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Building on Progress? Chinese Engagement in Ethiopia¹

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A 'China-Africa Toolkit' is being developed to serve African policymakers as an information database, a source of capacity building and a guide to policy formulation.

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ABSTRACT

A majority of the growing literature on Sino–African relations focus on China’s relations with resource-rich/economically robust countries or unsavoury regimes. Limited attention has been paid to the rest of Africa’s states, but it is in these ‘less significant’ countries, such as Ethiopia, that China has the potential to have the most impact. China’s economic engagement in the country focuses mainly on infrastructure development and tapping into the consumer base. Overarching judgements as to whether China’s engagement is a blessing or a curse for the country are still unclear. What is certain is that Ethiopia can derive much from China’s economic engagement; however, the impetus of responsibility for steering economic growth and equitable development rests solely with the Ethiopian government. Ethiopia must effectively invest in its own development, including improving agricultural production, expanding its manufacturing and services sectors, and generating sustainable economic growth over the medium and long term. In terms of issues of governance, China has a very clear policy of non-intervention, and this is strictly exercised in Ethiopia. The lack of censure by China and the international community of the current Ethiopian regime’s stalling of the democratisation process, human rights violations and closing up of political space may have troubling long-term political implications.

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INTRODUCTION

A study of Sino–Ethiopian relations is in many respects an anomaly within the growing literature on Sino–African relations. Although the bulk of scholarship has focused on China’s no-strings-attached approach to doing business in Africa — especially in relation to unsavoury regimes such as those in Zimbabwe and Sudan, or with resource-rich/economically powerful countries such as Angola, Nigeria and South Africa — few efforts have been made to understand Chinese engagement with African countries that are neither viewed as especially ‘controversial’ regimes nor as economic powerhouses. This is surprising, as it is arguable that it is in these other less ‘significant’ countries that China has the potential to have the most impact.

China has had a long history of involvement with Ethiopia, especially since the rise of the current Meles Zenawi government in the latter country. It is still premature to conclude whether Chinese engagement has definitively contributed to overall economic progress in Ethiopia, as the conclusions of extensive fieldwork in the country remain mixed and are dependent upon the sector examined. For instance, China’s contribution to Ethiopia’s economic development (*vis-à-vis* infrastructure growth, information and communication technology (ICT) development and hydroelectricity projects) is undeniable, despite certain issues related to the quality of the infrastructure, technology transfer and employment. In addition, although China has an interest in assisting African countries to achieve food security, Chinese engagement in agricultural technology transfer remains negligible, although there have been agricultural exchange programmes since 2001. Also, it should be noted that China’s role in Ethiopia should not be viewed as a panacea for the latter’s social development and poverty reduction problems, although China has provided support for debt relief, school construction and anti-malaria medication.

With regard to issues of governance, the Ethiopian government very much appreciates the Chinese ‘non-interference’ policy. Both countries view their relationship as one fostered by mutual respect, co-operation and understanding. China sees Ethiopia as a strategic ally in the Horn of Africa, while Ethiopia sees China as a significant partner in its economic and political transformation. However, China’s (and the international community’s) ambivalent and nonchalant attitude towards Ethiopia’s governance and human rights record, especially following the 2005 elections, has the possibility of undermining the democratic progress that the country has achieved in the past decade. Civil society in Ethiopia has very clearly stated that China provides Ethiopia with an alternative source of economic support that could encourage the government to promote development on its own terms (as opposed to projects/programmes pushed for by the ‘traditional’ donor community). However, this ‘no-strings-attached’ support (i.e. no political conditionalities) may also solidify the grip on power of the incumbent Ethiopian People’s Revolutionary Democratic Front (EPRDF) regime, which has a proven record of closing political space and undermining the democratic process.

The paper recognises that Chinese engagement is not a solution for all of Ethiopia’s economic and political malaise. However, China’s contribution to economic development remains significant, and this will help Ethiopia move towards the socio-economic progress that it so desires. With regard to issues of governance: similar to its approach towards Sudan, China’s pragmatism will no doubt allow it to alter its actions towards Ethiopia based on the contextual political realities as they emerge.

The paper will provide a brief political and economic background to Ethiopia; a discussion of Sino–Ethiopian relations in the areas of economic and political development; and a critical assessment of China’s engagement in Ethiopia.

POLITICAL AND ECONOMIC BACKGROUND

Ethiopia is the only African countries not to be colonised, with the exception of the 1936–41 Italian occupation during the Second World War. A military junta toppled Emperor Haile Selassie in 1972 and established an authoritarian socialist state that became known for its violent and brutal means of governance. The Dergue regime was overthrown in 1991 by the EPRDF under the dynamic leadership of the current prime minister, Meles Zenawi; a constitution was adopted in 1994; and multiparty elections were held in 1995. With the de jure independence of Eritrea in 1993, Ethiopia lost its entire coastline along the Red Sea and became land locked. This, along with other factors, led to a two-year border war with Eritrea, which ended with a peace agreement in 2000. An international commission concluded that Ethiopia should be required to surrender territory to Eritrea, and as such, the final demarcation of the boundary is currently on hold due to Ethiopian objections. The Ethiopian economy relies on agriculture; however, the sector suffers from poor weather conditions and cultivation practices. Coffee has traditionally been significant to the economy, but low prices have led to farmers switching to qat to supplement their income.² Ethiopia’s ‘successful’ implementation of structural adjustment and stabilisation programmes led to it being qualified for debt relief under the enhanced Heavily Indebted Poor Countries initiative in 2001, and in 2005 the International Monetary Fund forgave all Ethiopian debts.³

The Ethiopian economy has had encouraging, but mixed results when it comes to macroeconomic performance, by having a gross domestic product (GDP) growth rate of 3.3% in 2002/03 (as a result of drought), followed by 11.9% and 10.6% in the following years, 2003/04 and 2004/05, respectively. The government has also increased resource allocations to the development and pro-poor sectors (such as agriculture, food security, education, health, HIV/Aids and potable water), as well as on infrastructure development. Spending on poverty-oriented sectors increased from 43% in 2001/02 to 56.5% in 2004/05.⁴ However, this growth has not been sustained, and the impact on poverty reduction has yet to be seen. Despite making certain strides in human development, such as increasing life expectancy, access to education, and access to sanitation and potable water, Ethiopia continues to face numerous development challenges. The GDP per capita income remains one of the world’s lowest, at \$157 per year in 2005; adult illiteracy is 64%; the proportion of the population with access to potable water and safe sanitation is less than 24%; the proportion suffering from food insecurity is 46%; and infant and maternal mortality rates, and the prevalence of tuberculosis, malaria and other communicable disease all remain high.⁵

