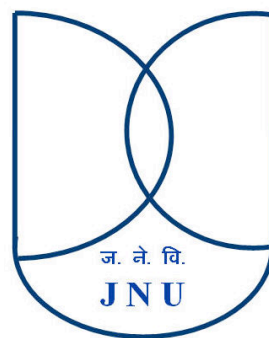


ETHIOPIA'S ENGAGEMENT WITH CHINA DURING
MELES ZENAWI PERIOD

Thesis submitted to Jawaharlal Nehru University
For award of the degree of

DOCTOR OF PHILOSOPHY

UMESHWAR PANDEY



Centre for African Studies
School of International Studies
JAWAHARLAL NEHRU UNIVERSITY
New Delhi- 110067
2016



Centre for African Studies
School of International Studies
Jawaharlal Nehru University
New Delhi - 110067

Phone : 011-2673 8718
E-mail : cas.sisjnu@gmail.com

Date: 5/ 1/ 2016

DECLARATION

I declare that the Thesis entitled “ETHIOPIA’S ENGAGEMENT WITH CHINA DURING MELES ZENAWI PERIOD” submitted by me for the award of the degree of **Doctor of Philosophy** of Jawaharlal Nehru University is my own work. The thesis has not been submitted for any other degree of this University or any other university.

Umeshwar Pandey

CERTIFICATE

We recommend that this thesis be placed before the examiners for evaluation.

Dr. J.M. MOOSA

Chairperson,CAS

Prof. AJAY K. DUBEY

Supervisor

Centre for African Studies
School of International Studies
Jawaharlal Nehru University
New Delhi - 110067

Centre for African Studies
School of International Studies
Jawaharlal Nehru University
New Delhi-110067

IN MEMORIAM

Late S. D. Pandey & Sumintra Devi

My Parents

Preface

The relations between Ethiopia and China have been for a long time. There was a place called Houg-Chih that represented Abyssinia, the other name for Ethiopia, where different kinds of animals existed around second century AD. From this coastal location, animals including rhinoceros were exported to China, while China had its primary export of green tea to Ethiopia. Even today, Chinese green tea is favorably consumed by many Ethiopians. It is apparent that although China and Ethiopia are located thousands of miles far from each other, historical linkages similar to some other regions in Africa, have been there. Chinese scholars also wrote on Africa elaborating the history, culture, ethnic groups, politics, and economics of Ethiopia.

During the period of Ethiopian Monarch Haile Selassie, Ethiopia and China supported each other in the International issues. The pronounced sympathy of the Chinese towards the Ethiopian people in their struggle against the Italian invasion was significantly important in this regard. Ethiopia also supported in response to this by backing the Chinese claim to become a member of the UN Security Council even when diplomatic relations between the two did not exist. Emperor Haile Selassie was specifically noted for his international role and was respected by Western powers, as a prominent leader in Africa.

This research is on Ethiopia's engagement with China during Meles Zenawi's period. It also elaborates the impact on Economy and Society of Ethiopia. Ethiopia is making progress on the economic front and enhancing the quality of life for her citizen. Meles Zenawi, during his term as president and Prime Minister, he was a leader, policy maker and also a nation builder.

This research mainly explains the development of economic, political and diplomatic relations between Ethiopia and China especially post 1991. For the last 20 years, Ethiopia has achieved a high and sustained rate of growth. The presence of China in Ethiopia since 2000 is fast becoming one of the key factors in reshaping Ethiopia's economic landscape. Ethiopia has been the major beneficiary of Chinese investment and development cooperation projects. This research also explains agricultural cooperation, hydroelectric power project, wind farm project, expressway project, railways project and tele-communication project.

In recent years, agricultural co-operation has taken the form of multilateral projects, such as South-South Cooperation Program, Agricultural Technical and Vocational Training Program, Youth Volunteer Program and Food Aid Program. The cooperation between China and Ethiopia in the power sector has registered remarkable height and success. Achievements in hydro and wind power projects, such as Fincha-Amerti-Neshe Hydropower Project, Gilgel Gibe III Dam Project and Adama Wind Farm Project. China and Ethiopia also registered deep cooperation on road constructions, especially the expressway and railway. Another sector is Telecommunication Project, which helps Ethiopia to enjoy Internet facility. China and Ethiopia cooperation is related to agricultural development and capacity building and is very vital for generating the common interest for mutual cooperation between the two countries.

There are four main factors behind the bilateral relations between China and Ethiopia: Firstly, the bright and promising development between the two countries has been facilitated by the strong political and diplomatic support from both governments. Ethiopian government provided a stable political environment for the investors to do business efficiently and Chinese government has also encouraged the economic interactions with Ethiopia through official policy. Secondly, economic interest is the strongest arm between the two countries. On the one hand, China needed global markets, suppliers and investment outlets, including in Africa; on the other hand, Ethiopia needs to open to international trade to develop her economy to implement Ethiopia's endeavor at poverty reduction and alleviation. Thirdly, economic assistance also plays an important role on boosting the development of China-Ethiopia relations. After the inception of FOCAC in 2000, Ethiopia became a visible beneficiary from China. FOCAC is not assisting only in agriculture, infrastructure, construction, trade, investment, but also in development, aid, debt reduction, loan and technical assistances and human resource development without any political strings attached. Fourthly, it has also facilitated transfer of technology. Ethiopia is learning lessons from Chinese development model. The Ethiopian government anchored its approach of closer cooperation with China. Ethiopia drew its first foreign affairs and security policy and strategy in 2002, which stated China, shared its development experience and provides technical support.

The relations between China and Africa in general and Ethiopia in particular are garnering fruitful achievements in the last two decades. Challenges cannot be the obstacle or barrier to the thriving of growing cooperation between China and Ethiopia. Further political, economic and diplomatic interactions and cooperation between the two countries are expected to scene, under these conditions. Chinese and Ethiopian economic, political and diplomatic relations are convinced to witness a bright future.

Organisation of the Study:

The Study is divided into four major chapters including introductory chapter. The last section presents the conclusion and findings. The chapters are organised in the following way:

In the **Chapter-1**, ‘Introduction’, besides introducing the topic, this chapter also discusses historicity of Ethiopia-China Relations during different phases. This chapter elaborates the different types of Ethiopian governance of Imperial Monarch, Military rule and Federal Democracy. Chapter also deals how political freedom in democratic Ethiopia caused many conflicting conditions such as social and cultural clashes. This chapter gives a detailed understanding of the Theoretical backdrop of South- South Cooperation. It also elaborates the shape of increased volume of South-South trade, South-South flows of foreign direct investment.

In the **Chapter-2**, ‘Ethiopia’s Political and Diplomatic relations with China’ deals the Political relations between Ethiopia and China since its inception. The chapter also elaborates the different phases of relations between the two countries. It also gives in-depth details about the official visits and interaction between the ruling political parties. The chapter elaborates enhanced Diplomatic and Political relations between the two countries after the second summit of the Forum on China–Africa Cooperation (FOCAC) in 2003.

In the **Chapter-3**, ‘Trends and Patterns of Ethiopia’s Engagement with China in Trade, Aid and Investments (TAI)’, assesses the trade between the two countries. It also elaborates the trade flows between Ethiopia and China has been rapidly growing during the Meles Zenawi period. This chapter gives detail about aid, trade and investment between developmental priorities of Ethiopia and political and economic policy of China. The chapter tries to understand the implications for business and investment opportunities of the changes in Ethiopia’s business

landscape. The chapter deals the policy framework and challenges both within the sector and with various ancillary activities. This chapter gives special emphasis to trends and pattern of economic engagements between the two countries. Chapter carries details of investment in Agri-business, manufacturing, mining, oil and gas, economic infrastructure, tourism and health services in Ethiopia.

In the **Chapter-4**, 'Ethiopian Engagement with China and its implications on Ethiopia', Engagement of China with Ethiopia increased the influence of the government of Ethiopia. Policy and responses of Ethiopia towards China come under the preview of this chapter. This chapter seeks to assess and explain the implications of Ethiopia's engagement with China. The chapter also elaborates the implications on bilateral relations between China and Ethiopia. The chapter also tries to understand, both positive and negative implications on Ethiopia.

At the end of the study conclusion reflects in the form of various findings which thesis has dealt in detail regarding engagement between Ethiopia and China.

Acknowledgement

This thesis would not have been possible without the guidance and help of the following individuals who in one way or another offered valuable assistance and support in the starting and completion of this study.

My utmost gratitude goes to my Supervisor Prof. Ajay Kumar Dubey, who nudged me towards the direction of this valuable study, and provided me with the guidance and help needed to complete it. Prof. Dubey painstakingly read through my numerous drafts and provided immeasurable help and suggestions that were vital to the completion of this thesis.

I also record my gratefulness to Prof. S. N. Malakar who listened to me at the crossroads of my academic career and motivation to pursue my research. I am equally thankful to Dr. J. M. Moosa and Sri Bharat Bhushan Padmadeo for their valuable suggestions.

I am also thankful to staff members of SIS and Centre for African Studies and especially Mr. Deepak Ji and Mr. Bhupendra ji for their kind support. I am obliged to the staff of JNU Library, Delhi University Library, IDSA Library, Ministry of External Affairs (Govt. of India) for their permission and kind cooperation in allowing me to utilize the library facilities.

I am under deep obligation to my friends, Aditya Tiwary, Arun Oraon and Hemant Niranjani who cheerfully and at a great cost of time and comfort, underwent the tedium of preparing the final draft. I am deeply grateful to my friend Dr. Pranav, who provided me with his invaluable suggestions and support throughout the work.

More importantly, I would like to thank to Dr. Akhilesh Ranjan (Bhaiya) and Ranjana (Wife) for their unwavering support, prayers and love throughout this period and Samyak (Son) who must have faced the brunt of all the 'dips' and disillusionments that I confronted at the final stage of my work.

Last, but certainly not the least, God almighty for his grace and mercies upon my life. For the strength he granted me to pull through all of my difficult and challenging times in the pursuant of my Ph.D. research work at JNU, New Delhi.

Having been privileged in receiving such love and support, I own responsibility for all the errors or omissions that might have crept into the work.

Umeshwar Pandey

New Delhi

January 5, 2016

Map of Africa





The Pre-1991 Map of Ethiopia



List of Acronyms

ADLI	Agricultural Development Led Industrialization
AMC	Agricultural Marketing Corporation
AU	African Union
CAADP	Comprehensive African Agricultural Development Program
CCP	Chinese Communist Party
COPWE	Party of the Workers of Ethiopia
COR	Council of Representatives
CUD	Coalition for Unity and Democracy
OFDM	Oromo Federalist Democratic Movement
DDA	Doha Development Agenda
DERG	Amharic acronym for Military Committee
EDP	Ethiopian Democratic Party
EDU	Ethiopian Democratic Union
EHRCO	Ethiopian Human Rights Council
ELF	Eritrean Liberation Front
EPA	Environmental Protection Authority
EPDM	Ethiopian People’s Democratic Movement
EPE	Environmental Policy of Ethiopia
EPLF	Eritrean people’s Liberation Front
EPRDF	Ethiopian People’s Revolutionary Democratic Front
EPRP	Ethiopian People’s Revolutionary Party
EU	European Union
FOCAC	Forum on China-Africa Cooperation
GDP	Gross Domestic Product
GTP	Growth and Transformation Plan
HDI	Human Development Index
IGAD	Inter-governmental Authority on Development
LDC	Least Develop Country

MDG	Millennium Development Goal
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization
OAU	Organization of African Unity
ODA	Official Development Assistance
OLF	Oromo Liberation Front
ONC	Oromo National Congress
ONLF	Ogaden National Liberation Front
PA	Peasant Associations
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
PCs	Producer's Cooperatives
PDRE	People's Democratic Republic of Ethiopia
PMAC	Provisional Military Administrative Council
PPP	Purchasing Power Parity
PRC	People's Republic of China
RMB	Renminbi Yuan
RRC	Relief and Rehabilitation Commission
SME	Small and Medium sized Enterprises
SNNP	Sothern Nations, Nationalities & Peoples
SSC	South-South Cooperation
TDA	Tigray Development Association
TGE	Transitional Government of Ethiopia
TPLF	Tigray People's Liberation Front
UEDF	United Ethiopian Democratic Forces
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFAO	United Nations Food and Agriculture Organization
WPE	Worker's Party of Ethiopia
WTO	World Trade Organization
ZPEB	Zhonguan Petroleum Exploration Bureau
ZTE	ZhongxingTelecommunications Equipment Co.Ltd

CONTENTS

CHAPTER – I- Introduction

1.1- Background of China- Africa political and diplomatic Relations	1
1.1.2- China’s relation with Ethiopia	5
1.2- Geographical Set up of Ethiopia	6
1.3- Ethiopia in Modern Times	8
1.3.2-Ethiopia after the Second World War	12
1.3.3-Background of 1974 Revolution	13
1.3.3.2-Dawn of Communist (DERG) Regime	14
1.3.3.3-Discontentment from DERG: Failure of Communist Regime	16
1.3.3.4- Transition from DERG to Democracy	18
1.4-The era of Democracy in Ethiopia under Meles Zenawi-1991 -2012.	21
1.4.2- EPRDF Led Meles Zenawi’s Government since 1991	23
1.5-Theoretical framework: South-South cooperation	24
1.5.2- Essential Components of South-South Cooperation	25
1.5.3- Objectives of South-South Cooperation	25
1.5.4- Benefits of South-South Cooperation	26
1.6-China and Ethiopia under Framework of South-South Cooperation	29
CHAPTER-II - Ethiopia’s Political and Diplomatic relations with China	
2.1- Restoration of Relations between Ethiopia and China	32
2.2-Ethiopia-China Relation during Meles Zenawi period.	33
2.3- China’s Political and Developmental assistance to Ethiopia	40
2.4- Visits and Agreements between China and Ethiopia	41

2.4.2- Interaction between Ethiopian and Chinese Political Party	47
2.5- Ethiopian stand towards China after 2000-2012	50
2.6-Ethiopia-China Relations: Striding towards A Better Relationshi	51
2.7-FOCAC: Its Political Benefits to Ethiopia	55
CHAPTER- III: Trends and Patterns of Ethiopia’s Engagement with	
China in Trade, Aid and Investments (TAI)	
3.1- China’s Trade with Africa and Ethiopia	56
3.2-China-Ethiopia Trade since Meles Zenawi Period	59
3.3-China and Ethiopia Export Data	60
3.4- China and Ethiopia Import Data	60
3.5- Trade Balance of Ethiopia-China	61
3.6- China-Ethiopia aid and investment relations	63
3.6.2-Key Factor of Recent China–Africa Aid Relations.	65
3.6.3- Nature of Chinese AID in Ethiopia	67
3.6.4- Chinese AID and Investment in Ethiopia	68
3.6.4.2- China’s Food Aid Program	69
3.7- Foreign Direct Investment (FDI) in Ethiopia	69
3.7.2- Definition of Foreign Direct Investment (FDI)	71
3.8- Ethiopia’s Policy for Investment	72
3.8.2- Sectoral Investment in Ethiopia	75
3.8.3- Agriculture in Ethiopia: An opportunity for investment	76
3.8.3.2- China’s Investment in Agricultural	79
3.8.3.2.2- China-Ethiopia: South–South Cooperation	
Program for Agriculture Development	80
3.8.3.2.3- Agricultural Technical and Vocational	
Training Program-	80
3.8.3.2.4- Youth Volunteer Program	80
3.8.3.2.5- Ethiopia–China Agricultural	
Technology Program	81

3.8.4- Eastern Industrial Zone (EIZ) in Ethiopia for Investment from China	81
3.8.4.2- Manufacturing Sector in Ethiopia	82
3.8.4.3- Leather Industry in Ethiopia	84
3.8.4.3.2- Huajian- A Chinese Investor in Shoe Manufacturing for Exports	84
3.9- Infrastructure Development in Ethiopia for Investment	85
3.9.1- Telecommunication Project	86
3.9.2- Fincha-Amerti-Neshe Hydropower Project and Gilgel Gibe III Dam Project-	86
3.9.3- Ethiopia-Djibouti Railway project	87
3.9.4- Road Construction in Ethiopia: 100 km Highway builds up Linking between Ethiopia and Sudan-	88
3.9.4.2- Addis to Adama (Nazret) Toll Expressway	88
3.9.5-Ethiopia’s Natural Resources- Mining, Oil and Gas	89
3.9.6- Service Sector: Ethiopian Tourism	92
3.9.6.2- : Health Sector in Ethiopia	93
3.10- FOCAC and Economic and Trade Relation with Ethio	94
3.11-China and Ethiopia: Comprehensive Relationship	97
3.11.2- China’s Financial Cooperation for Ethiopia	102
3.11.3-Debt Relief for Ethiopia	103
3.11.4- Skill Development and Training program	103
 CHAPTER- IV: Ethiopian Engagement with China and its implications on Ethiopia	
4.1-Ethiopian engagement with China	105
4.1.2- Key Factors of Ethiopia- China Engagement	107
4.2- China- Africa investment relation and its impact on Ethiopia	111

4.2.2- China-Ethiopia Trade and Investment and its Impact on Engagement	115
4.2.3- Impact of Chinese Trade and Investment in Ethiopia	122
4.2.3- Impact on Economic transformation in Ethiopia	123
4.2.3.2- Its implications in Economic growth	124
4.2.3.3- Its impact on Ethiopian Society	125
4.2.3.4- Implications on Ethiopian Politics	127
4.2.3.5- Strategic Implications on Ethiopia	130
4.3- Challenges for Ethiopia	134
4.4- Chinese Investment in Ethiopia and its Implications on the Relationship	136
CHAPTER-V: Conclusion-	140-147
Reference-	148-161
Appendix-I- Import-Export Data between China and Ethiopia-	
Appendix-II: The Ministry of Finance and Economic Development shall have the powers and duties-	
Appendix-III: National policies, strategies and laws in Ethiopia -	
Appendix-IV: Constitution of the Federal Democratic Republic of Ethiopia- (FDRE) -	
Appendix-V: (The Labour Conciliation Office) Labour Proclamation No.377/2003-	
Appendix-VI: Proclamation No. 9/1995 - A Proclamation to Provide for the Establishment of the Environmental Protection Authority.-	
Appendix-VII: Proclamation No. 280/2002- Re- Enactment of the Investment Proclamation-	

CHAPTER – I- Introduction

1.1-Background of China- Africa political and diplomatic Relations

Both China and African continent are separated by gigantic stretches of land. Yet, the first communication of China with Africa happened in ancient times as would the documents available suggest. The very first communication between China and Africa is presumed to have happened around a section of Red Sea boundaries of Africa in the first Millennium A.D. (Filessi, 1972:10)

They had no official relations at that point of time. Much of the relations developed in the second half of the 20th century. The association between both the regions has progressed steadily over last five decades. This relationship can be divided in three separate periods. Initially, relationship started when African countries got independence. African support proved a vital role in China gaining a permanent seat in the United Nations Security Council in 1971. This event underlined the start of second phase of China-Africa Relations. The last period in the evolution of their relations was in the post-Mao phase. This last period of evolution of their relations followed liberalisation and consequent expansion of the Chinese economic system. (Dilnessa, 2005)

Evolution of Africa-China Relations began in early 1950's decade. Africa was not significantly relevant for China before 1955. But during this period, China required global acknowledgement and good diplomatic friends to support multinational groupings against Capitalist Western nations and communist Soviet Union. First time, a large scale Asian-African meeting, a conference in Bandung was organized in 1955. This particular meeting was arranged to discuss peace and encourage economic and cultural relations between Asian and African nations. 29 Asian and African nations participated in the Bandung Conference, most of which were newly independent. The issues of discussion were related to role of these countries in the Cold war politics, economic development, decolonisation and interventionism against dominance of Western power. (Looy, 2006; Ogunsanwo, 1974)

This Conference was planned to increase the collaboration and harmony between Asian and African nations. The conference was immensely motivated by those who stood up against

colonialism and struggled for emancipation of their countries. Bandung Conference also had an important part in continuation of ideology of anti-imperialism and it widely supported the struggle of Asian and African people against colonialism. The countries of both the continents had a perception of dominance by the white men and control by the Western nations.

African countries and China recognised the international relevance of five principles of Peaceful Coexistence in the Bandung Conference. These very five principles later formed the basis of India-China 'Panchsheel Treaty' signed in 1954. The five principles were as follows –

1. Mutual respect for sovereignty and territorial integrity
2. Mutual non-aggression
3. Mutual Non-interference in domestic matters of one another
4. Equality and co-operation for mutual benefit
5. Peaceful co-existence (Venkataraman & Gamora, 2009).

After the Conference in the Bandung, China started assisting African countries in the areas of Economy, Technology and Military support to limit the dominance of western powers. And China started restructuring towards a new international and political order. While the countries of Africa were searching for potential partners who could assist them in their freedom struggle and financially support them. From 1966 to 1969, Chinese focus diverted from African nations due to shift in its internal political system. China was also facing a great proletariat led 'Cultural Revolution'. When these disagreements finally resolved, China returned to its diplomatic strengthening of relationship with African countries (Hellstrom, 2009).

Evolution of China-Africa relationship in the decade of 1970s had five notable features. First was progressive increase in the number of diplomatic associations of China with African nations. While in 1967, Chinese diplomatic missions in Africa were numbered at thirteen. The number of diplomatic missions increased to thirty by 1974. Secondly, China became a permanent member of UN Security Council in 1971 taking over the seat of Taiwan. This pronouncement was appreciated by many African countries. This was because of the development of political relations of African countries with China in the past few years.

Thirdly, The Railway connectivity project between Tanzania and Zambia was the largest aided project in the African continent in 1970s. China wanted to showcase its economic might by offering lucrative projects all over the African continent. It had projects in some favourable African countries related to construction of factories and other infrastructure. Fourthly, China kept giving assistance to independence struggle movements of African countries to end Imperialism. It gave military assistance to African nations on several occasions. China perceived the independence struggles of Africa as a means to end hegemony of western countries. Lastly, China emphasised that the intent behind western world's support for endurance of weaker countries was selfless. For, they imposed many conditions before extending their support (Hellstrom, 2009).

Post-Maoist period redefined the Chinese economy in 1978. Chinese economy was modernised with new investments to boost its economy. Diplomatic relations of China were focused on transformation of Chinese economy and improvement in its trade relations with other countries. China recognised that it was important for an economy to have a peaceful environment for development with stability. So it became the core concern of Chinese policy towards African countries (Adem, 2012b).

Few decades ago, China was blaming the western countries for the persistent problems in the African continent. It assisted African nations in their independence struggle against Colonialism. Chinese Economy was severely reliant on the countries in the west for commercial linkages and assistance in science and technology, yet it acted as an enabler of the South-South Cooperation. China had not assisted Namibia, South Africa and Zimbabwe directly in their independence struggles. Because, its assistance was indirect due to its policy of non-interference policy. Strained relation between Soviet Union and United States of America continuously amplified during the Cold War. China was more focused on other nations and behaved independent of the dual power centers of the world order. Chinese Premier Zhao Ziyang paid visits to eleven African countries in December 1982. (Venkataman & Gamora, 2009)

He acknowledged Four Principles as significant in China-Africa relations: *Equality and mutual benefit; focus on concrete outcomes, formal diversity and economic growth*. These four

principles directed and took forward China-Africa relationship. China was not interested anymore in unconditional help to African countries. (Hellstrom, 2009)

For African countries, stable economic growth required expensive assistance programs funding which was becoming extremely difficult for China. In the changed conditions, China also not anticipated itself as a representative for the third world countries. During the decade of 1980s, China wanted to stimulate its economic growth which required international recognition and support from Soviet Union and United States of America. This resulted in significant reduction of importance of African nations in Chinese diplomacy. China also lacked its financial strength to support African states in their internal struggles and financial needs (Alden 2007).

The Tiananmen Square Protests of 1989 and events that followed shocked the western countries. This event increased clouds of doubt upon the activities of Chinese government. Third world countries did not react to this. Their diplomatic relations had not changed much due to internal turmoil in Beijing. Though, due to this protest, China understood the need to modify its foreign policy and shift its focus once again towards its old diplomatic allies. This made Chinese diplomacy re-adjust towards African countries. South-South cooperation was incorporated as an important share of Chinese diplomacy then onwards. China initiated official visits to African nations; its emphasis was on the principle of non-interference in each other's internal affairs. This principle was the primary objective and it formed the basis of their diplomatic relations with each other. It also formed the foundation of the new evolving international order. (Kurlantzick, 2007)

President of South Africa Thabo Mbeki, while delivering a speech in China in 2001, pronounced that: *“The world and all of us are defined by the divide between rich and poor, the haves and the have-nots, the developed and the underdeveloped... It constitutes the difference between the countries of the North and those of the South... Together with China, we are commonly defined by our situation as belonging to the South. To further cement the relationship between China and Africa, the China-Africa Cooperation Forum was established in 2000”* (Thabo Mbeki Addressed at Tsinghua University, Beijing).

1.1.2- China's relation with Ethiopia.

There is not much documentation available on historical linkages between Ethiopia and China. There is substantial absence of any records over the relationship between the two. Scholars and Politicians have frequently mentioned about the presence of historical linkages. Though, this has not been substantiated with any factual resources. Whatever little written records are available on this, they do agree on the presence of historical linkages between the two countries since long. Abyssinia was another name for Ethiopia mentioned in the written historical records. Abyssinia was represented by a place called Houg-Chih where various types of animals existed during 2nd century AD. This place was located closer to the coast and some animals including rhinoceros were exported to China from here. In return, they imported primarily green tea from China. Even to this date, Many Ethiopians preferably consume Chinese green tea. Though Ethiopia and China are geographically at a distance of thousands of kilometers, but historically they have been connected like some other regions in the African continent. (Venkataraman. & Gamora, 2009)

Chinese scholars also wrote on Africa elaborating the culture, history, tribal communities, economics, and politics of Ethiopia. During the period of Ethiopian Monarch Haile Selassie, Ethiopia and China supported each other in the international issues. Chinese attitude towards Ethiopian people marked with evident empathy in their fight against the Italian incursion was significantly important in this regard. Chinese support was given with the statement, "*The cruel threat towards them is an indirect threat towards us.*" (Adejumobi, 2007)

Ethiopia also supported in response to this by backing the claim of China to permanent membership of the UN Security Council. This happened when they did not have any diplomatic relation. Haile Selassie as an Emperor is well known for his good diplomacy and his role is notable in this regard. He was appreciated and respected as an important leader of Africa by most of the Western nations, particularly by the USA. (Li, 2005: 62).

1.2- Geographical Set up of Ethiopia

Ethiopia is a country with great potential for development. The country is blessed with fertile soil and adequate rainfall. The country has moderate temperature much due to its high average elevation. This proud land also has a history of independence. Interestingly, it is the only country on the African continent that was never fully colonized by any European power. As far as economics is concerned, farmers can grow diverse types of grains which include wheat, millet and corn. Coffee was grown on the southern slope of the nation. Herders traditionally raised sheep, cattle, and goats in many parts of the country. Moreover, Ethiopia also contains many significantly valued mineral resources such as gold and platinum. (Gillespie & Gritzner, 2003)

Unlike other African country, Ethiopia had successfully maintained connections with the other regions of the world for long time. Ethiopian traders have merchandised musk, ivory, gold and other luxury goods like velvet and silk since ancient period. Coffee became one of the most significant cash crops of Ethiopia by the end of the nineteenth century. (Luther, 1958)

Arabs established their trade in the inner parts of Ethiopia and controlled most of the commercial trade. Economy of Ethiopia is mainly agriculture based and Agricultural sector contributes to half of the GDP. Agriculture is difficult in the region because of frequent recurring periods of drought and poor and traditional cultivation practices. Every year millions of Ethiopian people need food assistance for their subsistence. (Gillespie & Gritzner, 2003)

Ethiopia is located in northeast area of the continent, it is also popularly known as a nation of the horn of Africa. Ethiopia is bounded by Sudan and South Sudan in western direction, Eritrea in the northeast and the north direction, Djibouti in the eastern direction, Somalia in the southeast direction and Kenya to the southward direction. Ethiopia is one of the most populous countries in African continent and its population estimated to be more than 80 million.

Ethiopians are diverse in culture and ethnicity. There are more than 90 different cultural groups. Each cultural group has its own language. Thus there are more than 70 languages being spoken throughout the Ethiopia. Ethiopia's largest ethnic groups are Amhara, Tigray and Oromo.

These communities reside chiefly in the highlands of Ethiopia. Somali is another major ethnic group, which resides in the southeastern lowlands of the country. The current cultural composition of Ethiopia comprises of a number of ethnic groups: the Oromo with the highest population standing at 34.5 percent; Amhara 26.9 percent, Tigray at 6.1 percent; Somali 6 at percent and others (Adejumobi, 2007).

Ethiopia's prime land feature is a gigantic highland area which is composed of several mountains and plateaus. This massive highland region is separated by the Great Rift Valley. It is bounded by the low lying areas along much of the Ethiopian border regions. These highlands are known as the Ethiopian Plateau. The Great Rift Valley splits this mountainous plateau, dividing it into northwestern and southeastern highland regions. The northwestern highlands are larger and topographically very uneven. In the north-west, the region is further sub-divided by the valley of the Blue Nile River into northern and southern parts (Adejumobi, 2007).

Ethiopia contains a variety of distinct topographical zones. It is a country of great geographical diversity. The country is classified into three geographical regions:

daga- these are the relatively colder upland regions with an annual average temperature about 16 degrees on Celsius. *wayna daga* – this forms the transitional region where majority of the populations is settled. *qolla*-the hot great rift valley area and plains are part of this region. This area is reliant on the desert conditions of the northeastern end of the Rift Valley for their weather conditions. These climatic explanations have impacted the way of life, culture and social temperaments of inhabitants over a period of time and have gained much significance.

Ethiopia has mainly four river basins. The first one includes the *Takkaze* which is also known as the Atbara, the *Abbay* (Blue Nile River), and the *Baro* (Sobat), which originates in Sudan and flows westward into the Nile. The *Abbay* is the most famous river, stemming from Lake *Tana*. About four fifth of the entire drainage is discharged through these three. In the second group is the *Ganale*, which is also renowned as Juba (Adejumobi, 2007).

The Gibe River also identified as Omon in its lower run which drifts through the southwestern uplands, with the river Turkana. It is also famous as Lake *Rudolph*, on the Ethio-Kenya border where it finally drains.

The Awash River originates from the uplands lying in the western direction from Addis Ababa, capital of Ethiopia, flows through the Rift Valley, and disappears finally in the northeastern sands. The Rift valley is also known for some major chain of lakes of Ethiopia. Notable ones among these are Lakes Zway, LanganoAbyata, Awasa and Shala in the north of the valley, Chamo and Abbaya in the middle region, and Lake Rudolf located far south. There is also a series of volcanic crater lakes which are present close to the township of Dabra Zayt, previously identified as Beshoftu, which is located almost 30 miles towards south from Addis Ababa (Gillespie & Gritzner, 2003).

The main cropping period in Ethiopia is called *keramt* for the “heavy rains” which fall in the months starting from June to September. The *balgor* “little rains” take place in the months from March to May. These rains are triggered by monsoon winds flowing from the Indian Ocean towards the area of low pressure around the Sahara desert and Arabia. The moderate environment of the northern and central uplands is the reason behind high agricultural yield. The most significant crop here is *tef* (*Eragrostis tef*) which is a small cereal indigenous and uncharacteristic to the country. It is processed into the distinctive bread. *Enjara* is the staple diet of a great proportion of the country’s population. In the southern part, *ensat*, a root of vegetable is the staple crop (Adejumobi, 2007).

1.3- Ethiopia in Modern Times

In the modern period, Ethiopian empire has an amalgamation of old and new elements. The old element of the empire was imperial establishment. The Church persisted as a pre-eminent arm of the state and also as a central social institution. The monarch introduced a number of improvements such as modern governmental and political forms and experimented in agriculture, communication and transportation with the use of modern technology. Emperor Menelik was the chief creator of modern Ethiopian Empire. His name is associated with developments like abetment of slavery and the slave trade (Lipsky, 1962).

Ethiopia developed as a modern state in the latter half of the 19th Century A.D. when Tewodros acquired the throne in 1855. This accession of Tewodros started a new period and ended the spat among provisional rulers (Bahru1991:11; Teshale1995:30). Tewodros introduced twin policies

of modernization and centralization. Tewodros emphasised upon reconsolidation and growth of Ethiopia. He reestablished single sovereign at the helm of affairs in the old heartland of Ethiopian country.

The emperor introduced two processes in order to reinforce the royal authority. First and foremost, he disjoined outdated divisions of administration. Hence he dispossessed several native princes and kings of their seats of authority. Second, Emperor Tewodros formed a well-organized, proficient state military armed with modern equipments. An ordered system for well-defined salary, clothes and equipments for the Army was established for the first time (Tiruneh, 1993).

His prosperous rule was eventually demarcated by great events which included the initiation of reforms in administration. He directed efficient administration and acted against feuding nobles. Tewodros also took up construction of roadways and was documented as an insightful ruler when it came to foreign affairs. He also tried to stop the expansion of British colonialism in the Horn of Africa. He was successful in breaking down the control of Ethiopia over an economically significant harbor of Aksumite era, Massawa, which was on the Red Sea. He imported technology from the west into Ethiopia. He also initiated a chain of diplomatic linkages with European countries. Nearly all his successors followed these policies.

After the demise of Tewodros in the year 1868, the power came in the hands of Kassa Mircha of Temben. He was coronated as Yohannes IV in 1872 and he remained in power till 1889. He continued to follow the policy of unification as was being followed by Tewodros, but he did so in his own way. Unlike Tewodros, his regime was less centralist in approach. His authority was well acknowledged by the regional nobility and tributes were paid more regularly. Yohannes's greatest exceptional achievement was related to foreign policy matters. Yohannes was finally successful in procuring a peace accord with Egypt and subsequently he had trade settlements with Britain, which was the foremost colonial authority of the region (Adejumobi, 2007).

Menelik succeeded to hold the royal command after demise of Yohannes in 1889. He embarked upon a series of military invasions. He expanded the territorial boundary of the country to the south, west and east. Melenik administrated the country with its contemporary geographical shape, capital and ethnic make-up. His rule, which lasted for 25 years from 1889 to 1914, was a

significant landmark in the history of Modern Europe. Notably he created a strong well organised army with modern arms and ammunitions. These arms were assimilated with the help from many arms traders of that period (Tiruneh, 1993).

The Treaty of Wichale was formalised by Menelik with Italy in 1889. This treaty formally acknowledged him as the ruler of Abyssinia. This treaty allowed duty free treatment for his goods when they passed through the Massawa seaport. It also provisioned for a significant financial assistance with an assurance for supplies of military and defence equipments in future. Amharic account of Wichale Treaty advised that if Abyssinia wished to, it could use Italy as a mediator in its external affairs But the Italian account of the same described it in another way. According to it, Abyssinia must involve Italy while dealing in its foreign affairs. Thus the treaty was a trap which led Ethiopia into becoming a protectorate of Italy. Menelik communicated to the European nations in 1893 that he wanted to discard this declaration. (Adejumobi, 2007).

It seemed that a war was imminent between Abyssinia and Italy. He decreed a mobilisation announcement for the religious camaraderie to the Church of Abyssinia and the public in general to be prepared for an attack from Italy. In response to that, all the villages from all over the country sent their warriors. In December 1895, the first encounter happened between their army and Italian army. Italian army was defeated by the Ethiopians in the battle of *Adowa* in March, 1896. This triumph earned Menelik both domestic and international reputation. This also helped him gain new admirers and some foreign allies. This triumph was received with surprise in Europe. Ethiopia was now immune from the imperial tendencies of European powers which were storming in African continent. He also made an agreement with France. After the *Adowa* triumph, France gifted some weapons to Ethiopia (Gillespie & Gritzner, 2003).

After the victory in Adowa, he had established his capital in Addis Ababa, in southern Shewa. This resulted in the upsurge of a genuine urban center in the country. He had taken a support from French company to build a railroad connecting Addis Ababa and Djibouti, which was finished in 1917. He was the first Emperor, who introduced tax system in the administration. He also announced Ethiopia's first postage stamps and issued first national currency in 1894.

Under his rule, Ethiopia established a new bureaucratic structure and experienced some significant improvements in the society. It also included the restructuring in the fields of health and education. After the death of Menelik, Ras Tafari became the Emperor under the name Haile Selassie I in 1930. He also introduced some important reforms. He obtained administrative regulations. He also voiced in support of government schooling in the belief that Ethiopia needed well educated men (Gillespie & Gritzner, 2003).

Haile Selassie reign formed an important part of the Ethiopian history; the emperor Selassie ruled the country for forty five years. He was Ethiopia's last imperial leader. During his rule, he introduced many transformations to modernise Ethiopia including breaking down the authority of the small number of wealthy and powerful nobles. He did not change the twin policies of modernisation and centralisation which were being followed by earlier emperors, but he improved the execution with more energy and determination. Selassie was the one, who presented the first written Constitution of Ethiopia in the year 1931. His primary motive behind the introduction of Constitution was the power consolidation. Hence the constitution had no provisions related to civil rights or a representative legislature (Bahru 1991:141)

During Haile Selassie reign, Ethiopia had to face an attack by Italy from Eritrea. This happened in 1935 without any announcement of war. The League of Nations immediately acknowledged Italy as the aggressor. Though, it awfully failed in taking any further action. Italian forces acquired Addis Ababa in 1936, and Italy claimed control over Ethiopia. During the Second World War, Italy took part and sided with Germany. Great Britain wanted to join forces with Ethiopia. To chase the Italians out of both Ethiopia and British Somaliland, Ethiopia attacked on Italian forces with the help of Britain. Haile Selassie re-entered capital city of Ethiopia on 5 May, 1941 with the help of British military forces. Ethiopia came under the control of Italy in the year 1936. Italy had to face a crushing defeat in 1941 and Selassie regained the control of Ethiopia (Afigbo, 1971).

1.3.2- Ethiopia after the Second World War

When the Second World War ended, Ethiopians supposed that everything will be as it was before the Italian annexation. They acknowledged the idea of monarchy and the privileges rulers held as leaders of both the government and the church. A craving for change was moving in the country. New social classes had come up and a younger generation unsatisfied that was full of expectations differed with older Ethiopians (Afigbo, 1971).

The older generation of Ethiopia had asserted on preserving traditional systems. In March 1942, Haile Selassie proclaimed a new tax scheme. According to this new scheme, Land was grouped into three types – poor, semi fertile and fertile land. A fixed tax structure was imposed for each 40-hectare (about 100 acres) piece of land, dependent upon its category. The nobles of Ethiopia declined to agree with any changes in the existing system of land tenure. They successfully fought over this matter with the government. Haile Selassie agreed for a flat 10 percent *tithe* (levy) on all lands (Adejumobi, 2007).

Haile Selassie was really dynamic in diplomatic relations. When Organization of African Unity (OAU) and United Nations (UN) were formed, Ethiopia was also one of the founding members. In 1953, Monarch requested USA for economic assistance and military support. Even though he became more and more reliant on the United States, he also asked various other countries for help, including the Soviet Union and China. As a reformer, Haile Selassie understood that he had to cooperate and choose a middle path. He had to retain the backing of the church and the nobility in order to keep Ethiopia strong and unified.

By the mid1960s, he had divided Ethiopia into 14 provinces. Every province was under administrative control of a governor general. The governor selected by the emperor directly. The provinces were further split into smaller and smaller units. This political arrangement was inefficient because local power was held entirely by high ranking nobles. Hence, younger and well educated officials became unsatisfied. In 1960, a coup happened against the Emperor while Haile Selassie was out of the country. The rebels detained the crown prince and many government leaders and cabinet ministers.

The rebel leaders wanted to establish a regime in order to enhance economic and social status for all Ethiopians. They also sought to preserve the customary authority of the crown prince, but made no reference of the emperor. The Ethiopian people did not back the coup's leaders. However college scholars were in the support of coup, both the military and the church stayed loyal to the emperor. The coup was ultimately a dismal failure, but it helped to polarise traditional and modern forces in Ethiopia. It also re-established the emperor's claim to universal acceptance (Adejumobi, 2007).

1.3.3- Background of 1974 Revolution

Opposition to Haile Selassie kept rising in the last 14 years of his rule. A coup was attempted in 1960 but failed. After that coup, the emperor initiated to reclaim loyalty by making way for reforms. He offered police officers and military officials land grants. No real changes happened in economic and social development. In 1965, student protests demanded land reform and also an end to rampant corruption and rising prices. In the mid1960s, a modern tax structure was submitted to Parliament for approval. Land registrations were made mandatory. It was expected that this would ultimately strip the landed nobility of their wealth and power. Powerful landlords intensely stood against these proposals. The emperor faced severe hostility to change in every part of Ethiopia (Tiruneh, 1993).

The government failed miserably in bringing the economic and political reforms since the 1960 coup attempt. This was a major reason for the revolution that began in 1974. Increasing inflation, rampant corruption and a severe famine which affected several provinces were some of the other reasons that added to the growing unrest. Fearing another coup effort, Haile Selassie intentionally raised division in the military to keep troops from coming together in a coup against him. He was afraid of a time when any group might become potent enough to overthrow him from his throne (Tareke. 1991).

Dissatisfaction in the military was more and more increasing. Soldiers used to live in substandard housing, the food quality and salaries they received were un-adequate. Many were

unhappy with the slow government role in famine assistance. The middle class was more and more upset over the non-existence of civil freedoms. Low pays for teachers, increased fuel prices and the necessity for land reform also added to the rising tide of unrest and the craving for a new political system (Hall, 2003).

1.3.3.2- Dawn of Communist (DERG) Regime

Haile Selassie Government failed in resolving the country's urgent problems which was further worsened by the drought and famine in Tegray and Wallo regions. The effects of drought and famine had been going on for several years. Large-scale famine was soon accompanied by charge of government corruption. The shortage and higher costs for food, gasoline and other essential commodities increased the price of bread and butter. This combination of issues led to an exceptional wave of strikes by the teachers, scholars and taxi driver groups. The Anger of people initiated at Negelli in Sidamo and Asmara in Eritrea and spread throughout the country.

Finally, in January 1974, an army branch of the military revolted and Ethiopians rioted in the capital. Haile Selassie's grip on the country was breaking. In June, a diminished group of several military men structured to form a group. This group was named the '*Coordinating Committee of the Armed Forces, Police and Territorial Army*'. Major Mengistu Haile Mariam was elected as the chairperson by the group. This anonymous group became recognised as Derg (Amharic for "committee" or "council") (Hall, 2003).

Eventually, in September 1974, Haile Selassie was detained and the Derg seized the power. The Derg renamed itself the Provisional Military Administrative Council (PMAC) and declared its Ethiopia's ruling body. In January 1975, it publicized, his policy "*Ethiopia First*" as its guiding course of action. Student and labour groups became more and more opposed to the Derg. They called for the institution of "*people's government*". This institution was intended to represent several other existing groups in the country. The Derg clamped down on the demonstrators who supported the people's needs (Erlikh, 1986).

Mengistu arose as the guiding authority in the Derg. Immediately following the socialist way of life, the Derg declared removal of all the royal titles in March 1975. They also announced the end of the Constitutional Monarchy. Haile Selassie died in dubious conditions while under house arrest a few months later. The patriarch of the Ethiopian Orthodox Church was deposed in early 1976, this delinked Ethiopia's regal past with its present conditions.

The Derg put forward its objectives in much elaboration when it put forward its Program for the National Democratic Revolution (PNDR). These goals included advancement toward socialism under the leadership of peasants, workers and opposition of imperialism. The Derg also sought to construct a single party political system. The catchphrases such as *the supremacy of the common good*, the *dignity of labour* and *self-reliance* exemplified the Derg's brand of Ethiopian socialism (Tiruneh, 1993).

These catchphrases were invented to contest the prevalent disregard for the labour class and a deep-seated apprehension with the social hierarchy. Land reform occupied an important role in Ethiopian socialism. Although everyone approved that there was a call for land reform. But few Ethiopians, even within the Derg, could settle on just how that reform should be carried out. The Derg accepted a revolutionary plan. It had put all land in rural areas under public ownership with demolition of tenancy, and peasants were to manage the implementation. Families were not allowed to work a plot which was bigger than 10 hectares (roughly 25 acres). Similarly, farming workers were not supposed to be employed by anyone. Peasant groups were formed which could implement the new orders (Adejumobi, 2007).

