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Ethio-UAEs' Relations: A Critical Analysis of Opportunities and Challenges for
Ethiopia

By:

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This is to certify that the thesis prepared by Mustefa Younis, entitled The Current Ethio- UAE's Relations: Critical Analysis of its Challenges and Opportunities For Ethiopia and submitted in partial fulfillment of the requirements for the degree of Master arts in International Relations and Diplomacy complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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Abbreviations and Acronyms

B.C	Before Christ
BRI	Belt and Road Initiatives
EBC	Ethiopian Broadcasting Corporation
ENA	Ethiopian News Agency
EPRDF	Ethiopian People Revolutionary Democratic Front
FDRE	Federal Democratic Republic of Ethiopia
ETB	Ethiopian Birr
FDI	Foreign Direct Investment
FPI	Foreign Portfolio Investment
FPA	Foreign Policy Analysis
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GERD	Grand Ethiopian Renaissance Dam
HoF	Horn of Africa
HS	Harmonized System
ICG	International Crisis Group
IR	International Relations
IPE	International Political Economy
KFED	Khalifa Fund for Enterprise and Development
MA	Master of Arts
MBZ	Mohammed Bin Zayd

MEDC	Ministry of Economic Development and Cooperation
MOFA	Ministry of Foreign Affairs
MoU	Memorandum of Understanding
NATO	North Atlantic Treaty Organization
OBN	Oromia Broadcasting Network
PP	Prosperity Party
PS	Political Science
RST	Rentier States Theory
SSC	South-South Cooperation
UAE	United Arab Emirates
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
USA	United States of America
USD	United States Dollar
VCDR	Vena Conference on Diplomacy and Relations
WAM	Emirates News Agency
WTO	World Trade Organization

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Abstract

Ethiopian and the Arabian Peninsula share a long history of economic, political, social, and religious relations. Ethiopia and the United Arab Emirates have bilateral relations that have lasted for more than two decades. The year 2018 witnessed upgrading and enwinding of bilateral relations between the two countries. This new development and shift did not come from a vacuum, but as a result of shifts that took place in the Middle East and the Horn of Africa. Historical facts and reality on the ground show that the relationship between the Horn of Africa and the Arab Gulf states is asymmetric, driven more by the interests of the later. Looking at the current Ethiopian political, economic, and social conditions and the currently remarkable Emirati-Ethiopian rapprochement, this MA thesis aim to identify whether the two countries' bilateral relations are asymmetrical and driven by the UAE's interests or not and also aim to describe and analyze related risks and opportunities based on the relations trend and extent. By using qualitative methodology to describe such problem. The main points inducted in this paper are that: although the two countries bilateral relations are in increasing trend and UAE support for Ethiopia has benefits, but its political goals are uncertain, the UAE is not giving as it gaining and the UAE's more closeness to Ethiopia created phenomena like new friends, new enemies and, deep public dissatisfaction that can clouds the Ethiopian and UAE's reputation. Sharing experience from states have long period of experience in relations with UEA, drawing lesson from past events, understanding well the history of the geopolitical cycle and Gulf engagements and recently geo-economic phenomenon in the Horn of Africa are key to maximize benefits of these bilateral relations and reduce associated risks.

Key Words

Bilateral Relations, Natures, Trend, Challenges, Opportunities, Ethiopia, UAE

Chapter One

Introduction

1.1 Background of the Study

First, let us start with the broad sense of International Relations (IR) which deal with arrange of cross-border interactions between state and non-state actors. Mostly IR consist political, security, economic, authority and the environmental aspects (Spindler and Schieder, 2014, p. 6). According to Spanier (1987, p. 10), these relations often characterized by complexity and they are influenced by a variety of geopolitical, historical, social, religious, and ideological factors.

Regarding the complexity of the relations, we are living in the world, where the growing importance of interdependence and the profound changes in the international system, together with other factors force a state or non-state actors to act in a certain way and behave accordingly in its interaction with other entities. This is what one can observe from states' interactions from time to time and from scholars like Sayid (2010, p. 155) arguments.

According to international relations' literatures and scholars, commonly a state-I mean nations state- as legal unity or entity engages in some types of interactions. The interaction take place with other states or non-state actors to realize its goals whether those ends are political, economic, security or the like. During these interactions, means such as diplomatic activities through bilateral or multilateral relations are used.

Always a state enters relations with other states because there is not a state that is self-sufficient and capable of existing independently from other states in the context of increasing interdependent and globalization world (Sayid, 2010, p. 159).

Historically, bilateral relation dated to ancient times when kingdoms dealt with one another mostly on security and trade issues. It is a process of oldest form of diplomacy which covers relations between pairs of countries. In modern time, exercised through its principal institutions like foreign ministry, embassies, consulates, and the foreign service, and laid base of multilateral diplomacy Rana (2020, p. 1-3).

The Vienna Convention on Diplomatic Relations (VCDR) of 1961 defines the bilateral diplomacy as: “representation, protection, negotiation, reporting, and promotion” (Ibid). These bilateral

relations are existing because there is not a state that is self-sufficient and capable of existing independently from others as it was mentioned above.

According to Bilateral Guideline Norwegian Financial Mechanisms 2014 – 2021 (2017, p. 4), bilateral relations between countries is relations that consist political, economic, cultural, historical ties, and people to people contact. These elements sometimes termed as pillars of bilateral diplomacy as the source indicates.

After saying this brief concept about international relations and bilateral relations in general, it is considerable to say somethings about Ethiopian contact with outside world and modern Ethio-UAE's bilateral relations. For instance, Ethiopia as one of the members of international community has had political and economic relations with the international community, particularly with Middle East states.

According to Both (2004, p. 20), these contacts with the outside world dating back to the period before the Birth of Christ (B.C). and were attributable to Ethiopian's strategic and geopolitical location near the Red Sea and Indian Ocean. Farther more, and as an example, during Axumite era, Ethiopia, established diplomatic and commercial relations with Middle East countries, especially with the Arabian Peninsula states. This is because of its full engagement in both inland and maritime trades (Zewde, 1991, p. 8).

Turning back into the crux of this study, Ethiopian and UAE have established their relations in 1973 and gradually improved and upgraded (MOFA, 2019, p.1). Following the two countries' establishing their bilateral relations by opening embassies in their respective capitals many exchanges of official delegations have been made. And They established the Joint Ministerial Commission in 2007 (Ibid). As a result, economic relationship between the two countries have huge progress over the last ten years.

Based on the collected data and reviewed literatures, which dealt with bilateral relations between Ethiopia and the United Arab Emirates, bilateral relations between the two countries passed through stages of convergence and divergence. And recently, witnessed remarkable improvement and development especially since 2018.

Particularly after the current Ethiopian “reform” and coming of Abiy Ahmed to power as Ethiopian “reformist” Prime Ministers in 2018, the UAE has become Ethiopia’s strategic partnership in economic aspects such as trade and investments and also politics.

There are questions that arise. They are: What were the factors that led to this remarkable development? What are the natures of these bilateral relations and their remarkable economic and political implications for Ethiopia? Does the strategic location in which Ethiopia is located contribute to upgrade these relations? Or there are other factors?

Due to common interests, history and culture to some extent, shared values, and geographical closeness, since 2018, the two countries bilateral relations have entered into new era of bilateral relations and they open new page of bilateral relations. This fact is what the official document of both sides and the existing facts are clearly showing us at the moment. And the two countries bilateral relations are what we are about in this master's thesis.

In fact, themes like the geopolitical changes going on in both shores of Red Sea, the natures of relations that have been exercised by both regions since the Cold War, the current political and economic goals of the UAE as one of Gulf states investor in Ethiopia, and its impacts and extents beside the absence of academic research conducted on this area are some factors that motivated me to conduct this MA thesis to understand the natures of the current bilateral relations of the two countries by focusing on the impacts of these relations.

By substantiating and putting into account the above-mentioned factors, the current political and economic situation of Ethiopia and the dramatic convergency that recently and suddenly happen between Ethiopia and UAE, and the assertive intervention foreign policy of UAE, as a political science and international relations student, I consider this study an important study and a contributor one in filling gab of knowledge in this regard and understanding the trend of this convergency.

To sum up, this study can be considered as an additional contribution for the discipline to study the nature, the challenges/risks and opportunities of relations that take place between two small states located in close and very strategic regions witnessing geopolitical shifts, and which are in terms of economy, geography and demography incomparable.

Therefore, the main objective of this study is to know the natures of Ethio-United Arab Emirates' bilateral relations and to analyze and describe critically related challenges/risks/ and opportunities by focusing on trend and extent of these relations. In line with this, this thesis aims to point out the major factors led to establish economic relations between them since 1991 particularly after 2000.

And the recent high motivation of actors of the two countries to upgrade and expand their bilateral relations such as in political aspect also considered. Finally, recommendation and conclusion will be provided.

1.2 Statement of the Problem

Since their formal/official/ diplomatic ties established in 2004, Ethiopia and United Arab Emirates relations have passed through some development like more economic ties such as investments and trade, and less political reaction. The contribution of this relation primarily in economic development of the two countries is obvious and well known. Because their trade and investments' data of more than a decade clearly indicate that even if there is continues trade imbalance between them.

But, after 2018 the two countries' relations transcend into very strategic, strong, and multi-dimensional bilateral relations that include economic, political, and social aspects. This development in the two-states' relationship did not come out of a vacuum rather it is a result of shifts that took place here and there. For example, political and economic change has occurred in Ethiopia since Abiy Ahmed took the power in the country in 2018.

On another side, since 2006 particularly after 2011, UAE began to give special attention toward the Horn of Africa to realize commercial and regional security interests. And also, it has desire to shape the future of maritime trade in both shores of Red Sea. Since 2017 the country entered into rivalry with some Middle Eastern states such as Qatar, Iran, and Turkey. Because of it is relative advantages in terms of geostrategy, demography and natural resources in Horn of Africa, Ethiopia is becoming an arena for this rivalry.

Some studies, historical and the existing facts show that the Horn-Gulf states' relationship is asymmetrical, driven more by the later interests. Based on these facts there is fear that the politics

of injecting money and exporting rivalries simultaneously could more destabilize fragmented local politics and also possibility of resolving conflict and fueling economic growth.

As long as there is no specific study that deal with the two countries' bilateral relations in general and their newly upgraded bilateral relations in particular, and there is also limitation in understanding the reason behind the emerging optimistic and pessimistic views simultaneously towards the two countries' bilateral relations, it is necessary to tests whether their bilateral relations are asymmetrical and driven more by the interests of UAE or not and also to describe and analyze related risks and opportunities based on the extent and trend of their bilateral relations.

That is to provide possible and appropriate recommendation that can contribute to policy-makers' efforts to minimize risks and maximize opportunities. By using mechanisms such as: sharing experience from states have long period of experience in relations with UEA, drawing lesson from the past Horn-Gulf states' bilateral relations, understanding well the history of the cycle of geopolitical changes, and recently geo-economic phenomena in the Horn of Africa.

1.3 The Objective of The Study

The general/ the main/ objective of this study is to deal with Ethio-UAEs' bilateral relations based on its natures, extent and trend, to point out the main factors that first led to establish and recently upgrade these relations, and to analyze its challenges and opportunities for Ethiopia.

As such, the specific objective of this study:

- To study the nature and dynamics of the two countries foreign policy.
- To explores the bilateral relation particularly economic and political relations between the two, to know derived factors, and to identify opportunities and challenges related to these relations.
- To propose how Ethiopian can maximize benefit from this bilateral relation and minimize related risks.

1.4 Research Questions

- What are the natures of these bilateral relations, its trend and extent?
- Why Ethiopia and United Arab Emirates upgraded their economic and political relations since 2018?
- What are the main driving factors for this upgrading and what will be its future impacts?
- Why some geopolitics experts consider their relations full of puzzles, while other perceived it as necessary one; particularly prioritizing the current Ethiopian situation and its political and economic interests?
- How can Ethiopia maximize its gain from the economic diversification and minimize negative effects of the regional rivalry projects?

1.5 Significance of The Study

By taking into consideration, the historical relations of the two regions, the current Ethiopian political and economic conditions, the UAE acting as regional powerbroker, ongoing geopolitical dynamics in both shore of the Red Sea and other related issues, this master's thesis aim to deal with Ethio-UAE's bilateral relations and to analyze its Challenges and Opportunities, because it has a significant value to anyone who is interested to know the natures of Ethio-Gulf relations in general and Ethio-UAE's bilateral relations in particular.

This is due to the two countries' political and economic relations currently and unprecedentedly upgraded, but there is lack of literatures that dealt with this on the ground fact. So, the study can provide concerning bodies with knowledge that enable them to identify what is fact from fiction/ puzzle/ and decide to deal with impacts that follow their relations with Gulf countries. Farther more, the thesis adds some knowledge in the Ethiopian relations with the Middle East in general and Ethiopian relations with Emirates in particular.

1.6 Assumption

- Ethiopian and UAE's bilateral relations in the economic and political aspects are passing in a dramatic improvement after 2018.
- UAE may repeat history of the past relations of the two regions, because it is on the footstep of the Saudi and has political, economic, and ideological interest in the Horn of Africa.

-Ethiopian and UAE's political and economic relation is relatively in favor of UEA.

1.7 Methodology of the Study

Before going to the under-consideration methodology let us highlight about research type that selected for this thesis. To address the thesis, I preferred a type of scientific research which is descriptive research. descriptive research is a scientific research that is conducted to examine and systematically investigate the extent and forms of certain behavior by answering what, how, when and where questions Anol (2012, p. 119).

Since the above type of research is very useful to conducting research which aim to identify characteristics, frequencies, trends, correlations, extent and categories of what being described (topic) and it can be carried out using the qualitative research method, to properly describe the research problem, I decided to use it to deal with Ethio-UAE bilateral relations and to describe and analyze related risks and opportunities based on the relations' extent and trend through questions: what, how, when and where.

Methodologically, the study based on qualitative approach, which is a more verbal description approach than numerical one. Qualitative approach is commonly used in the humanities and social sciences such as Political Science and International Relations (IR) as many social sciences show us.

As McNabb (2017, p. 225) "the positivist and postpositivist approaches are the chief methodological approaches that political scientists follow to gain knowledge about the political world." Based on the purpose of this thesis, in contrast of traditional approach of the positivist which refers to quantitative research, I employ the postpositivist approach refer to qualitative research.

Since qualitative approach/research depend on a variety of theoretical approaches and methods of Political Science (PS) and International Relations (IR) such as: Descriptive, explanatory, interpretive, and the critical approaches to understand the event, circumstance, or phenomenon under study as McNabb (2017, p. 227) argued, citing of political science and international relations' texts or literatures is convincing, justifying, and logical idea.

So, it is all about discovering issues, understanding phenomena, and getting clear knowledge about people's attitudes, behaviors, concerns, motivations, aspirations, and culture or lifestyle.

It used to investigate the why and how of decision making, not just what, where and when. Farther more, the Qualitative method aim to gather an in-depth understanding of human behavior and the reasons that govern such behavior (Tefera and Ahmed, 2015, p. 33).

As long as this approach involve in analyzing data, or categorizing those data, and finally making an interpretation verbally and drawing conclusions about their meaning, it is more useful to use it in this MA thesis.

Accordingly, data that related to risks, opportunities and nature of Ethio-UAEs' bilateral relations are considered as the main input of the study and critically analyzed and interpreted.

1.8 Methods/Tools/ of Data Collection

Regarding information about a situation, person, problem, or phenomenon, there are two main sources, which are: "primary sources which provide first-hand information and secondary sources that provide second hand-data" (Kumar, 1999, p. 104). Based on this, to conduct this study, both secondary and primary sources of data are used.

Hence, to deal with the Ethio-UAE's bilateral relations such as economic (trade and investments) and political (military cooperation, security and the like) and to analyze related risks and opportunities, unstructured interview is conducted with officials and key informants from Ministry of Foreign Affair of Ethiopia particularly from Middle East Desk, experts from Addis Ababa Investment Commission, Dire Dawa Trade Industry and Investment Bureau, and Arabic Department Director and expert of Gulf and Ethiopian economic relations from Oromia Broadcasting Network (OBN).

From UAE side, with great difficulty, I was able to conduct an interview with a key informant the Director of Emirates official media called Al- Ain al-Ikhbariyah's office in Addis Ababa, with tow Emirates investors from the private sector in Addis Ababa.

In addition, unstructured interview was conducted with key informants through (face-face with a diplomatic person from Yemen, an expert and two specialists in the Arabian Gulf and Horn of African relations (Ethiopian and Eritrean), one lawyer and three Ethiopian journalist from Ethiopian Broadcasting Corporation (EBC).

To realize its objectives, the study has also use secondary sources of data from books, journal articles, research papers, newspapers, and other documents and sources. Accordingly, an in -depth analysis of books, articles, official documents, websites, and reports, and selected Internet sources critically used. I contacted with totally 15 persons some of them key informants (officials), some experts and specialist.

1.9 Scope of the Study

Ethio-UAE's bilateral relations are relatively recent, and this study has focused on Trade, investments, military cooperation between them in line with related challenges, opportunities, and the nature of these relations. The study is delimited to an assessment of the Post- 1991 particularly the since 2004 Ethio-UAE economic and political relations up to now with reference to the above-mentioned and mostly focusing on economic aspect. The reason for the selection of the above two aspects is that the Gulf-Horn economic relations are driven by political interests rather than economic one, and the recent development in Ethio-UAE's bilateral relations are another fact.

1.10 Limitation of the Study

In conducting this study, as a researcher I faced some difficulties, which contributed to the limitations of the study. The first constraint for the study is shortage of pertinent materials to conduct the study, because of the lack of previous work related the two countries' bilateral relations and related challenges and opportunities. Additionally, in sectors like agricultural, manufacturing and construction investments, there are no detailed data on the extent, nature and impacts of these investments. So, a shortage of source was one of the problems.

Secondly, there was mostly lack of willingness from both sides to accept interview rather than providing me with some official documents related to the two countries bilateral relations especially those contain economic activities. But after many efforts I abled to conduct some interviews with officials from both sides.

Thirdly, Covid-19 pandemic, which shook the entire world and paralyzed people movements in the world and caused lock-down, put its negative imprint on the course of my MA thesis due to its coincidence with the research. The current political and economic situation in the country also cast a shadow over the course of this research. But with great effort it reached where it is now.

1.11 Structure of the Study

This study is organized into five chapters. Chapter one deals with introduction which includes background of the study, statement of the problem, objectives of the study, research questions, significance of the study, research assumption/ hypotheses, methodology, tools of data collection, scope of the study and limitation of the study.

Chapter two is aimed to conceptualize international relations theories by reviewing appropriate and relevant literatures. It discussed about economic and political linkage based on the concept of political and economic link and South-South cooperation. It also discusses about Ethiopia and UAE power level based on main International Relations theories. This chapter attempted to present and briefly discuss some international relations theories that are relevant to Ethiopia and United Arab Emirates' bilateral relations.

Those theories include: Liberalism, Dependency Theory the modern extension of Marxism theory, Neo-Realism or Structural Realism theories.

Chapter three briefly present about Ethiopian political, economic, and social historical facts and Ethiopian and Arabian Peninsulas' historical relations. In this chapter we discuss about UAE from social, political, and economic dimensions. And finally, the historical background of Ethio-UAE bilateral relations briefly explained.

Chapter four gives a broad overview about different areas of economic cooperation between the two countries since 2000 and the recent upgraded relations (after 2018) highlighting the factors paved way for that cooperation since then. The chapter further explains the trade and investment relation between Ethiopia and UAE and its trend. And as well as their political relations specially the existing one and its trend.

Chapter five aims to expose challenges and opportunities of relations of two countries by critically analyzing their impacts. It critically looks at the debatable issues related to their current relations and issue of trade imbalance and factors, which contribute for this trade imbalance. Finally, the paper provides conclusion and recommendations. And the reference and annexes provided at the end of the thesis.

Chapter Two

Literatures Review

Theoretical Overview to Understand Ethio-UAEs' Bilateral Relations and Its Impacts

In the previous chapter, the background of the study was addressed. In this chapter, some key and relevant concepts and theories that explain Ethiopia and UAEs' bilateral relations are defined, conceptualized, and discussed.

2.1 Conceptualization of the Current Ethio-UAEs' Bilateral Relations

The modern history of bilateral relations between UAE and Horn of Africa go back to the Cold War era. Particularly, during the breadbasket project of 1970s which had promised to the then Sudanese President Jafer Numeiri as a supporter of Saudi Arabia.

Although the modern relations between Ethiopia and the United Arab Emirates was in 1973, but their modern relations were not like that of Saudi Arabia in different aspects and which traced back to the early period of emperor Haile Selassie's regime (Ministry of Foreign Affairs of Ethiopia, accessed in 2019, p. 5).

The formal and full diplomatic relations of the two countries especially economic relations dated back to EPRDF regime exactly in 2003/4, as official documents of both countries and al-Ain official media of UAEs indicate.

As a result of fast-economic growth and political stability the two countries begun to exchange diplomatic mission started by Ethiopia. That was when Ethiopia opened its Dubai Consular Office in August 2003 a step concluded the UAE accrediting to Riyadh embassy to Ethiopia (MOFA, 2019, p. 3).The United Arab Emirates interacted to this step by opening its Embassy in Addis Ababa in 2012, while Ethiopia opened its Embassy in Abu Dhabi in 2013 (Ibid).

After opening their embassies in their respective capitals, the two countries began to exchange official delegations and reached to establish the Joint Ministerial Commission. That was after holding two meeting firstly in Abu Dhabi in March 2007 and the secondly in Addis Ababa in

March 2010 (MOFA, 2019, p. 2). This development in the two countries relation is considered as a manifesto of the growing relations between the two countries.

As IRs' study and foreign policy analysis assert, any change that take place at domestic, regional, and international levels has direct or indirect impacts and influences on a state's foreign policy and its relations with other states. The two countries' bilateral relations since 1991 not out of this fact.

In this aspect, there were some key factors that created favorable condition for the two countries' bilateral relations and motivated the leaders of the two countries to establish formal diplomatic relation.

Beside the constant factors such as geographical and historical proximity of the two regions (Horn of Africa and Arabian Peninsula) and availability of resources in Ethiopian as Verhoeven (2012, p. 13) said, there were also variables such as oil price and power shift at domestic, regional and international levels.

As Galal (2020, p. 2) said the end of the Cold War in the early 1990s has resulted in a fundamental shift in the structure of the international system (from the bipolar-unipolar system). According to the source, this shift led to new concept of power (from the material to non-material dimension) which in return affected foreign policies of small states.

According to Meester, Berg, and Verhoeven (2018, p. 41), before 2000 -especially from 1990s- the Gulf states' investment in the Horn of Africa including Ethiopia termed as 'scanty' investment. Because this period termed as Tronvoll, K. (2009, p. 31) said politically turmoil period in the Horn of Africa and internationally there was low oil price.

In addition to that, as Derso, B. (2017, p. 1) stated, there was also some reform in Ethiopian foreign policy toward Arab countries that was redefined in 2002. The recent (2018) convergence between the two states which was born after Ethiopia and Eritrea signed peace agreement in Jeddah- Saudi in 2018 paled pivotal role in upgrading their bilateral relations (Allo, 2019, p. 3). Here, the recently (2018/19) revised Ethiopian foreign policy also has its own contribution to this shift in the two countries' bilateral relations. where Ethiopia giving more focus for the Gulf states than before mostly for the economic purpose.

After saying this about the two countries' bilateral relations and factors that led to the establishment of their bilateral relations shortly, I would like to mobilize concepts and theories that help us to understand and study the natures of current Ethio-UAEs' bilateral relations and related risks and opportunities.

There are numbers of concepts and theories that deal with states' interactions based on different facts and by using different ways. For instance, concepts that explain the link between Politics and Economy are among concepts that can explain bilateral relations like that of Ethio-UAE. This is due to the existence of historical facts and studies conducted on the Horn of Africa and the Arabian Gulf countries that clearly show us how much the Gulf economy mixed with political interests as Meester, Berg, and Verhoeven (2018, p. 20) argued.

In addition to this, one of the prominent scholars of the concepts of political economy Robert Gilpin (1987, p. 31) said that political economy refers primarily to questions generated from the interactions of economic and political affairs.

Gilpin, (1987) used this concept to assess how international politics and international economics interact and affect one another. And he also sought to answer the classic questions posed in Harold D. Lasswell's (1936) definition of politics: *who gets what, when, and how?* Or basic questions of Hegemonic Stability Theory-the hybrid theory of mercantilism, realism, and liberalism as Timothy (2014, p. 67) stated.

Here, our intention is not dealing with IPE, but to know the link between politics and economy in our context and the political implication on the economic relations between Ethiopia and UAE by depending on their political and economic interaction. By this concept I like to examine the intersection and inextricable linkage between politics and economics in the two states' relations.