As part of their poverty reduction strategy, the Ministry of Finance and Economic Development (MoFED) presented its final version of the Poverty Reduction Strategy Paper (PRSP) in 2002, entitled *Ethiopia: Sustainable Development and Poverty Reduction Programme* (SDPRP). In 2005, as a component of the second phase of the PRSP process, MoFED presented *Ethiopia: Building on Progress: A Plan for Accelerated and Sustained*

Development to End Poverty (PASDEP), a guiding strategic framework for the five-year period 2005–09/10). Reinforcing the major themes of the SDPRP, PASDEP carried forward the importance of infrastructure and human development, rural development, food security, and capacity-building. In addition, addressing some of the critiques of the SDPRP, PASDEP placed greater emphasis on the increased commercialisation of agriculture; enhancing private sector development, industry and urban development; and meeting the United Nations (UN) Millennium Development Goals.

PASDEP provides a poverty analysis that found that poverty in Ethiopia is primarily a rural phenomenon; food security remains a fundamental concern; and poverty can be attributed not only to local factors, but to the declining terms of trade for Ethiopian agricultural products, such as coffee and tea, in the global economic system. The document highlights a number of structural factors that have impeded growth and development, such as internal conditions (low income/investment; low levels of education; poor natural/environmental conditions, especially with regard to the impact on agricultural products) and external shocks (declining terms of trade; low levels of peace and stability in Ethiopia and the region). However, no proposals have been made for addressing and alleviating these structural problems. The only ‘solution’ that has been proposed falls in line with the broader notion of structural adjustment, with a focus on fiscal austerity and economic discipline for the creation of the necessary conditions for macroeconomic growth, in addition to a deliberate economic strategy that emphasises the liberalisation of trade, export-led growth, and the production/exchange of goods and services derived mainly from the private sector. The document also fails to address how the country’s fiscal and trade policies will allow the government to invest in pro-poor policies while also allocating sufficient resources to the social sector. There is limited discussion of the negative trade-offs of the tight fiscal discipline, and no mention of any systematic attempt to assess or monitor poverty and the social effects of the proposed policy reforms.

The major development challenges include abject poverty; the constant state of food insecurity; poor water and land management; inadequate access to health care, education and economic opportunities; and rapid population growth of approximately 3.2% per year. Ethiopia’s major donors include the European Union (EU), the United States (US) and the United Kingdom (UK), who contributed \$2 billion in 2007/08, mainly directed to the areas of poverty reduction and social development, and especially focusing on health and education.

SINO-ETHIOPIAN RELATIONS

Diplomatic relations

Diplomatic relations between Ethiopia and China began on 24 November 1971, when Haile Selassie visited China. Ethiopia was among a number of nations who supported China’s bid to join the UN in that same year. The relationship was solidified by an economic and scientific agreement, along with Chinese grants and interest-free loans. During the Mengistu regime, especially during the period 1974–85, relations between China and Ethiopia remained strained due to ideological differences and Ethiopia’s close alliance

with the Soviet Union. Good relations were renewed in 1988 with the establishment of the Joint Ministerial Commission, which set up a framework for how technical projects would be implemented. Finally, in 1991, with the new transitional government in power, high-level ministerial visits commenced. When the Meles Zenawi government came to power, the Ethiopian prime minister visited China in 1995, followed immediately by the Chinese president's visit the following year. Diplomatic ties between the two countries became closer when Ethiopia hosted the second and fifth ministerial meetings of the Forum on China–Africa Cooperation (FOCAC) in 2002 and 2005. FOCAC was launched in 2000 as a mechanism for collective dialogue and multilateral co-operation between Africa and China. With Ethiopia hosting the two ministerial meetings and co-hosting the Beijing Summit, Ethiopia is seen as a unique partner. At the Beijing Summit, Hu Jintao announced a number of policy measures to further co-operation with African countries, and Ethiopia was the only country to benefit from all them. The measures included a zero tariff for Ethiopian goods (which increased Ethiopian exports), debt cancellation and joint infrastructure projects.

Based on the Ethiopian government's Foreign Affairs and National Security Policy and Strategy, it is very clear that Ethiopia views its independence and sovereignty as paramount, and China's role is one of sharing 'development experience and technical support ... and [supporting each other] in [the] political and diplomatic spheres'.⁶ Also, the Ethiopian government has clearly articulated that the focus of its domestic and foreign policy must centre on the imperatives of 'economic development, democratization and peace', otherwise the country will continue to 'find itself in a state of abject poverty and backwardness'.⁷ The documents also has a very realistic view of China's role by recognising that the latter is a relative 'newcomer in the world of foreign investment' and as such, results are yet to be seen; therefore, the country needs to maintain 'close relations' with China, as a means to 'promote trade and investment', while also '[securing] a market for our [i.e. Ethiopian] products' in China.⁸ In this way, by recognising the 'weakness' of China as a fairly new player in global investment, Ethiopian expectations of Chinese involvement remain moderate, and in this way, Ethiopia is able to view itself as a genuine partner who will help China to further its engagement with the African continent.

In addition, both countries have an understanding to support each other diplomatically at international forums. For example, in 2006 the Ethiopian Parliament approved a resolution in support of China's Anti-Succession Law. In addition, Ethiopia, as a voting member of the UN Commission on Human Rights until 2007, along with a coalition of African states, including Sudan and Eritrea, thwarted any attempts to censure China for its human rights record. Ethiopia also supports China's long-standing policy of reinforcing domestic policy in the international arena, especially when the issues of Taiwan and Tibet are raised. In 'return', China has reciprocated by lending its diplomatic and economic support to the Ethiopian government.

Trade relations

Bilateral trade between China and Ethiopia was \$100 million in 2002; however, by 2007 trade volumes rose to \$860 million. Within the first six months of 2008, trade figures had already reached \$638 million. In terms of exports to China, Ethiopia's main commodities include sesame seeds (unfinished and prepared) leather goods and coffee.