This resulted in a disruption of associative system in rural areas. All kinds of urban lands and apartments were also nationalized in a similar manner into urban dwellers associations which were called *kebeles*. The Derg also nationalized all insurance companies and banking institutions. It controlled all significant companies in Ethiopia. In 1977, Mengistu proclaimed himself chairperson of the Derg. A grave challenge to the revolutionary government also happened that year which resulted from events outside of the country. Somalia wanted to reclaim the Ogaden, an area of Ethiopia it had once controlled.

A Somali guerrilla association attacked on Ethiopian locations all over the Ogaden. The Somali government provided materials and logistical backing to the guerrilla association. The group made steady movement, seizing large areas of Ethiopian territory in the region. The fighting became more and more intense. Finally, in extreme anxiety, the Mengistu government called on the Soviet Union for support. The Soviet Union until that time had been providing equipment and advisors in the expectation of gaining influence in Ethiopia (Tiruneh, 1993).

Until the Soviets began to support Ethiopia, they had been backing Somalia too. The adjustment so annoyed the Somalis that they ousted all Soviet advisors and terminated the Treaty of Friendship and Cooperation they had with Moscow. Ethiopian government established good rapport with supporters of Communism, Soviets and their partners. But there were many problems as well. Some of these included their conflict with the Derg and Mengistu. Many of these problems stemmed from Derg member's concern over internal matters and the promotion of Ethiopian distinctions of socialism (Hall, 2003).

1.3.3.3- Discontentment from DERG: Failure of communist regime

There is no doubt that the government envisioned to institute a command economy. In 1974-1975, it had nationalized most of the country's industry. The industries suffered subsequently because of a shortage of capital, technicians, spare parts, and raw materials. The Regime made its efforts to convert the nation into a command state. Their agenda was largely based upon Marxist-Leninist text. They substituted the earlier ideology of the government with scientific socialism. Elites were also replaced by a new party. Mengistu declared the creation of a *Commission for Organizing the Party of the Working People of Ethiopia* (COPWE) in 1979. Its objectives were to spread Marxism-Leninism and to construct a party prefatory to the Constitution of a People's Democratic Republic of Ethiopia (Tiruneh, 1993).

The land reform was carried out impartially and was mostly popular; it did not result in surplus land for re-distribution. The imperial elites had not themselves cultivated *Latifundia* (Private owned land) but had mined surplus from tenants. The few automated plantations became state

farms; there was no restructuring of the mode of production and therefore no increased effectiveness in the management of land.

In the period from July to September 1983, when there was no rainfall, famine conditions were apparent for the year 1984. Mengistu and other top leaders were arranging for the revolution's tenth anniversary. During that period, government was also engaged in celebrating formation of the Worker's Party of Ethiopia (WPE). Government told merely about successes and triumphs. The leadership supposed that its policies had nurtured a period of opulence and achievement. However, the real picture famine disclosed Ethiopia's bad news came during the celebration. Ambassadors and visiting foreign entrustments identified the true picture of Ethiopia. Even though, a great deal of empathy was generated. The Ethiopian government had not recognised the country's difficulty, even after the short rains failed in February 1984. Derg administration reacted that drought and famine were momentary setbacks (Tiruneh, 1993).

Administration of Ethiopia was resolute to transfer its population in drought affected areas. It was planned to be transferred to the areas with surplus land availability, apparently which were to the west and south direction. The idea of resettlement was on historically solid base. The Haile Sellassie administration had anticipated easing overpopulation in the over cultivated north by moving people to Sidamo. The new regime went about the population swing as if it were a military drive, not a humane program.

The government did not have the essential resources or setup to deliver proper housing, tools, medical treatment and food for the refugees. By 1986, it had relocated six hundred thousand people but many had been forced to go. The families had broken in the process and sick and old people had died during the trip. The government was condemned as cold hearted and the new settlements as impractical, inefficient and an unnecessary sink on Ethiopia's limited resources (Marcus, 1994).

The government believed that relocation significantly helped the long terms requirements of distressed people. But it was widely acknowledged in 1987 that judicious anticipation and superior use of resources might have augmented the program. The government was neither armed with the necessary manpower nor had the means required providing the new villages with

social, educational and health care services. Even in 1990, most villages were far short of the assured amenities. This was so because of resource draining civil strife in Tigray and Eritrea regions.

In July 1988, Mengistu realised that Soviet backing was mainly dependent upon significant economic and political liberalisation. He was directed to search for a negotiated way out in Eritrea. President Gorbachev subsequently overruled Mengistu's request for additional military assistance. So the Ethiopian went to China to seek help. There was cautioned to abandon his dependency on the cult of personality, rigid agricultural policies. Hence post-1988, the government's political and military situation was not good (Adejumobi, 2007).

EPRDF and EPLF refused to talks which put huge pressure on Mengistu, whose existence in Ethiopia choked progress to a cease-fire. Soon the army lost its morale, manpower, weapons, munitions and leadership needed to break the enemy's advance on Addis Ababa. Realizing this, Mengistu escaped from Ethiopia in May 1991, without telling his closest confidants and advisers. He went to Zimbabwe, where President Robert Mugabe offered him refuge and security. On 28 May 1991, the EPRDF moved into Addis Ababa and gained control. Meles Zenawi's men controlled most of the country, except for Eritrea, where the EPLF was in charge (Tegegn, 2008).

1.3.3.4- Transition from DERG to Democracy

EPRDF leaders wanted to showcase that their rule will be unlike that of the Derg. They wanted to make Ethiopia a free and open society. Political parties and other public organisations were allowed; radio and television were open to debate. The news was aired in Tigrinya and Oromifa as well as Amharic. Private publication was promoted and public rallies were sanctioned. Mood of the country was elated with huge hopes. Ethiopia witnessed the changeover to liberty in 1991 (Tegegn, 2008).

Acceptance of democratic values was not as smooth and well received everywhere in Ethiopia. Democracy meant, Do as you please; do your own thing. Guerrilla armies set interim local

governments in the northern and central regions, while much of the south experienced a breakdown of law and order. EPRDF had to put in efforts and time to gain control of the southern half of the country (Marcus, 1994).

On 1 July 1991, the new leaders organised a ‘National Conference on Peace and Democracy’. In this Conference, OLF and more than 25 other political groupings voted to join the interim government. Leader of EPRDF Meles Zenawi got selected as chairperson of the Conference. EPRDF preserved its plurality. Several exile groups were represented and some ethnic associations were created to participate in the conference. A Provisional Charter was made and ratified in five days period.

The charter included *United Nations Declaration on Human Rights* and some other features. It affirmed the right of nations, nationalities and peoples to self-determination and independence. The charter created the *Transitional Government of Ethiopia (TGE)*. The charter also provided for a Council of Representatives selected for the most part from voting members of the conference. Placing political concerns ahead of economic reform, the charter appointed a commission to draw up a permanent constitution. It also established a two and a half year time table for formation of a full constitutional government. And, it replaced the country’s traditional provinces and subdivisions with regional governments based on ethnicity (Marcus, 1994).

Elections for local officials were envisioned within three months. The Derg army and police were abolished. The conference debated the Eritrean question and affirmed the agreement reached between the TPLF and the EPLF at the time of the fall of the Derg: Eritrea would administer itself until a referendum on independence was held within two years. Meles Zenawi was designated as the President by the Council of Representatives.

Not surprisingly, the time table for moving to a full constitutional system proved unrealistic. An economic policy document finally produced in last month of 1991, endorsed privatization, foreign investment, and priority for agriculture. But the issues of land ownership and restoration of nationalized property were left. Elections for local governments, delayed until the summer of 1992, nonetheless proved chaotic.

In late 1992, A Constitutional Commission was made with large representation, but it did not begin deliberations until the next year. The Commission made extensive studies and consulted foreign delegations for advices. In 1994, a Constitutional Assembly was formed with representation of parties associated with EPRDF. The Draft Constitution was debated and with some modifications, New Constitution was accepted in 1994 (Waal, 2012).

The new Constitution instituted a federal structure with separation of power between three branches. A Council of People's Representatives was formed which was given primary legislative functions with all powers of the Parliament. Responsibilities for evaluation and oversight were given to a Federal Council. The new Ethiopian Constitution had all the basic rights which are present in other democratic constitution. It also included some additional rights related to development, children and women and environment (Henze, 1998).

But these additional rights were not realistic because there were no guidelines for ensuring their implementation. The Constitution failed to touch upon several important issues. It did not include concerns related to financial and commercial activities. It also left it to the judiciary to define the relationship between the states and the federal government. In keeping with the original declaration of the Transitional Charter, the Constitution affirms the right of nations and nationalities to secession but the process by which this can occur is elaborately hedged.

Elections for the new Parliament with a membership of 525 and for the regional councils were organised in 1995. Despite extensive efforts by non-governmental organizations (NGOs) and foreign embassies to persuade opposition parties to participate, most of them refused to put up candidates. Therefore, EPRDF affiliated parties again gained an overwhelming majority. In 1995, the new parliament and the Federal Council jointly elected Nigaso Gidada, an Oromo, as the President and Meles Zenawi as the Prime Minister. The Federal Democratic Republic of Ethiopia (FDRE) came into existence (Waal, 2012).

1.4- The era of Democracy in Ethiopia under Meles Zenawi-1991 -2012

The victory of EPRDF marked the beginning of a new chapter in the long and varied history of Ethiopia. Meles Zenawi as the Leader of the EPRDF established National Transitional Government in the city Addis Ababa. While, Provisional Government was formed by the EPLF in Eritrea. In 1993, a referendum was held. After that, Eritrea stated itself independent while the new government in Eritrea was acknowledged by Ethiopia. Ethiopians formed a Constituent Assembly by electing representatives who were designated the task of drafting a Constitution based on democratic values. In the Elections to the Assembly, EPRDF had a landslide victory (Fessha, 2010).

In August 1995, the new Constitution became operational. It granted special rights to different ethnic groups in Ethiopia. A Council of People's Representative was formed which functioned as the Parliament It was given the legislative authority by the Constituent Assembly. Then onwards, Ethiopia was renamed as the Federal Democratic Republic of Ethiopia. Legislature selected Meles Zenawi as the country's prime minister. Meles Zenawi held this post for almost 17 years until his death in August 2012. He was also the Head of governing EPRDF and the Chairman of TPLF since 1985 (Henze, 1998).

Prior to becoming the Prime Minister in 1995, He was the President from 1991 to 1995. His administration is accredited for some major administrative developments. He introduced private press in the country for the first time. He was the leader of a multi-party political system. The period in office of Meles Zenawi resulted in significant decrease in mortality rates of children. Human rights exploitations and political suppressions were alleged upon his government.

Meles Zenawi was one among the stalwarts of Africa. His government supported USA in their fight against terrorism. He was re-elected as Prime Minister in 2000 General Elections. His party EPRDF had sharing of parliamentary seats with then party in opposition *United Ethiopian Democratic Forces* (UEDF). Several NGOs and UN organisations observed that serious electoral anomalies happened in the *Southern Nations, Nationalities and People's Region* (SNNPR), particularly in the Hadiya Zone (waal, 2012).

The first real test of Meles Zenawi had to face was during 2005 National Elections. EPRDF won the elections with great success. Zenawi became Prime Minister with another term in office. Opposition parties UEDF, *Coalition for Unity and Democracy* (CUD), and the *Oromo Federalist Democratic Movement* (OFDM) also won few seats in the Ethiopian Parliament. This Election was the most disputed and the most debated one in the history of democratic Ethiopia. It was alleged that the governing political party manipulated the election in its favour. There were accusations of fraud and manipulations in the rural regions as most of the urban regions elected representatives from opposition parties.

EPRDF was elected in most of the rural regions. The EPRDF and its political allies garnered near complete majority in 2010 Elections to the Parliament of Ethiopia. Only two opposition members could get elected to the House of People's Representatives. EPRDF members got elected from 499 seats out of total 544, while Somali People's Democratic Party won 24 seats. 3 major political parties in opposition managed to win only 2 seats. Notably, the same three political parties won 161 seats in the previous Election five years ago (waal, 2012).

Such one sided results led to riots. Protest marches were organised specially in the capital, Addis Ababa. Large scale violence was blamed upon the government by the opposing leaders and such leaders were imprisoned. The continuous blame on the governing party led European Union Election Observers to establish that the elections were not as per the internationally set standards for free and fair elections. The US government continually supported Ethiopian government with considerable assistance in economic affairs and defense. Ethiopian army interfered in Somalia at the behest of US which was more of a proxy war for them (Fiseha,2012).

The economy of Ethiopia is primarily dependent on Agricultural sector. It contributes for more than 80 percentage of employment and almost 45 percentage of the Gross Domestic Product. It leads the external trade of Ethiopia. Hides, skins and coffee are some major export items. Ethiopia faces frequent intermittent droughts. Form of agriculture practiced here is largely rain-fed subsistence agriculture. In the period spanning 2000 to 2010, three major droughts occurred in Ethiopia (Lavers, 2012).

During the rule of Meles Zenawi, Collectivized farms were terminated and land re-allocation happened. These were some of the most important land use reforms. They modified the medieval system with the one demanded under the ‘Land to the tiller’ campaign. Though, these demands were not adequately responded to. The constitution of Ethiopia also stated,

“The right to ownership of rural and urban land, as well as of all natural resources, is exclusively vested in the State and in the peoples of Ethiopia. Land is a common property of the Nations, Nationalities and Peoples of Ethiopia and shall not be subject to sale or to other means of exchange”, (FDRE 1994, Article: 41).

There was a discrepancy and uncertainty in the policy reforms relating to transfer and land use. They also declared to initiate the leasing of bigger lands to overseas investors which was a setback to land policy. These operations threatened some small holders with the loss of their plots and it was criticised as land grabbing (Lavers, 2012).

1.4.2- EPRDF Led Meles Zenawi Government since 1991

Ethiopia faced unfavorable state of poverty and under development for a long time. Meles Zenawi’s government performance on the political issues was dismal. The government tried all means to suppress all forms of resistance and opposition. It imprisoned politicians and banned civil institutions who opposed it. The government censured the independent media and unions with controlling powers. The clamping down the opposition by EPRDF was the threat to the survival of political democracy and rights therein (Fiseha, 2012).

EPRDF believed in a jumble process of democracy that was revolutionary. Their form of revolutionary democracy was neither democratic nor revolutionary. Developmental prospects of Ethiopia had essential linkage with democracy and freedom. Though, existing governments curbed both of these. This was one of the basic reasons behind the hopeless poverty situation in Ethiopia with intermittent periodic famines and under development.

EPRPF always denied right to freedom to the society and had created mechanism for it. It had a double edged strategy which recognized respect for freedom cherished in the constitution but denied it in actuality. Pre 2005 EPRDF was not completely opposed to the freedom and rights but after 2005 Elections, EPRDF exposed true colors. It behaved undemocratically and denied freedom to society. It changed the rules on forming an association which made establishing a civic organization immensely difficult. These undemocratic initiatives had their repercussions. This worsened the already existing conditions of low development and poverty (Plaut,2012).

The lack of political freedom in democratic Ethiopia caused many conflicting conditions such as social and cultural clashes. EPRDF had promised granting right of freedom to cultural communities of Ethiopia. The constitution mentioned autonomy of the people, but in effect it was denied to minor ethnic groups. So, ethnic inequality continued, which vitiated economic and political environment. Denial of freedom to minority led to continued political turmoil, which in turn retarded country's growth, and poverty level grew (Fiseha, 2012).

1.5-Theoretical Framework: South-South Cooperation

Idea of South-South cooperation is to link the developing countries of the global South. It is a terminology which refers to the exchange of technology, resources and knowledge related to economic, political, environmental, cultural and technological fields between countries of the South. This exchange may take place between two or more developing countries bilaterally, multilaterally or on a regional, sub-regional basis.

This sharing of resources and knowledge between the developing countries is to assist them in achieving their developmental goals with close cooperation. South-South Cooperation has now given way to increased trade and FDI flows between these developing regions. This Cooperation, as a movement, aims to achieve regional integration and technology transfer that shares the solutions of the common problem of development (UNDP, 1978).

1.5.2- Essential Components of South-South Cooperation

Developing countries themselves manage South-South Cooperation. Governments of developing nations play a significant part in their contributions with the help of NGOs, private and public-sector organizations and individuals. Multiple organizations take part in the sharing of their learned experiences, technology, training and financial assistance. South-South cooperation can embrace different sectors and be bilateral, multilateral, sub-regional and regional.

It is a demonstration of cohesion and camaraderie between the people and nations of the global South. This cooperation also contributes to the social well-being of these countries. National interests of participating countries are secured with their mutual self-reliance. Developmental objectives of the South-South Cooperation are in synchronization with the Millennium Development Goals (MDG) which were established by the United Nations in the year 2000. Countries of the global South decide among themselves the initiatives to be taken and programmes to be managed under South-South Cooperation. The idea of South South Cooperation is based on mutual respect for sovereignty and independence, equality and non-interference in internal affairs of the country (UNDP, 2009).

1.5.3- Objectives of South-South Cooperation

Reciprocity and mutual assistance formed the primary objective of the South-South Cooperation. International collaboration was the wider goal of the cooperation among the global South. It assisted the developing nations in finding solution to their developmental concerns by improving their capability and realized the true independence of these nations. The cooperation encouraged and reinforced mutual self-reliance between these nations with the sharing of their know-hows and understandings. The sharing and utilization of resources and technology among the developing countries helped them identify the primary developmental concerns and assisted them in articulation of essential approaches to respond to those concerns (UNDP, 1978).

South-South Cooperation created and strengthened prevailing technological capabilities in the developing countries. The need is to further enhance the ability of developing nations to familiarize with the know-hows and technical skills relevant to their precise local requirements. The cooperation will further increase and improve communication networks between the developing countries that will give the result in a greater awareness of common problems. It will also result in broader access to available knowledge and experience to create new knowledge (UNCTAD, 2005).

It recognises and responds to the concerns and necessities of the least developed countries. This form of cooperation also empowers the nations of global South in improving their global economic contribution and increases international cooperation for development (Crawley,1995).

1.5.4- Benefits of South-South Cooperation

Since the increase in cooperation among the countries of global South, their ability to negotiate in international forums has significantly increased. This cooperation has also opened up new networks to communicate and collaborate. Economic Integration between the developing nations has further increased. The cooperation established the technological cooperation and nurtured the economic and scientific self-reliance.

It has increased knowledge and trusts in the capacity building it established indigenous technology and presented better techniques adapted to local needs. Hence, South-South Cooperation supported economic and social development. It has established strong linkages with research and economic growth. It has also enhanced quality of policy formulation and implementation and utilization of potential resources (Crawley, A.1995).

Chinese asserted that her assistance is unconditional. Their assistance plan included in the framework of South-South Cooperation was based upon solidarity and mutual respect between the developing nations. Plan was outlined around the theme of “*poor helping the poor*” (Chin and Frolic, 2007: 4).

The aid program is provided keeping the limited resources and financing capabilities of the country in consideration. It also emphasises upon the concept of ownership according to which

recipient nations must recognise requirements and urgencies. Chinese aid helps recipient countries to build-up of their developmental capabilities. This program is often discussed in background of evolving donor countries. Though, China is neither evolving nor new in terms of assistance programs. Notably, it has completed 60 years of its assistance programs in 2010. Its history as a donor is much longer than that as an aid recipient.

Chinese assistance program was initiated in the year 1950 right after foundation of the PRC (People's Republic of China). It initiated giving in-kind support to restructure North Korea and to the neighbouring countries affiliated to socialism such as Vietnam. It was itself a recipient of military and economic assistance from the Soviet Union. It extended its support to other nations after the successful conclusion of Asian-African Conference in Bandung, Indonesia "*The Bandung Conference*" in the year 1955. This conference was significant in laying foundation stone for South-South co-operation.

Government of China augmented the assistance to other nations in the decades of 60s and 70s with focus on agricultural aid and technical assistance. The Zambia-Tanzania Railway line with 1800 Km length was probably utmost celebrated project. This project was implemented when Chinese economy was not in very good conditions (OECD/IPRCC, 2012: 11). Chinese assistance program focused on large projects like bridges, railways, roads, conference facilities and stadiums (Brautigam, 2009: 34).

China also cooperated by giving assistance through multiple ways like providing medical support teams to many nations, mostly in Africa. The understanding of assistance programs of China has designed its existing assistance scheme. In many of its assistance project, China has managed all the aspects related to the project which also included, in a few cases, providing a few construction workers (Chin and Frolic, 2007: 5). After implementation of economic reforms in 1984, China initiated to change its focus to cost effectiveness and economic yield in choosing projects. (OECD/IPRCC, 2011: 13). China assumed that such a policy will help economic interests of recipient nations as well as China (Chin and Frolic, 2007: 4).

China also had to face some financial limitations. China had to expand its sources of assistance and it also initiated leveraging some other resources in order to increase its assistance programs. Chinese assistance developed into multidimensional collaboration with many nations, in many cases participation was in the form of joint ventures. Thus China reformulated some of its assistance projects in African continent from their former structures to a joint venture which ensured a proactive participation of executives from China (OECD/IPRCC, 2012: 11).

This resulted in decrease of parts of assistance. In the decade of 1980s, China required to address the increasing cost of transformation of its economy which was going through tough conditions due to Cultural Revolution that happened in 1970s. China was conventionally restrained about receiving assistance but now started to accept assistance from foreign countries starting with Japan which gave assistance to China in the form of concessional loans. China from a net donor became a net recipient of assistance during this phase and volume of assistance from China significantly declined.

Chinese Economy was transforming from the earlier model of a planned economy towards a gradually open 'Socialist Market based' Economy. On the basis of creativity and originality, it developed furthermore in order to encourage and sustain its assistance programs (OECD-IPRCC, 2012). China also established an assistance fund for the cooperative projects and joint ventures in the year 1993. The fund used finances from the paid back loans in order to assist Chinese corporations in establishing joint venture projects.

The EXIM Bank of China was formed in the year 1994. It supported the assistance program of China by announcing concessional lending scheme. Although Chinese assistance had its 60 years history of evolution, but the Eight Principles for Technical Aid and Economic Assistance were announced in 1964 by Chinese Premier Zhou Enlai. He built the foundation of China's assistance philosophy and continued to guide China's own behaviour as a donor during his eleven nation tour of Africa (MOFCOM, 2009).

The Eight Principles given by him for Economic Aid and Technical Assistance are:

- 1. Basis should be the principle of equality and mutual benefit*

2. *Respect the sovereignty of recipient countries unconditionally without asking for any privileges*
3. *Provide economic assistance in form of interest-free/low-interest loans and extend the time limit for the repayment as and when necessary*
4. *Help recipient countries gradually progress on the road of self-reliance and independent economic development*
5. *Help recipient countries complete projects with less investment and yield quick results*
6. *Provide the best quality equipment and materials manufactured by China at international market prices*
7. *Ensure that personnel of the recipient country fully master the technology being transferred*
8. *Chinese experts will have the same standard of living as the experts of the recipient country (MOFCOM, 2009).*

1.6-China and Ethiopia under Framework of South-South Cooperation

Diplomatic relations between Ethiopia and China were established in the year 1970. The relationship was strengthened during the Meles Zenawi period. The relationship status was further boosted with the conclusion of a Comprehensive Cooperative Partnership Agreement in 2003. The relations reached the apex and Leaders of both the nations had a friendly relationship and cooperated in their working.

Value of bilateral trade between Ethiopia and China started increasing in the year 2003. By 2012, the trade value multiplied to more than thirteen times of the trade in 2003. China became the largest trading partner as well as the biggest foreign investor of Ethiopia. Ethiopia became one of the major African markets for equipments and products from China. Chinese financial assistance for many critical projects in Ethiopia was also considerably increasing. Some of the projects worth mention are Addis Ababa Light Track Railway, the first operative Wind Power Plant, the first Express Toll Way, the Tirunesh-Beijing Hospital and the Confucius Institute. These projects are clear pictures of the productive and inclusive relationship (BTI, 2014.)

With the coming up of Globalisation, China is executing comprehensive reformation and overhauling of the Chinese Economy, which is part of the Chinese Dream. Ethiopia is focused upon Ethiopian Renaissance in order to fulfill its Transformation and Growth Planning. Ethiopia also wanted to achieve the target of becoming a middle-income nation by successfully executing its Vision 2025. Chinese Economy is the second largest globally. Ethiopian Economy is consistently growing in Africa and globally. Both the countries have complementary needs for each other.

Hence there was a need for more cooperation seeking new opportunities to collaborate. Frequent communication between their Leaders and Executives was a way to boost the bilateral relations. There was also a growing need to increase collaboration in the industrial development and infrastructure building. Ethiopia was a significant location for investments and a potential market for China. While China was an important investment source for Ethiopia.

With help of China, Ethiopia was able to improve her infrastructure facilities. The two countries wanted to tap the great potential of agriculture and mining and energy. They also wanted to work together to upgrade their existing bilateral relationship into a strategic partnership. For this to happen, the two countries are promoting cultural and people to people exchanges. Both China and Ethiopia are strengthening cooperation and coordination in international forums. They are promoting Africa-China relationship with their combined determination. They have determined to boost and expand their bilateral relationship to give a brighter future to the people of both the countries (Yi, Wang, 2014).

Mr. Wang Li, Minister of Foreign Affairs of the People's Republic of China, stated that *“China and Ethiopia are natural partners. In the past we have both suffered foreign invasion and shared the same feelings towards invaders. We both follow an independent foreign policy and share the belief that development is the top priority for national renaissance. We have provided mutual support on major issues concerning each other's core interests, and have shared ideas, learnt from each other's experiences of governance and explored the paths of development suitable for our respective national conditions. Indeed, on the basis of the*

principles of equality, mutual respect and win-win cooperation, China and Ethiopia have developed multi-dimensional relations, with people-to-people, business-to-business, government-to-government and party-to-party relations as the cornerstones of the relationship. We are sincere friends, reliable partners and good brothers, sharing both happiness and adversity, rejoicing in successes that the other has achieved. In a nutshell, China-Ethiopian relations have become a real and excellent model for South-South Cooperation”, (Yi, Wang, 2014).

China has become a significant participant in boosting development internationally. It has made China a subject of international attention. It has started entering into the domain which was earlier exclusive to the West. This period also viewed the revival of attentiveness and concern to analyse the part played by financial assistance and aid programs in building up of capabilities of developing nations. China has emphasized upon South-South Cooperation to improve its relationship with African nations focusing on Aid for Trade Initiative which has further boosted the trade and helped capacity building (UN, 2008).

Regional Trade is consistently growing in its significance. This has increases the value of South-South Cooperation and it has become a significant part of the diplomacy of many developing countries. It is no longer a mechanism with limited significance but has now become a significant instrument to promote global interdependence and in achieving Millennium Development Goals (MDGs). This has helped developing nations with more financial support to respond to their developmental concerns effectively.

Trade is one of the most significant areas where South-South Cooperation has a major role to play. It has offered many specific answers to developmental needs of developing countries. South-South Cooperation has worked as a prospect for gaining expertise in global environment and it has also improved the position and relevance of developing countries as international actors. South-South Development Cooperation is primarily a way to inspire and motivate relationship between developing nations (UNDP, 2009).

CHAPTER- II

Ethiopia's Political and Diplomatic relations with China

2.1-Restoration of Relations between Ethiopia and China

Once relations between Soviet Union and China improved after 1983, following President Gorbachev's domestic reforms and new foreign policy initiative, guided by this development, Ethiopia too, tried to extend its reach to China. It coincided with Deng Xiaoping's advisory: *"the government to emphasize upon development and modernization. He equally suggested to-let facts guide the course of evolution and not the ideology"*, (Deng, Xiaoping said: Newsweek 2005). Since then, China adopted the guidelines and accordingly pursued the course of modernisation on practical lines and not ideological.

Following this, Chinese foreign policy has been modified. Under the modified policy, the relationship with foreign nations was to be based on mutual economic benefits while at the same time honoring each other's sovereign authority. This constituted the principal basis of new foreign policy of China as compared to the previous policy during Radical Maoism. It has also opened new avenues of shared experiences (Hutchings, 2001: 42). Accordingly, Economic interactions of China with African nations is grounded upon the assessment of their apparent economic capability (Taylor, 2006: 44).

This has provided new avenues of mutual understanding with other nations. Ethiopia took advantage of this policy shift by China and reached out to China. Chinese foreign policy in the post Mao year followed a substantially different line from that during the Mao years. Deng Xiaoping is credited with many of the achievements related to the new thinking approach. Considering this shift, a group of Delegates headed by President Mengistu Haile Mariam visited China officially. Multiple partnership agreements related to fields of economics, politics, society and culture were agreed upon during the visit. Sometime later, another delegation headed by the Politburo members of Chinese Communist Party made a visit to Ethiopia. Due to these visits, Ethiopia-China Relations have been getting warmer and warmer (Fraser 1988).

Events Subsequent to the Tiananmen Square Massacre helped in bettering the relationship between China and Ethiopia. It subsequently improved relations of China with other African countries as well. Most of the western countries reacted profusely to this particular internal matter of China and condemned it. Arms restrictions were also imposed upon China by European Union and US. This was perceived by China as a violation of its sovereign authority. Ethiopia and many other African countries came forward to give support to China in this much debated controversial issue related to the ‘Human Rights’.

It should be noted that disapprovals of human rights record is nothing new to Africa. They have previously also acted in this manner. This particular act of African nations persuaded China to initiate and boost its bilateral relations with the developing countries. Foreign Policy of China shifted to boost its relationship with developing countries to create a safeguard against Western disapprovals. Disagreement to interference in human rights was a significant issue which brought Africa and China closer. The repercussion of the Tiananmen episode were that China was now prepared to go for some significant economic and political reforms (Taylor, 2006).

Africa was central to Chinese foreign policy. Africa has a good numerical strength which is significant to garner support in international forums. Many countries of the Africa were feeling pressures to open their political system. It suited the African nations to accept claims of China that western human rights interventions and stress on democracy is unfair as an interference in the domestic matters of developing countries. It is not good for their development and economic stability. Thus, this particular incident strengthened better linkages between China and other African countries. Though it is also scrutinized to understand present engagements of China in Africa (Taylor, 2009).

2.2-Ethiopia-China Relation during Meles Zenawi period.

Political relations between Ethiopia and China started with Haile Selassie’s visit to China on 24 November 1971. Ethiopia was one of the countries who backed proposal of China to attain UN membership in that year. China-Ethiopia Relations further developed with conclusion of a scientific and economic treaty apart from financial assistance initiative of China. During the period 1974-85, relations between Ethiopia and China remained on the side lines during the

Mengistu regime due to differences in ideological standpoint. In this period, Ethiopia appreciated close association with the Soviet Union. Good relations were reintroduced in 1988 with the formation of the Joint Ministerial Commission, which established a structure for implementation of technical projects.

The new transitional government came to power in 1991. It gave a push to high level ministerial visits. With coming up of Meles Zenawi Government, Ethiopian prime minister went to China in the year 1995. Chinese President responded to this visit by making a visit the next year. Numerous dimensions of Ethiopian and Chinese sides have further strengthened bilateral political and economic relations between the two countries. These several aspects have paved the way for promising bilateral relations. On the Ethiopian side, some of the aspects of relevance were: economic aid, alternative partner to the West, mentor and strategic partner (Adem, 2012).

First, Ethiopia tried to take investments and foreign assistance from the Chinese government. China also subsequently helped Ethiopia by providing financial and technical support without any kind of conditionality. Ethiopian requirement to develop at a faster pace has forged its closer relations with China. Ethiopia organized 2nd summit of the Forum on China–Africa Cooperation (FOCAC) in the year 2003. After this event, Diplomatic relations between the two countries enhanced favorably.

FOCAC was introduced in 2000 as a device for mutual exchange of ideas and multilateral co-operation between Africa and China. With Ethiopia hosting the two ministerial meetings and co-hosting the Beijing Summit, Ethiopia was recognized as a distinguished partner. At the Beijing Summit, Hu Jintao took decisions regarding some important policy actions in order to advance co-operation with African countries. Ethiopia was the only nation to profit from all of them. The actions comprised of many steps such as joint venture type of projects in the area of infrastructure, debt termination and zero tariff for Ethiopian goods which amplified Ethiopian exports (FOCAC).

Ethiopian Constitution confirmed that Ethiopia viewed its independence and sovereignty as supreme. China's role is more than sharing developmental experience and technical support

while assisting each other in political and diplomatic affairs. The Ethiopian government was very clear that its domestic and foreign policy must focus on the fundamentals of economic development, democratization and peace. If it failed to do so, it had to face the state of miserable poverty and backwardness it already was into. The documents have also mentioned about China being a relatively new entrant in the foreign investment. How successful the relations will be can only be discussed in the coming future.

Consequently, Ethiopia had to sustain good diplomatic relations with China in order to promote trade and investment for itself. It also required to assure a market for Ethiopian products is secured in China. Thus, Ethiopia acknowledged that China, being a relatively new entrant in global investment is having an inherent weakness it kept its expectations with engagement of China in its economic affairs. Ethiopia put its efforts to become a genuine partner of China who could help China in promoting its strategic partnerships in African continent (Fentaw, 2009).

Both the countries understood that they must assist each other in diplomatic discussions at international scenes. As, Meles Zenawi stated at the FOCAC in 2006:

“Our challenge now is not to fight colonialism, but fighting poverty and backwardness and achieving economic independence. Africa needs the support of its friends to overcome these challenges,” (Meles Zenawi speech in 2006 FOCAC, African Business, 2006: 39).

The statement of Meles Zenawi evidently explains Ethiopia’s inclination towards China. Ethiopia also backed China on its policy initiative of pushing domestic agendas at the international stage. Similarly, it supported China when the issues of Tibet and Taiwan were raised at international forums. China also responded to the support of Ethiopian government by assisting it at diplomatic and economic fronts. Bilateral relations between the two nations have been strengthened with continuous engagement and reciprocation by both the countries.

Chinese developmental Model was also an impressive example for Ethiopia to take guidance from. It was observed by Ethiopia that China in previous decades had assisted them resolve their poverty problem. Chinese assistance also transformed their economy and they became the country with the highest economic growth rate in the African continent from their previous status as a backward agricultural country (Cabestan, 2012).

In addition to that, there was another more significant motivation which made Chinese Economic Model very appealing to Ethiopia. Chinese Economy transformed from a backward to a developing nation with remarkable activities in Economic reforms and infrastructure building. China was also a strategic partner of Ethiopia and they jointly raised various issues like human rights agenda and democratization process at multilateral and international fronts like UN and G-77.

Strategically, China equally had many factors which provided them with the reason to side with Ethiopia. First and foremost was the strategic location of Ethiopia in the region. Its geographical setting made it the seat of the Economic Commission for Africa, African Union and other specific United Nations organizations. It was natural that Ethiopia played an important role in African politics. This made Ethiopia central to Chinese broader ambitions in African continent. Every change China heralded for the region was taken with a consideration of Ethiopia (Adem, 2012).

Ethiopia lacked the natural resources. It is a landlocked country with abject poverty. This attracted China and other countries towards it. Notably, the great river that fulfills Egypt's thirst, River Blue Nile has its source in Ethiopia. This country is also the meeting ground that joints predominantly Muslim North African region with predominantly Christian South. Moreover, post-1991, China was in serious need of markets. It had gross over supply of goods in many segments of the economy. China was following Command Economy led by industries for decades. This was reducing prices in domestic markets.

Products which were sold in a province while made in another were severely taxed which was a result of presence of aggressive regional competition between companies. It provided rationale to expand into international markets wherever available in order for the products to avail greater market distribution with lesser tax obligations. Such a scenario further increased the demand for substantially cheaper products in foreign markets which was consequential considering Chinese domestic market saturation. Chinese companies required to search for foreign markets in their fight to deal with over supplies and survive in the market (Gedion, 2010).

Ethiopia had a huge population of about 81 million people. Its population made it possibly a highly profitable and appealing market destination for the Chinese products. It also had immense potential for investment and trading. China competed with global powers like European Union, US and other emerging powers like India to get ahead in economic and geopolitical competition. So it was in the interest of China to get hold of available markets and vast resources of Africa including Ethiopia (BTI, 2014).

China was also eager to utilize Ethiopia and other African Markets to test its economic potential. It was to be a test market for Chinese products. Chinese Companies were not confident enough to enter developed countries with their existing products. So these firms looked for potential markets in the developing countries where competition was considerably less. China was already experiencing good diplomatic and commercial linkages with Ethiopia.

So it became the natural choice as a testing ground where competitiveness of Chinese companies could be tested in foreign market conditions. China had a growing requirement for raw materials and oil in order to cater to its expanding economy. It also formed a significant reason behind commercial interest of China in African continent and Ethiopia. In the year 1993, China became a net oil importer. By the year 2004, its oil imports increase significantly and it became the second largest oil importer right behind US (Christine, 2013:17).

Secure oil supplies are strategically important for a growing economy. Oil procurement to serve its growing needs formed an integral part of Chinese foreign policy. Ethiopia was understood as having significant natural resources which yet needed to be identified. It was considered so owing to its geographical expansion. It was one of the biggest countries of Africa. Chinese companies also recognized Ethiopia as significantly important considering its resource and market potential which was untapped.

It was the reason behind exploration of oil by Chinese company Zhonguan Petroleum Exploration Bureau (ZPEB) around Ogaden and Gambella regions before the Abole attack incidence. Ogaden National Liberation Front (ONLF) rebels attacked the Abole site in Northern

Ogaden in April 2007. Many ZPED workers were staying there and hence got killed during the attack. Abole attack killed 9 Chinese workers and 65 Ethiopians.

Another significantly important factor played an important role in Chinese policy designs its bilateral relations with other states. That factor was resentment for the political acknowledgement of the Republic of China on Taiwan (ROC). Since late 1980s, restricting Taiwanese independence was the primary emphasis of PRC. It was supported by many African nations including Ethiopia. It also served Chinese political and security interests. China made sure to have strong international partnerships which helped it respond to Taiwanese flexible diplomacy and in working against Taiwanese determination for “*One China, one Taiwan*” policy. The main interest of China in Africa was to thwart establishment at Taiwan from creating any kind of troubling conditions for the Chinese government by taking diplomatic benefits of the small nations existing in Africa which could help its cause (MOFA, 2007: 20).

This Chinese policy was resolutely supported by Ethiopian regime since the times of Haille Selassie. Prime Minister Meles Zenawi visited Beijing thrice and was consistent in his affirmation about the adherence of his government to ‘One China Policy’. Ethiopia supported China on Human Rights issue and Taiwan at all occasions. Some other well-founded aspects also helped in improving and consolidating bilateral relations. Close cooperation and mutual support in international forums formed the basis of relations between China and Ethiopia.

Ethiopia and China, both the countries had to face the fascist antagonism during Haile Selassie Regime. Ethiopia was a member of League of Nations. But it became the first target of Italian Fascist aggression. Chinese government raised its voice against the aggression by Italy. In return, Ethiopia responded with its support for the Chinese claim of becoming a member of UN Security Council. At that time, Ethiopia had no strategic relationship with Chinese government (Fraser, 1969).

In 1971, China reclaimed its position in the United Nations (UN). China received 76 votes in its favor, out of which 26 were from African countries which also included Ethiopia. Thus Africa accounted for more than one third votes in support of Chinese claim. China has successfully

thwarted Taiwanese plan to return to UN for the tenth time successively. It also stopped anti-China proposal by western countries at the UN conference on Human Rights 10 times successively. Both these were made possible in the events following the 1990s with the great assistance from many African countries including Ethiopia.

Notably, China was the only developing economy among five permanent United Nations Security Council member states. So it also had a responsibility to speak for African nations including Ethiopia. It had to voice concerns relating to key matters such as protection of reasonable rights of developing nations and human rights issue. There was also a significant requirement of a renewed, impartial and rational global economic and political order. In this regard, comments made by Prime Minister Li Peng in 1990 are worth mentioning:

“The new order of international politics means that all countries are equal, and must mutually respect each other...regardless of their differences in political systems and ideology. No country is allowed to impose its will on other countries. They are not be allowed to interfere in the internal affairs of the developing countries, or pursue power politics in the name of Human rights, Freedom and Democracy” (Xinhua, 1990:1).

People’s Republic of China had promised to construct a new headquarter for the African Union in the city of Addis Ababa in order to augment the efforts of AU to fortify unity and integration among AU member nations. China also built a conferencing center in Addis Ababa for the African Union, costing 150 million US Dollars.

This confirmed Chinese assurance of reinforcing the relationship with the whole African continent and specifically with Ethiopia. Additionally, China and Ethiopia also initiated collaboration under FOCAC since 2000. Moreover, both the countries had similar attitude on human rights and had given economic rights more weightage than political rights. Thus they assigned right to development the highest priority which worked as the common ground in improving their bilateral relationship (FOCAC).

2.3- China's Political and Developmental assistance to Ethiopia

Since 1991, China-Ethiopia Relationship was experiencing a healthy and sustainable development. Since the period, there were high level visits to Ethiopia from Chinese government and also from Ethiopian government to China. The diplomatic ties between the two states became closer when Ethiopia hosted the 2nd Ministerial Conference of FOCAC in 2003. At the 3rd Ministerial Conference of FOCAC in 2006, Hu Jintao announced a number of policy measures including zero tariff for African goods, debt cancellation and joint infrastructure projects, Ethiopia was the only country to benefit from all (Thakur, 2009).

Both countries have an understanding to support each other diplomatically at international forums. Ethiopia supports China's long standing policy of reinforcing domestic policy in the international arena, especially when the issues of Taiwan and Tibet were raised. China reciprocated by lending the political and economic assistance to Ethiopia. After the undoing of the state with the philosophy of Socialism and end of the Derg establishment in the year 1991, Chinese government amplified its engagements with Ethiopia. Investments, trade and financial assistance significantly increased (Afrodad, 2011).

China has been giving aid and financial support to Ethiopia in multiple areas. Cooperation in technology and urban planning with human resource development, financial assistance are some of the ways Chinese government is supporting Ethiopia. China has established itself as a significant partner for Ethiopia in its quest for development. It has a crucial role to play in Ethiopian government-run Five Year Program for Sustainable Development and Poverty Alleviation.

Ethiopian government has tried to focus on 6 areas on urgent priority: education, water, health, agriculture, food security and infrastructure including cement, industry, power and roads. Ethiopia had inadequate financial capability and hence it desperately needed foreign assistance to assist it in reaching current five year plan targets (Martyn Davies, 2008). Developmental assistance from China to Ethiopia went on increasing. Chinese assistance to Ethiopian economy increased more rapidly after mid-1990s (Afrodad, 2011).

There were two primary causes behind this. Firstly, Ethiopia is a large country with a huge population. It is naturally resource rich and has potential oil resources and agricultural lands with good productivity. It is a good source for raw materials as well as a potentially significant market for China and can help boost Chinese Economy. Ethiopia is also strategically located geographically as it houses the headquarters of the African Union (AU). This makes it important for Chinese diplomatic efforts in terms of South-South Cooperation.

Secondly, Ethiopia was facing transitional phase politically as well as economically since the mid-1990s. It is the same time when China increased its developmental assistance and investment and trade activities in Ethiopia. China provides market for its primary agricultural products and attractive foreign aid to Ethiopia and its financial assistance is completely free from any kind of conditionality which is present with financial assistance from western nations. China has also diversified its financial assistance to Ethiopia in terms of interest free loans, grants, development assistance with commercial investments and preferential trade agreements (Woods, 2009).

2.4- Visits and Agreements between China and Ethiopia

China has become one of the most significant partners of Ethiopia that demonstrates its influence in the life of Ethiopian people. China and Ethiopia relations have a much longer and broader history. Their mutual relations have a strategic significance as they are natural partners of each other. Both the countries had to suffer external attacks and invasions and have a shared feeling against them.

Both the countries have an independent foreign policy and agree on the crucial importance of development. As a result, both of them support each other on significant matters related to their central interests. Both share their experiences of governance with each other and learn from them. They have discovered their developmental paths suiting their domestic settings. China has risen as an international power center in recent years. This global visibility of China has opened new arenas of cooperation with African countries. China has tried to deepen its relations with Ethiopia by putting its best efforts. They have an old relationship with long history (Deshpande & Gupta 1986).

