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Ethiopia's prime minister, Abiy Ahmed (2018-present), sends federal troops to Somali Regional State and arrests the state president, Abdi Mohamoud Omar (a.k.a. Abdi Illey), after he resigns. Violence in Oromia goes largely unchecked by Abiy. Ethiopia strengthens its alliance with the United Arab Emirates (UAE), deepening industrial and political ties. State-owned Ethiopian Airlines spreads its wings with airline acquisitions across Africa.

PM Abiy Ahmed cracks down on Somali Regional State

Ethiopia's prime minister, **Abiy Ahmed** (2018-present), deployed federal troops to **Somali Regional State** on 3 August.¹ The deployment occurred in response to widespread attacks on people from other Ethiopian regions in Somali Regional State.² Federal troops fought with the regional security force, the **Liyu Police**, to gain control of the region.³ By 6 August, Somali regional state president **Abdi Mohamoud Omar** (a.k.a. **Abdi Illey**) resigned.⁴ He is currently held in the capital **Addis Ababa** under arrest along with his top regional military officials.⁵

The federal government's intervention in Somali Regional State can be understood in the context of the long-standing conflict between ethnic **Oromo** and **Somali** in Ethiopia, who often live side-by-side and whose nominal regional states (**Oromia** and Somali regional state) border each other.⁶ The Liyu Police, a 40,000-strong, highly trained and well-armed fighting force, is accused of instigating violence in 2017 that displaced as many as a million people.⁷ They are also reported to have launched violent attacks into Oromia regional state – territory over which they have no jurisdiction.⁸ Similarly, the **Oromo Liberation Front (OLF)**, an armed group operational in Oromia, has allegedly been responsible for the killing of ethnic Somalis.⁹

The federal government's intervention in Somali Regional State can also be interpreted as prime minister Abiy Ahmed protecting his fellow Oromo's interests at the expense of other regional and ethnic groups, "*an Oromo army attacking Somalia [regional state]*".¹⁰ A local source told ARC that Abiy sent federal troops into Somali regional state only after "*a short attempt to talk with the Somali regional government*", suggesting a lack of tolerance of the Somali regional government, particularly when Oromo are being targeted with violence.¹¹

¹ BBC, 4 Aug 2018.

² The Reporter Ethiopia, 4 Aug 2018.

³ BBC, 4 Aug 2018.

⁴ Africanews, 6 Aug 2018.

⁵ Africanews, 7 Aug 2018.

⁶ OPride, 31 Jul 2018.

⁷ The Reporter Ethiopia, 3 Feb 2018.

⁸ OPride, 31 Jul 2018.

⁹ OPride, 31 Jul 2018.

¹⁰ Source, diplomat, Addis Ababa.

¹¹ Source, diplomat, Addis Ababa.

Moreover, federal troops entered Somali regional state without the consent of the region's president, and therefore their entry can be challenged as unconstitutional.¹² Even Illey's political rivals within Somali regional state have contested the federal invasion of their state.¹³ This adds credence to the perception that Abiy may have been unduly robust in his approach to the recent violence.

Regardless of the manner of the intervention, there is widespread support for Abiy's treatment of Somali regional state and Abdi Illey.¹⁴ Illey was known to have abused the human rights of people within Somali regional state and ran Somali regional state *"like his personal fiefdom"*.¹⁵ Many ethnic Somalis within the region had previously protested against Illey's government and sought his removal from power, albeit in a more peaceful manner.¹⁶ As such, investors may see this development as the federal government's tentative move toward establishing law and order in Somali regional state, a place synonymous with *"violence and lawlessness"* to many Ethiopians.¹⁷

More than a move towards law and order, Abiy's robust handling of Illey and violence in Somali regional state is an assertion of political power over the country's previous rulers who rival him. Abdi Illey is an ally of the **Tigray People's Liberation Front (TPLF)**, the political party that held disproportionate political and military power in Ethiopia until Abiy's rise to power in April this year.¹⁸ Since obtaining political primacy, Abiy has sacked TPLF stalwarts from positions of political power and promoted members of his **Oromo Peoples' Democratic Organisation (OPDO)** to prominence to consolidate power within federal government (see *ARC Briefing Ethiopia May 2018*).¹⁹ Dismantling the power base of the previous government is vital for Abiy to continue his own liberal political agenda, a positive development for investors who want Ethiopia's economy to open up to the outside world.

... while violence in Oromia goes largely unchecked by Abiy

In contrast to its actions in Somali regional state, the federal government reportedly tolerates instability and insecurity in Oromia.²⁰ The federal government's reluctance to antagonise its Oromo constituency may be behind its inaction towards the Oromo unrest.²¹ In a similar vein to the protests leading up to the resignation of prime minister **Hailemariam Desalegn** (2012-2018), violence between ethnic Oromos and other ethnic group resident in Oromia has rumbled on after Abiy's political ascent, and has displaced hundreds of thousands of people.²² *"[I]n an environment of deteriorating rule of law"*, youths have been able to confront businesses operating in the region with financial demands with increasing impunity.²³ The murder of **Nigeria**-based cement firm **Dangote Cement's** country manager whilst travelling in Oromia in May is testament to the business operation challenges faced in Oromia (see *ARC Briefing Ethiopia May 2018*).²⁴

¹² Source, diplomat, Addis Ababa

¹³ Source, journalist, Addis Ababa

¹⁴ Source, journalist, Addis Ababa

¹⁵ Source, journalist, Addis Ababa

¹⁶ Source, journalist, Addis Ababa

¹⁷ The Africa Report, 3 Jul 2018.

