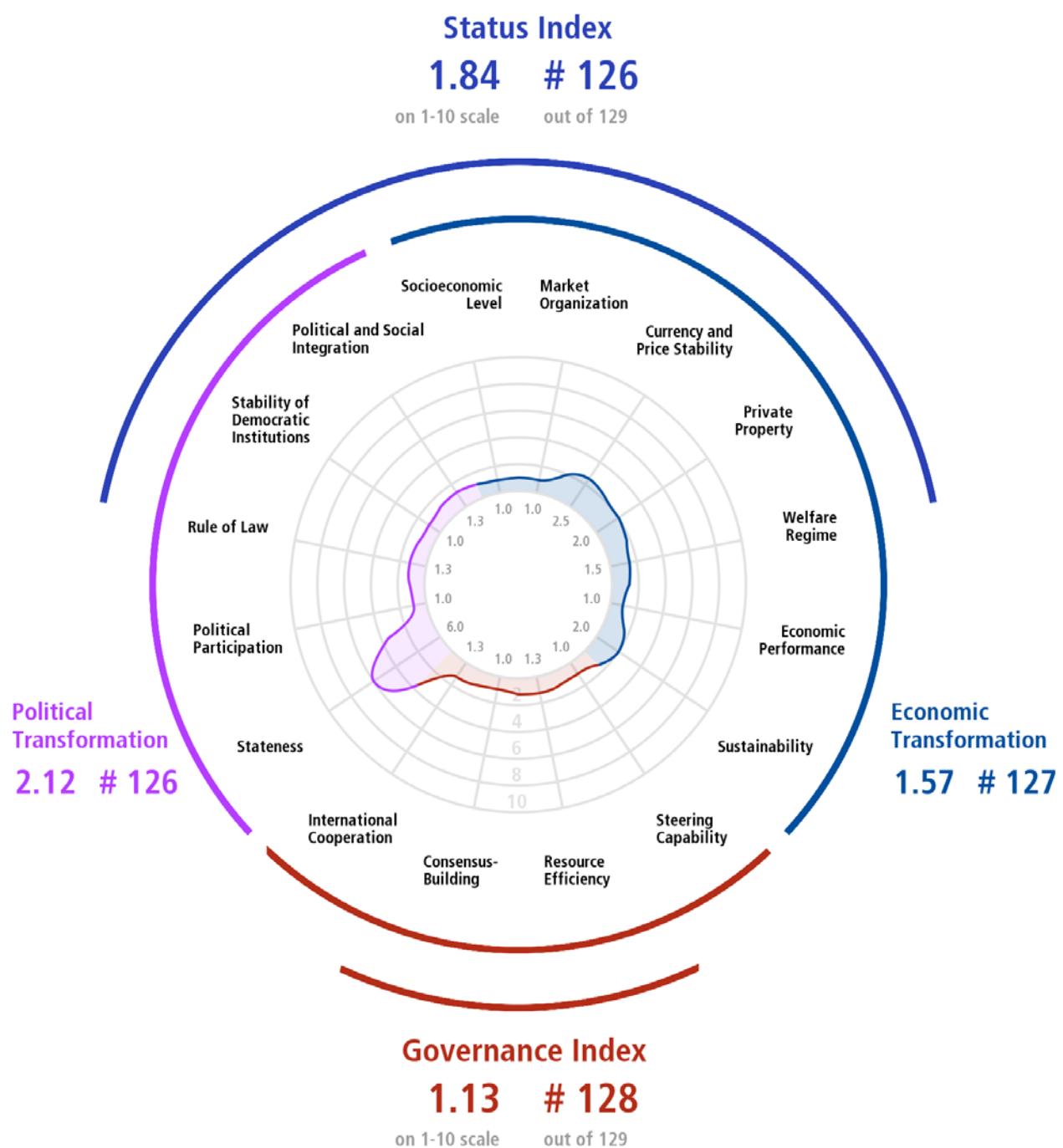


BTI 2018 Country Report

Eritrea



This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2018. It covers the period from February 1, 2015 to January 31, 2017. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2018 Country Report — Eritrea. Gütersloh: Bertelsmann Stiftung, 2018.

This work is licensed under a [Creative Commons Attribution 4.0 International License](#).

Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner
Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann
Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Robert Schwarz
Phone +49 5241 81 81402
robert.schwarz@bertelsmann-stiftung.de

Sabine Steinkamp
Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	-	HDI	0.420	GDP p.c., PPP \$	-
Pop. growth ¹	% p.a.	-	HDI rank of 188	179	Gini Index	-
Life expectancy	years	64.6	UN Education Index	0.274	Poverty ³ %	-
Urban population	%	-	Gender inequality ²	-	Aid per capita \$	-

Sources (as of October 2017): The World Bank, World Development Indicators 2017 | UNDP, Human Development Report 2016. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

During the period under review, the Eritrean government made no significant change in its political and economic agenda, remaining a surveillance state committed to a command economy and an autocratic political system. The economy was under the control of the ruling People's Front for Democracy and Justice (PFDJ) party and the military. High-ranking military officers were involved in illegal activities, including goods smuggling and human trafficking of Eritreans seeking to leave the country. Human trafficking of Eritrean refugees across the border to Sudan and from Sudanese refugee camps to Libya continued with the involvement of corrupt Eritrean and Sudanese officials. The high-ranking PFDJ cadres of Muslim faith who had been arrested in the aftermath of the January 2013 mutiny remained in custody without due process of law.

The economy remained in a poor state, and the chronic electricity blackouts, shortages of fuels and drinking water continued. The government did not use the revenues from the Bisha mine, estimated at about \$1.2 billion since 2011, to invest in the economy, nor did it provide the population with basic imported consumer goods. Military officers applied their own regulations in the administrative regions under their control, while the civilian administrative apparatus was powerless. Military and PFDJ leaders continued to run their own shops.

In late 2015, the government introduced “currency reform.” All existing Nakfa currency notes had to be exchanged for new ones at a 1:1 rate. However, in this process only an amount of ERN 20,000 could be exchanged in cash, all assets exceeding this amount had to be deposited at a bank account. Through this process, the government attempted to contain illicit business activities and to force its citizens to disclose their properties. Since then, withdrawal of cash has been severely limited (to ERN 5,000 per family per month), and the black-market exchange rate dropped to a certain extent. However, in the absence of any economic liberalization it is doubtful if this measure can contribute to containing corruption, and economic activities remain severely hampered.

Politically, Eritrea remained a dictatorship in which public political participation was impossible, civil rights and freedom of expression and assembly were absent, and human rights were routinely violated. In summer 2016, the U.N. Commission of Inquiry on Human Rights in Eritrea stated that the government of Eritrea has committed crimes against humanity since the time of independence. In 2014, President Isaias announced the establishment of a commission with the purpose of drafting a new constitution, but no progress to this end had been achieved as of January 2017. The unlimited-term of national service remained in place without any reforms. Males between 18 and up to 60 years and women until the age of 27 were forced to serve either in the army or the national service, and elderly citizens were forced to patrol their neighborhoods as “militia.” The government continued to exploit the sanctions imposed by the U.N. Security Council to raise money from the diaspora communities by portraying Eritrea as a victim of international conspiracies.

Government functions were executed by the president and a small group of advisers, for which the PFDJ’s head of political affairs Yemane Gebreab played a decisive role. The ruling PFDJ is the only party allowed to exist. Together with the military, it holds a monopoly on the economic sphere. The party-owned Hdri Trust Fund controls all state enterprises with no external financial monitoring allowed. The mass exodus of tens of thousands of Eritreans continued unabated, and throughout 2016, several thousand Eritreans crossed the borders to Ethiopia and Sudan every month. State institutions and social services were further weakened by this process, as large numbers of professionals (teachers, doctors, engineers, etc.) were among the refugees. Arbitrary arrests and religious persecution continued.

There was absolutely no progress toward democratization, which has been ruled out by the president. The public was unable to communicate civic interests without the risk of being arrested. However, the elderly “neighborhood militias” continued their passive resistance against patrolling their communities. In the absence of free market mechanisms, the import-export trade remained in the firm grip of the ruling party’s elite, while the military operated large-scale contraband activities. The city of Tessenei bordering Sudan remained a hub for the contraband trade of goods, organized by military officers and PFDJ cadres, including the Minister of Trade and Industry Nesredin Bekit. There is no public welfare system, and traditional social safety networks based on extended family structures have been continuously weakened by prolonged recruitment into the national service. Diaspora Eritreans usually support their families inside Eritrea financially, and many of them paid the 2% tax imposed on them by the government either voluntarily or by coercion, providing a stabilizing factor for the regime.

Malnutrition and poverty, which are endemic in Eritrea, worsened due to drought-like conditions in 2015, although the government denied any shortage of food in contradiction to UNICEF statements. The continuous use of charcoal for cooking purposes accelerated environmental degradation. Generally, Eritrea has continued to follow a destructive path, which runs counter to democratization and economic liberalization.

Foreign relations with all regional neighbors except for the Sudan remained poor, as were relations with the United States. European politicians approached the Eritrean government throughout the period under review in the hope of curbing the refugee outflow, and development cooperation

between the EU and Eritrea resumed. However, European representatives lacked a deeper understanding of the root causes of flight and failed to demand reform of the national service as a precondition to stop the mass exodus. The sanctions imposed on Eritrea by the United Nations in 2009 and in 2011 remained in place.

History and Characteristics of Transformation

Eritrea gained independence de facto in 1991 and de jure in 1993 after an independence struggle that lasted for 30 years (1961 – 1991). Since the early 1980s, the struggle had been dominated by the Eritrea People's Liberation Front (EPLF), which later formed the government of the independent state of Eritrea. In 1994, the EPLF held its third and last organizational congress and changed its name to the PFDJ. The former secretary-general of the EPLF, Isaias Afewerki, has ruled the country since independence as president without ever having been confirmed in his office by popular vote. He managed to solidify his power base by his tough style of authoritarian rule with totalitarian tendencies, although his popularity has sharply declined due to continuous deterioration in the economic situation, gross human rights violations, forced military conscription of large parts of the population of productive age and the country's complete lack of civil liberties.

