing its food security for its billion population with surpluses for export at times. India's internalization of agribusiness has even "*led to the subordination of national priorities to global market incentives*".³⁷² Agricultural exporters of the global South, including African economies have shown great emphasis on the export of products such as tea, coffee, poultry, horticulture and animal on the global market leaving aside their internal food security and ending up as major importers of food such as maize, rice and wheat. Benin started exporting fruits and nuts - with a value of \$96 mil. - additionally, to its basic exports of cotton and oilseeds. "*Burkina Faso exports cotton, edible fruits and nuts, which account for 90% of its exports to India, while Cameroon, Equatorial Guinea, Gabon, Republic of Congo, Mali, Nigeria and Sierra Leone are major exporters of wood and wood products to India*".³⁷³ Among the biggest projects financed by India in Africa involved the development of the sugar industries in Ethiopia, which amounted to \$640 mil. India provides tractors and other agriculture-related equipment in Western African countries such as Burkina Faso, The Gambia, Guinea-Bissau, Senegal, Sierra Leone, but also in Swaziland and Tanzania.

Africa – Russia

Russia maintains close relations with several African partners, especially former communist states such as Angola, Ethiopia, Tanzania, Zambia, Zimbabwe, Central African Republic, Chad, Guinea, Guinea-Bissau and Mozambique. Especially during the Cold War, Africa - Soviet Union ties have been historically close with regard to

³⁷⁰ International Trade Center, 2015. India's duty-free tariff preference scheme for LDCs. A business guide. Geneva: International Trade Center, 2.

³⁷¹ LSE, 2013. Emerging powers in Africa. London: LSE Ideas, 32.

³⁷² Ibid.

³⁷³ Cheru, F., Modi, R., 2013, *op. cit.*, 67

African liberation struggles against colonialism, US imperialism and the apartheid regime in South Africa. Particularly Angola and Ethiopia were considered former Soviet client states sharing similar ideological ideas, playing a major role for the Soviet dominance in Africa and the expansion of communism in the Third World. At the same time, institutionalization of revolutionary structures in prolonged wars of liberation in Angola and Mozambique and revolutionary upheaval in Ethiopia and Zimbabwe signaled aspiring Afro-Marxist states opposing the West and the US.

Both Soviet Union and Cuba supported the national liberation movements of Angola's Popular Movement for the Liberation of Angola (MPLA), Ethiopia's People's Democratic Republic of Ethiopia (PDRE), Mozambique's Liberation Front (FRELIMO) as well as the liberation movements in Guinea-Bissau and Cape Verde. In both Neto (MPLA in Angola) and Mengistu (Derg in Ethiopia) regimes there was a significant Marxist identification and an alliance over an ideological perspective. Several African countries received significant military assistance by the former Soviet Union. *"Between 1960-91, roughly 50,000 African students studied at Soviet universities, and approximately 200,000 Africans participated directly in Soviet military training exercises"*, notes a scholar.³⁷⁴ Among African alumni, who were educated or lived for some reason in Russia are the presidents of Angola, Cape Verde, Mali, Mozambique and South Africa.

By the end of the Cold War, Soviet Union lost its political and economic power domestically and externally withdrawing thus to a great extent from the African continent. The Soviet Union became economically and politically weaker and its influence in the global South was severely affected. For instance, Soviet Union refused Mozambique's application to join the Council for Mutual Economic Assistance (COMECON) in 1981.³⁷⁵ *"In 1992, Russia closed nine embassies and four consulates on the African continent"*.³⁷⁶ As a result, the 90s was a rather passive decade for the cooperation of African governments and Russia.

³⁷⁴ Gerócs, T., 2019. The transformation of African–Russian economic relations in the multipolar world-system. *Review of African Political Economy*, 46(160), 319.

³⁷⁵ *Ibid.*, 319

³⁷⁶ Arkhangelskaya, A., 2013. Africa-Russia: New Wave? Contribution to the China Monitor: Special edition: The BRICS Summit 2013 - Is the Road from Durban Leading into Africa? Stellenbosch: Center for Chinese Studies, 11.

Already since the new millennium and the BRICS rise, Russia and Africa have reinitiated their cooperation. The Russia-Africa partnership is part of the increasing role of the South-South cooperation, including the BRICS, in global politics and economics against North-South relations. Within the G8 Summit, Russia forgave Africa debts of \$16 bil., which has built up since the Soviet period. By 2012, Russia completely forgave all \$20 bil. of remaining African debt. Moreover, the first ever Russian-African Summit at Sochi in 2019 was a positive trademark for the future of Africa-Russia cooperation.

This was particularly important for the global geopolitical balance during a period of generalized global economic recession, which was caused mainly by the China-US trade war and Brexit. While the US and China were busy negotiating their bilateral tariffs, Russia-Africa cooperation showed potential for growth with the Russian-African trade cooperation amounting to \$20 bil. in 2018. For instance, Angola, Mozambique and the Central African Republic have been hosting Russian enterprises with some of them seeking further expansion possibilities. Nevertheless, Russia's trade flows with Africa lags behind compared to other countries in BRICS and the EU. Africa-EU trade amounted to \$334 bil., China-Africa to \$204 bil. and France-Africa to \$51,3 bil. in 2018.

Russia's President Vladimir Putin has the ambition to double the Russia-Africa trade turnover in the next years. With regard to trade development, Russia's largest lender "*Sberbank and VEB agreed the with London-based investment firm Gemcorp Capital to support trade finance between Russia and African countries, specifically Angola, Ethiopia, Mozambique and Zimbabwe.*"³⁷⁷ The agreement was worth \$5 bil. and its aim is to boost Russian exports in agricultural products, fertilizers and medical products by providing financial assistance. In the interests of developing the African-Russian relationship, the Chamber of Industry and Commerce of the Russian Federation, under the supervision of the state-controlled Vnesheconombank (Bank for Foreign Economic Affairs) established AfroCom, a committee for the coordination of Sub-Saharan

³⁷⁷ Reuters, 23/10/2019. UK's Gemcorp, Russia's Sberbank, VEB tea up for Africa trade finance. London: Reuters.

African economic relations.³⁷⁸ “*AfroCom is now as the most important state institution for managing African economic diplomacy in Russia*”.³⁷⁹

At the same time, Russia has always had a special interest in supporting militarily certain African states for its own foreign policy goals. Although Asia is Russia’s biggest defense market covering 60% of Russia’s total arms market, Africa remains an important military recipient with 17% and Middle East with 16%. Russia deployed four Russian military transport planes with crews during the civil war in Sierra Leone, for example.³⁸⁰ According to the Center for Strategic and International Studies, Soviet Union’s arm exports to Africa between 2008-17, were valued at \$12,4 bil., 84% of which headed to Algeria and Egypt, North Africa’s major hubs. The Economist reports about 19 military deals with African states since 2014.³⁸¹ Remarkably, the Russian-African Summit at the Black Sea Resort Sochi hosted 43 African Heads of State or Government and according to Kremlin, \$12,5 bil. worth deals were signed between the two counterparts. The landing of the two Tupolev Tu-160 at Waterkloof air force base in Tshwane, South Africa, was a clear indication for the continuation of military and defense support from Russia to Africa. Undoubtedly, African countries are eager to receive military support from Russia and in turn, Africa’s resources can supply Russia’s economy.

Concerning the energy sector, Zambia, Rwanda, Ethiopia, Nigeria and Egypt have shown interest in developing nuclear power plants supported by Russia. The Russian state-owned atomic energy group, Rosatom had a preliminary agreement to build a nuclear power plant in Ethiopia and Egypt. Moreover, Rosatom signed an agreement with Rwanda to construct Rwanda’s first nuclear science and technology center.³⁸² “*Russian state development bank VEB signed an investment cooperation agreement to finance a refinery in Morocco and oil productions pipelines in the Republic of Congo*”.³⁸³ Further, Rosgeo, a Russian state-owned geological corporation has signed

³⁷⁸ Olivier, G., Suchkov, D. 2015. Russia is back in Africa. *Strategic Review for Southern Africa*, 37(2), 164.

³⁷⁹ Gerócs, 2019, *op. cit.*, 322

³⁸⁰ Arkhangelskaya, A., 2013, *op. cit.*, 13

³⁸¹ The Economist, March 2019. The new scramble for Africa. London: The Economist.

³⁸² Rosatom, 24/10/2019. Russia and Rwanda agreed to construct the first Center of Nuclear Science and Technologies in Rwanda. Moscow: Rosatom.

³⁸³ S&P Global, 24/10/2019. Russia’s VEB may invest in Moroccan refinery, Congo pipeline projects. New York: S&P Global.

memorandums with Equatorial Guinea and Nigeria for geological mapping and hydrocarbon exploration.

3.5 Structural drivers

External

Debt

Global South's less developed countries including Africa started attracting global North's interest already during the 60s. At the same time, foreign dollar holdings exceeded US gold reserves³⁸⁴ threatening the stability of the Bretton Woods system in 1960.³⁸⁵ The North's currency accumulation and its search for new markets in the developing economies of the South, namely Africa, Asia and Latin America seemed promising and attractive for both sides. Remarkably, though, following the two-oil crisis of the 70s and the global economic and monetary changes at the end of the Bretton Woods system, the inflows from the North to the South had increased in the midst of the global recession. As a result, the banks of OECD countries started getting involved in project lending in the developing countries of the South. The availability of funds due to the increasing oil inflows during the previous decade served in fact as a means to recycle the funds and to redistribute them.

This was a significant shift firstly in the global monetary system and secondly for the political affairs between the developed and the developing world. Spero and Hart name the period from 1971 until 1989 as a system of interdependence, because it brought major changes in international financial balance between North and South.³⁸⁶ As the authors note, a petrodollar recycling seemed attractive for both the North and South until the first oil crisis of 1973. Moreover, economies of the developing South were showing great new growth potential in contrast to the mature economies of the industrialized North. The world's major private banks were exposed to the debt of the developing countries, which posed serious risks to the international monetary system.

³⁸⁴ Already by the end of 1959, European and Japanese currency reserves equaled those of the United States. The stabilization of the European exchange currency rates and the establishment towards a common European Monetary System (EMS) began after the signing of the Treaty of Rome.

³⁸⁵ Spero E. J., Hart A. J., 2010. The politics of international economic relations. Seventh Edition, Wadsworth. Boston: Cengage Learning, 18.

³⁸⁶ Spero, E. J., Hart, A. J., 2010, *op. cit.*, 20

The end of the Bretton Woods system in 1971 had initiated a positive momentum for SSA and the rest of the developing South. This was a significant impulse of systemic change for the developing South, because alternative political and financial governance rose against the established formations. The reshuffling of international changes was a cause for the developing South to start negotiating the improvement of its terms of trade. Tariff reductions and the increase of development assistance were some of the indicative measures, which were demanded. With their frequent participation in multilateral forums such as the UN and the WTO, global South countries created the New International Economic Order (NIEO) at the United Nations General Assembly in 1974. Its ideology put forward central planning instead of free-market principles and they saw international trade as a zero-sum game, because they figured that the developed North benefited at the backs of the developing South. Within the NIEO, the Group of 77 created more space for participation in the international financial processes and indeed IMF developed mechanisms to service their demands. Different fund facilities were created in order to support payment deficits and imbalances increasing the availability of larger borrowing quotas, such as the International Fund for Agriculture Development (IFAD), the Extended Fund Facility, the Supplementary Finance Facility created in 1979 and the Compensatory Finance Facility, which supported developing economies in the commodity price decline. Multilateral assistance and food aid increased, as well as the availability of lending in structural adjustment policies, according to IMF's instructions. Projects with regard to the development of infrastructure, energy, farming and health care were in general pursued for the improvement of the living conditions of the global South. Despite the strong resistance of the North, which was itself struck by the energy recession crisis, the South succeeded in endorsing a systemic change within the international decision making of the World Bank and IMF.³⁸⁷

At the same time, global monetary developments had influenced to a great extent SSA countries, which were just experiencing their decolonization and independence. In economic, political and institutional terms several African countries had to rebuild from the beginning, since their dependency from the North was still present. At that critical period of their transition, African governments, along with the rest developing South,

³⁸⁷ Spero E. J., Hart A. J., 2010, *op. cit.*, 219

took advantage of the chance to finance their declining inputs. They started covering their budget and trade deficits through the North's loans. In turn, the banks of the North kept financing the deficits of the South creating an unsustainable economic dependence. As a result, Sub-Saharan Africa's transition period found almost the entire continent exposed to high debt. This phenomenon posed significant constraints for the economic and democratic transition of indebted African governments.

The second oil price shock of 1979 and the world recession that followed resulted in enormous debt and balance-of-payment problems. The developing South seemed in the beginning able to service the debt, but the continuous accumulation of debt along with the inability to service it was not seriously considered neither by the developed nor by the developing countries. Signals of instability of the global economic structure and the inequalities between the North and South were obvious. The debt crisis was in the end evident in the population's drained private savings, the lack of entrepreneurial incentives and the governmental trade barriers. The efforts of the African economies to protect their domestic production through protectionist measures led to further impoverishment of the African population. Increased interest rates of major industrial states kept strangulating the collapsed economies of the South, especially African economies, which increased their debt exponentially. Commodity prices and exchange reserves dropped, balance of payment-deficits soared and the currencies of African economies devaluated in order to provoke competitiveness causing a decrease in their exports.³⁸⁸ The continent's share in world exports fell from 6% in 1980 to 2% in 2002 and its share of world imports declined from 4,6% in 1980 to 2,1% in 2002³⁸⁹. Moreover, the volume of external debt increased from \$8,2 bil. in 1970 to \$223 bil. in 1995.³⁹⁰

A wide literature proposes that investment decrease in indebted developing world countries can be attributed to the international debt crisis of Mexico in 1982. However, Warner suggests that the "*declining terms of trade and high world real interest rates in*

³⁸⁸ Fearon, J.D., 1988. International financial institutions and economic policy reform in Sub-Saharan Africa. *The Journal of Modern African Studies*, 26(1), 119.

³⁸⁹ UNCTAD, 2003. World Investment Report. Geneva: UNCTAD, 3.

³⁹⁰ Ioyha, M. A., 1999. External debt and economic growth in sub-Saharan African countries: An econometric study. African Economic Research Consortium, Research Paper 90, 10.

the early 1980s directly caused the investment declines”.³⁹¹ The World Development Report of the World Bank notes that “on average, real interest rates in developing countries have been strongly negative since the 1960s and certainly below the real interest rates in developed countries”.³⁹² Gibson and Tsakalotos argue that low nominal interest rates in countries with high inflation may probably affect real interest rates in turning negative.³⁹³

Table 3.10 Africa’s external debt 1970-1995

in mil. \$

Year	Total external debt	Growth in external debt (%)
1970	8, 296	—
1971	9, 772	17. 79
1972	11, 235	14. 97
1973	15, 168	35. 01
1974	19, 340	27. 51
1975	22, 721	17. 48
1976	26, 996	18. 82
1977	33, 705	24. 85
1978	43, 655	29. 52
1979	55, 485	27. 10
1980	84, 049	51. 48
1981	75, 668	-9. 97
1982	81, 946	8. 30
1983	88, 233	7. 67
1984	83, 866	0. 72
1985	96, 396	8. 47
1986	127, 145	31. 90
1987	162, 629	27. 91
1988	164, 981	1. 45
1989	171, 236	3. 79
1990	190, 260	11. 11
1991	194, 779	2. 38
1992	192, 781	-1. 03
1993	197, 886	2. 65
1994	212, 416	7. 34
1995	223, 298	5. 12

Source: Ioyha, 1999³⁹⁴

³⁹¹ Warner, A.M., 1991. Did the debt crisis cause the investment crisis? *International Finance Discussion Papers 418*. Board of Governors of the US Federal Reserve System, 1.

³⁹² World Bank, 1989. World Development Report, Washington, DC: World Bank, 65.

³⁹³ Gibson, H. D., & Tsakalotos, E., 1994. The scope and limits of financial liberalization in developing countries: A critical survey. *Journal of Development Studies*, 30(3), 584.

³⁹⁴ Ibid.

In 1996, the WB, the IMF and the African Development Fund (AfDF) took the decision to address a debt cancellation known as the Heavily Indebted Poor Countries Initiative (HIPC), which mostly concerned Sub-Saharan African countries. Another cancellation took place later on in 2005, the Multilateral Debt Relief Initiative (MDRI), with the majority of the participating states being 29 African countries. China has been excluded from both debt cancellations. However, neither IMF macroeconomic policies nor debt relief strategies have sufficiently reduced the low-income member countries' debts. As a result, low-income countries distributed vital resources from health sectors and education in order to cover their external debt. In 2005, the G8 agreed to write off an amount of \$55 bil. for 29 indebted African countries. Until now, in 30 African countries out of 36, the debt amounting up to \$99 bil. has been cancelled.

The challenging economic environment, which was created by the global financial crisis of 2008, the 2014 commodity price slump and the European debt crisis, facilitated a further build-up of African debt.³⁹⁵ The report of the Africa Growth Initiative of the Brookings Institution stresses the fact that the prospect of a new sovereign debt crisis across SSA is increasing. *“About one third of total examined African countries³⁹⁶ including the majority of the countries that benefitted from the debt relief in the 90s, appear to have a total debt of \$160 bil. plus \$90 bil external debt”.*³⁹⁷ The report draws upon the increasing region's median debt ratio as a percentage of GDP from 31% in 2012 to 53% in 2017.

Africa's collective GDP growth rate in 2019 was recorded at 3,4% - keeping the levels of 2017 - having increased from 3,2% in 2018.³⁹⁸ The Brexit vote in 2016 and the fall of the sterling pound led to a generalized world recession. Moderate rising commodity prices, strengthening global demand, *“higher investment in infrastructure, strong private consumption and favourable weather”* were the main reasons for Africa's improved growth, according to the UN Economic Commission for Africa.³⁹⁹ However, the currencies of emerging and developing economies (EMDEs) fell sharply in 2018 due to the rise in global interest rates combined with US dollar appreciation. As a

³⁹⁵ Coulibaly B., Ghandi D., Senbet L. W., 2019. Is Sub-Saharan Africa facing another systemic sovereign debt crisis? Africa Growth Initiative. Washington D.C.: Brookings Institution, 2.

³⁹⁶ The report covers 44 countries based on IMF country classifications - excluding Eritrea

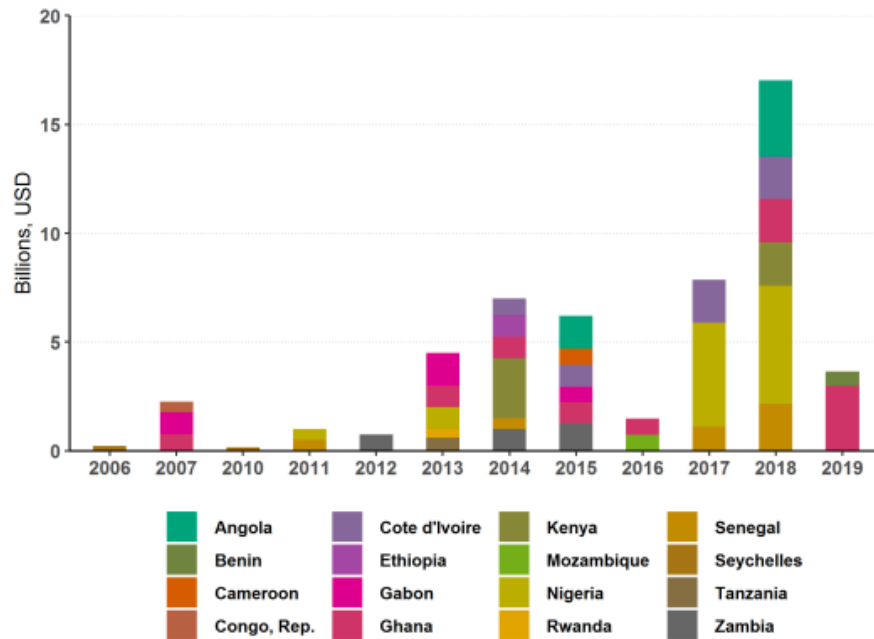
³⁹⁷ Ibid.

³⁹⁸ United Nations Economic Commission for Africa (UNECA), 2019. Fiscal policy for financing sustainable development in Africa, Economic Report on Africa. Addis Ababa: UNECA, 2.

³⁹⁹ Ibid.

consequence, tighter external financing was more difficult for EMDEs, capital inflows declined, borrowing costs increased and portfolio liquidations outflows took place. Credit quality has continued to deteriorate, leading to further debt rating downgrades in several countries in 2018.

Figure 3.15 International bond issuances in Africa, 2006-2019
(selected countries excluding South Africa)



Source: Coulibaly et al., 2019⁴⁰⁰

In search for higher yielding assets, advanced markets turned to high-risk emerging markets including African emerging economies. The majority of Low-Income-Developing-Countries (LIDC) are in low or median debt risk level, however, “*high risk has increased from 13 in 2013 to 24 in 2018*”.⁴⁰¹ Currently, Mozambique, the Gambia, Republic of Congo, São Tomé and Príncipe, South Sudan and Zimbabwe are in debt risk. Coulibaly reports that “*interest costs now account for 10% of government revenues in 17 countries, compared with 6 countries in 2012*”.⁴⁰² Thus, debt accumulation due to rising interest rate costs appears worse than in the HIPC/MDRI period.

⁴⁰⁰ Coulibaly et al., 2019. *op. cit.*, 7

⁴⁰¹ IMF, March 2018. Macroeconomic developments and prospects in Low-Income Developing Countries, Washington D.C.: IMF, 2.

⁴⁰² Coulibaly, B., et al., 2019, *op. cit.*, 4

Moreover, 16 African economies have increased their access to international capital markets having issued Eurobonds in US dollars amounting to \$17 bil.⁴⁰³ As the authors note, the majority of the Eurobonds were issued by Angola, Côte d'Ivoire, Ghana, Kenya, Nigeria, and Senegal, which have all issued bonds with 30-year maturities. “At the end of 2017, the share of Eurobonds in total external debt for the group of Eurobond issuers averaged 20%, ranging from 4% in Ethiopia to 52% in Côte d'Ivoire”.⁴⁰⁴ The 30-year maturity bonds are, however, a positive step for the financing of the infrastructure gaps for the region. Nevertheless, the World Bank confirms in its report that the pace of international debt issuance is currently driven by corporate borrowing in China and a significant uptick in sovereign issuance in SSA.⁴⁰⁵ According to the China Africa Research Initiative at Johns Hopkins University between 2000-17, China's government, banks and contractors provided loan finance of \$152 bil. to 49 African countries and state-owned enterprises. Angola was the largest recipient with \$42,8 bil., half of which was subsequently refinanced.

Structural adjustment programs

The majority of SSA countries entered the transition period after the fall of communism having already adopted the Washington consensus policies. After the two subsequent oil crises of the 70s, several African economies have called for the interference of IMF through the structural adjustment programs (SAPs) and the World Bank. World Bank's President, Robert Macnamara, formulated the term structural adjustment in order to signify the needed policies for the regulation of developing countries indebtedness in 1979. Hence, SAPs interfered in African political and socio-economic affairs by facilitating them with free market structures influencing their production capacities and consumption levels along with other structural governmental policies.

The implementation of structural adjustment programs would increase, according to Washington Consensus, the exports of developing economies and would stimulate the private sector. Indicatively, some of these measures concerned privatization, trade liberalization, austerity programs, wage and price stabilization, reduction of

⁴⁰³ World Bank Group, 2019, *op. cit.*, 12

⁴⁰⁴ *Ibid.*, 11

⁴⁰⁵ World Bank Group, 2018. Global economic prospects. The turning of the tide? Washington D.C.: The World Bank Group, 19.

governmental monopolies, improvement of balance of payments and elimination of state budgets and deficits, management of domestic demand, high interest rates and reduction of credits in order to reduce inflation, exposure of local markets to global competition and enhancement of foreign trade exchange, competitive exports, decreases in expenditures in the social sector, currency adjustments, rising import prices and free market prices. Their goal was to orientate indebted economies towards external markets standing for their increased exports while also reducing inflation. Low growth, low inflows of cash, high debt and financial imbalances of African economies could only be dealt with those economic reforms. These set of SAP measures resembled one another, but each case, of course had to be managed independently.

Undoubtedly, Africa's reduced economic capabilities left the continent with less bargaining power and social transformations were in many cases abrupt and violent. In several cases, the structural changes that IMF proposed were so rapid and forceful, that economic problems and technocratic exercise shifted to political issues. In some cases, the target to achieve economic growth succeeded, while in other country-cases, they contributed to economic collapse. That is probably the reason that some conceived the involvement of IFIs in Africa as detrimental, while others acknowledged the situation as inevitable and necessary. Since the late 1970s and beginning of the 80s, SAPs started spreading to the majority of the African continent. In fact, IMF's intervention in African financial crises began since the 60s, but it was in 1980-81 that the first structural adjustment loans were introduced in Kenya, Malawi, Mauritius and Senegal.⁴⁰⁶

In Ethiopia and Sudan, the reforms required by the IFIs have either been rejected or forestalled.⁴⁰⁷ Initial SAPs in countries such as Zaire, Senegal, Ghana, Kenya and Nigeria were interrupted and renegotiated, but by 1986 most African countries had embarked on structural or financial recovery programs with or without the help of the Bretton Woods institutions.⁴⁰⁸ World Bank notes that by 1988, 18 African countries have initiated SAPs and another 14 have borrowed for sectoral restructuring.⁴⁰⁹ Jilberto

⁴⁰⁶ Clapham, C., 1996. *Africa and the international system. The politics of state survival*. Cambridge: Cambridge University Press, 170.

⁴⁰⁷ Fearon, J.D., 1988, *op. cit.*, 118

⁴⁰⁸ Jilberto, F. A. and Mommen, A., 1996. *Liberalization in the developing world. Institutional and economic changes in Latin America, Africa and Asia*. London: Routledge, 7.

⁴⁰⁹ World Bank, 1989. *World Development Report*, Washington, DC: World Bank, 20.

reports that in the end, about 30 African countries have adopted SAPs.⁴¹⁰ Evidently, the degree of their integration and the implementation of these policies varied between countries. Some have profited in the long term and others have experienced serious economic and political consequences.

Therefore, cash flows and good export performance could not be sustainable at any cost and especially at the cost of the social stability. In general, it can be noted that in the vast majority of SSA governments, SAPs have generated certain social, political and economic tensions, coalitions and conflicts.⁴¹¹ Rising poverty levels, high rates of unemployment, reduced access to basic services and increasing levels of spatial inequalities were some of the negative results of SAPs. Structural reforms were not easily accepted and their implementation lasted for years until some results were shown. Several authors have reported the negative effects of abrupt free market access for developing economies and especially African economies. Rodrik criticized SAPs by attributing the negative effects of free trade for developing countries to little technological development.⁴¹² Further, Rono noted that SAPs had severe impacts in former Zaire, Zambia and Nigeria such as delegitimization of state, political violence, riots, regime turnover and economic deterioration.⁴¹³

Indeed, many cases of free trade did not provide the desired results due to the lack of necessary infrastructure and the absence of government funding. Moreover, phenomena of corruption, nepotism and promotion of specific political and business elite-groups left few opportunities for the lower social class. Tanski and French stressed for instance that free trade can lead to inequality.⁴¹⁴ Obviously, fostering economic growth through trade and reduction of protectionist measures without the necessary governmental regulations would not help the increase of the real incomes of consumers. Naiman and Watkins note in their report that developing countries worldwide implementing Enhanced Structural Adjustment Facility (ESAF) programs have experienced lower

⁴¹⁰ Ibid., 7

⁴¹¹ Rono, J. K., 2002. The impact of the structural adjustment programs on Kenyan society. *Journal of Social Development in Africa*, 17(1), 84.

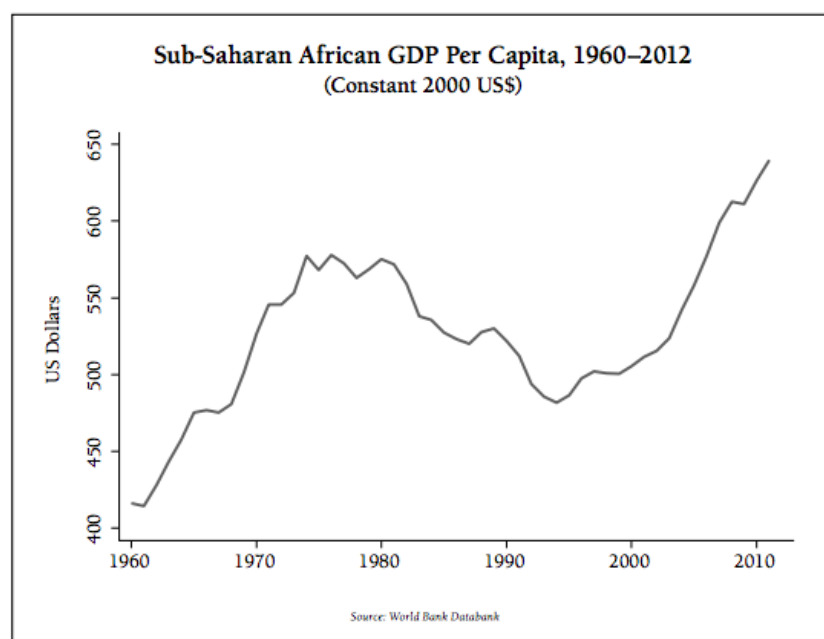
⁴¹² Francisco R., Rodrik D., 2000. Trade Policy and Economic Growth: a Skeptic's Guide to the Cross-national Evidence. *Macroeconomics Annual* 15, 272.

⁴¹³ Rono, J. K., 2002., *op. cit.*, 84

⁴¹⁴ Tanski J., French D., 2001. Capital Concentration and Market Power in Mexico's Manufacturing Industry: Has Trade Liberalization Made a Difference? *Journal of Economic Issues*, 35(3), 679.

economic growth than those who have been outside of these programs.⁴¹⁵

Figure 3.16 Sub-Saharan Africa GDP per capita 1960-2012



Source: Mkandawire, T., 2014⁴¹⁶

Specifically, African countries subject to ESAF programs have fared worse than other countries seeing their per capita income decline. Sachs notes, that SSA became poorer as a result of WB and IMF policies.⁴¹⁷ Other authors stress that both industrial and agricultural production declined.⁴¹⁸ Mkandawire reports that the Bretton Woods institutions have recognized the positive role of the state in the development process after the failure of the structural adjustment programs.⁴¹⁹ Indeed, Ghana, Zaire and Cameroon, which were forced into SAPs faced economic and political crisis. Another example is Zambia, which was “forced to sell its state-owned copper mines to the Southern African Anglo-American for only \$90 mil., half the original negotiated

⁴¹⁵ Naiman, R., Watkins N., 1999. A survey of the impacts of IMF structural adjustment in Africa: Growth, social spending and debt relief. Washington D.C.: Center for Economic and Policy Research.

⁴¹⁶ Mkandawire, T., 2014. Can Africa turn from recovery to development? Current History. *Journal of Contemporary World Affairs*, 113(763), 172.

⁴¹⁷ Sachs, J., 2005. *The end of poverty. How we can make it happen in our lifetime*. London: Penguin Books.

⁴¹⁸ Stein, H., Nissanke M., 1999. Structural adjustment and the African crisis: A theoretical appraisal. *Eastern Economic Journal*, 25(4), 399. Symposium: Liberalization and crisis in developing and transitional economies. Hampshire: Palgrave Macmillan.

⁴¹⁹ Mkandawire, T., 2001. Thinking about developmental states in Africa. Cambridge: *Journal of Economics*, 25(3), 292.

price”.⁴²⁰

Nevertheless, the interference of international financial institutions through the SAPs contributed in some cases towards economic growth. The World Bank Development Report notes that middle-income countries “*boosted their growth rates during 1986-90 by an estimated average of about 4% a year, an increase, which would probably not have occurred otherwise*”.⁴²¹ Nevertheless, low-income countries, especially in Sub-Saharan Africa, performed less well, receiving an additional 2% GDP growth. Privatizations elsewhere such as in Malaysia, Papua New Guinea and Sri Lanka produced less than 1% of GDP growth. In turn, UNDP Human Development Report of the same year advised the governments to be realistic about the revenues from privatizations and not to rush by the pressure of IFIs.⁴²²

Successful privatization experiences of smaller enterprises such as in Chile, Jamaica, Mexico, Poland and Togo have benefited to a greater extent than in Zambia, Madagascar, Bolivia, Chile, Honduras and Mauritania⁴²³, which have reportedly experienced the negative impacts of IMF’s SAPs⁴²⁴. Samatar reports that SAPs emphasize production for export, while its support for domestic production is minimal with demand for more debt leading to more exports.⁴²⁵ Remarkably, growers in Benin and Burkina Faso received a greater share of world prices in the period from 1998–99 to 2001–02 than they did between 1994–95 and 1997–98, presumably due to the domestic reforms in the sector.⁴²⁶ Nevertheless, “*peasants in the Central African Republic, Ghana, Guinea, Liberia, Mali, Nigeria, Sierra Leone, Tanzania, Zaire, and Zambia had greatly withdrawn from production for official market channels by the early 1980s*”.⁴²⁷

⁴²⁰ Carmody, P., 2002. Between globalization and (post) apartheid: The political economy of restructuring in South Africa. *Journal of Southern African Studies* 28(2), 263.

⁴²¹ The World Bank, International Bank for Reconstruction and Development, 1993. World Development Report. Investing in Health. New York: Oxford University Press, 45.

⁴²² UNDP, 1993. Human Development Report. New York: UNDP, 49.

⁴²³ Ould-Mey, M., 1996. Global restructuring and peripheral states: the carrot and the stick in Mauritania. Lanham, MD: Rowman and Littlefield, 110.

⁴²⁴ Stewart F., 1995. *Adjustment and poverty*. London: Routledge, 21.

⁴²⁵ Samatar, A. I., 1993. Structural adjustment as development strategy? Bananas, boom and poverty in Somalia. *Journal of Economic Geography*, 69(1), 26.

⁴²⁶ Goreux, L. & Macrae, J. 2003. Reforming the cotton sector in Sub-Saharan Africa. Africa Region Working paper series 62. Washington, D.C.: World Bank Group, 28.

⁴²⁷ Fearon, J.D., 1988, *op. cit.*, 121

A special case-study with regard to international market exposure is South Africa. While the rest of the SSA countries have experienced globalization and liberalization externally through SAPs, South Africa and most of Southern African states experienced their liberalization internally. South Africa, Namibia and Botswana have not implemented any structural adjustment program ever. South Africa was already a quasi-industrialized economy compared to the rest weak SSA countries.⁴²⁸ A minority of European and North American countries had driven South Africa's private enterprises and exports. Namely, for decades South Africa hosts firms from advanced industrialized economies of the North largely based on gold mining activities.

However, it is widely acknowledged that South Africa's industrial development was based on apartheid's black labor exploitation. As a result, the South African economy was experiencing sanctions by major global economies in protest against its apartheid during the 80s and 90s. Thus, its currency depreciated sharply toward the end of the 90s. Tshitereke reports that South Africa with the largest stock market on the continent, shifted its primary stock market listings in London in order "*to access cheaper capital and facilitate foreign expansion*".⁴²⁹ "*Prior to the end of apartheid, however, the South African economy was being dominated by a group of conglomerates, the four largest of which controlled 83% of the companies, listed on the Johannesburg Stock Exchange (JSE)*".⁴³⁰

Ghana's contradictory case

Ghana's case is characteristic with regard to its initial GDP decline and rise of inflation after the implementation of its respective SAPs. Ghana has participated in IMF's SAPs since 1983 involving "*a shift from a controlled economic policy regime to a market-oriented and private-sector-led economy*".⁴³¹ The first economic recovery program (1984-86) focused on increased export output, inflation control, improvement of

⁴²⁸ Tshitereke, C., 2006. *The experience of economic redistribution. The growth, employment and redistribution strategy in South Africa*. New York: Routledge, 31.

⁴²⁹ Ibid., 42

⁴³⁰ Padraig, C., 2002. Between globalization and (post)apartheid: The political economy of restructuring in South Africa. *Journal of Southern African Studies*, 28(2), 256.

⁴³¹ Konadu-Agyemang, K., 2000. The best of times and the worst of times: structural adjustment programs and uneven development in Africa: The case of Ghana. *The Professional Geographer*, 52(3), 470.

international creditworthiness and rehabilitation of the country's infrastructure.⁴³² The second program (1987-89) focused on growth and public sector restructuring.⁴³³ Policy measures involved massive cuts in government expenditure, adjustment of the exchange rate through devaluations (from 2,75 Ghanaian cedi for \$1 in 1983 to 2,3 in 1998), abolishment of domestic price controls, broadening of the tax base and mobilization of government revenue, privatization of state-owned enterprises, reliance on market-based monetary policy, encouragement of production and exports (cocoa, mineral resources, timber) and significant business incentives.

The impact of the measures was immense - 20,000 workers protested against price increases, cuts in public services and social welfare in the year 1986, while the following year students organized campus rallies protesting against the education reform program of the second economic recovery program.⁴³⁴ While GDP growth averaged 5-6% between 1984-91, it dropped to 2,5-4% after 1992. Further, Ghana's total debt increased fourfold from \$1,39 mil. in 1980 to \$5,8 mil. in 1995 and "*the country's external debt as a percentage of GDP rose from 31,6% to 95% over the same period*".⁴³⁵ Konadu-Agyemang argued that most of the SAPs have generated rural income increases.⁴³⁶ However, with 19% of the population being involved in cocoa production and with the excessive devaluation of the Ghanaian currency, the purchasing power reduced dramatically.⁴³⁷

Nevertheless, Mmieh and Owusu-Frimpong note that "*Ghana has positioned itself to attract high value-added FDI strides in opening its economy to world trade by eliminating exchange controls and non-tariff barriers*".⁴³⁸ Since 1988, over 100 state-owned enterprises (SOEs) have been privatized and the government has instituted programs to attract FDIs.⁴³⁹ Other authors report that "*FDI flows into the non-mining*

⁴³² Mohan, G., 1996. Adjustment and decentralization in Ghana: a case of diminished sovereignty. *Political Geography*, 15(1), 81.

⁴³³ Toye, J., 1991. Ghana. In Mosley, P., Harrigan, J. and Toye, J. 1991. *Aid and Power: The World Bank and Policy-based lending*. London: Routledge, 58.

⁴³⁴ Yeebo, Z., 1991. *Ghana: The Struggle for Popular Power*. London: New Beacon Books, 96.

⁴³⁵ World Bank, 1997. World Development Report. New York: Oxford University Press, 246.

⁴³⁶ Konadu-Agyemang, K., 2000, *op. cit.*, 480

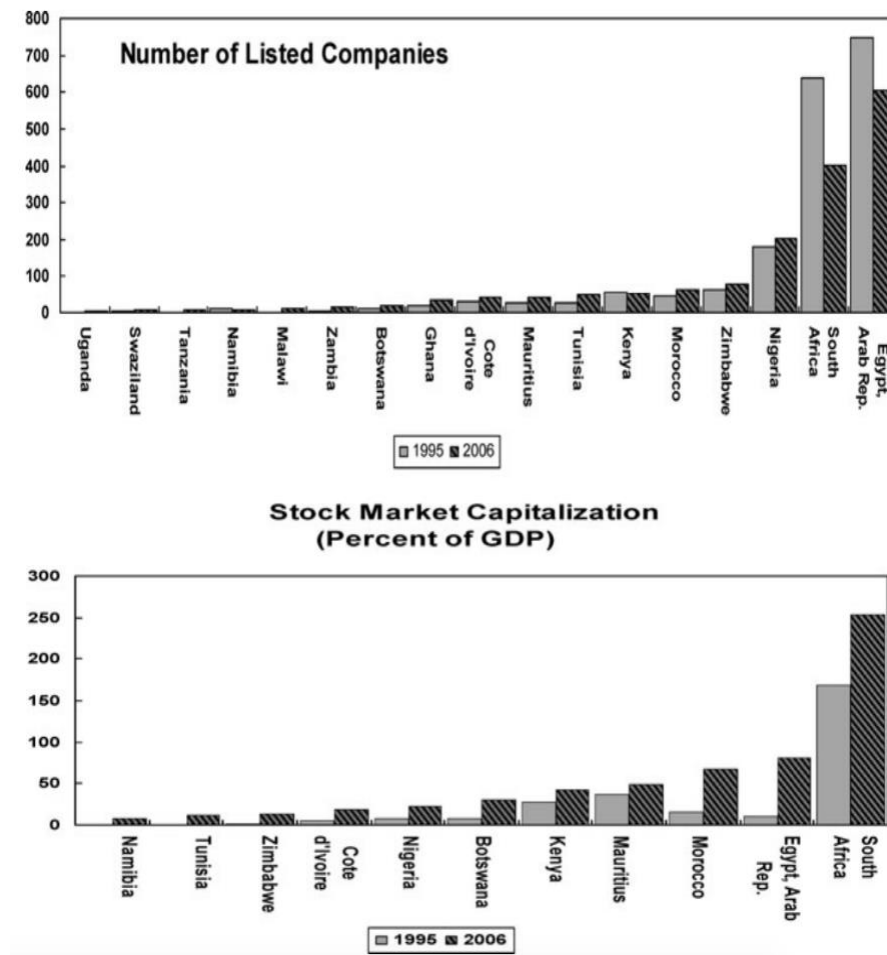
⁴³⁷ *Ibid.*

⁴³⁸ Mmieh, F. and Owusu-Frimpong, N., 2004. State policies and the challenges in attracting foreign direct investment: A review of the Ghana experience. *Thunderbird International Business Review*, 46(5), 575.

⁴³⁹ UNCTAD, 1998. World investment report. Geneva: UNCTAD, 186.

sectors of Ghana's economy comprising of manufacturing, services, tourism, building and construction, export trade, agriculture and general trade sub-sectors Ghana have tripled from about \$145 mil. in 2005 to \$435 mil. in 2006".⁴⁴⁰

Figure 3.17 African stock markets and stock market capitalization⁴⁴¹



Source: Andrianaivo and Yartey, 2010⁴⁴²

⁴⁴⁰ Abor, J., Adjasi, C. K. D., Hayford M.-C., 2008. How does foreign direct investment affect the export decisions of firms in Ghana? *African Development Review*, 20(3), 449.

⁴⁴¹ Stock exchange in Africa began in 1989 with 5 listings and there are now 18 stock exchanges in the continent. The London Stock Exchange is the second most important exchange for the African continent after Johannesburg. Ibukun Adebayo, head of African emerging markets at the London Stock exchange notes that 114 African companies with a total value of £165 bil. are listed in the London Stock exchange. London, as a natural home for extractives, as Adebayo reports, has a concentration of investors and specialized advisers in mining and petroleum. Since 2017, about \$30 bil. have been raised in London in African sovereign bond issuances showing a significant rise. The Johannesburg Stock Exchange is the largest African stock market and second is the Alexandria Stock Market amounting both of them to 50% of Africa's entire stock market.

⁴⁴² Andrianaivo, M. and Yartey, C. A., 2010. Understanding the growth of African Financial Markets. *African Development Review*, 22(3), 396.

Another benefit for Ghana's financial liberalization was the establishment of the Ghana Stock Exchange in 1989. Between 1992-96, Ghana's economy revived with the financial sector deregulation in 1996. "*The distressed banks have been restructured and the number of banks increased from 5 to 15 until 2001*".⁴⁴³ In addition, several rural banks were served by the 15 major banks providing finance to small and medium-sized firms in the communities. Currently, 22 equities and 1 corporate bond with a market capitalization of C3,715.99 bil. (\$650,86 mil.) are listed on the exchange.⁴⁴⁴

Further, Ghana's government has improved the country's business performance according to the World Bank's Doing Business rankings. The country proceeded fast with the liberalization and reformation of its institutions as well as with the transformation of its state-owned enterprises. In order to promote the investment environment - except mining and petroleum sectors - the government established the Ghana Investment Promotion Centre (GIPC) under the Ghana Investment Promotion Centre Act 1994 (Act 478). Nevertheless, the economic difficulties continued with the Government of Ghana signing a \$918 mil. under IMF's Extended Credit Facility (ECF) agreement in order to stabilize the country's economy in 2015.

Political conditionalities

Conditionalities in exchange for democratic reforms were often associated with the control of development aid as political pressure. Obviously, the US and Europe saw their economic and security interests in Africa in correlation with the continent's economic liberalization, although democracy and human rights hardly existed. The West used thus foreign aid as a tool for political and economic pressure towards market openness. Under that framework, US officials often bypassed corruption and human rights abuse in African countries; and especially those that were willing to oppose themselves to Moscow. Various examples such as Kenya, Angola and Sudan, former Zaire, Morocco, Ethiopia and Somalia were significant aid and US diplomacy receivers regardless of their autocratic regimes and the systematic human rights violations. Hence, Africa's transition to development was in most cases associated with obligatory policy reforms, meaning conditionality on democracy.

⁴⁴³ Mmieh, F. and Owusu-Frimpong, N., 2004., *op. cit.*, 587

⁴⁴⁴ *Ibid.*, 587

In response to the generalized crisis in Africa in the 80s and the discussion on political conditionalities, the World Bank's Berg Report set the course for the subsequent donor support⁴⁴⁵, policy change and reform of management in contrast to IMF's conditionalities.⁴⁴⁶ The report underlined domestic policy deficiencies such as overvalued exchange rates, poor marketing systems for farmers and inefficient public sector, which were attributed to the 70s stagnation. The Berg report characteristically recognized the need for further aid in real terms from \$4,9 to \$9,1 bil. A combined 'reorientation of domestic policy' was suggested in order to achieve an average per capita growth of almost 2,5% during the decade, stressing the need for efficient resource use along with development of infrastructure and services. The report characteristically noted that "*foreign assistance has played a more substantial role in Africa than in most other developing regions, in terms of aid per capita, share of total investment, technical assistance and project selection and design*". The reactions of the African side to the Berg report appeared at the Lagos Plan of Action by the OAU in 1980 and the UNECA Alternative Framework Adjustment in 1989 in a rather aggressive and vague approach. The OAU delinked supra-national institutional agreements focusing in Africa-centered ones and the UNECA focused on domestic policy against the neoclassical assumptions of structural adjustment programs.

Indeed, 13 Sub-Saharan countries were receiving net aid at levels above 10% of their GDP in 1980. By 1990, that figure had more than doubled to 30 countries.⁴⁴⁷ At the same time, UN's Food and Agriculture Organization (FAO) announced that "22 African nations⁴⁴⁸ were facing catastrophic food shortages and they would need three million tons of emergency food aid". Shepherd reports that, "by the end of 1983, USAID had cleared only 71,363 metric tons for emergency relief food to only eight African nations".⁴⁴⁹ The same year, private volunteer relief agencies publicly announced that food aid to Africa was not distributed fast enough by the US administration. The announcement of the Secretary of State George Shultz, followed in 1984, "that US food

⁴⁴⁵ World Bank, 1981. Accelerated Development in Sub-Saharan Africa: an agenda for action. Washington, D.C., 79.

⁴⁴⁶ Fearon, 1988, *op. cit.* 124

⁴⁴⁷ Bräutigam D., Knack S. 2004. Foreign Aid, Institutions and Governance in Sub-Saharan Africa. *Economic Development and Cultural Change*, 52(2), 257.

⁴⁴⁸ Two more nations were added in 1984

⁴⁴⁹ Shepherd, J., 1985. Ethiopia: The use of food as an instrument of U.S. foreign policy, *A Journal of Opinion*, 14(4), 4-9. Cambridge University Press, 7.

aid to Africa would climb to 187,000 tons".⁴⁵⁰

According to Farkas, US foreign policy in SSA at the beginning of the transition period in 1991 "was chiefly motivated by a desire to eliminate famine and instability".⁴⁵¹ Moreover, the US failure in Angola was an indication for the US to avoid any intervention against the apartheid regime in South Africa, although they openly opposed it.⁴⁵² Undoubtedly, communist regimes such as Ethiopia's and Mozambique's were completely ignored by the US foreign policy during the 80s under the Reagan administration. The US would cut its food aid provision, because of their unwillingness to interfere with Marxist regimes. Shepherd reports about two USAID officials, who announced that donated food was being sold in Ethiopia to pay "for Soviet arms for the civil war in the northern provinces in 1984".⁴⁵³ The Reagan Administration resisted Congressional pressure to increase food aid to Ethiopia, because Ethiopia's famines did not seem to be worth dealing with for US foreign policy. Further, the US would not risk its involvement or disagreement with the Soviets to deal with further insecurity in the Horn of Africa. Ethiopia's partition from Eritrea was a part of this policy seeing through its humanitarian means the end of the conflict in the Horn. In Farkas words, it was "a true diplomatic victory for the Americans, Ethiopians and Eritreans ... in order to achieve their national goals and their success".⁴⁵⁴ Thus, Washington's investment in Ethiopian diplomacy waived a chance for restarting their cooperation, which has stopped since the takeover of the communist Derg regime in 1974.

A characteristic example as "one of the most explicit cases of conditionality-induced democratization was in Kenya".⁴⁵⁵ Western donors' pressure to President Moi's one-party state on aid to political conditionality was clear. Donors forced democratization after a two-year moratorium, which was followed by the first multi-party elections in 27 years. Until 1990 official development assistance was growing and particularly "net foreign loans and grants in 1989-90 constituted 86% of Kenya's government

⁴⁵⁰ Ibid.

⁴⁵¹ Ibid., 59

⁴⁵² Huliaras, A., Petropoulos, S., 2016. *Africa and the others. Africa's relations with Europe and the world*. Athens: Kallipos, 99.

⁴⁵³ Shepherd J., 1985. Ethiopia: The use of food as an instrument of US Foreign Policy. *A Journal of Opinion*, (14), 6. Cambridge: Cambridge University Press.

⁴⁵⁴ Farkas E., 2003. *Fractured states and US foreign policy: Iraq, Ethiopia and Bosnia in the 1990's*. New York: Palgrave, 58.

⁴⁵⁵ Grosh B., Orvis S., 1997. Democracy, confusion or chaos: Political conditionality in Kenya. *Studies in Comparative International Development*, 31(4), 47.

development budget".⁴⁵⁶ In 1991, a consultative meeting, which pursued democracy,⁴⁵⁷ pluralism⁴⁵⁸, accountability, freedom of expression and respect for human rights seemed to create a turning point in Kenya's announcement of multiparty elections⁴⁵⁹ and political and economic reforms. Until then under the Provincial Administration, which was adopted by the British, President Moi did not allow public gatherings. This situation resulted in state sponsored ethnic violence⁴⁶⁰ and warfare pursued by Moi.⁴⁶¹ In the meantime, Moi's supporters of the Kenya African National Union (KANU) were receiving new farming lands, while the country's economy was collapsing being left only with hyperinflation and the austerity that followed.

There were also contradictory examples of conditional US aid receivers such as Ghana, which is a major US partner in joint defense and military operations. Following its independence in 1957, US-Ghana diplomatic relations established with the consolidation of democracy laying at the heart of the US aid program. Ghana's former rule, Britain, contributed to the country's economic growth from 1844 until its independence. Through its exploitative activities in the fields of cocoa, banking, shipping and mining the country was positioned as the world's leading producer and exporter of cocoa. Ghana's foreign reserves of global gold amounted to £200 mil., equivalent to three-years imports.⁴⁶² In 1957, Ghana's debt was almost minimal⁴⁶³ putting the country's per-capita income of £50 at par with South Korea.⁴⁶⁴ In 1960, its per-capita income rose to £70, higher than Nigeria's £29, India's £25 and Egypt's £56.

However, by the mid 60s, Ghana turned from a promising middle-income country to the edge of bankruptcy. After the global fall of cacao price in 1965 and Nkrumah's plans to turn the government into one-party state, Nkrumah was overthrown by a coup while being on an official visit in China in 1966. Nkrumah left the country bankrupt

⁴⁵⁶ Grosh, Orvis, 1997, *op. cit.*, 50

⁴⁵⁷ Holmquist F., Ford M., 1992. Kenya: Slouching toward democracy. *Africa Today*, 39(3), 96.

⁴⁵⁸ Human Rights Watch Africa, 1994. Multipartyism betrayed in Kenya, 6(5). New York: Human Rights Watch, 23.

⁴⁵⁹ Holmquist F., Ford M., 1994. Kenya: State and civil society the first year after election. *Africa Today*, 41(4), 15.

⁴⁶⁰ Human Rights Watch Africa, 1993. Divide and rule: State-sponsored ethnic violence in Kenya. New York: Human Rights Watch, 12.

⁴⁶¹ Holmquist F., Ford M., 1995. Stalling political change: Moi's way in Kenya. *Current History*, 94(591), 177.

⁴⁶² Konadu-Agyemang, K., 2000, *op. cit.*, 471

⁴⁶³ Huliaras, A, Petropoulos, S., 2016, *op. cit.*, 83

⁴⁶⁴ Werlin, Herbert H., 1994. Ghana and South Korea: Explaining development disparities, *Journal of African and Asian Studies*, 11(3), 205

with an external debt of \$1 bil. Further, import volumes declined by over 33% and real export earnings fell by 52% with domestic savings and investments falling from 12% of GDP to almost zero between 1970-83.⁴⁶⁵ By the early 80s, inflation exceeded 100%, GDP per capita had fallen from \$1009 in 1960 to \$739 and the country experienced one of its worst drought and famine. Moreover, the repatriation of over 1 mil. Ghanaians pursued by the Nigerian government worsened the already impaired socio-economic conditions.⁴⁶⁶

Table 3.11 US trade in goods with Ghana 1993-2018

(in \$ mil. sums on average)

Year	Exports	Imports	Balance	Year	Exports	Imports	Balance
2018	769	581	187	2005	337	158	179
2017	859	750	109	2004	310	145	164
2016	832	321	511	2003	209	82	127
2015	950	309	649	2002	193	116	76
2014	1,2 bil.	272	914	2001	200	187	13
2013	981	366	615	2000	191	205	-13,4
2012	1,3 bil.	291	1 bil.	1999	233	209	24
2011	1,2 bil.	779	420	1998	225	143	82
2010	989	273	716	1997	315	155	160
2009	716	135	581	1996	296	171	124
2008	608	222	386	1995	167	196	-29
2007	416	199	217	1994	125	199	-74
2006	290	192	97	1993	215	215	0

Source: United States Census Bureau⁴⁶⁷

Despite these adverse developments, the maturing of Ghana's multi-party democracy was high foreign policy priority for the US providing the largest donor contribution to the 1996 presidential and parliamentary elections of the country.⁴⁶⁸ Paradoxically,

⁴⁶⁵ Konadu-Agyemang, 2000, *op. cit.*, 473

⁴⁶⁶ Brydon, L. 1985. Ghanaian responses to the Nigerian expulsions of 1983. *African Affairs*, 84(337), 561.

