

## AFRICA RISK CONSULTING

### Ethiopia Monthly Briefing December 2021

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#### Ethiopia Summary 13 December 2021

*The Ethiopian National Defense Force (ENDF) has reclaimed strategic towns along the A2 highway to the northern Tigray region. Prime minister Abiy Ahmed (2018-present) reiterates his desire to defeat all rebel groups, decreasing the likelihood of the civil conflict ending in the short term. State-owned Ethiopian Airlines partners with the Industrial Development Corporation Limited (IDC) to launch Zambia's national carrier as it continues to strategically expand its presence in domestic, regional and international air travel. International retail manufacturer PVH Corp. closes its operations facility in Hawassa (Southern Nations, Nationalities, and Peoples' Region (SNNPR) as Ethiopia's security situation worsens, in a worrying sign of falling investor confidence. Covid-19 levels in Ethiopia continue to remain low as the Omicron variant is yet to be detected. 2021 has seen the international community downgrade a once-heralded Ethiopian nation due to the impact of the conflict on economic and social progress, and 2022 is likely to offer more of the same in the absence of a viable solution.*

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#### Government forces reseize key towns as Abiy vows rebel destruction...

The **Ethiopian National Defense Force (ENDF)** has rallied against rebel pressure to recapture towns that were previously held by the **Tigray People's Liberation Front (TPLF)**. Government forces reseized the towns of **Dessie** and **Kombulcha** on 6 December in a move seen as likely to prolong the civil conflict in the country, as neither side appears to hold the upper hand or be willing to negotiate.<sup>1</sup> Prolonged conflict is likely to have increasingly detrimental domestic and international consequences with international pressure and domestic uncertainty causing further economic and social damage to the Ethiopian people.<sup>2</sup>

Rebel TPLF forces seized the towns of Dessie and Kombulcha, located along the **A2** highway that connects the northern Tigray region to the capital of the country **Addis Ababa** around a month ago, signifying a key advance against government opposition (see *ARC Briefing November 2021*). However, due to a widespread media blackout in the region of conflict, it is difficult to verify accurate information, as opposition spokespeople appear to offer a narrative that favours their side.<sup>3</sup> For its part, the government is touting the narrative that TPLF forces have run out of military supplies, which they had captured from the government. However, TPLF spokesperson **Getachew Reda** noted that retreats by rebel forces were part of a "tactical territorial adjustment" that would enable their forces to regroup and double down on efforts in other key areas. Information from both sides should be treated with scepticism, as foreign media have largely been barred from the civil conflict with extensive communication links severed.<sup>4</sup>

Prime minister **Abiy Ahmed** (2018-present) accompanied his forces to the battlefields as the seemingly re-energised ENDF has managed to launch several attacks resulting in the re-seizure of key areas.<sup>5</sup> During his time with forces on the front line, Ahmed reiterated his desire to defeat all rebel opposition, highlighting the unlikelihood of the civil conflict ending in the short term:

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<sup>1</sup> World View, 7 Dec 2021

<sup>2</sup> Sudan Post, 7 Dec 2021

<sup>3</sup> Garowe Online, 7 Dec 2021

<sup>4</sup> Garowe Online, 7 Dec 2021

<sup>5</sup> World View, 7 Dec 2021

*"Nothing will stop us. The enemy will be fully destroyed soon. We have completed the operation that took the enemy four or five months in fifteen days. Ethiopia will never be defeated. Our country always rises and moves forward with pride. We are accustomed only to pass on gallantry to generations."*<sup>6</sup>

The civil conflict, which began in November 2020, has resulted in the deaths of tens of thousands of civilians and government and rebel fighters. Current estimates sit at 26 million individuals requiring humanitarian aid while 400,000 are on the brink of famine.<sup>7</sup> The Abiy government's moves to block **World Food Programme (WFP)** entry into desperate regions to deliver aid will contribute to further marginalisation. While neither side seems able to overpower the other, continuation of the conflict will further dent international confidence.

### **Ethiopian Airlines expands strategic operations in Zambia...**

State-owned **Ethiopian Airlines** has announced that final preparations are complete for the launch of **Zambia Airways**, which will become Zambia's national carrier in a joint venture between Ethiopian Airlines and the **Industrial Development Corporation Limited (IDC)**.<sup>8</sup> The joint venture is one of several strategic operations carried out by Ethiopian Airlines in partnership with companies to expand access to regional and continent-wide airline travel in order to connect **African** countries domestically, regionally and internationally.