In this regard, Globalization, which explained as a modern concept, complex, and multidimensional (economic, political, social, technological, and cultural) process that involves in a 'compression' of time and space as (Harvey, 1989, p. 11) said, has strong ties with IPE is the second concept that can explain the two countries recent convergency.

In this aspect, Timothy (2014, p. 8) based on time-space aspect, defined globalization as "a situation in which geographic distance has become less and less and removed obstacle to

communication and information flows, to production, and to the movement of goods, people, ideas, and capital around the world.”

In the two countries political, economic, social, and other relations, the role and wide range implication of globalization is clearly seen even if Covid-19 recently shake the concept to some extent.

Another concept that can be more appropriate to study the two countries bilateral relations is the concept of South-South Cooperation (SSC). That is because the two countries are among developing countries.

South-South Cooperation is a broader concept that cover a wide range of collaboration among developing countries. And it is generally regarded as having three dimensions: political, economic, and technical. This is what outlined in (UN Conference on South-South Cooperation, New York, 2019).

Lassen, M., Haldrup, and Tarp, K. (2017, p. 2), defined it as developing countries working together to find solutions to common development challenges that linked by commonalities of history, geography, and challenges.

According to Sayid (2010, p. 113), the South-South cooperation initiative and agenda is guided by the principles of respect for national sovereignty, national ownership and independence, equality, non-conditionality, mutual benefit, and non-interference in domestic affairs. Thus, South-South Cooperation (SSC), contributes to economic advances in southern nations of Africa, Asia, and Latin America.

Regarding SSC, the wide range relations that Ethiopia has with many states in Asia, Latin America and Africa are can be mentioned as outstanding example. To mention some of these countries one can present the relations between Ethiopia and India, China, and other developing countries like UAE.

On the other hand, United Arab Emirates has become one of the leaders in advocating the principle of South-South cooperation, especially in its economic ties with Africa and its solidarity and foreign aid efforts in the development of global south (Khalid, 2018, p. 3). It has also become one of Africa’s leading trade partners and has taken several steps to enhance trade and investment in Africa.

As Todman (2018, p. 3), said the UAE invested an estimated \$11 billion in capital in Africa in 2016, overtaking Saudi Arabia to become the largest GCC investor and the second largest in the world after China.

In the Horn of Africa, Ethiopia and Sudan are the main targeted area of investment for UAE. This is because the two countries have endowed with lands and conditions good for its investments. Ethiopian and UAE also has a huge trade relations and workers' remittance.

Regarding theories dealing with relations among nations that provide intellectual order to the subject matter of international relations, Burchill (2001, p. 13) stated: "Theories enable us to conceptualize and contextualize both past and contemporary events. They also provide us with a range of ways to interpret complex issues. Theories help to think critically, logically, and coherently."

This is when we talk about the importance of theories in general. But specifically, and differently, in International Relations' study, using different theories, approaches and models can provide us with wide range of knowledge and information about the subject matter.

Regarding the above idea, Walt (1998, p. 1), argued: "no single approach can capture all the complexity of contemporary world politics. Therefore, we are better off with a diverse of competing paradigms rather than single theoretical orthodoxy." Based on this argument more than one IRs' theories are selected to deal with the two countries' bilateral relations.

For example, realism whether it is classical or neorealism deal with international relations based on its core assumptions such as maximizing power politics or hard politics as means and end according to the classical realist. And according to neorealist view, power as means to survive. And the theory also advocates protecting national interests and maintaining state survival in anarchical world system (Spindler and Schieder, 2014).

As Morgenthau (1965) one of modern classical realist said men and women have "will to power." Waltz (1979) the creator, the major advocator, and the leader of the next and newest stage of Realism, which is called Neorealism, argued that a state can never be certain about the intentions of other states. According to him, this is because of inequality and uncertainty among them and maintaining of status quo, security, and balance of power is necessary (Galal, 2020, p. 9).

This theory, which highly emphasize on power considered state particularly great powers as main and rational actors (Ibid).

Unlike realism, liberalism deal with international relations through its basic concepts that emphasize on cooperation, interdependence, liberty of individual and soft power or low power as well as state and non-state actors as (Spindler and Schieder, 2014, p. 107) said. According to Liberalism, the spread of democratic values, interdependence and international institutions can achieve peace and security.

In fact, the values of cooperation and peace, and not conflicts, are the basis of international relations. Liberalism refuses the logic of the realists, which argues that conflicts prevail in international politics for power because human nature seeking to power is the main motive of international conflicts (Moravscik, 1997, p. 29).

As Henderson (1998, p. 240) argued, “dependency theory is the modern extension of Marxist theory, usually attributed to Argentine economist Raul Prebisch”. According to this theory, “the poor and the wealthy countries are part of the same global capitalist system, which shows the global nature of capitalism” (Roberts and Hite, 2007, p. 71).

As far as international trade is concerned, the supporters of dependency theory argue that “poor countries would get stuck exporting agricultural and mineral raw materials while continuing to import manufactured goods from rich countries” (Miller, 2008, p. 196).

Coming to our context, the above-mentioned theories can be used to study bilateral relations such as Ethio-UAE’s relations. Because theory like realism assert the existence of asymmetry, uncertainty, and distrust among nation states in their interactions and power is necessary to survive. These are the main natures of the Horn of Africa and the Gulf states’ relations as the two regions relations studies show us and Ethiopia and UAE’s relations are not odd in this regard.

This asymmetry cannot be limited in hard politics dimension only but also extended into soft politics as dependency theory indicates. Even if both are developing and small states but their economic power is inequal because of different factors. This situation has its own political and social implications and impacts on the two regions’ states’ bilateral relations like that of Ethio-UAE.

On the other hand, liberalism as a theory of IR that explain about cooperation, interdependency among nations and advocates democracy, institutions, liberty, and soft power to resolve conflict and bring stability, also can be used in our context. That is due to Ethiopian and United Arab Emirates are exercising some of those elements together and the two countries foreign policies are -to some extent-characterized by what Galal (2020, p. 11) termed as “smart power” which mean the blend of soft and hard power.

So, the Ethio-UAE’s bilateral relations can be studied by using those concepts and theories because of their relevance to these relations in many ways as I attempted to discuss briefly.

At all, I decided to study the two countries bilateral relations by qualitatively and inductively describing and analyzing extent and trend of the two countries bilateral relations and as well as related risks and opportunities based on the two states as main unit of analysis or the main actor without including non-state actors mostly.

Although there are theoretical limitations in dealing with the external behavior of small states and their interactions specially in “third world” countries such as Ethiopia and the Emirates, one can select the existing theories like Neo-Realism, Liberalism, and Dependency Theory and extend them to explain a new context, which is here the two countries bilateral relations and related risks and opportunities.

After laying this introductory ground, it is important to outline the chapter’s arrangement as following. Section 2.2 identifying Ethiopia and UAE Position in International System. Section 2.3 illustrates Marxism (dependency theory). Section 2.4 focuses on neo-realism and this section is aimed to show how UAE’s economy influences Ethiopia politically and economically.

Section 2.5 deal with Liberalism and concepts of comparative advantage and interdependence as a finale section of this chapter by emphasizing on its relevance to Ethiopian and United Arab Emirate’s relations.

Before starting the theoretical discussion in this regard, let us highlight about small states, their definitions, external behavior, and other related issues by referring theoretical approaches and practices. And then identify whether Ethiopia and UAE are small, medium, or emerging state.

2.2 Ethiopia and UAE Position in International System or on Global Power Stages

As International Relations literatures indicate, any new event in real world has impacts on related concepts and the vice versa. For instance, as a result of fundamental shift in the structure of the international system from the bipolar system to the unipolar one that happen at the end of the Cold War in the early 1990s there was shift in the concept of power which termed as shift from the “material” dimensions to “non-material” one as it was highlighted.

This shift marked change in small states’ foreign policies in terms of its issues and tools. In consequence, these countries have adopted an effective foreign policy by using non-material dimensions in a way that contradicts the theory of realism in international relations.

According to this theory, small states cannot formulate a policy outside their borders because they do not possess the material power, especially the military one. After saying this as a base for the next discussion now let us turn to definition and concepts of small states.

Galal (2020, p. 41) argued that there is a problem in defining the small state at practical and theoretical level. According to him, regarding the concept of small states there are three definitions. They are: size, power and perception.

A. Size Variables

Regarding size variables (population, area, and resources) in defining small states, there are three scholars’ definitions. From Population perspective, David Vital, the Canadian professor, who is specialist in demography identified the small state as “a state including population from 10 to 30 million people” (Vital, 1971, p. 73). And Simon Kuznets, the Russian professor, who is specialist in demography also identified the small state as “state including population from 5 to 15 million people” (Kuznets, 2019, p. 59).

Coming to area, The United Nations Organization defined the small state as “a state of not more than 100,000 km²” (Shalaby, 2008, p. 17). Concerning resources, according to Rothstein (1968, p. 29), in his book entitled “Alliance and small powers”, small state is: “the state that cannot obtain security by its own capabilities and relies on others primarily to protect its security in the event of any external threats. Therefore, it seeks to hold bilateral agreements with the stronger countries with the aim of ensuring its protection and independence.”

B. Power Variables

From power variable and classification of international units in terms of the relationship between the possession and arrangement of power in the international system, Morgenthau believes that the international politics is struggle for power (Morgenthau, 1972, p. 96).

Morgenthau classified the behavior of states, in light of the concept of force, into three categories. First, states seeking to possess power by adopting policies of the support of the status quo. Second, states that seek to improve their position in the international hierarchy by increasing external expansion. Third, states that are satisfied with the rate of their power and they do not care about enhancing their power. These states review their power according to their international status (Galal, 2020, p. 5). This is from realist point of view.

Organski agrees with Morgenthau about the variable of power in defining states. Organski also believes that the variable of power is the main variable in affecting the international politics. According to Organski, the small states do not affect the other international units in the international system (Organski, 1966, p. 19).

In this regard, Galal (2020, p. 9-12) takes Keohane classification of states when he classified them in term of their impact on international system into four categories. First, states that are not influential in the international system. The leaders of such states realize that their countries are not able to affect the international system, either through alliances or unilateral action. Consequently, they adjust their foreign politics according to the policies and strategies of the international system. Small states are a case in point.

Second, states that are influential in the international system. The leaders of these states realize that their states affect the international system by joining regional and international alliances, not by their unilateral action (Keohane, 1969). According to him, Medium states are a case in point.

Third, state that have influence on the international system. The leaders of such states recognize that their states have no ability to control the international system, although they can only affect the nature of the international system through individual or collective movements such as great states. Fourthly, states that determine the rules of the international system. The leaders of these states understand that their states play a key role in shaping the international system and its rules such as superpowers (Galal, 2020, p. 9-12).

There are also new variables such as geographical location, population homogeneity, political system, military capabilities, and technical potential to identify whether a state is small or not (Anthony, 2014, p. 15).

Leaving the small states definition from material aspects the trend that clarifies the concept of smallness in terms of the impact on the international system through the indicators of area, population, national product and military power rate and coming to non-material aspects that match the age of information and globalization which made such indicators misleading, we can say this age provided new non-material indicators such as effectiveness, legitimacy, perception, and the message of the foreign policy itself Galal (2020, p. 10).

C. Perception Variables

The non-material definition focuses on the variable of perception in the classification of international units. According to Hey (2003, p. 86) “the smallness of the state is based on the perception of its leaders of the role of the state in international hierarchy.” In this aspect we can mention some scholars of neo-liberalism such as Joseph Nye, the creator of new terms that are different from the terms of realism such as soft power in 1990, smart power in 2003 and virtual power.

The above terms came because of the emergence of new phenomena that realism and its theoretical developments and classical liberalism were not able to interpret them. That was due to the emergence of the cultural dimensions in international relations, which led to the occurrence of revolution in the field of information and electronics (Galal, p. 13).

So, these concepts are called “non-martial dimensions of power” such as soft power and smart power, which could increase the effectiveness of small states’ foreign policy and could expand their roles in the international system (Galal, 2020, p. 11). Nye defined soft power in his book titled: “Binding to Leadership” in 1990 as “getting what you want by attraction, persuasion and impact, rather than coercion and threat” (Nye, 2004, p. 41).

According to Nye, “smart power is the ability of the international actor to blend the elements of two hard and soft powers to achieve foreign policy’s objectives provided that the goals of its use and the state’s tools and capabilities must be recognized.” He also added that the strengths and

weaknesses of the state should be specified, as well as the time of using it must be determined (Nye, 2011, p. 18).

The other concept that define the small states from social construction perspective emerged on the international arena. These variables emerged after the end of Cold War and the outbreak of civil wars, and the development of European Union as a model of regional integration compared with the failures of other integration experiences at the global level. The hypotheses of realism were not to be able to explain such variables. As a result of these variables, new contributions emerged from the beginning of the 1990s that led to the revival of the Constructivism theory (Galal, 2020, p. 17).

constructivism is a theory that studies international relations from a social perspective based on two factors: construction and actor. Construction is common identities, values, ideas, perceptions, and the preferences of the political leader. Actor is the units that interact with each other and with the social structures and affect each other (Ibid).

Therefore, according to the above discussion, the element of perception is very important in the definition of small state. The state's perception of its own capabilities and the perception of the other countries of such capabilities play a key role in defining the small state.

D. Limitation in Dealing with Small States

Academicly, there is gap in Studies, which addressed the analysis of small countries, were limited because most of studies focused on the role of the great states in international politics. Furthermore, there was no agreement about a specific definition of the small state on the one hand, and the absence of boundary line between the small state and microscope one, and the small state and medium state on the other. This is what asserted by Galal (2020, p. 18).

Most of the existing studies also focused on small states in the developed countries and ignored small states in the developing countries (Katzenstein, 2010, p. 9).

Turning back to our context, regardless of size variables and based on the material and non-material powers' concepts and the Robert Keohane's definition of states, it is safe to say Ethiopia and UAE are perceived as small states even if not equal in some aspects.

In general, realism focused on the great powers and ignored the small states because they do not have, according to the realists, the elements of material power, making them non-actors in the international system. Liberalism has ignored the small states in the developing world. Constructivism is close to the analysis of the phenomenon of small states in general and small states in developing world in particular. These are what perceived from the above and Galal (2020, p. 19) discussion.

Even if there are gaps, we can conclude by saying that the power of small sates can be understood from three aspects. Those aspects are:- relying on their relations with great power, establishing coalition/ alliance/ and relying on their material and non-material power.

2.3 Dependency Theory

As Henderson (1998, p. 240) argued, “dependency theory is the modern extension of Marxist theory, usually attributed to Argentine economist Raul Prebisch”. According to this theory, “the poor and the wealthy countries are part of the same global capitalist system, which shows the global nature of capitalism” (Roberts and Hite, 2007, p. 71).

Other essential feature of dependency theory is that it categorize-based on wealth and other related factors- the world as consisting of two poles: wealthy counties are the center (core) of the global capitalist system, and poor countries are periphery. Peripheral countries have “low wages enforced by coercive regimes that undermine independent labor unions and social movements. For their part, the core exploits third world countries for cheap labor, raw materials, and larger markets as they need to increase their own wealth” (Ibid).

Like Marxist theory which considers capitalism as the center of international conflict, because of unequal economic share and existing of exploitation, Neo-Marxist “dependency” theory “focus on unequal relations between advanced capitalist powers and less developed states Cohn (2008, p. 292).

Although United Arabia Emirates is outside the core of the global capitalist system, dependency theory could explain its economic relationship with Ethiopia. This is because we can apply to some extent argument of (Roberts and Hite, 2007) “..... exploits.....for cheap labor, raw materials, and larger markets as they need to increase their own wealth.” The expanded discussion of this theory particularly the above statement will be in chapter five.

Turning back into the theory, as Norton *et al.* (2006, p. 119) said, dependency theory is pessimist about international trade and investment, because it considers them as a cause for poverty rather than an appropriate solution or a remedy in low-income countries. This is by arguing that trade made the poor increasingly dependent and weak.

As a result, this theory calls on the governments of low-income countries to protect their local economies from foreign trade and investment, pursuing self-sufficiency as a form of political and economic independence.

As far as international trade is concerned, the supporters of dependency theory argue that “poor countries would get stuck exporting agricultural and mineral raw materials while continuing to import manufactured goods from rich countries” (Miller, 2008, p. 196). This indicates that the terms of trade (the ratio of prices of export products to imports) tend to turn against poor countries over time, because they produce mainly primary products (agricultural products) which fetch lower foreign currency as compared to manufactured products they import.

Based on the above-mentioned arguments, and to some extent, Ethiopian economic relations with UAE could be considered as one manifestation of dependency theory, because the structure of Ethiopia’s export is a direct reflection of the underdeveloped economy. As predominantly agrarian economy, it is natural to expect the bulk of the country’s exports to come from the agricultural sector (United Nations Conference on Trade and Development (UNCTAD), 2006, VIII).

As will be shown in chapter four in Table 1, Ethiopia exports agricultural products such as fruits, animals, and animal products, cash crops (such as coffee), and other agricultural products. Ethiopia in turn imports, industrial products, and other related products from UAE. Based on this theory’s core points, collected primary data, and the fact on the ground, the two countries’ bilateral relations in economic aspect are characterized by asymmetry.

In general, dependency theory is an International Relations theory that hold notion that explain resources flow from a “periphery” or poor and underdeveloped states to a “core” or wealthy states, to enrich the later at the expense of the former.

2.4. Neo-Realism or Structural Realism

Williams, (2008, p. 19), said that neo-realist theorists such as Waltz and others argue that “international structure acts as a constraint on state behavior.” He added that this theory unlike classical realism that uses human nature to explain international politics, has developed a theory that prioritizes structural constraints over agents’ strategies and motivations.

According to this theory “international structure” is defined by two basic things one is its ordering principle, which is anarchy, and the other is the distribution of capabilities, which is measured by the number of great powers within the international system. The anarchic ordering principles of international structure which is composed of formally equal sovereign states are decentralized.

As this theory’s theorists are stated, the sovereign states are looks like similar states in terms of needs but not in capabilities to achieving what they want from economic cooperation. This concept implies that the position of states in terms of material power determine the behavior of state to achieve its goals.

As this theory states, under structure of anarchy, states can still make rational choices about their interests within a framework of incentives and constraints imposed by the world power structure. The theory prefers “cooperation to conflict to solve economic problems, however when cooperation occurs, according to the neo-realists, power relationships are at work within the cooperative arrangement. The more powerful the states are, the larger share they gain from any joint cooperation” (Henderson, 1998, p. 15).

Traditionally, neo-realist theory focuses on security and political issues. But nowadays, as Spanier (2011, p. 98) explained, getting a clear identification of high politics (political and security issues) and low politics (economic issue) is not easy task. This imply that at this time differing economic issues from political issues is considered a difficult sought.

One manifestation of neo-realist theory in economic terms is the current land grabbing in developing countries. Bunting (2011, p. 11), viewed this land grabbing as “an integral part of the global power struggle for food security. In this aspect, he also discussed about ongoing shift in Geopolitics by saying that “for several centuries geopolitics have been dominated by the issue of access to markets, but increasingly in the future this will be replaced by the overriding importance of access to supplies from food importing countries.”

But in UAE case geopolitics in the HoA aims to market access beside for food security. This is what the ongoing realities clearly show us.

In the same context, Vermeulen and Cotula (2010, p. 13) stated the recently renewed interest towards agricultural investment in lower- and middle-income countries such as Ethiopia. Accordingly, this trend is influenced by several structural factors such as population growth, increasing rate of urbanization, and changing in consumption style and types of food.

In my perspective, to explain Ethio-UAEs' relation, structural realism is an appropriate theory as UAE has over hand in economic and other related aspects such as internally political and economic stability. And putting into account the current Ethiopian political and economic conditions and dilemma of transition. In the relation between the two countries, there is cooperation, but as the neo-realist's emphasis "when cooperation occurs, power relationships are at work within the cooperative arrangement" (Henderson, 1998, p. 15).

As will be discussed in chapter four, this cooperation is in favor of UAE. For instance, UAE has supported agricultural investment in Ethiopia as part of its national food security strategies. This UAE's agricultural investment in Ethiopia gives more benefits to UEA (Todman, 2018, p.23). Here the principle of win-win not at equilibrium if not completely out of work.

2.5. Liberalism Theory

To start with the basic concept, the word *liberalism* here refers to the classical principles of individual liberty and limited government. As Timothy (2014, p. 37) suggested, there are many liberal economic theories and they are characterized by variety of theoretical positions, some of them to some extent different from others even in their basic assumptions.

In this regard, the author mentioned market specifically "free market" as a good place to start with. Here the author means by free market a place where buyer of some goods or services meet seller of those things with the existence of conditionality on voluntary and unrestricted exchanges or transaction. This includes trade between and among countries i.e., international trade (e.g. Ethio-UAE).

Rothbard (2006k p. 97) put it in this way: "Trade, or exchange, is engaged in precisely because both parties benefit; if they did not expect to gain, they would not agree to the exchange."

Based on this liberalist's basic argument, one can examine the two countries' trade relations by supposing key questions like: to what extent the two states' trade relations characterized by liberal approaches? To what extent the principle of "mutual benefit" can be applicable in their trade relations? And what are the advantages and disadvantages of such principles in this regard?

Returning back to the theory, according to the author, basic merit of free market is that it tends to operate in a "largely self-regulating fashion." This means, in part, that while the free market faces or experiences problems, the market process will automatically resolve these problems. He added that for many liberalists, the issue of how to solve this problem is clear: "do nothing. Or, rather, leave the market alone to self-correct."

According to the advocates of this theory Self-regulation, in short has ability to keeps markets operating "smoothly and at maximum efficiency over the long run."

In contrast of the concepts of "self-regulating fashion" and "symmetric economic interdependence," Myint and Deepak (1996, p. 19), stated: "according to neo-classical trade theory, trade relations between countries usually do not benefit these countries equally." They continued to explain "the governments' intervention in the economy may be required to correct various forms of market failure which lead to deviations from the ideal of a perfectly competitive economy."

Liberal theory also deals with the concept of symmetric economic interdependence among states rather than asymmetric interdependence which advocated by realist and can be the source of conflict. They view this type of interdependence as a means of peace making (Min Shu, 2018, p. 28).

Regarding economic aspect, their views clearly imply that the free market has not only proven, time and time again, to be the only rational basis for countries, for both individual and collective to prosper, but it has also proven to be tremendously resilient and adaptable.

Because of its relevance to the topic, I preferred to give brief explanation about concept of "comparative advantage." In his 1817 book on the Principles of Political Economy and Taxation, David Ricardo has introduced the concept of comparative advantage.

According to Ricardo, a nation has a comparative advantage over its trading partner in the production of goods and services in which its marginal cost or opportunity cost is lower than that

of its trading partner. He also argued that international differences in productivity of labor and technology give a clear reason for trade to take place.

According to him, trade between two countries can benefit both countries if each country exports the goods in which it has a comparative advantage. He stressed that trade between countries could increase the well-being of the two countries because they can specialize in the production in which they have a comparative advantage.

For instance, Gulf countries such as UAE have been particularly active in this issue. In this respect, Ethiopia imports non-agricultural product from the Gulf countries such as the Emirates, while she exports to these countries, agricultural products.

On the other hand, or beside free market, liberalism as one of traditional political economic theory, explain the role of state and non-state actors in national and international political and economic activities. For instance, Sayid (2010, p. 99), said that liberalism talk about link between international and domestic politics.

To achieve one of basic goal of its economy- which is becoming one of middle class-income countries in 2025, Ethiopia uses economic and development strategies based on a hybrid model that links the concept of the developmental state with the neoliberal logics of market liberalism.

From its part, UAE in its vision of 2021, clearly listed down that the country “will generate benefit from sustainable and diversified, which are flexible in adopting new economic models to guarantee long-term prosperity.” So, now the two states are exercising economic and political relations among others by upgrading their diplomatic ties.

But according to Sande Lie and Mesfin. (2018, p. 36), Ethiopian relations with the various Arab states differ, because involve in both cooperation and challenges within the segments of economy and security.

At all, theory like dependency theory analyze the interactions between states based on their economic status in the global economic stage using economy as a unit of analysis in these unequal relations take place between what termed as “the poor and the wealthy” or “core” and “periphery” countries as argued by scholars of this theory like Roberts and Hite (2007, p. 71).

As far as this classification mainly based on economic inequality and as a result their economic relations characterized by exploiting of the core (wealthy) for periphery (poor) for cheap labor,

raw materials, and larger markets to increase their own wealth, even if UAE is a third world state and not termed as core capitalism states theoretically, but practically there is economic asymmetry between Ethiopia and UAE.

Based on the above justification and fact, this theory will be applied in analyzing the current bilateral relations of the two countries to know the impacts of this economic inequality on their economic and political relations.