⁴⁶⁷ United States Census Bureau. Foreign Trade - Trade in Goods with Ghana. Washington D.C.: United States Census Bureau.

⁴⁶⁸ Hearn, J., 2010. Foreign aid, democratization and civil society in Africa: A study of South Africa, Ghana and Uganda, IDS Discussion paper 368. Brighton: IDS, 8.

Ghana's first President, Kwame Nkrumah was a visionary pan-Africanist, but criticized imperialism severely. Despite Nkrumah's Marxist ideas, he cooperated with the US receiving assistance for Ghana's development.⁴⁶⁹ Rosenberg called US engagement in Ghana as 'liberal developmentalism' and until 1960 US-Ghanaian relations were friendly and fruitful.⁴⁷⁰ However, in the same year, trade and technical cooperation agreements were made with Soviet Premier Nikita Khrushchev. Evidently, US-Ghana trade relations seemed of great interest for US commercial interests. In addition, the establishment of democratic standards through US aid to Ghana would provide the political stability that US economic interests pursued. The data from above table indicate that Ghana's trade in goods with the US present serious deficits. Only in 1993 was there a zero-trade balance and some surpluses for Ghana in 1994, 1995 and 2000, but since then, the US has shown a steady trade surplus.

Development aid

Development aid concerned financial flows from developed North to developing South as a means to contribute to their state-building process and their transition towards liberal democracy and market liberalization. After the end of the World War II, industrialized North facilitated the state-building of weak, fragile states in the South with the initiation of foreign aid through the Marshall Plan in 1947.⁴⁷¹ Before the war, there was actually neither multilateral aid nor significant financial flows associated with the state-building process. The UK and France were the first to initiate aid to their former colonies. "*The United States focused on former Spanish, Belgian and Portuguese colonies*".⁴⁷² For the US, Latin American aid programs were a top priority at the start of the 1960s. Economic aid was thus forwarded to Latin America in order to ensure that the continent will develop a pro-US direction. Limitation of any anti-US and pro-communist positions was of course one of the first priorities for the US.⁴⁷³ In the case of Japan and other countries in the region, the US offered bilateral security

⁴⁶⁹ Nwaubani, E., 2001. Eisenhower, Nkrumah and the Congo Crisis. *Journal of Contemporary History*, 36(4), 602.

⁴⁷⁰ Rosenberg, E. S., 1982. *Spreading the American Dream: American Economic and Cultural Expansion, 1890–1945*. New York: Hill and Wang, 13.

⁴⁷¹ Bräutigam D., Knack S. 2004. Foreign Aid, Institutions and Governance in Sub-Saharan Africa. *Economic Development and Cultural Change*, 52(2), 256. The University of Chicago Press.

⁴⁷² Whitfield, L., 2009. Ownership and the donor-recipient relationship. DIIS Working Paper: Vol. 18. Copenhagen: Danish Institute for International Studies, 48.

⁴⁷³ Taffet, F.J., 2007. *Foreign aid as foreign policy: The alliance for progress in Latin America*. Routledge: New York, 2.

arrangements as a postwar bargain with political logic.⁴⁷⁴ The US provided security protection, technology and supplies for their access to the open markets and the promising American economy. Japan and the rest of the countries provided in return diplomatic, economic and logistical support for the US anti-communist postwar order. Asia received during the 1960s almost half of foreign aid or usually referred as Official Development Assistance (ODA), while Africa received about a quarter.⁴⁷⁵ Remarkably, Africa's share of ODA surpassed Asia's in the 1980s.

As a result, development aid evolved in the 90s as a supplementary tool to enhance the transition process. As the transition process has found many states weak, fragile or even failed, a combination of factors such as the Washington consensus policies, the corruption within the closed political and economic elites as well as global economic factors have downgraded the already weak satellite countries of the South. Metropole countries of the industrialized global North intervened in their satellite countries in the developing South in order to facilitate their stable state-building process along with their economic and political transition. The logic of state-building through development aid concentrated in maintaining stability and prevention from threats against "*national security of other states in the international system*".⁴⁷⁶ Apparently, one of the several characteristics of fragile states included the hosting of various actors into their territories, which competed over legitimacy and power. This was particularly evident in Bosnia and Herzegovina, East-Timor, in the Israeli-Palestinian conflict, in Iraq, Afghanistan and in several states in Sub-Saharan Africa. War and conflicts characterized the state-building process, which involved different ethnic groups within the same territory. As a consequence, development aid was forwarded by the developed North to counteract those hazards.

According to the World Bank's World Development Report 1991⁴⁷⁷, low and middle-income countries received more than \$33 bil. of foreign aid or ODA in 1989, which included aid from all sources, by all multilateral and bilateral sources to promote

⁴⁷⁴ Ikenberry, J.G., Inoguchi T., 2007. *The Uses of Institutions: The U.S., Japan and Governance in East Asia*. New York: Palgrave Macmillan, 7.

⁴⁷⁵ UNCTAD, 2006. *Economic Development in Africa. Doubling aid: Making the "Big Push" Work*. Geneva: UNCTAD, 16.

⁴⁷⁶ Andersen, M. S., 2012. Legitimacy in State-building: A review of the IR literature. *International Political Sociology*, 6(2), 205.

⁴⁷⁷ World Bank, 1991. *World Development Report 1991*. Washington D.C: Oxford University Press, 18.

economic development and welfare.⁴⁷⁸ Between 1993-97, Asia's ODA receipts reached \$86,5 bil. while Africa's reached \$9,5 bil. Woods noted that, "*the US was the largest provider of development aid in 2002 accounting for 23% of global development aid with the top six recipients of US development aid being Egypt, Russia, Israel, Pakistan, Serbia and Colombia*".⁴⁷⁹ All five countries, apart from Israel, are considered hybrid, authoritarian regimes being characterized by weak institutions and fragile state building processes.⁴⁸⁰

The International Development Association (IDA)⁴⁸¹, which is World Bank's major financial institution in the provision of concessional loans and grants to developing countries, provided lending at about \$15,3 bil. in 2000. In 2017, the World Bank's support to developing countries in loans, grants, equity investments and guarantees amounted to nearly \$59 bil. Donors were aware at that time that increased aid flows can have unintended negative consequences to their recipients. 'Client states' faced loan or grant conditions and in many cases flows of aid led to real exchange rate appreciations, which did not depict the real economic condition reducing thus their international competitiveness. Goldsmith stressed that donors tried "*to counteract moral hazard by putting conditions on their loans*".⁴⁸² Known as political conditionalities, these policy-conditions were actively forwarded by international financial institutions and the IMF in particular and demanded political reforms towards democratization and human rights in exchange for financial inflows and development aid. "*The degree of aid dependency has been growing ever since over the past two decades*".⁴⁸³ Further, agencies and donors either connected to 'client governments' or were opposed to them when they moved money in order to 'justify their budgets'.

After widespread implementation of the Washington consensus policies and 'good governance' policies, international financial institutions promoted market liberalization

⁴⁷⁸ The World Development Report 1991 lists only countries with populations over one million and does not provide ODA information for Eastern Bloc countries.

⁴⁷⁹ Woods, N., 2005. The shifting politics of foreign aid. *Royal Institute for International Affairs*, 81(2), 397.

⁴⁸⁰ Gilbert, L., Mohseni, P., 2011. Beyond authoritarianism: The conceptualization of hybrid regimes. *Studies in Comparative International Development*, 46(3), 294.

⁴⁸¹ The major difference between funds from ODA and the WB is the fact that the first is bilateral and the latter multilateral.

⁴⁸² *Ibid.*, 125

⁴⁸³ Goldsmith, A. A., 2001. Foreign aid and statehood in Africa, *International Organization*, 55(1), 125.

through development aid.⁴⁸⁴ A new term, which is known as ‘aid for trade’ has been adopted in order to involve the flow of development finance from the industrialized countries of the North to the non-industrialized South for the purpose of enhancing the world trading system.⁴⁸⁵ Taking the above into consideration, there is still a certain dependency of the ‘weak states of the South’ on the ‘strong states of the North’. Countries in transition and developing countries need first to secure legitimacy from their societies as well as to guarantee accountability of the public institutions. However, it seems that the intervention of the international community is inevitable during periods of instability and conflicts.

Internal

Leadership

Leadership is a crucial theme in Sub-Saharan African politics. SSA leaders present some unique characteristics such as power consolidation, undermining of democratic institutions, strengthening of security forces and command in crucial parts of the state’s sectors. In the second chapter on transition theory analysis, some major characteristics of the state were addressed such as sovereignty, legitimacy, effectiveness and consistency. The SSA experience of authoritarian leadership has shown that there is no alignment with three of the four mentioned characteristics. It appears that the ‘Sub-Saharan African state’, as cautious as this observation can be due to the generalization of the term, legitimacy, effectiveness and consistency are hard to meet. In most of Africa after the independence, there was a move away from pluralism towards the centralization of power in the hands of a single party, usually party leaders who used their power to become state presidents.

Overall, both non-socialist and socialist regimes tended towards authoritarianism. For instance, non-socialist SSA presidents such as Kabila in DRC, Kagame in Rwanda and Zenawi in Ethiopia remained in power by using the institutions with autocratic means. Other SSA leaders embraced socialist practices and turned to authoritarianism. One

⁴⁸⁴ Curtis, D. 2013, *op. cit.*, 85

⁴⁸⁵ Stiglitz, J. E., & Charlton, A., 2006. Aid for trade. *International Journal of Development Issues*, 5(2), 2.

characteristic example is Zimbabwe's second President (1987-2017), Robert Mugabe, who deployed Marxist-Leninist elements in his armed struggle in 1980 and turned to a dictator after several years in power.

In turn, there are prominent Sub-Saharan African socialist leaders, who are known for their positive or negative contributions to the Afro-Marxist movement such as Amilcar Cabral in Guinea-Bissau and Cape Verde, Samora Machel in Mozambique, Michel Micombero in Burundi, Agostinho Neto in Angola, Mengistu Haile Mariam in Ethiopia, Thomas Sankara in Burkina Faso, Julius Nyerere in Tanzania and Kwame Nkrumah in Ghana. Ghana, for instance, transformed from a socialist state to a liberal economy rather fast. Ghana's President, Kwame Nkrumah developed pan Africanist ideas, which spread all over the continent during Africa's independence period empowering the African unity and contributing to OAU's creation in Addis Ababa in 1963. Nkrumah's socialist vision ended with Ghana's indebtedness, the banning of any opposition parties and his final overthrow from power in 1966. Further, his economic policies undermined cocoa farmers, who struggled with the declining price of cocoa after Nkrumah had increased central government levies.

From another perspective, ambiguous African communist leaders such as Ethiopia's Mengistu Haile Mariam indicate how a fixed ideology has destroyed a whole country. Although Ethiopia stands as an exceptional example having avoided the experience of colonialism - apart from its occupation by the Italians for a few years – the country's socialist period has remained in history due to the regime's atrocities against its own population. Incredible civil war crimes took place during that period in a country, which was at the same time tarnished by famine and drought. Another example of a famous communist African leader is Agostinho Neto, Angola's first President between 1975-79, who led Angola's MPLA party to the country's independence between 1961-74 and Angola's civil war between 1975-2002. Neto, who initially asked the Kennedy administration for US support in order to counter Portugal, turned to Fidel Castro declaring Marxism and Leninism as MPLA's official ideological direction.

A different socialist example, Tanzania's first President (1961-85), Julius Nyerere, adopted socialist policies applying his socialist ideas following China's Mao Zedong's vision. Tanzania, however, is a case-study, which accelerated its transition to a

multiparty system and adopted economic market-based reforms in the mid 90s - although it was earlier characterized by its socialistic economic policies. These social policies enhanced, on the one hand, the national identity of the country in ethnic, regional and linguistic terms. On the other hand, socialist economic policies resulted in slow economic growth and high poverty. Nyerere's ujamaa plan (village socialism) was based on a rural development policy, which was declared in the Arusha Declaration in 1967. According to ujamaa, major industries were nationalized with companies and banks putting a strong emphasis on agricultural development through communal farms. Nyerere provided support to anti-colonial groups in the form of aid and training for their struggle against the white regime especially in southern Africa. Nyerere's struggles resulted also in the overthrow of the much-disputed Ugandan president Idi Amin following his invasion in Uganda (Uganda-Tanzania War 1978-79).

Nyerere was a charismatic political figure, who understood the Weberian sense of state. His vision to connect his charisma within a social context was, however, often pursued in an authoritative manner such as the implementation of the ujamaa itself.⁴⁸⁶ Tordoff reports about Nyerere's governmental equalization measures, which imposed severe restrictions on private enterprises.⁴⁸⁷ Furthermore, Nyerere impeded the privileged through taxation or other severe hindrances. Although the process of class formation did not stop, he prevented the consolidation of power at the expense of other emergent classes. The country succumbed finally to the programs of IMF in 1986. Finally, Tanzania's reforms showed positive results towards growth and investments, although increasing corruption attracted widely the public concern. Tanzania is currently listed by the World Bank as "*one of the most socially cohesive and politically stable nations of Sub-Saharan Africa*".⁴⁸⁸

Resource dependency

African countries may be divided into resource-rich and non-resource rich, the former being dependent on the export of their resources and the latter being dependent on their imports. Both resource-rich and non-resource-rich African economies are dependent on

⁴⁸⁶ Tordoff, W., 2002. *Government and politics in Africa*. New York: Palgrave Macmillan, 8

⁴⁸⁷ Ibid., 91

⁴⁸⁸ World Bank, 2018. Country partnership framework for the United Republic of Tanzania (2018-2022). Washington D.C.: World Bank, 9.

global price volatilities - the former more than the latter – and are subject thus to continuous economic crisis with rising sovereign debts. Africa is an exporter of raw materials and an importer of consumer and capital goods importing more than 90% of its goods.⁴⁸⁹ However, the African continent is rich in resource endowments and it has a vast potential to supply its own import needs.⁴⁹⁰ A WTO report notes that more than 80% of Africa’s exports are still destined for outside markets, with the EU and the US accounting for more than 50%. “*In 2000, the export of primary resources accounted for 86% of all exports from Africa*”.⁴⁹¹ This percentage appears significantly higher compared to other developing countries. Swilling reports that “*the export of primary natural resources accounted for only 31% of all exports from all developing countries in 2000 and 16% of the exports from advanced industrial countries in the same year*”.⁴⁹² According to the United Nations Economic Commission for Africa, “*an estimated \$50 bil. is lost in Africa, as a result of mispricing of natural resources, a sum, which almost matches the \$54 bil. FDI inflows and Africa’s official development assistance (ODA) at \$52 bil. in 2013.*”⁴⁹³ Evidence showed that African countries were able in the past to develop over broader periods such as “*Côte d’Ivoire, Gabon, Nigeria and Togo during 1960-75, Congo and Cameroon between 1975-85, Rwanda, Mali, Congo, Gabon and Nigeria between 1964-94 and increase in manufacture exports for Mauritius, Mali, Burkina Faso, Côte d’Ivoire and Niger between 1964-75 - with the exception of Niger*”.⁴⁹⁴

Nevertheless, Africa’s natural resource dependence renders the continent vulnerable to global price volatility. African economies resource output moves in most cases in correlation with international commodity prices, therefore external price fluctuations impact severely their commodity-dependent economies affecting their savings,

⁴⁸⁹ Hartzenberg, T., 2011. Regional integration in Africa, World Trade Organization, Economic Research and Statistics Division, Working Paper ERSD-2011-14. Geneva: World Trade Organization, 10.

⁴⁹⁰ Southall, R., 2009. The scramble for Africa and the marginalization of African capitalism. In *A new scramble for Africa: Imperialism, Investment and development*. South Africa: University of KwaZulu-Natal Press, 27.

⁴⁹¹ Mayer, J., Fajarnes, P., 2005. Tripling Africa’s Primary Exports: What? How? Where? UNCTAD Discussion Papers. Geneva: UNCTAD, 8.

⁴⁹² Swilling M., 2013. Economic crisis, long waves and the sustainability transition: An African perspective. *Environmental innovation and societal transitions* (6). 108, Elsevier.

⁴⁹³ United Nations Economic Commission for Africa (UNECA), 2016. Investment Policies and Bilateral Investment Treaties in Africa, Implications for Regional Integration. UNECA: Addis Ababa, xv.

⁴⁹⁴ Rodnik, D., 1998. Trade policy and economic performance in Sub-Saharan Africa, Working Paper 6562, Cambridge: National Bureau of Economic Research, 2.

investments and human capital. For instance, the deep drop of commodity prices and oil in the mid 2014, has pulled down growth rates, especially those of Nigeria and Angola.⁴⁹⁵ Nigeria and Angola, Africa's largest oil exporters, were hit hard by the global oil price decline. Nigeria is a representative example as one of the most populous African countries, with the strongest economy in the continent, being oil-dependent, ranking, however, as the most poorly governed. Nigeria has earned about \$43 bil. in oil rents between 2000 and 2014 and until 2016. However, most of its oil revenues are directed from the oil companies to the government. Further, the country faces extremely weak infrastructure, terrorist attacks by extremists such as Boko Haram, poverty, analphabetism and high migration rates. In Angola, oil accounts for more than 95% of its export revenue and amounts to 30% of the country's GDP. Between 2011-15, Angola's GDP contracted to 4,7% from 12,6% in 2006-10 due to the low international oil prices, which resulted in government revenues' decline to 51% and high inflation between 2014-17. Due to this adverse economic environment and the weak exchange rate, Angola's currency devalued 40%.⁴⁹⁶

Another oil exporter and 'failed' state is South Sudan, which faces a number of challenges at a political, social and economic level. After its separation from Sudan in 2011, it turned to a political marketplace funded by oil. South Sudan is the most oil-dependent country in the world and its oil inflows account 60% of its GDP, more than 95% of the government's revenues.⁴⁹⁷ That makes its economy extremely vulnerable to external oil price shocks. With the commodity slump of 2014 and the global oil price drop, South Sudan's growth rate reduced dramatically. To make matters worse, civil war along with civil conflicts and social crisis rendered 6 mil. people food insecure. South Sudan hosts about 1 mil. Ethiopian refugees and migrants, mostly very young, but only 140,000 of them have official work permits.

Another example, which heavily depends on its diamond extractive industry, is Sierra Leone. Sierra Leone's foreign exchange earnings were attributed at about 70% to diamond extraction between the 1960-70s. However, by the mid 80s the state's

⁴⁹⁵ Coulibaly, B. S. 2018. Foresight Africa. Top priorities for the continent in 2018. *Africa Growth Initiative*. Washington D.C.: Brookings Institution, 45.

⁴⁹⁶ African Economic Outlook, 2018, *op. cit.*, 127

⁴⁹⁷ Africa Private Equity Confidence Survey, 2017. Translating potential into investment growth. Johannesburg: Deloitte, 171.

diamond extractivism capacity was reduced due to corruption, smuggling and collapse of the state's infrastructure. Reno reports about the 'shadow state' in Sierra Leone referring to subterranean structures of official institutions.⁴⁹⁸ The country remains dependent on the global markets' volatility due to its lack of diversification in commodity export and unprocessed products. Although the discovery of iron ore speeded up growth since 2011, Sierra Leone's economy contracted to almost 20% due to the Ebola outbreak in 2014. Sierra Leone held its sixth democratic elections in 2018 and ranks 39 out of 163 countries on the Global Peace Index 2017.

Another example of a commodity dependent economy and world's major cocoa exporter in West Africa is Ghana. Ghana's impressive 14% growth in 2011 fell to 3,5% in 2016, due to the global commodity decline, with the country's economy increasing again at 6,3% in 2017.⁴⁹⁹ Côte d'Ivoire is another world's major cocoa exporter, with cocoa being the main source of its export earnings. Côte d'Ivoire's vulnerability due to its single export commodity causes certain political, economic and social instabilities.

One crucial issue in such post-conflict and fragile environments is the necessity to ensure the protection of human rights and child-labor from the extractive industries. In Kasai, of the Democratic Republic of Congo (DRC)⁵⁰⁰ the area's rich resources in cobalt are controlled by multinational corporations and local rebels. Multinational companies control part of the area's mining activities, while various rebel groups make their living by controlling parts of the area's resources. Despite being condemned by the society, these rebels' lives as well as their families depend on informal parallel-to-the-official-market activities due to the lack of alternatives. These conditions create serious implications not only for the local communities, but also for the market system and the state's inactive redistribute intervention, which lacks the capacity to include these communities in an effective and productive way into its markets. In addition, the country's youth unemployment reached 30% in 2016.

⁴⁹⁸ Reno, W., 1995. Corruption and State Politics in Sierra Leone. *American Political Science Review*, 90(2), 460. Cambridge: Cambridge University Press.

⁴⁹⁹ Ibid.

⁵⁰⁰ Perks, R., 2012. How can public-private partnerships contribute to security and human rights policy and practice in the extractive industries? A case study of the Democratic Republic of Congo (DRC). *Resources Policy*, 37(2), 258.

African economies lacked historically the capacity to benefit themselves from their own endowments, which is a fact that turns against them. Africa's poverty and conflicts have always been connected to its natural resources and land availability. The continuous need for the North's extractive industries affects mostly developing and transition economies with several studies pointing to issues of corruption, mismanagement and transparency of the extractive revenues along with the crucial levels of poverty and underdevelopment in resource-rich countries.⁵⁰¹ The Natural Resource Governance Institute Report notes in the Resource Governance Index 2017, that 28 countries in SSA have a significant gap between resource governance based on their laws and their practices on the field.⁵⁰² According to the report, SSA sovereign wealth funds, which are created as funding facilities for the resource revenues score the lowest rate due to corruption. Apart from Ghana and Botswana, which present 'satisfactory' ratings all other African countries receive 'weak' or 'poor' ratings. Remarkably, there is no SSA country with a 'good' rating in the index and seven of the world's bottom performers are in Africa including the DRC, Equatorial Guinea and Zimbabwe with 'fail' governance scores.⁵⁰³

Other authors, investigating a sample of 113 countries for the period 1950-1982, concluded that political instability reduces growth.⁵⁰⁴ Indeed, several empirical studies found a negative correlation between natural resources, specifically oil⁵⁰⁵ and democracy⁵⁰⁶ suggesting that resources⁵⁰⁷ have a negative impact on democracy⁵⁰⁸. Internal rent-seeking and persuasion of leaders' personal objectives lead to further deterioration of obscure transactions between elite governments and multinational corporations depriving the benefits of resource-extractivism from the local

⁵⁰¹ Al Faruque, A. 2015. Transparency in extractive revenues in developing countries and economies in transition: A review of emerging best practices. *Journal of Energy & Natural Resources Law*, 24(1), 68.

⁵⁰² Toroskainen, K., 2019. Resource Governance Index: From legal reform to implementation in Sub-Saharan Africa. New York: Natural Resource Governance Institute, 3.

⁵⁰³ Coulibaly, B. S. 2018. Foresight Africa. Top priorities for the continent in 2018. *Africa Growth Initiative*. Washington D.C.: Brookings Institution, 32.

⁵⁰⁴ Alesina, A., Sule, O., Roubini, N., and Swagel, P., 1996. Political Instability and Economic Growth. *Journal of Economic Growth*, 1(2), 189.

⁵⁰⁵ Ross, M. L., 2001. Does oil hinder democracy? *World Politics* 53(3), 325.

⁵⁰⁶ Jensen, N., and L. Wantchekon, 2004. Resource wealth and political regimes in Africa. *Comparative Political Studies* 37(7), 816.

⁵⁰⁷ Frankel, J. A., 2010. The natural resource curse: A survey. NBER Working Paper No. 15836, Cambridge: MA National Bureau of Economic Research, 11.

⁵⁰⁸ Smith, B., 2004., Oil wealth and regime survival in the developing world, 1960-1999. *American Journal of Political Science* 48(2), 239.

communities. Widespread corruption, clientelism, paternalism and kleptocracy are reported. These circumstances create without doubt internal and external conflicts leaving the African population to poverty.

On the contrary, a remarkable case-study with considerable institutional capacity in Africa is Rwanda. Despite its genocide in 1994 and the long civil war (1993-2005) between the Hutu and Tutsi, which affected the country's economic structure, Rwanda has shown in the recent years, exceptional performance ranking second best after Mauritius in the World Bank's Ease of Doing Business.⁵⁰⁹ Rwanda's example confirms that strong institutions reduce the operating costs significantly. Moody's credit rating report underlined Rwanda's institutional progress in 2017 through the title "*Rwanda's credit profile reflects institutional strength and growth potential*".⁵¹⁰ Interestingly, institutional growth is not dependent on high-income levels, as the KPMG Report on Growth Promise Indicators, presented.⁵¹¹ The report highlights that low-income countries such as Rwanda - but also lower middle income such as Bhutan - demonstrate the value of their institutional strength over a number of factors such as "*corruption, government effectiveness, IP and property rights, judicial and regulatory frameworks and policymaking transparency*".⁵¹² Rwanda's institutional strength resembles the development of the East-Asian countries, which showcased exceptional economic growth figures along with strong state capabilities.

Another successful country of strong institutional capacity, which reinvested its export earnings in education, health and infrastructure is Botswana. Being the biggest diamond producer in the continent, Botswana managed to take advantage of its diamond extraction industry in order to turn from low-income status to an upper-middle-income country. Diversification of the country's economy, right macroeconomic and fiscal policy-making along with countercyclical spending and limited public expenditure-to-GDP ratio contributed to Botswana's successful economic model.⁵¹³ Nevertheless, Botswana's dependency on diamond export contracted its economy in 2015 due to a

⁵⁰⁹ United Nations Economic Commission for Africa (UNECA), 2015. Country Profile Rwanda. Addis Ababa: UNECA, 1.

⁵¹⁰ Moody's, 2/10/2017. Rwanda's credit profile reflects institutional strength and growth potential. New York: Moody's.

⁵¹¹ KPMG, 2018. Growth promise indicators. London: KPMG, 17.

⁵¹² Ibid.

⁵¹³ UNCTAD, 2017. Commodities and Development Report. UNCTAD: Washington D.C, 51.

weak diamond export demand. Severe droughts, electricity and water supply shortages have lowered the country's GDP to 4,5% in 2017. Botswana's inflation in 2016 at 2,8% seemed at regular levels, however economic diversification and structural reforms in infrastructure are necessary for the country's resilience against global price volatility.

Botswana's sovereign wealth fund (Pula Fund) and Ghana's Petroleum Fund have a good governance reputation by investing in the local economy. On the contrary, Sierra Leone's resource extractivism has contributed little to the country's economic and human development. In a study examining trade openness "*over the period 1981-2010 the authors concluded that trade openness tends to reduce poverty in countries where financial sectors are deep, education levels high and institutions strong*"⁵¹⁴. Clearly, the reform of institutional structures⁵¹⁵ is necessary for stability and trust towards the state and its financial institutions.⁵¹⁶

The evidence shows that non-resource rich economies appear to be more resilient towards economic crisis presenting more stable economic growth rates. The inflows of foreign direct investments taking place mainly in infrastructure, technology, telecommunications and constructions appear more stable and less volatile. African economies based on local agriculture, oil-imports and manufactured products are considered to be more resilient to economic crisis and trade downturns. Economies less dependent on hard commodities and net oil-importing regions were not immediately affected by the commodity price slumps and were protected from the global oil decline. Typical examples are non-recourse rich countries such as Ethiopia, Côte d'Ivoire, Kenya and Senegal, which presented high growth due to heavy public investments in infrastructure. The African Economic Outlook noted that investments in Africa's infrastructure are highly significant, because the continent's small and open economies can gradually "*reduce supply chain barriers, which could increase global GDP up to six times more than removing all import tariffs*".⁵¹⁷ For instance, Rwanda, Uganda and

⁵¹⁴ Alesina, A., Sule, O., Roubini, N., and Swagel, P., 1996. Political Instability and Economic Growth. *Journal of Economic Growth*, 1(2), 200.

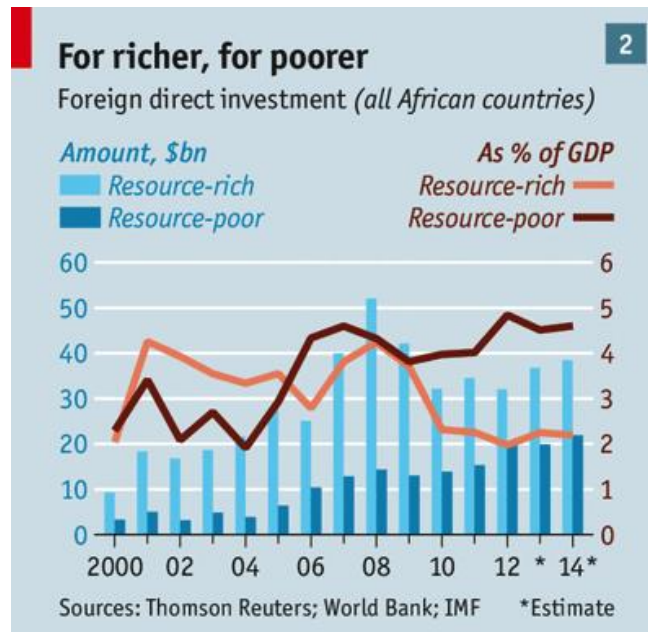
⁵¹⁵ Rodríguez, F. and Rodrik, D., 2000. Trade Policy and Economic Growth: A Skeptic's Guide to the Cross-National Evidence. *NBER Macroeconomics Annual*, 15, 325.

⁵¹⁶ Gibson, H. D. and Tsakalotos, E., 1994. The Scope and Limits of Financial Liberalization in Developing Countries: A Critical Survey. *The Journal of Development Studies*, 30(3), 578.

⁵¹⁷ African Economic Outlook, 2016. Sustainable Cities and Structural transformation. Abidjan, Paris, New York: AfDB, OECD, UNDP, 65.

Kenya achieved economic progress and high GDP rates despite their low ranking in logistics.⁵¹⁸ Belonging to a net oil-importing region, East African countries are benefiting from their diversified economies and are thus protected from the global oil decline and fluctuations. This is particularly important for the region’s stability and economic resilience.

Figure 3.18 Africa’s FDI resource-rich and resource-poor 2000-2014



Source: The Economist, 8/01/2015⁵¹⁹

Compared to the rest of Africa, East Africa presents the highest number of emerging consumers of \$5,000-20,000, followed by West and Central Africa.⁵²⁰ This is a significant indicator for the region’s economic emerging capabilities. The Africa Private Equity Survey showed that a number of international private equity funds have established a presence in East Africa and the Horn of Africa focusing on investment opportunities.⁵²¹ Indeed, the East African Community (EAC) attracts great interest from foreign investors, because of its regional cross border trade easiness. The Deloitte

⁵¹⁸ Donaldson D., Jinhage A., Verhoogen E., 2017. Beyond borders: Making transport work for African trade, International Growth Center. London: LSE, 6.

⁵¹⁹ The Economist, 8/01/2015. The twilight of the resource curse? Africa’s growth is being powered by things other than commodities. London: The Economist.

⁵²⁰ McKinsey Global Institute, 2016, *op. cit.*, 11

⁵²¹ Africa Private Equity Confidence Survey, 2017. Translating potential into investment growth. Johannesburg: Deloitte, 4.

survey along with the UNCTAD report⁵²² refer to Ethiopia, Kenya, Rwanda and Tanzania as successful growth examples in the region, with Rwanda⁵²³ and Tanzania presenting the highest investor interest in 2017.

Resource-curse

The resource-curse theory broadly characterizes the current African economic dependency as well as its underdevelopment and poverty. Resource-curse theory was coined by Gelb⁵²⁴ and Auty⁵²⁵ in an effort to explain the paradox of lower economic growth and low development by countries “*endowed with non-renewable natural resources such as oil, gas, metals*” compared to countries without or with fewer natural resources. Gelb, who first introduced the natural resource curse, found out that “*oil economies experienced more serious deterioration in the efficiency of their domestic capital formation during the boom period of 1971–1983 than did non-oil economies*”.⁵²⁶ Other authors such as Karl referred to ‘the paradox of plenty’ to explain, that “*countries with large natural resource endowments are worse than countries without such wealth*”.⁵²⁷ Karl argued that oil revenues have severe socio-political implications, they create an illusion of prosperity and development and thus the government’s ability to build a successful state is seriously reduced. This argument is confirmed by another article of Auty arguing that “*resource-rich countries tend to spawn predatory political states, that distort the economy creating growth collapse, low educational attainment, large cohort of unemployed young males and high resource dependence*”.⁵²⁸ Other authors concluded that countries, which gain their revenues from rents, such as rent seeking⁵²⁹ phenomena, instead of taxation, are tarnished by a negative correlation of natural resources and economic development. In

⁵²² Ibid., 5

⁵²³ Rwanda, which is an agriculture-based economy, exports unprocessed raw materials such as coffee and tea with a contribution of agriculture to the country’s GDP at 32% and 15% for industry.

⁵²⁴ Gelb, A., 1988. *Oil Windfalls: Blessing or Curse?* Oxford and New York: Oxford University Press, 14.

⁵²⁵ Auty, R.M., 1993. *Sustaining development in mineral economies: the resource curse thesis*. London: Routledge, 5.

⁵²⁶ Ramez Abubakr Badeeb, R.A., Lean, H., Clark, J., 2017. The evolution of the natural resource curse thesis: A critical literature survey. *Resources Policy*, 51(c), 124. Elsevier.

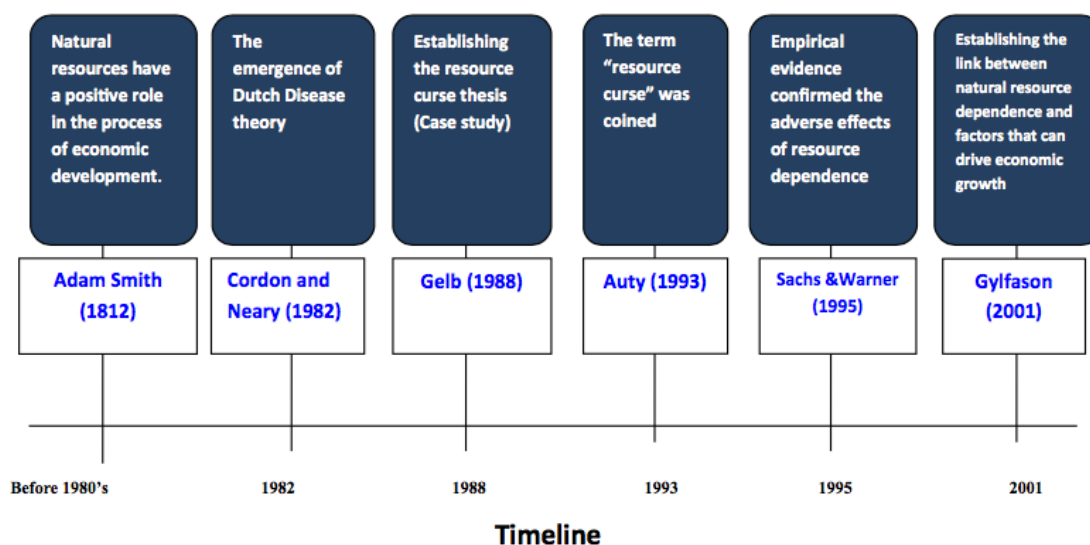
⁵²⁷ Karl, T., L., 1997. *The paradox of plenty: oil boom and petro-sales*. London: University of California Press, 138.

⁵²⁸ Auty, R. M., 2004. Natural Resources and Civil Strife: A Two-Stage Process. *Geopolitics*, 9(1), 30.

⁵²⁹ Humphreys, M., Sachs, J. D., and Stiglitz, J. E. (eds.), 2010. *Escaping the Resource Curse*. New York: Columbia University Press, 25.

some cases, “populations, which are less heavily taxed may in turn be less likely to demand greater accountability and representation in the politics”.⁵³⁰

Figure 3.19 Resource curse timeline, 1980-2001



Source: Badeeb et al., 2017⁵³¹

Another theory, the ‘Dutch disease’, explains that, when natural resource abundance grows, another sector such as manufacturing or agriculture declines. ‘Dutch disease’ theory was conceived by The Economist in 1997 in order to describe the decrease of manufacturing after the discovery of the large Groningen natural gas field in 1959.⁵³² Natural gas exports increased revenues and the currency appreciated constituting the country’s exports more expensive for other countries. Imports became cheaper making local products less competitive. The Dutch disease has been widely investigated, especially concerning oil dependent countries such as Venezuela, Algeria, Ecuador, Indonesia and Nigeria.⁵³³ Fardmanesh examines the period between 1966-1986, when oil revenues increased and agricultural sectors contracted, contrary to manufacturing, which expanded. The study concluded that the oil collapse of the 80s reversed the results with increased agricultural revenues and decreased manufacturing inflows.

⁵³⁰ Beland, L-P. and Tiagi, R., 2009. *Economic Freedom and the Resource Curse: An Empirical Analysis*. Toronto: Fraser Institute, 9.

⁵³¹ Badeeb, R.A., R.A., Lean, H., Clark, J., 2017. The evolution of the natural resource curse thesis: A critical literature survey. *Resources Policy*, 51(1), 125.

⁵³² Ross, M., 1999. The political economy of the resource curse. *World Politics*, 51(2), 298.

⁵³³ Fardmanesh, M., 1991. Dutch disease economics and oil syndrome: An empirical study. *World Development*, 19(6), 711.

Food security

Despite Africa's wealth in natural resources and commodities millions of Africans remain in poverty and food insecurity. Africa's poverty rate from 54,3% in 1990 fell only to 36% in 2016.⁵³⁴ In addition, the number of undernourished Africans increased by about 2% between 2014 and 2019. Opposed to the relative stable numbers in Latin America and the Caribbean, UN's Food and Agriculture Organization (FAO) estimated that the numbers of undernourished had risen to 1 bil. in 2009, 11% increase over 2008, 265 mil. of which residing in Africa.⁵³⁵ Astonishingly, as of 2017, 2,9 mil. people were food insecure at risk of famine in Somalia. Parts of northeast Nigeria were also at the risk of famine, creating new major waves of migration.⁵³⁶ Overall, displaced people in the world reached 80 mil. in 2017 facing hunger as an immense threat for their lives; 17 mil. in Yemen, 7 mil. in Syria, 4,9 mil. in South Sudan, 4,7 mil. in northeast Nigeria, 2,9 mil. in Somalia, 2,3 mil. in Burundi and 2 mil. in the Central African Republic. The Food Security Information Network reported in 2016 that 108 mil. people globally faced crisis-level food insecurity.⁵³⁷

Along with the exponential population growth in developing countries, there was a fast expansion in the demand for agricultural products. According to the United States Department of Agriculture, "*agricultural demand in developing countries was further reinforced by population growth rates that are about twice the average of developed countries*".⁵³⁸ With China's growing economy, its demand for the shipping of raw material imports for its infrastructure needs and its growing consumer market, it attracted more ships than elsewhere. The Baltic Dry Index, key industry indicator for loose good transportation (cereals, minerals and coal), the Baltic Panama Index for cereals and the prices of oil tankers insurances coming from the Middle East were all following an upward trend. Hence, shipping rates reached their highest levels in decades pushing commodity prices upwards, especially the imported goods in the US,

⁵³⁴ United Nations Economic Commission for Africa, 2019. Fiscal policy for financing sustainable development in Africa, Economic Report on Africa. Addis Ababa: Economic Commission for Africa, xvii.

⁵³⁵ Matondi, B. P., Havnevik, K., Beyene A. 2011. *Biofuels, land grabbing and food security in Africa*. The Nordik Africa Institute. London, New York: Zed Books, 39.










⁵³⁶ UNCTAD, 2018. Economic development in Africa, Migration for Structural Transformation. Geneva: UNCTAD, 12.

⁵³⁷ FAO, 2017. Global report on food crisis 2017. Food Security Information Network. Rom: World Food Program, 15.

⁵³⁸ Vilsack, T., Clark, C., Z. F., 2012. *Census of Agriculture 1(51)*. Washington D.C.: United States Department of Agriculture, 17.

China and Europe. “The demand for sea-faring vessels was far outstripping supply and the cost of shipping iron ore, soybeans and other commodities used in the manufacture of a wide range of goods nearly tripled in 2003”.⁵³⁹

Table 3.12 Major Gulf states investments in the Horn of Africa, 2000-2017

		National alignment of investor			
		 Saudi Arabia	 United Arab Emirates	 Qatar	 Kuwait
Recipient	 Ethiopia	233	104	12	16
	 Sudan	16	19	4	13
	 South Sudan	1	2	2	1
	 Somalia	1	5	-	-
	 Djibouti	1	3	-	1

Somaliland is included in Somalia.

Source: Meester, J. et al., 2018⁵⁴⁰

Many Arab countries, including Bahrain, Qatar, Kuwait, Jordan and Saudi Arabia as well as Asian countries such as China, Japan, Malaysia and South Korea have achieved food security ensuring the supply of agricultural commodities for their domestic needs through land acquisitions in many African countries such as Mauritius, Djibouti, Mozambique, Ethiopia and Sudan. Indeed, various studies provide evidence that international investors have extended lately the land acquisitions in Africa, Latin America and to a smaller magnitude in Asia. During the last decade, East Africa has provided, for instance, food to the Gulf states, which have acquired farms and agricultural assets in remarkably low prices. Huliaras and Kalantzakos note, that food insecurity is not anymore only Africa’s problem, when the Middle East, one of the

⁵³⁹ Geman, H., 2005. Commodities and commodity derivatives: modeling and pricing for agricultural, metals and energy. New Jersey: Wiley Finance Series, 16.

⁵⁴⁰ Meester, J. et al., 2018. The political economy of Gulf investments in the Horn of Africa. CRU Report. The Hague: Netherlands Institute of International Relations, 39.

world's top oil suppliers, secures its nutrition through investments in the African continent.⁵⁴¹

The World Investment Report of the UN notes that private investment funds, private equity and “*pension funds have invested in agricultural land in developing countries*” producing vast amounts of FDI in agriculture.⁵⁴² Especially countries with limited water and land resources assigned agricultural outsourcing for investment purposes. In a number of African countries, which are, on the one hand, importing food for domestic needs and, on the other hand, receiving food aid by international donors, large scale land acquisitions indicate the expansion of the global interest to produce agricultural food crops. Von Braun and Meinzen-Dick report large investments “*by West Asian and East Asian countries including China and South Korea in Cameroon, Ethiopia, Ghana, Madagascar, Malawi, Nigeria, Senegal, Sudan and Tanzania*”.⁵⁴³ The case of Mohammed al-Amoudi, a Saudi-Ethiopian billionaire is a particular example for the investments taking place in Ethiopia. Mohammed al-Amoudi owns a 10,000-hectare rice plantation in Gambela in southwestern Ethiopia, which is irrigated with water diverted from River Alwero. Another example, the Qatari Investment Fund recently signed a \$1 bil. contract to support plans by a Doha-based food conglomerate, Hassad Foods, to develop 20,000 hectares in Sudan. “*In 2009, Qatar negotiated with Kenya to obtain 40,000 hectares of land in the fertile Tana Delta, though local reactions have put the talks on hold*”.⁵⁴⁴

The Middle East and North Africa (MENA) region and its mainly oil-exporting economies are now almost entirely dependent on their food imports at about 90%. More than \$9,3 bil. have been invested in agricultural investments by the Gulf and Arab states in Sub-Saharan Africa.⁵⁴⁵ It is obvious that their aim is their sustainability in food security. The United States Department of Agriculture estimates that the MENA “*is projected to have some of the strongest growth in food demand and agricultural trade over the coming decade*” such as 50% of poultry imports, 22% beef imports, “48% of

⁵⁴¹ Ibid., 68

⁵⁴² UNCTAD, 2009. World Investment Report. Transnational corporations, agricultural production and development. New York, Geneva: UNCTAD, 96.

⁵⁴³ Ibid., xxvii

⁵⁴⁴ Huliaras A., Kalantzakos S., 2017, The Gulf states and the Horn of Africa: A new hinterland? *Middle East Policy*, 24(4), 68

⁵⁴⁵ IFPRI, 2018, *op. cit.*, 80

the increase in global wheat imports, 47% of the growth in rice imports and 39% of the rise in soybean oil trade".⁵⁴⁶ Matondi highlights that food consumption is changing due to the increase of meat demand in the diet of the emerging economies.⁵⁴⁷

3.6 Contingent drivers

Proxy wars

Proxy wars in SSA such as the Congo Crisis (1960-65) and the continent's longest proxy wars, the Angolan Civil War (1975-2002), the Namibian War of Independence⁵⁴⁸ (1966-90) and the conflicts in the Horn of Africa created certain alliances, which have characterized until now the world's contemporary international relations. Hereupon, the causes for the continent's collapse in the beginning of the 90s, lay to a great extent, on the one hand, in the withdrawal of the superpowers from SSA by the end of the Cold War, and on the other hand, in the struggle for economic, political and military power of the diverse ethnic groups. Ethnic groups and paramilitary organizations with heavy weaponry spread more tension in disputed areas and the struggle for superiority between the US and the Soviet Union prevailed until one of the regional leaders succumbed.

In 1975, after the collapse of the Portuguese dictatorship and the eruption of the civil war in Angola, South Africa and the US engaged in Angola supplying the National Front for the Liberation of Angola (FNLA) and the National Union for the Total Independence of Angola (UNITA). Cuba and the USSR supported the Movement for the Liberation of Angola (MPLA), which was winning the civil war. The US were defeated the same year in South Vietnam and a victory in Angola would not directly affect the US, but it would surely raise influence and prestige against the Soviet-backed MPLA.⁵⁴⁹ In 1976, the South African troops withdrew and Cuban military pushed the South African Defense Forces (SADF) towards the Namibian border. Cuba, whose role was unique in projecting its own socialist ideas during the Cold War, but also a close ally of the Soviet Union, dispatched 36,000 soldiers in Angola in 1975-76, 12,000 in

⁵⁴⁶ Matondi, P.B., Havnevik K., Beyene A., 2011, *op. cit.*, 18.

⁵⁴⁷ *Ibid.*, 22

⁵⁴⁸ known also as South African Border War

⁵⁴⁹ Gleijeses, P., 2006. Moscow's proxy? Cuba and Africa 1975-1988. *Journal of Cold War Studies*, 8(4), 87.

Ethiopia in 1978 and to “*other missions in Congo Brazzaville, Guinea, Guinea-Bissau, Mozambique and Benin*” with a peak of its presence in Africa in 1988 with 52,000 soldiers in Angola.⁵⁵⁰ Fidel Castro, who was not manipulated by the Soviet Union, was determined to contribute to the end of apartheid in South Africa, which would also mean a defeat for the US-South African axis.

In the Horn of Africa, the Ogaden proxy war (1977-78) involved the support of rebel groups by the US and the Soviet Union in order to destabilize the neighboring states. In 1977, the Somali invasion in Ethiopia initiated the Ogaden War violating the principle of the OAU border respect. The pressures from the international Cold War arena towards a border violation were strong. Fidel Castro, who praised Ethiopia’s communist dictator Mengistu for his revolution, was sending medical aid to Ethiopia, but he could not sustain two missions in Africa – the other one taking place in Angola - by sending more troops for Ethiopia’s border securitization. Before the Ogaden War, considerable US economic and military assistance was provided to the client states of Haile Selassie in Ethiopia and Siad Barre in Somalia. During the Ogaden war, the Soviet Union was supporting both the neighboring states of Somalia and Ethiopia, while the United States stopped its 20-year support to Ethiopia in order to seek Somalia as a political and military ally in the Horn. In the meantime, the US did not wish a further communist expansion in the Horn of Africa by backing the Somalis.

Currency dependency

During the Cold War, France remained the only foreign power with such a great influence on the African continent expanding further its ties with its former colonies at all levels; diplomatic, political, military, economically and monetarily. As a result, France’s relations with Africa during the transition period did not cease, but rather developed further. Being considered a close ally for Africa, France has pursued already before the World War II its trade and monetary system by introducing the Franc Zone in Africa and after the war it institutionalized as dual franc. France maintains thus the economic stability of its former African colonies through strong currency and trade control. Indeed, until today several African economies lack currency stability and experience high inflation rates. Maintaining their colonial remnant and due to their

⁵⁵⁰ Ibid., 98

weak financial stability, African currencies are pegged to Western currencies. Hence, in order to maintain their competitiveness in global trade and to keep a positive trade balance, African governments adjust their high deficits and high inflation rates according to the strong currencies. Djibouti's franc, for instance, is pegged to the US dollar since 1973 equaled to 177 Djiboutian francs for \$1. Namibia, Swaziland and Lesotho's currencies are pegged to the South African rand, which is considered a highly traded currency in Africa. Botswana manages its currency (pula) in 60% correlation with the South African rand. The CFA franc is pegged to the euro (1 EUR=655 CFA) and France holds in its Treasury 50% of foreign exchange reserves⁵⁵¹ of 15 independent states in West and Central Africa⁵⁵². France secures thus, on the one hand, a steady inflow of low-priced African raw resources and, on the other hand, the CFA Franc maintains the dependency of the African economies and their national currencies on their former colonial metropole.

In 1994, the 50% devaluation of the CFA franc resulted in several developments in African dependent economies.⁵⁵³ Obviously, the membership in monetary unions such as the CFA franc contributes to low inflation rates for the African countries. However, the Franc zone currency dependence is still a sign of a colonial remnant. Moreover, the dollar's devaluation along with the drop of raw material prices still affect African exports and imports strongly, because of the fact that they are issued either in US dollars or in Euro.⁵⁵⁴ Martin notes characteristically about the Franco-African monetary cooperation that the Franc zone “*aimed at controlling African economic issuance and circulation of currency, monetary and financial regulations, banking activities, credit allocation and ultimately, budgetary and economic policies*”.⁵⁵⁵ However, budget deficits in francophone African countries pose a significant burden for the French treasury. Other African states such as “*Ghana, Kenya, South Africa and a handful of*

⁵⁵¹ Sylla S.N., 07/2017. The CFA Franc: French monetary imperialism in Africa. London: LSE Center for Africa.

⁵⁵² Benin, Burkina Faso, Guinea-Bissau, Ivory Coast, Mali, Niger, Senegal and Togo from West Africa and Cameroon, Central African Republic, Chad, Republic of the Congo, Equatorial Guinea and Gabon from Central Africa

⁵⁵³ Taylor I., Williams, P., 2004. *Africa in international politics. External involvement on the continent*. New York: Routledge, 72.

⁵⁵⁴ Chafer, T., 2002. Franco-African relations: No longer so exceptional? *African Affairs*, 101(404), 361.

⁵⁵⁵ Martin, G., 1985. The Historical, Economic, and Political Bases of France's African Policy. *Journal of Modern African Studies*, 23(2), 200.

others have independently floating exchange rates” and their governments intervene by managing the rates.⁵⁵⁶

Migration

Since 2015, the EU deals with the management of high migrant and refugee inflows⁵⁵⁷ into its borders. Characteristic was the 32nd African Union Summit held in 2019, which held the title *“The year of Refugees, Returnees and Internally displaced persons: Towards durable solutions to forced displacement in Africa”*. German Chancellor Angela Merkel visited the African continent in 2018 and in 2019 indicating the will of EU’s strong leaders to deepen their relation with the African continent and to regulate migration. Europe’s interest is to prevent migration from Africa by increasing its financial support towards the African continent. This is evident by the financial amounts destined for Africa and the ACP group. By 2020⁵⁵⁸, the EU plans to leverage investments in Africa worth €44 bil. in job creation, sustainable development and irregular migration with the EU contributing €4,1 bil. through its External Investment Plan. The EC wishes to further strengthen the nexus of development and migration targeting leverage investments for the period of 2021-27 through the European Fund for Sustainable Development (EFSD+) and the External Action Guarantee contributing up to €60 bil.

Having conducted several asylum interviews to African refugees and migrants during 2017-18 especially from Ethiopia, Eritrea and the Democratic Republic of the Congo (DRC), the author of the thesis documents underneath some abstracts. These personal documentations indicate the fragile circumstances in many African countries forcing several refugees and migrants into EU’s borders. For instance, a young political activist and asylum seeker in Greece described⁵⁵⁹ how the political tensions in DRC forced him to leave his country in 2017:

⁵⁵⁶ Moss, T. J., 2003, *op. cit.*, 98

⁵⁵⁷ According to the UNHCR Geneva Convention of 1951, conflict induced displacement includes people who are *“forced to flee their homes for one or more of the following reasons and where the State authorities are unable or unwilling to protect them: armed conflict including civil war; generalized violence; and persecution on the grounds of nationality, race, religion, political opinion or social group”*. Forced migration also occurs in response to border disputes, which have led to violent conflicts in several countries.

⁵⁵⁸ EC, COM 2018, 643 final. Communication on a new Africa-Europe Alliance for Sustainable Investments and Jobs: Taking our Partnership for investment and jobs to the next level.

⁵⁵⁹ Interview, 08/2017, Lesbos, Greece

“I was in charge of gathering young people in order to give support to UDPS, our political party in DRC. During a demonstration between February and March 2017 we were asking the government to bring the dead body of our leader, Mr. Etienne Tshisekedi from Belgium back to Congo. While we were singing a motto about our leader, soldiers and policemen came with jeeps and tanks, they opened fire, shooting at people with real bullets and throwing tear gas. Suddenly, I felt a hit on my back, it was a back of a weapon. I fell down and they took me inside a jeep. The soldiers stepped on me with their feet and they took me to a place, where I was locked for 7 days”.

Another female asylum applicant from the DRC, who was working in a foreign exchange office, reports⁵⁶⁰ that people wearing civilian uniforms kidnapped her. This woman was accused of cooperating with people who wanted to overthrow the government with a coup d'état. *“Initially I thought, they were clients who wanted to change foreign currency, but they took me in their car to a detention center.”* Her kidnappers insisted that she knew one of her clients, who was in possession of a lot of Congolese francs and exchanged them for dollars in order to buy weapons. *“I was imagining, but because I had a lot of customers, I did not know, who it was. I told them that foreign exchange was a job for me to earn a living, but they didn't want to listen”.* Her kidnappers showed no mercy. *“They started torturing me and locked me into a very dark room, where I did toilet and slept... When I fled, I went to hide in the church”.* The young lady reported in the end that unknown people stole her house and raped her sisters.

Another female asylum seeker from DRC described with tears to the author⁵⁶¹ how police authorities searched for her partner, who was a member of a religious opposition group led by Mwana Nsemi, a local leader. The lady reports that her husband used to go often to the Bundu dia Kongo church, but one day (1st March 2017) he never returned home. On the 3rd of March they arrested their leader. *“On the 5th, people came to my house in the night, harassed me, stole me and asked about my partner, but I didn't know where he was”.* The lady continued her description about the big prison break in DRC on the 17th of March, how they broke into her house after some days, raped her children and took away her nephew. *“The family was very worried about the whereabouts of my*

⁵⁶⁰ Interview, 08/2017, Lesvos, Greece

⁵⁶¹ Interview, 08/2017, Lesvos, Greece

nephew and the government was on my back. That's the reason my cousin took my 3 children, provided me with her passport and made the arrangement for me to flee the country".

