

A Few Reasons Why some of the Ethiopian Diaspora Community Members are not Interested and/or against “Investing” in Ethiopia: A Summary of selected conversations over coffee and by telephone.

By Dr. Seid Hassan
Murray State University

Introduction:

As some of you already know, some of the EPDRF (Ethiopian People’s Democratic Revolutionary Front) representatives (cadres?) have been roaming the western world trying to lure the Diaspora community so that they would “invest” their assets in Ethiopia. Some in the Diaspora community have challenged the same cadres and representatives in some of the cities they visited, such as in Dallas, Los Angeles, and London. This writer wondered, just to satisfy his intellectual curiosity, about this issue and decided to talk to some of the Diaspora members why they would be against or are reluctant to “invest” in Ethiopia. The conversation was made via telephone, at coffee/tea houses, and to a limited extent at lunch places. Incidentally, most of those that I have talked to have no problem in sending remittances to their loved ones back home and in making contributions to their NGOs, provided that the NGOs they support have full control of the monies they send back home. So, this summary of many conversations is not about remittances. It is about Foreign Direct Investment (FDI) in general, and Diaspora “investment” in Ethiopia, in particular.

By the way, there are good economic reasons why nations would be interested in luring the Diaspora community to make foreign direct investment (FDI). Unlike the FDI made by multinational corporations (MNCs) and foreign nationals, whose impact is not known in promoting economic growth, FDI by the Diaspora community is known to be advantageous in many respects, some of them being: 1) That the profits and the assets/technology that the Diaspora community members take to their Homeland seem to stay in the host country for a longer time; 2) That the know-how and the knowledge-spillover effects of the Diaspora and its advantages are relatively quantifiable; the Diaspora members are known to be a richer source of know-how and skills. 3) That, once settled to their country of origin, the Diaspora seems and are expected to be more motivated in achieving the desired results compared to employees of multinational corporations. 4) That there seems to be more informal and altruistic intentions directed towards families, friends and their country of origin than MNCs. Many experts seem to think and recognize that, if properly directed and handled, the Diaspora plays an active role in the development process of their countries of origin more than MNCs. 5) That the Diaspora is expected to stay longer in the host country, and their stay is expected to attract more FDI flows by other companies; and last but not least: 6) That, the Diaspora members seem to bring new cultures with them and infuse those newly acquired cultures with those of their country of origin. In so doing, they tend to bring additional societal rate of return.

Despite the importance of Diaspora FDI, however, remittances are much larger (for example, remittances from Africans working abroad between 2000 and 2003 averaged roughly 17 billion dollars per annum, according to a 2005 report by the United Nations Office of the Special Adviser on Africa. Ethiopian Diaspora remittances exceed \$1.1 billion per annum in the last few

years). Remittances are also much more predictable than FDI and ODA (Official Development Assistance).

It seems that many of the Ethiopian Diaspora community have numerous problems and issues in making investments inside that country. Obviously, individuals have to weigh the risks and rewards when making investment decisions. For the most part, evaluating such risks and rewards seems to be in the minds of many of the Diaspora members who have the resources to invest and have been contemplating to do it in Ethiopia. Some of it seems to be related to the problem of asymmetric information. In the context of the Diaspora investors, they have and are expected to contemplate if there is any information that they do not know and if their competitors, especially the ones supported by the government or those who are inside the country know more than they do. They also have to weigh the risks in case the government fails to honor the promises. They seem to ask: Do I have the power to legally challenge the authorities if the government fails to honor the explicit or implicit promises it gave before I invested?

In general, risk assessment firms, international organizations, and governmental agencies try to provide information in order to allow investors evaluate their investments more objectively, or to make an investment in a particular country appear profitable or attractive. This provides the individual investor with additional information. Unfortunately, such assessments and guidance either do not exist when it comes to Ethiopia or the quality of information available does not allow investors to venture investing in that country.

As you can imagine, the Diaspora possesses various forms of capital, e.g. investment, intellectual (professional, technical, and entrepreneurial skills and expertise), social (trust, values, relationships), and political capital (lobbying, advocacy), which could be positively mobilized for development of any country. Unfortunately, when it comes to Africa, only about 6% of remittances are actually channeled into investments. The vast majority of remittances are made through international money transfers and physical cash transfers. Unfortunately, the current regime made things worse by shooting its own feet when it arrested private foreign exchange dealers and confiscated their assets. The confiscation of the traders' assets might have enabled the TPLF to improve the amount of foreign exchange available to it in the short run, but it is counterproductive in the long-run. It also shows how desperate this regime has become to acquire foreign exchange. As some of you in the Diaspora community might already have observed, such actions have scared some of the Diaspora community not to take their hard currency into that country. They instead have resorted to some other means to send their money back home. The hard currency that the government used to enjoy is not or is less available now compared to the situation before. By the way, as alluded in my previous postings, Ethiopia could have faced a financial crisis were not for these huge flows of remittances and foreign government support.