In this regard, realism particularly neo-realism, assert the existence of asymmetry, uncertainty, and distrust among nation states in their interactions and power is necessary to survive. The more powerful the states are, the larger share they gain from any joint cooperation” (Henderson, 1998, p. 15). This realist’s core argument and other argument like maintaining status quo or power balance mostly much with the recent UAE’s foreign policy which characterized by “assertiveness” and rivalry as we will discuss the policy later in chapter three of this paper.

On the other hand, the Ethiopian interest to expand its presence in strategic area such as Red Sea and the like as revised Ethiopia foreign policy (2018/19) indicated, is also what we can mention in this context.

Moreover, based on the two countries’ economic diplomacy, liberalism, whether its classical or neo, as a theory of IR advocate about trade particularly free trade, related comparative advantage, cooperation, interdependency among nations and advocates democracy, institutions, liberty, and soft power to resolve conflict and bring stability, also can be used in our context.

This is because Ethiopian and United Arab Emirates are exercising some of those elements together and the two countries foreign policy are characterized by what (Ney, 2011, p. 18) termed as “smart power” which mean the blend of soft and hard power.

So, the Ethio-UAE’s bilateral relations can be studied by using those concepts (South-South Cooperation and Political Economy) and the above discussed theories because of their relevance to these relations in many ways as I attempted to discuss briefly in the above sections.

Chapter Three

Historical background of Ethio-UAE Relations

In chapter two, theories that are relevant to Ethio-UAEs' bilateral relations were discussed in brief. In this aspect, Dependency theories, Neo-realism and Liberalism have been selected to explain the two countries bilateral relations.

This chapter deal with Ethiopian history, socio-economic and political issues, the historical relations between Ethiopia and Arabian Peninsula. And it also discusses about UAE's based on its social, political, and economic evolution. In this chapter, historical background of UAE and Ethiopian bilateral relations is also briefly highlighted.

As a result, section 3.1 of this chapter starts with a discussion about Ethiopian history, politics, social and economy briefly. Section 3.2 highlights about Ethiopia and the Arabian Peninsulas' historical relations. In Section 3.3, modern political, economic, and social history of UAEs, its geographical location, and other related issues will be discussed. Then, in section 3.4, historical background of modern bilateral relations between Ethiopia and UAE is highlighted.

3.1. Overview of Modern Ethiopian Political, Economic, and Social History

Ethiopia as one of the continent's oldest independent countries that served as an outstanding symbol of African independence during the colonial period is located in the center of the Horn of Africa. The country shares borders with Sudan and South Sudan to the west; Eritrea to the north and north-east; Djibouti & Somalia to the east; Somalia and Kenya to the south. It covers an area of 1.14 million square kilometers (944,000 square miles) with population number estimated by 110 million (MOFA, 2020, p. 3).

Ethiopia is a key regional player and at front line in the scramble for influence and power in the Horn of Africa and broader Red Sea region. With its natural resources, population of 110 million, and well-equipped military, has become an African power. The nation's capital, Addis Ababa, hosts the African Union headquarters and other international organizations' offices. And the country is one of the few African nations never to be colonized. Ethiopia has accordingly long played an outsized role in African and sub-regional politics Horton (2020, p. 2).

The country also endowed with huge natural resources and consists historical places and sites and as well natural beauties (Ibid).

As many Ethiopian political histories and historians argue, the present-day Ethiopia was founded or formed by Emperor Menelik II at the end of 19th century and beginning of 20th century. That was by incorporating different ethnic groups and regions into one state through coercive and peaceful way based on incorporated entities' reactions.

This state building process led to political and economic inequality among nations and laid ground for cultural assimilation according to what called "nationalism" narration which against what known as the "Ethiopianism" narrations that in contrast consider this process as state unification and nation building process.

Here, my intention is not to discuss about mental and physical reaction that takes place between the supporters of those narrations materially and ideally. In fact, the spillover effect of this increasingly toxic debate has negatively impacted the lives of everyday Ethiopians and continues to destabilize the country.

The incorporation period was followed by assimilations and unitary form of states. For instance, even if there are many positive things, but the period of Emperor Haile Selassie which characterized by assimilation policy and the Military regime sustained the centralist and unitary-state model under which both individual and group rights were largely repressed (Institute for Peace and Security Studies, Peace and Security Report, (2020, p. 3).

As we clearly observe from (EPRDF) political and economic platform, after the dawn fall of Derg Military regime in 1991, the new Ethiopian People's Revolutionary Democratic Front (EPRDF) coalition party drew up the current Ethiopian Constitution in 1995. This constitution introduced the country with a decentralized federal system of government established on ethno-linguistic considerations and devolution of power into regional states to some extent.

Economically, the new regime first adopted mixed economic system which is not fully command or fully liberal economic system. The regime has promoted a developmental agenda which led to some extent to notable economic growth and poverty reduction through several mega projects and different economic platforms that aimed to accelerate economic transformation.

Since 2015, the then ruling party faced anti-government protests which broke out as a result of economic, political, and social factors. This protests commonly termed as “Oromo protests.” But this protest not limited in Oromia region and Oromo nation although initially unfolded in the Oromia region against what known as “Master Plan”). Many Ethiopian nations such as Amhara nation and others participated in the protests and highly contributed to bring the new chapter in Ethiopia politically, socially, and economically since 2018.

Following the “reforms” happen after Abiy Ahmed’s coming into power in 2018, there was new trend internally and externally.

Currently, Ethiopia exercising federal system which its federation is composed of ten regional states. These states are: Tigray, Afar, Amhara, Oromia, Somali, Benishangul-Gumuz, Southern Nations Nationalities and People Region (SNNPR), Gambella, Sidama and the Harari Regional States; and two Chartered Cities - Addis Ababa and Dire Dawa.

Ethiopia theoretically as opposition parties’ leaders argue and practically as ruling party’s leaders always argue is a multi-party federal democracy with legislative authority resting with the government headed by an executive prime minister and the elected House of Representatives (547 members) and the House of Federation (110 members) (MOFA, 2019, p. 5).

The Prime Minister is chosen by the party in power following multi-party democratic national and federal state elections which are held every five years. Parties can be registered at either the national or the federal state level. The President is elected by the members of the House of People’s Representatives (Ibid).

Coming to the current economic policy, Ethiopia is pursuing a “homegrown economic reform agenda, blueprint” to expedite the economic progress of the country. “This agenda is designed taking our successes into the account through an in-depth review of key bottlenecks and design of adequate remedies outlines macro-economic, structural, and sectoral reforms that will pave the path for jobs and inclusive growth.”¹

The minister also added:

¹ Interview with Fisum Assefa, Minister of National Planning Commission at Prime Minister’s Office in 2020.

Hand in hand with the homegrown economic reform agenda, Ethiopia has launched the doing business initiative in order to improve the investment climate. This improvement is the main part of Ethiopia's New Horizon of Hope Action Plan for Job. Beyond having demographic dividend, demand, and a committed government, in the past two decades Ethiopia has made a considerable investment in physical infrastructure.

This source also available on: (<https://pmo.gov.et/initiatives/>)

Coming to Ethiopian relations with the Middle East countries, for Ethiopia and Ethiopians, this region considered as sources of spiritual and material benefits and risks. And this region's geopolitics is strongly linked to the Horn of Africa where Ethiopia is located.

“The establishment of military base of the great powers and the emerging powers in the Horn of Africa and the Red Sea areas make the situation more complex and demands Ethiopia's interaction and strong cooperation with all the Middle East countries to ensure its national interest.”²

According to MOFA (2020, p. 7) the key elements like history, culture, security and the growing economy motivated Ethiopia to establish diplomatic relations with Middle East Countries such as the Kingdom of Saudi Arabia, the United Arab Emirates, Qatar, Israel, Oman, Kuwait, Yemen and Lebanon by opening embassies and consulates there. It is also working towards opening new missions in other countries in near future. These Middle East countries have also opened embassies in Addis Ababa, Ethiopia.

Generally, currently, Ethiopia has main dual national objectives, which are achieving sustainable development and establishing more democratic system by using economic, peace, citizen, and public diplomacy.

² Interview with an official from Middle East Desk, MOFA, 2020.

3.2. Ethiopia and the Arabian Peninsula: History of Convergence and Divergence

Before rushing into discussion about the two countries modern bilateral relations let us briefly present Ethiopian and Arabian Peninsula's historical relations where UAE located in and has many affiliations with them.

The Arabian Peninsula and Ethiopia have long history of multidimensional relations that traced back to their ancient civilizations. To explain their relations, it is very important to say somethings about one region impacts on the another. For instance, Arabian Peninsula as well as the Middle East has both positive and negative influences (in terms of both spiritual and materials influences) on history of Ethiopia in particular and history of the Horn of Africa in general.

This is primarily due to geographical and historical proximity of the two regions, as it will be highlighted in this section.



Horn of Africa and Arabian Peninsula Map. **Map Source:** Google Map.

As historical facts indicate, the impact of the Middle East on Ethiopia is more prominent than that of the African countries. This is what was mentioned in *the Federal Democratic Republic of*

Ethiopia Foreign Affairs and National Security Policy and Strategy (2002, p. 129). According to this source, the great religions that originated in the Middle East and Arabian Peninsula have had a great impact on Ethiopia since ancient times.

As It is noted in the source, as a political community, Ethiopia embraced Christianity preceded by only Armenia and Constantinople. Christianity came to Ethiopia from the Middle East, where Arabian Peninsula is located and for more than 1600 years, Ethiopia's religious leaders, the patriarchs of the Orthodox church, came from Egypt.

Islam may have been born in Saudi Arabia, but Ethiopia was the first country to allow its followers to practice it, even before Saudi Arabia did. (*Understanding the foreign policy of Ethiopia towards the Gulf Countries* Aljazeera Center for Studies, 2017, p. 3).

Similarly, an ancient version of the Jewish religion was practiced in Ethiopia and this too had some influence on Ethiopian history and culture. This is the backdrop for Ethiopia's long-standing relationship in language, history, culture, and trade with the Middle East (Abir, 1980, p.17).

On the other hand, we can mention some examples that related to radical religious ideology such as Wahhabism, Salafism, and the like. This is from spiritual aspect. Another example related to hydro-politics of the Nile River.

The above-mentioned examples have played significant role in shaping and reshaping relations between Ethiopia and the Middle East throughout of their modern history. Particularly, the Nile has its own role in long relationship between Ethiopia and Egypt. “As Egypt took the mantle of leadership of the Arab world, the subject of the Nile waters began to influence Ethiopia's relations with that region and still continues to do so, but with different trend and impacts” as (*the Federal Democratic Republic of Ethiopia Foreign Affairs and National Security Policy and Strategy, 2002, p. 117* stated).

Turning back to the divergence and convergence in Ethiopia and Arabian Peninsula's relations, Erlich (1994, p. 16), discussed about historical ignorance that took place between Ethiopia and Middle East and the importance of one side to other. According to him, Middle East is important to Ethiopian political strategy and they share so much history in ancient, medieval, modern, and contemporary.

He added: “throughout of its history, the country has been closely integrated into the strategies of the Red Sea and the Nile Basin, and through them, as well as through its culture, to the Oriental world.” So, the two regions relations mostly characterized by practical close correlations, conceptual divergence, and mutual distrust. That means, there is also geographical role in convergency and divergency of the two sides which is here Red Sea.

As many experts and historians³ of Ethiopian and Arabian peninsula’s historical relations stated, their historical relations have passed through different stages, host many considerable events, and have experienced different types of relations.

According to al-Majjiid (1975, p. 122-27), who wrote the book titled “في تاريخ العرب قبل الإسلام” meaning in the history of Arab before Islam. In this book he discussed about the Arab history before coming of Islam into the Arabian peninsula, their migration into different direction particularly into al-Habasha-the present day of Ethiopia and creating what Abir (1980, p. xv) called “semito-Cushitic cultural synthesis.”

And the book also discussed about the Peninsulas’ early or ancient (before Christianity and Islam) relations with Aksumite kingdom, and how one side has influenced the other side through their long relations. the book also highlighted the role of Red Sea and Bab al-Mendeb in connecting between Yemeni and al-Habashah’s coastal area rather than separating them.

Regarding ancient trade between Ethiopia and the Arabian Peninsula, Horn of Africa was known for its luxury products such as gold, ivory, animal skins, incense, and slaves. As Abir (1980, p. 44) stated “the source of those goods and commodities were the present-day Ethiopia and Somalia. In addition, from very ancient times, Horn of Africa was a source of slaves to the Arabian and from there to the rest of the Middle East.”

³ In an interview conducted with him on Ethiopia and Arabian Peninsulas’ historical relations, Kamel Adem (an Ethiopian historian and expert of Gulf and Ethiopian relations), pointed out six main factors that contributed to creating a special link between Abyssinia and the Arabian Peninsula. The first is the monotheistic religions that appeared before Christianity, such as Judaism, and also after Christianity in the Middle East left their mark in Abyssinia. Secondly, the Ge’ez language adopted in the Abyssinian Church, which is to daay a mixture of the Arabic and Amharic languages. Thirdly, the commercial factor and the winter and summer trips that are famous for the people of Mecca and the Arabian Peninsula, And the two in which Abyssinia was a primary station for the exchange of agricultural commodities and products. Fourthly, the ruling of Abyssinia for Yemen before the advent of Islam. Fifth, the relationship of the people of Abyssinia, and the Abyssinians in particular, with the seal of the prophets and messengers, Muhammad, and how they found the time of his birth, his life and his farewell as well. The sixth and final factor in strengthening and creating ties between Abyssinia and Arabian Peninsula is the migration of Muslims to Abyssinia.

The modern historical relations of Ethiopia and Arabian Peninsula characterized by ups and downs, cycle of divergence and convergence, and as well as cycle of shifts resulted from different events, ideologies, and geopolitical dynamics particularly during the Cold War. In the next section we will discuss about modern political, social, and economic history of UAEs, its geographical location, and other related issues to give full picture about UAE.

3.3. UAE from Mashyakhah (Sheikdom) to Federalism and World Trade Hub

Before entering into discussion of the two countries' the modern bilateral relations it seems important to highlight about modern political history of UAEs, its geographical location, and other related issues. Then the historical background of these relations briefly described.

The detail discussion and examination of the two countries relations under the EPRDF and the current Prosperity Party (PP) will be presented in the coming chapter four, because from Ethiopian side there are the same foreign policy with little bit reform and revision and the modern bilateral relations of UAEs and Ethiopia are recent and not lasted than twenty years.

1. The Pre-British Tribal Strata

To understand the concept of khalījī (Arabian Gulf societies), Ibn Khaldun's circular model of human history is necessary. According to him, the primary stage of a social organizations starts from tribes, which are composed of Badū (nomadic) bonded by strong 'asabiya' (strong ethnic affiliation) of its members.

According to him, gradually tribes adapt sedentary life and become Ḥādhar, (town-dweller) then the degree of 'asabiya' reduced among them, and finally they form polity/ states, which expand into empires (Ibn Khaldun, 1967).

According to Khaldunian model, kinship ties are a natural urge in human as long as "they are human beings" (1967). So, these blood ties, together with the closeness of a common shared space and interests are the main factors strengthening 'asabiya. Hence, for Ibn Khaldun, the same 'asabiya' that holds groups together and leads them to power can be factor of the group's downfall and they replacement by a new group have a stronger cohesion (Ibn Khaldun, 1967).

In his view, the leader of a tribe (sheikh) is expected to be “obeyed, but he has no power to force others to accept his rulings.” Thus, he is forced to seek consensus from ruled because his power base is not coercion but ‘asabiya. So, according to Khaldinian theory of social evolution, asabiya is the source of legitimacy, unity, and power.

Regarding leadership in the pre-British the bay‘a or “oath of loyalty taken by a tribesman to a ruler was explicitly considered to be a contract (‘aqd), revocable in theory and often in practice” (Eickelman, 1980, p. 20).

Social structures of Southeast Arabia have adapted to regional economic, political and religious circumstances of Islam, but further structural changes that forever changed the socio-political system took place already during the pre-oil days with the British interference in the ‘sheikhdoms’ affairs which dramatically shaped the today socio-economic and political transformation of UAE (Ibid).

Hence, this MA thesis refers to contemporary Emiratis that descend from both tribal badu, tribal hadhar, and non-tribal hadhar people.

Taking the above views and concepts into account, the UAE’s pre-British ‘tribal’ social system may be described as semi-nomadic Bedouins live together with city-dwellers had tribal origins, and to whom they were linked to each other by kinship or other ties (commercial, political, slavery, etc.) as Saldana (2014, p. 67) said.

Depending on the location where a specific group spent most time (a coastal town or an inland oasis) and on the season of the year (summer or winter) there were different economic activities. And the main economic activity at that time in the “Trucial States” was based on the primary sectors of fishing, agriculture, and animal husbandry, as well as on sea and land trade, and the pearl industry Saldana (2014, p. 71).

Badu and hadhar, coastal and inland inhabitants, carried out different activities determined by seasons. For example, badu were mainly camel-herding pastoralist, while the hadhar engaged mostly in trade and other economic activities in inland and coastal areas (Ibid).

The modern political history of UAE has traced back to 1971, when its federation of seven states or emirates: Abu Dhabi, Dubai, Sharjah, Ra’s al-Khaimah, Ajman, Umm al-Qaiwain and Fujairah formed as a result of gating of Trucial States/ sheikhdoms/ their political independence from

Britain. Since 1966 the country is ruled by one family called “Al Nahayan”, when the first emirate’s president Sheikh Zaid bin Sultan was elected by the emirates’ elders/tribal leaders (UAE country profile, 2016, p. 26).

Regarding issue of self-ruling and power sharing, each emirates or states maintain a large degree of independence. But the UAE is governed by a Supreme Council of Rulers made up of the seven emirs, who appoint the prime minister and the cabinet. The allocation of position in the federal government reflects the relative political and financial influence of each emirate. To exemplify, the ruler of Abu Dhabi whose emirate is the UAE's major oil producer is president of the UAE, while the ruler of Dubai, which is the UAE's commercial center, is vice president and Prime Minister (Vertin. 2019, p.11).

As many International relations’ scholars argued, the external affairs of a state are to a large extent the legacy of its history and cultural heritage (Ozkececi, 2017, p. 19). The United Arab Emirates (UAE) as a country has passed through different political, economic, social, and other dynamics. These historical dynamics can be summed as pre-British and post-British.

As Saldana (2014, p. 70) argued, the UAE’s pre-British social system termed as ‘tribal,’ to some extent described as one in which semi-nomadic Bedouins coexisted with settled people who had tribal origins. According to the source, Politically, the pre-British period social contract between sheikhs (rulers) and people (ruled) characterized by consensus. But when the British entered the equation the previous state-society relations radically changed.

Geographically the UAE is located in the east of Arabian Peninsula in the Middle East specially in southwest Asian. The country shares border with Qatar on the northwest, with Saudi on the west and with Oman on the southeast, with Arabian or Persian Gulf on the north and northwest. And the country is separated from Iran by a narrow body of water (Sultan Ahmed Al-jabir, 2016, p. 7).

The country also situated in a highly strategic and volatile area, where its northernmost point thrusts into the waters near a crucial maritime chokepoint, the Strait of Hormuz. And demographically, the country is one of the smaller countries in the world with the population number of 9.9 million (2020) and with the size of 83,600 km square. The UAE is one of the wealthiest per capita and the seventh largest international petroleum producer and proven oil reserves (Ibid).

According to Emiratis News Agency (2019) the UAE's GDP worth 382.57 and 393 billion dollar in 2017 and, 2018, respectively.

As an Emirati who is engaging in investment in Ethiopia privately said in an interview conducted with him in July 2020, politically, the country considered as one of the most liberal countries in the Gulf. This is by looking into different cultures and believes which are characterized by tolerance and co-existence. But the country remains authoritarian and highly centralized as in book titled *United Arab Emirates Country Review* (2016, p. 25) stated.

According to the above source, UEA do not has elected bodies until December 2006, when it convened a half-elected federal assembly which was restricted to a consultative role.

2. UAE's Social strata, Political and Socio-economic Shifts

In the UAE, the society categorized into 'rentier oligarchy', 'tribal aristocracy' as Saldana (2014, p. 98) argued and the old and the new rentiers as Davidson, (2005, p. 225) said. According to these view, members of the ruling families (Emirs) groups closer to them are at the top of the social pyramid. And as the elites, the main resources of power such as the state and the rent from oil are in control of them.

For instance, the ruler of Abu Dhabi and his closer relatives followed by those of Dubai and then, by the rest of the emirates' ruling elites occupy the highest layer above all other rulers by controlling information channels and managing the security apparatus (Ibid).

Key governmental positions such as president, vice president, prime minister, and ministries of interior and defense were the more sensitive reserved to members of the Al Nahyan family of Abu Dhabi and Dubai Saldana (2014, p. 100). The ruling elites of the seven emirates have competed for power since pre-British, pre-oil, and pre-federation times but having the largest oil fields among the seven Emirates and their location enabled Al Nahyan of Abu Dhabi finally to lead the rest emirates (Ibid).

The above data indicate that the rest of social strata organize in subordinate positions and maintain clientele and patrimonial relationships with the 'rentier oligarchs.' And both the Al Nahyan ruling family of Abu Dhabi and the Al Maktoum ruling family of Dubai fall under the Bani Yas umbrella that have long ruling experience.

More recently, Davidson (2005, p. 227) who divided the national bourgeoisie in two groups: the old and the new rentiers argued that the old rentier representative mainly members of the tribal aristocracy which closely related to the Al Nahyan who “remain reliant on oil-derived rent” and aim at “maintaining the status quo,” such as the Dhawahir, the Bani Yusefs (al-Muhairi tribe), the Mazari’a, the Hawamil, and members of the al-Jaber, the al-Otaiba (both of the al-Marri tribe) and the al-Fahim.

In contrast, the ‘new rentiers’ tend to come from non-tribal backgrounds and to seek “fresh and finite sources of economic rent from non-oil-related activities” and therefore advocate for economic “liberalizing reforms” (Davidson, 2005, p. 225-227). Muhammad al-Abbar (owner of Emaar Properties), and the al-Futtaim, al-Habtoor, al-Ghurair and al-Tajir families in Dubai; the Bukhatir and al-Midfa‘ in Sharjah; the Hamarain in Ras al-Khaimah; and the Behruzian in Fujairah are can be mentioned Saldana (2014, p. 103).

Because of it be the hub of international trade, UAE became home of more than 200 nationality. According to the UAE’s Federal Competitiveness and Statistics Authority (2020, p. 1), its population was 9.4, 9.63, 9.8, 9.94 million in 2017, 2018 and, 2019 and 2020, respectively. In this regard different sources give us different data. Thus, I selected official one.

According to this source, based on citizenship, its population categorized into three categories. they are: Asli (native), ghera Asli (non-native) and residents or out of both. Based on number, India and Pakistan are the leading countries followed by UAE. For more see annex 2.

3. Political and Socio-economic Shifts

According to Herb and Lynch, (2019, p. 8) and many Middle East and Gulf specialists, the political economies and state-society relations shaped by oil wealth primarily have been studied in the political sciences’ literature through the concept of the rentier state. This source argued that the dominance of oil wealth has deep and large inevitable political, social, and economic effects.

To understand the United Arab Emirate’s state-society relations, political economy, policies, political culture, and the effects of the latter on the governmental policy, it is very important to shade light on Rentier State Theory (RST).

The theory was first put forward by Iranian scholar Hossein Mahdavy in a 1970 article and further developed by economists Hazem Beblawi and Giacomo Luciani in an edited volume published in 1987 as Meliha (2014 p. 98) said. In this regard, it is also necessary to highlight the ‘Late Rentierism’ -new phase of Rentier State Theory-, ‘Exceptionalism’ and ‘diversification’ literatures.

4. UAE vs RST, Exceptionalism and Diversification

Rentier state theory (RST) is a political economy theory that seeks to explain state-society relations in states that generate a large proportion of their income from rents. In the post-British period, like other Gulf state, in the UAE, state-society relations as rentier state theory characterized by “social contract” relations that created new form of consensus between rulers and ruled.

According to scholars of this theory, the basic terms of the contract are that rulers would provide citizens with oil revenues and citizens would provide “allegiance”, or political “quiescence” to their rulers. But recent work by scholars of the region on the rentier state view this social contract is a social construction, one that must be created and renewed over time (Herb and Lynch, 2019, p. 7).

But “Exceptionalism” explained this social contract as a political system that has established a social contract between the state and the people, whereby the people provide legitimacy to the state in return for security and economic welfare (Antwi-Boateng & huwaidin, 2017, p. 5-8).

As (Gray, 2011, p. 6) argued, basically RST aims to answer some fundamental questions that related to political economy of oil exporting states such as UAE and to explain the “democracy deficit” in there, issue of development and the nature of both elite politics and wider state-society interactions.

