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ETHIOPIA AND CHINA: POLITICAL AND ECONOMIC RELATIONS SINCE 2018

BY

ISRAEL SILESHI ASSEFA

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A THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY COLLEGE OF SOCIAL SCIENCES ,ARTS AND HUMANITIES,DEPARTMENT OF POLITICAL SCIENCE AND INTERNATIONAL RELATIONS IN PARTIAL FULFILLMENTS FOR THE MASTER ARTS DEGREE OF INTERNATIONAL RELATIONS AND DIPLOMACY

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This is to certify that the thesis prepared by Mr Israel Sileshi entitled"ETHIOPIA AND CHINA: POLITICAL AND ECONOMIC RELATIONS SINCE 2018"submitted in partial fulfillment of the requirements for the degree of Master of Arts in International Relations and Diplomacy,has undergone the due process of examination and accepted as meeting the essential standards of the University pertaining to quality and originality.

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Declaration

I,the undersigned Israel Sileshi Assefa hereby declare that I am the sole author of thesis entitled "ETHIOPIA AND CHINA: POLITICAL AND ECONOMIC RELATIONS SINCE 2018".To the best of my knowledge this thesis contains no material previously published by any other person except where due acknowledgement has been made. This thesis contains no material which has been accepted as part of the requirements of any other academic degree or non-degree program,in English or in any other language.

Israel Sileshi ________________ ____________________

Signature Date

Table of Content

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List of Acronyms

AGOA– African Growth and Opportunity Act

AFDB – African Development Bank

AFRODAD – African Forum and Network on Debt and Development

AU – African Union

BRI – Belt and Road Initiative

BRICS – Brazil, Russia, India, China, and South Africa

CCECC – China Civil Engineering Construction Corporation

COVID-19 – Coronavirus Disease 2019

CREC – China Railway Engineering Corporation

CRBC – China Road and Bridge Corporation

EIC – Ethiopian Investment Commission

EPRDF – Ethiopian People's Revolutionary Democratic Front

EU – European Union

FDI – Foreign Direct Investment

FOCAC – Forum on China–Africa Cooperation

GDP – Gross Domestic Product

ICT – Information and Communication Technology

JECC – Joint Ethiopia–China Commission

UN – United Nations

US – United States

USD – United States Dollar

Abstract

The purpose of this study was to assess the evolution of political and economic relationships between Ethiopia and China from 2018 onward. Recently Ethiopia experienced significant political reform under Prime Minister Abiy Ahmed during a period of significant regional instability; meanwhile, China began expanding its Belt and Road Initiative (BRI) throughout Africa. Therefore, the need to understand how Ethiopia will navigate this relationship is the research question.A qualitative case study methodology was used for this study. Primary data collection was conducted via semi-structured interviews with Ethiopian government and sectors' officials and review of policy documents and investment data. Semi-structured interview transcript responses were thematically coded to determine the patterns of diplomatic and economic interactions among the two countries. Politically, both Ethiopia and China have enhanced their relationship through regular high-level meetings and aligned foreign policies in international forums. Interview participants stated China as "a true friend" providing diplomatic support to Ethiopia, including support within the United Nations and in Ethiopia's conflict. Likewise, Ethiopia supported Chinese interest in BRICS membership. Economically, the increased Chinese foreign direct investment (FDI) and lending to Ethiopia as part of the BRI have enabled rapid expansion of Ethiopia's infrastructure roads, railways, electrical power, industrial parks resulting in job creation and industrialization. According to officials, the Chinese investments in manufacturing are also increasing significantly leading to increases in fixed capital formation and the beginnings of an industrial economy. Nevertheless, such benefits occur at a cost to Ethiopia, namely growing Chinese loan obligations, a large trade deficit and dependence upon Chinese imports. Furthermore, the interview participants described the varying results regarding the transfer of technology and job opportunities,while Chinese firms provide highly advanced machinery and equipment, the lack of technological capability and limited career advancement opportunities for Ethiopian employees continue to be problems. Officials stated they have established several strategies to address these challenges including: negotiation of debt relief, promotion of local content requirements, and diversification of potential investors beyond China.As a whole, Ethiopian officials have viewed the relationship between Ethiopia and China as generally mutually beneficial although requiring effective management. The partnership is viewed as contributing greatly to Ethiopia's developmental objectives while raising structural risks that Ethiopia must mitigate. This study provides insight into how an African state (Ethiopia) utilizes its agency in a South-South engagement: it uses Chinese financial and resource commitments to enhance its economic growth while attempting to maintain its sovereignty and to promote a diversified set of investment partners. This study adds to the body of knowledge regarding contemporary China-Africa relations and the strategies employed by African governments in development partnerships.

Keywords:Belt and RoadInitiative, Development partnership,Ethiopia–China relations, Political Alignment,South-South Cooperation.

Chapter One: Introduction

1.1 Background

The increasing presence of China as a global economic player has altered the path of Africa's growth and has made Ethiopia a prime example of this new dynamic. Relations between China and Ethiopia date back to 1970 when they established diplomatic relations(Tull, 2006; Davies, Naidu, & Draper, 2006); however, by the end of the 2010s, China was the largest trading partner of Ethiopia, the largest source of foreign direct investments, and the largest provider of concessional loan financing that included the construction of the Addis Ababa–Djibouti Railway and large scale infrastructure projects tied to the Belt and Road Initiative (BRI). In 2019, it is estimated that China provided over $13.7 billion in loans to Ethiopia to support a transition from an agricultural economy to an industrial one(Barber & Pilling, 2019; Soliman & Demissie, 2019).

Since 2018, however, developments in Ethiopia have been influenced by significant political and economic transitions in the country. The emergence of Prime Minister Abiy Ahmed has led to far-reaching reforms under the Homegrown Economic Reform Agenda and efforts to democratize politics, as well as a historic peace agreement with Eritrea. Simultaneously, there have been rising domestic tensions and the ongoing Tigray conflict (2020-2022) have resulted in a transformation of Ethiopia's foreign policy priorities. As part of this transformation, the Abiy administration has focused on economic diplomacy, diversification of international partnerships, and a neutral or "non-aligned" position in the face of increasing competition among the world's major powers. The addition of Ethiopia to BRICS+ in 2023 further represents this broader realignment (Eisenman & Kurlantzick,2008).

Similarly, the Horn of Africa where China has growing strategic and security interests continues to experience conflict and instability. China's response to the Tigray conflict has reflected this changing engagement with the region, as evidenced by its evacuation of nationals and calls for dialogue.

Theorists of Ethiopia-China relations often rely on frameworks that include the concept of South-South Cooperation, Development Diplomacy, and the "Beijing Consensus." Scholars also describe Chinese engagement as "win-win," but highlight the fact that many Ethiopians view Chinese engagement positively in terms of infrastructure driven development, but have raised concerns regarding debt, trade imbalances and the quality of some projects(SWP, 2022). Recent literature increasingly emphasizes the role of the African Agency, demonstrating that Ethiopian policymakers have strategically utilized Chinese investment, negotiated debt restructuring agreements, and maintained China's role in the context of other external partners.

In light of the aforementioned political transitions, regional conditions, and shifts in China's global posture, the post-2018 era can be viewed as a distinct phase in Ethiopia-China relations. This research project explores the evolution of political and economic linkages between the two countries during this transformative period by drawing upon empirical data and insights from local stakeholders, to provide up-to-date analysis on the potential opportunities and challenges facing Ethiopia's engagement with China(Davies,Naidu, & Draper,2006).

1.2 Problem Statement

Since 2018, Ethiopia has been subject to significant political and economic transformations under the leadership of Prime Minister Abiy Ahmed. Publicly described goals in Ethiopia include greater peace and stability, conflict resolution efforts, significant liberalization reforms, and an evolving foreign policy orientation. During the same period, China has significantly expanded its economic and political relationships with Ethiopia at the sub-national level, growing Ethiopia's profile as a key partner in the Belt and Road Initiative (BRI) and deepening bilateral relations with unprecedented levels of Chinese investment, physical infrastructure development, and diplomatic engagement in Ethiopia (AFRODAD,2011).

Nevertheless, while the relative merits of the Ethiopia–China partnership are often presented as being neutral to both parties, we must raise important questions regarding the sustainability, equity, and strategic impact of this relationship. Ethiopia faces rising debt levels, trade imbalances , limited technology transfer, and concerns surrounding the Ethiopian economy's dependence on China as a market, source of goods, and revenue and therefore, lender. On China's side, they have sought to use their economic leverage to augment its geopolitical role, thus raising legitimate questions surrounding issues of power asymmetries and their role on how Ethiopia maintains sovereignty, as well as their long term development pathway(Alemayehu Geda & Meskel,2010).

Despite developing literature on China in Africa, we lack a recent empirical study that examined how Ethiopian policymakers currently view, negotiate, and manage this complicated issue in the post-2018 context. Given Ethiopia's geographical centrality and importance in regional politics and development, these gaps in knowledge are important. As such, this thesis attempts to explore and critically analyze the political and economic aspects of the Ethiopia–China relationship since 2018, looking simultaneously at the benefits and challenges, and through fieldwork evidence alongside theoretical contributions on international political economy.

1.3 Research Objective

1.3.1 General Objectives

The primary objective of the study is to explore or examine how Ethiopia, China relations have advanced politically and economically since 2018, as well as the implications for Ethiopia's development and policy autonomy. The research will analyze the key features of the relationship during this time continuum, including the challenges, opportunities, and strategies used by Ethiopia to advance their objectives.

1.3.2 Specific Objectives

In line with the research questions, the study seeks to achieve the following specific objectives:

1. To examine the evolution of Ethiopia–China political relations since 2018, with particular focus on major events, high-level diplomatic engagements, and China's role during Ethiopia's internal political changes and conflicts.

2. To analyze the nature and scope of Chinese economic engagement in Ethiopia under the Belt and Road Initiative (BRI), including investments in infrastructure, trade, and industrialization, and assess their impact on Ethiopia's development objectives.

3. To identify and evaluate the key challenges in Ethiopia–China relations, including debt sustainability, trade imbalances, technology transfer, and governance concerns, drawing on both academic literature and Ethiopian stakeholders' perspectives.

4. To investigate the extent to which Ethiopia has exercised agency and strategic autonomy in its partnership with China, particularly in balancing Chinese

engagement with other international partnerships and protecting national policy independence.

5. To explore the opportunities and future prospects of Ethiopia–China collaboration and draw lessons that may be applicable to other African countries engaging with China.

1.4 The Specific research questions are

1. How, and in relation to which major events or policy decisions, has political relations between Ethiopia and China developed since 2018?
2. How, and in relation to BRI-development and Chinese investment/ financing/treat, has economic relations between Ethiopia and China developed since 2018, and how has this impacted Ethiopia's economy and development objectives?
3. What are the key challenges in the Ethiopia-China relationship (debt sustainability, trade imbalances, technology transfer, governance issues, etc.) from the perspective of the academic literature and Ethiopian stakeholders, and how are they being dealt with?
4. In what ways has Ethiopia been able to assert agency and strategic autonomy in its relationship with China since 2018? For example, how has Ethiopia balanced its partnership with China alongside other international partnerships?
5. What opportunities do Ethiopian participants observe in the future of Ethiopia,China collaboration, and what lessons can other African countries learn from the experience of Ethiopia?

By addressing these questions, the thesis hopes to make a contribution to the larger discussion on China,Africa relations. The case is analyzed to see whether the Ethiopia,China example supports narratives of mutually beneficial South Africa cooperation, or whether it raises concerns that can be understood through dependency theory and power asymmetry. The results will also surface how local actors in Ethiopia view the partnership and articulate frames for discussion and assessment of a bilateral collaboration that is commonly understood in geopolitical terms, thus revealing the terrain of African agency.

1.5 Methodology of the study

1.5.1 Research Design

This study adopts a qualitative case study approach, focusing in depth on the single case of Ethiopia's relations with China in the period 2018–2024. A case study design is suitable given the aim to explore complex political-economic dynamics and to incorporate rich contextual detail. The research is both exploratory bringing forth new qualitative insights from field interviews) and explanatory (seeking to understand how and why Ethiopia–China relations have evolved in recent years. While primarily qualitative, the study also utilizes quantitative data (e.g. investment figures, trade volumes, project counts) to contextualize and support the qualitative analysis. The overarching framework is one of thematic analysis aligned with the research questions, with themes like political diplomacy, economic investment, challenges, and agency guiding both data collection and analysis.

1.5.2 Data Collection: Interviews and Document Review

Two main sources of data were used in this study: semi-structured interviews with knowledgeable informants, and document/literature analysis. First, a series of semi-structured interviews was conducted with Ethiopian government workers and experts who have direct experience or oversight of Ethiopia–China relations. A total of 5 participants were interviewed between March and June 2025 in Addis Ababa.

These participants included workers from ministries and agencies such as the Ministry of Foreign Affairs, the Ministry of Finance (Fiscal Policy Analyst), the Ethiopian Investment Commission, the Industrial Parks Development Corporation and Ministry of Trade and Regional Integration,These interviews provided first-hand insights into the motivations, perceptions, and decision-making processes underpinning Ethiopia–China cooperation. Second, document and literature analysis was conducted to provide context and factual grounding for the field findings.Major academic studies (see reference list) formed the core literature base, supplemented by relevant policy reports, news articles, and official statements to update factual information. For example, data on trade volumes and investment were cross-checked with reports from the Ethiopian Investment Commission and with China's customs statistics. Policy documents such as Ethiopia's Homegrown Economic Reform Plan and China's FOCAC Beijing Action Plan were consulted to understand official development objectives. These documents and secondary sources were used to build context in the literature review and to interpret the interview findings by comparing them against published data and analyses.

1.5.3 Sampling and Respondents

The study used purposive sampling to identify key informants directly involved in Ethiopia–China cooperation. The selected respondents were those with specialized knowledge of the bilateral relationship, ensuring a range of perspectives. In total, 5 individuals were chosen. These included; workers from key ministries and agencies (e.g. Foreign Affairs, Finance, Investment Commission, Industrial Parks Corporation and Ministry of Trade and Regional Integration) with oversight of international economic engagement.

This purposive sample ensured a diversity of governmental, analytical, and commercial viewpoints on the Ethiopia–China partnership. A more detailed list of respondent categories and titles is provided in Appendix 3)

1.5.4 Interview Guide and Thematic Coding

A semi-structured interview guide (see Appendix 1) was used to ensure coverage of key topics while allowing key Informants flexibility to express their views in depth. The guide was organized thematically to correspond with the research questions. Topics included the key Informants background and role in Ethiopia–China cooperation, developments in political relations since 2018, economic cooperation and specific investment projects, mechanisms for ensuring mutual benefit, challenges and opportunities in the relationship, developmental impacts, and future outlook including lessons for others. Interview questions were open-ended for example: "How would you characterize the evolution of Ethiopia–China political relations since 2018?", with follow-up probes to elicit specific examples and clarifications such as asking about the 2018 FOCAC summit. All interviews were conducted in English and Amharic ,Some of the workers interviewed were unable to freely explain in English. Each interview lasted between 60 and 90 minutes. Notes were taken during each interview. All participants were assured anonymity in the reporting of results ,they are referred to by descriptive titles rather than names, which was important to allow candid discussion of potentially sensitive issues. The interview data were analyzed using a thematic coding approach:

An initial coding scheme was developed based on the research questions and interview guide topics. Initial codes included categories such as Political Relations 2018, Chinese Investments, BRI Projects,Debt Challenges,Technology Transfer, Ethiopian Agency, Development Impact, and Future Prospects.

Through iterative reading of the transcripts, sub-themes emerged under each code. For example, under PoliticalRelations2018, sub-themes like High-Level Visits, Support during the Tigray Conflict,and BRICS alignment were identified; under EconomicCooperation, sub-themes included Infrastructure Projects, Industrial Parks, FDI trends pre- and post-COVID, and Local Content mechanisms.

The coding process helped identify patterns, such as points of consensus and divergence among key Informants. It also facilitated integration of the interview data with the existing literature. For instance, statements about debt management were coded and then compared with published analyses on debt sustainability, revealing areas of agreement and difference.

This systematic coding and triangulation enhanced the reliability of the findings, moving beyond isolated quotations to identify broader themes.

1.5.5 Ethical Considerations

All interview participants provided informed consent before participation. They were informed about the study's academic purpose and how their information would be used. Given the potential sensitivity of some topics such as internal policy debates or debt negotiations, confidentiality was emphasized. No personal names or identifying details are used in the thesis; in some cases even specific job titles are generalized to prevent attribution. The interview guide was reviewed and approved by Dr. BayuLigne Zemedagegehu prior to fieldwork. Participants were also given the opportunity to review and clarify their statements if they wished. These ethical safeguards were essential to create a trusting environment and to protect participants' privacy, especially given the high-level positions and potentially sensitive nature of the subject matter.

1.5.6 Limitations of the study

Temporal scope: The study focuses on the period 2018–2024 with some historical context, so longer-term trends beyond this time frame are not fully captured. The dynamics of Ethiopia–China relations prior to 2018 inform the background but are not the primary focus.

Perspective bias: The sample predominantly reflects Ethiopian perspectives. Despite efforts, access to Chinese government officials in Ethiopia was not obtained ,the Chinese embassy declined interview requests and Chinese companies were hesitant to speak. Chinese policy positions were primarily inferred from public statements and media. This means the Chinese side may be under-represented in the primary data.

Response bias: Ethiopian officials may portray the bilateral relationship in a favorable light due to diplomatic considerations. To mitigate this, the researcher triangulated interview claims with independent data and included more critical viewpoints such as policy researchers in the sample. Probing questions were also used to encourage open discussion of challenges.

Dynamic context: The findings reflect a snapshot of the situation as of early 2025 shortly after Ethiopia's invitation to join BRICS and during post-conflict recovery. Ongoing developments such as Ethiopia's economic reforms or shifts in China's foreign policy could change the dynamics of the partnership. Therefore, the conclusions are time-bound and may need updating as events unfold.

Despite these limitations, the methodology provides a robust exploratory examination of Ethiopia–China relations in the recent period. By combining multiple data sources and analytical techniques, the study balances depth ,through qualitative insights and breadth through document analysis, yielding a comprehensive view that goes beyond existing published accounts.

1.6 Significance of the Study

It is valuable for understanding Ethiopia, China a number of things, particularly due to it being a unique and rapidly changing relationship in the post-2018 context. First, Ethiopia is frequently considered a template for China's engagement in Africa, demonstrating how an African state may use Chinese investment for infrastructure and industrial expansion. Therefore, developments in Ethiopia have a wider resonance for African development strategies and the BRI in Africa. Second, the years since 2018 have included pivotal events that have tested the limits of Ethiopia's external partnerships, including efforts at political liberalization, the Tigray conflict (2020, 2022), the COVID-19 pandemic, and economic obstacles. Chinese responses to these events compared to some Western partners can help identify some of the trends in China's worldview and international behavior, as well as the true nature of its "all-weather" friendship rhetoric. Finally, understanding this time frame fills a gap in the existing scholarship; many of the studies identified earlier periods of Sino-Ethiopian relations, whereas fewer offer analysis of the most recent developments and their implications, with on-the-ground experiences. Through incorporating fieldwork evidence from Ethiopian government workers, I offered a new angle on how the partnership is operationalized in practice, and what Ethiopian actors retrieved as benefits and costs. To this end, the study will examine Ethiopia's political and economic relations with China from 2018 to the present by way of qualitative case study design.

1.7 Scope of the study

This study explores the political and economic relations between Ethiopia and China since 2018 with an eye towards historical context and recent developments. It considers different aspects of the bilateral relationship i.e., high-level political engagement, Ethiopia's BRI engagement, infrastructure and industrial development, flagship projects, and Ethiopia's strategic role in the Horn of Africa. Time and again, Chinese and Ethiopian officials have stressed the strategic value of the relationship, resulting in commitments by Chinese officials to "high-level visits" and "deepen mutually beneficial cooperation in various fields" including investment and infrastructure . Similarly, Ethiopia's government has characterized China's engagement as a "reliable friend" and signaled additional bilateral cooperation, including "active participation in the Belt and Road Initiative", and described its rapidly growing economy and location on key Horn of Africa trade routes makes the relationship increasingly significant to China one analyst explains, "Ethiopia's strategic location in the Horn of Africa makes it a critical non-state actor in regional trade and politics" . In the context of these themes, the analysis considers how this partnership is articulated through a variety of projects such as railways, highways and industrial parks many of which are supported by loans from Chinese banks and constructed by Chinese companies which represent not only development value (e.g., connectivity) but also symbolic value (e.g., references to national icons of modernity).

