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## **The liberalized economic urge and its challenge in Ethiopia**

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### **Abstract**

Ethiopia, all over its history, had established strong foreign relation. Although different regime had undergone differently over the century, the government had always urged for the external relationship to fill its gap. The need was all over, material and advisory assistance.

However, the more Ethiopia exposed to the external world; the central power had tempted by different ideology. Building foreign relation had become hosting outside interest. The importance of cooperation, institution, and collective security had become the goals of the government. Though, Ethiopia had affected and influenced by foreign interest; the government had used all its effort to protect the economy from the liberal intuitional thought.

Nevertheless, Ethiopia had not escaped this influential power of the western neo-liberal paradigm of development. Thus, this paper will show the plantation of the liberalized economy, how it restarted, what challenges it faced and what advantages does it brought into Ethiopia.

**Keywords:** power, foreign affair, neoliberalism, liberal institution

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### **1. Introduction**

Until 1991, the military government of Ethiopia had built a strong relation with Former USSR. The mutual trust and friendship with the Soviet Union had brought practical military science and other development in other areas. The government had influenced and motivated by Soviet Union ideology.

As its critical goal line of administration was the abolition of private property in the indulgence of shared proprietorship of all incomes of production. The military government had not given attention to privatization.

After the downfall of the military government in Ethiopia, political dimension had drowned different interest. The transitional government of Ethiopia (TGE) had marked the end of the former regime. Thus, Ethiopia had adopted regional ownership until the new ideology will take by the public conference.

However, within this period, the TGE had also opened its door for western support. Thus, it had declared the importance of free-market policy and privatization. Sooner, the different private sector had emerged. The attraction of foreign direct investment had become an additional task of the government.

Ethiopia's relation to east Europe had declined and started a shift of interest to the west. The western-based NGOs humanitarian aid support had increased in the country in education, agriculture, health, relief, and public areas.

Nevertheless, these aids had brought no meaningful impacts on Ethiopia's economy. The western assistance in the economic sector was helping Ethiopia to liberalize its economy. The main moto was the more the financial sector is liberalized; the most it facilitates economic growth.

Letter after the establishment of the federal government, the relationship with the western had undergone successfully.

Ethiopia became an ally with a different state. More importantly, with the U.S. over the action on terrorism in the horn of Africa. Ethiopia benefited with military equipment and small modern arms from the United States in defeating AL SHABAB in Somalia.

Being an ally with the United State had measured by its outcome of defeating AL SHABAB and establishment of a new government in Somalia at a time.

### **2. The paradigm shifts**

However, Ethiopia had built its military status as its achievement over Somalia's operation, and the internal situation had gone standstill. Ethiopia reconsidered the assistance of the United States is on the military action in Somalia. This assistance would have stopped if the military operation took over. Although the economic sector needed too much attention and support, the United States had not shown a role in economic development.

The government had urges to take measure to save Ethiopia's economy before it is too late. The development model of different counters had considered as footstep from East Asia, including Japan, South Korea, and China. Though South Korea and Japan's model had considered achieving active economic development, their model will open the door for a western neo-liberal model of development. China's model had taken as absolute to make the initiative in Ethiop

Following Ethiopia's choice to the east, especially with China, U.S relation with Ethiopia was declining except military. In one hand, China and the United States have a different ideology in their government. In the other hands, China had been strong economic competitiveness in the global world. Thus, their foreign relation is directed based on their ideology.

Being led by Meles Zenawi<sup>[1]</sup>, Ethiopia had become a reliable partner to China. (Thakur, 2009) It took the lead in economic assistance. The Chinese foreign direct investment had shown effective results with its successful implementation. The companies became committed to finishing their projects with limited time.

Preferably, they had taken some mega projects like railway besides their typical engagements in construction and road. As the investment is, multi-dimensional had created not only various job opportunity for the public but also initiated the vocational and technical school for various training fields.

As Ethiopia continue to be benefited from its relation with China, the government had developed criticism over the neoliberal development model of the western. This frequent criticism had become another primary concern of the United States. The more Ethiopia had a chance to be taken as a model; it will affect the United States relation with different African State. While Ethiopia continues to resist the neoliberal development model, it had also strengthened its relationship with China.