Imports from China are primarily clothing, machinery, food items, pharmaceuticals and electronics. In this regard, China is the main destination for Ethiopian exports, followed by Germany, Japan and the US; while imports come from mainly from Saudi Arabia, followed by China, India and Italy.⁹ There is a significant trade imbalance, as Chinese exports accounted for \$565 million and imports accounted for \$95 million.¹⁰ Although the volume of Ethiopian exports to China has increased (from \$40 million in 2005), the trade imbalance remains a structural problem in Ethiopian relations with all of its trading partners. China, along with Ethiopia's other trading partners, such as the US and Germany, has a trade imbalance in its favour. This trade asymmetry is not surprising, as Chinese consumer products are extremely cheap, and Ethiopian exports competitive with Chinese capital goods. In response to the imbalance, the Chinese government followed the example of the US-sponsored African Growth and Opportunity Act, under which 6 500 products are on the duty-free/quota-free list. The Chinese government provided special/differential treatment (duty-free and quota-free) to 442 commodities, and most of Ethiopia's exports are covered under this initiative.¹¹

This suspension of tariffs on mainly agricultural products has been beneficial in boosting Ethiopian exports. For example, in 2005 sesame exports increased by 500% in direct response to China's zero-tariff policy. It appears that China is sincerely interested in forging a mutually beneficial relationship based on co-operation and support. Since Ethiopia is mainly an agrarian-based economy, it needs to focus on diversifying the composition of its exports and increasing the number of value-added products that it is producing. These economic imperatives can only be realised with the help of government or local private sector support; therefore, the role of China (and any other country) in projecting an economic vision for Ethiopia is limited, as this rests with economic actors within the country. What Ethiopia needs to continue to manage is China's comparative advantage in construction, especially of transport, ICT and energy infrastructure, which in turn will help Ethiopia's economic capacity.¹²

A significant implication of trade relation for Ethiopia is the Chinese export of labour-intensive products, such as textiles and footwear products. For example, a study undertaken on the impact of Chinese footwear goods on small-scale Ethiopian shoe producers found that local producers downsized their activities significantly; lost income, assets and property; and resorted to informal operations. In the medium to long term, this may have a negative impact on the domestic growth and expansion of certain sectors. However, medium-sized local firms have attempted to improve designs, quality and delivery time and invest in newer machineries as part of a broader strategy to cope with Chinese competition; while small firms and micro enterprises have resorted to lowering profit margins, reducing inputs and undertaking informal operations.¹³ In this regard, the Ethiopian government is attempting to protect local industries and has listed a number of areas of investment reserved for domestic investors only, including the export of raw coffee, qat, oil seeds, pulses, leather hides and skins; the operation of grinding mills; saw milling and making timber products; and printing industries.¹⁴ The government needs to support local firms by assisting them with access to capital sources and improved technologies/machinery.¹⁵

Also, due to the poor quality of certain Chinese goods, such as shoes, blankets, toys and plastic products, the government has established the Joint Committee on Quality Control, in which the Chinese Inspector Agency will inspect products before they are exported,

and these products must receive a certificate before they are allowed to be imported in Ethiopia.¹⁶ The Ethiopian government has not yet established an agency or mechanism to monitor/verify these certificates or to ensure that products are of sound quality. Harry Broadman has commented that African countries need to take more proactive measures to ensure that they have the proper framework and institutions for effective trade and investment.¹⁷ Finally, the Ethiopian government is undertaking a policy review in which it hopes to carve out strategies that will help diversify exports, produce secondary/tertiary products, and attain 'most-favoured nation' status with EU countries (under the auspices of the World Trade Organisation-compatible non-reciprocal agreement between Africa and the EU; and the Lomé Convention's Cotonou Agreement between Africa and the EU).¹⁸

Ethiopia, along with other African nations, is calling for a new trade agreement with the EU that focuses not only on duty-free/quota-free exports, but also on establishing an economic partnership that moves beyond the provision of overseas development assistance only. Ethiopia has continuously asked EU countries to help provide infrastructure development, and the EU has focused mainly on calling for more liberalisation of trade and preventing Ethiopian agricultural products from coming to European markets. In this regard, China has assisted Ethiopia with infrastructure development and low-interest loans.

Infrastructure development, economic sectors, Chinese firms and foreign direct investment

Economic and technological co-operation between China and Ethiopia began in 1970, and to date, China has contributed to the numerous infrastructure, power and water-supply projects. In terms of sectoral distribution, a large share of Chinese finance is allocated to general, multi-sector infrastructure projects, within the framework of broad bilateral co-operation agreements that allow resources to be allocated in accordance with government priorities. However, currently, the two largest beneficiary sectors are transport (mainly road construction), telecommunications and power (mainly hydroelectric power). According to the Ethiopia Investment Agency, 435 Chinese companies invested \$960 million in Ethiopia from 1992 to 2007. China's investment is diversified and includes many sectors, such as manufacturing, pharmaceuticals and road construction, with a majority of the projects already entering the operational phase. These companies also provide local employment, and in February 2008, 42 000 permanent workers and 49 000 temporary workers were employed by Chinese companies.¹⁹ Ethiopia, like most of sub-Saharan Africa, lags behind other developing regions on most standard indicators of infrastructure development, prompting African leaders to call for greater international support in this sphere.

In 2007 Ethiopia was selected as one of the four countries (Nigeria, Angola and the Democratic Republic of the Congo being the others) that will receive soft loans for developing Africa's infrastructure from China's state financial institutions, including the Export-Import (Exim) Bank of China. The Chinese financial institutions will distribute well over \$25 billion over the next three years.²⁰ Chinese engagement in Ethiopia has also been in the form of aid and loans. Most recently, a \$208 million loan with China's Exim Bank and the state-owned Commercial Bank of Ethiopia will be used to finance the expansion of a cement factory and a new power generator.²¹

Infrastructure links closely to another of China's objectives in Ethiopia, i.e. to achieve better access to Ethiopia's consumer market. In terms of size and population, Ethiopia is one of the largest countries both in the region and in Africa as a whole. In interviews, many Ethiopian officials asserted that they 'own' the country's development; however, they acknowledged that major contracts are given to Chinese firms due to the latter's ability to keep costs down. In the bidding process, Chinese firms purposefully bid below normally established standards, thereby beating international and local competition; and, in most cases, Chinese firms complete projects on schedule. This is due to a combination of factors, including access to cheaper capital and machinery than most foreign and local investors; limited pressure from the Chinese and Ethiopian government to adopt good environmental and labour standards; the use of Chinese materials and the almost predominant use of Chinese technical experts (and labourers); and the Chinese government's provision of subsidies for investing abroad.²²