In recognizing the value of a multi-faceted approach the study has some salient limitations. First, it focuses exclusively on the 2018-2024 period with the exception of pre-2018 history for background. Second, the qualitative data is based on a relatively small number of elite interviews primarily Ethiopian government sources and no first-hand access to Chinese government sources , especially considering the full spectrum of China-Ethiopia trade. To date, all attempts to gain access to speak with either the Chinese embassy or a Chinese-owned or state-linked enterprise have been unsuccessful, thus comments which present Chinese positions are a qualitative inference. Finally, the data reflects a snapshot of the Ethiopia relationship at the start of 2025 shortly after Ethiopia's invitation to join BRICS and period of recovery from internal conflict with the accompanied qualification that there are many developments that may alter bilateral relations such as economic reforms or changing geopolitics and the findings make clear that the conclusions are only limited to the period in the analysis. The study has inevitable limitations including compounded limitations of small sample size, no direct observation of Chinese interlocutors in the high stakes relationship in Ethiopia, and 'time-bound' limitations; with respect to any potential bias, the study has endeavored to triangulate interviews and the use of published sources.

1.8 Organization of the Thesis

This thesis has been structured into six chapters, which are designed to build logically upon one another and offer an analytic structure for moving from a general contextualization of the topic through to the empirical evidence of the research and its final conclusions.

Chapter One sets out the research study by introducing the contextual background; defining the problem statement and research question(s); outlining the purpose or objective(s) of the research; explaining the methodology and research design; describing the means of collecting data; identifying the sample(s) and how they were selected; providing details regarding any ethical issues; specifying the relevance and scope of the research; and outlining the potential limitations of the study. Chapter One will establish why it is relevant to examine Ethiopia-China relationships since 2018.

Chapter Two undertakes the literature review and develops the theoretical framework. This includes an overview of Ethiopia's current political and economic context. It follows this with a discussion of key concepts related to the development partnership, South-South cooperation, bilateralism, and foreign-aid diplomacy. The main theoretical approaches employed to analyze Ethiopia-China relationships (neorealism, neoliberal institutionalism, dependency theory, and developmental-state theory) are then discussed. Following this, the empirical literature is reviewed and gaps identified in previous research. Finally, the domestic investment frameworks and Foreign Direct Investment (FDI) landscapes in Ethiopia are examined.

Chapter Three identifies the historical context of the Ethiopia-China relationship. This includes an analysis of the development of the relationship from the imperial era through the Derg regime to the EPRDF period (1991-2018). The history of the relationship forms a basis to understand the political and economic dynamics that have characterized the post-2018 period.

Chapter Four analyses the political relations between Ethiopia and China since 2018. It looks at the high-level diplomatic interactions, the impact of China on Ethiopia during Ethiopia's internal conflicts, the changes in the agreements made between the two countries, and the political symbolism of some of the large-scale infrastructure developments. In addition, the chapter examines China's soft power strategies, Ethiopia's geopolitical position in the Horn of Africa, and the implications of the developing political alliance between the two countries.

Chapter Five is focused on assessing economic engagement between Ethiopia and China from 2018 until the present. The chapter evaluates the nature of the infrastructure financing provided by China in support of the Belt and Road Initiative; the trend of foreign direct investment (FDI) into Ethiopia; the growth of the industrial parks in Ethiopia; and the sectoral patterns of investments. Furthermore, the chapter examines the challenges that Ethiopia faces with respect to Chinese investment, including debt sustainability, trade imbalances, technology transfer challenges, the labor market implications of the growing presence of Chinese companies in Ethiopia, and the more general implications of the growing presence of Chinese companies in Ethiopia for the country's development.

Chapter Six draws together the research study's conclusions and recommendations. The chapter summarizes the study's political and economic findings; reflects on Ethiopia's agency in the partnership; and outlines policy implications for Ethiopian decision-makers. The chapter finally examines the possible direction of Ethiopia-China relations and identifies areas of potential research for scholars in the field of international relations.

Overall, the structure of the thesis moves from foundational concepts and historical background to contemporary political and economic analysis, culminating in empirically grounded conclusions and policy recommendations.

Chapter Two: Literature Review

2.1 About Ethiopia

Ethiopia is an African country located in the Horn of Africa and is one of the two African countries never colonized. Since Ethiopia was never colonized, the country has its administrative architecture resembling most archaic systems, with the head of the government being a prime minister, the only other country with such a system in Africa apart from Libya, which was not also colonized. The dominant language is Amharic, and the country is the second most populous in Africa, with over 102 million people. Due to its vast population, Ethiopia has one of the vast markets in Africa, falling short of Nigeria only. Additionally, Ethiopia is dominated by pastoralists, giving it an imposing ability to produce raw materials for the textile industry. Notably, the Country is mainly Semitic and strategically located to link to the Middle East and Asia.

Ethiopia is dubbed to be one of the fastest-growing nations in Africa, together with its neighbour, Kenya. Ethiopia's gross domestic product growth rate is relatively higher than Kenya's, though, with the World Bank reporting that Ethiopia had an average gross domestic product of over 10% in the last decade. The country's innovation index has been oscillating at 24.20% since 2015, neither exceeding 25% nor dropping below 24. It has a robust infrastructure and domestic market strength compared to Sub-Saharan countries but lags in business sophistication and human capital research. It has a 48 score in the ease of doing business and ranks 159 out of 190 countries surveyed by the World Bank. However, the country is powerful in enforcing contracts and resolving insolvency, though it is poor when it comes to starting a business, getting credit, and protecting minority investors (Legese 2019).

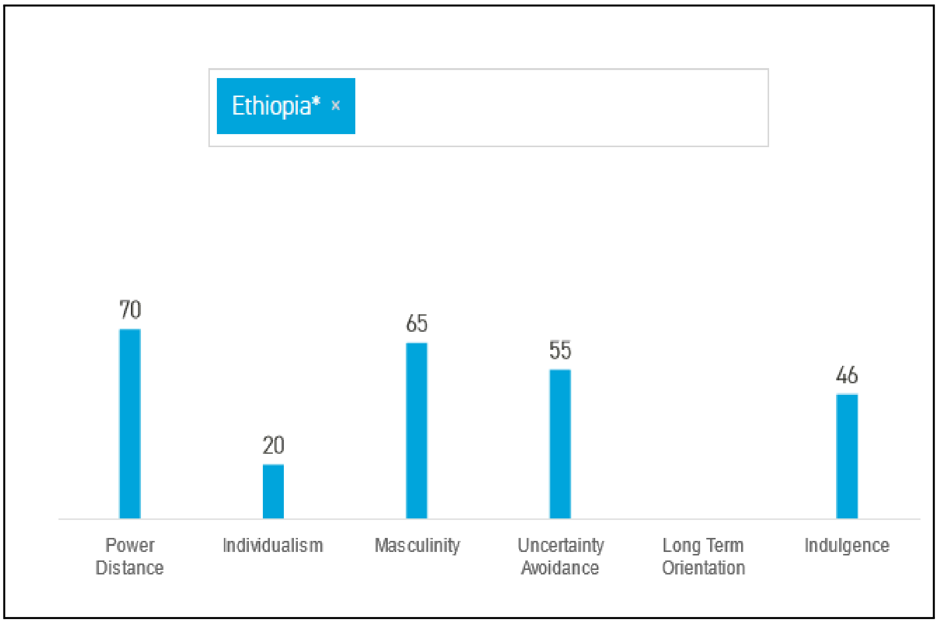


Figure 1: Ethiopia’s Cultural Dimension Scores based on Hofstede’s Six-Factor Model(Hofstede Insights)

Hofstede's cultural classification of countries enables one also to gain insights into how a country's cultural orientation is. Generally, Ethiopia is a collectivist nation, and thus, loyalty and strong relationships are crucial in the country. There is a lot of power distance which means that people generally accept stratification based on economic and social status. Notably, the masculinity score of the country is 65, and thus people will do what they have to do to earn whether they like it or not. Interestingly though, Ethiopians tend to avoid uncertainty and are therefore more risk-averse as opposed to being risk loving. These cultural insights are crucial, especially when arguing on the performance of certain DFIs and the choice of growth models and strategies.

2.2 Conceptual Perspectives

The purpose of this section is to define the main conceptual frameworks that shape the relationship between Ethiopia and China, and to place these conceptual frameworks into context with what we see today in Ethiopia–China relations, specifically with respect to how cooperation, unequal relationships, and selective agency manifest themselves. The conceptual frameworks – development partnership, south-south cooperation, bilateralism, and foreign-aid diplomacy are all analytically independent of each other, but they are all related.

2.2.1 Development Partnership

Development partnerships are defined as collaborative relationships where mutual economic development occurs, and the primary areas of focus include the development of infrastructure, industrialization, and the building of state capabilities (Adem, 2012; Alden & Jiang, 2019). It can be argued that China views itself as Ethiopia's "development partner" because it is using this framing in its broader Africa policy to advocate for "win-win cooperation," and investment-driven development (Bräutigam, 2020). Development partnerships manifest themselves in a variety of ways including large-scale infrastructure initiatives (such as the Addis Ababa-Djibouti Railway), industrial parks, and energy projects, and these are all clearly linked by Ethiopian policymakers to their country's national development strategy. Scholars have noted that development partnerships, particularly those initiated by China, tend to combine concessional loans, commercial funding and investments into industry in ways that create confusion around what constitutes aid versus commercial interest (World Bank, 2012; Bräutigam, 2020). A number of critics have suggested that such development partnerships may result in asymmetric benefits, which would favor the commercial interests of Chinese companies or strategic goals (Alden & Large, 2019). Concerns over this issue parallel those expressed by Ethiopian officials regarding issues of debt sustainability, and uneven transfers of technology (Draper et al., 2006).

Therefore, while a development partnership may be a useful categorization for describing how certain forms of cooperation occur, it should not be viewed as a normative concept. Rather, a development partnership should be evaluated based on the distribution of benefits and costs associated with development, the quality of project implementation, and whether there is alignment between the external financing provided to support development and the development priorities identified by the country receiving the financing.

2.2.2 South-South Cooperation

South-South cooperation represents collaboration between developing countries, characterized by a sense of solidarity, equality, and mutual benefit (Keohane, 1984; Anshan, 2007). China uses the framework of South-South cooperation to describe its interactions with developing countries in order to differentiate itself from Western countries and to frame its interactions as non-hierarchical. In some cases, Ethiopia's public diplomacy has used similar language to describe its engagement with China, particularly in international venues such as FOCAC.

Other scholars however suggest that South-South cooperation is more likely to represent a form of rhetoric than a structural reality (Tull, 2006; Sautman & Yan, 2023; Haug & Kamwengo, 2023). The authors of the latter study suggest that although African policymakers may choose to invoke the idea of South-South cooperation in multilateral settings, they are more likely to emphasize national development and pragmatic interests in their bilateral negotiations. Similarly, although Ethiopia's use of the term South-South cooperation suggests a desire to be seen as an equal actor in the global community, the existence of trade imbalances, limited technology transfer, and dependence on Chinese loans demonstrate that the language of solidarity does not necessarily reflect the structural disparities that exist between the two parties. Thus, South-South cooperation should be viewed as a strategic discourse rather than a natural condition within a larger political economy relationship.

2.2.3 Bilateralism

Bilateralism refers to the practice of state-to-state engagement in a manner that most policy decisions are made through negotiations conducted outside of multilateral forums (Shinn, 2005; Shinn, 2014). The majority of the policy decisions that guide the relationship between Ethiopia and China have been negotiated directly between governments, primarily through the Ethiopia-China Joint Commission (JECC). China's preference for bilateralism stems from its long-standing approach to establishing flexible, unconditional agreements with African states (Renard, 2011).

Although bilateralism allows for rapid decision making and customized agreements, it also creates challenges.

Alden & Large (2019) argue that the bilateral format of agreements can exacerbate power inequalities when one party enjoys significantly more financial and technological resources than the other. There are parallels between the concerns of Ethiopian officials regarding negotiating leverage, the opacity of loan conditions, and the strategic dominance of Chinese contractors in specific sectors (Davies et al., 2006).

As a result, bilateralism is both an enabler of infrastructure-based development and a structural feature that influences the negotiation environment, the scope of accountability mechanisms, and the longer-term sustainability of the engagement between Ethiopia and China.

2.2.4 Foreign-Aid Diplomacy

Foreign-aid diplomacy refers to the use of foreign aid, loans, and economic instruments to promote foreign-policy objectives (Zhang & Broadman, 2018; Pigato & Tang, 2015). For China, foreign-aid diplomacy in Ethiopia combines the provision of financing for development with diplomatic efforts, symbolic politics, and strategic alignment. Because of Ethiopia's status as a regional leader in the Horn of Africa and host to the African Union, the diplomatic significance of Chinese investments in Ethiopia is enhanced.

Scholars argue that China's foreign-aid diplomacy in Ethiopia is influenced by a combination of geopolitical considerations, commercial incentives, and ideological aspirations (Alden & Large, 2019). According to Mearsheimer (2001), emerging powers will typically employ economic instruments to increase their influence and secure strategic footholds. Ethiopia's experience with China's diplomatic support during the Tigray conflict and its consistent rhetoric of non-interference illustrate this general strategic rationale.

In this way, foreign-aid diplomacy is not merely a type of technical assistance, but rather a type of statecraft in which development objectives, strategic interests, and signaling behaviors are interconnected.

2.3 Theoretical Frameworks

Ethiopia–China relations have been interpreted using multiple theoretical frameworks since 2018. There is no single theory capable of capturing the complexity of the relationship; thus, a hybrid theoretical framework consisting of neorealism, neoliberal institutionalism, dependency/world systems theories and developmental-state theory will be used.

2.3.1 Neorealism

Neorealism, also known as structural realism, conceptualizes international relations as being structured by anarchy in which states pursue power and security (Waltz, 1979; Mearsheimer, 2001). Based on a neorealist perspective, Ethiopia's cooperation with China reflects China's pursuit of influence in the region and strategic depth in the Horn of Africa, a region that is geopolitically important due to the Bab-el-Mandeb Strait, its proximity to the Gulf and competing regional and global actors.

As noted by Mearsheimer (2001), rising powers frequently expand their influence through economic penetration, political alliances and security agreements. China's establishment of a military logistics base in Djibouti, China's growing political involvement in the Horn of Africa, and China's diplomatic protection of Ethiopia during the 2020–2022 conflict are all examples of the application of Mearsheimer's model.

In addition, neorealism emphasizes power asymmetry: China's dominant financial position affords it structural leverage over Ethiopia, particularly when negotiating debt and technology exchanges. Nonetheless, Ethiopia's efforts to diversify its relationships (including accession to BRICS+ and ongoing relations with western partners) represent a balancing strategy consistent with neorealist behavior.

Although neorealism explains China's strategic motivations and power asymmetries, it does not provide sufficient explanation of Ethiopia's agency or the cooperative nature of infrastructure development. Therefore, neorealism should be supplemented by other theories that emphasize economic interdependence and institutional cooperation.

2.3.2 Neoliberal Institutionalism

Neoliberal institutionalism posits that cooperation occurs through the creation of institutions, shared norms, and mutual economic interest (Keohane, 1984; Keohane & Nye, 1977). According to this school of thought, cooperation between Ethiopia and China occurs due to the fact that both countries achieve absolute gains, despite the benefits being unequally distributed.

Institutions such as FOCAC and the Belt and Road Initiative help to lower transaction costs related to information, facilitate the creation of predictable avenues of interaction, and enhance long-term commitment. Keohane (1984) notes that these types of institutions enable cooperation between states with unequal levels of power by creating a transparent environment, reciprocal expectations and repeated interactions.

China's financing of industrial parks, railways and manufacturing zones provides Ethiopia with essential inputs into the country's development process; Ethiopia provides China with market access, political goodwill and strategic access to Africa. This represents Keohane and Nye's (1977) argument that although interdependence may be unevenly distributed, it may nonetheless provide a mutually advantageous arrangement.

Nonetheless, neoliberal institutionalism has limitations, including its overly optimistic view of structural imbalances and the political nature of economic instruments. It explains cooperation well, but it provides too little insight into the political economy of dependency that is observable in Ethiopia's trade deficits and technology gap.

2.3.3 Dependency and World Systems Theories

Dependency theorists posit that peripheral states can become structurally subordinate to core states within global value chains (Alemayehu & Meskel, 2010; Tull, 2006). In world systems analysis, Ethiopia would be positioned at the periphery of the global system; China, though a semi-peripheral actor historically, currently operates as a core actor in Africa.

Dependency theorists highlight several patterns that are relevant to Ethiopia:

• Trade deficits with China

• Low domestic manufacturing capacity

• Limited technology transfer

• High levels of foreign debt

These patterns are similar to those identified by Wallerstein as center–periphery patterns in which peripheral states rely upon external financing and imported capital goods.

However, Bräutigam (2020) cautions against viewing dependency as determinative and notes that African states—and notably Ethiopia—have considerable agency in shaping Chinese engagements. Ethiopia's deployment of industrial parks, local content requirements and policy negotiations with Chinese investors reflect strategic capacity rather than passive dependency.

Therefore, dependency theory serves as a useful critical lens for analyzing Ethiopia's relationship with China, but it should be applied with caution to avoid making overly broad generalizations.

2.3.4 Developmental State Theory and Neo-Institutionalism

The developmental-state paradigm places emphasis on the central role of state leadership, administrative capacity, and strategically-oriented industrial policies in transforming the economy (Hein, 2014). Ethiopia has sought to emulate certain elements of East Asian developmental models—prioritizing manufacturing, expanding infrastructure and selectively targeting foreign direct investment.

China has supported these objectives by providing:

• Concessional funding for infrastructure

• Construction of industrial parks

• Training programs and capacity-building activities

Neo-institutionalist perspectives maintain that institutions affect the incentives and outcomes of actions. Ethiopia's ability to channel Chinese investments into national priority areas (such as energy, manufacturing and logistics) illustrate the relevance of this perspective (Davies, Naidu & Draper, 2006).

However, weaknesses in Ethiopian regulatory capacity, debt management and technology absorption limit the country's potential to maximize developmental returns.

Therefore, the developmental-state paradigm provides a useful framework for understanding Ethiopia's strategic behavior and identifies the institutional constraints that limit the country's ability to implement its developmental goals.

2.3.5 Towards an Integrated Perspective: The Development-Security Nexus

Recently, there has been an increasing amount of scholarly attention focused on how China has merged economic and security considerations into what has come to be referred to as the "development-security nexus," treating infrastructure and stability as complementary (Alden & Large, 2019). Ethiopia illustrates this dynamic:

• Ethiopia's infrastructure projects (railways, industrial parks, etc.) contribute to both development and symbolic-political goals.

• Diplomatic support provided by China to Ethiopia during internal conflicts enhances political stability and protects China's investments in the country.

• Ethiopia uses Chinese financing to improve the capacity and legitimacy of the state, while strengthening the state's connectivity and positioning.

This development-security nexus cannot be captured by a single theoretical framework; Rather, it results from the convergence of neorealist strategic thinking, neoliberal institutionalist cooperation, and developmental-state aspirations leading to a multilayered political economy of the relationship between Ethiopia and China.

2.4 Review of Empirical Studies

The recent literature on Ethiopia–China relations is still emergent; that said, it does provide interesting comparative options. The country specific studies that have been developed after 2018 have begun to capture how Ethiopia's relationship with China have changed significantly under Prime Minister Abiy. For instance, the ODI report states that, despite Ethiopia's pivot towards opening up its economy, Chinese companies have still been effective in dominating manufacturing investment (Odhiambo & Li, 2021). When Davies, Naidu and Draper (2006) did empirical research that was earlier, it captured a baseline when international relations analysts reported that Ethiopian officials do value the Chinese infrastructure but were concerned about the debt and balance of trade deficits; which is still relevant given that Ethiopia's trade gap with China continues to widen (Matias Assefa, 2020).

Some researchers in the field of Ethiopia–China relations have conducted surveys and literature reviews (Anshan, 2007; Ukaejiofo, 2014) reported that stakeholders at the local level often viewed the volume of Chinese projects positively and appreciated the lack of political conditions, however, the same study reported findings from other African contexts (i.e. studies from Ghana, Kenya) noting that the citizens sometimes value these infrastructure projects, but they critique low technology transfer, and worker poor labor practices. More broadly, the comparative studies from other countries offer evidence of common themes. For instance, other studies of African countries e.g. South Africa and China demonstrated a similar pattern of Chinese engagement and African response. Studies of China and Kenya (Hornby & Best, 2017) and Rwanda (Shrestha, 2019) have shown that infrastructure-led growth was accompanied by concerns regarding local content opportunities, and governance. The Ghanaian cases (Tull, 2006) focus on the South-South discourse but also emphasize similar experiences from the Angolan context, which emphasized discussions regarding debt sustainability issues (Alemayehu & Meskel, 2010). Research by Fiala (2021) in 2021, evaluated Ethiopia's potential compared to Nigeria and Kenya, concluded that Ethiopia's political reforms yielded a more favorable comparison to more unstable regimes when considering the attractiveness for additional Chinese capital. Other research on the topic suggests that African governments are increasingly steering Chinese investment towards national priorities for example, industrial parks for Ethiopia at the expense of extraction for Sudan representing their exercise of agency (Corkin, 2011; Davies et al., 2013). As noted through empirical work, while Ethiopia is for sure an example of the broader trends related to "China in Africa" it also has unique characteristics.