Following the change of government actor, this resistance had declined from time to time. The individual capacity of the actor had played a role in facing and handover to the neoliberal development model.

The massive ethnic unrest in Ethiopia followed by the resignation of the prime minister Haile Mariam. This situation widely creates the opportunity for the western again to play role to change the regime and reshape Ethiopia's model. The United States had taken the opportunity to restructure its relation. Shortly, the new governments urge the importance of privatization. More often, it criticizes long term loan had to affect Ethiopia's economic growth.

These thematic changes show Ethiopia's current status on the contrary to the previous model of development. The urge of privatization looks handover to neoliberalism. Thus, in the following section, this paper illustrates, the plantation process of neoliberalism into Ethiopia.

### **3. The government perspectives on the neo-liberal school of development**

The argument on liberal intuitional structure reached its climax in the 2000s. Government actors, scholars, and the party had turned to criticize the effect of neoliberal intuition is dangerous. The ruling party in its web and magazine had given a detailed discussion about it. Different scholars had been quoted, and various state experience was delivered to exemplify the term.

For instance, the transfer of state-owned and state service to the private sector (Jessop, 2002), through time, the situation will control the government structure and affect policymaker perception and the policy. (Forrest, 2009) Though the outlook of this dominance over the system looks successful, yet the implementation will be brought economic crisis and imbalance in public service order. Above all, the financial status and the reality of the African states shall be considered.

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<sup>1</sup>. Meles Zenawi was Ethiopian politician who was prime minister from 1995-2012. He was the chairman of TPLF and head of EPDRF since its formation. He was best known, for his strong argument over neoliberalism and its development model

The urge is to replace the neoliberal model by the developmental state model before it is too late. Unlike the backbone of neoliberalism is capitalism ideology, the developmental state has nothing to do with such doctrine. It is founded on "combinations of positive advantages of private businesses and positive role of government." (Omano, 2005)

The pioneer of this criticism on new liberalism was the leader of the leading party and the prime minister of Ethiopia; Meles Zenawi (1955-2012). Before he was coming to disagree to the point of neoliberal development paradigm, he used to urge Ethiopia's foreign relation with western countries. However, he substantially comes up with new ideas that he thought will affect Ethiopia's future economic development.

This inspiration paradigm shift is tragically spread all over developing countries in the early 2000s. The fast-economic growth and development achievement of China was a weak up call in this regard. (Fourie, 2012) Though Ethiopia adopts a democratic developmental state, the democratic value is on sharing resources along with multicultural and multi-ethnic regional units. The democratization of the country shall support the developmental state in the various liberal system. However, the late prime minister argues, Ethiopia, as a developmental state need not democratize its market in a progressive framework. (Muller, 2015)

As Ethiopia urges free market (Geda, 2008) during the transitional government, privatization had developed through time after the downfall of the former regime. The impulse was to recover the economic crisis and bring the ancient glory back. Thus, the effect of liberalization come to a realization so late.

Meles had realized the neoliberal development model could not let Africa's development by far. Neoliberal model urges economic decentralization. The role of institutions is only to facilitate and accelerate this platform. However, Meles had come up with the idea of development, and economic growth is separable. He argued development is the outcome of political integration while economic growth is the result of social process and engagement. The more political process goes smoothly; the most economic growth will be achieved. (Berhane, 2011) He explicitly refers to the 'rational choice theory,' which is the pillars of Neoliberal thought. According to Melse explanation, this theory claims human is, in 'just self-interest maximizing individuals.' (Alebachew, 2013) He instead rejected the rational choice approach in its efforts to associate 'individual self-interest' with the growth of capitalism by moving the government out of the game.

The government had already on the path of liberal development model when it advised liberalizing its politics. Though politics create opportunities for the emergence of private enterprise, the government continue to uphold some organization. Privatization was not allowed to all areas. The open market was also controlled by the government to match the supply and demand by affordable price.