Most recently, there has been a rise of joint Sino–Ethiopian firms, especially in the construction industry. For example, China's Road and Bridge Corporation (CRBC) collaborated with local Ethiopia investors and formed the Road and Bridge Construction Company (RBC) in 2003. The RBC has well over 23 road, flyover and bridge projects throughout Ethiopia, with a budget of well over \$500 million and 1 500 employees.²³ Also, the Chinese firm Norinco collaborated with Lalibela Construction Company to form the Norinco–Lalibela Engineering and Construction Share Company (Nori-La) in 2004, which is undertaking eight road projects in Addis Ababa and the Oromia region, investing \$41 million and employing 500 workers.²⁴ Gezouba Group Corporation is undertaking a large rehabilitation project worth \$49.2 million along the Shire–Adi–Abune road in Tigray. Many Chinese firms (either working jointly with local investors or independently) employ local workers, although mainly on a temporary basis,²⁵ and wages remain low. Currently, under Ethiopian law, private companies, unlike government agencies, are not legally bound to adhere to a minimum wage standard. Also, many workers are not necessarily affiliated with trade unions. During fieldwork, most managers from Chinese companies adamantly refused to reveal the wage scales for Ethiopian (and Chinese) workers. However, according to Yonas Getachew, deputy manager of Nori-La, the average daily wage (a shift of eight hours) for unskilled labour is \$2–3.50 per day, and for skilled labour (such as masons) is \$2.50–6.25. He further added that technical staff (such as engineers) earned \$250–445 monthly, while administrative staff and managers earned \$400–700 monthly.²⁶ Also, some companies are attempting to provide additional training to workers.²⁷ Overall, despite an increasing level of Chinese investment, loans and assistance, Ethiopia's economy is still unable to grow fast enough or produce enough jobs.²⁸

The Addis Ababa ring road was built partly with Chinese funding, with the CRBC being the main contractor. At present, China has pledged \$12.7 million to build the Gotera intersection flyover bridge in Addis Ababa, 54% of whose construction was completed by May 2008. The China's Exim Bank provided \$500 million in loans to Ethiopia, and so far, loan agreements have been signed for 11 projects, including road and bridge construction. In addition, another set of loan agreements are currently in the negotiation process as of July 2008 for two large-scale projects, specifically the Mughher cement factory and the Fan hydroelectric power station, both valued at over \$100 million.

In addition, another major co-operative project was the construction of the 300 megawatt Tekeze hydroelectric power project, which began in 2002. The \$224 million

project is considered to be the largest joint Sino–African venture, built by the China National Water Resources and Hydropower Engineering Corporation, the Gezhouba Group, and the state-run Ethiopian Electric Power Corporation. China's Exim Bank has provided \$50 million (with an interest rate of 1.75% per annum) as part of the total project contribution. The dam is planned to be 220 metres high, making it higher than China's Three Gorges Dam. The project is meant to supply both electricity and water irrigation to northern Ethiopia. Due to a major geological obstacle (land/mountain slides where the arch of the dam was to be constructed), the completion of the project has been delayed to August 2009 (it was originally planned for completion in September 2007).²⁹

Based on field visits to a joint Sino–Ethiopian company, Libo-Sisay Joint Investment PLC (Walia Steel Industry), which is investing in steel production and brick and gravel factories in the Oromia region, it was revealed that, in the short run, these firms contribute positively to Ethiopian economic growth, as they provide technology transfer and job opportunities, and produce value-added goods. However, in the medium to long run, Chinese companies could have a potentially devastating impact.³⁰ Key issues underlying the detrimental impact centre on the transfer of outdated technology. For example, according to Degefu Debele, general manager of Libo-Sisay, the transfer of technology in some cases can be outdated, as second-hand machines make their way to Ethiopia, when more efficient machinery is available that can increase the quality and quantity of the output and have less severe environmental impacts. Although job opportunities are provided to the local population, most of the employees are under-paid, work temporarily and must work long hours with limited rest breaks. Also, Chinese companies provide more menial, labour-intensive jobs for Ethiopians, while the technical positions are the domain of Chinese experts.³¹

Another major ICT infrastructure project is being undertaken by the Zhong Xing Telecommunications Equipment Company Limited (ZTE), China's major telecommunications company, with financial support from the Exim Bank. The project, which costs \$822 million, aims to upgrade Ethiopia's telecommunications system over the period 2006–09. The Chinese investment forms a significant part of the \$2.4 billion plan by the Ethiopian government to improve the country's telecommunications infrastructure.³² In 2006 the Ethiopian Telecommunication Corporation signed a memorandum of understanding with ZTE, Huawei Technologies and the Chinese International Telecommunication Construction Corporation to undertake three major telecommunications service expansion projects (fibre optic transmission, mobile telephone services and wireless telephone services) nationwide to cover 14 major cities in Ethiopia, including Addis Ababa.³³

China is also involved in oil exploration in Ethiopia. Sinopec, the state-owned parent company of Zhongyuan Petroleum Exploration Bureau, had been exploring for oil in Ethiopia. However, the April 2007 attack on Sinopec's oil exploration field in Ogaden by the Ogaden National Liberation Front (ONLF), in which 74 people, including nine Chinese workers, were killed and six Chinese workers kidnapped, led to Sinopec leaving Ethiopia (and never coming back). In response to this, the Chinese government reasserted that these sorts of attacks would not deter it from continuing to invest in Ethiopia and Africa.³⁴ A low-intensity conflict exists in Gambella between the Ethiopian government and the Anuaks, the indigenous peoples of the region. Zhongyuan Petroleum Exploration Bureau is the primary oil firm currently operating in Gambella, under a subcontract with

the Malaysian oil giant Petronas. In 2003 Petronas announced the signing of an exclusive 25-year exploration and production-sharing agreement with the Ethiopian government to explore the Ogaden basin, located in eastern Ethiopia, and the Gambella region.³⁵ It is interesting to note that China has pursued co-operative arrangements with Ethiopian and foreign (Malaysian) firms, instead of involving a Chinese firm.³⁶ Currently, seven companies are exploring for oil in the Ogaden basin, including Petronas (Malaysia), Southwest Energy (a Hong Kong-registered company that is wholly owned by the Ethiopian government) and Lundi/Sismec (a subcontractor for Petronas and Southwest Energy).³⁷ Recently, ONLF rebels warned Petronas that the ONLF would not tolerate oil exploration in Ogaden, arguing that the company was linked to the Ethiopian government and military, which, in the ONLF's view, are responsible for human rights violations and committing 'war crimes'.³⁸ Notably, the ONLF attack on Abole was intended to target the Ethiopian government's company that operates there.