Regarding these basic questions, among scholars studying the Middle East, some apparent paradoxes of oil-based economies began to emerge. First, far from oil wealth creating new educated middle classes that would demand political freedoms and democracy, as modernization theory assumed, there instead was a “democracy deficit” in the Middle East. Second, far from guaranteeing greater stability and security, oil, and the wealth it delivered instead appeared to destabilize oil regions (Gray, 2011, p. 8).

Here the basic question is that what is the nature of foreign policy of one of the world's wealthiest state characterized by "democracy deficit" and located in destabilized region? And to what extent the paradox is true?

Regarding RST and its applicability to explain the current state-society relations, political economy, policies and political culture of UAE, there are different arguments and debates among political science scholars. For instance, Saldana (2014, p. 101) argued that the nature of a state does not necessarily determine its peoples' lack of interest in politics but can actually empower them to challenge authoritarianism through political socialization.

There are debates among scholars of this theory whether rentierism by itself can explain sufficiently state-society relations in UAE as one of Gulf state. Some of them such as Gray (2011) and Saldana (2014) propose consideration to other variables beside oil rent to understand the persistence of authoritarian rule in the region. For example, Saldana said that UAE maintain status-quo domestically and externally, because of sense of regional insecurity and fear of possible consequences of changes.

From his perspective, Gray (2011, p. 19) explained concept of late/new/ rentierism that came into existence as a new phase of RST to expose and deal with the limitation and inadequacy of the first phase or the early RST models and concepts, that explained the linkages between oil and authoritarianism, and oil and underdevelopment.

In fact, the validity of RST was most challenged by the changes in the Middle East, and especially in the hydrocarbon-based Arab states of the Gulf, in the 1990s and the 2000s, as well as the rise of more open, globalized cities such as Dubai. It is worthwhile, therefore, to consider early RST as a first phase of the literature, which had some validity in explaining the dynamics of oil states in the 1950s, 1960s, 1970s, and even the 1980s, but which had a shelf-life that has long-passed for understanding the Gulf in any nuanced, detailed way (Ibid).

The further material that emerged in the 1990s and 2000s is considered here a "second phase" of the literature. According to this new phase, non-rent factors such as pre-rent historical dynamics and impacts, the types of rents earned by the state, and regional security problems or conflicts are all important to explain the political economy, foreign policy and state-society relations in rentier states beside oil rent (Gray, 2011, p. 9).

Exceptionalism literature considered the United Arab Emirates (UAE) as a unique state in its origin, governance structure or culture and, thus, worthy of emulation by others. And also, it is viewed as a state that exists out of all the stereotypes and negative pathologies often associated with the region. The authors of this concept used constructivist theory of international relations that emphasis on norms defined ‘as a standard of appropriate behavior for actors with a given identity’ (Osman & huwaidin, 2017, p. 5).

The authors explained political exceptionalism of the UAE as political identity embedded in the political principles of conservatism which values tradition and history and has produced political stability and enormous economic prosperity to its citizens and residents.

Regarding United Arab Emirates’ Economic exceptionalism, the author argued that the country abled to avoid economic risks by economic diversification as a deliberate state policy, thereby significantly reducing energy dependency. Socially, the UAE has internalized the norm of tolerance and is a norm entrepreneur via several global initiatives (Ibid). According to World Bank annual country report (2019) UAE’s GDP worth 421.14 billion dollars.

5. Economic Diversification in UAE

UAE as a Gulf countries that aimed to diversify their economy by increasing non- petroleum sectors chooses “embrace foreign labor” economic diversification strategy among other strategies like “merge the labor markets”, “rely on citizen labor only” and “limit the role of foreign labor.” As Herb and Lynch (2019, p. 8) stated embrace foreign labor is an “approach, found most prominently in Dubai, is to fully embrace the use of low-cost foreign labor to build a diversified economy. This favors economic sectors like tourism that require large amounts of low-cost labor.”

In the UAE today the ratio of non-citizens to citizens is estimated to eight to one as the early-mentioned population data indicate.

As a result of different factors, the recent political economy and state-society interaction in rentier states, I mean here UAE, started to be characterized by new feature.

The new trend of UAE development is characterized by Economic diversification, this vision is do not born without mental reaction towards the critical question such as how sustainable is its

economies? And putting into account the existing facts such as continue population growth, oil reserves continue to fall, technological advances could lessen world demand for the Gulf's oil, and price fluctuations that can make planning difficult.

As a result of these changes the UAE rulers have embarked on ambitious strategies aimed at diversification away from hydrocarbon reliance, which involve channeling their citizens into leading roles in new economic sectors, because it follows the principle of economic first and politics second. The country's national strategy Vision 2021 asserts that "ambitious and responsible Emiratis will successfully carve out their future, actively engaging in an evolving socio-economic environment" (Vision 2021, 2010, p. 2).

On types, priorities and challenges of reform that must take place in UAE, there are debates among scholars, specialists of the region and Rentier state theory that developed to explain the difficulty of diversifying economies, as a result of the absence of democracy, the power of national security states, and patriarchal political cultures (Herb, Lynch 2019, p. 7).

The priority of political reform was supported by (Foley, 1999, p. 59) who argued that the regime and rentier state survival and resisting security challenges need first political reform. In contrast, (al-Sayegh, 2004) called for economic diversification as economic reform to realize democratization. Like al-Sayegh, Davidson (2005), argued that "the UAE's rapid economic development may soon serve as a catalyst for more meaningful political reform."

However, this dual objective of preserving political status-quo with economic diversification is a difficult and highly challenging task considering the fact that most economically advanced countries have inclusive political systems (Acemoglu, D.; Johnson, S.; Robinson, J.A 2005, p. 17).

6. UAE's Foreign Policy, Goals, Actors, Instruments and Strategies/Mechanisms

Concerning foreign policy of UAE, there is an assumption in early RST literature that argued rentier states had little need for a sustained foreign policy. This argument based on their previous limited economic policy. However, late-rentiers, argued that they need a foreign policy, and must actively engage with a range of states and multilateral actors if they are to maximize their position and protect the interests and wealth of the state.

In the case of UAE as one of late-rentier states located in the Gulf, there is both continuity and innovation to its foreign policy initiatives. The continuity comes from the fact that the UAE has long sought strategic relationships with major powers to prevent national security threats and achieve national interests. First the United Kingdom, and later the United States and besides strengthening its ties with key regional countries such as Saudi and regional alliance like GCC (Gray, 2011, p. 35).

This is partly because of the size (geographically and demographically) and vulnerability of UAE as a small state. And, of course, because rulers seek the advantages of a closer relationship with world powers, access to arms imports, and training as well as other benefits that would be used both regionally and in a domestic context.

Small state relationships with major powers were further promoted by the strategic rivalry between the larger states of the Gulf in the latter-half of the twentieth century; specifically, among Iran, Iraq, and Saudi Arabia in the 1960s, 1970s, and 1980s, and between Saudi Arabia and Iran in the two decades after the 1990-1991 Gulf War (Gray, 2011, p. 35).

After the shock of 11 Sep 2001 attacks the UAE has deepened its ties with USA it remains as a cornerstone of UAE's foreign policy (Chandrasekaran, 2014, p. 25). From 2001-2014 Militarily, humanitarian work, medical aid serves participation alongside USA forces in Middle East conflict such as Afghanistan except 2003 US invasion of Iraq is an example.

Furthermore, participation in regional security structure in the Gulf and Middle East such as NATO-led venture- Operation Unified Protector in Afghanistan, in Libya in 2011, contribution to the GCC Peninsula Shield Force intervention in Bahrain in 2011, and Saudi Led Arab Coalition in Yemen in 2015 as a part of "Operation Decisive Storm" also another example.

This indicates the growing assertiveness in UAE's foreign policy which controlled by Sheikh Mohammed bin Zayed Al Nahyan as Todman (2016) argued.

After 'Arab Spring,' the UAE's Foreign policy began to be characterized by assertiveness in regional and international affairs. That was when it changed its behavior towards regional states such as Qatar, and Islamic groups and formed new regional relations through secret diplomacy such as Israeli state which recently became public, open, and strategic relation.

Internal shift is about power shift from Dubai to Abu Dhabi and from the nominal ruler of Abu Dhabi and president of UAE, Sheikh Khalifa bin Zayed Al Nahyan (died recently) to Sheikh Mohammed bin Zayed (MBZ). He, his family, and close allies are the key players in economic, foreign policy and security positions across Abu Dhabi (Ibid).

As Ibish (2017, p. 9), argued the UAE's foreign policy shaped and directed by MBZ. This indicates that the nature and course or formulation and implementation of the Foreign policy revolved around one key actor. This implies that the process of foreign policy decision-making, implementing and the politics of foreign policy tends to be far more personalized and typically, involves only a small number of elites i.e. elite model of foreign policy making.

In general, UAE as a small state that has security challenges and threats come from its geographical location, population and geographical size, conservative (socially, politically and religiously), Iran as its pre-eminent security challenge, status-que and counter-revolutionary supporter and characterized by unequal power distribution within the federation, has started to use different new strategies and mechanisms to realize those goals and to overcome the constrains imposed on "small states."

Some of these strategies can be summarize as: 1-using strategic relationships with multiple poles of geo-economic gravity and center of influence such as China, Russia, and the like. 2-using innovation of information and communication technologies and cybersecurity that created opportunities for new actors to steak an international role disproportionate of their demographic and geographic size. 3- improving educational curriculum as state's development policy.

4- using traditional soft power such as economic, aid, diplomacy, and the like. 5- using hard power such as military strengths and strategies.

But a critical question is here how to secure the UAE's vital national interests with such small citizenry has been a long-term social, economic, political, and as well national security challenge forth it from its founding as Ibish (2017, p. 11) said.

The overarching goals of the UAE are to ensure domestic regime security, peace, stability, forming alliance, military strategy, realizing prosperity, economic diversification, countering terrorism, and constraining Iran and Islamic groups and to prevent foreign domination.

In the next section modern diplomatic relations- particularly economic (investments and trade) between Ethiopia and United Arab Emirates are as an introductory briefly discussed by focusing on history of UAE and factors that facilitated the Ethio-UAE's modern relations.

3.4. Historical Background of Ethio-United Arab Emirates Bilateral Relations



Source: MOFA: Country profile: Ethiopia-United Arab Emirates Relation

The modern history of relations between UAEs and Horn of Africa go back to the Cold War era particularly during the breadbasket project of 1970s as supporter of Saudi Arabia, as we mentioned in chapter two.

According to Meester, Berg, and Verhoeven (2018, p. 41), before 2000 -especially from 1990s- the Gulf states' investment in the Horn of Africa including Ethiopia termed as scanty investment. This was because this period termed as Tronvoll, K. (2009, p. 31) said politically turmoil period in the Horn of Africa and internationally there was low oil price. This indicates that the Gulf states' investments depend on oil price.

Although the diplomatic relations of Ethiopia and the United Arab Emirates was established in 1973 but the modern economic relation between the two countries was not like that of Saudi Arabia in different aspects which traced back to the period of emperor Haile Selassie in 1932 (Ministry of Foreign Affairs of Ethiopia accessed in 2019, p. 2).

The formal and full diplomatic relations of the two countries especially economic relations dated back to EPRDF regime exactly in 2003/4, as official document from both sides and al-Ain official media of UAEs indicate.

As a result of fast-economic growth and political stability the two countries begun to exchange diplomatic mission started by Ethiopia when she opened its Dubai Consular Office in August 2003 a step concluded the UAE accrediting to Riyadh embassy to Ethiopia (MOFA, 2019, p. 2). The United Arab Emirates interacted to this step by opening its Embassy in Addis Ababa in 2012, while Ethiopia opened its Embassy in Abu Dhabi in 2013 (Ibid).

Regarding the year of opining embassy of the two countries, there are disparity of official data from both sides. For instance, according to UAE's official data the Ethiopian Consular Office to Dubai has opened in 2004 not 2003 as MOFA stated. The UAE's data also stated that UAE opened its embassy to Addis Ababa in 2010 and Ethiopia opening its embassy to Abu Dhabi in 2014 not as MOFA stated above.

What motivated me to this comparison between the data of the two sides is demystifying nothing more. The main objective here is to briefly present the history of relations between the two countries.

After opening their embassies in their respective capitals, the two countries began to exchange of official delegations and reached to establish the Joint Ministerial Commission after holding two meeting firstly in Abu Dhabi in March 2007 and the secondly in Addis Ababa in March 2010 (MOFA, 2019, p. 3). This development in the two countries relation is considered as a manifestation of the growing relations between the two countries. After 2018, their bilateral relations are showing unprecedented progress in different dimensions and contents.

In chapter four, which is base or ground for my finding in this MA thesis, we will discuss the factors that smoothed the two states current relations mostly economic relation like investments, trades, and also political one.

Chapter Four

The post- 1991 Ethio-UAEs' Bilateral Relations

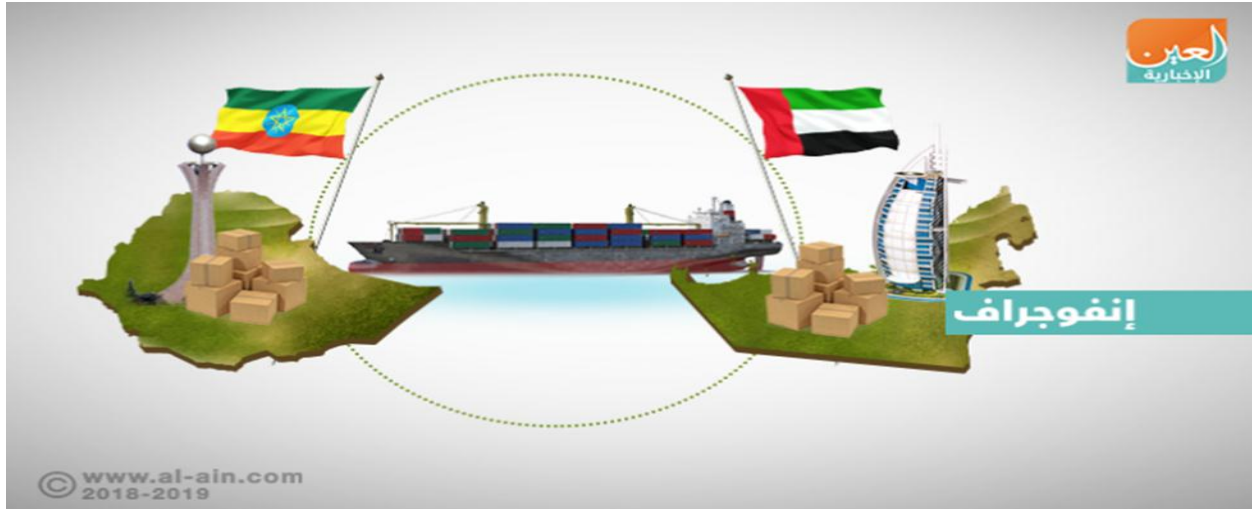
In the previous chapter, Ethiopian history such as political economic and the like were highlighted, historical interactions between Ethiopia and Arabian Peninsula also shortly presented, some historical facts that can give us some information about UAE politically, socially, economically were discussed, and historical background of the Ethio-UAE bilateral relation also briefly presented.

In this chapter, post-1991, specifically post-2000 Ethio-UAE economic relations such as investments, trade, and other related issues that have took and are taking place between the two countries are presented and briefly discussed. In addition, in this chapter, their political relation also briefly discussed. This is to lay base for chapter five analysis that give us the core result of the paper.

The chapter proceeds as follows. The first Section of this chapter starts with discussion about factors and motivators that led to create fertile ground to establish diplomatic relations between the two countries.

The second section focus on presenting data consist of their trade exchange: import and export that done between Ethiopia and United Arab Emirates since 2007 up to now or up to 2019 and relevant trade balance. In the third section, United Arab Emirates' investment in Ethiopia, will be explained by focusing on its forms/types, locations, sectors, and its contribution in Ethiopian economic development. In this section, official development assistance made by UAE development funds is covered briefly.

And in fourth section, the recently developed political relation between the two countries is described.



Info Graph-1

Source: from official documents accessed from UAE

4.1 Factors that Created Fertile Ground for Ethio-UAE's Relations

4.1.1 Regime change: New Political and Economic Platform in Ethiopia

In international relations' study particularly foreign policy study and analysis, any change that emerge at domestic, regional, and international levels has its own impacts on relations between nations because of existence of direct or indirect linkage between these three levels.

Irrespective of international relations and Foreign Policy Analysis (FPA) scholars' debate about whether of these levels are dependent on each other or independent from each other, the reality on the ground and related literatures clearly indicate that they influence each other and determine interactions that take place between states.

So, based on this linkage and by putting into consideration geographical location and political environment in which Ethiopia and United Arab Emirates exist, we wade into discussion about factors and motivators that created fertile grounds to establish diplomatic relations between the two countries. This is by focusing on economic and political shifts and developments that happen in both states, in their regions and at international level.

Before coming to the factors that contributed to smoothing the two countries economic relation, let us say something about the regions where they locate.

Ethiopia as a key regional player and landlocked state located in the Horn of Africa (HoA) a region known as one of the most conflict home in the world. Mostly characterized by vulnerability, because of its strategic and critical geographical location, which makes its politics particularly and strongly influenced by events in the Middle East.

According to Alex de Waal (2017, p. 4), the region has left in poverty and hungry as a result of repeated conflicts and its natural environment also become in a precarious condition. Horn of Africa is one shore of the Red Sea region which is very strategic for political and economic purposes.

UAE as one of the Gulf rentier states offers its exceeded efforts to be exceptional state among those rentier states, geographically located in Middle Eastern region which has often given negative characters such as undemocratic, intolerant, and economically backward.

As Osman and huwaidin (2017, p. 1) view, this region is facing destabilizing conditions and it also characterized by broken regional order, collapsing state systems, ‘debilitating’ terrorism, sectarian tensions, and socio-economic pressures.

The UAE-Ethiopian relations are strong and deep-rooted, witnessing remarkable development in various levels, and the bonds of friendship, and common interests crowned relations between the two countries. This is in addition to the sincere desire of the leaders of the two countries to cooperate in areas of common interest.

The official relations between the two countries began during the era of the late Sheikh Zayed bin Sultan Al Nahyan, and the late Ethiopian Prime Minister Meles Zenawi (MoFA, 2020 and Al Ain Emirates.com 2018).

Coming to the factors, from Ethiopian side, in 1991, politically there was regime change in Ethiopia. At this period, Ethiopia witnessed downfall of the Derg military regime and rise of ethnic based federal system.

According to Vaughan, S. (2003, p. 38), following downfall of Derg regime and claiming of Ethiopian People’s Revolutionary Front (EPRDF) power in Ethiopia, the country has entered into era of new political and economic system which was established on platform of self-determination for Ethiopian nations and nationalities unlike the previous centralist.

According to this source, the system was influenced by Stalinist concept of ethnic representation through ethnic federation, gave considerable autonomy to newly created regions and used top-down fashion or approach instead of bottom-up approach to legitimize itself. The source added that the country adopted mixed economic system.

Beside regime change, adopting new foreign policy was one of basic factors that smoothed the two countries diplomatic relation. As Gudeta (2018, p. 3) said, based on historical legacy, the military regime developed anti-Arabian states foreign policy and primarily as well as strongly rely on USSR, India, Yugoslavia, and the like. The new Ethiopia's foreign policy that was redefined in 2002 sought to move away from such encirclement conception.

According to EPRDF's foreign policy of 2002, domestic poverty is the main threat for Ethiopian. This foreign policy to some extent, consider Gulf regimes as developmental partnerships. This is what directly cited from the document of Ethiopian foreign policy of 2002: "the key role these countries can play in our economic development, and focus on seeking development, finance, investment, and markets for our products..." This reflect predominance of economic incentives.

As far as I think, the major motives for such policies were to maximize government revenue through tax, so as to maintain the balance of payments at sustainable level.

The revised (in 2018/19) Ethiopian foreign policy is not far from the previous one regarding giving priority for economic diplomacy. According this newly revised foreign policy, Ethiopia to realize its economic goal, which is achieving fast and sustainable economic development and its political goal, which is building more developed democratic system through building democratic institutions and strengthening the existing multi-ethnic based federal system, needs technical and financial support.

Achieving those dual goals are the main Ethiopian foreign policy objectives at the moment.

Coming back to EPRDF, the EPRDF was keen to establish good relations with all countries that share common interests with Ethiopia. Especially, due attention was paid to the relations with neighboring and Middle Eastern countries.

As far as economic relations concerned, "new economic policy of Ethiopia was adopted by the then TGE where government systematically pursued a market oriented economy by rationalizing

its role and enhancing greater participation of the private sector”(Ministry of Economic Development and Cooperation (MEDC), 1999).

The PP paying more attention toward strengthening Ethiopian relations with neighboring and Middle East countries and the party also prioritizing the privatization to achieve those dual goals (MOFA, 2020, p. 4).

Economic diplomacy is usually mentioned as one manifestation of a step forward in the economic history of Ethiopia. In this regard an expert from Addis Ababa Investment Commission during an interview conducted with him in (2020) put: “the current government followed economic diplomacy, which is extension of domestic policies and priorities. He also added: “Appropriate government policies related to trade, foreign investment, and other economic policies became essential priorities of the new government.”

This indicates primary attention was given to attract foreign direct investment and to follow export oriented economic policy.

From the above statements one can understand that Ethiopia had been following interventionist and heavy protectionist economic policy during the socialist Derg’s regime.

From UAE’s side, according to Meester, Berg, and Verhoeven (2018, p. 41), before 2000 - especially from 1990s-2000 the Gulf states’ investment in the Horn of Africa including Ethiopia termed as “scanty” investment. Because this period termed as Tronvoll, K. (2009, p. 31) said politically disturbed period in the Horn of Africa and low oil price of USD 20 to USD 40 a barrel is another factor.

Tronvoll explained this regional instability at the period by mentioning events such as Derg regime downfall in Ethiopia, Siad Barre’s regime collapse into civil war in Somalia, and the Ethio-Eritrean war of two-year that happened at the end of 1990s or specifically at 1998.

During this period, as Adem Kamel expert and historian of Ethio-Arabian Gulf states’ relations in an interview conducted with him in 2020 said, Gulf states whether UAEs or the rest, they are not ready to invest in Ethiopia or other states’ of the Horn.

The above arguments reflect that these states neither had the cash on hand nor had risk appetite for commercial investments in such fragile states or areas.

But by 2000, the oil price had begun picking up and the Gulf investments begun to come to the Horn of Africa. Here Ethio-Eritrean peace agreement signed in Sudan in 2005 considered as especial facilitator of UAE investments in Ethiopia (Meester, Berg, and Verhoeven, 2018, p. 41).

This indicates that the Gulf states' investments beside regional peace depend on oil price unlike Western states, because the Gulf states' economy highly relies on oil product among other economic sectors because they are rentier states as we discussed in chapter three.

As Todman (2018, p. 3), said although Gulf Arabs have traded with Africans for centuries, the global financial crisis from 2007 to 2008 motivated GCC states to deepen their economic ties with Africa. With economies in the West slowing down, Africa's fast-growing economies and expanding middle classes became an increasingly attractive prospect for investors across the world.

The author mentioned three other key factors prompted and motivated Gulf Cooperation Council (GCC) states to turn their face to Africa. The three factors are: Building economic ties with African states to capitalize on their geostrategic location, increase their food security, and enhance their reputation as "benevolent Muslim actors." So, expanding their economic influence in Africa can help GCC to advance their security and diplomatic goals in African continent.

The new trend of UAE development as one of the Gulf rentier states is characterized by Economic diversification and derived by its foreign policy of first economy and second politics. This vision is do not born without mental reaction towards the critical question such as how sustainable is its economies? And putting into account the existing facts such as continue population growth, oil reserves continue to fall, technological advances could lessen world demand for the Gulf's oil, and price fluctuations that can make planning difficult (Vision 2021, 2010, p. 2).

This new trend enforced it to search new economic partnerships that can match its new foreign policy, foreign policy of economic diversification. As a result, Ethiopia become the first regional investment destination, because it is endowed with different resources. Especially natural resources such as huge arable land, water because it known as water-tower, and demographically it is home of 110 million people approximately.

Coming to recent or since 2018 new development in two countries relations predominantly economic relation, there are considerable major factors that facilitated and boosted their relations.

As we mentioned above, the two countries have adopted foreign policy that give priority for economy and they have vision of diversification of their economy. For example, Ethiopia Under Abiy Ahmed administration has focused on establishing strategic partnerships with countries in the Horn and Middle East as well as with the likes of China, the US and Europe. That aim to serve many purposes like avoiding conflict, attracting financial support, coordinating on security matters and the like as (Allo, 2019, p. 3) stated.

According to Arab diplomat from Yemen and an expert of the Arabian-HOA's relations, this new strategy of partnership, the recent peace agreement signed between Ethiopia and Eritrea in line with UAE's economic and security interest in the Horn of Africa can help Ethiopia to realize its ambition of getting pathway to sea. He also considered this new condition as a factor that motivated the two countries to upgrade their relations since 2018.