In recent years, relations with Western donor nations have been strained, as the government has shown a lack of transparency, has refused with very few exceptions to accept NGO activities in the country, and has even rejected emergency aid, claiming to be self-reliant in food production (an assertion that is obviously not true). The Eritrean government terminated development cooperation with the European Union in 2011 without prior notice, but cooperation resumed in 2016. There is currently no EU country strategy paper for Eritrea. Relations with the United States and all neighboring countries except Sudan remained tense. In December 2009, the U.N. Security Council imposed targeted sanctions on Eritrea due to its failure to enter into negotiations with Djibouti over the disputed border of the two countries and refusal to remove its troops from contested territories, as well as its presumed support of Al-Shabaab militias in Somalia. The sanctions were initiated by IGAD (Intergovernmental Authority on Development) and the African Union, but the Eritrean government asserted that they were the result of a U.S. conspiracy. The sanctions were tightened in 2011. Ethiopia did not cede territories awarded to Eritrea according to the 2002 Eritrea-Ethiopia Boundary Commission's (EEBC) decision, and the relations between the two countries remained tense. In 2016, armed clashes between Eritrean and Ethiopian troops occurred near the town of Zalambessa and there were no negotiations between the governments. The Eritrean government instrumentalized the U.N. sanctions, which it considered "illegal and unjust," proclaiming a "resolute national rebuff" and maintaining its extremely high level of military mobilization coupled with the use of national service recruits as an unpaid labor force for party and military-owned enterprises. Eritreans living in the diaspora were called upon to contribute large sums of cash as their contribution to the so-called rebuff. Nevertheless, the government accepted negotiations in its conflict with Djibouti under the mediation of Qatar in 2010. Eritrean troops were removed from the border area, but negotiations have to date been

unfruitful, although the Eritrean government has meanwhile released several Djiboutian prisoners of war. In recent years, relations between Asmara and Qatar have cooled down significantly. In 2016, Eritrea entered into a military alliance with Saudi Arabia and the United Arab Emirates to fight the Houthi rebellion in Yemen.

There were no internal political reforms during the period under review, and the constitution ratified in 1997 was not implemented. In 2014, President Isaias declared the 1997 constitution null and void and indicated that a new constitution was to be drafted in due time. However, there was no progress concerning this matter. The small ruling elite composed of high-ranking PFDJ cadres and military officers continued to dominate political and economic affairs. The military was given a free hand to pursue all kinds of illegal activities including human trafficking, and has so far not posed a serious threat to the president. In January 2013, a group of middle-ranking officers attempted a coup and demanded the implementation of the 1997 constitution and the release of political prisoners. However, they surrendered and their leader committed suicide shortly after. Leading PFDJ cadres, particularly Yemane Gebreab (head of the party's political affairs) and Yemane Gebremeskel (Minister of Information) played an important role in political decision-making. Eritrea continued to be ranked last worldwide in Reporters Without Borders' assessment of press freedom for the tenth consecutive year.

Levels of state and military intervention in the economy have remained consistently high in recent years, while the private business sector continued to be severely restricted by import-export regulations and a lack of hard currency. In 2015, the government exchanged all existing currency notes against new ones and restricted the legal amount of cash to ERN 20,000 per person. Higher assets had to be deposited at a bank account. The degree of political suppression remained extraordinarily high and arbitrary arrests without due process of law continued. The political dissidents and journalists arrested in 2001 remained in detention, while hundreds of Christians and Muslims remained in jail for alleged religious extremism without being formally accused or brought before a court of law. It was not possible to leave the country without an exit visa, which could only be obtained after having fulfilled one's "national duty" (i.e., being released from the national service). Nevertheless, the mass exodus of the young generation continued as a result of the widespread frustration and disillusionment related to the unlimited scope of national service obligations, which have made it difficult for the majority of the population of productive age to feed their families. The UNHCR indicated a dramatic increase in the numbers of Eritreans who arrived at Ethiopian and Sudanese refugee camps. Total numbers of registered Eritrean refugees in both countries amounted to 255,000, with thousands of new arrivals each month. Human trafficking of Eritrean refugees continued with the involvement of Eritrean military officers, Sudanese officials and members of the Rashaida.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

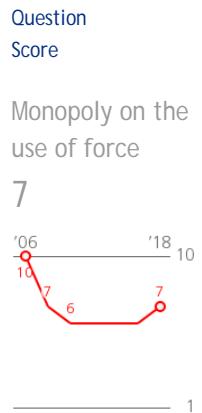
I. Political Transformation

1 | Stateness

The state's monopoly on the use of force remained in place countrywide. Militant opposition groups based in Ethiopia continued to exist, but showed no significant insurgency activities during the period under review, except in June 2016 when they were allegedly involved in a border skirmish between Eritrean and Ethiopian troops. Among these were the Red Sea Afar Democratic Organization (RSADO), the Democratic Movement for the Liberation of Eritrean Kunama (DMLEK) and the National Democratic Front for the Liberation of the Eritrean Saho (NDFLES). The clash between Ethiopian and Eritrean troops (probably caused by the desertion of Eritrean soldiers) did not result in a military incursion into sovereign Eritrean territory, which could have challenged Eritrea's territorial integrity and the government's ability to safeguard its monopoly on the use of force in the border area. Illegal activities on Eritrean soil and in the border regions such as smuggling of goods and human trafficking of Eritreans continued, with the involvement of army officials and the Rashaida ethnic group. The government showed no willingness or did not have the capacity to stop these practices.

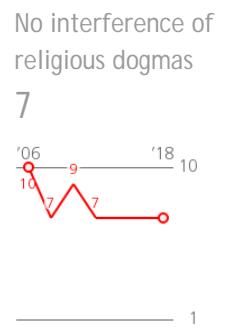
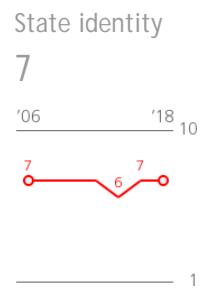
Tensions within the military seemed to have diminished, and it seemed that General Philipos Woldeyohannes, who was appointed chief of staff in March 2014, retained the upper hand against one of the most notorious smugglers and human traffickers among the military leadership, General Tekle "Manjus." The fact that the post for the minister of defense remained vacant underscores the army's lack of institutionalized power to ensure the state's monopoly on the use of force.

The mass exodus of the young generation continued and about 5,000 Eritreans fled their country per month, resulting in the continuous loss of large numbers of educated persons including teachers and health personnel. This further weakened the administrative capacities of the state.



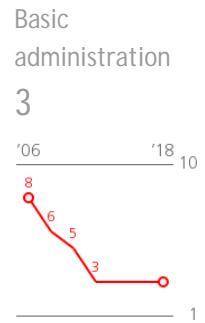
The legitimacy of the nation-state was not questioned by the population, as the state of Eritrea is seen as the legacy of a 30-year liberation struggle (1961 to 1991) that took a heavy toll on all segments of society. However, the ruling People's Front for Democracy and Justice (PFDJ), which equates itself with the state, enjoyed very little support and credibility among the population, especially among the youth. The unlimited national service requirements imposed on the younger generation led to increasing levels of alienation from the state, as well as from the broader Eritrean nation-building process. The vast majority of Eritrea's youth has considered fleeing the country and living abroad as a far more attractive alternative than fulfilling the extensive demands of the state and government without enjoying rights and benefits in return, and the mass exodus from the country continued unabated. Ethnic and religious minorities continued to be underrepresented in higher education and state institutions. Hostility feelings against Ethiopia as propagated by the government occur rarely among the younger generation, as more than one hundred thousand Eritreans have found refuge in Ethiopia and hundreds have been admitted to Ethiopian universities. Jehovah's Witnesses did not enjoy citizenship rights such as owning business licenses.

The state is defined as a secular order in which religion and state are separated. The PFDJ ideology prioritizes "martyrdom for the nation" over spiritual values and demands that citizens act accordingly. The government considers religion to be a highly politicized issue and tries to keep strict control over religious practice. Christian minority churches and Muslim believers considered "radical" continued to be under the scrutiny of the state, although levels of prosecution seem to have diminished. This may be due to the fact that after years of persecution, few individuals dared to openly adhere to "unwelcome" religious beliefs. Among the faiths affected were Evangelical and Pentecostal churches, Jehovah's Witnesses and adherents of Wahhabi Islam. The leaders of the religious communities accepted by the state, namely the Orthodox, Catholic and Lutheran churches and Sunni Islam, were controlled by the government. The four Catholic bishops in Eritrea, who had published a Pastoral Letter in May 2014 in which they decried the mass exodus of the youth and criticized unlimited national service were subjected to government pressure. In fall 2016 the government cancelled their participation in a conference on religious freedom in Frankfurt, Germany, on short notice. Abune Antonios, an Orthodox Church patriarch removed from office by the government after criticizing state interference in religious affairs and arrested in 2006, remained under house arrest. Some Muslim religious leaders and community elders who were also arrested due to their alleged disloyalty to the PFDJ remained in custody and were labeled as radical Muslim fundamentalists. Some high-ranking Muslim PFDJ cadres, among them Abdallah Jabir, head of organizational affairs, and Mustafa Nurhusein, governor of the Southern Region remained in detention without trial. On the other hand, the government accepted the application of customary and religious law (Shariah and



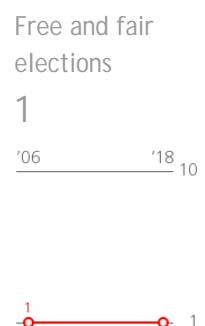
Orthodox Church-related customary laws) in civil jurisdiction and conflict mediation in the absence of a functioning secular judiciary system.

The state's administrative structures continued to cover the whole country, but the quality of the services it provides has been declining continuously both in the countryside and in the urban centers. Families of minority ethnic groups were often denied crucial administrative and social services, especially in the rural areas due to the government's mistrust and suspicion. They were accused of sympathizing with the opposition resistance movements abroad. The economy continued to suffer from control by the state (party) and the military, and its output was minimal. Juridical services were poor, and civil litigation was mainly handled by customary law institutions. Administrative services were hampered by the ongoing and steadily accelerating mass exodus of skilled individuals, poor management of scarce resources and high levels of corruption. In spite of significant additional revenues derived from gold and copper mining that began in 2011, and the resumption of development cooperation by the EU in late 2015, the government was unable to provide the population with basic goods and services such as electricity, cooking fuels, reliable access to drinking water or affordable food items. The government denied the existence of severe malnutrition during the period under review that was confirmed by UNICEF and refused to call for international food aid. National service-based development programs continued to focus on infrastructure projects of poor quality, while the existing infrastructure, mainly in the capital and other cities, suffered from severe neglect.



