

Eritrea's Response to 2% Tax, Mining Revenues and Illegal Arms Embargo

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**Permanent Mission of Eritrea to the United Nations
New York**

**Eritrea's Response to the Information Request Contained in the Letter
S/AC.29/2014/SEMG/C.14**

14 July 2014

1. The Government of Eritrea (GOE) has been engaged with the Chair of the Security Council Committee pursuant to resolutions 751 (1992) and 1907, H.E. Ambassador Oh Joon, and has actively participated in good faith in the meetings that took place in Paris and Cairo, which were facilitated by

his office.

2. It must also be underlined that the Government of Eritrea (GOE) on several occasions and at different venues has communicated, in writing and orally, its perspectives and explanations concerning the unjust and illegal sanction resolutions as well as different allegations levelled against it. However, in the spirit of cooperation and engagement, Eritrea sees the need to once more spell out its views on the number of issues which have been raised in the Paris and Cairo meetings in hopes of dispelling the politically motivated lingering misperceptions and assumptions.

3. In these written responses and meetings, Eritrea has expressed its concern regarding the manner in which SEMG has discharged its mandates. Eritrea once again reiterates the need for Somalia Eritrea Monitoring Group (SEMG) to respect the standards for investigation as stipulated in the Report of Informal Working Group of the Security Council on the General Issues of Sanctions (S/2006/997) which, inter alia, underscores the need for expert panels to rely on verified information and documents, and ensure that their "assertions are corroborated by solid information and that their findings are substantiated by credible sources". It must also refrain from dwelling into matters that do not fall within its mandate. The principle of transparency, objectivity and impartiality must be respected.

I. The 2% Recovery and Rehabilitation Tax (RRT)

4. Eritrea wants to underline that the levying of various taxes is surely the prerogative and sovereign right of any country and an exclusive matter that concerns its citizens. Moreover, the UN Security Council Resolution 2-23 (2011) does not prevent Eritrea from collecting Recovery and Rehabilitation Tax (RRT).

5. The RRT is part and parcel of Eritrea's taxation law and system. It has its own evolution and history. Historically, Eritreans in all walks of life voluntarily contributed to the national cause during the 30-year armed struggle for independence and self-determination. This was at a time when the international community had largely ignored the inalienable national rights for self-determination and predicaments of the Eritrean people. In those years, Eritreans abroad came together and formed civil society associations and organized along professional, occupational and gender dimensions to raise funds in support of relief and developmental work in the liberated areas and to conduct public

awareness campaigns. The magnitude of their contributions varied from place to place and with time. Generally, monthly contributions from members of the associations of Eritrean students hovered around 10% while that of Eritrean women and workers reached 20% of their gross income. This voluntary financial contribution was not only vital in terms of mitigating the humanitarian consequences of the protracted war for independence; but it was indispensable in reinforcing the bond between the Diaspora and their compatriots at home.

6. After Eritrea's independence in 1991, the nascent government faced enormous economic challenges and hurdles. In addition to the devastated infrastructure and economy, the GOE had to address an onerous social burden for the upkeep of the families of martyrs and disabled; over **60,000 martyrs** and over **10,000 war disabled**. The GOE allocated a monthly payment of 500 Nakfa (birr at the time) for families of martyrs that is payable for a lifetime to the parents while limited until the age of 18 years for minor dependents and siblings of the martyrs. All war disabled fighters that could not be fully rehabilitated with employable skills are also beneficiaries for monthly payments. The demobilization programme was another major project implemented in 1994 largely through government funds.

7. Under these circumstances, many citizens in the Diaspora launched spontaneous and voluntary but fragmented initiatives, to raise funds for the above mentioned noble and humanitarian causes, therefore, it became essential and necessary to institutionalize those initiatives. Eritreans residing abroad discussed the matter on the bases of their experience during the 30-years struggle for independence. The overriding desire was to imbue some structure and uniformity to what was effectively a burgeoning spontaneous and voluntary grassroots movement. Subsequently with clear objectives of funding the country's social and development programs, in 1994, the Eritrean National Assembly enacted the Rehabilitation and Recovery Tax Proclamation (RRT). The RRT proclamation **specifically targets** only citizens in Diaspora, not citizens of other countries of Eritrean decent. The rate was fixed at a low 2% of net their income; in a country where personal income tax is progressive and reaches 38%.

8. The Rehabilitation and Recovery Tax was envisaged as a time-bound provision which would wind up at some time in the near future as the economy of the new country grows and the social responsibility and burdens eases. This was underlined during the discussions at the Eritrean National Assembly, although it was not articulated in the forum of a definitive *sunset clause* at the time of its

proclamation. However, subsequent developments, and notably the border war between Eritrea and Ethiopia (1998-2000) cost the lives of 19,000 Eritreans and has created additional martyrs families.