As we all know, since Eritrea broke away from Ethiopia in the early 1990s, Ethiopia turned into a landlocked country which overwhelmingly relies for trade on a single port of Djibouti, which charges heavy premiums.

The intention or ambition of getting sea out let, particularly about Red Sea, is critically taken in the revised foreign policy, and three Ethiopian journalist from government medias also reflect their idea on this intention during an interview conducted with them in Addis Ababa in 2020.

As Vertin (2019, p. 2) argued, UAE driven by commercial potential, regional security interests, and a desire to shape the future of maritime trade, has been the most assertive of Gulf states to date that intensifying its engagement in the Red Sea.

Based on the above argument and the recent fact on the ground, I can say, the UAE's commercial and military strategy of building of maritime ports extending from Jebel Ali near Dubai to Aden in Yemen, Berbera Port in Somaliland, and Asab port in Eritrea could fit Ethiopia's urgent need to diversify and develop its trade routes that enable her to export her products to international markets from various parts of the country.

The UAE rivalry with Qatar, Iran, and Turkey and the remaining of Ethiopia neutral in GCC states diplomatic crisis of 2017 also can be listed as one main factor as specialist of the two regions' bilateral relations argued during an interview conducted with them in 2020.

In this regard, an Emirati diplomat from the UAE embassy to Ethiopia in an interview conducted with him in May 2020 at Hayat Regency Hotel said: "Ethiopia is an important trade and investment partner for the UAE in East Africa, because the country has a large and emerging consumer market of up to 100 million people with promising economic potential and enormous, diverse resources that are still much untapped in a number of sectors."

He also stated that the Emirates Minister of Economy Sultan bin Saeed Al Mansouri, has described Ethiopia as an important trade partner for the UAE and get way to East African market.

In his statement he mentioned Ethiopian population, its resources, and its regional role as a factor that motivated his country to upgrade its diplomatic ties with Ethiopia.

On the other hand, the concept of South-South Cooperation (SSC) and liberalism concepts have played its own significant role in converging the two countries and increasing level of interdependence between them.

Regarding SSC, the wide range relations that Ethiopia has with many states of Asia, Latin America and Africa are can be mentioned as outstanding example. To mention some of these countries one can present the relations between Ethiopia and India, China, and other developing countries as it was discussed in chapter two.

Referring to this, many experts hosted on Ethiopian governmental medias such as Ethiopian Broadcasting Corporation (EBC) said that the recent Ethio-China and Ethio-UAEs' cooperation is good example of South-South Cooperation because it is driven by the countries' overall struggle to boost their socio-economic and political development.

On the other hand, United Arab Emirates has become one of the leaders in advocating the principle of South-South cooperation, especially in its economic ties with Africa and its solidarity and foreign aid efforts in the development of global south (Khalid, 2018, p. 3). As will be discussed in this chapter, but this cooperation is in favor of UAE.

Like Saudi, UAE wants to influence Ethiopia in terms of religious ideology (like reeducating Sufism), politics, and economics. For instance, UAE has supported agricultural investment in Ethiopia as part of its national food security strategies. This demonstrate that there is imbalance in south-south cooperation because of different factors and inequalities.

At international level, 1991 was a period that ended the Cold War a period of geopolitical tension between the Soviet Union and the United States and their respective allies, the Eastern Bloc, and the Western Bloc. The post- Cold War period has paved way for New World Order of 1991 and Global War on Terrorism of 2001 that have led to new shifts and developments in world system as Sayid (2010, p. 177) stated.

This change that has happen in world system directly or indirectly has influenced the political and economic conditions of Middle East and Horn of Africa in general and also influenced the political and economic system of EPRDF and UAE. That is because of their allies with USA -the major leader of this change-and their highly relies on it for security and aid. This is what the existing fact and official documents from both sides clearly show us.

Before moving to the second section, let as sum up the first section in one paragraph. As we tried to address in the first section, there are many and different factors and motivators that motivated UAE to invest in Ethiopia and paved way for Emirati investors to come to Ethiopia and also made Ethiopia to well come them warmly.

Among these factors: regime change in Ethiopia, new economic system, redefining/revising/ foreign policy, regional stability, Ethiopian natural and human resources, its role in the HOF, and its position in AU, are can be mentioned as the main factors.

On the other hand, UAE sought for food and nation security, economic diversification vision, and the new Red Sea geopolitics development as well as other related issues are what played pivotal role in smoothing their relations particularly economic relation such as investments and trade.

4.1.2 Economic Cooperation Between Ethiopia and UAE

The established relationship between United Arab Emirates and Ethiopia after the establishment of the Federal Democratic Republic of Ethiopia (FDRE) was further strengthened after coming of the new Ethiopian Prime minister Abiy Ahmed as we tried to discuss in previous section and the two countries official documents earned from Dubai Chamber and Addis chamber reorganized in 2019 and accessed in 2020 indicate.

According to the documents, there were efforts which were made by both sides to develop their economic cooperation. For example, Ethiopia made many investment incentives to attract a large number of investors from UAE and to improve its economy and expand trade benefits.

Apart from investment and trade, other economic relations between the two countries were manifested in terms of financial aid, technical cooperation, tourism, social, and cultural fields as (Meester, Berg, and Verhoeven, 2018, 45) said.

Recently, the two countries expressed their intention aim to deep strategic cooperation and comprehensive integration in most trade and investment sectors that has become their focus and ambitions and also considered as an important link in regional security, especially in the Horn of Africa (Verhoeven, 2018, p. 27).

According to a document got from Addis chamber and the UAE's trade mission in 2019, Ethiopia's export to the UAE has been increasing over the last decade. The document consists Figures which show jumping of Ethiopia's export to the UAE from 17.8 million dollars in 2002 to 89.9 million dollars in 2011.

Trade relationship between Ethiopia and United Arab Emirates (UAE) has shown huge progress over the last ten years. This was mentioned during business to business meeting between visiting officials and businessmen from the UAE and their Ethiopian counterparts held at the Sheraton Addis Hotel in 2019.

On the occasion, State Minister of Trade & Industry and former Ethiopian Ambassador to the Emirates, Ambassador Misganu Arega stated: "this joint business forum is instrumental to strengthen the all-rounded bilateral ties between UAE and Ethiopia" (Ministry of Foreign Affairs of Ethiopia, 2019, p. 1).

Recently, the two countries have signed different agreements on different economic sectors and also there was military agreement. The leaders of the two countries have committed to transform Somaliland into a regional trading hub. This effort can enable landlocked Ethiopia to better access Berbera port (Ibid).

The UAE as powerhouse of Gulf state begun to give different attention to the Horn of Africa to increase its security and economic presence in the Red Sea corridor. To achieve this broader regional strategy, it needs Ethiopia which is a key player of this strategic region and has high

interest to establish strategic partnerships particularly with countries in the Horn and Middle East to realize many purposes (Allo, 2019, p. 3-5).

Coming to cultural and tourism sector, the Emirati Minister of Culture and Knowledge Development Noura bint Muhammad Al Kaabi, and Minister of Culture and Tourism of Ethiopia Dr. Herot Kasau, have discussed bilateral cooperation in the cultural, tourism, and creative fields (Ethiopian News Agency and Emirates News Agency 2020).

The two ministers also discussed about exploring the culture of the two countries and decided to organize joint initiatives that contribute to the identification of various forms of folk art and the registered historical heritages and sites. The two parties agreed to form a working group to follow up future projects after overcoming the current worldwide problem COVID-19 that impeded life and paralyzed all economic and other sectors after its appearance in 2019 in China (Ibid).

Beside what mentioned above, Ethiopian diaspora in the Gulf is another crucial element in bilateral relations. Ethiopian migrants in Gulf Cooperation Council (GCC) -which UAE is a member of it- have not only boosted development through remittances but also they have facilitated trade and investment between Gulf states and their motherland (Ministry of Foreign Affairs of Ethiopia 2019).

Concerning financial aid, day after day, the amount of Emirati support provided to Ethiopia is increasing, including economic investments, bank deposits, and soft loans, as well as the expansion of the business of Emirati companies operating in Ethiopia.

Emirati investments on Ethiopian lands have achieved remarkable growth in recent years, and they are accompanied by generous support from Abu Dhabi, politically and economically, for the government of the Ethiopian Prime Minister, Abiy Ahmed Ali who paid four visits to Abu Dhabi between 2018 and 2020.

Abu Dhabi's influence on Addis Ababa has been particularly enhanced since mid-2018, when it succeeded in brokering a historic peace agreement between Ethiopia and its neighbor, Eritrea.

On the other hand, despite the frustration of Cairo, Abu Dhabi's main ally, at the growing Emirati-Ethiopian relations, Abu Dhabi continues its efforts to reap political and economic gains in a country whose economy is the fastest growing on the African continent, according to the International Monetary Fund (taken from an article written in Arabic and entitled: Emirati

Investments in Ethiopia: Political Influence and Economic Gains posted on thenewkhalij.com in 2020).

In general, UAE as a Gulf powerhouse has invested in agricultural projects for decades to boost food security at home. Since 2000 it expanded its investments in the manufacturing, tourism, and energy sectors, but not in a meaningful way until 2018.

Abu Dhabi and Addis Ababa seeks to deepen their economic cooperation and relationship in the future by establishing mechanisms to monitor the prospects for future joint development and investment projects between the two countries aimed at strengthening and diversifying cooperation on solid and sustainable foundations as the two sides' official medias propagate.

Most of the time, economic activities and cooperation between the Gulf states and the Horn of Africa are coincides with challenges and opportunities, and sometimes even fraught with risks. There is historical evidence that confirm this as it was highlighted in chapter five. Because these countries consider politics and economics as two sides of the same coin. Of course, this idea and concept are not extraordinary one since most countries have such consideration, but the Gulf countries exaggerate it.

Recently or after what called "Arab Spring, there was what called "zero-rivalry" that divided into internal and external faces. To exemplify, in recent time, the UAE has strongly entered into the HOA in attempts to achieve stability and economic prosperity in the region, to strengthen its investments in Ethiopia, which is achieving strong growth, and to cut the way to the influence of countries such as Iran, Qatar and Turkey (Khan, 2018, p. 16).

Issues concern the Ethio-UAE's economic relation and related challenges; risks and opportunities will be discussed in detail in the last chapter. In the coming section we focus on presenting data consist their trade exchange: import and export of products that take place between Ethiopia and United Arab Emirates from 2000 up to now or up to 2019 and relevant trade balance.

4.2 Ethiopia and United Arab Emirates' Trade Relation Since 2000

Based on what are in the first section of this chapter discussed, geographical and historical proximity, its strategic location, human and natural resources, populations and size, and its regional

and international position and other roles played pivotal role in making Ethiopia a key and an important trade partner of the region for the Gulf states.

Ethiopia has long and historic trade relationship with neighboring and most of Middle East Countries. UAE is one of those Middle East countries that has good relations with Ethiopia, particularly in recent time.

According to official document from Ministry of Foreign Affairs, (2017, p. 8) this geographical proximity to oil producer and the most world wealthiest country like UAE, which is high importers of Ethiopian agricultural products, has highly contributed to make Ethiopia the first beneficiary state in the region from trade partner with UAE.

As we can see from Table 1 below, Ethiopia's major and primary export products are agricultural commodities such as: coffee, oils seeds, live animals, fruits, vegetables, and the like. Therefore, the geographical location, high agricultural potentiality of Ethiopia and high purchasing power of UAE give Ethiopia special position among the HOA states.

To exploit this market potential and opportunity, the Ethiopian government has taken measures and set some market regulatory policies to promote its market attract foreign trade. Some of them are: "the reduction of import tariff and sales tax, introduction of the foreign exchange auction and retention scheme to exporters, adoption of export oriented economy, diversification of exports, minimize illicit trade, and ensure private sector participation" (Gudeta, 2019, p. 9).

Following these measures, UAE became Ethiopia's most strategic trade partner and the trade relationship between the two countries has showed high progress over the last decade as we will see from the next trade exchange volume between them.

Moreover, the existing fact indicate that the growing trend of United Arab Emirates (UAE) being trade route and center for most countries in the HOA begun highly to motivate Ethiopia to identify and exploit related economic opportunities.

Hence, this section aims to present data consist of trade exchange: import and export of products that took place between Ethiopia and United Arab Emirates from 2000 up to 2018/19, total trade turn over, relevant trade imbalance, its contribution to their national economic growth, and attempt to addresses the question of whether Ethiopia has untapped export potentials with the UAE or not.

4.2.1 Ethiopian Export Products to UAE's Market and its Volume

As different official export data and the next table clearly show us almost all Ethiopia's export primarily depend on agricultural products (Market Overview Ethiopia-export.gov/ Ethiopian Commercial Guides 2019/20). According to this data, in 2017/18/19, the leading and among major export item of Ethiopia is coffee followed by oil seed, animal and animal products, and pulses.

Although coffee's domination as the export product of Ethiopia continued until present time, but Meat and meat products, oilseed, pulses and other animal products take the lion's share in Ethiopian export products to the UAE market (Ethiopia's Recent Trade Performance: A Data Pack and some observations, 2019, p. 7).

Though the export sector is still dominated by a few primary products and coffee is still the biggest foreign exchange earner for the country, the contribution of new value added products such as flowers, leather and leather products, and beverage became important foreign exchange earners for the country (Ethiopian National Bank: Annual Imports and Exports Report of 2018/19, p. 75).

In addition to the agricultural products, the value of manufactured exports also begun to grow with a positive rate. As Ethiopian National Bank: Annual Report of 2018/19 and Ministry of Trade and Industry indicate, these manufactured value-added exports products include wooden furniture, textile products, leather, leather products, and the like.

The data exposed that this export of manufactured goods from Ethiopia has some limitations and as is the case in the agricultural exportable items, the manufactured items are also dominated by few products. Manufactured exports concentrated on few consumers goods leather, and leather products (the United Nations COMTRADE database on international trade: Ethiopia exports to United Arab Emirates. Updated in 2020, p. 1). This is what the above data show us.

Generally speaking, the contribution to foreign exchange earnings of manufactured export has been limited to around two percent.

According to a document by the UAE's trade mission, Ethiopia's export to the UAE has been increasing over the last decade. That means, from 2002 up to 2011. As figures in this document

show Ethiopian export to the UAE increased from 17.8 million dollars in 2002 to 89.9 million dollars in 2011.

As the document indicated the total trade turnover has increased from 45.4 million dollars in 2002 to 809 million dollars in 2012 showing more than six-fold increases in the trade relation between the two countries. The volume of non-oil trade exchange between the two countries is about \$ 850 million in 2018, and the UAE accounts for 14% of Ethiopia's total imports from Arab countries, and it is the third Arab country as Ethiopia's most important trading partner, according to UAE government data (thenewkhalij.com, 2020).

In special statements to Al Ain Al-Akhbariya in 2019 translated from Arabic to English, Abdullah bin Ahmed Al Saleh, Undersecretary of the Ministry of Economy for Foreign Trade Affairs of the UAE, pointed out that the trade exchange between the UAE and Ethiopia currently reached about \$ 850 million, and that the UAE's exports to Ethiopia last year (2019) reached \$ 200 million. While Ethiopia's exports to the UAE amounted to about \$ 150 million.

He said that the volume of the UAE's exports to Ethiopia witnessed an increase of 46% compared to 2017 and the volume of trade exchange between the two countries during the year 2015-2016 amounted to 873.6 million dollars, an increase of 9%. (Al Ain Al-Akhbariya 2019, p. 1).

In fact, from the above statements one can understand the two countries trade trend is in increasing although trade balance is in favor of UAE. We will see this in below table and chart with the considered time.

The following trade statistics Show us that Emirates investments and export to Ethiopia is rapidly growing as Ethiopia's export to emirates is growing in the period under consideration. This is due to Ethiopia's fast economic growth. The following tables and graphs highlight the export, import, trade balance, total trade turn over and annual growth rate between Ethiopia & United Arab Emirates from 2007 up to 2016 GC.

The Table shows that the trade between Ethiopia and the United Arab Emirates is significant and increasing in the periods under consideration.

Table-1. Ethiopian Top Ten Export products to UAE (2017-2018)

No	Product Description	Value (USD mn)
1.	Meat & Meat Products	57.56
2.	Oil Seeds	18.38
3.	Pulses	16.09
4.	Others	7.38
5.	Flower	3.57
6.	Coffee	2.62
7.	Fruits	2.01
8.	Live Animals	1.75
9.	Textile and Garment	1.18
10	Leather and Leather Products	0.41
Total		110.95

sources: -Ethiopia's Recent Trade Performance: A Data Pack and some observations 2019

- Ethiopian Chamber of Commerce and Sectorial Associations-Country profile-UAE

-WWW. Trading Economic.com

The above table indicate that Ethiopia's economy is in the early stages of economic development and most of its export to United Arab Emirates is agricultural commodities not manufactured

products. As we can see meat and meat products and oil seed are among the leading Ethiopian exports to UAE.

Another official export data of 2017, 2018, and 2019 also show that as annual Ethiopian National Bank report of 2018/19 show us. For instance, meat, beans, live animals, and Coffee contributed 82% of export in the last ten years. That means from 2010-2020.

Regarding whether Ethiopia has untapped export potential to UAE or not, the answer be yes Ethiopia has untapped export potential to UAE. This is by comparing Ethiopian Export to Saudi Arabia. Yes, of Corse, there are huge difference between Saudi and Emirates in terms of population, geographic size, and their historical relations with Ethiopia.

For example, in agricultural sector, which is the primary Ethiopian export to outside including Emirates, coffee and coffee products among the products that needs to increase its exportable products to Emirates.

To utilize the country's resources, the government and other stakeholders should focus on building capacity that improves the quality and quantity of products that are found to have high export potential.

4.2.2 United Arab Emirates Export Products to Ethiopia

According to recent trade statistics, UAE's Export to Ethiopia in 2017 reached USD Million 260.55, of which nearly 75% was of non-oil products. Plastics & Articles (HS 39) comprised a little more than 20% of UAE's exports to Ethiopia. In this regard, main competitors were China, Turkey & Saudi. Fats & Oils (HS 15) that was exported from UAE to Ethiopia in 2017 valued More than USD Million 26 (Exporting to Ethiopia Summary Report – 2019, World Bank).

In these products its main competitors were Malaysia, Indonesia & Turkey. This data also shows that approximately 2% of Ethiopia's global imports were from UAE (Ibid)

As Ethiopian National Bank: Annual Report of (2018/19, p. 84) stated, looking to the direction of Trade UAE locate in Asia a continent which are the major destinations for Ethiopian merchandise export leading Europe, Africa, America, and Oceania, respectively. for instance, Asia accounted for 41.6 percent of Ethiopia's total exports. Saudi Arabia was the largest market for Ethiopia's export with a 16.5 percent share in total export earnings from Asia, followed by China (13.1 percent), United Arab Emirates (11.9 percent).

As the source indicate, regarding Ethiopian import goods in 2018/19, Asia accounted for 62.3 percent of the total imports of Ethiopia. The major imports from Asia originated from China (41.7 percent), Kuwait (17.6 percent), India (13.1 percent), and U.A.E (5.8 percent). From this source we can understand that UAE is among the major Ethiopian export and import destination. This indicate that the two countries have good trade relation that can boost their economic development.

The UAE also accounts for 15% of all of Ethiopia's foreign trade with Arab countries, and the UAE ranks third in the Arab world as the most important trading partner of Ethiopia, and it ranks third in the Arab world in terms of Ethiopia's exports to Arab countries and fourth in the Arab world in terms of Ethiopia's imports from Arab countries (thenewkhalij.com, 2020, p. 2).

Table 2 below shows the top ten imports of Ethiopia from UAE. According to this import data, mostly Ethiopia import from UAE petroleum and petroleum products and other many manufactured products. To be more precise, Ethiopia imports from UAE products like fuel, and raw material as well as semi-processed products.

Table-2. Top Ten UAE’s Export to Ethiopia for (2017-2018)

No	Commodity	Value (UAD mn)
1.	Petroleum Product	215.40
2.	Metal & Metal Manf	22.31
3.	Machin. & Aircraft	11.74
4.	Rubber Prod.	7.69
5.	Electrical Material	6.49
6.	Road & Motor Vehicles	6.09
7.	Textiles	3.75
8.	Fertilizer	3.56
9.	Consumer good	1.43
10.	Others	254.19
Total		532.65

sources: -Ethiopia’s Recent Trade Performance: A Data Pack and some observations 2019

- Ethiopian Chamber of Commerce and Sectorial Associations

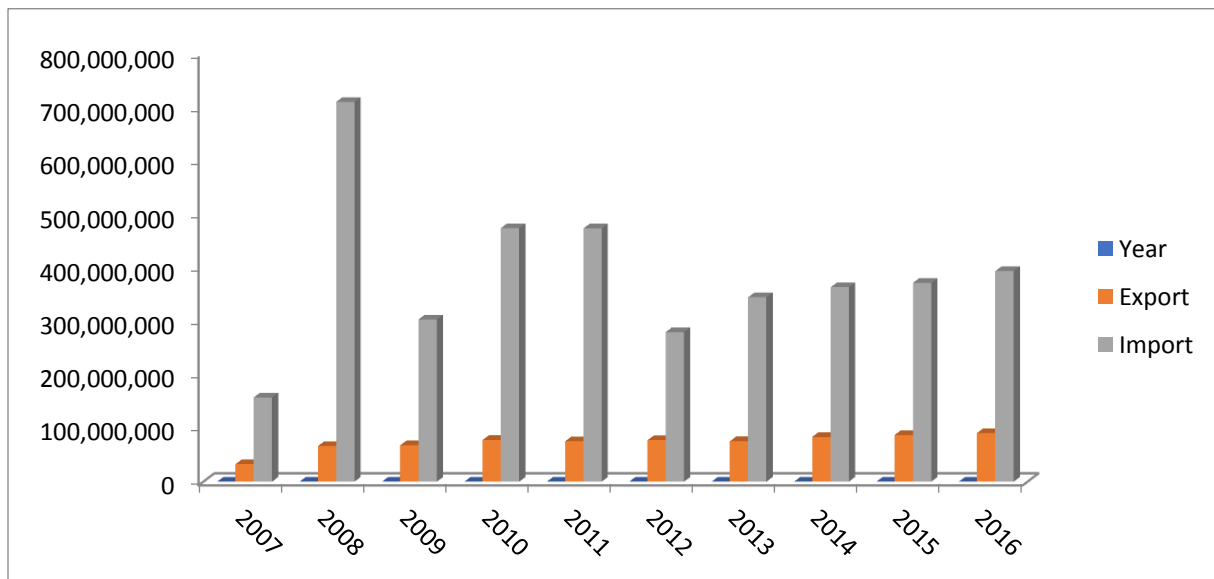
-WWW. Trading Economic.com

Table-2, in contrast of table-1, indicate that UAE’s export products are manufactured products as a result the balance of trade has remained extremely in favor of UAE due to heavy imports of

intermediate & manufactured goods to Ethiopia. This is regarding trade balance between the two countries.

But concerning the export and import trend and volume of trade exchange there is a huge progress with some fluctuation from time to time, because of different factors that can be summarized as artificial and natural factors. The detail of these factors will be discussed later in this chapter.

The next graph which shows exports and imports that have took place between Ethiopia and United Arab Emirates from 2007 to 2016 and trade balance can give us clear and more information about export, import and trade balance that have took place between the two countries in the period under consideration in value not quantity.



Source: Ethiopian Chamber of Commerce and Sectorial Associations

From this graph we can see that Ethiopia's import from United Arab Emirates increased-approximately- from 157.5 million US Dollars in 2007 to 393.8 Million US Dollars in 2016. It increased by 150% value. According to this trade data, the largest amount of import recorded in 2008 which was about 710 million US Dollars. The data also show that the highest Ethiopian export to UAE was recorded in 2016 and it was about 91 Million US Dollars.

From the trade statistics it is clear that the balance of trade has remained extremely in favor of UAE due to heavy imports of intermediate & manufactured goods to Ethiopia.

Regarding trend of the two countries' exports and imports, based on the above and the recent economic data that represent the two states' trade relation and regardless of other contingent factors, I can say that with some fluctuations the trend of their export and import show growth and sustainability from time to time and also has the potential to grow further in terms of value & volume as both countries have an ample market opportunity. This is when we analyze trend of the current trade relation between the two countries.

4.2.3 UAE's Share in Ethiopian Export and Import Trade

Table-3 UAE share in Ethiopian International Trade (2007-2016)

The following table-3 indicates the Export, Import, Trade balance, Total Trade turn over and annual growth rate between Ethiopia & United Arab Emirates from 2007 up to 2016 GC.

