

## INCREASED ROLE OF PARTY-OWNED ENTERPRISES IN BUSINESSES & THE ECONOMY RAISES SEVERAL SERIOUS CONCERNS. FOR MANY, THE QUESTION IS WHAT IS HAPPENING TO THE EXPRESSED NATIONAL OBJECTIVES OF:

*BALANCED GROWTH*

*POVERTY ERADICATION*

*EQUALITY OF ALL CITIZENS*

*EQUALITY OF ALL ETHNIC GROUPS AND*

*DEMOCRACY BUILDING*

*"At present, there are four foundation enterprises under the umbrella of the EPRDF. Some of these enterprises arose during the period of armed struggle. Their purpose was to finance the movement."*

Meles Zenawi, "Gimghema papers", 2001<sup>1</sup>

By Genet Mersha, January 31, 2010

Hoping against hope, some have now begun to think that Prime Minister Meles Zenawi may be trying to replicate the Korean experience in national development, using his party-owned businesses. In Korea, the Park regime (1961-1979) worked on his programme of 'advancement of the motherland' on the back of the *chaebol*—wealthy family businesses—to benefit the entire Korean nation south of the 38<sup>th</sup> parallel, not a

particular political group, sect or class. Has Ato Meles been right in pushing the ethnicity envelope too far, which his party-owned enterprises are now endeavouring to give flesh and blood? Does he need to take corrective measures before the promising development opportunities the country has come across dissipate, or before the temptation of ethnic fragmentation sets in? This article and its follow up would attempt to look into the country's achievements of the Ethiopian developmental state to date and the role and state of party businesses. Since there is a tendency to take the Asian developmental states as a model for Ethiopia, an effort would be made in the follow up to this article into the policies pursued by the Park regime and how it shaped its relations with the private sector that it heavily depended on that made them the womb that carried and delivered, among others, such international giants as Daewoo, Hyundai, LG, SK, Samsung.

Ethiopia has allowed foundations which are controlled by political parties to own enterprises that compete with the private sector. The endowments helped to establish industries in neglected regions when Ethiopia was not at all attractive to investors. Some projects may not have received funding without the role of the endowments, given the absence of formal sources of funding. However, as the private sector grows and is in a position to contest all business areas operated by endowments, the early rationale for endowment-owned businesses has eroded ... EFFORT is by far the largest in terms of assets, number of subsidiaries, sectoral coverage and its national orientation (as opposed to other endowments which remain regional entities).

*At the close of 2009, six export companies were awarded prizes and certificates in recognition of their work that earned the country over \$150 million in oilseeds export. Of these, with \$31 million earnings, Guna Trading House [EFFORT's subsidiary] topped the list. Those that ranked second to sixth were private companies.*

News report, The Ethiopian Reporter, December 31, 2009

World Bank, 'Toward the Competitive Frontier: Strategies for Improving Ethiopia's Investment Climate', June 2009

Such companies [those incorporated under EFFORT] were first established with not more than three shareholders and yet they were called share companies. Even when they were established with a minimum of five shareholders as per the requirement of the commercial code of the country, they will be found being chaired by persons who do not have any share. A person who is in the post of director or chairman must be a person who own[s] at least a minimum share in a given company...When political parties become traders especially those in power, all other traders would be at a disadvantage.

Eyesus W.Zafu, Addis Ababa Chamber of Commerce, 'Endowment Companies Business Contrary to the Commercial Code of the Country' Addis Tribune, May 16, 2002

The Ministry of Justice has primary responsibility for combating corruption. A combination of social pressure, cultural norms, and legal restrictions limited corruption. Nevertheless, the lack of transparency in the cancellation of telecommunications, power, and other infrastructure tenders raised suspicions of corruption. In addition, government officials appeared to manipulate the privatization process, as state and party-owned businesses received preferential access to land leases and credit.

Country Report on Human Rights Practices 2005 – Ethiopia, U.S. Department of State, March 2006

## PART IV

**Part A. Can the ethnically-constituted Ethiopian authoritarian government ensure national development with equity benefitting all, while it is pushing all frontiers on behalf of ruling party-owned businesses?**

Indeed, for a long time this is one of those fundamental questions every Ethiopian has been mulling over. Nonetheless, it is unlikely the ruling party/government, as in all its politics, is prepared to provide a straight answer to all those who need it, are entitled to it and willing to hear it, irrespective of whether the response is agreeable. The crucial point here should be how transparent those in power have been and will be—not if there would be agreement—and the direction they are taking the country. Simply put, the issue is whether, as citizens, we can be told the truth; or how we can be reassured what they tell us is true, will be the truth and we can rest assured.