The large three state-owned organization<sup>[2]</sup> are now focuses of the Privatization process to use the maximum advantage in

<sup>2</sup>. Ethiopian airline was founded in 1945, commenced operation in 1946 and expanding to an international flight in 1951. It is state-owned mega enterprise, Ethio telecom, previously known as Ethiopian Telecommunication Corporation, is another state-owned an integrated telecom service provider in Ethiopia. And Ethiopian electric power corporation is a state-owned electricity producer.

supporting the economy. However, the ruling party in Ethiopia argued, privatization access should have been for what the state does not have. Privatizing what state-owned, could not guarantee the purchasing power of the poor. Thus, it should cause a late economic collapse.

Privatization encourages capitalism. It does not balance the economic gap in the community. It supports the higher class and does not include the low income.

The ruling party had developed "revolutionary democracy" [3] Program. The program had emerged later. However, the ruling party itself is a revolutionary party. The government had faced challenging ideological argument from the west defending its program. Thus, it had adopted the East Asian model to support its agenda. "Developmental government," a drive of East Asia, suited for Ethiopia's statuesque and attract most of FDI from India and Turkey. But later, it faced a financial challenge and late the government to search for either aid or loan.

Ethiopia faced the conditionality of IMF and World Bank together with the generosity of China as an option in solving its financial challenge. Thus, the prospect of conditionality does not work.

China, thus, emerged as the active support of the Ethiopian economy. The non-interference policy late the Ethiopian governance to do whatever it does by the loan. The engagement of the Chinese company in infrastructure development also emerged at a similar time.

Being head of the state, Meles Zenawi exacerbates the criticism on the neoliberal development model.

The ruling party, through its quarterly publication, started perching the assumption of the neoliberal development model is unfit in Ethiopia. Melse personally continues criticizing whenever he got any access.

The government had shown its negative prospect on the neoliberal school of thought. Thus, the model, politics, and external relation were attracted toward the east. Though Ethiopia adopted integrated East Asian economic reform model, China takes the lead from the east.

Aid, loan, education, health, manufacturing, construction, petroleum, railway, and infrastructure development are among the benefit of Chines presence in Ethiopia.

The presence of China, helped Ethiopia to take advantage of the reform as China's relation goas far beyond aid. The unique future of these companies has to continue the project untermiated with challenges. For instance, the petroleum seismic projects had faced a terrorist attack in 2007 in which 70 people killed out of which 9 were chines. (Knowlton, 2007) The media announced ONLF had taken responsibility for the attacks, the government had taken measure on it, while the company continues their work without hesitation.

However, after the death of Meles Zenawi, the situation had shown slight changes in time after time. The politics became a battle stage between the activist who used private media and the government. The government had faced frequent ethnic unrest throughout the country, which exacerbated by the activist and the opposition parties.

Meles's successor had faced challenges internally, and the politics in Ethiopia had reached the climax of unrest. The outbreak of

frequent conflict was continued to be solved by military intervention. In most cases, the unusual response of the army in internal cases became usual. The large and diverse circumstances of the conflict had customized by the Army intervention as their occurrence exceed the capacity of the regional and federal police. Looking at these unrests, Prime minster Hailemariyam Desalegn resigned. His resignation aimed to take the initiative as part of the solution. During his stay in office, the external relation strengthens with China.

Nevertheless, Ethiopia and China follow different ideological preferences, and they build a strong relationship of mutual trust as the diplomatic relation goes back to 1979. Although the Ethio-US diplomatic relation is older than the Ethic –China, the diplomatic relationship between Ethiopia and China raised recently to its highest peak.

#### 4. The paradigm Reshift

Ethiopia in the horn of Africa undergoes very hot politics. The newly recruited prime minister following the resignation of the late one had a year and few months experience since coming to power. The appointment of the new prime minister is thought to be an excellent solution for the ongoing ethnic, national conflict and unsatisfactory economic progress. However, the situation is continuing to occur and worse at some points.