9. The legality of the RRT is unambiguous, and purposes laudable. It represents a symbolic burden sharing by the Eritreans in the Diaspora with the people inside the country. In this sense, its historical, moral, humanitarian and patriotic contents and values are more significant and profound than its material dividend. In fact, the funds collected annually are modest that should not be overstated when compared with the government budget and expenditure on basic social services. For the last four years, for instance, the aggregate RRT collected annually vary from a total of 14.8 million dollars in 2010 to 24.7 million US dollars in 2013. **In those four years, the aggregate RRT collected did not exceed 73 Million US dollars, while budgetary appropriation by the Government for the family of martyrs and war disabled individuals for the same period hovers around 28 million US dollars annually, which is almost 112 million dollars for the four year period.**

10. The distorted allegations that the GOE uses "extortion, threats of violence, fraud and other illicit means" to collect RRT is utterly baseless. It is a deliberate misinformation aimed at created misperception about the active and voluntary participation of Eritreans in the Diaspora in the affairs and development of their country. The GOE has neither the means nor the desire to enforce the RRT proclamation through the extra-legal means. As is the case in all countries, Eritrea has specific clauses on the rights and obligations of its citizens concerning taxation. Regarding the RRT, there are explicit enforcement measures implemented domestically such as "denial of business licences and land entitlements to those who fail to meet their fiscal obligation". These measures are not and cannot be implemented extraterritoriality. They do not also curtail the natural right of Eritrean citizens to visit their home country or relatives so long as they are holders of Eritrean national identity card or passport. They don't need a visa to enter Eritrea. Furthermore, as it is propagated in some quarters and is frequent echoed in the reports of the SEMG, there is no "harassments against their families living in the country".

11. Another misperception is the "UN Security Council Resolution 2023 (2011) prevents Eritrea from collecting the RRT". No provision in the stated resolutions prevents Eritrea from levying 2% tax from Eritreans residing abroad. The measures imposed by some countries against the 2% Rehabilitation and Recovery tax, under the pretext of implementing UN Security Council Resolution

are incorrect and constitute at best, a misinterpretation of the Resolution. In fact, it is incumbent on the Security Council as well as the SEMG to alert the member countries when their actions in implementing the UNSC resolutions are not consistent with the previous of the resolution.

12. Given the fact that the African Diaspora is considered as the Sixth Region of Africa by the Head of States of the African Union (AU) and the establishment of African Remittance Institute becoming a reality, Eritrea which has effectively and productively involved and utilized its Diaspora community in its 30-Year war for independence and 24-years national economic development program must be commended and emulated, not punished and obstructed.

II. Eritrea's Mining Revenues

13. Eritrea is endowed with mineral resources that are expected to make a modest contribution to economic growth. At present, there are around 17 foreign companies that have been granted mineral exploration and development licenses, but to date, only Bisha has been doing actual production.

14. The languages used in UNSC Resolution 2023 (2011) concerning the Eritrean mining sector leaves much to be desired. There are two aspects of the resolution that require emphasis. First, the recommended action is, once again, anchored on hypothetical assumptions and potential use of revenue. In the first place, the edifice from which purported measures ensure rests on speculative and presumptive ground as it relates to a "potential" rather than an "actual" act that has been established beyond any reasonable doubt. It is not based on factual and solid evidences of Eritrea's misuse of revenues from the mining sector for acts that breach international law. In fact, the burden of proof is curiously transferred from the plaintiff to the accused party. This is not in consonance with, but rather contrary to, rudimentary legal and procedural principles. Second, the fact that these guidelines were to be optional underscores, even if in an implicit manner, that the sponsors of the resolution were comfortable with the rational and logic of the case they wanted to make.

15. It must be underlined that revenues from Eritrea's first mining plant began to be materialize at more or less the same period as when Resolution 2023 (2011) was adopted. Although Nevsun the Canadian-based mining company, started prospecting and exploration activities in Bisha in 2003, production only began in 2010. Bearing in mind that the principal reason for why the sanctions against Eritrea imposed in 2009 had to do with its purported financing of Al-Shebaab well before the

start of mining operations in Bisha, the sudden switch to the "potential use of mining revenues for destabilization" is very tenuous to say the least.

