THE WAVERLEY SERIES

ERITREA

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

LORD WAVERLEY

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ERITREA — AT A GLANCE

Capital	Asmara
Population	Estimates vary significantly, generally cited between 3.7 and 6 million; Eritrea does not publish a reliable current census
Real GDP growth	2.9–3.2% (2025, estimates vary by source); projected around 2.7–2.8% for 2026, driven by mining and services
Inflation	Eased from 7.5% to 5.3% in 2025; projected around 5.1% for 2026
Fiscal deficit	Held at approximately 2.5% of GDP in both 2024 and 2025
Currency	Eritrean nakfa (ERN), officially fixed at 15 to the US dollar; genuine currency convertibility is highly restricted
Key exports	Gold, copper and potash from a small number of state-approved mining joint ventures; limited agricultural exports
Principal partners	China (dominant trade and mining-investment partner), United Arab Emirates, Saudi Arabia; Russia (mining-sector interests)
Governing framework	One-party state under the People's Front for Democracy and Justice (PFDJ) since independence in 1993; no elections have been held; no independent judiciary or free media; indefinite national service system

There is no credible mainstream investment case for Eritrea under current conditions, and this briefing exists to provide accurate, current information rather than to encourage broad-based commercial engagement. Eritrea remains one of the world's most closed economies, governed as a one-party state since independence in 1993 with no elections ever held, no independent judiciary, no free media, and an indefinite national service system that functions as the government's primary mechanism for allocating labour. Nearly all recorded foreign investment is confined to a small number of state-approved mining joint ventures, and UNCTAD data shows overall foreign direct investment inflows have been negative or near zero in recent years, with zero recorded greenfield projects between 2022 and 2024. A reported September 2026 shift in US sanctions policy has not been accompanied by any indication of broader domestic economic liberalisation.

1. INVESTMENT & FDI

Outside a handful of state-approved mining joint ventures, foreign investment in Eritrea is actively discouraged and has been negative or near zero in recent years.

UNCTAD data cited by independent analysis shows Eritrea's foreign direct investment inflows were negative $32 million in 2022, $2 million in 2023, and negative $28 million in 2024, with zero recorded greenfield investments across the same three-year period — a pattern reinforcing Eritrea's position as one of Africa's least attractive destinations for new capital. Foreign firms are admitted selectively, primarily into state-linked mining projects that generate hard currency for the government, while broader private-sector economic activity faces severe restriction.

- **Persistently negative or negligible FDI:** the recorded inflow figures for 2022-2024, including two years of net negative investment, reflect a sustained pattern rather than a temporary downturn, and should be weighed heavily against any isolated positive project announcement.
- **Zero greenfield investment:** the complete absence of new greenfield foreign projects over a three-year period is a particularly stark indicator, given that greenfield investment is typically the clearest signal of genuine new international business interest in a market.
- **Selective admission confined to state-linked mining:** foreign investment approval outside the mining sector remains rare, with the government maintaining close control over which projects may proceed and how resulting revenues are handled.
- **A documented pattern of unfinished diaspora-funded projects:** independent governance assessment notes the government has a record of soliciting investment from Eritreans abroad for projects, including in housing construction, that are frequently never finalised, a relevant consideration for any diaspora investor evaluating new appeals.

2. TRADE & BUSINESS

Mining exports, dominated by Chinese-linked operators, represent nearly the entirety of Eritrea's formal external trade.

Gold, copper and potash from a small number of state-approved mining operations account for the substantial majority of Eritrea's formal exports, with China as the dominant trade partner alongside the United Arab Emirates and Saudi Arabia. Separately, an unverified claim circulating in some regional media, citing a diaspora investment appeal for the Colluli potash project with a reserve of 1.08 billion tonnes and projected annual fiscal revenue exceeding $200 million, could not be independently confirmed; the figures appear to trace to a single unsigned, unsourced promotional essay rather than any verifiable government or company statement.

- **Mining as the near-exclusive formal export base:** gold, copper and potash together dominate Eritrea's recorded exports to an extent that leaves the formal trade economy almost entirely dependent on the performance and continued operation of a handful of mining assets.
- **An unverified investment claim worth flagging:** the specific reserve and revenue figures attached to circulating Colluli investment appeals could not be traced to any credible, sourced statement, and should be treated with appropriate scepticism pending independent verification.
- **Persistent informal cross-border activity:** independent governance assessment describes continued smuggling and trafficking across the Sudanese border, reportedly involving corrupt officials on both sides, as an enduring feature of the informal economy amid Sudan's ongoing civil war.

3. MAJOR ECONOMIC DEVELOPMENTS

A reported shift in US sanctions policy coincides with an unchanged domestic economic and political structure.

Bloomberg and other agency reporting confirmed on 19 September 2026 that the United States intends to remove Eritrea from a sanctions list, following an internal State Department note first reported in May 2026. This development has not been accompanied by any indication of corresponding domestic economic liberalisation: mining-sector investment remains dominated by Chinese capital, and the country's fundamental governing structure, in place since independence, is unchanged. GDP growth is estimated at 2.9-3.2% for 2025, with inflation easing from 7.5% to 5.3% over the same period, though independent observers caution that reliable Eritrean economic statistics generally remain difficult to obtain.