2 | Political Participation

Since Eritrea's independence in 1993, there have been no elections on the national or regional (zoba) levels and no free elections on the sub-regional and local levels. The PFDJ remained the only legal political party, and President Isaias Afewerki, who has been in power since independence, showed no readiness to accept elections or any change in the country's political status quo. He rules in conjunction with a small number of advisers from the PFDJ leadership, most importantly Yemane Gebreab (head of the party's department of political affairs), Hagos "Kisha" Gebrehiwot (head of PFDJ's financial affairs) and Yemane Gebremeskel (shifted from head of the president's office to minister of information in 2015), while the military continues to enjoy considerable political power and the defunct National Assembly has not met since 2002. In 2014, President Isaias announced plans to draft a new constitution to replace the democratic, yet unimplemented constitution of 1997, but no progress was made during the period under review. The cabinet of ministers, which was hand-picked by the president, had very little decision-making power and nobody was appointed to the office of minister of defense.



Political decision makers in Eritrea are not democratically elected or restricted in their policy-making by constitutional constraints. 25 years after its de facto independence, the country still has no implemented constitution. Veto powers that might undermine democratic procedures do not exist, as democratic procedures are alien to Eritrea's policy-making process. High-ranking military officers have maintained their influence, and might be able to prevent the government from making political decisions that could threaten the profits they make through contraband trade and the exploitation of national service conscripts.

Association and assembly rights are completely denied in Eritrea. Independent civic groups are prohibited, and the PFDJ is the only political party allowed in the country. The National Union of Women, the National Union of Youth and Students, and the Confederation of Eritrean Workers are government-controlled satellites of the ruling party. Assembly rights are severely restricted, and even gatherings of religious groups (Pentecostal Christians, reformist Orthodox Christians, followers of Wahhabi Islam, etc.) are prohibited. Participants in such meetings, including children, are often arbitrarily arrested with some participants kept in prison for years. Political demonstrations are inconceivable in an atmosphere of general suppression, surveillance by security agents and the widespread use of force by the police, the military and the state security services. Security agents are infiltrating private gatherings such as wedding and funeral ceremonies in order to surveil private conversations.

Freedom of expression is completely denied in Eritrea. The private press has been banned since 2001, and the state media continued to be controlled by the Ministry of Information. Eritrea continued to be ranked last in the world in Reporters Without Borders's press freedom indices, a position it has held since 2007. Numerous independent journalists jailed in 2001 were kept in detention, and the state media were restricted to reporting on the alleged progress of development projects and the "satisfaction" expressed by Eritrean nationals with the benefits received from the government. Private conversations in bars, cafés and during social meetings such as marriages were monitored by a countrywide net of agents working for the government and/or the military's security apparatuses. This included religious ceremonies such as the two Muslim feasts Eid el Fitir and Eid al Adha, which were closely watched by state security personnel who infiltrated gatherings and meetings with the help of Muslim PFDJ members. Many of those who openly criticized the government's policies were labeled as religious extremists and imprisoned without charge. In spite of the extremely high levels of suppression, during the period under review, the resistance group called "Arbi Harnet" (Freedom Friday) continued to exist, although it was unable to carry out significant activities.

Effective power to govern

1

'06 _____ '18 10



Association / assembly rights

1

'06 _____ '18 10



Freedom of expression

1

'06 _____ '18 10



3 | Rule of Law

Separation of powers including checks and balances is nonexistent both de jure and de facto, as Eritrea has no implemented constitution. A small number of high-ranking cadres of the ruling PFDJ and the government form a monolithic power apparatus, and the parliament is not convened. The cabinet of ministers is handpicked by the president, and ministers have very limited decision-making powers in their respective portfolios. The legislative, executive and the judiciary branches of government are controlled by the president, who rules by decree. State power is thus not subjected to law. The military generals continued to have some degree of political influence. Some branches of the judiciary, namely the special courts, are under the control of the military but have become largely inactive; however, military officers still exercise juridical functions over their conscripts. The commanders of the military operational zones (four generals) had some influence on government policies, especially in the field of regional administration.

The formal judiciary remains poorly organized and dependent on the government, which often means that the president interferes directly. The Supreme Court has been defunct for one and half decades. The special courts, headed by military officers acting as lay judges and operating without standard procedures, remained in place but were not very active. High-ranking military officers continued to exercise juridical power over army recruits. Police, state security and military personnel often arrested people, held them for several months and released them without ever bringing a formal accusation or bringing them before a court of law. Arrests of parents whose children had fled the country were uncommon during the period under review due to the ever increasing numbers of refugees. The state security and military officers routinely intervened in conflicts over land and other resources in favor of their relatives or members of their respective ethnic group. Family members of army deserters or of diaspora Eritreans who refused to pay the 2% tax levied by the government had their business licenses withdrawn in some cases. Given the weakness of the formal judiciary, informal customary juridical institutions remained the backbone of juridical practice in civil matters and to a certain extent in criminal cases. These institutions decide cases on the basis of traditional law, which focuses strongly on mediation and reconciliation between the conflicting parties. There are also government-controlled community courts that are supposed to provide rulings based on customary law, but these enjoy less confidence among the public than the informal customary institutions.

During the period under review, corruption in the civil administration and especially in the military remained widespread. High-ranking officers continued to engage in illegal activities such as smuggling goods, and their involvement in human trafficking continued. They facilitated the flight of tens of thousands of Eritreans willing to leave the country by paying bribes. Human trafficking from Sudan across the Sahara to

Separation of powers

1

'06 '18 10



Independent judiciary

1

'06 '18 10



Prosecution of office abuse

2

Libya continued. In November 2015, the government announced a “currency reform” which can be seen as an attempt to contain corruption. Old nakfa (local currency) notes were replaced by new ones, and all cash exceeding the amount of 20,000 nakfa (\$1,333) had to be deposited on bank accounts, forcing their owners to declare the amount of cash in their possession. Staple goods, especially fuel (gasoline, diesel and kerosene for cooking purposes) remained in short supply, and contraband trade in these commodities flourished. Eritrean officers regularly collaborated with Sudanese officials in these illegal activities. Army officers continued to accept bribes from military or national service conscripts in return for sick leaves or other exemptions from the service. Such actions had no legal consequences and were tolerated by the government as a means of appeasing military officers. There was no adverse publicity since state media did not report any corruption cases.

There is absolutely no protection of civil rights in Eritrea. A quarter of a century after independence, the country still has no implemented constitution, and civil rights are not guaranteed by any law. Top government officials, including the president, express their open disregard and disrespect for internationally accepted civil rights and the due process of law. There is no freedom of the press, no right to habeas corpus, and no freedoms of expression or assembly. Religious freedom is restricted to the four officially accepted faiths: Orthodox, Roman Catholic and Lutheran Protestant Christianity, and Islam. Even representatives of these religions are subject to surveillance, intimidation and arrests. The rights to life and security are ignored and torture is widespread in prisons and army prison camps. The lack of civil rights affects the entire population, but ethnic and religious minorities are often subject to relatively harsher treatment. The U.N.-appointed Mission of Inquiry on Human Rights in Eritrea declared in 2016 that crimes against humanity, “namely, enslavement, imprisonment, enforced disappearance, torture, other inhumane acts, persecution, rape and murder, have been committed in Eritrea since 1991.” Traditional juridical institutions are committed to justice, but neglect gender equality to a certain extent.

4 | Stability of Democratic Institutions

There are no democratic institutions in Eritrea. The president’s position has not been confirmed by elections since he came to power as a guerrilla leader in 1991, and no parliamentary elections have been held since independence. The PFDJ is the only party allowed in the country and its leadership is not subject to inner-party elections. The party held its last congress in 1994. The National Assembly, a parliamentary body comprised of members of the former Politburo and central committee of the PFDJ, has not convened since 2001 and is obviously defunct. Many of its members are either in jail, deceased or were forced into exile. Political power rests solely with the president and a few of his advisers within the PFDJ leadership. 24 years after formal independence, the country still lacks an implemented constitution. High-ranking military officers have broad decision-making powers in the regional

'06 _____ '18 10



Civil rights

1

'06 _____ '18 10



Performance of
democratic
institutions

1

'06 _____ '18 10



administrations and control legal and illegal economic activities. In the absence of democratic procedures, the economy is controlled by a highly interlinked conglomerate of the PFDJ elite, the government and the military. The president, who is aware of the generals' power base, continued to use divide-and-rule strategies in order to limit the potential threat they pose to his monopoly on power.

All of the few relevant political actors remained determined to obstruct the emergence of democratic institutions. The former supporters of political pluralization within the PFDJ (the so-called G-15) have been in detention since 2001, and many are believed to be dead or in poor health due to unbearable conditions and the denial of medical treatment. Other potential proponents of democratic change have either been arrested, forced into exile or silenced by fear for their own and their family's lives. The middle-ranking military officials and high-ranking PFDJ cadres of Muslim faith who had been arrested in the aftermath of the attempted coup in January 2013 remained in custody. In the aftermath of that mutiny, President Isaias arrested and imprisoned all the top Muslim PFDJ leaders by accusing them of being fundamentalists and jihadists. This contributed further to the dismantling of the PFDJ as the only existing political party. The political opposition abroad remains fragmented and lacks a clear agenda for political change. The youth movements for democratic change that appeared in the diaspora after 2011 remained active in social media and organized various anti-government demonstrations in Europe and the United States. One of them, Arbi Harnet (Freedom Friday) seems to have remained active inside Eritrea but could not carry out major activities.

Commitment to democratic institutions

1

'06 _____ '18 10

1 —————— 10

5 | Political and Social Integration

The PFDJ has been the only permitted party since independence. The political leadership has no intention of allowing a multiparty system to develop in the foreseeable future. Over the past decade, the population has been progressively alienated from the ruling party, which had initially been welcomed as the liberator of the country. It is now perceived as a "mafia organization" rather than a political party by the majority of Eritreans, with the exception of the considerable number of PFDJ supporters in the diaspora. The leading PFDJ members who were arrested in the aftermath of the January 2013 mutiny despite lack of direct involvement in the coup attempt remained in custody. The PFDJ, even as the only existing party, has been severely weakened by the president and is in no position to articulate and aggregate societal interests and has lost its former inter-connection with at least some parts of the society.