16. In the Bisha Mining operation, the Canadian company, Nevsun, holds majority (60%) share, while the Eritrean National mining Company holds the remaining 40%. Nevsun is publicly quoted company subject to Canadian commercial laws and regulations. The financial proceedings of the Bisha plant are consequently issued on a quarterly bases and available in the public domain. These financial reports naturally include the proceedings that accrue to Eritrea in the forum of corporate tax, royalties and dividends for anyone to see and read.

17. As this public data corroborate, **the aggregate GOE revenue from royalty, taxes and dividends averages about 200 million US dollars annually for the years 2011-2013.** And this is prior to its debt servicing requirements for loans incurred for purchase of 3-% equity from the company as well as substantial pro rata payments for the initial capital expenditures for the establishment of the plant prior to production. This income that Eritrea gets from this single mining operation is small in relation to its public expenditures on education, health, food security and infrastructural projects and programmes. It does not even cover the country's annual food import bill.

18. In brief, the intrusive measures envisaged in Paragraphs 12, 13 and 14 of the Resolution that include "the issuance of due diligence guidelines" seem to have been prompted by an unhealthy desire to harass Eritrea and scare potential investors in the mining sector rather than a sincere concern for the misuse of mining revenues, which the SEMG has so far failed to prove.

III. Arms Embargo

19. Eritrea would like once again to express its indignation at this misplaced depiction of Eritrea. Eritrea is not the perpetrator but rather the victim of regional destabilization. The time has come to acknowledge and applaud Eritrea's growing engagement and constructive role in the region. Eritrea has indeed a laudable record of seeking peaceful/arbitral solutions for good-faith border disputes when they arise and respecting the resulting verdicts without equivocation. In addition, Eritrea's developmental and national security interests are better served in an environment of regional peace. Its pronounced foreign policy is in fact anchored on the enhancement of a safe and cooperative neighbourhood.

20. Eritrea finds it difficult to understand the rationale of the arms embargo imposed by the Security Council, while its land, including the town of Badme, remains occupied by Ethiopia in breach of the UN Charter, international law, the Algiers Peace Agreement, numerous Security Council resolutions and the Final and Binding Eritrea Ethiopia Boundary Commission (EEBC) 2002 Delimitation and 2007 Demarcation decisions. On the contrary, Ethiopia has no restrictions on bolstering its defence forces and continues to purchase arms without restrictions as its contracts worth 200 million dollars for tanks from Ukraine this year alone attests.

21. While Eritrea is entitled to legitimate self-defence in accordance with Article 51 of the UN Charter, the UNSC Resolutions to impose an unwarranted and lop-sided arms embargo on Eritrea is an approach that lack balance, fairness and legality. It goes against the letter spirit of the UN charter and the requirements of peace and stability in the Horn of Africa region. It rewards culprit while punished the victim. Therefore, the arms embargo should have been imposed against Ethiopia, not Eritrea.

22. Despite repeated protestations and widely available information that the Ethiopian government does not deny, but on the contrary openly boasts about, the SEMG refused to proved context about Ethiopian blatant destabilization actions against Eritrea and other countries in the region. Instead it has chosen to focus on spurious allegations against Eritrea.

23. the Ethiopian Government pursues an open policy of "regime change" and continues to harbour, finance and arm Eritrean subversive groups. A press report issued this week talks about a meet that took place between Ethiopian defence and intelligence service officials and leaders of Eritrean armed groups to advance this aim. (See annex 1 and 2) Yet, Ethiopia is not brought to account and no punitive measures are taken against it in spite of its flagrant violations of international law. It must be recognized that these anomalous realities are not only unfair but also carry the risk of encouraging Ethiopia to indulge in more reckless and unlawful acts of aggression against Eritrea.

24. It must be recalled that when UNSC Resolution 1907 (2009) was adopted, the principal reason evoked to impose arms embargo was Eritrea's "military support to Al-Shebaab in Somalia". Eritrea was wrongly accused of sending 2000 soldiers to Somalia. This false report was never acknowledged in retrospect or formally retracted from the SEMG reports and records later although the fallacy had

become common knowledge. Another bogus accusation was levelled against Eritrea in November 2011. Again, Eritrea was accused of air-lifting weapons to Al-Shebaab through Baidoa. This false accusation was timed to coincide with and influence the deliberations of the UNSC on Resolution 2023.

25. Almost five years from the imposition of unfair sanctions against Eritrea, it is now accepted that Eritrea is free from any military or financial involvement with regards to Somalia.