Ethiopian Airlines is set to hold a 45% stake in **Zambian Airways** while the IDC will hold the remaining 55%. Shareholders have injected \$30m in capital to establish the airline, which made its maiden domestic flight on 1 December.<sup>9</sup> Initial flights are expected to operate on a fleet of **De Havilland Canada Dash 8-400**, which are renowned for efficient regional operations and the capacity for more seats, legroom and cargo. The initial flight itineraries are set to operate domestically from **Lusaka** (capital of Zambia) to **Ndola** and **Livingstone** six and five times a week respectively. Other domestic routes to **Mfuwe** and **Solwezi** are expected to follow.<sup>10</sup> From the end of Q1 2022, regional destinations such as **Harare (Zimbabwe)** and **Johannesburg (South Africa)** are expected to join the flight schedule.<sup>11</sup>

Ethiopian Airlines Group CEO **Tewolde GebreMariam** outlined the importance of the company's role in launching Zambia's national carrier. Ethiopian Airlines attributes its ability to support a new airline in getting off the ground to its pilots, aircrafts, technicians and leadership. Tewolde stated Ethiopian Airlines' commitment to its growth plan in collaboration with African carriers, noting that the new **Zambia Airways** will serve as a strong hub in **Central** and **Southern Africa** for passengers and cargo to major destinations in the **Middle East, Europe** and **Asia**,

*"...which will enhance the socioeconomic integration and tourism industry in Zambia and the region".<sup>12</sup>*

Ethiopian Airlines has continued to grow its presence despite the Covid-19 pandemic and allegations of arms smuggling (see *ARC Briefing Zambia October 2021*). Other strategic partnerships include those with **Togo**-based **ASKY**, **Malawian Airlines** and **Chad**-based **Tchadia Airlines**, as well as a management contract with **Ceiba International** in **Equatorial Guinea**. There are also reports of Ethiopian Airlines beginning a new project in **Kinshasa (Democratic Republic of the Congo, DRC)** in partnership with the DRC government, which will own 51% while Ethiopian Airlines will own 49%.<sup>13</sup> Continued expansion may boost economic growth as increased air travel develops economic

<sup>6</sup> Sudan Post, 7 Dec 2021

<sup>7</sup> Nyamilepedia, 7 Dec 2021

<sup>8</sup> All Africa, 3 Dec 2021

<sup>9</sup> Aero Time Hub, 30 Nov 2021

<sup>10</sup> Aero Time Hub, 30 Nov 2021

<sup>11</sup> Routes Online, 30 Nov 2021

<sup>12</sup> All Africa, 3 Dec 2021

<sup>13</sup> Aero Time Hub, 30 Nov 2021

opportunities for commercial expansion and widens the scope for domestic, regional, and international tourism.

### ... as PVH Corp. closes operations amid falling investor confidence ...

Global clothing manufacturer **PVH Corp.** has closed its operations facility in Ethiopia due to the current security situation. The move comes in response to both the domestic situation and the international community's response to the civil conflict in the country. The exit of a leading international operation signals decreasing investor confidence as the conflict continues to unfold without an end in sight. Adding to Ethiopia's woes, the administration of President **Joseph Biden** (2021-present) has suspended Ethiopia as a beneficiary of the **African Growth and Opportunity Act (AGOA)** with effect from 1 January.<sup>14</sup> AGOA membership had given Ethiopia duty-free access to the US market.<sup>15</sup>

PVH Corp. set up an operations facility in Ethiopia's second most populous city, **Hawassa (Southern Nations, Nationalities, and Peoples' Region (SNNPR))** in 2016, as the country offered a fast-growing, rapidly developing operating environment.<sup>16</sup> The Ethiopian government's push to build a network of industrial parks for clothing and footwear export, alongside Ethiopia's population of 110 million, made the country a more attractive manufacturing hub than competitors such as **Bangladesh** and **Cambodia**. Through PVH Corp.'s operations, world-renowned brands including **Tommy Hilfiger**, **Speedo** and **Calvin Klein** were manufactured in Ethiopia.<sup>17</sup> Ethiopia's strategic geographical location represented access to markets in the Middle East, Africa and further afield. However, while factors such as market access, an abundant work force and a more flexible regulatory environment attracted investors, PVH Corp. faced allegations of labour violations over workplace considerations in 2019, with some employees said to be earning as little as \$0.12 per hour.<sup>18</sup>

The exit of an international operator such as PVH Corp. is likely to influence other international operators in assessing their risk of doing business in Ethiopia. The country's lower-income population is likely to suffer the most from disinvestment, particularly the significant number of women working in the retail manufacturing industry. **American Apparel and Footwear Association** executive vice president **Stephen Lamar** noted that companies will increasingly be unable to source from Ethiopia if the crisis spreads:

*"This will hurt Ethiopia's economy, particularly the women who comprise the bulk of the workforce in the country's apparel industry."*<sup>19</sup>

PVH Corp. released a statement emphasising its desire to continue to collaborate with workers and employees operating in a third-party manufacturing capacity.<sup>20</sup> However, the signal from the company seems clear: the costs of operating in a conflict environment are outweighing the benefits of access to markets, tax incentives and cheap labour.

