



## Economic relationship with China: The propeller of Ethiopia's economic growth

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### Abstract

Despite numerous policies, initiatives, and ventures, Ethiopia's quest for prosperity, which has lasted several decades, has yet to achieve the desired objectives of poverty reduction. Economic growth research, described many factors, including the macroeconomic framework, the political and social environment, and the investment deficit. Since 1995, China and Ethiopia have formed a close alliance. Between both parties, the formation of this alliance was inspired by diplomatic, strategic, and even political factors as well as economic ones. For China, trade and investment partnerships with Ethiopia are a medium rather than an end in themselves. In the case of Ethiopia, ties with China mainly serve the internal political and economic objectives of the system that has been in place since 1991. The alliance is representative of China's unique yet asymmetrical relationship with the countries of the South that are highly relevant yet economically disadvantaged. The study shows that the future is very positive, given that additional underlying steps are placed in place to boost the overall market climate and, more specifically, to enhance the absorption potential of the local workforce. The results also suggest that the main beneficiaries of the alliance have so far been the Chinese.

**Keywords:** economic growth, agreements, trade, investments, aids

### Introduction

After they agreed to join the World Trade Organization (WTO) and spectacular growth, China is gaining attention in the African economy, including Ethiopia, as important trade partners. Just like Alden described it, "at a time when the world seems preoccupied with events in the Middle East and the 'global war on terror,' China's growing involvement in Africa has been little noticed in the West" (Alden 2007) <sup>[3]</sup>. During the last two decades, China has developed at a rate of almost 10% per year, driven mainly by the development of the new, industrial export-oriented economy with the African continent. China's growth over the last couple of years as the largest importers of goods from Africa shows that international commodity markets are arguably the main outlets through which China's rise has been experienced on the African continent (Eichen green, Rhee *et al.* 2004, Alden 2005) <sup>[8]</sup>. In particular, infrastructure development and Ethiopia's trade with China are increasing at a much faster pace, making Ethiopia's exports to China some 15% of its total exports currently. The current emphasis on economic ties between the American and Chinese economies and the rise of instabilities that threaten the macroeconomic stability of the global economy (Muekalia 2004, Alden 2005, Arrighi 2009) <sup>[11, 2, 4]</sup> appeared to obscure academic and policy discourse on one of the most significant and fundamental geopolitical and geo-economic developments: The Chinese involvement with developing countries, most notably African economies. Since China first formed diplomatic ties with some African nations more than five decades ago, both continents shared economic difficulties such as low levels of growth and high instances of deprivation (Tan-Mullins, Mohan *et al.* 2010). However, Africa's economic and political status cannot be evaluated in the 21st century without referring to China's growing market, political and diplomatic position in the region. A

brief look at how China and Ethiopia's economic ties have developed over the past two decades reinforces the idea that the trend can only last for a very long time to come. The enormous economic growth that China has been able to accomplish over a short period by elevating her to the position of second-largest economic and political powerhouse globally, has made itself a model country for other countries in Africa to emulate, specifically Ethiopia. Also, China's five elements of sustainable co-existence have come as a veiled blessing for Ethiopia to meet its political and economic ambitions without significant barriers relative to those of its Western allies. There are also various benefits for other countries in the region from the Sino-Ethiopia alliance. For example, domestic consumers from across the region are getting cheaper imports from China, albeit at a low price. The Chinese, in specific, are building giant power plants, building highways, and are extremely investing in the Ethiopian telecommunications market. They also supply cheaper equipment to manufacturers etc.

There is a limited study on the economic and financial effect of trade, investment, and aid ties between the two countries on the domestic economy (Ethiopian's economy). China's increasing interest in Africa can be grouped in the following ways: (i) The number of Chinese citizens living and working in Africa (migration), (ii) Chinese goods and services exported to Countries in Africa (trade), (iii) Chinese grants, soft loans and debt relief to Africa (development aid), (iv) Chinese companies and small and medium-sized enterprises investing in Africa (FDI) and (v) Chinese loans and export credit facilities (Broich and Szirmai 2014) <sup>[7]</sup>. This research aims to partly fill the void in the literature by conducting a study on the comprehensive benefits of the economic cooperation between China and Ethiopia focusing on three major areas (i.e. investment, trade, and aids or assistance). In addition to achieving the

main objectives of this paper, various trade deals and their impacts, aids and various investment ventures between the Chinese Government and Ethiopia have been evaluated. Also, relevant data and information related to the analysis have been sorted out from the various institutions.