It is a difficult situation to be in a near permanent state of distrust about everything and all the time, especially anything official. That is the reality in today's Ethiopia, total distrust of the message and citizens wariness of the messenger. Ethiopians are excited about the brusqueness of business and development activities in the country in these last few years. Such energy and vitality has hardly been seen or possible in the past for various reasons. At the same time, because of what has happened over the decades including during the past several years, people live with a sense of reticence, their survival instinct on a higher gear with their defence mechanisms engaged. A shrink would have said this is the classic case of a victim's response to a situation, the mind braced to protect from what might be regrettable or resented later. Don't get it wrong;; it is not a state of submission, as some might think, but shrinks must say it a negative reaction, an outright rejection of a person or circumstances.

Let me put it in a more candid manner. Ethiopians worry over the growing role of politically fattened non-private, non-government economic agents and non-bona fide businesses. They taking giant bites everywhere they turn up is resented. They are pulling an economy with great possibilities in every direction to reduce it to a boon 'for members only'—the strong and the few united by the bonds of power and privileges.

The heart of public concern is over the 'ethnicisation of investments', guided by an 'ethnicised federal and regional policies'. This is what frightens many Ethiopians, a strategy of national development that is likely to evoke rivalry over resources to undermine the country's official objectives of balanced growth, poverty eradication and democracy building. Disquieting as such concern and responses are from the public, there have been messages from the highest levels of party and government to build trust and confidence in the leadership saying the thing that concerns most citizens is not what it looks.

In 2001, it is reported that Prime Minister Meles Zenawi had circulated a note in Tigrigna called '*gimgema*'<sup>1</sup> (critical assessment) to top officials of his party explaining why and how TPLF businesses have prospered relative to other party-owned enterprises: Endeavour, Dinsho and Wondo that came into existence in 1993. Looking back how this evolved, it appears his paper was rather an attempt to cultivate support and protect party-owned businesses, as TPLF's tool toward its overall empowerment, its feet firmly anchored in the economy of the new Ethiopia.

Therefore, his presentation of his doctrine to the party meeting was drills of sorts for his officials to help them understand better origins of TPLF's wealth that EFFORT, which his wife is running as deputy head of the conglomerate. Hence, the tasks of those briefed would be to use that knowledge to explain it to the intrigued and enraged person in the street, or to use it during their conversations with foreign officials and business peoples. He says,

*"One accusation that is aimed at [our] party ventures is that they are created solely for the development of Tigray in opposition to the declared ideas of the EPRDF to develop all regions of Ethiopia. It is an undeniable fact that from the outset, the Tigray establishments started with a larger capital that they accumulated during the long armed struggle. Since the TPLF team had stronger and much better manpower;*

"Despite the EPRDF's authoritarianism and reluctance to accept genuine multi-party competition, political positions and parties have proliferated in recent years. This process, however, is not driven by democratisation or the inclusion of opposition parties in representative institutions. Rather it is the result of a continuous polarization of national politics that has sharpened tensions between and within parties and ethnic groups since the mid-1990s. The EPRDF's ethnic federalism has not dampened conflict, but rather increased competition among groups that vie over land and natural resources, as well as administrative boundaries and government budgets."

**ICG, ETHIOPIA: ETHNIC FEDERALISM AND ITS DISCONTENTS**, 4 September 2009

During the 1997 Jimma congress of the EPRDF, for instance, the formal disassociation of the party's mass associations (for farmers, women, and youth) was agreed upon, albeit with the considerable reluctance of many rural delegates. The rationale given for this step was the importance of harnessing local affiliation, initiative, and even competition into the development process, by opening it up to alternative groupings. The formal decisions taken in 1997 were allowed in 2001 with party agreement to foster local development initiatives. This marked a reversal of the policy which had endorsed activities only at the Regional State levels, through the identikit twin structures of development association (TDA, ALMA, SEPDA, etc.), or regional NGO (REST, ORDA, OSHO, etc.)