During this power transition, Ethiopia had two immediate visitors. Rex Tillerson and Sergey Lavrov had arrived at Addis Ababa at a similar period. (borkena, 2018) For most, the visit was so frequent and reasonable and was left a riddle for various reason. Firstly, their arrival followed the application of resignation, and Ethiopia had not nominated new prime minster yet. Secondly, the two-state is the most robust historical power compotators. Thirdly, both states have strong historical relation with Ethiopia. Fourthly, the U.S. and Russia had a very different prospect about China and china's alliance in Africa. Quite frankly, one may ask so, what are the primary reason for the visit then? And I argue, Tillerson view seems to reshape Ethiopia's political regime while Lavrov's view seeks to help to continue the previous political dimension.

Tillerson during press release stated, "United State will urge liberalize Ethiopia's economy." on the other side, on the other Lavrov stressed on maintaining the order to safeguard the economic achievement. (Ethiopia, 2018)

United State opted Ethiopia to be the most reliable ally in the horn of Africa over the security issues. However, these had been claimed to build the army to combat terrorism. The aid was all over humanitarian and military. How does the aid help to liberalize the economy? How does military safeguard development? These are an undefined question with United State support in Ethiopia.

The government declared open market (not free), allow privatization but (the state had also owned) later, also established institution (government-oriented) since Ethiopia adopted federalism in 1995,

The resignation of Prime minster Haile Mariam, the continuation of Ethnic unrest awakes the U.S diplomatic interest once again.

The new prime minister acknowledged globally by his great achievement within a short period of his nomination. Though the

<sup>3</sup>. Abiyotawi democracy literary means revolutionary democracy (democratic revolution) is a political Sean( program) of the ruling party.

political process goes calm and smooth, his performances are recognized internationally than the national institution, especially from the west.

Either he follows western push, the party interest, or his drive, he continues to urge privatization — this process, including the giant state-owned enterprise.

According to the new proclamation of telecommunication <sup>[4]</sup>, the telecom service opted to liberalize. The proclamation declared the telecom service including ownership, network provider, and operator opened to a foreign investor.

During the political power transition, only individual had changed position, both the resigned and the new prime minister are the member of the ruling party. As the ruling party is the coalition of four ethnic parties, both are from different region and different regional ethnic-based parties.

The ruling party politics before the Prime Minister Abiy had been accused of the supremacy of TPLF; however, there are no concert pieces of evidence to say so. I argued, officials in Ethiopian politics are loyal to party politics rather than the rule of law. And if I had asked, the party politics derived by EPRDF. In EPRDF, there is no regional interest, rules, regulation, and other party interests have discussed before it becomes useful in regular assembly.

I argued, if the coalition of parties has agreed upon some point before action, there is no supremacy of the selected group to be blamed or thankful. They either direct the politics for good or for the worst.

Currently, Ethiopia had a new prime minister, but still under the previous ruling party. All government official is a member of these party. However, politics look like escaping the party program.

The prime minister had promised to bring a lot of changes over political and governance maladministration. The promise over privatization had also applause the PM at the world stage. However, Ethiopia has been facing new and frequent ethnic unrest.

Why the U.S. aimed Ethiopia to liberalize its economy? Does Tillerson speech and agreement have any relevancy with the current urge of privatization? What were the Russian motives too? Does liberalization help Ethiopia to solve its problem? These are undefined question need additional research. However, Ethiopia is in the path of privatization anyway. Privatization does not and will not solve the internal problem.

I argued; the economic question had been used as undercover for political protest in Ethiopia. If the internal unrest were due to financial and development issue, it should have stopped after the measure had taken. Thus, the liberalized economy should not have been the urge. It instead looks like alliance interest and conditionality.

The outside world does not consider the internal situation in Ethiopia; it's all urges over political autonomy in the geopolitics of the horn.

The regime in Ethiopia now guises attracted toward western liberal development model. The interest arose due to the political differences within the coalition of ruling parties. The party had

been suspected of declining as differences had been observed over the members.

The politics had been customized in terms of majority; thus, the four-coalition party had the opportunity of leading the party. The prime minister usually the chairperson of these coalition party. There have been three prime ministers since the adoption of federalism, the first from TPLF <sup>[5]</sup>, the second from SEPDM <sup>[6]</sup> and the third from ODP <sup>[7]</sup> regional coalition.