The rest of the paper will be structured as follows. The next segment briefly discusses the various cooperation agreements between China and Ethiopia. Followed by a wide analysis of the economic benefits that Ethiopia enjoys through its partnership with China in the areas of trade, investment, and assistance. The last section concludes the paper, which points out the numerous challenges in terms of trade and investment between Ethiopia and China.

### Cooperation Agreements between China and Ethiopia

The first ministerial meeting of the Forum on China-Africa Cooperation (FOCAC) to be held in Africa took place in Addis Ababa, the capital of Ethiopia, in 2003. As per (Nicholas 2017) <sup>[13]</sup>, Ethiopia is considered to be a special partner in the eyes of the Chinese government based on four main rationales: first, like China, Ethiopia is one of the few emerging regions that have never been colonized, becoming, in the eyes of the Beijing administration, a sign of African resilience to European colonialism. Second, the headquarters of the various organization (African Union and United Nation Economic Commission for Africa) is in Ethiopia. Third, Ethiopia has proven to be the main strategic force in the Horn of Africa, frequently described as an unpredictable political climate. Last but not least, the political and economic ideals of the visionary prime minister of Ethiopia, Meles Zenawi, in office from 1995 to 2012 and a keen supporter of the development state, appealed to the Beijing leadership.

Following the 2006 FOCAC, the Chinese Government declared that it would double assistance to Africa by 2009

(Odeh 2014). Besides this, in 2007, Ethiopia was the only scarce resource nation among four African countries (together with the oil-rich Angola and Nigeria as well as the mineral-rich DRC) to obtain soft loans from China's financial firms, including EXIMBANK. These soft loans were largely aimed at improving Africa's infrastructure. Also, China has pledged itself to cancel bilateral debts for developing economies, including many in sub-Saharan Africa. In 2007, China and Ethiopia reached a US\$18.5 million debt relief deal. Ethiopia has become the only African nation to benefit from all three policies.

After the European Union, China has not only become the most important trading partner for the continent as a whole but many individual African countries as well. While Western and Chinese patterns of development assistance and foreign direct investment are very different, we observe more similarities than differences in the realm of trade. Though trade between China and Africa is often labeled as South-South trade, its structure very much resembles North-South trade patterns. Like the United States and the European Union, China mainly imports natural resources (such as oil, gas, or iron ore) from Africa and exports manufactured goods to Africa. On 24 November 1970, the People's Republic of China and Ethiopia published a joint communiqué on the formation of diplomatic bilateral ties. Following the establishment of these diplomatic ties, there has been a positive relationship between the two countries. In recent times, the relationship between the two countries has seen successful and continuous growth, with many high-level reciprocal visits and growing exchange of personnel between the two sides. The agreement between the two nations has greatly moved to transform the economies of both countries. Ethiopia is by far among the most developed economies on the continent. And they have witnessed a great transformation in various sectors of their economy.

**Table 1:** Selected Agreements Between China and Ethiopia.

No	Description of Agreements	Year of the Agreement
1	Debt relief agreement	2007
2	Ways to Strengthen Economic Relations	November 2008
3	Improving Ethiopian Infrastructure Development	February 2008
4	"One China" principle in the dispute with Taiwan	June 2001
5	China-Africa Corporation Forum	December 2003
6	Agreement for Economic and Technological Cooperation	1971, 1988, and 2002
7	Trade Agreement	1971, and 1996
8	Trade Protocol	1984, 1986, and 1988
9	Agreement for Trade, Economic and Technological Cooperation	1996
10	Agreement for Mutual Promotion and Protection of Investment	1988