The end destination of migrants and refugees is not always direct and fast. In some cases, it might take years for them to reach their final destination. An Eritrean asylum seeker describes how he travelled from Eritrea to Greece in a rather unique travel route⁵⁶². *"From Eritrea, Asmara I went to Tesseney, which is bordered to Sudan and I crossed the border illegally to South Sudan, Juba. I stayed in Juba for around 4 years. From South Sudan I went to Egypt."* He continued that some fish boat agents agreed to transport him into a Turkish boat and bring him to Mytilene. *"From Sudan to here I paid \$6,500"*. Another Eritrean asylum applicant reported to the author that Eritrea is not a peaceful country to live. *"The treatment of the military to the country's citizens plus Eritrea's relations with its neighbors do not contribute to any positive developments for the country. There are always military conflicts"*, continues the Eritrean asylum applicant and he adds that he did not want to take part or die in wars, in which he did not believe. *"I neither support nor endorse the ideology of war that they are pursuing"*.

Another Eritrean asylum applicant in Greece reported⁵⁶³ about the frequent disappearances of citizens: *"You fear that one day the military might disappear you, imprison you or harm you without any apparent reasons. People were disappearing suddenly without any clear reasons and there is a constant fear in military conscripts"*. Another male Eritrean asylum seeker in Lesbos, Greece reported that he was forced to leave his country in 2013, because of his lifelong military service. *"I served 20 years in the national military service from 1993 until 2013. This is too long for me. Military service in Eritrea is indefinite. It was a tough time. Sometimes I got arrested and I couldn't manage to help my family"*⁵⁶⁴.

Another Eritrean asylum seeker in Greece described how he was treated by the Eritrean authorities, during his attempt to escape from the country. *"When they first detained me, they did not tell me anything. After a month, they came to take my personal data*

⁵⁶² Interview, 02/2018, Lesbos, Greece

⁵⁶³ Interview, 01/2018, Lesbos, Greece

⁵⁶⁴ Interview, 06/2018, Lesbos, Greece

*and started interrogating me, asking me why I tried to leave the country. They did not tell me for how long I will be kept in the detention center. When I was asking them questions, they were not giving me answers. The worst part of it was that they did not tell you your sentence. They did not tell you when you will be free or for how long they will keep you”.*⁵⁶⁵

Terrorism

After Liberia’s government overthrow in 1990, Somalia’s regime collapse in 1991 and the failed US military attempt in 1993, US foreign policy in Africa headed towards marginalization. Furthermore, the Rwanda genocide was handled by the Clinton Administration more as a passive peacekeeping operation rather than as a human rights disaster, which clearly demanded UN’s crucial intervention, reports the Washington Human Rights Watch Director.⁵⁶⁶ Indeed, US interest focused more on the votes of African countries in the United Nations than on the lack of elections in their home countries. In the aftermath of Clinton’s visit in Africa in 1998, a new post-Cold war Africa policy was consolidated with regard to free-market economies and liberal democracy. Indicatively, Susan Rise, Assistant Secretary for African Affairs of the US State Department declared characteristically about the new US post-Cold War approach in 1997: *“We seek to accelerate Africa’s full integration into the global economy, we must defend the US from the threats to our national security that emanate from Africa, terrorism, international crime, narcotics, weapons proliferation and disease”.*⁵⁶⁷

Evidently, US security concerns were concentrated at the end of the 90s in protection from drug cartels and crime being organized in Africa. Several scholars have reported about these issues. Rotberg notes, *“on the economic side, living standards deteriorated rapidly as elites delivered financial rewards only to favored families, clans or small groups”.*⁵⁶⁸ Bayart, Elis and Hibou see the state itself as a vehicle for organized criminal activity.⁵⁶⁹ The drugs’ trade has been also noted by various authors regarding

⁵⁶⁵ Interview, 01/2018, Lesvos, Greece

⁵⁶⁶ Burkhalter, H. J., 1995. The Question of Genocide. The Clinton Administration and Rwanda, *World Policy Journal*, 11(4), 53.

⁵⁶⁷ Alden, C., 2000. From neglect to virtual engagement: the United States and its new paradigm for Africa. *African Affairs*, 99(396), 358.

⁵⁶⁸ Rotberg, I. R., 2002. Failed states in a world of terror, *Foreign Affairs*, 81(4), 128.

⁵⁶⁹ Bayart, J. F., Ellis S., Hibou B., 1999. The criminalization of the state in Africa, *African Issues*. Indiana University Press.

Nigeria⁵⁷⁰, Ghana⁵⁷¹ and the rest African continent.⁵⁷² Some authors⁵⁷³ stressed that security reasons were the cause for Africa's increasing amount of attention in the era of transnational terrorism. Indeed, in several cases, "*political tension, terrorism and war have forced people in Africa to move within countries or abroad in search of basic safety and security*".⁵⁷⁴

Several Islamist militant transnational attacks such as the 1993 World Trade Center attack, the 1998 attacks in Kenya and Tanzania and the 2000 coast of Yemen attack indicated a geopolitical transition, which brought Africa again into global focus.⁵⁷⁵ Al Itihad Al Islamiya (Islamic Unity) and Al Qaeda-linked Al-Shabaab terrorism and piracy on the coast of Somalia attracted the Western and Asian security forces activity.⁵⁷⁶ In the post-Soviet Afghanistan era, Osama Bin Laden's and Al-Qaida's activities in African collapsed states were alarming facts for American counterterrorism foreign policy making.

Islam's expansion to Africa started mainly after Iran's Islamic revolution and Sudan's coup d'état in 1989. The National Islamic Front of Sudan led by Hassan-al-Turabi's military government exported radical Islam at a time when the Ethiopian government accepted the independence of Eritrea in 1991. Eritrea supported for several years the "*Houthi rebels in Yemen and provided training to them at Assab possibly also with Iranian involvement*".⁵⁷⁷ Eritrea was accused also of backing Al-Shabaab militants and activities of the Oromo Liberation Front in Ethiopia. In early 2015, Eritrea switched sides by signing a military agreement with Saudi Arabia. Now it provides bases both for UAE and Saudi Arabia in the Yemen war.

Sudan has become since 1995 a training hub and financial and material supporter of Islamist militancy for international terrorist groups such as Al Qaeda, which sought to

⁵⁷⁰ Klein, A., 2007. Nigeria and the drugs war, *Review of Africa Political Economy*, 26(79), 51.

⁵⁷¹ Bernstein H., 2007. Ghana's drug economy: some preliminary data. *Review of African Political Economy*, 26(79), 13.

⁵⁷² Allen, C., 2007. Africa and the drugs trade. *Review of Africa Political Economy*, 26(79), 5.

⁵⁷³ Campbell K.M. and Ward C.J., 2003. New Battle Stations? *Foreign Affairs* 82(5), 103.

⁵⁷⁴ Adepoju, A., 1995. Emigration Dynamics in Sub-Saharan Africa. *International Migration*, 33(3-4), 333.

⁵⁷⁵ Kraxberger, M. B., 2005, *op. cit.*, 54

⁵⁷⁶ Balthasar, D., 2014. Oil in Somalia? Adding fuel to the fire? Mogadishu: Heritage Institute for Policy Studies, 5.

⁵⁷⁷ Huliaras A., Kalantzakos S., 2017. The Gulf states and the Horn of Africa: A new hinterland? *Middle East Policy*, (24)4, 70.

expand its influence in Africa. Sudan was also Osama Bin Laden's refuge between 1991-96. In addition, an assassination attempt of the Egyptian president Hosni Mubarak was organized by Sudanese intelligence services in Addis Ababa in 1995. Sudan hosted significant Islamist populations among them also Saddam Hussein. Further, Sudan's exploration for military equipment aimed for southern Sudan. Clapham reports that "*the southern Sudanese movements did not - for the most part - seek the formal secession of the South as a sovereign state from the rest of Sudan*".⁵⁷⁸

As a result, a mass mobilization for the war on terrorism began. The Bush national security plan specifically referred to Kenya, Ethiopia, Sudan and Nigeria as key countries with which the US would cooperate "aggressively" to manage the crisis of shadow networks of terror.⁵⁷⁹ Former Assistant Secretary of State for African Affairs in 2001, Susan Rice, testified that "*terrorist organizations took advantage of Africa's porous borders, along with weak law enforcement and security services; nascent corrupt judicial institutions moved men, weapons, and money around the globe*".⁵⁸⁰ Representatives of the Council on Foreign Relations and the Center for Strategic and International Studies provide assessments by calling particular attention to West and Central Africa.⁵⁸¹ They saw the consequence of failed or failing states and criminal financial networks in league with al-Qaida or like-minded groups and they asserted that Liberia, particularly in the Taylor years, was a hub of al-Qaida financial operations.

Even recently, Burkina Faso, which had an average growth of 6% between 2016-17 and based its investments in construction, gold mining and cotton agriculture, faced significant terrorist threats and social unrest. The capital Ouagadougou was struck twice in 2016 and 2017 leaving 70 dead and casualties are a common phenomenon until today. Not surprisingly, the country's northern borders with Mali and Niger are vulnerable to terrorist threats. Apart from the Sahel region, in Nigeria and in the Central African Republic, Boko Haram and rebel group threats make necessary spends for security, defense and the humanitarian sector.

⁵⁷⁸ Clapham C., 1996. *Africa and the international system. The politics of state survival*. Cambridge: Cambridge University Press, 211

⁵⁷⁹ Cilliers, J., 2010. Peacekeeping, Africa and the emerging global security architecture. *African Security Review*, 12(1), 114.

⁵⁸⁰ Kraxberger, M. B., 2005, *op. cit.*, 110

⁵⁸¹ Princeton Lyman N. Morrison S. J., 2004. The terrorist threat in Africa. *Foreign Affairs*, 83(1), 85.

France is intervening actively until now especially in anti-terrorism operations in its former African colonies. Somerville notes that France had military forces stationed in at least six of its former colonies, signed military cooperation agreements with eighteen African states and conducted military interventions in Africa in at least twenty occasions since 1960.⁵⁸² France had reportedly around 3,000 troops spread across Mali, Mauritania, Burkina Faso, Niger and Chad mostly in order to secure jihadist operations and rebel attacks. France has also been long established in Chad since 1986 in order to secure territorial integrity against the invasion of Muammar Gaddafi (Operation Epervier). Further, France decisively forwarded the UN resolution 1973 of the no-fly zone over Libya, which led to the overthrow of Gaddafi and his death in the hands of the Libyan rebels. From the Central African Republic in 2008 and Northern Mali in 2013⁵⁸³, to the French airstrikes against a rebel convoy in Chad in 2019, France showed its determination to stabilize the area and to secure a spillover effect in the neighboring conflict in the Darfur region. Nevertheless, former Chadian dictator Hissène Habré, who was sentenced in 2017 for war crimes and crimes against humanity was France's and US close ally against Gaddafi. France supported also Chad's President Idriss Déby, who faced several rebellions across the country and imposed authoritarianism at the cost of human rights violations.

3.7 Conclusions

This chapter examined the Sub-Saharan African context with regard to the political, economic, structural and contingent drivers. Our analysis has confirmed that transition in SSA cannot be considered a unified paradigm, but as a fragmentation of unique case-studies, which constitute the circumstances that refer to the "Sub-Saharan-African" transition. Africa's total fifty-four countries share different cultures and language families from Afroasiatic, to Indo-European, Nilo-Saharan, Atlantic-Congo or Khoisan linking, on the one hand, the unique characteristics of each separate region and, on the other hand, underlining their diversity and discrepancies. Each country has its own history, traditions, narratives, myths and tails and, at the same time, it constitutes a part of the continent's diverse geographic landscape and cultural heritage.

⁵⁸² Somerville, K., 2003. Africa after the Cold war. Frozen out or frozen in time? In Fawcett, L. and Sayigh, Y., 2003. The third world beyond the cold war. Continuity and Change. New York: Oxford University Press, 142.

⁵⁸³ Bender, J., 22/1/2015. France's military is all over Africa. New York: Business Insider.

Overall, African domestic politics can be characterized by violence, conflicts and authoritarianism. Competition for the command of the state, the institutions, the economy and the military resulted in most cases in a struggle for hegemonic order among elite ethnic groups and well-organized guerrilla movements.⁵⁸⁴ Mismanagement, corruption and thirst for power led to decades of civil wars and sometimes ethnic cleansing. Sub-Saharan African ‘quasi states’ were far from Weber’s democratic model⁵⁸⁵ and the one-party-one person governance promoted despotism, authoritarianism and autocracy through military means. African scholars, who are aware of the African society characteristics, claim that the political organization of the African society functions in a completely different way from the Western. For instance, in many remote rural areas consensus over the disputes of residents is achieved only under the supervision of the council of elders and the village assembly. These activities may be neither legally institutionalized nor recorded by any official state authority. Nevertheless, the democratic sense of this participatory process cannot be underestimated. Adding the difficulties of the geographic distances, the hard accessibility and the inability of the state to intervene into the regional conflicts, many observers have characterized these societies as stateless. Nevertheless, Africa has still a long way ahead in order to turn democratic in its real essence at all levels; bottom up and top-bottom.

Peace, democracy and human rights have been suppressed in several cases by the different autocratic Sub-Saharan African regimes. The lack of democratic elections and the absence of the civil society’s participation in politics, the long power preservation of Africa’s ‘strong men’ and their authoritarian regimes have resulted in a ‘*developmental authoritarianism*’.⁵⁸⁶ Remarkably, Africa is the only continent in the world with the longest ruling leaders.⁵⁸⁷ Some of these regimes have managed to

⁵⁸⁴ Jones, W., De Oliveira, S., Verhoeven, H., 2013. Africa’s illiberal state-builders. Working Paper 89. University of Oxford: Refugee Studies Center, 6.

⁵⁸⁵ Jackson, R. H., 1990. *Quasi-States: Sovereignty, International Relations and the Third World*. New York: Cambridge University Press, 51.

⁵⁸⁶ Matfess, H., 2015. Rwanda and Ethiopia: Developmental authoritarianism and the new politics of African strong men. *African Studies Review*, 58(2), 181.

⁵⁸⁷ Tangible examples concern the president of Cameroon, Paul Biya, who has been holding the presidential position since 1982, former President of Zimbabwe, Robert Mugabe, who served for 30 years (1987-2017), Jose Eduardo dos Santos, former President of Angola, who served for 38 years (1979-2017), Yoweri Museveni, President of Uganda since 1986 and Idris Deby, President of Chad since 1990.

achieve high economic figures, despite the low levers of political participation by the civil society and the local communities. However, the lack of accountability and transparency by the African political systems render the African state fragile and weak with a highly problematic state-building process.

In general, African countries became gradually more democratic despite widespread corruption and clientelism. A number of important continental and regional institutional reforms have contributed to the necessary preconditions for the continent's relative institutional progress. The consolidation of a united African political representation was proof of the improvement of the African vision in the global political arena. After several conflicts and compromises between the two major African blocs, the momentum of African diplomacy at the verge of the continent's independence resulted in the founding of African Union. The absorption of these radical and moderate ideas took place at the first conference of the Organization of African Unity (OAU) in Addis Ababa in 1963 and marked its establishment.

The African Union represents its member states at the Security Council of the United Nations and stands on behalf of its members juridical sovereignty since 2002. Other governmental structures within the AU such as the Peace and Security Council, the Pan African Parliament, the African Court for Human and Peoples' Rights, the African Court of Justice and the New Partnership for Africa's Development (NEPAD) are significant African institutions promoting regionalism within the continent. In addition, significant policy reforms were undertaken in issues such as "*immigration, environmental degradation, illegal traffic of narcotics, terrorism, the protection of American citizens, the safeguarding of oil and mineral supplies and the spread of nuclear weapons*".⁵⁸⁸

Africa is now represented in the global international arena unilaterally and multilaterally through the African Union and the emerging BRICS. In addition, out of the 54 sovereign African states, 42 are members of the World Trade Organization (WTO) and nine states (Algeria, Comoros, Equatorial Guinea, Ethiopia, Liberia, Libya, São Tomé and Príncipe, Seychelles and Sudan) are following the process to join - some

⁵⁸⁸ Huliaras, A., 1996, *op. cit.*, 72

working on it more than a decade. African economies remain interdependent on the international economic system, but their political management is more sovereign than before. Yet, their bilateral and multilateral cooperation lies to a great degree in the hands of external intervention and the international community.

Table 3.13 Transition drivers in Sub-Saharan Africa

TRANSITION DRIVERS SUB-SAHARAN AFRICA					
Political	Economic		Structural		Contingent
	North-South EU, US	South-South Emerging economies: China, India, Russia	External	Internal	
• Post independence, political liberalization	• North's subsidies outweigh South's production	• Trade	• Debt	• Leadership	• Proxy Wars
• One party states	• From multilateralism to regionalism/bilateralism	• Loans	• Structural Adjustment Programs	• Resource Dependency	• Currency Dependency
• Hybrid regimes		• Development aid	• Political Conditionalities	• Food Security	• Migration
• Multipartyism			• Development Aid		• Terrorism
CONCLUSIONS					
<ul style="list-style-type: none"> • Unique and diverse case studies - not a unified paradigm • The Sub-Saharan African (SSA) context is different from the Western • Despite violence, conflicts and (developmental) authoritarianism democratic participation has increased in the past, but now it is backsliding • Several SSA countries are among the fastest-growing economies in the world • Immense potential on natural resources • China and rest emerging economies intensify the South-South strength versus the North-South (geopolitical and geoeconomic shift) • Increase of SSA's multilateralism in global fora (ex. WTO, BRICS, AU: G20) • Insecurity, fragility and inequality prevail in several SSA countries • Highly problematic state-building process, lack of democratic standards <p>(Freedom House: out of 47 SSA countries: 7 free - rest partly free/not free - 2019)</p>					

Source: Author's findings

The astonishing economic indicators of several Sub-Saharan African countries categorize them among the fastest-growing economies in the world. Attracting increased attention, especially from international actors such as China, India, Brazil and the Middle-East, the African continent is part of the developing global South and a representative example. With its socioeconomic development presenting several challenges, Africa's developing markets show great potential compared to the mature levels of the industrialized global North. A corollary is the combination of various paradoxes such as that of fast economic growth and widespread poverty. Paradoxically, the continent is rich in natural resources, but at the same time, this richness appears to be a curse as well as a blessing. Africa's biggest-oil producing economies such as Nigeria and Angola present vast gaps of inequality among their population. Although there is an immense potential to explore their natural resources, half of their population lives in poverty. As a result, their hopes decay along with their abandoned dreams. Is it because of their leaders, who may be brutal and unfair? Or is it because of the struggle between tradition and progress towards transition?

Remarkably, the Economist reversed its narrative on Africa in a decade; from its cover titled *'The hopeless continent of Africa'* in 2000 it turned to *'The Africa rising'* in 2011. *"After decades of slow growth, Africa has a real chance to follow in the footsteps of Asia"*, argues the author of the article, naming Ethiopia, Ghana and Mozambique among the fastest growing economies in the world. Further, the end of bloody wars, the democratization wave, which promoted transparency and accountability and the reforms at a national and regional level and the economic growth, resulted in the increase of the African middle class.⁵⁸⁹ Moreover, UNCTAD's World Investment Report⁵⁹⁰ notes that the most attractive FDI destinations in 2016 took place in Angola, Egypt, Nigeria, Ghana and Ethiopia amounting to \$59 bil. Especially oil-rich countries in West Africa, such as Nigeria, Angola, Congo Republic, Gabon, Cameroon and Equatorial Guinea have become growing sources of American oil imports.

Economically, China's state-led development proposes an alternative model for the enhancement of South-South cooperation and the competition of the established North-South structure. Strikingly, many post-communist authoritarian regimes in Asia and Africa have proven that state-led development is an alternative to the Western neoliberal model. China, particularly, is perceived by the North as an actor, which is questioning the Western model. China's authoritarian attitude towards human rights, restriction of public opinion and lack of democratic means in its political decision-making mechanism is seen as very problematic by the West. At the same time, its global expansion in trade, military and telecommunications span to global geo-economic and geopolitical debates. For instance, technological debates⁵⁹¹ from the US and the European perspective against China's expanding HUAWEI 5G network in Europe and

⁵⁸⁹ The African household income segment is divided in main three categories, of basic needs \$5,000 consumers, emerging consumers of \$5,000-\$20,000 and global consumers of \$20,000-\$50,000.

⁵⁹⁰ UNCTAD, 06/2017. Foreign direct investment in Africa fell by a moderate 3% in 2016 says UN report. Press Release. Geneva: UNCTAD.

⁵⁹¹ The evidence presents that China is much ahead than any other competitor in Africa in telecommunications and technological presence. More than 50% of the African market is dominated by Chinese Transsion's mobile brands with an estimated IPO in 2019 at \$7 bil. Moreover, Chinese-owned Boomplay precedes Spotify and Apple Music. Huawei has reportedly built 75% of Africa's 4G telecom infrastructure. In the meantime, it is preparing the next generation technologies such as 5G and Artificial Intelligence. As a result, both the US and the EU are reluctant towards China's digital and network expansion willing to secure their vital political space against China's global expansion. The incident of the espionage accusations by the African Union leaders against the Chinese government and Huawei's penetrating technologies at the Chinese financed African Union headquarters is an indication of mistrust and opacity even by the African counterparts.

in Africa, concern mostly the political limitation of China's authoritarian state-led development.

Europe's strong economic power, Germany, appears skeptical whether to allow China's technological solutions expansion in its territory or to develop its own. Germany wants to pursue, on the one hand, its sovereignty in its security affairs, but on the other hand, it considers quite important to show China its political limitations.⁵⁹² At the same time, the US-China telecommunications competition may benefit African negotiators gaining from the highest bids. Such was the case of Ethiopian state-owned, Ethio telecom's, first license, which benefited from the winning bid of US backed Safaricom-Vodafone offering \$805 mil., 2 mil. more than second highest bidder, MTN, a Chinese backed consortium. Clearly, Africa's aim shall be a win-win situation towards its international partners in order to gain substantial diversification and independence.

These technological developments reflect the geopolitical shifts between the global South and the global North. China's increased intervention in the continent outpaces or competes against SSA's significant partners such as the US and the European counterparts. The restructuring of the post-colonial relations with the European partners and the US come thus as a parallel strategy for the African counterparts. EU's colonial past in Africa and the US strategy of communism's containment during the Cold War have contributed to ties with Africa, which are almost inseparable, but undoubtedly retain several negative memories for the African side. An Afrobarometer survey, the pan-African surveys institution across 34 African countries, showed that Africans see as positive with 46% the influence of former colonial powers, 60% for the US, 63% for China and only 35% for Russia's influence.⁵⁹³ In a nutshell, this survey may be an indication of Africa's future strategy towards its external partners.

The EU and the US are, yet, for SSA major trade partners as well as significant representatives of the donor community both in bilateral and multilateral level. EU has politically and economically maintained a relative stable cooperation with its African counterparts. However, the US withdrawal from the continent has been largely covered

⁵⁹² Wouters, R., 2021. Metals for a green and digital Europe. Brussels: Green European Foundation, 16.

⁵⁹³ Afrobarometer, 2021. African's welcome China's influence, but maintain democratic aspirations. Accra, Ghana: Center for Democratic Development.

by China's increased intervention. In addition to the economic rise of the South such as the BRICS, leaders from the global South, including Africa, lead currently several global institutions, which is a strong indication of the South's increased intervention in international affairs. Notable examples are Nigerian, Ngozi Okonjo-Iweala, head of the WTO, Ethiopian, Tedros Adhanom Ghebreyesus, head of WHO and for the second time, a Sub-Saharan African, Liberian Antoinette Sayeh as deputy managing director of IMF. Moreover, China's election of Qu Dongyu as head of UN's Food and Security Organization (FAO) is an indication of China's future influence over global politics and economics.

Our evidence shows that China's presence in Africa will continue to rise further in the following years favoring the South-South cooperation versus the North-South axis. Being part of the South-South cooperation, Africa faces new challenges, which will determine its approach towards its partnerships, alliances and strategic choices. Africa is experiencing unprecedented transitions. Its political, socioeconomic, environmental and demographic developments transform this vast continent, which amounts to the geographic dimension of China, India, Russia and Spain altogether. While the world's population growth rate is declining, Sub-Saharan Africa's population is projected to triple by 2100.

Africa's agriculture-employed population, which numbers more than half of its total 1,2 bil. population, seems to seek new challenges and opportunities in new sectors such as digitization, manufacturing and green economy. Africa's megacities are expected to rise in a galloping tempo. These phenomena will undoubtedly have an impact on the whole world within the next decades. The struggle whether and to what extent Africa's tradition will be maintained is at odds with the optimism to drive the continent's progress. This is perhaps now more evident than never before in Africa's remarkable transition.

There are African countries still experiencing episodes of serious violence, insecurity and fragility such as Somalia, the Democratic Republic of the Congo (DRC), South Sudan, Chad, Mali and the Central African Republic.⁵⁹⁴ The Darfur conflict in Sudan

⁵⁹⁴ Curtis, D. 2013. The limits to state-building for peace in Africa. *South African Journal of International Affairs*, 20(1), 80.

remains an open wound for the entire continent. Secession revolts in southern Sudan, and Eritrea have contributed to the collapse of the respective countries. Remarkably, though, there are post-conflict countries such as Angola and Ethiopia, which have managed to transform their post-communist transition to high growth rates, less poverty and global investments. Ethiopia and Angola applied Marxism-Leninism as a state-led developmental paradigm building a vanguard party and putting the economy under state control.⁵⁹⁵ Ethiopia's and Angola's revolutionary regimes experience a state-led transition, the former through the development of its infrastructure and construction and the latter through the exploitation of its oil supplies. China's economic and political support is major in both of our case-studies. Undoubtedly, without China's presence, Ethiopia and Angola would have apparently taken completely different trajectories.

⁵⁹⁵ Ottaway, D. and Ottaway, M., 1981, *op. cit.*, 15

CHAPTER 4 The Ethiopian transition

4.1 Introduction

Ethiopia is a unique country-case study for the discipline of international relations for several political, economic, social, cultural and environmental reasons. A landlocked country situated in the Horn of Africa, bordering Djibouti, Somalia, Eritrea, Sudan and South Sudan and Kenya, Ethiopia faces several challenges as a key actor in the region of East Africa and the rest African continent. Moreover, the region presents a significant geostrategic importance for the global economy and politics due to its maritime trade and oil transport through the Gulf of Aden and Red Sea linking Asia, Middle East and Europe. Ethiopia hosts at its capital, Addis Ababa, the African Union (AU) headquarters and it is a member of two regional economic communities recognized by the AU, the Intergovernmental Authority on Development (IGAD) and the Common Market for Eastern and Southern Africa (COMESA).

Ethiopia's geostrategic position in the Horn of Africa is of great interest for China, which is financing infrastructure and manufacturing projects in the region.⁵⁹⁶ China's immense presence in the Horn of Africa has expanded its trade network connecting Asia, Africa and Europe as part of the South-South cooperation and the Belt and Road Initiative (BRI). Within the BRI, Ethiopia is China's close ally hosting Chinese diplomatic and economic activities in Sub-Saharan Africa. Being a diplomatic hub, Addis Ababa attracts more foreign representation than other African capitals hosting also the United Nations Economic Commission for Africa (UNECA). After the financing of the construction of the AU building in Addis Ababa in 2012, China officially expressed its willingness to develop multidimensional relations at all levels with Ethiopia and the rest African continent. Ethiopia has developed thus as a crucial case study in the discussion of the internationalization of Chinese capital in Sub-Saharan Africa.⁵⁹⁷ In turn, China has become a significant partner of Ethiopia in the sectors of trade, development finance, investment and technical cooperation, with

⁵⁹⁶ African Development Bank Group, OECD, UNDP, 2016. African Economic Outlook 2016, Sustainable cities and structural transformation. Abidjan, Paris, New York: AfDB, OECD, UNDP, 26.

⁵⁹⁷ Ziso, E., 2018. *A post state-centric analysis of China-Africa relations. Internalization of Chinese capital and state-society relations in Ethiopia*. Critical studies of the Asia-Pacific. Cham: Palgrave Macmillan, 17.

higher figures in trade and FDIs. Following the East Asian development model with a focus on light manufacturing, Ethiopia's national development plan actively promotes export-led industrialization.⁵⁹⁸ Moreover, in the aftermath of China's market openness, Ethiopia has been one of the fastest developing economies in the world due to Chinese foreign direct investments. Ethiopia's financing is based in its largest part on China. Ethiopia's central bank governor, Yinager Dessie⁵⁹⁹, commented that China is the provider of 85% of Ethiopia's external debt.

However, like many African economies, Ethiopia's growth is accompanied by severe poverty, ethnic conflicts, violence and displacements. The country remains one of the poorest countries in the world with a poverty rate at 29,6% (UNDP), an increasingly growing population of 102,403 mil. and strong urbanization trend.⁶⁰⁰ In addition, Ethiopia ranked as the first country in the world with the most displaced people. The recorded displacements due to conflict and violence in 2018 amounted to 2,9 mil. people⁶⁰¹, which is an impressive number for a country in relative peace considering that the wars in Iraq and Yemen displaced 1,1 mil. and 2,2 mil. people accordingly.⁶⁰² With 9,7 mil. people in urgent need in 2016, the country hosted over 883,000 refugees, mostly vulnerable and displaced population from neighboring Sudan, which are hosted in camps in the western part of the country being entirely dependent on humanitarian assistance.⁶⁰³ In turn, "*Ethiopia was the world's largest recipient of food aid with nearly \$1,2 bil. in aid allocated in 2010*".⁶⁰⁴

Taking the country's several transformations into consideration, from the downfall of its communist regime in 1989 until the end of 2019, the aim of this chapter is to investigate Ethiopia's transition. After the country's devastating civil war and the fall

⁵⁹⁸ Ibid., 73

⁵⁹⁹ Fick M., Maasho A., 06/2018. Ethiopia set on economic reforms, but won't be rushed: cenbank head, Reuters.

⁶⁰⁰ United Nations Conference on Trade and Development (UNCTAD), 2019. General profile: Ethiopia. General Information for 2018. Geneva: UNCTAD, 1.

⁶⁰¹ Norwegian Refugee Council, 2019. *Global Report on Internal Displacement 2019*. Geneva: Internal Displacement Monitoring Center, 6.

⁶⁰² United Nations High Commissioner for Refugees (UNHCR), 2017. *Global report 2017*. Geneva: UNHCR, 67.

⁶⁰³ FAO, 2017. *Food Security Information Network. Global report on food crisis 2017*. Rome: Food and Agriculture Organization, UN, 26.

⁶⁰⁴ Flores, L., 2013. *Development aid to Ethiopia. Overlooking violence, marginalization and political repression*. Oakland: The Oakland Institute, 6.

of the communist ‘Derg’ regime, Ethiopia has been experiencing a gradual political transition towards multipartyism and liberal democracy with limited civil liberties. The Addis Ababa administrative center holds a strong presence in the decision-making process along with the rest ten administrative divisions of the country.

Ethiopia consists of over 85 ethnic groups, which are struggling for power and autonomy. The Ethiopian People’s Revolutionary Democratic Front (EPRDF) and the Tigrayan Peoples’ Liberation Front (TPLF) authoritarian governance controlled almost all state sectors leaving little chances for private economic initiatives and political freedom. Astonishingly, with Ethiopia’s high growth rates at an average of 8% for almost twenty years since 2000, the country positions itself among the fastest growing economies in the world. How come then are the country’s poverty rates so high? Has the country’s economic growth affected its political liberalization towards democracy? Is economic growth a precondition for democratization and liberal democracy or vice versa? Which answers can transition theory provide us in order to understand the transition of this unique and representative African case-study?

Hereupon, the structure of the chapter builds up on the theoretical analysis of the thesis spanning in sequence historical, political and socio-economic developments of this first case-study covering a thirty-year period. We will thus acquire a deeper understanding of the Sub-Saharan African transition circumstances by examining the empirical evidence of a closed political and economic system, which is experiencing its gradual openness towards liberal democracy and economic liberalization. Foremost, this analysis will contribute to our understanding of the drivers of Ethiopia’s remarkable, but also worrying transition.

Specifically, the chapter starts with Ethiopia’s political and economic historic developments since the Haile Selassie era. Within this period, we briefly provide an overview of the country’s international relations with the main powers such as the US, UK and former USSR. We observe Ethiopia’s communist ‘Derg’ regime and its severe implications both within the country’s territory as well as in the formation of its external relations in the Horn of Africa. This section is crucial in order to provide an understanding of the next part of the chapter, which concerns Ethiopia’s political transition and its progress towards democratic consolidation. Again, Ethiopia’s

relations with the rest of the countries in the Horn of Africa play a crucial role for its political developments.

However, the most significant aspect for Ethiopia's democratic cohesion and unity concerns the internal challenges of ethnic federalism and power distribution within the country's several and diverse ethnic groups. This major point becomes evident also in the next part of our examination, which concerns Ethiopia's economic transition and remarkable economic growth rates. The economic policies are apparently both political and economic choices for the Ethiopian government. Namely, on the one hand, they concentrate on the emulation of China's economic models, which include the construction of large infrastructure projects and manufacturing parks. On the other hand, they concern Ethiopia's relations with other partners such as the EU, IMF and the Middle East.

Figure 4.1 Map of Ethiopia and the Horn of Africa



Source: Clapham, C., 2017⁶⁰⁵

⁶⁰⁵ Clapham, C., 2017. *The Horn of Africa. State formation and decay*. Oxford: Oxford University Press.

4.2 Historic developments

Haile Selassie's leadership

Ethiopia is an important case-study for the Cold war superpowers competition and their influence towards the global arena. Due to the country's strategic location close to the Middle East, both the United States and the Soviet Union ensured to keep the area under their supervision. For the US, Ethiopia was an important focal point between the US, India and the Far East. For the Soviet Union, Ethiopia and the Horn of Africa functioned as another regional communist point of influence against US imperialism and European colonialists. However, Ethiopia's emperor, Haile Selassie (1930-74) managed to sustain a highly contradictory foreign policy with his priority being mainly to maintain his sovereignty all over the Horn of Africa and especially to keep the control over the Eritrean territory. Haile Selassie's foreign policy towards the US, the USSR and Egypt was thus concentrated in securing control over secessionist movements.

UK - US influence

After Ethiopia's liberation from the Italians by the British and the emperor's return to the throne in 1941, the UK gained significant control over Ethiopia's bureaucracy, trade, currency and foreign exchange. In fact, the UK and the US were antagonizing at all levels for the preservation of their political and economic interests in the area. Patman⁶⁰⁶ notes characteristically that the UK allowed the operation of US Sinclair Petroleum Company, but also organized an attack supporting Somali tribesmen against the oil fields. It was also the UK which gave the permission to the US to operate a radio-station, built by the Italians in Asmara of Eritrea. Known as Kagnaw communications center, this operation developed as an important US foreign policy focal military point for the observation of the political and social transformations in the Horn of Africa. In the meantime, the US navy base Diego Garcia with its close access to India and Asia was already securing the US foreign policy in the surrounding area.

Evidently, the US planned to block any communist threat by establishing strong ties with the Ethiopian state, while emperor Haile Selassie enjoyed the privilege of security against any European, Somali or Arab invasion. As a result, the US took over Ethiopia's

⁶⁰⁶ Patman, G. R., 1990. The Soviet Union in the Horn of Africa. The diplomacy of intervention and disengagement. *Soviet and East European Studies*, 71. Cambridge University Press: New York, 38.

economic sovereignty very fast. First, they financed Ethiopia's currency conversion to the Ethiopian dollar, based on the US currency, and then they replaced the British manager of the Ethiopian State Bank with an American. Moreover, the US encouraged low price exports towards the US, but retained a high price import policy. Patman reports that Ethiopia's established trade with other countries was undermined and describes the US-Ethiopian cooperation from the Soviet perspective, as an "imperialistic threat, first by the British and then by the US both in political and economic terms".⁶⁰⁷

Contrary to emperor's Haile Selassie policy in ensuring the establishment of good relations with the US for economic, military and security reasons, the bilateral US-Ethiopian relations were interrupted during the socialist Derg period until their overthrow. Thus, US-Ethiopian relations started from 1951 with the signing of the Mutual Defence Assistance Agreement in 1953 and lasted until 1973 with the beginning of the communist period. The sum of US military aid to Ethiopia signalizes the significance of US-Ethiopian cooperation during those 20 years. Eighty-five percent (85%) of the total US military aid to Africa was provided to Ethiopia amounting to \$161 mil. out of the total \$185 mil.⁶⁰⁸ Further, in return for the access to the Kagnew station, the US had trained and equipped three Ethiopian military divisions of 6,000 men and agreed to pay Ethiopia about \$7 mil. per year in rent.⁶⁰⁹

USSR

On the other hand, Haile Selassie's diplomatic, economic and cultural relations with the Soviet Union were intact already since the mid 50s. The USSR granted a loan of 90 mil. rubles in 1959 at low interest for the development of Ethiopia's industry and agriculture. Moreover, cultural exhibitions were taking place between the two countries.⁶¹⁰ Nevertheless, Moscow's trade with Somalia was about 25% higher than with Ethiopia during 1960-67. Moscow valued its relations with Somalia higher than with Ethiopia, apparently due to the US support to Ethiopia. As a result, Ethiopian displeasure with Soviet activities in the Horn of Africa was publicly stated.

⁶⁰⁷ Ibid., 38

⁶⁰⁸ Agyeman-Duah, B., 1986. The US and Ethiopia: The politics of military assistance. *Armed Forces and Society*, 12(2), 289.

⁶⁰⁹ Ibid., 37

⁶¹⁰ Gromyko, A., A., 1980. Soviet-Ethiopian Ties. *Soviet Law and Government*, 19(3), 85. London: Routledge.

Notwithstanding the establishment of a permanent Soviet Trade Mission in Addis Ababa in 1967 and the signing of a technical agreement in 1968, Soviet-Ethiopian trade fell sharply. As a result, the volume of trade between the two countries in 1970 was lower than at any time since 1962. When Haile Selassie visited Moscow in 1970 in order to secure USSR support against his adversaries, EPLF (Eritrean People's Liberation Front) and ELF (Eritrean Liberation Front), this move could not have been perceived as positive by the US foreign policy. Moreover, the dispute internationalized with the intervention of several enemies and allies. For example, many of the ELF weapons were received via Syria and originated from USSR or Czechoslovakia. Furthermore, Libya asserted itself as the main backer of the EPLF. The importance of Syria's support to ELF was obvious through the location of the organization's headquarters in Damascus. Syria was, however, also a major arms donor to Somalia along with China, which acquired through this way a Soviet-Syrian connection in Eritrea. The US, which presumably foresaw the incoming communist threat, closed the Kagnew communications center in 1973.

Selassie's downfall

Haile Selassie managed to expand significantly his power with the support of foreign assistance until the images of the famine spread to the international community resulting in his final overthrow in 1974. The most dramatic experience was the Wollo drought in 1970, affecting Ethiopia's entire population leaving 100,000 peasants dead due to famine and starvation. This incident led to Haile Selassie's ultimate downfall, firstly due to his inability to act instantly and secondly due to the immense public pressure. Haile Selassie's photo appearing calmly to feed his dogs, while thousands were dying, spread an outrage. At the same time, the impact of the first global oil crisis of 1973 had just made the situation worse for Ethiopia, leaving the country with an unbearable inflation, including severe food inflation and high unemployment. After the severe Wollo and Tigray drought of 1973, food losses in the 80s created a food crisis, which reached more than 1,2 mil. people. Hunger alerts were issued and *“more than five million people, mostly peasants, faced starvation in the northern provinces of*

Wollo, Tigray, Eritrea, and Gondar, and some 700,000 people needed emergency food aid”.⁶¹¹

The communist ‘Derg’ regime

Selassie’s insurgencies, the Provisional Military Government of Socialist Ethiopia, so-called Derg - a Marxist-Leninist regime - was established under the leadership of Mengistu Haile Mariam during the years 1974-91 forming a socialist experiment under civil war. This Soviet revolutionary communist-style regime blocked any US influence. The US was apparently not willing to support any communist regime and stopped financing Ethiopia. After withdrawing from Eritrea’s communication base, the US kept Somalia as a Cold War ally for about a decade in order to control the region. Shepherd notes that the US used food aid as a means of their foreign policy.⁶¹² As a result, the Reagan administration unwilling to support a Marxist government, cut the supply of food aid. Remarkably, after the takeover of the communist regime and until the regime change of 1991, the US was interested in Ethiopia solely, because of the famine and the emigration of the Ethiopian Falasha Jews.⁶¹³

By 1977, the Derg policies had the objective to completely undermine the Ethiopian Republic. Anderson and Rolandsen note that Ethiopia’s communist regime implemented the strategy that Selassie “*had held only as a ‘last resort’ policy*”.⁶¹⁴ Haile Selassie’s expansion plans over the Eritrean political autonomy had triggered already several problems. Eritrean territories had passed to Ethiopia as an autonomous unit in 1950 with diplomatic support by the US and the United Nations⁶¹⁵. Eritrea’s annexation to Ethiopia had brought in the beginning relative tranquility in the Ethiopian-Eritrean bilateral relations. Nevertheless, Selassie banned the Eritrean political parties and the press, “*abolished the Eritrean flag and manipulated the Eritrean parliament*” and its elections.⁶¹⁶ Moreover, Selassie declared Amharic as the official language of Eritrea,

⁶¹¹ Shepherd, J., 1985. Ethiopia: The use of food as an instrument of US Foreign Policy. *A Journal of Opinion*, (14)4. Cambridge: Cambridge University Press, 5

⁶¹² Ibid., 5

⁶¹³ Farkas, E., 2003. *Fractured states and US foreign policy: Iraq, Ethiopia and Bosnia in the 1990’s*. New York: Palgrave Macmillan, 63.

⁶¹⁴ Anderson, D., Rolandsen, H., 2015. *Politics and Violence in Eastern Africa. The struggles of emerging states*. Taylor and Francis, London: Routledge, 10.

⁶¹⁵ Resolution 390 A

⁶¹⁶ Farkas, *op. cit.*, 64

although the Amhara population of Eritrea was a minority. Selassie's pressure resulted in the formation of the Eritrean guerilla struggle with the establishment of the Eritrean Liberation Front in 1961. In 1962, the Eritrean assembly, which was acting until then under Haile Selassie's orders, abolished the federation. This was the beginning of Selassie's downfall, which led to his overthrow by his guerrilla insurgencies. Several Ethiopian ethnic groups were involved into the regime change. Mesfin notes, that Eritrea has been supplying armament and training to Ethiopian rebel movements such as the Ogaden National Liberation Front (ONLF), the Oromo Liberation Front (OLF) and the Afar Revolutionary Democratic Unity Front (ARDUF) in order to put additional pressure on Ethiopia.⁶¹⁷

Civil war

The Mengistu regime perpetrated several atrocities on the Ethiopian population condemning to death thousands of Ethiopians. Moreover, the regime implemented a centralized command system nationalizing the economy along with all private properties with control over all the socio-economic policy aspects. Mr. Papassinos⁶¹⁸, President of the Ethio-Hellenic Business Chamber, reports to the author that the Derg nationalized all private property including the Greek business, which were numerous and prosperous during that period. Mr. Papassinos continued his narration by describing how two army officers carrying Uzi machine guns were always following him, while he was trying to survive from the regime. *"Some were given their properties back after the 1991, others never regained their fortune, but I was patient sleeping on a blanket in a shack selling chickens... and I finally ended up in the sugar trade business"*. Obviously, agricultural productivity declined due to the lack of new technological equipment and significant lack of resources such as agricultural equipment, seeds and fertilizers. In addition, price regulation by the government and free transport of commodities from abundant to deficient areas worsened the already bad economic condition. This unstable political climate isolated the country from the West and the US with Western donors choosing to distance themselves and not to support Ethiopia significantly despite its severe episodes.

⁶¹⁷ Mesfin, B., 2012. *Regional Security in Post-Cold War Horn of Africa*. Pretoria: Institute of Security Studies, 16.

⁶¹⁸ Interview, 09/2018, Athens, Greece

Moreover, the displacement of rural communities and the military conscription of young farmers, known as villagization program displaced more than 13 mil. people out of their lands and created land fragmentation and again famine. The drought that hit the country this time in 1984 and the famine of the same year - as a consequence of the Derg's forced resettlement scheme - devastated the country. It created a decade-long 'economic war' on the rural population and the utilization of humanitarian assistance was used as a political weapon against Eritrea and Tigray.⁶¹⁹ Although the initial argument of the Derg governance was to increase the agricultural production by improving its traditional farming systems, in fact, the main aim of the Derg's plan was to reduce the guerilla activities and to control the population. "*Indeed, some observers believed that the reason for starting villagization in Harerge and Bale was nothing less than to suppress support of the Oromo Liberation Front*".⁶²⁰

Controlling the Horn

Mengistu's contradictory policies created internal ethnic conflicts, starvation and dependency on foreign aid after the regime's downfall. The insurgencies in the disputed border areas along with the famine, the corruption and the guerilla struggle subjected the country to a state of emergency. Changing ultimately Selassie's foreign policy, which was based on US aid for its military and diplomatic support, Mengistu relied mostly on USSR arm supply. A characteristic example was Ethiopia's armament during the Ogaden War with Somalia in 1977-78. The Ogaden War started with the invasion of the Somali Democratic Republic in Ethiopia reshaping the superpowers support in the Horn of Africa.

The war has raised the value of USSR arm exports to about \$2,5 bil., while the annual average armament value to entire Sub-Saharan Africa was \$370 mil. Clapham reports that weaponry supply during the 70s and 80s by the Soviet Union, was, compared to any other Western arm supplier, "*by far the most cost and quality effective*".⁶²¹ Cuban, Soviets, Yemeni and Ethiopians fought against Somalis and the US. The British

⁶¹⁹ Flores, L., 2013, *op. cit.*, 7

⁶²⁰ Ofcansky P., T., Berry, V., 1991. *Ethiopia, a country study*. Federal Research Division. Library of Congress. Whitefish, Montana: Kessinger Publishing, 82.

⁶²¹ Clapham, C., 1996. *Africa and the international system. The politics of state survival*. Cambridge: Cambridge University Press, 142.

claimed that they would protect the independency of Somalia by supporting it, but the US saw the British Somaliland and its position on Somalia as a way to keep control over the Ogaden. Back in the 60s, however, Somalia and its General Siad Barre were on the Soviet side with their soldiers being trained by the USSR already before Siad Barre's coup in 1969. Nevertheless, the Russians, who were then supporting the Ethiopian communist regime, did not approve of American, Italian and Arab support for Siad Barre's invasion in Ethiopia.

Even during later peace attempts, the Mengistu regime focused absolutely on the total disintegration of Somalia.⁶²² More than 1 mil. Somali living in the French Somaliland, which later became part of Djibouti, the Northern Frontier District of Kenya and the Ogaden region neighboring Ethiopia, were left out of the borders of the independent state of Somalia. These Somali shared a common language, religion, culture and common political understanding.⁶²³ Clapham describes that "*the Ethio-Somali conflict, could be seen at its most basic as reflecting divisions between highland and lowland, Christianity and Islam, agriculturalists and pastoralists, which derived from the physical and social endowment of the Horn*".⁶²⁴ Since the Ogaden war, large parts of the Ogaden area were left to Somalian territories. In turn, Ethiopia, as a founding member of the United Nations and the Organization of African Unity (OAU) was promoting at a diplomatic level its sovereign interest over the disputed territory of the Ogaden.

The Mengistu regime provoked the formation of five revolutionary separatist movements; the coalition of the Marxist-Leninist EPRDF, the TPLF, the Muslim-led Eritrean Liberation Front (ELF) and the dominant Eritrean guerrilla group, the Eritrean People's Liberation Front (EPLF). Mengistu had to face his internal insurgencies from Tigray and Eritrea as well as Sudan, which provided significant support to EPRDF and EPLF. The signing of the Addis Ababa peace agreement in 1972 for the end of Sudan's first civil war did not forward South Sudan's autonomy by the central Sudanese government. Hence, Mengistu saw the opportunity to support South Sudan's secession

⁶²² Belete, B., Y., 2014. Ethiopian foreign policy and the Ogaden War: The shift from containment to destabilization, 1977-1991. *Journal of Eastern African Studies*, 8(4), 678.

⁶²³ Patman, G. R., 1990, *op. cit.*, 46

⁶²⁴ Clapham, C., 1996, *op. cit.*, 108

by allowing the operations of the Sudan People's Liberation Army (SPLA) in the Ethiopian territory. At the same time, EPLF and TPLF revolts utilized Ethiopia's long western borders with Sudan.

However, for the Mengistu regime it was difficult to crush them. Clapham describes that Ethiopia and Sudan were the two states in Africa, whose borders were so questioned perhaps as no other African state. "*In Ethiopia to Christian Amharic speakers, especially from the central region of Shoa; in Sudan to Arabic-speaking Moslems, especially from the Nile valleys around Khartoum*".⁶²⁵ In each case, adherence to the principle of respect for existing boundaries helped to protect the central government against secessionist claims. These governments, nonetheless, had to seek international alliances through which to obtain the arms and diplomatic support in order to maintain their statehoods.

4.3 Political Drivers

EPRDF's first governance

Ethiopia's political transition began by EPRDF's invasion in Addis Ababa in 1989. The capture of Asmara in Eritrea by EPLF's Eritrean rebels, took place simultaneously.⁶²⁶ The US involvement was evident, with Herman Cohen, the U.S. Assistant Secretary of State for African Affairs, undertaking the parallel negotiations during the government switch of the communist Mengistu regime. The coup was called in the end 'Cohen coup' due to his mediation. The EPRDF undertook then the governance of the country with TPLF's powerful military command. TPLF hosted Ethiopia's military generals and high ranked elite governmental officers, who come from Tigray, TPLF's home location.

However, while Tigray representatives constitute about 6% of the country's population, the Oromo, which is the most represented ethnic group in the country, stands for 35% of Ethiopia's total population. The EPRDF was still - until the time of writing in 2021 - the ruling four party coalition, which consisted of the Oromo People's Democratic

⁶²⁵ Ibid., 48

⁶²⁶ Farkas, E., 2003. *Fractured states and US foreign policy: Iraq, Ethiopia and Bosnia in the 1990's*. New York: Palgrave Macmillan, 62.

Organization (OPDO), the Amhara National Democratic Movement (ANDM), the Southern Ethiopian People's Democratic Movement (SEPDM) and the former dominant party of TPLF. In fact, EPRDF's ethno-nationalism is rooted long before the Tigrayan and TPLF's post-communist leadership. The region of Tigray and the Tigrigna-speaking territories assembled a mixture of nationalist attitudes and symbols, which date back to the Abyssinian polity. From historic and cultural symbols such as Axum, to the resistance of the Tigrayan rebellion against Mussolini, nationalist sentiments reflected in the entire country aspiring, in the words of Prunier, a "*rehabilitated and reinvigorated Tigray under autonomous government within a democratized Ethiopia*".⁶²⁷

Developmental state

Since 1991, the country's presidency was under Meles Zenawi's command, himself a Tigray representing TPLF within EPRDF. Meles Zenawi vision to democratize the country and to liberalize its economy was inevitable after the discredited atrocities of the Derg regime. Nevertheless, Meles recognized that "*the predatory state of Africa's first post-colonial decades was a dead-end*"⁶²⁸ and acknowledged that Ethiopia's 'developmental state' was the only solution against the neoliberal Washington consensus dogma. As a result, Meles view on the developmental state included to a certain extent rent-seeking practices, since he understood well Ethiopia's and Africa's "*lack of comparative advantage in any productive field*".⁶²⁹ In Ms. Kalogeropoulos Armenakis, the Consulate of Ethiopia in Greece, words: "*Meles was a unique political example around the globe for his innovative thought and for driving Ethiopia out of poverty. He initiated seven days-work per week in order to develop the country and thanks to these policy interventions the Ethiopian middle class grew. Earlier, during the communist period and the monarchy of Haile Selassie, the middle class did not exist*"⁶³⁰. Indeed, Meles Zenawi was considered a visionary and understood that Ethiopia's development model, which was adopted by EPRDF needed to follow the

⁶²⁷ Prunier, G., 2015. *Understanding contemporary Ethiopia. Monarchy, revolution and the legacy of Meles Zenawi*. London: Hurst and Company, 288

⁶²⁸ De Waal, A., 2012. The theory and practice of Meles Zenawi. *African Affairs*, 112(446), 152.

⁶²⁹ Ibid., 153

⁶³⁰ Interview, 09/2018, Athens, Greece

East-Asian ‘developmental states’ of South Korea and Taiwan and especially that of China’s.

However, the ‘Ethiopian developmental state’ faced many internal and external challenges. Ethiopia’s main internal challenge was the management of the country’s diverse ethnic groups. Meles viewed the decentralization of the state as a solution to the management of the several ethnic groups under a unified territory. Contrary to this compromise stood fragmentation and that was a case to avoid after the several years of the country’s civil war. Ethiopia’s borders were formed at various times with fear of secession and thus domestic conflicts remain still a challenge for the country’s identity with the diverse ethnic groups demanding more access to power. As a result, Ethiopia’s post-communist state-building is characterized by ethnic-based federalism.

The above historic analysis has shown that Ethiopia’s domestic politics are formed in a significant part also by the country’s foreign policy towards its neighboring states. Evidently, Ethiopia had to protect its borders against Sudan, Somalia and Eritrea during the turnover of its political landscape in 1991. Obviously, its neighbors would easily take advantage of any opportunity to demand the accession of their lost territories. Ethiopia’s external challenges involved thus in the first place the preservation of its sovereignty and leadership within its borders as well as the possible confrontation with its opponents. In the second place, Ethiopia’s aim was to prioritize its cooperation and alliances with certain actors of the global North in order to secure its sovereignty. For instance, Ethiopia’s EPRDF regime was adjacent to the US, reinitiating the US-Ethiopian bilateral cooperation. In addition, the country’s severe draughts of the 80s caused the restart of significant foreign aid inflows and field assistance provided by several Western powers.

External challenges

Sudan

After EPRDF took power in 1991 with the vast majority of TPLF in Tigray, South Sudan People’s Defense Forces (SPLA) was expelled from Ethiopia’s territory. Sudan’s central government did not keep its promise for the autonomy of South Sudan,

which resulted in the end of the Sudanese peace agreement in 1983 and the return to war. As a result, after the overthrow of the Mengistu regime, Sudan's al-Bashir's regime inclination to Islam confirmed itself.⁶³¹ The tension deteriorated even more through militant Islamists such as General Nimairi.⁶³² As a result, Ethio-Sudanese relations deteriorated under EPRDF's government. The Sudanese-Ethiopian bilateral relations normalized only after Ethiopia achieved generalized stability and peace in the region, especially with regard to Eritrea.