Party system

1

'06 _____ '18 10

1 —————— 10

Associations and interest groups acting independently of the PFDJ are prohibited. The party claims that the Eritrean people are a single mass sharing the same interests, and that it is the only organization representing the interests of all societal groups. It has suppressed the emergence of civil society organizations from the beginning and

Interest groups

1

firmly controls the mass organizations (the unions of women, workers, youth and students). In reality, the party and the military are groups which represent their own narrow self-interest, while the social interests of the vast majority of the population remain unrepresented. Among the population, local elders remain highly respected and have acted as mediators when social groups' interests have collided, for example in cases of land conflict. However, they are barred from intervening in political affairs. The clandestine network Arbi Harnet (Freedom Friday) engaged in communicating events inside the country that were concealed by the government, such as a cholera outbreak in various regions in 2016 to diaspora Eritreans.

There are no public opinion surveys in Eritrea.

'06 _____ '18 10



Approval of democracy

n/a

'06 _____ '18 10

n/a _____ 1

Social capital

2

'06 _____ '18 10



Social trust is rooted in networks based on customary law, common descent and religion. These networks used to alleviate social hardships, but have been continuously weakened by the structural militarization of the society through the national service requirement, which deprives large parts of the population of the opportunity to earn incomes large enough to enable them to support their extended families. Existing local networks such as "equbs" (saving clubs) are infiltrated by government agents, creating further mutual mistrust. However, there are social networks linking Eritreans in the diaspora and those inside the country. In fact, the main objective of the increasing numbers of Eritreans who flee their country is to establish themselves in the diaspora and send remittances back to their extended families, thereby making a major contribution to the stability of the ailing economic system. The government did not officially renounce its program of arming elderly civilians and making them patrol cities and parts of the countryside as neighborhood militias. However, there was little willingness by the affected citizens to participate in this program. The majority of the elderly civilian militias refused to report to their military units, to attend trainings and PFDJ-organized meetings in the major cities and towns, which can be seen as silent resistance to the government's militarization of the entire society. Accordingly, this measure did not significantly increase mutual mistrust.

II. Economic Transformation

6 | Level of Socioeconomic Development

Eritrea remains one of the world's poorest countries, and poverty is endemic. The Global Hunger Index did not rank Eritrea's nutritional situation in 2016 due to a lack of data. However, UNICEF reported in early 2017 that malnutrition had increased in four of six regions, and half of Eritrea's children were stunted. The government denied any negative effect of the weather phenomenon El Nino, which had led to severe droughts in the neighboring countries in 2015 and 2016 and did not grant foreign NGOs access to the needy population. The prolonged national service continued to hamper subsistence farming and pastoral activities, from which an estimated 80% of the population makes a living. The supply with basic consumer goods such as potable water, cooking fuels and electricity in the urban areas remained insufficient during the period under review. Statistical data are either not available or unreliable due to the complete lack of government transparency. Gender Inequality Index, Gini Index and the poverty rate are not available. UNDP's Human Development Index 2015 did not rank Eritrea due to a lack of data; 2013 Eritrea's rank had been 181 out of 186 (with a score of 0.351), an indicator of a very low level of socioeconomic development. Due to the unlimited national service requirement, which has been in place for 14 years and has forced the majority of the adult population to serve as recruits in return for pocket money, the poverty rate is very high and large numbers of Eritreans depend on the support of relatives in the diaspora for survival. Thus, the majority of the people are structurally excluded from opportunities to make a decent living, which has led to a continuous mass exodus. Most of the vocational training centers, the colleges and health centers are found in the capital and in the Southern Region where the dominant Tigrinya ethnic group is concentrated, while other groups have little access to education and are generally taken as conscripts to the Sawa military training center when they reach the age of 18. Subsequently, they are used as forced laborers in PFDJ and military-owned enterprises or in the civil service and administration. Ethnic minority groups such as the Saho, Afar, Kunama, Nara and Hedareb tend to be more vulnerable, poorer and suffer more frequently from malnutrition; among these communities, the child mortality rate is very high, as few parents have family members abroad who can support them financially.

Wealth is concentrated in the hands of a few corrupt army officials and PFDJ cadres who control the command economy and are engaged in contraband trade and illegal activities such as human trafficking. It is believed that large sums of money have been transferred to Chinese bank accounts under the names of the president and his son.



Gender inequality persists, especially in educational settings, as does indirect discrimination against citizens who do not belong to the dominant Tigrinya ethnic group.

Economic indicators		2013	2014	2015	2016
GDP	\$ M	-	-	-	-
GDP growth	%	-	-	-	-
Inflation (CPI)	%	-	-	-	-
Unemployment	%	7.1	7.0	7.2	7.3
Foreign direct investment	% of GDP	-	-	-	-
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ M	-	-	-	-
Public debt	% of GDP	128.4	126.5	127.1	125.5
External debt	\$ M	945.4	907.7	873.1	796.4
Total debt service	\$ M	87.9	46.5	34.8	28.2
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	-	-	-	-
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	1.4	1.5	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	-	-

Sources (as of October 2017): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Market-based competition remains virtually absent in Eritrea. The government, through the PFDJ and the military, retains the control over trade, production and cash-crop agriculture. PFDJ-owned companies such as Segegn Construction have a monopoly in the construction sector, where private-sector activities have been

Market-based competition

1

prohibited since 2006. Restrictions regarding the possession of foreign currencies were slightly eased in 2013, mainly to facilitate the influx of cash from the diaspora. Since early 2016, withdrawal of local currency from bank accounts has been highly restricted and limited to 5,000 nakfa (\$333) per month. The import and trade of goods remained severely restricted. The border town of Tessenei turned increasingly into a smuggling hub, where corrupt Eritrean and Sudanese officials cooperated in the contraband trade of goods. There have been reports that expired food items (biscuits, canned sardines, powdered milk, oil and juice) as well as medicines of unknown origin are smuggled illegally and are sold on behalf of the officers in the major cities including the capital city Asmara due to the general shortage of consumer goods. In spite of increased national income generated by the Bisha mine, a joint venture of Canadian Nevsun and the Eritrean Mining Corporation (ENAMCO), which initially produced gold and has been transformed into a copper mine, the scarcity of consumer goods continued, and the government continuously failed to import fuel to produce sufficient electricity; accordingly, regular blackouts continued throughout the period under review. Kerosene for cooking purposes and petrol were only available in the black market. Illegal activities by military officers including contraband trade and human trafficking continued and were tolerated by the government. Fuels, food items such as sugar, wheat, cooking oil and rice, and spare parts were smuggled across the Sudanese border and sold in the black market at very high prices (four or five times that of regular market prices). The confiscation of locally produced agricultural goods for the purpose of sale in the black market continued. Foreign investment, including from diaspora Eritreans remained low; rather, the government relied on remittances from the diaspora and continued to levy a 2% diaspora tax on all Eritreans living abroad. Diaspora Eritreans also contributed to the survival of their relatives by sending private remittances.

During the review period, the country's economy continued to be controlled by the ruling PFDJ and its enterprises in the trade, retail market, construction and cash-crop sectors and in the mining of copper and other precious metals (as in the case of joint ventures with the Canadian Nevsun company and other foreign companies still in the stage of exploration). The government, PFDJ and the military continued to form a monopolistic conglomerate, leaving no space for free entrepreneurship. The Hdri Trust Fund, under the supervision of PFDJ Financial Director Hagos "Kisha" Gebrehiwot, controlled all relevant companies operating in Eritrea. Large segments of the population continued to be kept as recruits in the unlimited-term national service, and were used as forced laborers by party-owned companies such as Segen Construction. In 2014, the only noteworthy foreign investor, Nevsun Resources was sued for complicity in torture, forced labor, slavery and crimes against humanity by a Canadian law firm representing two former national service conscripts. The lawsuit is still pending. The company had accepted the services of the PFDJ-owned Segen construction company for mining-related construction work, thereby making use of the forced laborers employed by this company. The government did not implement

'06 _____ '18 10



Anti-monopoly policy

1

'06 _____ '18 10



any measures aimed at preventing the emergence of monopolies, and did nothing to change the inefficient monopolistic structures it has created.

All foreign trade and trade in foreign currencies remained under the supervision and control of the state. In 2013 controls on the transfer of hard currencies were slightly eased for diaspora Eritreans entering Eritrea with hard currency in cash, but the foreign-currency black market continued to flourish with the support of the government, which was involved in informal money transfers by diaspora Eritreans to the homeland. The PFDJ-owned Red Sea Corporation controls the import-export trade, but contraband activities, which are mainly run by the military, continued to increase in importance due to the perpetual scarcity of all kinds of consumer goods. Due to the lack of free foreign trade goods remained extremely expensive, including basic consumer goods such as grain, rice, sugar and cooking oil. Farm laborers and local merchants were not allowed to transport agricultural goods from one zoba (region) to another without risking confiscation. The military was involved in the confiscation of such goods, subsequently selling them on the black market for a high profit. The government continued its policy of alleged self-reliance and isolation from free world-market trade.

There are three state-controlled banks in Eritrea – the Bank of Eritrea, the Commercial Bank and the Commercial and Housing Bank – while the PFDJ runs Himbol Financial Services. Himbol is in charge of handling remittances and tax payments of diaspora Eritreans, which are channeled through Eritrean embassies and consulates abroad or through appointed government “money collectors.” Private banks are not allowed, and there is no free capital market. The local currency, the nakfa, remained artificially fixed to the U.S. dollar at a severely overvalued rate of ERN 15 to \$1. In November 2015, the government announced a currency reform that forced all citizens to exchange nakfa notes in their possession against new ones. However, it was only possible to exchange ERN 20,000 in cash, the rest had to be deposited at a bank account. Since then, access to cash notes has been severely limited. The currency black market using the “hawala” system continued to flourish. Diaspora Eritreans usually prefer to engage in private money transfers via third persons, many of whom are based in Dubai and allegedly often government agents, when they remit money for the support of their extended families in the home country. Beneficiaries inside Eritrea receive the cash transfer in nakfa, but the exchange rate dropped from about ERN 44 to \$1 before the “currency reform” to around ERN 25 to \$1. Small retail traders and other small-business owners (owners of cafeterias, stationeries or shoe shops) are often involved in these practices. These activities are usually tolerated by the government, which seems to be involved in and profiting from the system as well.