In general, the literature indicates that Ethiopia has viewed China with preference regarding development priorities; its broad based training has the earliest ties to the soviets and can connect ties with Maoist solidarity. Many recent studies by the China–Africa Research Initiative and others have provided empirical data on Chinese lending to Ethiopia as substantial but relatively less opaque than some other countries. At the same time, there are checks in the literature on Ethiopia's internal conflicts Tigray and unexpected global events Covid-19, changes that are putting the partnership to the test. For example, in some analyses, China provided emergency assistance during the crises that were unfolding and affirmed on numerous occasions that they would stand behind Ethiopia's sovereignty at the UN among other forums. Compared to immediate neighbors in the region, Sudan and Uganda, China, unlike these countries and some western counterparts, has largely not pressured the Ethiopian authorities on their domestic political context, as they (implicitly) continue to focus on maintaining profitable economic engagement (Economist Intelligence Unit 2022; US Institute of Peace 2020). That is not to say that Ethiopian leadership did not enjoy having the attention and resulting strategic autonomy: interviews with Ethiopian policy makers reveal that they balance the China relationship in pragmatic terms - primarily seeking the infrastructure and technological benefits - and an over dependence is of concern, but they nonetheless assert that it is important to continue to retain diplomatic balance (Davies et al., 2020).

In sum, the relevant empirical press while still growing suggests that Ethiopia's experience since 2018 looks largely hinted at the broader African experience - the phenomenon of greater Chinese economic engagement comes with discussion of the potential costs and benefits. Ethiopian authority's agency in shaping that economic engagement remains an important aspect of the experience. Other case studies speak to this agency also being present; where governments have had plans for development agendas in their respective countries, along with developed bureaucratic-strategy or oversight, have performed better in terms of productivity and debt than other governments across Africa south of the Sahara (Nayak, 2018). Opposed to this tend to be those from governments or local stakeholders who feel that they have been displaced or demeaned by Chinese operators for example: meetings around cultural features, or ownership of labor - has often attracted media attention, Uganda's experience notwithstanding some of our own experiences in Ethiopia have shown that many governments, including Ethiopia; have mediated directional changes to suit with respect to local considerations. Comparative evidence would therefore provide a context for assessing Ethiopia's trajectory - not as terms of their contract with China as a company agenda where the dynamic continues to evolve through negotiation or through local conditions and uses a framework around China strategy.

2.5 Theoretical Framework: Political Economy and International Relations

The literature on Sino-Ethiopian relationship and issues are drawn primarily from the action of political economy or international relations discipline. Though this is an already diverse discipline, the literature considers two theoretical issues. The first theoretical issue is the classical dependency or world-systems perspective. This perspective highlights or accentuates the existence of powerful global states such as the United States or Great Britain, and those defined as developing or peripheries of the global capitalist system; Ethiopia, through external loans, trade connections and investments networks. The second theoretical issue is essentially the models of developmental state and neo-institutionalism and their efforts to illustrate the agency of Ethiopia that proactively seeks to leverage Chinese resources and financing to meet their objectives for industrialization and national development priorities(Hein,2014). For their part, relating to the findings of this study, China is defined as a major external actor and Ethiopia is an active development partner. In addition to various aspects of political economy, authors have generally relied on international relations accounts to describe aspects of the diplomatic nature of the relationship; many authors will explore China's claimed non-interference with internal matters as it relates to Ethiopia's own sovereignty concerns. For example, Ethiopia will generally vote with China in multilateral forums, especially in relation to matters of One China Policy. Likewise, China has regularly provided Ethiopia diplomatic support in a range of development and security matters. Overall, in a diplomatic context, this type of alignment based on shared norms and state-based governance, has been identified as a potentially conflicting stimulus between Ethiopia and China in their bilateral relationship. The identified theoretical frameworks provide an analytical context to explore the Ethiopia-China engagement, as well as China's role as a global power and Ethiopia's state-based agency in development-based frameworks(Obwona,2001).

2.6 China's Africa Strategy: The Belt and Road Initiative (BRI)

Launched in 2013, China's Belt and Road Initiative (BRI) is part of China's overall strategy in Africa and is frequently mentioned when discussing China–Ethiopia relations. The BRI is about connectivity and cooperation through large-scale infrastructure and investing in Asia, Africa, and beyond. Ethiopia is considered a strategic partner within this cooperation because of its location in the middle of the world's second-largest continent and potential to grow and develop. The BRI will create large Jobs and Ethiopia has benefited from the funding of infrastructure and construction projects (Pigato & Tang,2015). These include railways, roads, and even industrial parks, etc. The Addis Ababa–Djibouti Railway, which is Ethiopia's first transnational railroad, is a widely tipped BRI project to promote the safer and better transportation of goods and people. Scholars suggest by pursuing and framing projects under the BRI the possibility of additional funding sources and coordination has been aided.

The BRI may represent a broader frame for many of China's infrastructure engagements in Ethiopia and has been a significant theme in more recent scholarship on their bilateral cooperation (Baker & McKenzie,2017).

2.7 Key Themes in Contemporary Research

Another consistent theme is the strength of the political and diplomatic relationship between Ethiopia and China. Many scholarly works note that Ethiopia and China are "all-weather" partners, meaning that political leaders frequently meet and support one another. For example, Ethiopian leaders regularly laud China's faithful support on the international stage multilaterally or bilaterally, while Chinese government representatives routinely mention Ethiopia as a growing development success. Non-interference has been stressed as a critical element of their bond: Ethiopia typically defends China's core issues e.g. the one-China body while China provides diplomatic cover for Ethiopia's state goals e.g. political stability and security challenges. This political unity is recognized in international venues with China, such as the UN and African Union, which enhances the strategic dimensions of their bilateral ties. The other major theme is economic and infrastructure engagement. Nearly all the studies spotlight Chinese investment, financing, and construction in Ethiopia. Beijing's investment, financing, and construction private and public has been a valuable partner for Ethiopia in developing roads, railroads, dams, power stations, industrial parks, etc., which have all dovetailed with Ethiopia's political development plans (Haile & Assefa,2006). Most authors have noted that

Ethiopia's leadership and political elites have seriously engaged in courting China for private and public development, and to enhance its Growth and Transformation Plans and industrialization strategy. At the same time, the literature does confront Ethiopia's ongoing challenges: a significant trade deficit with China with heavy reliance on Chinese imports raising issues of debt sustainability and economic dependence. By the same measure, however, authors claim that the Ethiopian government has been making reasonable uses of Chinese financing, remaining flexible in managing Chinese financing and negotiating terms of engagement to meet Ethiopian national interests. Socially and culturally make up a third theme in recent scholarship. Scholars are looking beyond economic impact and considering how Chinese engagement impacts Ethiopian society. For example, unlike in the past, Chinese projects have yielded jobs for Ethiopian workers and training to contribute toward skill developing capacity. For example, our study of industrial parks supported by Chinese investment and construction often mentioned the practice of providing training to local managers and technical workers. Furthermore, the contemporary scholarship recognizes growing interpersonal connections as China readily funded scholarships and educational exchanges for Ethiopian students, such as the introduction of Chinese language and cultural programs (World Bank, 2012).

The softer dimensions of cooperation are considered as a part of a larger South–South partnership narrative, wherein building long-term goodwill and knowledge transfer is essential in addition to economic connections.

2.8 Research Gaps

Despite the wealth of literature, there are important research gaps in the areas of Ethiopia–China relations. For example, many of the existing works are heavily quantitative i.e., trade data, investment numbers, debt levels, etc. and lack qualitative representations of Ethiopian perspectives. Few studies have incorporated recent changes in Ethiopian politics and economy e.g., changes from 2018, COVID-19, Tigray conflict in their analysis of the bilateral relationship. Moreover, it is noted across the literature that much of the research either emphasizes Chinese positions or global strategic narratives, which present a minimal emphasis on Ethiopia's agency and policy choices. Thus, the literature has not fully articulated how Ethiopia's domestic context and decision-making factors influence the partnership. The overall aim of the thesis is to fill these gaps in the literature through the application of updated empirical evidence from the post-2018 period and by taking a hybrid international relations/political economy approach(Addis & Zhu,2019). This study will examine the perception of Chinese engagement by Ethiopian actors, assess if there is a balance of benefits and risks, and explain the bilateral relationship while keeping Ethiopia's national development objectives in mind. Ultimately, it connects academic thinking with the lived experience of policymakers and other stakeholders in Ethiopia.

2.9 Ethiopia's Growth Ambitions

For the last decade, the country has been keen on achieving a middle-income status before 2025. Subsequently, Ethiopia embarked on growth and transformation plans in 2014. There have been two plans on growth and transformation, with the recent one focusing on driving growth that is collective and inclusive of the private sector. The growth plans have been focused on infrastructural development and electrification. In the previous decade, Ethiopia has embarked on several imposing infrastructure projects. These include road and rail transport, revamping of Ethiopia Airlines, dam construction and electrification (FDRE Planning and Development commission,2024). The major projects under the development of infrastructure include the Ethiopia-Djibouti railway, the impending renovation of the Ethiopia-Djibouti corridor (road), and a plan with Kenya to develop a road network that links the landlocked country to the port of Kilifi and increased air traffic and activity. Between 2010 and 2020, Ethiopia Airlines has doubled in size and is one of the leading airlines in Africa(African Development Bank,2016 & Ethiopian Airlines,2020).

To achieve commendable growth in infrastructure, the country had to develop several state agencies to develop beneficial partnerships. The most influential state agency is the Ethiopian Investment Commission, chaired by the Prime Minister, responsible for the increased foreign direct investment in the country. Moreover, there exist sub-agencies that shall be expounded on in the nation's legal and institutional foreign straightforward investment framework. Ethiopia has also partnered with lending partners including domestic lenders and global institutions like The World Bank, NEPAD and the African Development Bank, to get the required funding for the projects. Bilateral arrangements with countries also play a crucial role, with China dominating Ethiopia's foreign direct investment space in both productions of goods and services and financing(EIC,2019 & World Bank,2012).

The ex-World Bank Chief Economist, Lin Yifu, is crucial regarding explaining the rationale of the infrastructure-led growth model for Ethiopia. The World Bank recommended the Keynesian growth model for Ethiopia early last decade, which Ethiopia accepted (Lin,2011).

2.10 Ethiopia's FDI: Legal and Institutional Framework

The World Bank recognizes the need for a well thought-out legal and institutional framework to promote foreign direct investments. To be effective, such a framework requires the technical capacity of institutions and crisp mandates assigned to each, the stability of institutions even in different political regimes and support financially and politically to help such institutions roll out best practices in their operations (World Bank,2012*)*. Moreover, there needs to be clarity on each provision from a legal lens with no ambiguity whatsoever. The law must also not be restrictive or discriminatory and should therefore be developed in conjunction with economists and financial analysts. A restrictive legal framework is a direct curtail to foreign direct investment. Nevertheless, the law also needs to ensure that it avoids crowding-out effects and any other adverse effects of foreign direct investment. Ethiopia has thus developed its own legal and institutional framework that governs the inflow of foreign direct investment in the country.

The role of regulation lies in several ministries of the Ethiopian government. These include the Ministry of Trade, Labor, Energy and Manufacturing. An umbrella regulatory agency, the Ethiopian Investment Authority, oversees the regulation of foreign direct investment for all these ministries. However, each has its state agencies that mainly inform regulatory decisions after the foreign direct investment is made. The New Proclamation has widened the mandate for the EIA, enabling it to grant foreign direct investment permissions to virtually almost all sectors of the economy. The EIC is mandated to:

- Furnishing foreign investors with all the information they may require;
- Assisting new businesses in registration and approval of the transfer of technology between local companies and technology companies outside Ethiopia;
- Assisting foreign firms in the acquisition of land through help with the germane federal and regional governments
- Monitoring and evaluation of licensed projects and approval of foreign investment applications and the granting of investment permits.

Apart from the Ethiopian Investment Authority, regional investment offices oversee investments in certain areas or regions. The New Proclamation seeks to build more integration between the EIA and these regional bodies to increase the ease of doing business in Ethiopia. Regional investment commissions are responsible for the regulation of investments in the designated regions. However, the EIA is the umbrella body as herein stated, and investors can escalate issues that regional commissions cannot solve to the EIA (EIC,2021). Moreover, several state agencies are also involved in the regulation of Ethiopian foreign direct investments. These include the Ethiopia Civil Association and the Communication Commission of the Country. These have been included in the framework recently, with the inclusion targeting to make it easy for investors to get approvals in investments in the aviation and technology sectors.

Notably, Ethiopia has made commendable strides in making it a favorable destination for foreign direct investment, and its legal framework deserves a lot of praise. However, there is still an opportunity to tighten the nuts and bolts, especially in boosting ethical issues around foreign direct investments. Additionally, some foreign direct investment firms feel that the judicial systems are biased and are likely to favor domestic firms over foreign ones. Consequently, it is high time the country broadened the mandate of the umbrella investment body, EIA and developed clear terms of reference for the same (UNCTAD,2015).

2.11 Rationalizing a FDI

There exist several theories that explain the motives and drivers for foreign direct investments. The oldest one was hinged on the theory of competitive advantage and is similar in principles to international trade. The classical theory states that some countries are endowed with better and cheaper resources and consequently, opening up businesses in those countries derives benefits of comparative advantage. Theoretically, investments that seek to take advantage of natural resources would be mainly in the extractive sector. Thus, this theory explains the massive investments by foreign firms in the extractive stages of the value chain in Africa. A player like Tullow Oil has for the longest time helped extract oil for most African countries (Tullow Oil,2014). In Ethiopia's case, the opening up of the Huajian Group is the epoch of comparative advantage driven foreign direct investment. Before its opening, the company's proprietor, Mr Zhang Huarong, visited the country and investigated the quality and availability of hides in the Sub-Saharan Country. He confirmed the quality and later made a move to invest in the footwear industry in Ethiopia. The main weakness of the international trade perspective as an explanation to foreign direct investments is that it does not explain other drivers for investment, such as infrastructure (Gebreeyesus,2020). Moreover, the theory does not explain why a form would not engage in only licensing and exporting instead of setting up a company or gaining controlling stakes in a foreign company.

Vernon explained how innovation and economies of scale are vital in the determination of trade patterns in explaining foreign direct investments. Foreign direct investment, in this case, is an eventual stage of a product from its invention and then maturity. As markets become saturated with the supply of a specific commodity, it becomes crucial to look for a market elsewhere. Even if a firm were to export and not invest abroad, the saturation would still be reached (Vernon,1966). A saturated market is characterized by very intense competition. Thus, firms move away from their countries and set up operations elsewhere to take advantage of the comparatively better production modalities in the new location. A firm can reduce cost and take advantage of the unique features of the new country to achieve competitive advantages. With Ethiopia's population being over 102 million, it is perfectly appropriate to state one of the motivations for the Chinese people and other direct foreign investors to choose Ethiopia as their foreign direct investment destination (World Bank,2021).

Hymer stated that the need to exercise control over operations is the primary reason for foreign direct investment instead of the mere capital flow. In his arguments, Hymer suggests that companies that invest in cross border areas must possess some competitive advantages. These include financial strengths, managerial competencies, proprietary rights and any other advantage unavailable in the local companies. The whole argument is based on the existence of market imperfections like pricing challenges or information symmetry. Critical of the critics of the Chinese going global strategy as being a selfish nationalism, Hymer also argued that there might exist no markets and, if they do, attract immense transaction costs for the goods a company would wish to produce in the local market (Hymer,1976).

Consequently, the best option for such a company is not to export and license but rather to invest directly in foreign markets. Thus, this theory would mean that the horizontal investment made by the Huajian Group in Ethiopia should be purely for the Ethiopian market as it has the required demand and export costs may make it very expensive to sell in Ethiopia. Contrary to this, after the setting up of the textile company, the demand by Ethiopians for Chinese footwear increased by over 90%. In contrast, the new company in Ethiopia focused on exporting locally made footwear. Such an argument is what most economists and financial analysts deem to be selfish, as the Chinese use Ethiopia's resources to produce goods at a lower cost for themselves.

From the three theories, one can deduce the three main drivers for foreign direct investments; first, a firm that engages in a foreign direct investment must have unique competitive advantages. These advantages are lacking in the foreign country; thus, the only way to produce for the foreign country is through foreign direct investment as transaction costs and market imperfections make exports extremely costly. The competitive advantages include technology, patent rights and managerial skills. Combined, these give the foreign firm more control over local firms. Notably, most foreign direct investments in Ethiopia are due to the ownership of rights by most foreign firms. For example, the construction of the first tram railway in Sub-Saharan Africa was Chinese-led as the local firms lack the necessary expertise and technology to deliver the service (World Bank,2012). A critical risk of foreign direct investments in this sense is the fear of cannibalization of the local market by foreign firms. In Ethiopia's case, caution needs to be taken to avoid the swallowing up of local firms by the heavyweight foreign firms. Additionally, aberrant terms of engagement should be shunned as they may make the Ethiopian people feel the brunt of financing some developmental projects more intensely.

2.12 An Overview of FDI in Ethiopia

The growth of foreign direct investment in Ethiopia has primarily been evaluated based on two different phases; the pre-1991 and post-1991. Before 1991, Ethiopia had somewhat restrictive and inward-looking trade policies and remained much closed to foreign investments. It was not until 1991 that Ethiopia established trade policies that sought to favour more openness to trade. Between 1991 and 2000 was characterized by a very low rate of foreign direct investment growth and a meagre economic growth rate, barely exceeding 3%. However, after 2000, the country's economy proliferated, averaging 10.3% during the decade (Zewde,2002 E.C). The high economic growth rate also leads to doubling the per-capita income and reducing the people living below the poverty line by over half by 2015. This growth and vibrant financial performance slowly made Ethiopia more attractive to investors from foreign countries. The foreign direct investment gap was shallow and not close to commensurate with the country's gross domestic product growth rate and potential.

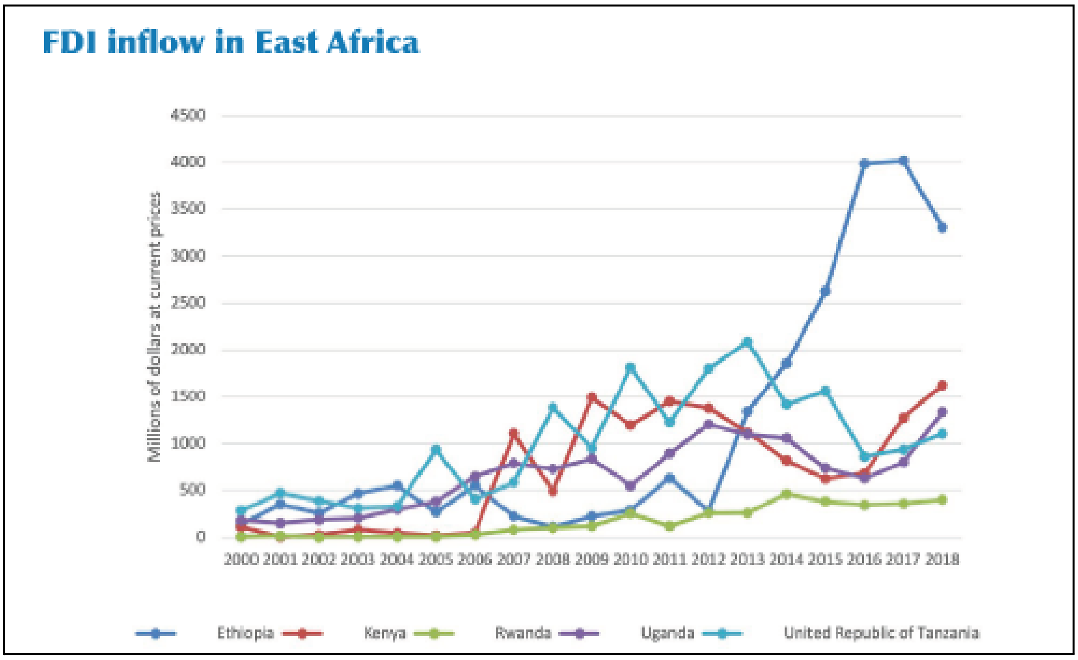


Figure 2: FDI inflow in East Africa (*EIC, 2025)*

After 2012, two years after the first Transformation and Growth Plan rollout by the sub-Saharan country, foreign direct investment levels began to shoot up. The first of its kind was granting a $1.4bn loan facility by China to help build the Ethiopia-Djibouti railway. With a vibrant agricultural and manufacturing sector, more foreign direct investment followed from Turkey and Saudi Arabia. They, together with China, form the three most significant sources of foreign direct investment in Ethiopia. Ethiopia is currently the largest receiver of foreign direct investment in Eastern Africa, overtaking Kenya and ranks fourth in Africa after South Africa, Egypt, Congo, and Morocco. Since 2012 the Ethiopian Investment Agency reports that foreign direct investment in Ethiopia has been growing almost at 50% yearly. (Mohapatra , 2012). The highest foreign direct investment inflow in Ethiopia was in 2017 when it reached a staggering 4.1 USD.