SIDA, Ethiopia: Structures and Relations of Power. 2003

*they were more successful in their business activities. That is why there is discrepancy in the capacities of the disparate party owned ventures."*

Ato Meles knew rightly, EFFORT and its likes would become the stone in everyone's shoes. Recall in this connection that over the years as personal freedoms and democratic rights were trampled upon, one of the means of struggle was supposed to be boycott of 'TPLF/EPRDF-company products and services.' The idea of such a campaign was first launched in 2003, initiated by the Ethiopian Democratic Party (EDP). Ato Lidettu Ayalew, the mastermind behind such a campaign, felt strongly that EFFORT symbolises highway robbery. Today, he has joined the ruling party camp under the new agreement, persuaded the political environment is amenable for opposition to work to achieve their objectives of building pluralistic democracy in Ethiopia, a 360° change that has taken many Ethiopians by surprise and with great frustration.

What is interesting about the official explanations of the ruling party about its enterprises is that their rationale keeps on changing. For instance, earlier they said their existence is justified by their service to the armed struggle. Later, as they prospered, they claimed they were conceived to invest in development activities where private capital would not be interested. Consequently, with the preferential treatments the enterprises

have enjoyed through the years, they have now become more prosperous than all government enterprises and private businesses lumped together. With it has become the scope of activities and their mission extremely audacious.

In preparation to that goal, today most of TPLF businesses have or are in the process of receiving their international standards certification from a German company. This helps them to show the high quality of their company processes and management (ISO), and, hence, their outputs. The certification is mainly useful for international business transactions, in attesting to quality and genuineness of products, securing connections markets, foreign loans and credits and international partners.

As Ato Sibhat Nega boasted on the VOA a few months back, today with its wide-flung business operations, EFFORT is straddling in all sectors of the Ethiopian economy. This has put the TPLF everywhere on the economic map. Many foreign businesses and entities such as China's Shandong Province have signed memoranda of understanding on joint ventures in mineral explorations (gold in Afar and Tigray, natural gas...) and expanding trade relations that Guna is leading now. Similarly, a five-member Italian delegation had visited EFFORT headquarters with expressed interest in joint ventures in mining and textiles, the outcome of which is yet to be discerned. EFFORT has also its eyes and footprint on Juba, the capital of southern Sudan ('Untitled document', effort.org). The port of Berbera is in the process of becoming a possible outlet to the sea, where Wegagen, TPLF's bank, has set foot opening an office along the border with Puntland.

In brief, some of EFFORT's operations have extended with lots of transaction points spread as far in China, Europe as America. Prospects for TransEthiopia look bright, as part of the planning into bolstering long haul transport (goods and people) from Ethiopia to southern Africa. Guna is engaged in exports of coffee, oilseeds, natural gum, pulses, spices, khat (in collaboration with OPDO to Puntland), special stones and minerals, among others. In return, it imports construction materials (metal products, timber and building glasses) and agricultural inputs (fertilisers and pesticide chemicals).

They have established industries, are engaged in machine building and factories, expand existing ones, such as pharmaceuticals, cement production, textiles, leather processing etc. They have strong presence in the services

sector such as insurance, banking, manufacturing, consultancies, construction and, transport and fleet services, real estate and tourism.

Hold on a moment: didn't they say their business enterprises were needed to invest where private sector is not interested? Why is it that their businesses and interests are continuing as distinct entities in a parallel track to government's business enterprises and the private sector, both of which they have dwarfed in size, spread, capital base and distinction of performance within a reasonably short time?

It has never been clear to most of us, which of the above business areas and operations disinterest private capital, that EFFORT was forced to inject itself into everything tying the hands of other entrepreneurs? This article has not even mentioned microfinance, whose scope is not of interest to big businesses, since its capacity to compensate capital is none to insignificant. Even then, a couple of businesses tried to set up microfinance in the city and in towns, despite the fact that "Amhara Credit and Savings Institution (ACSI), Dedebit Credit and Savings Institution (DECSI), Oromia Credit and Savings Share Company (OCSSCO), Addis Savings and Credit Association (ADSCI) and OMO are all government affiliated."

They dominate the market with a market share in 2006 of 80 percent, and that only "the two largest players, ACSI and DECSI, have a combined market share of 60%, with about 515 000 and almost 400 000 clients respectively by December 2006". USAID reports that the government-affiliated MFIS's benefit "from implicit state government guarantee and subsidies", (USAID Bulletin #28). The above mentioned study recommends, "Expanding access to finance toward commercial, market-based financial services for the poor and MSEs as an integral part of the financial sector." (*Access to finance in Ethiopia Sector assessment study*. Vol 2, 2008)

Perhaps it might be the case that party-owned businesses may be following a certain business strategy that may be good for business with overt and covert government support. However, their overall objective, the employment criteria they follow and the disbursement of benefits, even when their wealth is made from nation-wide operations, still is ethnic. This only