Liberalization of foreign trade

1

'06 '18 10



Banking system

1

'06 '18 10



8 | Currency and Price Stability

The government continued to follow an irrational financial policy and kept fixing the nakfa to the U.S. dollar at a rate of 15 to 1, which means that the nakfa has been severely overvalued for years. This has contributed to a steady expansion of the currency black market. In an attempt to curtail the black market by diminishing the amount of cash in circulation, the government exchanged old nakfa notes against new ones up to an amount of ENK 20.000. The rest had to be deposited on a bank account and access to local cash remains severely restricted. Import-export trade and the foreign-currency market remained under firm control of the government. Due to the chronic scarcity of hard currency and the limitations on the import of vital consumer goods and spare parts, a large number of corrupt government and military officials are involved in illegal contraband activities that undermine the official austerity policy, inflate the black market and contribute to high consumer prices. Fuel was only available on the black market during the period under review. The “currency reform” of 2015 to 2016 can be seen as an attempt to contain corruption by limiting access to cash, but under the current command economy, black market trade is prone to prevail. The government has continued to deny the presence of any food scarcity in the country, and did not accept food aid from the international community even in the face of the El-Nino-caused drought of 2015. As a result, food had to be imported through contraband trade channels and was sold at constantly high prices in the market.

Statistical data by which Eritrea’s macroeconomic stability might be assessed are either nonexistent or unreliable, as the country has not published a budget since independence. In addition, all economic enterprises of any significance are controlled by the PFDJ or the military and are not subject to financial oversight, including the mining sector. In 2011, Canadian mining company Nevsun (a joint venture with the Eritrean National Mining Corporation) started gold extraction at the Bisha mine and shifted to copper extraction when the gold deposits were exhausted in 2013. Since having become operational, the company has created an economic value of about \$2.4 billion. Half of this amount was direct payments to the Eritrean government through corporate income taxes, royalties, employment taxes and distributions to ENAMCO. It remained unclear how the government used this substantial income. The prevailing shortage of basic consumer goods continued, and the government did not invest in the existing state-run factories nor did it create new business opportunities. The World Bank did not indicate an inflation rate for the period under review due to lack of data. Hard currency reserves remained very low and dependence on diaspora remittances high. The government was unable to import sufficient fuels to generate a stable electricity supply. The use of national service conscripts as forced laborers in return for only minimal pay continued and fueled the ongoing mass exodus. The continuous large outflow of several thousand Eritreans per month can be largely attributed to the poor macroeconomic situation and the impossibility of

Anti-inflation /
forex policy

2

'06 _____ '18 10



Macrostability

3

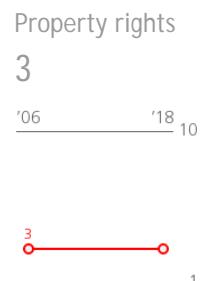
'06 _____ '18 10



making a decent living inside Eritrea for the majority of the population. The current situation is a vicious circle, in which the government's misguided economic policy, including the recruitment of the workforce into the national service, fuels the exodus, which in turn damages macrostability even more severely over the long term and cements the government's dependence on remittances.

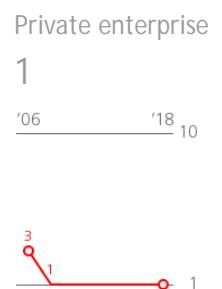
9 | Private Property

Property rights and regulations are formally defined by law, but due to the lack of a constitution or the rule of law, there is no protection against arbitrary confiscation of land and property. In spite of the land reform of 1994, which declares that all land belongs to the state, highland farmers are usually granted usufruct land rights based on customary law. There have been no major resettlement projects during the period under review, but generally the people are not safe from being arbitrarily expelled from land over which they enjoy usufruct rights.



The western lowland has been the focus of numerous resettlement programs in the past, in which the indigenous population was not compensated for their loss of land. The eastern lowland and highland escarpments to the Red Sea Coast have also experienced resettlement programs in which members of the indigenous Saho population group were similarly uncompensated. The same is true for those who have lost their land to the military, which has established cash-crop farms run by conscripts, mainly in the Gash-Barka Region. The handling of property rights by the government remains highly nontransparent and unpredictable. In 2015, Colluli Mining Share Company (CMSC), a joint venture between the Australian Danakali Ltd. (formerly: South Bolder Mines) and ENAMCO made some progress toward the construction of a future potassium mine in the Southern Red Sea Region on an area comprising 400 sq. km. The local Afar population fears that their customary land usufruct rights will be disregarded once the project becomes operational.

The government's hostile policy toward the private business sector continued, and all economically significant companies are owned by the PFDJ, the government or the military. Foreign companies active in the exploration of gold and other precious metals or raw materials are forced to enter into joint ventures with government companies in order to obtain a license. Outside the mining sector, foreign investment is discouraged. The government has a record of extracting money from diaspora Eritreans for investment projects which fail to be finalized, for example in the housing construction sector. There are only few private companies left in Eritrea, mainly small enterprises and shops, and it remains impossible for them to convert profits into hard currency in order to purchase spare parts and other materials. Tessenei, a city situated at the border with Sudan, continued to serve as a contraband trade hub. The smuggling business is run by high-ranking military officials and PFDJ cadres,



including the Minister of Trade and Industry Nesredin Bekit, whose history as a smuggler dates back to the independence struggle.

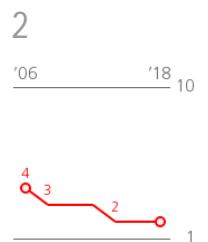
10 | Welfare Regime

The state does not provide a social security network that covers risks such as unemployment, illness, old age or disabilities, except for a Martyr's Trust Fund that raises money from diaspora Eritreans for the benefit of relatives of fighters and soldiers killed in action. The funds are distributed in a nontransparent manner. The provision of social security is left to traditional solidarity networks based on clan and enda (extended family) structures. However, these traditional security networks have been weakened substantially by the unlimited-term national service program that has now been in place for 12 years. Most male and many female Eritreans of working age (18 to 50 years and beyond) are conscripted and prevented from earning an income sufficient to care for themselves and their nuclear families, let alone their extended families. The state does not provide compensation for relatives of conscripts. Even the traditional solidarity networks are under the scrutiny of the ruling elite because they are based on ethnic, clan and religious affiliations, which could develop into political resistance movements in collaboration with the diaspora's political opposition movements. Consequently, many Eritreans are left with the options of fleeing the country to sustain themselves abroad or depending on diaspora remittances from their relatives to survive.

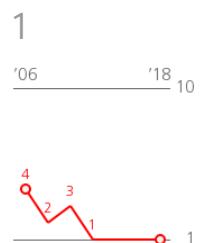
Eritrea has a functioning basic health care program, including malaria prevention and WHO estimated that 3.3% of GDP was spent on health care in 2014. The system suffers from increasing institutional weakness, as large and rapidly increasing numbers of doctors and other qualified medical staff have fled the country in recent years.

In principle, all social groups have equal access to the limited services provided by the state, including basic health care, education and food coupons in urban areas. Schools and the limited number of health care centers are concentrated in cities and towns dominated by the Tigrinya ethnic group, while other ethnic groups – especially pastoral and agro-pastoral social groups – are excluded from many services. Food coupons are often withheld for political reasons. In practice, women, Muslims and ethnic minorities are underrepresented in higher education and in the administration, which is dominated by male Tigrinya. Gross enrollment rates were 51.2% at the primary level, 35.5% at the secondary level, and the tertiary rate was just 2%. Allegedly, the literacy rate was 65.6% (73.8% female and 82.3% male), which stands in stark contrast with the low percentage of primary enrollment. The number of girls attending schools was significantly lower than that of boys: the gender parity index (GPI) was 0.9, 0.8 and 0.5 at the primary, secondary and tertiary levels, respectively. There were structural disparities between urban and rural areas. Increasing numbers

Social safety nets



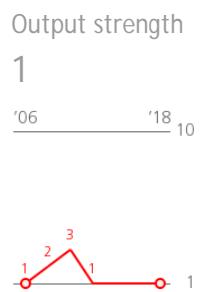
Equal opportunity



of qualified teachers have fled the country, as they would otherwise be forced to work without payment as national service recruits. They were often replaced by young college graduates with a lack of technical qualification, motivation and experience. This situation has contributed to a steady decline in the quality of instruction. Jehovah's Witnesses are denied all civil rights, and Christian and Muslim denominational minorities are persecuted. The 12th school year is held at the Sawa military training camp for all students nationwide, and female students often face sexual harassment there. This discourages all female students, but especially those of Muslim faith, from school attendance. Only a small minority of those students who pass the twelfth grade are granted access to tertiary education at so-called colleges, while the vast majority are directly conscripted into the army and the national service. Thus, most citizens are deprived of a personal career. According to the World Bank, the female labor force made up 47.4% of the total labor force. However, the Eritrean Ministry of Labor and Social Welfare has never published any data related to the labor market, and large numbers of women either served in the military as national service conscripts or performed labor in the informal sector as housemaids or service workers.

11 | Economic Performance

The command economy controlled by the PFDJ and the military remains in very poor shape despite the gold and copper mining activities at the Bisha mine (a joint venture of the Canadian Nevsun and the Eritrean National Mining Corporation). The World Bank did not give any figures for the economic growth rate in Eritrea due to a lack of data. However, Nevsun declared it had provided \$1.2 billion in direct payments to the Eritrean government through corporate income taxes, royalties, employment taxes and distributions to ENAMCO since the start of its operations. Yet, it remained unclear how these revenues had been spent. During the period under review, the government entered a military coalition with Saudi Arabia and the United Arab Emirates, and was reportedly rewarded with fuel deliveries. However, regular blackouts continued, possibly due to the poor maintenance of the only existing power plant in Hirghigo. Infrastructural neglect, resulting in a shortage of potable water supply in the capital Asmara continued, and no maintenance measures were applied. Basic consumer goods remained scarce and import activities were mostly performed in the form of contraband trade of consumer goods and fuel by the military via Sudan. These goods were subsequently sold in the black market at exorbitant prices, while formal economy activities were very limited. Statistical data remained nonexistent or unreliable due to the complete lack of transparency and the failure of the government to produce a state budget and other statistical data. Average annual consumer price inflation from 2012 to 2014 was 12.3%, according to IMF estimates. The continuing militarization of the society, which takes the form of requiring most of the adult population to work in the national service for no more than pocket money, distorted

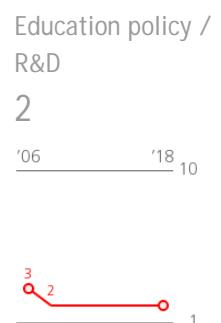


the labor market and fueled the mass exodus of the youth and the educated even more than in the past years, in turn increasing the fragility of the state's institutions.