26. However, some quarters who have a political agenda keep on moving the goalpost by making other unfounded allegations which are irresponsibly echoed by the SEMG until it harms Eritrea only to be dropped quietly later without ascertaining its veracity and/or the sinister motivations of those who fabricated it in the first place. These days new fabricated allegation is paddled associating Eritrea with Riek Machar in the conflict in South Sudan. Is it a case of *déjà vu*? This is another ridiculous allegation, which was unsurprisingly made by Ethiopia. Eritrea has repeatedly made its position on the tragic crisis in South Sudan very clear. Eritrea is unequivocally opposed to a destructive armed rebellion against the legitimately established government of South Sudan. Eritrea supports a comprehensive ceasefire, containment of the situation and a peaceful settlement of the underlying issues. And yet, the Ethiopia-inspired, anti-Eritrean disinformation campaign and accusation has appeared in three subsequent reports of the Monitoring Group, first in the February report as "circumstantial" and then in the March and April reports with "credible" qualifications and endorsements.

27. It must be underscored countries that have a hostile agenda against Eritrea cannot be used as credible sources. Sadly these legitimate pleas continue to be ignored as the following sentences from May 2014 SEMG Report illustrates: "...On 12 and 13 May 2014, in Addis Abeba, the SEMG met with Ethiopian Prime Minister, H.E. Hailemariam Desalegn, the Minister of Foreign Affairs, H.E. Tedros Adhanom Ghebreyesus, the State Minister of the Ministry of Foreign Affairs, H.E. Berhane Gebre-Christos, as well as a number of other senior ambassadors and security officials to discuss areas of cooperation and pending investigations of the SEMG". The SEMG's monthly report continues to say that "In May 2014, the SEMG traveled to Djibouti to meet with authorities as part of its investigations into allegations that Eritrea is providing material and logistical support to Riek Machar's forces in South Sudan".

28. As Eritrea has pointed out in many of its previous communications, it is incumbent for the SEMG to be objective, transparent, impartial and non-political and conduct thorough validation process of the accusations levelled against Eritrea. It is high time to stop wild and unfounded and politically motivated accusations against Eritrea from the usual suspects that are bent on using the SEMG for their own interests. Instead, those who repeatedly make accusations that have been proven false in the past should be accounted. In this context, it is important look at a leaked memo that was sent to all diplomatic missions from the state minister Ambassador Berhane Gebre-Christos on 20 February 2014. It instructs Ethiopian Diplomats, inter alia,: **"to constantly provide information to the security and intelligence agencies of the countries of the region so that they will understand and explain Eritrea's destabilizing role in the region;....to lobby member states of the UNSC to accept the reports of the SEMG as credible; and,to develop close relations with the relevant departments in the UN Secretariat in order to ensure that the reports are in line with Ethiopia's position, or at least don't hurt Ethiopia's position."** (see Annex 3)

IV. Conclusion

29. It is now five years since the unjust sanctions were imposed on Eritrea. They have not contributed to regional peace and security in the Horn of Africa. In fact, if they are not lifted they will bring perpetuate more instability and conflict to the region. Indeed, they are harming the people of Eritrea, hampering economic and social development. It is now clear that there is no justification for the continuation of sanctions.

30. The initial and principal accusation concerning Eritrean support to Al-Shabaab has long been proven to be non-existent. Moreover, Eritrea is committed to the Qatari mediation in relation to the Eritrea-Djibouti issue.

31. Therefore, it is now clear that there is no justification for their continuation. Eritrea once again appeals to the United Nations Security Council to urgently lift these unjust and counterproductive sanctions.

32. The event over the past 15-years and the facts on the ground clearly show that it is Ethiopia, not Eritrea that is actively engaged in destabilizing the region. Its continued occupation of sovereign

Eritrean territory, including the town of Badme, with impunity, in violation of the United Nations Charter and its treaty obligation is the main cause of the instability in the Horn of Africa. In the interest of peace and security in the region and within the context of Resolutions 1907 (2009) and 2023 (2011), which reaffirms respect for the sovereignty and territorial integrity of Eritrea, Ethiopia must be urged to immediately and without precondition to withdraw from sovereign Eritrean territories, including the town of Badme.



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3. In these written responses and meetings, Eritrea has expressed its concern regarding the manner in which SEMG has discharged its mandates. Eritrea once again reiterates the need for Somalia Eritrea Monitoring Group (SEMG) to respect the standards for investigation as stipulated in the Report of the Informal Working Group of the Security Council on General Issues of Sanctions (S/2006/997) which, inter alia, underscores the need for expert panels to rely on verified information and documents, and ensure that their "assertions are corroborated by solid information and that their findings are substantiated by credible sources". It must also refrain from dwelling into matters that do not fall within its mandate. The principle of transparency, objectivity and impartiality must be respected.

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