"Actually, many of the successful businessmen in Addis Ababa have financial connections with the TPLF. If we take EFFORT, we see that it owns 51% share in Addis Pharmaceutical Factory, and Star Pharmaceutical and Medical Supply. Most of the remaining shares are those of Mulugeta Guade Mengiste [an Amhara] who has risen like a rocket in the business circle in Addis Ababa within a span of a decade. Mulugeta is in control of Addis International Trading while at the same time being a major shareholder in the BANK of Abyssinia and NILE Insurance. Yemru Nega Denbel, proprietor of the Yebcimag Construction firm has a multimillion Birr investment with its Denbel Building in Addis Ababa. EFFORT that owns Guna has the single most important block of shares of UNITED Insurance. Gebreyes Begna, the owner of the large private distribution company Ethio-Amalgamated has also a large block of EFFORT shares in his business venture. EFFORT also controls Meskerem and Mesebi Companies with Italian investors to whom the TPLF has provided political patronage. Through aggressive and unfair competition, EFFORT is literally squeezing private businesses out of existence."

*Paulos Milkias, Ethiopia, TPLF and the Roots of the 2001 Political Tremor, 2001*

accentuates what leads to greater disunity, instead of working together as a nation in the traditional sense of the term. It is an open secret there is a tendency to try to prevail in some at the expense of others, especially the private sector and government-owned entities. Notwithstanding some inaccuracies, that is exactly what the above box is conveying.

Face the fact, ethnicity is very alive in Ethiopia; it has become presently hotter than a live wire. This has become more evident even after efforts are made to assuage concerns on all sides. Since the 1990s, public administration has been re-organised under an ethnically-inspired federal system and regional structures, as provided by the constitution. Presumably to make the promised equality real, within the limits of the country's financial resources funding for each region is allocated centrally by the national treasury, based on, among others, physical size and population and made official in the *Negarit Gazeta*.

Therefore, why persist on that path of distinctness, when the legal and political conditions have improved to accommodate those that in the past had issues with the Ethiopian state. If their objective is the betterment of lives of all the people of Ethiopia, the tools are now there and the road is open for collaborative and united efforts, without arousing needless suspicions and resentments that would eventually become grits to the mill of uncertainty

in the fledgling private sector, the larger business environment and, hence, national instability.

*"Government has been a preponderant economic actor in our country. When private sector businesses are engaged in similar activities as public enterprises such as banking and insurance, preference is given to government companies."*

*Eyesus Work Zafu, outgoing President of the Ethiopian Chamber of Commerce, Oct.22, Bloomberg*

Many citizens worry about one thing. There is visible and an evolving conflict between government's professed commitment to the equality of all ethnic groups and its push of 'separate development' through party-owned enterprises. For all practical reasons, this approach belies the much-needed development of the private sector, which would not seek ethnic certification for employment, including distribution of goods and services. In today's Ethiopia, the private sector is the most repressed both financially and politically. As a result, it finds itself squeezed between government enterprises and the ruling party business outfits. Practice is the witness; when the chips are down there is a pre-selected winner. That is what experience has shown the Ethiopian Chamber of Commerce, as the self-censored words of its president shows in the box to the left, unlike the second box on page one from 2001 where he speaks of party-owned businesses directly.

It is extremely troubling why the ruling party is so driven about pushing new visible and invisible policy doors. It has opened immense political and legal

support to its business enterprises, including the country's banks made to give them priority over others. Could that be the reason why only TPLF/EPRDF members preside over the boards of party-owned businesses and major government enterprises including banks?

In a recent interview with Bloomberg on Oct. 22, Ato Muluaem Berhane, general manager of Guna, offered his loyalty to the party line his denial of this. As hardly reassuring his denial is, in fact it evokes the ordinary, not any different in substance from the claims of truth on the truth of a burglar's who, upon being caught red-handed, enters before the judge a not guilty plea. Ato Muluaem simply dismissed the allegations as 'politically motivated.' He did not even make an effort to show where and in what area Guna, the company he heads, and other EFFORT businesses excelled or which investment they undertook that the private sector would not touch. See what this means from the

*"If we[Guna] and Ethiopian Grain Trade Enterprise enter into the market everything will be legal, because we follow all the rules and regulations of the country. Guna and other parastatals don't enjoy favourable treatment..."*

*Muluaem Berhe, Bloomberg, Oct, 22,*

*"There is no crowding out of private businesses by anybody. This is a country increasingly becoming ruled by competition, by efficiency and price."*

*Bereket Simon, 22 Oct, Bloomberg*

words of the high priest on information management in the box on the left.