Agricultural co-operation has taken the form of multilateral projects, in which the Chinese Ministry of Agriculture, the Ethiopian Ministry of Agriculture and Rural Development, and the UN's Food and Agriculture Organisation conducted tripartite co-operation. Within the tripartite framework, China sent eight groups of 32 agricultural experts to Ethiopia between 1998 and 2006. Also, China provided Ethiopia with agricultural technical and vocational education and training (TVET), and between 2001 and 2008 China sent eight groups of 280 professionals to Ethiopia. These experts and professionals actively promoted agricultural techniques and aimed to assist Ethiopia to increase its agricultural productivity. In addition, in mid-2008 China announced it plans to build an agricultural technology demonstration centre in Ethiopia and provide animal health laboratory equipment. China, with its solid learning experience in agricultural development, could make significant contributions to the Ethiopian agricultural sector. Since the rural population still remains predominant in Ethiopia, with only 15% of the population living in urban areas,³⁹ a key focus of economic development must centre on rural development. The spread of technology in the agricultural sector has been slow, as all ploughing continues to be done with oxen, and tilling, planting and harvesting are done by hand.⁴⁰ Although, China did complete an irrigation project on the Hare River in 1996, which helped irrigate over 1 000 hectares of land in Ethiopia, the majority of Chinese investments focus on road construction, especially in Addis Ababa. It appears that China is not interested in helping promote small-holder subsistence agriculture and agro-based manufacturing industries, or in expanding rural infrastructure (especially roads). However, this may have more to do with the vision of the Ethiopians than necessarily with the lack of Chinese initiatives. Although the issue of food security is discussed in the following sections, it is important to note that China does have food security interests in Africa and focuses on boosting agricultural production in general — a policy that Ethiopia (and African governments) should take full advantage of in order to encourage overall development.

Finally, fieldwork visits to various Chinese firms revealed that owners, managers, engineers and workers in Chinese firms operating in Ethiopia brought with them an unsavoury and racist view of Ethiopians and Africans as 'lazy'; 'mentally inferior/stupid'; and 'lacking discipline, commitment and hard work', factors that have led to the stagnation of both the country and the continent.⁴¹ These racist assumptions, mixed with a critique of Ethiopian work ethics and personal habits, have created a very uneasy relationship

between Chinese and Ethiopian employees within firms, especially when Chinese-owned firms are dealing with local labourers. In the long run, these attitudes could have an explosive impact and potentially create a rift between ‘foreigners’ and the ‘locals’, especially at the local level. Ethiopians have also internalised this view, often using the Amharic expression ‘*Chinan geremew*’, which basically means that ‘the Chinese look at Ethiopians disapprovingly, shaking their heads’.⁴²

Development assistance

To date (since 1995), the Chinese government has allocated \$24 million to the Ethiopian government in the form of grants to help the construction of low-cost housing; rural school construction; the rehabilitation of roads and bridges; and vocational, agricultural and management training. Also, since 1988 the Chinese government has provided \$82 million in loans for mainly road, flyover and bridge construction, and machinery acquisition.⁴³ It should be noted that most of the assistance from the Chinese government is in the form of tied aid, as each loan and grant has stipulated that Chinese products must be purchased. In 2006 China cancelled Ethiopia’s bilateral debt.⁴⁴

As part of bilateral education co-operation, China has decided to build three rural schools in Ethiopia. The schools’ locations have been designated and their construction will begin soon. To implement the policy measures set by the Beijing Summit, the first batch of anti-malaria medicine was handed over to Ethiopia in May 2008, and the second batch is under preparation. China has planned to build a malaria treatment centre in Ethiopia, and a memorandum of understanding has been signed between the two governments. China is also helping build a hospital in Akaki, Addis Ababa, and the design contract was signed in July 2008, with a completion date of 2010. Over the past few decades, Ethiopia has received numerous Chinese medical teams; and in the education sector, China has helped build the largest TVET college in Ethiopia, which was opened in 2008. China’s government scholarship programme was expanded after the Beijing Summit, and in September 2008, 46 Ethiopian students went to China, pushing the total number of Ethiopians studying in China under the scholarship programme to 118.⁴⁵

CHINA’S IMPACT ON DEVELOPMENT

Ethiopia’s major development challenges include the acceleration of economic growth and poverty reduction. The correlation between infrastructure development, especially transport infrastructure, and investment, trade, growth and poverty reduction has long been recognised.⁴⁶ Infrastructure is the foundation of development, and although China has its own interests, Ethiopia can reap benefits from Chinese economic engagement.⁴⁷ Infrastructure development not only facilitates the provision of services to consumers, but also provides intermediate inputs that enter the production of other sectors and raise overall productivity. By lowering the cost and reducing the time of moving goods and services to where they can be used more efficiently and/or fetch a higher price, infrastructure development adds value and spurs growth. Over time, this process results in increasing the size of markets, which is a precondition for realising economies of scale at the level of enterprise. This, in turn, attracts private investment, fostering private sector

development. Well-designed infrastructure projects contribute to poverty reduction by improving the living conditions of people and augmenting the opportunities available for trade and employment. Ethiopia went through many years of internal conflict, and, because of this, the country's infrastructure continues to trail the world in both extent and quality. Past efforts have been constrained by the lack of adequate finance, weak capacity at both the government and firm levels, ineffective local private sector investment, and technically unskilled labour. The amount of funds needed to upgrade the country's infrastructure is much larger than the government and donor community have been able to provide, requiring the mobilisation of other actors to fill this infrastructure gap. Out of the targeted 5 637 kilometre road development, 5 561 kilometres were completed, of which 1 276 kilometres were new rural roads.⁴⁸