¹⁸ The Africa Report, 3 Jul 2018.

¹⁹ Source, journalist, Addis Ababa

²⁰ Source, diplomat, Addis Ababa

²¹ Source, diplomat, Addis Ababa

²² News24, 21 Aug 2018.

²³ Source, diplomat, Addis Ababa

²⁴ Source, diplomat, Addis Ababa

Despite his leniency towards the Oromo, Abiy has worked hard to foster a pan-Ethiopian ideology among his supporters. In some circles this has helped to transcend often divisive ethnic identities.²⁵ In a rare show of strength against protesting Oromo elements, Abiy reportedly stated that the government will no longer tolerate inciting violence and lawlessness in Oromia “*in the name of freedom*”.²⁶ Following Abiy’s announcement, Ethiopian police arrested over 170 people in Oromia on 21 August on suspicion of inciting violence, illegally seizing land and property and involvement in murder during violence along ethnic lines.²⁷

Although Abiy has spoken out against violence in the region, insecurity in Oromia looks set to continue.²⁸ Businesses and investors in Oromia will continue to suffer as a result.

Ethiopia strengthens alliance with UAE

The **United Arab Emirates (UAE)** government announced on 10 August that it will build an oil pipeline from Ethiopia to the **Eritrean** port of **Assab**.²⁹ This announcement comes one month after the reestablishment of diplomatic relations between Ethiopia and **Eritrea** on 8 July, a process in which the UAE was a key mediator.³⁰

The prospective pipeline is one of many interests in the region, representing the UAE’s growing geopolitical influence in the **Horn of Africa**.³¹ **DP World**, a UAE state-owned port operating company, has stakes in several regional ports including the **Port of Djibouti** in **Djibouti** and the **Port of Berbera** in **Somaliland (Somalia)**.³² Elsewhere in the region, the UAE invested heavily in Somalia, but any influence gained there was dashed when a UAE military training programme in Somalia ended after diplomatic ties between the two countries became strained.³³ The UAE is reported to use the port of Assab to launch military operations against **Houthi** rebels in **Yemen**, situated just across the **Red Sea**.³⁴

The Ethiopian government’s recent forays into regional trade through acquiring stakes in regional ports such as the Port of Djibouti and Port of Berbera have been facilitated, to some extent, by the UAE as the UAE state-owned DP World holds significant equity in both ports (see *ARC Briefing Ethiopia May 2018*).³⁵

The growing partnership between the UAE and Ethiopia under Abiy Ahmed worries his opposition in the TPLF, who accuse him of representing the UAE’s interests at Ethiopia’s expense.³⁶ Of particular concern to the TPLF is the future of the **Grand Ethiopian Renaissance Dam (GERD)**, a controversial project in the eyes of the UAE’s ally, **Egypt**. The Egyptian government is concerned that the dam could threaten Egypt’s water supply from the **Nile** as the dam will have to block the river’s flow in order to fill an enormous reservoir.³⁷ As a result, certain TPLF figures fear that the UAE will convince Ethiopia’s federal

²⁵ Source, journalist, Addis Ababa.

²⁶ Ezega, 21 Aug 2018.

²⁷ Ezega, 21 Aug 2018.

²⁸ Source, diplomat, Addis Ababa.

²⁹ Arab News, 10 Aug 2018.

³⁰ Arab News, 10 Aug 2018.

³¹ Reuters, 10 Aug 2018.

³² Asharq Al-awsat English, 28 Jul 2018.

³³ Reuters, 10 Aug 2018.

³⁴ Arab News, 10 Aug 2018.

³⁵ The Wall Street Journal, 30 May 2016 and Reuters, 2 Aug 2018.

³⁶ Source, journalist, Addis Ababa.

³⁷ European Council on Foreign Relations, 25 Jul 2018.

government to fill the dam very slowly to cause little effect to Egypt's supply of water from the Nile.³⁸ Some of the same TPLF figures believe that the recent killing of GERD's chief engineer, **Simegnew Bekele**, was an Arab-led plot to halt the dam's construction process (see *ARC Briefing Ethiopia July 2018*).³⁹

From an investor perspective, the UAE's involvement in Ethiopia is positive. It appears to work towards opening Ethiopia's economy to foreign markets, a development that should increase overall business activity in Ethiopia. However, it remains to be seen whether the Ethiopian government can benefit from the alliance with the UAE without making concessions such as slowing down the completion of the GERD.

Ethiopian Airlines spreads its wings with airline acquisitions across Africa

Ethiopia's state-owned airline, **Ethiopian Airlines**, has made a swathe of acquisitions, taking on significant ownership and operational responsibilities in several **African** airlines.

