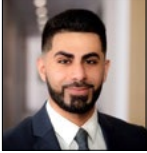


Regional briefing: Eritrea, Ethiopia – and US sanctions



Due to the failure of Ethiopia and Eritrea to fully implement a November 2022 peace deal with the Tigray People's Liberation Front, the US government continues to impose sanctions on those countries, and while progress has been made toward ceasing hostilities, reports of human rights abuses in the region persist. The ongoing restrictions continue to create uncertainty for those seeking to do business in Ethiopia, Eritrea and the Greater Horn of Africa region, even as foreign investment in Ethiopian telecommunications and aviation has resumed, as Ahmad Murrar and Parker White describe.

Background

In November 2022, after two years of armed conflict, a peace deal was reached between the Ethiopian government and the Tigray People's Liberation Front. Since then, some efforts have been made to carry out the terms of the agreement. For example, Tigray People's Liberation Front members began handing over heavy weapons to the Ethiopian national army on 10 January 2023, and the active fighting has ended. However, there are ongoing allegations that the government is committing human rights abuses against civilians.

Status of US sanctions, restrictions, and aid

While US officials have acknowledged the progress that has been made thus far to implement the peace deal,¹ most sanctions and restrictions remain in place.

Since the peace agreement was reached, the US has taken the following measures:

- On 9 September 2022, President Biden issued a one-year extension² to executive order ('EO') 14046, which declared a national emergency and authorised sanctions on individuals involved in corruption, violence, and human rights abuses in northern Ethiopia.³ Another one-year extension was issued on 7 September 2023. The extension noted that the 'activities that threaten the peace, security, and stability of Ethiopia and the greater Horn of Africa region, continues to pose an unusual and extraordinary threat to



In November 2022, the US EXIM Bank received an application from Ethiopian Airlines for a \$100 million loan to purchase Boeing passenger and cargo airplanes. [Despite Congressional concerns] it approved a \$281 million loan in December 2022.

the national security and foreign policy of the United States.⁴

- The following individuals and organisations remain on the Office of Foreign Assets Control's sanctions list, as authorised by EO 14046⁵:
 - The People's Front for Democracy and Justice, the sole legal political party in Eritrea;
 - Eritrean Defence Forces, the Eritrean military;
 - Abraha Kassa Nemariam, the head of the Eritrean National Security Office;
 - Red Sea Trading Corporation, which funds the Eritrean Defence Forces and manages its property and financial interests;
 - Hagos Ghebrehiwet W Kidan, chief executive officer of the Red Sea Trading Corporation; and
 - Hidri Trust, the holding company of all People's Front for Democracy and Justice businesses and enterprises.
- On 13 December 2022,

President Biden issued a one-year extension⁶ to EO 13818, which authorises sanctions against those 'responsible for or complicit in... serious human rights abuses.'⁷ The EO was then extended another year on 18 December 2023 under section 202(d) of the National Emergencies Act (50 U.S.C. 1622(d)).⁸

- The Office of the US Trade Representative did not designate Ethiopia and Eritrea as eligible to receive African Growth and Opportunity Act ('AGOA') benefits in the Annual Review of Country Eligibility for Calendar Year 2024.⁹ In previous years, AGOA has brought Ethiopia \$1 million annually and has generated employment for roughly 100,000 people. US Secretary of State Antony Blinken has stated Ethiopia is 'moving in the right direction' toward returning to the AGOA.¹⁰
- In December 2022, Homeland Security Secretary Alejandro Mayorkas designated Ethiopian nationals affected by the conflict as eligible for Temporary Protected Status until 12 June 2024.¹¹
- On 15 March 2023, Blinken announced that the US will provide \$331 million in aid to fight hunger across Ethiopia.¹² This is in line with recent policy, under which the US has given over \$3 billion in aid to Ethiopia in the last three years.
- The US Agency for International Development ('USAID') and the UN World Food Programme paused their food distribution services in May 2023 after learning that

significant amounts of food had been stolen. USAID believed that the food donations were being diverted to members of the Ethiopian military by federal and regional governments, although these parties have denied the allegations. However, after what USAID described as 'significant diplomatic engagement and negotiation, resulting in widespread and substantial reforms of the food assistance structure by the government of Ethiopia', it was announced on 14 November 2023 that the assistance was being resumed.¹³

- In June 2023, the Biden administration determined Ethiopia is 'no longer engaging in a "pattern of gross violations of human rights"', thereby lifting a legal designation that had been preventing aid.¹⁴

Implications of the peace deal for private investment

The Ethiopian government first announced plans to liberalise the economy in 2018, but the conflict in Tigray hindered attempts to attract investment. In February 2022, the government launched a fund to attract investment in \$150 billion worth of state-owned companies and assets, marking a significant step towards privatisation. However, the ongoing conflict and the government's reputation for turning off internet and phone services created hesitancy for many investors. Since the peace deal was reached, discussions around strengthening the Ethiopian economy and privatising key sectors, such as telecommunications and aviation, have resumed.