By recognising the intrinsic link between infrastructure development and economic growth, it is undeniable that China has had a positive impact on Ethiopian development. China has pursued a robust economic and trade strategy in Ethiopia, with a focus on engaging in, even in limited terms, four main sectors: foreign direct investment (*vis-à-vis* Chinese state-owned or private enterprises); trade; economic co-operation projects (specifically joint commercial enterprises between Chinese and Ethiopian firms); and development assistance (rather limited). However, these strategies are marred by a number of realities. Although trade has increased, it remains lopsided in favour of China (which is true of most other Chinese trading partners in Africa, except for oil producers like Angola and Sudan). Also, infrastructure development, which centres mainly around road and bridge construction, is judged to be of poor quality; is focused mainly on projects in Addis Ababa and other urban areas; and has the potential of completely alienating domestic firms, which will be detrimental to Ethiopian growth in the medium to long term.⁴⁹ With regard to the issue of quality, most Ethiopians perceive Chinese infrastructure and products as being of poor quality. As one official stated, 'if we have the Germans making our roads, it will last for 50 years; if the Chinese build our roads, we will be lucky if it lasts for even 10 years'.⁵⁰ Also, some Chinese firms are known to submit bids below cost in an effort to secure the contracts, and because of this, many may have to forego quality.⁵¹

In addition, Chinese firms investing in tertiary and secondary products such as footwear products, textiles and cement/iron products transfer outdated technology and machinery, reinforce poor labour standards, and do not focus on agricultural sectors where technology transfer could have a significant impact. In addition, Chinese economic relations with Ethiopia point to the potential long-term negative impact, as Beijing's demand for raw materials, investment opportunities and a consumer base may help to perpetuate Ethiopia's reliance on primary product exports and secondary product imports, and impede the growth of more labour-intensive industries such as agro-business and manufacturing. Also, Chinese development and investment are intimately tied to the expansion of Chinese multinational companies and to credits from China's Exim Bank, which threatens to perpetuate the country's cycle of indebtedness for years to come. However, the Chinese investment in the Tekeze Dam and ICT infrastructure will most likely have a positive long-term effect on economic development in the country, although ICT should not necessarily be seen as a 'virtual panacea' for the problems in Ethiopia, and issues such as social development and poverty reduction should remain as major priorities for the government.⁵²

In addition to China, a number of countries have a comparative advantage in providing low-cost infrastructure in Ethiopia, including India, South Korea and Malaysia. As such, Ethiopia is not entirely reliant (or focused) on Chinese engagement, as it is open to other countries that may help it to achieve its development goals. In this regard, Ethiopia strives to be the ‘partner of many’.⁵³ By doing so, the likelihood of China (or any other country) exerting influence and control over Ethiopian domestic and foreign policies remains slim. This perspective of maintaining autonomy over its policies is driven mainly by Ethiopia’s historical trajectories, as Ethiopia maintains a very strong sense of national interest and holds its sovereignty as paramount.⁵⁴ Therefore, Ethiopia’s foreign policy towards China is one based on economic diplomacy, as the country hopes to understand and emulate the rapid economic growth and development witnessed in China. In addition to learning lessons from the Chinese experience, Ethiopia also hopes for increased trade and investment with China. In this regard, Ethiopia remains appreciative of the fact that China, unlike the US, has an entirely non-interventionist perspective on Ethiopia’s domestic and foreign affairs. The aim of Ethiopia is to strike a balance among its various partners, including China, the US and the EU.

Ethiopia views China as one of its development partners, and one that will not hinder the country, but instead assist it to achieve its economic and development goals. This view is reinforced by three ideas. First of all, despite the asymmetries, Chinese trade and investment will be beneficial to Ethiopia in the long run. Secondly, the infrastructure development provided by Chinese companies will not only provide the country with much-needed facilities to become an engine of growth, but in the long run, China will be able to impart the necessary technical knowledge and skills that will help Ethiopia achieve its economic goals. Also, China’s sharing of its own experience will help Ethiopia develop strategies for poverty alleviation and sustaining production, especially in the rural areas. In addition, China’s no-strings-attached approach provides support to the Ethiopian government’s drive to preserve its sovereignty and allows the country to prioritise its needs, without necessarily feeling coerced to undertake certain projects or internalise foreign ideologies.⁵⁵ The preservation of sovereignty and territorial integrity has historically been a significant matter for the country, from the times of Menelik II’s defeat of the Italians in the Battle of Adwa in 1896, to the Ogaden War with Somalia in 1977, to the independence of Eritrea in 1993. Currently, the country faces three key challenges to its sovereignty: managing the Ogaden region (following the 2007–08 Ethiopian military’s offensive against the ONLF in response to the killing of 74 people on a Chinese-run oil exploration field); relations with Eritrea (following the border conflict of 1998–2000); and relations with Somalia (following Ethiopia’s intervention to address the challenges posed by the Islamic Courts Union in 2006–07).

CHINA’S IMPACT ON GOVERNANCE

At the heart of the mainly economic Sino–Ethiopian relationship are a number of unarticulated policy strategies of both countries. For its part, China is internally a country in transition, while, at the same time, it is attempting to find its place on the world scene. China’s approach to Africa as a continent is as multifaceted as the continent itself; therefore, making general assertions on the logic of Chinese engagement in Africa

is unfruitful and ignores the pragmatic and nuanced approach that China employs on the continent. China, on the one hand, considers Ethiopia in the same context as other African countries, as one that provides primary commodities and/or some natural resources, and as a market for Chinese goods, services and investment. However, Chinese relations with Ethiopia are unique, since Ethiopia lacks the vast natural resources (except perhaps the possibility of oil extraction in southern Ethiopia in the Gambella⁵⁶ and Ogaden regions) that have drawn China into other African countries, such as Sudan, Nigeria and Angola. However, China recognises the geostrategic importance of Ethiopia, a reality that the US has already internalised, hence the high levels of US economic and military support that Ethiopia receives. The location of Ethiopia, as the source of the Nile, makes the country the lifeline for Egypt; and its strong position in the Horn of Africa makes it a regionally robust player, as was witnessed by the Ethiopian army's intervention in Somalia to topple the power of the Islamic Courts Union and restore power to the weak transitional government. Ethiopia is a key player in the politics of the Horn of Africa, and China is well aware of that reality.⁵⁷ Also, Ethiopia is the seat of the African Union, which is the political and diplomatic institution that represents the entire continent. Finally, Ethiopia lies at the crossroads between the largely Muslim North Africa and the Christian southern parts of the continent, and is composed of numerous ethno-political groups, making it a complex nation that is able to manoeuvre among the various groups that make up the African continent.