The unanswered question is, if the reality is as Ato Muluaem depicts it, why should Ethiopians get incensed by what they see and hear? Why do foreign observers express similar concerns about the negative implications of party businesses in Ethiopia? The simple answer is because when the use of capital is qualified by

certain criteria, especially in a poor country with no institutional and legal protection against unaccountable power, certainly what those investment criteria bolster or omit, is of serious magnitude in terms of consequences. That is exactly what would happen when investment is conceived through 'ethnicised capital', implying that it would be tied to the development of a certain area and a certain ethnic group(s).

There is another scenario to consider. How could government do its planning for national development when most of the money is party-owned? Yes, today they are owned by the ruling party, which is a duality of both party and government. Perhaps, since they own the wealth these enterprises have built, government may have some influence on the direction of their investments. The question is whatever would happen in the unlikely event they are booted out of office in the 2010 election? As opposition, would they use those resources to block chances of success from their successor, a likely prospect, or would it create a governance arrangement of common interests?

Speaking in terms of the economy, if this situation is allowed to continue, going forward it would produce a society of unequals. Speaking in terms of political power and governance, it would distort the remaining ghost of constitutional provision that all citizens and ethnic groups are equal in the eyes of the law. Therefore, measured by any yardstick, the foregoing Ethiopian concerns are warranted. After all, politically selective investment cannot be motivated by economic interests alone. They are designed to ensure political and economic dominance over all others. This leaves out some others because they have no resources to change their conditions or do not enjoy priority political support.

The mistake was made right from the beginning. In the 1990s, when whatever level of capital was raised from the proceeds of privatisation of state properties, the TPLF became the exclusive beneficiary, according to several

*"...Non-Tigrayan investors were denied the opportunity to benefit from the programme [the sale of state owned businesses]. Parallel to privatisation and ownership diversification of public enterprises, there emerged a huge conglomerate of enterprises owned by the TPLF through its prominent members and supporters fronting as shareholders. They are now interlinked with the Endowment Fund for the Rehabilitation of Tigray (EFFORT), which was formed in 1995 with an envisaged total investment of 2.7 billion birr"*

*Abiyu Geleta, presentation at the Kennedy School of Government at Harvard, 21 November 2000.*

accounts of people that claim to have first hand information. They have exposed the manner in which state owned properties were plundered. They liken those acts to official robbery. True, EFFORT had some initial seed money from funds collected by REST from contributions of Tigrayans in the diaspora and donor aid, but the bulk of it is the proceeds of illicit activities, by the accounts of former leaders and

members of the TPLF, including Aregawi Berhe, who speaks of how much tainted TPLF's coffer is.

Is this the path Korea traversed to becoming a shining example developmental state? It is difficult, except in a few instances, to relate Ethiopia's experience with what we read about the Korean developmental state.

## How far is the Ethiopian experience removed from Korea's?

Lee Byeong (editor) and his ten colleagues have identified eight major characteristics that defined Korea's developmental state under Gen Park Chung-hee's government from 1961 to 1979. This is the period when Korea made its breakthrough into the global economic system. Their characterisation of that phase of the developmental state during that period was extremely difficult and, inhuman in some cases, but it also takes into account the positive and negative aspects with open-mindedness, including the 'whats' and 'hows' of its transformation. Those skeletal eight identifiers are reproduced from their book, *"Developmental Dictatorship and the Park Chung-hee Era: The Shaping of Modernity in the Republic of Korea"*, 2003. What astonished me most are the great similarities within the scope of a strong state and the differences where the Ethiopian developmental state has veered off when it comes to real development, as reflected hereunder:

- **DEVELOPMENT ORIENTED STATE POWER:** *State holds and exercises power over the public to integrate and mobilize national energy from above in the name of economic modernisation. A state is characterised as developmental when it establishes its ability to promote development as the basis of its legitimacy.*
- **AUTHORITARIAN POLITICS IN WHICH INDUSTRIALISATION OUTWEIGHS DEMOCRATISATION:** *To maintain political stability and order, the government controls open conflicts of interest in society and suppresses public participation and freedom.*