The manufacturing sector remains to be the highest contributor of foreign direct investment in Ethiopia. In a study conducted titled 'An Analysis of Chinese Foreign Direct Investment (foreign direct investment) in Sub-Saharan Africa: A Particular Focus on Ethiopia', it was found that 542 firms in Ethiopia who are Chinese based were in the manufacturing sector. The sector had received a whooping foreign direct investment inflow of over $30billion, almost 7.5 times than the second-placed construction foreign direct investment and third place agricultural foreign direct investment.(Dawit,2014)

Chapter Three: Historical Context of Ethiopia-China Relationship

The formal diplomatic relationship between China and Ethiopia began in 1970 at the pinnacle of the Cold War. The partnership has evolved more constructively during the first couple of decades as China has been providing negligible economic aid or political support to consecutive governments (the Derg regime for Mengistu), but we could say China was not yet an explicit partner. Ending the cold war and Ethiopia's political transition in the early 1990s unlocked the potential for more substantial engagement. After 1991, under the EPRDF government, Ethiopia began to much more seriously expand its links with China. In the 2000s and 2010s, Ethiopia became an important partner of China's in Africa. White FOCAC and bilateral agreements, Ethiopia delegated significant investments in infrastructure, industry and agriculture from China *(Adem,2012)*. Take for instance: China completed major projects such as the Gilgel Gibe III hydroelectric dam, the Addis Ababa -Djibouti Railway, and new industrial parks. By the mid 2010s, China became Ethiopia´s largest trading partner and largest source of development finance. Simultaneously, Ethiopian leaders diplomatically aligned with China endorsing one china policy while China endorsed Ethiopian development agenda in international spaces. These dynamics provide examples of a consistent trend of increasing ties in the 1970s 2010s period, setting the foundation for the contemporary holistic strategic partnership.

3.1 The diplomatic relations between Ethiopia and China during the imperial era

Ethiopia and China have experienced foreign invasion and share a similar outlook towards invading agents. During the 1930s, the people of China showed substantial political and moral support and sympathy for the people of Ethiopia in their fight against the aggression of the Italian Fascist's and struggle for their national independence. One notable event to mention is that China was one of only five governments which refused to recognize Italy's occupation in Ethiopia in the middle of the last century. The then government of China made a declaration to this effect. On the other hand, previously, the Chinese government had received significant support and sympathy from Ethiopia for its legitimate place in the United Nations (UN) *(Muna, 2015; EEA/EEPRI, 2009)* However, the 1956 Cultural delegation of China to Ethiopia was the first delegation in the history of the relations that served as the first measure. From 1959 to 1970, Ethiopia provided strong support for China to gain a legitimate position in the United Nations. In the period 1963-4, Chinese Premier Zhai Enlai visited African countries including Ethiopia, and this official visit was made before the two countries established formal diplomatic relations *(Melaku, 2014)*. Another significant event, the Asian-African Bandung conference that occurred on April 18-25, 1955 was an important influence in building modern diplomatic relations between China and Ethiopia. The Conference was intended to encourage Afro-Asian economic and cultural cooperation; to promote opposition to colonialism *(Gedion. 2009).* While in Bandung, the Chinese Premier Zhou Enlai met Endalkachew Mekonen, a senior official of the Ethiopian Foreign Affairs, discussed bilateral relations, and even exchanged gifts. That the Chinese gift was an item of antiquity from the Han Dynasty (206 BC- 220 AD) period — viewed as a time of relative peace and prosperity in China's long history *(Seifedin, 2012)* was important. A joint communiqué between the People's Republic of China and Ethiopia was signed on November 24, 1970 establishing diplomatic relations. Soon after establishing diplomatic relations, the relationship overall between the two countries was cordial *(Alemayehu, 2008).*

Formal diplomatic relations that recognized the other adjacent countries began on December 1, 1970, recognizing that Ethiopia's position regarding Taiwan, was part of China and China was willing to recognize the Eritrea part of Ethiopia. This was only 14 years after the first delegation of China visited Ethiopia. They had good exchanges and Cooperation in political, economic and social relations after establishing diplomatic relations. This relationship was viewed as pending and fruitful *(Melaku, 2014; EEA/EEPRI, 2009).*

China, in the wake of disasters of Great Leap Forward (1958-60) and the Cultural Revolution (1965-67), were reassessing its diplomacy to Africa and the global south while Ethiopia, in light of the takeover of a pro Moscow and pro Somalia in 1969 and facing an increasing internal and external challenges to the regime was carefully reconsidering Ethiopia's relation to the west. The Emperor was already attempting to make links with the other large global players, which includes the Soviet Union too. Thus it was the convergence of China and Ethiopia's interests that fostered improved bilateral relations between the two countries *(Seifedin, 2012).*

It was during the first visit of Emperor Haile Selassie to China in 1971, an agreement was reached between Ethiopian Airlines and its Chinese counterpart for a nonstop flight between Addis Ababa, Ethiopia and Shanghai, China. The Emperor received a warm welcome by the first Chinese Chairman Mao Zedong. However, the relationship lasted only a short duration (1974) *(Seifedin, 2012).*

3.2 Ethiopia-China Relations during the Derg Period

Throughout the Derg period particularly between 1977-1987, the diplomatic relationship of both countries at one point deteriorated. Since the Derg was increasingly getting close with USSR1 (Seifedin, 2012). Then after 1983 relations turned to normal again, but did not develop much during the visit of Qian Qichen the Vice-Premier and Minister of Foreign Affairs of China to Addis Ababa in 1989 and January 1991 *(Muna, 2015)*. Furthermore, China made a brief re-entry in the diplomatic attraction of Ethiopia in 1988 when it gave a loan of $15,000,000 USD for the design and construction of a national stadium and ring road in Addis Ababa, shortly after the visit of the Ethiopian leader to China and the signing of the Ethio-China Agreement for Economic and Technological Cooperation *(Seifedin, 2012)*.

Thakur (2009) mentions that during Mengistu's Derg regime, especially during the period 1974-85 relations remained strained between China and Ethiopia because of ideological differences and a close alliance with the Soviet Union. Good relations were renewed in 1988 with the establishment of the Joint Ministerial Commission, which set the framework for how technical projects would be carried out (Thakur, 2009).

Mengistu Hailemariam's military government had a flawed foreign policy that was ideological and military in nature and only paid attention to China in the mid-1980s. An Ethiopian foreign minister visited China in 1987, followed by the president's visit to China in 1989 and 1991. Nonetheless, the main purpose of the visit was for weaponry rather than solidifying long-lasting balanced economic partnerships. Nevertheless, China carried out its own projects to foster the growth of Ethiopians, including the building of a diesel engine power project at Bonga, the Weldiya and Werota road, offered scholarships every year starting in 1988, plus sending medical teams, amongst other efforts (Muna, 2015).

3.3 Relations Between Ethiopia and China at the time of the Ethiopian People’s Revolutionary Democratic Front (EPRDF) led government 1991-2018

Ethiopia's relationship with China was strengthened after 1991, immediately after the demise of the Derg government (EEPRI, 2008). The China- Ethiopia relationship has never been stronger under the current Government of Ethiopia than now (Melaku, 2014). Although China, like Ethiopia, has an imperial past, China and Ethiopia didn't really meet until both nations became republics, and this connection began to accelerate in the mid-1990s when the Prime Minister Meles Zenawi's government promoted closer ties with China, China had plentiful economic resources and we did not wish to offend the Western countries, especially the USA. As of today, China is Ethiopia's most important partner regarding economic issues.

Ethiopia-China relationship accrued sound and continued development with numerous high-level mutual visits, and increasing interchange of personnel taking place by both parties. There were a number of visits between high officials from both countries. This list depicts the political leaders from both nations. In the last ten years alone, eight Ethiopian ministers have traveled to China. Conversely, a number of high ranking Chinese officials including the President have traveled to Ethiopia. This visit to each country by diplomats has resulted in economic cooperation agreements between the two countries in a number of areas of cooperation including culture, science and technology, education, and military. According to Muna (2015) and Alemayehu (2008) the most important cooperation agreements signed by both parties include:

- Sino-Ethiopian Agreement for Economic and Technological Cooperation (1971, 1988 and 2002).
- Sino- Ethiopian Trade Agreement (1971, 1976).
- Sino-Ethiopian Trade Protocol (1984, 1986, 1988).
- Sino- Ethiopian Agreement for Trade, Economic and Technological Cooperation (1996).
- Sino-Ethiopian Agreement for Mutual Promotion and Protection of Investment (1988) (Ethiopian economic Policy Research Institute. 2008),
- Agreement for Investment Protection and Promotion (1998).
- Agreement for Economic and Technological Cooperation (2002) and
- Agreement to eliminate double taxation and others (May 2009) (Muna, 2015;Alemayehu. 2008).

The Ethiopia-China relationship has been strengthened in terms of investment and trade. Chinese firms were the main suppliers of manufactured products from China, construction of roads, telecommunication construction, construction of large electric power stations, and in the manufacturing side in Ethiopia. Ethiopia and China created in 1988 the Joint Ethiopia-China Commission (JECC), which is a formal agreement that included agreements around the protection and promotion of investment and included cultural and economic agreements as well. The JECC serves as an economic forum and is a way for the countries to discuss issues of mutual interest and to make requests for further development. One of the stronger areas related to the education agreement and capacity building is the establishment of an occupational training college in Addis Ababa constructed by a Chinese construction company and equipment provided by China (Glans, 2014). They viewed the factors that have made the current political and economic relationship between Ethiopia and China are from the perspectives of each. There are possibilities that a number of factors have increased Ethiopia's relations with China. There are several factors that could be noted more strongly. First, Ethiopia cannot do without China economically; as an alternative source to the West, and China is materially perceived to be a role model for Ethiopia's development now. The historic feat that China has successfully completed economic reform, national reconstruction and miraculous development from a backward country to an economic power in the world is now being viewed with interest by the developing economies of Ethiopia. Second, China supports Ethiopia on international matters and also has considered their relationship with Ethiopia in terms of their strategic interest and market potential. Third, Ethiopia could serve as a market entry point for Chinese companies and from Ethiopia China could receive some diplomatic endorsement of its policy toward Taiwan among others (Fantahun, 2013 ; Gedion, 2009; EEA/EEPRI, 2009).

China has important interests in Ethiopia and has made efforts to further develop its relations with the country for several reasons: First, Ethiopia is strategically located at the intersection of Muslim North Africa and Christian South Africa. As the source of the Blue Nile, the seat of the African Union, and a major player in African politics, Ethiopia is a key player. As a result, China and Ethiopia have exchanged high-level delegations and conducted visits in both countries since 1991. Second, with approximately 96 million people, Ethiopia is a potential market for Chinese goods with trading opportunities and investment opportunities. Third, China's interests in Africa, and therefore in Ethiopia, are fundamentally guided by economic imperatives with the two more broadly as a commercial launching pad. In this sense Chinese involvement is not different from the many western multinationals. With the increased commercial and diplomatic traffic since 1991, Ethiopia has become one of the key test cases for the aspirant Chinese multinationals to satisfy their investment. Fourth, Ethiopia is one of the larger countries in Africa and if estimates of its natural resources are correct, it may have considerable potential although very few have been identified (Glans, 2014; Fantahun, 2013; World Bank, 2012; EEA/EEPRI, 2009).

There are also international factors which have strengthened relations between Ethiopia and China in the period after 1991: In the international arena China and Ethiopia have had a shared close relationship and have both supported each other in international affairs. With Ethiopia being the diplomatic capital of Africa, it is a strategic spot for a country like China to capitalize on its position and influence the continent. Therefore, in order to back up the African Union's attempts to promote unity and integration on the continent, the People's Republic of China, has shown willingness to improve relations with Ethiopia, and in a wider sense Africa, by assisting the AU's formal developments. This is the reason and to show its support to the organization, China built the new African Union (AU) Conference Center in Addis Ababa, which was finished prior to its opening in October 2012, and had as a feature, a traditional Chinese garden. The China-Africa cooperation is another forum that has caused relations to strengthen between Ethiopia and China. The New Partnership for Africa's Development (NPAD), which is backed by China, is located in Addis Ababa and so too is the UN Economic Commission for Africa, which has its headquarters there. Furthermore, placing economic rights before political rights and giving the highest priority to the right to development is one of the common aspects that made the relation between Ethiopia and China strong as well. Therefore, it is fair to say the relations have progressed well between both nations in a range of fields since the EPRDF came to power in 1991 (Fantahun, 2013; EEA/EEPRI, 2009).

On the other hand, one of the main reasons Ethiopia seeks to entice Chinese investment as a strategy is to escape the vicious circle of developmental challenges. These factors as well as the necessity of having access to high-level technology; creating jobs; diversifying the economic productive base; establishing technology transfers; and generating foreign exchange earnings from exports can be cited as Ethiopia's fundamental justifications. Additionally, China's contribution has been particularly productive in developing the industrialization agenda, and it is within the interest of Ethiopia to deepen its relationship. The following pages of this study will present the historical development of industrialization in Ethiopia during the three successor regimes.

Chapter Four: Political Relations Since 2018

Since 2018, Ethiopia–China relations have entered a new phase characterized by an unprecedented level of political cooperation alongside deepening economic ties. Scholars describe this relationship in political economy and international relations terms: Ethiopia pursues state-led development and actively leverages Chinese resources for infrastructure and industrialization, while China emphasizes a non-interference approach that aligns with Ethiopia's sovereignty concerns.In practice, Prime Minister Abiy Ahmed in office since April 2018 has sought to engage a broad range of partners, including the West and neighboring states, but has concurrently maintained China as a key strategic ally.For example,soon after taking office Abiy attended the 2018 Forum on China–Africa Cooperation (FOCAC) summit in Beijing, where he met President Xi Jinping and pledged to deepen cooperation under the Belt and Road Initiative (BRI) . Chinese leaders reciprocated by highlighting Ethiopia's role as a "major African country" and promising continued support for its development plans (e.g. infrastructure, industrial parks, agriculture and vocational training). This top-level dialogue has continued through successive years: Chinese officials including Premier Li Keqiang during his 2018 Addis Ababa visit and State Councillor/Foreign Minister Wang Yi Addis visit in January 2019 and beyond regularly reaffirmed Ethiopia as a "close friend and strategic partner" and committed to honor FOCAC outcomes and BRI projects in Ethiopia .

4.1 High-Level Diplomatic Engagements

Since 2018, China–Ethiopia diplomatic ties have been elevated through frequent high-level exchanges. Ethiopia's Prime Minister Abiy Ahmed in office from April 2018 has actively engaged China's leadershipFor example, in September 2018 Abiy attended the 7th Forum on China–Africa Cooperation (FOCAC) in Beijing, where he met President Xi Jinping and discussed bilateral and multilateral issues. Around the same time, Chinese Premier Li Keqiang visited Addis Ababa to meet Prime Minister Abiy. Li emphasized that Ethiopia is a "major African country and an important partner of China," noting that the two countries' "comprehensive strategic cooperative partnership has gained in-depth development"(Ministry of Foreign Affairs of the People's Republic of China, 2018). In their talks, China encouraged its enterprises to invest in Ethiopia and to expand cooperation in human-resources development and infrastructure, while Abiy promised to improve the investment climate for Chinese firms and deepen cooperation in energy, industrial parks and other sectors. These engagements continued into 2019. In January 2019 Chinese State Councillor and Foreign Minister Wang Yi made an official visit to Addis Ababa and met Prime Minister Abiy Ahmed and President Sahle-Work Zewde. Both sides reaffirmed that China and Ethiopia are “close friends and strategic partners”(Ministry of Foreign Affairs of the People’s Republic of China, 2018). Wang Yi explicitly stated Beijing’s commitment to honor the outcomes of the 2018 FOCAC summit and to implement Belt and Road Initiative (BRI) projects in Ethiopia, proposing expanded cooperation in infrastructure, industrial parks, energy, agriculture and human-capacity building(Muna,2015). Prime Minister Abiy echoed this outlook, praising China’s role in financing and constructing major infrastructure projects that have created jobs and supported Ethiopia’s development. High-level engagement resumed in earnest after a brief lull during the COVID-19 pandemic. In August 2023, Prime Minister Abiy attended China’s Third Belt and Road Forum in Beijing. He held bilateral talks with Premier Li Qiang, and both leaders pledged mutual support for domestic stability and development, and signed new bilateral cooperation agreements under the BRI framework. Shortly thereafter, in October 2023 President Xi Jinping hosted Prime Minister Abiy in Beijing for a state meeting. China and Ethiopia signed a joint communiqué upgrading their relationship to an “all-weather strategic partnership”(CGTN, 2023; State Council, 2023).. The Chinese statement described this partnership as a chance to advance “common development and win-win cooperation,”(CGTN, 2023) and announced that China would partially cancel a portion of Ethiopia’s outstanding debt reported at about $13.7 billion in a show of support for Ethiopia’s post-conflict economic recovery. These high-level ties have only deepened. In September 2024, Xi Jinping met Abiy again on the sidelines of FOCAC Beijing, calling China–Ethiopia relations “an example of friendly cooperation between China and Africa”. Premier Li Qiang used the occasion to publicly support Ethiopia’s integration into China-led global initiatives such as its accession to the BRICS bloc and to express Beijing’s intent to work together for Global South cooperation (Gamora,2009). Chinese media later noted that, following the 2023 elevation to a strategic partnership, Sino-Ethiopian relations had “reached new heights” and been “solidified as pivotal partners on bilateral and global stages”. Taken together, these meetings and statements show China’s sustained commitment to top-level dialogue and mutual support with Ethiopia since 2018

4.2 China’s Diplomatic Support During the Conflict (2020–2022)

Throughout the 2020–22 conflict in Ethiopia’s northern Tigray region, China maintained a posture of strong support for the Ethiopian government’s position, rooted in its principle of non-interference. Chinese officials consistently emphasized Ethiopia’s sovereignty and their "all-weather" friendship. For example, even before the war began, Foreign Minister Wang Yi had described Ethiopia as one of China's "close and friendly brothers," a strategic partner whose development path China would uphold. Throughout the conflict Beijing publicly encouraged the parties to end violence but repeatedly framed the crisis as an internal matter for Ethiopia. As one analysis noted, Chinese diplomats "emphasized their unquestioned support for Ethiopia's 'sovereignty'," explicitly opposing what they viewed as Western interference under the guise of human rights(PB China & EU,2016). In press briefings and statements, China's Foreign Ministry reinforced that Ethiopia, like China, rejects external meddling in domestic affairs. Beijing put these words into diplomatic action at the United Nations. In March 2021, China joined by India and Russia blocked a draft United Nations Security Council statement that called for an end to the violence in Tigray, Human Rights Watch reported that China with Russia subsequently prevented the Security Council from holding open briefings on Tigray for many months, effectively stalling public discussion of the crisis. Later, when the U.N. Human Rights Council voted in December 2021 on a resolution to establish an international investigative commission for alleged war crimes in Tigray, China again voted "no" along with Russia and several other states. The Chinese press explicitly framed that vote as opposition to "interference" in Ethiopia's internal affairs. These actions demonstrated Beijing's readiness to use its international leverage to shield the Ethiopian government from punitive measures, consistent with the bilateral rhetoric of mutual support. At the same time, China continued to proclaim its friendship in more general terms. State media regularly noted China's contribution to Ethiopia's development and job creation for instance, by building roads, railways and industrial parks. Chinese leaders emphasized that China is a "reliable friend and true partner" of Ethiopia, and pledged to help it pursue a development path chosen by Ethiopia itself. In sum, Beijing's diplomatic support during the war took the form of public expressions of solidarity and a firm stance against external intervention, matching Ethiopia's characterization of China as an "all-weather" ally during the crisis (Rand 2017).