Source: author's compilation

Chinese engagement in the Ethiopian economy is being intensified from time to time. The degree of this intensification differs across sectors. The economic relation between China and Ethiopia is not new, as we attempted to present above, but has a long history. However, these ties were limited to minimal aid and manpower training during 1974 -1992 when Ethiopia was under the socialist system which was pretty much oriented to the Soviet Union version of Socialism. Chinese investment in Ethiopia first appeared in the manufacturing sector where the government of Ethiopia followed a policy of management and leasing of government institutions intending to boost efficiency, following the government's 1992 liberalization policy. Several Chinese firms began to seize this opportunity. They

took over the management contract of some public producer firms on a lease basis, largely, intending to exploit the preferential treatments of Ethiopia in the industrialized countries. Strategic action is crucial to China's growing modern partnership with Africa, particularly the need to gain access to natural resources. China's economy is currently undergoing an energy transformation evidenced by the change from low-efficiency fuels to oil, gas, and electricity, from agriculture to growth and industrialization, and from low-motorization to increased use of motor vehicles. (Adams and Shachmurove 2008, Bazilian, Nussbaumer *et al.* 2012) <sup>[1]</sup>. Although China was the largest oil exporter in East Asia in the 1980s, self-sufficiency ended in 1993 by turning China into a net oil importer. (Zweig and

Jianhai 2005, Lee 2012) <sup>[21, 10]</sup>. In 2003, China became the second-largest oil user in the world after the United States and the third-largest net oil importer after the United States and Japan (Taylor 2006) <sup>[19]</sup>. By 2009, China had become the second-largest net oil importer to overtake Japan (Lee 2012) <sup>[10]</sup>. Obtaining raw materials and resources is therefore vital for the Chinese Communist Party (CCP) to sustain the rapid growth of the economy.

### Investment Relations

China has primarily invested in the construction of hydraulic dams (such as Tekeze, completed in 2009), including extremely contentious projects (Gibe III) and high-tension lines. The goal is both political – it is difficult to prevent referencing the Soviet experience of the Aswan Dam, the construction of which was ignored by the West and international institutions for partially identical (ecological) and economic reasons. Sales of energy on the national market and to surrounding countries will allow Ethiopia to repay debt from Chinese banks. Ethiopia generated 2,000 megawatts in 2011 (MW). This increased to 10,000 MW by the end of 2015. The state's hydroelectric power generation is projected at 40,000 MW, which is why ambitious projects are underway. In addition to Gibe III, IV, and V, since 2011, Ethiopia has constructed the Millennium Dam to become an East African powerhouse. Gibe III has attracted many critiques: constructed at the confluence of the rivers Gilgel Gibe and Omo, 470 km southwest of Addis Ababa, it has led to the forced displacement of 200,000 rural residents, with adverse effects on the water supply of Lake Turkana in northern Kenya, putting at risk 300,000 Kenyans' access to water. In August 2011, the UN World Heritage Committee joined forces to condemn the initiative. In light of these environmental considerations, the World Bank and the European Investment Bank, which funded more modest Omo dams (Gibe I and II), as well as the African Development Bank, have declined to participate in Gibe III. As a result, in 2010, the state-owned Dongfang Electric Machinery Company agreed to supply electrical and mechanical equipment (turbines) financed by a \$500 million ICBC loan from China. In summary, this example demonstrates China's tendency to assist developing countries by aligning itself with the aspirations of the governments in place and turning a deaf ear to international and expert protests. These ventures are, of course, a new source of export earnings for Ethiopia. On the other hand, their negative effect on rural development is also a matter of debate. China is also very involved in the telecommunications sector in Ethiopia. ZTE (Zhongxing Telecommunication Equipment), which agreed to work with the Ethiopian Telecommunications Company in 1996, has dominated the market since 2006. Since then, ZTE has played a critical role in modernizing the telecommunications

sector in Ethiopia. A massive mobile telephone network, with 1.2 million lines in Addis Ababa and eight other regions, has been rapidly developed and has also given access to many people in rural areas. Between 2007 and 2012, the number of mobile subscribers increased from 1 million to 15 million. ZTE is also said to have trained more than 1,000 Ethiopian engineers to date. With the participation of Chinese and other international investors actively engaged in the garments and clothing and footwear sectors, Ethiopia is trying to get some attention for itself in the sector of mass-produced footwear.