Eritrea

Eritrea's independency from Ethiopia was another major issue, which had to be dealt with carefully by the Ethiopian government, but also by the US and the OAU. The US and the OAU thought that allowing Eritrea's independency would lead other secessionists to do the same. A demand by Eritrea to redefine its territorial autonomy could be taken into consideration only in relevance with its previous Italian colonial borders and not with regard to its post-imperial condition as it was regulated with other post-colonial states. Eritrea gained its sovereign independence in 1993 forming the first recognized secession by the OAU from any other existing African state. Finally, the aim of the diverse insurgencies in Eritrea succeeded. However, Eritrea's positive referendum for its secession from Ethiopia created problems for Ethiopia leading to the Ethiopian-Eritrean war, which lasted from 1998 until 2000.⁶³³ The war disrupted their economic and diplomatic ties and deprived Ethiopia of its only ports, Massawa and Assab on the Red Sea coast.⁶³⁴ Thousands of Ethiopians and Eritreans lost their lives during the war and again regional destabilization spread in the area involving Sudan and Somalia along with various rebel groups.

⁶³¹ Clapham, C., 1996, *op. cit.*, 123

⁶³² *Ibid.*, 153

⁶³³ The author has been conducting asylum interviews in Lesbos for the European Asylum Support Office during his PhD thesis between 2017-18. Asylum applicants claiming to be Eritreans were often difficult to distinguish from Ethiopians, especially if the Ethiopian person came from the Northern part of the country, which is close to Eritrea's border. In cases that the applicants lacked any official documents to prove their identity and due to the bilateral historic relations of the two countries, it had to be investigated whether the applicants came originally from Eritrea or Northern Ethiopia.

⁶³⁴ Dorosh, P., Shahidur, R., 2012. *Food and Agriculture in Ethiopia. Progress and policy challenges.* International Food Policy Research Institute. Philadelphia: University of Pennsylvania Press, 7.

Somalia

Ethiopia's anti-Siad Barre support strengthened after the mid-1980s and even after the fall of the Derg. Siad Barre's civil war in Somalia and his fall in 1990 signaled once more the Ethiopian dominance in Somalia's politics. Evidently, Ethiopia is still paying a heavy price for its 'destabilization' strategy in Somalia, facing serious insecurity in the region.⁶³⁵ Ethiopia managed through diplomatic means to keep its hazardous rebel groups away of the peace conference promoted by Egypt, Italy and Kuwait in 1990 in Cairo.⁶³⁶

Internal challenges

Ethnic federalism

Ethiopia's long independence compared to European colonial states in the rest of the African continent fills the Ethiopian population with a unique combination of pride and dignity over their territory when representing the country's sovereign interests externally. However, Ethiopian domestic politics are as complex as the country's 85 different ethnic groups. This situation creates certain dynamics over the political and economic dominance of Ethiopia's diversified federalist politics. Hence, ethnic federalism was introduced with the first federal government taking place in 1995. Further, democratization of the country's politics under a multiparty electoral system and the liberalization of the economy were the next steps to follow. Clapham notes that the first two federal elections of 1995 and 2000, and the separate elections for the parliaments of the individual regions, took place "*under the heavy hand of the ruling parties, working with an electoral administration that provided no neutral or impartial arbitration of the process*".⁶³⁷ Indeed, in the country's first two elections only few opposition parties contested the ruling party.

Exceptionally interesting, though, was Ethiopia's new constitution⁶³⁸, which accompanied the elections of 1995. Accordingly, Ethiopia's constitution provided the

⁶³⁵ Clapham, C., 1996, *op. cit.*, 684

⁶³⁶ *Ibid.*, 686

⁶³⁷ Clapham, C., 2017. *The Horn of Africa. State formation and decay*. Oxford: Oxford University Press, 87.

⁶³⁸ Constitution of the Federal Republic of Ethiopia, 1995.

right of its diverse ethnic groups to self-determine and to secede. “*Every Nation, Nationality and People in Ethiopia has an unconditional right to self-determination, including the right to secession*”, states characteristically Article 39 of the constitution. Ethiopia’s revised constitution along with this particular point supported thus decentralization policies from which Nations, Nationalities and Peoples could negotiate more access to power. Further, EPRDF and TPLF leadership emerged, after the fall of the Derg regime in May 1991, both as military winners and as visionaries in defining the Ethiopian statehood. However, the 1998-2000 war between Ethiopia and Eritrea redefined Ethiopia’s national identity under EPRDF’s nation-building strategy. According to a researcher, this strategy aimed at TPLF-EPRDF’s goals to keep power by adjusting the ‘multifaceted’ nationalism according to the circumstances before and after the Ethiopian-Eritrean war.⁶³⁹ From a historic point of view, the socialist regime of Ethiopia, as famous historian Markakis notes, has created a military state asserting primacy over all class forces with a commitment to a highly centralized Ethiopia against all regional demands.⁶⁴⁰ These circumstances had certainly created an impact on Ethiopia’s post-communist governance, which tried to regulate the territorial autonomy of the country’s diverse ethnic groups. Were the efforts successful? Apparently not, as the constitutional decision to use ethnicity as a basis for the organization of the state represents a recognition of the political relevance of ethnicity.⁶⁴¹ This elevation of ethnic identity to primary political identity overlooks, according to Ethiopian scholar Fessha, historically and politically territorial identities.⁶⁴²

Decentralization

The end of the war in 2000 brought the election of the second federal government and the country’s second wave of decentralization in 2002 with the structuring of the woreda (district) system. Although woredas were introduced already during the previous decade, it was only in 2002 that the government inaugurated them. As Vaughan Sarah notes, the consolidation of Ethiopia’s federal state was articulated as a

⁶³⁹ Bach, J-N., 2014. EPRDF’s Nation-Building: Tinkering with convictions and pragmatism. *Cadernos de Estudos Africanos*, 27, 119.

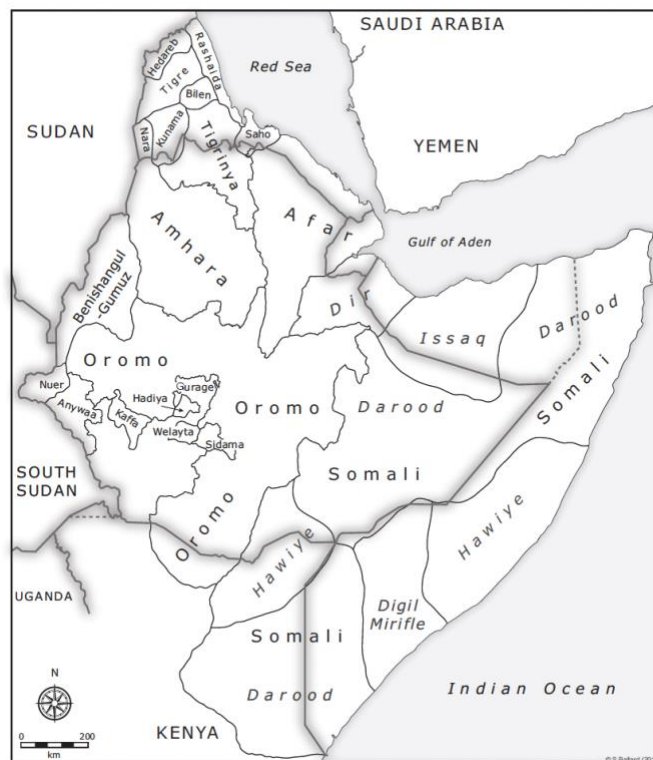
⁶⁴⁰ Markakis, J., 1981. The military state and Ethiopia’s path to ‘socialism’. *Review of African Political Economy*, 8(21), 7.

⁶⁴¹ Fessha, Y. T., 2016. The original sin of Ethiopian federalism. *Ethnopolitics*. *Formerly Global Review of Ethnopolitics*, 16(3), 232.

⁶⁴² Ibid.

‘centralized decentralization’.⁶⁴³ In contrast to Ethiopia’s elections in 1995 and 2000, which were boycotted by several opposition parties, the 2005 elections marked the country’s first genuinely contested elections⁶⁴⁴ signaling Ethiopia’s ‘third wave’ of democratization. Thirty-five parties competed for the elections in federal and regional level and the ruling EPRDF lost 30% of its 90% support in the elections of 2000. In the 547-seat House of Representatives, EPRDF won 327 seats, while the opposition increased astonishingly its representation from 12 to 174 seats. Apart from the increase of significant gains for the Amhara and the Oromiya population, major political developments involved “*changes in the electoral law to improve the registration process; the establishment, by the National Electoral Bord of Ethiopia (NEBE), of joint political forums to resolve problems; the creation of an NEBE website; guaranteed access to the state-controlled media; a civic education programme by civil society organizations; and a comprehensive code of conduct for the EPRDF and other parties*”.⁶⁴⁵

Figure 4.2 Map of Ethiopia and the Horn of Africa (major population groups)



Source: Clapham, C., 2017⁶⁴⁶

⁶⁴³ Vaughan, S. in Prunier, G., 2015, *op. cit.*, 291

⁶⁴⁴ Gilkes, P., in Prunier, G., 2015, *op. cit.*, 313

⁶⁴⁵ *Ibid.*, 314

⁶⁴⁶ Clapham, C., 2017. *The Horn of Africa. State formation and decay*. Oxford: Oxford University Press.

Oromo rising

Meles Zenawi's sudden death in 2012 was unexpected and his succession by deputy Prime Minister Hailemariam Desalegn was exceptional. Hailemariam, a protestant, coming from Welayta, represented the second largest group within the Southern region. However, the mass demonstrations of the Oromo ethnic group in 2016 forced Desalegn to resign in 2018 signaling the end of TPLF rule after 29 years in power. Abiy Ahmed, the first Oromo president of Ethiopia, representing the Oromo Democratic Party (ODP) took over in 2018. Ethiopia's Prime Minister, Abiy Ahmed won in 2019 the Nobel Peace Prize by bringing peace to the region. This strategic move stopped the 20-year hostility between Ethiopia and Eritrea and set a leadership example for the rest of the countries in the Horn of Africa. For the first time since the last Ethiopian-Eritrean war, the two countries exchanged various delegation visits, opened their consulates and Ethiopian airlines started flying to Asmara. Although there was a mass support movement for Ethiopia's new Prime Minister and his new vision for the country, there were many voices in Ethiopia, which were opposed to his policies, especially from the Tigray minorities.

A medicine graduate from a Greek University, who was working as a Tigray interpreter for the European Asylum Support Office in Lesbos, Greece reported to the author: *"Many Tigrayans believe that Abiy Ahmed wants to offer Ethiopia's conquered lands as a gift to the Eritreans"*. Taking into consideration that Ethiopia's Tigray elite control the country's major business and governmental posts, Abiy Ahmed was the necessary intermediate person between the Oromo uprising and the Tigray suppression in order to ease the high tension, which was provoked during the previous years.

A representative of the Ethio-Hellenic Business Chamber, commented to the author⁶⁴⁷ that *"Ethiopians are characterized by pride, stubbornness and lack of democracy. They are not trained to democracy; even the last president, Abiy Ahmed was elected within the EPRDF without national elections. The situation in the country was so tense that a more open and communicative person to the public was needed for the country's representation. It was, however, a positive sign that many political prisoners were let*

⁶⁴⁷ Interview, 09/2018, Athens, Greece

free after the change of the government". Ms. Kalogeropoulos Armenakis, the Consulate of Ethiopia in Greece noted that the new government of Dr. Abiy Ahmed gave an optimistic outlook for the country. However, so many new changes need some time to absorb. As Meles would have said for the country at that moment, "*this is a bumpy period for Ethiopia*".⁶⁴⁸

4.4 Economic drivers

China's developmental model

Ethiopia is a special case-study among African countries, because it sought throughout its political and economic historic path to emulate other countries' development models. Ethiopia seems in the end, to follow its own economic growth model. Ethiopia's first such model during the mid-nineteenth century was Russia, followed by Japan and after the Second World War, United Kingdom and other Western states.⁶⁴⁹ Ethiopia's developmental state as described by Clapham⁶⁵⁰ remains 'deeply entrenched to its statehood' mainly due to the dominance of the state, which commands the economy, the military and the security apparatus. The discourse on Ethiopia's 'developmental state' is also noted in various other studies⁶⁵¹. This governance model resembles China's development path, which is since the new millennium, Ethiopia's new emulation model of growth. Both countries share a common vision for the state apparatus and their structural economic transformation.

Following the steps of South Korea and Taiwan, Meles Zenawi governance (1991-2012) introduced the development of special economic zones in Ethiopia according to the successful East Asian export-led growth strategy, which is still adopted by the ruling EPRDF coalition party. The president of the Ethio-Hellenic Business Chamber noted to the author that the state functions the same way as the Chinese communist model with an absolute command on central planning. "*Ethiopian governmental officials, who might have studied abroad, in Harvard, Oxford or elsewhere return to Ethiopia and*

⁶⁴⁸ Interview, 09/2018, Athens, Greece

⁶⁴⁹ Clapham, C., 2006. Ethiopian development: The politics of emulation, *Commonwealth & Comparative Politics*, 44(1), 138.

⁶⁵⁰ Clapham, C., 2018. The Ethiopian developmental state, *Third World Quarterly*, 39(6), 1152.

⁶⁵¹ Gebresenbet, F., 2014. Securitization of development in Ethiopia: the discourse and politics of developmentalism. *Review of African Political Economy*, 41(1), 64.

again adjust themselves to that model, which is very narrow minded when it comes to the high taxes on entrepreneurs and the high costs of the imported industrial machinery, which are needed in order to raise the country's competitiveness". Mr. Papassinos continued that it is not right to have the same amount of high taxes both for luxury cars and industrial machinery, as the latter are vital for the increase of the country's productivity.

After Zenawi's visit to China, an agreement was reached to establish a Chinese language center in Ethiopia, but the most important agreement was the creation of industrial zones in the outskirts of Addis Ababa.⁶⁵² Covering a square of five-kilometer area, the aim of the agreement was the manufacturing of products such as textiles, shoes, electric equipment and the creation of 20,000 jobs.⁶⁵³ Ethiopian scholars report that, "over sixty percent (60%) of Ethiopia's FDI is attributed to Chinese manufacturing"⁶⁵⁴ which differentiates it from China's resource-extractivism in other African countries. Fei notes that "by the end of 2016, 19 special economic zones were either under operation, construction, or planning in Ethiopia".⁶⁵⁵ Indeed, "hundreds of Chinese companies" operate now in the East African region as a result of the internationalization of the Chinese capital.⁶⁵⁶

According to various authors and investment observatories, Ethiopia ranks among China's top six partners - Nigeria, Angola, South Africa, Zambia and Sudan.⁶⁵⁷ In the rest of the African countries, China is mostly engaged in resource extraction - oil in Nigeria, Angola and Sudan, copper in Zambia, minerals and metals in South Africa. Ziso characterizes Ethiopia though as 'the odd one out' due to China's infrastructure and manufacturing investments.⁶⁵⁸ Indeed, the Ethiopian infrastructure transformation

⁶⁵² Adem, S., 2012, *op. cit.*, 146

⁶⁵³ Bräutigam, D., Tang, Xiaoyang, 2011. African Shenzhen: China's special economic zones in Africa *Journal of Modern African Studies* 49(1), 44.

⁶⁵⁴ Geda, A., Meskel, A. G., 2009. Impact of China-Africa Investment Relations: Case study of Ethiopia. Impact of Asian drivers on Africa, Addis Ababa University, Kenya: African Economic Research Consortium Conference, 13.

⁶⁵⁵ Fei, D., 2018. Work, employment and training through Africa-China cooperation zones: Evidence from the Eastern Industrial Zone in Ethiopia. Working paper No. 2018/19. China-Africa Research Initiative, Washington D.C.: School of Advanced International Studies, John Hopkins University, 9.

⁶⁵⁶ Ziso, E., 2018, *op. cit.*, 18

⁶⁵⁷ Raine, S., 2009. China's African challenges, *The Journal of modern African studies*, 48(01). London: Routledge, 43.

⁶⁵⁸ Ziso, E., 2018, *op. cit.*, 18

was immense due to the inflows of Chinese capital. It is worth mentioning that Chinese investments and construction in Ethiopia amounted to a total of \$23,85 bil. between 2005 and 2018⁶⁵⁹, while “China’s infrastructure financing in Africa (roads, railways, and power projects) was worth \$7 bil. in 2006”.⁶⁶⁰ In addition, state owned enterprises (SOEs) engaged in telecommunications such as ZTE, Sino Hydro Corporation, Huawei and private firms have contributed to Ethiopia’s economic development and high GDP rates. The World Bank reported that Chinese FDI to Ethiopia reached \$74,3 bil. in 2009 and \$58,5 bil. in 2010.⁶⁶¹ In 2010, 580 Chinese companies with 1,065 investment projects were registered in Ethiopia with an estimated capital investment of \$2,2 bil.⁶⁶²

For 19 years, from 2000 until 2019 Ethiopia retained an annual relative steady growth of 8-10%. Ethiopia’s FDI inward stock reached an increase of about \$2,5 bil. in three years-time, from \$626 mil. in 2011 close to \$7,2 bil. in 2014.⁶⁶³ Foreign inflows to Ethiopia rose by 46% to \$3,2 bil., propelled by investments in infrastructure and manufacturing⁶⁶⁴ while East Africa, received \$7,1 bil. in FDI in 2016, up 13% from 2015. According to IMF, there was a significant contribution of the services sector to the country’s GDP growth from 1995 until 2017, while agriculture’s contribution was significantly declining.⁶⁶⁵ Indeed, the government promoted intensively the modernization and structural transformation of the country’s transition towards industrialization. Its national development plan promoted actively export-led industrialization development, following the East Asian model, with a focus on light manufacturing.

⁶⁵⁹ China Global Investment Tracker, Chinese Investments and Contracts in Ethiopia (2005-2018), Washington D.C.: American Enterprise Institute.

⁶⁶⁰ Foerstel K., 2008. China in Africa: Is China gaining control of Africa’s resources, *CQ Global Researcher*, 2(1), 2.

⁶⁶¹ World Bank, 2012. Chinese FDI in Ethiopia. A World Bank Survey: Washington D.C: World Bank Group, 5.

⁶⁶² Raine, S., 2009. China’s African challenges, *The Journal of Modern African Studies*, 48(1), 43.

⁶⁶³ United Nations Industrial Development Organization (UNIDO), 2016. Guide to doing business and investing in Ethiopia. Vienna: UNIDO, 13.

⁶⁶⁴ UNCTAD, 7/6/2017. Foreign direct investment to Africa fell by a moderate 3% in 2016 says UN report. Press Release. Geneva: UNCTAD.

⁶⁶⁵ International Monetary Fund (IMF), 2018. The Federal Democratic Republic of Ethiopia - Country report No 18/18. Washington D.C.: World Bank, 4.

Economic diversification

Ethiopia has attracted significant foreign direct investments from India, Germany, the US, Israel and Saudi Arabia in textiles, leather, floriculture, horticulture, commercial agriculture and light manufacturing.⁶⁶⁶ Investment inflows from Turkey, China and Saudi Arabia were the largest sources of accumulated FDI, according to the World Bank.⁶⁶⁷ European FDIs from private companies were negligible apart from the Dutch in the flower sector and German investments in leather and flower industry. High FDIs in leather manufacturing and textile production play a significant role for Ethiopia's comparative advantage. Most impressive was Ethiopia's rapidly growing cotton textile apparel (CTA)-manufacturing sector, which received the most FDIs of any other country in Africa attracting between 2008-13 a total of \$250 mil.⁶⁶⁸

According to UNCTAD, Ethiopia ranked as the third largest FDI recipient in Africa in 2013, a 240% increase from 2012. The reduction of constraints for foreign investors and the provision of incentives for FDIs facilitated the liberalization of the country's economy. Other reasons for the attraction of diverse investors in recent years were the low wages of Ethiopian nationals and the low price of electricity. Furthermore, the government's focus on education, real estate, renting and business activities, wholesale and retail trade, hotels and restaurants has increased the share of the service sector to the national economy to about 4% in a decade, from 36% in 1997 to 40,8% in 2007. Another major progress was the allocation of the government's 64% of the total budget to education, health, agriculture, water supply and road infrastructure.

Another source of high earning in Ethiopia's export services is Ethiopian airlines, which exceed any other African airlines in terms of aircrafts' volume. Another successful services sector, which has been increasing four-fold since 2010, are mobile telephone subscriptions. Other important sectors such as IT, tourism, transport, agro-industry and horticulture have provided also new significant opportunities for the

⁶⁶⁶ Lavers, T., 2012, *op. cit.*, 113

⁶⁶⁷ The World Bank, 2012. Chinese FDI in Ethiopia. Washington D.C.: The World Bank, 11.

⁶⁶⁸ Wang, W., Lu, J., Allen, W., 2018. The East Africa shift in textile and apparel manufacturing: China-Africa strategies and AGOA's influence. China-Africa Research Initiative. Policy Brief 25, Baltimore: John Hopkins University, School of Advanced International Studies, 2.

country's export development.⁶⁶⁹ Another successful sector, Ethiopia's travel and tourism economy grew by 48,6% in 2018 experiencing the highest tourism growth in the world offering 2,2 mil. jobs and \$7,4 bil. to its economy.⁶⁷⁰ Last, but not least, Ethiopia is the biggest coffee exporter in Africa creating 60% of the country's foreign income - about \$900 mil. - and 15% employment.

Table 4.1 Net FDI inflows in Ethiopia and the world, 1975-2016

in bil. \$

Year	World	East Asia & Pacific	Latin America & Caribbean	Sub-Saharan Africa	Ethiopia
1970	10,1	1,4	0,615	0,7	-
1975	23,1	1,4	2,7	1,04	0,5 (1977)
1980	51,4	4,8	6,4	0,25	-
1985	55,8	8,5	6,4	0,960	-
1990	196,3	29,8	8,3	1,2	0,170 (1992)
1995	319,9	81	30,6	4,5	0,14
2000	1,46	174	95,4	6,8	0,134
2003	710,7	126	52,6	13,8	0,465
2007	3 tril.	396	192	28,7	0,222
2009	1,36 tril.	287	156	36,5	0,221
2011	2,2 tril.	560	282	42,01	0,626
2016	2,3 tril.	493	272	38,6	3,9

Source: World Bank

Industrialization and privatizations

Ethiopia's government promoted intensively the country's modernization and structural transformation towards industrialization through its GTP (Growth and Transformation Plans I and II) policy instruments. Ethiopia's state-owned enterprise (SOE) sector

⁶⁶⁹ Gebreeyesus, M., 2017. Industries without smokestacks. Implications for Ethiopia's industrialization. UNU-Wider report. Helsinki: United Nations University, 19.

⁶⁷⁰ World Travel and Tourism Council, 2018. Travel and tourism. Economic impact 2018 - Ethiopia. London: World Travel and Tourism Council.

remains still comparatively large, comprising of around 130 companies.⁶⁷¹ According to the National Planning Commission's report (GTP II), the private sector has been encouraged to become involved in the privatization process of public enterprises. The country's structural transformation based on large-scale public investment in infrastructure and constructions has initiated demand for local enterprises such as cement factories. During GTP I period (2010-2015), "32 public enterprises in the form of direct selling and joint venture have been privatized".⁶⁷²

The government has also focused on the development of power production projects and distribution. Specifically, according to GTP II (2016-2020), the expansion of the country's share of energy to over 50% was planned through the construction of domestic energy projects such as hydropower dams. This concerned one of the country's most impressive industrialization targets for power supply and distribution and the largest hydropower project in Africa, the Grand Ethiopian Renaissance Dam (GERD) with a capacity of 6,450 MW. The GERD is planned to meet domestic demand, but also to generate significant export earnings. Ethiopia faces, though, significant security problems⁶⁷³ with Egypt due to the Nile and the exploitation of its water resources.⁶⁷⁴

Ethiopia's government focuses also on the development of roadways, railway, as well as the expansion of telecommunication services and the social sector including health and education. Ethiopia's accession to the World Trade Organization, which has been underway since 2003, would facilitate the country's competitiveness for significant service sectors such as banking, telecoms and logistics. Ethiopia has currently "16 private and two state-owned commercial banks, 16 private insurance companies and 31 microfinance institutions."⁶⁷⁵ However, 75% of Ethiopia's population is still

⁶⁷¹ Kelsall, T., 2013. *Business, Politics and the State in Africa: Challenging the orthodoxies on growth and transformation*. London: Zed books, 102.

⁶⁷² Addis Abeba Chamber of Commerce

⁶⁷³ Ethiopia claims that the agreement of 1959, which gave rights to Sudan and Egypt on the Nile has been impeding its development. As Ethiopia provides about 86% of all the water that eventually streams into the Nile flow, it feels threatened by Egypt, which has in the past supported Eritrean insurgencies against Ethiopia and has provided support to Somalia during the Ogaden war.

⁶⁷⁴ Alao, A., 2007. *Natural resources and conflict in Africa. The tragedy of endowment*. New York: University of Rochester Press, 220.

⁶⁷⁵ World Bank Group, 2015. 4th Ethiopia Economic Update. Overcoming constraints in the manufacturing sector. Washington DC: World Bank Group, 5.

unbanked.⁶⁷⁶ In an interview to the Africa Report, Allianz Africa CEO, Coenraad Vrolijk noted that the insurance market in Ethiopia is a matter of time to open to the free markets. Vrolijk reports characteristically about *“the most attractive untapped insurance markets... and the opening of the sector to foreign investment being just a matter of time”*. Indeed, the liberalization of telecoms and financial sector are very likely to be fulfilled in the near future. IMF suggests that the opening up of telecoms and banking can provide greater foreign financing providing consistency to the country’s macroeconomics and debt sustainability.⁶⁷⁷

Moreover, public-private partnerships can contribute to foreign financing and FDIs could improve efficiency and growth. State-owned Ethio Telecom is a monopoly in the sector and one of the biggest companies among developing economies fully owned by the state. Its revenues in 2018 amounted to \$1,4 bil. from its 44 mil. subscribers out of the country’s 105 mil. Ethio Telecom plans to sell 49% of its shares, which could raise, according to estimations, up to \$3-4 bil. Moreover, Sanlam, Africa’s biggest non-banking financial services based in South Africa and listed on the Johannesburg Stock Exchange plans to enter Ethiopia’s market.⁶⁷⁸ This strategic move comes after Ethio Lease, the first foreign owned company, secured financial services license in Ethiopia in 2019.

Major investments in infrastructure, power generation and distribution and the amelioration of trade conditions were some major key drivers for the positive rates of international financial rating agencies. Moody’s rated Ethiopia’s credit worthiness in 2015 with a ‘B+’, while S&P and Fitch maintained the ‘B’ rating of the previous year. Economic declines of main export partners, limitations in financing investment projects, decreases in commodity export prices, limited access to domestic credit by the private sector as well as uncertainty due to the impact of climatic change are some crucial risks, which can possibly affect the future rating of the financial rating agencies. In 2014, Ethiopia issued its first 10year Euro-bond, raising \$1 bil. at a rate of 6,6%. The

⁶⁷⁶ Getachew, S., 3/4/2020. Ethiopia is opening up its mobile money market to new markets. New York, London: Quartz Africa.

⁶⁷⁷ International Monetary Fund (IMF), 2015. The Federal Democratic Republic of Ethiopia - Country report No 15/300. Washington D.C.: World Bank, 17.

⁶⁷⁸ Whitehouse, D., 21/4/2020. Coronavirus: Sanlam delays plans to enter Ethiopia and Egypt until pandemic weakens. London: The Africa Report.

oversubscription of the bond indicated the continued high interest of the market. Ethiopia faced about \$1,5 bil. in external public debt service payments for 2017-18 and a trade deficit of €14,3 mil. according to EC Statistics, which could sum up to a deficit of €16 mil. According to the Ethiopian authorities and IMF's calculations, Ethiopia's public external debt in 2017 was distributed mainly by the Non-Paris Club (35%), IDA (27%), commercial creditors (26%), AfDF 7%, IMF 1%, other multilateral creditors 3% and Paris Club 1%.

IMF

Ethiopia's central economic planning started loosening with the country's first steps towards liberalization through the proposed free-market economic policies, the intervention of IMF⁶⁷⁹ and WB and the country's first reforms in 1993. Since 1995, 370 public enterprises were sold by the government, most of them being small enterprises in trade and services. As a result, Ethiopia's inflows up to 1996 amounted to \$63,5 mil., which was a strong indication of the start of the country's structural reformation. Another 166 state-owned enterprises were privatized from 1996 up to 2000. Ethiopia's net inflows of FDIs amounted to \$170,000 in 1992, \$288,5 mil. in 1998, \$545 mil. in 2004 and \$4 bil. in 2016 out of the total \$38,6 bil. in Sub Saharan Africa.⁶⁸⁰

The country's political developments and economic liberalization were associated with its IMF arrangements. Out of Ethiopia's seven arrangements with IMF from 1991 until 2022, every end of an arrangement is followed by an election. The first arrangement dates back to 1992 lasting until 1995, the year that Ethiopia's first elections took place. The second arrangement was from 1996 until 1999 and in the year 2000 the country's second quasi democratic elections took place. From 2001 until 2004 the third IMF arrangement takes place and in 2005, the country's third, more democratic than the previous elections take place. From 2009 until 2010 is the fourth arrangement and 2010 again elections take place. In 2019, the IMF approved a \$2,9 bil. loan package for the next three years to support the country's economic reforms. Another two IMF arrangements are planned between 2019 and 2022.

⁶⁷⁹ Ethiopia's membership to IMF dates back to 1945

⁶⁸⁰ UNCTAD, 2019, *op. cit.*, 2

Import-export partners

Agriculture, manufacture and mining are Ethiopia's top import-export sectors. Ethiopia's top export trading partners in 2016 were Sudan⁶⁸¹ in the first place with €842 mil., EU 28 at the second place with €776 mil., China at the third place with €370 mil., Switzerland €317 mil., Somalia €253 mil., Saudi Arabia €189 mil., USA €145 mil., United Arab Emirates €94 mil., Djibouti €89 mil. and Japan €85 mil. (EC statistics). With regard to Ethiopia's imports in 2016, China received the first place with €5,1 bil., EU second with €2,39 bil., followed by Saudi Arabia with €1,7 bil., India with €1,3 bil., Kuwait with €926 mil., United Arab Emirates with €636 mil., Turkey with €481 mil., Japan with €441 mil., Ukraine with €413 mil. and Indonesia with €399 mil.

EU-Ethiopia trade cooperation is limited compared to other EU-African trade flows. Ethiopia's trade balance with the EU remains negative despite EU's "Everything but Arms" (EBA) initiative, which provides duty and quota free access to European markets since 2001 for Ethiopian products. Another preferential trade agreement, the US Africa Growth and Opportunities Act (AGOA),⁶⁸² captures only a 1,2% share of its exports - as of 2013 - serving mostly domestic and regional markets.⁶⁸³ Ethiopia exports mainly primary commodities to Europe such as coffee to Germany. EU has been increasing significantly its trade flows with Ethiopia; in 2006, EU imported goods amounted to €286 mil. and €721 mil. for 2016.⁶⁸⁴ In 2006, the EU exports to Ethiopia amounted to €608 mil., while in 2016 they reached €2 bil. According to the graph below, Ethiopia's exports to the EU amounted to €547 mil. and its imports amounted to €2,099 bil. following Sudan and China respectively.

⁶⁸¹ Ethiopia will supply electricity power to Sudan. Sudan imports products including cement, sesame, beans and fruits from Ethiopia. Sudan became Ethiopia's sole supplier of oil including benzene and liquid pressured gaz. During 2010 Ethiopia imported around two million tons of oil of \$1,42 bil.

⁶⁸² World Bank Group, 2015, op. cit., 46.

⁶⁸³ USAID Trade Hub East Africa, 2014. Strengthening the Cotton, Textile and Apparel Value Chain in East Africa: An Assessment. USAID Trade Hub East Africa, 15.

⁶⁸⁴ EC, DG Trade, Data as of 16/11/2017

Table 4.2 Ethiopia's imports and exports 2019

Exports			Imports	
Position	Country	Mil. €	Country	Mil. €
1	Sudan	899	China	2,99 bil.
2	EU 27	547	EU27	2,099 bil.
3	USA	350	India	1,361 bil.
4	Somalia	326	Saudi Arabia	1,252 bil.
5	China	293	United Arab Emirates	617
6	United Kingdom	178	Kuwait	546
7	Switzerland	173	Ukraine	495
8	United Arab Emirates	165	Indonesia	481
9	Japan	153	Turkey	448
10	Israel	113	United Kingdom	407
Total		4,012 bil.		15,109 bil.

Source: European Commission Statistics, 2019

Table 4.3 US trade in goods with Ethiopia 1993-2018

(in \$ mil. sums on average)

Year	Exports	Imports	Balance	Year	Exports	Imports	Balance
2018	795	333	462	2005	455	62	394
2017	877	291	585	2004	303	41	261
2016	826	236	590	2003	410	30	378
2015	1,5 bil.	310	1,2	2002	60	25	35
2014	1,6	207	1,5	2001	61	29	32
2013	688	193	495	2000	165	28	137
2012	1,3 bi.	183	1 bil.	1999	163	30	133
2011	690	144	545	1998	89	52	37
2010	773	128	645	1997	121	70	51
2009	267	113	154	1996	148	35	113
2008	301	152	149	1995	148	33	115
2007	167	88	79	1994	144	34	110
2006	137	81	56	1993	75	10	65

Source: United States Census Bureau⁶⁸⁵

⁶⁸⁵ United States Census Bureau. Foreign Trade - Trade in Goods with Ethiopia. Washington D.C.: United States Census Bureau.

Oil

Ethiopia imports oil, which accounts for one fifth of its imported goods. Ethiopia's oil market is firmly controlled by Ethiopian Petroleum Supply Enterprise, a government monopoly, which purchases from international suppliers in Sudan, Saudi Arabia and Kuwait for the provision of the country's nine domestic distributors, which supply the local market. Distributors are both of domestic and foreign interests including among others "*Oil Libya, Total, National Oil Ethiopia and Yetebaberut Beherawi Petroleum covering 89% of total fuel distribution in Ethiopia. Operative are also Kobil, Dalol Oil, Sudanese Company Wadi Alsundus and TAF Oil*".⁶⁸⁶

In general, it is estimated by the economists that global decrease in oil prices, increases the available real income and as a result domestic consumption. Therefore, lower oil prices could have a positive impact on the increase of Ethiopia's growth and its poverty alleviation. It is also found that Ethiopia's urban households benefit more from a general decline in the oil prices than rural households due to the added costs of distribution in the domestic market.⁶⁸⁷ According to the World Bank, lower global oil prices and lower prices of oil can have a significant positive impact for Ethiopia's fertilizer usage and its agricultural production, the commodities' transportation costs (transport services account for about 60% of the services sector) and Ethiopian Airlines operating costs, which accounted for 46% of its operating expenses in fuel between 2012-13.

4.5 Structural drivers

External

China's trade surplus

Ethiopia-China trade relations are dated back to 1956 and continued during Ethiopia's communist period. However, Chinese direct investments and trade with Ethiopia started growing since Ethiopia's economic and political transition in 1992. Further, China's accession to WTO in 2001 facilitated its engagement even more economically and diplomatically with Ethiopia and the trade volumes between the two countries started to

⁶⁸⁶ World Bank Group, 2015, *op. cit.*, 13

⁶⁸⁷ *Ibid.*, 15

boom. The China-Ethiopia partnership in terms of trade volumes boosted the growth and exports of both countries with China gaining the main benefit. The trade volume for imports and exports between China and Ethiopia reached the amount of \$100 mil. already in 2002, of which Chinese exports amounted to \$96 mil. and Ethiopia's imports to \$3,7 mil. Their total trade volume was raised to \$700 mil. in 2006 - Ethiopia's exports growing to over \$120 mil. - and over \$1 bil. in 2009⁶⁸⁸, ranking China as the second largest trading partner for Ethiopia almost equal to the EU, leaving, however, Ethiopia with a large trade deficit towards both of them. Hackenesch reports that China grants Ethiopia duty and quota free exports for about 440 products, but Ethiopia's deficit is still significant.⁶⁸⁹ In 2016, Ethiopia's trade imports from China amounted to €5,1 bil., while its exports amounted to €370 mil.⁶⁹⁰

Ethiopia's deficit appears smaller with the EU compared to China - Ethiopia's imports from the EU28 in 2016 amounted to €2,39 bil., while its exports to €776 mil. In fact, China provides support in areas where the EU does not engage such as telecommunication and energy.⁶⁹¹ Moreover, the overwhelming of the Ethiopian - including the rest of the African - markets with Chinese imported low-cost manufactures crowd-out African local producers.⁶⁹² At last, trade - and budget - deficits are often covered by China's BRI debt diplomacy with China being accused of gaining political influence through loan distribution in corrupt and autocratic regimes.⁶⁹³ Such controversial aspects of China's BRI in Ethiopia raise doubts as to what extent the allocation of economic inflows are distributed among the Ethiopian population.

Industrial parks

The country's famous industrial parks in the outskirts of Addis Ababa and Hawassa engage high-scale Chinese managers and low-wage Ethiopian workers. The NYU Stern

⁶⁸⁸ Adem, S., 2002. China in Ethiopia: Diplomacy and Economics of Sino-optimism, *African Studies Review*, 55(1), 152.

⁶⁸⁹ Hackenesch, C., 2013. Aid donor meets strategic partner? The European Union's and China's relations with Ethiopia, *Journal of Current Chinese Affairs*, 42(1), 19.

⁶⁹⁰ European Commission (EC), 2017. European Union, Trade in Goods with Ethiopia 2017, Brussels: European Commission DG Trade.

⁶⁹¹ Hackenesch, C., 2013, *op. cit.*, 27

⁶⁹² Giovannetti G., Sanfilippo M., 2009. Do Chinese exports crowd-out African goods? An econometric analysis by country and sector. *The European Journal of Development Research*, 21(4), 507.

⁶⁹³ Horta K., 2019. Die Asiatische Infrastruktur Investment Bank (AIIB). Eine multilaterale Bank, in der China die Regeln bestimmt, Reihe Demokratie Band 52, Berlin: Heinrich-Böll-Stiftung, Urgewald E.V., 16.

report of the Center for Business and Human Rights notes characteristically that “*the garment-workers’ \$26 wage in Hawassa Industrial Park is the lowest base wage in any garment producing country!*”⁶⁹⁴ This salary is hardly enough for the workers’ basic nutrition needs. Moreover, their productivity remains significantly low, while they are hardly provided with any training and capacity-building opportunities.⁶⁹⁵ Given that the public servants’ wage amounts to a minimum of 420 birr per month⁶⁹⁶ (\$14), the unskilled manufacturing workers remain with limited alternatives. The report further mentioned, that “*restive workers have protested by stopping work or quitting altogether*”, which is a strong indication of the working conditions of Chinese manufacturing employers.

An Ethiopian scholar noted that the state is promoting development by constructing poverty as an existential threat.⁶⁹⁷ Apparently, the discourse of rapid development taking place in the Ethiopian parliament seems a question of survival in order to combat poverty. Has the Ethiopian community benefited from the country’s growth and investments? The Oakland Institute and Human Rights Watch criticize the impact of FDI’s to Ethiopia’s growth due to the increased food insecurity that has resulted from EPRDF’s villagization program and the loss of jobs resulting from large-scale foreign investments in the Lower Omo Valley and Gambella regions.⁶⁹⁸

Displacements

In the Gambella region, the discovery of mineral resources has prompted the Anuaks, who consider themselves to be the original settlers of the land, to assert their claims against rival claims from other ethnic groups, particularly the Highlanders. The authors report that 1,5 mil. people were relocated between 2010-13.⁶⁹⁹ The so-called “voluntary” villagization program, which remains attractive to foreign investors, concerns the land of displaced pastoralists. Out of the country’s total population, about

⁶⁹⁴ Barrett, P. M., Baumann-Pauly, D., 2019. *Made in Ethiopia: Challenges in the Garment Industry’s New Frontier*, New York: New York University Stern Center for Business and Human Rights, 4.

⁶⁹⁵ Giannecchini, P. and Taylor, I., 2018. The eastern industrial zone in Ethiopia: Catalyst for development? *Geoforum*, (88), 35.

⁶⁹⁶ Davison, W., 5/12/2017. Park life: workers struggle to make ends meet at Ethiopia’s \$250 mil. industrial zone. London: The Guardian.

⁶⁹⁷ Gebresenbet, F., 2014, *op. cit.*, 4

⁶⁹⁸ Flores, L., 2013, *op. cit.*, 7

⁶⁹⁹ *Ibid.*

10% are pastoralists, who mostly live and possess large parts of the national parks of the country. The confiscation of their lands in order to create development programs, wildlife parks as well as cotton and sugar construction farms has resulted in their displacement, especially in the Afar region, where the land was confiscated along the main river basin.⁷⁰⁰

These evictions are accompanied by minimal or no compensation and human rights abuses such as harassments, rapes, killings, tortures and arbitrary detentions of local populations.⁷⁰¹ A representative of the sugar industry business in Ethiopia notes to the author that the conflicts with the pastoralists in the Omo valley are a major issue.⁷⁰² *“On the one hand, local communities want to use the new technologies, smart phones, GPS and Western style clothes, but on the other hand, their displacement due to the sugar processing industries is a matter of survival or death to them. Pastoralists just want water and food for their animals, because through them they can ensure their livelihoods”*.

Indeed, the Lower Omo Valley provides home and shelter to 200,000 indigenous people, whose food security is based on their own food crop production. However, Ethiopia’s yearly sugar production of 300,000 tons relies in the construction of two sugar-processing factories, one of which is located in the Omo Valley. The China Development Bank provided \$500 mil. financing for the construction of these two sugar-processing factories along with the state-run Commercial Bank of Ethiopia, which financed the Ethiopian Sugar Corporation.⁷⁰³ Moreover, the Export-Import Bank of India financed \$640 mil. for Ethiopia’s sugar industry countrywide under the condition that 75% of this loan would be used for goods and services imported from India. It is worth noting that the Industrial Commercial Bank of China financed in 2010 loans of \$500 mil. for the construction of the Gibe III Dam, which is located in Omo river. A recent report by the Oakland Institute noted that major donors including the World Bank, African Development Bank and European Investment Bank all initially refused

⁷⁰⁰ Alao, A., 2007, *op. cit.*, 107

⁷⁰¹ Human Rights Watch 2015. Ethiopia Events of 2015. New York: Human Rights Watch.

⁷⁰² Interview, 09/2019, Athens, Greece

⁷⁰³ Fraser, E. and Mousseau, F., 2019. How they tricked us - Living with the Gibe III dam and sugarcane plantations in Southwest Ethiopia. Oakland: The Oakland Institute, 9.

to fund the dam as it violated their social and environmental safeguard policies.⁷⁰⁴ The World Bank, however, financed the project by providing \$684 mil. for the construction of the power lines that will eventually distribute power from the Gibe III Dam to Kenya.⁷⁰⁵

Development aid

The international community had a great interest in rewarding peace initiatives in one of the world's regions that had seen so many continuous conflicts. Whitfield notes, however, about Ethiopia, that it is retaining its sovereignty in its aid relations.⁷⁰⁶ International donors consider the Ethiopian government as one of those countries with the clearest 'ownership' of its development strategy⁷⁰⁷. According to a statement of an Ethiopian-Greek entrepreneur,⁷⁰⁸ *"Ethiopians are pride, hungry and suspicious. They consider themselves superior to the rest of the Africans, because they did not encounter colonialism and their skin is light dark. However, when they talk to the 'farenge', a foreigner, they are united. They might have had strong disputes in the parliament the previous night, but when they meet a foreigner, they have a united voice"*. This Ethiopian characteristic contradicts often the donors' requests towards their governance reforms. Hence, Ethiopia's 'ownership' of its sovereignty on its development plan seems to be substantial when it comes to its relations with its international partners. According to an official of the European Union Delegation in Addis Ababa⁷⁰⁹, *"the deeply rooted authoritarian Ethiopian culture and pride is first and foremost attributed to and derived directly by God; in the end, who can provoke God's authority?"*

⁷⁰⁴ Ibid., 8

⁷⁰⁵ World Bank, 2012. The Eastern Electricity Highway Project under the First Phase of the Eastern Africa Power Integration Program. Washington D.C: World Bank.

⁷⁰⁶ Whitfield, L., 2009. Ownership and the donor-recipient relationship. DIIS Working Paper: Vol. 18. Copenhagen: Danish Institute for International Studies, 141.

⁷⁰⁷ Hackenesch, C., 2011. Competing for development? The European Union and China in Ethiopia. Discussion Paper 3/2011, Stellenbosch: Centre for Chinese Studies, Stellenbosch University, 15.

⁷⁰⁸ Interview, 09/2018, Athens, Greece

⁷⁰⁹ Interview, 04/2017, Addis Ababa, Ethiopia

Table 4.4 Official Development Assistance (ODA) Ethiopia 1970 – 2017

	1970-79	1980-89	1990-99	2000-09	2010-17	2015	2016	2017
	Annual Averages (in bil. \$)							
Africa	17	26	28	35	48	49	51	50
Asia	24	26	22	31	39	48	45	44
Ethiopia	357 mil.	1	1	2	3	3,18	4,07	4,05
Total ODA outflows of developing countries	54	71	71	96	137	145	153	158

Source: OECD Data 2018, World Development Aid at a glance⁷¹⁰

Several donors and NGOs engage in the country in order to alleviate food security conditions, but also to support farmers and rural populations in the productivity of their crops, in improving health conditions and in providing tools for education. Some international NGOs such as Oxfam, MSF, Red Cross engage closely with European donor agencies, implementing official assistance programs and others rely on private fundraising. Hackenesch reports that *“the EC channels the bulk of its assistance through joint implementation structures, while some member states such as Italy or France still provide most of their aid through projects”*.⁷¹¹ An interesting project is the Productive Safety Net Program (PSNP), which is funded by multiple donors and is in its fourth phase since 2005 aiming to support the rural population by increasing its purchasing power and production engagement. In total, the PSNP reached 8 mil. participants, who inhabit mostly in drought affected areas. With its budget amounting to \$500 mil. (for its forth face) it consists of \$285 mil. cash grants, transferred into individual’s bank accounts. The rest is directed to participation of the beneficiaries in

⁷¹⁰ Organization for Economic Cooperation and Development (OECD), 2018. Aid at a glance 2018. Development Assistance Committee data. Paris: OECD.

⁷¹¹ Hackenesch, C., 2011, *op. cit.*, 16

community infrastructure such as water and resources, office spaces, employees etc. Participants can also refer to microfinance institutions in order to finance business ventures upon graduation from the PSNP.⁷¹²

Ethiopia's largest multilateral donors are historically the World Bank/International Development Association (IDA) (53%), the UN (particularly UNICEF and UNDP, with WFP providing substantial emergency relief), the European Union (17%) and the African Development Bank (11%). Based on UNDP data Hackenesch reports, that Ethiopia received historically a lower proportion of 45% bilateral aid opposed to a rather higher multilateral aid of 55%.⁷¹³ Flores noted that "*the most substantial donors for Ethiopia's development aid were the US, through USAID and the State Department, the World Bank Group and the UK*".⁷¹⁴ Between 2008 and 2010, Ethiopia received about \$1 bil. annually from the US and \$261 mil. UK aid, listing the country as the second largest recipient of British aid in 2011. US aid in 2011 amounted to \$608 mil., "*nearly three times the amount allocated by UK aid*".⁷¹⁵ Between 2007-2010, of the total \$1 bil. that Ethiopia received annually from the US, about \$300 mil. was provided as food assistance.⁷¹⁶

Ethiopia's largest donor in 2015 was the US receiving up to \$750 mil., followed by World Bank's parental organization, International Development Association (IDA) allocating a bit more than \$700 mil. and UK with approx. \$510 mil., rating Ethiopia as the largest recipient of British aid. Significantly with lower contributions, the EU institutions allocated approx. \$165 mil., Global Fund \$150 mil., African Development Fund (AfDF) also approx. \$150 mil. and then followed Gavi (the Vaccine Alliance), Canada, Netherlands, Japan, Germany, Norway, Korea, UNICEF, Ireland, Sweden, Italy, IFAD, Finland, WFP, France, Switzerland, UNDP, OFID, Kuwait and Austria (OECD).

As of 2016 according to Global Humanitarian Assistance Report, the US was Ethiopia's largest donor, contributing 47% of funding in 2015 with \$262,1 mil., followed by EU

⁷¹² International Monetary Fund (IMF), 2018. Macroeconomic developments and prospects in Low-Income Developing Countries, Washington D.C.: IMF, 9

⁷¹³ Hackenesch, C., 2011, *op. cit.*, 15

⁷¹⁴ Flores, L., 2013, *op. cit.*, 3

⁷¹⁵ *Ibid.*, 4

⁷¹⁶ Hackenesch, C., 2011, *op. cit.*, 14

institutions with \$77,9 mil. and the UK with \$49,3 mil.⁷¹⁷ According to the UN Office for the Coordination of Humanitarian Affairs (OCHA)⁷¹⁸, donors have contributed “\$560,8 mil. of humanitarian assistance to Ethiopia since the start of 2015 until January 2016”⁷¹⁹. The allocation of OCHA (Ethiopia Humanitarian Fund) 2016-2017 humanitarian assistance in Ethiopia by region was 3,6% for Tigray, 6% for Afar, 9,4% Amhara, 3,1% Gambela, 24,4% Somali, 18,5% Oromia, 0,7% Addis Ababa, 0,1% Dire Dawa and Harar. Particularly in the Somali, the southern Oromia zones, South Omo and the SNNP areas, humanitarian assistance is constantly expected, since they are crop-dependent areas and in constant need of livestock production support.⁷²⁰

According to OECD statistics the largest share of Ethiopia’s donors’ ODA is directed to its social infrastructure with approx. \$860 mil. (in 2015) and secondly humanitarian assistance amounting to \$500 mil. European aid spans across agriculture, social and governance reform as well as transport⁷²¹ and infrastructure.

Internal

Leadership

Ethiopia’s EPRDF hybrid regime is characterized by highly centralized and authoritative decision-making structures. The government’s first steps involved in the first place the abandonment of the villagization program. EPRDF’s second aim was to initiate foreign financial inflows and in order to achieve that goal, the country had to overcome its lack of comparative advantage. Meles believed that Ethiopia, along with the rest of the African continent, were locked into the dead-end of the “*lack of any comparative advantage and therefore their economy was ‘dominated by patronage and rent-seeking’*”.⁷²² Prunier notes that “*the EPRDF itself identified the extreme centralization of power under a ‘rentier state’*. He continues, “*its ethnocentric concentration in the hands of an elite ethnic group functioned at the expense of the country’s impoverished, oppressed and exploited populations*”. These phenomena are

⁷¹⁷ Tichel, L. 2016. Humanitarian funding analysis: Food insecurity, Ethiopia. Global Humanitarian Assistance. Start Network, 1.

⁷¹⁸ Financial Tracking Service (FTS)

⁷¹⁹ Ibid.

⁷²⁰ FAO, 2017, *op. cit.*, 25

⁷²¹ Hackenesch, C., 2011, *op. cit.*, 15

⁷²² Lefort, R., 2013. The theory and practice of Meles Zenawi: A response to Alex De Waal. *African Affairs*, 112(448), 460.

“the central root of Ethiopia’s modern political history of war, famine, and underdevelopment”.⁷²³ Indeed, Ethiopia retained an authoritarian regime with an absolute control over its economy remaining in reality, since the downfall of the Marxist-authoritarian Derg Regime, a one-party state transiting towards a free market economy. Ethiopia’s former central bank governor held the position for two decades and during his service he granted only minimum interviews to state media. Reuters reported in 2018 that *“Ethiopian journalists joked that he was as shadowy as the head of the intelligence services”*.⁷²⁴

Evidently, Ethiopia’s politics and economics are so associated to each other, that it is hard to differentiate the leadership from the country’s economic resources. As a result, the country’s hybrid leadership and complex ethnic diversity are major constraints for Ethiopia’s economic development. Its federal-based constitution introduced by Meles Zenawi offered autonomy to the country’s 85 different ethnic groups in nine regional governments and two administrative areas, which are in reality semi-states within a unified territory. During the previous governance of Hailemariam Desalegn, peaceful manifestations against the Addis Ababa expansion were massively suppressed by the Tigray ethnic group, which constitutes 6% of the country’s total population and still retains considerable influence on the ruling party’s future.

The construction of Chinese industrial parks and the expansion of Addis Ababa federal governance over the Oromia federal government resulted in land grabbing and population displacement. A social and political upheaval, which expanded to the Amhara federal government, led to the county’s state of emergency in 2016-17. Oromo political leaders were imprisoned and accused of supposedly ‘terrorism acts’ and according to Human Rights Watch (2018) between October 2016 and August 2017 - during the country’s state of emergency - security forces arrested more than 20,000 people, killed about 600 and committed various human rights violations.

In order to change the nation’s ethnic hostility, Ethiopia’s new Prime Minister Dr. Abiy Ahmed has been selected internally within EPRDF in spring 2018 as a representative

⁷²³ Prunier, G., 2015, *op. cit.*, 284

⁷²⁴ Fick, M., Maasho, A., 26/7/2018. Ethiopia set on economic reforms, but won’t be rushed: cenbank head. London: Reuters.

of the so far underrepresented Oromo, being himself an Oromo. The Oromo, which are the most represented ethnic group in the country, stand for 35% of Ethiopia's total population. A teacher of the Greek school in Addis Ababa reported to the author⁷²⁵ that Ethiopians are not ready for democracy yet. "*Abiy Ahmed has made quite a lot of changes in a short period of time, but ethnic conflicts are still immense. Ethnic groups want their autonomy, but they are mostly farmers with low educational level. Demonstrations lead very often to violence*". The selection of Abiy Ahmed as Ethiopia's Prime Minister may therefore be regarded more as political liberalization for Ethiopia rather than as a meaningful democratization process.