First interaction between Africa and China happened in the ancient times despite their geographical separation. Though the official relations between them initiated in the year 1970. Emperor of Ethiopia Haile Selassie made a visit to Beijing the very next year. But the relations were not good during the Haile Selassie regime. This was primarily because of association of Ethiopia with western countries during the Cold War period. Military Junta i.e. Derg took control of Ethiopia in 1974. This resulted in a short term improvement in the relationship but soon the relationship once again became strained. As Derg rule was stuck in the Soviet-China conflict.

Later on from 1977 to 1982, their relations further worsened and were only normalized after 1983 but there were no significant improvements until 1991 despite visits of high officials. The military junta rule was following a wrong foreign policy where its military and ideological interests conflicted with its diplomatic relationship. It focused on its relationship with China only after mid-1980s. Foreign Minister of Ethiopia made a visit to China in the year 1987. Later President Mengistu made two visits in 1989 and 1991. Though, the foremost cause behind these visits was reaching out for defense weapons and it had little relevance for strategic relationship between the two countries (Deshpande & Gupta 1986).

When Ethiopian People's Revolutionary Democratic Front came into power. Meles Zenawi Leadership changed the dynamics of foreign policy and since the year 1991, the primary focus of the foreign policy is to ensure economic development and democratization which will in turn result in social well-being. Diplomatic relationship of Ethiopia was centralized upon the promotion of economic diplomacy, peace and cooperation. The 2002 Foreign Affairs and National Policy Document further strengthen this vision.

In the early year of Meles Zenawi rule Ethiopia-China relations developed very smoothly. Ethiopian Foreign Minister, Seyoum Mesfin visited China in 1992. After this visit, Chief of the general staff of Ethiopia visited China in the year 1994. The relations between the two countries have been stronger through government to government relations and also through party to party ties. In 1994 Qian Qichen, China's vice-premier and minister of foreign affairs visited Ethiopia. Meles Zenawi made his first official visit to China the next year. President Jiang Zemin also

visited Ethiopia while making his visit to 6 African countries in 1996. Ethiopia and China agreed upon a few important pacts related to technical and economic cooperation and trade. Agreements between the two countries include the 1996 Agreement for Trade, Economic and Technological Cooperation; the 1998 Investment Protection and Promotion Agreement have been signed. The Government of China has also demonstrated its policy of “Go Global” to encourage Chinese investors to invest significantly in Ethiopia and other African Countries through this policy (Fernando, 2007).

Ethiopian Minister of foreign affairs, Seyoum Mesfin visited China again in 2000 to attend the Beijing Ministerial Meeting 2000 of the forum on China-African Cooperation. In 2002, Girma Biru, Minister of Trade and Industry visited China. Tang Jiaxuan, Foreign Minister in 2002 visited Ethiopia. In 2002, China and Ethiopia signed Agreement for Economic and Technological Cooperation. Since then the financial support provided by the Chinese Government has enabled Ethiopia to carry out a number of major infrastructure projects including the Addis Ababa-Adama Expressway, the Airport -Meskel Square Road, the Addis Ababa Light Rail project, the Addis Ababa-Djibouti Railway project, Gibe III Hydro Power Plant, Adama Wind Farm Phase I and II, a number of power transmission and substation constructions with upgrading the National Grid system, sugar projects including Kesem and Omo II and III, the upgrading and expansion of Ethio-Telecom and a water supply for Addis Ababa City.

The year 2004 witnessed frequent exchanges of high level visits. In 2004, Prime Minister Meles Zenawi paid an official visit to China. He met with Chinese President Hu Jintao and hold talks with Premiere of the country Wen Jiabao. The Chinese leaders appreciated Ethiopia’s firm support to China on questions of Taiwan and human rights, expressed to readiness to maintain high level contact and exchanges (MOFA, 2005),

In 2008, Speaker of the House of People’s Representatives Teshome Toga visited Ethiopia and met with President Girma Wolde Giorgis, Prime Minister Meles Zenawi and Speaker of the House of the Federation Degefe Bula respectively. The two sides signed *the Agreement on Economic and Technical Cooperation between the Government of the People’s Republic of China and the Government of the Federal Democratic Republic of Ethiopia*.

In 2009, Chinese Premier Wen Jiabao met with Prime Minister Meles Zenawi on the occasion of the Fourth FOCAC Ministerial Conference in Sharm el- Sheikh, Egypt. The two sides had an exchange of views on the bilateral relations, practical cooperation and climate change. The year 2010 marked the 40th anniversary of the establishment of diplomatic relations between the People's Republic of China and the Federal Democratic Republic of Ethiopia. The supportive partnership of China and Ethiopia continued to deepen their cooperation in various areas (MOFA, 2010).

On the occasion of 40th years of diplomatic relations, the Government of the People's Republic of China and the Government of the Federal Democratic Republic of Ethiopia signed "*The Agreement on Economic and Technical Cooperation*".

In January 2010, Minister of Commerce Chen Deming visited Ethiopia. China –Ethiopia package loan cooperation made steady progress. The outcomes of the Beijing Summit of the Forum on China- Africa cooperation (FOCAC) were implemented smoothly. The two sides are stepping up communication and coordination on the implementation of the eight new policy measures on assistance to Africa announced at the Fourth Ministerial Conference of FOCAC (MOFA, 2011).

In August 2011, Prime Minister Meles Zenawi visited China and attended the opening ceremony of the 26th Universiade. He met with President Hu Jintao and NPC Chairman Wu Bangguo respectively and held talks with Premier Wen Jiabao. The two sides signed the Agreement on Economic and Technical Cooperation Government of the People's Republic of China and the Government of the Federal Democratic Republic of Ethiopia (MOFA, 2012).

The relationship between the two countries has been further strengthened and characterised by close and comprehensive consultation and cooperation for a socio-economic development. The relation has become stronger through government to government relationship. It has also been boosted through people to people contacts and party to party connections.

The relationship between the two countries has been further strengthened and characterised by close and comprehensive consultation and cooperation for a socio-economic development. The

relation has become stronger through government to government relationship. It has also been boosted through people to people contacts and party to party connections.

Ethiopia and China cooperated to respond to international concerns related to hunger and poverty, food security and climate change. They also worked together in addressing regional conflicts. Both the nations promoted Africa-China relationship in the background of FOCAC establishment. It also ensured protection of concerns related to developing nations. Nigeria is most populous country of Africa. Ethiopia is second with a population around 90 million. It is also headquarter of African Union. China has helped Ethiopia in construction new conference center for African Union (MFA, 2010).

Ethiopia also houses headquarter of United Nations Economic Commission for Africa. New Partnership for Africa's Development (NEPAD), which is being supported by China for development of Africa, has also relocated to Addis Ababa. It also has a strong military force and is a regional center for the Horn of Africa. In contrast, China is significant for Ethiopia in terms of its technical expertise and industrial capability.

Ethiopia needed Chinese assistance to improve its existing infrastructure. They needed to work together to improve the linkages of telecommunication and electricity and establish better transportation networks which will enhance regional connectivity. Both the countries also needed to work together to harness their capabilities in the areas of mining and agriculture. Their joint efforts were needed to generate clean, green and sustainable energy. In order to achieve these objectives, China and Ethiopia upgraded their collaborative efforts into a full-fledged strategic partnership (MOFCOM, 2009).

China is helping Ethiopia's socio-economic transformation in several ways. Firstly, it is helping infrastructure building in Ethiopia. Chinese firms have dominated the road construction in Ethiopia and have contributed immensely to the development of Ethiopian Economy. Their contributions have also resulted in reduced construction costs. This has happened because of 20-25% lower charges being demanded by Chinese firms as compared to others. This has helped Chinese firms in getting bigger projects and by outpacing their competitors, they are running

higher profits. This has helped these companies to expand and widen their business and they have entered other related fields of construction such as housing and construction of government buildings. This has significantly helped Ethiopia in ensuring financial aid and has also attracted investment. This has changed the environment and is creating a sphere of development which is transforming Ethiopia.

Secondly, China has supported five point proposal of United Nations which details about the assistance to developing nations to speed up their economic development. This proposal includes giving zero tariff treatment for some exports from the least developed nations to support their economy. Chinese assistance program supported least developed nations and heavily indebted poor countries. It has also cancelled some of their past debts. China has helped them in procuring medicines for treating diseases such as malaria and trained their local professionals working from a human security perspective. Ethiopia is also one of the main beneficiaries of Chinese assistance program and it has boosted Ethiopia's quest for poverty reduction and economic development.

Thirdly, China has become one of the most significant donors to Ethiopia. Government of China had approved 500 million US Dollars in the form of concessional loans to Ethiopia. China has also helped Ethiopia in infrastructure development in telecommunications and has given 1.5 Billion US Dollars' worth trade credits on short term basis.

Fourthly, China has confirmed to provide bilateral assistance to Ethiopia which is attuned to resources available to them. China has also reiterated the principle of non-interference in internal affairs of Ethiopia which is significant for Ethiopian authorities. Lastly, China has investment in Ethiopia in various fields and it is in the interest of Ethiopia to have investors located in their country itself to protect its strategic political and economic independence and sovereignty from the powerful western countries (Adem, 2012).

China is one of the most significant partners in economic development of Ethiopia. Role of China in Ethiopian economy is quite different from the role played by other partners like European Union. In the case of Ethiopia, China and European Union are two most significant

partners who have assisted Ethiopia in its development agenda. Chinese assistance to Ethiopia is primarily in priority sectors like infrastructure development in energy and telecommunications, European Union is nearly inactive in these sectors. Chinese assistance to Ethiopia is in the areas with large-scale financing needs unlike the assistance provided by European countries to Ethiopia. Chinese assistance has helped enhance the capability of Ethiopia to execute its development agenda and its assistance is devoid of any conditionality unlike other donor countries from Europe and the west.

2.4.2- Interaction between Ethiopian and Chinese Political Party

Xu Jialu, Vice-chairman of the NPC visited Ethiopia and met with EPRDF leaders in 2002, both the political parties. Although the strength of the Ethiopia-China relationship in the economic and political area are also flourishing (MOFA, 2005). Anti-Secession Law by China was supported by Ethiopia and a resolution in its support was passed in Ethiopian Parliament in the year 2006. Ethiopia with some other African nations helped prevent a resolution against Human Rights violation by China in the United Nations Human Rights Commission in 2007.

In 2008, Prime Minister Meles Zenawi said- *“Tibet is an internal affair and external powers have no right to interfere.”* He further mentioned that- *“Ethiopia strongly opposes any external force’s attempts to destroy China’s national unity and create hatred among Chinese nationalities.”*

Leadership in China appreciated the support by Ethiopia on issues related to Tibet and Taiwan which helped strengthen the Chinese position. China also reciprocated with non-interference in domestic conflicts of Ethiopia and kept mum with respect to human rights policies being followed by Ethiopia. Ethiopia not only had an embassy in Beijing, but it also had a consulate general in *Guangzhou, Chongqing, and Shanghai*. To emphasise upon the relevance of Chinese relations with Ethiopia, former EPRDF insider and sitting Foreign Minister of Ethiopia, Seyoum Mesfin went to Beijing as the Ambassador in year 2011 (MOFA, 2012).

Chinese Communist Party (CPC) and EPRDF have established closer bonding. To improve the relationship, senior leaders of EPRDF visited China, and CPC leaders responded by making a visit to Ethiopia. A delegation was sent by CPC in the seventh and eighth conferences of EPRDF

in 2008 and 2010 respectively in this regard. A memorandum of understanding on Exchange and Cooperation was signed in 2010 between EPRDF and CPC when CPC International Department vice Minister, Ai Ping visited Ethiopia with delegates. Exchange between political parties and government agencies of the two countries continued to increase. In 2011, Redwan Hussein Rameto led an EPRDF delegation to China and was received by Li Changchun, Member of the Standing Committee of the political Bureau of the CPC Central Committee. Two groups of senior EPRDF officials came to china for training courses in June and November Separately to study the CPC's experience in party building and the development of its party schools.

In 2012, CPPCC Chairman Jia Qinglin attended the opening ceremony of the 18th Summit of African Union in Addis Ababa and paid an official, goodwill visit to Ethiopia.

China sent a delegation to the EPRDF's Seventh Organisational Conference in 2008 and the Eighth Congress in 2010. The CPC International Department Vice Minister, Ai Ping led a goodwill delegation to Ethiopia in 2010, when he signed a memorandum of understanding on Exchange and Cooperation between the CPC and EPRDF. The growing ties between the two organisations have helped form a solid foundation for the development of relations between China and Ethiopia. There are also close links between Ethiopia's Parliament and the China National People's Congress. The two organisations have established a China-Ethiopia friendship group. In 2010 Speaker of the House of the Federation Degefe Bula visited China. NPC Chairman Wu Bangguo and CPPCC Chairman Jia Qinglin met with him separately. In June, Ethiopia Foreign Minister Seyoum Mesfin paid a working visit to China. Foreign Minister Yang had talks with him. Bilateral economic cooperation and trade grew rapidly. Ethiopia has become one of the important partners of China in Africa in project contracting and economic cooperation and trade (MOFA, 2011)

Exchange between political parties and government agencies of the two countries continued to increase. In 2011 November, Member of the political Bureau, Member of the Secretariat and Head of the Publicity Department of the CPC Central Committee Liu Yunshan visited Ethiopia. He met with Chairman of the Ethiopia People's Revolutionary Democratic Front (EPRDF). Two groups of senior EPRDF officials came to china for training courses in 2011 Separately to study the CPC's experience in party building and the development of its party schools (MOFA, 2012).

In 2012, CPPCC Chairman Jia Qinglin attended the opening ceremony of the 18th Summit of African Union in Addis Ababa and paid an official, goodwill visit to Ethiopia. During the visit, Chairman Jia Qinglin met with President Girma Wolde Giorgis and had talks with Prime Minister Meles Zenwai. The two sides signed several Economic and trade agreements, including the Agreement on Economic and Technical Cooperation between the Government of the People's Republic China and Government of the Federal Democratic Republic Ethiopia. On 17th June, President Hu Jintao met with Prime Minister Meles Zenawi on the sideline of the G 20 Los Cabos Summit. They had an in- depth exchange of views on bilateral relations and the issue of development. Better relations between CPC and EPRDF consolidated the firm foundation for improved China-Ethiopia relationship. China National People's Congress and Ethiopian Parliament also established close linkages. An Ethiopia-China Friendship Group was also initiated by these organizations. Though engagements of China in Ethiopia has not been completely free of controversies (MFA,2010).

Chinese firms were having a bad reputation of occasionally putting their employees in perilous situations and these firms took greater risks. Chinese firms were warned to not enter Ogaden region to fulfil their commercial interests by the Ogaden National Liberation Front (ONLF). Ogaden is rich in terms of gas reserves and might be a good potential location for oil reserves. A subsidiary company of Sinopec, Zhongyuan Petroleum Exploration Bureau explored for potential oil reserves in the Ogaden area which was protected by many Ethiopian soldiers.

The exploration base was attacked by ONLF in 2007. In the Ogaden incident, 65 Ethiopian soldiers and 9 Chinese employees got killed. ONLF took the responsibility of the attack and declared that it won't allow resource exploration and exploitation by the government of Ethiopia or any other company related to it. China stopped its operations in Ogaden with immediate effect (Yihun, 2014).

2.5- Ethiopian stand towards China after 2000-2012

The bilateral relations between China and Ethiopia have proceeded to a new level. The relation between the two nations has strengthened cooperation. Their relationship has also displayed more mature and stable. Ethiopian Prime Minister Meles Zenawi and former Chinese President Jiang Zemin exchanged visits to each other's country. This significantly improved the bilateral relationship between Ethiopia and China.

In new millennium, bilateral relationship registered new developments with joint efforts from both the sides with significant progress in the fields of economy, politics and culture. Diplomatic relationship between Ethiopia and China has been established upon strong footing. Cooperation in trade, economy and other fields has been consistently growing. Foreign Affairs and National Security Policy and Strategy of the Federal Democracy of Ethiopia and Foreign Affairs and National Security Policy mentioned that Ethiopia-China relations are growing strong and Ethiopia should treat their relationship with China as a top priority case (MFA, 2012).

Exchanges of officials and high level visits have increased significantly between both the nations with improved diplomatic relations. Both China and Ethiopia regularly organized close consultations on international issues and work together closely. The close consultation was supporting and assisting each other in international affairs, in order to protect the common positions.

The Second Ministerial Conference of the FOCAC was organized in Addis Ababa, Ethiopia. The African continent got the impetus to fast track the relation with China. Both the sides were work together closely and relationship was improving significantly. Chinese side was convinced that FOCAC conference will be extremely successful through active participation and close cooperation of all the African nations. Chinese side expected it to become the landmark event in Chinese-African relationship.

The Chinese-Ethiopian bilateral cooperation was further reinforced with Chinese involvement in Ethiopia's economic development. The contribution of Chinese companies in mega infrastructure development projects in Ethiopia has also boosted the bilateral relationship

between them. Chinese government was also constantly backing human resource development and training, social welfare issues related to health. Chinese experiences and achievements in the field of trade and economic development guided the member nations of African Union (AU). FOCAC was hosted in capital city of Ethiopia, Addis Ababa as an important institution to boost China-Africa cooperation (Kinfe, EIID).

China was concerned over security situations prevailing in the Horn of Africa and issues of New Partnership for Africa's Development (NEPAD), Intergovernmental Authority on Development (IGAD), the African Union and bilateral cooperation. The current China-Ethiopia relationship was helping Ethiopia in their agricultural development and capacity building.

2.6-Ethiopia-China Relations: Striding towards a Better Relationship

Formal diplomatic relationship between China and Ethiopia was recognized for the first time in the year 1970. From that year onwards, Ethiopia had to face 3 types of governments: Monarchy, Military rule and the present Federal Democratic Republic of Ethiopia. China-Ethiopia bilateral relations have strengthened the most during the present government as compared to the previous ones. There is no document available that may spell out as to exact date of first direct interaction in ancient history between Ethiopia and China. Though Historians firmly agree on the point that China and Ethiopia had certain relationship during the rule of Tang Dynasty which lasted during 618-907 A.D. (Pankhurst, 1999).

During that time, China was familiar with some parts of Horn of Africa and China also had some successful interactions with the people residing at the coast of East Africa. Chinese imported some types of pearls, rhinoceros horns and tusks of elephant. Ethiopia has been independent for a much longer history which has helped it in establishing diplomatic relations with many countries. Both China and Ethiopia had to face foreign invasions in 1930. Italy invaded Ethiopia in 1935 and Japan invaded China in 1931. League of Nations failed in providing legal justice to both the countries. The invasions primarily happened because of the weakness of the institution of League of Nations. These weaknesses later caused its collapse.

The failure of the League of Nations was also responsible for the Second World War. Both Ethiopia and China fought for opposite sides during the Korean War in 1950-53. China sided

with the North Korea, while Ethiopia took side of South Korea. UN and countries of the west applauded Ethiopia for its engagement in the Korean War. The first delegation that visited Ethiopia was the 1956 Cultural Delegation of China. This delegation laid down the ground for China-Ethiopia relationship.

From 1959 to 1970, Ethiopia had intensely supported China for its legitimate position in the UN. Chinese Premier Zhai Enlai made a visit to many African nations during 1963-64. He also visited Ethiopia. This visit is notable as it is the first official visit which happened much prior to any formal recognition of relationship between China and Ethiopia. Leaders of Ethiopia and China respectively were Emperor Haile Selassie I and Chairman Mao Zedong, when the diplomatic relations were established in 1970 (Fernando, 2007).

The Ethiopia-China Economic and Technical Cooperation Framework Agreement was signed in 1971. China established an embassy in Addis Ababa and Ethiopia made an embassy in Beijing. With the start of formal relationship between both the countries, higher officials and leaders from China and Ethiopia made official visits. FOCAC was formed in the year 2000. It further promoted the relations of Ethiopia and China.

FOCAC supported China and Africa in their interactions as an entity after the implementation of the decision of the forum. Recently Chinese Premier Li Keqiang visited Ethiopia in May, 2014 which has further firmed up their relationship. This clearly displays that a bilateral relationship is much more significant than a multilateral relationship. This is more so because of latter's emphasis upon general engagements and directions.

FOCAC's second Ministerial was organized in Ethiopian capital Addis Ababa in year 2003. Ethiopia occupied a major and constructive role in the accomplishments of FOCAC. China and Ethiopia have established a proper and legitimate framework policy to further assist them in their collaborative partnership. Both the countries have also formed a Joint Ministerial Commission which assists both as an instrument of collaboration. Many other collaborative arrangements have been established between Ethiopia and China. These arrangements are related to health, education, human resource development, culture, agriculture. China has also given multiple student scholarships to Ethiopians for taking up academic courses in China.

Prior to 1990s, Most of Ethiopian imports were sourced from US, Italy, Japan and West Germany. They accounted for 45 percent of total value of imported goods while imports from Soviet Union were at 16% of total import value. Ethiopia and China established trade relations in 1956. In the year 2006, China became the largest trading partner of Ethiopia. In addition to an embassy in *Beijing*, Ethiopia also has a Consulate General in *Guangzhou*, *Chongqing* and *Shanghai*.

These diplomatic offices assist economic and trade relationship between China and Ethiopia. Bilateral trade value has expanded to 2.20 Billion US Dollars. Though trade balance is tilted towards China which needs to be corrected. To correct this, China has opened its market accessibility for products sourced from least developed nations including Ethiopia. These products will be given a zero tariff treatment in China.

China has always responded affirmatively to Ethiopian demands for financial assistance with no conditionality. Chinese government is increasing its trade and investments in Africa in general and Ethiopia, in particular. Africa has recently witnessed significant increase in its GDP some of which can also be attributed to investments sourced from China. Infrastructure Development projects from China in Ethiopia are effective in terms of their good quality at lower costs and within the given time frame. With the growth of Chinese Economy in post-Cold War period, it is turning out to be a significant actor in the global economy.

China has significantly increased its investments in many countries with its booming economy. FDI has also been critically important for Ethiopia as it has generated many job opportunities for local populations and has strengthened Economic Development. Investors from China have also played a significant part in African countries including Ethiopia. Chinese FDI to Ethiopia was more than 1 Billion US Dollars in 2012.

After the successful conclusion of the Beijing Summit of FOCAC in 2006, A China-Africa Development Fund (CADF) was created to assist Chinese firms in making their investments in African continent. This Fund has bridged the gap between African projects and Chinese firms. CADF opened its branch in East Africa in the city of Addis Ababa in 2010 to fast pace investments coming from Chinese firms.

Inauguration of a branch of CADF in Ethiopia tells about the reliance China has on Ethiopia in terms of its business interests. These initiatives have contributed to the assistance in setting up factories for glassware and cement in Ethiopia. Most common mode of Chinese investment is Joint venture with Ethiopia and many other countries. Notably, the largest joint ventures of Chinese firms are with their Ethiopian counterparts. China has participated in road construction projects in both rural and urban areas in Ethiopia (MOFA, 2007).

Highway construction projects by Chinese firms have generally been high end projects with superior quality of construction which has assured Ethiopian Government and as a response, it has given more infrastructure development projects to Chinese firms. Chinese firms have constructed railways, telecommunication infrastructure and wind power plants in Ethiopia. Infrastructure development creates more opportunities for the investment in various related fields. CADF has many beneficiary countries to name, but the most number of investment projects with the greatest investment volume being funded by CADF are in Ethiopia.

China has become one of the biggest financial assistance donors of Ethiopia and as part of support package, it has offered state-sponsored investments and concessional loans to Ethiopia. China has provided financial assistance in the form of concessional loans, interest free loans and grants. Grants and interest free loans are derived from state finance of China while the concessional loans are being given by EXIM Bank of China.

Ethiopian Airlines has also played a significant part in promoting people-to-people relations, investment and trade between Ethiopia, China and the rest of African countries. The Airlines has regular flights between Beijing and Addis Ababa since early 1970s. Presently the airline takes flights to China, 18 passenger flights and 3 cargo flights weekly between various cities of China (*Beijing, Guangzhou and Hong Kong,*) and Addis Ababa and many other African destinations. That has facilitated developing economic relationship between China and African nations.

Some academicians from the West have condemned China for its neo-colonialism in Africa. Though the real question is that how can a country like Ethiopia, which was never colonized in its long history, be a victim of neo-colonialism? Rather, these revealing accounts demonstrate that Ethiopia is the one who has reaped benefits of its relationship with China. Chinese

investments in Infrastructure development in Ethiopia have transformed the nation in many ways. China has played a direct and positive role for the economic development of Ethiopia.

2.7- FOCAC: Its Political Benefits to Ethiopia

Forum on China-Africa Cooperation provided all opportunities for Chinese-Ethiopian interaction. Ethiopia gets benefits from the basic tool of FOCAC. While the forum helped China to deal with African countries jointly, the founding of FOCAC served as a binding mechanism between China and Ethiopia as well. Since the first meeting both followed closely to the forum's follow up action. Ethiopia played a constructive role in implementing the follow up actions of the Forum. And it prepared for fourth officials Meeting in China in 2005.

The focus was on the Ethiopia and the Horn of Africa. China promised a multi-billion dollar development package to Africa in the 3rd Ministerial Conference of FOCAC. Developmental package offered by China included a few commitments such as provisioning of 3 Billion US Dollars in the form of preferential loans and preferential export buyer's credits worth 2 Billion US Dollars in the coming 3 years. Chinese government doubled its financial assistance to Ethiopia from 2006 to 2009. China also established a China-Africa Development Fund (CADF) with an amount of 5 Billion US Dollars to enhance investments by Chinese firms in African countries (MOFA, 2010).

China pledged for establishing 10 agricultural technology demonstration centers in African countries during the three year period. China also provided 100 senior agricultural experts. China announced to forgive all interest free loans that matured at the end of 2005, loan owed by the most heavily indebted and underdeveloped African nations. Ethiopia as one of the partner was the beneficiary from all those provisions. The loans and other benefits served as a sign of China's commitment to stand alongside the Ethiopian government. The Ethiopian Prime Minister Meles Zenawi said during the meeting that

"We are very comfortable to see China's increasing influence in Africa. So for Africa, the influence of China is not a source of concern or danger, African countries are happy to see the rise of China". (Meles Zenawi speech, Kenneth King, 2006:4)

Chapter-III

Trends and Patterns of Ethiopia's Engagement with China in Trade, Aid and Investments (TAI)

3.1- China's Trade with Africa and Ethiopia

Trade between China and African countries has consistently been increasing since past few decades. Much of the accelerated growth in trade has been witnessed since the year 2000. Merchandise export from African countries to China has sharply improved more than 4 times, in aggregate terms. While the merchandise exports in terms of value stood at 4.5 Billion US Dollars and 8.3 Billion US Dollars respectively in the years 2000 and 2003. The same has significantly increased and reached the level of 36.4 Billion US Dollars in 2007. In the same time frame, Exports from African countries to China have multiplied at a much faster pace as compared to the increase in trade with the rest of the world. This is the reason behind increase in share of Africa in total imports by China. African share in total imports has elevated from 2.5% in 2005 to 3.8 percentage in 2007.

China is the third largest export market destination for African products after US and European Union. Notably, Annual export from Africa has also grown twofold in the period 2000-07. Out of total exports from Africa, share of exports to China have been nearly 16% in 2007. In the same period, aggregate imports of Africa from China has increased six fold from 6.5 billion US Dollars in 2000 to 37.1 Billion US Dollars in 2007. In the recent years, China- Africa bilateral trade hangs in balance which is good for the economic development of both. During the period 2004-2007, Trade balance was somewhat tilted in favor of Africa and Africa was enjoying a small trade surplus of around 2 Billion US dollars per year.

The major constituent of African merchandise exports to China were mining products and fuels with a huge share of 85% in 2007. Out of this total share of 85 percent, ores and other minerals constituted a meagre share of 8% as compared to share of fuels which stood at 73%. Manufacturing and agricultural products contributed 6.5% and 6.8% of the total trade respectively (ITC Data Base, 2007).

In a closer analysis, it can be deduced that African exports to China and to other major partners have been more or less similar. It is relevant to conclude that African merchandise trade with China is complementary to their interests. This trade is beneficial to everyone in the loop (Finger, 2007: 4). Similar conclusion can be made about composition of traded goods between Africa and other partners. The recent increase in trade flows between China and Africa reflects that both of them enjoy comparative advantage over each other in some products and hence the trade relations are beneficial to both (Wang and Bio-Tchane 2008: 44). In 2007, manufactured products imported from China dominated Africa and these accounted for a total share of 93.4 percent (ITC Data Base, 2007).

The major constituents of imported Chinese manufactured products were office and telecommunications equipments (9.9 per cent), textiles (15 percent), clothing (10.4 per cent), other machinery (17.4 per cent), other semi-manufactures (11.4 per cent), transport equipment (8.80 per cent), chemicals (5.6 per cent) and iron and steel (3.4 per cent). Agricultural products were 3.4 per cent of the total, while mining products and fuels shared 1.7 percent.

The aggregate trade analysis between Africa and China does not show any considerable country-level differences. This can possibly have important policy implications. Notably the analysis revealed that Share of China in exports was less than 1% of 5 nations – Ghana (0.78 percent), Kenya (0.54 percent), Mauritius (0.2 percent), Gambia (0.58 percent) and Nigeria (0.79 percent). While the share was more than 5% for a set of another 6 nations – Ethiopia (5.5 percent), Congo (35.8 percent), South Africa (6.5 percent), Zimbabwe (6.03 percent), Sudan (50.03 percent) and Angola (32.7 percent).

Though, all of the countries except Zimbabwe, Mauritius and Cote D'Ivoire; experienced an increase in their exports over 2003-07. The growth rate varied from 7.0% in Ghana to 10.50% in Ethiopia. This continuous growth in exports displays the relevance of exports to China for African nations. It was especially important for the five countries with growth of more than 50% in their exports. Apart from this, Share of China in particular categories of export has been significant. If we analyze share of China with respect to total oil exports, it has been substantial in Sudan (82.3 percent), Congo (28 per cent) and Angola (30.9 percent).

Additionally, China has had a dominant share of the total export of crude raw materials, except food and fuels, in the following countries: Kenya (68.7 percent), Tanzania (48.4 percent), Ethiopia (44.6 percent), Cameroon (38.4 percent) and Madagascar (25.7 percent). With respect to the total imports in 2007, share of China was most significant in Sudan (25.2 per cent). It was followed by Ethiopia (19.6 percent), Madagascar (19.1 percent), Guinea (16.3 percent), Chad (13.5 per cent), Nigeria (13.4 percent), Cameroon (11.7 percent), Mauritius (11.4 percent), Ghana (11.2 percent), South Africa (10.7 percent), Zimbabwe (10.8 percent), Gambia (10.6 percent) and Angola (10.3 percent).

All the African countries also experienced an increase in their import values over 2003-07. In 5 countries this increase was more than 50%. These 5 countries were Namibia (59%), Congo (63%), Kenya (66%), Angola (79%) and Chad (127%). In many of the African nations studied, Chinese share of total imports has been significant for machinery and transport equipments and manufactured products. Notably, China had a significant part in Ethiopia in the import markets for manufactured goods (43.1 per cent), fuels and lubricants (51.3 percent) and machinery and transport equipments (97.9 percent).

China supplies substantial proportions of imported manufactured products in Gambia, Madagascar, Sudan, Ghana and Mauritius at 59%, 39%, 29%, 25% and 20% respectively. Similarly, share of Chinese import of miscellaneous manufactured products has been significant in Cameroon, Nigeria, Mauritius and Tanzania at 35%, 31%, 24% and 22% respectively. This close scrutiny of China-Africa trade flows details many significant aspects which are not obvious seeing the general trends.

Specifically, exports of manufactures of China have been reaching all the African nations at a faster pace. This is dictating terms of the trade balance for each of these countries. For instance, if exports are needed by China, it will be depended on their richness of resource. Hence, those African countries which have sustained a favorable balance of trade with China are limited. Also, several other African countries are struggling enough in augmenting their trade deficits. In the year 2003, trade balance was unfavorably skewed against Africa. This situation arose due to

corresponding trade deficits in many of African nations. Though this was not the case with Congo, Cameroon, Angola, Chad and Sudan.

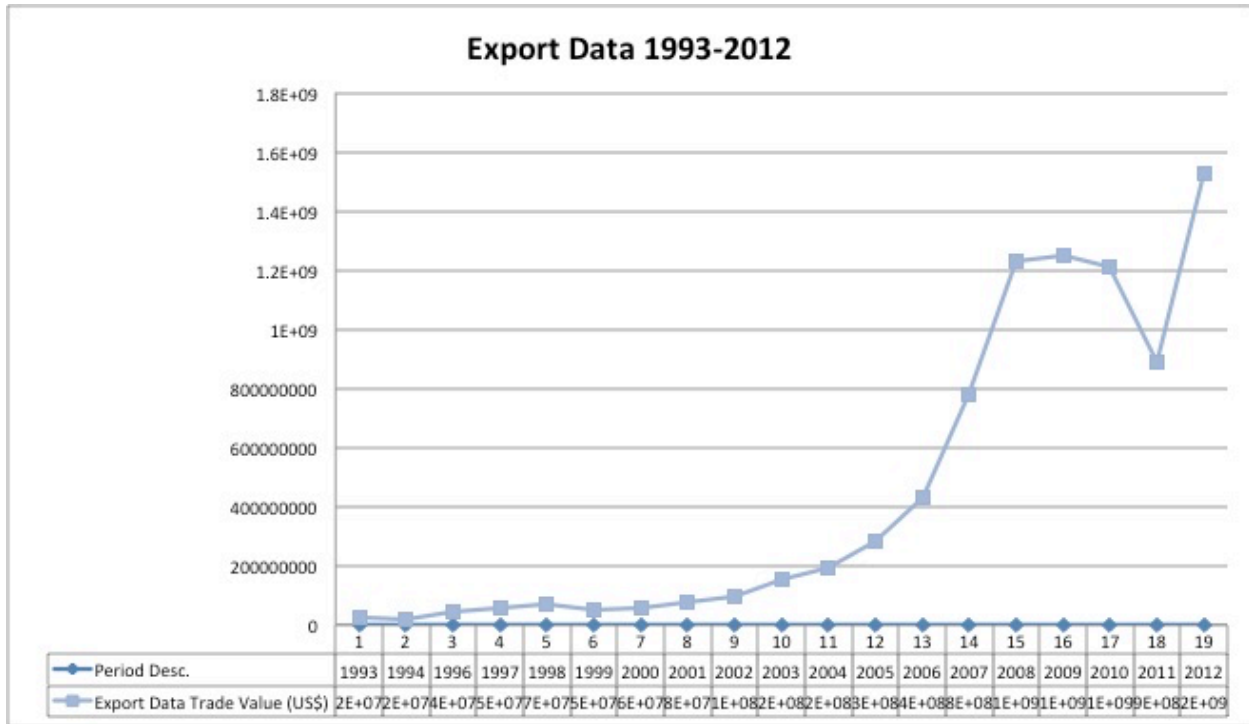
Since 2004, trade balance of Africa with China has become surplus, still there are many nations of Africa with continuing trade deficits. Though we can count exception of Angola, Chand, Sudan, Congo and Namibia and Zambia. While Angola, Chad, Sudan and Congo have recorded stable surplus of trade in the period from 2003-2007. Though countries like Namibia and Zambia have very unstable trade balances with China with high fluctuations (Alden et. al.,2008).

3.2-China-Ethiopia Trade since Meles Zenawi Period

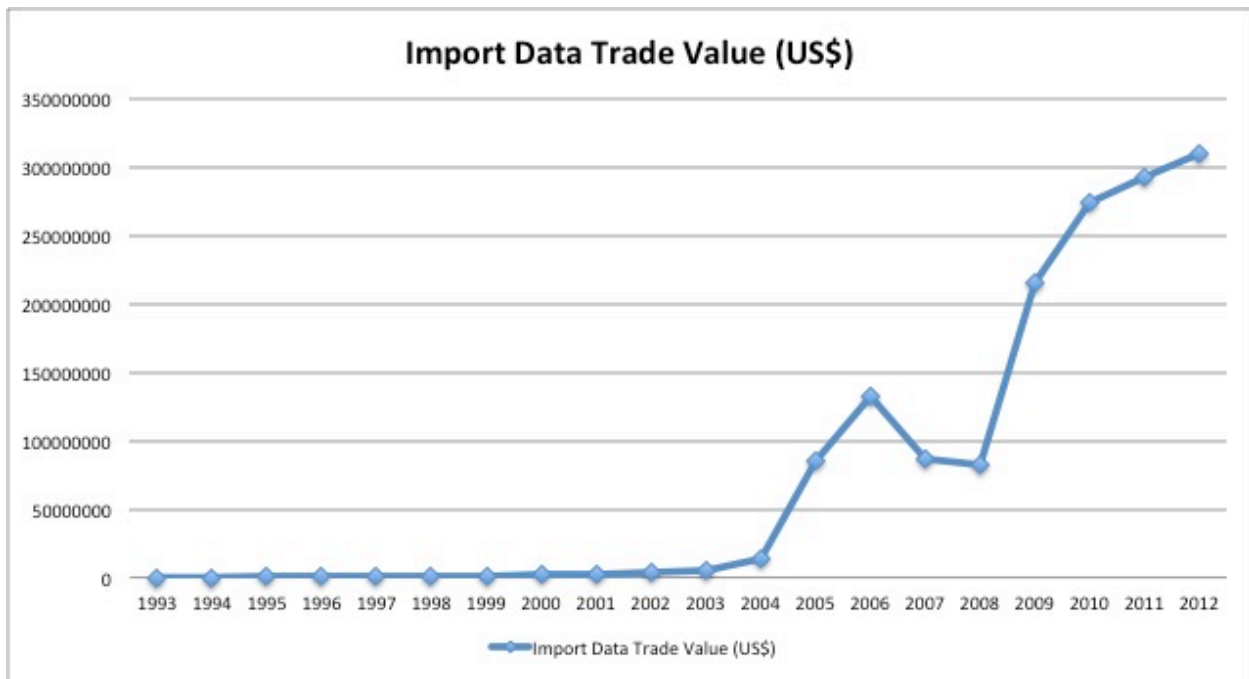
China-Ethiopia trade relationship has been growing rapidly, after Meles Zenawi came in Power in 1991. A six nation visit to Africa was made by Chinese President Jiang Zemin. He also made a visit to Ethiopia. After the successful conclusion of the visit, both the countries signed agreements related to cooperation in Technology, Economy and Trade in 1998. With this bilateral economic and trade cooperation treaty, both the countries started enjoying a strong momentum to achieve remarkable results.

Now, Ethiopia has become the bellwether of China-Africa economic and trade cooperation. Over the past decade, bilateral trade witnessed an average annual growth of nearly 20% to reach US\$ 2.19 billion in 2012. Value of Chinese FDI in Ethiopia has increased to 720 million US Dollars by the end of 2012. Contract projects signed by Chinese enterprises were valued at US\$ 22.4 billion. China has been the largest trade partner and main source of investment in Ethiopia for many consecutive years (Trade Data, 2014). The Data of trade between the two countries is given below:

3.3 China and Ethiopia Export Data

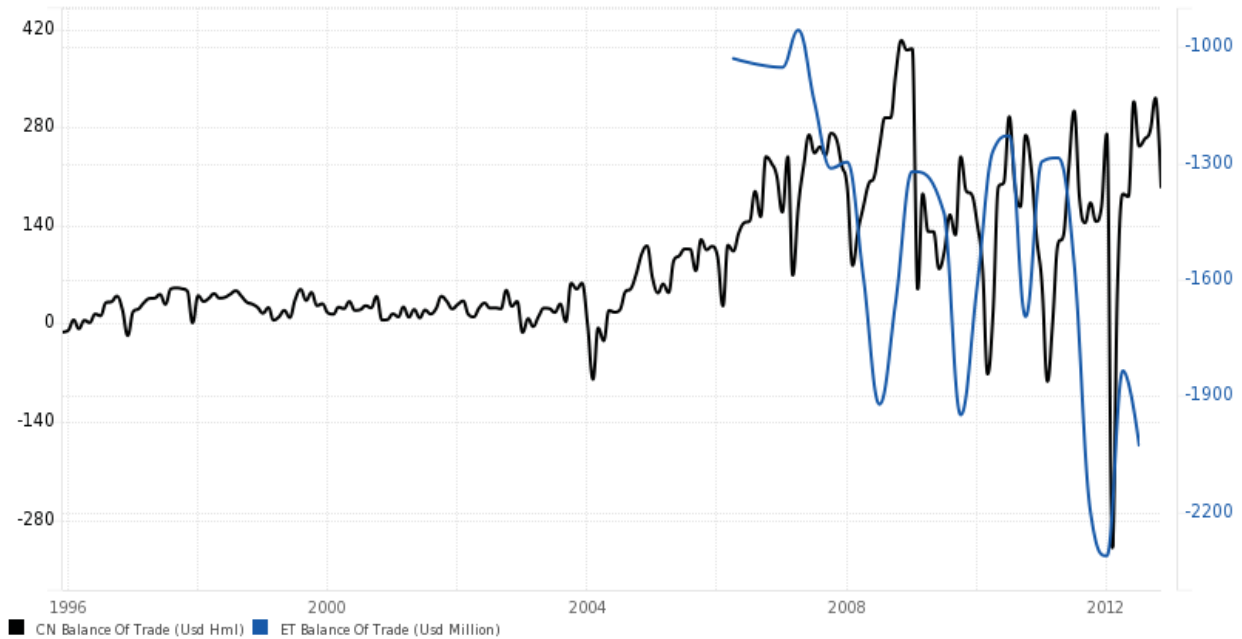


3.4 China and Ethiopia Import Data



Source: Trade data 2014.

3.5 Trade balance of Eithopia- China



Source: Trade data 2012.

Ethiopia now exports few natural resources of strategic interest to China, it is important for other reasons. With a population of about 81 million people, Ethiopia is the second most populous country in Africa after Nigeria. Addis Ababa, capital city of Ethiopia serves as the headquarter for the African Union.

China built the new African Union conference center. The New Partnership for Africa's Development (NEPAD), which China supports, has moved to Addis Ababa and the UN Economic Commission for Africa has its headquarters there. Ethiopia has one of the strongest militaries in Africa and serves as a regional center for the Horn of Africa. For Ethiopia, China is a major source for the transfer of industrial capacity and technology. It is not easy for Ethiopia to improve its infrastructure facilities without the help of China. Both work together for regional connectivity, including establishment of transportation networks, electricity and telecommunication links.

China is helping Ethiopia's socio-economic transformation in several ways. Firstly, it is helping build infrastructure. Chinese construction firms dominate the road construction industry. Chinese construction companies spearheaded China's engagement with Ethiopia. They are the primary actors in relations between the two countries and have made a clear contribution to the country's

development. Chinese companies have also contributed to a reduction of cost in the case in construction, because Chinese companies charged 20-25 percentage less than their competitors. Since pushing out foreign competition in road construction Chinese companies are operating on healthy profits. And they have begun to move into other sector of construction, such as government buildings and housing. The infrastructure improvements help Ethiopia to secure loans and investment opportunities. It is also contributing to develop an atmosphere of development that may one day change the country. Secondly, China is using the UN'S five point proposal to assist developing countries to accelerate development including granting zero tariff treatments for some exports from the least developed countries. China is also providing concessional loans and effective human security agenda. Consequently, Ethiopia is one of the beneficiaries as China is helping Ethiopia to reduce poverty and foster development effort.

Thirdly, China has emerged as the major donor to Ethiopia. Ethiopia has been granted US \$500 million in concessional loans by the PRC government. And China also facilitated investment in telecoms infrastructure as well as US \$1.5 billion in short term trade credits.

Fourthly, China reiterates its commitment to the delivery of bilateral assistance compatible with the means at its disposal. China also proclaims to have no interest in the domestic affairs of Ethiopia and this can be very attractive for Ethiopian authority. Fifthly, China is a source of investment for Ethiopia. It is in Ethiopia's interest to have investors in Ethiopia in order to avoid its sovereignty undermined by economic, political or military dependence on powerful countries such as the US and other western countries(Ethiopian Diaspora, 2014) .