4.3 Bilateral Agreements and Political Institutions

China–Ethiopia relations are also undergirded by formal agreements and consultative mechanisms that institutionalize their political partnership. In October 2023 the two countries signed a high-level joint statement declaring an "all-weather strategic cooperative partnership," a phrase that has since recurred in official communiqués. Behind this label are regular dialogue channels: Ethiopia and China hold joint economic and trade commission meetings, strategic consultations between ministers, and other committees to coordinate their cooperation. For example, Chinese and Ethiopian foreign ministries have agreed to “seize” the momentum of FOCAC summits and the Belt and Road Initiative, working together on infrastructure, energy, agriculture and vocational training. These pledges serve as *de facto* framework agreements guiding bilateral policy and projects. Concrete bilateral accords have emerged under these frameworks. At the 10th session of the China–Ethiopia Joint Economic and Trade Commission in February 2023, the two sides signed a Memorandum of Understanding to establish a joint “Investment and Economic Cooperation Working Group”. This working group is intended to facilitate strategic investment and trade projects, reflecting a formal institutional effort to deepen China’s economic cooperation with Ethiopia. In the same meeting, officials reaffirmed China’s role as Ethiopia’s top lender and investment partner, and pledged ongoing support for industrial parks, transportation networks and other projects already underway. More broadly, both governments have committed through FOCAC and bilateral statements to implement pledged infrastructure and development projects, with China often offering favorable loans or grants to Ethiopia to this end. Institutionally, China has also supported Ethiopia’s integration into China-backed multilateral bodies (Cooperation Agreements,2018). Beijing publicly backed Addis Ababa’s accession to the BRICS association of emerging economies and its participation in the BRICS New . Ethiopia’s foreign policy and voting at the UN have generally aligned with China as seen during the Tigray debates, reflecting coordinated positions on global issues.

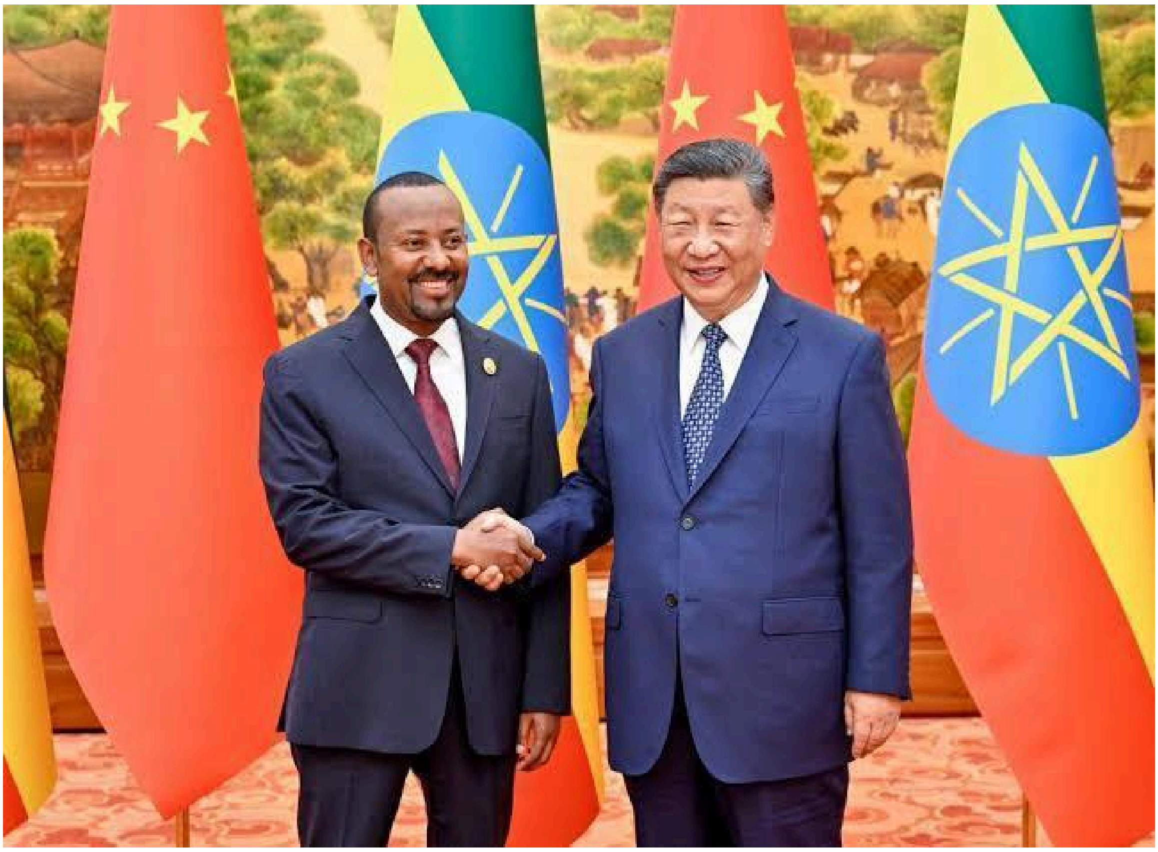


Figure 3:Chinese President Xi Jinping met with Ethiopian Prime Minister Abiy Ahmed, in Beijing for the 2024 Summit of the Forum on China-Africa Cooperation (Xinhua Net,2024) .

Domestically, there are party-to-party exchanges and training programs for example, visits by Ethiopian officials to China and Chinese advisors in Ethiopia that symbolize political trust, though details are often not public.

Ethiopia has spurred a veritable wave of Chinese state-funded infrastructure projects following the country's political transition of 2018. These roads, railways, industrial parks and telecommunications systems are far from technical investments, and they carry significant symbolic weight in Ethiopia's domestic discourse and its international narrative. This chapter takes stock of how major Chinese‑backed infrastructure works have become icons of Ethiopia's modernization, its partnership with China, and emerging understandings of sovereignty and development. Drawing on events and processes after 2018 such as the Belt and Road Initiative (BRI), the COVID-19 pandemic, ongoing conflict, Ethiopia's membership in BRICS, and post-war reconstruction, we argue that infrastructure can be considered a type of symbolic politics and soft power (Nye,2004;Sjöstedt,2020), as infrastructure initiatives are framed as drivers of progress in the domestic narrative of Ethiopia, boosting the legitimacy of Ethiopia's developmental state, signaling a political message about China’s proximity and friendship, and linking Ethiopian infrastructure into China’s broader Belt and Road vision, while also framing Ethiopia’s emerging profile in the Global South. This analysis goes beyond a description of infrastructure projects a point that is already comprehensively documented to look at their broader political and narrative significance, using soft power, development‑state, and symbolic politics literatures to inform our analysis (Nye,2004 ;Gebre-Egziabher,2019; Sjöstedt, 2020).

4.4 Symbolism of Key Infrastructure Projects

To appreciate the symbolic heft of the infrastructure projects in Ethiopia and China relations it helps to look at specific flagship cases. In public narratives and media stories, they often invoke the time-honoured forms of national progress, and strengthen the notion of Sino-Ethiopian geopolitics.

4.4.1. Railways: Integration and Modernization

The Addis Ababa - Djibouti Railway may be the most emblematic case. The railway connects the landlocked Ethiopia and port of Djibouti, proclaiming literally to bring Ethiopia from "landlocked" to "land-linked". It is also the first cross-border electrified railway in Africa (People’s Daily, 2020), displacing the nineteenth-century track gun trolly with twenty-first century technology. In Ethiopian commentary the railway plays a role in the long anticipated upgrading of Ethiopia's industrial competitiveness and identity. For instance, Ethiopian engineers remark that the railway has tremendously shortened travel times and costs key bottlenecks for farmers and manufacturers(Ministry of Finance, 2023). The Chinese built passenger trains and stations contribute visible symbols of modernity to the landscape. In an interview with Chinese media (People's Daily,2020), an Ethiopian woman remarked that, "the railway represents the friendship between China and Africa," and expressed pride that, "the Chinese have helped us to make our railway". This popular narrative that the railway represents both modernization and Sino-African solidarity is a textbook case of infrastructure serving a symbolic political narrative. Specifically, the railway transcends a mere transportation project to become a public icon of development.

Figure 4 : A high-speed train on the Chinese built Addis Ababa–Djibouti Railway at Ali Sabieh station (Djibouti).(Africa News,2018)

In State speeches and media, the Addis – Djibouti line is always drawn on to signal Ethiopia's progressive jump into modernity (Alden & Jiang, 2019). Ethiopian leaders too emphasize that the railway was "essential" for economic development, as most of Ethiopia's imports and exports must now transit through Djibouti. Politicians use the successful railway as a symbol to claim that Ethiopia is catching up with global infrastructure standards while implicitly crediting Chinese matched financing for this achievement. In field interviews, Ethiopian officials repeatedly referenced the railway as a watershed moment in logistics and industry. In this way the railway permutations symbolized in Ethiopia are twofold: at home it represents Ethiopia's long-time planned industrialization, while the railway also represents China's role in facilitating this development aspiration globally.

The railway's symbolic meaning extends to sovereignty narratives. In colonial times a railway built by outsiders often signaled colonial control by those outside the nation, however; the way the Addis-Djibouti Railway is framed is purely Ethiopian, owned and operated by Ethiopian Railways Corporation with Chinese training support. How to characterize the fact that while Chinese engineers built it, Ethiopian now run it is presented as an argument for Ethiopian agency and sovereignty. Sure, Chinese firms CREC, China Railway built the railway, but the underpinning promotional stories represented how Ethiopian teams now work at stations and on the locomotives. This image of local managers on a state-of-the-art train advances a narrative of successful transition to transfer and self-reliance though some critics will point out dependencies. Soft power is being deployed here, China demonstrates it can deliver world-class infrastructure but then the recipient nation can claim live actor agency and control, which serves to preclude accusations of neo-colonialism.

4.4.2 Industrial Parks: Factories as Modern Icons

The Chinese aspect of Ethiopia's industrial parks signifies an additional symbolic geography. Beginning in 2009, Ethiopia has established factory parks as a policy tool to generate light manufacturing, and following 2018, China has supported this objective, providing new factory parks for Ethiopia. For example, the Chinese state-owned enterprise CCECC developed new phases of parks at Adama, Dire Dawa, Hawassa, and more(Bräutigam, 2020). Factory parks are impressive in terms of real estate: the physical size of the factories, roads, and utilities; they are commonly established in locations previously defined as rural. They represent a hope and expectation of transitioning Ethiopia from an agricultural to an industrial-based economy.

In summary, the officials and media reports demonstrate that the Chinese-built parks are more than a hollow shell but rather active sites for employment and exports. An investment official disclosed that when "potential investors-even European ones-see a fully functioning park built by CCECC, and Chinese factories buzzing with activity, it provides them reassurance that Ethiopia is a valid place for investment (Zhang & Broadman, 2018)." In other words, parks can be thought of as a kind of advertisement to promote Ethiopia's industrialization potential, with the Chinese factories located there serving as a kind of endorsement stamp. The life and activity generated by Chinese factories, where potential foreign partners can participate, are part of the larger story. The Chinese factories serve as an anchor for the new foreign investment.

The parks have an apparent symbolic value in terms of what is said publicly. Parks are commonly cited as examples of Ethiopia's plan to industrialize. Politicians and planners fondly refer to parks as the "New Ethiopia." Local media covers park openings with a ceremonial aspect; speeches, ribbon cutting, and the dual display of Chinese and Ethiopian flags cement images of mutual advancement. While they also embody developmental cooperation the official narrative is that Ethiopia is utilising Chinese investment to leapfrog into high-value production - these parks are explicitly signaled as sites designed under strategies for a modern economy rather than legacy manufacturing pads. The names of some of the parks, like "Ethiopian–Chinese Industrial Park", are intended to draw attention to the partnership *(Embassy of China in Ethiopia, 2023)*.

For China’s soft power, these industrial enclaves are also beneficial. They present an image of China as a capitalist enabler of productive capacity; when African media highlight Chinese firms producing shoes, textiles or electronics in Ethiopian flagged zones, it reinforces the image of China producing jobs, rather than just construction. There is also a sort of propaganda effect too; Chinese state media regularly cite and showcase such parks to support the narrative of "China–Africa win-win cooperation". In reality, those parks have evoked mixed reviews debates exist about labour standards and transfer, but symbolically they stand as tangible evidence of an aspirational, shared vision

4.4.3 Roads and Highways: Unity and Access

China’s roads in Ethiopia similarly carry meanings. From 2018–2023 China’s firms implemented or upgraded many highways and road corridors, from urban ring roads in Addis Ababa to rural expressways. Of particular note is the Addis–Adama–Hawassa expressway which opened in 2020 and the highway upgrades that connect Ethiopia’s regions (Xinhua News Agency, 2023). These roads are transformative; they reduce travel times, and access previously hidden markets for rural producers and symbolically unite the country. Ethiopian officials frequently highlight that Chinese-built roads have “connected previously remote areas," and therefore, contribute to “national integration.” In public discourse, highways become symbols of the national capacity to plan ambitiously. Ethiopia’s leadership regularly references roads to prosperity and invokes the expressways built by Chinese funding as examples. As an example, a government-run commentary stated that an expressway “shortens the trip between Addis Ababa and the regional centers” and that these highways were critical to “increase the GDP". Psychologically, villagers and city dwellers are responding because despite the earlier, slow, dusty journeys, the roads are experienced as tangible actions that improve daily living, thereby boosting confidence in the state’s development agenda (African Development Bank [AfDB], 2020).

From China’s perspective, these road projects are advancing soft power by providing a friendly narrative of progress. Chinese-funded highways are often emphasized by embassy press releases and domestic media as an example of what can be achieved by “working with China.” For example, Xinhua later reported that the China-built Addis–Adama expressway had processed 33 million vehicles in five years and, without stating it, contributed to a success story of cooperation. For many Ethiopians, using the roads seems like an unremarkable event, but the symbolic aspect of a well-paved highway on the route where previously there was a bumpy road is significant: it contrasts with images of “poverty” while contributing to a modernizing mission, albeit one we share collectively.

4.4.4 Telecommunications and Digital Connectivity

The symbolic element of infrastructure extends to the realm of digital networks. Following the liberalization of Ethiopia's telecommunications market (2019-2022), the Chinese technology firms played a key role in expanding Ethiopia's communications grid. Huawei and ZTE established 4G capacity over the country and began trials of 5G in Addis Ababa (Huawei Ethiopia, 2022). There is a symbolic element to these initiatives as well: a modern fiber-optic network and mobile internet will be signals of a high-tech economy. Chinese branding, that is, telecom equipment marked with Chinese logos now characterizes much of the digital backbone of Ethiopia.

In addition, Chinese equipment used in Ethiopia's telecommunications sector has become a standard item in the discussion of technological partnership. It continues to be a commonplace in government statements about modernization, that for Ethiopia to modernize we have to have sophisticated digital infrastructure and Chinese support is helping us to be at the cutting edge (Huawei Ethiopia, 2022; State Council Information Office, 2021). In the context of young Ethiopians, the availability of 4G and prospective 5G is associated with smartphones and being connected with the rest of the world further contextualizing China within the potential for modernization. There are reservations e.g. about surveillance or proprietary technology but the messaging is immediate and about connectivity and progress. In short, high-speed internet in Addis is another silent symbol of the demonstration of the China–Ethiopia relationship in practice.

3.5 Infrastructure, Narratives and State Legitimacy

Besides the projects themselves, the state conceptions that are developed around Chinese-built infrastructure are very important to the political significance of those investments. For the Ethiopian state, adopting the Chinese narrative has become a part of its ongoing legitimacy project. For Abiy Ahmed's reformist administration, which came to power in 2018, the prospects for continued economic growth were weighted with the narrative of reform. By publicly honouring its on-going commitments to donor-funded Chinese megaprojects, the Ethiopian state is demonstrating continuity with the previous government's development agenda and reassuringly look good for its people about development in Ethiopia.

Chinese infrastructure is part of a narrative of national success, as evident from government statements and media.Government spokespeople often refer to Chinese-funded projects as evidence that Ethiopia is achieving its Growth and Transformation Plan and is experiencing 'global rewards’. For example, Ethiopian ministers have repeatedly highlighted major Chinese-funded projects ,Light Rail expansion, new industrial zones and power grids as a way of promoting how successful the administration's developmental efforts are. These projects provide tangible deliverables, benchmarks that the government can show out as achieving development promises. That a lot of their infrastructure happened to be built by the Chinese is often framed, not as a loss of independence, but as opportunistic-resourceful pragmatism, looking for reliable partners when they are most needed. This narrative works to sustain the governing coalition's image of top-down developmentalism and 'forward-looking-ness' (Gebre-Egziabher, 2019).

Even Ethiopia's internal debates about sovereignty and dependence have been framed through these projects. Skepticism towards Chinese loans and firms clouding Ethiopia's sovereignty are common critiques. The ruling coalition would often retort that the adoption of Chinese provided infrastructure was a sovereign act of the Ethiopian state (Carmody & Kragelund, 2016). Certainly, the officials state that Ethiopia negotiated the terms, and the key assets are presented as owned by Ethiopian state / state projects, for example, the railway and industrial parks are nominally Ethiopian state projects. So infrastructure is framed in Ethiopia as statecraft, not foreign encroachment. The developmental state framing of Ethiopia's political elite, a legacy of past leaders' policies, means that visible advancement roads, rails, factories has a power politically. In this regard, Chinese infrastructure projects become theatrical props in the Ethiopian state narrative of nation building and modernization.

Infrastructure projects have a similarly powerful role. For everyday Ethiopians, taking a shiny new train or having a new factory in their community can change how they view their own country's position in the world. Media stories or social media often celebrate new projects with a celebration of national pride. KI4 aptly captured this sentiment, as he emphasized, “without roads, rails and power from China, we would have never been able to write a growth story.” Such sentiments indicate that many citizens or at least officials purporting to speak for them contextualize Chinese infrastructure within tangible improvements to their everyday lives. This collective excitement can support government standing; there is an observable pattern that, as roads arrive, voters often reward the leaders who made roads possible for them, regardless of the partners building it.

Meanwhile, there are more subtle conversations about state sovereignty happening in public forums. Some Ethiopians express anxiety about whether dependence on Chinese loans may limit future policy choices. The company often invokes the symbolic meaning of the fact that China embodies the notion that China never uses debt as a political instrument, and professes that cooperation is predicated on respect and non-interference. Indeed, Ethiopian officials are often heard saying that Chinese aid has no ideological conditions placed on it (State Council Information Office, 2021)*,* which is also a political narrative and the pronunciation of which, implicitly, is favorable to the view of western states, which, by many accounts, do still place pressure on issues of governance. Equally, the very nature of the Chinese infrastructure deals, low conditionality, speed of completion, is then used in a similarly symbolic way to reaffirm Ethiopia's right to pursue a sovereign path to development.

4.6 Chinese Soft Power through Infrastructure

While Ethiopian actors are utilizing infrastructure for local legitimacy, China is also developing soft power from them. Joseph Nye's soft power, the capacity to influence others' preferences and choices indirectly through attraction as opposed to coercion helps us to understand why China carries out visible development not just geopolitical moves (Nye, 2004). There is no clear cultural or ideological appeal like Hollywood or democracy, so China is in effect "buying" approval with roads and bridges. Infrastructure turns into a vector for influence and narrative transmission.

Infrastructure projects are a political message from Beijing. Each highway or factory built under the Chinese flag has an implication: China is your cooperative partner creating your future. For example, China's donation of the African Union headquarters in Addis Ababa constructed in 2012 has been documented as a signal of China's commitment to the continent of Africa (Foster et al., 2009; State Council Information Office, 2021*).* Scholars and analysts alike have described that building as "says a lot" about the friendship of China and its resolve to support the development of Africa. The AU building was started prior to 2018, yet the logic is the same with projects since that time. By constructing something as visible as a modern industrial park or railway line, China signals a sort of beneficence. These constructions are much more visible signs than promises of aid or speeches, and therefore it could be argued, are more powerful signs of partnership.

The soft power effect also operates through people-to-people perceptions. For example, Ethiopia media and even some civil society groups often report positively on Chinese workers and equipment, calling them efficient and hard-working. There are narratives of training programs of Ethiopian engineers being trained on the railway and of Chinese technicians helping to fix things that reinforce an image of a China that is competent and collaborative. In fact, local pop culture has at times even romanticized the China–Ethiopia connection. One Ethiopian poem described the Sino-Ethiopian relationship metaphorically as a marriage by tying a wedding ring, culturally understood to symbolize union, together in front of the people (People's Daily, 2020.) Such imaginings, while not the focus of the essay, indicate that infrastructure, as well as co-operation, has crossed over into the symbolic domain of art and literature.

Beyond China has given significance during crises. During the COVID-19 pandemic, for example, Chinese medical teams and vaccines were framed in Ethiopian media as reflections of China's dependable friendship. Even though medical aid cannot be said to be "infrastructure" in the traditional sense, it is a signal similar to roads and rails: the same partner who built your factories is also giving you masks when you need them. Conversely, when the Ethiopian government announced in 2023 that it was in negotiations for Chinese forgiveness of some debt, Chinese media took note of the goodwill message in that event as a testament to China being supportive of Ethiopia's recovery. These political gestures, or goodwill currency debt relief, medical aid, and so forth, are reinforcing the soft power of infrastructure through a narrative of friendship.