Ethiopia's domestic power distribution is apparently quite complicated including rent-seeking, kleptocracy and nepotism phenomena within the political and business elite of the country, especially the Tigray, so far. Flores notes, that displacement is recorded to be a tool of well-established, large, party-linked corporations and endowment companies.⁷²⁶ Alex de Waal, who was a personal advisor to Meles, described the Horn of Africa "*as an advanced and militarized political marketplace, characterized by pervasive rent-seeking and monetized patronage, with violence routinely used as tool for extracting rent, integrated into regional and global circuits of political finance*".⁷²⁷ Specific economic elites of the Tigray Region have under their control more than 50 companies under the Endowment Fund for Rehabilitation of Tigray (EFFORT), which was closely affiliated with former government representatives. During the last 25 years EFFORT acquired Ethiopia's most crucial domestic business such as construction and engineering, raw material imports and exports, fertilizers, transport, wholesale and retail. Another former-government affiliated company, which spreads in different sectors of the Ethiopian economy, is the MIDROC group - standing for Mohammed International Development Research and Organization Companies. This economic conglomerate, owned by the Ethio-Saudi businessman Sheik Mohammad Hussein Al-Amoudi, is operating in numerous agricultural investments in Ethiopia. The MIDROC group keeps close links with the Ethiopian government and the Saudi Royal Family and

⁷²⁵ Interview, 04/2019, Athens, Greece

⁷²⁶ Flores, L., 2013, *op. cit.*, 113

⁷²⁷ De Waal, A., 2015. *The real politics of the Horn of Africa: Money, war and the business of power*. UK: Cambridge, 28.

fosters “trade relations between Saudi business and the Ethiopian government”.⁷²⁸ During the first decade of EPRDF governance, MIDROC attracted foreign investors allowing access to Ethiopia’s natural resources. MIDROC expanded through acquirement of public enterprises such as manufacturing, real estate, agro-industries, mining and natural resources. The EPRDF counted on MIDROC as a foreign investor and indeed a United Nations report confirms that the largest investor in Ethiopia is MIDROC.⁷²⁹ Another business monopoly in the form of the military establishment loyal to TPLF is METeC, a company operated by the national army, which is producing computers, TVs, metals, car manufacturing and hotels. The exact activities of MIDROC, EFFORT and METeC’s business are, yet, unknown to the public.

Macroeconomic adjustment

Ethiopia faces a lot of constraints in the increase of its competitiveness in the global business environment. The country ranked 161 out of 190 countries in the World Bank’s Ease of Doing Business report.⁷³⁰ This places Ethiopia among the 31st position out of a total of 48 Sub-Saharan African countries. Moreover, the International Corruption Perceptions Transparency Index (2018) placed Ethiopia on the 107th position out of 180 total countries⁷³¹. According to the World Bank⁷³², the investment context in Ethiopia does not easily support international investors. The interference of the public sector in infrastructure and the productive sectors of the economy have deteriorated the business environment in the country and the private initiatives. Moreover, Ethiopia’s government forbids investments in banking⁷³³, insurance and financial services. Other state-owned enterprises concern telecommunications, broadcasting, air transports, travel agencies, shipping services, trade and brokerage.

Ethiopia’s macroeconomic instability, inflation, inefficient governmental bureaucracy, foreign currency restriction, lack of access to credit, corruption and inaccessible

⁷²⁸ Lavers, T., 2012. Land grab as development strategy? The political economy of agricultural investment in Ethiopia. *The Journal of Peasant Studies*, 39(1), 113.

⁷²⁹ UN, 2004. An investment guide to Ethiopia. Opportunities and conditions. New York and Geneva: UN, 12.

⁷³⁰ World Bank Group, 2018. Doing Business 2018. Economy profile Ethiopia. Washington DC: World Bank Group, 7.

⁷³¹ Syria, South Sudan and Somalia retain the last positions.

⁷³² World Bank, 2016, *op. cit.*, 28.

⁷³³ Two public banks hold around 48,9% compared to 16 private banks

infrastructure, particularly electricity are significant holdbacks for the development of the private sector. In fact, there is a certain paradox in Ethiopia's domestic business environment. On the one hand, the government recognizes the contribution of the private sector to the country's economic development. The Ministry of Finance and Economic Development (MoFED) claimed that 95% of the employment is generated and created by the private sector. On the other hand, the Addis Ababa Chamber of Commerce claimed that the development of the private sector during GTP I was neglected.⁷³⁴ Representatives of development organizations (GIZ) and local entrepreneurs⁷³⁵ in Addis Ababa confirmed the statements of the Addis Ababa Chamber of Commerce reports. Indeed, in the business and academia it is widely acknowledged that European companies consider Ethiopia a highly difficult environment for doing business.⁷³⁶

Foreign exchange shortages, licensing requirements and tax administration are main impediments for the investment attraction and the private initiatives in the country. According to the Ethiopian newspaper, The Reporter, Greek-owned supermarket "Babis" was about to terminate its operations after 67 years due to hard currency shortage in the country and the public administration burdens.⁷³⁷ The United Arab Emirates agreed to provide Ethiopia with \$3 bil. in 2018 in order to alleviate the country from its hard-currency shortage and for further investments in tourism, renewable energy sector and agriculture, but Ethiopian's importers face still many difficulties. "*The private business sector is lagging behind in Ethiopia*", were characteristically the statements of members and entrepreneurs of the Ethio-Greek community in the Greek Community Club "Olympiacos".⁷³⁸

Formal procedures need to be simplified and incentives are important in order to empower the business culture. For instance, Ethiopia provides visa free access only to 42 destinations ranking 99th globally.⁷³⁹ These are simple policy instruments, which can

⁷³⁴ TAK - Innovative Research and Development Institution, 2016. Assessment of the role the private sector plays in GTP II. Submitted to Addis Ababa Chamber of Commerce and Sectorial Associations. Addis Ababa: TAK-IRDI.

⁷³⁵ Interviews, 04/2017, Addis Ababa, Ethiopia.

⁷³⁶ Hackenesch, C., 2011, *op. cit.*, 16.

⁷³⁷ The Reporter, 14/04/18. Babis to close doors after 67 years. Addis Abeba: The Reporter.

⁷³⁸ Interview, 02/2017, Addis Ababa, Ethiopia.

⁷³⁹ Henley and Partners. Top 5 and bottom 5 in Africa on the 2018 Henley Passport Index. London: Henley and Partners.

unblock the business environment in the future. Unless there is access to credit and stable regulation with modernized policy framework, the private sector will remain downgraded. The Ethiopian business mentality is remarkable also in cultural terms. The president of the Ethio-Hellenic Business Chamber characteristically reported to the author: *“First of all, Ethiopians have no sense of the time. You might want to meet somebody and he will tell you come on Tuesday, and you will say when on Tuesday, there are so many hours to meet during the day. But it does not matter. I have met entrepreneurs, who are wearing a \$20,000 watch, but the pointer is not working, because they do not care. That, of course, has impacts on the way people do business in Ethiopia”*.⁷⁴⁰

Commodity dependence

Manufacturing is part of Ethiopia’s growing industry led by food, beverages, leather, textiles and garments. However, Ethiopia’s low export-base compared to its GDP ratio places the country at the fifth lowest position in the world being highly concentrated in primary products.⁷⁴¹ Ethiopia is highly focusing on its exports with commodities such as coffee, oil seeds, edible vegetables, gold, sesame, chat, raw leather, livestock and horticulture products. Oily seeds, vegetables, flowers and refined petroleum are mainly exported to Kuwait, Somalia, Saudi Arabia, China, Switzerland and Germany. Primary export commodities constitute thus 86% of the total foreign exchange earnings and with the country’s import growth surpassing its export growth, Ethiopia remains with a deficit in its trade balance. Ethiopia’s total goods imports in 2016 totaled €18 bil., whereas its exports amounted to €3,7 bil., a trade deficit of €14,2 bil. amounting to 0,5% of Ethiopia’s growth. According to the Ethiopian Ministry of Trade, Ethiopia’s exports decreased in 2017 amounting to \$2,83 bil.

Manufacturing exports are relatively small with regard to production and employment, constituting 10% of total goods’ exports. Industry was the highest growing sector with its rate reaching 18,5% in 2013-14, driven by construction expansion and mining. Being focused, in the first place, towards the process of agricultural goods and supply of consumer commodities to the domestic market, the levels of investment flows to the

⁷⁴⁰ Interview, 09/2018, Athens, Greece

⁷⁴¹ IMF, 2018, *op. cit.*, 14

international market for manufacturing exports and industrial material remained limited, 12,2% compared to the Sub-Saharan average of 28,7%. Thus, major manufacture export products⁷⁴² offer further exporting potential. Further, Ethiopia's economic transition during 2004–14⁷⁴³ concentrated in services and agriculture, increasing construction and low manufacturing contributions.⁷⁴⁴ Until 2019, Ethiopia's accelerated growth was based on its main economic sectors, agriculture and services, each accounting for 45%, leaving 10% for the industry, of which manufacturing accounted for 7% of total exports. IMF reported, that despite the fact that the manufacturing sector has developed at the same pace as the economy, its contribution to GDP remained steady".⁷⁴⁵

According to GTP II, efforts are being made to diversify the country's exports in order to support resilient growth. However, the reduction of risk volatility by diversifying Ethiopia's growth through a broad range of production technologies is lagging behind. El Nino driven drought, high food prices, lack of employment, large influx of people from Somalia and Kenya due to extreme weather conditions and from South Sudan due to conflict and insecurity indicate the major issues that the government needs to take into consideration. Limited access to basic services, poor rural infrastructure, low technological base in agriculture and scarcity of off-farm employment opportunities affect even more Ethiopia's food insecurity. Trade-related infrastructure is needed as well as foreign exchange reserves and regulation of the exchange rate. Millions of Ethiopians remain dependent on the country's global markets dependency let alone the continuous foreign currency lack, the ongoing monetary devaluations, controlled access to fertilizers, large-scale investments projects and foreign monoculture business.

The continuous overvaluations of Ethiopia's Birr, which is pegged to US dollar, harm its competitiveness in the external markets. The falling international commodity prices and Ethiopia's overvalued currency affect Ethiopia's declining export rates. For instance, during the global commodity price slump between 2010-16 Ethiopia's inflation reached 13% in 2013, 6% in 2014, 13% in 2015 and 5,6% in 2016. While food

⁷⁴² such as clothing, apparel, footwear, leather, tobacco, beverages, canned meat, sugar









⁷⁴³ According to UNCTAD Ethiopia's growth in 2016 was calculated at 5,4% due to the commodity price decrease.

⁷⁴⁴ World Bank Group, 2016, *op. cit.*, 27

⁷⁴⁵ World Bank Group, 2015, *op. cit.*, 24

inflation has been fluctuating with the same rhythms, but in lower percentages, it reached almost 16% in 2015.⁷⁴⁶ In its efforts to countervail these risks, the government introduced in collaboration with the United Nations Development Program (UNDP) the Ethiopian Commodity Exchange in 2008. ECX facilitates now the marketing of agricultural products between the private sector and the small farmers without intermediaries amounting up to 27 bil. Birr per year (about \$813 mil.).⁷⁴⁷

Table 4.5 Ethiopia's real interest rates and inflation 1991-2016

Year	Real interest rate	Inflation, consumer prices	
	%	(annual %)	
	Ethiopia	Ethiopia	World
1991	10,9	35,7	
1994	11	7,5	10,2
1995	2,1	10	
1996	13,6	-8,4	
1997	10,2	2,3	
2000	1,3	0,6	3,2 (1999)
2001	17,6	-8,2	
2003	-5,1	17,7	
2004	2,9	3,2	
2008	-17,1	44,3	8,9
2009	n/a	8,4	
2016	n/a	7,2	1,6

Source: World Bank

Ethiopia is a landlocked country meaning that its trade is dependent on its neighboring relations, particularly Djibouti and Eritrea, which have the main access to the sea. As Ethiopia had no access to the Eritrean port of Assab - due to the hostile relations with Eritrea - its trade was conducted only through Djibouti's port, partly via Berbera's port of Somaliland, Sudan's Port and the recently built Addis Ababa-Djibouti railway financed by China. As a result, Ethiopia's landlocked position poses significant

⁷⁴⁶ World Bank Group, 2016, *op. cit.*, 5

⁷⁴⁷ Hailu, A., July 2017. Ethiopian Commodity Exchange seeks to improve accessibility. Addis Abeba: The Ethiopian Herald.

constraints and risks for its trade and exports. Trade barriers and importing costs remain still high compared to other countries, although they have been significantly reduced over the last decade. For example, price per container in 2010 was at \$6,000 and in 2015 it decreased to \$3,000.

Moreover, exporting costs are above other international textile exporters and the long export times still remain to be solved in order to increase Ethiopia's regional competitiveness.⁷⁴⁸ In its country report of 2015 IMF notes that the increase of demand by China, especially for vegetable products, which are Ethiopia's main exporting commodities to China, may enhance Ethiopia's inflows.⁷⁴⁹ However, if demand weakens, foreign currency circulation and exports may be severely affected. Potential increase in the demand by China towards consumption, may benefit Ethiopia. Undoubtedly, under Ethiopia's new governance of Abiy Ahmed, the new peace deal initiative with Eritrea in 2018⁷⁵⁰ provides a promising potential for the trade prospects of the region and Ethiopia's accessibility to the sea. Moreover, improvements in the country's infrastructure such as the new railway to the port of Djibouti, may render Ethiopia more competitive with regard to its transportation costs.

Food insecurity

Ethiopia is a significant host in Eastern Africa, among Uganda, Kenya and Tanzania, to pastoralists. Pastoralism is a livelihood for 50 mil. people in the African continent with 12-22 mil. of whom being in the Horn of Africa.⁷⁵¹ Pastoralist population in Ethiopia is around 12 mil. - about 12-13% of the total population – and they depend on their livestock such as cattle, sheep and goats for their livelihoods.⁷⁵² Poor rainfall and poor livestock directly affect the pastoralists' survival and the food security of Ethiopia's population, which is mostly agriculture based (85%). Moreover, there are often cases of conflicts among the pastoralists themselves, who live like nomads.⁷⁵³ The

⁷⁴⁸ Ibid., 16

⁷⁴⁹ IMF, 2015. Country report 15/300. Washington D.C: IMF, 7.

⁷⁵⁰ Abiy Ahmed offered Eritrea's President Isayas Afewerki the withdrawal of the Ethiopian's troops from their disputed borders.

⁷⁵¹ Grain, 2017. Colonialism's new clothes - The EU's Economic Partnership Agreements with Africa. Barcelona: Grain, 4.

⁷⁵² Dorosh, P., Shahidur, R., 2012. Food and Agriculture in Ethiopia. Progress and policy challenges. International Food Policy Research Institute. University of Pennsylvania Press: Philadelphia, 6.

⁷⁵³ Alao, A., 2007, *op. cit.*, 101

president of the Ethio-Hellenic Business Chamber⁷⁵⁴ noted that the railway, which connects Addis Ababa and Djibouti, and was built and financed by the Chinese, creates great tension for the pastoralists, who are dependent on their livestock. Pastoralists follow a year-round cyclical route in the Eastern part of Ethiopia following rainy seasons in order to provide water for their livestock. These pastoralists possess several camels, which are not able to cross from the other side of the fence, because it spans between the railways. The Chinese, which got aware of the situation and built a narrow bridge so that the pastoralists' herd can pass through it to other side of the railway, still lack the capacities to manage the issue, because when the herd is numerous, it is still not able to pass through such narrow passages.

In fact, Ethiopia's food economy is linked to the country's history and geography and is severely dependent on its food availability and global price volatilities. Focusing on its exports, with commodities mainly, Ethiopia is vulnerable to global commodity price movements and extreme weather conditions such as drought. Having experienced more than 15 drought episodes between 1964 and 2015 about 10 mil. people in average are chronically food insecure.⁷⁵⁵ For instance, Ethiopia's severe drought in 2015/16 dropped the rainfall to 50% below average impacting significantly the lives and livelihoods of farmers and herders.⁷⁵⁶

Ethiopia has experienced historically severe famines both due to lack of rainfall and due to its unsuccessful agricultural policies. Lavers notes that "*a strategy founded on aid dependency is likely to be unsustainable in the long-term*" and the most dramatic evidence of the country's Agriculture Led Development Industrialization (ALDI)'s failure is the "*persistent food insecurity in many rural areas and reliance on food aid*".⁷⁵⁷ Moreover, inflation spikes and the lack of access to foreign exchange create a significant impact on the country's social net.

⁷⁵⁴ Interview, 09/2018, Athens, Greece

⁷⁵⁵ World Bank Group, 2016. 5th Ethiopia Economic Update. Why so idle? Wages and employment in a crowded labor market. Washington DC: World Bank Group, 20.

⁷⁵⁶ FAO, 2017, *op. cit.*, 24

⁷⁵⁷ Lavers, T., 2012. *op. cit.*, 110

Figure 4.3 Map of Ethiopia and the Horn of Africa (attitude and state boundaries)



Source: Clapham, C., 2017⁷⁵⁸

Since Ethiopia's largest employment sector is agriculture, the impact of drought affects directly agriculture's contribution to the country's economy. The country's food consumption in the wide-scale cultivation of five cereals, teff, wheat, maize, sorghum, barley and coffee are dependent on the positive impact of the Kiremt rains (July-September) and the Meher harvests (October-December). These major crops are cultivated in the rainfall-sufficient southern and western part (highlands), but the accessibility is difficult due to its rugged terrain. Rainfall varies significantly between mountain and valleys even in short distances, which differentiates Ethiopia's crops' efficiency. Ethiopia's eastern parts, northern and central are dry and prone to drought. However, one quarter of Ethiopia's woredas (districts) face a nutrition crisis due to poor belg (spring) rains. With Ethiopia's major population being mostly located along major road networks in the north, the central part and 45% of the population lives more than

⁷⁵⁸ Clapham, C., 2017. *The Horn of Africa. State formation and decay*. Oxford: Oxford University Press.

five hours from a city of 50,000 people.⁷⁵⁹ These conditions certainly pose serious constraints for the country's poverty alleviation.

4.6 Conclusions

Ethiopia presented an impressive steady annual average GDP growth of 8% between 2000-2019 belonging among the fastest growing economies in the world. Experiencing some economic liberalization and democratic progress, Ethiopia may be considered a country in gradual transition. In fact, our evidence indicates that Ethiopia's economic transition has been faster than its political transition. It is therefore plausible to wonder whether this growth is attributed to economic reforms or circumstances, which have contributed to these high growth rates.

Combining democratic and non-democratic characteristics such as relative regular elections, but also authoritarian state behavior, especially in cases of pressure and criticism against the prevailing government, Ethiopia has still a long way to go towards liberal democracy and civil rights. Evidently, Ethiopia's Growth and Transformation Plan II 2015-2020 (GTP II) to reach a lower-middle income status by 2025 needs to ensure strong institutions, resilient democratic structures as well as transparent transactions for the avoidance of capital flight. Ethiopia's GNI increased from \$260 in 1989 to \$850 in 2019 classifying the country as a low-income, but the country's transition is still a work in progress.

Ethiopia's growth appears even more worrying when one considers that the country's land is owned entirely by the state. According to Ethiopia's constitution, all land belongs to the state and the government provides long-term leases to the tenants. As a result, land availability is one of the major constraints for the expansion of firms operating in Addis Ababa, where there is a huge gap between supply and demand. Land acquisition by foreign investors can delay up to twelve months.⁷⁶⁰ This situation results often in the discouragement of investors, which is an indication that property, land rights and ownership is another major issue to be regulated by the Ethiopian

⁷⁵⁹ Schmidt E., Kedir M., 2009. Urbanization and spatial connectivity in Ethiopia. Ethiopia Strategy Support Program II. Research Note 5. Addis Ababa: International Food Policy Research Institute, 8.

⁷⁶⁰ World Bank Group, 2015, *op. cit.*, 40

government. However, Ethiopia's government considers industrial parks⁷⁶¹ as part of the development program for the mitigation of access to land.⁷⁶² The Chinese government, for instance, has collaborated with the Ethiopian government by being offered several industrial parks such as in the Eastern Industry Zone at Dukem, which was the first one in Bole Lemmi within the Addis Ababa City Administration.

Within this framework, Ethiopia is of particular importance for China's BRI due to its geostrategic position in the Horn of Africa. Undoubtedly, Ethiopia's strategy to transform from an agriculture-based economy into a manufacturing hub is financed by Chinese foreign direct investments. Moreover, Ethiopia's steady GDP growth is attributed greatly to mega infrastructure and construction projects financed by the Chinese government. Ethiopia's industrialization policy in light manufacturing such as leather, apparel, textiles, agro-processing and cheap electricity supply present already a competitive advantage for the country's transformation, which is mostly attributed to China's BRI. Further, Addis Ababa is a diplomatic hub attracting global attention.

Successful developed states in Asia and the West have historically protected their domestic economy before opening up to the international markets. But is this the right policy for Ethiopia's economy? According to Anholt, a governmental advisor for country branding, "*national reputation is of profound importance such as a strongly branded 'made in Germany' Mercedes or 'made in Japan' Sony*".⁷⁶³ Ethiopia's industrial parks have enlarged the production capacity of the country and circumvented business impediments through simplified procedures, tax advantages and easy access to financial services, but have they created a 'made in Ethiopia' brand? Perhaps not as much as the Ethiopian and Chinese governmental officials claim.

⁷⁶¹ Industrial Parks are quicker with regard to bureaucratic procedures

⁷⁶² National Planning Commission, 2016. Growth and Transformation Plan II (GTP II) 2015-2020. Addis Ababa: Federal Democratic Republic of Ethiopia, 93.

⁷⁶³ Anholt, S., 2007. *Competitive identity. The new brand management for nations, cities and regions*. Hampshire: Palgrave Macmillan, 58.

Table 4.6 Transition drivers in Ethiopia

TRANSITION DRIVERS ETHIOPIA		
	Political	Economic
	<ul style="list-style-type: none"> EPRDF's governance (Tigray ethnic group 6%) External challenges: Sudan, Eritrea, Somalia Internal challenges: Ethnic federalism (Oromo), Decentralization 	<ul style="list-style-type: none"> China's developmental model Economic diversification Privatizations IMF (after each arrangement an election follows – 7 arrangements 1991-2022) Import-Export partners (Export: Sudan, EU, China – Import: China, EU, Saudi Arabia)
	Developmental state (manufacturing)	
Structural	Internal <ul style="list-style-type: none"> Leadership (elite groups) Federalism Centralized governance 	External <ul style="list-style-type: none"> China's trade surplus, trade deficits with the EU Industrial parks and Displacements High dependency on development aid despite sovereignty in managing the resources Internal <ul style="list-style-type: none"> Macroeconomic adjustment Commodity dependence Food security
CONCLUSIONS		
<ul style="list-style-type: none"> Combining democratic (regular elections - 5) and non-democratic characteristics (authoritarian state) Economic resilience, High Adjusted Net Savings (ANS) China's increased intervention is double-sided (growth vs exploitation) Increasing middle class Need for agricultural innovations 		

Source: Author's findings

Whether Ethiopia's dynamic growth as part of China's BRI can develop as a successful example for the whole African continent remains thus in doubt. The trade balance between the two countries is still not comparable with China marking huge trade surpluses against Ethiopia's deficits. Obviously, China's business-as-usual approach needs to facilitate its business deals with Ethiopia towards inclusive growth and sustainability, as these manifest themselves in the improvement of the living standards and the welfare of Ethiopian communities. Moreover, the transfer of knowledge and training by China is crucial for the Ethiopian working population in order to acquire the necessary competencies and to be able to manage their own resources.

Ethiopia's financial sector should play a key role in order to boost its economy through financing to business, trade growth and exports as well as sufficient foreign exchange. The liberalization of the financial sector and access to credit by individuals and entrepreneurs along with the management of the country's property rights are essential. By putting forward these steps, the private sector may enhance its productive capacities. In addition, ensuring sufficient power supply and efficient transport links are key aspects for the development of business in Ethiopia. Moreover, an inclusive growth strategy of innovative financing, reinvestment of natural resource revenue and attraction of regional and international investments may effectively increase the government's revenues. Ethiopia's market may flourish with an established and reliable banking sector, stock market and regulatory institutions.

Ethiopia's political and economic transition implies a gradual opening to markets and to liberal democracy, which was unthinkable some years ago. This transition process has an immense impact on the country's socio-economic development and a rising middle-class. Access to education and the health system have improved significantly over the time. More than 30% of the national budget has been invested in education contributing to the decline of boys and girls dropping out of primary school. Moreover, Ethiopia's gender-balanced strategy has done significant steps. Its governmental cabinet consists 50% by female representatives and the country appointed in 2018 its first female president, Sahle-Work Zewde. Nevertheless, women and girls are still treated unequal with regard to education and employment. Moreover, cultural practices such as child marriage are still present, which surely downgrades girls' future. Access to contraceptives is crucial for the girls' future and for the country's demographic issue.

Ethiopia's urban unemployment rate has been declining from 22,9% in 2004 to 16,8% in 2015.⁷⁶⁴ However, the challenge to combine access to education and jobs for the young working force remains ahead. The demographic dividend is changing through declining fertility rates and a rising available workforce. The country's rapidly growing population will have to face several issues in the future such as urbanization, employment and pension safety. Moreover, access to basic infrastructure such as water, sanitation and hygiene facilities is key to combat diseases and lack of basic nutrition needs. Diarrhea contributes to more than one in every ten child deaths with about 13%.

Ensuring food security is essential for Ethiopia to develop socially and economically. Season drought threatens Ethiopia's food security intensifying the country's chronic nutrition problems. Obviously, the country needs to secure resilience against global commodity price volatility, which decreases the value of its exports. Ethiopia needs to maximize its domestic resource mobilization towards sustainable economic transformation through industrialization and agriculture expansion. Indicatively, the country has over 2,6 mil. hectares of land suitable for growing cotton with only 84 thousand hectares under cultivation. Thus, there is a great potential to increase several crops harvesting and to turn agriculture as the country's basic source of income, both domestically in order to secure its own food security, but also externally through the increase of its agricultural exports. Hence, the diversification of the country's growth through a broad range of production technologies may enlarge production and outputs. Obviously, reliance on western donors' food aid for the country's food security denotes practices of unsustainable agricultural development and dependence on foreign aid. A characteristic remark about Ethiopia's food dependency was given by the president of the Ethio-Hellenic Business Chamber to the author, noting that, "*there is no greater thing to enslave the population of a country such as humanitarian aid*".⁷⁶⁵

Climate change poses a major challenge for Ethiopia's agrarian economy. Especially smallholders' livelihoods depend mostly on agriculture and rural activities. The purchase of about 1,5 mil. million metric tons⁷⁶⁶ fertilizer by the government in 2019 was due to the country's preparation for the next agricultural season. However, the

⁷⁶⁴ World Bank Group, 2016, *op. cit.*, 2

⁷⁶⁵ Interview, 09/2018, Athens, Greece

⁷⁶⁶ 1,4 mil. metric tons in April 2020

improvement of the agricultural yield may be done with the aim to reduce poverty including resilient seed varieties, fertilizers and new technologies. Moreover, Ethiopia's genetically modified organisms (GMOs), which opened up in 2015, loosened the biosafety safeguards law of 2009 against potential risks. While GMO's practices are praised by the United States Department of Agriculture (USDA) Foreign Agricultural Service - "*for the improvement of agricultural productivity using modern agricultural tools*",⁷⁶⁷ - Ethiopia's government needs to protect farmers from unsustainable corporate interests and the risks against the contamination of organic crops. Ethiopia needs thus to focus on the elevation of its population out of poverty through new productive employment opportunities.

Ethiopia's transition economy from agriculture to manufacturing implies a domestic social and economic transformation with a rising middle-class and rapid urbanization. Nevertheless, Ethiopia's high GDP growth rates and the government's industrialization strategy need to align with the population's welfare. In order to build a competitive, inclusive growth strategy and a stable democratic consolidation, a vital question may be addressed, namely how is Ethiopia's local community benefiting from the country's growth inputs.

Exceptionally, Ethiopia's Prime Minister, Abiy Ahmed won the Nobel Peace Prize fairly by negotiating peace in the Horn of Africa setting an example for the whole African continent. Yet, domestic conflicts remain a challenge for Ethiopia's national identity. Markakis writes that a military solution is not a realistic option for solving Ethiopia's manifold national conflict.⁷⁶⁸ How possible is that and how will Ethiopia's diverse ethnic groups react towards the country's transition? The Sidama referendum for regional autonomy, the Afar and Somali ethnic groups in the North, the ruling Oromo in Addis Ababa and the worrying situation in Tigray need to be handled with consideration. Ethiopia's ethnic federalism is complex and the diverse ethnic groups demand more access to power, politics and economic growth. Ethiopia managed to keep its own developmental model partly due to the fact that it avoided the colonial rule, while other African states were experiencing their decolonization. Now, the country

⁷⁶⁷ Fantahun, A., 17/04/2020. USDA pleased with Ethiopian government for its willingness to approve GMOs. Addis Abeba: Ethiopia Observer.

⁷⁶⁸ Markakis, J., 1989. Nationalities and the state in Ethiopia. *Third World Quarterly*, 11(4), 129.

still suffers from its particular paradoxes of a liberalized state-controlled economy under ethnic federalism and authoritarianism. It is time to address an inclusive democratic policy towards its diverse ethnic groups in order to calm down conflicts, secession tendencies and insecurity.

CHAPTER 5 The Angolan transition

5.1 Introduction

Angola is an intriguing country-case study for the scientific fields of resource politics, international political economy and development economics. Situated in south-central Africa, Angola is a major regional actor in the Great Lakes area, Southern Africa and the Gulf of Guinea. Its coastline stretches 1,600 klm being served by numerous ports with the largest ones in Luanda, Lobito, Cabinda, Namibe and Soyo. Angola borders with Namibia, Zambia, the Democratic Republic of Congo and South Africa and belongs to the regional Southern African Development Community (SADC) along with the remaining 15 member states⁷⁶⁹.

Significant part of Angola's history concerns the Atlantic slave-trade period, which spanned over 400 years with an estimated number of shipped Africans from Angola's ports across the Atlantic of over 12 mil. Henceforth, the country's history involves the supply of millions of slaves for the colonial markets in the Americas including Brazil's plantations. The Portuguese-speaking African communities are undoubtedly marked by these circumstances until now. Since Africa's partition at the Berlin Conference in 1884-5, Portugal was officially Angola's colonial metropole.

Evidently, Angola retains a special relation with Africa's Portuguese speaking (Lusophone) countries - São Tomé and Príncipe, Mozambique, Guinea-Bissau, Cape-Verde and Equatorial Guinea. Angola is also a member of the Community of Portuguese-Speaking Countries (CPLP)⁷⁷⁰ keeping close ties with Portugal and Brazil sharing many cultural similarities. It is worth noting that CPLP countries such as Angola, Brazil and Mozambique are some of the world's fastest growing economies, which is an indication of the role that CPLP countries may play in the foreseeable

⁷⁶⁹ Botswana, Comoros, Democratic Republic of Congo, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Tanzania, Zambia and Zimbabwe. SADC was established in 1992 and it is headquartered in Gaborone, Botswana. The Democratic Republic of Congo and Angola do not participate in the SADC Free Trade Area according to the SADC Protocol on Trade 2000 established in 2008, which includes Botswana, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe, Malawi and Seychelles.

⁷⁷⁰ Angola, Brazil, Cabo Verde, Guinea Bissau, Mozambique, Portugal, Sao Tome e Principe

future. With regard to Angola's global presence and its participation in international organizations, significantly noticeable are its accession to GATT in 1994, to WTO in 1996 and to OPEC in 2007. Angola is also a member in the ACP group negotiations, the African group, G-90, the Least-developed countries (LDCs) and W52.

Angola's internal circumstances involve severe socio-economic constraints such as high poverty and high mortality rates - astonishingly higher than Afghanistan. Characteristically, Angola's Human Capital Index⁷⁷¹ in 2018, on a scale of 0-1 was 0,36 indicating the country's weak education and health as well as the limited opportunities for the poor. Despite the slight decrease⁷⁷² in the proportion of people living behind the poverty line of \$1,90, nearly 1/3 of Angolans still live in poverty. In fact, Angola has been experiencing rapid population growth and urbanization, but at the same time, the number of poor increased from 4,9 mil to 6,7 mil. during that period. Although the life expectancy has increased from 45 to 61 years between 1991 and 2019⁷⁷³, the country still remains below the average of 67,9 for lower middle-income countries.

These facts become even more impressive when observing Angola's economic expansion and the increase of its GDP per capita, which nearly doubled after the end of the civil war, hardly representing the reality of the Angolan population though. Angola experienced since then a rapid economic transition reaching an average of more than 10% GDP growth rate until the 2008 crisis. With its economy being mainly based on oil and diamond extraction, the crisis has brought to the surface, Angola's global commodity dependence and the lack of initiatives to diversify its economy away from the extractive industries. As expected, the global commodity price decline between 2013-16 was depicted in its declining GDP growth rates, which turned negative between 2016-19. Evidently, the country's richness in natural resources has turned against its own population. While Angola's economic development was based largely on its oil and diamond exporting economy, the government has seriously neglected the country's social development and redirected its valuable resources in a brutal civil war, which tarnished the whole country. With the country's civil war being extended after its first elections in 1992 - due to the denial of the results by the opposition leader,

⁷⁷¹ Angola ranks at the 148th position of total 189 of the UN's Human Development Index.

⁷⁷² from 32,3% in 2000 to 28% in 2014

⁷⁷³ World Bank, Life expectancy at birth (total years), Angola

Savimbi - a renewed war outbreak decimated the country until Savimbi's death in 2002.⁷⁷⁴ As expected, public spending in social investments such as education and health was insufficient.

Within this socioeconomic and political framework, Angola's political liberalization has been marked by four elections, which took place since the country's turn towards multipartyism. Undoubtedly, this low election number indicates, on the one hand, the restrictions of the civil liberties of the population and, on the other hand, the authoritarian leadership of Angola's dominant party, the People's Movement for the Liberation of Angola (MPLA), which remains uncontested since its transition in 1992. Obviously, the business and political elite of the country retain strong rent-seeking characteristics with absolute command over the economy, while the Angolan population remains deprived of their political and economic rights.

Taking into consideration, the country's several transformations, from the downfall of its communist regime in 1992 until the end of 2019, the aim of this chapter is to investigate Angola's political and economic transition. Hereupon, the structure of this chapter builds up on the theoretical analysis of the thesis spanning in sequence historical, political and socio-economic developments of our second case-study covering a thirty-year period. Thus, we will acquire a deeper understanding, of the African transition circumstances by examining a closed political and economic system, which is experiencing its gradual openness towards liberal democracy and economic liberalization. Foremost, this analysis will contribute to our understanding of the drivers of Angola's remarkable and concerning transition.

Specifically, this chapter starts with Angola's political and economic historic developments since Salazar's governance and the country's independence. Within this period, we briefly provide an overview of the country's international relations with the main powers such as the US, former USSR and Cuba with regard to the liberation struggles in Southern Africa. We observe Angola's civil war as well as the division of the country's ethnic groups according to their political alliances and economic resources.

⁷⁷⁴ Tvedten, I., 1993. The Angolan debacle. *Journal of Democracy*, (4)2, 117.

This section is crucial in order to provide an understanding for the next part of the chapter, which concerns Angola's political transition and its progress towards democratic consolidation. Again, Angola's relations with the other countries of the central and southern African region play a crucial role for the country's political and socio-economic developments. Foremost, the country's democratic cohesion and unity involve the internal challenges of ethnic federalism and power distribution within the country's diverse ethnic groups.

This major point becomes evident also in the next part of our examination, which covers Angola's socio-economic transition and impressive economic growth rates. The economic policies are apparently both political and economic choices for the Angolan government. Namely, on the one hand, they concern the country's dependence on its natural resource extraction, mainly oil and diamonds. On the other hand, they concern the country's dependence on China's loans, infrastructure development and financing through the provision of oil. This analysis includes also the investigation of Angola's economic relations with its new partners, as well as other major partners such as the IMF, the Portuguese-speaking countries and its main trade partners.

The last part of the chapter concerns the country's constraints, which is divided between external and internal. External constraints involve China's investments in Angola reflecting the outplacement of local initiatives from the country's developmental perspectives. The political support of Angola's government towards the Chinese has initiated a spiral of Chinese economic initiatives in Angola with a significant impact on the domestic opportunities for entrepreneurial activities. An overview of the country's development aid is examined with regard to the quantity and partners in order to draw conclusions for the country's political and economic aid dependence. Internal constraints include Angola's leadership choices within its politics and political parties. Moreover, we observe the country's macroeconomic adjustment and commodity dependence as well as its food insecurity. Last, but not least, the conclusions of the chapter include both an overview and an assessment of Angola's political and socio-economic prospects capturing Angola's transition within our theoretical approach.

Figure 5.1 Map of Angola



Source: Encyclopedia Britannica

5.2 Historic developments

Salazar's leadership

Antonio de Oliveira Salazar, Portugal's Prime Minister (1932-68) has been broadly characterized as a corporatist⁷⁷⁵ authoritarian government. During his governance of the Second Portuguese Republic, Estado Novo, he preserved a conservative, autocratic and anti-colonial stance. After pursuing profit over an incentive-based system for cotton cultivation in Angola, his governance transformed gradually to a 'presidential system' marking his turn 'with references' to democracy.⁷⁷⁶ Under these circumstances, Portugal's constitution was modified in 1951, recognizing Angola's status as an overseas province, obtaining thus a legal status on a par with that of mainland Portugal.

⁷⁷⁵ Isaacman, A., Roberts, R., (eds.), 1995. *Cotton, colonialism and social history in Sub-Saharan Africa*. Social History of Africa. Portsmouth, NH: Heinemann, London: Jams Currey, 10.

⁷⁷⁶ Pitcher, M., A. *From coercion to incentives: The Portuguese colonial cotton regime in Angola and Mozambique, 1946-1974* in Isaacman, A., Roberts, R. (eds.), 1995. *Cotton, colonialism and social history in Sub-Saharan Africa*. Social History of Africa. Portsmouth, NH: Heinemann. London: Jams Currey, 125.

However, Salazar's colonial cotton exploitation led to harsh, exploitative conditions of cultivation provoking resistance, production inefficiency and hunger.⁷⁷⁷ With the colonies supplying 95% of Portugal's cotton needs at a price that was 30-50% lower than the world price in 1946⁷⁷⁸, these extremely low prices reflected hardly any potential for the development of machinery and mechanization in Angola's production process. As a result, the 50s decade involved Salazar's secret police interventions as well as military and state violence against civilians in his effort to identify and eliminate suspected nationalists.⁷⁷⁹ However, the enforced growing of cotton followed the peasant rising in 1961, the Kongo revolt in the north and the massacre of Europeans. After forty-eight years of dictatorship, Salazar's Estado Novo collapsed in 1974 marking the end of the independence wars of Angola, Guinea-Bissau and Mozambique.

Liberation struggles in Southern Africa

Angola presents particular interest for the Cold War global competition due to the country's colonial dependence on Portugal and the alliances that were formed during its liberation. Angola's liberation war against Portugal, which lasted from 1961 to 1974, drew excessively the attention of the superpowers and their satellite countries during these thirteen years. This prominent proxy-war involved the intervention of Cuba, South Africa, Soviet Union and the US, dividing Angola between the communist MPLA and the anti-communist National Union for the Total Independence of Angola (UNITA). In this war, the white supremacy in Southern Africa played a major role in provoking Angola's liberation struggle. The white alliance ruling powers of Pretoria and Lisbon wanted to keep control of the independent states of Rhodesia, South Africa and Namibia against black African nationalism. Moreover, the regimes of Guinea-Bissau, Angola and Mozambique were controlled by the white minority rule of the Portuguese. Both South African and Portuguese military forces fought against the Angolan and Mozambique guerilla fighters. At that time, South Africa had the strongest economy in the region. Hence, South Africa controlled politically and economically the Lusophone countries, Angola and Mozambique, Guinea-Bissau and Cape Verde.⁷⁸⁰

⁷⁷⁷ Birmingham, D., 1997. Review. Orphans of the Cold War: Angola's people. *African Affairs*, 96(384), 440.

⁷⁷⁸ Pitcher, M., A. 1995, *op. cit.*, 126

⁷⁷⁹ Heywood, L., M., 2011. Angola and the violence years 1975-2008: civilian casualties. *Portuguese Studies Review*, 19(1-2), 315.

⁷⁸⁰ Kofi, A. T., 1981. Prospects and problems of the transition from agrarianism to socialism: the case of Angola, Guinea-Bissau and Mozambique. *World Development*, 9(9-10), 861.

When the armed struggles against the Portuguese colonialists first began in Angola in 1961 and in Mozambique in 1964, the liberation encounters continued in the rest Lusophone countries and Southern Africa. The African National Congress (ANC) in South Africa, the Mozambique Liberation Front (FRELIMO), the South-West Africa People's Organization (SWAPO) in Namibia, the Zimbabwe African People's Union - Zimbabwe African National Union (ZAPU-ZANU) and the African Party for the Independence of Guinea and Cape Verde (PAIGC) fought for the independence of their regions. Following fourteen years of liberation struggle, the Portuguese lost in the end the control in the region leading to the collapse of the Portuguese empire and Angola's independence in 1975.

Angola's ethnic discrepancies were initially divided between the two rival nationalist movements comprised of Frente Nacional de Libertação de Angola (UPA), which was later renamed as National Front for the Liberation of Angola (FNLA) and Movimento Popular de Libertação de Angola (MPLA). The former represented the Kongo people in the border between Angola and Zaire and the latter composed of radical intellectuals in urban areas of Angola and the Ovimbundu people.⁷⁸¹ MPLA's leader, Dr. Agostinho Neto, who later became Angola's first President between 1975-79, was initially arrested in 1960 by the Portuguese. After having asked US support and having received a rejection, Neto received support from Fidel Castro in 1965 with whom he shared similar ideological visions.

The US, which had already developed commercial oil activities in colonial Angola, had chosen to support Holden Roberto, UPA's leader. Holden Roberto, who organized Bakongo militants in Kinshasa, appointed Jonas Savimbi as UPA's Secretary-General in 1961. The next year, Holden formed the FNLA by merging UPA with the Democratic Party of Angola designating Savimbi as Foreign Minister. Savimbi would then leave and establish his own movement in 1966, União Nacional para a Independência Total de Angola (UNITA). While both movements were characterized by nationalism, on the one hand, Neto's leadership was associated with communism receiving support from the Soviet Union and eastern Angola as well as Tanzania and Zambia. On the other

⁷⁸¹ Abbott, P., Rodrigues, R., 1988. *Modern African Wars (2): Angola and Mozambique 1961-1974*. Band 202. London: Osprey Publishing Ltd, 8.

hand, Holden was linked with anti-communist forces such as the US, but also China and Zaire retaining close ties with President Mobutu Sese Seko.

The Congo proxy-war

In order to counter MPLA, the US and CIA supported FNLA, which was based in former Belgian protectorate, Zaire. This situation led to the first US intervention in Africa, which ended up as a proxy war between Belgium and the US against Soviet Union, China and Cuba creating the Congo crisis of 1964-65. The US, through the CIA and in cooperation with Belgium, had organized the assassination of Patrice Lumumba, the Prime Minister of the recently independent Democratic Republic of Congo.⁷⁸² Obviously, Lumumba's propagation of his revolutionary African vision had clearly provoked the reaction of the West, which perceived him as a communist. Lumumba's successor, Joseph Mobutu, a Congolese army colonel, was already in place after Lumumba's assassination. In turn, the country's turbulent economic and social circumstances led to an economic collapse with its GDP per capita declining from \$1,000 in 1973 to about \$300 in 1998. After Angola's independence, the Congo conflict was transferred into Angola with the US leading the anti-MPLA coalition supporting FNLA from Zaire and cooperating with UNITA and South Africa. According to Minter, covert US aid to UNITA through Zaire was estimated at \$15 mil. a year from 1986 with an increasing tempo up to \$50 mil. or more.⁷⁸³

USSR

Soviet Union's civilian and military centers played a special role for Angola's independence. Shubin and Tokarev note that Moscow's political and material support first to MPLA and later to the government of independent Angola was especially important, because it was often provided during periods when other countries could not or did not want to offer assistance.⁷⁸⁴ In fact, Moscow's role in Angola and its support towards MPLA defined the relations with the West and Washington. Becoming a 'people's republic' after its independence, Angola received support also from Eastern

⁷⁸² Ndikumana L., Emizet K. F., 2005. The economics of civil war: the case of the Democratic Republic of Congo in Collier P., Sambanis N., 2005. Understanding civil war, Evidence and analysis, Vol. 1: Africa. Washington D.C.: The International Bank for Reconstruction and Development, The World Bank, 67.

⁷⁸³ Minter, W., 1991. The US and the war in Angola. *Review of African Political Economy*, 18(50), 136.

⁷⁸⁴ Shubin, V., Tokarev, A. 2001. War in Angola: A Soviet dimension. *Review of African Political Economy*, 28(90), 609.

Europe and Cuba. Other military struggles in the region such as the ANC in South Africa, SWAPO in Namibia and ZAPU in Zimbabwe were supported by the Soviet military as well.⁷⁸⁵ Zimbabwe and Namibia joined their forces later on again with Angola in its military intervention in the Democratic Republic of Congo supporting the Kabila government. A member of the Soviet delegation to MPLA Congress in 1977 and later advisor to President Gorbachev named Brutents, noted characteristically that the rivalries in Angola and the Horn of Africa between USSR and the US were completely disproportional and irrational to their involvement in the Third World.⁷⁸⁶ According to Brutents, MPLA was the only national movement against the colonizers. However, Moscow's relations with MPLA deteriorated when MPLA leader, Antonio Agostinho Neto signed an agreement in late 1972 with Holden Roberto, head of FNLA, who retained a close connection with the CIA.

While both Soviet Union and China shared the same views against Western imperialism, their competition ended up in the division of their support towards the Angolan movements. As professor Guimares notes, "*Chinese involvement with Tanzania and Zambia in the mid-1960s, and later with Zaire, sought mainly to demonstrate its ability to compete with the Soviet Union in Africa*".⁷⁸⁷ China's initial ideological support to communist MPLA converted later on to an active assistance towards anti-communist UNITA and FNLA. Providing money and training for the first during the mid 60s and military training and weapons for the latter during the mid 70s, China maintained obviously close relations also with President Mobutu in Zaire. As Guimares remarks, "*the Angolan civil war reflected the clash of left and right in post-coup Portugal, the regional rivalry between the Congo and Zaire, bloc politics in the OAU, the Sino-Soviet split and the East-West conflict*".⁷⁸⁸ After the country's socialist period, the Angolan-Chinese diplomatic ties were re-established in 1983.

Cuba

A significant contribution to the Angolan independence and the country's liberation struggles was attributed to the Cuban presence in the country. However, Cuba's

⁷⁸⁵ Ibid., 608

⁷⁸⁶ Ibid., 610

⁷⁸⁷ Guimares, F., A., 2001. *The Origins of the Angolan Civil War: Foreign Intervention and Domestic Political Conflict*. London: Palgrave Macmillan, 156.

⁷⁸⁸ Guimares, F., A., 2001, *op. cit.*, 200

intervention in Angola was split between two sides. On the one hand, Fidel Castro's goal was clearly to support MPLA against white supremacy and US imperialism. Thus, any acts against non-MPLA supporters were excused. For instance, while Cuban soldiers provided crucial assistance in Angola, they exercised at the same time severe violence and oppression. Pearce presented some empirical evidence about the rapes of Cuban soldiers.⁷⁸⁹ "Anyone who said no to them would be punished and they would even take people's animals", stressed a woman from Huambo, who worked in UNITA's health services.

On the other hand, in Angola's early independence, during its first social administration between 1975-79, the government invested in social sectors with Cuba's significant support. Cuban soldiers are particularly known to have fathered Angola's health system. Hilhorst and Serano note that "Cuban doctors became the backbone of the health system in the 1980s, particularly in rural areas... and when the Cubans left in 1989 the health system collapsed".⁷⁹⁰ Indeed, "by the late 1980s, there were only 738 physicians in the country, covering 46 of the 146 municipalities, of which two-thirds were foreign, mostly Cuban".⁷⁹¹

Ethnicity and power distribution

National identity, ethnicity and regionalism played a significant role in Angola with the country's parties being divided according to their ethnic groups. Within this context, three main movements were most active in Angola's liberation. MPLA comprised of the Luanda creole community, the regional Kimbundu ethnic group of 25%, along with the Kongo with 25%, the Mbundu in the central highlands with 10% of Angola's total population and the Mestigos with 2%. UNITA represented the Ovimbundu of southern Angola and central highlands, an elite group within the Congregationalist Church, which represents 35% of the population. FNLA represented broadly the Bakongo elites⁷⁹² of the North with about 13% of Angola's total population, in the three Kikongo-speaking provinces Zaire, Uige and Cabinda. Other ethnic groups such as

⁷⁸⁹ Pearce, J., 2017. Global ideologies, local politics: The Cold War as seen from Central Angola. *Journal of Southern African Studies*, 43(1), 19.

⁷⁹⁰ Hilhorst, D., Serrano M., 2010. The humanitarian arena in Angola, 1975-2008. *Disasters*, 34, 187.

⁷⁹¹ Stites, E. and Leaning, J., 2002. Human security in Angola: A retrospective study. Harvard School of Public Health, USAID, 32.

⁷⁹² Kibble, S., 2001. Angola: New hopes for civil society? *Review of African Political Economy*, 28(90), 537-547. 540

Ovambo, Nyangwelo, Lunda, Chokwe, Huambo, Nyaneka constitute 22% and Europeans 1%. Marxist MPLA fought against anti-Marxist FNLA with the latter receiving support by the newly created OAU as well as the West and the US.

5.3 Political drivers

MPLA's first governance

Although democratic reforms were introduced with Angola's semi-transition already in 1991-92, as part of the Bicesse accords, the country's constitution dates back to the one-party communist period granting the president with unchallenged powers.⁷⁹³ According to the country's constitution⁷⁹⁴, Angola is a multiparty democracy and the powers are separated between the executive branch, namely the President, the legislature meaning the National Assembly or Parliament and the judiciary. However, with the president maintaining four command roles, being the head of the state, the head of the government, commander-in-chief of the armed forces and president of the ruling party, there is a strong presence of presidentialism, which leads to further obstacles for Angola's political transition towards liberal democracy.

Angola's democratic transition delay may be associated first with its colonial heritage, second with the civil war that tarnished the country for several years, third, its inability to exploit its natural resources fairly and peacefully and fourth its ethnic diversity, which divided the country in two main opposition groups. Accordingly, Munslow reports about Angola's three transition phases, firstly the "*transition from war to peace, secondly, the transition from Marxist-Leninist rule to multiparty democracy and thirdly the transition from a centralized command-based economy to free market*".⁷⁹⁵ Angola's first political transition was marked with the denouncement of Marxism and Leninism by José Eduardo dos Santos, declaring MPLA a social democratic party and leading the government towards political pluralism and multi-party system within a hybrid regime.

⁷⁹³ Ibid.

⁷⁹⁴ Constitution of Republic of Angola, 2010

⁷⁹⁵ Munslow, B., 1999. Angola: The politics of unsustainable development. *Third World Quarterly*, 20(3), 552.

Developmental state

The result of the above circumstances led to a developmental state, which followed a different path in contrast to the successful East Asian developmental states. East Asian developmental states developed in the 90s as prototypes for experiencing economic development through industrialization. In turn, Angola's developmental state followed a rapid oil-driven economic growth rendering the country the third largest economy in Sub-Saharan Africa after South Africa and Nigeria. Angola was the first among the top-10 fastest growing economies in the world with 11,1% GDP growth during 2001-10.⁷⁹⁶ Being an oil-rich-country, Angola's market openness relied on short-term loans secured by its oil resources.

Table 5.1 World top-10 fastest growing economies

World top-10 fastest growing economies ^a			
Annual average GDP growth, %			
2001–2010 ^b		2011–2015 ^c	
Angola	11.1	China	9.5
China	10.5	India	8.2
Myanmar	10.3	Ethiopia	8.1
Nigeria	8.9	Mozambique	7.7
Ethiopia	8.4	Tanzania	7.2
Kazakhstan	8.2	Vietnam	7.2
Chad	7.9	Congo	7.0
Mozambique	7.9	Ghana	7.0
Cambodia	7.7	Zambia	6.9
Rwanda	7.6	Nigeria	6.8

^aExcluding countries with an economy of less than 10 million population (+Iraq and Afghanistan).

^b2010 IMF estimates.

^cIMF forecast.

Source: The Economist (2011).

Source: The Economist, 2011⁷⁹⁷

Since the oil discovery in 1955 in the Kwanza valley, oil expanded to the Cabinda region with its north coast region remaining under MPLA's command. After the continuation of the war in 1992, oil installations were captured by UNITA, but were later seized again by the MPLA government. Angola's oil production increased six times more than the 1980 production level to about 800,000 barrels per day in 2000. Angola's current oil operations are managed through state-owned Sonangol (Sociedade Nacional de Combustíveis de Angola), which was established in 1976 for the country's

⁷⁹⁶ The Economist, 6/1/2011. A more hopeful continent. The lion kings? Africa is now one of the world's fastest growing regions. London: The Economist.

⁷⁹⁷ Ibid.

oil exploration.⁷⁹⁸ Sonangol developed since 1990 autonomous and semiautonomous subsidiaries over production, distribution and research. Seven to eleven multinational firms operated the oil production since 1999, among them the American Chevron and the French, Elf, which together operated 85% of Angola's production.

Angola's economy is in the end characterized by high dependency on oil-financed exports. "*Petro-developmentalism is, therefore, the optimal endpoint where opportunities for state-led intervention blend with openings for productive entrepreneurship and the countervailing forces of civil society*".⁷⁹⁹ Although, the allocation of oil rent to public expenditures was crucial to the overall economy,⁸⁰⁰ Angola's infrastructure remains still insufficient. With the oil price collapse in the mid-80s and the intensification of the war in the countryside, the country's economy and infrastructure deteriorated further. Angola is still, however, the largest oil producer in southern Africa basing its growth largely on natural resource extraction - oil and diamonds, accounting 93% for the first and 6% for the latter.

External challenges

UN's intervention

The accords between Soviet Union, Cuba, Angola and South Africa in 1988 led first to Namibia's independence. With Namibia's independence, the South African troops withdrew from the Namibian border in 1989. UNITA's cease-fire facilitated SWAPO's victory in Namibia in 1991 and led to the decrease of Angola's strategic importance for South Africa. Moreover, the withdrawal of the Cuban forces from Angola was arranged through UN's support. Two UN missions, UN Angola Verification Missions (UNAVEM I and II) were established in 1988 and 1991 accordingly. UNAVEM I began in 1989 with the task to observe the withdrawal of 50,000 Cuban troops until its successful completion in 1991. By this time, UNAVEM II was in place, following the

⁷⁹⁸ Soares De Oliveira, R., 2007. Business-success: Angola-style: post-colonial politics and the rise and rise of Sonangol. *Journal of Modern African Studies*, 45(4), 595

⁷⁹⁹ Oppong, N., 2019. The petro-developmental state in Africa: Making oil work in Angola, Nigeria and the Gulf of Guinea. *Commonwealth & Comparative Politics*, 57(3), 393.