Ethiopia has several developmental partners. However, china plays an important role. In fact, Chinese cooperation with Ethiopia and the dynamics in Ethiopia- China relationships differ from European Union-Ethiopia. Although, the size of Chinese economic cooperation varies noticeably across countries, Ethiopia is one of the cases where European donors and China emerge as two key partners for the government. Moreover, China provides the bulk of its support in priority sectors where the EU is less active or not engaging at all, for example, in the telecommunication or energy sector. China supports policy fields that have received less attention by European countries and other traditional donors as they require large scale financing because of diverging priorities between European donors and the Ethiopian government. Chinese engagement

strengthens the ability of the Ethiopian government to implement its development strategy and to do this more independently from European and other donor's preferences (UN, 2008).

3.6-China-Ethiopia aid and investment relations

Ethiopia has remained independent for the most of its history, unlike any other developing country. But there was clear absence of any formal economic and political relations between China and Ethiopia until 1970. Diplomatic relations were initiated for the first time between them in the year 1970. Two important agreements were signed in next few years to strengthen their relationship. These agreements were '*Sino-Ethiopian Agreement for Economic and Technological Cooperation*' and '*Sino-Ethiopian Trade Agreement*' which were signed in 1971 and 1973 respectively (Fernando, 2007)

Throughout the 1970s and 1980s, it was time of cold war. Hence due to the effects of geopolitics of it, economic and political relationship between these two countries was unsteady and minimal. Haile Sellasie, the Emperor of Ethiopia, was an US ally. Hence Emperor Haile Sellasie denied to initiate any relationship with China until 1970. The change in this order occurred in 1974 when The Emperor was overthrown by a socialist Derg regime. Regime of Derg made an alignment with the Soviet Union. Though it was the time which was not very much beneficial for China as Derg regime deferred their diplomatic relationship for the period of five years between 1977 and 1982. If we introspect the reason behind this decision of Derg regime, we find that China used to supply arms and ammunition to Ethiopia's then regional enemies Eritrean Liberation Front and Somalia. Hence diplomatic relations between them remained minimal (Gillespie, 2003)

Due to effect of all these factors, there was very minimal financial assistance to Ethiopia for their economic development during the period of 1970s-1980s. It was mainly confined to human resources development and emergency relief (food assistance). Ethiopia faced a drought in 1984. There was a slight spike in the type of aid which China used to offer at that time, from the mid1980s, following the Ethiopian drought of 1984.

The nature of the much of this aid was multi-lateral. There were generally two channels to be followed. First it was provided through UN agencies. Secondly, it was provided generally as a package for emergency relief to sub-Saharan African nations. Second case can be well exemplified as in situation of 1984 drought. Actually, Chinese emergency relief came as an outcome to the infamous drought in Ethiopia in 1984. This drought not only affected Ethiopia, it also stretched to many Sub-Saharan African nations.

Later on, in 1991, the Derg regime collapsed. With the collapse of his regime, dismantling of the socialist state order started. Slowly, China started increasing its diplomatic activities of investment, trade and assistance in Ethiopia. For starting few years, Chinese developmental assistance was marginal as compared to other donors. From mid-1990s onwards, it started gaining pace and its share significantly increased in the economy. There may be various reasons behind this, but these could be narrowed down to two primary reasons.

Firstly, Ethiopia caters to a huge population of about 80 million people making it one of the largest countries in terms of the population in Africa. It has potential richness in a variety of natural resources. It has large patches of productive agricultural lands and potential of oil deposits in future. Now it serves two purposes for China. First it constitutes a good market for Chinese goods second it also serves as source of raw materials which can easily utilised for booming Chinese economy. The location of Ethiopia is also strategically important.

Ethiopia is strategically located geographically which make it significant or the diplomacy. It is home to the African Union (AU) headquarters. Also, we can analyse that while China was intensifying its investment, trade and assistance; Ethiopia was going through its transitional period politically and economically. Therefore situations of both worked like hand in gloves (Woods, 2009).

When Ethiopia needed a market, China provided it with one for its primary agricultural products. China also offered much lucrative and more liberal assistance to Ethiopia in contrast to western donor countries. The basic theme which China maintained in its aid is that it lacked any conditionality of aid. Along with it, Chinese development assistance was having diverse and

general terms for easy implementation. It also offered variety of schemes like commercial investments, preferential trade agreements, interest free loans and subsidized loans.

3.6.2- Key Factors of Recent China–Africa Aid Relations

Many significant developments occurred in Africa. It witnessed fast rise of some countries. China has transformed the way assistance was provided by the traditional partners like European Union and it changed the level of engagement with African countries. It is posing a giant external challenge to European and other western countries' existing policy (Grimm and Hackenesch 2012).

Notably, Emerging economies like Brazil, India and China are not the part of traditional assistance system. They do not have to follow the standards which are developed and set by Development Assistance Committee of the Organization for Economic Co-operation and Development (OECD DAC) in their assistance program related to African nations. Hence they fall out of that category. The greatest benefit which newly developing economies are getting is from their official flows, trade and investment; negating the general view that opportunities arose from the development aid.

Various developing economies are emerging in Africa, but among them, Chinese position in African continent has risen to most prominence. Chinese assistance to Africa is projected to be around 2.5 billion USD in 2009. China became a big donor if compared to Germany but substantially smaller than France or the European Commission (EC) (Bräutigam 2009). Other Chinese official flows, such as preferential and commercial credits have been estimated at 6 billion USD in 2009 while EU granted about 1 billion USD.

Bilateral trade increased rapidly during 2000-2002. It has increased twenty time from 10 billion USD to approximately 200 billion USD from the year 2000 to 2012. This increase has made China the second-largest trading partner of African states after the EU (Freemantle and Stevens 2012). Now, China has become fifth-largest investor in Africa, with FDI stocks reaching 7.8 billion USD at the end of 2008 (UNCTAD 2010).

Chinese African policy is a subject worth discussion. It is debated in European and other circles while having a discussion on the development policy. There has been lots of discussions about its motives, instruments and effects thereof. It is very much evident that constant upsurge in the level of engagement of China with African countries is overlapping with interests of European and other traditional donors. China is putting great efforts to make development policy more effective. Moreover it is trying to re-establish the legitimacy of development assistance in Africa. Though it can be said that it is a strategic move.

Since China does not follow internationally agreed-upon commitments strictly while providing aid (Manning 2006; Gabas 2009), hence China's policy is challenging the OECD consensus on conditions and standards related to development policy. In simpler words, Policies of China are designed in a way to positively catalyze the requisite change in attitude based on charity and European post-colonial point of view. With involvement China with its policies, a new debate has been triggered over what development is and what is the best ways of achieving it. Although, it is very clear that China is not behind the triggering of this debate, but it certainly has given it a new vigor and strength (Berger and Wissenbach 2007: 4).

By this way, China has become an important factor in reinforcing their co concern and it also accelerated European considerations about reorienting the EU–Africa partnership. Against this backdrop, while such situations were blooming up, the competitive pressure started rising. It was mainly because of the growing presence of China in Africa which was exerting pressure on the European development policy regime (Woods 2008). And if we talk about Ethiopia particularly and European development policy on it, this competitive pressure has been felt. It was also noticed for many years at the level of European assistance. Yet the interactions of African nations with European Union and China are very recent.

Ethiopia is strategically important country in Africa. Hence its case become obviously fascinating for both European and Chinese cooperation. During the same time period, different approaches of China and Europe can clearly be observed in dealing with African states. It is particularly noticeable in Ethiopia. According to European Commission 2010, Ethiopia is the

largest aid recipient in Africa for European Union. European aid system has also underwent several reforms and Ethiopia constitutes one of the key countries in reforming it.

Assistance has served as the major instrument in European cooperation with Ethiopia. While dealing with China, Ethiopia carries a very different perspective for it. For China, Ethiopia is not merely an aid recipient country. Under China's New African Policy, It also serves as a significant economic and political partner. So Chinese level of engagement in Ethiopia is not confined to only financial assistance. It covers a comprehensive package of official flows, political cooperation, trade and investment. Chinese financial flows to Ethiopia are largely complementary to European assistance (Venkataraman & Gofie, 2015).

They are not for just momentarily utilization, they provide requisite resources to government of Ethiopia for planning and implementing their own strategy of development. China is not just an aid provider, it has also emerged as an alternative partner to the government of Ethiopia. Unlike like traditional, It has offered an alternative development approaches for the discussion and implementation of economic and political reforms. Thus it can easily be understood that there is a huge gap between European reforms and policy practice and Chinese approach for the same. In fact, examples of China has put pressure on the EU to redouble its efforts in order to remain an attractive partner (Reinert, 2007).

3.6.3-Nature of Chinese AID in Ethiopia

Since the mid-1990s, Chinese assistance for development has taken a professional approach in general. If talking about Ethiopia specifically, it has increasingly taken a commercial and corporatist orientation. Earlier it was humanitarian approach and up to some extent emergency approach. China's investment, trade and foreign assistance are properly synchronized with the help of development assistance. It was mainly coordinated to promote the investment and trade in Ethiopia through the cooperative efforts and focused on execution of joint venture investment projects. Most of the time aid of China to Ethiopia not reported, but this doesn't create any hurdle in implementation of cooperative joint venture aid projects (Bartke, 1975).

It involved two kinds of arrangements. It is either government to government agreements or government to commercial enterprises. The profile and status of Chinese development assistance has intensified with the remarkable elevation in trade and investment functioning of China in Ethiopia. It has highly possibility that status of Chinese development assistance has acquired greater share of aid if compared to other development partners of Ethiopia. This assumption is based on a conventional view of foreign aid, i.e. grants, interest free loans. Though it has a larger share but Chinese development assistance to Ethiopia is relatively small. The US occupies the top position as it has been the single largest supplier of foreign assistance. It is followed by multilateral agencies and bodies such as the Paris Club (Renard, 2011).

3.6.4-Chinese AID and Investment in Ethiopia

A close association and well interplay can be observed between aid, trade and investment between developmental priorities of Ethiopia and political and economic policy of China. China strives to achieve this coordination through its reformed and well managed aid and investment policies in Africa. These multiple objectives are being sought through a ‘corporate engagement’ strategy encompassing several elements (Gill and Reilly, 2007).

“Top Chinese leaders and diplomats create a favorable environment for Chinese investment in Africa through a mixture of prestige diplomacy, economic assistance, and diplomatic support for African leaders. At home, China’s economic bureaucratic agencies encourage Chinese state-owned enterprises (SOEs) to increase their investment and trade with Africa. China’s SOEs implement Beijing’s aid projects, extract strategic natural resources for export back to China or for profit in the international marketplace, and expand their manufacturing bases in China. Chinese workers staff Chinese projects efficiently and at low cost, and Chinese migrants build trade networks and supply chains linking China and Africa.” (Samy, 2010)

It is clear that Chinese corporations revised their strategies. This strategy enabled them to secure and harness long term access to key strategic resources.

3.6.4.2-China's Food Aid Program

Historically, on several needy occasions China has tried to help Ethiopia especially through the contribution of food aid. When Ethiopia was facing severe drought in 1984 and 1985, China donated approx. 25,000 metric tons (mt) of maize. The contribution was not only confined to this. China also provided 1,000 blankets for refugees in 1986 (Bartke, 1989:63). Not only this, China has delivered food aid several times in the past decade. In August 2008, on the request of Ethiopia, China granted a cash contribution of \$400 (Chinese Embassy in Ethiopia 2009).

In 2011, China attempted to help Ethiopia in kind and delivered food aid to Ethiopia. The Chinese have plans of shipping at least two batches of food aid comprising rice, wheat, flour, and edible oils, amounting to about \$38 million or 20,000 mt; \$24 million. Not only government, private enterprises have also played their part. A Chinese private company, Huajin Group, has also donated \$100,000 for food aid in Ethiopia (Xinhua, 2011). China does have food security interests in Africa and focuses on boosting agricultural production in a general policy for Ethiopia and African governments. That should be taken full advantage in order to augment overall development (Thakur, 2009).

3.7.-Foreign Direct Investment in Ethiopia (FDI)

Since 1992, Ethiopia cleared all doubts and made a substantial advancement in social and economic sector. It started implementing policies which were favorable. It planned strategies such that they played major role in developing national economy. Some of such strategies are The Rural Development Policy and Strategy, the Industrial Development Strategy and other sector-specific policies. These strategies created a push in such a way that it created a format fit enough for economic and social development.

These Rural Development Policy and Strategy started to redefine agricultural led development, though most of these policies are still under implementation. It has ensured rapid economic growth and along with it, this growth and development empowered people to become the beneficiary of economic growth. This growth and development also laid solid foundation for industrial development. The Industrial Development Strategy chiefly focuses on manufactured

export. They have prioritized certain sectors, hence priority was given to garments and textile, leather and leather products, agro-processing, and small and micro-enterprises (Abegaz, 2013).

“The Government of Ethiopia, in recognition of the role of the private sector in the economy, has revised the investment law over three times for the last twenty years (1992-2012) to make it more transparent, attractive and competitive. Major positive changes regarding foreign investments have been introduced through Investment Proclamation No.280/2002 and Regulations No.84/2003”.

As a result of the implementation of the above mentioned strategies and policies, Agricultural and industrial production, investment and export trade have grown steadily from year to year. This growth was recorded in both terms, in variety as well as volume. Export earnings from gold (187.6 percent), fruits and vegetables (160.3 percent), live animals (72.3 percent), chat (51 percent), pulses (43.4 percent), coffee (40.6 percent), flower (30.2 percent), meat (27.8 percent), oil seeds (0.7 percent) and other (23.2 percent) have been increased in 2009-10. This growth was witnessed by World Bank as well. The World Bank recorded the double-digit economic growth in the past several years.

This achievement of Ethiopia is the highest among the non-oil producing economies of Africa. If we look upon the trend of inflow of FDI, it has been continuously increasing since 20 years. The credit for this can be given to investment friendly environment created by government of Ethiopia. If we observe closely we will find that FDI has a fair share in investment projects in 10 years duration. Out of the total investment projects licensed between 1992- 2012, FDI's share is about 15.71 percent. This is overall percentage which show increasing trend. However, the overall trend of investment in 2009-10 declined. This declination included both the total number of projects and capital invested.

This way these factors made Ethiopia an untapped and unexploited market for investors. China, India, Sudan, Germany, Italy, Turkey, Saudi Arabia, Yemen, the United Kingdom, Israel, Canada and the United States are the major sources of FDI. Later, Ethiopian government started formulating the five year Growth and Transformation Plan (GTP). These GTP were aimed to

implement the important strategic formulation so as to maintain a fast growing economy in all possible sectors. Hence, possible projection of growth of Ethiopia's economy is average growth rate of 11.2 percent (AfDB, 2010).

3.7.2-Definition of Foreign Direct Investment (FDI)

FDI accelerates physical capital accumulation and creates jobs in developing countries in a more consistent fashion than other types of capital flow. In addition to that, FDI is thought to involve the highly desirable transfer of technology and skills to developing countries (McMillan & Rodrik, 2011). FDI in manufacturing is very promising in comparison to others; hence it is highly in demand; for e.g. mining. Another reason for its desirability is that it generates bigger employment needs than other industries like minerals and natural sources. Therefore, it implies better scope of productivity-enhancing structural change in developing countries.

During the past three decades, China has astonished the world with its rapid economic growth and exceptional poverty reduction accomplishment. For this, it owes much to the country's abundant labor endowment and flexible trade liberalization policies. Not surprisingly, Africa has emerged as one of the top destination choices for the Chinese private sector investment. According to the Ministry of Commerce of China, manufacturing FDI flow of china to Africa had tripled in a very less time of four years i.e. from \$93 million in 2006 to \$276 million in 2010.

Among all African countries, Ethiopia stands out as the fifth largest host country of the manufacturing investment from China from 2006 to 2010. Despite of Ethiopia's lagged industrialization, few natural resources, and extreme poverty, this might convey thanks to the positive attitude of Ethiopian government towards Chinese manufacturing FDI. And it is because of the perfect match of the structural changes of the two countries with a same comparative advantage in labour force. Promoting China's manufacturing FDI is in concurrence with the macroeconomic situation and comparative advantages of Ethiopia.

The landlocked economy has been disturbed for long by the shortage of foreign reserves and structural unemployment. These two challenges considered of Ethiopia's comparative advantage in labour resource. The latest five year development plan, the Grand Transformation Plan published in September 2010, are planning to shift the development focus of Ethiopia from agricultural to manufacturing. The plan has motive of Labor-intensive, high-value-added, and

export-oriented industries, such as leather and textile products. These plans have gained high priority in the government's development plan.

As it has been discussed earlier, manufacturing FDI from China is very likely to be labor intensive sector investment. It is because it will bring massive employment opportunities which is the need of the hour of Ethiopia. But more importantly, institutional innovation experience and productive hard-working culture have contributed significantly to the industrial upgradation in China to Ethiopia during the past decades.

3.8.-Ethiopia's Policy for Investment

Ministry of Finance and Economic Development's Growth and Transformation Plan (MOFED, 2010) has defined economic policy framework of Ethiopia. It is committed to government to address apparent market failures for e.g. trade logistics. Not only this, it also identifies strategic growth sectors along with the future strategies for growth in the sector of textiles, leather, agro processing, and mining. It sets out a framework of ambitious program of infrastructure development, transport, energy and telecommunications. All the efforts have an aim to meet. This aim includes the achievement of middle income status by 2020-23 and the other most important target is to meet the socio-economic Millennium Development Goals by 2015. It is well targeted and framed in terms of the developmental state model of industrial policy (Coleman, 2015).

This Plan utilizes all the techniques of traditional industrial policy, namely:

- A- Targeted financial support such as loans and subsidies from domestic policy banks and equity participation;
- B- Setting up public corporations or nationalization of industries to address market failures;
- C- Trade policies that favor import-substituting and export-oriented industries;
- D- Tax incentives including import duty exemptions, tax holidays, etc. that promote priority sectors, particularly those facing handicap situation like inadequate trade logistics or infrastructure;
- E- Strategic government procurement (e.g., assured profit margins for domestic pharmaceutical manufacturers in government health-care procurement);
- F- Investment in specific economic infrastructure; and

G- Regulatory exemptions in order to attract, preserve or foster the growth of particular industries, including attracting foreign direct investment (MFA, 1998).

The horizon for involvement of public is large since five year GTP program is in function. The government spending and public enterprise off-budget spending has an aim to touch ETB1.26 trillion or in terms of GDP it is 41% of GDP. Although it has been disproportionately weighted more towards capital spending. Overview of the governance can be compared to some of its African peers if comparison is done in reference to policy delivery. Ethiopia occupies middle position when most of the indicators are checked, which is considered as improvement since the year 2000 since it is indicator of effectiveness of governance (Bernascon, et.al. 2013).

In 2013, The World Bank's Doing Business ranked Ethiopia 127 out of 185 economies in terms of "Ease of Doing Business". In comparison to other regional score, this is more or less in line with the average regional score. Ethiopia's relatively low rank is mainly because of low scores in three sub-indices. These three sub-indices are "starting a business", "protecting investors" and "trading across borders".

Regarding the facilitation of trade across borders, Ethiopia ranks 161st out of 185 economies under the World Bank's Doing Business calculus. World Bank's Logistics Performance Index (LPI) given by World Bank in 2012 indicated Ethiopia's low score and ranked Ethiopia 141 out of 155 economies. It was a further down as earlier it was placed at 123 in 2010. However, as already discussed, major initiatives are in their way to improve trade logistics. These include some mega projects like new high-speed rail and multi-lane highway connections to Djibouti's main port. It also include improvisation of border connections to neighboring countries.

Nevertheless, establishment of new export-oriented industrial parks are also on their way in which all the firms get benefit from the AEO procedures for imports and exports. Ethiopia realized the importance of reforms of shipping lines. So it made significant reforms to its logistics industry with the consolidation of Ethiopian Shipping Lines management, domestic logistics operators, and interior dry ports into Ethiopian Shipping and Logistics Services Enterprise (ESLSE). At the same time, Ethiopian airlines went on monopoly position in air

transport. These two factors had influence on Ethiopia's evaluated ranking up on ease of trading across borders which is still are left to be seen.

In order to protect interest of investors, Ethiopia provides an enthralling policy regime for foreign investment. These investments are regarding protection in investment and profit repatriation. Both the Constitution and the Investment Law are framed in such a way that they protect private property and assure the repatriation of capital and profit. As per new law, some sectors were reserved for government which include postal services, transmission and distribution of electricity through the national grid and air transport services using aircraft with a capacity of more than 50 seats. At the same time some sectors were decided to manage jointly. For example investments in telecommunication services and production of weapons and ammunition can only be done jointly with the government. Some sectors through regulations were decided to be reserved for domestic investors. Also there remained number of sectors like financial services which so far have been closed for foreign investment (Geda, 2008).

Foreign investment was decided to be subjected to minimum capital requirement with a general rule of USD\$200,000 per project. No restrictions were so far made on the modality of participation, it also require progress reporting to Government Investments and also reporting of benefits from Multilateral Investment Guarantee Agency (MIGA) guarantees. It also included submission of information from measures in Ethiopia's Bilateral Investment Promotion and Protection Treaties (BIPPTs). A set of rules were framed to let work to be done smoothly. These comprehensive set of incentives, particularly for priority sector investors are:

I- Exemption of Custom duty payment on capital goods and construction materials. Exemption of custom duty on those spare parts whose value is not greater than 15% of the total value of imported capital goods;

II- Carry forward of losses occurred: half of the tax to be taken for holiday period.

III- Income tax exemption on manufacturing or agro processing units and agricultural investment from two to seven years and

IV- Several export incentives were introduced. It consists of Voucher, Duty Draw-Back, Bonded Manufacturing Warehouse and Export Credit Guarantee schemes. Also the approval process for investments has been expedited. Recent legislation was passed so as to enable one-stop shopping

for investment approvals. All these processes are to embellish the working of foreign investors. Along with pre-approval and post-approval services to foreign investors, facilitation and after care services, foreign investors can expect to receive requisite approval within hours (MFA, 2002a).

Ethiopia's Global Integration: China and India have been the most important sources of Ethiopian imports so far. If we check trends of investment China has also become Ethiopia's largest foreign market recently.

Ethiopia's position at the crossroads between East and West can be well studied. Although it is clearly reflected if we go with the fact that its most important export destinations are China in east, Germany in west, and Somalia in that region. However no export destination dominates. This condition is somehow favorable for Ethiopia. This diversified pattern ensures security against vulnerability to business cycles in any one of the global regions. Following the stock of inward FDI in Ethiopia, it reveals that it has grown steeply in the past decade. Since the beginning of global crisis of 2008 rate of accumulation shows a slow trend. Although the 2011 level was almost five times that of 2000. As Ethiopia's trade is diversified so is its FDI sources. Moreover another indicator of Ethiopia's central position in the global economy is well established by accounting for its economic partners' size and distance (World Bank, 2012).

3.8.2-Sectoral Investment in Ethiopia

To understand the implications for business and investment opportunities of the changes in Ethiopia's business landscape Ethiopia can rely on the reports of GTP. Growth and Transformation Plan (GTP) reveals a closer look at sector level developments. At this point of time, which is essentially required. A number of factors are identified which are responsible for playing important role in development of each sector's role in the Ethiopian economy. The main factor is driving growth and development. Along with it, the policy framework and a discussion of opportunities and challenges both within the sector and with various ancillary activities are also essential factors. These sectors carries variety in it itself like Agri-business, manufacturing, mining, oil and gas, economic infrastructure, tourism and health services (Assefa et. al, 2013).

3.8.3-Agriculture in Ethiopia: An opportunity for investment

Ethiopia is the 27th largest country in the world by land size. With such land size it has opportunity of having remarkable agricultural resources. Historically, Ethiopia has produced large amounts of maize, sorghum, wheat and barley, along with the Ethiopian staple food of Teff and Coffee. However, if its diverse topography and geographical location is considered, Ethiopia is suitable for growing a commensurately diverse range of crops. The type of crop can be chosen on basis of several local factors such as suitable soil conditions. Other specific characteristics that can be chosen are slope, temperature, rainfall and supporting economic infrastructure. Since the geographical location of Ethiopia falls in the tropics. The temperature in Ethiopia ranges from a mean annual high of 30° degree Celsius to a mean annual low of 10° degree Celsius. Other options are further being identified and expanded with the help of new technologies. Approximately 80 percent of Ethiopia's workforce is employed in agriculture. Hence in order to expand agribusiness, some of the skill set is required.

The policy environment for growth of the private sector's role in agri-business is also supportive. Ethiopia has consistently sought to leverage its agricultural base so that it can put better inputs for its industrial development. In line with the Agricultural Development Led Industrialization (ADLI), from their past plans and programs, new reformed strategy and building lessons are being learned. The GTP continues to rely on agriculture as it is serving as a major source of economic growth (MOFED, 2010).

Commercialization of small holder farming are still the major source of agricultural growth under the GTP. In order to increase productivity of small holders it is supported by reformed policies. Meanwhile, the GTP's Agriculture Growth Program has emphasized shifting to high value crops. It has also focused on developing large-scale commercial agriculture in the lowlands or places where it can be made possible. Thus, for increasing private investment in large commercial farms, concerted support has to be provided. It may including public investment in relevant infrastructure for e.g. water supply for irrigation. The GTP has emphasized the development of intensive agricultural production in the highlands and wherever basic infrastructure is available to make it possible.

Ethiopia's most important cash crop remains coffee. It is a product which has originated in Ethiopia's highlands. However, production of fresh fruits and vegetables, oilseeds, and most recently, cut flowers has contributed substantially to GDP. These products have also enhanced export performance. New investment opportunities include plantation crops, tea and tobacco; oil crops and cotton; fish farming; livestock and poultry; horticulture and floriculture- fruits, vegetables and flowers and forestry and forest byproducts. At the same time, Ethiopia's livestock resources are the largest in Africa and tenth largest in the whole world (Lavers, 2011).

Ethiopia has learned the business model for developing export oriented and time sensitive industries, for e.g. cut flowers. Now it requires a new build up. In this regard, plans should be orientated towards making more intensive use of farmed land. It should especially be focused in the proximity of urban centers because there intensive agriculture based industrial clusters are viable. Public sector support will include variety of functions so as to ensure the functioning. It includes the development of green house facilities and irrigation systems, programs to enhance the role of seed suppliers and breeders and programs to expand the number of horticulture investors, input suppliers and service providers within the sub sector.

In addition, significant portions of Ethiopia's land is not under cultivation. So that uncultivated arable land has to be brought under cultivation. Since cash crop cultivation is under target, hence number of large scale commercial farms have to be expanded in order to increase productivity of those cash crops which can be exported.

Further, complementary programs are envisaged to alleviate input supply in irrigation, fertilizer and seed availability. They are also aimed to remove constraints in these same sectors. It has also improved the knowledge base of small holder farm sector. These programs have enhanced current infrastructure so that isolated communities can take advantage and they can plug into commercial opportunities. Finally, FDI is being promoted both in commercial agriculture and in downstream agro processing industries (Lavers, 2012).

Under the GTP, the Government of Ethiopia has plans to maintain an organized land bank. This will provide availability of land on lease for commercial agriculture. Commercial farms production will be intended primarily for export purpose or to provide raw materials for industries. The GTP identifies cotton, date palm, tea, rubber, and similar desirable agricultural products for exporting or utilizing them as raw materials. Emphasis is also being given to Food crop production in double cropping system. In coming five years, it has proposed by the government that over three million hectares of land will be identified and then if it is found suitable then it would be prepared for transfer to investors.

The GTP also indicates level of preparation by the government support private investors to enhance their commercial agricultural investment. Ethiopia can formulate technically feasible policy reforms. These reforms, if framed according to the current needs, they will add quantum leaps in capitalizing its rich agricultural base to develop downstream industries and to create jobs (Dinh et al. 2012).

The output and export is on expansion. At the same time, the most controversial area handled with maximum difficulties in terms of conflict is over customary land and water rights with local indigenous people. These issues have potential for larger inter-state conflict over water use. They are also threat in terms of ecological risks. While The Economist concedes that Ethiopian officials have done reasonably competent job. It is also a general perspective that state involvement in the economy have managed to keep corruption remarkably subdued, for such a centralised system.

Ethiopia is embroiled in the backlash against the “global land grab”. FDI in leased land has already been characterized for various projects. These projects range from palm oil plantations for biofuels to export oriented agribusiness ventures. According to Ethiopia Business Landscape Survey 2012, firms are successfully functioning in the current formal Ethiopian policy setting. Also, planned trade logistics improvements have been confirmed. These improvisations include improved rail services and road corridors and the application of the AEO concept of customs. It will further facilitate the conduct of time-sensitive business in Ethiopia (Milelli & Sindzingre, 2013).

Ethiopia has attracted investment in agriculture upstream production from diverse sources. These sources include China, India, and Saudi Arabia. The country has also attracted good investment in its downstream food and beverage processing and marketing sectors. Number of commercial large-scale agribusiness investments is growing and as a result of this opportunities for ancillary and supporting service businesses related to that and joint ventures are successfully multiplying. The existing supply chain for agribusiness is not in the position to meet all the demands. It is leading some firms to self-supply across the entire agribusiness value chain. They are capable from production of inputs to processing to marketing and distribution. Even though, they would like to outsource many non-core functions (Seyoum et.al.,2015),.

3.8.3.2-China's Investment in Agriculture

China's engagement in Africa involves trade, investment, foreign aid and government-sponsored bilateral cooperation based on mutual benefit (Brautigam and Tang 2009). Since formal diplomatic relations have been started in 1970, China has been engaged in agriculture and rural development. In past few years, agricultural cooperation took the form of multilateral projects. These projects have three parties in association. Chinese Ministry of Agriculture, the Ethiopian Ministry of Agriculture, and the UN's Food and Agriculture Organization conducted tripartite co-operation.

The Chinese government has been sponsoring programs of cooperation in agricultural vocational training and South-South Cooperation. By this action it has tried to build a standard agro-technology demonstration center. They are also recruiting senior Chinese agricultural experts in order to provide technical assistance. China's agricultural aid program in Ethiopia has remained fairly modest. But now they have realized that it is time to increase number of programs.

Such programs include Chinese contributions to the Food and Agriculture Organization's (FAO's) South-South Cooperation Program, youth volunteers, a zero-interest loan for machinery for a rural cotton textile plant, agricultural training in Ethiopia and in China (UNCTAD, 2005). This has resulted in construction of three rural schools. Moreover large agro technology demonstration center outside of the town of Ginchi. Some of the important programs are discussed below:

3.8.3.2.2-China-Ethiopia: South–South Cooperation Program for Agriculture Development

In 1996, China joined the Food and Agriculture Organization's (FAO's) South–South Cooperation Program. Under this program, China has sent more than 700 Chinese agricultural experts and technicians to seven African countries (Li, 2011). Ethiopia was one of the earliest participants in the program. Under this program Chinese technicians arrived in 1998 in order to work in the area of small-scale irrigation. Ethiopia's requested to conduct Special Program for Food Security (SPFS). For SPFS they set the target areas of Tigray and Amhara. On the request of Ethiopia, Six Chinese experts served from December 2000 to December 2002 and another seven experts served from October 2003 to July 2005 (FAO, 2006:25).

The Chinese were seen as delivering practical assistance in Amhara. One special variety of the rice which Chinese introduced was greatly accepted and liked by the local community. South–South Cooperation Program started early in 2012. It is currently being finalized between China, Ethiopia and the FAO. FAO launched a new program to integrate and complement to Ethiopia's Agricultural Growth Program. This program put special focus on the high-productivity areas in Oromia, Amhara, and Tigray.

3.8.3.2.3-Agricultural Technical and Vocational Training Program

In 2001, the Ethiopian Agricultural Technical and Vocational Education and Training (TVET) system was reorganized. As per guidance of experts from China, Twenty Five agricultural TVET schools were established. After that, Each year since 2001, Ethiopia has selected around 20 agricultural professors from China to teach in Ethiopia's rural agricultural TVET schools . More than 200 Chinese teachers have served in this program so far and about half have stayed for more than a year. Though there was a big barrier of language, despite of it, Ethiopians were enthusiastic about the program (Lavers, 2011).

3.8.3.2.4-Youth Volunteer Program

China sent various volunteers to Ethiopia in several rounds. Hence China became the first African country to accept volunteers under the Youth Volunteer Program in agriculture. In the first round 12 volunteers were sent by China for six months in 2005. While working in Ethiopia, some dwelled in rural areas as well, working on biogas and crop improvement. In the next round of volunteers, the period of stay was extended to one year so that better results can be expected.

Although there have been no volunteers since the 2010, Ethiopia has received 72 youth volunteers so far. The program is expected to continue. Although it will remain in small scale for the foreseeable future. (FOCAC, 2009)

3.8.3.2.5-Ethiopia–China Agricultural Technology Program

In 2006 FOCAC meeting, agricultural technology demonstration center was promised to Africa. Ethiopia requested one of these. This center is comprised of a cluster of buildings, training facilities, and dormitories. Finance for the RMB 40 million (\$6.25 million) construction draw on two separate Economic and Technical Cooperation Agreements (ETCAs), half from the December 2006 and half from the March, 2007. The construction was done by Guangxi International Construction Engineering Company. Guangxi has employed 32 Chinese engineers and technicians and more than 200 Ethiopians (Clark 2011).

In agri-business, Ethiopia's coffee and cut flower successes demonstrate the upcoming potential for agribusiness. This success can be credited to low wages, varied soil and climatic conditions. Opportunities to increase yields of agricultural products are largely based on cultivated land and large tracts of unused arable land. Main constraint which is being faced is high input prices. Relevant reforms are being implemented aiming to improve supply and at the same time they are trying to reduce costs of agricultural inputs, including facilitating investment. It is also focused to remove trade restrictions in any possible manner and allowing the use of cattle as collateral. Potential impact is being observed that Ethiopia has the second largest African dairy herd, thus offering the potential for large scale downstream processing (Dinh et al.2012).

3.8.4-Eastern Industrial Zone (EIZ) in Ethiopia for Investment

The Ethiopia Eastern Industrial Zone is located 30 kilometers south of Addis Ababa. The original plans took shape at the 2007 when MOFCOM tender included plans of a 5 square kilometer zone of a \$146 million investment. It is being operated by the Yonggang Group and the Qiyuan Group. That would possibly attract 80 investment projects in five years. It is expected that it will create up to 20 000 jobs for Ethiopians. For Ethiopia, EIZ is the first and largest-scale industrial park of the nation. Ethiopian Government has prioritized this project in their Sustainable Development and Poverty Reduction Program in order to promote its industrial

sector development (World Bank Survey, 2012). The focus of EIZ is on steel production, textile, apparel and agricultural products. Numerous Ethiopian local workers are working at every assembly Unit. Though most of the supervisors are Chinese nationals. Local workers are undergoing job training and some people are even sent to China for the same (Kim, 2012).

3.8.4.2-Manufacturing Sector in Ethiopia

Manufacturing sector is under developed in Ethiopia. Even if we consider it by African standards, it is withstanding limited success, that too in few narrow areas such as leather and textiles. Several mutually reinforcing factors prevented the emergence of stronger manufacturing base. It also includes historical periods of isolation from global markets. Yet, Ethiopia has the means to change. It shows several converging trends and promising future (Abegaz, 2013).

First, there is a surging supply of young, increasingly well-educated, trainable and inexpensive workers. This is especially important at a time when rising Asian wages are driving labor intensive production to migrate somewhere else where it is comparative cheaper. Second, if we consider transport infrastructure and trade logistic improvement which is already been mentioned and discussed, it occupies an advantageous geographic position and thus have a better access global value chains. Third, it has duty-free, quota-free access to the U.S. and EU markets under the African Growth and Opportunities Act (AGOA) and the Everything but Arms (EBA) initiative, respectively. Fourth, with the help of major reformed development of infrastructure, the historic shortfalls in energy supply are being remedied.

With no legacy in manufacturing technology, a supportive policy framework has been constructed in order to leverage the agricultural and mineral resource base for the purpose of downstream manufacturing activity. The investors who first moved to Ethiopian market with success, now they are considered propitious, their experience have stimulated the inflows of FDI inflows. Indeed, policy reforms have been successfully applied to other places as well. Ethiopia could expand its export potential by orders of magnitude in several light manufacturing subsectors: apparel, leather products, agribusiness, and wood and metal products (Dinh et al.,2012).

If we take the case of apparel sector, the main constraints are poor trade logistics and access to trade finance. Various solutions were tried and certain solutions were effective. Some proven solutions are a green channel for apparel at customs, providing free and immediate access to foreign exchange, reducing the cost of letters of credit and setting up an industrial zone close to the main port of export (Djibouti). Competitiveness could be reinforced by various factors, the two major steps can be developing textiles industries based on its high quality cotton and second is the usage of their cheap hydro energy. While Ethiopia's apparel sector currently generates about USD8 million in exports and 9,000 jobs. If we compare this case with Vietnam, it has achieved USD8 billion in exports and created about 1 million jobs with policies more or less similar to those which are recommended here.

If we discuss about wood and metal products, Ethiopian manufacturers rely mainly on imported wood and steel. These imported products are made more expensive by high tariffs and poor trade logistics. These sectors are right now dominated by smaller and basically informal firms. Unlike developed countries, there are no large exporting firms. For wood, the recommended policies are meant to facilitate access to rural land. Along with it has plans to finance for private wood plantations. For metals, it is required to reduce input costs by cutting the 10 percent import tariff on steel. New opportunities will open up by exploiting Ethiopia's reserves of iron ore. For both sub sectors, enterprise development would be spurred by facilitating access to skills, finance and industrial land. It can be developed as part of "plug-and-play" industrial parks. Initially, the sector's development would be forcefully driven by rapidly growing domestic markets itself.

Ethiopia's manufacturing sector growth can be augmented by harnessing processing trade. For example, cellphone assembly has started in Ethiopia for local and regional market. This cellphone assembly business is mainly based on imported inputs. The Ethiopia Business Landscape 2012 provides examples of effective trade facilitation impacts for firms operating export processing manufacturing in Ethiopia. For example, Ayka is a Turkish leather products manufacturer working in Ethiopia. It imports production inputs from Djibouti. Ethiopian Shipping & Logistics Services pick up the sealed containers from ship to truck, and then take straight to Ayka's premises. They are unsealed only in the presence of a customs official. Once

custom clears them they are picked up from there and go straight into production (Dinh et al.,2012).

From dockside to factory, the whole procedure currently takes 2-3 days. The major current bottleneck will be relieved soon with the completion of the rail link to Djibouti. With the completion of railway track, it will diminish time duration and costly transportation (trucking) from Djibouti. According to the Ethiopian Shipping and Logistics Services and companies, time will be cut to hours, once this railway track is completed. If this uncertainty is eliminated costs would sharply reduce and profit share would increase along with saving precious time.. However, the actual business-operating environment is comparatively less problematic (Fu, 2012).

3.8.4.3-Leather Industry in Ethiopia

Ethiopian leather is highly valued in international market. Within modest and targeted reforms Ethiopia's large animal herds could produce vast amounts of some of the world's best leather. This leather input can be utilized to feed leather products industries. Currently, Ethiopian leather industries apparently face shortages of suitable processed leather. This could be immediately overcome by permitting processed leather imports. Moreover directly reforming cattle herding practice and permitting raw hide export can augment investment in hide and leather production business. It will also provide a long term stable solution to various input problems which are being faced right now. If potential impact is observed with similar policies in Vietnam, which carries similar population size, it has already created 600,000 jobs in the leather products industry.

3.8.4.3.2-Huajian- A Chinese Investor in Shoe Manufacturing for Exports

Huajian's investment in the Ethiopia shoe industry marks a distinct change. It changed the overview of investment opportunities from traditional Chinese investment in infrastructure development in Ethiopia. Huajian Group of China, produces about 20 million pairs of shoes per year. In Ethiopia, Huajian opened two production house in Eastern Industry Zone at Dukem. It also exports shoes to the U.S. and European markets. Huajian landed to Ethiopia as a

manufacturing investor. As an investor it had vision to tap into the benefits of cheap labour costs and abundant domestic supplies of leather (Schaefer & Abebe, 2013).

3.9. Infrastructure Development in Ethiopia for Investment

Ethiopia is aiming towards ambitious economic infrastructure development program. Such programs were implemented with reforms such that they have already resulted in significant expansion of various sectors like installed electricity capacity and distribution, road length, water and sanitation supply and telecommunication services throughout the country. The infrastructure indicators now shows comparatively better results even in low income country group. Furthermore, Ethiopia is starting to develop its infrastructure connections to neighboring countries, including transportation and power links. The overall objectives in this area are ambitious (MOFED, 2010: section 5). This include a quintupling of Ethiopia's power generation capacity; a major expansion of the trunk roads network; a substantial expansion of its internal rail network coupled with development of a new heavy-duty, high speed rail link to Djibouti (Ethiopia's main export port) and a link to Lamu Port in Kenya. Now it is expanding its telecommunications capacity and also expanding water supply (Foster et.al. 2009).

Though government is the sole direct infrastructure provider, at the same time private sector investment opportunities are made available. These opportunities are extended in both sectors, in service provision and in supply chains surrounding infrastructure development. The best example in first case is that France Telecom was brought in to manage Ethio Telecom. Similarly, China's ZTE has developed solar power solutions in order to extend telecommunication services to those remote areas which are not having conventional electricity supply. The ambition of utilizing alternative power sources will result into the construction of largest scaled solar telecom network in the world. Moreover Ethiopian customs service is planning to improvise its trade logistics. It has plans of implementing the Authorized Economic Operator (AEO) system in export-oriented industrial parks. AEO is working with Ethiopian Airlines and Ethiopian Shipping and Logistics Services to make services better. Ethiopian shipping and logistic services are a major integrated shipper serving the Gulf, India, and Asia Pacific and operator of two dry ports in Ethiopia (Morella & Foster, 2010).

3.9.1-Telecommunication Project

Africa's rapidly expanding telecoms industry has symbolized its economic growth with subscribers across the continent. It possessed approx. 650 million subscribers in 2012, up from just 25 million in 2001. It reveals a good hike. Ethiopian telecommunication company signed an \$800m (£510m) deal with Chinese telecom giant Zhong Xing Telecommunications Equipment Company Limited (ZTE) to expand its mobile phone network. This agreement can make a wide growth in mobile phone business and telecommunication. This agreement can help double the number of mobile phone subscribers. It is expected to make more than 50 million subscriber and increase 3G Internet access along the whole nation. The project aims to introduce 4G Broadband Internet in the capital Addis Ababa. This will be expected to increase number of mobile phones and 3G Internet services across the country. In August 2012, the government signed a \$1.6billion deal with Chinese vendors ZTE and Huawei Technologies Co Ltd, in a bid to expand mobile phone infrastructure. (BBC,,August 2013).

3.9.2. -Fincha-Amerti-Neshe Hydropower Project and Gilgel Gibe III Dam Project

The cooperation between Ethiopia and China in the power sector has registered remarkable achievements in hydro and wind power construction projects (AlemayehuTegenu, Ethiopian Minister of Water and Energy, Xinhua, August15, 2012). Fincha-Amerti-Neshe Hydropower project (2007-2011) is built on the Neshe River in Oromia Region, located about 250 km northwest of Addis Ababa. It cost 1.2 billion birr (\$70.6 million) and was partly financed by a commercial project loan from China Exim-bank (Capital-Ethiopia FAN, 2011). The project was carried out by China Gezhouba Group Company (CGGC). It is involved in the construction of the China Three Gorges Project which is the largest hydropower project in the world. In Ethiopia CGGC has also played a significant role in the construction of the Tekeze Hydroelectric project. The irrigated portion of the project will be used for sugarcane cultivation for the state-owned Fincha Sugar Factory.

The Gilgel Gibe III Dam Power Project cost \$1.95 billion. This dam is located on Omo River is situated about 190 km southwest of Addis Ababa. But the drawback associated with it is that it has affected the traditional homelands of several traditional tribes of Ethiopia. China Exim-bank is providing an export credit to finance 85 percent of the \$34 million cost of power distribution

lines for the dam and a Chinese company will carry out this work (Gibe3.com.et 2011). A sub-contract for the turbines and electromechanical works was given to Dongfang Electric Corporation, a Sichuan Chinese firm, and Industrial and Commercial Bank of China, appeared to finance 85 percent of the estimated \$495 million cost (Penwell 2010).