12 | Sustainability

The government's environmental policy remained unchanged. While environmental protection is promoted in theory, it does not seem to be a priority of the government in fact. The actual state of pollution remained low due to the very limited levels of industrial production and limited exploitation of marine and coastal resources. However, the chronic shortages of fuel and kerosene worsened further in spite of the flow of revenues from the mining sector. This has forced the population to use firewood for cooking purposes even in the urban areas for extended periods, which has resulted in a process of countrywide deforestation. Contraband trade of illegally harvested wood with the involvement of the military was common. The informal production of charcoal for sale by poor households remained widespread and was largely tolerated by the government. It is unknown if the pollution created by the activities of the Bisha mine in the Gash-Barka Region is dealt with appropriately because access to the area is heavily restricted. One positive development is that the use of solar energy spread notably in the past years. The EU development fund for Eritrea worth EUR 200 million is also dedicated to improving the use of solar and other renewable energies; however, the bulk of this money remained unused during the period under review.

Data related to public expenditure for education were not available for the period under review, but have probably remained low at about 2% of GDP. Gross enrollment ratios were among the lowest in the world (51.2%, 35.5% and 2% at the primary, secondary and tertiary levels, respectively), and the female enrollment ratio remained significantly lower than that of males (0.9, 0.8 and 0.5 at the primary, secondary and tertiary levels, respectively). The same held true for enrollment ratios among disadvantaged minority groups in primary-level mother-tongue schools, especially among the pastoral and agro-pastoral groups. Mother-tongue schools are located in remote rural areas and very poor in manpower and facilities. They are mostly run by unqualified and unpaid national service teachers, many of whom have managed to flee the country. Many underage students are targeted and conscripted by the military in the rural areas without consulting their parents. Early school withdrawal rates have steadily increased in urban as well as in rural areas. This is mainly due to the fact that all students have to pass their 12th school year at the Sawa military camp in order to finalize their secondary education. About 2% of each age cohort transfers from here to tertiary education, while the rest are forced to enter the unlimited-term national service, where some receive vocational training. For these reasons, large numbers of Eritrean youth prefer to drop out of school or flee to neighboring countries as unaccompanied minors before they reach the age of 18 in order to avoid conscription. The literacy rate was estimated at 73.8% in 2016, but functional literacy is probably

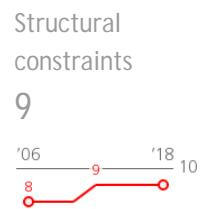


much lower. The quality of education continued to suffer from a lack of motivated and adequately trained teachers, especially in rural areas, where unpaid national service recruits were deployed; many of them left the country or concentrated their efforts on planning their flight; this resulted in poor instruction quality. The lack of paid employment opportunities since the introduction of the national service without time limit had a negative effect on students' motivation to study. There was no investment in research and development, and the University of Asmara remained closed. Research is seen as a dangerous and challenging issue, and scholars are not allowed to perform research without first obtaining permission from the president's office. The subject must be one accepted by the authorities. Tertiary education is limited to so-called colleges that do not grant internationally accepted grades, and only a very limited number of students have access to these facilities.

Governance

I. Level of Difficulty

When the current government came to power a quarter of a century ago, it inherited structural constraints related to the 30-year struggle for liberation such as poor infrastructure, widespread poverty and illiteracy. Another structural constraint is the dry climate which limits the productivity of rain-fed agriculture. However, it also inherited a fairly developed and diversified industrial sector that had been created under Italian colonization, and which continues to form the heart of the country's industrial production. In the first years following independence, the government developed programs to overcome the damage done by the war, setting out a cautious path of liberalization and democratization. However, these developments came to an end with the outbreak of the Eritrean-Ethiopian war (1998 – 2000), in the service of which the population had to pay a heavy toll, and in which parts of the newly erected infrastructure were destroyed. Since the end of the "border war," the government has made no move to loosen political, social or economic restraints, and has shown no interest in pursuing policies leading to democratization or the construction of a market economy. Indeed, the government is actively working against democratization by claiming that the educated and the merchants are the primary enemies of the government's development strategy. It has imprisoned or exiled hundreds of thousands of civilians and young officers who have criticized the government's economic policies. NGOs and national investors seeking to provide aid or other supplies to the population have been refused access because the government claims that Eritrea is self-sufficient. In 2015, the government declared its desire to reengage in cooperation with the EU and has accepted aid amounting to EUR 200 million. However, due to a lack of local NGOs or other organizations with the ability to develop projects on the ground, most of these funds remain untouched. By its misguided economic policies, lack of democratic transformation and the militarization of society, it has continuously built up new constraints to sustainable development. The government now forces its population into unlimited-term national service for one and a half decades, a requirement that has prompted a mass exodus of hundreds of thousands of Eritreans. Several thousand flee the country each month, which is decisively weakening state institutions and public services. The government's policies create additional constraints by strictly limiting opportunities for entrepreneurship, tolerating contraband trade and human trafficking by military

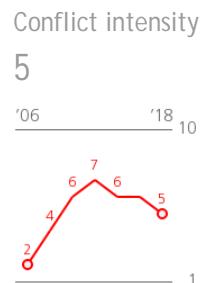
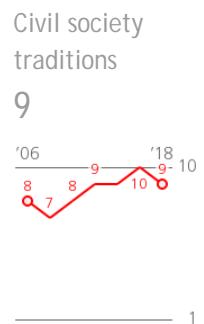


1

officers and by severely hampering the higher educational sector. By these failed policies, the government increases the risk of state failure from year to year and deprives generations of Eritreans of the ability to make a dignified living inside their mother country. Fresh revenues created by the mining sector are not used for the benefit of the population or for investment purposes, but most probably end up in the coffers of government and military officials, including those of the president himself. The sanctions imposed by the United Nations Security Council in 2009 and 2011 remained in place although in recent years, the government has been more reluctant to send military support to militant groups. However, it has yet to settle its border issue with Djibouti and is harboring armed Ethiopian troops on its territory – thus the sanctions have not been lifted so far.

Civil society organizations such as NGOs, labor unions and organized interest groups of all kinds are prohibited in Eritrea. Attempts to create civil society organizations that work independently of the government have been suppressed from the beginning of the state's existence. The national unions for women, youth and students and the worker's confederation are the leftovers of the former mass organizations of the Eritrean People's Liberation Front (EPLF) and are de facto branches of the government. They have become increasingly inactive during the past years. On the other hand, traditional civil society networks, based on elaborated mediation procedures performed by religious and local elders, have strong roots in Eritrean culture and continue to be a means of solving conflicts between various interest groups in the absence of a democratic judiciary system. These have also served as the backbone of the social security network given the lack of a state-run welfare system. The creation of PFDJ-loyal community courts in 2004 has weakened these traditional mediation networks to some extent, especially in urban areas. More importantly, the decade-long militarization of society through the national service program, which alienates the population from their social roots and prevents them from founding and caring for a family, has weakened traditional civil society networks inside Eritrea further. However, most Eritreans living in the diaspora continue to feel obliged to send remittances to their extended families in the homeland. These private remittances constitute the only existing social security network for Eritreans and provide a lifeline for increasing numbers of households.

According to government dogma, there are no conflicting interests between the various ethnic and religious groups of Eritrea, and the people are unified under the PFDJ's doctrine of "one people one heart." In reality, there are cleavages between the dominant ethnic group, the Tigrinya, and smaller ethnic groups which feel disadvantaged and excluded from the limited services provided by the state such as education and employment in the state administration. Muslims also feel discriminated against, as Arabic, their lingua franca, is suppressed in educational circles and is not used in the state administration. The attempted military coup of January 2013 was led by Muslim colonels, and consequently the government cracked down on various high-ranking Muslim PFDJ cadres who have remained in jail



without trial ever since. The Tigrinya ruling elite and President Isaias himself portrayed any kind of criticism and protest from the side of Muslim PFDJ leaders and intellectuals as jihadist and terrorist resistance, and some Christian intellectuals in the diaspora follow this line of argumentation. Armed insurgency groups acting from Ethiopia continued to exist, but were largely inactive. Most of these groups are comprised of Eritreans who belong to ethnic minority groups such as the Afar, Kunama and Saho, while others have a religious (Muslim) background.

The government's strategy of arming elderly civilians in the cities, mainly Asmara and Keren, but also in some rural areas, and have them patrol as "neighborhood militias," met growing and continuing resistance among the affected population. The measure did not result in a significant increase in violence, and it seems that members of the militia groups continue to fail to report for military training and refuse to patrol their neighborhoods.

II. Governance Performance

14 | Steering Capability

The government's long-term goals and implemented strategies run counter to the establishment of democracy and a market-based economy. President Isaias has made it clear several times that he has no intention of standing for election or of giving up power in the foreseeable future. It remained unclear how his succession will be organized. In 2013, Woldenkiel Abraha was appointed as new minister of local government, a post which had been vacant since 2001. According to the unimplemented constitution, the minister also acts as vice president, but it is highly unlikely that Woldenkiel, a veteran fighter and long-term member of the PFDJ's executive committee and former minister of transport and communication, who is currently in his seventies and lacks a broader support base, will be the political successor of the current president. In May 2014, Isaias had announced that a new constitution would be drafted, but so far, no results have been announced.

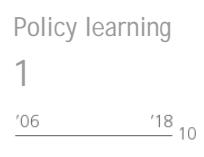
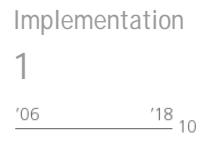
Eritrea's political leadership has ruled out the market economy as a viable model for the country. Instead, the government's ideology is based on militarism, state control over the economy and collectivization of the population within the framework of the unlimited-term national service. The inherent lack of sustainability in this system has led to growing levels of corruption and a decline in values among the leadership, the high- and middle-ranking military officers, and portions of the population at large. The government has continued to ignore the negative impacts of its policies such as the steadily declining economy, the lack of essential consumer goods, widespread poverty, and an ever-accelerating mass exodus which reached a new dimension in



2014. Since then, thousands of Eritreans have been fleeing the country each month. Yet, the leadership seems to be unaware of or heedless of the long-term consequences of its policies, a fact that may result in state failure if policies are not changed in the near future.