Sino-Ethiopian alliance in infrastructure investments also includes the modernization of Addis Ababa airport and the development of a national and international rail network of approximately 2,600 km by 2015 and 5,060 km by 2020 at a combined cost of \$6 billion. The goal of this project is to link 49 cities, once completed, with the building of eight main lines, and to join the Ethiopian railroads with those of Sudan and Kenya, as well as to reconnect with Djibouti. This initiative could never have been accomplished if the Chinese government had not intervened due to financial problems. The Ethiopian Railways Corporation (ERC) tabled contracts in 2009 and only China replied by May 2010. The first goal of ERC was to restore the rail line between Ethiopia and Djibouti, the port of which accounts for around 70% of Ethiopia's foreign trade. Nonetheless, instead of redeveloping the old 781 kilometers of narrow gauge rail constructed by the French between 1897 and 1917, a new single railway was to be built near the old one to the border of Djibouti (656 km). Some projects include, in particular, the rail link from Ethiopia to Afar, where potassium can be mined from Denakil near the borders of Ethiopia, Eritrea, and Djibouti. Another is the connection between the city of Addis Ababa and Bedele, west of the capital, and one of the major coal mining communities in Ethiopia. The line would gradually be joined by the Sudanese and Kenyan networks. However, these development projects have contributed to a rapid increase in Ethiopia's debt from China, thereby raising the country's overall debt by 25% by the end of 2010.

China has little influence in the Ethiopian agriculture market, but it still accounts for 50 percent of the country's Gross National Product (GNP) and 85 percent of exports and employs 80 percent of the labor force. Whereas China has, in recent times, agreed on significant lease contracts in the DRC and Zambia, it has remained conservative in Ethiopia, possibly due to the various concerns that surrounded the lease agreements to Saudi Arabian and Indian firms, and also because of the involvement of many Western stakeholders (Netherlands and Belgium) in floriculture, which has emerged as a new export market. For the time being, China chooses training and technology transfer with the aid of growth assistance.

**Table 2:** List of selected Chinese investment and Projects in Ethiopia

Project	Chinese Contractor	Total Cost (million USD)
Addis Ababa Light Railway	China Railway Engineering Corporation	475
Addis Ababa – Djibouti Railway line	China Railway Group, and China Civil Engineering Construction Corporation	3400
Bole International Airport Expansion	China Communications Construction Company	340
Tekeze Dam	China Gezhouba Group Corporation, Sinohydro Company Ltd.	365
Addis Ababa-Adama Expressway	China Communications Construction Company	1400
Geba Hydroelectric power project	China Gezhouba Group Corporation, Sinohydro Company Ltd.	583

Source: Author's compilation

## Trade Relations

Similar to FDI, the magnitude and pace at which trade flows between China and Africa evolve are unprecedented in recent history. Although the volume of trade between China and Africa amounted to \$128 million in 1960, it rose to between \$168 billion and \$198 billion in 2012, according to various reports. This compares to the EU-Africa and US-Africa trade volumes of \$423 billion and \$101 billion respectively in 2012. In 2006, China became the largest trading partner of Ethiopia. Chinese official figures show that bilateral trade has risen from \$100 million in 2002 to \$1,467 billion in 2009, with Ethiopian imports increasing very quickly (to \$1,252 billion compared to \$96 million in 2002), but with a slightly lower deficit of \$1,038 billion in the subsequent year. Given the time difference of the two sets of estimates, the difference is not that significant: China has emerged as the key source of the trade deficit in Ethiopia. By way of reference, the gap with the EU was just \$871 million in 2009-2010. Ethiopia mainly buys equipment and machines from China, as do many other countries on the continent (South Africa, Angola, Nigeria, and Sudan); but it also imports rising quantities of electronic and other consumption goods (garments, pharmaceuticals, and edibles). Exports to China have also grown, to \$216 million worth between 2009 and 2010 (\$246 million in 2010). Ethiopia mainly sells China coffee, leather, textiles, sesame, and cut flowers. To reduce Addis Ababa's trade deficit, the two sides signed an agreement in January 2010 on preferential access for Ethiopian products in the Chinese market: the number of products exported to China tariff-free rose from 130 to 440, or 95 percent of the total. While Ethiopia's trade deficit is structural, the low prices of Chinese products heighten the profound asymmetry in bilateral exchanges. Sino-Ethiopian trade reached \$3 billion by the end of 2015 and has since increased in recent years. But it is less likely that Ethiopia's trade deficit with China will radically narrow in the coming years.