In any case, most of the Diaspora community members I have chatted with seem to list a number of obstacles for them to invest in Ethiopia. Some of their concerns seem to be related to moral issues. Most of them seem genuinely concerned about the potential real returns on their investments, the efficacy of their endeavors, and, most importantly, the lack of consistency and the rule of law. As one of my good friends stated it "I have lived and worked in Ethiopia for one year since the TPLF came to power. What I observed most was the lack of transparency and

the absence of the rule of law. A rule of law (or rule of the game) that is clear to all and that's consistently applied is crucial to the development of a modern economy and society. Max Weber, the German sociologist, emphasized this same point in his famous book: *The Protestant Ethic and the Spirit of Capitalism*. He argued that a clear rule of law was central to the development of capitalism in Western Europe....”

The good news is that, nearly all of them seem to be either sympathetic or willing to invest in the country they came from provided these obstacles are tackled. I have listed, in a paraphrase format, some of the obstacles or moral issues they mentioned and I am happy to share them with you.

Please note that the complaints (rationales not to invest) are sayings of many people even though I have represented them in a single first-person (that is, as “I”) format. Please also note that the list of complaints/rationales is by no means exhaustive. For those of you whose rationales are either omitted or that I failed to include, my apologies.

List of complaints (rationales not to invest in Ethiopia):

- The country is engulfed with a rampant inflation rate. Because of this, my real rate of return will be lower than what they appear to be. Moreover, if I want to bring some of my “profits” or my assets back home, just in case things fail to work out as originally planned, my real assets will be a lot less by the time they are converted into dollars, euros or any other hard currency. Therefore, “investing” in a country like Ethiopia with high inflation rates does not make any business sense. That is one of the reasons why I refrain (have refrained) from doing business in Ethiopia.
- Due to the undemocratic nature of the government and the lack of peace and stability in that country, there a chance for me to lose my assets. The lack of peace and stability creates confusion and uncertainty. Such situations are known to create losses. Consequently, I hesitate to waste my hard earned resources by taking them to Ethiopia.
- The major economic structure is controlled by the EPDRF and its cadres. There is no level-playing field in the system. As a result, there is a market failure due to too much interference in the functioning of the business sector by the cadres. The system is also too bureaucratic. A bureaucratic system does not recognize that time is money and hence it would be foolish on my part to try to invest in that country.
- The country is now totally landlocked, pretty much by the choice of its own leaders. As a result, it has to pay port fees, most of the payment going to Djibouti, Ethiopia’s main conduit for its imports and exports. The forfeiting/ceding of its ports and the lack of having access to the sea, among other things, has increased the importing and exporting costs of finished goods, capital and intermediate inputs for both the country and the business sector. Obviously, my business will face the same fate. Moreover, if some regional conflicts arise around the neighborhood, as it is happening between Eritrea and Djibouti, I may not be able to transport the equipments and the intermediate input goods that I may need to use and run my business smoothly. There are, therefore, both cost and

risk considerations involved and a lot of uncertainty as well. These are additional reasons why I am (was) not comfortable in “investing” in Ethiopia.