The government has no clear policy to implement. Daily politics depend on the changing moods and attitudes of President Isaias and his small circle of advisers who seem to be unaware of the unsustainability of their “development model.” In spite of the deteriorating economy and the mass exodus, the government has no plans to reform its policy by introducing a market economy or by entering upon a path of democratization. It retained its policy to achieve development and social justice purely through self-reliance. Its main development policy instrument remained the recruitment of the working-age population into the unpaid unlimited-term national service. Recruits are supposed to improve the country’s infrastructure by building dust roads, micro-dams and the like. By pursuing this policy of forced labor while simultaneously strangling any private-sector economic initiatives, the government has not only failed to achieve its goal of development, but has maneuvered the country into a deep economic and social crisis. During the period under review, the government tolerated the mass flight from the national service in principle and regarded Eritrean refugees abroad as an income source by coercing them to pay a 2% diaspora tax, which is levied on all Eritreans abroad. Eritrean embassies around the globe forced national service deserters to sign a “letter of regret,” in which they pledge to pay the tax, which is also levied on social welfare benefits provided by western governments. The government increasingly used the mass exodus as a political tool vis à vis western donors, who showed their willingness to finance aid programs in Eritrea to curb the outflow of refugees.

Since the political crisis of 2001, the government has demonstrated absolutely no willingness or ability to engage in policy learning. The policy-making process is controlled by the president and a small group of advisers. There is no constitution, no functional parliament, no independent press and NGOs, and the cabinet of ministers does not have any decision-making power. Thus, the leadership has not been challenged in its decision-making process and continues to ignore the serious problems arising from its failed development policy and the militarization of the society. It continues to blame foreign powers, mainly the United States and its Central Intelligence Agency, for all internal and external problems. President Isaias and his followers in the diaspora still consider Eritrea as a model for other African countries, ignoring the dire straits of a population forced to flee the country en masse. However, there has been a process of policy learning in the government’s policies toward European donors. The leadership has approached European policymakers who are worried about the rising numbers of refugees reaching Europe with the aim of extracting funds by making hollow promises regarding an alleged reform of the national service. This is not a process of complex learning that would include a reform



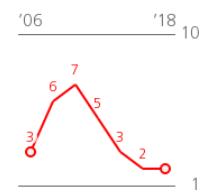
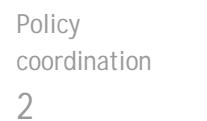
of failed policies, but is merely a measure to attract foreign funds to compensate for its own economic failure.

15 | Resource Efficiency

Substantial parts of the state administration are staffed with national service recruits who are forced to work for a pocket money. Since 2002, the government has been recruiting high-school graduates into the national service, employing them in the administration to perform routine daily tasks while the top administrative echelons are occupied by aging ex-fighters with often rudimentary education. This has seriously hampered the efficiency of public services. Rapidly increasing numbers of teachers, doctors and other qualified personnel trapped in the ranks of the national service program have fled the country, rendering state institutions and public services increasingly weak. Veterans of the independence struggle continued to be employed in the administration despite the lack of requisite skills, while large parts of the younger generation were deprived of vocational training or higher education and instead used as a cheap labor force for infrastructure projects, on military-run cash-crop farms or in the administration. Eritrea has not published a state budget since independence, and there is no auditing of government spending whatsoever. Regional administrations are run in a parallel system by civil administrators and military commanders who control the country's four military command zones. Each zone is supposed to be self-financing, collecting money both legally and illegally through the taxation of land and trade, but also through the contraband trade of consumer goods and spare parts across the borders. A basic public health service exists, but large numbers of qualified personnel have left the country, further reducing its efficiency. The mass exodus caused by the required unlimited national service constitutes a huge waste of human resources because those who receive an education try to leave the country rather than perform forced labor under the current system. Financial revenues created by copper mining have been unaccounted for, instead of being used to alleviate urgent problems such as a lack of energy and affordable food items.



Policy-making is concentrated in the hands of the president and a few top PFDJ advisers, among whom Yemane Gebreab, the PFDJ's head of political affairs plays a crucial role. The objectives of the government's policy have become increasingly obscure since the political crisis of 2001, when Isaias cracked down on the PFDJ reformists and the free press. During the period under review, the military has retained considerable influence and plays an important role in the economy, in contraband trade, and in human trafficking of Eritreans who wish to flee the country. The government's overall policy is coherent in principle, but only in a negative way: Its core policy, the militarization of society within the framework of a command economy based on forced labor, has had adverse effects on all other policies such as economic development and social welfare and has triggered an alarming population outflow. Coordination between the various ministries is poor, the president's



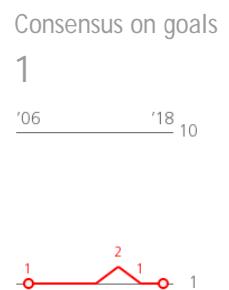
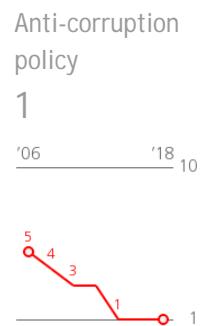
unpredictable decision-making often depends on his unstable moods, and most state institutions are affected by corruption. The post of minister of defense was still vacant as of January 2017. The president's office continued to appease high-ranking military officers by tacitly tolerating all methods of self-enrichment developed by the generals, including contraband trade, human trafficking, the use of forced labor by national service recruits to reap private profits, and bribes of all kinds. General Philippos Weldeyohannes has remained the strongman among the military leadership, and reportedly he contained the activities of the most notorious smuggler and human trafficker, General Tekle "Manjus".

The government's official goal of containing corruption has been effectively abandoned, and corruption by military or civil servants was usually not persecuted. The government's "currency reform" of 2015 to 2016, which forced the population to deposit all assets exceeding ERN 20,000 on a bank account can be seen as an attempt to contain corruption, but it seems that no punitive actions have been taken against individuals who had enriched themselves in illegal ways. There is absolutely no auditing of state spending or income, due to a complete lack of checks and balances. This includes the revenues derived from the mining of gold and other precious metals, which commenced in 2011. The PFDJ's Hdri Trust Fund controls all major companies in the country (trade, construction, retail etc.) and is "audited" by a single person, the financial head of the PFDJ. Eritrea continued to be ranked last worldwide in terms of press freedom, and state media are prohibited from reporting any negative developments. There is no public accountability for mismanagement or corruption, and even the military-headed special courts, which are supposed to deal with cases of corruption, have become largely inactive. High-ranking military officers continued to be engaged in contraband trade and in the human trafficking business. They accepted bribes in order to smuggle young Eritreans out of the country and cooperated with corrupt Sudanese officials and members of the Rashaida tribe to traffic these refugees.

16 | Consensus-Building

The country's significant political actors, which effectively means the president and his top PFDJ advisers, remained strictly opposed to the establishment of a democracy. Those political actors who had promoted reform from within the PFDJ (the so-called G-15 group) remained in jail without any access to the due process of law. Other critics of the government's policy were forced into exile or remained silent due to the authoritarian political system. The opposition in exile was fragmented, and there is no opposition party that has developed a political program dealing with the implementation of democracy in a convincing manner.

The attempted coup of January 2013 was an indication that there is opposition to the government's anti-democratic policies within the military. The mutineers demanded



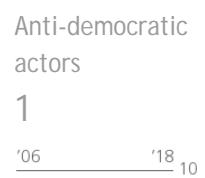
the release of the G-15 group and the implementation of the constitution. However, the military's most powerful generals either sided with the president or remained silent. The coup attempt did not bring any change to the ossified political system. On the other hand, an underground resistance group called "Freedom Friday", which had been founded in the diaspora and slowly gained support inside the country carried out various activities, albeit on a lower level than in previous years. The four Catholic bishops of Eritrea, who had published a Pastoral Letter 2014, in which they harshly criticized the government, have since remained silent. Generally, it can be assumed that the government has muted all possible resistance inside the country.

There are no proponents of a free market economy in Eritrea. The few businessmen who had successfully run private businesses during the 1990s and the early years of the past decade were driven into exile by the hostile economic policies of the government. The president has been following a policy of blaming businessmen and traders for all economic evils, including inflation. It is possible that parts of the military leadership favor economic liberalization, because they currently have no investment opportunities for the large sums of local currency accumulated through mostly illegal activities such as contraband trade and the extortion of bribes from conscripts.

The political opposition in the diaspora has no clear economic program and is often organized on Leninist principles of "democratic centralism." The civic organizations in the diaspora are more concerned with human rights and refugee issues than with economic concepts for a post-transition Eritrea.

The government itself is the most significant anti-democratic actor in Eritrea, and has stalled the process of gradual democratization and economic liberalization that it envisaged during the 1990s. The government, the PFDJ leadership and the military leadership are highly interlinked, and this small ruling elite is deeply anti-democratic. Potential reformers not only lack influence over government policies, but have been persecuted and effectively silenced since the crackdown on the reform movement in 2001. Military officers profit from the current policy of militarization, as it grants them plenty of opportunities for personal enrichment. The opposition in exile still does not promote democratic and economic reforms in any consistent way; it remains fragmented and lacks a clear political agenda.

The government denies the presence of cleavages within Eritrean society along ethnic and religious lines. By claiming that all societal groups have equal rights and form an inseparable unity of Eritrean nationalists, the state conceals the structural discrimination faced by ethnic and religious minorities. The administration, the educational system and the military are dominated by the Tigrinya ethnic group, which comprises around 50% of the population. While the entire population is subject to political oppression and human right abuses, there is structural discrimination against the other eight ethnic groups, which are predominantly Muslim. The political leadership instrumentalizes ethnic and religious cleavages in order to maintain its



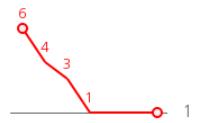
power and political control. It also plays individual clans within ethnic groups against one another by dividing them into alleged government loyalists and alleged opponents. The political leadership declares existing cleavages to be taboo on the one hand, while exacerbating them on the other by marginalizing pastoral groups, using the western and eastern lowland regions to host large cash-crop agricultural projects or resettlements, suppressing the Arabic language as a medium of instruction and administrative language, and pursuing a controversial mother-tongue policy.

Those Muslim officials in the military and the PFDJ, who had been arrested in the aftermath of the January 2013 military mutiny, remained in jail without due process of law, and ethnic Tigrinya continued to dominate the party and the state apparatus.

