

Ethiopia Adopts Rapid Development Approach

Mr. Simon is the Policy Study and Research Advisor to Ethiopian Prime Minister Hailemariam Desalegn. Lawrence Freeman interviewed him in Addis Ababa on Nov. 24.



EIR: I wonder if you might explain the philosophy that your government has developed over the last 13-14 years—I believe you call it a “development state philosophy”—and how this has impacted the economic growth and well-being of your people.

Simon: This is a philosophy which we have tried to learn from the world at large, and specifically also from the East Asian areas—actually from those countries that have shown a rapid development for the last 50-60 years. To a large extent, we have a similar philosophy in relation to the rapid development of the country, as well as a different approach to the democraticization of the country. Our philosophy is that of the development of the democratic state, which was espoused by our late Prime Minister Meles Zenawi. We give much attention to role of the state as the leading institution for bringing about rapid development, the transformation critical for the creation of a large and very strong private sector, and government assistance in unleashing the productive potential for the public at large.

Our philosophy is essentially making use of the power and the capacity of the state for the good of the country for rapid development.

On the other hand, our philosophy emphasizes that we give sufficient and proper attention to the democratization of the country. Of course this had been done right from the start; we started within a month after the downfall of the military regime, by introducing fundamental democratic rights, which ensured that both private and [property] rights are respected in Ethiopia.

EIR: In 2001, there was a robust debate inside your movement about how you would approach the future of your country, and you established several priorities of development and interventions by the state to improve the standard of living of your people and develop your economy. Could you tell us what those top priorities were?

Simon: We have tried to identify the existential challenges that this country faces, and in that respect we have identified two fundamental problems that are impeding the development of Ethiopia. These are the persistence of poverty, and backwardness. The government has taken poverty and backwardness to be the number one enemies of Ethiopia and the Ethiopian people. Low productivity and low living standards are the main problems, so we have opted for rapid and shared growth approach in our development, so that the majority of Ethiopians become beneficiaries.

On the second point, this is a country of diverse people, and both the rights of citizens as individuals, as well as the rights of different social groups, ethnic groups, or religious groups, should be respected as well. So, this diversity should be accommodated and managed in a democratic way, to make sure that the public at large and all the different ethnic groups in Ethiopia are benefiting from the democratic rights. So these are our top priorities.

Government Role

EIR: Ethiopia has embarked on a very aggressive infrastructure program in roads, construction, and of course, the building of the Grand Renaissance Dam, which is an extraordinary task, to be completed in 2017, for about 6,000 MW of hydroelectric power. Could you tell us how you decided on these programs, how you are funding them? And are you working with other governments? What is your goal?

Simon: When we tried to identify the causes of our underdevelopment, we found out that the lack of infrastructure development, lack of skilled labor, lack of a financial sector to provide proper and adequate credit to those engaged in productive ventures, and lack of tech-



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Housing construction in Addis Ababa. The government has embarked upon a program of rapid development of infrastructure, relying mostly on domestic financing.

nology had been the center of all the problems—we are lacking these things, which haven't been developed in Ethiopia in the last century or so. All citizens, the public at large and the private sector, were tending to engage in informal activities; the formal sector had been so poorly developed, and people were not accustomed to working in such a way that their productive capacity would be unleashed.

In order to fill this gap, we felt the government should have a role in providing the fundamental prerequisite for development, so we embarked on massive improvements of infrastructure; we embarked upon improving education, where we, in the last 15 years alone, built 30 new universities and provided basic education to our public. The number of students jumped from 2 million to 22 million. And we had to also develop the skill of our youngsters by expanding technical and vocational schools, and by doing so, we have been able to provide a market of skilled labor which is improving day by day; but also to improve the financial sector, so that all our citizens, as well as the private sector, shall be provided with cheaper credit facilities. All of this has been provided by the government, as well as by the market, where the market is adequate to provide such services in a competent manner.

We have improved our roads, our power, our hydro-

power generation, as well as wind turbines; we have been expanding our telecommunication services. Of course, this is a growing country, and we cannot say that everything is in place, but as much as we can, we have been putting all the right things in place, and we have started to see the impact of this selected intervention by the government. I think we can say that with this, Ethiopia has been able to generate robust growth in the recent years.

EIR: Let me ask you a technical question. In building the Renaissance Dam and other large dams—Gibe III is supposed to come on line next year—plus you have this ambitious plan for 4,000-5,000 km of railroad production, how is the government funding these?