3.9.3. -Ethiopia-Djibouti Railway project

Ethiopia is a landlocked country. That is why Ethiopia is dependent on the ports of Djibouti for imports and exports. It takes around one week for cargo to be transported between Djibouti and Addis Ababa by road. In order to reduce time of transportation, the first Ethiopian overseas electric railway is proposed to build as per Chinese standards. The 756 kms long electrified railway line is proposed to be constructed. It will connect Addis Ababa to the Port of Doraleh in Djibouti. This Railway line is a priority project within the Growth and Transformation Plan (GTP).

The construction is divided into three segments. For its construction, two Chinese companies undertook the constructions in both countries. China Railway Engineering Corporation (CREC) is undertaking the construction from Sebeta to Mieso. The remaining line, from Meiso to the border town of Dawale in Djibouti is being constructed by the China Civil Engineering Construction Cooperation (CCECC). From Red Sea port of Doraleh also, CCECC is responsible for the construction. This project cost a total investment of 4 billion U.S. dollars. In this investment, Chinese investment covers 60% while Ethiopian government covers 40% of the cost. It will cost around US\$2billion loan which will be covered by China Exim Bank, China Development Bank and Industrial and Commercial Bank of China. This construction is the second transnational railway to be built by Chinese enterprises after the landmark Tanzania-Zambia construction in the 1970s (Xinhua, September 2013).

Moreover, this project will create 5,000 local jobs which is highly required. It will also allow Ethiopia to boost exports of key commodities such as coffee and sesame. It also offers the opportunity to get Ethiopian workers trained by engineers from the CCECC). Ethio to Djibouti railway track is a proposed corridor which will link East African nations of Djibouti to Libreville, Gabon (West Africa). This Ethio-Djibouti Railway will improve the Ethiopian economy and would play a central role in East Africa for growth & development.

3.9.4-Road Construction in Ethiopia

China heavily invested in road construction in Ethiopia. Ring road in Addis Ababa constructed by China's construction company.

100 km Highway builds up Linking between Ethiopia and Sudan

This new highway connects the Ethiopian town of Asossa with the Sudanese town of Kumruk. It is over 100km in length. This highway is of great importance, it makes trade significantly easier for traders as well as travelers. The cost of over US\$27 million was guaranteed by China. At the same time it opens up another route authorizing the interior regions of Ethiopia to trade within the region and also with her direct neighbors.

Ethiopia is also part of Kenya's LAPSSET development program. It is planned to build a new deep sea harbor near Lamu. It will also link Kenya with Ethiopia and South Sudan by highway & railway. By this way it is giving Ethiopia a reliable and safe way for imports and exports. It will also grant security from hostile neighbors.

Ethiopia is a beautiful country for tourists. Various cheapest airfare deals are available for the tourists from all over the world. Tourists can come, visit and explore this beautiful country. Now, with these new development, commodities have become cheaper and affordable not only for the people of Ethiopia, also for China and Sudan (Xianoguang, 2014).

3.9.4.2. -Addis Ababa to Adama (Nazret) Toll Expressway

Ethiopia is now one of the fastest growing nations in the world. But there are several bottlenecks. Poor transportation facilities is one of them in the growth of agriculture in the country. It is affecting economic development as well. The Ethiopian Government has undertaken number of projects in order to improve the country's transportation network. Addis Ababa-Adama (Nazareth) expressway is the first expressway in Ethiopia and East Africa and also the first toll road in the nation. It is 80 km long, six-lane, well maintained toll expressway project. It is expected to cut the travel time on Ethiopia's main route to the ports of Djibouti. The latter connects this land-locked country to the sea.

This \$612 million project is partially financed by \$349 million from China Exim-bank, its first preferential export buyer's credit to Ethiopia (Chinese Embassy in Ethiopia 2010). China Communications Construction Consultancy (CCCC) Ltd. is a Chinese firm which got the contract for the highway. Construction of the expressway started in April 2010 and finished in 2014. The expressway is able to speed up the development of the country and provide job opportunities to large number of people (Gebreselassie, 2011).

3.9.5-Ethiopia's Natural Resources- Mining, Oil and Gas

Ethiopia's varied geology has enriched the country with variety of minerals. These minerals include precious metals like gold; platinum and platinum group elements (PGE) and tantalum. Other metals which are found here copper, iron, lead, nickel, and zinc; gemstones such as ruby, emerald, sapphire, garnet, and opal. Various decorative and dimension stones are also found which include marble and granite. At the same time various industrial minerals are also found such as potash, phosphorous, coal, marble, limestone, and soda ash. There is also significant potential in oil and gas. There can be great opportunity of harnessing geothermal energy within the Rift Valley. Pilot exploration drillings in rift valleys have proved the existence of steam which is capable of generating geo-thermal power. Despite Ethiopia has rich mineral potential, it started utilizing its mining resources very recently. The mining sector is accelerating and this boom is driven by several factors.

First, earlier its rich resources were not known, this rich resource base is only now being discovered through systematic mapping. Geological-related mapping will be increased from 50 percent to 100 percent. It has evaluated and delineated areas of potential industrial exploration from 48 percent to 77 percent of Ethiopia's land mass over the period to 2015 (Xianoguang, 2014). Second, global demand for resource products is expanding day by day and so is its area of exploration. Ethiopia's attractive mining sector has great potential investment with attractive terms and incentives. It includes generous terms for royalty rates as well. With the security of tenure, a strong private sector engagement is observed. It will enhance entry of major global mining industry players.

Reflecting these developments, mining was the economy's fastest growing sector in recent years, more than doubling between 2008-09 and 2011-12 in real terms (MOFED, 2011; and MOFED, 2012). The intensified exploration of Ethiopia's rich resources uncovered several new deposits, with the discovery of good deposits of gold, tantalum, and potash. Since new production sites are coming on stream, Ethiopia is strengthening output growth. The mining and oil and gas sector is strategically significant to growth of Ethiopia. The Government of Ethiopia is aiming to facilitate the establishment of a large and diverse private-sector-based minerals industry. That will help to underpin industrial development, generate foreign exchange earnings, provide employment, and alleviate poverty of the country (MOFED, 2010: section 5.4).

The mineral sector was opened for investment to private investors in 1991. The 1994 Mineral Operations Regulations (Mining Regulation No. 182/1994) further created an environment conducive to private investment. Today's mining laws and regulations, enacted in 2010, provide for attractive royalty terms for investors (Mining Operation Proclamation No. 678/2010). The Proclamation addresses sector-specific topics, such as Community development, environmental protection, and worker health and safety. Additionally, it fosters competition and law which will further prevent companies from holding licenses for lengthy periods of time. Ethiopia with its potential opportunities has attracted top tier investors as well as junior mining companies throughout the world.

The emergence of a world class mining sector in Ethiopia is opening up fresh opportunities for extractive industries and is extending a conducive environment for the myriad suppliers and downstream applications of resource products obtained from mines. The law attracts industrial materials manufacturers. They can harness the benefit of the raw material supply, inexpensive labor and low-cost energy supplies. Mining sector is the sector which demands for a wide range of supporting services for proper functioning. It needs continuous water supply and hence it requires efficient water management through recirculation. Energy supply includes a wide variety of energy sources like renewable and geothermal (MOEDC, 1997).

Additionally it requires transportation, specialized financial services, machinery and equipment maintenance, human resource training, information technology including remote sensing etc. The

government is addressing the mining company's main issues. Currently it is focusing on better transportation logistics and supplying trained personnel for developing supporting infrastructure. Not only government is extending its support, the private sector is also contributing by establishing an undergraduate mining engineering program at Unity University.

The infrastructure and logistics development for the extractive industries directly enable downstream processing and value-added activities. Though downstream linkages between the mining and other sectors is not traditionally been developed in mineral industry of Africa, once developed it would drive broad-based social benefits. This step instigates multinational firms to ship raw materials abroad for processing instead of developing new facilities in Africa itself. This tendency is basically due to virtual absence of an African manufacturing sector.

In this context, policy measures should go like hand in gloves with economic context so as to harness maximum benefits. That is the ground being prepared for downstream demand for processed mineral products locally so as to facilitate willing foreign partners to step forward. Ethiopia's tantalum mining sector is a well-read case. In March 2012, the Ministry of Mines ordered production of tantalum ore to be shut down. It also shut down the pending the construction of a downstream processing plant and instead started promotion of development of processed products such as bar and wire. However, there is no foreign partner engaged so far and probably only Ethiopian company is involved. Ethiopian Minerals Development Enterprise (EMDE) is lacking sufficient capital to proceed with the downstream enterprise without current earnings. The mine is reportedly to re-open prior to the processing plant being built (Xianoguang, 2014).

In order to contribute to economic and social development in mining sector, it requires flanking policies. Ethiopia's gold mining has long been a major artisanal industry providing a livelihood for up to half a million people, many of them women (World Bank, 2012). Though ground reality shows a contrast, modern capital-intensive mining provides only few jobs.

There are various issues related to local environmental degradation because of mining activities occurring. In developing countries, social tension arising due to access to mining site instigate challenges for sustainable development. In case of Ethiopia, since mineral exploitation took

growth surge comparatively late, shows signs of optimism for handling such issues. That is the reason that this sector is complementing a differentiated economy instead of serving as the initial and primary stimulus.

3.9.6.-Service Sector: Ethiopian Tourism

Ethiopia has great and largely unexploited tourism potential. As far as cultural tourism is concerned, Ethiopia possess one of the richest archaeological heritage in Sub-Saharan African country. The world's oldest hominid skeleton Lucy was also excavated from here itself. Moreover, it is the land of the legendary Queen of Sheba, and legendary Ark of the Covenant. Ethiopia also steals the show by it's the rich heritage of the Axumite Kingdom, the castles of Gondar that date from the 1600s, and the rock hewn churches of Lalibela. Lalibela is also been designated a World Heritage Site.

Nevertheless it is also been described as the "8th wonder of the ancient world". Ethiopia also takes the credit for being birthplace of coffee and its traditions. Indeed, Ethiopia has the most World Heritage sites in comparison to any African country. Its natural attractions are equally wonderful and versatile: the source of the Blue Nile; the Rift Valley with its volcanoes, lakes, and exotic wildlife. It has a variety of topography a topography ranging from rugged mountains to lowland savannahs which can be served as excellent tourist destination for the adventure tourist.

The area which is close to equator and higher altitude regions are more suitable for year round tourism. Furthermore, Addis Ababa hosts both the African Union headquarters and the UN Economic Commission of Africa. In this way it already hosts a disproportionate number of international events. This situation can easily be leveraged for tourism purposes. Tourist arrivals are growing rapidly: arrivals reached 515,000 in 2011 compared to 330,000 in 2008. Thus it's obvious that industry is starting to attain high scale (Xianoguang, 2014).

By global standards, Ethiopia is still under explored destination. It reveals limited historical accessibility. Although its accessibility is improving since Addis Ababa expands its role as one of Africa's leading air transport hubs. Ethiopian Airlines along with its Star Alliance partners are

now linking the country with 69 destinations across Africa, Asia, the Middle East, Europe, and North America. Other carriers serving Ethiopia include Egypt Air, Kenya Airways, South African Airways, Turkish Airlines, Saudi Arabian Airlines, Brussels Airlines, Delta Airlines, Gulf Air, Sudan Airways, KLM, and Emirates. Ethiopia's tourism sector will further gain its pace when some development program including constructing airports, road and communication networks will be completed and it is also improving its electric power generation and water works.

Although the tourism industry is fairly liberalized in the country. At the same time 100 percent foreign ownership is allowed only with some conditions and with some exclusions only. For investment capital imports some perks are also provided such as Tax holidays and 100 percent duty exemptions. The government has also contributing towards developing the tourism by removing tourist visa constraints. It will position Ethiopia as an attractive African tourist destination.

On the World Economic Forum's 2013 Travel and Tourism Competitiveness Index, Ethiopia's ranking has shown a marked improvement over previous years. It has shown a little improvement from ranks 120th out of 140 countries. It has shown elevation up from 123 in 2009. As a matter of fact, Ethiopian tourism work is still very much in progress. But it shows a positive trend as number of tourist arriving in the country is increasing. Moreover there is has much room to move. Industry of Tourism requires many services and industries which will support tourism industry directly or indirectly. Particularly in hotel sector, significant private investment opportunities are booming up. Although top hotels are operating at very high capacity but there is little room for development due to limited capacity around such destinations (Xianoguang, 2014).

3.9.6.2. -Health Sector in Ethiopia

Like many other developing economies, Ethiopia has inadequate health care services supply. Although the increase in the number of health facilities such as hospitals, clinics, and health stations have increased from 575 in 1997 to 17,300 in 2010, it is still not sufficient. Total health expenditure has risen quite steeply. It has elevated from 4.3 percent of GDP in 2008 to 4.9

percent in 2010. Further it is expected to expand under ambitious targets set by the GTP. Moreover, private hospitals have grown significantly over the past five years (MOFED, 2010: section 6.2).

Health sector is also triggered by several factors. Some most important of them are the rapid influx of medical technology, rising middle class incomes, and supportive government policy. It is to be noted that 47 percent of Ethiopian health care spending was financed privately in 2010. It shows a hike from just less than 40 percent in 2005. Moreover, the government has sought an increase in private sector involvement both for-profit and nonprofit in health services delivery (MOFED, 2010: section 6.2). Currently the situation is that almost all drug vendors and stores are private and so are majority of pharmacies. There are large number of private hospitals in Ethiopia. Total of 25 private hospitals are operating in Addis Ababa, including 16 general, 8 maternity, and 1 specialty hospital, with a total of 922 beds; these account for most of the private hospitals operating in Ethiopia as there are few outside of Addis Ababa (Li, 2010).

Health Sector Development Plan reports that there were around 1,788 private for profit clinics in operation and 277 private but not-for-profit clinics. The terms for taking the land on lease are liberal hence land for construction of hospitals and related services may be taken on lease. Investments can be facilitated through the state-owned bank. Investor equity can be adjusted to with a minimum of 30 percent. Nevertheless, the government also offers tax holidays, duty free biomedical instruments and equipment privileges, minimal or zero tariffs on raw materials. A number of reforms like improved regulation in a number of areas including hospital autonomy, pharmaceutical distribution and licensing is being developed. These improvisations has facilitated private sector engagement. Planned investment in health care sector of Ethiopia will attract privately managed goods and services. This includes laboratory services, ambulance services, pharmaceutical manufacturing, and health care personnel training (The Ministry of Health 2010).

3.10.-FOCAC and Economic and Trade Relation with Ethiopia

China's economic cooperation with Ethiopia have expanded rapidly after 1991, especially over the past decade. FOCAC was established in 2000 with an objective to increase China-Africa

cooperation. Ethiopia co-chaired the Forum during 2003-2006 and provided a fresh push to comprehensive relations and understanding between China and Ethiopia. With the establishment of FOCAC a significant platform was formed where dialogue can be established for discussion on practical cooperation between China and African states. It proved an effective mechanism for discussion of benefits. Ethiopia gained a lot from this. This forum FOCAC keep on getting stronger and helped in deepening and expanding existing relationship between China and Africa. It has set an excellent example based on understanding and mutual trust and demonstrated an ideal example of south-south cooperation. It valued mutual sovereignty along with mutual respect.

Ethiopia was dependent on Chinese foreign assistance for its development. It was significant for it to establish close economic linkages with China to support its economy. Nevertheless economic development in Ethiopia also depended upon its links with many other emerging economies like India. Particular in case of China, it has established a kind of relationship which has lot to offer to countries like Ethiopia. It has extended the kind of economic development that they can own themselves. The bilateral relations between China and Ethiopia were offering a win-win scenario.

China's policies in this case are focused on the principles of promoting a sincere commitment and mutual advantage. China understands the requirement of Ethiopia's requirement of framing its own strategy for development. Hence China showed its keen intentions to never put any kind of conditionality in its financial assistance. This was well exemplified in FOCAC program, it was the main reason behind successful and ambient relationship and cooperation between African nations and China. Nevertheless it is still continuing to be effectively expanding. Something which is especially considerable about China is its preparedness to offer a lot to Ethiopia, specifically in a situation when it is still under the process of helping its people to come out of the vicious circle of poverty. In such a manner, China demonstrated that it deserves to be the most reliable partner and it has so much to offer that Ethiopia can never forget its generosity.

Bilateral trade volume between China and Ethiopia had significantly improved between 1994 and 2007 and afterwards. Value of bilateral trade between them stood at 17.5 million US Dollars

in 1994 and it significantly increased to 860 million US Dollars in 2007 with the average annual growth rate of 35%. In 2008, bilateral trade in value terms was \$ 1.31 billion, an increase of 51.8%; in 2009. China's imports from Ethiopia reached more than 200 million U.S. dollars with the growth rate up to 202 percentage. Ethiopian exports to China were more than 280 million US Dollars in 2011. Notably in 2011, China was both the largest import and largest export trading partner of Ethiopia (World Bank, 2012).

Annual bilateral trade in 2012 amounted to \$ 1.839 billion and the annual bilateral trade volume reached nearly \$ 1.5 billion up to October 2013 (Ministry of Commerce of China). The expansion of economic ties between the two countries reflects the structural change occurring in both the Chinese and the Ethiopian economies.

Main items exported to Ethiopia from China are high-tech products, light industrial products, pharmaceutical and chemical products, machinery and equipments and textiles. China's main import from Ethiopia includes sesame seeds, leather, cotton, frankincense, myrrh, a plant herbs, and coffee. Major export items to China are semi-processed or unprocessed agricultural products. These products include tantalum, pulses, coffee, oil seeds and some leather products. Most of the products related to leather and skins are semi-processed. Ethiopia has a huge potential to increase and diversify its export basket. Some of the important products are natural gum, coffee, horticultural and textile products, edible oil, precious stones, bee wax and other organic products. (Egzibher, 2009).

Government of China is on the way of expanding its level of engagement with Ethiopia. China has increased imports from Ethiopia in order to support Ethiopia's efforts towards clean energy development with research in the field of solar and wind energy. In this way it is promoting aid programs which in turn support the development of infrastructure in Ethiopia. These kinds of assistance through various projects help in improvisation of capabilities of self-development within Ethiopian states. With the objective of promoting the development of trade between China and Ethiopia, a MoU was signed between them in 2012 (Capital, July19, 2012).

The two parties agreed to exchange information in their countries on topics like general economic status, trade policies investment opportunities, and taxation, legislative changes. Bilateral relations between China and Ethiopia have strengthened their political relations and

infused more positivity into them. China was willing to provide its complete assistance to China in order to boost its economic relation which will be a win-win for both. Ethiopian officials have also opined that the infrastructure development projects in the fields of telecommunications, railways, roads and energy generation being undertaken by China in Ethiopia are critical for economic development of their country. Close collaboration between them will continue in the agricultural sectors and other significant matters of development (Margaux Schreurs, 2013).

3.11.-China and Ethiopia: Comprehensive Relationship

From the point of view of China, Ethiopia has emerged as a hopeful economic cooperative and an unparalleled political ally in Africa. Chinese cooperation with Ethiopia consists of specific economic operations such as official flows, trade and investments. It also include a little political cooperation. Exact volumes of Chinese assistance to Ethiopia has been difficult to assess. It is simply because China never makes any official publication of its aggregate financial flows to Ethiopia or any other country. Moreover, China never estimate its assistance and other financial flows by Development Assistance Committee of the Organization for Economic Co-operation and Development (OECD DAC) standards. On some important assistance projects like improving water supply infrastructure, both China and Ethiopia have collaborated in the 1990s.

Since 2000, the establishment of framework of FOCAC, and especially after 2005, official flows from China to Ethiopia have stepped up in a considerable way. In 2006, eight FOCAC policy measures were announced in Beijing. Notably, there is no other country in Africa apart from Ethiopia which has benefitted from all the 8 policy actions of FOCAC (Gu 2008). Some of the technical assistance and program initiatives taken under the aegis of FOCAC are Scholarships for students to support them in their academic courses in China, construction of a Malaria prevention center, Agriculture Demonstration Centre and a Technical and Vocational Training Center. This is a clear manifestation of political significance of Ethiopia in China's Africa policy. Under OECD-DAC definition, it would be considered as "aid".

Banks are specifically given aim to support high ambition of government of Ethiopia for its infrastructure development program. In terms of financial volume, loans which are provided by policy of China, consist mainly concessional, preferential and commercial loans. China elevated

its loaning amount approximately 600 million USD in next half of the year 2011 thus establishing China as the largest loan provider to Ethiopia. However, as it has been discussed earlier, overall figures are not available.

If we rely on the reports of The Exim Bank of China, Ethiopia has received the largest number of developmental loans in the whole of African continent. It is very much obvious from the data which is discussed earlier. Moreover it has achieved one of the bank's most diversified project portfolios. Under the aegis of the FOCAC initiatives, the Export-Import Bank of China offered 350 million USD concessional loan in order to assist construction of an expressway connecting Dukem to Addis Ababa. Since 2009 as specified earlier, commercial and preferential loans have been given for many developmental projects.

Some of the significant projects among these are vessel purchase project for shipping lines of Ethiopia and hydropower generation projects. Development Bank of China has expanded its field of providing loans. Now it has begun to provide financial assistance for hydropower and telecommunication projects. In this regard, China has made a pact with Ethiopia in 2011. This agreement consists of ambitious plan of government of Ethiopia to build and fund on order to develop the railway system of Ethiopia .

Since all these loans are chiefly focused to support exports of China, they are not considered as aid because they don't fall in accordance with OECD definitions even though such commercial and preferential assistance is given much below the existing market rate. Commercial and preferential loans are generally provided for some big projects such as for hydropower generation. China has been providing such assistance since the year 2008, it is simply because Chinese level of providing concession is not that low (Bräutigam 2011).

Although a hike in official flow was observed, but apart from hike in official flows and assistance from China, direct investment of China to Ethiopia and Sino- Ethiopian trade have also stepped up very dynamically over the years. Trading of China with other resource rich African countries like Angola, Sudan and Nigeria is well. Trade of China with Ethiopia is quite

lesser as compared to trade with these resource-rich African nations. Though since 2000, there has been magnificent growth in the trade volume. The development trend is impressive.

With stepping up ladder further in 2009, China is now second-largest trading partner of Ethiopia, which can be compared to almost equaling to complete European Union. Not only this, it also became largest export and import partner (Economist Intelligence Unit 2011). Similarly like European Union, Ethiopia is having a large trade deficit with China (EEA 2009). China grants duty and quota free exports for certain products to some least developed countries. Similarly, China gives Ethiopia quota free exports for more than 440 products (Thakur 2009).

Between 2007 and 2011, China became the third-largest foreign investor in Ethiopia. The top two positions were occupied by Saudi Arabia and India while bottom two ranks were held by Turkey and Sudan. Primarily many Chinese firms are operational in manufacturing sector in Ethiopia while investments by China are widely spread across many sectors (Geda and Meskel 2009; EEA 2009). A SEZ has been established outside the capital city Addis Ababa. It is under constructions and is likely to attract many investors from China as soon as it is completed.

Additionally, a Development Fund of China and Africa (CADF) is being constituted which is a type of equity fund and it will be managed by the Chinese Development Bank. It is constituted with an overview to support Chinese investment projects in Ethiopia. At this instance we can observe it in case of leather factory and a glass factory. One office has also been opened in Addis Ababa in 2010. China-Ethiopia relationship has intensified if we compare it with other African states.

Notably, volume of Chinese official flows to Ethiopia has been significantly increased. This increase can be explained by significance of Ethiopia politically as well as economically. Ethiopia is looked upon as a crucial diplomatic partner in international discussions. Ethiopia with some other African nations prevented a resolution in 2007, which condemned the human rights record of China in UNHRC. Ethiopian Parliament resolutely supported Anti-Secession Law of China in 2006. This particular Chinese law has been highly criticized in the West. This law

would give China a legal basis to take military action against Taiwan in case of a unilateral declaration of independence (Thakur 2009).

Ethiopia is also important for China to make inroads to African Regional Cooperation as Ethiopia is acting as a host of few African regional organizations such as the African Union. China's position in Addis Ababa can be noticed easily. Hosting representatives from all African countries have witnessed this.

“It has created an immediate multiplier effect throughout the African continent. Moreover, the Ethiopian government has been one of the harbinger driving forces on the African side in the FOCAC meetings. The diplomats on both side are working to ensure win-win situation. The Ethiopian ambassador in Beijing has been actively engaged in the creation of the FOCAC framework. The second FOCAC meeting took place in Addis Ababa in 2003.” (Taylor 2011)

Ethiopia has been portrayed as a country having comparatively well-developed bureaucratic structures. Therefore, Chinese perceive Ethiopia as a pole of stability in the African region. In addition to this, the government of Meles Zenawi has unambiguous developmental vision for the country. Chinese officials have observed economic resources clearly for the construction firms centrally or provincially state-owned and thus highlighted the economic potential of Ethiopia in the medium and long term. Market of Ethiopia is a crucial regional market.

By closely observing it is visible that Ethiopian economy has received dominant financing from western nations. Many Chinese firms in recent years have won many international bids for the road construction projects. Such projects generally receive financing via either sectoral budget support by European Commission or by the World Bank. Many private firms as well as medium and small companies of China are investing in Ethiopia as they can foresee Ethiopian market as a promising market. It not only benefits small regions, but it also works as a launching pad for their engagement in the whole region (EEA 2009).

In order to increase inter-dependence, Sino-Ethiopian institutions for cooperation and management are under a process of building up. As compared to the traditional donors, Sino-Ethiopian cooperation as a channel is more loosely institutionalized. It has a diverging overall

conceptualization. On following the footsteps of many donor groups, Ethiopia and China have established a Joint Commission which is composed of a few representatives from the Chinese Ministry of Commerce and Ethiopian Ministry of Finance and Economic Development. This commission will assist in easing the issues which arise during project implementation. The joint commission acts as a discussion forum and general issues are discussed here. In context of a possible tense situation arising due to commencement of a project, the concerns related to investment and trade are debated and resolved.

Some cases are dealt on individual basis when they require consultations related to the framework agreements of the large scale loans. As per case, it can often go to the highest political level. Chinese government is following a policy of little or no interference. Government of China has not pushed any debates on the reform process in the Ethiopia. More importantly, as compared to European collaboration with Ethiopia, there is a visible difference in government-to-government contacts. Ruling parties of China and Ethiopia are functioning in such a way that they act as a significant additional channel to strengthen bilateral relations.

During last few years, a considerable work has been done with the improved party-to-party connections between both the countries. In order to institutionalize these contacts a Memorandum of Understanding was signed recently in 2010. Among all the institutions and parties, Ethiopian People's Revolutionary Democratic Front (EPRDF), the Ethiopian ruling party coalition, the Chinese Communist Party (CCP) is the most important international partner. Party-to-party meetings are held time to time. They are a platform where various issues can be discussed like role of a political party in a strategy related to state or party succession. These opportunities also work as a medium to deliberate on the development experiences of one another. It is noteworthy that in these types of discussions, mutual interests take prominence and cooperation is strengthened (Hackenesch, 2011).

China seeks to develop broader connections. It is well illustrated in its various policies and discussions. Though high-level exchanges have dominated the cooperation often. Notably more than 200 officials related to Ethiopian Administration visited China on annual basis for 10-30 days during the period 2006-10. It gave them opportunity of discussions with Ethiopian

participants and Chinese officials. These types of visits are very helpful and worthy to transfer general knowledge about China. Also, these kinds of contacts generate a reassuring environment which in turn strengthens the bilateral relationship. Additionally, an impact on Ethiopia has been observed as an outcome of foreign policy shift of China. It has restructured Ethiopian views on reform policies.

3.11.2. - China's Financial Cooperation for Ethiopia

Ethiopia have also benefited from financial cooperation through FOCAC. In 2005, China announced in the General Assembly of the UN that it would mobilise an additional 10 billion US\$ in three years for concessional loans. In December 2006 in Beijing, during the 3rd FOCAC conference, China announced it would probably be Africa's biggest donor by 2010 (La lettre des economistes No. 15, Janvier 2007). The development assistances were mainly used to finance project costs that would be jointly identified by China and Ethiopia. Among these were road constructions such as Addis Ababa Ring Road, Wollo Safar-Gotera road, Addis Ababa housing constructions, textile factories machinery, Edget Thread Factory, Awassa Textile Factory, consultancy service in research on Ethiopian textile industrial development.

The procurement of equipment for Technical Vocational Education Training institutes and the like were few of other activities (Document of Ministry of Foreign Affairs of Ethiopia, 2006:25-26). Despite the smaller size of the endeavor, it represented Chinese sympathy with Ethiopia within its capacity. The rise of China and its interaction with Ethiopia was meant to provide assistance and alternative development strategies. In the years from 2001 to 2006, China provided an interest free assistance and preferential loan of RMB317million (US\$40.9million) (Document of Foreign Affairs of Ethiopia, 2006:29-30). Out of that, RMB150million was a loan; the rest was given as free assistance. Since the inception of FOCAC in 2000, loan and assistance were given to Ethiopia.

China and Ethiopia signed an agreement on trade and economic cooperation at the Ministry of Finance and Economic Development (MoFED) in Addis Ababa in November, 2011. With the agreement, China provided loan of 100 million U. S. dollars and donate 90 vehicles to Ethiopia (Xinhua, November 2011). Besides, China and Ethiopia signed an economic and technical cooperation agreement in 2012, and the agreement showed that China contributed at least 25 million US dollars towards Ethiopia's development. Half the amount was pure grants, while the rest was interest free loans. The funds were expected to go towards infrastructure and

technological development. The financial assistance to Ethiopia helped to strengthen ties between the two countries. And it also helped Ethiopia to tackle some of its problems and leverage the effort for poverty reduction and alleviation. Through the aid programs which focused on financing different projects such as wind power project and more. China showed its willingness to cooperate with Ethiopia.

3.11.3-Debt Relief for Ethiopia

Ethiopia also benefits from debt relief and cancellations through FOCAC without compromising issues related to finance, within the China-Africa/Ethiopia cooperation framework. The Forum on China-Africa Cooperation resulted in a three year action plan. Besides doubling aid by 2009 to about 1 billion US\$, China has also cancelled 1 billion euro of African debt and announced it would cancel another 1 billion euro (Financial Times, 2007). It has set up a 5 billion US\$ development fund for Africa and promised to reduce tariffs on selected African imports. The Africa aid package will be tied to Chinese projects only (Financial Times, 26-6-2007). During meetings of FOCAC the ministers made the issue of debt remission one of the main points of mutual understanding (FOCAC,2000).

That was put to effect by FOCAC in the subsequent years, which African countries applauded as great commitment of China. Ethiopia was one of the beneficiaries of the debt relief. During the three days working visit to Ethiopia by a Chinese delegation headed by Zhou Keren, vice-minister of Foreign Trade and Economic Cooperation of June 2001, China signed a protocol with Ethiopia on the remission of partial matured debt and Ethiopia and China signed a debt relief agreement amounting to 18.5 million U.S. dollars in May 2007 (Document of Ministry of Foreign Affairs of Ethiopia, 2008).It was stated that the money drawn from the debt relief would be used to finance poverty reduction program in Ethiopia.

3.11.4- Skill Development and Training program

Ethiopia benefits from human development program through FOCAC too. One of the priorities of FOCAC is skill development and training. Human resources development and cooperation in higher education give impetus in China-Ethiopia relations. The cooperation between the two was laid down at the first FOCAC in 2000.

It was further reinforced by the Addis Ababa Action Plan of the FOCAC in the year 2003. In 2003, 6000 personnel were trained and 1,500 students came to China on scholarship and

educational exchange programs. In FOCAC Ministerial in 2003, China also pledged to impart training to 10000 professionals from African countries in administrative, scientific and technical areas. In the 2006 FOCAC conference that was organized in Beijing, China further made a commitment to train fifteen thousand more professionals from Africa in the period 2007-09. China provided student scholarships to 52 Ethiopians and sponsored their academic studies in the field of political science, civil engineering and architecture in China (FOCAC 2006).

In August 2010, another 41 Ethiopian Students got scholarship. In December 2012, Chinese government offered scholarship for about 50 students of Addis Ababa University (AAU) and a total of 250 students in five years who will get scholarship (Document of China Embassy, 2013). The measures which were strengthened following the FOCAC showed Ethiopia benefits from the multiplicity of interactions. This policy helped in creation of a long term relation firmly rooted in friendship, understanding and mutual respect between China and Ethiopia.

Chapter- IV

Ethiopian Engagement with China and its implications on Ethiopia

4.1- Ethiopian engagement with China

Engagement of China with Ethiopia increased the influence of the government of Ethiopia. Chinese government arose as a significant partner for Ethiopia. Other conventional donor countries felt little direct stress due to increased competitiveness of China. Ethiopia involved with all its traditional donor countries and emerging economies on a bilateral basis regularly. Though Chinese presence in Ethiopia was suddenly increasing. Dynamic relationship of China and Ethiopia soon contrasted and it began to differ significantly as compared to that with other donor nations. FOCAC framework was established in the year 2000. Chinese official visits started increasing significantly, particularly since 2005. The only country that gained from all the eight major FOCAC policy initiatives, which were announced in Beijing in 2006, was Ethiopia. (Gu, 2010a)

This strongly indicated how important Ethiopia was politically for Africa Policy of China. Much technical support and project assistance was given under the framework of FOCAC. Centers related to Agricultural development, Technical and Vocational training, and Malaria prevention were opened. Some schools were built and academic scholarships for students to study in China were provisioned as the assistance under OECD Development Assistance Committee (DAC) definition.

Chinese government provided assistance in the form of preferential, commercial and concessional loans to Ethiopia. This was in line with Chinese banking policy to support the Ethiopian aspiration to boost up infrastructure development. China provided it with financial assistance totaling 600 million USD in the year 2011. EXIM Bank (Export-Import Bank) of China became the most significant bank in this regard with one of the most expanded project portfolio in Ethiopia.

Exim Bank assisted construction of an expressway connecting Dukem to Addis Ababa as a part of FOCAC measures with concessional loan assistance of 350 million US Dollars. A few projects related to Hydroelectric Energy production and purchase contracts of vessels for Ethiopian shipping lanes were also given commercial and preferential loans since 2009. Telecommunications sector was also provided with loans from China Development Bank. Chinese government also agreed to construct and finance the ambitious railway systems development plan of Ethiopia in 2011 (Zhijie 2015).

As per the OECD definition, any commercial and preferential loans provided below the market rates were not counted as assistance. The concession provided under them is not sufficient, they were more likely targeted to assist Chinese exports. Such aid and assistance was generally provided for large scale production projects.

In the past few years, trade relations between China and Ethiopia as well as direct investment by China in Ethiopia has developed considerably. Chinese trade with resource rich African nations like Angola is much higher than that with Ethiopia. Though there is a substantial growth in the volume of trade since 2000.

China emerged as the second largest trading partner of Ethiopia in 2009. Its trade volume almost equaled that of European Union as a whole. China also became Ethiopia's single largest import and export partner (Economist Intelligence Unit 2011). Ethiopia was facing large trade deficit with China. China granted quota and duty free exports for around 440 products to Ethiopia similar to its grants to other least developed countries. (Thakur 2009)

Between 2007 and 2011, the third largest foreign investor in Ethiopia was China while Saudi Arabia and India were the first and second largest foreign investors ahead of Sudan and Turkey. Chinese companies engaged primarily in manufacturing and Chinese investments were spread across a wide number and range of projects (Geda and Meskel 2009).

Outside Addis Ababa, a Special Economic Zone was declared to invite more foreign investments. Additionally, China Development Bank started to assist Chinese investment

projects in Ethiopia under an Equity fund named China-Africa Development Fund. This fund was used to establish glass and leather factories and opened an office in Addis Ababa in 2010.

Ethiopia-China Relation were strengthened and frequency of official visits of Chinese Officials to Ethiopia significantly increased as compared to other African states as it was in political and economic interest of China. Ethiopia was observed as significant partner in international debates and discussion as a vocal player. Notably in 2007 Ethiopia with support of other African nations prevented a resolution which condemned Chinese Human Rights record at UN Human Rights Commission. Parliament of Ethiopia delivered a resolution in support of Anti-Secession Law of China which was being strongly criticized in the western countries. This support gave China some legal ground to take action against Taiwan if it unilaterally declared itself independent. (Thakur 2009)

Ethiopia was one of the linking pins for Africa-China regional cooperation to increase. It also helped increase Chinese clout in African regional organizations such as the African Union. Visibility of Chinese involvement in Ethiopia had a multiplier effect throughout the African continent when Ethiopia hosted events related to regional organizations in which all African representatives were invited. In FOCAC conferences, Ethiopia was one of the major motivating forces on African side. The Ethiopian ambassador in Beijing has been actively engaged in the creation of the FOCAC framework, and the second FOCAC meeting took place in Addis Ababa in 2003 (Taylor 2011).

Chinese administrators perceived Ethiopia as a comparative pole of stability in the region. Ethiopia was observed to be having reasonably well- developed bureaucratic structures. Meles Zenawi government had a strong development vision. Hence Chinese administrators underscored Ethiopia's economic potential in the medium and long term investments.

4.1.2- Key Factors of Ethiopia- China Engagement

Some significant factors have strengthened bilateral relations between China and Ethiopia politically and bilaterally. These factors have made their mutual relations optimistic and encouraging. Firstly, there was strong political rapport between the two governments which

helped strengthen the relationship. Common historical background and developing economy of both the nations also made them look forward to each other. China suffered from political and economic prohibitions enforced by western nations after the political disturbances that occurred in the spring of 1989. China also became a major target due to its becoming a competitor to US.

With the increasing challenges in the global environment, China started to focus on protecting its national political interests and looked forward to economic positives in its foreign policy affairs. During these difficult times, Ethiopia with some other African nations were the first ones to support China. (He Wenping, 2006) African countries improved their relationship with China over an issue which was directly related to the meaningfulness of human rights perspective. This displayed the commonality between African nations and China against the western outlook.

When leadership of Ethiopia changed in 1991, the new leadership wanted to establish itself despite the turbulent political environment and poor economic conditions in the country. It was prepared to carry on with the existing agreements and promises which were settled and approved by the previous regime. New leader of Ethiopia Meles Zenawi, right after the formation of transitional government in 1991, met representatives of democratic corps in the capital. The meeting was also attended by the Chinese ambassador and it was assured that the new regime would stand by the treaties and agreements signed by the previous government of Ethiopia and other countries. (China Daily Data Base: 1991.06.03)

With this, the new regime in Ethiopia got political acknowledgement from China. It was also anticipated of China. China was now a diplomatic partner of Ethiopia on various matters which included process of democratization and issue of human rights in international settings as in United Nations and G-77. The second influencing factor was their mutual economic interests. Economy of China was now developing at a pace and it needed raw materials and new markets as opportunities. This was needed to ensure and keep up with the growth and to make available resources for the improving standards of life. China desperately sought global markets, suppliers and investment outlets, including in Africa.

In the similar manner, New government of Ethiopia also desired to better its economic relationship with China in order to improve its prospects of grants and trade exchanges. This was accepted when the two parties signed the first Economic and Technical Agreement on 09 October 1991 in Beijing. (China Daily Data Base: 1991.10.11)

It appeared that Ethiopia had a very optimistic strategy for political and economic systemic reforms. It encouraged private investments by appealing to foreign investors and planned to keep public ownership. Ethiopia looked forward to the future of the economy and hence introduced a few phased reforms to move towards the privatization and opening up of the economy to international trade.

In the last decade, Government of Ethiopia ensured a stable political atmosphere so that investors can smoothly run their business. It also continually gave them FDI incentives in the form of tax holidays and tariff-free policy initiatives for FDI equipment imports. Similarly, China also implemented “Go Out policy”. Under this policy initiative, Chinese companies investing overseas were given tax credits in China. This incentives based policy was a big boost up for Chinese companies to invest in Ethiopia especially for the manufacturing industry.

Additionally, Economic triumph of China brought together increasing costs of labor for all sections of the labor marker which battered existing competitiveness in labor intensive, low skill production in China.

Assessments displayed that China’s up gradation from low skill manufacturing occupations could free up nearly 100 million jobs which was a staggering number more than double the number of manufacturing employment in nations with low per capita income. Ethiopia needed to grab this upcoming opportunity as it had low labor costs as well as a huge population. Chinese companies took benefit by perceiving this possibility provided by the present state of affairs of Ethiopian Economy. This also comprised of competitive markets and limited market capacity with low-cost labor, low-cost land and a growing Ethiopian market. (The World Bank, November2012)

Third driving issue was economic aids and assistance. Ethiopia required and had made efforts to received loans, aid and assistance as well as arms supply from China in past few years. China also subsequently helped Ethiopia in its economic growth with debt reduction, technical and loan grants without any political conditions. Pursuit of Ethiopia for economic growth led it towards better relationship with China. It received more than 500 million US Dollars in the form of concessional loan assistance from China and a further US \$ 1.5 billion of investments in telecoms infrastructure, as well as US \$ 1.5 billion in short-term trade credits. (Gedion 2009)

Additionally, China and Ethiopia also commenced cooperation under FOCAC since 2000. According to the 2nd FOCAC Ministerial Meeting, zero tariff export items to China increased from 130 to over 440.

China had funded many infrastructure development projects in Ethiopia. Some of the notable ones included the Gotera flyover project in Addis Ababa which was under construction with RMB 60 million and construction of Maganagna-Kebena-Menelik Hospital and Kebena Bridge-AratKillo Road Project with 40 million RMBY. The light rail project in Addis Ababa, which started in January 2012, 85% of the project cost was funded by the loans from Export-Import Bank of China. In 2013, the China Development Bank and the Ethiopia Development Bank signed a special loan agreement for the development of SMEs, which is worthy of \$ 25 million for Ethiopia to support local SMEs.” (Ministry of Trade of China, January 6, 2013)

The fourth driving factor of their relationship was knowledge and orientation towards advanced technology and governance, which was a learning lesson for Ethiopia from Chinese development experience. Ethiopia was concerned to learn and understand the know-how of high end technology in order to increase employment opportunities with increased foreign exchanges through export and advantages from forward and backward linkages. Hence it allowed Chinese investments in the country. When a country invites foreign investors to invest in its developing economy, it is meant to enhance its export volume. Based on the Sino-Ethiopia Associate Africa pharmaceutical joint venture company, it can possibly be argued that both the partners handled the international marketing sector.

Marketing professionals of China were well acquainted with many dimensions of the international marketing arena, they might also have trained the local employees with regard to strategies of foreign marketing and export management. It is equally probable that the local companies might have attained international marketing methodologies by recruiting a few Ethiopian workers who left the joint venture of China and Ethiopia to start a venture of their own.

“China and Ethiopia settled on a Trade and Economic cooperation Agreement at the Ministry of Finance and Economic Development (MOFED) in Addis Ababa, Ethiopia in the month of November in 2011. Sufian Ahmed, Ethiopian Minister of Finance and Economic Development, argued that the cooperation between the two countries would continue, particularly at this time when Ethiopia is implementing the five-year Growth and Transformation Plan (GTP) for which China has similar experience.” (Xinhua, November16, 2011)

Hence the Government of Ethiopia was much interested on considering understandings from Chinese development model and anticipated to learn a lot from China’s experience over the past three decades to further its own economic development.

4.2- China- Africa investment relation and its impact on Ethiopia

With the rapid growth of the Chinese Economy, it was more usual to perceive presence of China in African continent. Similar was the case in Ethiopia. No detailed and specific study has yet been done about their mutual investments, but two of the related and significant studies are that by Tegegen G.Egziabher in 2006 and Asayehgne Desta in 2009.

Asayehgne’s research is grounded upon four Ethiopia-China Cooperative Investment case studies that have examined the relationships of their effects on:

- 1- Technological Transfers,
- 2- Production Management and Operations,
- 3- Export effects,
- 4- Ownership and Human Capital,
- 5- Environmental conditions,
- 6- Foreign Exchange effects,

- 7- Spillover effects and Local Content requirements, and
- 8- Efficiency and effectiveness.