Ethiopian Airlines signed an agreement with **Zambia's** state-owned **Industrial Development Corporation (IDC)** on 20 August to take a 45% share in Zambia's now-defunct state-owned air carrier, **Zambia Airways**, for an initial payment of \$30m.⁴⁰ IDC and Ethiopian Airlines expect Zambia Airways to launch in early 2019 and operate 12 aircraft by 2028.⁴¹

Ethiopian Airlines also announced on 21 August its acquisition of 49% stakes in the national airlines of **Guinea** and **Chad**, as well as its takeover of the management of **Equatorial Guinea's** airline.⁴² Ethiopia's national carrier also plans to launch an airline in **Mozambique**, **Ethiopian Mozambique Airlines** of which it will have full ownership.⁴³ Ethiopian Airlines is the favourite to manage **Nigeria's** national airline, **Nigeria Air**, after bidding for the role earlier in August.⁴⁴

Ethiopian Airlines' chief executive, **Tewolde Gebremariam**, told **United Kingdom**-based news agency **Thomson Reuters** in May that the business had plans of expanding into Africa to gain a competitive advantage over airlines from the **Gulf States**.⁴⁵ This is further evidence of the Ethiopian government's efforts to foster an outward-looking economy. Its investment in air travel across Africa, along with the willingness of so many African states to establish national carriers, suggests that the sector will grow.

³⁸ Source, journalist, Addis Ababa

³⁹ Source, journalist, Addis Ababa

⁴⁰ Reuters, 22 Aug 2018.

⁴¹ Buying Business Travel, 22 Aug 2018.

⁴² Daily Nation, 22 Aug 2018.

⁴³ Daily Nation, 11 Aug 2018 and Daily Nation, 22 Aug 2018.

⁴⁴ AllAfrica, 14 Aug 2018.

⁴⁵ Africanews, 13 Aug 2018.

Planner

Early September 2018 **(Ethiopia) Ethiopian People's Revolutionary Democratic Front (EPRDF)** congress;

Sept 2018 **(Ethiopia)** Local elections;

2020 **(Ethiopia)** Parliamentary elections;

Chronology

20 Aug 2018 **Addis Ababa (Ethiopia)** *Reuters*. State-owned **Ethiopian Airlines** signs a shareholding agreement with **Zambia's Industrial Development Corporation** to revive **Zambia Airways**;

20 Aug 2018 **Addis Ababa (Ethiopia)** *The Exchange*. **Ethiopia** inaugurates the first waste-to-energy facility which will produce 25 megawatts per day;

16 Aug 2018 **Assab (Eritrea)** *Forbes*. The **United Arab Emirates** plans to build an on-shore crude oil pipeline from **Ethiopia** to **Assab** in **Eritrea**;

14 Aug 2018 **Bishoftu (Ethiopia)** *Engineering News*. State-owned airline, **Ethiopian Airlines**, plans to build an airport in **Bishoftu**, roughly 48 kilometres from **Addis Ababa**;

13 Aug 2018 **Oromia Region (Ethiopia)** *africanews*. A regional paramilitary force reportedly kill 40 people in **Oromia Region** as ethnic conflict continues;

10 Aug 2018 **Addis Ababa (Ethiopia)** *Reuters*. Ethiopian Airlines CEO, **Tewelde Gebremariam** says Ethiopian Airlines are the front runners to set up and manage a new national carrier in **Nigeria**;

12 Aug 2018 **Somali Region (Ethiopia)** *EWN*. **Ethiopian** rebel group, the **Ogaden National Liberation Front**, declares a unilateral ceasefire;

11 Aug 2018 **Addis Ababa (Ethiopia)** *Ethiopian Reporter*. State-owned **Ethiopian Airlines** CEO **Tewelde Gebremariam** announces record net profit of \$233m in 2017-2018 fiscal year;

8 Aug 2018 **Addis Ababa (Ethiopia)** *DefenceWeb*. **Ethiopia** shuts down internet access in Oromia region during conflict, the first such time under prime minister **Abiy Ahmed**;

7 Aug 2018 **Asmara (Eritrea)** *africanews*. The **Ethiopian** government reaches a reconciliation agreement to terminate hostilities with the **Oromo Liberation Front**, an ex-terror group from the Oromia region;

6 Aug 2018 **Somali Region (Ethiopia)** *IOL*. Security forces kill four people in **Somali Region** after mobs looted ethnic minority-owned properties;

6 Aug 2018 **Somali Region (Ethiopia)** *BBC*. Somali Region president **Abdi Mohamud Omar** agrees to step down amid conflict between **Somali** and **Oromo** communities;

6 Aug 2018 **Addis Ababa (Ethiopia)** *Egypt Today*. **Ethiopia** requests five to six years to fill the **Grand Ethiopian Renaissance Dam**, though **Egypt** will not accept any outcome which affects its share of water;

4 Aug 2018 **Jigjiga (Ethiopia)** *Radio Shabelle*. Federal military troops occupy **Jigjiga** in **Somali** regional state;

3 Aug 2018 **Addis Ababa (Ethiopia)** *Fana Broadcasting Corporation*. Federal prosecutors charge five people for the grenade attack against prime minister **Abiy Ahmed** in June;

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