Year	Export (USD)	Export Growth Rate %	Import (USD)	Import Growth Rate %	Trade Balance (USD)	Total Trade Turn Over (USD)	Growth Rate of Total Trade Turn Over (%)
2007	32,598,640	7	157,562,569	215	-124,963,929	190,161,209	136
2008	66,515,735	104	710,143,595	351	-643,627,860	776,659,330	308
2009	68,169,289	2	303,464,439	-57	-235,295,150	371,633,728	-52
2010	78,036,738	14	474,281,756	56	-396,245,018	552,318,494	49
2011	75,520,815	-3	473,490,975	0	-397,970,160	549,011,790	-1
2012	77,513,358	3	279,962,661	-41	-202,449,303	357,476,019	-35
2013	75,598,537	-2	344,987,083	23	-269,388,546	420,585,620	18
2014	83,940,926	11	363,536,067	5	-279,595,141	447,476,993	6
2015	87,357,116	4	371,868,706	2	-284,511,590	459,225,822	3
2016	91,159,409	4	393,895,397	6	-302,735,988	485,054,806	6
<i>TOTAL</i>	<u>736,410,563</u>		<u>3,873,193,248</u>		-3,136,782,685	4,609,603,811	

Source: Ethiopian Chamber of Commerce and Sectorial Associations

Table-3 shows that the trade between Ethiopia and the United Arab Emirates is significant and increasing in recent years. In fact, Ethiopian import products from UAE have increased in value much more than what it exports to UAE.

Concerning this trade improvement between the two countries, the Ministry of Foreign Affairs (2007) stated: “this is a reflection of the effects of liberalization of external trade sector and the rising demand for imports in the country as the result of the economic growth and investment activity; and possibly, the rising international prices of petroleum and petroleum related import products.”

In general, the above trade data exposed that the Ethio-UAE’s trade relation have faced fluctuation from time to time. It is argued that fluctuations that happen in export may have strong negative impact on economic growth and this can be happen as a result of various factors and in different ways.

We can conceive from what presented and discussed that the trade relation between the two countries is increasing starting from 2007 due to the economic policy followed by EPRDF government and currently by Prosperity Party (PP).

4.2.4 Summary of Trade balance Between Ethiopia and UAE

Based on the above tables and graph, when we compare between Ethiopian export to UAE and Ethiopian import from UAE using value of USD in million, the trade balance shows that Ethiopia imports more from United Arab Emirates than it export to UAE. From this fact one can understand that the trade relationship is in favor of United Arab Emirates. This is due to Ethiopia export highly and primarily depend on agricultural products, while the UAE export to Ethiopia manufactured products and commodities.

As the data show us the value of Ethiopian exports has shown a consistent and a remarkable growth in recent years. Hence, bilateral trade volume between Ethiopia and UAE currently reached about \$ 850 million, and that the UAE’s exports to Ethiopia last year (2019) reached \$ 200 million, while Ethiopia’s exports to the UAE amounted to about \$ 150 million with trade balance remaining favor of UAE due to heavy oil import and manufactured good into Ethiopia as it was mentioned earlier.

Furthermore, Ethiopian export to the UAE increased from 17.8 million dollars in 2002 to 89.9 million dollars in 2011. As the document indicated the total trade turnover has increased from 45.4 million dollars in 2002 to 809 million dollars in 2012 showing more than six-fold increases in the trade relation between the two countries. The volume of non-oil trade exchange between the two countries is about \$ 850 million in 2018 (Ethio-UAE trade summary 2019, p. 2).

From all this numerical trade relation data between the two countries, chronic trade deficit has remained the dominant feature of Ethiopia's external trade in the past two decades with UAE. The figure above summarizes the trade balance for the period 2007 to 2016. With relatively small, but fairly expanding exports and sizable imports, the trade deficit has generally been widening throughout these periods.

As we see trade balance is for the favor of UAE and it became an inevitable reality in the two states' economic relation from 2002 up to now. One solution to compensate this chronic trade deficit and to narrow the gap can be expanding industrial park and more attracting FDI from UAE to invest more in key sectors.

In fact, in recent time, Ethiopian government turned its attention to this direction, and it is working on these areas through privatization policy. In general, the trade relation between the two nations has been growing year after year.

4.3 Mapping UAE's Investments in Ethiopia

As the trade relationship between the two countries has huge progress over the last ten years, as we will see in the coming sub-section, since 2000, the UAE's investments in Ethiopia have showing progress from time to time. This is because the two states mostly focus on economic cooperation and adopted foreign policy of first economy and then politics.

UAE is the second Gulf states that are engaging in Foreign Direct Investment (FDI) in Ethiopia. This FDI is practiced in Ethiopia in fully owned subsidiaries and joint ventures forms. Since there are no sound information on whether foreign portfolio investments (FPI) or foreign indirect investments are exercised by UAE's investor in Ethiopia as recipient state or not, I preferred mainly to focus on FDI.

The Emirates primarily invests in sectors such as agriculture, manufacturing, and construction. According to an expert of the two Red Sea shores, even though the Emiratis expanded her

investments in the manufacturing, tourism, and energy sectors, but not in a meaningful way until 2018.

Theoretically, Currently, Ethiopia is considered as an arena of the Ethiopian anti-poverty policy and the UAE's economic diversification policy. And the current government also have great interest in privatization of many sectors and corporations and working on. This is what we observe from the existing fact, official document of Prosperity Party and different party affiliated national media such as Ethiopian Television.

The economic aspect is one of the most important components and base of the relations between the UAE and Ethiopia, and the economic cooperation between the two countries takes shape in many aspects.

The total number of investment projects from the United Arab Emirates licensed to operate in Ethiopia is 92, and 33 Emirati companies are currently operating in Ethiopia, in addition to 23 other companies under construction, while 36 other companies obtained the necessary licenses from the Ethiopian Investment Authority and are under incorporation (Ethiopian Investment Commission and Emirates Economic Ministry, 2019, p. 3).

In this section we focus on UAE's investments in Ethiopia and its forms/types, geographical distribution, sectors, and its contribution in boosting Ethiopian economy. In this section, official development aid made by UAE development funds to Ethiopia is covered briefly.

4.3.1 Overview of UAE's Investment in Ethiopia

The 2018 Ethio-Eritrean peace agreement and normalization of their relation regardless of its fruit and institutionalization has its own role in upgrading the current Ethio-UAE's relations. What was discussed also assert the importance of creating conducive environment for investment.

As a recognizing and encouraging the then Ethiopian government's economic policy and efforts, United Nations Conference on Trade and Investment stated:

the Ethiopian government understood that investment is the key to unlock the development potential of the country, playing a critical role in converting comparative advantages to competitiveness. Recognizing this reality, government offered an array of incentives to attract inward investment, with the expectations of attracting such spin-off benefits as advanced skills, know-how and technology (2002).

Domestically, in line with attracting UAE's investment to Ethiopia, the country also adopted Investment Proclamation No.15/1992 which based on market-oriented economic policy and aimed to provides a significant liberalization with respect to private investment that included both local and foreign investors (Investment Office of Ethiopia, 1992).

The above document also states: "while limiting the role of the state in the economy; it has created an enabling environment for the active participation of both domestic and foreign private capital in various investment activities without any limitation on capital ceilings."

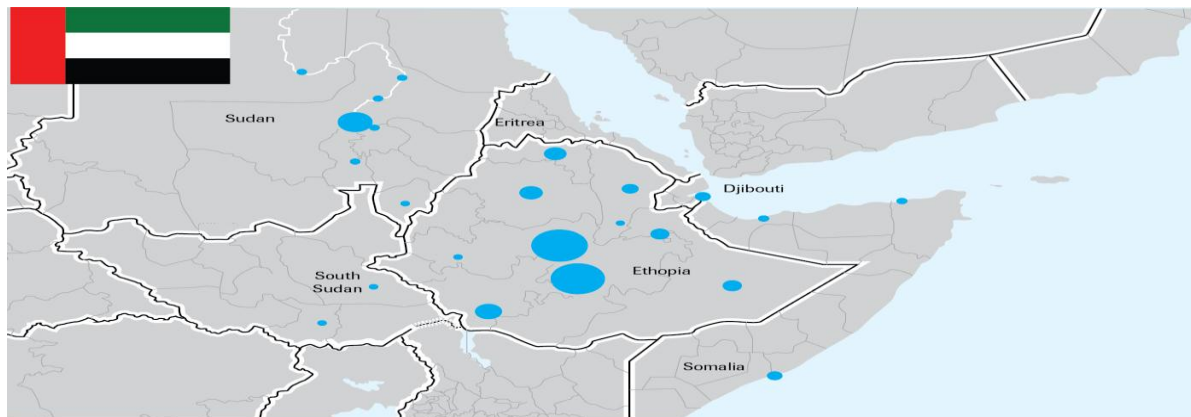
Ethiopian Investment Commission (2004), which was established in 1992 in line with market oriented economic policy and liberal investment stated: "The commission has been making relentless efforts to create enabling investment environment which increased the role of private sector in the economic development of the country."

Due to these economic policy and other related measurements taken by EPRDF to facilitate and promote investments and trade activities, many Middle East countries begun to engage in different trade investment activities in Ethiopia since 2000. Among the Middle Eastern countries, UAE's investment in Ethiopia increased from year to year significantly.

According to Ethiopian Investment Commission new policy/law/ of investment (2019):

A range of political and economic policy reforms which appear to signal a significant departure from the previous practice of State-led economic grow and provide for a greater space for private sector involvement and enhance the role of the private sector in the economy; Some of the clear indications of this shift include the following: More and better jobs, Expanding productive sectors of the economy, and Privatization program.

4.3.2 Geographical Distribution of UAE's Investments in Ethiopia



Google Map: UAE's Investments in the Horn of Africa – Map-1

Ethiopia as a HOA state endowed with natural and human resources, geographically located in strategic area, and has 110 million population currently became destination for Gulf states' investments. UAE one of wealthiest Gulf states has targeted Ethiopia as good economic partnership and more reliable state for its regional strategic purposes as we attempted to explain early in this chapter. Ethiopian economic growth rate also gave UAE more investment appetite and highly motivated her to invest in Ethiopia.

There are also some other key factors that made Ethiopia the first recipient of UAE's investments in the HOA. As Maiyo, J. (2012, p. 53) and Verhoeven (2018, p. 17) said, those key factors are: abundant arable land, Ethiopia is not active participator in "long-standing intra-Islamic dispute", relatively maintaining the position of regional hegemony, and remaining neutral in Gulf diplomatic crisis of 2017 as Todman (2018, p. 3) stated.

Coming to the section, which is the geographical distribution of the UAE's investments in Ethiopia, the above map clearly shows us that Ethiopia is the primary destination of UAE's investments at regional level (HOA).

Coming to national level, the center of the country- Addis Ababa and surrounding areas of Oromia region have taken the lion's share in UAE's investments. This investment also expanded to Ethiopian regions like Benishangul Gumuz and Ethiopian Somali region.

In this regard, we can mention Julphar Gulf Pharmaceutical Industry, which was established in Addis Ababa in 2013 by 10 million USD and the international office of Dubai Chamber of

Commerce and Industry which was opened in Addis Ababa in the same year by UAE (MOFA, 2019, p. 1). According to the source, this economic activity contributed to strengthen the two countries' investment relations.

We can understand from the above map and statements that Emirati investments in Ethiopia are widespread, with Addis Ababa and Oromia hosting the most projects. Here, the Hyatt Regency Hotel, the Le Gahar project, which includes more than 4 thousand housing units and a number of factories working in the field of food processing are another empirical evidence on the concentration of UEA investment at the center.

According to Al-Ain al-Ikhbariyah (2018, p. 2) Emirates official media, in 2011, Emirati investors made a field visit with officials from the Ethiopian federal government and the Benishangul Gumuz regional state to see the agricultural lands that the Ethiopian government granted to Emirati investors in the region.

The economic data released by this source indicate that UAE is the second Gulf country after the Kingdom of Saudi Arabia to invest in Ethiopia as the volume of Emirati investment in the country reached 3 billion US dollars in 2014. UAE also invested in the Somali region of Ethiopia in 2017 for the manufacturing of a sugar plantation, worth around USD 3 billion period as Meester, Berg, and Verhoeven (2018, p. 43) said.

Concerning the current economic relation of the two countries, in special statements to Al Ain Al-Akhbariya (2019, p. 1) Abdullah bin Ahmed Al Saleh, Undersecretary of the Ministry of Economy for Foreign Trade Affairs of the UAE, said that the participation of 80 Emirati companies in the UAE-Ethiopia Business Forum is the best evidence of the UAE's desire to strengthen its trade and investment relations with Ethiopia.

4.3.3 UAE's Sectorial Investments in Ethiopia

There are a lot of promising sectors to invest in Ethiopia. Among these sectors agricultural, manufacturing, mining, communication, construction, social services, and tourism sectors can be mentioned as dominant one.

Agricultural and manufacturing sectors are the leading sectors of UAE's investment in Ethiopia. As economic data from both sides show us, the two sectors dominated other sectors in both value and volume of investments (Ethiopian Investment Commission and Emirates Economic Ministry

2019). These two sectors among other mostly considered as a strategic and basic asset to UAE as a Gulf state and Ethiopia as a HOA as Meester, Berg, and Verhoeven (2018, p. 50-51) said.

This is due to there are unutilized fertile arable lands in Ethiopia that highly attracted the food-insecure Gulf states such as UAE (Ibid).

In line with this, Ethiopia as an African state offer her best effort to transform from primarily agricultural products exporting into economy significantly lead by industry and manufacturing sector (MOFA, 2019, p. 3).

As (www.ethiopianchamber.com) data of UAE's investments in Ethiopia (2007-2016) indicated, among 39 projects investment in Agriculture takes the highest amount of investment by 23 projects followed by Real estates with 9 projects and Manufacturing and Construction with 3 projects respectively.

But an updated data (2018) from the same source shows some shift in project number the above-mentioned sectors. For instance, 38% of the investment projects are on manufacturing, 27% on Real estate, 23% on Agriculture, 4% on Education, 4% on Construction contracting and 4% on other investment activities such as Hotel, tourism, restaurant, and the like.

Regarding job opportunity, the agricultural and manufacturing sectors are the most of UAE's investment sectors in Ethiopia in terms of job creating whether it is permanent or temporary. Oromia region at the top by approximately 50% followed by Benishangul-Gumuz and Addis Ababa by 10% each (Ethiopian Investment Commission and Emirates Economic Ministry, 2019).

In Meester, Berg, and Verhoeven (2018, p.58-62) view, this job creation mostly goes parallel with the developmental ideology of Ethiopian ruling party and contribute to the legitimacy of the regime. As it is obvious, creating job by such investment considered as achieving economic development and reduce poverty. This is what we always read from the official consecutive political parties and understand from their political discourses here in our country Ethiopia.

In this aspect, the recent (2018) Le Gahar project, which Ethiopian government contributes 27% to the project includes more than 4 thousand housing units, 3 hotels, commercial centers, tourist and entertainment sites, and a shopping center, as estimated the project provides about 25 thousand job opportunities (Al Ain Al-Akhbariya, 2019, p.2).

According to this source, the project is implemented by the UAE company, Eagle Hills, with an estimated budget of 50 billion Ethiopian Birr, and will be completed in a period of 5-7 years. There are many investment projects that will be disclosed in the coming period as some private investors from UAE said in an interview with them in 2019 here in Addis Ababa.

See annex-3 for the design of this project, and other UAE's investment sectors in Ethiopia.

4.3.4 Form of UAE's Investments in Ethiopia

In this section my intention is to explore about forms of UAE's investment in Ethiopia. UAE's FDI is practiced in Ethiopia in fully owned subsidiaries and joint ventures forms. Since there are no sound information on whether foreign portfolio investments (FPI) or foreign direct investments are exercised by UAE's investor in Ethiopia as recipient state or not, I preferred mainly to focus on FDI.

As it was stated in an overview of Ethiopian Investment Opportunities and Policies (2014 and 2018): "Foreign investors can invest alone or in partnership with domestic investors in areas open for FDI. Foreign investment inflows through joint ventures especially with the Government of Ethiopia are encouraged by the Government of Ethiopia."

So, investors can invest in joint ventures for and fully owned form by following local legal procedures.

Since 2000, about 70% of Gulf investments in Ethiopia have took place in the form of wholly foreign owned, while the rest have been in the form of joint ventures with domestic Ethiopian companies (Ethiopian Investment Commission 2019).

In contrast, Emirati companies that invest in Ethiopia have mainly exercised their investments through joint ventures form (Meester, Berg, and Ver hoeven, 2018, p. 52). According to this data, "approximately half of these joint ventures involve Ethiopian companies, while the other half involves a variety of actors from other countries."

To put in figure, since 2000-2017 around 1/3 UAE's companies investments have done without partnerships, while 1/3 of the time caried out with partnerships from other countries such as USA, India and Iran most notably twice with Iran in 2006 and 2013 on bitumen importing and processing (Ethiopian Chamber of Commerce and Sectorial Associations- accessed in 2019).

According to investment statistics received from the Chamber, the Emirates have invested in 24 projects in partnership form with capital of 4,572,438,770 birr (US \$ 228,621,939) and have created 2,628 permanent employments and 8,940 temporary employments. The time under consideration here is before 2018. i.e. between 2010-2017, as presented in the statistic document.

Eagle Hills, a United Arab Emirates company which launches construction of an ‘integrated community development’ project in Addis Ababa on 360,000 square meters of land by around \$1.8 billion can be mentioned as recent and outstanding example of UAE’s investment company practicing its investment in joint venture form with the government of Ethiopia.

Coming to official development aid made by UAE development funds to Ethiopia, in 2018, UAE pledged US\$3bn in aid and investments form to Ethiopia of which US\$1bn given as deposit in the National Bank of Ethiopia to ease foreign currency shortages and the US\$2bn for investment in tourism, energy and agriculture sectors (MOFA, 2018, p. 3).

In 2019 Khalifa Fund for Enterprise Development (KFED) Abu Dhabi-based developmental institution signed partnership agreement with the Ethiopian Ministry of Finance to support innovation and fund related projects in Ethiopia by US\$100m (Al Ain Al-Akhbariya and ENA, 2019, p. 2).

The KFED/KF/ also signed an agreement with the Ethiopian Ministry of Finance to support and finance micro, small and medium enterprises with a value of \$ 100 million in the Ethiopian capital, Addis Ababa. (ENA, 2020, p. 1). UAE as one of the economic partners of Ethiopia is funding various infrastructural development projects in Ethiopia such as road, and water digging projects through the Abu Dhabi Development Fund (MOFA, 2019, p. 2).

According to trade statistics of UAE-Ethiopia Business Forum (2019) UAE investments in Ethiopia reached more than \$523 million between 2003-2017, while United Arab Emirates is one of Ethiopia’s top trading partners with imports worth \$127.6 million in 2017 and total trade from UAE to Ethiopia was \$781.9 million in 2017.

The data of the UAE's foreign trade with Ethiopia indicate remarkable growth over the past decade (2008-2017), based on the UAE Ministry of Economy figures. For instance, the volume of trade exchange between the two countries rose by 840 million dirhams (\$ 228.9 million) in 2008,

to 2.9 billion dirhams (\$ 790.1 million) in 2017. So, from these data we understand that the two countries bilateral relations based on economy or its base is economy.

4.4. The Recent Ethio-UAE's Political Relation

Since the advent of the current Ethiopian Prime Minister Abiy Ahmed to the position of Prime Minister, the bilateral relations between Ethiopia and the UAE have transformed from a mere economic relationship led by investment and trade to a multi-dimensional relationship led by a common understanding on issues of common interest at the regional and international level and cooperation to achieve common interests.

Their bilateral relations are characterized by solid and strategic relations. As it is discussed in chapter two politics and economy are considered as a coin with two faces. So, it is important to describe the two countries political relations.

In this section, we will focus on the political relationship between the two countries.

A. Brief Identities of Ethiopia and United Arab Emirates

Ethiopia is a key regional player and at front line in the scramble for influence in the Horn of Africa and broader Red Sea region. With its natural resources, population of 110 million, and well-equipped military, has become an African power. The nation's capital, Addis Ababa, hosts the African Union headquarters and other international organizations' offices, and the country is one of the few African nations never to be colonized. Ethiopia has accordingly long played an outsized role in African and sub-regional politics Horton (2020, p. 5).

Ethiopian political identity to some extent influenced by Stalinist interpretations of ethnic representation through ethnic federation Vaughan, S. (2003, p. 18). Economically the country exercising a liberal form of economic system which tend to liberalization of most economic activities and sectors. Still now, the country is under the process of nation and state-building that aim to build nation that has common political, economic and, social aspiration as many analyses indicate.⁴

⁴ Policy analysis at Prime Minister's office on Policy matters platform in 2020.

The UAE from its part, as discussed in chapter three, has political identity which is derived from the political principles of conservatism which values tradition and history. This system has established a social contract between the state and the people, whereby the people provide legitimacy to the state in return for security and economic welfare Osman and Binhuwaidin (2017, p. 5).

The country's economic identity has evolved from a state-dominated economy dependent on oil into a diversified mixed economy that is fully integrated into the global economy derived by a 'Competitive Knowledge Economy' (Ibid)

B. Why Ethiopian Bilateral Relations with Middle East Countries are Important?

Coming to Ethiopian bilateral relations with Middle East countries, according to recently revised Ethiopian Foreign Policy (2018, p. 37), this region is culturally, religiously, historically, and geographically close to Ethiopia and it is the part of the world that affects social issues and has security implication for Ethiopia. As it was stated in this policy, Ethiopian diplomatic ties with this regions' states mostly characterized by economic and social developmental issues such as trade, investment, and the like.

This is because of those countries endowed with natural resources like oil and also linked to Ethiopian economic development. Ethiopia promote a relationship with this region's states in line with international law and principles Ethiopian Foreign Policy (2018, p. 9-23).

Coming to Ethiopia, Red Sea and the Gulf of Aden link which were once served as a connector of the two shores of Red Sea (Ethiopia and South Arabia/Yemen) rather than separator as it was highlighted in chapter three, the policy asserts that taking advantage of the Red Sea is a matter of survival for Ethiopia. According to this policy, For the East African Horn, Ethiopia is one of the most important countries in the world and it will do its part in cooperation with the other concerned countries.

C. Special Factor for the Two countries' Recently Upgraded Bilateral Relations

As we tried to describe in the first section of this chapter, which is about the main factors that paved way for the two countries bilateral relations, the first Abiy Ahmed's paid visit to Abu Dhabi as new Ethiopian Prime Ministers in May 19, 2018, and the visit paid by Mohammed bin Zayed on June 15, 2018 to Ethiopia which followed by the trilateral summit that brought together Abiy Ahmed, Mohammed bin Zayed and Isaias Afwerq in Abu Dhabi on July 24, 2018, and the 2018 Jeddah Peace Agreement signed between Ethiopia and Eritrea, which was established in Jeddah, on Sunday, September 16, 2018, under the auspices of Saudi Arabia, were turning points in the Ethio-UAE's bilateral relations and the two countries began to upgrade and widen their bilateral relations. Those events were broadcasted by national and international medias.⁵

According to the Ethiopian News Agency (ENA, 2018, p. 1), after exchanging official visits, the two countries leaders stressed that their talks paved way for both strengthening the relationship between the two countries more than ever before and they decided to work together on continental and global affairs by participation of each of the foreign ministers of the two countries.

From one side, by this liberal assumption (as it was discussed in chapter two) which advocate cooperation and interdependence among states to bring peace, the two countries started to realize peace and prosperity in the region (HOA) regardless of its attainment in short-term.

D. The Existing Political Relations of the Two Countries and Its Trend

According to (MOFA) and Ethiopian Herald (2019, p. 1-3), Ethiopia's Ambassador to the United Arab Emirates (UAE), Suleiman Dedefo and his counterpart Mohamed Salem Al-Rashidi stated that the two countries relations since Prime Minister Dr. Abiy Ahmed took public office in April 2018 have been witnessing unprecedented progress at all levels which include political, social, and economic aspects.

From Economic and Citizen diplomacy aspects, which are one of the main four Ethiopian strategies to realize its dual objectives (achieving sustainable development and establishing more democratic system) as it was stated in the recently revised Ethiopian Foreign Policy (2018) and

⁵ Ethiopian Broadcasting Corporation, BBC, Aljazeera, and etc.

political aspect, ambassador Suleiman noted that the current two nations' bilateral relation would have an importance in shaping a new era of cooperation among countries in the Horn of Africa and Arabian Gulf regions (MOFA, 2019).

The ambassador added that there is strong cooperation and coordination between the two countries at global and regional issues, and they make decisions based on consultation and dialogue for the benefit of the Horn of Africa and Arabian Gulf regions.

The ambassador valued the strong support made by the UAE Government to Ethiopia's development projects, the agreement reached to bring Ethiopian employees to the Emirates and the latter's commitment to support Ethiopia's efforts to reduce unemployment (Ibid).

