

Ethiopia

Flash Analysis and Prediction
20 December 2021



With the conflict in stalemate, and neither side strong enough to hold “key terrain”, the TDF will shift to guerrilla warfare tactics as it seeks to consolidate and secure supply lines from Sudan into Mekelle. Meanwhile Ethiopia’s economy – despite support from the Chinese – will remain fragile.

Summary

- Mainstream Media (MSM) reported claims that the Tigray Defence Forces (TDF) had recaptured the towns of Lalibela and Gashena on 13 December.
- These see-saw changes in the front lines suggest that neither side is currently strong enough to hold what the military calls ‘key terrain’ across the whole front.
- The TDF now looks **LIKELY** to revert to the same guerrilla tactics that were honed during the conflict in the 1980s.
- The other key objective for the TPLF is breaking the government blockade of Tigray in order to prevent a famine and also to secure key military logistical supply lines from Sudan.
- Major changes of control on the ground remain relatively **UNLIKELY** in the coming ten days.
- The insecure supply route from Sudan could become an existential threat to the TPLF’s survival.
- Chinese Foreign Minister (FM) Wang Yi arrived in Addis Ababa on 01 December for a two-day visit which is a visible boost to Addis, and which will certainly continue its pivot towards more autocratic allies such as Turkey and UAE.
- Ethiopian government borrowing surged by 169.4% in the last quarter of the year, despite a large auction of T-bills.
- The Ministry of Finance acknowledged that the budget deficit for the fiscal year of 2021 -22 was projected to reach just under three billion USD of which 66.8% was expected to be foreign aid.
- The government’s move to diversify its diplomatic and economic allies will support its economy; it has also decided to keep over half a billion dollars secured from the IMF under Special Drawing Rights (SDR).
- However the continued strains of COVID-19 and the need to maintain spending on military hardware will continue to strain the economy, which will remain fragile at best.



Analysis

Conflict

Reports emerged in mainstream media (MSM) on 13 December claiming that the TDF had recaptured the towns of Lalibela and Gashena, both in Amhara, from the ENDF. Both had been held by the TDF since late July (Gashena) and early August (Lalibela) before the ENDF and allied militias from Amhara recaptured them on 01 December. The fact that Lalibela had fallen back to the TDF with barely a shot fired highlights the lack of permanent presence of the ENDF at Lalibela. While these reports appear credible, claims that the TDF were advancing closer to the Debre Sina pass, less than 200km from Addis, are not. The ENDF, meanwhile, has claimed that it is advancing northwards towards the city of Woldia although we have so far seen nothing to corroborate this.

These see-saw changes in the front lines suggest that neither side is currently strong enough to hold what the military calls 'key terrain' across the whole front. Key terrain is any area where the control of which affords a marked advantage to either side. If so, the TDF's intent may well be to weaken the ENDF. Such a tactic involves drawing the ENDF into a fight in one location, inflicting whatever casualties they can without sustaining too many themselves before going back to target the ENDF in another area. The aim would be to stretch the ENDF defences while concentrating on key tactical developments elsewhere. If this is the aim, we can expect a repeat of this tactic as often as possible in order to degrade the ENDF's ground combat effectiveness, while limiting the TDF's own exposure to the ENDF's air assets. Indeed, Gashena is one of the few places where the TDF has tried to stand and fight - and suffered significant losses - in recent weeks. The decision to defend Gashena may have been to allow support for such a tactic.

Diplomatic / Economic

Chinese Foreign Minister (FM) Wang Yi arrived in Addis Ababa on 01 December for a two-day visit, flying in from Senegal, Dakar where he had been representing China at the China-Africa Cooperation (FOCAC), which Ethiopia also attended. At a meeting the next day with Deputy Prime Minister and Minister of Foreign Affairs Demeke Mekonnen, Wang Yi stated that he was "opposed" to moves by "external forces" to impose their "political interest" on Ethiopia, in an apparent reference to the US and EU.

Meanwhile, Ethiopian government borrowing surged by 169.4% in the last quarter of the year, despite a large auction of T-bills (a Treasury bill – which is used as a short-term loan by governments from investors). The increase in borrowing was dominated by the conflict and humanitarian requirements – leading the Ministry of Finance to cut capital spending and restructure the budget. This comes as the Ethiopian government needs to recover over 18.5 million USD (900 million birr) in loans provided to projects in Tigray, which it had now had to write off as Non-Performing Loans (NPL).