- **INSTITUTIONAL COHERENCE IN STATE STRUCTURES**, state autonomy free from the pressures of private interest groups, and bureaucratic autonomy and competency with long-term horizons used in economic policy.
- **CAPITAL DISCIPLINE BY GOVERNMENT**: Government subsidies are, in principle, linked to the performance of the beneficiaries.
- **FINANCIAL RESTRAINTS, MOBILISATION OF FINANCIAL RESOURCES, AND SUPPORT FOR THE NATIONAL STRATEGIC INDUSTRIES**.
- **PUBLIC PRIVATE COOPERATION AND PARTNERSHIP FOR DEVELOPMENT**: This is the so-called embedded autonomy of the state with private enterprises.
- **SELECTIVE INTEGRATION INTO THE GLOBAL ECONOMY** beyond the dichotomy of simple protectionism and reckless opening: A developing country can take advantage of the various benefits that accrue from being a latecomer while avoiding and coping with the disadvantages
- **GOVERNING THE MARKET BY STATE AND BILATERAL COOPERATION** based on national interests: The government selects and nurses strategic industries, while pursuing dynamic competitive advantages.

**Can the developmental state paradigm get Ethiopia to its envisioned goal? Alternatively, would it be bogged down its authoritarianism and ethno-centric orientation weighing on it heavily?**

At least, theoretically, the ruling party is determined to continue on its goal of changing Ethiopia to a developmental state. The irony here is that in its current form and shape, Ethiopia cannot become a developmental state. It does not have the national capacity to design the policies required and the level of competence and authority required to implement huge projects and programmes using its existing bureaucracy.

"One of the key elements of a developmental state - and an essential prerequisite for managing the developmental process - is the existence of a 'pilot agency', like Japan's celebrated Ministry of International Trade and Industry (MITI), which was the main focus of Johnson's original analysis. The pilot agency is charged with task of directing the course of development itself, and employs and devises a range of policy tools to ensure that indigenous business is both nurtured and managed in the overall 'national interest'. In those countries that have had the greatest 'state capacity', or the ability to devise and implement various industry policies - primarily the aforementioned Northeast Asian states and Singapore - they have also had extensive, relatively efficient bureaucracies, staffed by the nation's brightest and best. Not only did such pilot agencies generally enjoy a degree of prestige and legitimacy that actually allowed them to recruit outstanding personnel, but they were able to utilise policy tools that gave them additional authority over the indigenous business class their actions helped create."

*Mark Beeson, The rise and fall (?) of the developmental state: the vicissitudes and implications of East Asian interventionism, 2004*

Moreover, developmental states are becoming rare in the world, after the Asian experience of three or four states. Experts believe this is the result as much of changes in global structures of production and marketing, engendered by globalisation. Equally important is also the heightened level of public consciousness and international cooperation in striving to ensure respect for fundamental human rights around the world. It is also in the nature of the developmental state that its means of realising its objectives is through authoritarianism and brutality, suppression of freedoms, which can no longer be kept secret in the age of the internet. In today's world, this has the power of destroying image, a vital tool in businesses undertakings and development activities. Bad image affects exports, financial flows and foreign investments. In addition, the developmental state model of development through party-owned businesses is not only unique characterised by lack of expertise and initiatives, but also more open than any other institutions or business entities to corruption, thereby sanctioning officially the twin evils of society: corrupt politics and corrupt finance.

A closer look into the political evolution of the system and its power base shows, on one hand, there are politico-ethnic supporters of the regime, that are fully behind such strategy. This is merely because of the traditional sense of loyalty, sautéed in heavy emotional ties usually common to many ethnic societies in developing countries.

Their shortcoming is that they cannot tolerate criticisms of the regime, or see the full implications of the problem such as that arising from the strategy of 'ethnicization of capital'. May be, unable to reason out and reflect, even on the basis of their own nearly two decades of government experience at the national level, they only see things from the point of view of their own short-term interests, not of the nation's as one entity and on a long-term basis. They ignore the fact that by such action, they undermine the stability and survivability of the very system they so desire to foster and prosper.

### The soul of the 'Lee Thesis'

On the other hand, as intellectual godfathers, a good many experts respond affirmatively to the above questions regarding a country such as Ethiopia stepping to experiment on the path of the developmental state. They are convinced that the developmental state can marshal the energy and resources required to foster development. They see its initial neglect of human security as temporary phenomenon. Not in so many words, they acquiesce to the trade of between bread and liberty. They stress, for a poor country the primary focus must be getting bread first and worry about freedom later.