Though, the enquiry is circumstantial and hard to generalise as far as investment relations of China and Ethiopia are concerned. It has emphasised that the Chinese venture capitalists in Ethiopia are unaccustomed to the socio-ethnic particulars of the local situation and unaware of labour laws of the country. Ethiopian employees, on the other hand, appeared to be in total control of the human resources management. (Asayehgn, 2009)

The research further presented the fact that the Chinese marketing officials were well acquainted in certain perspectives of the international marketing. They probably also equipped local employees with the knowledge of foreign marketing policies and export management. The research also remarked that the companies with complete Chinese ownership were not acting as a platform for the exports, instead their primary objective was to search for themselves substantial markets and efficiency in the production processes. While the companies with shared China-African ownership produced leather products that were manufactured to compete in the international markets. These had no plan and policy to crowd out the low quality locally manufactured products.

Pharmaceutical Joint Ventures of China-Ethiopia shared ownership were relatively of better quality and were more effective and efficient. It was significant in terms of generation of foreign exchange for Ethiopia and complemented Ethiopian economy. But Ethiopian employees were not well trained to work in international markets. Leather production was almost completely dependent on the Chinese joint venture partners and they had the know-how to sponsor and distribute their products in the foreign markets. Though, there was little or very limited skill transfer in context of China.

Joint venture companies of China and Ethiopia in the field of research work and product designing was more concentrated in the headquarter offices and was less equitably based in an appropriate ratio to include the Ethiopian partner. It is important to note that majority of the input resource material for Ethiopia-China companies came from China. So it is hard to establish the

exact impact of the efficiency levels to the new products produced by the Chinese-Ethiopian collaborative establishments.

Another important perspective about case study of Asayehgn is that the foreign exchange which was normally used for the Chinese investment in Ethiopia, in most cases, initiated from the Chinese EXIM Bank and Chinese Development Bank. Additionally, it was founded upon the incentives provided by the Ethiopian Government to Chinese investors.

Chinese capitalists with their investments in Ethiopia obtained their factors of production from the local providers. Additionally, most of their output products were sold in the domestic markets, which effectively resulted in forward and backward linkages in the local economic situation. The four case studies analyzed in the research paper give a deeper understanding of the complementarity of activities instead of crowding out of domestic companies. To summarize, the Chinese-Ethiopian foreign investments have forced local firms to restructure themselves to be more competitive. (Asayehgn, 2009)

The other notable study was that of Tegegne which was done in 2006. The research study primarily concentrated upon the footwear industry. In contrast to Asayehgn's optimistic viewpoint about the effect of Chinese companies on the local production configuration in Ethiopia, Tegegne is more apprehensive about the unfavourable impact of these firms on the local producers. An assessment of micro, small and medium sized companies in the footwear industry was done. The close investigation ascertained that small scale shoe producers have downscaled their production activity. They had lost their property and assets and hence resorted to informal activities which had harmful consequences on their growth prospects. Firms have followed both high and low road of competition in reaction to the Chinese imports (Tegegne, 2006).

The plan for high roads comprised of better quality, design and improved response time. Machinery advancement was also a part of the plan. According to Tegegne's study, these plans and approaches were more commonplace with medium and small companies as compared to micro ones. While the micro companies resorted their strategy by decreasing the input, dropping

margin of profits and shifting to informal operators. In few cases, they resorted to the low road competition. The research findings also show that there was a requirement to revitalise this segment to keep up with the increasing competition and to outlive the others. It also mentioned that there was a need for the government and the producer to work in tandem.

Additionally, some mediation was necessary to empower the footwear manufacturers and to lessen the harmful effects of Chinese footwear import. Research findings of Tegegne also suggested that in the long run, effect of Chinese imports will result in displacing the local advantages of using this particular industry as a way to industrialise. There was also a planning framework regarding a Chinese industrial zone in Ethiopia which is contextual to the direct investment by China in the country. A group, Jiangsu Qiyuan, had already confirmed its groundwork to build a private industrial zone in the country.

The private industrial zone is planned to be built around 40 km southwards of Addis Ababa. Investment projects costing around 500 million US dollars are planned there. Multiple Chinese corporations have already displayed their interest to make an investment in the industrial zone which was named as EEIZ (Ethiopian Eastern Industrial Zone). The zone is planned to include projects related to leather and footwear, garment and textiles, electrical equipments, food processing and steel.

The Industrial Zone has created employment opportunities for more than twenty thousand local people. Construction of a few projects has already been initiated with an investment group already concluding agreement with the Investment Authority of Ethiopia. The project immensely enhanced the level of direct investment by Chinese companies in Ethiopia.

It was noted that it was much easier to collect data from vulnerable domestic producers as compared to collection information about the Chinese firms.

Chinese companies which were provided with official investment licenses engaged in many cases in some other investment activities. It affected the composition of the companies.

When, a company was granted an investment license, actually operator in some other field of activity. If a company licensed for manufacturing activity is found operating in the service delivery. Some Chinese companies were actually operating from addresses which were different from the ones they got registered formally with (Xianoguang, 2014).

4.2.2- China-Ethiopia Trade and Investment and its Impact on Engagement

China and Ethiopia had economic linkages which were further boosted because of direct engagement of Chinese side in trade and investment in Ethiopia in past few years. Trade relations between them initiated in 1956. In the period from 1974 to 1991, Socialist regime was functional in Ethiopia and the form of Socialism was heavily influenced from Soviet Union. There was not much visible change in the association between China and Ethiopia. Value of trade between Ethiopia and China reached 100 Million US Dollars in the year 2002. Notably a much larger share of it approximating 96 million US Dollars was due to Chinese exports in contrast to meagre value of Ethiopia exports. Value of trade consistently kept increasing. It amounted to 700 million US Dollars in the year 2006 with a significant growth in the Ethiopian exports to 120 million US Dollars. Trade value reached 1 Billion US Dollars in the year 2009.

Crude materials were the most significant item of Chinese exports to Ethiopia. Crude materials had a share around 45% of the total exports while manufactured goods and machineries accounted for 19% and 7% respectively. Trade between China and Ethiopia was constantly increasing gradually. The growth was more visible since the accession of China to the World Trade Organization in 2000. It also followed the aspiration of Chinese companies to exploit the prospects provided by the African Growth and Opportunity Act (AGOA) which helped their opportunities in Ethiopia.

Investment of Chinese firms and authorities was consistently increasing since 2000. Investment in Ethiopia was primarily in two forms. One modality was wholly owned type of Investment by Chinese firms and the other form was joint venture. As per the statistical data received from Investment Authority from Ethiopia, Chinese investment in Ethiopia in the form of wholly owned type was around 0.5 million US Dollars or 5.33 million Birr in 2001. The aggregate

Chinese owned form of investment in 2007 increased to around 120 million US Dollars i.e. 1120 million Birr which averaged to approximately 15 million US Dollars (145 million Birr) annually. Most of the Foreign Direct Investment from China was focused on the manufacturing sector which was almost 60% of the total Chinese FDI. This was in contrast to the condition of Chinese FDI in other African countries where it was more in the quest of resources.

The only existing government body that authorises foreign and domestic investment on case to case basis in Ethiopia is the Ethiopian Investment Agency. It has enlisted all the Chinese investors in the country. This agency also had a complete list of all the domestic firms functioning in Ethiopia. There also existed another more distinguished list of companies in control of Ethiopian Chamber of Commerce which improved the existing data. As per the available statistical data from the EIA, 812 Chinese companies are registered in Ethiopia. 621 companies have yet to start their functions and are in pre-execution phase while 191 companies are functional as in 2009. In most of the cases, Chinese companies were primarily active in services and manufacturing fields. There was a significant upsurge in the Chinese investments in Ethiopia, which reached about 950 million USD (9.5 Billion Birr) from 1992 to 2009.

Another notable fact is that the total value of FDI in the same period for Ethiopia was 267.4 Billion Birr. Which clearly shows that participation of Chinese FDI is a meagre 3.5% of the total FDI value. Almost 5800 foreign projects took place in this period which created employment or 800,000 local people. While Chinese investments generated the employment for 5.6% of the total employment generation.

Chinese investment has been consistently increasing since the year 2000. Predominantly, it has increased in the pre-implementation and implementation stage. While Chinese FDI for operation stage has started declining after its upward trends in 2004. The year 2004 saw a jump mainly because some manufacturing companies related to food and beverages, chemical products, non-metallic and metallic products became operational. EIA statistics demonstrate engagement of China in Ethiopia since the year 2000 which is the year when China joined World Trade Organization (Xianoguang, 2014).

Foreign Direct Investment from China was in multiple fields and consistently growing. At present, it is estimated to be around 15% of the total FDI-run projects running in Ethiopia in operation or under implementation stage. In 2004, this share was much higher and stood around 22%. While in the last 5 years, Chinese FDI share on an average stands at 11% of total FDI-run projects.

Share of China in projects which are yet under pre-implementation phase was approximately 4% in the year 2007. Construction and real estate, manufacturing are the primary areas where much of the investment by Chinese companies is focused. Also if we analyze foreign projects by Chinese firms in terms of their geographical location, majority of the projects are concentrated in and around the capital city. A few of the projects are also located in regional states Amhara and Oromia. Notably, all the projects in operation phase are in the manufacturing field. Only one exception is there which is operational in the mining field which is situated in Behishangul-Gumuz.

Chinese companies are also actively participating in some prominent investment projects, specially related to infrastructure. Ethiopian Road Authority has all the statistics related to total contract values in the field of telecommunications, power generation and construction of roads. There has been a visible upsurge in the share of Chinese assistance and funding in these areas in the last five years. It might not consider these as direct investments because essentially these investments are investments from government. Though, some investments in telecommunications might not even be realized without taking Chinese assistance into consideration. Hence Chinese investments in these projects is a kind of quasi-investment. These are significant in reflecting the Chinese FDI and its level of engagement in Ethiopia.

Since the last decade, Chinese engagement in the field of power generation has been increasing at a faster pace. Irrespective of the investor of the project, in most of the cases, projects related to power generation are being managed by Chinese firms except only a few ones which are managed by an Italian company 'Salini'. Approximately 1.7 Billion US Dollars' worth projects related to power generation are being managed by Chinese companies. While some projects in power transmission estimated to be around 350 million US Dollars are also being managed by Chinese companies.

Chinese companies were in control and engaged in crucial projects related to road construction and telecommunications in Ethiopia. ZTE is one of the largest telecommunications companies of China. It is maintained by the government of China and it offered financial assistance worth 1.5 Billion US Dollars to telecommunications sector in Ethiopia. ZTE worked on this project without any bidding. This financial assistance was equivalent to the monopolistic valuation of Ethiopian telecommunications, which is in the public ownership. Infrastructure building in both urban and rural areas in Ethiopia is being dominated by Chinese companies. Position of Chinese companies is consolidating in past few years. This is primarily due to low bidding by the Chinese companies and also because of good political and diplomatic relationship between Ethiopia and China.

Engagement of Chinese companies in the field of telecommunications was visible in the coming decades in Ethiopia. In China, telecommunications field was witnessing many changes and it also got reflected in the utilization of the technology in Ethiopia both in quantity as well as quality. Chinese companies replaced the existing telecommunication paraphernalia by the cheaper equipments from their home country. Chinese technology is such that one cannot use it with other equipments based upon different technologies. Hence once Chinese equipments are used, their service and delivery of spare parts gave China an upper hand for the near future and it gave these Chinese companies good profit margins and the actual price that Ethiopia had to pay was more than the market supply price for the similar equipments.

These opportunities in Ethiopia also proved to be a good training ground for Chinese companies, it prepared them to work in other developing nations of African continent. Ethiopian executives were more concerned with the short term concerns which were related to infrastructure expansion of telecommunications without much apprehension for the long term costs and quality-related issues. Also, Ethiopian executives were not experts in such deals and negotiations, while the Chinese counterparts were skilled and well organized in negotiations and they worked out the deal in their favor. Chinese executives, with their good political relationship with Ethiopian bureaucrats, had the inherent advantage. Though, it certainly helped Ethiopia in improving its telecommunications infrastructure in a shorter time span.

It can also be generalized that the similar conditions existed in other big ventures in which Ethiopia and China collaborated. Similar was the case when Chinese collaborated with other African governments. Chinese companies controlled majority of the road and transport sector projects in Ethiopia. Throughout Ethiopia, more than 10 Chinese companies were engaged in the road and highway construction. These companies were involved in more than 60% of the total road works happening in Ethiopia while most of these projects were managed by merely 4 Chinese companies.

This was also a result of innovative financial assistance mechanisms and minimum bid price, which forms an integral part of Chinese investment strategy. But Chinese engagements in Ethiopia were not without complaints. Quality of the construction work was also questioned at times. While the remuneration being given to the local workers was not adequate in a few cases and it was much lesser than the standards set for such construction works (Xianoguang, 2014).

There were rarely high employment opportunities available with Chinese construction projects, though it was expected that these projects will provide good employment opportunity for the unskilled labor force. Machinery and equipments which were needed for infrastructure development were imported free of tariffs and import duties due to government schemes. Chinese exploited this opportunity to import outdated technical equipments. These equipments do not last longer after the project is completed. Standard of the products and Chinese labor was also not at par with the international set standards in terms of water supply facilities, sanitation and other related measures.

Chinese companies exploited their political connections with the top brass executives of Ethiopia to crowd out domestic companies. Political authorities of Ethiopia also preferred Chinese companies instead of the local ones as it gave them the advantage of being unnoticed in their unscrupulous activities. Though all this hampered the technology transfer to African companies from their Chinese counterparts. Chinese companies, once awarded with a project in Ethiopia, opened their local subsidiary units and offices. They helped Ethiopian infrastructure development by completing road construction projects, oil exploration and construction of electric power stations in due time.

It is also important to analyze the pattern of investment of Chinese companies and how it affected the policy making of Ethiopia for foreign investments. Chinese engagements helped Ethiopia resolve its infrastructure needs in shorter time span and at affordable prices. There has also been significant visible growth in joint ventures of Ethiopia and China in past few years. These ventures also trained some Ethiopian companies in work culture and work ethics. Though there were also some negative aspects related to Chinese engagement in Ethiopia. Chinese companies were a threat to the local infant industries of Ethiopia. Chinese had good political influence to set policies in their favor and this gave them unfair leverage over the local firms. Good relationship between China and Ethiopia made sure that Ethiopian investment policy remains consistent with Chinese investment interests in the country. The case of Ethiopian Telecommunications is notable in this regard.

The analysis clearly demarcates that Chinese firms were having a combination of motives in their investments. They were resource seeking as well as wanted to demonstrate their project skills. Most of the Chinese investment in Ethiopia was in search of a new market for their projects and Ethiopian economy was a perfect emerging market for them. More than 56% of the Chinese companies sourced their raw material from Ethiopia itself. Statistics also reveal that most attractive field of activity for Chinese companies was the construction field which was followed by manufacturing and agricultural activity. Most of the Chinese companies accepted that government assistance from China helped them boost Chinese trade and FDI. Though a few of them also reported to have got not much support from Chinese or Ethiopian government in their operations.

Chinese companies firmly believed that they are contributing to the creation of employment opportunities and technology transfer. When asked about the major constraints in operations in Ethiopia, Chinese companies responded with concerns related to shortage of skilled labour, unstable policy paradigm and lack of foreign exchange. Notably, most of the Chinese companies preferred to work alone and were disinterested in joint ventures with Ethiopian companies. Though, it was opposite with the Ethiopian companies and they were eager to work with their Chinese counterparts.

Lastly, it is important to conclude the discussion by analysis of Chinese investments in Ethiopia as observed by the government officials concerned which worked in Ethiopian Investment Agency and The Ministry of Trade and Industry. Their opinion can be summed up as follows:

1. According to the officials of Ministry of Trade and Industry, Chinese companies, in terms of their business interests, were more inclined towards manufacturing sector which was followed by communications, mining and energy generation respectively. The ministry also described high rate of return as the most important motivation of Chinese companies in their projects.
2. Most of the Chinese companies were privately owned and they preferred to work alone. They were aware of low work skills and poor working attitude of their Ethiopian counterparts with existing cultural differences and hence were averse from working in joint ventures.
3. Importantly, Chinese companies wanted to engage in Ethiopia for two important motives. They were market seeking and wanted to demonstrate their projects in Ethiopia for a potential African Market (Demonstrative Effect). Chinese companies perceived Ethiopia as a gateway to African market. It was so because of its unofficial status as the capital of African continent. Moreover, they were also encouraged by the incentives offered by the Ethiopian government.
4. Most of the Chinese investment in Ethiopia was in the green field projects which was much different form investments by other. Notably, an important investment group MIDROC was much focused on acquisition of privatized companies and in purchase of public sector companies.
5. Authorities mentioned that there is not any kind of preferential treatment as such for the Chinese companies. Though this point of view of officials diverges from the factual observations.
6. Ministry officials also observed that labor force from China is generally more disciplined and adequately skilled. Ethiopian labor force in contrast is not that competitive and hence Chinese companies prefer to use Chinese labor force to increase their productivity.
7. Ethiopian official also agreed to the fact that Chinese FDI has created employment opportunities in Ethiopia and it has also established backward and forward linkages with

domestic companies. It has helped Ethiopia in skill development and technology transfer while Ethiopian consumers have gained from low cost products available in the market due to Chinese companies. Thus, the capital and investment flows to African continent had certainly impacted Ethiopia (Xianoguang, 2014)

4.2.3- Impact of Chinese Trade and Investment in Ethiopia

Before understanding the trade related impacts of the Chinese investment in Ethiopia, it is important to analyze the motivations behind Chinese FDI. There are multiplicity of improvements in supply chain, technology transfer and specializations which resulted from Chinese investments. It has also replaced Chinese exports to Ethiopia as now the products are locally produced in many cases. According to a study by Zhao in 2008, All the Chinese companies in Ethiopia can be categorized under two of the four cases.

1. Chinese companies in Ethiopia are producing finished products for Ethiopian consumption with raw materials or intermediate goods being procured from Ethiopia itself. 56% of the Chinese companies in Ethiopia are operating as per this structure. The impact of this is in terms of reduction of export of intermediate products from Ethiopia to China. It will also significantly reduce the import of final finished products from China. If there was not Chinese FDI, Ethiopia might have exported the raw materials to China and would, in turn, have imported Chinese finished products.
2. Chinese companies in Ethiopia are producing finished products for consumption in Ethiopia with imported raw materials or intermediate products from their home country China. 84% of the Chinese companies reported to be working on this model. In this model, Foreign Direct Investment by China results in reduction of Ethiopian import of finished products from China but increases the import of intermediate products from China. This kind of FDI also results in a reduction of the value of bilateral trade as this results in value addition in the process of production.

Under this framework, the impact of Chinese investment in Ethiopia has been analyzed and survey has been done to understand the view of Chinese companies on this issue.

“The result about the impact of Chinese investment in Ethiopia Chinese FDI in Ethiopia as perceived by Chinese firms, has strong complementary impact in a sense that 84 percent of the Chinese firms in Ethiopia. It is reported to be contributing to the real economy by creating new employment opportunity.” (Kaplinsky and Morries , 2008)

Though, the result must be analyzed with a caution. Notably, the total employment generation by Chinese companies in Ethiopia has not been very appreciable. It has been around 5.6% of the total expected employment generation (it reaches a level of 13% if temporary workforce is also included) due to total incoming FDI in Ethiopia. These impacts can be seen as the direct impacts of the Chinese FDI. Only a meagre percentage of Chinese companies feel that they might crush Ethiopian companies due to their operations. Almost all of the Chinese companies source their funds and raw materials from China itself. The negative impact comes from the demand of foreign exchange due to their operations in the official and parallel market in Ethiopia.

4.2.3- Impact on Economic transformation in Ethiopia

New Development Agenda was initiated in Ethiopia in the year 2002. Meles Zenawi remarked that *“We in Ethiopia have embarked on a reform program that is based, not on the neo-liberal paradigm. But on an alternative paradigm of the establishment of a developmental state the key task is to transform our political economy from one of pervasive rent seeking to one that is conducive to value-creation. Ethiopia changed the development paradigm after evaluating the impacts of structural adjustment between 1991 and 2002.”*

The government needed to create a suitable and enabling business environment in the market and hence it significantly increased its engagement in the Ethiopian economy. The Democratic Development Agenda aimed to construct a unique political establishment in Ethiopia. It was quite different from Authoritarian Developmentalism that existed in China. Authoritarian Developmentalism focused on the development but rejected democracy and good governance in the process. It required an early implementation of progressive governing ideologies in the countries that gained independence lately.

In the context of Ethiopia, it was not reasonable to postpone the coming up of democratic system during the adoption of a developmental state due to two important reasons. Firstly, Ethiopia is a multiethnic and multicultural country. To achieve fast economic development, one cannot democracy as an insignificant option, rather it's the urgent requirement. Secondly, Democracy is one of the basic components of the essential human rights. Henceforth the research study tries to analyze the impact of developmental state on the economic transformation of a country and how it shifts the ideas of infrastructure and social development with its relevance for economic growth.

4.2.3.2-Its implications in Economic growth

Consistent and uninterrupted Economic growth is foremost objective of the Economic policy of a country. Economic growth is measured in terms of increase in a country's national output or per capital income. Ethiopian Economy, in the decades of 1980s and 1990s, was not developing at a faster pace and its growth performance was dismal with an average growth rate at mere 2.3%. In the year 1996, Gross Domestic Product (GDP) of Ethiopia was close to 37 Billion Birr. Six years later, in the year 2002, GDP increased from 37 Billion to 67 Billion Birr. Notably, this increase was in the period of structural adjustments in the Ethiopian Economy.

Trend of Economic growth in Ethiopia has not been very regular. This economic instability in growth trends has proved that Economic irregularity is a natural consequence of Neoliberalism. With a national GDP of 67 Billion Birr at the start of the phase of Developmental State, Ethiopian GDP nearly doubled in the next 6 years and reached the level of 131 Billion Birr. By 2010, the GDP further increased to 159 Billion Birr. This clearly shows that 'Developmental State' Model helped Ethiopia in increasing its GDP by almost 11 Billion Birr annually as compared to a smaller increase of 3.8 Billion Birr per annum during the neoliberal phase. Additionally, the economic growth under 'Developmental State' Model was stable and high. Economy was growing at a faster pace. In the year 2011, Economic growth was market at a rate of 11.4%. Economy witnessed eight consecutive years of rapid growth with stability. Also, the economic growth was more broad based in approach and impacted all the sectors of the economy. Agriculture, Services and Industry sectors grew at a rate of 9%, 12.5% and 15% respectively. (OECD, 2012)

This feat of rapid economic growth was accomplished by proactive and constant government involvement in the economy. All the sectors of economy helped achieve this fast paced economic growth. Notably, In the 8 years since 2002 share of Agriculture in GDP consistently declined. The share dropped from 46% in 2002 to 41% in 2010. Service sector also witnessed fast growth and for the first time in Ethiopian history, its share reached to 46% of the economy in the year 2010. It must also be considered that this fast economic growth was witnessed while the world was undergoing Global financial crisis.

When the per capita income of Ethiopia is studied based upon Purchasing Power Parity (PPP), it is observed that per capita income never reached above 600 US Dollars in the phase 1985-2000. But once the Developmental State Model was implemented, per capita income started increasing at a faster pace. It reached closer to 970 US Dollars in the year 2011. Since 2002, the growth in per capita income was more than 350 US Dollars.

Human Development Index (HDI) of Ethiopia, according to Human Development Report 2011, reached a level of 0.363 which was quite an improvement from its past HDI performance. Since the year 2000, Ethiopia was the third fastest growing country in terms of HDI values which clearly shows that democratic development results in fast paced economic growth. Ethiopia has consistently achieved double digit growth rates in past few years.

All this has motivated the government to put its best efforts in boosting its Developmental Agenda. Such a spectacular economic performance has also lowered the income inequality in Ethiopia. Income Inequality is measured by the Gini Coefficient. According to Household Income and Expenditure Survey, Income Inequality in Ethiopia has declined slightly from 0.30 to 0.29 between 2004-05 and 2010-11.

4.2.3.3- Its impact on Ethiopian Society

Developmental State Model had significantly increased government intervention in national economy. It has resulted in appropriate distribution of necessary resources for education, health, drinking water and other social security related fields. This has improved social development of

Ethiopia. Absence of government interventions results in increase of poverty incidences and social exclusion. While the Developmental State Model tries to ensure social well-being. Market does not care for those who cannot pay, State needs to intervene for those sections of the society which need care and financial assistance.

Market ignores social values for economic benefits. It may not give due concern to health services, education and other social services for the benefit of all. It's the duty of state to ensure social security benefits to everyone. Health coverage in Ethiopia increased from 40 to 60% from 1995 to 2002. But between 2002 and year 2010, Health coverage increased significantly and it reached the level of 89%. Credit of this performance goes to the introduction of health extension program in Ethiopia and its successful implementation.

There is also a need to analyse the level of health infrastructure in Ethiopia. There were 246 Health Centers in the country in 1995. By 2002, Health centers increased from 246 to 412. In 2002, number of Hospitals in Ethiopia was 85 which nearly doubled from 42 Hospitals in 1995. From 2002 to 2010, more than 1500 health centers were constructed all across the country which was a significant improvement. This success in the health services distribution was not due to market principles but because of active engagement of Ethiopian government in the development and provisioning of Health Services. Government designed a program for Health Services which was named Health Sector Development Program (HSDP). HSDP helped government achieve significant growth in provisioning of Health Services.

As far as education sector is concerned, this field also witnessed building up of infrastructure and new facilities in the phase 2002-10. There was also a significant increase in the student enrolments. Students enrolled in the higher education increased from 30,500 in 1995 to 77,100 in 2002. While in the next 8 years, number of students enrolled reached 260,000. This was again achieved by proactive engagement of Ethiopian government and positive changes in the Education Policy.

Neoliberal paradigm of development boosted government intervention, but this was limited to only primary education with little or marginal role in higher education. This approach resulted in

increase in income inequality and it deprived students of their basic rights to get higher education. Ethiopian government gives access to higher educational institutions to everyone irrespective of their paying capacity. This helped the increase in provisioning of educational services (Xianoguang, 2014).

Social security provisioning was not limited to health and education, but it also catered to other important dimensions of social development. Drinking water supply is one such example. It has huge impact on health and economic growth. It affects poor sections of the population more significantly. Access to clean drinking water for all helps social development and reduces poverty levels by decreasing expenditure on health services. Poverty levels decreased from 50% in 1995 to 42% in 2002. During the phase of Developmental State Model, It further decreased to 30% in the year 2010.

Thus Ethiopia shifted from its Neoliberal Development Ideology to Developmental State paradigm. This shift helped it achieve better social development and significant improvements in social well-being. Life expectancy at birth declined sharply in the 1980s, from 52 years in 1984 to 46.4 years in 1991, probably because of the HIV/AIDS pandemic civil war and famine. (MOEDC, 1997)

“Health care services and development measures has been taken by the government of Ethiopia since early 1990s has improved life expectancy from 46.4 years in 1991 to 59.3 in 2011. In the same way despite the regular cycle of droughts in parts of the country, the number of emergency beneficiaries has dropped from 15 million in 2003 to a maximum of 5.6 million.” (USAID, 2012)

4.2.3.4-Implications on Ethiopian Politics

Meles Zenawi was a leader representing African Renaissance in the post-colonial order. His Political steps concerning democratization, His belief in the rule of law and ethnic federalism was very much appreciated by West. Though his rule had some drawbacks like his authoritarian & impersonal rule and his poor human rights records, still Meles Zenawi managed to become a reliable Western ally. Along with west he organized several counterterrorism activities in the

Africa. During his time, Ethiopia became Africa's biggest aid recipient. One of his greatest achievements counts in field of regarding internal policy is that he played a central role in holding together the multiethnic federal state run by the Ethiopian People's Revolutionary Democratic Front (EPRDF). Although EPRDF is still facing violent opposition and secessionist movements in the Ogaden and Afar regions (waal, 2012).

After the demise of Meles Zenawi in 2012, former deputy prime minister and foreign minister, Hailemariam Desalegn became Prime Minister of Ethiopia. He was supported by the 180 members of the ruling EPRDF council. Hailemariam Desalegn represents the Southern Nations, Nationalities and Peoples region. The southern part represents the most populous of the country's nine ethnic divisions. To make Hailemariam as premier of the country without any sort of delay or any public power struggles within the EPRDF , can be stated as a good indicator of the government's pragmatic orientation.

While Hailemariam was reshuffling his cabinet in November 2012, he preferred not to touch key ministries which includes defense, justice and agriculture. But it is appreciable that he created two new deputy prime ministers. One will represent the Oromo section of the EPRDF. The other will represent the Amhara section. It is to be noted that this Amhara section was being marginalized under Meles Zenawi. This is clear indication of change of centralizing policies of Prime Minister Meles Zenawi. But it is obvious that this policy of broader ethnic and regional representation will not find sufficient support within the party coalition. Tigray People's Liberation Front (TPLF) is a party which can be claimed to be true liberator from dictatorship from rule of Derg will not probably tolerate the shift of power to ethnic groups (Fessha, 2010).

If it is said that ethnic federal concept has proved to be a failure while solving the issues of national integration, it would certainly be true. The Meles Zenawi government in their time had empowered some groups, particularly the Tigray. But at the same time government could not successfully communicate to other main ethnic "nations" mentioned in the constitution.

The government in Addis Ababa took a step and sought the support of loyal representatives of all regions and nations. This way they were able to build regional party organizations as part of the

EPRDF coalition government. But the dissent was not tolerated and nevertheless political opposition was harassed by government security forces.

The socio-economic development in Ethiopia has taken some forward steps toward market-based reforms. The new policies on trade regulation and growth and development in agricultural sector had led to industrialization plan. These government policies and initiatives deserve further foreign attention as well as financial support along with though with mutually conditionality. Moreover, foreign food aid should be given while considering the ground reality and real necessity of rural people.

The influence of China is increasing and it reveals a little worry about human rights. It may weaken the pressure which Western countries can exert for negotiation in the terms of “good governance”. China has adapted the policy of non-interference in the internal matters of Ethiopia. The government in Addis Ababa has harnessed this opportunity of expressing more political options in comparison to they had in the past while dealing with foreign donors and international investors. China is providing a platform for successful economic growth as well as helping to bring social transformation.

Following the death of Prime Minister Meles Zenawi and later his successor, Prime Minister Haile Mariam taking the charge, Ethiopia can be expected to undergo a two-year transition phase, till a new stable system of governance can be formed by new government. While resolving the issues related to distribution of power, money and investment, government is expected to go for a better consensual approach.

During this period, the EPRDF regime is supposed to continue to work with their idea of political hegemony of democratic centralism. This possibility cannot be neglected that a new generation of civilian politicians, who might not have actively participated in the liberation struggle until 1991, may broaden political participation in order to regain more democratic legitimacy and economic efficiency. Further, it is inevitable expectation with new EPRDF government that it will solve the long time contraction of current political system (Tegegn, 2008).

A hegemonic party advocates democracy, capitalism and free market. It also has to have a strong grip over the development through five-year development plans and strong hold of all civil society activities. In the Economist Intelligence Unit's Democracy Index of 2012, Ethiopia fell from a ranking of 105 to 118, out of 167 countries. This making Ethiopia a way behind the top African performers of Mauritius, Namibia, South Africa and Botswana (Plaut, 2012).

4.2.3.5-Strategic Implications on Ethiopia

Since Ethiopia is one of the world's poorest countries, it is highly dependent on foreign assistance in several ways. If we talk about budget, over half of the state budget is financed by international donors. In 2010, the country received an estimated \$3 billion in foreign aid. Thus the total aid received by the government since 1991 became around \$26 billion. The largest donors were the United States, the European Union, the United Kingdom and several other European countries, While China is gaining some influence as well. Now China is coming on the top of the list. However, Ethiopia was still ranked 174 on the UNDP's Human Development Index 2011 (out of a total of 174 countries) (Zerihum, 2015).

The political leadership has tried to utilize international aid for two purposes: first to achieve transformation goals which were set according to the priorities of the government of centralizing economic and political resources. And second, to secure its own power and prestige within Africa.

Surprisingly, Ethiopian People's Revolutionary Democratic Front (EPRDF) ignores foreign advice very much. The government shows little interest in cooperating with bilateral or multilateral international donors on various issues of democratization, trade liberalization or privatization which appears strange sometimes. Perhaps it is avoiding to become dependent on the political advice of foreign countries. Negotiations with the World Bank, the IMF and the European Union's Development Commission are therefore usually tense.

The regime has drawn increasing levels of support from China. About 120 private Chinese companies are active in Ethiopia today, mainly in the construction sector, and are responsible for about 70 percentage of all road construction. China has also built the new headquarters of the

African Union, which was opened in January 2012. In the inaugural speech, Prime Minister Meles Zenawi praised the economic successes of China's newly industrializing countries.

China as a donor country support for Ethiopia is strong, and it is likely to continue at this level in coming years. The regime is aware of its position as a politically rather stable and reliable regional power with a large, experienced army and of its use to the U.S. government. This needs Ethiopia as an efficient ally in its fight against Islamists in Somalia and the Horn of Africa. This fact gives the government in Addis Ababa substantial political leverage, but at the same time also causes suspicion with pan-Africanist groups. If the national tolerance or support of the EPRDF diminishes in the future, the military may become more influential and the support from foreign countries might become even more useful.

The Prime Minister Meles Zenawi had become the voice of Africa and de facto leader of the New Partnership for African Development (NEPAD). Meles Zenawi had attended Group of Eight and G-20 meetings and articulated the attitude of developing countries about climate change. The government tried to present itself as a credible and reliable partner, but was not trusted by all members of the international community. In regard to relations with the West, there is a clear split between the more positive U.S. attitude toward Addis Ababa and that of EU countries that complain that the relatively large amounts of foreign aid given to Ethiopia are not received with a friendlier atmosphere of cooperation. The government is regarded by some Westerners as a partner resistant to advice in economic and developmental affairs.

The instability in the volatile Horn of Africa has cemented Ethiopia's position as the United States' key ally in the region. Ethiopia under Prime Minister Meles Zenawi was seen as a reliable player in the war on terror in the wider region of the Horn of Africa and the Middle East, where threats from Islamist terrorism were seen in Yemen and Somalia. The country's critical relationships with Eritrea, Somalia and Egypt will continue to dominate the foreign policy agenda. The protracted border dispute with Eritrea remains at an impasse, and attempts at a diplomatic solution have failed (Waal, 2012).

There still remains a probable condition of deadlock over conflicts between neighbors which have possibility of turning violent. Somalia with its current situation would attract tensions. During upsurge of Islamist as-Shahab movement in Mogadishu in Dec 2011, Ethiopia decided and extended its support to Somalia's transitional federal government (TFG). Moreover, Ethiopia also cooperated with some local Somalia militias allied with the TFG and with the African Union Mission in Somalia (AMISOM) to handle al-Shabaab.

Since the victory of 2010 elections in Ethiopia achieved through repression and forgery as the ruling coalition party got 99% of voting, it lost its credibility and reliability in the eyes of most EU countries. In the current time, when EU has preset and well established the system of good governance by sustainable development and maintaining peace, it is not very happy with the political and economic conditions in Ethiopia. The Meles Zenawi government favored an alternative state led model of development over well appreciated concept of democracy. He has done that by taking inspiration from economic successes in China, Vietnam and other Asian tiger states.

Ethiopia has been a member of the United Nations since 1945. Moreover it is also a part of the Non-Aligned Movement (NAM). Its capital, Addis Ababa, has been the seat of the African Union (AU) since 1963, as well as of United Nations' Economic Commission of Africa (ECA). The country is a member of the U.N. Food and Agricultural Organization (FAO), the International Labor Organization (ILO), the UNDP, the U.N. Environmental Program (UNEP), UNESCO, and the World Health Organization (WHO), the IMF and the World Bank. As a member of the ACP group (African, Caribbean and Pacific countries), it is tied to the European Union through the Lomé and Cotonou Agreements.

Right now, the political leaders are willing to extend their cooperation with neighbors but they are neutral or rather reluctant towards regulations of regional and international organizations. The issue related to boundary determination is yet to be solved. There is so far no development with Eritrea and in fact consistent deterioration can be observed. Current regime is yet not agreed to accept 2002 decision of the Permanent Court of Arbitration related to line of division of the

boundary between the two states as determined by the United Nations Mission for Ethiopia and Eritrea (UNMEE) after the 1998 – 2000 interstate war.

In January 2009, Ethiopia decided to call back its military arrangements from Somalia, It was done as per negotiation between Somali opposition groups and Somalia's transitional federal government (TGF). Military personnel were posted there for more than two years in support of the TGF, and they were constantly fighting against the militant Islamist insurgents. Eritrea, on the other hand was trying to destabilize efforts of Ethiopia, so it started supporting the Union of Islamic Courts (UIC). It is to be noted that UIC is regarded as a threat to Ethiopia's security. The UIC rebels issued a declaration in favor of an ethnic Somali state in which they includes some patches of Ethiopia as the Somali region of Ethiopia. Though this situation was handled well as Ethiopian forces were strong enough to overcome the UIC in Somalian region, but it came with a heavy price of loss of peace. Regional instability occurred with bitterness and moreover guerrilla war also continued. Later on when the UIC was defeated in December 2009, a stage of stability came and Ethiopian decided to withdraw its troops from Somalia.

Ethiopia is a landlocked country. Hence it ought to maintain stable and good relationship with its neighboring countries like Kenya, Djibouti, Sudan and Somaliland. If we see the case of Sudan, it caters to four-fifth of the oil needs of Ethiopia. Ethiopia was also active member in a sub-regional grouping of North-Eastern African countries named as Intergovernmental Authority on Development (IGAD). When Somalia was struggling for political stability, Ethiopia supported the weak government of Somalia. It also maintained itself as a chief American Ally in the politically unstable Horn of Africa. Ethiopian government had 4 operational hydroelectric power projects on the Omo River, now it is planning to increase up to eight. On the issue of conservation and harness of shared water resources, it collaborated with Kenya for benefit of both the countries (Kurlantzick, 2007).

When new Nile Common Framework Agreement was being signed by five Nile riparian countries, a new set of tension raised with Egypt in May 2010. This new agreement was supposed to replace old agreement from 1929 to 1959. These agreements favored Egypt and it took care little care of interest of Ethiopia. If we go by facts, 82% of Nile River water originates

from the Blue Nile (or Abbay). It has all its sources in Ethiopia. In 2011, Ethiopia also started constructing the Grand Ethiopian Renaissance Dam on the Abbay River. In the following year, Prime Minister Meles visited to Egypt in order to establish an understanding with the neighboring country. Though in the past, it was always refused to discuss these fair claims of Ethiopia regarding Nile water optimum utilization.

4.3-Challenges for Ethiopia

The Chinese-Ethiopian bilateral relationship has significantly advanced since the year 1991, when Meles Zenawi became head of the state. Though, their mutual relations had to face numerous testing times in past two decades.

Chinese interest in Ethiopia has brought about controversies with the local community. Some segments in the Ethiopian society are expressing anxiety, given the sheer intensity of bilateral relations (Adem, 2012). There are some specific issues that came up over the recent past vis-à-vis Chinese investment. One of them is the perception that Chinese companies occasionally engage in joint ventures with Ethiopian counterparts (Gebre-Egziabher, 2006) and tend to hire Chinese contract labor rather than local workers; such practices would prevent the necessary technological transfer and prevent economic engagement to trickle down to the broader public. Besides, it has also affected local industry by displacing local producers and instigating unemployment (Brautigam, 2009).

Moreover, though export to China was growing much faster than the import, since the volume of Ethiopian export was very small, the trade balance had been in favor of China. In terms of imports from China, the main commodities Ethiopia imports include parts, structures and steel, machines, and woven fabrics. In 2010, Ethiopia's expenditure to import parts from China took worth of US \$ 295.17 million, followed by structures and parts of structure, and machines with US \$ 92.36 million and US \$ 85.16 million respectively. Although trade figures show that the volume of Ethiopian exports to China has increased over time, the trade imbalance remains a structural problem in the trade relations between the two countries. (Ethiopian Ministry of Trade November 2010)

The imbalance generally raised concerns with the Ethiopian government, which of course the Chinese government also took into consideration. Up to the 4th FOCAC Meeting, China granted Special Preferential Tariff treatment from 187 goods to 440 goods, and China has become the largest export country of Ethiopia. Since Ethiopia's capacity to export commodities on the scale and variety was so limited, there needed to be other ways of complementing the deficit. (Gebre-Egziabher)

An additional point of consideration is the social and environmental aspect of the foreign investment which has now developed as a concern which has intensified disagreement between a few host and home countries. Seemingly, in context of Chinese investment, Ethiopian government has secretly eased the implementation of environment standards. This has been done to attract the investment from China. Though, it is to be noted that many Chinese projects, joint ventures as well as wholly owned, are functioning in regions which are ecologically sensitive.

Ethiopia has given preference to short term economic development over the long term sustainability of the environment. Which has resulted in some grave environmental problems. Ethiopian officials with the responsibility to ensure environmental protection do not seem to impose accountability on Chinese firms for their negative actions harming the environment. They have also failed to motivate Chinese firms to apply those production methods, which are comparatively less negative towards the environment.

Unquestionably, Chinese investments form an essential portion of Ethiopian Economic development agenda. These investments have helped development of infrastructure, sharing of modern management skills and has given financial assistance for various other projects of relevance. But still, Environmental sustainability must be duly considered during implementation of any project what-so-ever. In past few years, Chinese administration has tried to address this environmental issue. It has stepped up its cooperation with Ethiopia on environment and ecology front and is helping it actively in the development of renewable and clean energy. The purpose of this is to ensure that economic development and environmental sustainability go hand in hand. One must not be done at the cost of another. This will help shape a green Africa, particularly Ethiopia, with requisite sustainable development.

4.4-Chinese Investment in Ethiopia and its Implications on the Relationship

The research case study tries to examine the investment by China in Ethiopia and its level of engagement. The study attempts to examine the trend of investment in contrast to various FDI concepts and their effects and determinants. It also tries to observe the impact of investments on trade pattern, assistance and bilateral trade relations between China and Ethiopia. In the early phase of 2000s, China-Ethiopia relations increased in relevance as far as investment and trade was concerned. Primarily, trade and investment was prominent in the areas of telecommunications, manufactured goods and road construction with significant involvement of Chinese firms in the manufacturing sector in Ethiopia.

Good bilateral relations between China and Ethiopia was the primary reason behind the success of Chinese companies in Ethiopian market. Bid price was kept low initially by Chinese firms for projects with the option of self-financing. Chinese companies were supported by Chinese authorities a great deal in their interactions with Ethiopian government. They also cracked good deals because of lower skilled personnel in Ethiopia as far as managerial and technical skills are concerned. There were very few experts in Ethiopian ministries who had the requisite institutional capability to deal with Chinese companies. Chinese investment was further successful because of their technological and cost advantages over the corresponding firms in Ethiopia.

Addis Ababa, capital city of Ethiopia also had many significant institutions related to African continent which made it look like an unofficial capital city of Africa. Chinese companies also attempted to showcase their assistance and investments aimed at Ethiopia in order to gain leverage with other African countries. African Leaders duly recognized Chinese engagements in development projects in Ethiopia. These projects were handled by public or big Chinese companies with support from the government in most of the cases. Ethiopia also served as an important market for Chinese products which helped growth of Chinese industries.

Some of the major infrastructure projects included a storage facility of Ethiopian Airline and a ultra-modern airport hangar both being constructed by Chinese companies at a price well below

the cost in order to be benefitted in the long run. Much financial assistance was given by Chinese government with regard to China-Ethiopia Friendship Road, in connection to which an ultra-modern Passover Road was being constructed by the government of China (Seyoum et.al. 2015).

A few other examples are the ultra-modern building construction for headquarter of African Union and the ring road around Addis Ababa. It can be noted that primarily all Chinese investment in Ethiopia in the manufacturing sector was in quest of new market and to a limited extent, resource seeking as well. It is also worth noting that there were a few groups which were benefitted from China-Ethiopia engagement while a few others had to bear losses. The gainers group was the one related to manufacturing sector which included commercial traders, consumers, service centers and entrepreneurs involved in small scale firms. In contrast, small scale companies related to footwear and clothing sectors and their employees, contractors and traditional suppliers in telecommunications, electricity generation and infrastructure sectors were possible losers in the China-Ethiopia engagement (Morella & Foster, 2010).