The government has prevented the emergence of an independent civil society since coming into power, and has banned all NGOs and other civic groups with the exception of the former EPLF mass organizations (the National Union of Eritrean Women, the National Union of Eritrean Youth and Students, and the Confederation of Eritrean Workers). However, these are under strict government control, and do not play any role in representing the interests of the groups they should represent in theory. Their purpose is rather to impose the government's ideology on their membership; yet, they have not shown significant activities during the period under review. Traditional civil society, represented by religious and local elders and mediators, remain excluded from the political decision-making process. Private charities and religious civil society groups remain prohibited. The PFDJ claims to be the only representative of the society, and denies the existence of other interest groups. The clandestine resistance movement "Arbi Harnet" (Freedom Friday), which strives for human rights improvements and democratization, has no chance to operate legally in the country and its activists face high risks of being arrested and tortured. Accordingly, only few activities could be carried out by the movement, such as reporting the outbreak of a cholera epidemic in summer 2016, which had been concealed by the government.

Historical injustices are ascribed to the time of Ethiopia's annexation of Eritrea and the period of independence struggle between 1961 and 1991. The current regime has committed countless atrocities against the population. It will be the task of a future government to achieve reconciliation between the current victims of the regime and the perpetrators.

'06 '18
10



Civil society participation
1

'06 '18
10



Reconciliation
n/a

'06 '18
10



17 | International Cooperation

The government's aim is to achieve economic and social development through a strategy of self-reliance, a condition it evidently intends to achieve by recruiting the working-age population into the unlimited-term and poorly paid national service program to perform coerced labor for government- and military-led enterprises. Generally, the leadership considers international cooperation to be undesirable, considering it to create dependency. One purpose of the government's refusal to cooperate with international donor organizations is to deny expatriates access to the countryside, thus hiding the effects of its misled policies such as malnutrition, mass displacements, the use of forced labor in infrastructure projects, and so on. Foreigners, including diplomats, are not allowed to leave Asmara without prior permission by the Eritrean authorities. In recent years, the government has tried to capitalize on European fears of rising numbers of refugees by accepting funds that were offered to improve the economy and create jobs for the youth. However, it cannot provide the donors with local counterparts such as independent NGOs who could implement development projects. Foreign investment is only tolerated in the mining sector, where foreign companies from Canada, Australia and China have been granted exploration licenses. However, they are required to enter into joint ventures with the Eritrean National Mining Corporation (ENAMCO) and abide by its rules and regulations. Bisha mine, a joint venture of Canadian Nevsun Resources and ENAMCO, began operations in 2011 and has remained the only operating mine so far. Nevsun is currently being sued by a Canadian law firm for having been involved in the use of forced labor and crimes against humanity. The firm acts on behalf of several Eritreans who claim to have been forced to perform forced labor in the construction of the mine. As of January 2017, the lawsuit was still pending.

The government has no policies oriented toward democratic and market reforms. It has cut virtually all relationships with bilateral and multilateral donors, and has expelled all foreign NGOs from the country. Apart from the mining sector, where companies from Canada, Australia and China have invested, there are hardly any foreign investors. The only official investment agreement is with Italy, but seems to be obsolete. All foreign investors are supposed to enter into joint ventures with Eritrean state companies or PFDJ-run enterprises. Canadian Nevsun Resources, which is running the only operational mine in the country, was involved in the use of forced labor during the construction of its Bisha mine and is currently facing a lawsuit in Canada related to the exploitation of national service recruits as forced laborers. The government has a long record of acting unpredictably toward international donors. It has expelled most bilateral aid agencies and NGOs, and in December 2011, it returned EU Commission funds accepted in 2009, originally earmarked for support of the agricultural sector and road maintenance, without giving an explanation. However, in December 2015, it accepted EU funds worth EUR 200 million, intended for investment in the renewable energy sector and in improving governance. Promises

Effective use of support



Credibility



made in 2015 to reform the national service by reducing its duration to 18 months were revoked in 2016. Thus, the government is neither considered credible nor reliable by the international community.

The U.N. Security Council imposed sanctions on Eritrea in 2009 due to its support of militant organizations in Somalia and other neighboring countries and tightened them in 2011 due to the country's non-compliance with U.N. demands. The sanctions have not been lifted because Eritrea has failed to solve its conflict with Djibouti. Attempts by the government to revive its membership in the Intergovernmental Authority on Development (IGAD), which it suspended in 2007 have remained unsuccessful, and are seemingly no longer actively pursued. Eritrea remained a member in the African Union (AU) but did not actively participate in the organization's bodies. The "no war no peace" situation between Eritrea and Ethiopia prevailed, and in June 2016 there were armed clashes between Eritrean and Ethiopian border troops, claiming the life of several hundred individuals. Both parties accused each other of having initiated the hostilities. There were no talks or negotiations between both governments, and the political stalemate persisted. Relations with Sudan by and large remained positive and border trade, including contraband trade and human trafficking flourished. Relations between Qatar and Eritrea have cooled down significantly since Emir Sheikh Hamad bin Khalifa Al Thani passed the office to his son in 2013; this was also due to the lack of progress in the peace process between Eritrea and Djibouti, which was mediated by Qatar. During the period under review, Eritrea agreed to participate in the conflict against the Houthis in Yemen alongside with Saudi Arabia and the United Arab Emirates. Reportedly, the UAE have been granted the use of Eritrea's Assab port for military purposes.



Strategic Outlook

Since 2001, the Eritrean government has pursued a destructive strategy that has blocked democratization, strangled the economy through control by the ruling PFDJ and the military, and militarized society to an extremely high degree. The practice of unlimited-term conscription into the army and the national service continued unabated, and hundreds of thousands of Eritreans have been serving for up to two decades without earning noteworthy salaries. This has resulted in a mass exodus of young people and skilled workers, with thousands of Eritreans fleeing their country per month since 2014. In theory, the government has declared emigration from Eritrea illegal, but it refuses to abolish the open-ended national service, demobilization and economic liberalization. It has increasingly tolerated the mass exodus since 2013 because after arriving at their destinies, the refugees turn into a reliable source of income for the state budget through a 2% diaspora tax that is often extracted through coercion, as well as for their family members at home. Diaspora remittances are exceptionally high and make up more than one-third of the national budget. At the same time, the exodus has resulted in increasingly weak state institutions and continuously deteriorating services. Both the health and education sector have suffered severely from the flight of teachers, doctors and nurses. The government has failed to evaluate the root causes of the exodus, and the president made it clear that he continues to demand self-sacrifice from the population as a legacy of the independence struggle, while high-ranking military officers and other PFDJ officials profit directly from engaging in inhumane human trafficking enterprises. In addition, the mass exodus of active youth prevents people from rising up against the government. The military leadership has been increasingly corrupted, and the morale of the defense forces is extremely low.

The government has also failed to stop the downward spiral of the economy. In spite of an estimated \$1.2 billion income from mining since 2011, it was unable to import fuels necessary to provide electricity, public transport or kerosene for cooking purposes. It has been unable to contain the widespread poverty and malnutrition, or to provide basic consumer goods at affordable prices. It simply denied the drought of 2015 caused by the El Nino weather phenomenon and insisted on its goal of achieving self-reliance (in the sense of autarky). Eritrea's relations with foreign donors improved to a certain extent due to Europe's interest to curb the inflow of refugees, which prompted European politicians to court the government in Asmara and offer unconditional development aid. The private economy remained suppressed, while military officers and high-ranking party officials continued to engage in self-enriching practices with impunity. Due to the absolute lack of transparency, it is unclear how revenues from the mining sector have been spent. It is highly probable that large parts of these rents ended up in bank accounts of the president or party and military elites. Human rights and liberties continued to be denied, and in 2016, the U.N. Commission of Inquiry on Human Rights in Eritrea stated that the government has committed crimes against humanity.

The opposition in exile remained fragmented and without a convincing program for democratic change and economic liberalization. The incidence of armed insurgency by militant opposition groups based in Ethiopia organized along ethnic and religious (Islamic) lines remained low during the past two years, possibly due to a lack of encouragement from the Ethiopian government. The complete lack of civil society institutions and the extremely high levels of oppression inside Eritrea have long obstructed the emergence of internal resistance movements. However, in the aftermath of the January 21, 2013, mutiny an underground movement called “Arbi Harnet” (Freedom Friday) established itself as a small but active resistance movement. The president’s popularity remained extremely low, especially among disadvantaged minorities and the youth. The diaspora remained divided between staunch PFDJ supporters and a fractioned opposition camp.

For large numbers of young Eritreans, leaving the country seems to be the only option to protest the regime’s policies and to strive for a decent life in spite of the dangers en route to their intended destinations. This ongoing process is weakening state institutions, and state functionality is likely to become severely hampered. On the other hand, the diaspora tax and private remittances of Eritreans abroad help to stabilize the regime by compensating for the government’s ruinous economic policies. The president’s physical health seemed stable, and there were still no mechanisms for his succession in place. This makes the outbreak of power struggles within the ruling elites (party and military) probable, should his condition deteriorate in the future.

The international community’s impact on the internal policy of Eritrea is very limited, and there has been no consistent pressure on the government to reform its economic policy, end its strategy of militarization and introduce democratic reforms. Pressure has been confined to containing its militant foreign policy, and the sole aim of the sanctions is to prevent Eritrea from arming insurgent groups in the Horn, which has been mostly achieved. The aspects of the sanctions aimed at freezing the assets of leading personalities in charge of Eritrea’s militant foreign policy have so far failed. At the moment, all officials who have enough political and financial power can engage in illegal activities such as arms smuggling and human trafficking with impunity. The mass exodus of the young generation has been causing a severe brain drain for more than a decade, and Eritreans inside the country increasingly depend on their relatives abroad for their survival.

The leverage of the international community to influence the internal policy of Eritrea is limited in spite of the resumption of economic cooperation by the EU. So far, the regime has paid only lip service to reforms, and pressure by Europe to act in this regard has been extremely low. The dramatic increase in the numbers of Eritreans seeking asylum in Europe has indeed attracted the attention of the affected governments. Yet, instead of pressuring the Eritrean government for reforms, especially in regard to the national service, European governments have proven unable to develop a strategy to influence the policies of the government in Asmara. The attempts of EU policymakers to reform the authoritarian government in Asmara through dialogue and offering financial support has so far failed, because the EU policymakers avoid openly discussing the main causes of the mass exodus with the Eritrean government. The international community has also failed to reinitiate efforts to bring the Eritrean and Ethiopian governments to the negotiating table with the aim of finding a solution to their unsolved border problem. If Ethiopia could be convinced to implement the border decision of 2002, the Eritrean government would lose its justification –

the alleged international conspiracy against the country – for the decade-long enslavement of its population in the national service. This might at last clear a way for long-overdue reforms, but steps in that direction have yet to be taken.