- **A sanctions shift without domestic reform:** the reported US sanctions removal appears to reflect a change in bilateral or geopolitical calculus rather than any documented change in Eritrea's domestic governance or economic openness, a distinction investors should not conflate.
- **An indefinite national service system as the central economic constraint:** Eritrea's system of indefinite national service draws large numbers of citizens into state labour rather than formal market employment, directly suppressing private wages, entrepreneurship and household consumption, and represents, according to independent analysis, the heart of why the domestic economy remains so closed to ordinary commercial activity.
- **No elections since independence:** Eritrea has held no national elections since gaining independence in 1993, and independent assessment continues to describe the country as lacking an independent judiciary or free media under President Isaias Afwerki's continuous rule.
- **Cooled relations with Ethiopia:** as of the most recent available reporting, no trade agreements exist between Eritrea and Ethiopia, and relations between the two countries' leaderships have cooled significantly, a regional relationship worth monitoring given its historical volatility.
- **Persistent basic infrastructure shortages:** chronic electricity blackouts and shortages of fuel and drinking water continue to affect daily life and constrain broader economic activity nationally, conditions independent reporting describes as largely unaddressed despite mining-sector revenue.

4. MAJOR PROJECTS & INFRASTRUCTURE

A small number of state-sanctioned mining projects account for essentially all significant capital investment activity.

- **Sheba Mine:** gold-mining operations are projected to contribute 10.1% of GDP in 2026, rising to 12.4% in 2027, supported by higher gold output and representing one of the clearest concrete drivers of near-term economic activity.
- **Bisha mine:** an established gold and copper operation, Bisha remains one of the country's principal sources of mining-sector hard-currency revenue.
- **Colluli potash project:** involving Chinese and Russian interests, the project represents genuine potash reserves, though specific reserve and revenue figures circulating in some public reporting could not be independently verified, as noted in Section 2.
- **Unaddressed basic infrastructure needs:** chronic electricity, fuel and water shortages persist nationally, reflecting limited reinvestment of mining-sector and other state revenue into broader infrastructure improvement.

5. CONFERENCES, FORUMS & EXHIBITIONS

Not applicable under current conditions. Eritrea does not host a meaningful calendar of international investment conferences, trade forums or business exhibitions, consistent with its broader economic isolation and the state's tight control over foreign business engagement.

6. BUSINESS & INVESTMENT EVENTS

No significant business or investment events involving Eritrea were identified for this period. The absence of such activity is itself consistent with the country's minimal engagement with mainstream international investment promotion channels.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

A reported shift in US sanctions policy sits alongside continued deep economic dependence on China, with Russia also engaged in the mining sector.

- **United States:** the reported intention to remove Eritrea from a sanctions list, confirmed in September 2026 reporting, represents a notable diplomatic development whose practical economic consequences remain to be seen given the absence of accompanying domestic reform signals.
- **China:** China remains Eritrea's dominant trade partner and the primary source of mining-sector investment capital, a relationship independent analysis expects to continue regardless of shifts in Eritrea's relationship with Western governments.
- **Russia:** continued Russian interest in the Colluli potash project reflects Eritrea's pattern of engaging non-Western capital sources for its limited pool of approved foreign investment projects.
- **Gulf states:** the United Arab Emirates and Saudi Arabia remain significant trade partners and sources of funding, though independent governance assessment notes such funds have not been documented as translating into improved living standards for the general population.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

Ordinary private-sector activity remains severely constrained by state control, conscription-based labour allocation, and an almost complete absence of financial-technology infrastructure.

Private construction-sector activity has been prohibited in Eritrea since 2006, with PFDJ-owned companies such as Seghen Construction holding an effective monopoly in the sector; the state and ruling party similarly dominate trade, production and cash-crop agriculture more broadly. Eritrea's fintech ecosystem remains extremely limited, with industry estimates suggesting fewer than five fintech or digital financial service providers nationally, most linked to telecommunications or state-supported initiatives, and no significant presence of independent fintech startups, venture capital investment, or technologies such as digital lending, insurtech or embedded finance.

- **State and party dominance of core sectors:** the effective prohibition on private construction activity since 2006, and broader state and PFDJ control over trade, production and cash-crop agriculture, leaves minimal formal space for independent Eritrean entrepreneurship in the sectors that matter most to ordinary economic life.
- **A near-absent fintech sector:** with fewer than five providers nationally and no independent startups or venture capital presence, Eritrea's digital financial services landscape lags far behind regional peers where mobile money has meaningfully advanced financial inclusion.
- **National service as a structural labour-market distortion:** the government's ability to direct labour through indefinite national service without normal market pricing represents a fundamental, ongoing constraint on private wage growth and entrepreneurship that no sector-specific reform can address in isolation.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

None recommended under current conditions for mainstream investors. Any legitimate near-term opportunities remain confined to continued development of the existing state-approved mining assets described in Section 4 — Sheba, Bisha and Colluli — rather than any newly announced, independently verifiable project. Claims of a specific diaspora investment appeal for Colluli carrying quantified reserve and revenue figures could not be independently verified and should not be treated as a credible new investment opportunity absent confirmed sourcing.

SUMMARY ASSESSMENT

Eritrea remains one of the most closed, state-controlled economies in the world, structured around a one-party system that has held no elections since independence in 1993, maintains no independent judiciary or free media, and relies on an indefinite national service system as its primary mechanism of labour allocation. Nearly all foreign investment is confined to a small number of state-approved mining joint ventures dominated by Chinese, and to a lesser extent Russian, capital, and UNCTAD data shows overall FDI has been negative or near zero in recent years, with zero recorded greenfield projects between 2022 and 2024.

A reported September 2026 shift in US sanctions policy has not been accompanied by any indication of broader domestic economic liberalisation, and this briefing found no evidence of a credible pipeline of newly announced, verifiable investment opportunities beyond the existing mining sector. This briefing recommends no mainstream commercial engagement beyond the narrowly defined, already-established mining sector, and treats Eritrea as a country to monitor for potential future change rather than one to recommend for investment at this time.

This advisory can provide ongoing monitoring and, for organisations with existing operations or a specific, well-founded interest in Eritrea's mining sector, help assess realistic pathways and relationships as conditions evolve.