Some of the Chinese companies were involved in the businesses for which they were not licensed which made them insecure. It was important for them to give better working conditions to respond to the root cause of the problem. This underlined the relevance of China-Ethiopia engagement for both the countries. It is also important for other stakeholders to analyze the level of engagement.

This emphasizes the relevance of ascertaining optimal size of trade, investment and steps for the industrial policy of China keeping in mind its emerging economy. The steps should be such to bring about a win-win scenario for both the nations. Firstly, Ethiopian government policy about its association with China is not much influenced by the case studies in this regard. Though they need to analyze the situation. Secondly, Investment from Chinese side in Ethiopia has both positive and negative aspects. It needs to be studied as such and an effective response with incentive policy to increase the economic association between China and Ethiopia is required.

Thirdly, there is a need for technology sharing and managerial skill transfer from Chinese side to Ethiopian companies. It is clearly demarcates that Chinese companies are not much enthusiastic about it while the Ethiopian counterparts need skill development. So there must be intervention

from the government side to incentivize the joint ventures between the two with an incentive policy. Fourthly, the research study also presented the fact that there is a vast difference between expertise and skill set between Chinese and Ethiopian firms as far as their mutual interactions have been observed.

Such steps might not work in the favor of Ethiopia in the short run and may harm their mutual long term interests. To address this concern, skill improvement and effective organization of Ethiopian administration and work force is required. This can be supported by qualified consultant from the private sector with right kind of knowledge in the field in short run. This will help them negotiate upcoming deals and projects with China. Further, there is a constraint of skilled labour force and foreign exchange with insufficient reliability towards Ethiopian course of action which has limited Chinese investments in Ethiopia.

These are some of the important areas which need urgent government response. To sum it up, the research abridges Ethiopia-China relations in terms of trade and investment and its repercussion for the times ahead of the mutual relation. It is expected to benefit institutions related to academics as well as research. It may also be put to use in private sector industry groupings. It is one of the primary efforts to sum up the comprehensive, holistic engagement policy of Ethiopia and China (Xianoguang, 2014).

There are rarely any instances of conflicts or controversy in Ethiopia because of Chinese trade and investment or related to financial assistance. Though there is a demand for engagement with Chinese foreign ministry and Ministry of Commerce with rising interdependence. There is a need for better regulation of Chinese firms and an equal need of improvement of business environment in Ethiopia. Evidences suggest that Chinese authority must carefully analyze some important projects that raise concerns from local and international NGOs such as those related to large scale hydropower generation.

Chinese companies, similar to their western counterparts, complain about rigid currency policy of Ethiopia. There is also a restrictive tendency in the form of rigid quality control for Chinese export products to Ethiopia as compared to quality check for exported products from other

countries. Chinese financial assistance to Ethiopia is constantly rising with wider support for infrastructure development in Ethiopia.

At present, China-Ethiopia relations are guided by considerable increase in investment, trade and financial assistance with intensified political cooperation between the two. Their relationship is undergoing through the celebratory period. Chinese policy hails their relations as a case in point regarding accomplishment of Chinese engagement in African continent. Its rise has been much visible since the successful completion of first FOCAC conference in 2000 (Xinhua, 2009). Chinese influence in Ethiopia is also rising with the increase in their bilateral relationship. Though, there is equally a rising concern in terms of increasing asymmetries in the relationship which has generally been an equal relationship. This might lead to more tensions and fissures in the near future, if not addressed. China-Ethiopia relationship stands on an assumption that economic development of Ethiopia will be a great story of triumph. A swift response to growing asymmetries can ascertain their comprehensive Economic and Political cooperation in the coming decades.

Conclusion

Ethiopia-China relation grew from strength to strength during leadership of Meles Zenawi. For, the callings of time suited their mutual interests. China could showcase its financial and technological might to African nations with the intent of garnering their support in geo-politics. For, that would help China build up a group against western hegemony. In turn, Ethiopia could fuel their development program with Chinese funds and their technology. Not simply that Meles Zenawi also picked up Chinese way of ruthlessly suppressing dissent.

Ethiopian and Chinese civilizations both have ancient heritage. Fifty years long history of fruitful achievements of China-Ethiopia relationship would make both proud of their significant engagement.

China and Ethiopia are natural partners due to their complementarities. Both the countries have faced foreign invasion in their past and share the same feelings about them. Both Ethiopia and China follow an independent foreign policy and firmly believe that economic development should be the top agenda for national growth of any country. They have tried to protect core interests of each other at international forums by providing support when there was a need to do so. They have also shared experiences of governance with each other and have taken lessons from them.

According to their internal political and economic environment, they have been following the appropriate path for development. Their level of engagement is multi-dimensional. The relationship has developed contacts between government-to-government, people-to-people and party-to-party. Their relationship is firmly rooted upon principles of mutual respect and equality. The two countries have been sincere friends and reliable partners. To sum it up, Ethiopia-China relationship has become an excellent and real hallmark of the success of South-South Cooperation.

Diplomatic relationship between Ethiopia and China started in the year 1970. Since then, relations between China and Ethiopia went through phases. They were not always very close. After 1991, when Meles Zenwi became the Prime Minister of Ethiopia, ground was laid down

afresh for persistent cooperation, which served as a milestone in the relationship. In 1998, a treaty was signed by the Ethiopia and China to strengthen mutual cooperation, which got further strengthened through a Comprehensive Cooperative Partnership in 2003.

During the Meles Zenawi regime, their relationship grew at a faster pace. The quality of their relations enriched. There were good working relations and a personal friendship between the leaders of both the countries. The bilateral trade between Ethiopia and China was not very significant in 2003. But with improvements in relationship, the trade volume consistently increased. Notably, in the period from 2003-2012, Bilateral trade between Ethiopia and China increased thirteen times. As a consequence, China has now become the single largest trading partner of Ethiopia as well as the biggest foreign investor in their development projects.

China has found a huge potential market in Ethiopia. It is one of the significant markets in African for the Chinese investment, technology and Chinese products. China has given Ethiopia technical and financial assistance at various occasions and for many different infrastructure development projects. Some of the notable ones among these are the Addis Ababa Light Track Railways project, the first Express Toll Way, the first operative Wind Power Plant and many other projects related to infrastructure development.

These projects are the vibrant examples of their comprehensive strategic partnership. Both Ethiopia and China cooperate to respond to international concerns like poverty, regional conflicts, food insecurity and climate change. They also work to protect the interests of the developing nations. Their relations are also significant in promoting the China-Africa relations which are developing under the outlining agenda of the Forum on China-Africa Cooperation (FOCAC).

China passionately pursues its objective of reaching its products all across and for that purpose has also initiated comprehensive reforms. In the similar manner, Ethiopia is dedicated to its Ethiopian Renaissance which is to accomplish its 5-year Growth and Transformation Plan and achieve its Vision 2025 to rise above the tag of being a low income country and become a middle income country. China has now grown to become the second largest economy in the World, while Ethiopia is emerging as one of the fastest developing countries of the African continent.

Both the countries have complementarity in their requirements. They are seeking more and more cooperation and mutual support and search for bigger opportunities to collaborate. This has resulted in multi-dimensional expansion of their relationship.

Both China and Ethiopia understood it well that in sustaining the bilateral relationship, high level Exchanges act as the driving force. These exchanges and discussions deepen and upgrade the bilateral relations. Both of them strengthened their cooperation in infrastructure development and construction. This was assisted by creation of more Special Economic Zones (SEZ). For China, Ethiopia was a potential huge market with immense opportunities and a very significant destination for investments. In contrast, China was an important source for technology transfer for Ethiopia and it could also have assisted Ethiopia in improving its industrial capability.

Ethiopia wanted fast infrastructure development and China wanted to work closely with Ethiopia in strengthening regional connectivity. Thus the two of them worked to improve the infrastructure of telecommunications, electricity and transportation networks in the region. Both the countries also cooperated in the fields of clean, green and sustainable energy, agriculture and mining. They upgraded the relationship into a full-fledged strategic partnership. Both also promoted people-to-people exchanges and cultural exchanges at multiple levels.

The bilateral relationship is improving their mutual understanding of each other and stimulating the awareness of their civilizational roots. Both China and Ethiopia have increased cooperation and coordination on international issues and are helping each other on international forums. Their promotion of China-Africa relations is also noteworthy. Both are putting their joint efforts to ensure stability, peace and prosperity of Africa and the world. They also vouch for a new, fairer and more rational international economic and political order.

During the Meles Zenawi regime, China-Ethiopia relationship grew rapidly, with bilateral economic and trade cooperation and achieving remarkable results. Ethiopia has become the bellwether of China-Africa economic and trade cooperation. Over the past decade, bilateral trade has seen an average annual growth of nearly 20 percent, reaching US two billion *dollars* in 2012.

At present, a large number of Chinese organisations and enterprises have invested in manufacturing units in Ethiopia, with the accumulated amount exceeding US\$ 600 million, which comes to 80 percentage of investment in Ethiopia. And it covers building materials, leather, pharmacy, automobile assembling and food processing.

Not only advanced and practical manufacturing technologies have been transferred to Ethiopia to strengthen the expansion of “*made in Ethiopia*” programme. That helped create job opportunities for Ethiopian young generation. Besides, Chinese companies have taken an active part in fulfilling their social responsibilities, such as digging wells and paving roads for local communities and sponsoring medical treatment. And it is enjoying a harmonious coexistence with local people. In terms of construction, Chinese enterprises have undertaken a large scale infrastructure projects. The first wind power plant and first expressway in Ethiopia have been completed and the first light rail and a transnational railway are under construction.

All the achievements bear the confirmation of Chinese and Ethiopian friendship and cooperation. The African Union Conference Center is not only a landmark monument built in Addis Ababa, but also a new memorial of China-Africa friendship. China seems to have made a mark for itself in Ethiopia by providing advance electrical and transportation equipment. Now bilateral relationship has entered its best phase.

China is comprehensively opening up more and more to meet Ethiopia’s two centennial goals. Ethiopia is carrying out plans of economic growth and transformation, making efforts to realise national revitalization possible. Further strengthening bilateral economic and trade cooperation accords to serve long term interests of the two countries and their people. Ethiopia continues to provide favorable ground for the improvement of mutual cooperation and common developmental goals. The economic and trade cooperation are covered the fields of industrial parks construction, energy and mineral resources exploitation, food processing products and infrastructure construction.

China and Ethiopia share common ideas and carry strong demands for mutual cooperation. China is willing to make all efforts to keep strengthening bilateral economic and trade cooperation that

also serve each other's interests. In terms of investment China and Ethiopia relationship carry scope for wide ranging mutual cooperation. Ethiopia has favorable conditions to develop labour intensive industries thus providing suitable environment for investment. And it also has abundant labour resources at its disposal and substantial market potential.

The two countries can take the existing achievements like the Eastern Industry Zone as the foundation to create a favorable policy for Chinese enterprises to invest in Ethiopia and transfer technology. That will engage more number of skilled people and management professionals. In this sense, Ethiopia can be turned into the main destination in Africa to undertake the transfer of Chinese manufacturing. In infrastructure construction, Ethiopia has started a series of large projects in electricity, transportation and telecommunications fields to support its industrialization. Having tasted fruits of their mutual cooperation, they have implemented the key projects including Addis Ababa light rail, Addis Ababa-Djibouti railway and many more. Since, the Meles Zenawi came to power, he drove China-Ethiopia economic and trade cooperation to a higher level.

After the death of Meles Zenawi in 2012, Chinese President Xi Jinping and Ethiopian Prime Minister Hailemariam Dessalegn met twice on different occasions. Prime Minister Hailemariam also made a visit to China. The official visit by Premier Li Keqiang to Ethiopia and the successful official visit by Ethiopian President Mulatu Teshome to China also injected strong momentum into the continued development of the bilateral relations. These visits strengthened the depth of relationship and laid strong foundation for mutual cooperation between the two countries. Having gone through varying phases of long standing China-Ethiopia relationship, it comes out that the level of mutual cooperation and understanding is primarily dependent on each other's contemporary needs.

Governance during Meles Zenawi period

Meles Zenawi, leader of a rebel group that fought and defeated a brutal military dictatorship of DERG, on his victory promised respect for civic liberty, democracy and development. But subsequently, he became increasingly repressive and intolerant of criticism during his Premiership.

During the last phase of his regime, he made Ethiopia into a police state with a massive security network at its disposal. He widely suppressed any kind of civil society organizations and freedom of press was curtailed. Any voices against him and all forms of opposition were severely crushed.

Meles Zenawi literally ruled Ethiopia at his whims and fancy for more than 20 years. He was loved, admired, idealized and idolized by his supporters. But, his persistent quest for absolute power made him abandon his promise for democracy. It turned him into an authoritarian. He was accused of human rights violations and crimes against humanity and was blamed for stifling deceased democracy in Ethiopia. The opposition also claimed that he is the one, because of whom the country is facing such internal problems and he is responsible for sufferings of everyone.

EPRDF under the leadership of Meles Zenawi controlled 99.6 percent of the seats in parliament. The other member of EPRDF were mere rubber stamps, they have no more role in running the regime. His repressive laws criminalized journalists and civil society. Ethiopian intellectuals neither stood up for Meles Zenawi nor could they choose to challenge his authority. Opposition was not united and was fragmented so they literally failed from standing true to the expectations of millions to lead the country towards the shining path to democracy.

Meles Zenawi was a determined and authoritative person who abused the power and authority. He never believed in the fact that true power resides in the people and hence must always be exercised in accordance with the rule of law. During his rule, he was the judge, jury, policeman and executioner. He was the law and his will was dictated as the law of the land. He was a leader in his own right and was ambitious.

He had the potential to be an exemplary leader in Ethiopia and Africa and he also wanted to be famous that way. Notably, famous dictators have generally been very powerful leaders throughout the history. But most of them hung to power through brutal suppression of their own people and subjugates. Great leaders are not those who abuse the power and authority given to their, but greatness belongs to the leaders who are loved, admired and cherished by their people and are appreciated elsewhere for the right kind of leadership skills.

Africa has no dearth of such great leaders. Nelson Mandela was one such exemplary leader who was appreciated and admired by the whole world. He remained in his office only for 4 years but that was enough to show his leadership potential. He spent most of his life suffering in Apartheid prisons. Today he is seen as an icon of humanity. Nelson Mandela cared for his people. His concern about his people was sincere and it was not to exercise his power. His first and foremost concern was the dignity for all the people living in South Africa and humanity at large. He treated everyone equally and equality was one of the most important principles he stood for.

He is the reason of transformation of South Africa. Today it is a shining example of a flourishing multiracial, multicultural society. Meles Zenawi had an opportunity to follow Mandela's path. He could have tried to make Ethiopia more strong and united. He could have ensured that its growth and economic development was inclusive. But he believed that man can live by bread alone and his consideration was only related to economy.

He single mindedly championed investment and developmental projects. He had the chance to build bridges that connected people across ethnic divides that linked hearts and minds but he chose to build edifices to decorate the cities, roads and dams that damned the people and gave away the land to foreign investors in the name of development. Meles Zenawi missed to forge a united Ethiopian nation. He followed the path of China, where no voice was heard by the authority.

Meles Zenawi never accepted his blunders and never tried to correct any of those. He could have realized his mistakes and might have corrected them for good of one and all. But this truth and realization never occurred to him. In the aftermath of the 2005 Elections, when hundreds of protesters died and nearly 800 were wounded. He responded to this very authoritatively and bureaucratically. He never accepted his mistake in the way he dealt the matter.

In the similar fashion, he issue a fabricated report to the killings of hundreds of people in Gambella. He always denied any kind of human rights violation when people were killed in the Oromia and Ogaden regions. He claimed to be right all the time. He never believed that he could do any mistakes and hence he never learned from them. He might have been an exemplary leader of Africa, given his potential but it needed him to uphold the rule of law. He did mention about

the Constitution, rights and the rule of law but he rarely followed any of these. All global human rights organizations vehemently criticized him for his disregard for the Constitution of Ethiopia and neglect of all international human rights treaties and conventions.

Every year, the United States of America, State Department Human Rights Report documented massive human rights violations in Ethiopia as did so many other international human rights organizations. But he always ignored the reports. Meles Zenawi passed away in August 2012. Ethiopian people must take lessons from his regime and progress forward for a better future ahead. Now Ethiopian people and government together should build Ethiopia on a firm foundation of democracy, respect for human rights and the rule of law. To complete the transition to democracy, Ethiopia's new regime of Hailemariam Dessalegn must take strong proactive action to begin a national dialogue for reconciliation. The government must release all political prisoners and stop all oppressive measures in the name of anti-terrorism against civil society.

References

(* indicates a primary source)

Abbay, A. (2004), “Diversity And State- Building in Ethiopia”, *African Affairs*, 103 (413): 593-614.

Abegaz, Melaku T. (2013), *Total Factor Productivity and Technical efficiency in the Ethiopian Manufacturing Sector*, Addis Ababa: Ethiopian Development Research Institute, EDRI Working Paper, 10 April 2013, [Online: Web] Accessed 23 Feb. 2014, URL: www.edri-eth.org.

Adejumobi, Saheed A. (2007), *The History of Ethiopia*, Westport: Greenwood Press.

Adem, Saifudein (2012), “China in Ethiopia: Diplomacy and Economics of Sino-optimism”, *African Studies Review*, 55 (1): 143-160

Adem, Saifudein (2012b), “Imperial Ethiopia’s relations with Maoist China”, *African East-Asian Affairs*, Issue-1 August: 1-23, [Online: Web] Accessed 23 Feb 2014 URL: www.ccc.org.za/pub.

AfDB (2010), *Ethiopia’s Economic growth performance: Current Situation and Challenges*, Vol-1, Issue-5: 1-5, 17 Sept.2010 [Online: Web] Accessed 23 Feb. 2014, URL: www.afdb.org.

AfDB (2011), “Evaluation of Policy Based Operations in the African Development Bank, 1999-2009. Country Case Study: Ethiopia”, Operations Evaluation Department, [Online: Web] Accessed 12 March 2014 URL: www.afdb.org/eng/documents.

Afigbo, A.E. (1971), *The Making of Modern Africa, Vol-2*, Hong Kong: Longman Group Ltd.

African Development Bank (2011), *Ethiopia, African Economic Outlook 2011*, Addis Ababa: (Online: Web] Accessed 10th Sept. 2011 URL: www.africaneconomicoutlook.org.

African diplomat (2010), “Revitalizing Ethio-Chinese Cooperation”, [Online: Web] Accessed 23 Feb 20015 URL: <http://et.china-embassy.org/eng/sgxx/>

AFRODAD (2011), *Mapping Chinese Development Assistance in Africa: An Analysis of the Experiences of Ethiopia*, Harare: African Forum and Network on Debt and Development, [Online: Web] Accessed 12 March 2012 URL: www.afrodad.org.

Afrodad, (2011), *African Forum and Network on Debt and Development, Annual Report*, Harare (Zimbabwe) <http://www.afrodad.org/Reports/AFRODAD%20Annual%20Report%202011.pdf>

Aidoo, R. and Hess, S. (2015), “ Non- Interference : China’s Evolving Foreign Policy towards a Changing Africa’, *Journal of Current Chinese Affairs*, 44 (1): 107-139, [Online: Web] Accessed 28 Nov.2015, URL: www.journals.sub.uni-hamburg.de/giga/jcca/article.

Alden, Chris (2007), *China in Africa: Partner, Competitor or Hegemon?* (African Argument), London: Zed Books.

Alden, Chris et al. (eds.) (2008), *China Returns to Africa: A Rising Power & a Continent Embrace*, New York: Columbia University Press.

Assefa, Henok et. al (2013), “Ethiopia’s Investment Prospects: A Sectoral Overview”, *African Review of Economics and Finance*, 4 (2): 203-246, [Online: Web] Accessed 14 Jan.2014, URL: <http://www.meleszenawi.com/wp-content/uploads/2013/07/Ethiopias-Investment-Prospects-A-Sectoral-Overview.pdf>.

Bahru, Zewde (1991), *A History of Modern Ethiopia, 1855-1974*, London: James Currey Ltd.

Bartke, Wolfgang (1975), *China’s economic aid*, New Delhi: Vikas Publishers.

Beri, Ruchita (2007), “China’s Rising Profile in Africa”, *China Report*, 43 (3): 297-308.

Bernasconi, N.et.al. (2013), *Chinese Outward Investment: An emerging Policy Framework*, Manitoba (Canada): International Institute for sustainable Development, [Online: Web] Accessed 1 Oct. 2014, URL: www.iisd.ca.

Berthelemy, Jean Claude (2011), *China’s Engagement and Aid Effectiveness in Africa*, Working Paper Series No. 129 of African Development Bank [Online: Web] Accessed 15th March 2012 URL: <http://www.afdb.org>.

Biles, Peter (2000), “Ethiopia: Bitter Foes”, *World Today*, 56 (7) July.

Boateng, E.A. (1978), *A Political Geography of Africa*, New York: Cambridge University Press.

Brautingam D. (2009), *The Dragon’s Gift: The real story of China in Africa*, Oxford: Oxford University Press.

BTI, (2014), *Ethiopia Country Report*, [Online: Web] Accessed 15 April 2015 URL: www.bti-project.org/uploads/tx.

Cabestan, Jean-Pierre (2012), “China and Ethiopia: Authoritarian affinities and economic cooperation”, Translated by N. Jayaram, *China Perspectives*, 2012/ 4, [Online: Web] Accessed 23 March 2014, URL: www.cefc.com.hk.

CCS (2012), *Chinese led SEZs in Ethiopia yet to bear fruit*, [Online: Web] Accessed 23 Feb. 2014 URL: <http://www.ccs.org.za/wp-content/uploads/2012/11/YK-Chinese-led-SEZs-in-Ethiopia.pdf>.

Cheru, Fantu and Cyril Obi (eds.) (2010), *The Rise of China and India in Africa*, London: Zed Book.

Chin, G.T. and B.M. Frolic (2007), *Emerging Donors in International Development Assistance: The China Case*, IDRC, Canada URL: <http://www.idrc.ca/EN/Pages/default.aspx>.

Christine, H. (2013), “Aid Donor Meets Strategic Partner? The European Union’s and China’s Relations with Ethiopia”, *Journal of Current Chinese Affairs*, 42 (1): 7-36.

Coleman, Denisey (2015), *Ethiopia: 2015 Country Review*, Houston: country Watch Inc., [Online: Web] Accessed 28 Nov. 2015, URL: www.countrywatch.com.

Crawley, Andrew (1995), “Poverty in Focus, South- South Cooperation: The Same Old Game or a New Paradigm?” No-20, Discussion Paper, [Online: Web] Accessed 12 January 2012 www.ipc-undp.org

Crewett, Wibke (2008), “Ethiopia: reforming land tenure”, *Review of African Political Economy*, 35 (116), June: 203-220.

Defer, Adeline (2007),” China’s influence in Africa” *GRIN Verlag*, July 23:1-22, [Online: Web] Accessed 15 March 2012 URL: www.grin.com.

Deshpande, G. P. and Gupta, H.K. (1986), *United Front against Imperialism: China's Foreign Policy in Africa*, Bombay: Somaiya Publications Private Limited.

Desta, Asayehgn (2010), *Chinese Investment in Ethiopia: Developmental Opportunity or Deepening China’s New Mercantilism?*, Dominican University of California [Online Web] Accessed 23 Jan.2012 URL:http://www.aigaforum.com/articles/Chinese_Investment_in_Ethiopia

Dilnessa, Addis (2005), *Relations between Ethiopia and China: An Ethiopian Perspective*, in Knife, Abraham, “ China comes to Africa: the Political Economy and Diplomatic History of China’s Relations with Africa, Addis Ababa: EIIPD Publishers.

Dinh, Hinh T. et. Al. (2012), “Light Manufacturing in Africa: Targeted Policies to Enhance Private Investment and Create Jobs”, Washington: International Bank for Reconstruction and Development Publication, [Online: Web] Accessed 12, march2014,URL: www.wb.org/pub

Document IV (2007), “White Paper on China’s African Policy, January 2006”, *China Report*, 43 (3): 375-391, [Online: Web] Accessed 1 Oct.2015, URL: www.chr.sagepub.com.

EEA/EEPRI (2009), *A Survey of the Economic and Trade Relationship between China, India and Ethiopia*, Addis Ababa: Ethiopian Economics Association Publication, [Online: Web] Accessed 12 March 2012 URL: www.eaecon.org.

Egziabher, Tegegne Gebre (2009), “The Developmental Impact of Asian Drivers on Ethiopia with Emphasis on Small-Scale Footwear Producers”, *The World Economy*, 32 (11) Nov: 1613-1637.

Endeshaw, Assafa (2002), *Ethiopia: Perspectives for Change and Renewal*, Singapore: Seng Lee Press Pvt. Ltd.

Englebert, Pierre (2009), *Africa: Unity, Sovereignty and Sorrow*, London: Lynne Rienner Publishers.

Englebert, P. & Dunn, Kevin C. (2013), *Inside African Politics*, Boulder (Colorado): Lynne Rienner Publishers.

Erlikh, Haggai (1986), *Ethiopia and the challenge of independence*, Boulder, Colorado: Lynne Rienner Publishers.

Erlikh, Haggai (1994), *Ethiopia and the Middle East*, Boulder, Colorado: Lynne Rienner Publishers.

Ethiopian diaspora (2014), [Online: Web] Accessed 23 Dec. 2015 URL: <http://www.ethdiaspora.org.et/index.php/rmp/rip/item/124-over-100km-highway-build-up-linking-between-ethiopia-sudan>

*FDRE (1994) Federal Democratic Republic of Ethiopia, *The Constitution of The Federal Democratic Republic of Ethiopia*, Federal Negarit Gazeta, 1st year, No-1, 21st August 1995 [Online: Web] Accessed 24 Jan. 2012, URL: <http://www.fsc.gov.et/Content/Negarit%20Gazeta/Negarit%20Gazeta/Gazeta-1995> .

Fentaw, A. (2009), “Ethiopia’s Foreign Affairs and national Security Policy: The Case for Paradigm Shift” *Facts Sheet*, [Online: Web] Accessed 12 March 2010 URL: www.state.gov/r/pa/ei/bgn.

Fernando, Sithara (2007), “Chronology of China-Africa Relations”, *China Report*, 43 (3): 363-373, [Online: Web] Accessed 23 Feb. 2012, URL: www.chr.sagepub.com.

Fessha, Yonatan Tesfaye (2010), *Ethnic Diversity and Federalism: Constitution making in South Africa and Ethiopia*, Burlington: Ashgate Publishing Company.

Filessi, Teobaldo (1972), *China and Africa in the Middle Ages*, London: Frank Cass Press.

- Fiseha, Assefa(2012), “Ethiopia’s Experiment in Accommodating Diversity: 20 year’s Balance Sheet,” *Regional and Federal Studies*, 22 (4): 435–473, [Online: Web] Accessed 12 Nov. 2014 URL: <http://dx.doi.org/10.1080/13597566.2012.709502>
- Fitzgerald, Mary (2010), *China's Massive Investment in Ethiopia at what Cost?* [Online: Web] Accessed 12 April 2012, URL: <http://www.ethiopianreview.com>
- FOCAC (2009), Out Come of 3rd Ministerial meeting in Beijing, [Online: Web] Accessed 2 Feb. 2012 URL: <http://www.fmprc.gov.cn/zflt/chn/dsjbjzjhy/bzhyhxxd/t629214.htm>
- Forje, John W. (2009), *State building and democracy in Africa: a comparative and developmental approach*, New York: Nova Science Publishers, Inc.
- Foster, V.et.al. (2009), *Building Bridge: China’s Growing Role as Infrastructure financier for sub-Saharan Africa*, Washington D.C. World Bank Publication, [Online: Web] Accessed 23 Oct. 2014 URL: www.worldbank.org/F
- Fu, Xiaochen (2012), *Promoting Manufacturing Foreign Direct Investment From China To Ethiopia*, M.A. Dissertation, Havard: Havard University.
- Galperin, Georgi (1981), *Ethiopia: population, resource and economy*, Moscow: Progress Press.
- Garnaut, R & Song Ligang (eds.) (2005), *The China Boom and its Discontents*, Canberra: The Australian National University press.
- Garnaut, Ross et al. (eds.) (2010), *China: The Next Twenty years of Reform and Development*, Canberra: The Australian National University press with Association of Social Sciences Academic Press (China).
- Geda, Alhuemaye (2008), “Scoping Study on the Chinese Relation with Sub Saharan Africa: The Case of Ethiopia”, *African Economic Research Consortium*, Nairobi [Online: Web] Accessed 8 Jan. 2012, URL: www.Alemayehu.com.
- Geda and Meskel (2009), *Impact of China-Africa Investment Relations: Case Study of Ethiopia*, Nairobi: AERC.
- Gedion Gamora (2010), *Ethiopia and China Political and Economic Relations: Challenges and prospects after1991 bilateral: Ethiopia-China (PRC) relation*, [Online: Web] Accessed 23 Feb. 2014, URL: www.mfa.gov.et.
- Gill, Peter (2010), *Famine and Foreigners: Ethiopia since Live Aid*, Oxford (New York): Oxford University Press.
- Gillespie, Carol Ann & Gritzner, Charles F. (2003), *Ethiopia*, New York: Chelsea House Publishers, [Online: Web] Accessed 23 Feb. 2014 URL: <http://www.chelseahouse.com>.

Gogliardone, Iginio (2014), “New Media And The Developmental State in Ethiopia” *African Affairs*, 113 (451): 279-299.

Golstein, A.et al. (2006), *The Rise of China and India: What’s in it for Africa?* Paris: Organisation for Economic co-operation And Development Press (OECD).

Gudina, Merera (2003), *Ethiopia: Competing Ethnic Nationalisms and The Quest for Democracy, 1960-2000*, Addis Ababa: Chamber Printing House.

Hackenesch, Christine (2011), *Competing for Development? The European Union and China in Ethiopia*, Discussion Paper 3/ 2011, Stellenbosch: Centre for Chinese Studies, [Online: Web] Accessed 23 Feb.2014, URL: www.ccs.org.za.

Hall, John G. (2003), *Ethiopia in The Modern World*, Philadelphia: Chelsea House Publishers, [Online: Web] Accessed 23 Feb. 2014 URL: <http://www.chelseahouse.com>.

Hance, William A. (1964), *The Geography of Modern Africa*, New York: Columbia University Press.

Hellstrom, T (2009), *China’s emerging role in Africa*, Stockholm: FOI Studies in African Security, [Online: Web] Accessed 23 Feb.2013, URL: www.foi.se/africa.

Henze, Paul B.(1998), “Political Success story” *Journal of Democracy*, 9 (4): 40-54, [Online: Web] Accessed 14 Oct. 2008, URL: http://muse.jhu.edu/journals/journal_of_democracy.

Hess, Robert L. (1970), *Ethiopia: the modernization of autocracy*, Ithaca: Cornell University Press.

Hilsum, Lindsey (2005), “Re-enter the Dragon: China’s New Mission in Africa”, *Review of African Political Economy*, 32 (104/105) June: 419-425.

Huisken, Ron (ed.) (2009), *Rising China: power and reassurance*, Canberra: The Australian National University press.

Ilfie, John , (1995) . *Africans: The History of a Continent*, Cambridge: Cambridge University Press.

Ishiyama, John (2010), “Ethnic Partnership in Ethiopia”, *Nationalism and Ethnic Politics*, 16 (3-4): 290-310, [Online: Web] Accessed 13 March 2012, URL: www.tandfonline.com/loi.

Isichei, Elizabeth (1997), *A history of African Societies to 1870*, Cambridge: Cambridge University Press.

ITC Data Base, (2007), International Trade Centre Data Base, [Online: Web] Accessed 23 Feb. 2010 URL: www.itc.org/database.

- Jalata, G.G. (2014), "Development Assistance from South: Comparative Analysis of Chinese and Indian to Ethiopia", *Chinese Studies*, 3 (1): 24-39, [Online: Web] Accessed 3 Jan 2015, URL: www.scirp.org/Journal/chnstd.
- Jenkins, Rhys & Edward, Cheri (2006), "The Economic impacts of China and India on Sub-Saharan Africa: Trends & Prospects", *Journal of Asian Economics*, 17: 207-225
- Jonathan, H. (2011), "China's Evolving Behaviour in Africa and the Options of Cooperation with Europe", *Journal of Current Chinese Affairs*, 40 (4): 3-16
- Kaplinsky, Raphael et al. (2007), *The Impact of China on Sub-Saharan Africa*, IDS Working Paper-291 [Online: Web] Accessed 23 Jan.2012, URL: [www.ids.ac.uk/ids/](http://www.ids.ac.uk/ids/bookshop) bookshop.
- Kebede, Messay (2011), *Ideology and Elite Conflicts: autopsy of the Ethiopian revolution*, Lanham: Lexington Books.
- Kefale, Asnake (2013), *Federalism and Ethnic Conflict in Ethiopia: A comparative regional study*, London: Rotledge, Taylor & Francis Group.
- Kim, Yejoo (2012), Commentary, Chinese-led SEZs in Ethiopia yet to bear fruit, *Centre for Chinese Studies*, [Online: Web] Accessed 23 February 2014, URL: www.sun.ac.za/ccs
- King, Kenneth (2011), "China's cooperation with Ethiopia-With a Focus on Human Resources", *Organization for Social Science Research in Eastern and Southern Africa (OSSREA Bulletin)*, VII (1): 88-112.
- Kurlantzick, J. (2007), "China's New Diplomacy and Its Impact on the World", *The Brown Journal of World Affairs*, Winter/Fall, XIV (1): 221-235
- Kurlantzick, Joshua (2007), *Charm Offensive: How China's soft Power is transforming the World*, New York: Yale University Press.
- Lavers, Tom (2011), *The Role of Foreign Investment in Ethiopia's Smallholder focused agricultural development strategy*, LDPI, Working Paper-2, The Hague: International Institute of social Studies Publications, [Online: Web] Accessed 23 Feb.2012, URL: www.iss.nl.
- Lavers, Tom (2012), 'Land grab' as development strategy? The Political economy of agricultural investment in Ethiopia", *The Journal of Peasant studies*, 39 (1): 105-132. [Online: Web] Accessed 12 March 2015, URL: <http://www.tandfonline.com/loi>
- Lefort, Rene (1981), *Ethiopia: An Heretical Revolution?* Translated by A.M. Berrett, London: Zed Press.

Li, Anshan (2005), "African Studies in China in the Twentieth Century: A Historiographical Survey", *African Studies Review*, 48 (1): 59:87.

*Li, Yin (2010), *Ethiopia says interested in bolstering cooperation with China in health sector*, [Online: Web] Accessed 23 Feb 2015 URL: <http://et.china-embassy.org/eng/sgxx/>

Lipsky, George A (1962), *Ethiopia: its people, its society and its culture*, New Haven: Hraf Press.

Looy, Judith van de (2006), *Africa and China: A Strategic Partnership?*, ASC Working Paper 67, Leiden(The Netherlands) : African Studies Centre.

Luther, E.W. (1958), *Ethiopia Today*, Sanford, California: Stanford University Press.

Lynons, Terrence (2009), "Ethiopia-Eritrea conflict and the search for peace in the Horn of Africa", *Review of African Political Economy*, 36(120):167-180.

Manji, Firoj and Stephen Marks (eds.) (2007), *African Perspectives on China in Africa*, Capetown: Fahamu-Networks for Social Justice press.

Marcus, Harold G (1994), *A History of Ethiopia*, Berkeley: University of California Press.

Markakis, John (2011), *Ethiopia: The Last Two Frontiers*, Cumbria (UK): James Currey.

* Mbeki ,Thabo, President of South Africa, Addressed at Tsinghua University, Beijing, China, 11 December 2001, [Online: Web] Accessed 20th March 2014 URL: <http://www.dfa.gov.za/docs/speeches/2001/mbek1211.htm>.

*MFA (2010), Government of Ethiopia, *Bilateral: Ethiopia-China Relations* [Online: Web] Accessed 23 Feb. 2013 URL: <http://www.mfa.gov.et/BilateralMore.php?pg=9>

Milelli, C. and Sindzingre, A. (2013), *Chinese Outward Foreign Direct Investment in Developed and Developing Countries: Converging Characteristics?*, Working Paper, 34 (2013), [Online: Web] Accessed 23 Oct.2014, URL: <http://economix.fr>.

*MOFCOM,(2009), Brief Introduction of China's Aid to Foreign Countries, Ministry of Commerce of People's Republic of China, March 2009 [Online: Web] Accessed 31 March 2011 URL: <http://english.mofcom.gov.cn/article/statistic/ie/201002/20100206776296.shtml>.

*MOEDC (1997), Ministry of Economic Development and Cooperation, Government of Ethiopia, *Environmental Policy*, Addis Ababa, 2 April.

* MOFED (2006), Ministry of Finance and Economic Development, Government of Ethiopia, (PASDEP) *Ethiopia: Building on Progress, A Plan for Accelerated and Sustained Development to End Poverty*, Addis Ababa, Accessed on 12 March 2014, [Online: Web] www.mofed.gov.et.

*MFA (1998),Ministry of Foreign Affairs, Government of Ethiopia, *Agreement between the Government of the Federal Democratic Republic of Ethiopia and The Government of the People's Republic of China Concerning the Encouragement And Reciprocal Protection of Investments*, Addis Ababa.

* MFA (2002a), Ministry of Foreign Affairs, Government of Ethiopia, *Proclamation for Investment*, Proclamation No. 280, Addis Ababa, July [Online: Web] Accessed 20th April 2012 URL: <http://www.mfa.gov.et>.

* MFA (2002b), Ministry of Foreign Affairs, Government of Ethiopia, *Foreign Affairs and National Security Policy and Strategy*, Addis Ababa, November [Online: Web] Accessed 20 April 2012 URL: <http://www.mfa.gov.et>

* MOFA (2003), Ministry of Foreign Affairs, Government of People's Republic of China, *China's Position on Establishing a New International Political and Economic Order*, [Online: Web] Accessed 23 January 2012 URL: www.fmprc.gov.cn/eng.

*MOFA, Ministry of Foreign Affairs (2005), People's Republic of China, "*China's Relations with Countries having Diplomatic relations with China: Ethiopia*", Beijing: World Affairs Press.

Morella, E. and Foster, V.(2010), *Ethiopia's Infrastructure: A continental Perspective*, [Online: Web] Accessed 23 Feb.2014, URL: www.worldbank.org.

Mountjoy, Alan B. and Embleton, Clifford (1965), *Africa: A Geographical Study*, London: Hutchinson Educational LTD.

Mulualem, M (2014), *The African Union and Foreign Policy*, (EIIPD), The Ethiopian Institute for Peace and Development, [Online web], Accessed 20 January 2015 <http://www.thereporterethiopia.com/index.php/opinion/viewpoint>.

Naidu, Sanusha and Daisy Mbazima (2008), *China-African relations: A new impulse in a changing continental landscape*, [Online: Web] Accessed 23 Jan. 2012, URL: www.elsevier.com/locate/futures.

Nega, Berhanu (2010), "Ethiopia is headed for Chaos", *Current History*, 109(727), May: 186-192.

New, Charles (1873), *Life, Wanderings and Labours in Eastern Africa*, (IIIrd Edition by Alison Smith 1971), London: Frank Cass & Co LTD.

OECD (2011), "Enterprise Development and Economic Transformation: Creating the Enabling Environment", China-DAC Study Group, [Online: Web] Accessed 23 Oct. 2014, URL: www.oecd.org/dac/aft/south-south_Chinapdf.

OECD/ IPRCC (2012), *Trade-Related South- South Cooperation: China*, [Online: Web] Accessed 14 February 2014: URL: www.oecd.org/dac/aft/south-south_China.pdf.

Ogunsanwo, Alaba (1974), *China's Policy in Africa 1958-71*, Cambridge: Cambridge University Press.

Pankhurst, Richard (1998), *The Ethiopians: A History*, Malden: Blackwell Publication.

Pankhurst, Richard (1999), "Ethiopia, the Aksum Obelisk and the return of Africa's cultural heritage", *African Affairs*, 98 (391), April: 229-239.

Pannell, Clifton W. (2008), "China's Economic and Political Penetration in Africa", *Eurasian Geography and Economics*, 49(6): 706-730.

Perham, Margery (1969), *The Government of Ethiopia*, London: Faber and Faber Limited Publication.

Plaut, Martin (2012), "Obituary, The legacy of Meles Zenawi", *Review of African political Economy*, 39 (134): 645-654.

Pulsipher, Lydia (1997), *World Regional Geography Today*, New York: Holt, Rinehart & Winston Publishers.

Qurong, Shen and Bhabani Sen Gupta (eds.) (1999), *China looks at the world*, Delhi: Konark Publishers.

Raine, Sarah (2009), *China's African Challenges*, London: The International Institute for Strategic Studies.

Rao, K. L. (1972), *Ethiopia: development of irrigation and power*, New Delhi: Ministry of irrigation and Power, [Online: Web] Accessed 23 Jan.2012, URL: <http://www.ethiopianreview.com/>.

*Regulations of Federal Democratic Republic of Ethiopia, [Online:Web] Accessed on 14 January 2014. URL: http://www.erca.gov.et/images/Documents/Regulation/Domestic_Tax_Regulations/69.pdf

Reinert, Kenneth A. (2007), Ethiopia in the World Economy: Trade, Private Capital Flows & Migration, *Africa Today*, 53(3) Spring: 65-89.

Renard, Mary-Françoise (2011), *China's Trade and FDI in Africa*, Working Paper Series No.126 of African Development Bank (Online: Web) Accessed 5th Feb.2012 URL: <http://www.afdb.org>.

Robinson, Thomas W and David Shambaugh (eds.) (1994), *Chinese foreign Policy: Theory and Practice*, New York: Oxford University Press.

Rotberg, Robert I. (ed.) (2008), *China into Africa: Trade, Aid and Influence*, Cambridge: world Peace foundation.

Samy, Yiagadeesan (2010), “China’s Aid policies in Africa: Opportunities & Challenges”, *Round tables*, 99 (406) Feb: 75-90.

Schaefer, F. and Abebe G. (2013), *High Hopes & Limited success: Experimenting with Industrial Policies in Leather Industry in Ethiopia*, EDRI Working Paper, 11 December 2013, [Online: Web] Accessed 23 Feb. 2014 URL: www.edri-eth.org.

Schwab, Peter (1972), *Decision Making in Ethiopia: A study of the Political Process*, London: C. Hurst and Company LTD. Publishers.

Schwab, Peter (1985), *Ethiopia: Politics, Economics and Society*, London: Francis Printer (Publishers).

Seddon, David and Daines, Daniel Seddon (2005), *A Political and Economic Dictionary of Africa*, London: Routledge (Taylor & Francis Group).

Seyoum, M. et.al. (2015), “Technology spill over from Chinese outward direct investment: The case of Ethiopia” *China Economic Review*, 33: 35-49.

Shinn, David H. (2014), *Ethiopia and China: How Two Former Empires Connected*, [Online: Web] Accessed 23 Oct.2015 URL: <http://www.internationalpolicydigest.org/2014/06/11/ethiopia-china-former-empires-connected-20th-century/>

Sillery, Anthony (1972), *Africa: A Social Geography (IInd Edition)*, London: Duckworth & Co Ltd.

Smith, Lahra (2013), *Making Citizens in Africa: Ethnicity, Gender and National Identity in Ethiopia*, New York: Cambridge University Press.

Song, L. & Golley, J. (2011), *Rising China: global challenges and opportunities*, Canberra: The Australian National University press.

Sun, Yun (2014), *Africa in China’s Foreign Policy*, Brookings, [Online: Web] Accessed 12 March 2015 URL: www.brookings.edu/-/media.

Swain, Ashok (1997), “Ethiopia, the Sudan and Egypt: The Nile river dispute”, *Journal of Modern African Studies*, 35 (4) Dec: 675-694.