The telecommunications industry

The peace agreement has helped Ethiopia's private telecommunications industry recover after a faltering start. Before the peace deal was finalised, the US International Development Finance Corporation ('DFC') announced that it was considering recalling its \$500 million loan to Safaricom Ethiopia, the first private telecommunications operator in the country, because of the human rights violations committed against civilians

during the conflict. However, discussions with the DFC ended after the World Bank Group's private investment arm and guarantee agency, the International Finance

Corporation ('IFC'),¹⁵ reached an investment agreement with Safaricom. In June 2023, the IFC and the Multilateral Investment Guarantee Agency ('MIGA') committed to

making ten-year guarantees of \$1 billion to Safaricom's shareholders Vodafone Group, Vodacom, Safaricom and British International Investment, and a \$100 million A-loan to



CONGRESSMAN CALLS FOR SANCTIONS AGAINST ERITREA'S AFWERKI

In December 2023, a US Congressman reiterated his call for sanctions against Eritrea in response to the continuing presence of troops in Ethiopia's Tigray province, criticising apparent international indifference to an ongoing conflict in which, he said, 'half a million people have died – 40 times the number killed [in the Israel-Gaza conflict]'.

Speaking before a House Sub-Committee hearing on Africa, Congressman Brad Sherman said that in November 2022, he had asked US Assistant Secretary Molly Phee 'if [the US government] would support additional sanctions against Eritrea if they failed to withdraw their troops from Ethiopia.'

'I asked particularly about sanctions on [President Isaias Afwerki] himself, and on mining. She said, "Yes",' he said.

'It's a year later, and the troops are still there. What's worse is that they are committing extrajudicial killings of civilians, sexual enslavement and other terrible human rights abuses. Why haven't we sanctioned Eritrea?', he asked witness Mike Hammer, US Special Envoy to the Horn of Africa.

While a peace agreement was signed in 2022 between Ethiopia and Tigrayan rebels, human rights groups say Eritrean troops allied with Ethiopia have continued to commit atrocities against civilians in the region.

Special Envoy Hammer reminded Sherman that the US has a sanctions programme in place, and that it continues to review potential targets for designation.

Sherman said in his testimony that it was 'outrageous' that 'a number of those in the international community have very falsely said that what is happening in Gaza is massively larger than anything that has happened since 2019,' given how many had died in the conflict in northern Ethiopia.

- [WWW.WHITEHOUSE.GOV/BRIEFING-ROOM/PRESIDENTIAL-ACTIONS/2021/09/17/EXECUTIVE-ORDER-ON-IMPOSING-SANCTIONS-ON-CERTAIN-PERSONS-WITH-RESPECT-TO-THE-HUMANITARIAN-AND-HUMAN-RIGHTS-CRISIS-IN-ETHIOPIA](https://www.whitehouse.gov/briefing-room/presidential-actions/2021/09/17/executive-order-on-imposing-sanctions-on-certain-persons-with-respect-to-the-humanitarian-and-human-rights-crisis-in-ethiopia)
- [WWW.AMNESTY.ORG/EN/LATEST/NEWS/2023/09/ERITREAN-SOLDIERS-COMMITTED-WAR-CRIMES-AND-POSSIBLE-CRIMES-AGAINST-HUMANITY-IN-THE-TIGRAY-REGION-AFTER-SIGNING-OF-AGREEMENT-TO-END-HOSTILITIES](https://www.amnesty.org/en/latest/news/2023/09/eritrean-soldiers-committed-war-crimes-and-possible-crimes-against-humanity-in-the-tigray-region-after-signing-of-agreement-to-end-hostilities)
- [WWW.YOUTUBE.COM/WATCH?V=VHTTA4Y5DGC](https://www.youtube.com/watch?v=VHTTA4Y5DGC)

Safaricom itself.¹⁶ The IFC will hold a minority position in the company.

Safaricom is not the only Ethiopian telecommunications provider to seek outside investment following the ceasefire. In November 2022, Ethiopia resumed the process of selling a 45% stake in Ethio Telecom, a state-owned telecommunications company, after initially having to postpone the sale. Currently, Emirates Telecommunications Group Co and France's Orange SA are exploring bids for the 45% stake, but the sale has not been finalised. The Ethiopian telecommunications market as a whole is attractive to investors, as Ethiopia has the second-largest population in Africa and is one of the largest telecommunications markets that can still grant a new licence to mobile operators. Ethio Telecom in particular may be desirable to investors, as the company reported a 20% rise in half-year revenue, amounting to \$633 million.

The aviation industry

Although the peace agreement has reinvigorated some foreign funding in the aviation industry, concerns around the

implementation of the peace deal have presented a challenge to securing it.