In general, Ethiopia's exports to China have increased steadily over time, but not diversified. There is also a belief that Ethiopia has gained from China's tariff and quota-free preferential market access (Broich and Szirmai 2014, Nicholas 2017) <sup>[7, 13]</sup>. China's granting of preferential treatment by duty and quota-free preferential market access has gradually increased by establishing a strategy to improve China's Africa Partnership through growing the number of Chinese exports from 190 to 440. Besides, China has also taken measures during the third CACOF Forum, which enables Ethiopia to sell more than 95 percent of its exports to the Chinese market free of duty and quota constraints (Nicholas 2017) <sup>[13]</sup>. Setting that aside, bilateral trade agreements have both possibilities and challenges. From the Ethiopian perspective, domestic consumers and entrepreneurs benefited from China's cheap prices and low-cost machinery and other related imported goods (Geda, Shimeles *et al.* 2008). Also, there is a considerable amount of Chinese items that are smuggled by contraband trade through leasing to Chinese business people, mainly due to the low import tax on goods imported from China. This raises the question of the need for acceptable tariff agreements that do not allow for illegality but maintain the essentials of market structures. Overall, it can be said that irrespective of the doubts posed by scholars and analysts about the relationship between Ethiopia and China, their bilateral relations have gained momentum. The year 2010

marked the 40th anniversary of the establishment of diplomatic ties between the two countries, their relationship continued to grow and their engagement in different areas continues to form the basis for the ever-expanding trade activity between the two nations. In addition to the overview of Ethiopia's trade activities with China, the table below shows, on a comparative basis, the different capacities of the two countries in terms of their trade volume at the global level.

## Aids and Other Relations

While Official Development Assistance (ODA) investors have remained a major part of international development assistance to date (Tarp 2006) <sup>[18]</sup>, the share of international economic aid from non-DAC donors has been steadily growing, particularly from developing countries such as China or India (Woods 2008) <sup>[20]</sup>. Back in 1960, China's ODA for Africa contributed to "just" \$58 million. And since then it has increased significantly to date.

Since the early 2000s, several new aid donors have stepped up their financial support to the African continent, of which China can be considered one of the most influential. Since 2004, China has actively promoted development aid to developing countries not only through conventional bilateral mechanisms but also progressively through multilateral channels. With time, China's new development assistance has become largely driven by economic and industrial reasons. Although Egypt was the only country in Africa to obtain foreign assistance from China in 1956, 50 African nations and the African Union Commission participated in the 2006 FOCAC Summit, underlining China's progress in developing new strategic alliances in Africa. China offers eight different types of international aid: (i) full initiatives, (ii) commodities and materials, (iii) technological assistance, (iv) human capital development partnership, (v) medical teams sent overseas, (vi) emergency humanitarian assistance, (vii) voluntary programs in foreign nations, and (viii) debt relief. Chinese official assistance disbursements are divided into (i) grants, (ii) interest-free loans, and (iii) concessional (fixed-rate, low-interest) loans. Among other items, these resources fund government scholarships for African students, Chinese medical teams, agricultural technical support, government facilities, telecommunications networks, sports arenas, youth volunteers, low-cost housing, and short-term training programs (Bräutigam 2011) <sup>[6]</sup>. However, these three instruments make up just a fraction of China's overall official financial support to Africa.