UAE's Ambassador to Ethiopia, Mohamed Salem Al-Rashidi, said on his part: "There is a qualitative leap in the relationship between the people and the leadership of Ethiopia and UAE in all commercial and political fields and the frequent high-level exchange visits also contribute share for the advancement of the partnership" (Ethiopian Herald, November, 2019, p. 2).

According to United Arab Emirates News Agency (WAM, 2019, p. 1-5) the UAE and Ethiopia have signed agreement to strengthen their bilateral defence and military cooperation under a Memorandum of Understanding (MoU) in Abu Dhabi.

The agreement was signed by Mohammed bin Ahmed Al Bowardi, Minister of State for Defence Affairs of UAE, and the ex-Ethiopian Defence Minister Lemma Megersa, who affirmed Ethiopian keenness to advance Emirati-Ethiopian defence cooperation in order to serve mutual interests. For his part, the Emirati minister of state for Defence Affairs said that the agreement underscores the UAE's commitment to consolidating partnerships and cooperation with its international partners.

In this regard, General Adem Mohammed, the ex-Chief of Staff of the Ethiopian National Defense Force has met with Lt. General Hamad Mohammed Thani Al Rumaithi, Chief of Staff of the UAE Armed Forces (Yonas Abiye, 2019, p. 1). According to the source, during their meeting held in Addis Ababa in 2019, the two sides reviewed the prospects of advancing military cooperation between the two countries.

According to (MoFA, 2019, p. 1) Ethiopia and UAE held their first Political Consultative Meeting in Abu Dhabi on November 7, 2019 which termed as a ‘testament’ to the shared vision and commitment the two countries have in further developing their relations.

E. The Two Countries’ Common Interests and Cooperation

Regarding the two countries position and view toward new local and regional developments, there are many manifestos that show their common understanding.

For instance, as Ethiopian Monitor (2020, p. 1), stated Ethiopian Prime Ministers Abiy Ahmed send a message to Bin Zayd expressing his and Ethiopian position on normalized relations between UAE and Israeli state by saying: “On behalf of... Ethiopia and myself, I would like to express my heartfelt congratulations to both the people and governments of UAE and Israel for taking the monumental decision to normalize relations between the two countries.”

The Prime Minister also added that “I’m confident the path to enduring peace in the Middle East will be nurtured.”

Another indicator of the two countries cooperation on local, regional, and global affairs is a short message that the Crown Prince of Abu Dhabi Mohamed Bin Zayd sent to the Prime Minister of Ethiopia through his account on Instagram on December 8, 2020, in which he said: "My brother Abi Ahmed .. the maker of hope in his country and the sower of love in his people," accompanied by a picture of the latter driving his car himself, as Al Ain al-Ikhbariyah of Emirati released on its official page in 2020 which translated from Arabic to English.

Concerning what Ethiopian government termed as “Law Enforcement Operation” that taking place in Tigray regional state since November four, Horton (2020, p.5), say: “the official Ethiopian TV had broadcast an Emirati statement in which Abu Dhabi expressed its solidarity and standing with the Ethiopian government in enforcing the law and supporting the government's efforts to impose order.”

The source added that it seems that the Assab base, which the UAE gain a 30-year lease agreement worthy five million dollar per year has played a large role in the operation.

From UAE and Ethiopian parts, the narration is in contrast. For example, as Fattah (2020, p. 2) said the UAE Foreign Minister Sheikh Abdullah bin Zayed “stressed the need to return and implement the rule of law” in Ethiopia, which is “key to security and stability in the Horn of Africa and the region,” by citing the UAE News Agency (WAM) report.

The minister said the UAE has been in contact with many of its partners in Africa and the region to help put an end to the conflict by peaceful means, according to the statement.

The Emirati statement considered by some specialists and experts in the relations of the Horn of Africa and the Gulf states as a statement based on double standards. For its part, Ethiopia denied the news and considered it as rumour news.

According to the above sources, the UAE has contributed to these recent battles because it “wants to consolidate its influence in Africa, because Addis Ababa is capital of Africa.” He added to Al-Khaleej Online that Ethiopia is one of the largest African countries and the most influential one on the continent, based on these fact the UAE realizes that if it succeeds in attracting Ethiopia to its side and within its alliance, it will guarantee great influence in Africa Hammoud (2020, p. 3-6).

This statement clearly indicates from one side, UAE is practicing realist assumption of maximized self-power in its relationship with Ethiopia.

Regarding Grand Ethiopian Renaissance Dam, according to Sudanese News Agency (2021, p.2) released by Arabic, the announcement of the UAE’s entry on the line of the Renaissance Dam crisis to mediate between the three countries after years of negotiations that took place in a vicious circle, may stir the stagnant waters, given Abu Dhabi's strong relations with Ethiopia, Egypt and Sudan.

But here there are three critical questions, which are: will the Emirati efforts succeed? By what instruments and mechanizes? And in favor of whom? The future will answer such questions.

To sum up what was discussed in this chapter, The UAE is the second Gulf country after the Kingdom of Saudi Arabia to invest in Ethiopia, as the volume of Emirati investment in the

country reached 3 billion US dollars in 2014. UAE's investment in Ethiopia has been increasing over time. The investment extent has shown that the major sectors of investment by UAE's businessmen are Manufacturing, Real estate, Agriculture, Education and Construction contracting.

Looking at the growth rate during the past years, the volume of trade exchange between the two countries is expected to reach 3.7 billion dollars next year. The United Arab Emirates has implemented a package of projects in Ethiopia over the past few years, and their economic impact and influence are expected to emerge over the next year.

In order to strengthen their cooperation, different agreements such as economic, social and security issues are signed and being implemented between Ethiopia and the UAE. Economic relation is the base of the two countries' bilateral relations.

Politically, Since 2018, the bilateral relations between Ethiopia and the UAE have shifted from economic relationship led by investment and trade to a multi-faced relationship led by a common understanding on issues of common interest at the regional and international level and cooperation to achieve common interests.

The UAE-Ethiopian relations are strong and deep-rooted, witnessing remarkable development in various levels, and the bonds of friendship, and common interests crowned the relations between the two countries. And based on what discussed in this chapter, the two countries' bilateral relations particularly in economic aspect in increasing trend and characterized by economic asymmetry. This asymmetry has its own implications on political relations of the two countries.

There are different factors that facilitated and contributed to upgrade the two countries diplomatic relations in both economic and politics. Political, economic, and other related developments that have happen since 1991 at domestical, regional and international level are highly and directly or indirectly played pivotal role in converging the two countries after divergency.⁶

Based on the discussed data, the two countries bilateral relations clearly show that their bilateral relations in terms of economic and political aspect in increasing and expanding trend. And their economic and political cooperation internally and externally (regionally) in increasing expanding trade.

⁶ Because before 2018, the Emirates supports and bilateral relations mostly in favor of Eritrea and Ethiopia mostly needed for economic relations as data from MOFA show us.

Chapter Five

Critical Analysis of the Opportunities and Risks of the Current Ethio-UAE's Bilateral Relations

In chapter two, theories and concepts that explain and define the two countries bilateral relations and other relevant matters are discussed.

In chapter three, history of Ethiopia briefly discussed, historical interactions between Ethiopia and Arabian Peninsula also highlighted, pre- and post-British history of UAE explored, and historical background of the two countries' bilateral relations is discussed in brief.

In chapter four, the main factors that created fertile ground for their bilateral relations and the post-1991, specifically post-2000 Ethio-UAE economic relations such as investments, trade, and other related issues that have took and taking place between the two countries are discussed. In this chapter the political relations of the two countries also described.

In this chapter, which aimed to examine and present the thesis's main issues such as the natures, trend, extent of the current Ethiopia and United Arab Emirates' bilateral relations, potential risks and opportunities follow the economic and political relations, which discussed in chapter four and new developments between the two countries examined.

In addition, new development is explained and analyzed in detail by focusing on their determinants, goals, instruments, and what and how both states benefit from their recent economic diversification policy and other related issues. And the chapter has three main sections. Section one is about main views on risks and opportunities related to Ethio-UAE's bilateral relations.

Section two is about risks related to Ethio-UAE's bilateral relations. Section three, about opportunities related to Ethio-UAE's bilateral relations. And finally, this chapter concluded by presenting main conclusion and providing recommendation.



Existing foreign Military bases in the Horn of Africa [Getty Images]

5.1 Main Views on Risks and Opportunities Related to Ethio-UAE's Bilateral Relations

The history of relations between the Arabian Gulf states and the Horn of African state has experienced different historical events that led to different consequences which shaped and reshaped the political structure and economic status of the two regions' states as it was discussed early.

Recently, Ethiopian and UAE as a country located in the Horn of Africa and the Arabian Gulf region respectively have upgraded their bilateral relations. These relations created debate among

scholars and specialist of the two regions relations. As a result, two narrations are emerging. The first is conventional narration and the second is new narration.

The first group is mostly pessimist about the current upgraded Ethio-UAE' bilateral relations and the two countries' convergence, while the second group is mostly optimist about these relations. Based on its opportunities and risks, the first group views the current shift in cycle of Gulf engagement in the Horn of Africa as shift more surrounded by risks than opportunities without denying its opportunities. In contrast, the second group views as a shift has good effects few risks.

The two groups have their own evidence, arguments, justifications, and departure points on whether the two countries bilateral relations more likely stabilize Ethiopia and the Horn or destabilize.

The old narration, support their view by: historical facts and events about the two region relations such as “ political gambit” of 1970s that took place between some Gulf states like Saudi, Emirates and the like from one side and the Horn of African state like Sudan when the former promised the later developmental project known as “Breadbasket” project.

This group to support their position, also based on the nature of the two regions relations which characterized by asymmetry, driven by necessity rather than a shared cultural and historical legacy, which can play the role of divergency sometimes and convergency in the others. And economic initiative of the Gulf states that characterized by considering politics and economy as two faces of a coin and related opportunities and risks at elites and public levels.

The group also support their position by referring to state-based logic of investment exercised by the Gulf. Short term strategy than long-term strategic vision which characterized by short-term Middle Eastern security concerns rather than long-term internal stability of the Horn region. Experts in decision making bodies, religious sectarians export to the Horn of Africa, the issues of the Nile basin, types of regimes and economy, Covid-19, the transition, and political tension going on in Ethiopia.

And the group also use the recent geo-political and ‘geo-economic’ rivalry that the Gulf states began to exercise in the Horn considering the region as laboratory of such competition as an additional evidence.

The scholars, specialist, and analysts of this group are: Meester, Berg, and Verhoeven (2018), Erlich (1994), ICG (2019), and interviewed experts (in legal and economic aspects) Ethiopian journalist, and Arab diplomatic personnel whose names were not mentioned here, because of their unwillingness (2020).

The new narration, which is mostly optimistic toward the two countries' current relations, views these relations from the role that Gulf countries like UAE have played as a Gulf powerbroker in recent Ethio-Eritrean peace agreements known as "Jeddah Peace" agreements. On 2018, economic benefits and access to the sea that Ethiopia can gain from this relation and from the geoeconomics of UAE's existence in the two shores/corridor/ of the Red Sea, designing local and regional stability by solving economic problems.

And the group also relies on the role that Ethiopian diaspora in the Gulf states, particularly in UAE, can play to boost Ethiopian economic development through remittances, and the role that UAE can play in Ethio-Egypt convergence on the Nile River and the Grand Ethiopian Renaissance Dam (GERD).

In this group, we can get experts, analysts, and the two regions' relations' specialist such as: Khan (2018), Todman (2018), Allo (2019), Benaim (2019), and Giorgio Cafiero and Corrado Čok (2020). In addition to them, from an interview conducted with two legal experts from Arada-sub-city, Addis Ababa, three Ethiopian journalists from Ethiopian Broadcasting and Fana Broadcasting Corporations in 2019, I get information that tends to encourage the two countries' relations.

In addition to that, the information accessed from Ethiopian MOFA and UAE's embassy to Ethiopia and the two countries' foreign policies highly support this view.

Based on theories and concepts discussed in chapter two, the nature, trend, and extent of the current two countries' bilateral relations discussed in chapter four, I critically analyze and describe challenges and opportunities that follow this bilateral relation internally and externally, and at economic, social, and political levels as following.

5.2 Risks Related to Ethio-UAE's Bilateral Relations

What the historical facts tell us about the Arabian Gulf states and the Horn of African states' modern bilateral relations?

Firstly, let us start with the views of the former group, which consider the two regions: the Gulf and the Horn states' bilateral relations in general and the current Ethiopian and United Arab Emirates bilateral relations full of puzzle and threat based on different factors and reasons.

According to many literatures of the Horn and the Gulf 's relations and the experts and scholars of the two regions' relation, the modern historical relations of the two regions have witnessed ups and downs, convergence and divergence, and, competitions and cooperation as a result of different internal and external factors.

For the purpose of this thesis, the Arabian Gulf defined as Yemen, Saudi Arabia, Kuwait, Qatar, and United Arab Emirates. While the Horn of Africa defined as Djibouti, Eritrea, Ethiopia, Somalia, and Sudan rather than in its broadest sense that includes East African states like South Sudan, Kenya, and Uganda. Here, I will take Sudan as an outstanding example from Horn of African states to reach my target that is modern historical relations of Ethiopia and UAE.

In this section, we will discuss the two regions past and recent relations through: extraversion gambit or political gambit, interdependence, and competition to examine and understand the nature of the existing relations between Ethiopia and United Arab Emirates and also to analyze its challenges and opportunities and their trends.

Hence, those theories which discussed in chapter two, the political, social, and economic situation of the two countries presented in chapter three, and economic and political relations discussed in chapter also considered.

Before going to the main points of this section, let us set out over-view about their historical relations that go back to the Cold War, era of ideological confrontation and competition. Because it can give us some key concepts about the major feature of their relations which is driven by political goals, but economic means as Meester, Berg, and Verhoeven (2018, p. 12-19) stated in this regard.

To explain briefly, since the postcolonial era of the 1950s and 60s there has been a record of Gulf countries engaging in the Horn of Africa to pursue mostly political objectives. This is what one of Gulf States diplomatic person said during interview with him on the two regions modern relations in June 2020 in Addis Ababa.

For instance, Sudan and Somalia have sent doctors, engineers, and teachers to Riyadh, Jeddah, and Abu Dhabi to get Gulf patronage. These states ‘pledged’ their loyalty to Saudi Arabia in its fight against communism and spoke of informal economic union with Gulf states. For their part, Kuwait, Qatar, Saudi Arabia and the Emirates made unprecedented sums of money available to help African states such as Sudan and Somalia particularly when they face balance-of-payments crises (Meester, Berg, and Verhoeven, 2018, p. 21).

So, this show that what these scholars called “extraversion”⁷ during the Cold War was an appropriate weapon that posed to socialist and communist to eliminate them from the Horn of Africa. What about it today?⁸

According to Woertz (2013, p. 13), during 1970s, Sudanese President Ja’afar Nimeiri sought Gulf patronage for “an ambitious state-building project” which he lacked the finance. To realize his intention, Nimeiri preferred the Gulf states like Kuwait, the Emirates and Saudi Arabia those worried about rising water and food scarcity as a result of soar happen in their population and consumption levels.

⁷ According to Bayart (2000), the term ‘extraversion’ have coined by Africanists to describe the ways in which African elites have sought for centuries to conserve and protect their power by extracting financial, military, ideological and diplomatic support from outside Africa in exchange for ‘pledging’ political fidelity and domestic resources to external actors. In this regard, Meester, Berg and Verhoeven (2018) argued that extraversion is an intentional leveraging of limited assets such as vital minerals, military bases and professed and geopolitical loyalty to Moscow or Washington. According to them, this type of extraversion, which termed as classic case of extraversion, explain the status of post-independence African presidents during the Cold War. From their point of view, the main purpose of this extraversion at that time was to consolidate internal politics and to attract external assistance that would help defeat internal rivals. Harry Verhoeven (2018), said: “If extraversion offers African incumbents’ rents with which to hold challengers at home at bay, it has enabled Gulf States to project influence and contain communism without having to fight themselves and develop powerful foreign service bureaucracies to handle external relations.”

However, extraversion as a mechanism exercised to structure Gulf–Horn relations and to address domestic duties in the context of regional polarization has continuously generated or led to disappointments and distrust on both shores of the Red Sea (Verhoeven 2018).

⁸ It is debatable among researchers on the two regions bilateral relations. for example, Meester, Berg, and Verhoeven, 2018, argued the existing of extraversion as the main feature of the two regions relations. while others considered it as old fashion. In this group we get most of officials from both sides ...but no justification more than political discourses.

Availability of vast arable land in the country's interior motivated Sudanese people to 'trumpet' and express their happiness by their new project that can play key role in making the country the 'Breadbasket' of Africa and the Middle East and helping it to avert a 'Malthusian' disaster (Wilson 1979). This ambitious project was Funded bilaterally by Kuwait and Saudi Arabia, and multilaterally through multiple Gulf development funds (Meester, Berg, and Verhoeven, 2018, p. 21).

As Verhoeven (2011, p. 33) explained, the Breadbasket presented itself as an economic and environmental proposition but in fact, it was a deeply 'political gambit.' According to this source, From the Breadbasket 'largesse' which poured billions of dollars of Gulf money into Sudan, only crops, regions and networks favored by Nimeiri benefited.

The project also used as a mechanism to punish of 'recalcitrant' local politicians and businessmen and as an incentive to switch to the president's side (Meester, Berg, and Verhoeven, 2018, p. 22).

The authors added that the main goal of this economic project was to make Sudan agriculturally superpower in the HOA in 1980s, but the country faced famine to its western, central, and southern regions. This politically motivated project also facilitated coming of old political elites such as Hassan Al-Turabi to power and paved way for newly rising forces in Sudanese politics such as Sudanese People Liberation Army or Movement (Ibid).

From donor aspect, the breadbasket project not designed to realize Numeiri's peace and prosperity promised, but to "anchored" (bring) him in a pro-Saudi orbit and to keep Sudan at distance from socialist affiliation (Verhoeven 2018, p. 12).

Based on this historical fact about the two regions relations, which clearly indicate how much the economic relation motivated by political interests, to what extent Sudan became the subject of different threats and exposed for long lasting political instability, one can understand the nature of the two regions states relations which is asymmetric one and derived by political interests and the Gulf interests than the Horn. As a result, the conventional narrative is a deeply pessimistic one, that Gulf involvement would be a driver of conflict.

According to data accessed from revised Ethiopian foreign policy (2018/19), and information got from MOFA, Ethiopia is not vulnerable state to that extent to be prey to such old fashion. That

means “political gambit” or “extraversion.” But here what undeniable is economic inequality between the two countries.

But issue of to what extent this economic inequality is manipulated by UAE in its bilateral relations with Ethiopia to realize its national interests at the expense of Ethiopian national interests, based on its history Ethiopian ever been subject of such economic influence. The data also asserted that the country will never be subject of such influence.

In contrast, the two regions bilateral relations experts, specialists, and Ethiopian political oppositions’ leaders, the injected money by UAE and its more closeness to PP’s leaders can create political problems internally and externally.

Regard asymmetric relations between both regions, based on economic, political, and spiritual level and status, Verhoeven (2018, p. 17) gave for two regions different status and description. He described one side of the Red Sea -the Gulf- where UAE is located, as a region host to the biggest oil reserves on the planet, some of the world’s wealthiest societies, huge Western military bases, and the two holy cities of Islam which give it global influence.

He described the other side of the Red Sea-the Horn- where Ethiopia is located, as a region receives billions of dollars in aid form over the last decades, regularly experiences large-scale famine, and ranks (near the) bottom of any global power index. In addition, the two regions also have dominated by the politics of state and regime survival that forced them to concern on what happen in both shores of the Red Sea, as stated by Verhoeven (2018, p. 23).

In this regard as we discussed in chapter four, the UAE has a large investment presence in Ethiopia, through multiple projects totaling about 92 projects, 33 of which are in place, in addition to 23 projects under construction and a number of other planned projects. Emirati investments are concentrated in the sectors of agriculture (21 projects) and industry (37 projects), real estate and machine leasing (20 projects), construction and well drilling (7 projects), mining, health and hospitality (5 projects), according to the data of the Ethiopian Investment Commission.

In addition, 36 Emirati companies obtained the necessary licenses to operate in Ethiopia, according to Emirati media. And it also provided the PP with huge aid. All of these indicate the power shift to UAE in its bilateral relations with Ethiopia and other Horn of African states. So, if there is power shift, there is also influence shift.

If we come to theory like dependency theory analyze the interactions between states in this world based on their economic status in the global economic stage using economy as a unit of analysis, even if UAE is a third world state and not termed as core capitalism states theoretically, but practically there is economic asymmetry between Ethiopia and UAE. This economic inequality has its own implications on the two countries bilateral relations.

According to head of Dire Dawa Trade Industry and Investment Office in an interview conducted in 2020 in Dire Dawa, the investment policies of the Gulf states such as UAE do not put into consideration the sociopolitical context of where they invest which can lead to sub-state inequalities within a country, but after “new government” this condition seems getting improvement.

In this regard, Meester, Berg, and Verhoeven (2018, p. 63) argued:

Gulf activity in Ethiopia is driven more by immediate concerns or opportunities than any longer-term strategic vision of the larger region’s development. Given the asymmetric relations between the regions, this lack of attention is not surprising in light of the asymmetric relations between the regions. This limited stake in the region permits the Gulf states to view the Horn region mainly in terms of short-term Middle Eastern security concerns. This implies that the aims of Emirati, Saudi and Qatari policy are not necessarily tied to the long-term internal stability of the Horn region, unless it clearly impinges on the stability of the wider Red Sea region.

In the social aspect, there is forceful displacement of the local population significance in Ethiopia. This forceful displacement happens as a result of land clearance (Lavers, T. 2012, p. 37).

The pessimist group also raised the issues of expert involvement in policy making process in Gulf states which mostly contracted from third countries primarily Egyptian personnel that creates sense of suspicion amongst Ethiopian policy makers, because of the long and mutual distrust history between Egypt and Ethiopia (Meester, Berg, and Verhoeven, 2018, p. 61).

Moreover, in this regard, the construction of the Grand Ethiopian Renaissance Dam on the Nile River has its own implication on the Ethiopian and UAE bilateral relations. Because the latter like other Gulf states such as Saudi gives special place for the stability of Egypt to maintain balance of power in the greater Middle East (Ibid).

“Egypt has historically been a gateway for Gulf Arab political and economic actors to enter the rest of Africa and, as the geographical pivot seated between North Africa, the Horn, the Levant, the Red Sea and the Arabian Peninsula, its stability directly shapes the national security of Gulf states” (Ibid).

In the Gulf and the Horn of Africa religious ideology is used in public discourse and to get political legitimacy. And it also used as an important motive and instrument for foreign policy and in dynamics of aid, investment, and trade Verhoeven, (2018, p. 13).

According to Verhoeven, (2018, p. 33) and Todman (2018, p. 4), Salafism and Salafizing Ethiopian Sufism are the main Islamic religious sectarians supported and used by UAE even if it expresses itself as a secular state. Salafism will be dominant Islamic group among Ethiopian Muslims which can create difficulties for Christian-Muslim coexistence (Cafiero and Čok, 2020, p. 1-5).

Regarding the economic and regime type of UAE, as we discussed in chapter three and four, UAE is a Gulf rentier generates a large proportion of its income from rents or oil sector and politically highly centered as Gray (2011, p. 13) argued. In line with Covid-19, the oil crisis may affect aid flows across the Red Sea, at least in the short term which can create new form of interaction between donors like UAE and recipients like Ethiopia (Cafiero and Čok, 2020, p. 3).

The last not the least evidence for pessimist, are the current geo-politics and geo-economics situation exercised by UAE as the Gulf rivalry in the Horn and Red Sea corridor. This rivalry analyzed based on interests, actors, instruments, mechanisms, which countries of the region mostly targeted, in why and time interval.

Recently, UAE gave Red Sea and HOA high attention to realize its economic, security political goals. According to International Crisis Group (2019, p. 5), the presence of UAE in the Red Sea and Horn of Africa date back to 2006, when the Emirati Dubai ports company DP World signed its first agreement in the HOA to develop the Doraleh port in Djibouti.

After “Arab Spring” of 2011, followed war in Yemen in 2014/5/ and Diplomatic Crisis of Gulf Cooperation Council (GCC) states in 2017 UAE intensified and increased ITS engagements and interests in the Horn, Red Sea coast and Bab al-Mandeb. That was to contain Iran and Islamic groups whether they are militants or not, and to limit reach of Qatar and Turkey in the region. By

using “hard” and “soft” power and diversifying allies and friends through strengthening the existing one and creating new to secure its national interests without consideration to the regional security (Vertin, 2019, p. 2).