Simon: The issue of funding is not a problem. In the first place, we have to generate it from inside, and I can tell you for instance, that with the significant growth in our agricultural sector, we are seeing value creation, value that had not been there yesterday is being created anew, so that was contributing to our financial stock and that has helped us. The private sector in our urban areas, the citizens in our urban areas, are realizing their initiatives and their potentials, and this has started creating money, started creating value. So the value creation that we are engaged in is making us capable of providing the financing necessary to support all these infrastructure programs. Our exports have been improving; of course that is slight, but it is improving. We have also been able to acquire loans from foreign countries, but our government is renowned for its decision to put financing into the right place; we have been able to do the projects.

Financing for Development

EIR: So you are talking about the government having essentially a capital budget that puts online these infrastructure programs; that it comes from government funds?

Simon: By and large, yes. But there are some additional requirements for which we ask for loans and grants, and we have been lucky, we have spent all this money in the right place. So the financial situation of the government so far is very good and we are going to continue.

EIR: And a growing economy and the infrastructure mean that you have been able to pay back these loans, if they are long-term, low-interest loans.



Ethiopia's Grand Renaissance Dam is expected to be completed in 2017 and will produce 6,000 MW of hydroelectric power.

Simon: Yes, some of the long-term loans have been paid. But we are working to expand our export earnings and we also feel we can finance our development endeavors with our money. I can assure you the government has never been looking at financing as a number one problem; we look at it in such a way that we can realize our potential. I think it is just a matter of time, and the issue of finance is not going to hold us back.

EIR: In July, the BRICS countries—Brazil, Russia, India, China, and South Africa—met and they established a New Development Bank, to be brought online for funding infrastructure. Also, last year, the President of China, Xi Jinping, announced the formation of the New Silk Road. I know you have had productive collaboration with China and China has helped you on some of these projects. What is your view of this changing potential in the world economy?

Simon: With the advent of the new economic forces around the globe, we feel more opportunities are being created for Africa, both for the raw materials that Africa provides, and the supply of credit for African development. So, in that respect, I think we can safely say that the current good growth that we are seeing around Africa is fueled by this news. Africa has been the beneficiary of the situation, and with the advent of the new BRICS bank, we expect Africa also to benefit from such an undertaking, and Ethiopia too, as it has benefited in the past from good relations and cooperation through the years. We feel the the new bank will be also be an instrument for improving the infrastructure of Africa, provided we Africans also put our house in order.

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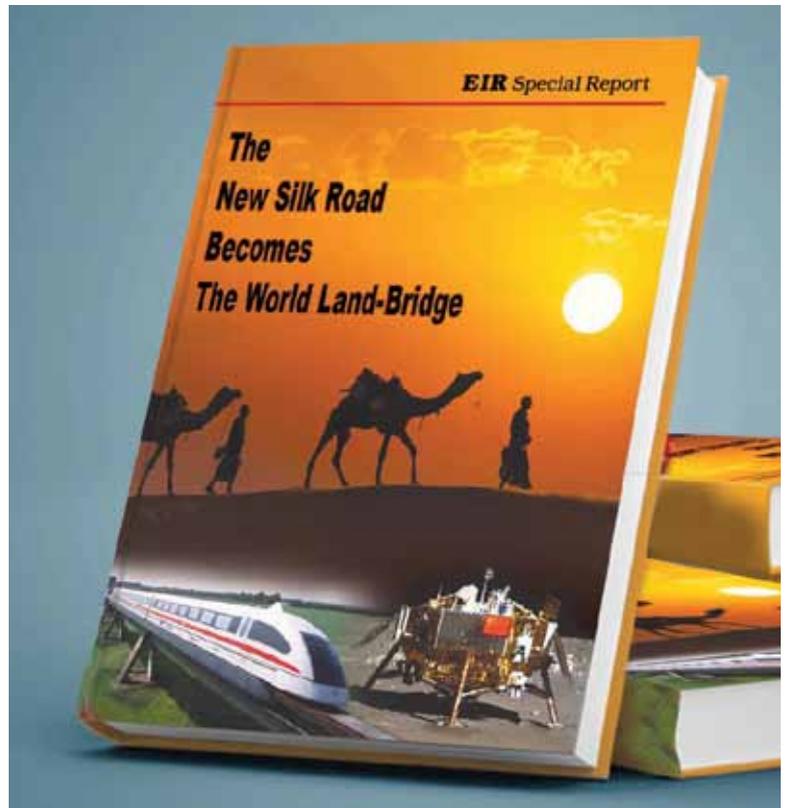
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