Ethiopia's invitation to join BRICS in late 2023 represents a diplomatic extension of infrastructure symbolism. While BRICS is a formalized multilateral matter, it touches upon infrastructure narratives. According to Ethiopian leaders, as a BRICS member and member of the Global South, Ethiopia would gain access to a new base of investment and trade implicitly suggesting that under this broader club of emerging economies, Chinese-backed projects have a place. In fact, joining BRICS serves as a political signifier: Ethiopia has moved from "periphery" to being at the table with other Global South powers. For China and its BRI network, Ethiopia's BRICS status reaffirms the value of the partnership model. The Ethiopian officials were able to connect the dots when they stated that because of Chinese projects the economy had been oriented towards global competitiveness e.g. exporting more goods now because of the railway and now like others, Ethiopia was being welcomed into global forums. While abstract, this discursive alignment further amplified the symbolic capital of infrastructure: every road and every factory was being presented as a component in Ethiopia's rising international brand under Chinese sponsorship.

4.7 Recent Developments: Crisis, Recovery and Ongoing Symbolism

Several specific developments after 2018 have had implications for the infrastructure narrative. The COVID-19 pandemic and the Tigray conflict (2020-2022) interrupted Chinese projects temporarily(Ministry of Finance, 2023; Embassy of China in Ethiopia, 2023), but they also enabled new symbolic readings.

During the pandemic, travel restrictions delayed completion of projects and new investments. Some projects sat idle for months. However, the Chinese response of relaxing loan repayment periods, shipping emergency medical supplies, and being available to talk was interpreted as more evidence of Chinese solidarity, according to Ethiopian officials. Following COVID, an Ethiopian finance official declared, "China has never leveraged debt against us, in fact, if anything they have given us more credit." This all reinforced the notion that infrastructure loans are not traps, but instruments for partnership. Even in a crisis, this narrative was bolstered: China would not leave Ethiopia during difficulties, thereby enhancing the symbolic value of existing projects.

The picture was slightly more complicated in relation to the Ethiopian civil conflict. Fighting in the north, and ethnic fighting in Oromia, sparked security concerns for Chinese firms. In late 2020 some companies stopped working, and evacuated their workers from conflict affected areas. Yet, the official Chinese stance was held, no new contracts for the time being and non-intervention during these circumstances meant continuing economic engagement. After the peace agreement at the end-2022, Chinese companies rushed back, some creating new contracts. The Ethiopian government and media began to assert that Chinese infrastructure had a planned pathway to jump start growth post-conflict. This meant repairing or restarting important sites, and it was clearly evident that important sites were focused as priorities. For example, Chinese work crews repairing conflict-damaged roads used their works as a visible priority. Symbolically, the larger continuity suggested that China and Ethiopia were rebuilding together. During 2023, Chinese and Ethiopian leaders officiated a communiqué and announced some degree of debt relief for Ethiopia and recovery after conflict at the same time as a declaration of an "all-weather strategic partnership" (Embassy of China in Ethiopia, 2023; Zhang & Broadman, 2018). This high-level framing portrays the ongoing infrastructure cooperation as a launching pad for future peace and stability, and it further emphasizes the soft-power narrative that China supports Ethiopia, regardless of good times or bad.

While Ethiopia embarks on recovery from the war, infrastructure projects remain valuable for symbolic and practical purposes. Reports suggest that Chinese firms have guaranteed and delivered post-conflict restoration of damaged bridges and roads in the north, and the work also continues for agrarian areas as well. These projects are marketed to the public as a component of the healing process. For example, state media has shown images of Chinese engineers together with Ethiopian teams restoring electricity lines that had been damaged during the conflict. These images act as potent symbols suggesting that Chinese expertise is "lighting up" a post-war area, in the potential for goodwill, of the healing process.

Looking ahead, new projects are regularly announced, with numerous, and sometimes indefinite, symbolic intentions built into the announcements. In late-August 2023, the national government released and formally launched the Addis Tomorrow Special Economic Zone project in Addis Ababa - a combined residential, commercial, and industrial site totaling $700 million, backed by Chinese funding is one such example (African Development Bank [AfDB], 2020). The government has also publicly noted that this is a "strategic" project for the city, which could be argued to be the marketing for an upgraded global image of Addis Ababa, supposedly to establish the city as a top metropolis in Africa. In these kinds of announcements, there are always features which highlight that Chinese involvement signals that Ethiopia is raising its game to be globally competitive. Whether the results live up to the rhetoric is not clear, but from a politically-symbolic point of view, each new shovel and / or public attitude campaign is already linked to the story of the rejuvenation of Ethiopia.

4.8 Infrastructure as Political Symbol and Soft Power

Overall, the primary infrastructure projects in Ethiopia from 2018 onward no longer serve their economic function in their respective countries. Instead, they have become associated with a discourse on national progress, national legitimacy, and global positioning. For political leaders and civil servants, the major Chinese-funded infrastructure projects such as roads, railways, and factories, serve as evidence of successful advancement policy; for China's political and bureaucratic leaders, they provide concrete proof of China's helpful relationship in Africa. This range of symbols also marks the symbolic politics of the issue. Infrastructure is the platform on which Ethiopia frames a narrative of modernism and sovereign power and where China articulates its own story of power through cooperation.

This analysis has shown that China's role in Ethiopia cannot only be understood in terms of measurable hard metrics such as trade or aid. The "construction" of roads and buildings is a form of political communication. The Chinese-infused symbols from many industrial parks to the Addis-Djibouti Railway tell social audiences in Ethiopia what the meaning of a partnership with China entails. They signify Stroke length or distance, with China assisting in the promotion of the rhetoric of Ethiopia as a success story of development with China, a builder not a coercer. Even problems like debt or conflict are supplanted by these symbols, where setbacks are interpreted as temporary disruptions to an otherwise stable and consistent experience of achieving a development agenda.

Looking forward, the symbolic legacy of these projects will shape future relations. Joining BRICS, as well as its integration into China's Belt and Road projects, argue well for the symbolic longevity of infrastructure in Ethiopia. But, the long life of these symbols also contain contradictions: as the Ethiopian economy transforms and the political situation changes, the narrative of self-reliance and an even partnership may conflict with African narratives of heavy Chinese influence. In addition, the soft power that infrastructure has provided would have value, but if for instance there is no take off of local industries, or the perception of support changes - the ability of relationships to build soft power becomes threatening to host. As the political scientist Joseph Nye warned, soft power does not come with the leverage of success – it must be maintained by practicing the reality of ensuring that the infrastructure has really benefited the host foreign powers at a societal level, and is perceived not imposed (Nye, 2004).

However, in the context discussed, Chinese infrastructure was clearly visible branding for Ethiopia's developmental story. Whether benign, or a mixed blessing, its symbolic and political local value cannot be ignored. Acknowledging the Ethiopia – China relationship through the lens of infrastructure as a symbol highlights more of the partnership relationship than formal agreements or diplomatic behaviour may reveal. In many ways, the Ethiopian context is a story told in the infrastructures and buildings that China has helped create. They are gazed into a nation that seeks modernism and a great power relationship that is as much about factories and power lines as it is summits and agreements.

4.9 Regional Integration and Geopolitical Leverage

Ethiopia's leadership sees that Chinese-backed projects can enhance Ethiopia's status within the region. For instance, the Addis-Djibouti Railway and future envisioned links advance Ethiopia's position as a regional hub for trade. If successful, Ethiopia could become the maritime trade gateway for neighbours South Sudan, Somalia etc. which enhances Ethiopia's geo-political leverage within the Horn of Africa. They even saw potential diplomatic opportunities for cooperating with China in issues of regional peace and security and cited China's envoy for the Horn of Africa as an opportunity for Ethiopia to shape a regional peace agenda through collaboration with China. From a global perspective, Ethiopian diplomats see this partnership as providing them additional channels for voice: for example, with Chinese support, Ethiopia has secured election(s) to United Nations bodies and now will enter the BRICS coordination, e.g., on development finance, climate negotiations etc.

Essentially, going forward there is an opportunity to clarify/refine the model of cooperation to create a higher quality "win-win." Ethiopia wants to climb the value chain and ensure sustainability, and China for its part has been increasingly stressing high-quality Belt and Road cooperation, which aligns with Ethiopia's objectives. Should both sides operationalize the lessons learned ,Ethiopia insists on better terms and integration, China hears and responds to local needs and issues, then this partnership can serve as an example of successful South-South cooperation. The insights here resonate with the academic literature that emphasizes African agency and context in relations with China. Ethiopia's case shows how a country can steer the trajectory of an important partnership with a major power country to its advantage, while still needing to manage the partnership carefully to mitigate asymmetries.

4.10 Policy Independence and Strategic Balance

Ethiopia's experience provides a useful example of an African country that has retained its policy independence while intensively engaging with China. A common concern in the literature is that Chinese economic engagement may decrease the policy space of recipients or change their foreign policy orientations. Ethiopia since 2018 presents a more complicated picture. The Prosperity Party government under Abiy has stayed largely true to its homegrown reform priorities, including liberalization in some sectors and rationalizing debt that was not in accordance with Chinese wishes for it to take on more debt. In fact, China had to adapt, e.g., in telecom,in the case of Ethiopia the Chinese adjusted as Ethiopia proceeded with partial privatization. On the foreign policy side of things, Ethiopia has obviously come much closer to China voting with China in multilateral spaces and joining Chinese-led initiatives like BRICS, but has not consistently bullied Western partners. The discussion in 5.1 and 6.1 clearly showed that Ethiopia continued engagement with Western institutions (World Bank, IMF) and sought partnerships with others while strengthening ties with China. This supports the notion that Ethiopia is continuing to engage in a kind of "multi-vector" diplomacy—engaging with several great powers to have more degrees of freedom of action a modern type of non-alignment). Interview data supported this notion: key Informants including KI1 from MOFA emphasized that Ethiopia's partnership with China is about development, and is not ideologically different or a rejection of the West. He mentioned that while China played a vital role during the Tigray conflict, Ethiopia was interested in repairing and managing relations with the US and EU separately while clarifying that Ethiopia's main principle is to act on behalf of whatever is expedient for Ethiopia's national interest. This finding aligns with the literature on African agency *(Alden & Large, 2019)* that states African states pursue balancing with external powers against one another.

Also prevalent in the interviews and literature is the ability of Ethiopia to leverage its China relationship in its discussions with the West. KI5 pointed out that as there was the potential for China to support Ethiopia with investments and political support, each time Ethiopia was dealing with Western donors or creditors, it had greater leverage indirectly through that relationship echoing observations about African leaders leveraging relationships with China. Interestingly, it is likely that some concessions that were made by the West or re-engagements that came about for example related to reinstating AGOA trade preferences or unblocking foreign development aid was partly out of Ethiopia showing they have other options. The dynamic complicates the narrative that sees Ethiopia drifting into one camp rather Ethiopia is playing a strategic balancing act. Ethiopia's policy autonomy is clearly remarkable: it did not suspend its internal reforms for China's benefit and China behaved pragmatically and still invested even when Ethiopia was allowing some western firms into the country, and it did not sever ties with the west even when facing public Western criticism. This would imply that fears of China creating a vassal state, at least in cases like that of Ethiopia, are overstated and there may be historical factors,for example, the tradition of an independent foreign policy; this has been in place for decades, and goes back to its non-Aligned position in play.

Nonetheless, there are blatant frictions on the balancing act. The U.S. suspending Ethiopia's AGOA eligibility in 2022 due to human rights concerns during the conflict was a clear indication that Western patience has limits, particularly when Ethiopia's actions diverge from what it was supposed to do as a recently crowned champion of modernization. During this time, Ethiopia's pro-China orientation - at least the optics - of its foreign policy may have made Ethiopians feel like they were "taking sides." The interviews picked up on this subtle tinge of pressure: officials diplomatically noted that our Western partners "took punitive measures" during the conflict while China did not, which implies that Ethiopia had to conduct a cost-benefit analysis on its relationships. Going forward, Ethiopia is going to have to continue its careful diplomacy to reassure all parties. Specifically, Ethiopia's invitation to BRICS, which was an unambiguously strong endorsement by China, places Ethiopia further in the Global South camp, which could further call into question Ethiopia's taxpayer funded ties with the west.

However, Ethiopian officials view forums such as BRICS as enhancing not replacing their broader global engagement, contending that a more multipolar diplomacy actually increases Ethiopia's autonomy and options for bargaining. Overall, the Ethiopian case reinforces the idea that African states can engage major powers on relatively equal terms, provided that they remain clear about their objectives and diversify their engagements sufficiently to avoid excessive dependence on any particular actor. Ethiopia's recent post-2018 trajectory demonstrates its intentionality towards this end.

4.11 Comparative Perspective

When we situate Ethiopia's relationship with China within a broader African perspective, we find both similarities and points of difference. Like many African countries, Ethiopia welcomed Chinese funds and investment for infrastructure to complement what was being offered by Western actors; in line with what some scholars have characterized the "Beijing Consensus" approach in which many of the stages of rapid development could occur without political pre-conditioning. Ethiopia has realized benefits in infrastructure and growth that are consistent with other countries such as Kenya or Zambia where similar Chinese projects filled important infrastructure gaps.. Ethiopia's concerns about debt, trade balance, local content, etc. are common across the continent. In this regard, Ethiopia's story can further support regional calls for processes to maximize benefits e.g. improved terms through AU advocacy, etc. and minimize risks e.g. debt management frameworks, etc..

But Ethiopia also has some elements of difference. Its strong sense of ownership and planning i.e. projects aligned with national policies, as the findings underscore may be stronger than some of its peers. Ethiopia's government has a reputation of being developmental-state oriented in its approach to development and disciplined in its use of external funds (Cheru & Oqubay, 2019). The interviews conveyed that Ethiopian officials tended to set the terms, or at least negotiate project specifics, rather than simply responding to all the offers for funding. This may be one factor to explain why Ethiopia has largely avoided some of the pitfalls that other states for example, there is no "white elephant" or mega-projects funded for the sake of prestige - the majority of the projects have direct and relevant needs such as transport or energy. The implication is that domestic capacity and governance matters beyond the mere presence of a partnership with China's national development banks. Its experience therefore offers one model to compare against where domestic capacity or governance models have eroded the potential benefits from partnership opportunities for example, poorly functioning projects like airports or severe debt distress.

A further distinctiveness is Ethiopia's geopolitical significance. As a populous and strategically-placed country home to the AU headquarters, and a prominent player within the Horn of Africa, Ethiopia will attract the attention of all great powers. China regarded Ethiopia as a model partnership; it was designated a special status country, and prominently invested in 'flagship' projects like the AU Center and the railway, showcasing the way the BRI has worked in Africa. Perhaps Ethiopia had more leverage; Chinese officials want Ethiopia to become a good example, so they have been willing to offer debt relief, as discussed. Smaller countries may not have received the same type of attention or latitude. Therefore, Ethiopia's experience may not fully generalize to every African country - it illustrates how a country could leverage its regional role in the context of the dynamics of its relationship with China.

Finally, Ethiopia's active participation in forums like BRICS and the South-South cooperation narrative which China promotes positions it at the forefront of a wider shift in Africa's role within the international order. The findings indicate that Ethiopian officials see value in platforms that facilitate collective action in that context. As KI1 stated, "we're not alone, we have feelers out with other countries that engage with China. From that experience, we can negotiate better terms, even collectively, when dealing with China on issues like debts, and concerns like fair trade." This line of thought is highly aligned with recent calls for African nations to coordinate their bargaining with China and all other states through the AU or new customs. Ethiopia's BRICS membership alongside China gives new possibilities for coordination in development financing e.g., via the BRICS New Development Bank. It also works to alleviate overdependence on any single bilateral partner by increasing the pool of collaborators. The comparative perspective therefore adds another layer to the conclusion; it highlights a trend wherein countries like Ethiopia are leveraging South-South coalitions in order to fortify their position; an evolving process from bilateral engagement to more multilateral South-South diplomacy.

To conclude, Ethiopia's partnership with China since 2018, viewed alongside other African experiences demonstrates that outcomes emerge from local agency, strategic value, and international context. Ethiopia has demonstrated many of the positive potentials of China-Africa cooperation, but also illustrated that to engage in a responsible way, governance must act proactively to deal with the negative aspects. As African states continue to engage with China, Ethiopia's amalgamation of enthusiasm for the possibilities and vigilance about negative aspects provides a solid reference model.

Chapter Five: Economic Engagement (2018–Present)

5.1 Infrastructure Development under BRI

Economic cooperation is the cornerstone of Ethiopia–China relations and has only grown in significance since 2018. Under the Belt and Road framework and bilateral agreements, China has solidified its position as Ethiopia's leading investor, contractor, and lender. A clear pattern emerged from the data: Chinese entities dominate Ethiopia's infrastructure development and manufacturing investment, aligning with Ethiopia's strategic goal to build a foundation for industrialization. According to Ethiopian Investment Commission figures shared by KI5, as of 2023 there have been 2,292 licensed Chinese investment projects in Ethiopia since the late 1990s, of which an overwhelming majority were realized in the last decade. Notably, about 74% of these projects are in manufacturing, reflecting Ethiopia's attractiveness for labor-intensive industries like textiles, garments, leather, and agro- processing relocating from China or other Asian countries. The remaining Chinese projects are largely in construction, real estate, and services (Yang,2016).

Investment trends saw a surge in the late 2010s: in 2019, China invested roughly US$2.5 billion in Ethiopia, accounting for around 60% of all new foreign direct investment (FDI) projects in the country that year (EIC,2025) , a staggering share attributable to one country. This surge coincided with Ethiopia's Homegrown Economic Reform agenda in 2019, which encouraged private sector-led growth and explicitly welcomed foreign investment. Chinese investors took early advantage of new opportunities, for instance in industrial park development and manufacturing ventures targeting both export and the Ethiopian domestic market (World Bank,2024).

However, the economic cooperation was not without turbulence. key Informants described how external shocks temporarily slowed Chinese investment around 2020–2021. The COVID-19 pandemic disrupted travel and supply chains, causing delays in project implementation and a dip in new investment. KI2 from the Ministry of Trade and Regional Integration recalled that "many Chinese project managers went back to China for New Year 2020 and then got stuck due to travel restrictions – projects stalled for months." Additionally, Ethiopia's internal conflict late 2020 into 2021 introduced security uncertainties that led some Chinese companies to put expansion plans on hold. Data confirms this slowdown: new Chinese project starts fell dramatically in 2020–2021 compared to 2019. For example, new Chinese investment projects dropped from 182 in 2019 to just 66 in 2021, according to EIC records. This downturn, however, proved to be temporary. As the conflict wound down with a peace agreement in late 2022 and pandemic effects eased, Chinese economic engagement rebounded strongly. In 2022 and 2023, Chinese companies not only resumed delayed projects but also initiated new ones, taking advantage of Ethiopia's stabilizing situation and perhaps an implicit promise that China would help Ethiopia jump-start growth post-conflict. By 2023, Ethiopia recorded 222 new Chinese investment projects, a new high surpassing pre-pandemic levels. KI5 at the Ethiopian Investment Commission, noted, "We were pleasantly surprised that in 2023 Chinese investment numbers hit a record; it shows their confidence in Ethiopia's prospects and perhaps an understanding from the Chinese side that they needed to boost support after our tough period."

5.1.1 Infrastructure Expansion and industrialization

Stakeholders saw the partnership as an engine to continue expanding Ethiopia's infrastructure blob and industrialization capacity base. Officials noted their plans for phase II of major projects - for example, expanding the railway infrastructure past the Addis - Djibouti line, creating new industrial parks in secondary cities, as well as expanding energy infrastructure for additional wind and solar farms with Chinese funding and technology. All of this activity aligns with Ethiopia's Ten-Year development plan, while also recognizing that transport connectivity and energy access are pillars to development. Ethiopia's officials believe that because of China's expertise and capital, Ethiopia will be able to fast-track projects that otherwise may take decades. As KI5 from EIC explained, Chinese firms have expressed a willingness to invest in projects that in most cases would be funded by few others: "They bring not just money but the know-how to build rapidly - railways, roads, power stations. Each of those efforts is an opportunity to address a bottleneck in our economy."

5.2 Energy,Transport, and Construction Sectors

The Belt and Road Initiative (BRI) has served as an umbrella for much of this economic activity. Several flagship BRI projects were either completed or advanced since 2018:

- ***Railway*****:** The Addis Ababa–Djibouti Railway, though construction finished shortly before 2018, became fully operational and carried increasing freight and passenger loads in this period. Chinese experts continued to assist in operations and in training Ethiopian railway staff (more on its impact in section 6.4).

- ***Industrial Parks:*** China's Civil Engineering Construction Corporation (CCECC) built new phases of industrial parks in Adama and Dire Dawa after 2018, while also supporting expansions at Hawassa and other sites. Chinese companies are anchor tenants in many of these parks, establishing factories that produce exports. KI4 from the Industrial Parks Development Corporation mentioned that Chinese firms often serve as a catalyst to attract other foreign investors: "When potential investors – even from Europe see a fully operational park built by CCECC and see Chinese factories humming with workers, it builds confidence that Ethiopia is a viable location."(IMF,2003)

- ***Roads and Highways:*** Multiple road projects were contracted to Chinese companies in the past five years, including the expressway linking Addis Ababa to Hawassa opened in 2020, built by CRBC and upgrades of key trade corridors. These are financed by a mix of Chinese loans and Ethiopian government funds.