*"The best proof of the state's leverage and its political capacities is not whether it can accomplish desired changes in society by itself but whether it is able to muster the resources and forge the coalitions necessary to attain those goals at all."*

*Jon Pierre and B. Guy Peters, Governance, Politics and the State, 2000*

Experts have given this thinking the nomenclature the 'Lee Thesis.' Its stress is on the vital importance of long-term separation between democracy and development, if not official permanent divorce. To cover the obvious shortcomings of the 'Lee Thesis', even Ethiopian officials seem to sugar-coat it prefacing its link with the right to development of each ethnic group. When confronted by concerns over the right of the individual, they belittle it as bourgeois concern; or for the negative consequences of ethnicity, they retreat into hypothesising that it would become secondary, as development advances. However, although developmental states did not begin out as ethnic entities, their immediate concern is how they should push growth and development taking advantage of every situation at hand on behalf of the whole nation. The 'Lee Thesis' contends with Jesus saying 'Man can live

by bread alone!"

The 'Lee Thesis' is associated with the thinking and practices of former Prime Minister Lee Kwan Yew of Singapore, who ruled that country from 1959 to 1990, making it one of Asia's most advanced countries. He argues that the successful development of the "Asian Tigers" (Hong Kong, Singapore, South Korea and Taiwan) is outcome largely of a governance environment free from badgering by the complications and cumbersome processes of democracy. In brief, its tenet is that democracy and development cannot make good bedfellows. As a modern day Plato, Mr. Lee Kwan got away with it showcasing Singapore's advancement as his masterpiece.

What is not played out is that he had hardly based his country's development on the ideology of ethnicity, but submission, a multi-ethnic state mainly composed of ethnic Chinese, Indians and Malay—a country of a little over three million people without any natural resource endowments. Mr. Lee Kwan had not reached out back, back to Plato for inspiration or justification, at least officially. In his *Republic*, Plato had portrayed his 'the ideal state' as model for the then Athenian city state, as an ordered state, wherein everyone fulfilled their functions and worked for the good of the whole, writes

"My outlook, my mental approach is different from theirs [Chinese]. I would laugh at the west. Just like, you know, they say "Singapore is a fine city." Everything is fine, no chewing gum, no litter in the streets, it's antiseptic, it's sterile. I don't take offence.

People come here, people stay. It's safe, 3 a.m. in the morning, you can go jogging by the marina, nothing happens to you, no rape, and no muggings. News gets out: "We are dull."

Now, we are not dull, we are quite cool. We're going to have reverse bungee, all-night dining by the river and by the marina, two integrated resorts, Formula One. How do you explain that? Whether they like it or not, they have to shift the nuances.

Lee Kwan, *Sun Bin*, May 10, 2008



Michael Curtis in his *The Great Political Theories*, vol .1. In Plato' view, education prepared individuals t assume their responsibilities.

Nonetheless, keep in mind "The ideal state was also a structure of rigid control, static social position, censorship of literature and art, limitation of power to elites capable of grasping the definitive body of knowledge necessary for ruling." In this day and time, the many succeeding in their valiant struggles and those favoured by their specific conditions, times and the world have changed to be tolerant even of the remotest stench of the oppressive slave-running Plato's republic, let alone Lee Kwan's authoritarian developmental state.

The interesting fact is that disciples of the 'Lee Thesis' are not necessarily fascists or communists. What all of them have in common is their messianic sense of mission, advocacy of the good of their country, while using physical and mental violence to achieve their objectives and against their critics.

### Ato Meles and the 'Lee Thesis'

Might it be helpful today to ask Prime Minister Meles directly, at least for conversation's sake, if he subscribes to the 'Lee Thesis'? Rest assured, he would take exception to that question and respond with his usual virulence to register his vehement denial. For the record, he would remind citizens of his commitment to electoral democracy, personal freedoms of citizens and respect for fundamental human rights, which he along with earlier other and present opposition forces have enshrined in the country's constitution in its early days. To claim that credit, two years ago he told Jonathan Dimbleby,

*"I believe in a strong developmental state. Developmental states do not intervene in the market in a wanton fashion. They intervene in the market to address pervasive market failures," Mr. Meles said, responding to questions on the book he has recently written on the subject. "It is a combination of market instruments and non-market instruments to optimise the outcome. That has been the model of, let's say, Korea and Taiwan."*

*Meles Zenawi, Financial Times, February 6, 2007*

*"There is pluralism in Ethiopia at all levels of government and in the parliament. For example, when we decided to go to Mogadishu, 89 parliamentarians opposed the decision. If that is autocracy, it means we have differences of opinion about democracy...Alternative ideas are well tolerated; they are alive and kicking with the same level of vehemence, as then [during the 2005 election]"*

Bear in mind, however, at no time had Mr. Lee Kwan come out publicly to tear democracy to pieces. Instead, he calmly stamped his disdain for it with brute force that ensured submission of Singaporeans for over three decades to his will. As to democracy, he simply sideswiped it saying, "Democracy is not compatible with Asian values." Elsewhere, he is said to have added, "A strong leader or government is necessary to spur economic development."