From the perspective of Ethiopia, China is viewed as one of many partners that will help the country achieve its strategic and policy imperatives, including economic growth, access to global markets and poverty reduction. Ethiopia is clear that it will work with a multitude of actors, and therefore its relations with China do not necessarily focus on a common vision of politics and ideology as a means to cement the relationship, as compared to Zimbabwe, for example. In addition, Ethiopia sees China as a potential economic model to emulate, i.e. a model that focuses on a strong centralised government and political party (similar to Ethiopia's EPRDF) that is strongly involved in economic development and growth — 'authoritarian development' as part of the 'Beijing consensus'. However, as one official from the Ministry of Foreign Affairs pointed out, Ethiopia is not necessarily interested in following the Chinese model per se; rather, the model to emulate is that of Taiwan and South Korea, which are 'developmental states' and focus not only on economic growth, but also on uplifting the population economically, politically and socially.⁵⁸ However, others comment that the Ethiopian regime is following the model of the 'authoritarian developmental state', in which economic growth trumps and is pursued at the expense of political development, democratisation and justice. As such, the regime has yet to figure out how cash crops and export-led growth are going to translate into improving the standard of living at the household level.⁵⁹

China's co-operation with Ethiopia, as with other African countries, comes with limited political strings attached and does not hinge on certain conditionalities pertaining to specific political objectives or standards, like that of Western donors. The notable exception is, of course, the 'One China' policy, which focuses on the rejection of Taiwan and the acceptance of Beijing as the only legitimate representative of China. There is also an implicit expectation that Ethiopia should be ready to vote (and speak out) against any issues related to China's human rights record in international forums, something Ethiopia did when it was a member of the UN Human Rights Commission. The possibility of China

making a constructive contribution to democratising/transition countries, as Tull notes, is far-fetched. However, China's defence of sovereignty and non-intervention often tends to benefit dominant regimes and political elites who are most interested in regime survival rather than democratisation, human rights and equitable development. The revenue from trade, taxes and development assistance 'widens the margins of manoeuvre' of African regimes and helps them to rein in domestic demands for democracy and respect for human rights.⁶⁰ In addition, by not adhering to high labour standards, Chinese firms reinforce unfair labour standards.

China and Ethiopia are, 'although in varying degrees', developing countries, and there is a large measure of nationalised identity in their aspirations and expectations, especially when it comes to issues of development and governance.⁶¹ China has its own internal problems of human rights, 'democratisation' and corruption, and therefore feels it does not have the right to criticise Ethiopia and other countries. By not preaching good governance, especially at the level of rhetoric, China feels that it can gain far more credibility and avoid the label of hypocrisy, considering that the country itself is grappling with a push for opening up political space internally as well as tackling issues of corruption. Similarly, Ethiopia is currently going through a very difficult stage in its political development. Although the government is attempting to democratise, it has experienced 2 000 years of imperial history, 17 years of rule by a military junta, and only about one decade of 'multiparty' rule. With such a political history, the internalisation of a 'democratic' way of governance will obviously take time.⁶² However, following the 2005 elections, due to the popularity of opposition parties, the Ethiopian regime jailed many opposition leaders and party supporters, and muzzled the media and civil society organisations. Although the opposition parties were united during the election by forming a coalition known as the Coalition for Unity and Democracy (CUD), after the election, personality conflicts and the lack of a shared vision led to the fracturing of the political opposition. The government was also very committed to crushing the CUD and the political opposition. The aftermath of the 2005 elections was clearly a step back from the democratic process; however, the lack of unity among the opposition reinforced the dominance of the EPRDF regime. Since 2005, the government and military/police have become the biggest violators of human rights, as they have been responsible for extra-judicial punishments, unfair dismissals, unlawful imprisonment and intimidating local communities — all based on political affiliation — especially at the local level.⁶³

Civil society, opposition parties and the independent media tend to view the international community's — including China's — engagement in the country with great suspicion and disdain. Although the Ethiopian government has a close alliance with the US and uses the rhetoric of democracy promotion, respect for human rights and poverty reduction, many civil society and political parties feel that this is not the case. Ethiopia has a de facto one-party state, and it is a centralised bureaucracy in which no independent institutions exist, such as the judiciary or parliament, to challenge the executive body of government. Opposition parties are only present in order to uphold and make the government's 'game of democracy' appear credible. China, other trade partners and the international donor community are basically seen as propping up an authoritarian regime that has no interest in opening up political space and fostering an inclusive political system.⁶⁴ However, some observers argue that political space was opened up too quickly and the opposition was poorly organised and fell apart immediately after the elections.⁶⁵

Hence, the election was not necessarily a vote for the opposition, but rather a protest vote against the Zenawi regime for not delivering on social and economic development issues;⁶⁶ or, rather, the vote for the opposition party, the CUD, was a product of frustration; however, the parties forming the CUD could not organise themselves cohesively to face the incumbent regime collectively.⁶⁷

Due to China's policy of non-interference, there is a possibility that the incumbent regime in Ethiopia could use Chinese assistance to avoid changes in the direction of the rule of law, democratisation, accountability and human rights. This has the potential of creating authoritarian stagnation, as opposed to authoritarian development. Many civil society actors feel marginalised in the political process and assert that external support continues to prop up a highly authoritarian regime that is using coercion and violence as a means to suppress any opposition.⁶⁸ Therefore, by providing support to the government, these international actors are basically entrenching and legitimising the unsavoury political tactics of the regime. The imperative of regime security, supported by external actors, is stalling the democratic process and undermining the role of civil society.⁶⁹ China's non-interference and no-strings-attached policy only reinforce the power of the regime. Also, China's own internal problems will encourage it to overlook the internal political obstacles Ethiopia faces.⁷⁰ China effectively legitimises human rights abuses and undemocratic practices under the guise of state sovereignty and non-intervention. In the long term, China's relatively casual stance towards the liberal norms of human rights and democracy could be a major concern for Ethiopia.⁷¹

Military co-operation and relations are not the centerpiece of Sino–Ethiopian relations; however, China has provided some military co-operation and capacity-building support. Military co-operation, sales and assistance between China and the countries in the region is one of the most intriguing and difficult aspects to document. Reports indicate that China has supplied significant quantities of military equipment to Sudan for many years and became a major arms seller to both Ethiopia and Eritrea during their 1998–2000 conflict. Bypassing a UN arms embargo, China sold over \$1 billion in arms to both sides.⁷² In terms of military co-operation, China provides 'slots' for Ethiopian military personnel to receive training in China. Unlike the US approach, which dictates which sectors will receive training, the Chinese model is flexible so as to allow the Ethiopian army to select which sections require training. This is different from the Russian model, in which the army is asked to pay for the training; however, the training received is considered far superior than that of the Chinese and US equivalents.⁷³ The Chinese government has also recently agreed to carry out anti-corruption exchanges and co-operation in a partnership between the Chinese National People's Congress and the Ethiopian Ethics and Anti-corruption Commission.⁷⁴ In recent years, many visits have been exchanged for the purposes of experience sharing in judicial and anti-corruption strategies.⁷⁵