The cooperation of aid between Ethiopia and China is incredibly small. Assistance flows to Ethiopia from developed economies (the US and Western Europe) and multilateral organizations such as the World Bank are very high in absolute terms (about USD 1 billion per annum) even though they are one of the lowest in Africa per capita. In the light of these help flows, the Chinese support is the smallest. This is linked to the grant provided by the Chinese Government to the construction of the ultra-modern road and other similar city roads that are being constructed in Ethiopia. It is also part of their grant to promote the development of vocational education in the region. Maybe it is reasonable to classify such assistance in Ethiopia as strategic (geo-political) given the value of Ethiopia in terms of population, size, and militaristic significance in Eastern Africa, as well as symbolic, and to display instances of real

and massive support as such. The reality that major continental institutions such as the African Union and the Economic Commission for Africa are all situated in Ethiopia means that African leaders and officials can regularly visit Ethiopia. Symbolic expenditure like this one by the Chinese in Ethiopia may thus help to publicize their presence in the African region. For example, the state-of-the-art cargo terminal of the Ethiopian Airline, the Addis over the flyer, are notable examples, among many others. Demonstrated at successive Sino-African Summits (FOCACs), China's development aid to Africa has differentiated and enhanced. Ethiopia might be one of the very few African states to gain from the entire spectrum of Chinese 'cooperation' programs, with China only recently embracing the idea of public development aid. The aid centers on agricultural (irrigation) and medical (hospital) programs. Overall, China's preferential support to Ethiopia appears very modest considering the strength of bilateral political and economic ties. It concerns projects that are limited in number but of great symbolic importance. In 2006, they contributed about \$1 million, contributing about 0.14 percent of the total assistance received by Ethiopia. In addition to the infrastructure sector, China has also gradually attracted the attention of the agricultural industry in many African states. Marred by persistent food insecurity, low agricultural output, and policies that have discriminated against agriculture since the early 1970s (Stasavage 2005), it is hardly shocking that Africa has since become a net food exporter in the world (Rakotoarisoa, Iafate *et al.* 2011). China's development partnership is also aimed at improving human capital and promoting education. Although Sino-African cooperation in education has once been limited to providing scholarships to African pupils and sending Chinese instructors to Africa, current collaboration is characterized by China's willingness to create 100 new schools in rural parts of the economy, (ii) to increase the number of Chinese government scholarships to African students, (iii) to provide in-service training for education officials and university teachers, primary, secondary and vocational schools in Africa (Naidu 2007) <sup>[13]</sup>. China's assistance to Africa is primarily motivated by its intention of obtaining oil resources and minerals for its rising economy. African oil is estimated to account for 80 percent of China's trade in the region and about one-third of its oil imports. Nearly 70 percent of the total of China's infrastructure funding on the continent is estimated to be located in Angola, Nigeria, Ethiopia, and Sudan, all of which have oil fields.

**Table 3:** List of Selected Aids from China to Ethiopians

No	Aids
1	Dispatch of medical teams and teachers, and educational scholarships for Ethiopian students studying in China.
2	Construction of vocational schools in Ethiopia.
3	The Construction of Tirunesh Dibaba Beijing Hospital.

**Conclusions**

Friendly relations have existed between China and Ethiopia over the last 20 years, and the integration of expectations and philosophical ideas between the two nations has resulted in various forms of collaboration, with rising Chinese FDI flows in production and infrastructure development funded directly by the Chinese government. However, China's support for the development of the