According to the constitution, the constitution, the term of the prime minister is not limited. However, none of them have had exercised their power out of the party program. Melese was the pioneer of the developmental state program, while Haile Mariam was the successor; however, the new prime minister is the pioneer of paradigm shift.

The new paradigm creates a participatory stage for opposition parties while it became a challenge for the coalition. The model is at most out of the party program. The new era of Ethiopian politics is now influenced by actor interest than party politics. The party had lost its influential power to continue its program. It is not ideally known whether Ethiopia has still revolutionary democracy or not.

Jean-Christophe Hoste once wrote "if the ruling party in Ethiopia cannot manage the transition, there is potential for major powers struggle involving new or emerging political forces or even the possible implosion of EPRDF <sup>[8]</sup>" (Hoste, 2012)

The previous party politics faced new ideological challenges. The program is not reformed while the urge is immediate. The installation process of a new idea is also tricky as politicians are not changed. That is, in fact, imposable until the upcoming election, as the ruling party remains EPRDF.

Currently, the government in Ethiopia had faced new internal security challenges. The outbreak of this unrest indirectly affects the urge of privatization. Though there is one year to go before the election, the time framework has a limit on privatization exercise. Thus, liberalized economic reform still undergoes standstill.

## 5. Conclusion

"The neo-liberal paradigm states do not distinguish between different types of state activism. This leads it to conclude that most if not all government intervention in the economy is detrimental to growth and hence to suggest that the night watchman state is the best state from the point of view of accelerated growth." (Zenawi)

Meles continued, developing countries are trapped by poverty, and state intervention is mandatory from a historical perspective. (Zenawi) Though the alternative model is essential to get out of poverty, it should not be a neoliberal model.

The urge of privatization is now facing different challenges. In one hand, it fronting resistance from most part of the party member, because according to previous EPRDF led project report. The economy was "running forward" whereas it was judged "to walk backward" according to neoliberal thought. (Desta, -----) In the other hand, practically, the state had been supporting the economy for decades. More importantly, the

<sup>4</sup>. FDRE, House of people Representatives, Proclamation No 281/2019

<sup>5</sup>. Tigray people liberation front

<sup>6</sup>. South Ethiopian people democratic movement

<sup>7</sup>. Oromo democratic party

<sup>8</sup>. Ethiopian people revolutionary democratic front

historical attachment of some enterprise like Ethiopian Airline with the nation had also another challenge.

Hoste's argument convinces me on his report; he was right to state the international communities urge does not realize the statuesque situation in Ethiopia.

The economy had experienced broad-based growth in the past. For instance, Ethiopia from 2006/07 to 2016/17 the economy had been growing faster, averaging 10.3% a year. (Bank, 2019) However, IMF and Development center for Global had reported, Ethiopia had recovered from economic depression and achieved 8.5% from 7.7% of the previous fiscal year (IMF, 2018). (Development, 2018)

While World Bank reported the economy was more than 10% into 2017 IMF had stated it was 7.7% and that was considered as progress. How might decline number could be regarded as progress? In other words, how could IMF report the 2017 rate was 7.7 % while it was rated 10% in World Bank report?

According to the World Bank report, Ethiopia had shown progress before liberalized economic urge. The urge is frequent and inappropriate time.

As the urge was only to establish liberalized economic reform, the failure did not affect the international community but cost the nation. Unrealized urge has now become another contest. It creates additional challenges for the government. The state is now facing two complex issues. In one hand, it tries to handle the internal dispute; on the other hand, it tries to mitigate the privatization process.

Hoste emphasized the opening up of Ethiopia could reinforced by the international community. However, he noticed and noted, the international community was making a mistake by mystifying short-term stability with mid/long term sustainability. Otherwise, this will affect not only Ethiopia but also the entire region's stability. (Hoste, 2012) Now, this is statuesque in Ethiopia.

The impulse of privatization is not at the right timing. Ethiopia had (has) a lot of homework ahead. The state shall revise its economic police to merge with the statuesque. Peace and security shall be stabilized, and the order shall be maintaining. The need for Liberalized economic reform may come whenever necessary. There should be a time to get focused on domestic political issues and take corrective measure before it is too late.

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