⁸⁰⁰ Le Billon, P., 2000. Angola's War Economy: The role of oil and diamonds, 1975-2000. *African Affairs*, 100(398), 61.

Bicesse accords and the impressive sixteen months of relative peace for the Angolan people.

Bicesse accords: Failing to secure peace

Angola's first peace achievement took place in 1991 under the Bicesse accords leading to a temporary halt of the country's civil war. However, after UN's weak negotiating role, which comprised out of a tripartite of Portugal, South Africa and the US, the country returned to war in 1992. Another peace achievement failure was marked under the Lusaka peace process in 1994.⁸⁰¹ UNITA's leader, Jonas Savimbi refused to accept his defeat of the elections in 1992, which had been agreed as part of the Bicesse Accords. As Anstee, UN representative in Angola notes, the personality of Jonas Savimbi is key to understand the third Angolan civil war of 1992-94.⁸⁰² She writes characteristically: "*Savimbi is a giant of man, a man of enormous charm, and man of towering arrogance and of uncontrollable rages... a leader with a single-minded determination to gain unfettered power... parliaments and power-sharing are of no interest to him*". In reality, Savimbi gained great support and became a high-profile symbolic personality by far-right ideology supporters and anti-Marxists. UNITA was led by Jonas Savimbi since the foundation of the party until his death in 2002, the year that marked the end of Angola's 27 years of civil war.

US support to UNITA

The guerrilla war reached Luanda provinces in the mid 80s, partly due to US aid allowing UNITA's military operations from Zaire. But after the withdrawal of the US and South Africa in the 90s, UNITA based its military operations mostly on its diamond resources and revenues. Since 1983, UNITA had invested in mining equipment and staff training in professionalizing its diamond operations. Characteristically, the post of the Minister of Geology and Mines was given to a UNITA member.⁸⁰³ The government's diamond revenues reduced significantly from \$221 mil. in 1981 to \$33 mil. in 1986 due to UNITA's control. Furthermore, UNITA maintained a US lobby, which was accompanied by strong anti-Cuban prejudice. This lobby involved US public

⁸⁰¹ Messiant, C., 2004. Why did Bicesse and Lusaka fail? A critical analysis. Accord: an international review of peace initiatives (15), 16. London: Conciliation Resources.

⁸⁰² Anstee, M., 1997. Orphans of the Cold War: The inside story of the collapse of the Angolan peace process, 1992-3. *African Affairs*, 96(384), 443.

⁸⁰³ Le Billon, P. 2000, *op. cit.*, 68

relations firms crusading for political and financial support apart from ideological consensus. Minter noted characteristically that “UNITA hired other firms focusing on splitting black opposition to US intervention, failing to attract many prominent blacks and succeeding in confusing the issue... they also organized close coordination with anti-Castro and pro-Israeli lobby groups”.⁸⁰⁴ Angola’s MPLA government began serious lobbying in the US political scene only after 1986. However, its lack of knowledge and coordination did not gain grounds.

Following the war in Vietnam, a general movement against US intervention prevailed domestically in the US and globally, nevertheless, US hostility against Luanda continued. Washington failed to promote a peace arrangement for Angola and supplied military equipment to UNITA leading to extended fighting. Under the Reagan administration⁸⁰⁵, Zbigniew Brzezinski, counselor of President Lindon Johnson and Jimmy Carter’s National Security Advisor, lobbied third countries to aid UNITA. Reagan himself was an open advocate of UNITA and continued supporting UNITA until 1985, despite the Clark Amendment of 1975, which excluded US armed interference in Angola. Remarkably, “CIA’s budget for UNITA aid increased from an estimated \$30-45 mil. in 1988 to \$50-60 mil. in 1989.”⁸⁰⁶ Minter characteristically labels the US plan for Angola as ‘accommodationist’, because it included both people with pragmatic business perspectives and people sympathetic to the African liberation. In fact, the US has been the main purchaser of Angola’s oil. US oil companies and banks had good relations with the Angolan government and Reagan was too passionate to support Jonas Savimbi’s UNITA army. Further, US military had an alliance with Portugal, which facilitated their further intervention in Angola.

Lusaka Protocol: Disarming UNITA

The UN Security Council applied sanctions⁸⁰⁷ to UNITA in 1993. UNITA’s unopposed countryside war in 1993 lasted until the signing of the Lusaka Protocol by UNITA and MPLA in 1994. As Kevlihan noted, “the Lusaka Protocol ended the fighting and

⁸⁰⁴ Minter, W., 1991. The US and the war in Angola. *Review of African Political Economy*, 18(50), 137.

⁸⁰⁵ Pereira, A., W., 2008. The neglected tragedy: the return to war in Angola, 1992-3. *The Journal of Modern African Studies*, 32(1), 11.

⁸⁰⁶ Minter, W., 1991, *op. cit.*, 139

⁸⁰⁷ Resolution 864

obliged UNITA to accept the results of the 1992 election".⁸⁰⁸ Hence, UNITA disarmed and demobilized delivering occupied terrain to the state. In compliance to the Lusaka Protocol, the government took over UNITA's diamond mines. Despite compliance to "*most of the clauses of the Lusaka agreement and the UN certification of UNITA's demilitarization in early 1998, UNITA still refused to disarm*".⁸⁰⁹ The UN sanctions against its diamond trade in 1998 resulted in a decrease of its production from \$600-760 mil. in 1996 to \$100-150 mil. in 2000.⁸¹⁰ The international community considered until then UNITA's diamond control a counterbalance against MPLA's oil control. MacQueen explains that "*the reassertion of UN authority during the 1993-4 Lusaka negotiations and the better-resourced UNAVEM III seemed to have had a conventional role*".⁸¹¹ Despite the decrease of UNITA's diamond production, UNITA's diamond revenues between 1992-2000 reached an estimated amount of \$3-4 bil.⁸¹² However, the net revenues are until now unknown.

Internal challenges

Resources and neighboring alliances

The division of Angola's ethnic groups between the country's two main parties reflects to a great extent the alliances that were formed in Angola's external relations. For instance, Angolan authorities feared that Congolese rebels providing support to UNITA could topple the government, since UNITA was able to reoccupy many rural areas with its military capacity. Guerrilla actions started escalating further in 1998. During Mobutu's regime, who served as president of the DRC from 1965 to 1997, many goods were illegally imported from the DRC into Angola. After losing its allies in Kinshasa and Brazzaville in 1997, UNITA sought for other safe transit areas for the arrangements of its logistics through neighboring allies in Zambia, Burkina Faso, Rwanda and Togo.

⁸⁰⁸ Kevlihan, R., 2003. Sanctions and Humanitarian Concerns: Ireland and Angola, 2001-2. *Irish Studies in International Affairs*, 14(1), 96.

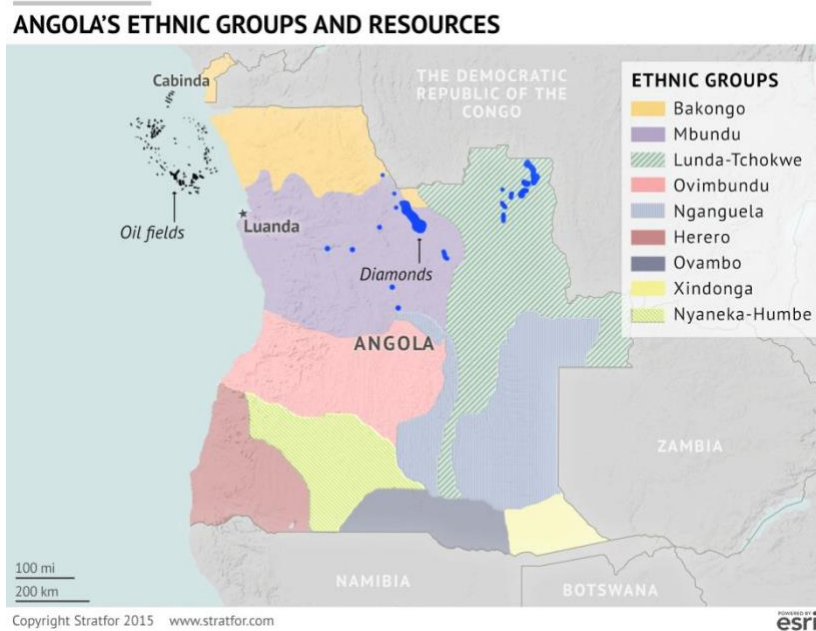
⁸⁰⁹ Cain, A., 2001. Humanitarian and development actors in Angola as peacebuilders? *Review of African Political Economy*, 90(28), 582.

⁸¹⁰ Le Billon, P., 2000, *op. cit.*, 69

⁸¹¹ MacQueen, N., 1998. Peacekeeping by attrition: the United Nations in Angola. *Journal of Modern African Studies*, 36(3), 405.

⁸¹² Le Billon, P. 2000, *op. cit.*, 69

Figure 5.2 Map of Angola's ethnic groups and resources



Source: Stratfor, 2015

On the other hand, MPLA's oil provision and other mineral concessions were used for alliances between the Angolan and the Zimbabwean government. Particularly, oil revenues resisted the *"well-equipped South African and UNITA armies by building up a capital-intensive war machine, which placed government forces at the center of Angola's political economy"*.⁸¹³ *"The government imported arms in excess of \$5 bil., mostly in 1993, 1994, and 1999"*, enhancing this relationship.⁸¹⁴ This impressive armament facilitated the conduction of military interventions by the government in order to *"root out support for UNITA in Congo Brazzaville and the DRC since 1997, as well as in Namibia in 1999"*.⁸¹⁵

Contrariwise, diamonds exchange from DRC to Angola supplied UNITA with arms, ammunition, training, food and fuel. Moreover, UNITA officers were trained in Morocco in logistics and communications in 1998. The Human Rights Watch reports that military equipment has been transferred to UNITA through the *"Entebbe airport in Uganda, South Africa's international airport and N'Djili airport in Kinshasa"*.⁸¹⁶

⁸¹³ Ibid.

⁸¹⁴ Human Rights Watch, 1999. *Arms Trade, Angola Unravels. The rise and fall of the Lusaka peace process.* New York: Human Rights Watch.

⁸¹⁵ Ibid.

⁸¹⁶ Ibid.

Arms have been transferred by railway from Dar es Salaam to Kigoma on Lake Tanganyika, ferried by boat to DRC and from there by plane to Angola. Zambia has also supplied UNITA significantly with regional sources of support.⁸¹⁷ Moreover, Rwandan rebel-movement controlled key mining sites in eastern DRC in 1997 and DRC's former President, Laurent Kabila, earned millions through contracts that he renegotiated with Mobutu. This situation resulted in the intervention of the Angolan troops in 1998 in the DRC supporting President Laurent Kabila's fight against the Tutsi guerillas. By 1999, the Angolan central highlands, the north and the west of the country were in the midst of violence and war. In the end, the disarming of UNITA, which was one of the mandates of the Security Council mission (MONUA), did not gain grounds.

Urbanization and infrastructure

Angola is “*more urbanized than other countries at similar levels of development*”⁸¹⁸ with almost seven out of ten Angolans residing in urban areas. Urbanization grew from 15% in 1970 to 50% in the 90s with a quarter of Angola's total population living in Luanda. Apparently, the reasons behind Angola's urbanization lay on the war-stricken rural areas of the country. In the second half of the 90s, the war had resulted in the destruction of basic infrastructure, 500,000 dead and four million displaced. Million poverty-stricken refugees from rural areas reside currently in massive slums of the surrounding area of Luanda. Obviously, their contribution to the post-war Angola reconstruction was minimal, since their only aspiration concerned mainly their survival.

With the mines having depleted both the infrastructure and the agricultural development all over the country, many people were left handicapped. About 20 million estimated landmines were planted in the country between 1975-2002 with the number of casualties amounting to around 100,000, of which 80,000 having survived and having been left handicapped. The impact of mines in rural Angola was evident in the prevention of the use of agricultural land. This situation resulted in insecure markets and services, social exclusion and lack of participation of the rural poor migrating in urban Angola. Amnesty International's report claimed that “*over 5,000 had been*

⁸¹⁷ Power, M., 2001. Patrimonialism & petro-diamond capitalism: peace, geopolitics & the economics of war in Angola. *Review of African Political Economy*, 28(90), 489.

⁸¹⁸ Welborn, L., Cilliers, J., Kwasi, S., 2020. Angolan futures 2050. Beyond oil. Southern Africa Report. Pretoria: Institute for Security Studies, 14.

forcibly removed from their homes in three mass evictions between 2001 and 2003”.⁸¹⁹ The report called for human rights-based housing policy and raised the concern that the “*system for registering land and housing almost collapsed during the war being unable to cope with the expansion of households in Luanda*”.

Moreover, with the country’s deficits in the provision of access to safe water, water-borne sewage, electricity and roads in rural regions and Luanda, local communities are left helpless. “*Thirteen million Angolans lack access to safe water*”⁸²⁰ and the numbers are expected to rise to 18 mil. by 2040. Generation and distribution of electricity is hardly accessible and the population and businesses rely on petrol or diesel generators. Only 30% of the Angolan population is estimated to have access to electricity - roughly 43% of the urban population and 8% of the rural population.⁸²¹ The Mo Ibrahim Index on Infrastructure⁸²² confirms the above-mentioned data - Angola ranks among the last four countries, just above South Sudan, Eritrea and Somalia.

Elections

After the failure to establish peace through the Bicesse accords in 1991, the country held its first free and multiparty elections in 1992 in order to elect its President and General Assembly. MPLA won both elections, nevertheless UNITA rejected the results and prepared for a renewed conflict. The problem with the 1992 elections was that the Angolan population was not familiar either with democratic standards or with a national consciousness of a unified state.⁸²³ Evidently, the state needed to introduce some decentralized forms of governance in order to empower the local segments of the society towards participatory processes. In an effort to decentralize powers, the Angolan government initiated in 1999 a limited process of distributing some powers to lower governmental levels such as the municipalities. The plan was approved in 2001 involving the creation of independent budget units at municipal levels with the support

⁸¹⁹ Amnesty International, 2003. *Angola: Mass forced evictions in Luanda - a call for human rights-based housing policy*. London: Amnesty International, 5.

⁸²⁰ Welborn, L., Cilliers, J., Kwasi, S., 2020, *op. cit.*, 16













⁸²¹ USAID, 2018. *Angola Country Fact Sheet*. Power Africa. Washington D.C.: USAID.

⁸²² Mo Ibrahim Foundation, no date. *Agendas 2063 and 2030: Is Africa on track? African Governance Report*. London: Mo Ibrahim Foundation, 54.

⁸²³ Ottaway, M. 1998. *Angola’s failed elections* in Kumar, K. 1998. *Post-conflict elections, democratization and international assistance*. London: Lynne Rienner Publishers, 135.

of the Ministries of Planning, Territorial Administration and Finance.⁸²⁴ The administrative decentralization of the total 163 municipalities⁸²⁵ to 68 is thus a challenge both for the country's participatory planning and for the international community, which supports such political liberalization processes. Henceforth, local elections and elected local authorities are Angola's next democratic targets, since they have never before been held.

Table 5.2 Angolan Elections 1992
(until 2008)

Party	Full party name	% of votes	# of seats
 MPLA	Movimento Popular de Libertação de Angola (Partido do Trabalho) (Popular Movement for the Liberation of Angola) Mr. Bomito de Sousa Baltazar Diogo	53.7	124
 UNITA	União Nacional para a Independência Total de Angola (National Union for the Total Independence of Angola) Mr. Constantino Zeferino	34.1	64
 PRS	Partido Renovador Social (Social Renewal Party) Mr. Lindo Bernardo Tito	2.3	6
 FNLA	Frente Nacional para a Libertação de Angola (National Front for the Liberation of Angola) Mr. Benjamin Manuel da Silva	2.4	5
 PLD	Partido Liberal Democrático (Democratic Liberal Party) Mrs. Analia Maria Caldeira de Victória Pereira Simeão	2.4	3
 PRD	Partido Renovador Democrático (Democratic Renewal Party) Mr. Rui Augusto Ribeiro da Costa	0.9	1
 AD	Angola Democrática (AD-Coligação) (Democratic Alliance of Angola) Mr. Joao Baptista Vieira Lopes	0.9	1
 PSD	Partido Social-Democrático (Social Democratic Party) Mr. Nzuzi Nsumbo	0.8	1
 PAJOCA	Partido da Aliança da Juventude, Operários e Camponeses de Angola (Party of the Alliance of Youth, Workers and Farmers of Angola) Mr. Alexandre Sebastião André	0.4	1
 FDA	Fórum Democrático Angolano* (Angolan Democratic Forum)	0,3	0
 PDP-ANA	Partido Democrático para o Progresso/Aliança Nacional Angolana (Democratic Progress Party/Angolan National Alliance) Mr. Pedro Afonso Sibo Sapi	0,3	1
 PNDA	Partido Nacional Democrático Angolano (Angolan National Democratic Party) Mr. Gaspar Domingos Da Silva	0,3	1

Source: Amundsen, I., Weimer, M., 2008⁸²⁶

Since Angola's transition in 1992 towards some kind of democratic standards, the country's second parliamentary elections were held after 16 years in 2008. Again, Angola's democratic deficit is evident both in its election timeline and the transparency

⁸²⁴ Ferreira, P.M., 2009. Country case study: Angola. State-Society Relations in Angola. Peacebuilding, democracy and political participation. *IFP Democratization and Transitional Justice Cluster*. Madrid: Fundación para las Relaciones Internacionales y el Diálogo Exterior (FRIDE), 22.

⁸²⁵ *Ibid.*, 28

⁸²⁶ *Ibid.*, 33

of the elections. Although fourteen parties were approved for the 2008 elections receiving each \$1,3 mil.⁸²⁷, the seemingly multiparty democracy did not align at all with free and fair elections of international standards. However, the state's authoritarian stance barely left any space for criticism. Under these circumstances, MPLA secured its undisputed victory with 81,64% against UNITA's 10,39% and the rest of the parties under 3%.

Table 5.3 Angolan Elections 2017

<i>Elections</i>			
<i>Next due</i>	<i>Legislative: August 2022</i>		
<i>Last legislative election (August 2017)</i>	<i>Seats</i>	<i>% of vote</i>	
Popular Movement for the Liberation of Angola (MPLA)	150	61.1	
National Union for the Total Independence of Angola (UNITA)	51	26.7	
Broad Convergence for the Salvation of Angola (Coalition, CASA-CE)	16	9.4	
Social Renewal Party (PRS)	2	1.4	
National Front for the Liberation of Angola (FNLA)	1	0.9	
National Patriotic Alliance	0	0.5	
Total (directly elected)	220	100.0	

Source: Exotix Capital, 2019⁸²⁸

Angola's third post-transition elections in 2012 secured 71,8% for MPLA and 18,66% for UNITA of the vote. However, Angola's first peaceful political transition was inaugurated in 2017 with MPLA securing, this time, 60% of the vote against UNITA's 27%. After 38 years in the country's presidency, Dos Santos transferred his power to MPLA's former secretary general (1998-2003) and defense minister (2014-17), João Lourenço. Although João Lourenço is seemingly part of Angola's system, his political campaign coincided with the challenges of his presidency to repatriate the illicit financial flows, the fight against corruption and the lack of transparency, which his predecessor had strived for several years.⁸²⁹

⁸²⁷ Amundsen, I., Weimer, M., 2008. Opposition Parties and the Upcoming 2008 Parliamentary Elections in Angola, Working Paper 9. Norway, Bergen: Chr. Michelsen Institute, 5.

⁸²⁸ Exotix Capital, 2019. Debt and Risk across the Frontier. *Developing Markets Guide*. Angola. Hampshire: Palgrave Macmillan, 32.

⁸²⁹ Kibble, S. 2007. Angola: Can the politics of disorder become the politics of democratization and development? *Review of African Political Economy*, 33(109), 534.

5.4 Economic drivers

China's developmental model

Angola experienced impressive economic growth with increasing oil prices, high production and exports from 2002 until the international oil slump of 2014. Accordingly, Angola's GDP growth rose from \$12,4 bil. in 2002 to \$124,1 bil. in 2013, doubling its GDP per capita from \$2,079 in 2002 to \$4,164 in 2014.⁸³⁰ In turn, *Angola's global exports expanded from \$8 bil. in 2000 to \$69 bil. in 2013*⁸³¹ recording significant trade surpluses. Moreover, the generalized oil price increase between 2004-08 raised the country's revenues from 24,3% of GDP in 2004 to 35,2% of GDP in 2008. The country's macroeconomic management reached thus a considerable degree of monetary stabilization with a trade surplus of \$12 bil. by 2006. The same year, Angola reimbursed the Paris Club creditors with an amount of \$2,6 bil.⁸³² After the country's membership to the OPEC in 2007, Angola was among the world's major oil producing states with agreed quota at 1,481 mil. barrels per day. The second period of oil-fueled growth between 2009-13 averaged the country's GDP at 5,1% per year. In 2017, Angola's GDP stood remarkably at \$122 bil. and its oil production reached 1,64 mil. barrels per day almost on par with Nigeria's 1,66 mil. barrels per day.

Table 5.4 Angolan oil exports 2000-04

	2000	2001	2002	2003	2004
Crude Oil					
US\$ million	6,951.0	5,690.0	7,538.7	8,530.4	12,441.9
Million barrels	256.1	250.7	311.1	302.6	344.5
Price (US\$/barrel)	27.1	22.7	24.2	28.2	36.1
Oil-derived Products					
US\$ million	132.0	93.0	95.5	138.5	147.6
Thousand metric tons	733.5	675.0	673.5	717.5	749.6
Price (US\$/metric ton)	179.8	137.3	141.7	193.1	196.9
Gas					
US\$ million	37.0	20.0	10.0	15.7	30.4
Total Oil (US\$ million)	7,120.0	5,803.0	7,644.2	8,684.6	12,619.9

Source: Aguilar and Goldstein, 2009⁸³³

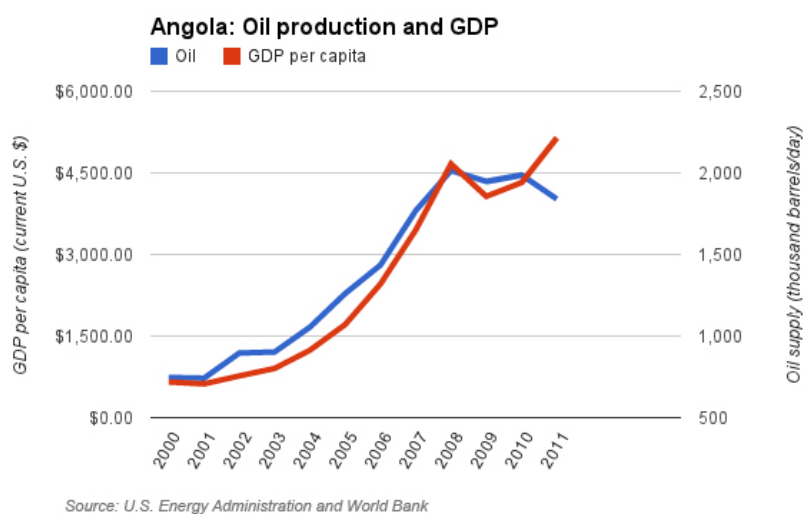
⁸³⁰ World Bank Group, 2018. Angola: Systematic Country Diagnostic. Creating assets for the poor. Washington D.C: World Bank Group, ii.

⁸³¹ UNCTAD, 2016. Angola. Trade Policy Framework. Geneva: UN, 4.

⁸³² Fernandes, S., 2012. China and Angola: A strategic partnership? 13. In *China and Angola: a marriage of convenience*. Fahamu Books.

⁸³³ Aguilar, R. and Goldstein, A., 2009. The Chinisation of Africa: The case of Angola. *The World Economy*, 32(11), 1543. Oxford: Blackwell Publishing.

Figure 5.3 Angola: Oil production and GDP



Source: US Energy Administration

Undoubtedly, Angola's financing runs largely through its partnership with China. This so-called 'Angola model'⁸³⁴ is two-fold and signifies, one the one hand, Angola's oil-backed loans from China and, on the other hand, China's infrastructure-for-resources loans strategy. This cooperation model, which first began in Angola in the beginning of the 2000s, expanded to the rest of the African continent with China extracting African natural resources and the African countries receiving in return resource-for-infrastructure deals. With Angola's economy being completely destroyed after the war, the country's administration was attracted by the idea of restructuring its economy through new roads, hospitals and housing opportunities in exchange for oil supplies. After China's state-owned-enterprises (SOEs) expansion to the global markets in the 2000s, China's deal seemed very promising for Angola. Angola started exporting its oil to China for an amount of \$2 bil. in 2004.⁸³⁵ It was the first time that Angola drew the attention of the international community after its post-civil war order.

China implemented, in fact, the model that Japan was applying in China's territory back in the 1970s. China was back then a poor, agrarian economy, while Japan, which was a rapidly expanding industrialized economy, was in need of vast amounts of natural resources. China sold its resources to the Japanese in return for the construction of basic

⁸³⁴ Corkin, L., 2011. Uneasy allies: China's evolving relations with Angola. *Journal of Contemporary African Studies*, 29(2), 169.

⁸³⁵ Aguilar, R. and Goldstein, A., 2009, *op. cit.*, 1547

infrastructure such as bridges and roads. The difficult and expensive regulatory environment in the US plus the European and Asian economic expansion in the 90s hardly left space for China's global expansion. However, in the meantime, China's economy was gradually growing and since the 2000s, it started applying the same model on the African continent.

Table 5.5 Chinese funded projects in Angola

Table A1: Projects financed by China Construction Bank & EximBank in 2002

Project	Total value (US\$m)
Phase I of the rehabilitation of the 444 km Luanda Railway	90
Phase I of the rehabilitation and expansion of the electrical network of Luanda	15
The rehabilitation of electricity networks of Lubango	15
The rehabilitation of electricity networks of Namibe and Tombowa	25
A project related to telecommunications	N/A

Source: Angolan Ministry of Finance (2007); Angolan Ministry of Energy and Water (2007)

Table A3: Projects financed by EximBank of China (phase II)

Sector	Number of contracts	Total value (US\$m)
Health	1	43.8
Education	3	229.6
Energy and Water	3	144.9
Agriculture	1	54.0
Fisheries	3	266.8
Post and Telecommunications	4	276.3
Public Works	2	89.5
TOTAL	17	1104.9

Source: Angolan Ministry of Finance (2007)

Table A2: Projects financed by EximBank of China (phase I)

Sector	Number of contracts	Total value (US\$m)
Health	9	206.1
Education	8	217.2
Energy and Water	8	243.8
Agriculture	3	149.8
Transport	1	13.8
Social Communication	1	66.9
Public Works	1	211.7
TOTAL	31	1,109.3

Source: Angolan Ministry of Finance (2007)

Table A4: EximBank 'Complementary Action' Projects

Sector	Total value (US\$m)
Health	159.4
Education	145.6
Energy and Water	76.5
Education and Health	1.7
Fisheries	40.0
Telecommunications	56.3
Public Works	65.5
TOTAL	545.0

Source: Angolan Ministry of Finance (2007)

Source: Vines, A., Wong, L., Weimer M., Campos, I., 2009⁸³⁶

⁸³⁶ Vines, A., L. Wong, M. Weimer & I. Campos, 2009, *op. cit.*, 63

After the war, the conditions for the Angolan population were harsh and as a result, the country's government felt the need to secure rapid financial inflows in order to restore the war-torn Angolan land. China appeared to be an ideal model-partner in terms of its contribution to the Angolan infrastructure development. With the Angolan government having directed a massive program “*to rebuild the country's infrastructure and to promote economic development*”⁸³⁷, Angola became China's largest African trading partner with its daily oil exports to China having reached 3,19 mil. barrels. Interestingly, according to John Hopkins China Africa Research Initiative, Angola is the highest beneficiary of Chinese loans, “*with \$42,8 bil. disbursed over 17 years between 2000 and 2017*”.⁸³⁸ Professor Carlos Pestana Barros notes that Angola's most important partner in economic and military assistance is China with the US coming second.⁸³⁹

The China-Angola economic cooperation continued further in 2004 with the Exim Bank offering a loan of \$10,5 bil. in “*oil-backed credit lines to Angola - at the rate of 1,5% below the London bank-offered rate (LIBOR), which is the benchmark interest rate for international finance*”.⁸⁴⁰ The loan would be repayable over 17 years, including a grace period of 5 years. China increased its share further in 2005 worth \$2,9 bil. with China International Fund Ltd. buying roughly one third of Angolan oil and a third in 2007. Thus, Angola's total oil exports changed, putting China's market on the forefront, while the US, which was being supplied by Angola's oil since its independence, came at the second place. Evidently, Angola's cooperation with China signified a diversified portfolio far from the Western dependence. While oil and diamonds contributed to the financing of the Angolan war, Western countries failed to intervene effectively in rebuilding the country. In fact, the lack of sustainable intervention from the West in Angola left space for China to seize the opportunity for deeper engagement with a significant oil-producer in Africa. Within this framework, China's model differentiated from the West and the US by not expecting any political conditionalities such as those proposed by the international financial institutions.

⁸³⁷ Ovadia, J. S., 2018. State-led industrial development, structural transformation and elite-led plunder: Angola (2002-2013) as a developmental state. *Development Policy Review*, 36(5), 1.

⁸³⁸ John Hopkins, 2020. Data: Chinese loans to Africa. China Africa Research Initiative. Baltimore: John Hopkins.

⁸³⁹ Barros, C.P., 2012. The resource curse and rent-seeking in Angola, Instituto Superior de Economia e Gestão. WP 102/2012. Lisbon: Technical University of Lisbon, 7.

⁸⁴⁰ Corkin, L., 2011, *op. cit.*, 171

Economic liberalization and privatizations

Under the above economic framework of Angola's economic liberalization, the reformation of the financial services was crucial for the country's economic transition in 1991, the year when the National Bank of Angola firstly operated as the central bank of the country. Following its National Assembly regulations⁸⁴¹, the Bank gained more autonomy in 1997 with the implementation of Angola's monetary and exchange rate policy. Foreign banks starting establishing their branches in the country and Angola had 21 financial institutions and 902 agencies by 2012. From 1978 until 2000, the sole insurance enterprise, the Empresa Nacional de Seguros de Angola (ENSA) was state-owned. However, 14 new insurance companies have been registered since 2013. A characteristic example of a foreign insurance company entering the Angolan market is the insurance company AAA, which bought 49% of the Standard Bank de Angola in 2012⁸⁴². Further, in 2015, 29 Angolan banks were registered, nine of which in partnership "with Portuguese banks and one as a joint venture with Standard Bank of South Africa".⁸⁴³

The global financial crisis in 2008 posed significant delays in the initiation of Angola's capital market formation, the Stock Exchange (Bolsa de Valores e Derivativos de Angola), which was planned to start in 2011. With its initiation, Angola's national diamond company Endiama⁸⁴⁴ and state-owned oil company Sonangol are scheduled to be listed on the exchange. A report of the Africa Business Risk Intelligence notes that 195 companies are planned for privatization over the next three years through Angola's ProPriv Programme.⁸⁴⁵ Oil firm Sonangol, diamond company Endiama and 17 other firms are scheduled to sell off key assets by 2022 through public tenders. Other Angolan firms heading towards privatization are TAAG airlines, banks such as BCI, BAI, BCGA and Banco Economico, insurance firm ENSA Seguros and the Angola Debt and Securities Exchange (Bodiva). Revenues are also planned from privatizations

⁸⁴¹ Law 5/97 and 6/97 of 11th July

⁸⁴² Jornal de Angola, 26/7/2012. Seguradora entra no capital do Standard Bank de Angola.

⁸⁴³ Ferreira and Soares De Oliveira, 2018, *op. cit.*, 16

⁸⁴⁴ Endiama's (32,8% ownership) primary property is Catoca, the world's fourth largest diamond mine located in Angola, Russian Alrosa (32,8%), Brazil's Odebrecht (16,4%) and the Diamond Finance CY BV Group (16,8%).

⁸⁴⁵ ExAfrica Business Risk Intelligence, 2019. Angola: Privatizations lie at the heart of debt reduction and economic recovery. London: Ex Africa Insight, 2.

in the textiles sector, construction, telecommunication and agro-processing in order to decrease the country's high debt. Angola's Ministry of Finance intends to privatize another 13 industrial units in the Luanda-Bengo Special Economic Zone (SEZ) through international public tenders.⁸⁴⁶ Angola issued Eurobonds for the first time in 2015 estimated at \$1,5 bil. In 2018 and 2019 Angola's Eurobond issuance reached \$3 bil. in both auctions, while the value of the second one was surpassed by the international markets at \$8,4 bil.

Table 5.6 Net FDI inflows in Angola and the world, 1975-2017

in bil. \$

Year	World	East Asia & Pacific	Latin America & Caribbean	Sub- Saharan African	Angola
1975	23,1	1,4	2,7	1,04	0,5
1980	51,4	4,8	6,4	0,25	0,37
1985	55,8	8,5	6,4	0,960	0,278
1990	196,3	29,8	8,3	1,2	-0,334
1995	319,9	81	30,6	4,5	0,47
2000	1,46	174	95,4	6,8	0,87
2003	710,7	126	52,6	13,8	3,57
2007	3 tril.	396	192	28,7	-1,304 (2005)
2009	1,36 tril.	287	156	36,5	2,2
2011	2,2 tril.	560	282	42,01	-3,227 (2010)
2013	2,18 tril.	590,73	379,54	40,72	-7,12
2016	2,3 tril.	493	272	38,6	10,028 (2015)
2017	1,96 tril.	552	222	27,66	-7,397

Source: Author's research

⁸⁴⁶ Ministerio das Financas (22/04/2020) Programa de procedimento para Concurso Publico. Concurso Publico N.º3/2020 2.ª Fase do Processos de Privatização das Unidades Industriais instaladas na Zona Económica Especial (ZEE) Luanda-Bengo. Luanda: Ministry of Finance. For translation see Macauhub, 24/04/2020. Deadline for submission of tender proposals for the multipurpose terminal in the port of Luanda in Angola extended. Macau: Macauhub News Agency.

IMF

MPLA abandoned the socialist experiment already in 1987 and has introduced since then measures towards a market economy transition. In 1989, Angola became a member both of the IMF and the WB. However, due to the slow progress and the failed attempts of IMF's Staff Monitored Programme (SMP) the program was abandoned.⁸⁴⁷ Angola's domestic economic and political constraints did not allow the country's debt repayment in 1986. As a result, the country's access to concessional international credit markets was cut-off. Obviously, the IMF was unwilling to provide new loans to the country during its turbulent and violent times.⁸⁴⁸

Angola's second program with IMF began in 2018 with the government of Angola receiving through IMF's Extended Credit Facility \$1,24 bil. from a total of \$3,7 bil. - the largest loan granted by IMF to SSA. Accordingly, the IMF projects moderate growth for Angola's near future under the conditions that economic restructuring and IMF reforms will benefit the country's economy. Further, according to IMF's projections, inflation will be reduced down to 7,9% in 2021 from its highest 32,3% in 2016. Transparency and accountability are important for the country's economic recovery and the contribution of non-oil sectors to the economy. Towards this optimistic direction, there have been some positive reactions from the international community during the last years. For instance, the inter-governmental Financial Action Task Force removed Angola from its blacklist against money laundering and financial terrorism in 2016.⁸⁴⁹ Furthermore, the USAID Civil Society Organization Sustainability Index (2017) applauded Lourenço's anti-corruption policy.⁸⁵⁰

Import – Export partners

Angola's international relations have widened after the government's diplomatic and economic initiatives with alternative international partners such as China, Brazil, Israel and South Africa. This situation aligned with the country's steady economic growth

⁸⁴⁷ Aguilar, R. and Goldstein, A., 2009, *op. cit.*, 1545

⁸⁴⁸ Fernandes, S., 2012, *op. cit.*, 13

⁸⁴⁹ Financial Action Task Force (FATF), 2016. Improving Global AML/CFT Compliance: on-going process.

⁸⁵⁰ USAID, 2017. Civil Society Organization Sustainability Index. Washington D.C.: USAID, 10.

from 2001 until 2010 at an average rate of 9% with a continuing growth at an average of 4,5% between 2011-2015. During this period, Angola shifted from its initial financiers Brazil, Spain, Portugal and France to actors such as China, India and South Korea.⁸⁵¹ Angola reactivated its bilateral relations with India, South Korea, Russia and Cuba, diversifying thus its trade partners. For instance, Angola's natural gas production has grown⁸⁵² in recent years with a diversification of the country's LNG exports "to the Middle East and India, but also to China, Brazil and South Korea (2016) and to a lesser extent Japan, Argentina, the European Union, Africa and Singapore".⁸⁵³

Among Angola's main import trade partners are China and Brazil, which accounted at 12,2% for the first and 5,5% for the latter. The US held also a significant 12,5%, South Africa 6,8%, Belgium 6,3% and the UK 4,3% in 2016. With Angola's other most significant imports coming from the European Union, Portugal belongs to Angola's major commercial partner accounting for 15,9% of its imports. By 2010, Angola had invested \$2,4 bil. in the Lisbon Stock Exchange and held more than 10% of Portuguese listed companies. Moreover, Portugal's largest private bank, Banco Comercial Português is the highest shareholder of Sonangol owning almost 20%. In addition, "Banco Fomento, a wholly owned subsidiary of Portugal's Banco BPI, has become Angola's largest commercial bank lending money for oil sector development and the renovation of Angola's national airlines".⁸⁵⁴ In 2008, 80,000 Portuguese were recorded for business or employment opportunities in Angola as well as 25,000 Brazilians - either born in Angola or having migrated.⁸⁵⁵

Angolan oil serves for the exchange of Brazilian investments in construction business and food supply chain. Brazilian elite such as economic advisors are employed in key

⁸⁵¹ Wanda, F., 2017. Understanding post-war foreign direct investment in Angola: South-South led or the West still rules? *Journal of Southern African Studies*, 43(5), 1074.

⁸⁵² Quite remarkably, Angola's production increased from 337 bil. cubic feet (BCF) equivalent to 56,3 million barrels of oil equivalent (MBOE) in 2007 to 413 BCF in 2016. In early 2018, Angola had 10,9 tril. cubic feet (1,82 BBOE) of proven gas reserves equivalent to 184 BCF (31 MBOE). Angola joined the Gas Exporting Countries Forum (GECF) as an observing member in 2018 marking a six-fold increase from 2016.

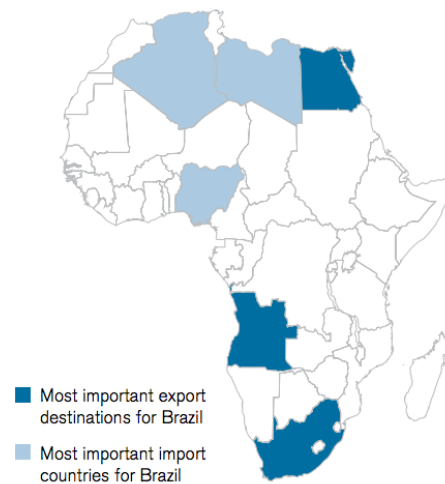
⁸⁵³ US Energy Information, 2019. Country Analysis Executive Summary: Angola. Washington D.C.: US Energy Information.

⁸⁵⁴ Sogge, D., 2006. Angola: Global "good governance" also needed. Working paper 23. Madrid: Fundacion para las relaciones internacionales y el dialogo xterior (FIDE), 4.

⁸⁵⁵ Soares De Oliveira, R. 2011. Illiberal peace building in Angola. *The Journal of Modern African Studies*, 49(02), 304.

Angolan ministries. Angola has strengthened ties with Brazil also in the energy sector securing a \$2 bil. credit raising the total credit line of loans to \$7,83 bil.⁸⁵⁶ Also, a military cooperation agreement was signed between the two countries in 2019 intensifying their bilateral cooperation in the defense industry and the transfer of technology.

Figure 5.4 Brazil's most important trade partners in Africa



Source: MRE/Divisao de Inteligencia Comercial 2012. Brazilian Foreign Ministry/Economic Intelligence Division 2012, 12–13.

As far as Angola's exports are concerned, China gains the largest share with 53,7% - mainly oil – followed by India with 7,6%, the US 5,6%, South Africa 5,3% and France with 4,4% (2016). The EU is less reliant on oil imports from the Angolan Gulf. Last, but not least, South Africa's business presence in Angola in banking, education, consulting and health is significant.

A significant African trade agreement, the Tripartite Free Trade Area (TFTA), which was signed in Cairo in 2015 proposing free trade among Africa's major regional economic communities, the Common Market for Eastern and Southern Africa (COMESA), Southern African Development Community (SADC) and East African Community (EAC) found Angola's government cautious. This agreement finally led to the African Continental Free Trade Area (ACFTA). With Angola having joined the Southern Africa Development Community (SADC) Free Trade Area just in 2019, Angola's trade policy is considered to be highly protectionist due to the fear that its

⁸⁵⁶ Reuters, 16/06/2014. Brazil offers Angola \$2 bil. credit for energy, construction. London: Reuters.

domestic market will flood with cheap manufactures in case of its market opening to the global markets. Moreover, with the EU being SADC's largest trading partner and the signing of an Economic Partnership Agreement (EPA) between SADC and the EU in 2016, Angola's officials fear, that this situation could undermine the country's industrial and manufacturing ambitions.⁸⁵⁷

Table 5.7 Angola's exports by destination 1997-2006

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
US	62.6	64.1	53.2	45.6	47.7	41.0	47.7	40.2	39.8	38.6
China	12.7	4.0	7.4	20.8	10.5	13.6	23.4	29.9	29.6	34.7
EU	14.1	17.0	17.0	17.7	26.3	26.6	13.4	10.4	14.7	8.7
South Africa	1.0	0.1	0.7	0.5	0.6	0.6	0.6	2.4	1.5	1.3
Korea	3.8	2.8	13.4	8.3	3.2	2.2	2.8	2.9	0	0
Herfindahl Index	0.43	0.45	0.34	0.29	0.32	0.27	0.31	0.30	0.27	0.28
Equivalent No.	2.32	2.22	2.95	3.43	3.17	3.70	3.23	3.36	3.73	3.61

Source: Aguilar, R. and Goldstein, A., 2009⁸⁵⁸

Table 5.8 Angola's imports and exports 2019

Exports			Imports	
Position	Country	Mil. €	Country	Mil. €
1	China	27,37 bil.	EU27	3,94 bil.
2	India	3,17 bil.	China	2,22 bil.
3	EU27	2,42 bil.	South Korea	924
4	United Arab Emirates	1,89 bil.	Bahamas	793
5	Israel	792	Brazil	595
6	South Africa	768	USA	536
7	Thailand	765	South Africa	515
8	Indonesia	730	Turkey	387
9	Vietnam	177	United Arab Emirates	383
10	DRC	104	India	365
Total		40,47 bil.		12,6 bil.

Source: European Commission Statistics, 2019

⁸⁵⁷ Redvers, L., 2013. Angola, the reluctant SADC trader. *African perspectives*. Global insights. Occasional Paper 52, Economic Diplomacy Programme. Johannesburg: South African Institute of International Affairs, 14.

⁸⁵⁸ Aguilar, R. and Goldstein, A., 2009, *op. cit.*, 1550

5.5 Structural drivers

External

China's oil-financed investments

The Angola-China partnership has undoubtedly benefited Angola's leadership and has ameliorated the country's infrastructure. This bilateral scheme has provided firstly a framework of diversification for Angola's rehabilitation far from its traditional financial partners. Secondly, it has contributed towards the achievement of the Millennium Development Goals for access to health and education. Thirdly, Angola's oil exports to China have upgraded Angola's oil-exporting geopolitical role globally. Fourthly, Angolans have benefited in one way or the other by the upgrade of the country's infrastructure. Overall, Angola's economy has profited through the FDI's and the inflows of its oil-exports. The Angola-China partnership has thus proved beneficial for the enhancement of the South-South cooperation versus the North-South axis.

However, China's immense intervention in Angola led to two main economic problems for the Angolan economy. Firstly, Angola's oil-selling money was not circulating in the country's actual economy, which triggered an inflation spike. With the government's revenues having increased during the price oil boom, the country remains still dependent on its oil-extraction, which keeps it vulnerable to global price shocks. For instance, after the 2008 recession, the price of oil collapsed and Angola had to borrow again in order to be able to repay its \$2 bil. debt for Chinese-financed infrastructure deals. By 2009, China's loans to Angola amounted to \$13,4-\$19,7 bil. and their bilateral trade grew 35 times.⁸⁵⁹ By 2010, the Angola model⁸⁶⁰ had spread across the African continent due to the Chinese construction boom. However, overall, Africa-China trade deficits are worrying against China's surpluses.

Chinese financing provided lower interest rates and longer repayment time than the Western counterparts. Nevertheless, limited competition of Chinese construction deals resulted in *"70% of construction and civil engineering public tenders being awarded to*

⁸⁵⁹ Vines, A. et al., 2009, *op. cit.*, 5

⁸⁶⁰ Corkin, L., 2011, *op. cit.*, 170

*Chinese companies and only 30% to local Angolan companies.*⁸⁶¹ As a result, with the Chinese construction companies being the frontrunners in the country's reconstruction, local private initiatives and Angolan communities have downsized. Moreover, the government's initiative in 2009 to remove import duties on construction materials allowed the duty-free import of all construction materials for the country's national reconstruction. This environment of global competition caused an extra constraint for the development of local construction companies.⁸⁶² As a consequence, the already downgraded local business initiatives have further declined. Instead of empowering local Angolan communities such as traders in urban and rural areas in order to officially contribute to the country's economy, the country's resilience against external economic influences deteriorated.

Some analysts viewed Chinese investments in Angola as an instrument of influence in order to provide quick results for the Angolan population due to the 2017 elections. However, in reality, the Angolan population did not receive any of the benefits of these fast-track projects. Hanauer and Morris report some examples such as the China International Trust and the Investment Corporation contract deal of \$3,5 bil. with the Angolan government. *"They virtually build a 'ghost town' – schools, roads, homes, electricity networks - with apartments selling for \$120,000 to \$200,000 despite 60% of Angolans living on no more than US\$2 a day"*.⁸⁶³ Soares de Oliveira notes that urban jobs decreased in this province and the Chinese firms were the main work opportunities providing very bad conditions.⁸⁶⁴ With the increasing number of Chinese workers in Angola from 50,000–75,000 in 2009⁸⁶⁵ to about 225,000 in 2016⁸⁶⁶ further tension was created among the Angolan population. Moreover, while unemployment was reaching 19%, Chinese economic migrants undertook managerial roles. In addition, the quality of Chinese infrastructure projects turned out to be low, as reportedly, roads would wash

⁸⁶¹ Barros, C.P., 2012. The resource curse and rent-seeking in Angola, Instituto Superior de Economia e Gestão. WP 102/2012. Lisbon: Technical University of Lisbon, 7.

⁸⁶² Corkin, L., 2012. Chinese construction companies in Angola: A local linkages perspective. *Resources Policy*, 37(4), 481.

⁸⁶³ Hanauer, L., Morris, L., 2014. Chinese engagement in Africa: Drivers, reactions and implications for US policy. California: Rand Corporation, 52.

⁸⁶⁴ Soares de Oliveira, R., 2014. *Magnificent and beggar land: Angola since the civil war*. London: Hurst, 77.

⁸⁶⁵ Vines, A., L. Wong, M. Weimer & I. Campos, 2009. *Thirst for African Oil: Asian national oil companies in Nigeria and Angola*. London: Chatham House, 42.

⁸⁶⁶ China Africa Research Initiative, 2018, *op. cit.*

away after one rainy season.

Development aid

International humanitarian presence was rare in the country until 1990, apart from UN agencies such as UNDP, UNHCR, UNICEF and World Food Program, which provided technical assistance.⁸⁶⁷ Until then, the main targets of international community's assistance were the demilitarization of the society, the removal of mines, the normalization of nationwide state administration and the free circulation of goods and people. Duffield notes that donor conferences between 1985-88 pointed out to the increasing number of crisis-affected people from 500,000 up to 1,5 mil.⁸⁶⁸ In the 1990s, though, "*aid increased dramatically and by the mid-1990s, Angola was one of the top recipients of aid worldwide*".⁸⁶⁹

However, compared to other African case-studies such as Mozambique's robust state, which is mainly an aid-driven success story, Angola is not a significant international aid recipient. According to the World Bank, Angola received the highest amount ever totaling to \$1,14 bil in 2004. In 2006, the amount dropped to \$163,52 mil., while in 2008 it more than doubled to \$369 mil. Angola received \$380 mil. in 2015 with a significant drop to \$159,45 mil. in 2018. Which were the historic reasons that led to Angola's reduced aid?

On the one hand, the Angolan government did not meet the donors' preconditions. On the other hand, UNDP was perceived as a complex organization to deal with the local communities' needs. Moreover, the Community Rehabilitation Programme (CRP), which was launched in Brussels in 1995, as an attempt of the international donor community to provide the means for the implementation of the Lusaka Protocol, failed. At the round table conference, which involved the Angolan government, the civil society and the donor partners, development assistance of up to \$1 bil. was promised in order to rebuild the war-torn economy through infrastructure and economic growth.

⁸⁶⁷ Hilhorst, D., 2010, *op. cit.*, 188

⁸⁶⁸ Duffield, M., 1994. Complex political emergencies with reference to Angola and Bosnia; An explanatory report for UNICEF. School of Public Policy. Birmingham: University of Birmingham, 37.

⁸⁶⁹ *Ibid.*, 196

In the end, the management of local communities' funding on behalf of the donors did not gain grounds, despite the program's ambitious goals to support their economic and social rehabilitation. By 1998, only five community-based projects were completed out of 159 requests to the newly created Trust Fund, which was supposed to facilitate the funding. UNDP's support for the CRP program was suspended.⁸⁷⁰ Although UN upgraded the application of international humanitarian assistance, the role of UNDP was heavily criticized. The reasons lay, according to Cain, on UNDP's ownership of the program, which operated under strict, bureaucratic procedures.⁸⁷¹ Moreover, the government's impatience, along with the donors' and the local communities' defeated any further efforts against the logic of these complex operations. Furthermore, communities lost confidence on local leaders and local NGOs, which were involved in the negotiations. In the end, the donor's financial commitments towards restructuring the economic and social development of the country were not met and they rather focused on humanitarian and emergency activities. As a result, the state-building process with the involvement of the international community did not succeed.

By the end of the war in 2002 and the peace agreement, Angola's economy was in collapse. "*The country's real incomes were lower than they were at the country's independence in 1975*"⁸⁷² and Angola's basic infrastructure was largely devastated. Rural populations were at critical state and their rehabilitation was left significantly behind. Angola's civil conflict led to 3,7 mil. refugees and internally displaced migrating to the cities, while an entire Angolan generation was left without access to health and education. "*The UN estimated that at least 4 million people were vulnerable to famine, half of whom were dependent on aid*".⁸⁷³

Depending on high parallel market loans with limited access to credit, the Angolan population could hardly improve its livelihood. Furthermore, the entrepreneurial activity, instead of being recognized, has been rather downgraded. Specifically, since the 1991 "liberalization", local entrepreneurs were excluded from continuing their

⁸⁷⁰ Cain, A., 2003, *op. cit.*, 4

⁸⁷¹ Ibid.

⁸⁷² Welborn, L., et al., 2020, *op. cit.*, 11

⁸⁷³ Clover, J., 2005. Land reform in Angola: Establishing the ground rules. From the Ground Up: Land rights, conflict and peace in Sub-Saharan Africa. Pretoria, ZA: Institute for Security Studies, 367.

business in the streets and urban center of Luanda. Only the privileged could create wealth through access to bank credits and foreign exchange at concessional rates.⁸⁷⁴

Table 5.9 Official Development Assistance (ODA) Angola, 1970-2017

	1970-79	1980-89	1990-99	2000-09	2010-17	2015	2016	2017
	Annual Averages in bil. \$							
Africa	17	26	28	35	48	49	51	50
Asia	24	26	22	31	39	48	45	44
Angola	44 mil.	205 mil.	472 mil.	469 mil.	242 mil.	402 mil.	207 mil.	219 mil.
Total ODA outflows of developing countries	54	71	71	96	137	145	153	158

Source: OECD, 2018⁸⁷⁵

As a result, Angola's peace agreement since 2002 adjusted the provision of aid from relief to long-term development. ODA net totals increased from \$283 mil. in 2001 to \$414 mil. in 2002 to a peak of \$1,145 bil. in 2004.⁸⁷⁶ However, official development assistance was minimal in Angola compared to other developing countries. Niño and Le Billon reported that, "*given the relatively minor importance of total ODA funds to Angola's budget*", the role of the foreign development actors was "*geared towards technical assistance and cooperation than financial assistance in the form of budget support*".⁸⁷⁷

⁸⁷⁴ Cain, A., 16-17/07/2003. Civil society and community reconstruction in post-Cold-War Angola. Roundtable discussion on international donors and civil society implications for Angola's recovery and the displaced. Luanda: Development Workshop, Human Settlements and Development, 10.

⁸⁷⁵ Organization for Economic Cooperation and Development (OECD), 2018. Aid at a glance 2018. Development Assistance Committee data. Paris: OECD.

⁸⁷⁶ Organization for Economic Cooperation and Development (OECD), 2007. *African Economic Outlook 2007*. Statistical Annex. Paris: OECD, 594.

⁸⁷⁷ Niño H.P. and Le Billon P., 2013. Foreign aid, resource rents and institution building in Mozambique and Angola. Wider Working Paper No. 2013/102. Helsinki: UNU-WIDER, 25.

Due to the lack of trust against the government in managing the country's oil wealth with transparency and due to its poor performance in fulfilling donor requirements, international assistance dropped by 2005. Hilhorst notes that several international NGOs quickly reduced their operations or closed them down completely.⁸⁷⁸ Nevertheless, and despite the Brussels conference failure to provide development assistance in the 90s, the EU still struggles to contribute with development aid in Angola.

Surprisingly though, Angola is neither one of the typical developing countries nor has it signed the Paris Declaration of 2005. Henceforth, EU institutions have quite limited access to Angola's development policy. In spite of EU's failure to become a key partner for Angola's post-war reconstruction, its allocation of more than \$250 mil. to the 2008-13 cooperation program is, nevertheless, significant.⁸⁷⁹

Internal

Leadership

The death of UNITA's leader, Jonas Savimbi, facilitated the end of Angola's civil war with a signing of a memorandum of understanding (MoU) between and the government of Angola, MPLA and UNITA. Since then, Angola's economy was led by MPLA's command economy led by José Eduardo dos Santos, who consolidated power throughout the accumulation of wealth and its redistribution to his surrounding elite. Ovardia notes that "*several Angola's top generals have not only served as private sector executives, but have also been benefiting from privatization and illicit wealth taking control of private enterprises across the Angolan economy*".⁸⁸⁰ While some authors report that the oil business was separated from the political circumstances⁸⁸¹, the Paris Club countries and the IFIs were concerned about the issues of good governance and corruption within the Angolan government.