The 2018 show the high watermark in the UAE engagement in the region. This year witnessed the coming of the current Ethiopian Prime Ministers, Abiy Ahmed to power in Ethiopia. This event motivated Crown Prince Mohammed bin Zayed to establish a personal relationship with Prime Minister Abiy in 2018 (ICG, 2019, p. 7).

From the political and economic reform programs and policies that Abiy and his team adopted, the Emirati leaders realized a consensus of vision and a convergence of thought to realize the prosperity of peoples of the two countries and the region according to an expert.

As we all know, since May 19, 2018 up to February 16, 2020, Abiy Ahmed paid four official visits to Abu Dhabi. To explain more, On May 19, 2018 he paid his first visit and On July 24, 2018 with Isayas Afwerk to Abu Dhabi the visit known as "Trilateral summit."

Based on a huge support that UAE give to the prosperity party to facilitate different development projects in Ethiopia and some supports that given as a personal gifts, an Ethiopian analyst said: "These things demonstrate their influence" (2019). Here the liberalism concept of symmetry interdependence and cooperation to solve regional and domestic problem not in work.

But structural realism is an appropriate theory as UAE has over hand in economic and other related aspects such as internally political and economic stability. And putting into account the current Ethiopian political and economic conditions and dilemma of transition. In the relation between the two countries, there is cooperation, but as the neo-realist's emphasis "when cooperation occurs, power relationships are at work within the cooperative arrangement."

To realize its geopolitical and geoeconomics vision in the region, UAE mostly focus on Ethiopia. Because of Ethiopian geographic centrality, economic and demographic prospects. And in parallel, Ethiopian Prime Minister Abiy Ahmed Ali efforts to get financial assistance to foster the country's economic transition using principle of neutrality in GCC rivalry, as we discussed in chapter four of this thesis. This made Ethiopia the first HOA sates became the subject to the project of Gulf “scramble” for Africa as Cafiero and Cok (2020, p.5) said.

In this aspect, concerning what Ethiopian government termed as “Law Enforcement Operation” that taking place in Tigray regional state since November four, Horton (2020, p. 3), say: “the official Ethiopian TV had broadcast an Emirati statement in which Abu Dhabi expressed its solidarity and standing with the Ethiopian government in enforcing the law and supporting the government's efforts to impose order.” The source added that it seems that the Assab base, which the UAE gain a 30-year lease agreement has played a large role in the operation.

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According to the above sources, the UAE has contributed to these recent battles because it “wants to consolidate its influence in Africa, because Addis Ababa is capital of Africa.” The source added that Ethiopia is one of the largest African countries and the most influential one on the continent. Based on these facts, the UAE realizes that if it succeeds in attracting Ethiopia to its side and within its alliance, it will guarantee great influence in Africa Hammoud (2020, p. 1).

This statement clearly indicates from one side, UAE is practicing realist assumption of maximized self-power in its relationship with Ethiopia.

The ongoing war in Ethiopia’s northernmost Tigray region will test Ethiopia’s strategy of balancing the interests of outside powers with its own need for domestic investment. At the same time, the war, which began on November 4, will present these same outside powers with new opportunities to enhance their relationship with Ethiopian Prime Minister Abiy Ahmed Ali. However, those and other outside powers will also have ample opportunity to create instability in Ethiopia if they so choose Horton (2020, p. 7).

This group also skeptics about the mechanism used by UAE to support stability and institutions and peaceful transitions. Among the Gulf, UAE is well known by its strategy of supporting the status quo, if not status quo, use “managed” transition that protect the key country’s institutions from being controlled by revolutionary or Islamist group (ICG, 2019, p. 19). And they also criticize the principle of if you are not with me you are my enemy that used by UAE toward HOA countries like Somalia and Djibouti.

From this isolating and undermining reaction which born as a result of President Mohamed Abdullahi Mohamed (Farmajo) of Somalia’ refusing to take side in rivalry among Gulf states such as UAE and Qatar and external rivalry like between Turkey and UAE, Somalia is facing many problems that taking place between different groups from one side and federal and regional states from other side Khan (2018, p. 9).

Djibouti also suffered from this reaction that followed the Djibouti accusing of DP World in 2012 of bribery in securing the government contract, leading to a long legal battle that culminated in Djibouti nationalizing the port in 2018 (Ibid). Djibouti additionally argued that the contract was disproportionately profitable for DP World. They point to the example of Sudanese troops serving in costly, front-line combat roles in Yemen where they have taken disproportionate casualties and UAE participation in Omar al-Bashir’s regime down fall in 2019 (ICG, 2019, p. 22-4).

From geopolitical prospect, UAE showed military and geographical expansion and exercising military activities in both shores of the Red Sea. This is what an Emirati official put it as: “We have learned that others will meddle if we are not there” (ICG, 2019, p. 20).

This assertive foreign policy and military presence in the region considered as new shift that define cycle of Gulf engagement in the Horn of Africa. As an example, UAE has led the way in this, with a military and naval base in Assab, Eritrea. These were followed by a military and naval base in Berbera, Somaliland as well as a port run by the Dubai-based DP World and a related free zone and connectivity infrastructure (Todman, 2018, p. 11).

Additionally, before the recent disagreement of UAE and Somalia, the Dubai-based Ports took over the management of the port of Bosaso, in Somali state of Puntland, where the UAE has trained a Puntland maritime force to counter piracy and fight al-Shabab (Understanding the foreign policy of Ethiopia towards the Gulf Countries Aljazeera Center for Studies, 2017, p. 7).

According to this view, all of this engagement not in favor of Ethiopia and other states within the region Which undergo several new experiences, which some of them are happening as a result of human creation, while others are natural. This is because as UAE economic activity is determined by political motivation its outcomes are also determined by actors in this thesis mostly state actor and its leaders who drives these policies forward and how they are realize their goals.

If you look at the UAE interaction toward the Farmajo's government in Somalia, Djibouti and also Sudan, one can understand the nature of UAE' foreign policy, its actors and its mechanism.

Here, we can rise very crucial question, which is what can Guarantee Ethiopia will not be subject to such policy of punishment? If simply the answer is Ethiopian policy of maintaining neutrality in the ongoing rivalry is the guarantee, there is another question, which is to what extent neutrality can be exercised while the Gulf states engagement in the Horn of Africa is increasing and Ethiopia trying to manage the ongoing transition and tension coupled with Covid-19? So, still now the future is unpredictable in this regard.

Here, the main challenges that related to their current relations are internal instability, regional instability, and Ethiopian relations with some neighboring countries such as Sudan. And also to what extent can Ethiopian mitigate and manage negative impacts of this asymmetry, maintain neutrality, and reshape it-self with the newly created two axes such as an Emirati-Egyptian axis and a Saudi-Qatari one that followed the recent (2021) reconciliation of GCC, are other challenges.

Coming to equal gain from the existing geopolitics, although the two countries are small states as it was discussed in chapter two, the share of UAE is greater than Ethiopian. This is due to Ethiopia is in transitional period and is facing political and economic challenges. On the other hand, UAE is highly manipulating what (Ney, 2011, p. 18) called "smart power" (the blend of soft and hard power).

Here, the neo-realist principle: "The more powerful the states are, the larger share they gain from any joint cooperation" as (Henderson, 1998, p. 240) said, even if realist mostly focus on hard power, but the principle is applicable here to some extent.

In contrast, the Ethiopian interest to expand its presence in strategic area such as Red Sea and the like as revised Ethiopia foreign policy (2018/19) indicated, is a matter of surviving for Ethiopia.

In general, this group analyze from political and security aspects and they are more realist and to some extent support the dependency theory's concept (using economic inequality as means to exploit)

5.3 Opportunities Related to Ethio-UAE's Bilateral Relations

What can the new Arabian Gulf states' cycle of engagements in the Horn of Africa and the ongoing regional dynamics tell us?

Coming to the more optimist group, we can talk about many opportunities that follow the current Ethio-UAE convergence and the later presence in the Horn of Africa economically and politically. This group analyze from economic development and cooperation role in solving domestic and regional political problem specially in HOF, where the main cause of conflict and political instability is poverty. This group more liberalist in their views.⁹

Khan (2018, p. 6-8) said that since 2015, the involvement of Gulf Arab countries in the Horn of Africa in many ways has been perceived as destabilizing. According to him, this has been illustrated by the spillover of the Emirati and Saudi rivalry with Qatar and Turkey into Somalia, whose fragile governance and security gains have been undermined by the new patrons and 'exacerbation' of the pre-existing centrifugal political forces in the country.

However, as Khan (2018, p. 7) said, recent developments "spurred" by the historic peace deal between Ethiopia and Eritrea which was partly brokered by the UAE, have altered the frame through which Gulf engagement is viewed. According to his view, the potential for substantial negative effects remains, but it is increasingly clear that the Gulf Arab states can play a positive role which can pave way for stability and prosperity in the Horn of Africa.

Coming to recent or since 2018 new development in two countries relations predominantly economic relation, there are considerable major factors that facilitated and boosted their relations. As we mentioned above, the two countries have adopted foreign policy that give priority for economy and they have vision of diversification of their economy. For example, Ethiopia Under Abiy Ahmed administration/ruling/ has focused on establishing strategic partnerships with

⁹ Officials from MOFA, director of Emirates Al-Ain media in Addis Ababa, and director of Arabic Department at OBN support this group.

countries in the Horn and Middle East like UAE as well as with the likes of China, the US and Europe.

According to Arab diplomat and an expert of the Arabian-HOA's relations, this new strategy of partnership, the recent peace agreement signed between Ethiopia and Eritrea in line with UAE's economic and security interest in the Horn of Africa can help Ethiopia to realize its ambition of getting pathway to sea.

He also considered this new condition as a factor that motivated the two countries to upgrade their relations since 2018. As we all know, since Eritrea broke away from Ethiopia in the early 1990s, Ethiopia turned into a landlocked country which overwhelmingly relies for trade on a single port of Djibouti, which charges heavy premiums as it was discussed in chapter four.

On the other side, Ethiopian diaspora in Gulf Cooperation Council (GCC) states have playing two roles, one of them is boosting Ethiopian development through remittances and the other is facilitating trade and investment between Gulf states and their motherland Cafiero and Cok (2020, p. 2) said.

Hence, the UEA's strategy of economic diversification which is known as "embracing foreign labor"¹⁰ and recent Ethiopian strategies like citizens' and economic diplomacy to realize its main current dual objectives¹¹ can contribute in realizing of both states their economic goals. And Ethiopia will benefit highly from its diaspora living in Dubai an Abu Dhabi through remittance.

In this context, the geo-economic activity carried out by the Emirates, so to speak, has created new hopes for optimism in the currently unique Ethiopian-Emirati rapprochement. This is in addition to their optimism in the historic agreement signed between Ethiopia and Eritrea in 2018 with the contribution of the UAE, which ended a rift that lasted for nearly two decades between Ethiopia and Eritrea and caused conflicts in the region.

¹⁰ UAE as a Gulf countries that aimed to diversify their economy by increasing non- petroleum sectors chooses "embrace foreign labor" economic diversification strategy among other strategies like "merge the labor markets", "rely on citizen labor only" and "limit the role of foreign labor." As Herb and Lynch (2019) stated embrace foreign labor is an "approach, found most prominently in Dubai, is to fully embrace the use of low-cost foreign labor to build a diversified economy. This favors economic sectors like tourism that require large amounts of low-cost labor." In the UAE today the ratio of non-citizens to citizens is estimated to eight to one as the above-mentioned population data indicate.

¹¹ According to recently revised Ethiopian Foreign Policy (2018/19), the dual goals are: realizing fast and sustainable economic development and establishing more democratic system...

Even if optimists try to challenge the pessimists arguments, but the pessimists criticize the optimists 'position regarding the historic peace agreement concluded between Ethiopia and Eritrea,-though they recognized its importance and being the main reason for Abiy Ahmed's 2019 Nobel Peace Prize,- by saying that this agreement did not exceed the desire of Abiy Ahmed, Isaias Afwerk and those who contributed to its success. That means not institutionalized Brookings Doha Center (2020, p. 5).

Since 2015, UAE has security goals in both shores the Red Sea which aims to be a key player in shipping and trading across these shores. Its economic interests mostly connected to the newly established ports in Berbera, Somaliland and potentially Assab, Eritrea which increased its hope of benefiting from growing consumer demand linked to Ethiopia's high rates of economic growth and increasing population number (Vertin, 2019, p. 2).

This hope also motivated the UAE to float trilateral investment arrangements that would make joint use of Chinese and Emirati funding in Africa and gain some benefit from fruits of Beijing's BRI in the Horn (ICG, 2019, p. 21).

In this regard, according to ICG report of (2019, p. 21), an Emirati economic official said: "We have a type of fish in the UAE that has the ability to stick to things, for example, to bigger fish. This is a survival mechanism because it uses this to find food and to stay safe. This is how the UAE is with China: if we stick to them, they can lead us to new opportunities." The report (2019) also added that another Emirati official statement put it: "We have our own belt and road initiative; now we want to connect it with China's."

UAE is mapping its own geoeconomics in the Horn through creating new markets and new trade routes mostly targeted marine time and port economic activities by connecting the triangle of Red Sea and South Yemen, Western Indian Ocean, and its own Jebel Ali port in Dubai (Vertin, 2019, p. 2-5). This source indicates that this "constellation" of overlapping military and commercial positions (mixing hard and soft power) gives the UAE a notable edge in controlling seaways, shaping the future of maritime trade in the above-mentioned triangle.

Regarding the competition, it is not new page and feature in the two regions' relations. According to Erlich (1994, p. 33), argument, geopolitics competition over Red Sea, trade, and regional hegemony vision between what he called "Islamic state" and Ethiopia started after the death of

Muhammed in 632A.D. The Gulf engagement in the Horn during the Cold War and polarization era also define the Horn-Gulf relations to some extent in this context as we discussed early.

Concerning recent competition situation, Verhoeven (2018, p. 16) discussed about projection of competing visions of regional order by four aspiring regional hegemon. He mentioned countries like Saudi Arabia, Ethiopia, Iran, and the United Arab Emirates (UAE). According to his perception, these competing visions are recasting and reshaping the geography of security in the broader macro-region.

The author also added that the competing visions of regional order are not limited or bounded only between these states, because there are many states that targeted the Horn of Africa for multidimensional purposes. This is what the existing facts and many observers clearly talk about.

Conclusion

To sum up, the growing integration between Gulf Arab countries and the Horn of Africa in a broad sense and between Ethiopian and UAE narrow sense is not only key to understand emerging regional dynamics, but also significant to know the cycle of engagement of the Gulf in the Horn and also to predict its impacts based on past experiences, theories, and existing facts.

The recent Gulf engagement in the Horn unlike the previous one characterized by internal and external rivalries, which taking place among some of the Gulf and Middle East states. The rivalries are driven by the interests of politics, economy, and religious ideology.

As it was discussed in chapter two, the shift in international system that happen at the end of Cold War led to new shift in power concept and foreign policy of small states/ external behavior of small states.

As a result small states started to use more non-material power (perception and information technology and the like) and also neo-liberalism concept of smart power (hard plus soft power) to realize their national interest unlike realism and classical liberalism concepts of power, which is material powers (military and economic one). But there are theoretical limitations in dealing with small states particularly in third world.

Even though Ethiopia and UAE are categorized under small states as it was discussed in chapter two of this paper and their bilateral relations in expanding and increasing trend as it was discussed in chapter four and five, but the current Ethio-UAE's is characterized by asymmetry particularly in term of economy which led to power relations between both is shift to UAE.

The nature of bilateral relations between Ethiopia and UAE is hybrid of structural and personal bilateral relations that exercised on the bases of the two countries leaders and relevant institutions interactions. The issues of win-win concept in both relations is debatable issues. This is because of continues asymmetry, the instruments that UAE's foreign policy relay on during its interaction with the Horn of African states, how this policy driven to realize its national interests in this region, and who drive it are need critical and detail investigation.

The main points that inducted from both primary and secondary analyzed sources are that the UAE is gaining more from its relationships and giving less. Its military and economic presence in the Horn and self-centered policy goals are in the way to destabilize a fragmented Horn of Africa than stabilizing if it continues as it is now. This indicates that the current Ethio-UAEs' relations more driven by the later interests. And the UAE's more closeness to Ethiopia created phenomena like new friends, new enemies internally and externally and Deepen public dissatisfaction that can clouds the Ethiopian and UAE's reputation.

The above core result is based on more pessimist group's analysis the two countries current bilateral relations in particular and the Horn-Gulf's bilateral relations in general from political and security aspects and they are more realist and to some extent support the dependency theory's concept (using economic inequality as means to exploit)

The economic and political relations between the two countries in expanding and in increasing trend, which is promising one for economic development of Ethiopia in the future if there are not new development internally and externally. Economy is the base of these bilateral relations. their relations were established in 1973, improved in 2004 and upgraded in 2018.

The above result also based the more optimist group's views, which emphasize on and talk about many opportunities that follow the current Ethio-UAE convergence and the later presence in the Horn of Africa economically and politically. This group analyze from economic development and cooperation role in solving domestic and regional political problem specially in HOF, where the

main cause of conflict and political instability is poverty. This group more liberalist in their views.

The conventional narrative is still more pessimistic one, that UAE involvement in the region will drive the region to conflict, while the new narration is more optimistic about this involvement, because it considered it as a conflict resolving and stabilizing one.

What should be noted here, is that both groups are agree on the existence of opportunities and challenges associated with the existing relations between the two unequal entities, but their difference lies in which one is greater and more dangerous. I can draw that, based on the two groups' arguments and evidence, the realities on the ground (natural and artificial) internally and externally, related risks are greater than opportunities and the hazards are in increasing trend.

On the other hand, to what extent Ethiopian can maintain policy of neutrality or playing patron off policy to limit negative consequences of Middle Eastern rivalries and expand related benefits and as well as manage the ongoing transition coupled with Covid-19 is still now a question did not get appropriate answer.

As long as Ethiopia is a pivotal country in the Horn of Africa and not an island, it is difficult to achieve its prosperity, security, and stability, while the opposite prevails in its neighboring states and vice versa. So, the UAE's relations with Ethiopian neighboring countries have their own impacts on Ethiopian internal conditions politically, economically, and socially.

Recommendation

We conclude this chapter with a recommendation to suggest how Ethiopians can maximize the benefit from this bilateral relationship and reduce the associated risks and asymmetry.

Amidst this crowding of competition coincided with the current Ethiopian internal situation, Ethiopia needs an accurate knowledge of the Gulf mentality at both public and elites levels through analyzing societal, political and economic development of these states, as well as knowing the hard and soft powers that they use to achieve economic and political goals in the Horn of Africa. Ethiopia also must increase its manufacturing and industry products that exported to the Gulf countries like UAE. This is beside diversifying the existing agricultural products that exported.

In addition to that, sharing experience from states have long period of experience in relations with UEA such as British, USA and the like, drawing lesson from past events, understanding well the history of the geopolitical cycle and Gulf engagements and recently geo-economic phenomenon in the Horn of Africa are key to maximize the benefit gained from this asymmetry bilateral relationship and to reduce the associated risks.

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Annexes:

Annex 1:

Table 4: List of Questions and Interviewees

No	Interviewees From	Position	Place	Year	Questions
1.	Ministry of Foreign Affairs of Ethiopia (MoFA)	Ambassador from Middle East Desk	MoFA, Addis Ababa	2020	<p>1. what are the main factors that motivated UAE to establish diplomatic relations and to invest in Ethiopia since 2000?</p> <p>2. After 2018, the two countries relations have taken new trend and there are upgrading and widening/expanding/ their bilateral relations, do you think this will contribute to expand their cooperation on different issues that concern both countries?</p> <p>3. What can Ethiopian benefited from the Existence of UAE in both shores of Red Sea?</p> <p>4. Can the upgraded bilateral relations contribute positively in recent Ethiopian "reform"?</p>
2.	Ethiopian Investment Commission	Expert in the Gulf's investments	Ethiopian Broadcasting	2020	<p>1. Since 2000 UAE is investing in different sectors such as agricultural, construction and manufacturing</p>

			Corporation (EBC), Addis Ababa		<p>among others; what are investment incentives that Ethiopian offered to attract foreign direct investment like that of UAE?</p> <p>2. Putting into count the current Ethiopian situation, what are the contribution of UAE's investors in Ethiopian socio-economic development and also in political stability?</p> <p>3. What are the main areas and sectors that UAE investing in and need to invest in?</p>
3.	Ethiopian Chamber of Commerce and Sectorial Associations And Dire Dawa Trade Industry and Investment Bureau	Expert Head	EBC office, Addis Ababa Dire Dawa	2019 2020	<p>1. What are the current total trade volume between Ethiopia and United Arab Emirates? is there considerable improvement in trade volume comparing to the previous one? I mean before 2018.</p> <p>2. What are the products that Ethiopian export to and import from UAE?</p> <p>3. Many official data related to the two countries trade relations clearly tend to UAE. What are the reasons behind this trade imbalance? Are there measurements have taken by concerning bodies to improve this</p>

					trade imbalance? What are they?
4.	Ethiopian and Eritrean	Two specialists and researchers in Gulf-Horn relations	Addis Ababa	2020	<p>1. As official documents of the two countries indicate, both of them have the policy of first economy second politics, so can this policy play significant role in Ethiopian economic development and strengthening their economic relations?</p> <p>2. From geopolitics perspectives, what mean the existence of UAE in both shores of The Red Sea economically, and politically?</p> <p>3. UAE as one of the Gulf states known as rentier states, to reduce its oil dependence recently adopted policy of economic diversification. How can Ethiopia get benefit from this policy?</p> <p>4. What are challenges and opportunities of the current economic and political relations of the two countries in line of Ethiopian current socio-economic and political situation?</p>
5.	UAE's official media Al-Ain	Director of Addis office	Addis Ababa	2020	1. Do you think the current two countries bilateral relations enable

	al-Ikhbariya Oromia Broadcasting Network	Director of Arabic Department	Adama	2020	<p>them to work together on local, regional, and international issues?</p> <p>2. How you can explain the two countries bilateral relations and the current Ethiopian internal conditions?</p> <p>3. Are these relations in increasing trend? And how?</p>
6.	Three Emirates investors	investors	Sheraton, Addis Ababa	2020	<p>1. Are investment doors open for private investors at home and away?</p> <p>2. What are investment incentives provided by Ethiopia government for private companies to invest in Ethiopia that motivated you to invest here?</p> <p>3. What are the role of private investors in creating job opportunities in Ethiopia? And in what types and sectors of investment they are mostly engaged?</p>
7.	Arab diplomat	Diplomat	Addis Ababa	2019	<p>1. What are the main deriving factors for coming of UAE into the Horn of Africa?</p> <p>2. What it can contribute to stability of HOF, a region known as political marketplace?</p> <p>3. Can we explain the current Ethio-UAE's relations as South-South</p>

					<p>cooperation? why and how?</p> <p>4. How you can evaluate strategic engulfing of UAE in the HOF from the security of the regional states? Is it positive or negative?</p> <p>5. Based on past experience about the two regions historical relations, what will be the future of the two states' relations?</p>
8.	three Ethiopian Journalist from Ethiopian Broadcasting Corporation (EBC)	Journalists	EBC office, Addis Ababa	2020	<p>1. Historically how the Arabian Peninsula and Ethiopian relations explained?</p> <p>2. Can you explain the historical background of Ethio-UAE's economic relations?</p> <p>3. Is their current economic relations free from what called "extraversion" and the principle of politics and economy are two face of a coin?</p> <p>4. What are their current relations impacts on the existing Ethiopian political and economic changes?</p>
9.	Ethiopian legal expert from Arada sub-city	Legal expert	Addis Ababa	2020	<p>1. From legal point of view, how challenges and opportunities related to the two countries</p>

					<p>bilateral relations evaluated?</p> <p>2. How issues of investments and related risks and opportunities that directly or indirectly has link with Ethiopian socio-economic activities are legally addressed?</p> <p>3. As an Ethiopian, what are your reaction toward the two countries' bilateral relations?</p>
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Annex 2: UAE Population Break-up



Annex 3: Legahar project design picture in Addis Ababa



Sources: UAE official document of economic relation with Ethiopia

Annex 4: Investment sector that UAE is investing in and need to invest in

القطاعات الواعدة للاستثمار في إثيوبيا

الخدمات الاجتماعية

إنشاء المستشفيات العامة - الجامعات والمدارس - الطرق والمنازل

الزراعة

البن - الشاي - الخزة - القمح - الأرز

السياحة

إنشاء الفنادق والمنتجعات السياحية والعلاجية والمطاعم

التعدين

التنقيب عن النفط والغاز - الذهب - البوتاس - النيكل - النحاس - الطاقة الكهرومائية

التصنيع

الملابس والمنسوجات - الأغذية والمشروبات - الجلود - الكيماويات

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Annex 5: Ethiopia and UAE 's developmental partnership project in Oromia Region



Sources: UAE official document of economic relation with Ethiopia