CONCLUSION

Since Africa is heterogeneous, China's policy towards the continent will be tailored to suit the particularities of each country. As such, Ethiopia is an interesting case study of Chinese engagement in Africa. Different from the Chinese support of unsavoury regimes such as those in Zimbabwe and Sudan or investment in resource-rich/service-rich countries such

as Sudan, Angola, Nigeria and South Africa, it is apparent that China is pursuing another type of engagement with the rest of the continent, focusing on infrastructure development, tapping into a vast consumer base, and geostrategic factors. Overarching judgements as to whether China's engagement is a blessing or a curse for Ethiopia are still unclear. What is certain is that the country can derive much from China's economic engagement. Ethiopia must seize the enormous opportunity that China's increased engagement presents, and it will need to effectively invest its proceeds in its own development, including improving agricultural production, expanding its manufacturing and services sectors, and generating sustainable economic growth over the medium and long term. This will enable the country to help alleviate poverty and create equitable social development. As a 'developing', but economically robust country, China has limited resources to invest abroad — a reality that the Ethiopian government realises.⁷⁶ Therefore, China is not necessarily viewed as a panacea for Ethiopia's economic and social development problems. However, China can serve as both an appealing economic model and a potential catalyst for socio-economic development through its focus on and investment in infrastructure development. It is important to note that China's activities in Ethiopia, and in Africa in general, are part of its continuing emergence as a global power, and as such are no different from what major powers traditionally have done, although the rhetoric of a political discourse based on 'solidarity', non-interference, sovereignty and anti-imperialism adds a nuanced dimension to traditional great power strategies. Also, in its relations with Ethiopia (and other countries in the continent), China is pursuing multiple objectives; and therefore it can no longer be expected to subordinate its commercial and strategic interests, as Western countries have done and continue to do. Nevertheless, it should be noted that China's and the international community's lack of censure of the current Ethiopian regime's stalling of the democratisation process, human rights violations and closing up of the political space could have troubling long-term political implications.

ENDNOTES

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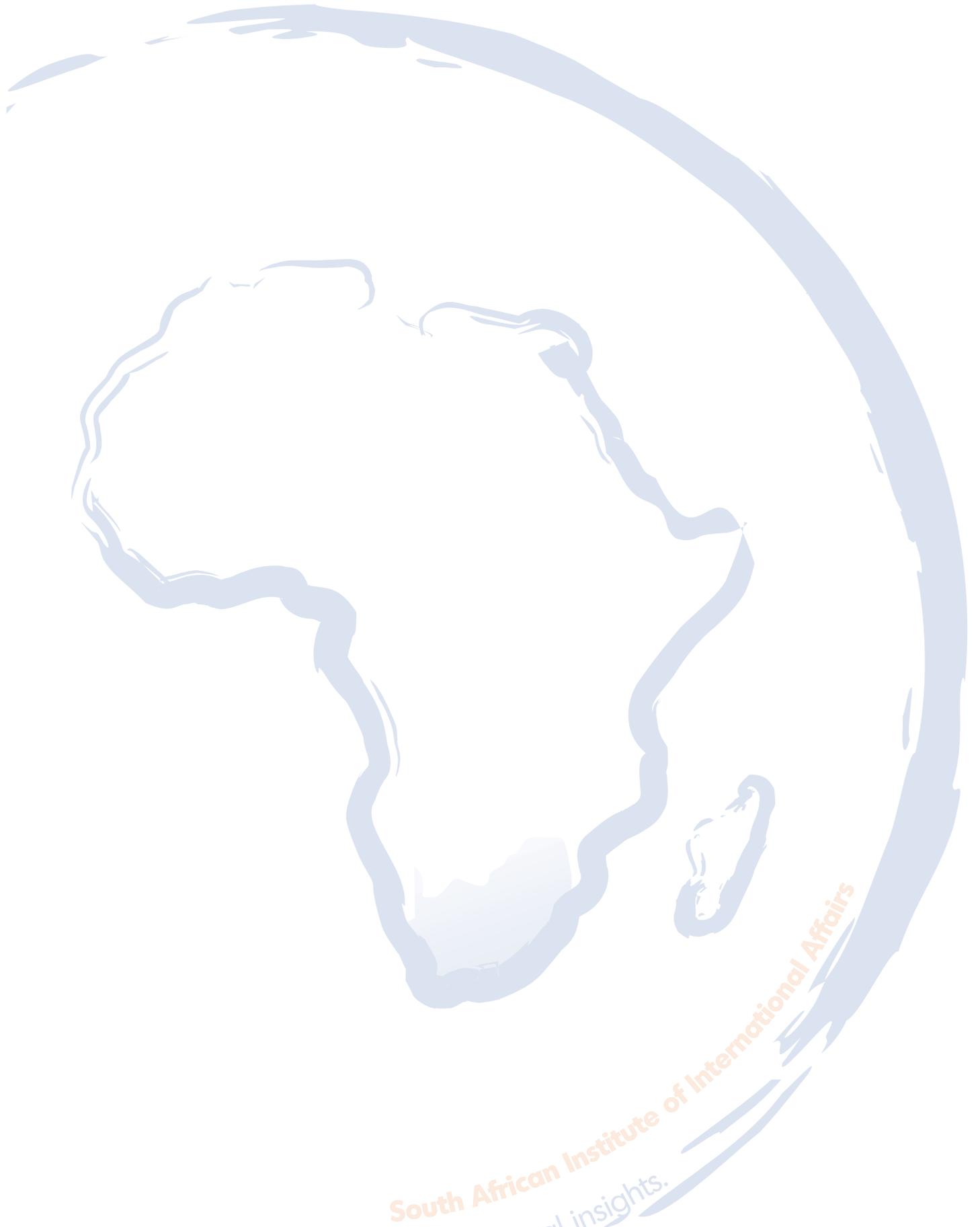
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