⁸⁷⁸ Hilhorst, D., 2010, *op. cit.*, 193

⁸⁷⁹ Roque, P.C., 2013. Angola's crucial foreign policy drive. *German Institute for International and Security Affairs*. Berlin: Stiftung Wissenschaft und Politik, 2.

⁸⁸⁰ Ovardia, J. S., 2018, *op. cit.*, 5

⁸⁸¹ Aguilar, R. and Goldstein, A., 2009, *op. cit.*, 1545

Many of the business deals were signed with the Hong Kong-based Chinese International Fund, an ostensibly private, opaque vehicle for Chinese investment.⁸⁸² Moreover, the Presidential Head of military affairs, General Helder Vieira Dias ‘Kopelipa’ - one of country’s most powerful men - undertook the management and disbursement of credit lines from the China International Fund Ltd through the newly created Angolan Office for National Reconstruction, the Gabinete de Reconstrução Nacional (GRN), which was created in 2004.

As expected, Angola ranked, according to Transparency International Index as the 16th most corrupt country in the world⁸⁸³ surpassing Nigeria.⁸⁸⁴ Global Witness, a London-based NGO, noted that international oil and banking institutions are part of the corruption and opacity taking place in Angola.⁸⁸⁵ Ferreira and Soares De Oliveira reported that external actors, such as the IMF, the World Bank and Western donors, who have been influential elsewhere, played a secondary role in Angola’s reforms despite the international regulatory pressure.⁸⁸⁶ Indeed, Ovadia notes, characteristically, that Angola managed to largely avoid structural adjustment during the 1980s and 1990s.⁸⁸⁷

Evidently, Angola’s capitalist modernity is depicted in the construction of the country’s banking system and financial institutions. Powerful domestic business and party elite formed the state-building process and the banking structures blocking Angolan individuals from any credit opportunity. MPLA’s economic command policy had managed consistently to build a regime of oligarchs distributing the country’s oil-fueled growth to its party shareholders. Ferreira and Soares De Oliveira note that “*the remarkable degree of Angolan autonomy in shaping the banking sector is noteworthy in the period from 2002 to 2014*”.⁸⁸⁸ Angolan banking grew from \$3 bil. in 2003 to \$79

⁸⁸² Soares De Oliveira, R., 2011, *op. cit.*, 301

⁸⁸³ Transparency International, 2018. Corruption Perceptions Index, 3. Berlin: Transparency International.

⁸⁸⁴ The Economist, 5/05/2018. Is Angola’s new president serious about reform? London: The Economist.

⁸⁸⁵ Global Witness 1999. A crude awakening. The role of the oil and banking industries in Angola’s civil war and the plunder of the state assets. London: Global Witness, 4.

⁸⁸⁶ Ferreira, M. E. and Soares De Oliveira, R., 2018. The political economy of banking in Angola. *African Affairs*, 118(470), 3.

⁸⁸⁷ Ovadia, J. S., 2018, *op. cit.*, 1

⁸⁸⁸ Ferreira, M. E. and Soares De Oliveira, R., 2018, *op. cit.*, 3

bil. in assets by 2013 ranking third after South Africa with \$361 bil. and Nigeria with \$166 bil.⁸⁸⁹

As a result, the productive economic sector of the country, being represented by small and medium enterprises, was unable to access official financing. The oil reserves formed the financial sector keeping the stock exchange, insurance markets as well as pension funds minimal.⁸⁹⁰ Hence, Angola applied a capitalist model for oligarchs, who either lacked the capacity to fulfill a complete financial capitalist system or needed more time in order to develop one. Ovadia reports that “*Angola’s top generals have invested in the country’s private sector showing commitment and interest in economic growth and development premised on the logic of capitalist modernity*”.⁸⁹¹

In 2018, Dos Santo’s son, Jose Filomeno, former head of Angola’s Sovereign Wealth Fund, was accused for money laundering and embezzlement of public funds. Dos Santos’ daughter, Isabel, Africa’s richest woman with a fortune of \$2,2 bil. and head of Angola’s main state-owned oil-company, Sonangol, faced the same accusations in 2019. In fact, Dos Santos had managed to accumulate the country’s wealth at the expense of the poor Angolan population through elite state-led capitalism, rentier-state promotion and crony capitalism. President José Eduardo dos Santos managed to sustain his power for 38 years and despite his promises for elections in 2001, 2002 and 2003, it was only in 2017, when he transferred the country’s governance to Angola’s next president, João Lourenço.

Macroeconomic adjustments

Angola appears as one of the most difficult countries in the world for business. With the Global Competitiveness Index 2018 ranking the country at the 137th position out of 140 and the World Bank marking the country with -67,8% GNI, followed by the Republic of Congo (-49,8%) and Equatorial Guinea (-38,8%), Angola has the worst disinvestment rate of any Sub-Saharan African country. Angola was ranked also at the

⁸⁸⁹ KPMG, 2015. Angola Banking Survey. Luanda: KPMG, 3.

⁸⁹⁰ International Monetary Fund (IMF), 2016. Sub-Saharan Africa: Time for a policy reset. World Economic and Financial Surveys, Regional Economic Outlook. Washington D.C.: IMF, 54.

⁸⁹¹ Ibid., 5

173th position among 190 economies in its Ease of Doing Business Index in 2019.⁸⁹² Indeed, the country's regulatory environment hardly allows any chances of new business initiatives and the protection of property rights is inefficient. World Bank's report notes characteristically that there is no court dedicated solely to hearing commercial cases, which is a clear indication of the legal institutions backwardness and the slow state-building process.⁸⁹³ According to the Fraser Institute's Index of Economic Freedom, Angola was ranked in 2017 among the last five countries just above Algeria, Sudan, Libya and Venezuela.⁸⁹⁴ The Ibrahim Index of African Governance in 2018 gave an overall governance score of 38,3 out of 100 ranking Angola at the 45th position out of the 55 African countries.⁸⁹⁵

Restricted visa regime, heavy bureaucracy, difficult regulatory environment, weak infrastructure, inadequate human capital and institutional influence in the productive sectors of the economy are major impediments for the country's private sector growth. State-owned-enterprises (SOEs) affiliated with political parties and security forces are profitable due to their association with oil revenues. Moreover, their operation in basic public services, such as electricity, water, transportation, telecommunications and media limit the opportunities of private initiatives.

Evidently, Angola's reliance on oil and diamonds degraded small and medium enterprises in contrast to the overstaffed public sector. For instance, the efforts that have been made through diamond mining in order to diversify the country's oil-driven economy resulted in a loss of \$464 mil. between 2002-08. The market was absolutely restricted from the country's largest diamond mine, Catoca and the transactions were taking place from state-owned trading company, Sodiam towards politically connected buyers. Thus, the negotiated price levels remained below the fair value. Angola forwarded in the end a legislation which allowed Catoca to sell up to 60% of its production to its own traders.⁸⁹⁶

⁸⁹² World Bank, 2019. Doing Business. Training for reform. Washington D.C.: World Bank, 153.

⁸⁹³ World Bank, 2020. Doing Business 2020. Comparing Business regulation in 190 economies. Economy Profile Angola. Washington D.C.: World Bank, 53.

⁸⁹⁴ Fraser Institute, 2019. Economic freedom of the world. Annual Report. Vancouver: Fraser Institute, 9.

⁸⁹⁵ Ibrahim Index of African Governance, Angola 2018

⁸⁹⁶ Reuters, 07/2018. Angola to revamp system of selling diamonds in bid to attract investment. Africa News. London: Reuters.

The structure of the economy does not seem, yet, to differentiate from the mid 80s⁸⁹⁷ when there was lack of basic consumption goods being served through the black market. Angola's national currency, Kwanza became overvalued with a strong inflationary pressure and the official exchange rate was below the black-market rate. Fiscal inflows were received in US dollars and consumption took place in overvalued kwanzas. As a result, fiscal revenues depreciated against the expenditures, which were overvalued. Between 2014-16, the Kwanza devaluated against the US dollar by over 40%. The country's fiscal revenues declined by more than 50% reflecting the financial impact of 2014 and the effect of currency devaluation. Moreover, the policy mix of exchange rate devaluations by the Central Bank impeded the local business community causing inflation at 42% (2016). After having introduced a US dollar peg in order to stabilize its currency, "*Angola's Central Bank exited from the peg in 2008 and sold more foreign exchange in regular auctions*".⁸⁹⁸ Inflation dropped to 20% before the end of 2018 due to the re-pegging of the kwanza to US dollar in 2016 along with tight monetary and fiscal adjustments.

High transportation costs, high prices of seeds, animal attacks to agricultural land and hard accessibility to main roads constitute trading in Angola quite difficult. In 2018, Angola ranked 160th out of 167 countries globally on the World Bank's Logistics Performance Index, partly due its weak trade, transport and infrastructure conditions.⁸⁹⁹ Angola's economy is based largely on the informal sector and the government neglects either to formalize these economic activities or to support them. Angola's informal sector, known as 'candonga', contributes with more than 40% to the country's GDP and represents 70% of the existing jobs mainly run by female workforce.⁹⁰⁰ In Luanda, for example, water supply network functions under informal employment. Cain notes that "*water selling in its various forms is probably the largest subsector in Luanda's informal economy*".⁹⁰¹

⁸⁹⁷ Birmingham, D., 1988. Angola revisited. *Journal of Southern African Studies*, 15(1), 4.

⁸⁹⁸ IMF, 11/06/2018. Country focus. Angola: The road to economic reform. Washington D.C.: IMF

⁸⁹⁹ World Bank, 2018. Connecting to compete. Trade logistics in the global economy. The logistics performance index and its indicators. Washington D.C.: World Bank, 43.

⁹⁰⁰ Welborn, L., et al., 2020, *op. cit.*, 2

⁹⁰¹ Cain, A., 2018. Informal water markets and community management in peri-urban Luanda, Angola. *Water International*, 43(2), 205.

Table 5.10 Angola's real interest rates and inflation 1991-2016

Year	Real interest rate	Inflation, consumer prices	
	%	(annual %)	
	Angola	Angola	World
1991	n/a	83,7	↗
1992	n/a	299,5	10,2
1993	n/a	1,378	↘
1994	n/a	949,7	↘
1996	-93,5	4,145	↘
1997	-29,5	219	3,2 (1999)
1998	4	107	↗
1999	-72,5	248	↗
2000	-60,7	325	↗
2001	-5	152,5	8,9
2003	1,1	98,2	↘
2006	2	13	1,6
2014	12,3	7,2	2,2
2016	-4,9	32,3	1,4

Source: World Bank

This situation would not have occurred, if there would be sufficient provisions by the government. Another characteristic example is the closing of Luanda's largest market, Roque Santeiro by the government in 2010. Roque Santeiro was a goods market, functioning informally with about 5,000 registered traders.⁹⁰² Its closure meant the loss of employment for many traders. A recent example in another city is the closing of Mbanza Kongo's main market in 2016. As Temudo and Talhinhos note, "*with the government's order to close this central market and to open an alternative one several miles away from the city center, most women traders turned to the smuggling of petrol into DRC in order to make a living*".⁹⁰³ Thus, it is of certain interest both for the

⁹⁰² Development Workshop, World Atlas, 2015. Roque Santeiro informal market, 105. Luanda: Development Workshop.

⁹⁰³ Temudo, P.M. and Talhinhos, P., 2017. Dynamics of change in a 'female farming system', Mbanza Kongo/Northern Angola. *The Journal of Peasant Studies*, 46(2), 264.

government and the society to find viable solutions in order to regulate land and property rights and to provide official employment opportunities for the Angolan population.⁹⁰⁴

Community business models play an important role for Angolan livelihoods. However, only organized farmers in cooperatives are supported by the state.⁹⁰⁵ Thereby, tractors work only in collective fields blocking any private individual incentive. The church remains the main connector to the collective fields and the state apparatus. The other agricultural smallholders are being displaced from market competition due to large-scale plantation projects and the government's budget reduction support to the rural areas.

Especially in the agriculture sector, Angola has major productive agricultural, forestry and fisheries capacity with 85% of the population's livelihood being dependent on them. Hence, Angola's economic potential in agriculture, mining, fisheries, manufacturing and information and communication technology (ICT) could be undertaken by private local initiatives in order to allow space for the country's sustainable development. It is evident that the government's need to diversify the country's economy apart from the oil exports is essential, first and foremost, for the survival of the Angolan livelihoods and secondly for the country's economic independence.

Oil dependence

Angola's economy and GDP growth rates go hand-in-hand with its oil exports constituting the country vulnerable to global oil price volatility. As a result, Angola's public debt rose significantly since the commodity oil price slump of 2014 standing at 91% of its GDP. Relying heavily on China in exchange of oil for infrastructure-loans, Angola sought finance in order to cover its oil and budget deficits. Thus, China was by far Angola's most significant creditor, the second-largest petroleum export destination and one of the key actors in supporting the government's plans for infrastructure

⁹⁰⁴ Unruh, J. D., 2012. Eviction policy in postwar Angola. *Land Use Policy*, 29(3), 662.

⁹⁰⁵ Ibid.

development. Angola ranks, nevertheless, among the most resource-cursed and fragile states⁹⁰⁶ in Africa.

Evidently, the country's natural resource dependence and lack of economic diversification rendered its economy vulnerable against the 2008 and 2014 international price shocks. The global commodity slump of 2014 and the US shale development contributed to Angola's GDP decline to almost -3% in 2016. Due to the global commodity price slump in 2014, Angola's exports declined to \$62 bil. and its imports increased from \$3 bil. to \$27 bil. In addition, the drop in the oil prices between 2014-16 resulted in the reduction of the Angolan state budget from \$74 bil. to \$41 bil. Furthermore, the proportion of GDP represented by the construction sector declined from 8% in 2014 to 3,1% in 2016. Angola's fiscal deficit worsened to 6% of GDP and its public debt, including that of state-owned oil company Sonangol, reached 64% of its GDP in 2017. The World Bank's report notes that "*gross international reserves declined to \$17¾ bil.— equivalent to 6 months of imports —while the spread between the parallel and official exchange rate was 150% in 2017*".⁹⁰⁷

Food insecurity

Food security remains a critical issue for people's livelihoods as 80% of the country's food requirements are imported.⁹⁰⁸ More than 400,000 tons of rice per year are needed to meet internal market needs.⁹⁰⁹ According to the Food Security Index of the Economist Intelligence Unit (2019) Angola ranks at the 100th position out of total 113 countries.⁹¹⁰ Hence, agriculture is extremely valuable in terms of food self-sufficiency and as a source of income. Angola produced in the early 70s about half of its cereal needs and exported more than 100,000 tons of maize. The country used to be the fourth coffee exporter in the world until its independence and self-sufficient in crops except for wheat.

⁹⁰⁶ Niño H.P. and Le Billon P., 2013. Foreign aid, resource rents and institution building in Mozambique and Angola. Wider Working Paper No. 2013/102. Helsinki: UNU-WIDER, 6.

⁹⁰⁷ International Monetary Fund (IMF), 2018. Country Report Angola No 18/156. Press Release No. 18/189 and Staff report for the 2018 Article IV Consultation. Washington D.C.: IMF, 5.

⁹⁰⁸ Aguillar-Manjarrez, J, Soto, D., Brummett, R., 2016. Angola committed to growing sustainable aquaculture. Rome: FAO, 40.

⁹⁰⁹ Chiambo, P. J., Coelho, J.C., 2019. Angola: Rice crop grow and food security reinforcement. *Rice Research*, (7)2.

⁹¹⁰ Economist Intelligence Unit (EIU), 2009, 19

However, due to the war, the cultivation of several cash crops such as sugar cane, cotton and tobacco ceased. Rural and urban migration was necessary for the survival of the Angolan population. As a result, Angola shifted its economy from a net exporter to an importer of food being heavily dependent on food aid. Since 2002, cassava, which belongs to staple daily nutrition for Angolans, had to be imported. The absence of a milling industry in the country resulted in the export of rice to Zambia in order to get milled there and then to be reimported. Clover notes, that UN's World Food Program (WFP) "*has been delivering food for several years to an average of one million people each month*".⁹¹¹ Indeed, WFP funds started from about \$3 mil. in 2001 reaching \$10 mil. in 2014.⁹¹²

Were WFP funds and food distribution enough to cover Angola's food insecure livelihoods? An Amnesty International Report notes that about 2,3 mil. people are still facing food insecurity due to drought with nearly half a million of these being children under five years old.⁹¹³ According to the report, in the Gambos municipality in Huila province, traditional pastoralists had a hard time to survive due to the governmental decision to turn their communal grazing into commercial cattle farming. The impact on the pastoralists was evident at their economic, social and cultural resilience. Both pastoralists and their cattles went hungry and with the pastoralists being dependent on the cattle's dairy production, they both had to consume leaves in order to survive.⁹¹⁴ These reports signify the need for a change in governmental policies, which have so far undermined the productive and agricultural capacities of the country.

Agriculture accounts for 82% of all jobs in Angola and according to WB's estimation in 2014, 68% of Angola's economically active adults worked in the agricultural sector.⁹¹⁵ However, the agricultural sector amounted only to 12% of the country's GDP in 2016. A main reason is the lack of technological inputs, which lowers the country's productivity. Angola's agriculture accounted roughly for 10% of its GDP in 2017, while the services sector ranged from "*21% of GDP in 1999 to 49% in 2009*"⁹¹⁶ remaining

⁹¹¹ Clover, J., 2005, *op. cit.*, 368

⁹¹² *Ibid.*

⁹¹³ Amnesty International, 2019. Angola 2019 Country Report. London: Amnesty International.

⁹¹⁴ *Ibid.*

⁹¹⁵ World Bank, 2018, *op. cit.*, 2

⁹¹⁶ Welborn, L., et al., 2020, *op. cit.*, 7

stable and manufacturing contributed with less than 7% in 2017. Taking the above into consideration, the country has the potential to increase its productive capacities in order to foster its economic development towards a more sustainable path, but it needs the political will to fulfill them.

5.6 Conclusions

President José Eduardo dos Santos managed to drive the country out of 27 years of civil war in 2002 to peace and reconstruction. Since the country's independence in 1975, Dos Santos led the Angolan ruling party, MPLA, from a former communist party to a hybrid regime. After 25 years since the country's first post-communist elections in 1992, the country's elections in 2017 indicated a sign of change for Angola's democratic consolidation. After 38 years in power, Dos Santos transferred the country's governance in its first peaceful political transition in 2017 to João Lourenço. Clearly, the country has initiated reforms for transparency and inclusive governance. With currently 138 registered political parties and two constitutional revisions⁹¹⁷, as well as new laws on associations, press and the media, political liberalization has taken place gradually. Moreover, significant steps have been done such as the increase of school enrollment from 2,2 mil. in 2004 to 10 mil. in 2016. In addition, "*life expectancy has doubled since 1960 reaching 65 years in 2016*".⁹¹⁸ Last, but not least, Angola's population is expected to grow rapidly providing thus the opportunity to the country's economy to boost through the availability of the increasing young working force.

Angola maintains also a central role for the Community of Portuguese-Speaking (CPLP) economies and it can play a regional leading role as a key player in the rest of the African continent. Angola's investments in the Gulf of Guinea, particularly in Cape Verde, Guinea-Bissau and São Tomé e Príncipe⁹¹⁹ in infrastructure, mining and oil exploration are signs of Angola's will to play a strategic role in the region. Since 2015 the mining sector tends to get diversified beyond diamonds with iron ore, copper and metal mines, with the ambition to create export potential through the building of

⁹¹⁷ Republic of Angola, 21/1/2010. Constitution of the Republic of Angola. Luanda: National Assembly.

⁹¹⁸ Welborn, L., et al., 2020, *op. cit.*, 8

⁹¹⁹ Sonangol acquired 51% of São Tomé's airline STP in 2012 and offered a \$180 mil. credit to São Tomé

aluminum smelter and steel plants.⁹²⁰ Another example is the Memorandum of Understanding (MoU) between Zambia and Angola signed in 2018 on trade in oil and gas worth \$5 bil. that will upgrade the Lobito Corridor providing good access to Zambia and the DRC through the deep-water port with a new bulk ore terminal.

Table 5.11 Transition drivers in Angola

TRANSITION DRIVERS ANGOLA		
	Political	Economic
	<ul style="list-style-type: none"> MPLA's governance (José Eduardo dos Santos rule for 38 years) <p>External challenges:</p> <ul style="list-style-type: none"> UN's failure intervention to secure peace US support to UNITA <p>Internal challenges:</p> <ul style="list-style-type: none"> Recourses (MPLA for oil and UNITA for diamonds) and neighboring alliances Urbanization and infrastructure Local Elections and elected local authorities 	<ul style="list-style-type: none"> China's developmental model (Angola model: oil exports in exchange for China's loans and infrastructure development) High dependency on oil – 95%, low economic diversification IMF: low engagement – 2 arrangements, the first in 1989, the second in 2018 Import-Export partners (Export: China, India, EU - Import: EU, China, South Korea – 2019)
	Developmental state (petro-developmentalism)	
Structural	<p>Internal</p> <ul style="list-style-type: none"> Leadership (elite groups) Centralized governance 	<p>External</p> <ul style="list-style-type: none"> China's oil financed investments <p>Development aid</p> <p>Internal</p> <ul style="list-style-type: none"> Macroeconomic adjustment Oil dependence Food security

⁹²⁰ Redvers, L., 2013, *op. cit.*, 19

CONCLUSIONS

• Combining democratic (regular elections - 4) and non-democratic characteristics (authoritarian state) • Low economic resilience (ANS) • Highly dependent on global oil price volatility • Corruption, rent-seeking, kleptocracy • Need to give incentives to local market opportunities (employment, banking) • Infrastructure for increased urbanization (sanitation, access to water and sewage)

Source: Author's findings

Angola belonged to the top-10 fastest growing economies in the world with 11,1% GDP growth during 2001-10. The country's GNI increased from \$860 in 1989 to \$2,970 in 2019. However, since the global oil commodity slump of 2014, the country faced high inflation, depreciated currency and rising public debt at 91% of GDP. Further, the government's high military expenditures along with the coverage of budget deficits through the Central Bank exposed the country's international financial position. Having increased dramatically its military spending becoming the "*second largest military spender in Africa - and the largest in Sub-Saharan Africa*",⁹²¹ Angola's military spending reached \$6,1 bil. surpassing for the first time South Africa, which spent \$4,1 bil. in 2013, an increase of 17% since 2004. Angola along with Algeria have now both the highest military budget in Africa amounting to 4,8% of GDP.⁹²² Considering the country's historic foreign policy with regard to its military capacity and armed forces, this impressive increase is an indication of Angola's influence and power in the region.

Despite the evident remarkable economic transition, which needs yet to secure resilience and diversification, Angola's political transition from an authoritarian state to a democratic one faces still several challenges ahead. Although Angola's democratic transition may have involved the participation of the civil society in the restructuring process of democratic standards and rule of law, this opportunity was lost.⁹²³ Angola is still an authoritarian, hybrid state and astonishingly, in a greater degree than the average lower-middle income countries in Africa. The state is unable to address injustices of

⁹²¹ Perlo-Freeman, S. and Solmirano C., 14/04/2014. Trends in world military expenditure 2013. Stockholm: Stockholm International Peace Research Institute, 4.

⁹²² Ibid.

⁹²³ Chipaike, R., Bischoff, P., H., 2018. A challenge to conventional wisdom: Locating agency in Angola's and Ghana's economic engagements with China. *Journal of Asian and African Studies*, 53(7), 1008.

the population's rights, land and property rights, the rule of law and legitimate demand. The weak institutional capacities of the Parliament and the Supreme Court are broadly visible in Angola's politics and society.⁹²⁴ As Sogge notes, "*reciprocity between the state and citizens is virtually non-existent*"⁹²⁵ and citizens are peripheral actors.

With the government owning most media in the country, Angola is considered by the Freedom House "not free" - scoring 31 out of 100 points. MPLA's respect towards human rights, freedom of speech and redistribution of the country's natural resources is the minimum that the state may provide towards its population, which is eager to express its criticism in order to improve their living standards. These are strong indications that democratization pressures may increase in the future. Obviously, democratic consolidation is far from realized in the country, which was tarnished by civil war.

The Angolan civil society is aware of the lack of governmental accountability and the absence of transparency, which are the rule rather than the exception. The reality of the Angolan population reveals that patrimonialism and autocratic ruling has favoured clientelism of specific political and business elite. Without doubt, the Dos Santos governance has managed to accumulate the country's wealth against the poor Angolan society through elite state-led capitalism and rentier-state promotion. The accusation of Dos Santos' son and daughter in 2018 for alleged fraud, embezzlement of public funds and money laundering is a clear example of Dos Santos legacy.

Until now, the state has been exercising capital accumulation creating revenues for the expansion of natural resources extraction. Being the third largest economy in Sub-Saharan Africa after South Africa and Nigeria, Angola's oil-driven economy is a curse and a blessing for the country's authoritarian state. How possible is it to achieve more resilient, transparent and equal distribution of resources among the country's population when half of it lives in poverty? Can Angola's transition towards the free markets secure a better future for the country's economic diversification? And how can

⁹²⁴ UN General Assembly, 2 September 2019. Compilation on Angola. Report of Office of the United Nations High Commissioner for Human Rights. New York: UN, 2.

⁹²⁵ Sogge, D., 2006, *op. cit.*, 10

rent-seeking behavior in the government and the business elite in resource-rich developing countries such as Angola be avoided?

Considering the country's poverty and its low disinvestment ratings, the government needs to reassess the allocation of spending across military, education and health infrastructures. Botswana, for instance, managed to create a successful growth strategy by reinvesting its earnings from diamond production in education, health and infrastructure.⁹²⁶ By taking advantage of its diamond extraction industry, Botswana diversified its economy and institutions growing from a low-income status to an upper-middle-income country.⁹²⁷ The retired Managing Director of De Beers retired, Ralfe, noted in the 1st Annual Meeting of the World Diamond Council in London that diamonds have provided development and prosperity for the people of Botswana, South Africa and Namibia. Being the inheritance of the people of Sierra Leone, Angola and Congo, diamonds should be used to bring prosperity and wealth for the society.⁹²⁸

Eventually, it is time for Angola's governance to upgrade its health and education system through its natural resources revenues in order to invest in its rapidly expanding population. With 32 mil. population, "*Angola is among the top five youngest and fastest-growing populations in the world*".⁹²⁹ However, unemployment and the lack of access to education may create risks of social turbulence and a potential destabilizing force by the unemployed youth, given the country's growing dynamic young labor force - the country retains still about 10 mil. illiterate adults. There is thus a significant necessity for support in social sectors. Cash transfer programs may potentially support poverty alleviation and the management of the state's social problems. Further, Angola's agricultural sector performs significantly lower than its potential capacities and food security remains a crucial challenge. With half of the population living in poverty, agriculture is vital for the economy and the Angolan livelihoods.

⁹²⁶ Anholt, S., 2007. *Competitive identity. The new brand management for nations, cities and regions*. Hampshire: Palgrave Macmillan, 121.

⁹²⁷ UNCTAD, 2017. *Commodities and Development Report. Commodity Markets, Economic Growth and Development*, New York, Geneva: United Nations and Food and Agriculture Organization of the United Nations, 26.

⁹²⁸ Ralfe, G., 2001. 1st Annual Meeting. London: World Diamond Council, 2.

⁹²⁹ Welborn, L., et al., 2020, *op. cit.*, 8

It remains yet to be seen whether Angola's transition can function as an inclusive example taking into consideration the interest of the local communities. Professor Collier at the Oxford University⁹³⁰ urges the Angolan governmental cabinet to take a closer look of the examples of Nigeria and Malaysia. Both countries overcame their domestic conflict period in 1973. Nigeria experienced its first oil boom in 1983 and Malaysia started gaining revenues the same from its natural resources. While Nigeria's government was ousted in a coup d'état, Malaysia's government broadly generated prosperity allowing the allocation of the revenues. In 2003, Nigeria's economy was at the same low levels as before, despite the \$200 bil. revenues from its oil industry. Conversely, Malaysia was a world's top economy with its government being able to hand over power under a stable transition.

Obviously, Angola's government needs to reorientate the country away from economic structures, which until now concentrated on wealth accumulation of the elite. Undoubtedly, João Lourenço will have to give a personal and political battle against the country's governmental practices of kleptocracy and nepotism, which his predecessor strived for. Thus, democratization process, empowerment of the civil society and freedom of expression still constitute great challenges for MPLA's governance. Furthermore, governmental transparency and accountability are essential in order to foster trust towards Angola's institutions, but also to empower the civil society's engagement and to give incentives for Angola's middle-class.

Furthermore, small and medium enterprises may become Angola's economic backbone under the condition that incentives will be provided by the political and banking system. Until now, banking in Angola has not managed to promote neither local entrepreneurship nor to diversify the country's economy. Instead, the government's role should be interventionist in capital flight cases, while also empowering the population towards entrepreneurship. Without doubt, entrepreneurship opportunities for local private sector and communities as well the development of grassroots agriculture need to be encouraged instead of regime monopolistic production and state capitalism. Financial inclusion and the use of technology may be integrated in Angola's credit institutions in order to support the country's development. Credit provision to

⁹³⁰ Collier, P., 2006. Angola: Options for prosperity. Department of Economics, Oxford University.

individual initiatives stemming from the local private sector and the local communities needs to be enhanced and encouraged. This may be an opportunity for systemic change diminishing the economic dependency on either the West or the East.

Profit making in mining, agricultural and energy is essential for local communities and the creation of domestic entrepreneurial activities. The government needs to empower its people towards that direction in order to achieve developmental priorities avoiding financial segregation and inequalities. For instance, growing and urbanizing Angolan population can engage in small-scale construction activities through state's revenues from oil extraction. Despite the country's oil resources, Angola is relying strongly on the imports of fuel due to its lack of refineries.⁹³¹ With its oil industry being capital intensive rather than labor-intensive, Angola employs few nationals except security services. Instead, active participation and contribution to the country's economy shall be a major priority of the Angolan state and the country's young population, who is eager to work and form the future of its transition. Angola's informal sector should be given the opportunity to grow through legal means with the state's support and trust towards civil society and institutions. Angolans engaged in the informal sector live in poverty without social protection. The International Labour Organization's (ILO) standards of decent work need to be established gradually in the country. Moreover, fair income and contribution with taxes for the public services are essential for the country's economic sustainability.

In addition, the government shall follow closely potential agricultural development plans and infrastructure of dams, which may cause environmental, social and economic implications. For instance, the Okavango River basin, which covers an area of 200,192 km² south of Angola, shares the tripartite borders between Namibia and Botswana. Angola's sovereignty in its natural resources, oil and water, is crucial with regard to its neighboring states. Water, especially, is one of Angola's most important resources for its social and economic development. The Permanent Okavango River Basin Water Commission (OKACOM), which was established in 1994 represents institutionally transboundary water issues in the region. Hence, monitoring, advocacy and policy development in transboundary water issues shall provide awareness raising for the

⁹³¹ Angola had four refineries as of 2018 in Luanda, Lobito, Zaire and Cabinda.

developments in the Okavango water basin.⁹³²

MPLA's policy towards macroeconomic and fiscal stabilization, exchange rate flexibility, reduction of public debt-to-GDP ratio to 60%, implementation of anti-money laundering legislation and separation of political interference to the state's institutions is inevitable. Moreover, the depreciation of the kwanza and the significant rise of inflation, increasing debt levels, as well as budget and fiscal deficits are some of the main future challenges for João Lourenço's presidency. Non-oil primary fiscal balance is highly challenging for Angola's government with the aim to diversify its economy. At last, IMF's intervention in restructuring Angola's governmental policies and the planned privatizations of several state-owned Angolan firms will prove whether the Washington consensus can effectively support a post-communist, command economy towards its transition to free-market economy and liberal democracy.

⁹³² Porto Gomes, J., Clover, J., 2003. The peace dividend in Angola: Strategic implications for Okavango basin cooperation, Green Cross International: Pretoria, South Africa, 80.

CHAPTER 6 Conclusions

The aim of this thesis was to study political and socio-economic transitions in post-communist states. Specifically, it was attempted to apply transition theory, which explained the transformations of post-communist states in Eastern and Central Europe and former Soviet Union into the Sub-Saharan African context. For the investigation purposes of this study two representative post-communist Sub-Saharan African case-studies were chosen, Ethiopia and Angola. The attributions, which are given to these case-studies vary from least developed, developing, emerging and transition countries due to their political and economic reforms. Our case studies, which were thoroughly analyzed in the previous chapters, share striking similarities and differences and present particular interest for global political economics due to their regional characteristics.

Geographically, Ethiopia is located in the eastern part of SSA, in the Horn of Africa and Angola in the southern part of SSA. From the political perspective, two similar political systems were compared. Both Ethiopia and Angola share a communist background, which gradually transformed to hybrid regimes. Their political transition started with a leadership change and their post-communist one-party-state regimes are in an ongoing process to democratize their institutions under a multiparty political system. Thus, they can be considered, on the one hand, hybrid regimes combining democratic characteristics such as regular elections and relative civil liberties. On the other hand, they present non-democratic characteristics such as authoritarian state behavior, restricted civil liberties and lack of democratic standards.

From the economic perspective, Ethiopia and Angola present quite remarkable developments. They both belonged to the world's top-10 fastest growing economies between 2001-10 attracting increased interest of the global markets. They are considered emerging, unsaturated, promising economies with significant, but challenging prospects. Their sources of financial inflows are antithetical though. Angola is a resource-rich economy with its growth being mainly driven by its natural resources such as oil and diamond extraction, while Ethiopia is a non-resource-rich economy with its growth being attributed mainly on infrastructure development, manufacturing and construction.

The two countries have another common key point with regard to their foreign policy. They have both a strong political and economic connection to China. China's influence in Ethiopia and Angola and in broader SSA has, therefore, occupied inevitably quite a significant part of the thesis. Another important distinction, which characterized the two countries' development process, is Angola's colonial past in contradiction to Ethiopia's non-colonial background. The above analysis has shown that this difference does not seem to influence the transition drivers of both countries. In political terms, Ethiopia and Angola are attracted by China's ideological communist vision. In economic terms, both Ethiopia and Angola emulate China's business-oriented decision-making processes. In a nutshell, Ethiopia and Angola present the paradoxical characteristics of SSA's transformations, which involve rapid economic transitions and rather slow political transitions, which are expressed into democratic delay and widespread poverty.

This thesis attempted to examine these political and economic transformations on the basis of the theoretical scheme of transition theory. Our main research question was whether there is an African transition model. Is transition theory enough to explain the transformations of post-communist African states or is there another supplementary theoretical scheme needed? This research problem guided our work from beginning to end. Undoubtedly, several other research questions supported this investigative process. For instance, does economic transition precede the political transition or vice versa? Is liberal democracy a precondition for economic development? How can we explain the paradox of high economic growth and widespread poverty?

The implementation of transition theory on SSA circumstances was a challenging and complex procedure. Transition theory developed initially in order to explain the political, economic and social phenomena that followed the end of the Cold War and the end of communism. This context concerned initially former-communist countries, yet, later on emerging economies from the global South were added to the list of transition economies due to their remarkable economic and political reforms. Under this framework, political and economic transitions across various geographic areas within a certain period of time were compared. Our investigation spans from 1989 to 2019. The outbreak of Covid-19 in the beginning of 2020 and the civil war outbreak in Ethiopia the same year caused serious political and economic global and regional

disruptions, which go beyond our investigation. Crosscutting scientific disciplines of the thesis involved political sciences and international relations, resource politics, international political economy, transition economics and development economics as well as African politics and economics.

The analytical value of this study supplements transition theory with new approaches and methodological tools. Firstly, the division of transition theory in political and economic systems (chapter 2, table 2.2) in three different levels – autocratic, hybrid, democratic political systems and centrally planned, mixed and liberal economic systems according to their individual characteristics enhances existing interpretations of transition theory. Secondly, our variables of economic and political liberalization – and their breakdown for example in trade, loans, subsidies⁹³³ for the former and elections frequency, governmental accountability, civil liberties status⁹³⁴ for the latter – could be applied with the deployment of a mathematic formula to forecasting and the development of future scenarios.

Thirdly, by extending transition theory on the Sub-Saharan African context, this study provides insights for further research in other area studies under interdisciplinary, comparative methods. With the use of both qualitative and quantitative data and political and economic metrics, we compared, on the one hand, Ethiopia's and Angola's major political and economic circumstances, and, on the other hand, we compared their post-communist transformations with those of Central and Eastern European countries, the Baltic and the CIS countries as well as the transitions that took place in other post-communist countries such as China, Vietnam and Cuba. The connections and divergences of these regional examples along with the applied methodological approaches provide to transition theory additional cross-cutting insights. These extend the scope and fields of study of transition theory beyond the existing interpretations and they are the contribution of this study.

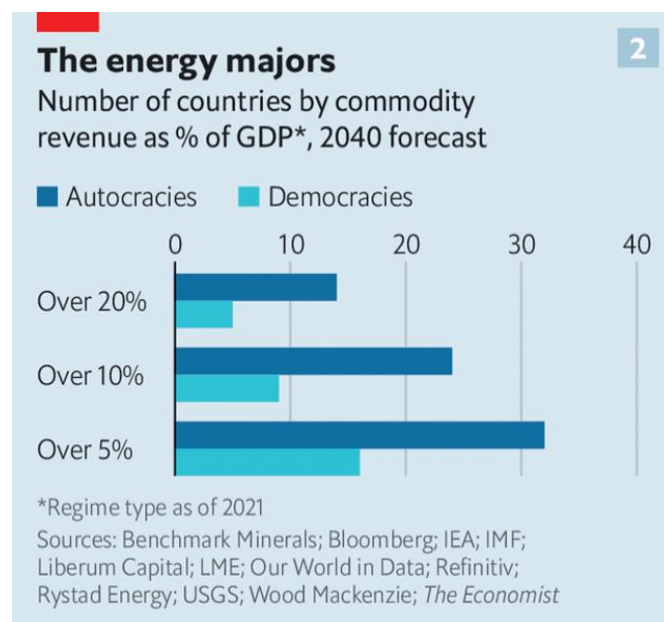
Our investigative comparative approaches of authoritarian, semi-authoritarian, hybrid systems may provide suggestions to similar studies and particularly those that will seek

⁹³³ Or additionally comparative perspectives of metrics such as GDP, GNI, HDI and ANS

⁹³⁴ Again, comparative perspectives of metrics such as the Democracy Index of Economist Intelligence Unit and Freedom House could be deemed useful

answers to increasing authoritarian regimes across the world, which happen to possess major commodities and energy resources. The thesis provides answers also to the paradoxes of Sub-Saharan African transitions, namely the combination of radical economic growth, slow political transformations, social exclusion and poverty. It seems that the Sub-Saharan African context presents one peculiarity which is perhaps nowhere else to be found in the rest of the world except Indonesia. The high levels of ethnic diversity and ethnic disparities in Sub-Saharan Africa seem to hamper the regional political and economic transitions. This fundamental characteristic is crucial in order first to acknowledge Sub-Saharan Africa's heterogeneity and secondly to understand why the comparisons with western perspectives of democracy and economic development are not applicable in SSA.

Figure 6.1 The energy majors - autocracies vs democracies 2000-2030



The Economist

Source: The Economist, 26/03/2022⁹³⁵

We have argued that there is no single and coherent transition theory. On the contrary, transition theory is composed of a set of ideas with different implementations for each country case-study. Moreover, the main hypothesis of the thesis whether transition

⁹³⁵ The Economist, 26/03/2022. The transition to clean energy will mint new commodity superpowers. London: The Economist.

theory can apply as an interpretative model in order to explain post-communist developments in the Sub-Saharan African context has not been confirmed. Post-communist transition theory provides useful insights to explain the transformations of post-communist African states. However, the interpretative model of transition theory does not seem to suffice in explaining post-communist transformations in Sub-Saharan Africa. Post-communist states in SSA such as our case-studies, Ethiopia and Angola, present more similarities to other closed command systems of SSA than to former Soviet bloc countries. The SSA region presents more closed systems than, for instance, Central and Eastern European countries. Moreover, closed command systems such as those of post-communist SSA countries present more comparable characteristics to other similar closed command systems such as that of China. These strong states and growing economies are broadly characterized as developmental states. One more common phenomenon is their weak civil society⁹³⁶ contrary to global North's democracies in Europe, the US, Canada and Australia, which preserve in Bunce's words, "*a virtuous circle composed of capitalism, civil society, democracy and a strong state*".⁹³⁷

Transition in post-communist SSA entails thus non-identical parameters and a diversity of drivers. Most importantly, the region of SSA is not consistent with the transformations, which are recorded in other post-communist examples due to the historical, political and socio-economic context of the region. SSA presents unique characteristics with diverse circumstances according to individual country-regional-and local context. Further, post-communist transition theory focuses quite extensively in the analysis of political and economic factors. However, it ignores socio-cultural factors such as ethnicity and identity politics, which seem to have a crucial role in the SSA context. In our analysis, it was shown, for instance, how particular drivers such as leadership and ethnic diversity impede political transition in the SSA region. Other drivers, which seemed to delay economic transition in SSA is commodity and debt dependence. Despite their immense potential on human and natural resources, SSA countries face structural constraints, which hamper their progress.

⁹³⁶ Borroán, N., P-S., 2006. Post-communist interest politics: A research agenda. *Perspectives on European Politics and Society*, 7(2), 135.

⁹³⁷ Bunce, V., 2000, *op. cit.*, 721

It was also clearly shown how crucial is the intervention from external actors - particularly China's influence to SSA's political and economic transition. Whether and to what extent the other external international actors, such as Europe and the US, react, was also part of this investigation. Economic cooperation such as trade, human rights and democratic standards - along with conditional humanitarian aid - may be considered Europe's and US's main cooperation pillars with SSA countries. Maintaining them and restructuring them is part of the geopolitical and geoeconomic shift of the increased South-South cooperation versus the declining North-South partnership. This undoubtedly worries the future involvement of the US, France Germany and the UK in the African continent.

Structural external drivers in SSA such as debt, structural adjustment programs, subsidies, humanitarian aid and trade deficits seem to hamper economic transitions than to facilitate their progress and non-dependency. These deficiencies seem to experience a vicious circle since the beginning of our investigation – in most of the empirical experiences of SSA countries. In combination with structural internal drivers such as the African leadership they need to worry and problematize the reorientation of the European and American future strategy in SSA – not least the African leadership. China's alternative intervention in SSA is apparently fulfilling this gap, which appears though problematic in other sectors such as the authoritarian leadership example and the lack of democratic standards.

Chronologically, transition through IMF's intervention in post-communist CEE took place during the 90s. In SSA, IMF's intervention took place extensively already during the 80s, while the region experienced economic stagnation during the 90s. Within this framework, most challenging post-SSA transition drivers concern, on the one hand, economic reforms such as trade liberalization, market deregulation and privatization of state-owned enterprises and, on the other hand, political liberalization such as greater political participation in terms of accountability and transparency of governance towards the civil society, strengthening of the rule of law and the establishment of democratic institutions. Whether economic transition precedes political transition or vice versa was attempted to be investigated within these complex processes through our case studies. While the political transition of Ethiopia and Angola from communist to post-communism was marked by a radical leadership change, the institutional

reforms which were implemented later on were rather gradual. On the contrary, their economic reforms, which may be associated with their economic growth were relatively radical. However, they concentrated mostly in securing financial inflows for the state rather than developing an inclusive employment strategy for the population. The qualitative and quantitative data, which were applied supported our hypothesis and argumentation.

The table underneath attempts to capture some of the main tendencies of transition theory as they were presented in our analysis. Firstly, we identify two groups; the first concerns established transition theory approaches for CEE, Baltics, CIS, China, Vietnam and Cuba and the second, Ethiopia's and Angola's transition. The first group is divided accordingly between gradualists and radicalists. As gradualists, we consider China, Vietnam, Cuba and partly CIS, while as radicalists are considered the CEE and the Baltic countries. Our case-studies, Ethiopia and Angola are categorized as gradualists in their political reforms and as radicalists in their economic reforms. Within this framework, we examine their reforms under the political transition perspective including the state-building process and the socio-economic transition perspective. This comparative approach has led to the following findings.

With regard to democratization and state-building, China's, Vietnam's and Cuba's political transition seems stagnated. On the other hand, CEE and Baltic countries have experienced a radical political transition under a 'shock therapy'. Ethiopia and Angola experience a gradual political transition retaining hybrid regimes in their post-communist period. Their political transition is though not complete since the government remains authoritarian in several aspects such as limited political freedoms, restriction on opposition parties and civil society organizations. Another observation concerns the limited civil liberties for China, Vietnam, Cuba, CIS, Ethiopia and Angola contrary to the increased civil liberties of CEE countries and the Baltics. Accordingly, elections either do not exist in China, Vietnam and Cuba or occur occasionally in specific CIS countries. On the contrary, free and fair elections take place in CEE countries and the Baltics. In Ethiopia and Angola, relative frequent elections take place, yet they remain flawed. Further, occasional violence occurs in our two case-studies; whether electoral violence or ethnicity-derived violence, their political situation is fragile and non-linear.

Table 6.1 Transition theory main tendencies		
CEE, Baltics, CIS, China, Vietnam, Cuba		Ethiopia and Angola
Gradualism in China, Vietnam, Cuba, CIS	Radicalism in CEE & Baltic countries	Gradual political reforms, radical economic reforms
Political transition: a) democratization (democratic practices, political rights, civil liberties), b) state-building		
Stagnated political transition	Radical political transition	Gradual political transition
Autocratic regimes	Democratic or semi-democratic regimes	Hybrid regimes
Limited civil liberties	Increased civil liberties	Limited civil liberties
No/limited elections	Free and fair elections	Relative frequent elections, but not free and fair
Occasional violence	No violence	Prone to violence
	Civil conflicts in former Yugoslavia and Moldova	Strong ethnic regional disparities
Corruption (Russia, Ukraine, Belarus, Albania, Moldova), nepotism, rent-seeking, crony-capitalism	Accountability, transparency, efficient states, less corruption	Corruption, nepotism, rent-seeking, crony-capitalism
Socio-economic transition		
a) free market liberalization reforms, b) employment, inclusiveness, poverty reduction		
Gradual economic transition in China and Vietnam	Radical economic transition	Radical economic transition
Diverse economic growth (high for China & Vietnam, low for Cuba), less state reforms	High economic growth, several state reforms	High economic growth, gradual state reforms
State-owned enterprises	Privatizations, market liberalization reforms	State-owned enterprises
Increase of the middle-class (China), non-inclusive growth leads to poverty and employment crises	Inclusive growth leads to labor productivity and market efficiency	Non-inclusive growth leads to poverty and employment crises
Resource & capital-intensive economies ex. Russia, Kazakhstan – not substantial to job growth	FDIs substantial to job growth	Resource (Angola's oil) & capital-intensive (Ethiopia's manufacturing) investments not substantial to job growth

Source: Author's findings

China and Vietnam experience gradual economic transition contrary to CEE and the Baltic countries, which have undergone a radical economic transition. Ethiopia and Angola experience radical economic transition as well, which occurs chronologically after the economic transition of the CEE and Baltic countries. China, Vietnam, CEE and the Baltic countries, Ethiopia and Angola present high economic growth. China, Vietnam, Ethiopia and Angola present mostly market-oriented reforms with the state-owned enterprises commanding state-led development. Chronologically, these reforms are expressed more intensively after 2000. On the contrary, CEE countries and the Baltics present stronger market reforms and privatizations the previous decade. These reforms are stronger during their initial shock period presenting an economic slump until 1994. They stabilize until 2000 showing then a reverse output in their growth.

Ethiopia presents gradual economic reforms in the 1990s including the liberalization of its economy and the opening up of the country to foreign investments. Since 1999, Ethiopia experiences more radical economic reforms reflecting growth rates at an average of 8% attributed to the creation of industrial parks and the enhancement of manufacturing. Ethiopia's economic transition was accompanied by gradual political transition through a new constitution in 1995, a federal system of government and in 2005 the opening up of opposition parties entering the parliament. Since Abiy Ahmed's governance a more radical political transition is taking place in the country. Some examples are the releasing of political prisoners, the restoration of the relations with Eritrea and the opening up of the political space in the country's political parties. Nevertheless, unrest and insecurity in Oromia and Amhara regions have created increased ethnic tensions. In Angola, the end of the civil war in 2002 permitted the conditions for gradual economic transition and partly an economic diversification reducing its dependency on oil. Since 2001 until 2010 Angola experienced a radical economic transition with high growth rates of about 8% due to a generalized global economic growth and the increased demand for oil. Angola's mixed political transition of gradual and radical reforms included a new constitution in 2010 and the introduction of multiparty elections, which were accompanied though by corruption, human rights abuses and restrictions on press freedom.

Despite both Ethiopia's and Angola's remarkable economic growth since 2001, Ethiopia's economic transition appears steadier and more resilient, showing high

growth rates for a longer period, compared to Angola, which reduces its growth depending on the volatility of global oil price. China's economic intervention is crucial in both of our case studies; manufacturing and construction investments take place in Ethiopia and financing infrastructure in exchange for oil in Angola. It is evident that economic and political transition in Ethiopia and Angola has occurred with varying degrees of accomplishments, ongoing challenges and limitations. It is thus difficult to generalize whether economic transition precedes political transition or vice versa because this varies in relation to the circumstances.

CEE and Baltic countries have managed to create a well-balanced political and socio-economic transition, creating substantial job growth through foreign direct investments. Most importantly, accountability, transparency and efficient states are combined with labor productivity and market efficiency. On the contrary, resource-intensive countries such as Russia, several CIS countries and Angola as well as capital-intensive countries such as Ethiopia have not maintained yet a well-balanced political and socio-economic transition. With their economic transition being more advanced than their political transition, economic transition has, on the one hand, contributed significantly to the increase of the living standards and the rise of the Ethiopian and Angolan middle-class - Russia and CIS demand a differentiated analysis. On the other hand, crucial phenomena such as corruption, nepotism, kleptocracy, rent-seeking and crony-capitalism still prevail. A corollary is the lack of significant and efficient job growth along with widespread poverty and food insecurity, which creates further tension, fragility, instability and uncertainty at all levels; politically, economically and socially.

Accordingly, the five hypotheses on which this thesis has been based, have been confirmed:

1. Radical political transition takes place in the post-communist transformation of CEE and Baltic countries. Other post-communist examples such as China, Vietnam and Cuba experience stagnation in their political transition. As it was demonstrated in the second chapter, transition in post-communist CEE, CIS countries and the Baltics is divided between gradual and radical reformers. While both reformist schools had a twofold aim, a) political reforms towards democratic standards and b) economic

liberalization and reduction of the state's intervention into the markets, regional trajectories differ widely.

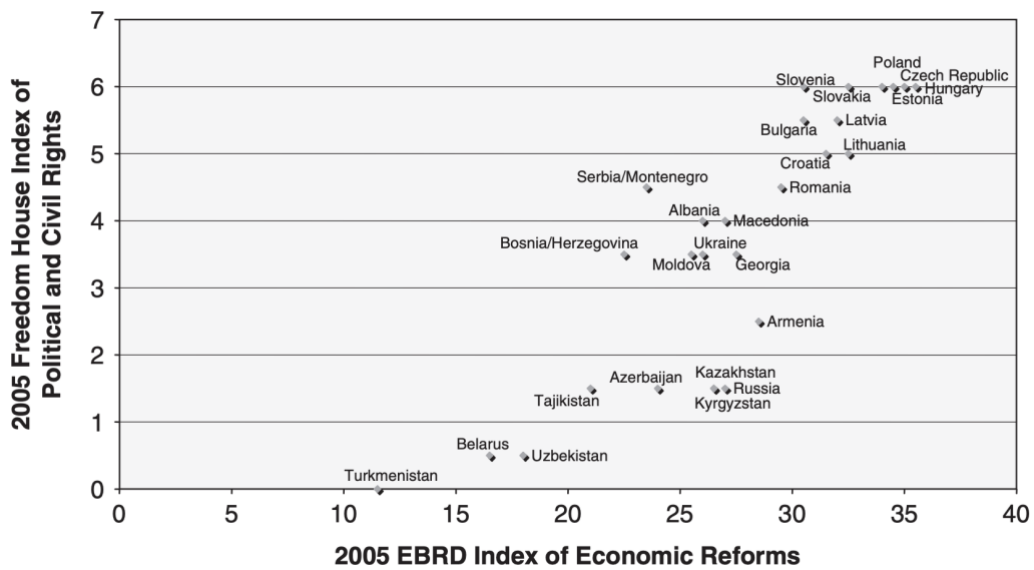
Some governments undertook the gradual approach through the implementation of structural adjustment programs as directed by the IFIs, while radical “shock therapy” reformers implemented them abruptly and rapidly. The gradualist approach took place more smoothly providing the appropriate time and circumstances to the society and the political and economic system to adjust. The radical approach concerned a more absolute treatment causing harsher results in a shorter period of time. In the second case, the political and social costs were heavier, meaning disappointment, frustration and anger by the society towards the government. The high unemployment and the loss of income by many parts of the society, the insecurity and the declining living standards were several signs for gradual reformers to postpone their reforms. Although the growth output of radical reformers initially declined, these countries experienced an increased economic growth after some years. Some analysts suggest that the early introduction of democracy was in fact harmful for economic growth.⁹³⁸ However, other evidence has demonstrated that rapid reformers achieved better results than gradual reformers.⁹³⁹ Again, the results are mixed and diverse.

The below graph presents in a very characteristic way the transitions, which were undertaken by both gradualists and radicalists. For instance, countries in the highest positions are all successful country-examples of having been integrated into the European Union. Showing remarkable reforms both politically and economically they seem to have benefited to a great extent from their European integration. Poland, Czech Republic and Hungary as well as Baltic countries demonstrated both a high level of economic reforms as well as liberalization in political and civil rights. Particularly, Poland and Czech Republic introduced rapid reforms, while Hungary belonged to the gradual reformers. The Baltic countries (Estonia, Lithuania and Latvia) and Slovakia follow in political and civil rights along with economic reforms. Croatia, Slovenia, Bulgaria and Romania follow in the next positions.

⁹³⁸ Fidrmuc, J., 2003. Economic reform, democracy and growth during post-communist transition. *European Journal of Political Economy*, 19(3), 583.

⁹³⁹ Havrylyshyn, O., 2007. Fifteen years of transformation in the post-communist world. Rapid reformers outperformed gradualists. Center for Global Liberty and Prosperity, 4. Washington D.C.: Cato Institute, 1.