### Third Covid wave continues to ebb...

While Ethiopia's security situation remains on a precipice, Covid-19 infections appear to be continuing to decline. However, this could be due to the lack of focused efforts in maintaining heightened testing regimens. Daily average confirmed cases as of 7 December numbered 132, estimated to be around 6% of the total peak of the "third wave". In total, Ethiopia has recorded 372,462 Covid-19 infections in its population of 118 million, with 6,908 Covid-19-related deaths since the **World Health Organization (WHO)** declared the pandemic on 11 March 2020.<sup>21</sup> The Ethiopian

<sup>14</sup> Reuters, 19 Nov 2021

<sup>15</sup> VoA, 6 Nov 2021

<sup>16</sup> Business of Fashion, 17 Nov 2021

<sup>17</sup> Daily Mail, 19 Nov 2021

<sup>18</sup> Daily Mail, 19 Nov 2021

<sup>19</sup> Daily Mail, 19 Nov 2021

<sup>20</sup> PVH website, 19 Nov 2021

<sup>21</sup> Our World in Data, 8 Dec 2021

government imposed a six-month state of emergency on 2 November, with hefty prison sentences for those violating the restrictions, and this may have helped to curb the spread of the virus.<sup>22</sup> There have been no recorded cases of the new **Omicron** variant first identified in **South Africa** on 25 November.<sup>23</sup>

The ministry of health has administered a total of 10.1 million vaccine doses, with an estimated 7.36% of the population having received at least one dose. Vaccine acceptance is high, with levels of knowledge and positive attitude at 74% and 44.7% respectively, indicating that the vaccination rate could be higher if there was better access to vaccines, according to a recent **Dove Press** study.<sup>24</sup> Ethiopia has used several different vaccines including the **British-Swedish** manufactured **AstraZeneca** and US-pharmaceutical company **Johnson & Johnson's Janssen** vaccine, as well as vaccines secured from the **African Vaccine Acquisition Trust (AVAT)**.<sup>25</sup> Current vaccination figures and rates suggest that the Ethiopian government is likely to reach its goal of vaccinating 10% of the eligible population by the end of year. However, the Tigray conflict may impact the vaccination campaign.<sup>26</sup>

## 2021 in review, and what to expect in 2022

2021 has seen Ethiopia fall into further chaos as the Tigray conflict defines the country's political, economic and social environment. Although prime minister Abiy Ahmed continues his hold on power following his re-election to a second term in office, he faces growing opposition not only from the TPLF, but also from an opposition grouping united against the ruling **Prosperity Party**. The party will continue to face difficulty in uniting political and tribal groupings that can operate semi-independently across the structure of semi-autonomous regions.

The economic landscape, which has been a promising aspect of Ethiopian development over the last five years, has begun to lose momentum amidst increasing inflation, a sliding exchange rate and decreased investor confidence – all corollary effects of the civil conflict. Ethiopia's economic development has hinged on a rapid increase in its manufacturing base as well as sectoral growth in mining; however, continued growth relies on the ability to engage with regional, continental and international partners. The real impact of the conflict on the economy is only likely to reveal itself in the months to come; however, there are expectations that this will certainly damage Ethiopia's growth prospects, perhaps for years to come.

Prospects for 2022 are not encouraging, particularly for the revamping of Ethiopia's mining sector, which relies on foreign companies operating in the country. However, the expansion of Ethiopia Airlines is a positive note, and continued joint venture expansion looks increasingly likely as the DRC and **Nigeria** are next on Ethiopian Airlines' target list. If travel restores to pre-pandemic levels by the end of 2022, there is much reason for optimism for Africa's leading air carrier.

While Abiy Ahmed has strong support around the capital propping up the Prosperity Party, a continued period of civil conflict in 2022 has the potential to raise questions amongst his support base, both from the population and in his government. Ending the civil conflict in a swift and satisfactory manner will be number one on the 2022 priority list, given its ramifications for the economy and thus Abiy's political support.