- ***Energy Projects:*** China continued its involvement in Ethiopia's energy sector, such as the Adama wind farm phase II completed in 2018 with Chinese technology and funding and transmission line projects connecting renewable energy plants to the grid. Additionally, Chinese firms have been involved in parts of the Grand Ethiopian Renaissance Dam's infrastructure though the dam is largely Ethiopian-funded, Chinese contractors provided electrical equipment for certain components(Ethiopian Power Authority,2015).

- ***Telecommunications:*** A major expansion of Ethiopia's telecom network occurred with Chinesesupport. Huawei and ZTE, which built much of Ethio Telecom's 3G/4G network earlier, engaged in new contracts to roll out 4G to more cities and to pilot 5G trials in Addis Ababa launched in 2022. This was done even as Ethiopia opened the sector to a second operator, indicating that Chinese tech companies remain central to the backbone infrastructure.

Key Informants broadly agree that Chinese economic engagement has been pivotal for Ethiopia's infrastructure and industrial development. They often used phrases like "game-changer" and "engine of growth" to describe Chinese-funded projects. KI3 from the Ministry of Finance summed it up: "China gave us roads, rails, and power when few others would. Without those, our growth story would have been impossible." This sentiment echoes the literature's observation that Ethiopia leveraged Chinese support to "kickstart industrialization" and become something of a model in Africa.

At the same time, concerns about sustainability and balance were present in the economic domain, as voiced by key Informants. Many of these align with what external analysts have noted:

5.3 Debt and Trade Balances

- ***Debt:*** By 2019, Ethiopia's debt to China was significant. KI3 from the Ministry of Finance provided updated figures: roughly US$13.7 billion owed to China, nearly 32% of Ethiopia's external public debt at that time. Servicing these loans, especially those not yet yielding returns, like the railway in its early years put pressure on Ethiopia's finances. "We've had to negotiate interest payment deferrals and restructurings," he admitted, referencing the railway and some power project loans. However, he also emphasized that "China has never used debt as a political tool against us so far, if anything, they extended more credit during COVID and even forgave some interest-free loans in 2023." This nuance shows that while the debt burden is a concern, the nature of Chinese lending has been somewhat flexible.
- ***Trade Imbalance:*** Ethiopian policymakers are cognizant of the large trade deficit with China. KI2 from the Ministry of Trade and Regional Integration lamented that "for every $1 we earn from China, we spend about $7–8 on imports from China." This is unsustainable in the long run for Ethiopia's foreign exchange reserves. Efforts are underway to increase exports like coffee, sesame, and meat to China – indeed, China has in recent years opened up import quotas for Ethiopian products e.g., allowing more Ethiopian agricultural goods into its market. But as of now, Ethiopia's export basket remains small. The interviews indicate this is an area where Ethiopia hopes China will be more accommodating by investing in export-oriented sectors and perhaps granting trade preferences(AFRODAD,2011).
- ***Local Linkages and Technology Transfer:*** There is a dual view on this. On one hand, Chinese investments have certainly brought new technology and management practices, and many Ethiopians have gained skills through these projects (discussed further in section 6.4). On the other hand, some key Informantsnoted that local content in Chinese projects could be higher. For example, a construction-sector regulator said, "We've pushed a policy that infrastructure projects should source a portion of materials locally – cement, steel, etc. Chinese companies comply to an extent, but often the high-tech

inputs and all equipment are imported from China.” Similarly, while there are joint ventures, fully Ethiopian-owned suppliers have struggled to become part of Chinese companies’ supply chains. This reflects a common pattern: critical technology and components often remain controlled by the Chinese side, limiting knowledge spillover. The government has started mechanisms like requiring foreign companies to partner with local firms in certain projects or to provide training programs. key Informants gave mixed reviews on these measures effective in some cases local cement suppliers have benefited and weak in others advanced machinery is still all imported (IMF,2023) .

As discussed, by the early 2020s Ethiopia's external debt to China had grown quite large, roughly one-third of Ethiopia's total external public debt. Servicing this debt has become difficult given Ethiopia's limited export income. The concern is that large debt obligations can squeeze other vital expenditures or recourse to financial distress. Extensive public finance critics, especially in the west, increasingly push a 'debt-trap' narrative suggesting that China has a deliberate debt strategy to acquire property or leverage undue influence. The key Informants were not inclined to accept any conspiracy theories about China's intentions but they recognized the threat of over-indebtedness. KI3 with the Ministry of Finance was candid in saying "we have gone back to China and asked for breathing space on more than one occasion." Indeed, there were examples of debt forgiveness: Apart from cancelling some interest (and small amount of debt) on loans maturing, China restructured and even extended some degree of maturity on loans. In 2023, and as part of a broader relief strategy, China granted Ethiopia a deferral of interest payments on nearly two years of capital thereby allowing Addis Ababa some breathing space in the midst of its foreign exchange crunch. KI3 also noted that this kind of flexibility was encouraging - that is, China did not take more punitive actions such as seizing assets noting that there is no actual example in Ethiopia in what is commonly cited in 'debt-trap' accusations. However, importantly, Ethiopia is still going to need an order of magnitude increase in the economic returns from Chinese funded projects in order to be able to pay off the loans over the long term. Projects like the railway must be net profitable, or at least cover operational costs, otherwise they become burdens to the treasury. The interviews suggested that Ethiopian authorities are actively pursuing opportunities to refinance some loans on more concessional terms and to diversify the funding sources so that China does not hold too much of the debt. It is a delicate balance, managing the need for ongoing access to China's funds for development relative to the pace, cost, and affordability.

The second aspect of discussion relates to balancing the developmental gains with the structural risks in Ethiopia -China cooperation. The literature and the fieldwork create an overall picture of significant gains in hard infrastructure, industrial capacity and socio-economic growth while raising concerns about the long-term sustainability and the equity of those gains. Ethiopia's situation since 2018 is consistent with many principles in development theories that identify infrastructure as a trigger: improvements in roads, rail, and power, largely with Chinese assistance, addressed critical constraints and opened the door to economic activity. The establishment of industrial parks and manufacturing jobs has initiated a fundamental shift to the economic base of Ethiopia, consistent with Rostow's stages of growth model it appears Ethiopia is establishing an independent economy and moving from an agricultural to early industrialized economy.

The thesis findings noted the direct mention of job creation and poverty reduction which align with government data on declining poverty in regions with significant Chinese investment. These positive aspects have clearly satisfied the first research question (RQ1): Chinese investment in Ethiopia has enabled demonstrable progress on Ethiopia's development agenda. However, there are also systemic risks that could negatively undermine these benefits if not addressed. One systemic risk is dependence on both foreign finance and imports (see subsection 7.1) - Ethiopia needs to ensure that growth is sustainable. A recurring theme in interviews was the sustainability of projects to address RQ4 sustainability of outcomes. One example was the Addis–Djibouti Railway, which ran at a loss at the outset and the government had to subsidize operations. Financial sustainability was in question.

By 2023, volumes were up and the railway, while still losing money, had lower losses suggesting some improvement, but that investment in big projects can take time. Environmental sustainability was also mixed in this respect: while the discussion in 6.3 suggested there was more good with respect to many Chinese projects (renewable energy investments), there were also examples of environmental failures (pollution, deforestation). Overall, balancing the economic development gains against the social and environmental costs is an ongoing challenge. The Ethiopian officials' responses regarding strengthening standards and oversight suggested that they recognize this problem. Here Ethiopia's experiences shake up generalised debates: they demonstrate that South-South development projects can have the same problems as traditional projects displacement, labour relations and that regardless of who was our partner, understanding governance and safeguards were critical to their success.

In summary, since 2018, Chinese economic engagement has had a largely positive impact on Ethiopia’s development trajectory: infrastructure deficits have been reduced, industrial activity has been stimulated, and economic growth has been bolstered, making Ethiopia one of Africa’s fastest-growing economies during much of this period. These outcomes support arguments in the literature that Ethiopia effectively leveraged Chinese capital to “kickstart industrialization” and achieve tangible development gains. Notably, Ethiopia’s achievements new roads, factories, electrification, jobs directly correspond to priorities in its national plans, indicating that Chinese aid and investment were effectively aligned with local development goals, a case of successful coordination between donor and recipient agendas. The benefits, however, come alongside new responsibilities, debt management, maintenance of infrastructure, and skill upgrades that Ethiopia must handle to ensure long-term sustainability, a point further addressed under challenges (see section 6.3).

5.3.1 Economic Dependency and Trade Imbalance

Ethiopia trades primarily in hard currency for Chinese imports and has seen a trade imbalance with an estimated trade deficit of around USD 3.8 billion in favor of China in 2024. This trade imbalance is compounding Ethiopia's continued issues with the lack of foreign currency. In addition, many sectors of the Ethiopian economy are, almost exclusively, reliant on different levels and types of Chinese inputs, from machinery to intermediate goods, making it reliant in industry which alarms policymakers. If China’s economy were to sputter, or if relations soured, the downside for Ethiopia could be catastrophic. As described by an economist in an interview, “It’s like if China stopped exporting to us. Then, [inaudible] everything from construction to telecom would stop here. That’s how reliant we’ve become.” The government is trying to mitigate this effect through developing where possible import substitution like domestic production of construction inputs or through the need to increase migration not only to China, but worldwide the created industrial parks with construction done by Chinese construction companies, is supposed to also produce export goods to help increase foreign exchange, and trying to attract a broader landscape of investments beyond China. ex. by attracting investment from people from India, Turkey, and Gulf states, opposed to just people from China as by far the largest investor is every single sector. However, given China's interest and capacity, it is still the current main driver.

5.3.2 New Export Opportunities in China

China's enormous economy offers Ethiopia's exports another opportunity. Officials pointed to recent moves by China to open its market to more Ethiopian goods, for instance, Ethiopia's benefit from China's tariff quota on African products such as coffee, oilseeds and leather tariff-free quotas. In interviews, trade officials expressed tempered optimism that, as long as Ethiopia can grow the quality and volume of its export products, China could absorb that much more, particularly agricultural. One Trade Ministry expert indicated that there are already negotiations underway to get Ethiopia's pulses, and to a lesser extent its meat, approved for export to China, recognizing the potential to earn much-needed foreign exchange. The planned entry into BRICS and closer economic ties might also engender smoother trade arrangements or currency swap agreements which would take pressure off the foreign exchange pressures of the national economy.

5.4 Effects of Chinese Foreign Direct Investment

5.4.1 Drivers of foreign direct investment in Ethiopia

The main driver for initial foreign direct investment in Ethiopia was the Eastern Industrial Zone (EIZ) construction, which was built by a Chinese firm Yonggan Group. The results achieved by the first industrial park was instrumental in influencing the Ethiopian government to create more economic zones and industrial parks. Ethiopia's industrialization and export-oriented industrialization was thus born, and the country quickly developed industrial parks in almost every region of the country. As shown alongside, Ethiopia's industrial parks are mainly concentrated in the significant country's capital. There exist different theories in regards to how industrial parks and economic zones promote foreign direct investments. However, a simple and straightforward explanation is that governments usually offer incentives on forms in these areas and ensure the supply of key factors of production such as water, electricity, connection, and logistics. These kinds of incentives thus make these zones very attractive and preferred for business. From foreign direct investment theories, these incentives serve as icing on the cake for foreign investors; for example, in the Eastern Economic Zone, the Ethiopian government grants a seven-year tax holiday for firms operating in it. Certainly, industrial parks and economic zones serve as the push over the qualms of firms venturing into foreign markets. Currently, the Ethiopian Investment Agency reports that the country has 19 industrial parks, seven private. The plan is to have over 25 industrial parks by 2025(EIC,2021).

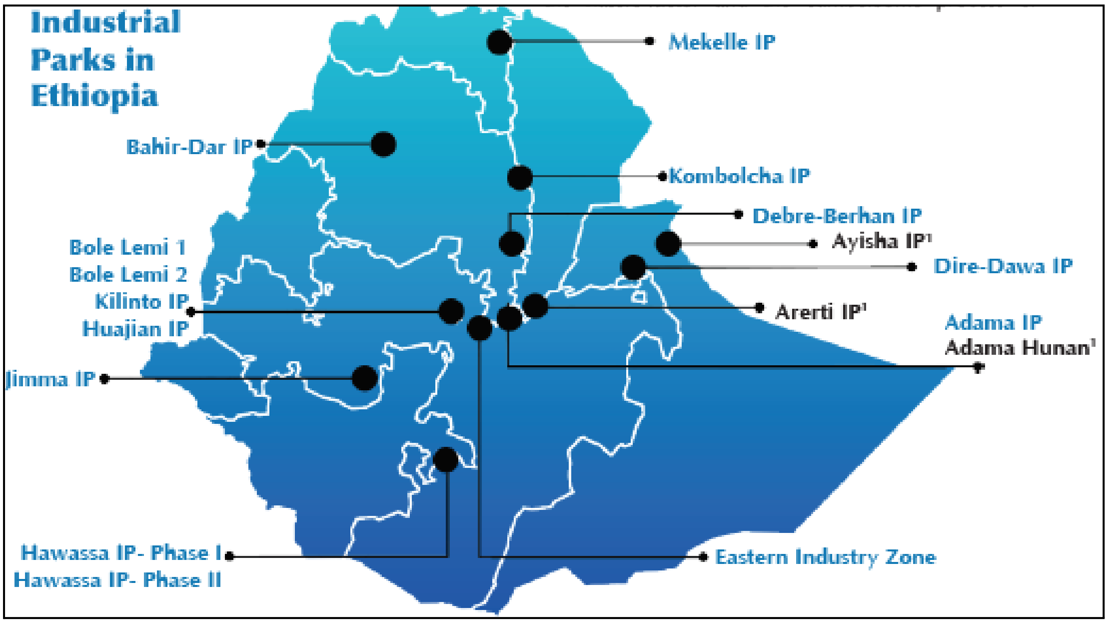
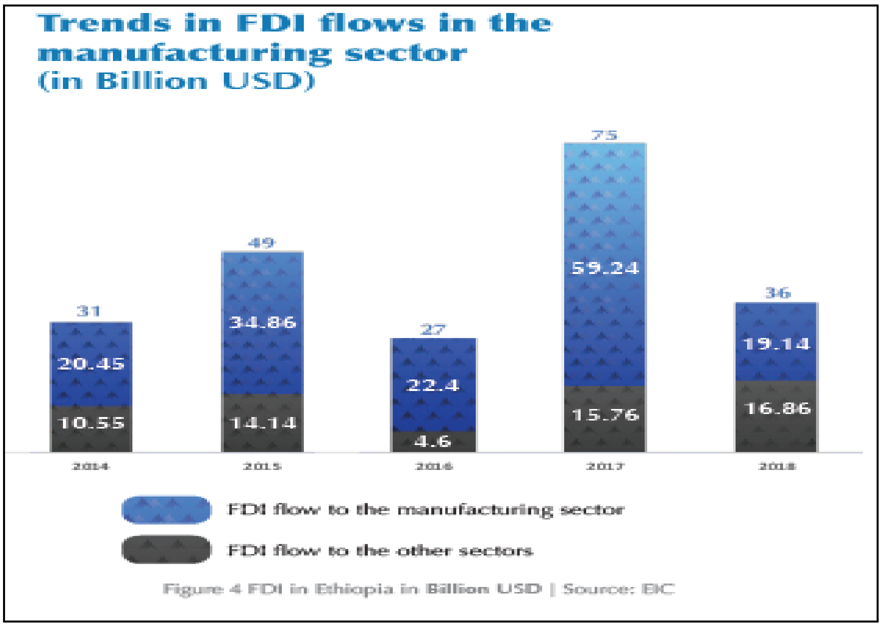


Figure 5; Industrial Parks in EthiopiaSource:(Industrial Parks Development Corporation,2022)

As highlighted, foreign direct investment in Ethiopia has mainly been in the manufacturing sector. The government feels it is crucial for its developing economy; foreign direct investment is primarily bespoke in the extractive, service and agricultural sectors for most countries. However, 60% of Ethiopia's foreign direct investment goes to the manufacturing industry, making the Country one of the few African nations with the most foreign direct investment invested in the manufacturing sector (Aychiluhim,2016). The bulk of foreign direct investment in the manufacturing industry is also crucial. It is termed a Greenfield investment, with such investments helping introduce new technologies and often product innovation.

Figure 6: FDI Inflow in Manufacturing Sector



Source:(EIC,2025)

The other reason that motivates a foreign direct investment is the specific natural resources location advantages. With Ethiopia's vast resources ranging from cheap labour, broad market, raw materials like hides and sand, it becomes an attractive destination for most foreign direct investments. Macro-economic stability and superior infrastructure are also some of the leading drivers for foreign direct investments. In Ethiopia's case, the infrastructure is still nascent, which explains the government's concerted efforts to develop the national infrastructure. The Chinese have led to the financing of the infrastructure(Yang,2016). They also offer the capacity gaps by having on-site engineers. The main infrastructure developments in Ethiopia have been on roads, railway, electricity generation and processing capacity. While these remain crucial in developing the nation's ability to attract foreign direct investments, it is crucial to plan well and balance developing infrastructure and optimizing existing foreign direct investments. Ethiopia has focused on growing its infrastructure but has no clear plan of linking infrastructure development with foreign direct investments rationalization. This has resulted in mounting national debt and financing gaps with no substantial inflows either from exports or remittances to close. Truthfully, global developmental partners such as the World Bank should blame lousy policy advice, including sanctioning a Keynesian growth model with no focus on social empowerment in low-income countries (Lin,2011). Chinese firms too have forced rather absurd terms in most of their financing loans, such as control over some of the infrastructure developed and pushing an amortization plan for some financially uneconomical loans.

Apart from the two theories, market size has also been a critical driver for foreign direct investments. Prudential assessment of a market size focuses not just on a country's population but on the per-capita income. The primary definition of demand explains such a move; willingness and ability to buy. It would be illogical to open up a firm in a new country because of the enormous population size, but that has no ability whatsoever to purchase the goods and services supplied. A study done by concluded that the market size was a fundamental determinant of foreign direct investment in Uganda.(Obwona,2001)

Moreover, It was established that the market size, evaluated from a per-capita lens, plays a crucial role in attracting foreign direct investments. On the other hand, some studies have concluded that the host country's market size and growth rate are no significant contributors to foreign direct investments. For example, it was concluded that both the gross domestic product growth rate and market size are not substantial in encouraging foreign direct investments in Nigeria. Similarly, failed to back up the market size in Ghana as a crucial driver for foreign direct investments in the country(.Chakrabarti 2001,Salisu ,2003, Tsikata et al,2000)

Critical foreign direct investment drives for foreign direct investment in Ethiopia can be categorized under geographical advantage, market size and the favorability of conditions of doing business in the country. In a conducted study that assessed the ease of doing trade, gross domestic product growth rate, school enrollment, openness to foreign direct investment, and the internet's impact in promoting foreign direct investment inflows to Ethiopia. All the factors assessed showed significant contribution to foreign direct investments in Ethiopia except for the internet. The ease of doing trade was the most crucial consideration in investors accepting to invest in Ethiopia. It was then followed by the economic growth rate and school enrollment. Generally, if a foreign direct investment seeks skilled labour, the enrollment rate in high school (joining form 1) increases the propensity of the foreign direct investment to invest in Ethiopia. On the other hand, if the foreign direct investment demands low skilled labour, the enrollment in form 1 reduces a foreign direct investment propensity to invest in Ethiopia by almost 16%. (Degele and Rambabu ,2020)

In a statement made by the deputy director of the Ethiopian Investment Commission (EIC), Temesgen Tilahun, the location of Ethiopia, vast population and resources and the increasing number of industrial parks will continue to attract foreign direct investments in Ethiopia. The construction of Industrial Parks in Ethiopia is itself a foreign direct investment, with the recent one being the Mekelle Industrial Park that was bought by a Chinese firm. Ethiopia is well-positioned to attract foreign direct investments with its vast population and pretty high gross domestic product growth rate. While Hofstede classifies Ethiopia as a country that allows stratification by power and economic status, which means that per-capita is relatively low with most of the country's wealth held by few individuals, the Ethiopian government is deliberately rolling out a plan for more inclusive growth. With such a policy, the country's per capita is going to go up and hence make the country increasingly attractive to foreign direct investments.