Figure 6.2 Political and economic reforms in post-communist countries 2005



Source: Ekiert, G., Kubik, J., Vachudova, M., A., 2007⁹⁴⁰

On the contrary, all former CIS countries demonstrate closed command systems with little progress in their economic and democratic reforms. Characteristically, former CIS countries such as Turkmenistan, Belarus, Uzbekistan, Tajikistan and Azerbaijan are in the last positions. Apparently, these states function still under closed command political and economic systems under Russia's strong influence. Another historic reason is provided by Rovelli and Zaiceva, explaining that CIS countries have undergone a longer and more intense communist experience relative to most CEE countries with this experience lasting seven decades in the CIS, five in the Baltic and four in the CEE countries.⁹⁴¹ Other authors, consider CIS states fractious, autocratic and personalistic states⁹⁴², in contrast to the democratic states of Poland, Hungary and the Czech Republic. Specifically, Russia is regarded as an autocratic state, Tajikistan, Moldova, Bosnia and Armenia as fractious states and Turkmenistan, Uzbekistan, Kyrgyzstan, Kazakhstan and Belarus as personalistic states.⁹⁴³

⁹⁴⁰ Ekiert, G., Kubik, J., Vachudova, M., A., 2007. Democracy in the post-communist world: an unending quest? *East European Politics and Societies*, 21(1), 9.

⁹⁴¹ Rovelli, R., Zaiceva, A., 2013. Did support for economic and political reforms increase during the post-communist transition, and if so, why? *Economics of transition*, 21(2), 219.

⁹⁴² Grzymala-Busse, A., Luong, P., J., 2002, *op. cit.*, 530

⁹⁴³ Ibid.

The above analysis leads to the following argumentation. Although economic transition is divided between gradual and radical reformers, political transition from the communist to the post-communist system is taking place radically in most of CEE countries and Baltic countries. In all other cases, such as CIS countries, China, Vietnam and Cuba political transition is stagnated.

2. The second hypothesis of the thesis, that the Ethiopian and Angolan political transition is taking place gradually, has been confirmed. Political transition in the developmental states of Ethiopia and Angola presents several similarities with the Asian developmental state. A closer look, though, reveals gradual political liberalization taking place in Ethiopia and Angola compared to China's and Vietnam's stagnated political transition. Ethiopia and Angola have recorded election attempts and, at times, freedom of political and civil liberties, which have not occurred yet in China and Vietnam.

Elections in both of our case studies remain non-transparent and civil liberties are constrained. In Ethiopia's first two elections only few opposition parties contested the ruling party. Clapham stresses that "*the first two federal elections in Ethiopia of 1995 and 2000, and the separate elections for the parliaments of the individual regions, took place under the heavy hand of the ruling parties, working with an electoral administration that provided no neutral or impartial arbitration of the process*".⁹⁴⁴ In Angola, the circumstances were different. Ottaway stresses that the problem with the 1992 elections was that the Angolan population was not familiar either with democratic standards or with a national consciousness of a unified state.⁹⁴⁵ Evidently, the state needs to introduce decentralized forms of governance - local elections have not yet taken place - in order to empower the local segments of the society towards participatory processes.

⁹⁴⁴ Clapham, C., 2017. *The Horn of Africa. State formation and decay*. Oxford: Oxford University Press, 87.

⁹⁴⁵ Ottaway, M. 1998. Angola's failed elections in Kumar, K. 1998. *Post-conflict elections, democratization and international assistance*. London: Lynne Rienner Publishers, 135.

Our case studies confirm that relative frequent elections - Ethiopia has conducted five elections⁹⁴⁶ since 1991 and Angola four⁹⁴⁷ - reflect to a certain extent restrained political liberalization. Nevertheless, our investigation has shown that our case studies experience a long and gradual process of democratization. On the contrary, empirical evidence from other characteristic examples of the gradual school such as China and Vietnam present relative stagnation in their political transition. As Leftwich highlights, developmental states such as those of China⁹⁴⁸ and Vietnam are “*dominated by strongly nationalist developmental elites and combine varying degrees of repression and legitimacy in contexts where civil society has been weak or weakened*”.⁹⁴⁹ A corollary is a command-driven autocratic state, which constitutes the state-building process stiff and concentrated on political and business-favored enclaves. The post-communist developmental state became thus the dominant model of institutional arrangements and state policy in post-communist transition in East Asia.⁹⁵⁰ The consequence is a downward spiral with regard to democratic standards, political participation, human rights and civil liberties. Clearly, transition towards democratic consolidation and liberal democratic standards remains yet unfulfilled in both China and Vietnam.⁹⁵¹

However, the examples of Ethiopia and Angola prove that developmental states can implement a gradual political transition under hybrid political systems despite the constraints. Several forces tend to unite and to divide these efforts. Specifically, the following factors have contributed to Ethiopia’s and Angola’s gradual democratization:

- a) high ethnic diversity
 - b) centralization of state-building institutions and resources to the leadership and
 - c) China’s involvement.
- a) With their discrepancies being dated back to their historical experiences, ethnic regional disparities undermine the territorial and political unity. As some authors well note,

⁹⁴⁶ In 1995, 2000, 2005, 2010, 2015

⁹⁴⁷ In 1992, 2008, 2012, 2017

⁹⁴⁸ Knight, J., B., 2014. China as a developmental state. *The World Economy*, 37(10), 1335.

⁹⁴⁹ Leftwich, A., 1995. Bringing politics back in: Towards a model of the developmental state. *Journal of Development Studies*, 31(3), 420.

⁹⁵⁰ Bolesta, A., 2019. From socialist to capitalism with communist characteristics: the building of a post-socialist developmental state in Central Asia. *Post-Communist Economies*, 34(1), 71.

⁹⁵¹ Roland, G., 2018. The evolution of post-communist systems. Eastern Europe vs. China. *Economics of Transition*, 0(0), 1.

*“ethnic and religious cleavages, especially when reinforced by territorial and economic divisions, create significant problems for democratizing countries and can be exploited by antidemocratic elites.”*⁹⁵² Both our case studies have undergone political rearrangements by the end of their communist period, which led to the preservation of power by certain ethnic groups for about thirty years. The ruling parties of our case studies, Ethiopia’s EPRDF and Angola’s MPLA, are governing the state since their post-communist era maintaining their governance under authoritarian measures with lack of transparency and accountability, limited civil rights, human rights violations, arbitrary arrests and detentions as well as public opinion censorship. Ethiopia consists of over 85 ethnic groups, which are struggling for power and autonomy – in Angola ethnic groups are fewer, but the struggle for power is quite similar. Evidently, ethnicity, ethnic federalism and power distribution in Ethiopia and Angola are strongly associated with their regional backgrounds. In Ethiopia, the ruling elite of the Tigray ethnic group constitutes only 6% of Ethiopia’s total population. Not surprisingly, with the Oromo representing 34,4% and the Amhara 27%, the majority of the country’s total population await their opportunity to assume political and economic power.

In Angola, the ethnic groups of Kimbundu and Ovimbundu have used the revenues of oil and diamonds against one another and they have financed as such the country’s long civil war. Angola’s ethnic discrepancies resulted in a 27-year long civil war despite the efforts of the international community’s intervention. Contrary to Angola, Ethiopia’s post-communist political transition appeared smoother without any serious civil conflicts until 2019. Our case studies show that ethnic diversities trigger civil conflict representing widely the broader circumstances of SSA.

- b) The centralization of state-building institutions has apparently occurred due to long-lasting centralized leaderships and the centralization of resources to the leadership. In our case studies, leadership associates with long-ruling elites, who control their countries’ natural resources and endowments for quite long periods. As Bunce points out, *“the interaction between the leadership and the institutional design is seen as a key*

⁹⁵² Ekiert, G., Kubik, J., Vachudova, M., A., 2007, *op. cit.*, 15

problem".⁹⁵³ The political scientist adds that "*when the leader has the additional resource of presidentialism for self-interested reasons, the likelihood of dedemocratization increases considerably.*"⁹⁵⁴

Elites in the political and business cycles have been taking advantage of their countries' resources depriving, as a consequence, their benefits from the rest of the population and the numerous poor. The EPRDF and TPLF authoritarian governance in Ethiopia controlled almost all sectors of the state leaving little chances for private economic initiatives and political freedom. In Ethiopia, specific economic elites of the Tigray Region have under their control more than 50 companies under the Endowment Fund for Rehabilitation of Tigray (EFFORT), which was closely affiliated with former government representatives. Prunier notes that "*Ethiopia's EPRDF identified the extreme centralization of power under a 'rentier state'*".⁹⁵⁵ Meles Zenawi, Ethiopia's first prime minister after the country's post-communist transition, had recognized that "*the predatory state of Africa's first post-colonial decades was a dead-end*"⁹⁵⁶ and acknowledged that Ethiopia's 'developmental state' was the only solution against the neoliberal 'Washington consensus dogma'. Alex de Waal, who was a personal advisor to Meles, described the Horn of Africa "*as an advanced and militarized political marketplace, characterized by pervasive rent-seeking and monetized patronage, with violence routinely used as tool for extracting rent, integrated into regional and global circuits of political finance*".⁹⁵⁷

Angola's natural resources, oil and diamonds, are distributed between the country's main political parties, MPLA and UNITA, which have built up war machines during the country's long and brutal civil war, based on their financial inflows from their resources. Angola's petro-developmental state⁹⁵⁸ based its rapid economic development on MPLA's economic command policy. This policy managed consistently to build a regime of oligarchs distributing the country's oil-fueled growth to its party shareholders. In 2018, dos Santo's son, Jose Filomeno, former head of

⁹⁵³ Bunce, V., 2000, *op. cit.*, 711

⁹⁵⁴ Ibid.

⁹⁵⁵ Prunier, G., 2015, *op. cit.*, 284

⁹⁵⁶ De Waal, A., 2012. The theory and practice of Meles Zenawi. *African Affairs*, 112(446), 152.

⁹⁵⁷ De Waal, A., 2015. *The real politics of the Horn of Africa: Money, war and the business of power*. UK: Cambridge, 28.

⁹⁵⁸ Oppong, N., 2019, *op. cit.*, 6

Angola's Sovereign Wealth Fund was arrested for alleged fraud, embezzlement of public funds and money laundering. His daughter, Isabel, Africa's richest woman with a fortune of \$2,2 bil. and head of Angola's main state-owned oil-company, Sonangol, faced the same accusations in 2019. In fact, Dos Santos had managed to accumulate the country's wealth at the expense of the poor Angolan population through elite state-led capitalism, rentier-state promotion and crony capitalism.

Common characteristics of Ethiopian and Angolan post-communist planned economies involve among other, state-owned enterprises (SOEs) and property rights owned by the state, which are well connected to specific economic and political interests and groups. Our case studies confirm that Ethiopia's and Angola's leaderships are characterized by the motto of Africa's 'strong men' governance with their authoritarian regimes having resulted in '*developmental authoritarianism*'.⁹⁵⁹ Groups of oligarchs associated with the government, the military and economic affiliations facilitate paternalism, corruption, nepotism, kleptocracy and rent-seeking allowing little space for private incentives. A corollary is the hampering of the Ethiopian and Angolan transition by the political elite, which maintains the economic, the political and the military control.

- c) China has been systematically supporting autocratic, corrupt regimes in the African continent such as in Ethiopia, Angola, Djibouti, South Sudan and Zimbabwe. This 'unconditional' support has been supporting specific elites depriving local communities of the direct benefits of China's interventions. Some scholars note that China's seemingly no-political conditionality approach in exchange for loans, trade and aid, presents no fundamental change to the application of this principle by Europe and the US.⁹⁶⁰ Evidently, while institutional development and political transition lag behind economic liberalization, the economic impact of China's interventions needs to be reflected in the population's living standards.

Chinese state-led development has been a role model of success for many African countries. These African countries have the ambition to transform to manufacturing

⁹⁵⁹ Matfess, H., 2015. Rwanda and Ethiopia: Developmental authoritarianism and the new politics of African strong men. *African Studies Review*, 58(2), 181.

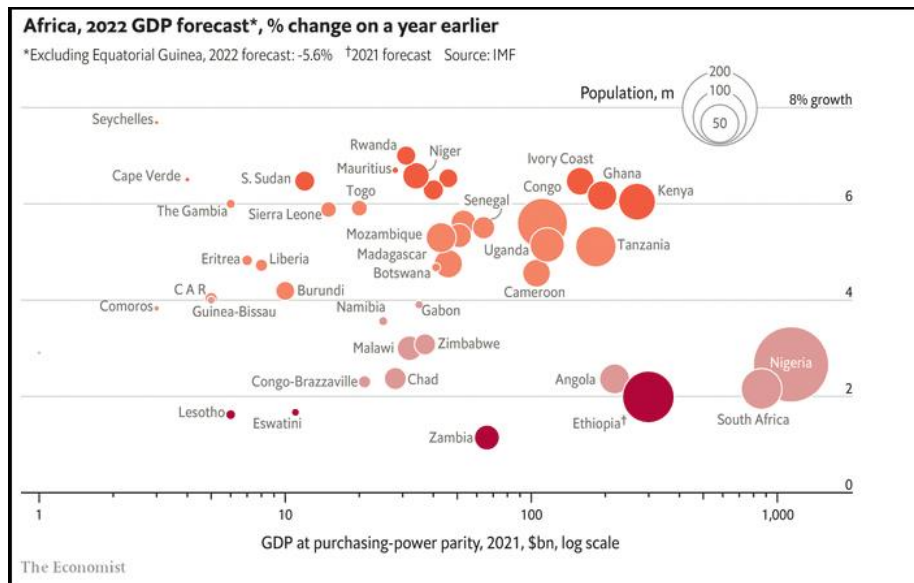
⁹⁶⁰ Barton, B., 2018. China's security policy in Africa: A new of false dawn for the evolution of the application of China's non-interference principle? *South African Journal of International Affairs*, 25(3), 413.

economies in the near future based on China’s example. An author notes that “*the adoption of the emulation model was inspired by the success stories of China and East Asia, but Ethiopia carved out a specific developmental model for itself.*”⁹⁶¹ Indeed, Ethiopia’s government has planned to increase its manufacturing productivity through its industrial parks financed by China. Was this measure successful? Not yet. Ethiopian workers receive a minimum salary in hard-working conditions⁹⁶² and yet the country’s trade deficit remains increased despite the exporting initiatives.

Angolan employment is not quite different, despite its lower middle-income status compared to Ethiopia’s low-income status. With its informal sector contributing with more than 40% to the country’s GDP, the government restricts itself to addressing privatization measures only with regard to large state-owned enterprises. China’s business-as-usual approach, infrastructure development and finance in Ethiopia and Angola as well as its infrastructure-for-resources deals and loans shall ameliorate the living standards of the African population. The crucial question is under which terms this process evolves towards local communities and their prosperity.

Figure 6.3 Africa 2022 GDP forecast

% change on a year earlier



Source: Kinley, S., 2021⁹⁶³

⁹⁶¹ Ziso, E., 2018, *op. cit.*, 80

⁹⁶² Giannecchini, P., Taylor, I., 2018, *op. cit.*, 35

⁹⁶³ Kinley, S., 2021. Africa’s biggest economies will struggle in 2022. *The Economist*, The World Ahead 2022. London: The Economist.

3. The third hypothesis of the thesis, that Ethiopian and Angolan economic transition occurs radically, has been confirmed. Ethiopia and Angola belonged to the top-10 fastest growing economies in the world between 2001-10. As our analysis has shown, both Ethiopia and Angola have taken significant steps towards economic liberalization and the free markets emulating China's developmental model in state-led market approach and high GDP growth rates. By enhancing trade liberalization in goods, rapid expansion of rural infrastructure, manufacturing, institutional innovation, technological change and market development, China has undergone, according to some authors' words, "*a process of transition from labor-intensive, consumption-led to capital-deepening and investment-led industrialization.*"⁹⁶⁴ Ethiopia has shown a remarkable growth rate of 8-9% in average over twenty years, from 1999 until 2019 attributed to Chinese financed manufacturing and construction. Angola has shown a growth rate of about 10% from 2002-2008 mainly attributed to its Chinese financed oil exports.

Despite their rapid and high economic growth, both countries present crucial dependency issues. The following structural factors render Ethiopia's and Angola's economic transition dependent due to:

- a) commodity dependence and
 - b) debt.
-
- a) Whether a non-resource-rich economy such as Ethiopia or a resource-rich economy such as Angola, the lack of economic diversification renders their economies dependent on single commodity export. This dependence creates certain economic vulnerability due to the need to export their commodities in order to increase their financial inflows. Another indicator with regard to the domestic entrepreneurship of our case studies such as World Bank's Ease of Doing Business Index 2019⁹⁶⁵ presents quite disappointing figures placing Ethiopia at the 159th position and Angola at the 173th among 190 economies. This evidence confirms further that both Ethiopia and Angola need to diversify their economies by enhancing domestic public and private initiatives.

⁹⁶⁴ Lo, D., & Zhang, Y., 2010. Making Sense of China's Economic Transformation. *Review of Radical Political Economics*, 43(1), 38.

⁹⁶⁵ World Bank, 2019. Doing Business. Training for reform. Washington, D.C.: World Bank.

Ethiopia presents, though, more economic diversification compared to Angola and retains thus better economic resilience. The evidence that arises after comparing two metrics, the Gross National Income (GNI) and Adjusted Net Savings (ANS) of the two case studies confirms the above argumentation. Ethiopia's GNI increased from \$260 in 1989 to \$850 in 2019, while Angola's GNI increased from \$860 in 1989 to \$2,970 in 2019. Evidently, Angola's higher values are supported by its high GDP growth rates. However, with regard to the ANS⁹⁶⁶, Ethiopia presents an increase from 10,3% in 2015 to 20,8% in 2018, while Angola shows a decline from 8% in 2015 to -4,7% in 2018. Since the ANS measures an economy's sustainability⁹⁶⁷, the above figures indicate that Ethiopia's economy appears more resilient compared to Angola's economy, although the latter appears stronger in terms of revenues and GDP growth. In other words, the average Ethiopian improves gradually his/her living standards compared to the decreasing living standards of the average Angolan. Further, Angola's high GDP growth rates raise questions with regard to kleptocracy and wealth distribution.

Further, Ethiopian trade deficits towards China imply a structural economic dependence on China in contrast to China's disorientating 'win-win' rhetoric. For instance, the Ethiopian imports by China amounted to € 293 mil., while China's exports to Ethiopia reached € 2,99 bil. in 2019. Interestingly, Ethiopia appears also significant trade deficits with the EU27 and the US, while Angola presents surpluses with the EU27 for 2019. With regard to the Angolan trade balance, the exports to China reached € 27,37 bil. for 2019 - evidently due to the oil exports, being far higher than the imports of € 2,2 bil. for the same year.

Angola's trade surpluses are strongly associated with the global oil price surge. Angola's economy thrives when the global oil price increases, and its economy recesses when the global oil price declines. In fact, resource rich countries such as Angola experience more volatile growth constituting them more dependent on global price volatilities, than non-resource rich countries. For instance, after the 2008 recession and the global commodity slump of 2014, Angola's economy presented a serious economic slump, while Ethiopia's economy presented steady growth rates for twenty years (1999-

⁹⁶⁶ Excluding particulate emission damage as % of GNI

⁹⁶⁷ ANS measures the true rate of saving, taking into account the human capital, depletion in natural resources and damages caused by pollution

2019). The conclusion is that the more concentrated an economy is on a single export of a commodity, the more vulnerable it appears towards global economic fluctuations. Several African economies are concentrated on single export commodity⁹⁶⁸ and as a result their economies are more vulnerable towards the global price volatility of commodities.

- b) Our analysis has shown that China is a strategic economic partner both for Ethiopia and Angola in terms of financing. Chinese loans to Ethiopia and Angola reached \$32,3 bil. between 2000-15 with the first receiving \$13,1 bil. and the latter \$19,2 bil.⁹⁶⁹ From total China's Exim Bank loans to Africa between 2000-15, 22% headed to Ethiopia and Angola - 11% for each country-partner.⁹⁷⁰ This debt accumulation concerns several other SSA countries as well. According to China-Africa Research Initiative of the John Hopkins University, China's loans to Africa amounted to \$148 bil. between 2000-18, with China appearing as the highest lender to SSA with Ethiopia and Angola (along with Kenya) standing in the first place.

During the 80s African economies struggled with unpayable sovereign debts while trying to implement IMF's structural adjustment programs. Being almost entirely marginalized from the global financial system during the 90s, African economies were added to the initiative of the Heavily Indebted Poor Countries Initiative (HIPC) under the decision of the WB, IMF and the African Development Fund to address debt cancellation in 1996. Another debt cancellation in 2005 known as the Multilateral Debt Relief Initiative (MDRI) was decided by the G8 agreeing to write off an amount of \$55 bil. for 29 indebted African countries. Currently, the average African debt-to GDP ratio has increased up to 70% from 60% in 2019⁹⁷¹.

Further, the US is turning the increase of African debt in a geopolitical discourse against China claiming that the growing debt of African countries to China stands as debt-trap

⁹⁶⁸ For instance, oil in Angola, cocoa in Cote d' Ivoire and Ghana, copper in Zambia, cobalt in DRC, coffee in Ethiopia and Uganda etc.

⁹⁶⁹ John Hopkins, 2020. Data: Chinese loans to Africa. China Africa Research Initiative. Washington D.C.: John Hopkins University.

⁹⁷⁰ Eom, J., Hwang, J., Atkins, L., Chen, Y., Zhou S., 2017. The United States and China in Africa: What does the data say? *China-Africa Research Initiative*. Policy Brief 18. Baltimore: John Hopkins, School of Advances International Studies.

⁹⁷¹ African Economic Outlook, 2021. From debt resolution to growth. The road ahead for Africa. Abidjan: African Development Bank, 45.

diplomacy. However, Deborah Brautigam, Director of the China-Africa Research Initiative and Professor at John Hopkins University asserts that there is no debt-trap diplomacy, supported by the facts. Professor Brautigam refers to several examples across the world with China's involvement in lending. Professor Brautigam concludes that 'hidden' debt is more of a general failure of borrowing countries to report consistently to the World Bank.⁹⁷² China's debt cancellations are an indication of this debt-trap US rhetoric, which might signalize US regrets of its inefficiency to get more involved in SSA compared to China.

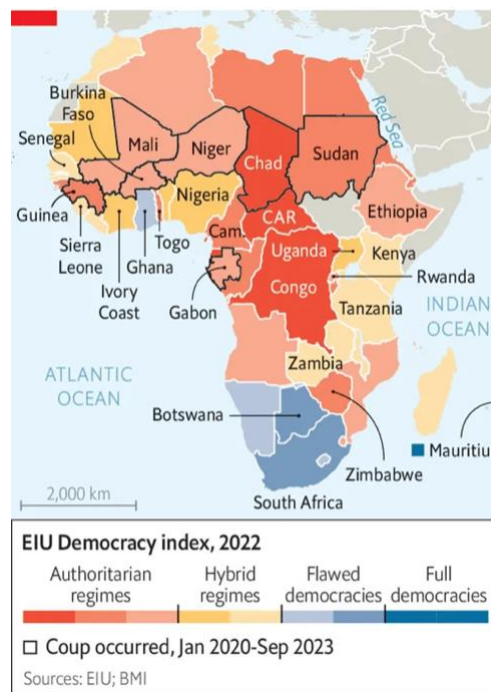
4. The fourth hypothesis, that rapid economic transition in Ethiopia and Angola has created a societal gap has been confirmed. Our case studies present higher and faster economic development growth rates compared to other post-communist countries. However, they belong among the poorest countries in the world, despite their astonishing high growth rates. This societal gap is reflected not only in the economic inequalities, but also in the social and political inequalities. The unequal distribution of wealth and incomes, the difficulty to access basic services such as healthcare and education, as well as the challenges with regard to opaque political governance, human rights' abuses and civil liberties' restrictions render several people in Ethiopia and Angola poor and marginalized. Inequalities are particularly acute in rural areas and among marginalized groups such as women and ethnic minorities.

Thus, despite progress in democratic reforms, socio-economic developments reflect inequalities and poverty. Experiencing a gradual post-communist political transition, their political systems still maintain strong centralized leaderships with limited democratic standards and civil liberties for their population. These contradictory phenomena indicate that economic reforms were, on the one hand, part of the process to open their economies to the free market. On the other hand, though, they do not present analogous socio-economic developments. Their closed political systems and limited democratic liberties create the hypothesis that economic reforms have contributed to some extent to the increase of incomes and the rise of the middle class. Nevertheless, we have argued that specific political and business elites seem to deprive the allocation of the state's resources from the population. The leading assumption

⁹⁷² Brautigam, D., Huang Y., 2021, *op. cit.*, 5

leads to the following argumentation. If democratic standards were in place along with political participation and accountability, a better allocation of resources may have raised the living standards of the population even more. While rapid economic reforms raise incomes, employment opportunities, financial inflows and living standards, political rights, civil liberties and democratic practices may increase them even further. To express this hypothesis with Bunce’s words, “*democratization and economic reform seem to be highly correlated in the post-socialist context confirming that consolidated democracies in this region feature capitalist economies, while economic reform is virtually absent from those regimes that have remained authoritarian*”.⁹⁷³

Figure 6.4 Democracy Index Economist Intelligence Unit SSA 2022



Source: The Economist, 3/10/2023⁹⁷⁴

5. The fifth hypothesis, that transitions in SSA are nonlinear, has been confirmed. Our analysis has shown that transitions in SSA have a tendency to insecurity, vulnerability towards relapse and unpredictability. Our analysis has proven that economic and political transitions in SSA constitute complicated, complex progresses undermining each other. While SSA’s democratic standards have been improving, the democratic

⁹⁷³ Bunce, V., 2000, *op. cit.*, 719

⁹⁷⁴ The Economist, 3/10/2023. Africa’s coups are part of a far bigger crisis. Democracy is under threat from graft, stagnation and violence. London: The Economist

backsliding – the majority of political systems in SSA being authoritarian or hybrid - is a reason that we cannot talk yet about democratic consolidation. Unpredictable factors with regard to abrupt African leadership changes such as postponements in elections and coup d'états still constitute factors of high insecurity, fragility and instability. Moreover, Africa remains the region with the highest ethnic diversity in the world – along with Indonesia. This is a crucial holdback for the continent's democratization and economic progress.

According to the Afrobarometer report, overall support for democracy remains strong in Africa.⁹⁷⁵ The report highlights that there is relative high dissatisfaction of the African population with the prevailing democratic standards. This is a striking sign for the need of more democracy on the continent. On the other hand, widespread poverty, economic dependence on certain commodities and lack of economic diversification create tension among certain ethnic groups, which demand more economic gains.⁹⁷⁶ Further, the frequency of coups, the struggle against ethnic exclusion and the risk of civil war remain high.⁹⁷⁷ This vicious cycle fails to create effective and successful political and economic structures. These economic and political characteristics constitute SSA transitions prone to fragility and irregularity.

Future prospects

Undoubtedly, it is quite risky to present future prospects. However, after taking our evidence into consideration we shall attempt to refer to assessments, which are considered as crucial for further research. During the time of writing this thesis, the world was experiencing unprecedented developments with regard to migration waves, the US-China trade war, Brexit, Covid-19 pandemic, the Russian invasion in Ukraine, critical famine in the Horn of Africa, Israel-Hamas war, monetary and inflationary pressures as well as severe increases in interest rates, commodity and energy prices. By the end of 2020, civil war had erupted in Ethiopia between the government of Ethiopia

⁹⁷⁵ Mattes, B., 2019. Democracy in Africa: Demand, supply and the 'dissatisfied' democrat. Afrobarometer Policy Paper 54. Accra, Ghana: Center for Democratic Development, 4.

⁹⁷⁶ Alesina, A., 2005. Ethnic diversity and economic performance. *Journal of Economic Literature*, 43(3), 773.

⁹⁷⁷ Roessler, P., 2011. The enemy within. Personal rule, coups and civil war in Africa. *World Politics*, 63(2), 300.

and the post-communist long-ruling Tigray ethnic group, a year after Ethiopia's prime minister, Abiy Ahmed received the Nobel Peace Prize in ending the territorial stalemate between Ethiopia and Eritrea. In Angola's elections in 2022, MPLA won again theoretically, however a younger fresh generation, which has not experienced the country's civil war, seeks change and more development opportunities. Most observers remain skeptical whether the Dos Santos legacy of corruption will progress towards democratic standards without violence.

Taking the above into consideration, it remains to be seen whether we shall expect a linear political transition for Ethiopia and Angola. Unpredictability and nonlinearity shall characterize the political prospects of our examined case studies. Their economic prospects may be, nevertheless, more favorable, since progress has been already marked. Angola may attract increased interest due to the demand for more oil by European countries, while Ethiopia's manufacturing progress seems to recover quickly from the pandemic and the energy crisis. The crucial question is, though, under which terms will their economic progress include sustainable and inclusive approaches. How can communities and the population benefit from this progress? How shall African economies transform within the next decades?

Demographic transition

Africa is heading for a demographic transition with an expected population of more than 2 billion people by 2050.⁹⁷⁸ Urbanization is growing at an unprecedented pace, while politicians and urban planners wonder how to combine sustainable development, finance, migration and conflict. Researchers widely agree that 13 of the world's 20 biggest urban areas will be in Africa by 2100.⁹⁷⁹ What prospects shall we expect for this - perhaps not underestimated - great transition? How will the involvement of China, Europe and the US progress in this process? When megacities such as Lagos in Nigeria, Khartoum in Sudan, Kinshasa in the DRC, Mombasa in Kenya and Abidjan in Ivory Coast are expected to boom⁹⁸⁰, demand for electrification will rise without doubt, given

⁹⁷⁸ Odarno, L., 2021. Where is Sub-Saharan Africa in the race to net-zero. Boston: Clean Air Task Force.

⁹⁷⁹ Bearak, M., 2021. Africa's rising cities. Washington D.C.: The Washington Post.

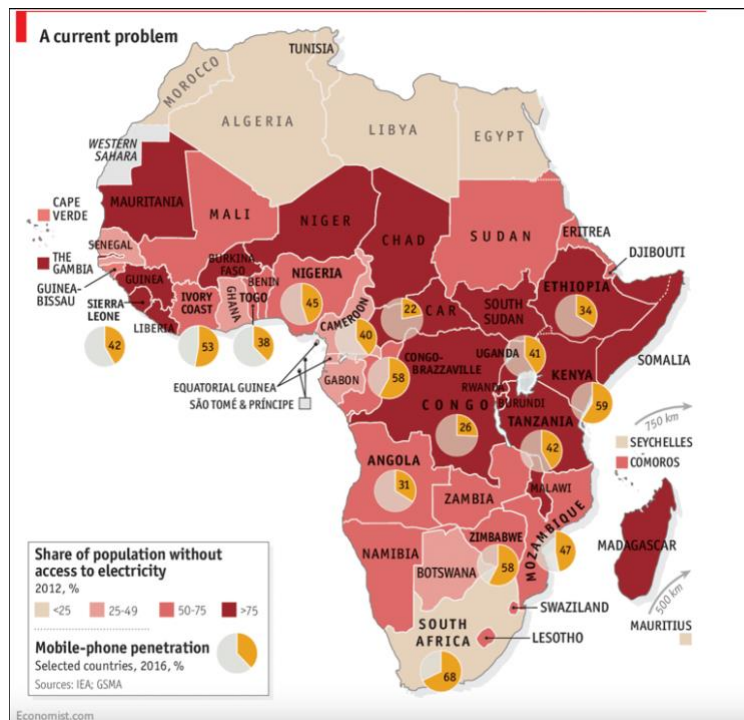
⁹⁸⁰ Ibid.

that almost half of the continent’s population lives without electricity. As a result, the continent’s energy systems will experience a forthcoming transition.

Climate change and green transition

SSA is one of the most climate-change affected areas in the world⁹⁸¹ despite being the least responsible for the world’s most greenhouse gas emissions (GGE). Exposure to climate change adaptation such as extreme weather conditions and temperature rises, limited crop production, environmental degradation, animal extinction, increase in the demand for new metals for the green transition, relocation of communities due to conflicts and the impact of climate change as well as poverty and food insecurity are major imminent challenges. Forced migration and displacements are expected to increase severely in the coming decades in the region of SSA due to desertification, land degradation and natural disasters.

Figure 6.5 SSA’s share of population without access to electricity



Source: The Economist, 08/11/2017⁹⁸²

⁹⁸¹ Institute for Economics & Peace, 2022. Ecological threat report 2022. Sydney: Institute for Economics & Peace, 2.

⁹⁸² The Economist, 08/11/2017. In much of Sub-Saharan Africa, mobile phones are more common than access to electricity. London: The Economist.

From another point of view, with the world heading towards the green transition and the growing demand for electric vehicles, Africa's resource-rich economies⁹⁸³ will turn to key global players. Cobalt is already one of most required green transition metals for its application to lithium batteries. The DRC, for instance, belongs among the world's top cobalt producer with about 60%. Other metals, which are widely used for green applications are copper, nickel and manganese. Again, the DRC belongs among the world's top copper producers, Zambia is major copper producer as well, Mozambique and Madagascar are nickel producers, South Africa, Gabon and Ghana are manganese producers. Further, natural gas is still expected to be necessary for the path towards the green transition. As such, there is enough potential in Nigeria, Senegal, Mozambique, Tanzania, Angola, Congo, Equatorial Guinea, Cameroon and Sudan. Another crucial source of energy, uranium, which amounts to almost 18% of global production is found in SSA with Niger, South Africa and Namibia containing the largest amounts.

How will geopolitics and geoeconomics drive the continent's future internally and externally? Will Europe's green transition include Africa in this crucial process? The main question that arises is, at what cost will these metals be extracted? How can African economies avoid the resource curse? Will forced child labor be banned? Will the African communities progress towards prosperity and better living standards? In a nutshell, the emancipation of Africa's economic resilience is necessary in order to achieve sustainable use of its resources and, above all, a better future for its population and local communities under peaceful political transitions. Eventually, Africa's partners need to undertake the ethical responsibility that derives out of their influence on the African continent. Potential research shall provide the answer as to how the (un)expected pace of Africa's developments will interact with the rest of the world.

⁹⁸³ The African Climate Foundation, 2022. Geopolitics of critical minerals in renewable energy supply chains. South Africa: The African Climate Foundation.

APPENDICES

I. Major indicators Ethiopia - Angola 2018

	Ethiopia	Angola
Population mil.	105	32
Area km2	1,104,300	1,246,700
Currency	Birr	Kwanza
Life expectancy	65	65
Income categorization	Low income	Lower-middle income
Population growth %	2,6	3,3
Urban population %	19,9	65
HDI	0,48 (low human development)	0,58 (medium human development)
HDI rank (of 188)	174	150
Easy of doing Business ⁹⁸⁴	161/190	175/190
Economic Freedom ⁹⁸⁵	145/162 (least free)	158/161 (least free)
Score ⁹⁸⁶	5,72/10	4,86/10
GNI per capita \$	660	3,440
ANS % ⁹⁸⁷	20,8	-4,7
GDP ⁹⁸⁸ total \$	240 bil.	208 bil.
GDP per capita PPP \$	1,735	6,499
Gini Index (UNDP)	33,6	42,7
Poverty %	73,1	55,7
Net ODA received (constant) ⁹⁸⁹ \$	4,9 bil.	162,6 mil.
BTI Transformation Index ⁹⁹⁰	3,33 (113/129)	3,94 (105/129)
Political transformation ⁹⁹¹	3,02 (114) Moderate autocracy	4,20 (87)
Economic transformation ⁹⁹²	3,64 (109)	3,68 (108)
Governance ⁹⁹³	3,65 (100)	3,60 (101)

Source: Author's research

⁹⁸⁴ World Bank, 2018. Doing Business. Reforming to create jobs. Washington D.C.: World Bank.

⁹⁸⁵ Fraser Institute, 2019. Economic freedom of the world. Annual Report. Vancouver: Fraser Institute.

⁹⁸⁶ 1=least free, 10=most free

⁹⁸⁷ Adjusted Net Savings excluding particulate emission damage as % of GNI. Washington D.C.: World Bank.

⁹⁸⁸ Current International (PPP)

⁹⁸⁹ World Bank Data, 2018. Washington D.C.: World Bank.

⁹⁹⁰ 1=least,10=best, BTI Transformation Index, Guertersloh, Germany: Bertelsmann Stiftung

⁹⁹¹ Political and social integration, stability of democratic institutions, rule of law, political participation, stateness

⁹⁹² Socioeconomic level, market organization, currency and price stability, private property, welfare regime, economic performance, sustainability

⁹⁹³ International cooperation, consensus-building, resource efficiency, steering capability

II. Net FDIs in Ethiopia, Angola and the world, 1990-2017

Inflows in bil. \$

Year	World	East Asia & Pacific	Latin America & Caribbean	Sub- Saharan African	Ethiopia	Angola
1990	196,3	29,8	8,3	1,2	0,170 (1992)	-0,334
1995	319,9	81	30,6	4,5	0,14	0,47
2000	1,46	174	95,4	6,8	0,134	0,87
2003	710,7	126	52,6	13,8	0,465	3,57
2007	3 tril.	396	192	28,7	0,222	-1,304 (2005)
2009	1,36 tril.	287	156	36,5	0,221	2,2
2011	2,2 tril.	560	282	42,01	0,626	-3,227 (2010)
2013	2,18 tril.	590,73	379,54	40,72	1,344	-7,12
2016	2,3 tril.	493	272	38,6	4,143	10,028 (2015)
2017	1,96 tril.	552	222	27,66	4,017	-7,397

Source: World Bank

III. Ethiopia-Angola Imports and Exports 2019 - Trade partners

	Ethiopia				Angola			
	Exports		Imports		Exports		Imports	
	Country	Mil. €	Country	Mil. €	Country	Mil. €	Country	Mil. €
1	Sudan	899	China	2,99 bil.	China	27,37 bil.	EU27	3,94 bil.
2	EU 27	547	EU27	2,099 bil.	India	3,17 bil.	China	2,22 bil.
3	USA	350	India	1,361 bil.	EU27	2,42 bil.	South Korea	924
4	Somalia	326	Saudi Arabia	1,252 bil.	United Arab Emirates	1,89 bil.	Bahamas	793
5	China	293	United Arab Emirates	617	Israel	792	Brazil	595
6	United Kingdom	178	Kuwait	546	South Africa	768	USA	536
7	Switzerland	173	Ukraine	495	Thailand	765	South Africa	515
8	United Arab Emirates	165	Indonesia	481	Indonesia	730	Turkey	387
9	Japan	153	Turkey	448	Vietnam	177	United Arab Emirates	383
10	Israel	113	United Kingdom	407	DRC	104	India	365
Total		4,012 bil.		15,109 bil.		40,47 bil.		12,6 bil.

Source: World Bank

IV. Official Development Assistance (ODA) Ethiopia & Angola 1990-2017

	1990-99	2000-09	2010-17	2015	2016	2017
	Annual averages in bil. \$					
Total ODA outflows of developing countries	71	96	137	145	153	158
Africa	28	35	48	49	51	50
Asia	22	31	39	48	45	44
Ethiopia	1	2	3	3,18	4,07	4,05
Angola	472 mil.	469 mil.	242 mil.	402 mil.	207 mil.	219 mil.

Source: OECD

V. Political and Economic transitions in Sub-Saharan Africa 1991-2019

V. Political and Economic transitions in Sub-Saharan Africa 1991-2019				
Regions of Sub-Saharan Africa	Democratic transition		Economic transition	
	Elections ⁹⁹⁴	Total elections	Structural adjustment programs	IMF arrangements
South				
Angola	1992, 2008, 2012, 2017	4	2009-12, 2018-21	2
Botswana	1994, 1997, 1999, 2004, 2009, 2014, 2019	7	-	0
Eswatini (former Swaziland)	1998, 2013, 2018	3	-	0
Lesotho	1998, 2002, 2007, 2012, 2015, 2017	6	1991-94, 1994-95, 1995-96, 1996-97, 2001-2004	5
Malawi	1993, 1994, 1999 (2), 2004 (2), 2009 (2), 2014 (2), 2019	11	1994-95, 95-99, 2000-04, 2005-08, 2008-09, 2010-12, 2012-17, 2018-21	8
Mozambique	1994, 1999 (2), 2004 (2), 2009 (2), 2014 (2), 2019 (2)	11	1990-95, 1996-99, 1999-2003, 2004-07, 2009-10, 2015-17	6
Namibia	1994 (2), 1999 (2), 2004, 2014, 2015, 2019 (2), 2020	10	-	0
South Africa	1994, 1999, 2004 (2), 2009, 2014, 2019	7	0	0
Zambia	1991, 1996, 2001 (2), 2006 (2), 2008, 2011 (2), 2015, 2016 (3)	13	1995-96, 1995-98, 1999-2003, 2004-07, 2008-11	5
Zimbabwe	2000, 2002, 2005 (2), 2008 (4), 2013 (4), 2018 (3)	15	1992-95 (3), 1998-99, 1999-2000	5
West				
Benin	1991 (general and presidential), 1995, 1999, 2001 (presidential), 2006 (presidential), 2007, 2011 (presidential), 2016 (presidential)	9	1989-92, 1993-96, 1996-2000, 2000-04, 2005-09, 2010-14, 2017-2020	7
Burkina Faso	1998, 2001, 2002, 2005, 2007, 2010, 2012, 2015 (2)	9	1991-93, 1993-96, 1996-99, 1999-02, 2003-06, 2007-10, 2010-13, 2013-17, 2018-21	9
Cape Verde	2001 (3), 2006 (2), 2011 (3), 2012, 2016 (2)	11	1998-2000, 2002-05	2
Côte d'Ivoire	2000 (3), 2010 (2), 2011, 2015, 2016 (2)	9	1989-91, 1991-92, 1994-97, 1998-2001, 2002-05, 2009-11, 2011-15, 2016-19 (2)	9
The Gambia	2001, 2006, 2007, 2011, 2012, 2016, 2017	7	1988-91, 1998-2001, 2002-05, 2007-11, 2012-15	5

⁹⁹⁴ Including general elections, presidential, local and regional and referendums

Ghana	1992, 1996, 2000 (3), 2004 (2), 2008 (3), 2012 (2), 2016 (2), 2018, 2020	16	1988-92, 1995-99, 1999-2002, 2003-06, 2009-12, 2015-19	6
Guinea-Bissau	1999 (2), 2000, 2004, 2005 (2), 2008, 2009 (2), 2012, 2014 (3), 2019	14	1995-98, 2000-03, 2010-13, 2014, 2015-19	5
Guinea	1998, 2001, 2003, 2010 (2), 2013, 2015	7	1991-96, 1997-2001, 2001-04, 2007-10, 2014, 2012-16, 2017-20	7
Liberia	2005 (3), 2011 (5), 2014, 2017 (2)	11	2008 (2), 2015, 2012-17	4
Mali	2002 (3), 2007, 2013 (4), 2018 (2)	10	1992-96, 1996-99, 1999-2003, 2004-07, 2008-11, 2011-13, 2013 (2), 2013-18	9
Niger	1999 (3), 2004 (3), 2009 (2), 2010, 2011 (3), 2016 (3)	15	1994-95, 1996-99, 2000-04, 2005-08, 2008-11, 2012-16, 2017-20	7
Nigeria	1999 (3), 2003 (3), 2007 (3), 2011 (3), 2015 (3), 2019	16	1991-92, 2000-01	2
Senegal	1998, 2000, 2001 (2), 2007 (2), 2012 (2), 2016, 2017	10	1988-92, 1994, 1998-2002, 2003-06, 2008-10	5
Sierra Leone	2002 (2), 2007 (3), 2012 (2), 2018	8	1994-95, 1994-98, 2001-05, 2006-10, 2010-13, 2013-16, 2017-20	7
Togo	No data available		1989-93, 1994-98, 2008-11, 2017-20	4
East				
Comoros	1992, 1996, 2004, 2006, 2009	5	1991-94, 2009-13	2
Djibouti	1999, 2003, 2005, 2008, 2011, 2013, 2016, 2018	8	1996-99, 1999-2003, 2008-2012	3
Ethiopia	1995, 2000, 2005, 2010, 2015	5	1992-95, 1996-99, 2001-4, 2009-10, 2019-22 (2)	7
Eritrea	1997, 2003	2	-	0
Kenya	1992 (3), 1997 (3), 2002 (3), 2005, 2007 (3), 2010, 2013 (3), 2017 (3)	20	1989-1993, 1993-94, 1996-99, 2000-2003, 2011-13, 2015-16 (2), 2016-18 (2)	9
Madagascar	1998, 2001, 2006, 2007 (2), 2010, 2013 (3), 2018 (2)	11	1989-1992, 1996-2000, 2001-05, 2006-09, 2014, 2015, 2016-19	7
Mauritius	1991, 1995, 2000, 2005, 2010, 2014, 2019	7	0	0
Rwanda	2003 (3), 2008, 2010, 2013, 2015, 2017	8	1991-94, 1998-2002, 2002-06, 2006-09, 2016-17	5
Seychelles	1998 (2), 2001, 2002, 2006, 2007, 2011 (2), 2015 (2), 2016	12	2008-09, 2009-13	2
Somalia	No elections held	-	0	0
South Sudan	2011	1	-	0
Sudan	2010 (3), 2011 (2), 2015 (2), 2016	8	0	0
Tanzania	2000, 2005, 2010 (2), 2015(2)	6	1991-94, 1996-2000, 2000-03, 2003-07, 2009-10, 2012-2014	6

Uganda	2000, 2001 (2), 2005, 2006 (2), 2011 (2), 2016 (2)	10	1989-94, 1994-97, 1997-2001, 2002-06	4
Central				
Burundi	2005 (3), 2010 (2), 2015 (3), 2018	9	1991-94, 2004-08, 2008-12, 2012-16	4
Cameroon	2004, 2011, 2013 (2), 2018	5	1991-92, 1994-95, 1995-96, 1997-2000, 2000-04, 2005-09	6
Central African Republic	1998 (2), 2005 (4), 2011 (3), 2015	10	1994-95, 1998-2002, 2006-10, 2012-14, 2014, 2015 (2), 2016-19	8
Chad	1997, 2001, 2006, 2011 (2)	5	1994-95, 1995-99, 2000-03, 2005-08, 2014-17, 2017-20	6
Congo	2002 (4), 2009, 2015, 2016, 2017	8	1990-92, 1994-95, 1996-99, 2004-08, 2008-11, 2019-22	6
Democratic Republic of Congo	2005, 2006 (3), 2011 (2), 2018 (3), 2019	10	1987-90, 1989-90, 2002-05	3
Equatorial Guinea	2002, 2004, 2009, 2016, 2017 (2)	6	1993-96, 2019-22	2
Gabon	1993, 1995, 1996, 1998, 2001, 2005, 2009, 2011, 2014, 2016	10	1991-93, 1994-95, 1995-99, 2000-02, 2004-05, 2007-10, 2017-20	7
Sao-Tome-and-Principe	1998, 2001, 2002, 2006 (2), 2010, 2011, 2014 (2), 2016	10	1989-92, 2000-03, 2005-08, 2009-12, 2012-15	5

Source: Election Guide, IMF

VI. Sub-Saharan African resources

	Zambia	copper	South Africa	chromium, vanadium, vermiculite, ilmenite, palladium, rutile, zirconium
	Uganda		Zimbabwe, South Africa	platinum
	DRC	cobalt	Guinea	iron, gold, phosphate
	Cameroon		Ghana	manganese, bauxite
	DRC	coltan	Guinea	
	Angola	oil	Cameroon	nickel
	Nigeria		Burundi	
	Guinea		Cameroon	manganese
	Cameroon		South Africa	
	Gabon		Tanzania	gold
	Ghana		South Africa	
	Kenya		Djibouti	
	South Sudan		Burkina Faso	
	Sudan		Benin	
	Mozambique		Liberia	
	Chad		Madagascar	graphite
	DRC		Mauritania	iron ore
	Eritrea		Guinea	aluminium, gas
	Côte d'Ivoire		Mozambique	
	Ghana	cocoa	Uganda	coffee
	Cameroon		Ethiopia	
	Botswana	diamonds	South Africa	nuclear power
	Angola		Ghana	
	Ghana		Nigeria	
	Guinea		Namibia	uranium
	Central African Republic		Niger	
	DRC		Guinea	
			Burundi	

Source: Author's research

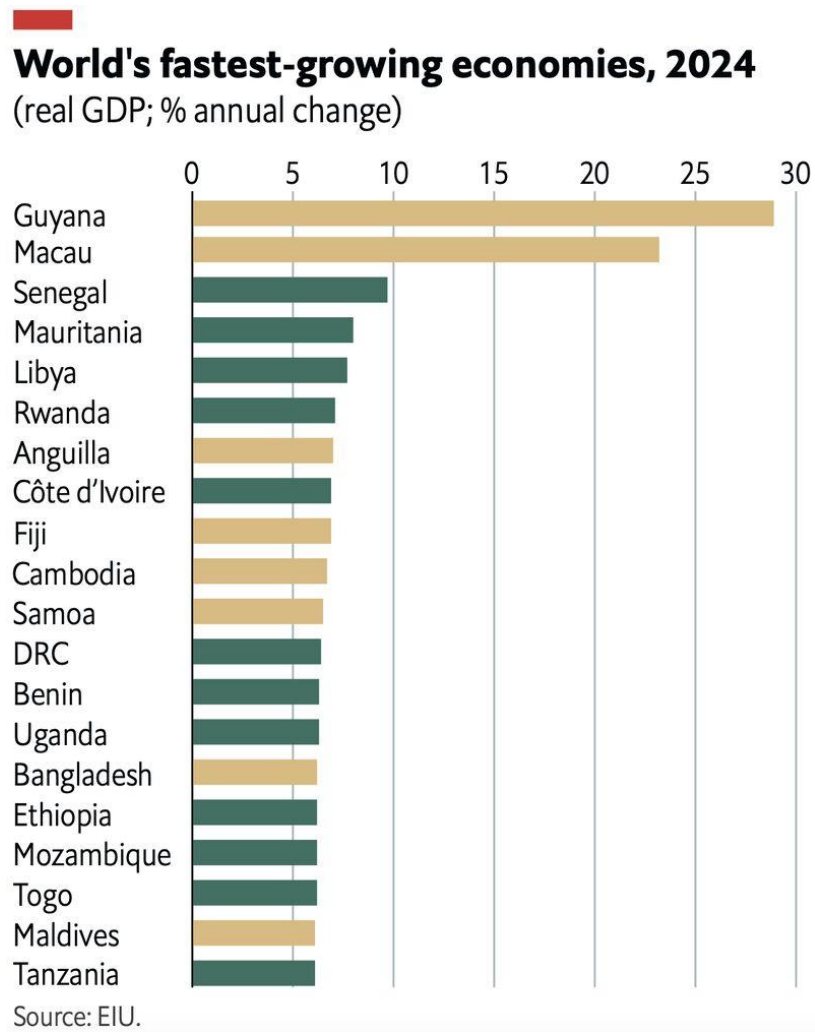
VII. Aid dependent African countries

(net official development assistance greater than 10% of GNP)

<i>1975-79</i>	<i>1980-89</i>	<i>1990-97</i>
Botswana	Burkina Faso	Angola
Burkina Faso	Burundi	Bénin
Burundi	Cape Verde	Burkina Faso
Central African Republic	Central African Republic	Burundi
Chad	Chad	Cape Verde
Comoros	Comoros	Central African Republic
Gambia	Equatorial Guinea	Chad
Guinea-Bissau	Gambia	Comoros
Lesotho	Guinea	Côte d'Ivoire
Malawi	Guinea-Bissau	Equatorial Guinea
Mali	Lesotho	Ethiopia
Mauritania	Liberia	Gambia
Niger	Malawi	Ghana
Rwanda	Mali	Guinea
São Tomé and Príncipe	Mauritania	Guinea-Bissau
Seychelles	Mozambique	Kenya
Somalia	Niger	Lesotho
	Rwanda	Malawi
	São Tomé and Príncipe	Mali
	Senegal	Mauritania
	Seychelles	Mozambique
	Somalia	Niger
	Tanzania	Rwanda
	Togo	São Tomé and Príncipe
	Zambia	Senegal
		Sierra Leone
		Tanzania
		Togo
		Uganda
		Zaire/DCR
		Zambia

Source: World Bank, 1999

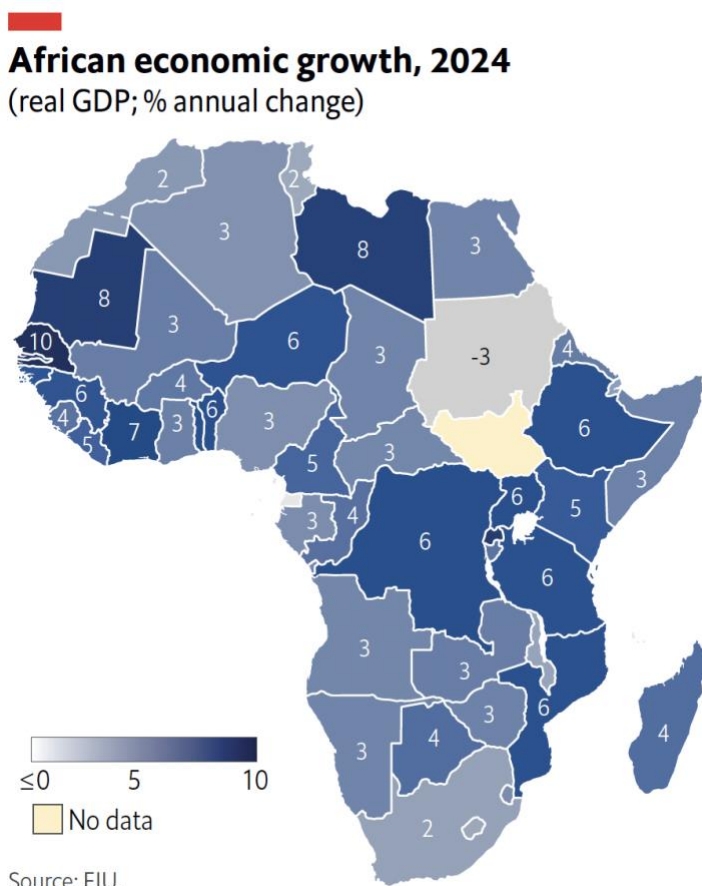
VIII. World's fastest-growing economies 2024



Source: Economist Intelligence Unit (EIU), 2023⁹⁹⁵

⁹⁹⁵ Economist Intelligence Unit (EIU), 2023. Africa Outlook 2024. Strong growth amid heated elections and financial woes. London: EIU, 2.

IX. African economic growth 2024



Source: Economist Intelligence Unit (EIU), 2023⁹⁹⁶

⁹⁹⁶ Ibid.

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