FM Wang Yi's visit to Ethiopia comes as the ENDF has gained ground against the TDF/ OLA in part due to the use of drones – including the Chinese Wing Loong 1. His visit will bolster the Ethiopian government, following the suspension by the US of Addis from the African Growth and Opportunity Act (AGOA) in November, with Washington citing the government's failure to protect internationally recognised human rights. Indeed, Addis tweeted its thanks to FM Wang Yi during his visit for "disregarding the unfounded rhetoric on the deteriorating security situations in the country", a message **LIKELY** aimed at those organisations seeking a ceasefire, showing that Addis is backed by stronger alliances. This follows FM Wang Yi's promise at the FOCAC in Senegal to allow those African countries attending – including Ethiopia – to export their agricultural products to China with no tariffs. Although there are no reports of further trade treaties having been signed, this will **LIKELY** provide an alternative to the US AGOA – with Ethiopia exporting around 525 million USD in exports in 2020. Indeed, Washington appears to have acknowledged that sanctions are not working, when at the start of December, Molly Phee, the assistant secretary of state for African affairs declared to the House of Representatives that they would not carry out a legal review of human rights abuses in Tigray by the ENDF, preferring instead to "engage diplomatically in the many ways".

Ethiopia's GDP growth had increased by 1.55% to 8.36% in 2019; by the end of 2020 it had decreased by 2.31% to 6.06%. The Ministry of Finance acknowledged that the budget deficit for the fiscal year of 2021-22 was projected to reach just under three billion USD (144 billion birr) of which 66.8% was expected to be financed by foreign aid. However, with donors withdrawing grants – due both to the pandemic and also the current conflict - the government is looking to bolster the country's fragile economy. Use of short-term T-bills are one such method (the bi-weekly auction saw a 368% upsurge). However only half of the T-bills offered for sale at the beginning of November were taken up. Meanwhile the NPLs, especially those in Tigray, are projected to deteriorate further.

That said, by introducing major reforms – such as lease-financing the NPLs (where the owner agrees to back the loan thereby providing stability), allowed the Development Bank to be the third largest profit-making bank after the Commercial Bank of Ethiopia (CBE) and Awash.

Meanwhile, the African Export-Import Bank (Afreximbank) has also sought to back commercial banks, through the approval of 450 million USD in credit facility to five others. By allowing this, the other banks – including CBE and Awash – will be able to offer substantial finance to organisations looking to trade throughout Africa. Meanwhile a new directive from the National Bank of Ethiopia (NBE) will also demand that commercial banks not allocate more than 50% of their foreign currency reserves to items in a priority list from the NBE, thus reducing inflationary pressure on imported goods, and supporting industries such as edible oils and pharmaceuticals.



Prediction

Conflict

- There is **LIKELY** to be further see-sawing in control of key locations over the coming weeks. However, it appears that the TDF and its political leadership in the TPLF has decided that it is at risk of losing a conventional war against the ENDF given the ENDF's air superiority of new armed drones, and continuing effort to repair its aging fleet of fixed-wing fighter bombers (Su-27). Consequently, the TDF now looks **LIKELY** to revert to the same guerrilla tactics that the TPLF had honed during its (ultimately successful) conflict against the Derg dictatorship in the 1980s. Conserving its forces would enable the TDF to focus its defence on militarily 'vital ground' (areas that must be retained or controlled for the success of in the wider conflict) such as the narrow valleys and mountain passes on the road to the Tigrayan capital, Mekelle.
- The other key TPLF focus is to break the government blockade of Tigray. This has two objectives: to prevent famine and to gain a new supply route. Millions are already at risk of starving with just 10% of promised food aid having been delivered since July and aid flights once again suspended after the ENDF used them to 'cloak' bombing missions targeting Mekelle. The second objective is to gain a new supply route. So far, the TDF has so far relied on capturing ammunition, fuel and food from the ENDF and its allied militias, something it will be largely unable to do while withdrawing. To obtain key supplies, the TDF needs a corridor to neighbouring Sudan or Djibouti. The Djibouti route has effectively already been cut by the ENDF's latest gains. Securing routes to and from the Sudanese border will therefore become a vital (albeit secondary) goal for both sides with the consequent risk of further clashes between the ENDF and its allied militias and the Sudanese military. These supply lines are also **LIKELY** to become a key target for the ENDF's drones.
- These tactics are **UNLIKELY** to be sustainable for more than a few weeks given that the Tigrayans desperately need food and other supplies. However, the ENDF, with its tens of thousands of inexperienced volunteers and militia backed by far smaller though more professional armoured, artillery and logistic units, also faces issues. Armour and artillery in particular need significant amounts of maintenance, a task that becomes more important when moving over rough terrain, including unmade roads. Military vehicles are prone to frequent breakdowns if maintenance is neglected. This will make it difficult to shift roadblocks and the installations become a sitting target for guerrilla attacks that require nothing more than hand-held anti-armour weapons. The ENDF will also need to source more munitions as well as replacement parts. This will place further strain on the country's already stretched finances.