Ethiopian economy is completely limited thus far. Without a doubt, there is scope for further growth of Chinese FDI along with more positive significant spillover effects, though some standards must be met for this to happen. Even though Chinese investment was intended to make a significant contribution to the development of industry in the Ethiopian economy, more work needs to be done. Ethiopia has recorded high growth rates by forming allies with China, but very little industrialization. The greater beneficiaries of these partnerships are the Chinese: Chinese investors are taking advantage of the opportunity in Ethiopia to transfer some of their offshore output from China to low-cost manufacturing facilities. The special economic zones (SEZs) that were set to perform the same major influences as SEZs in China's southern provinces (or other East Asian countries, such as Korea or Malaysia) seem to have backfired. The Chinese-controlled economic zones reflect a very different structure, with a focus on the demands of foreign investors rather than those of the domestic economy. However, several major innovations indicate that the situation could change soon. First, while the policy adopted so far by Ethiopia has prioritized Chinese-owned SEZs, it has recently shifted to government-led IPs, the rationale of which is far closer to that of SEZs pursued in East Asia. Also, newly established projects, such as the Huajian International Light Industry City, are encouraging, as the sectoral focus of the project is in line with the overall economic goals (Nicholas 2017) <sup>[13]</sup>. As these advances are still new, the verdict is still out of touch with the reality of comparative advantage and the ability of Ethiopian companies to take advantage of the involvement of Chinese firms and technology, and thus with potentially significant benefits. An attempt was made in this study to examine the economic and diplomatic consequences of China's involvement in Ethiopia (Nicholas 2017) <sup>[13]</sup>. In evaluating the situation, the study seeks to assess the effect of economic cooperation agreements between the two countries on investment, trade, and assistance, among others, through various routes. The analyses suggested that the relationship between Ethiopia and China has grown stronger over the years and is not expected to decline in the coming years. This is particularly important in the areas of infrastructure development, the supply of Chinese manufactured materials, telecommunications, and the development of large electrical power plants by Chinese companies, among others. Generally, the key goals of the alliance are yet to be fulfilled. However, there is no doubt that the relationship between China and Ethiopia has changed the national economy (Ethiopia) considerably across all sectors. Commercial retailers who import goods from China for sale, domestic customers can acquire imported goods from abroad at a lower cost, different of entrepreneurs in the country over the last decade. This pattern is expected to entrepreneurs can purchase different machines for their enterprises at a reasonable cost, thereby increasing the number improve following the country's inclusion in the Belt and Road Initiative. The Sino-Ethiopian agreement is not without its thorns. The result, in particular, from the essence and goals of China's diplomatic and economic initiatives, not only in Ethiopia but in Africa as a whole. China's assistance is all too frequently followed by political and economic links. Besides this, China wants its allies in Africa and elsewhere to assist it on major global developments and to monitor all related issues. For instance,

issues on human rights. But it is in the economic and commercial domains where China's aid represents more specifically its ambitions. Chinese partnership and investment projects have made a direct contribution to accelerating the growth of Ethiopia. Chinese-owned businesses are in a better position to quote a more attractive price and capture the market in Ethiopia than domestic firms. Therefore, using dumping-bound techniques, Chinese companies have been able to nullify rivalry, particularly from Japan and South Korea, in the infrastructure development. The basic objectives of the Ethiopian government are not inherently affected by these activities: it is currently capable of building more kilometers of roads at a reduced cost. The ultimate aim, however, is to allow rather than obstruct competition. Chinese investments also contribute to the trade deficit in Ethiopia and present it with substantial financial and often environmental costs. In particular, funding requirements are rarely released and international institutions (IMF and the World Bank) acknowledge that they have great difficulties in figuring them out. And because of the constraints, it imposes on rivals, Chinese collaboration is not inherently less burdensome than other Ethiopian allies, raising their debt in a way that may appear costly in the coming years. Furthermore, the most sensitive and contentious factor, unique to China's partnership with developing economies, is that construction activities in Ethiopia are being carried out with substantial input from Chinese labor. Dedicated enterprises thus provide Chinese engineers with positions that are even more lucrative than in China and help export surplus labor to other emerging regions. Creating a well-known issue in many African economies that has the potential to adversely impact Sino-Ethiopian cooperation. Moreover, whether Chinese workers who remain in Ethiopia after their work or those who come in the form of "tourists" to earn money, the fast growth of the Chinese population also instigates discontent on the part of local citizens, who are mostly poor or unemployed. Furthermore, the transfer of technology falls short of Ethiopia's expectations. This is also the practice with investment projects by Chinese companies. Another criticism, in the case of Ethiopia, is the low quality of Chinese-provided facilities, equipment, and technologies. This analysis can be used as a reference point for the implementation of trade and economic policies in Ethiopia. The projected benefit of the study is its assistance in providing an analysis of the stance of Ethiopia in its interaction with China and also its implications for the future of bilateral relations. It is also hoped that research and academic entities, professional organizations as well as private industry, such as chambers of commerce, would also gain from this analysis (as well as potential continent-wide studies) as a starting point for an in-depth analysis of China's position in Africa.

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