- Many of the Diaspora community I happen to know who have tried to invest in Ethiopia have been disappointed in part because they are unfairly discriminated against in the workplace as well as in getting meaningful employment. Furthermore, they are excluded from the decision-making and policy-making processes with regards to Ethiopia. I am afraid, therefore, I may face the same fate, and, if so, my capabilities would be wasted.
- The country’s miserable infrastructure (lack of roads, sewer systems, electric power, water, etc.) does not allow my investment to flourish. Whatever infrastructure there is, it is limited to certain geographical places, such as the Tigray region and a handful of some cities elsewhere. Hence, investing my funds in other disadvantaged regions puts my investment at a disadvantage. Moreover, my investment requires constant communication and since the country’s internet and telephone infrastructure is the lowest in the world, I am afraid that the returns on my investment will not be attractive.
- The country lacks the necessary skilled manpower, in part because of the brain-drain. Recent reports indicate that even the EPDRF owned businesses and structures are operating way below full capacity due to skilled manpower shortages and other bureaucratic entanglements. In fact, the EPDRF seems to be more interested in sending its citizens abroad so that it could garner increased remittances. Its policy seems to encourage some of its citizens to become "super-maids" in advanced and neighboring countries.
- The country is divided into ethnic enclaves and there is limited freedom of movement of both people and assets. As a result, my investments will be restricted to a limited ethnic enclave thereby adding more constraints and inhibiting growth. I rather invest my assets where there are less geographical constraints. Because of these restrictions, the market size is also rather small, thereby limiting the prospect of the growth of my investment and business in the future.
- The financial sector is controlled by the TPLF and its cadre-controlled businesses. As a result, my investment may face challenges in case I needed some more financial support. It has been reported that the government-controlled banks are bent to extend loans mainly to the government controlled businesses. It could be very hard for me to compete with those businesses which are being paid to borrow funds (through negative real interest rates). It is quite clear, therefore, that the financial infrastructure needs to be restructured in order to accommodate investors like me, and unless such changes are made, it is not worthwhile for me to invest in Ethiopia.
- If I cannot make financial investments, I want to help that country by sharing my expertise and knowledge. I want to share my marketing knowledge, my engineering abilities and management skills with the people of Ethiopia. I want to be a bridge between foreign investors and the people of Ethiopia. I want to teach there, too, no matter how little the payment could be. But, unfortunately, as things stand right now and in the last 18 years, it will be a waste of time for me to do so. Look, can’t you see all educated

people trying to flee the country? That is because the system has failed to allow them to use their expertise. For some of them, it will be downright dangerous to go there. Others who volunteered to teach at the universities were denied because they believe they did not belong to a certain ethnic group. Others were expelled from the country for speaking their minds. Due to the lack of academic freedom, it is perilous to try to serve a repugnant bureaucracy. Instead of trying to combat the brain-drain by creating conducive environments to attract those who have left the country, the actions of the government exacerbate the brain-drain problems, almost on a constant basis. By the way, many experts suggest that both China and India were able to expand and build their economies in part by attracting their expatriates and creating conducive environments for them. The Ethiopian government, on the other hand, seems to be doing the opposite.

- Thanks to my hard work and the opportunities accorded to me in the country I took refuge, I have acquired some skills that could turn out to be good investments and useful to Ethiopia. But I am afraid that I may be unemployed or underemployed once I get there. Specifically, my sources tell me that joining the EDPRF (political party) is the main qualification to land on a good job in Ethiopia, instead of one's abilities and earned skills. Even worse, my sources also tell me that those who voted for the opposition parties and who exercised their rights during the 2005 election are now being harassed for doing so. I am, therefore, reluctant to waste the human capital that I acquired through hard work. I rather stay put where I reside.
- I could be willing to go back to that country but I am reluctant to do so because I may say something, as I am used to here where I live, that the EPDRF does not like and be put in prison or be expelled. Isn't that part of the reason why some of the country's citizens leave their own country, leaving their loved ones behind? The insecurity or unstable political and socio-economic conditions are not attractive to me either to move into that country and/or invest my assets.
- The prime minister has said that he would bring Nigerians to the country so that they would teach at the country's universities FREE of charge, while at the same time, expelling some foreign born professors, such as the American law professor, Salisbury for speaking her mind. Consequently, there is neither a place nor a reason for me to go there. Besides, I cannot support my livelihood while competing with those who teach for free. As the old Ethiopian (Amharic) saying goes "yagerun serdo (ersha) bageru berie. Instead of using and supporting the country's educated personnel to teach their own country's burgeoning young population, the prime minister wants to bring in and replace them with foreigners. Why would I go back to that country while the "leader" of the country itself threatens to replace me at the outset?
- Because of the rampant corruption, my investment would not be safe; I have seen or heard complaints from those who attempted to "invest" and I do not want to make the same mistakes they have made.
- I have better alternatives to invest my funds where I live than doing it in Ethiopia; the returns on my investments where I live may not be high enough, but the risks are more tolerable than the ones in a corrupt country like Ethiopia.