- Tareke, Gebru (1991), *Ethiopia: power and protest; peasant revolts in the twentieth century*, Cambridge: Cambridge University Press.
- Taylor, Ian (2007), *China and Africa: Engagement and Compromise*, London: Routledge (Taylor & Francis Group).
- Taylor, Ian (2009), *China's New Role in Africa*, London: Lynner Rienner Publishers.
- Tegegn, M. (2008), "The EPRDF vis-a vis Ethiopia's development challenges", *African Identity*, 6 (4): 445-475.
- Teshale, Tibebu (1995), *The Making of Modern Ethiopia, 1896–1974*, Lawrenceville, NJ: Red Sea Press.
- Thakur, Monika (2009), *Building on Progress? Chinese Engagement in Ethiopia*, Occasional Paper No. 38 of SAIIA [Online: Web] Accessed 4 March, 2012 URL: www.saiia.org.za.
- Tiruneh, A (1993), *The Ethiopia Revolution-1974-1987: A transformation from an aristocratic to a totalitarian autocracy*, Cambridge: Cambridge University Press.
- Trade Data (2014), *Trade between China and Ethiopia*, Extract data from [Online: Web] Accessed 23 Oct.2014, URL: <http://comtrade.un.org/data>.
- UN (1978), *South- South Cooperation: Meeting Development Challenges with Southern Solution*, [Online: Web] Accessed 23 Feb. 2012, URL: <http://ssc.undp.org/GSSD-EXPO>.
- UN (2008), *Trends in South- South and triangular development cooperation*, United Nations Economic and Social Council, [Online: Web] Accessed 12 February 2012, URL: www.un.org/en/ecosoc/docs/soth-south_cooperation.
- UNCTAD (2005), *South-South Cooperation in International Investment Arrangements*, New-York: United Nations Publications, 2005/3.
- UNDP (1978), *What is South-South Cooperation?*, [Online: Web] Accessed 23 Feb.2014, URL: http://ssc.undp.org/content/ssc/about/what_is_ssc.html.
- UNDP (2009), *Enhancing South-South And Triangular Cooperation*, New York: United Nations Development Programme, [Online: Web] Accessed 23 Oct.2012, URL: <http://ssc.undp.org>.
- Van der Beken, Christophe (2007), "Ethiopia: From A Centralised Monarchy to A Federal Republic" *Afrika Focus*, 20 (1-2): 13-48.

Venkataraman, M. & Gofie, S.M. (2015), “The Dynamics of China-Ethiopia trade relations: economic capacity, balance of trade & trade regimes” *Bandung Journal of the Global South*, 2 (8): 1-18.

Venkataraman, M. (2007), “Ethiopia-Eritrea ties: past, present, future”, *Africa Quarterly*, 47(1), Feb-Apr.: 52-61.

Venkataraman, M. and Gamora, Ato Gedion (2009), “An Analysis of China-Ethiopia Relations during the Cold war”, *China Report*, 45 (1): 7-23, [Online: Web] Accessed 1 Oct.2015, URL: www.chr.sagepub.com.

Waal, Alex De (2012), “The Theory and Practice of Meles Zenawi” Review Article, *African Affairs*, [Online: Web] Accessed 23 February 2015 URL: www.aigaforum.com/article/theory.

Wang Yi and Tedros Adhanom Ghebreyesus (2014), *Ethiopia-China relations: an excellent model for South-South cooperation*. [Online: Web] Accessed 23 Sept. 2015 URL: www.Chinadaily.com.cn_2014-12-01

Warburton, John and Horn Leo (2007), *China’s Environment Crisis: What does it mean for Development?* *Development*, 50 (3) Sept: 48-56.

World Bank (2012), *Chinese FDI in Ethiopia: A World Bank Survey*, Washington: World Bank Publication, [Online: Web] Accessed 1 Oct.2014, URL: www.worldbank.org.

Woods, N. (2009), Whose aid? Whose influence? China, emerging donors and the silent revolution in development assistance, *International Affairs*, 84 (6).

WTO (2014), *Aid for Trade: South-South Cooperation*, [Online: Web] Accessed 23 Feb.2015 URL: https://www.wto.org/english/tratop_e/devel_e/a4t_e/greview11_sess8_summ_e.doc

Xianoguang, Wang (2014), *China-Ethiopia Economic And Political Relations Post 1991 Period*, Ph.D. Thesis, Addis Ababa: Addis Ababa University.

* Gu Xiaojie, (2010 a), *Ethio-China relations gaining momentum: Amb.*, 3 July, [Online: Web] Accessed 23 Feb 2015 URL: <http://et.china-embassy.org/eng/sgxx/>

*Gu Xiaojie, (2010 b), *China grants scholarship to 41 Ethiopian students*, 5 August, [Online: Web] Accessed 23 Feb 2015 URL: <http://et.china-embassy.org/eng/sgxx/>

*Xiaoping, Deng (2005), *Newsweek* [Online: Web] Accessed 14th Dec. 2011 <http://www.newsweek.com/>

Xinhua (2009), *China-Africa trade, economic cooperation create “win-win” situation for both sides*, [Online: Web] Accessed 14 Sept. 2015 URL: [http:// news.xinhuanet.com/English/china](http://news.xinhuanet.com/English/china).

Xuequan, mu (2014a), “China, Ethiopia pledge to push for new progress in bilateral relations [Online: Web] Accessed 5 sept. 2015, URL: <http://news.xinhuanet.com/english/china>.

Xuequan, Mu (2014b), *China- Ethiopia agree to Further Promote all-round cooperation*, Xinhua News, [Online: Web] Accessed 12 August 2015 URL: <http://news.xinhuanet.com/English/china>.

*Yang, yi (2014), *Chinese Premier, Ethiopian President agree to Promote ties, Cooperation*, Xinhua News, [Online: Web] Accessed 14 Sept. 2015 URL: <http://news.xinhuanet.com/English/china>.

Ye Wang, Jian (2007), *China’s growing role in Africa?*, [Online: web] Accessed 5 Feb. 2012, URL: <http://www.imf.org/document>.

*Yifan, La (2015), *Ethio-China relation has achieved remarkable progress for Pursuing Peaceful Development: envoy*, [Online: Web] Accessed 23 Feb 2015 URL: <http://et.china-embassy.org/eng/sgxx/>

Yihun, B.B. (2014), “Ethiopian Foreign Policy and the Ogaden War: The shift from Containment to destabilization 1977-1991”, *Journal of Eastern African Studies*, 8 (4): 677-691, [Online: Web] Accessed 14 March 2015, URL: www.tandfonline.com/loi.

Young, John (1998), “Regionalism and democracy in Ethiopia” *Third World Quarterly*, 19 (2): 191-204.

Yu, George T. (1988), “Africa in Chinese Foreign Policy” *Asian Survey*, 28 (8): 849-862.

Zegeye, Abede and Siegfried Pausewang (eds.) (1994), *Ethiopia in change: peasantry, nationalism and democracy*, London: British Academic Press.

*Zenawi, Meles (2011), *Green Economy and Structural Transformation in Africa*, Addis Ababa: Keynote Address in the African Economic Conference, 25 Oct. 2010, [Online: Web] Accessed 23 Feb.2014, URL: www.afdb.org/fileadmin/upload.

Zerihun, Admit et.al. (2015), *Ethiopia*, [Online: Web] Accessed 23 Oct.2015, URL: www.africaneconomicoutlook.org.

*Zhijie, Zheng (2015) *China Development Bank backs Chinese Investment in Ethiopia*, [Online: Web] Accessed 23 Feb 2015 URL: <http://et.china-embassy.org/eng/sgxx/>

Ziso, Edson (2014), *Internationalisation of Chinese Capital in Africa and South-South Cooperation through Special economic Zones (SEZs): A Political-economy commentary*, IInd Oceanic Conference on International Studies, University of Melbourne-9-11 July, [Online: Web] Accessed 2nd Dec.2015 URL: www.ocis.org.au/files/pdf/full-papers.

Appendix –I

China and Ethiopia Import Data

Years-1993-2012

Period	Trade Flow	Reporter	Partner	Commodity Code	Trade Value (US\$)
2012	Import	China	Ethiopia	TOTAL	309365546
2011	Import	China	Ethiopia	TOTAL	292059109
2010	Import	China	Ethiopia	TOTAL	273970311
2009	Import	China	Ethiopia	TOTAL	214755559
2008	Import	China	Ethiopia	TOTAL	81656179
2007	Import	China	Ethiopia	TOTAL	87130422
2006	Import	China	Ethiopia	TOTAL	131823476
2005	Import	China	Ethiopia	TOTAL	85708980
2004	Import	China	Ethiopia	TOTAL	14386456
2003	Import	China	Ethiopia	TOTAL	4738059
2002	Import	China	Ethiopia	TOTAL	3685135
2001	Import	China	Ethiopia	TOTAL	1769685
2000	Import	China	Ethiopia	TOTAL	2871700
1999	Import	China	Ethiopia	TOTAL	769058
1998	Import	China	Ethiopia	TOTAL	476654

1997	Import	China	Ethiopia	TOTAL	626598
1996	Import	China	Ethiopia	TOTAL	205360
1995	Import	China	Ethiopia	TOTAL	605554
1994	Import	China	Ethiopia	TOTAL	38630
1993	Import	China	Ethiopia	TOTAL	2800

China and Ethiopia Export Data

Years-1993-2012

Period	Trade Flow	Reporter	Partner	Commodity Code	Trade Value (US\$)
2012	Export	China	Ethiopia	TOTAL	1529869658
2011	Export	China	Ethiopia	TOTAL	885361446
2010	Export	China	Ethiopia	TOTAL	1209615368
2009	Export	China	Ethiopia	TOTAL	1252460488
2008	Export	China	Ethiopia	TOTAL	1230719309
2007	Export	China	Ethiopia	TOTAL	778359524
2006	Export	China	Ethiopia	TOTAL	430770158
2005	Export	China	Ethiopia	TOTAL	284001209
2004	Export	China	Ethiopia	TOTAL	194054868
2003	Export	China	Ethiopia	TOTAL	152747258
2002	Export	China	Ethiopia	TOTAL	96426038

2001	Export	China	Ethiopia	TOTAL	78797585
1999	Export	China	Ethiopia	TOTAL	53442441
1998	Export	China	Ethiopia	TOTAL	68269992
1997	Export	China	Ethiopia	TOTAL	54974833
1996	Export	China	Ethiopia	TOTAL	41192285
1995	Export	China	Ethiopia	TOTAL	31275947
1994	Export	China	Ethiopia	TOTAL	17495814
1993	Export	China	Ethiopia	TOTAL	22235485

Appendix-II

The Ministry of Finance and Economic Development shall have the powers and duties:-

1. To initiate policies that ensure sustainable and equitable economic development as well as macro-economic stability in the country, in cooperation with the concerned organs, manage the economy by monitoring the implementation of such policy and submit reports on the performance of the economy;
2. Establish a system for the preparation and implementation of national development plan, and in cooperation with the concerned organs prepare the country's economic and social development plan and follow-up the implementation of same when ratified;
3. Establish a system for the preparation and implementation of development projects; conduct pre-implementation evaluation of project proposals submitted for financing;
- 4 Follow-up and evaluate the performance of general, sectoral and multi sectoral development plan; prepare a report on the implementation of national development plan which shall include the performance of regional plans;
5. Initiate macro-economic and fiscal policies that particularly serve as a basis for taxes and duties and follow-up implementation of the same;
6. Establish systems of budgeting, accounting, disbursement and internal audit for the Federal Government, and follow-up implementation of the same; ensure the harmonization of systems of budgeting, accounting, disbursement and internal audit established at the levels of both federal and regional governments;
7. Prepare the Federal Government budget, make disbursements in accordance with the budget approved and evaluate the performance of the budget;
8. Establish a system of procurement and property administration for the Federal Government and supervise the implementation of the same;
9. Mobilize, negotiate and sign foreign development aid and loans, and follow-up implementation of same;

10. Manage and coordinate the bilateral economic cooperation as well as the relationship with international and regional organizations set-up to create economic cooperation; follow-up the impact of same on the performance of the country's economy;

11. Be the depository of and safeguard the Federal Government's shares negotiable and non-negotiable instruments and other similar financial assets;

12. Formulate the population policy of the country, upon approval follow-up, coordinate and supervise its implementation;

13. Ensure the proper execution of functions relating to mapping and statistics.

(Federal Negarit gazette. Proclamation N0 691/2010)

Appendix -III

National policies, strategies and laws in Ethiopia

Over the last two decades, the Ethiopian government has put in place a number of policies, strategies and laws. That is designed to support development and attract the investment. The following list provides the policies, strategies and legal instruments that are closely related to the implementation of the sustainable development agenda:

1. The Conservation Strategy of Ethiopia (April 1997) including 9 Regional States' Conservation Strategies;
2. Agricultural Development Led Industrialization
3. The Environment Policy of Ethiopia (April 1997)
4. National Policy on Ethiopian Women (1993)
5. The National Population Policy of Ethiopia (April 1993);
6. The National Agricultural Research Policy and Strategy (October 1993);
7. The National Science and Technology Policy (December 1993); which is now replaced with the National Science and Technology Innovation Policy (2012)
8. The Health Policy (1993),
9. The Energy Policy (1993),
10. Education and Training Policy (1994)
11. The National Health, Science and Technology Policy (June 1994);
12. The National Drug Policy (September 1994);
13. The National Policy on Disaster Prevention and Management (1997);
14. The National Policy on Biodiversity Conservation and Research (1998);
15. The Ethiopian Water Resources Management Policy (1999); and
16. The National Fertilizer Policy (1999).

17. Rural Development Policy and Strategies (MoFED, 2003).
18. National Biodiversity Strategy and Action Plan (2005)
19. Radiation Protection: Proclamation No 571/2008
20. Development, Conservation and Utilization of Wildlife: Proclamation No 541/2007
21. Ethiopian Wildlife Development and Conservation Authority Establishment: Proclamation No 575/2008
22. Urban Planning: Proclamation No 574/2008
23. Forest Development, Conservation and Utilization Policy (2007)
24. Forest Development, Conservation and Utilization Proclamation No 542/2007
25. Environmental Impact Assessment Proclamation 299/2002
26. Pollution Control Proclamation 300/2002
27. Prevention of Industrial Pollution: Council of Ministers Regulation No 159/2008
28. Environmental Organs Establishment Proclamation;
29. Guidelines on Technology Selection and Transfer;
30. Guidelines on Enforcement and Compliance in Industrial Pollution;
31. Guidelines on the Procurement of Environment Friendly Goods;
32. Guidelines on Integrated Pollution Prevention and Control;
33. Guidelines on Pollution Release and Transfer Registry
34. Guidelines on Industrial Waste Handling and land filling and Management
35. Guidelines for undertaking sector specific Environmental Impact Assessment on development projects in 21 sectors.

Above guidelines are taken as tools to grab the foreign investment opportunities and develop the country's infrastructure. The laws are enhanced the work force as well as provide the job opportunity to the young population of Ethiopia.

Appendix- IV

National Policy Principles Objectives in the Constitution of the Federal Democratic Republic of Ethiopia- (FDRE)

The Constitution has (11) eleven chapters with a Preamble divided into 106 Articles. Preamble says That “We, the Nations, Nationalities and Peoples of Ethiopia: Strongly committed, in full and free exercise of our right to self-determination, to building a political community founded on the rule of law and capable of ensuring a lasting peace, guaranteeing a democratic order, and advancing our economic and social development;

Firmly convinced that the fulfillment of this objective requires full respect of individual and people’s fundamental freedoms and rights, to live together on the basis of equality and without any sexual, religious or cultural discrimination;

Further convinced that by continuing to live with our rich and proud cultural legacies in territories we have long inhabited, have, through continuous interaction on various levels and forms of life, built up common interest and have also contributed to the emergence of a common outlook; Fully cognizant that our common destiny can best be served by rectifying historically unjust relationships and by further promoting our shared interests;

Convinced that to live as one economic community is necessary in order to create sustainable and mutually supportive conditions for ensuring respect for our rights and freedoms and for the collective promotion of our interests;

Determined to consolidate, as a lasting legacy, the peace and the prospect of a democratic order which our struggles and sacrifices have brought about;

Have therefore adopted, on 8 December 1994 this constitution through representatives we have duly elected for this purpose as an instrument that binds us in a mutual commitment to fulfill the objectives and the principles set forth above”.

Preamble itself says about the democratic rights of the individuals and also determined a democratic order, and advancing the economic and social development of the people.

(Chapter-10)

Article 85

Objectives

1. Any organ of Government shall, in the implementation of the Constitution, other laws and public policies, be guided by the principles and objectives specified under this Chapter.
2. The term "Government" in this Chapter shall mean a Federal or State government as the case may be.

Article 86

Principles for External Relations

1. To promote policies of foreign relations based on the protection of national interests and respect for the sovereignty of the country.
2. To promote mutual respect for national sovereignty and equality of states and non-interference in the internal affairs of other states.
3. To ensure that the foreign relation policies of the country are based on mutual interests and equality of states as well as that international agreements promote the interests of Ethiopia.
4. To observe international agreements which ensure respect for Ethiopia's sovereignty and are not contrary to the interests of its Peoples.
5. To forge and promote ever growing economic union and fraternal relations of Peoples with Ethiopia's neighbours and other African countries.
6. To seek and support peaceful solutions to international disputes.

Article 87

Principles for National Defence

1. The composition of the national armed forces shall reflect the equitable representation of the Nations, Nationalities and Peoples of Ethiopia.

2. The Minister of Defence shall be a civilian.
3. The armed forces shall protect the sovereignty of the country and carry out any responsibilities as may be assigned to them under any state of emergency declared in accordance with the Constitution.
4. The armed forces shall at all times obey and respect the Constitution.
5. The armed forces shall carry out their functions free of any partisanship to any political organization(s).

Article 88

Political Objectives

1. Guided by democratic principles, Government shall promote and support the People's self-rule at all levels.
 2. Government shall respect the identity of Nations, Nationalities and Peoples. Accordingly Government shall have the duty to strengthen ties of equality, unity and fraternity among them.

Article 89

Economic Objectives

1. Government shall have the duty to formulate policies which ensure that all Ethiopians can benefit from the country's legacy of intellectual and material resources.
2. Government has the duty to ensure that all Ethiopians get equal opportunity to improve their economic condition and to promote equitable distribution of wealth among them.
3. Government shall take measures to avert any natural and man-made disasters, and, in the event of disasters, to provide timely assistance to the victims.
4. Government shall provide special assistance to Nations, Nationalities, and Peoples least advantaged in economic and social development.
5. Government has the duty to hold, on behalf of the People, land and other natural resources and to deploy them for their common benefit and development.
6. Government shall at all times promote the participation of the People in the formulation of national development policies and programmes; it shall also have the duty to support the initiatives of the People in their development endeavors.

7. Government shall ensure the participation of women in equality with men in all economic and social development endeavors.

8. Government shall endeavor to protect and promote the health, welfare and living standards of the working population of the country.

Article 90

Social Objectives

1. To the extent the country's resources permit, policies shall aim to provide all Ethiopians access to public health and education, clean water, housing, food and social security.

2. Education shall be provided in a manner that is free from any religious influence, political partisanship or cultural prejudices.

Article 91

Cultural Objectives

1. Government shall have the duty to support, on the basis of equality, the growth and enrichment of cultures and traditions that are compatible with fundamental rights, human dignity, democratic norms and ideals, and the provisions of the Constitution.

2. Government and all Ethiopian citizens shall have the duty to protect the country's natural endowment, historical sites and objects.

3. Government shall have the duty, to the extent its resources permit, to support the development of the arts, science and technology.

Article 92

Environmental Objectives

1. Government shall endeavor to ensure that all Ethiopians live in a clean and healthy environment.

2. The design and implementation of programmes and projects of development shall not damage or destroy the environment.

3. People have the right to full consultation and to the expression of views in the planning and implementations of environmental policies and projects that affect them directly.

4. Government and citizens shall have the duty to protect the environment.

In this Chapter, focus was given on the Government's duty on External affairs and Economic objectives. It also emphasized on Political objective of the country, principles for National Defence and fulfills the Social and Cultural objectives. Hence, Chapter 10 of the Constitution describes National Policy Principles and Objectives of the Country and also ensures the Development of the individuals.

Appendix-V

(The Labour Conciliation Office) Labour Proclamation No.377/2003

Labour Proclamation No.377/2003 attempts to find amicable settlement of labour disputes based on the voluntary submission of the parties to its mediation efforts. It is also pointed out that the Labour Proclamation does not provide a procedure to be followed during the mediation process. The Labour Conciliation Office at the Ministry of Labour and Social Affairs reveals that the Office follows the following written internal procedure in the mediation process:

1. As a first step, one of the parties to a labour dispute should apply to the Ministry of Labour and Social Affairs and request the Ministry to mediate the dispute.
2. The Labour Conciliation Office at the Ministry will then send a letter to the other party asking if it agrees to the mediation process.
3. If the parties agree to the mediation process, a conciliator assigned for the case by the Ministry will have a preliminary discussion with them.
4. The conciliator will collect all information and evidence connected with the case.
5. The conciliator will then examine the written applications and responses of the parties and require oral explanation of issues, which are not clear on the written submission the parties.
6. The conciliator will attempt to build consensus between the parties taking the following points into consideration:
 7. Allowing the parties to propose solutions to their problems;
 8. Tackling issues in the order of their importance;
 9. Understanding the expectations of the parties out of the mediation process.
 10. Help the parties to develop a framework of agreement on the amicable settlement of the dispute.
 11. Write down all points of agreement;
 12. Advise on the implementation of the agreement;
 13. Advice on how to avoid similar dispute in the future.
14. Where there is no agreement /no amicable settlement/, the conciliator shall write and send a report to all concerned parties. The report shall contain:
 15. The issues of the dispute;

16. The demands of the parties;
17. The efforts made by the conciliator to bring about amicable settlement of the dispute;
18. The weak and strong points of the parties in the mediation process.

Appendix- VI

Proclamation No. 9/1995 A Proclamation to Provide for the Establishment of the Environmental Protection Authority.

Whereas, it has become necessary to establish the Environmental Protection Authority; now, therefore, in accordance with Article 55(1) of the Constitution of the Federal Democratic Republic of Ethiopia, it is hereby proclaimed as follows.

In this Proclamation: (1) “Environment” means the totality of all resources whether in their natural state or as modified or changed by man as well as the external conditions and impacts which affect the quality and quantity of said resources and the welfare of human beings;

(2) “Environmental Protection” means the protection of land, water, air and similar other environmental resources, factors and conditions which affect the life and development of all organisms including human beings; (3) “Environmental Management” means the study, protection and conservation as well as the control of the utilization of the environment in general; (4) Person means any natural or juridical person.

3. Establishment

(1) The Environmental Protection Authority (here in after referred to as the Authority) is hereby established as an autonomous public institution of the Federal Government. (2) The Authority shall be accountable to the Council of Ministers

5. Objective

The objective of the Authority shall be to ensure that all matters pertaining to the country's social and economic development activities are carried out in a manner that will protect the welfare of human beings as well as sustainably protect, develop and utilize the resource bases on which they depend for survival.

6. Powers and Duties of the Authority

The Authority shall have the following powers and duties: (1) to prepare environmental protection policy and laws; and, upon approval, follow up their implementation; (2) to prepare directives and systems necessary for evaluating the impact of social and economic development projects on the environment; follow up and supervise their implementation;

(3) to prepare standards that help in the protection of soil, water and air as well as the biological systems they support, and follow up their implementation; (4) to carry out studies required to combat desertification and, in cooperation with the concerned organs, create favourable

conditions for their implementation; (5) to make recommendations on the application of diverse encouragement and regulatory measures for the better protection of the environment; (6) to provide instruction required to enhance awareness of the need for environmental protection; (7) to follow up the implementation of international treaties on environmental protection to which the country is a party; (8) to render advice and technical support to Regions on environmental protection; (9) to own property, enter into contracts and sue and be sued in its own name; (10) to carry out such other activities as are necessary for the fulfilment of its objective.

Appendix- VII

Proclamation No. 280/2002: Re-Enactment of the Investment Proclamation

The encouragement and promotion of investment has become necessary so as to accelerate the economic development of the country and to improve the living standards of its people; In addition to that of domestic investors, it is deemed essential to widen the scope of participation of foreign investors and to facilitate conditions thereof with a view to enhancing the country's investment activities;

The system of administration of investment needs to be transparent and efficient;

To these ends, it has become necessary to revise the existing law on investment;

In accordance with Article 55 (1) of the Constitution of the Federal Democratic Republic of Ethiopia, it is hereby proclaimed as follows:

PART ONE

This Proclamation may be cited as the “Investment Proclamation No. 280/2002.”

In this Proclamation, unless the context requires otherwise:

- (1) Investment means expenditure of capital by an investor to establish a new enterprise or to expand or upgrade one that already exists;
- (2) Enterprise means an undertaking established for purposes of gaining profit;
- (3) Capital means local or foreign currency, negotiable instruments, machinery or equipment, buildings, initial working capital, property rights, patent rights, or other business assets;
- (4) Investor means a domestic or foreign investor having invested in Ethiopia;

- (5) Domestic Investor means an Ethiopian or a foreign national permanently residing in Ethiopia having made an investment, and includes the Government, public enterprises as well as a foreign, national, Ethiopian by birth and desiring to be considered as a domestic investor;
- (6) Foreign Investor means a foreign or an enterprise owned by foreign nationals, having invested foreign capital in Ethiopia, and includes an Ethiopian permanently residing abroad and preferring treatment as a foreign investor;
- (7) Foreign Capital means capital obtained from foreign sources, and includes the reinvested profits and dividends of a foreign investor;
- (8) Expansion or upgrading means increasing in value, by more than 25%, the full production or service capacity of an existing enterprise, be it in variety, volume, or both, through additional investment made to the extent determined in regulations to be issued for the implementation of this Proclamation;
- (9) Appropriate Investment Organ means the Ethiopian Investment Authority, (here after referred to as the Authority), established under this Proclamation or the executive organ of a Region empowered to issue investment permits;
- (10) Public Enterprise means an undertaking, wholly owned by the Federal or Regional government established to carry out manufacturing, distribution, service rendering or other economic and related activities for gain;
- (11) Government means the Federal Government or a Regional Government;
- (12) Region means any of those specified under Article 47 (1) of the Constitution of the Federal Democratic Republic of Ethiopia and for the purpose of this Proclamation, includes Addis Ababa City Administration and the Dire Dawa Administrative Council;
- (13) The phrase export-oriented non-equity based foreign enterprise collaboration means a 100% export-oriented contractual arrangement between a domestic investor and foreign enterprise in which the foreign enterprise provides, among others, all or some of the following:
- (a) Guaranteed external market access;
 - (b) Export product and production know-how;
 - (c) Export marketing know-how;
 - (d) Export business management know-how;
 - (e) Raw materials and intermediate inputs needed for export production.

PART TWO

Investment Objectives, Areas and Incentives

Investment Objectives of the Federal Democratic Republic of Ethiopia The Objectives of the investment policy of the Federal Democratic Republic of Ethiopia are designed to improve the living standards of the peoples of Ethiopia through the realization of sustainable economic and social development, the particulars of which are the following:

- (1) To accelerate the country's economic development;
- (2) To exploit and develop the immense natural resources of the country;
- (3) To develop the domestic market through the growth of production, productivity, and services;
- (4) To increase foreign exchange earnings by encouraging expansion in volume and variety of the county's export products and services and the improvement of their quality as well as to save foreign exchange through production of import substituting products;

- (5) To encourage balanced development and integrated economic activity among the Regions and to strengthen the inter-sectoral linkages of the economy;
- (6) To enhance the role of the private sector in the acceleration of the development of the country's economy;
- (7) To render foreign investment play its proper role in the country's economic development;
- (8) To create wide employment opportunities for Ethiopians and to foster the transfer of technical know-how, of managerial skills, and of technology required for the progress of the country.

Areas of Investment Reserved for the Government or Joint Investment with the Government

- (1) The following investment areas are exclusively reserved for the Government:
 - (a) Transmission and supply of electrical energy through the Integrated National Grid System and
 - (b) Postal services with the exception of courier services.
- (2) Investors shall be allowed to invest in the following areas only in joint venture with the Government:
 - (a) Manufacturing of weapons and ammunition and
 - (b) Telecommunication services.

Areas of Investment Reserved for Domestic Investors Areas of investment exclusively reserved for Ethiopian nationals and other domestic investors shall be specified by regulations to be issued by the Council of Ministers.

Regarding investments to be undertaken in Joint Venture with the Government The Supervising Authority of Public Enterprises shall receive investment proposals submitted by any private investor intending to invest in joint venture with the government; it shall submit same to the Ministry of Trade and Industry for decision and, upon approval, designate a public enterprise to invest as partner in the joint investment.

Areas of Investment Open for Foreign Investors All areas of investment, other than those exclusively reserved, under this Proclamation, for the Government or joint venture with the Government or for Ethiopian nationals or other domestic investors, which shall be specified by regulations to be issued by the Council of Ministers shall be open for foreign investors.

Investment Incentives

(1) Areas of investment specified by regulations to be issued by the Council of Ministers pursuant to the investment objectives stated under Article 4 of this Proclamation shall be eligible for investment incentives.

(2) The regulations to be issued pursuant to Sub Article (1) of this Article shall determine the type and extent of entitlement to incentives.

PART THREE

Forms of Investment and Capital and Requirements for Foreign Investors

(1) Investments may be effected in one of the following forms:

- (a) Sole proprietorship;
- (b) Business organizations incorporated in Ethiopia or abroad;
- (c) Public Enterprise established in accordance with the relevant law;
- (d) Cooperative Societies formed in accordance with the relevant law.

(2) Any business organization specified under Sub Article (1) (b) of this Article shall be registered in accordance with the Commercial Code or any other relevant law.

Capital Requirements for Foreign Investor

(1) Any foreign investor, to be allowed to invest pursuant to this Proclamation, shall be required to allocate a minimum capital of 100, 000 US dollars for a single investment project.

(2) Notwithstanding the provisions of Sub Article (1) of this Article, the minimum capital required of a foreign investor investing jointly with domestic investors shall be 60,000 US dollars.

(3) The minimum capital required of a foreign investor investing in areas of engineering, architectural, accounting and audit services, project studies or business and management consultancy services or publishing shall be:

(a) 50,000 US dollars if the investment is made wholly on his own;

(b) 25, 000 US dollars if the investment is made jointly with domestic investors.

(4) A foreign investor:

(a) Re-investing his profits or dividends; or

(b) Exporting at least 75% of his outputs shall not be required to allocate a minimum capital.

(5) Any foreign investor having brought investment capital into the country shall have registered same at the National Bank of Ethiopia and obtain a certificate of registration.

PART FOUR- Investment Permit

Requirement of Permit

(1) The following investors shall be required to obtain investment permits:

(a) Foreign investors;

(b) Foreign nationals, excluding Ethiopians by birth, taken for domestic investors pursuant to Article 2(5) of this Proclamation;

(c) Domestic investors investing in areas eligible for incentives;

(d) Domestic and foreign investors making investments in partnerships.

(2) Notwithstanding Article 2(1) of this Proclamation, a foreign investor intending to buy an existing enterprise in order to operate it as it stands or to buy shares in an existing enterprise shall have to obtain prior approval from the Authority. A request for such approval shall be decided upon within 10 days of receipt of an application accompanied by complete information.

(3) The provisions of this Article shall not affect the right of an investor of Ethiopian national or foreign national, an Ethiopian by birth taken for domestic investor, intending to invest, in conformity with the relevant laws of the country, in areas not eligible for incentives or, waiving his right of entitlement in those areas eligible for incentives.

Application for Investment Permit

An application for investment permit shall be made in a form designed for such purpose and submitted to the appropriate investment organ together with the following information:

- (1) The project profile;
- (2) A list of the type and quantity of machinery and equipment intended to be exempted from import duties and taxes;
- (3) In case of a business organization, the memorandum and articles of association;
- (4) In the case of expansion or upgrading, a brief description of same and the implementation programme;
- (5) In the case of planned employment of expatriate staff, with the exception of top management positions, a statement on the time schedule for their replacement by Ethiopians and the training program designed for such replacement;
- (6) Power of attorney in the case of an application made through an agent; and
- (7) Other relevant information relating to the particulars of the project.

Issuance of Investment Permit

- (1) Upon receiving an application for investment permit made in full compliance with the provisions of Article 13 of this Proclamation, and after ascertaining, within 10 days, that the intended investment activity complies with the conditions stipulated in the regulations and directives to be issued to implement this Proclamation, the appropriate investment organ shall issue an investment permit to the applicant.
- (2) An investment permit shall contain the following:
 - (a) The name, nationality and the address of the investor;
 - (b) The investment activity; and
 - (c) The region in which the investment is to be made
- (3) A holder of an investment permit shall not be required to obtain a business license until completion of project implementation and the commencement of production or of rendering of service.
- (4) An investment permit may not be transferred to another person without the prior authorization of the appropriate investment organ.
- (5) Where an investment permit is transferred to another person or where any change occurs in its content, it shall be submitted to the appropriate investment organ and amended accordingly.

Renewal of Investment Permit

(1) An investment permit shall be renewed annually until the investor commences the marketing of his output or services; provided, however, the investor shall submit progress reports on the implementation of the project, to the appropriate investment organ, at the end of every six months.

(2) An application for renewal of an investment permit shall be submitted at least a month before the end of a period of one year for which the permit remains valid.

(3) The appropriate investment organ shall renew the investment permit, where satisfied, as to the existence of sufficient cause for the delay in the commencement or completion of implementation of the project.

Suspensions or Revocation of Investment Permit

(1) Where an investor violates the provisions of this Proclamation or regulations or directives issued to implement this Proclamation, the appropriate investment organ may suspend the investment permit until the investor takes due corrective measures.

(2) The appropriate investment organ may revoke an investment permit where it is ascertained that:

(a) The investor obtained the permit fraudulently or by submitting false information or statements;

(b) The investor has transferred the permit to another person without the authorization of the appropriate investment organ;

(c) Incentives granted are misused or illegally transferred to another person;

(d) The investor has failed, without good cause, to renew the permit in accordance with Article 15 of this Proclamation.

(3) The appropriate investment organ shall, prior to suspending or revoking a permit, notify the investor in writing as to the causes for taking such action and allow him a period of one month to present his views thereon.

(4) The appropriate investment organ shall suspend or revoke the permit where the investor fails to respond within the time limit prescribed in Sub-Article (3) of this Article or presents unacceptable justification.

(5) Upon suspension or revocation of an investment permit, the investor shall immediately lose entitlement to all benefits.

(6) Upon revocation of an investment permit, the investor shall return within 6 months all the benefit he was granted.

(7) An investment permit may not be suspended or revoked by an organ other than the appropriate investment organ having issued same.

Right to Appeal

An investor who has a grievance against a decision of an appropriate investment organ may, within 30 days from receipt of the decision, appeal to the Federal Investment Board or to the concerned organ of a Regional Government, as may be appropriate.

PART FIVE

Transfer of Technology, Loans, Utilization of Foreign Currency, and Remittance of Funds Technology Transfer Agreements

(1) Where an investor intends to conclude a technology transfer agreement related to his investment, he shall submit same to the Authority for approval and registration.

(2) Where the Authority receives a technology transfer agreement pursuant to Sub Article (1) of this Article, it shall give its decision thereon subsequent to the necessary evaluation in accordance with the Council of Ministers Regulations No. 121/1993.

Loans and Utilization of Foreign Currency

(1) An investor who acquires an external loan shall have such loan registered with the National Bank of Ethiopia in accordance with the directives of the Bank.

(2) For transactions related to their investment, foreign investors shall be allowed to open and operate foreign currency accounts in authorized local banks in accordance with directives of the National Bank of Ethiopia.

Remittance of Funds

(1) Any foreign investor shall have the right, in respect of an approved investment, to make the following remittances out of Ethiopia in convertible foreign currency at the prevailing rate of exchange on the date of remittance.

(a) Profits and dividends accruing from investment;

(b) Principal and interest payments on external loans;

(c) Payments related to a technology transfer agreement registered in accordance with this Proclamation;

- (d) Proceeds from the sale or liquidation of an enterprise;
 - (e) Proceeds from the transfer of shares or of partial ownership of an enterprise to a domestic investor.
- (2) Expatriates employed in an enterprise may remit, in convertible foreign currency, salaries and other payment accruing from their employment in accordance with the foreign exchange regulations or directives of the country.

PART SIX

Investment Guarantees and Protections

Investment Guarantees and Protections

- (1) No investment may be expropriated or nationalized except when required by the public interest and then, only in compliance with the requirements of the law.
- (2) Adequate compensation, corresponding to the prevailing market value, shall be paid in advance in case of expropriation or nationalization of an investment for public interest.
- (3) Any foreign investor may remit compensation paid to him, pursuant to this Article, out of Ethiopia in convertible foreign currency.

PART SEVEN

Investment Administration

Investment Administration Organs

The administration of investment shall be carried out through the following organs:

- (1) The Ministry of Trade and Industry;
- (2) The Investment Board;
- (3) The Authority;
- (4) Regional investment organs to be defined by the laws of the respective region.

Jurisdiction

- (1) The administration of investment in respect of the following shall be under the jurisdiction of the Authority;
 - (a) Investment made by foreign investor;
 - (b) Investment made by foreign national taken for domestic investor;

- (c) Investment made, in areas eligible for incentives by domestic investor who is required to obtain business license from concerned federal organs;
- (d) Joint investment by domestic and foreign investor.
- (2) Investments other than those referred to in Sub Article (1) of this Article shall fall under the jurisdiction of regional investment organs.
- (3) The granting of incentives by way of exemptions from import taxes and customs duties shall fall under the exclusive jurisdiction of the Ministry of Revenues.
- (4) Where an investor with a permit from the Authority or a regional investment organ applies for incentives of exemption from import taxes and customs duties, the Authority or the regional investment organ shall, after examining and ascertaining its acceptability within 5 days, transmit the application to the Ministry of Revenues together with the necessary information. The Ministry of Revenues shall give its decision within 7 days of receipt of such complete information.

One-Stop Shop Service

- (1) The issuance of business licenses, the granting of work permits to expatriate employees, and the registration of business organizations as required under the relevant laws shall, with respect to investors holding investment permits, be carried out by the Authority or by a regional investment organ as may be appropriate, representing the competent Federal or Regional executive bodies respectively.
- (2) The Authority shall register and render a one-stop service to export-oriented non-equity based foreign enterprise collaborations.
- (3) The Authority and regional investment organs shall carry out their functions under Sub Article (1) of this Article in compliance with the relevant laws thereof.
- (4) The Authority or a regional investment organ shall issue a license within 5 days after receiving an application pursuant to this Article, and is in full conformity with the requirements of the relevant law.

Transmission of Information on Investment Each regional investment organ shall transmit to the Authority information compiled with respect to the resource potential and investment opportunities of the Region as well as periodic reports on investment activities therein.

PART EIGHT

The Investment Board

Members of the Board

- (1) The number of members of the Investment Board shall be determined by Government.
- (2) The Minister of Trade and Industry shall be the Chairperson of the Investment Board.
- (3) The members of the Board shall be drawn from Government and private sector.
- (4) The Director General of the Authority shall be a member of the Board.
- (5) The Board shall have its own Secretariat. The powers and duties of the Secretariat shall be determined by the internal rule of procedures of the Board.

Powers and Duties of the Board

The Board shall:

- (1) Supervise and follow up, as the superior authority, the implementation of this Proclamation and the activities of the Authority;
- (2) Decision on policy issues arising in connection with the implementation of this Proclamation;
- (3) Issue directives necessary for the implementation of this Proclamation and regulations issued here under;
- (4) Submit, as necessary, amendments on investment incentives, to the Council of Ministers for approval;
- (5) Decision on appeals submitted to it by investors against decisions of the Authority;
- (6) Determine service fees to be charged by the Authority;
- (7) Approve the annual work program and budget of the Authority;
- (8) Publicly notify investors of directives it issues from time to time;
- (9) Whenever it deems necessary, decide on new or additional incentives, other than what is provided for under the Investment Incentives Regulations and submit same to the Council of Ministers for approval.

Meetings of the Board

- (1) The Board shall meet regularly once in a month. However, it may hold extraordinary meetings at any time when necessary.
- (2) There shall be a quorum where more than half of the members are present at meetings of the Board.
- (3) Decisions of the Board shall be passed by a majority vote. However, the chairperson shall have a casting vote in case of a tie.

(4) Without prejudice to the provisions of this Article, the Board shall draw up its own rules of procedure.

PART NINE

The Investment Authority

Re-establishment

(1) The Investment Authority is hereby re-established as an autonomous public institution having legal personality;

(2) The Authority shall be accountable to the Investment Board.

Powers and Duties of the Authority

The authority shall:

(1) Serve as a nucleus for matters of investment and promote, coordinate and enhance activities thereon;

(2) Initiate and submit to the Board policy and implementation measures needed to create a conducive investment climate for both domestic and foreign investors and follow up the implementation of same upon approval;

(3) Collect, compile, analyze and disseminate information on the resource potential of the country and on the investment opportunities it offers, promote concrete investment projects, provide, upon request, match-making service of possible joint investment partners;

(4) Organize, with a view to helping promote investment, such activities as exhibitions, training and seminars locally or abroad as may be appropriate, give advisory support to investors;

(5) Realize liaison and coordination between investors, public offices, Regional Governments and other relevant organs, with a view to enhancing investment;

(6) Prepare and distribute pamphlets, brochures, films and other materials that help enhance investment;

(7) Issue investment permits in accordance with Article 23 of this Proclamation;

(8) Monitor the implementation of investment projects for which it has issued permits and ensure that the terms of the investment permits are complied with;

(9) Approve and register technology transfer agreements related to investments;

(10) Negotiate bilateral investment promotion and protection treaties for conclusion between Ethiopia and other countries and sign same upon approval by the Council of Ministers;

(11) Give advice and technical support to regional investment organs with a view to building up their capacity; and

(12) Perform such other functions as may help to promote and enhance investment.

Source of Fund

The sources of the fund of the Authority shall be:

(a) Budgetary allocations made by the Federal Government;

(b) Income, assistance and grants obtained from any other sources.

PART TEN

Miscellaneous Provisions

Allocation of Land

(1) Where a Regional Government receives an application for the allocation of land for an approved investment, it shall, on the basis of the Federal and its own laws, deliver within 60 days, the required land to the investor.

(2) The Region shall allocate land for investment activities and transmit information on such allocations to the appropriate investment organ.

(3) Each Region shall, in the allocation of land, give priority to approved investments.

(4) The appropriate investment organ shall, in cooperation with the concerned regional executive organs, facilitate and follow up the allocation of land for approved investments.

Employment of Expatriates

(1) Any investor may employ duly qualified expatriate experts required for the operation of his business.

(2) An investor who employs expatriates pursuant to Sub Article (1) of this Article, shall be responsible for replacing, within a limited period, such expatriate personnel by Ethiopians by arranging the necessary training thereof.

(3) Notwithstanding the provisions of Sub-Articles (1) and (2) of this Article, a foreign investor upon obtaining the prior consent of the Authority shall, without any restriction, have the right to recruit expatriate employees on top management positions of an enterprise of which he is the sole or major owner or shareholder.

Foreign Nationals Taken for Domestic Investors

(1) Rights and privileges as well as restrictions solely relating to foreign investors shall not be applicable to a foreign national who invests in Ethiopia being taken for a domestic investor.

(2) A foreign national, excluding an Ethiopian by birth taken for a domestic investor shall declare same by filling in a form designed for such purpose by the Authority, and submit it together with his application for investment permit.

Ownership of Immovable Property

(1) Notwithstanding the provisions of Articles 390-393 of the Civil Code, a foreign national taken for a domestic investor or a foreign investor shall have the right to own a dwelling house and other immovable property requisite for his investment.

(2) The provisions of Sub-Article (1) of this Article shall include those who have invested prior to the issuance of this Proclamation.

Duty to Provide Information

Any executive organ of the Federal or a Regional Government shall have the duty to provide information relating to investment whenever so requested by appropriate investment organ.

Repealed Laws

(1) The Investment Proclamation No.37/1996 (as amended) is hereby repealed.

(2) No law, regulation, directive or practice inconsistent with this Proclamation shall have effect with respect to matters provided for in this Proclamation.

This Proclamation shall come into force as of the 2nd day of July 2002.