The Export-Import Bank of the United States, an independent executive agency and a US government corporation, received an application from Ethiopian Airlines, Africa's largest carrier, for a \$100 million loan to purchase Boeing passenger and cargo airplanes in November 2022. Discussion around the loan was a source of tension in Congress. Several members expressed concerns that approving a loan to Ethiopian Airlines Group at this stage would 'deprive the State Department of a critical tool to ensure the full implementation of the peace agreement'. Despite these concerns, the Export-Import Bank approved a \$281 million loan from the Private Export Funding Corporation to Ethiopian Airlines Group in December 2022. Ethiopian Airlines Group recently reported \$6.1 billion in revenue for the current fiscal year, a 20% increase on last year.

Moving forward

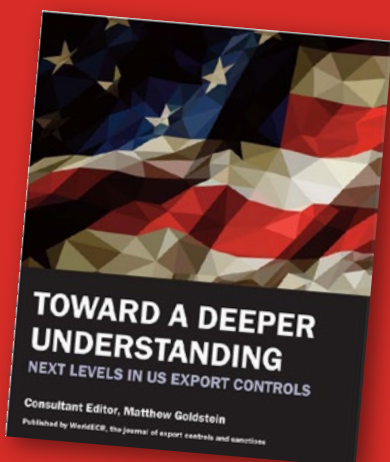
Several significant US sanctions and restrictions on Ethiopia and Eritrea remain in place, as the peace deal has yet to be fully implemented. However, foreign investment in newly liberalised sectors, such as telecommunications and aviation, has resumed at least in part.

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LINKS AND NOTES

- ¹ See Press Statement, Antony J. Blinken, *Statement Marking Six-Month Anniversary of the Cessation of Hostilities in Northern Ethiopia* (2 May 2023).
- ² See *Notice on the Continuation of the National Emergency with Respect to Ethiopia*, 87 Fed. Reg. 175, (9 September 2022).
- ³ See EO 14046, 86 Fed. Reg. 180 (17 September 2021).
- ⁴ See *Notice on the Continuation of the National Emergency with Respect to Ethiopia*, 88 Fed. Reg. 62435, (7 September 2023).
- ⁵ See id.
- ⁶ See *Notice on the Continuation of the National Emergency with Respect to Serious Human Rights Abuse and Corruption* 87 Fed. Reg. 239, (16 December 2021).
- ⁷ EO No. 13818, 82 Fed. Reg. 246 (26 December 2017).
- ⁸ See *Notice on the Continuation of the National Emergency with Respect to Serious Human Rights Abuse and Corruption*, 88 Fed. Reg. 87891, (19 December 2023).
- ⁹ See Notice, Office of the US Trade Representative, *Annual Review of Country Eligibility for Benefits Under the African Growth and Opportunity Act for Calendar Year 2024*, 88 Fed. Reg. 95 (17 May 2023).
- ¹⁰ Remarks, Secretary Antony J. Blinken at a Press Availability (15 March 2023), www.state.gov/secretary-antony-j-blinken-at-a-press-availability-31.
- ¹¹ See *DHS Secretary Designates Ethiopia for TPS*, US Citizenship and Immigration Services, 12 December 2022, www.uscis.gov/save/whats-new/dhs-secretary-designates-ethiopia-for-tps#:~:text=Secretary%20of%20Homeland%20Security%20Alejandro,%2C%20through%20June%2012%2C%202024.
- ¹² See Remarks, Secretary Antony J. Blinken and Ethiopian Minister of Finance Ahmed Shide Following Tour of UN Logistics Center Warehouse (15 March 2023), www.state.gov/secretary-antony-j-blinken-and-ethiopian-minister-of-finance-ahmed-shide-following-tour-of-un-logistics-center-warehouse.
- ¹³ See USAID Resumes Food Assistance for People Across Ethiopia Following Implementation of Comprehensive Reforms, US Embassy in Ethiopia, US Department of State, (14 November 2023), <https://et.usembassy.gov/usa-id-resumes-food-assistance-for-people-across-ethiopia-following-implementation-of-comprehensive-reforms>.
- ¹⁴ Robbie Gramer, *US Lifts Human Rights Violation Designation on Ethiopia*, *Foreign Policy*, 29 June 2023, <https://foreignpolicy.com/2023/06/29/ethiopia-tigray-war-human-rights-violations-designation-biden-us-government>
- ¹⁵ See Alexander Willing and David Goodman, *World Bank Group Pledges More Support for Safaricom Ethiopia*, Reuters, 8 June 2023, www.reuters.com/business/media-telecom/world-bank-group-pledges-more-support-safaricom-ethiopia-2023-06-09.
- ¹⁶ See Flagship Telecommunications Project to Bring Affordable, Reliable Internet and Mobile Services to Millions More in Ethiopia, International Finance Corporation, 8 June 2023, <https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=27593>



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