- It would be immoral for me to buy the land that belonged to my relatives (ancestors) and enrich the TPLF kleptocratic gangs. Just think about it: Before the Derg confiscated all city dwellings, they used to belong to the people who owned them. Instead of returning those same properties to their rightful owners, who could well be my own relatives, the government is trying to sell them back to me! I am not willing to play this game that the EPDRF has created: taking away/keeping the properties which should belong to me and my relatives and selling them back to me. Doing so will be morally unacceptable to me.
- I am afraid that the investment that I make in Ethiopia would be lost (confiscated) when the regime goes away. I suspect this possibility because there is a good chance that my investment will be contaminated while trying to deal with a corrupt system.
- Why would I take my money to Ethiopia knowing full well that the corrupt EPDRF leaders and cadres would use the hard currency I take into the country for them to expatriate the stolen funds out of the country? My actions will be tantamount to a philanthropic activity to those who send the looted assets overseas. My conscience would not allow me to do just that.
- Since funds are fungible, I am afraid that the TPLF (EPDRF) would use my hard currency to suppress my own people (using it to buy weapons); for example, the regime was accused for indirectly using the hard currency it obtained from multilateral institutions, foreign governments, and Ethiopian expatriates to buy weapons during the Eritrean-Ethiopian nonsensical war of 1998-2000, in which the lives of 100, 000 people were lost, many more were maimed and hundreds of thousands were displaced. I want neither my funds nor my actions be a part of that in case conflicts flare up again.
- I am not like some people who just take my money and pretty much waste it just to feel good and boast to my friends that I have made an “investment” in Ethiopia. I happen to know people who said they bought properties and have made many trips to secure those properties. By the way, some of the deals that some of my friends made did not go through, and as a result, they lost money in the process. Unfortunately, and sadly, some of those who tried to secure some properties were not (are not) wise enough to count their expenditures they make while making the trips in order to secure those properties. What they do really does not make any economic or business sense and, hence, I refuse to follow suit and act stupidly, no matter how hard the EPDRF cadres try to lure me to do so.
- For those people who bought apartments in Addis Ababa, it has become clear to them that they did not get their money’s worth. People who bought apartments, especially those I saw in Addis, are found to be a lot smaller than they anticipated. Some of these buildings lack the proper sewerage systems. They lack running water. They have faced power outages. In effect, some of those premises have become ghettos, especially compared to here, where I live. I am not going to waste my precious resources to live in a ghetto like environment.

- Many times, I considered building a house in Ethiopia so that I could use it for my vacation or for my retirement. When I think about it, the cost of building a house where I reside is somewhat cheaper than, or comparable to, depending on the location, compared to doing the same in Ethiopia. So, it makes little or no economic sense for me to build a house or an apartment in that country. By the way, Ethiopia is listed as one of those countries which has a competitive disadvantage for tourism, mainly due to its bad and/or nonexistent infrastructures and lack of amenities. This is one reason why I would be less tempted to buy properties in that country. Moreover, I am not really sure if Ethiopia would be a good place for me to reside when I retire. As you know, I need more things when I retire than I do now such as access to the doctor, medicine, convenient facilities and other amenities. Such things do not exist in Ethiopia, especially when I need them the most. That is why I am reluctant in building a retirement place in that country.
- I know a few friends of mine who tried to “invest” in that country that have lost their assets or not made any progress with their funds; the cost of the handling fees, the number of days wasted to get the proper license, the bureaucratic red tape, etc. is just too high to warrant my investment. I happen to know some people who have been deceived. Knowing this to be true, the EPDRF established a Diaspora complaint center at the ministry of foreign affairs, called Ethiopian Expatriates Affairs Directorate of the Foreign Affairs Ministry. That complaint center is known to be too bureaucratic. Those who presented their complaints have been told to go back and resolve their issues with the local EPDRF representatives. I happen to know some who have left the country in despair.
- The consultancy fees that I would have to pay to the EPDRF cadres and other non-cadres are just too high to warrant my investment.
- Past and present experience indicates that those who tried to invest in the country have ended being supporters of the dictatorial regime. Knowingly or unknowingly, the so-called investors have become subservient to the system. So, if I want to play by the same cards that I will be dealt with, I am afraid I will end up doing the same. I am reluctant to play with cards that someone else controls and hence will be reluctant to invest in Ethiopia.
- Why would I take my assets to that country to fill the gap of foreign exchange and tax revenues of a dictatorial government? If I could, I would actually work against such actions in order to deprive the regime from buying the extra bullet it uses to kill my own relatives.
- The flow of foreign investment tends to camouflage Human Rights Abuse and I am afraid my investments will do the same. The very concept of opening up the country for foreign investment sends out the wrong message to the outside world by perpetuating the myth, often through the IMF and World Bank, that TPLF/EPRDF is open to free market economics and democracy and that Western powers should support it by all means possible irrespective of the opposition's cry of injustice! So, those who care about human rights abuses should instead advocate for an embargo. This was what was done during the

Apartheid regime of South Africa. This is what is being done on Zimbabwe, Cuba and host of other countries. As one who believes in “injustice anywhere is injustice everywhere”, I believe the same embargoes should be applied to the dictatorial regime in Ethiopia, which in my view has stolen the peoples votes during the 2005 election, has killed many people and put tens of thousands of them in concentration camps.

The organizer of these conversations could be reached at seid.hassan@murraystate.edu