<sup>22</sup> Reuters, 7 Nov 2021

<sup>23</sup> JD Supra, 30 Nov 2021

<sup>24</sup> Dove Press, 30 Jun 2021

<sup>25</sup> [Africa CDC](#), 6 Sep 2021

<sup>26</sup> Reuters, 7 Dec 2021

## Planner

17-23 Feb 2022 **Addis Ababa (Ethiopia)** Addis Chamber International Trade Fair;

## Chronology

12 Dec 2021 **Addis Ababa (Ethiopia)** *Sudan's Post*. Prime minister **Abiy Ahmed** returns to the frontline after the **Tigray People's Liberation Front (TPLF)** reportedly captures **UNESCO** world heritage site **Lalibela**;

10 Dec 2021 **Tigray (Ethiopia)** *DW.com*. The **United Nations** warns of increasing food insecurity for those in the northern region of Ethiopia as warehouses and stocks of vital supplies are ransacked;

10 Dec 2021 **Johannesburg (South Africa)** *SABC News*. Former South African president **Thabo Mbeki** says that the **African Union Peace and Security Council** failed to act on time in the **Ethiopian** conflict;

10 Dec 2021 **Addis Ababa (Ethiopia)** *Global Mining Review*. **Sweden**-headquartered **Akobo Minerals** is shortlisted for an ESG award for the work it has conducted on the Ethiopian gold project;

7 Dec 2021 **Addis Ababa (Ethiopia)** *Sudan Post*. The Ethiopian government accused the **United States (US)** of "perpetuating a destructive narrative" after the US sounds the alarm on unlawful detention of **Tigrayans**;

7 Dec 2021 **Addis Ababa (Ethiopia)** *Air 101*. **Ethiopian Airlines** launches a hire and transfer service in partnership with **CarTrawler**;

6 Dec 2021 **Addis Ababa (Ethiopia)** *The National News*. Ethiopian forces report recapturing key strategic towns of **Dessie** and **Kombulcha** from **Tigrayan** rebels which were lost over a month ago;

4 Dec 2021 **Addis Ababa (Ethiopia)** *People's Daily Online*. **Chinese** envoy **Zhao Zhiyuan** applauds the deepening political trust and fruitful cooperation between China and Ethiopia;

2 Sep 2021 **Addis Ababa (Ethiopia)** *Reuters*. **United Nations** humanitarian agency warns of "looming catastrophe" amid a de facto blockade on aid to the **Tigray** region;

1 Sep 2021 **Addis Ababa (Ethiopia)** *The East African*. Government closes its embassy in **Algerian** capital **Algiers** as it begins to cut costs on its foreign policy obligations;

1 Dec 2021 **Addis Ababa (Ethiopia)** *Addis Standard*. The **World Health Organisation (WHO)** donates 3,000 oxygen cylinders to the **Ethiopian Public Health Institute** to boost **Covid-19** treatment centres;

28 Nov 2021 **Khartoum (Sudan)** *Al Arabiya*. The Sudanese army reports that **Ethiopian** forces killed several Sudanese soldiers in an attack near the border between the two countries;

24 Nov 2021 **Addis Ababa (Ethiopia)** *Sudan's Post*. The Ethiopian government has expelled four **Irish** diplomats working in the capital;

23 Nov 2021 **Addis Ababa (Ethiopia)** *The South African*. The presidents of **South Africa** and **Kenya** urge warring parties in Ethiopia to commit to an immediate ceasefire;

22 Nov 2021 **Addis Ababa (Ethiopia)** *Daily Mail*. Prime minister **Abiy Ahmed** says he will lead his troops in the battle front from 23 November;

20 Nov 2021 **Addis Ababa (Ethiopia)** *The East African*. The **Federal Republic of Ethiopia Media Authority** threatens to revoke licences of four foreign media houses – **Associated Press**, **Reuters**, **CNN** and **BBC** – for disseminating news of animosity amongst the people of Ethiopia;

18 Nov 2021 **Cairo (Egypt)** *Al-Monitor*. Concerns about the fate of the regional conflict over the **Grand Ethiopian Renaissance Dam (GERD)** continue to grow with the increasing uncertainty over the political tensions in Ethiopia;

18 Nov 2021 **Oromia (Ethiopia)** *Addis Standard*. **Oromia Regional** state officials announce the lifting of curfews on movements of people and vehicles that was enforced on 12 November due to the area being an economic centre;

17 Nov 2021 **Addis Ababa (Ethiopia)** *Al Jazeera*. **United States Secretary of State Antony Blinken** warns that a worsening security situation in Ethiopia could be a risk for the general security for the **Horn of Africa** region as a whole;

17 Nov 2021 **Addis Ababa (Ethiopia)** *France24*. The **United Nations** expresses concerns that since the inception of the state of emergency on 2 November, most detainees in the capital have been of **Tigrayan** origin;

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