That is his belief; that was what he had practiced while he was in power, because of which he was among the first targets decades ago of concerted criticisms by the morally repulsed international community for his brutality in suppressing political dissent and violations of fundamental human rights. However, he remained in power until he resigned voluntarily, giving the unmistakable evidence, feverishly pushing economic growth are those who seek legitimacy they cannot get otherwise. Lee Kwan believed in a strong centralized state that can "extract obedience from the people" (*The Case for Democracy*, ppcd.org).

Ato Meles and his party recognise that we live in a completely different era. Therefore, they show awareness that official denial of democracy is simply a no-go zone. Nevertheless, reality has shown that the degree of difference between the records of Lee Kwan or Park Chung-hee and Ato Meles today could only be inconsequential.

As a shrewd and calculating person, Ato Meles often invokes higher causes for his actions. That dazzles the gullible, at home and abroad, a condition that has shielded his true motives from scrutiny. For instance, at a breakfast he tendered at the Ethiopian Embassy in Washington D. C. on November 13, 1995 to Ethiopianists—professors, researchers, experts, journalists who have had some ties with Ethiopia—his response to the question where democracy lies in the new federal arrangement is not only consistent with the reality obtaining in the country then

but also a reliable predictor of his continuing mode of governance and whatever has happened in the 14 years since then. He was quoted saying,

“The ethnic basis of Ethiopia’s democracy stemmed from the government’s fight against poverty and the need for an equitable distribution of the nation’s wealth: peasants must be enabled to make their own decisions in terms of their own culture. Power must be devolved to them in ways that they understand, and they understand ethnicity. Meles added that he believes that ethnicity will become less an issue as the economy grows and Ethiopia’s process of assimilation does its job.”

Prof. Harold Marcus’s note: ‘A Breakfast Meeting with Prime Minister Meles

In a brief less than one hundred years, Ethiopia has seen three experiments in forms and system of government—from feudalism to hard-line socialism initially and then mixed economy and now ethnic-centred developmental ‘statism.’ Clearly, the first two have not suited the country. The current one is also in the process of exposing its inadequacy on matters of human security and wellbeing. In my view, this makes Ethiopia a real African laboratory for development experts whether the ‘Lee Thesis’ has any basis in reality or, if the developmental state can be built in a country long steeped deeply in an authoritarian tradition and violent history of the Ethiopian state that it has manifested without hesitation in the last several years and since the mid-1990s has been fiercely disapproved of by the outside world.

In essence, as leaders, what the prime minister and his Front have been telling Ethiopians is that they know better what the people want and which way the country should move. Their choice of the countryside as a reliable power base is one of them, which they jealously guarded against encroachment by any other organised political group or civil society that is not affiliated with them. The choice of the farming population, according to Ato Meles, is to build democracy from the ground up on a sound economic base. It sounds interesting, but putting it to practice has become a frustrating experience.

There is no rule in politics that says all motives are right or outright wrong. However, the caution is to investigate whether a presumed cause is self-serving. “Verify and trust” was President Reagan’s favourite aphorism, which he used repeatedly when he confronted the ‘evil empire.’ “Verify and trust” gives a sense of certainty whether some claims are sincere or feigned, or simply smartly dressed up with motherhood concepts.

Ato Meles has scarcely been short of power of persuasion, or coercion as the case may be. I must say in this case, he has spoken truthfully. The real motive of his strategies is the creation of a stable government whose agenda should not be disturbed by short cycles of elections. Of course, he has rightly indicated the rural areas are the bastion of poverty whence the solutions should also be found.

In concluding his note, Prof. Marcus jotted down his reading of the person and that of his colleagues.

*“He [Meles] stumbled only over the questions about the university [academic freedom] and opposition parties. He was defensive about the land issue, although he explained his government’s ideas on the subject very well. His views on Ethiopian nationalism were from the heart, even if his notions conflicted with the primacy of ethnicity now enshrined in the FRE’s Constitution. Although he never said so directly, one might conclude that he foresaw the weakening of the ethnic principle as the Ethiopian economy grew nationally...As an exercise in propaganda, Meles’s performance was outstanding... Yet, I do not believe he changed many minds...”*

**To be continued...**