- Another risk for the ENDF would be the decision by bullish commanders – led by Prime Minister Abiy Ahmed - to try to advance into Tigray rather than to resume talks. This, however, seems relatively **UNLIKELY** given that the military risks of a counter-insurgency campaign in the mountains of Tigray are vast.

10-day forecast

- Major changes of control on the ground remain relatively **UNLIKELY** in the coming ten days or so despite the TDF's recapture of Lalibela and Gashena although further see-sawing is **HIGHLY LIKELY**.
- The TDF is **LIKELY** to continue its shift from a conventional military campaign to guerrilla actions that avoid major urban areas and key choke points for fear of air/drone attacks. That said, any ENDF thrust that becomes over-extended and runs low on fuel or ammunition will **LIKELY** be targeted ruthlessly by the TDF if it is unable to manoeuvre. Armoured vehicles and supply convoys will be particularly at risk in such instances.
- The ENDF's use of thousands of new recruits and untrained militia will **MOST LIKELY** lead to an increase in international humanitarian law (IHL) violations, as well as a high death toll if engaged in attritional warfare with the TDF.

3-week forecast

- The need for a secure supply route from Sudan (or just possibly Djibouti) could become an existential threat to the TPLF's survival. More drone attacks as well as further and heavier fighting is therefore **LIKELY** along the Sudanese border and on the supply routes from there towards Mekelle. The prospect of a TPLF defeat may also draw the Sudanese military into taking an even more aggressive stance against the ENDF and its allied militias when they operate on or across the disputed border. Indeed, Khartoum announced on 14 December that it had deployed more troops along the disputed border with Ethiopia around al-Fashaga.
- The ENDF's drone and air campaign will undoubtedly continue, though supplies of missiles may slow it down. At the moment it seems **LIKELY** that these are being provided by Turkey and China (via the UAE) but such munitions are expensive and the government's financial position is stretched. They will therefore hope that Ankara and Beijing (and possibly Tehran) will provide munitions *gratis* in the hope that battlefield successes generate further export sales elsewhere. This is a military supply sales tactic that Moscow has also successfully used in recent years by providing donations to the Syrian regime which by 2017 had led to signed contracts in fifty-three countries worth some 15 billion USD. China will however be conscious that any such move will further damage relations with Cairo. However, it would at the same time reduce the risk of a massive loan default (the Ethiopian government owes Beijing some USD 13.7 billion in outstanding loans).



Prediction

Diplomatic / Economic

- FM Wang Yi's visit is a visible boost to Addis, who will certainly continue its pivot towards more autocratic allies such as Turkey and UAE. If China is able to both provide a new market for Ethiopia's agriculture, as well as further investment, it will take the pressure off Addis both diplomatically and economically – allowing the Ethiopian government to reject international demands for ceasefire talks or terms that Addis feels the US, EU or AU will seek to enforce.

- That said, with China's GDP slowing following the pandemic – and a move towards more domestic consumerism by Beijing, any future trade deals with Ethiopia could see a repeat of the situation facing Pakistan – where China is accused of focusing on home imported products, leading to a decrease in Foreign Direct Investment into Pakistan.
- The US' move to engage more diplomatically with Ethiopia is a **LIKELY** recognition that sanctions are not working with Addis, a situation **UNLIKELY** to change given the ENDF's reported successes. However, whilst the US may try to again engage diplomatically in the short term, if PM Abiy continues to refuse either to negotiate with the TDF, or allow more humanitarian aid into Tigray, then Washington has already stated that it is considering a potential arms embargo. Though with China offering to bolster Addis, alongside Turkey and the UAE, both militarily and economically – any US-led embargo is **UNLIKELY** to have much effect for now.
- The move by the Ministry of Finance to use T-bills is a sensible solution to avoid direct central government financing of the economy – which would exacerbate the already high inflationary pressures brought on by the conflict and COVID-19. However, with limited take-up the government will still be under pressure to subsidize the central finances – leading to more inflationary pressures.
- The Afreximbank credit facility will **LIKELY** support Ethiopian businesses to export Africa wide – but with regional diplomatic discomfort over the current conflict, and the GERD's diplomatic fallout, Addis may see fewer export market's intra-Africa. Likewise the moves to control the forex market in the short term will bolster the economy – but long term will provide a squeeze on the ability of banks to trade on the forex market.
- The government's move to diversify its diplomatic and economic allies – including regional training partners – will again support its economy, indeed it has also decided to keep over half a billion dollars secured from the IMF under the Special Drawing Rights (SDR). However, even if countries such as China will lend some support the continued strains of COVID-19 on the current global economy and the need to maintain spending on military hardware as well as medical supplies – will continue to strain the economy, which will remain fragile at best.



Mitigation

Offices in Addis Ababa and south of the capital

- Local Tigrayan staff should continue to “hibernate” with access to food, water and fuel, as well as available cash. An evacuation plan should be in place, as well as the ability to destroy all IT equipment if house arrests are carried out.
- The use of a “safe house” should continue for now, with no travel outside of the immediate area – unless either the staff member or family are threatened.
- Back up communications including VHF radio should be stored – but hidden out of sight – due to current tensions over such equipment.
- INGOs should be prepared to engage at a high level with the Ethiopian government should local Tigrayan staff be detained.

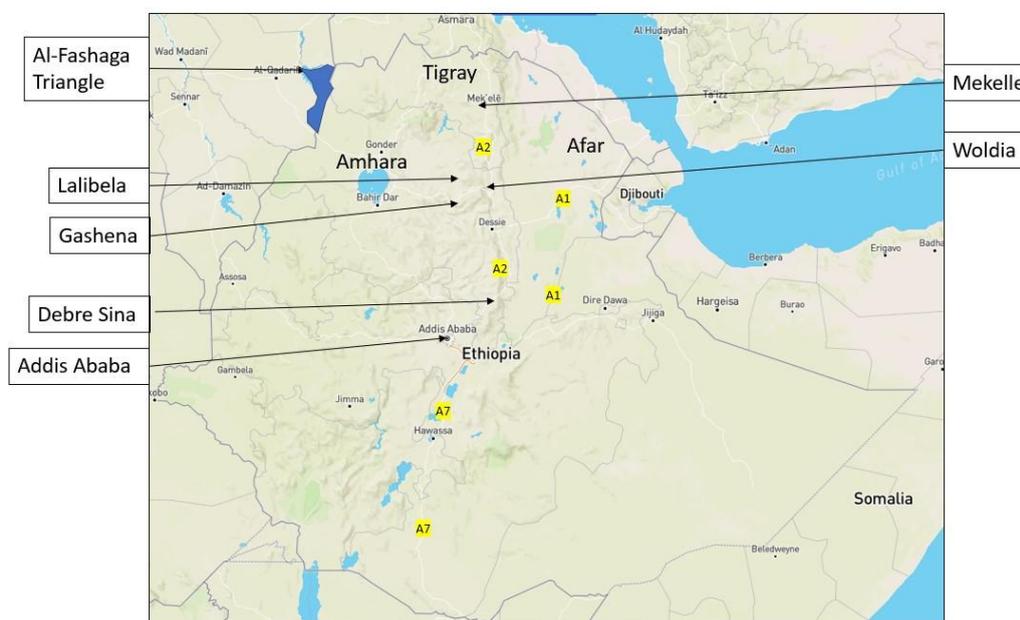
Movement north of Addis Ababa

- Plan all movements carefully.
- Expect see-saw changes of fighting positions in Amhara and Afar.
- Expect guerrilla style attacks on ENDF positions.

Tigray

- Plan operations carefully
- Expect drone attacks on military installation and possibly key infrastructure.
- Expect drone attacks on supply routes into Sudan.

Map showing the locations discussed in the report



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- Previous editions: [06 Dec](#); [12 Nov](#); [08 Nov](#); [26 Oct](#); [12 Oct](#)
- At least 24 aid workers have been reportedly killed since the start of the conflict. This data is available on our [website](#) or on [HDX](#).
- [Sexual Violence](#) in the Tigray region
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