Recently, Ethiopia has revamped its investment law. The House of Representatives approved the draft Investment Proclamation to increase the ease of doing business and attract foreign investment in the country. Among other changes, the new law revamps the legal and institutional framework of the country, giving more power to the Ethiopian Investment Commission like approval of VISA benefits, the ability to approve Brownfield Investments and mandate to make decisions in and around the demand for expat employees or alternatives such as training of Ethiopians to replace expat labour needs. The New Proclamation also seeks to form inter-regional regulatory councils and grant them the power to approve some FDUs in their regions. The law also widens the minimum waiver of capital, not to a new higher range but also includes persons elected as board members for companies that convert to share companies and hence a need forms minimum nominal shareholding to be legible as a director. These regulations make it easy for foreign direct investments and remain keen on ensuring that Ethiopians get the maximum possible benefits of foreign direct investments.

5.4.2 Temporal Patterns and Policy Events

The timing of project approvals displays noticeable volatility around recent events. In 2018–19 there was a surge in new Chinese projects coinciding with Belt and Road agreements and political reforms, followed by a sharp dip in 2020–2021 when COVID-19 and domestic conflict stalled investment. Field reports indicate that new project starts fell from about 182 in 2019 to only 66 in 2021. However, this was short-lived: as stability returned, approvals rebounded in 2022–2023 to record levels.

In 2023 alone, Ethiopia saw 222 new Chinese project approvals – a record high that surpassed pre-pandemic levels. In effect, the post-2018 era has been one of expansion: infrastructure projects (railways, roads, energy grids) and factory investments accelerated under the Belt and Road framework, even as occasional shocks caused temporary slowdowns.

Overall, the EIC data portray a sustained upward trend: by mid-2024, over 2,100 Chinese projects had been approved in Ethiopia, dwarfing approvals from other partners.

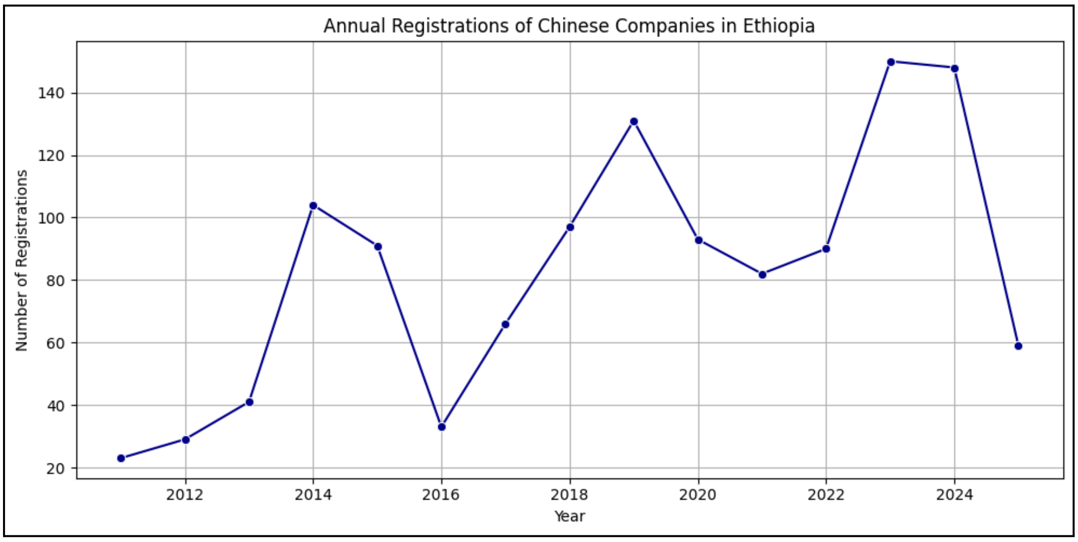


Figure 7: Yearly Trend of Chinese Company Registrations

5.4.3 Perceived Benefits of the Ethiopia-China of the Partnership

In spite of navigating challenges, Ethiopian stakeholders observed several advantages resulting from the Ethiopia–China partnership. Many key Informants expressed optimism about leveraging Chinese support to help their objectives of developing Ethiopia. Opportunities discussed include:The interviewees noted numerous development and economic development advantages such as technological spillovers from modern production facilities, employment opportunities within the new factory sites and market access into China. These are consistent with the literature that describes Chinese Aid as a "Development Partnership" that is designed for mutual growth and development (Adem 2012; Alden & Jiang 2019). The data collected from the Ethiopian Investment Commission will provide evidence supporting the "Mutual-Benefits" narrative of South-South Cooperation.

5.4.4 Technology and skills transfer

Several key Informants expressed hope that the partnership could increasingly involve transferring technologies and skills to Ethiopians. Specifically, they believed in cooperation and joint ventures with Chinese partners in manufacturing, where Chinese and Ethiopian companies jointly produce in a way that enables Ethiopian employees and entrepreneurs to learn advanced techniques. There are already instances of these partnerships e.g. in pharmaceuticals, textiles and officials are looking to build on them. Moreover, the short and long scholarship programs to train Ethiopian professionals in China were referenced as a vehicle for building Ethiopian capacity. An official from the Ministry of Innovation acknowledged the partnership with universities, including initiatives on research and training hosted by Chinese companies, however, the local capacity still needed to be built, particularly in engineering fields on telecom, railway engineering partnerships, etc.

The same kind of point was made by KI4 from the Ministry Industrial Parks Development Corporation, pointing out that Chinese companies were "bringing in advanced machinery and knowledge," but in their time in Ethiopia, the potential benefit of that abroad in terms of knowledge absorption had not been fully taken advantage of by Ethiopians. In one case, Chinese companies were still deploying technicians to some factories. In these cases, Ethiopian workers were not trained to maintain their imported machines. KI4 noted that in conversations a few years ago, many Chinese companies were "not hiring locals," and this is seen to have improved over time. Currently, the focus of stakeholders is ensuring that if Ethiopians move into higher level jobs that they are supported to do so, and ensuring that workplace, labor norms and standards shift to local standards.

5.4.5 Technology and Skills Transfer(Challenges)

While Chinese investment brings with it new technologies to Ethiopia, not all of the technology is accessible for transfers to the local level.

Research has indicated that technology spillover benefits firms with high absorptive capacity, while the others receive relatively little technology spillover and, in fact, may have trouble competing. Some key Informants had similar sentiments: certain Ethiopian manufacturers felt “left behind” in sectors with Chinese firms that exhibit productivity levels too serious for them to compete against. An example was given of the plastics industry in which Chinese-owned factories in Ethiopia produce plastic products using advanced machines and achieve economies of scale that small-sized Ethiopian factories cannot obtain, forcing some local manufacturers out of business. This challenge is simultaneously one of coordination the question of how Ethiopia can ensure local firms become suppliers or partners and not mere competitors of Chinese firms and one of capacity the question of how Ethiopia can upgrade the technology and human capital of local firms. The upside is that the possibilities for joint ventures and supplier development could help tackle both issues, although it requires intentionality. As mentioned above, officials from MOI expressed a need to take further steps to ensure know-how is actually transferred to Ethiopian workers and firms, rather than just being brought in by Chinese firms, as they often do.

5.4.6 Diversification of Foreign Investment Sources

Ethiopian policymakers also see opportunities for diversification of partners, even if that is part of the context of this partnership as it develops. Interestingly, some officials mentioned that Ethiopia's increasing successes with Chinese investments has made the country an appealing investment destination for other emerging economies (i.e. India, Turkey, the Gulf states) which provides Ethiopia with options. They feel that the presence of China is not exclusive, but complementary, to a broader strategy of attracting capital. In fact, some key Informants portrayed how they leverage positive uncertain consortia of partners: If China offers for a project, Ethiopia can openly engage others, e.g. Japan or Korea to also offer, thus providing Ethiopia maximum potential returns based on its consortia of partners. This, they regarded as an opportunity to positively evolve the initial terms for all partners.

5.4.7 Local Employment and Labor Issues

Earlier in the cooperation i.e., 2000s, there tended to be notions that Chinese companies imported human power at all levels, including basic task jobs, and there was resentment towards that situation. By 2021, the data indicated that there were no more than 6,000 Chinese workers in Ethiopia- modest by virtue of the projects in hand but far more importantly, the employee base for Chinese projects is dominated by Ethiopians. Thus, that challenge of job exclusion is largely addressed over time. However, there is an area of attention concerning labour practices.key Informants were insufficiently succinct in their comments: “In contrast to 10 years ago, we hear far fewer complaints about Chinese firms not hiring locals,” said a representative from the Ministry of Labour. “The complaints we hear now are more about conditions and career paths.” Indeed, in some instances, Chinese firms have been criticized for maintaining the status quo in terms of only allowing Ethiopians to remain in low-level positions with limited ability for upward movement in the organization and Chinese persons occupying the upper levels of management testimonial evidence exists of China assigning Ethiopian managers to these high-level positions in China. Convincing management to provide sound working conditions for Ethiopian staff and establishing constructive promotion paths is what we are currently engaged in. The government is not only enforcing extensive inspection of labour regulations, but they also take feedback from Ethiopian workers. A representative from a trade association informed interview indicated that at one industrial park, there was anxiety over wages and, albeit after mediation by the government, the Chinese factory had no trouble getting to an agreement that there would be a marginal increase in pay and the establishment of a workers' committee. As such, there is evidence that challenges are being managed, but also that attention, when given to labour relations, is worthwhile.

5.4.8 Developmental Implications and Challenges

These patterns—overwhelming attention to manufacturing/infrastructure and excessive concentration in Addis/Oromia—illustrate the strategic orientation China plays in Ethiopia's development agenda. Sectorally, Chinese investments are most heavily connected to Ethiopia's boom in industrial parks and construction which are captured by Ethiopia officials as "infrastructure blob" themes. At the regional level, while the clusters around Addis help advance national connectivity possibilities, they ultimately raise potential questions about the equity of growth trajectories.

Project status data also shows that despite nearly two-thirds of the projects identified being operational or currently under implementation, 20-percent-plus were reported as cancelled or inactive. This may reflect underlying hurdles related to land disputes, delays in local regulation enforcement, and/or gaps in financing possibilities especially in less urbanized regions of Ethiopia.

Noteworthy here is that in interviews, Ethiopian independent and government stakeholders stated they are aware, even as an association, to the challenges articulated here. However, they collectively maintained an optimistic perspective about China as a long-term investment partner in Ethiopia, and about Ethiopia's negotiating skills helping to achieve fairer deals in the future going forward. The concentration of investments around growth poles, even as specific investments have not been executed as planned and development remains unevenly directed and spread across regions, signals China's potential interest in the transformational type of investment being made versus the risk it faces.

More generally, the evidence here supports the hypothesis that post-2018 Chinese investment in Ethiopia has entrenched more deeply its operating sectoral alignment, and intentionally or not is behaving in a broader strategic infrastructure development approach. Nevertheless, significant concerns remain regarding challenges associated with implementation capacity, deviations into celebrative regional inequality; and, potential dependency risk. These concerns remain pressing much like the contemporary Covid-19 pandemic repercussions when it started emerging in early 2020, and require specific attention in response.

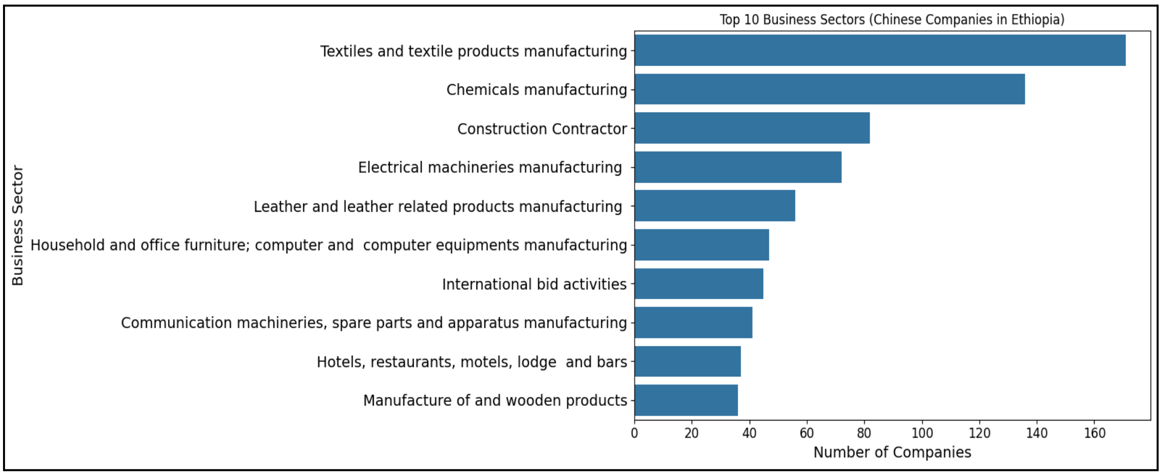


Figure 8: Top 10 Business Sectors

5.5 Foreign direct investment and Fixed Capital Formation

The growth of a country is not just based on the increase in growth of the gross domestic product but also the capacity of a country to generate products or services. This ability to produce goods and services is measured by the net fixed capital investment and is referred to as Gross Fixed Capital Formation. Gross fixed capital formation is the basis upon which a country's long term and sustainable development are founded. In the assessment of the impact of foreign direct investment and GFCF by the EIC, there was a conclusion that foreign direct investment was a significant contributor of the countries' GFCF, with the latter growing by 14%

from 2% in 2012 to 16% in 2016, a time where the foreign direct investment also significantly grew.

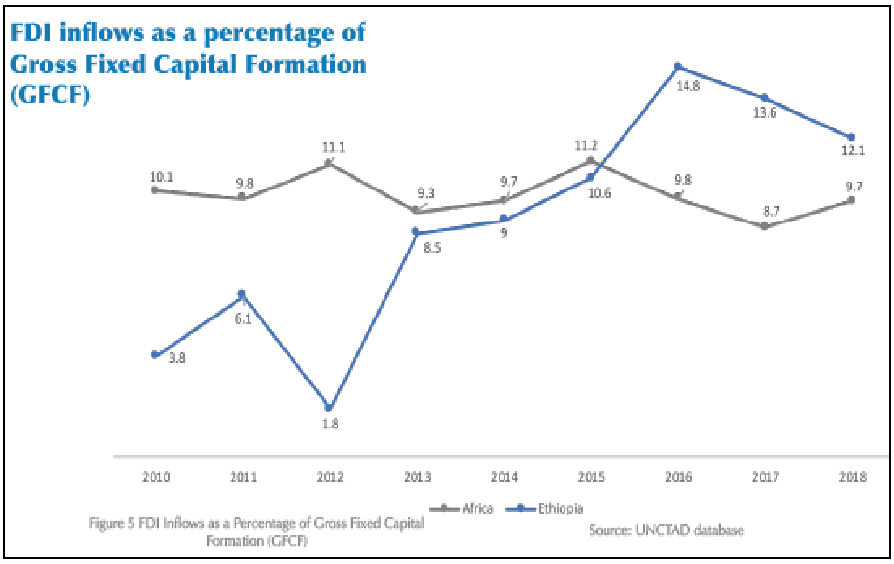


Figure 9: FDI Inflows as a Percentage of GFCF(UNCTAD DataBase,2023)

5.6 China's Infrastructure Footprint in Ethiopia's Development Agenda

Following the political transition in Ethiopia post-2018, China has been Ethiopia's biggest infrastructure partner. The major infrastructure sectors of new investment and construction from China include rail, highways, energy, industrial zones and telecom. Chinese state banks and state-owned enterprises are financing and building an expanding network of roads and factories in alignment with Ethiopia's Ten-Year Development Plan. According to some reports, through this period China had undertaken nearly all the large transport and industrial projects in Ethiopia. Officials and observers have said that China's infrastructure projects have been a "game changer," and an "engine of economic development," in Ethiopia. These tangible developments new railways, new electricity lines, new highways, new industrial parks have delivered economic value through reduced transit times, reductions in costs, creation of new jobs and stimulation of foreign investments. However, these economic value outcomes tell only part of the story about the significance of these and related projects; they have also taken on meaningful symbolic significance in Ethiopia's public discourse of development, sovereignty, and Sino‑Ethiopian friendship.

The Belt and Road Initiative (BRI) was the umbrella framework. Within this framework Ethiopia was envisioned as a primary partner in China's global vision of connectivity, and a number of Ethiopian projects were classified as BRI flagship projects (Foster et al., 2009; Liu & van Dijk, 2018). The Addis Ababa–Djibouti Standard Gauge Railway - the first electrified cross-border railway in Africa was occasionally touted as a BRI flagship project; although the construction of the railway was relatively finished in 2018, but this particular project and related projects in railway operation and expansion were tied to China introducing Ethiopian development to their vision of regional trade. Likewise, Chinese support to upgrading highways, expanding airports and supporting urban transit e.g light rail transit in Addis Ababa have been framed as support to "connectivity and cooperation" all under the BRI framework. Ethiopia exercise their own development strategies, particularly the Growth and Transformation Plans and Ten-Year Plan which has clearly articulated their public positioning alongside the BRI(Ministry of Finance, 2023, African Development Bank [AFDB], 2020) enhancing the narrative that Chinese investments in infrastructure development have provided Ethiopia with an opportunity to redefine their self-defined modernization plans. This framing possesses political resonances; it constructs Ethiopia as an equal participant in a 'win-win' development story, not a merely passive aid recipient. In sum, by 2025, China's finance and construction of infrastructure in Ethiopia dominates the agenda of development in Ethiopia that they also carry a partisan symbolic dimension of Ethiopian agency, the choice of projects and solidarity by China the provision of means.

5.7 Sectoral Distribution of Chinese Investment

The Ethiopian Investment Commission (EIC) reports that licensed Chinese projects comprise the largest share of the FDI pipeline in Ethiopia. By 2023, EIC figures show that since the late 1990s, a total of 2,292 projects had been licensed to Chinese-owned businesses. Well over half of those 68 percent were licensed since the last major report collaboration between EIC and researchers in the mid-2015s, and from around 1,294 total projects. The surge of approximately 1,034 projects since 2015 includes the overwhelming majority of projects licensed after 2018 following the election of Prime Minister Abiy Ahmed. By mid-2024, Chinese-invested capital surpassed $8.5 billion.

The majority of Chinese investment projects comprised manufacturing (68%) and/or infrastructure linked sectors. For example, EIC records for 2005 – 2017 suggested that out of all Chinese projects, around 68% (626 of 922 total projects)were in manufacturing. In contrast agriculture and health were negligible at well under 1%. Construction and real estate were the next largest category: nearly 13% of projects had to do with construction contracting (121 projects) and another 12% in real estate, machinery, and related services. Hotel and tourism projects were modest (less than ~3.7%), and mining, transport/communication, and "other", were below 1%.

This sectoral pattern was consistent in the post-2018 period, in that the latest industrial parks, textile and electronics factories, and energy plants are manufacturing or infrastructure projects that remain in line with China's traditional focus. In summary, Chinese firms have heavily pursued Ethiopia's industrialization, focusing on the industrial parks, especially, and heavy industry, while agriculture and primary services remain fringe.

Table1 and Table 2 below summarize the distribution of Chinese projects by sector and region all years to 2025. Just as before, they demonstrate the overwhelming dominance of manufacturing, especially in Addis/Oromia.

Sector (Industry)	Projects	% of total
Manufacturing (factories, agro-processing, etc.)	626	67.94%
Construction/Building (incl. oil/well drilling)	121	12.83%
Real Estate & Machinery Rental (incl. SEZs)	102	12.22%
Hotels and Restaurants	31	3.66%
Health and Education (clinics, schools)	10	0.96%
Transport & Communication (tourism, telecom)	10	0.87%
Agriculture, Forestry, Fishing	7	0.78%
Mining and Quarrying	4	0.31%
Others (e.g. financial, services)	1	0.34%
Total (All sectors)	922	100%

Table 1: Distribution of Chinese Projects (Ethiopian Investment Commission.)

Region	Projects	% of total
Addis Ababa	706	54.56%
Oromia Region	452	34.93%
Amhara Region	59	4.56%
Dire Dawa City	12	0.93%
Other regions (combined)	65	4.99%
Total (All regions)	1,294	100.00%

Table 2 : Distribution of Chinese Projects (Ethiopian Investment Commission.)

4.7.1 Regional Distribution of Chinese Projects

The regional distribution of projects is also highly skewed. Historically about 90% of Chinese projects have been in or near the capital, Addis Ababa, and the surrounding Oromia Region. For instance, as of 2015 Addis Ababa alone hosted 706 projects (54.6% of the total) and Oromia 452 projects (34.9%). By comparison, other regions (Amhara, Tigray, etc.) each received only a few dozen projects apiece.

This concentration reflects China's emphasis on the industrial zones around Addis and on major transport corridors radiating from the capital. In recent years there has been some slight geographic diversification for example, newer projects in Afar and Somali regions related to infrastructure, but Addis/Oromia remain dominant. New data through 2025 continue to show a similar distribution, with over half of Chinese approvals still concentrated in the Addis‑Oromia area.

While this aligns with Ethiopia's growth corridors and logistics strategies, it also underscores ongoing disparities in regional investment flows. The lack of significant investment outside of central Ethiopia may risk reinforcing uneven development unless deliberate incentives and policy adjustments are made.

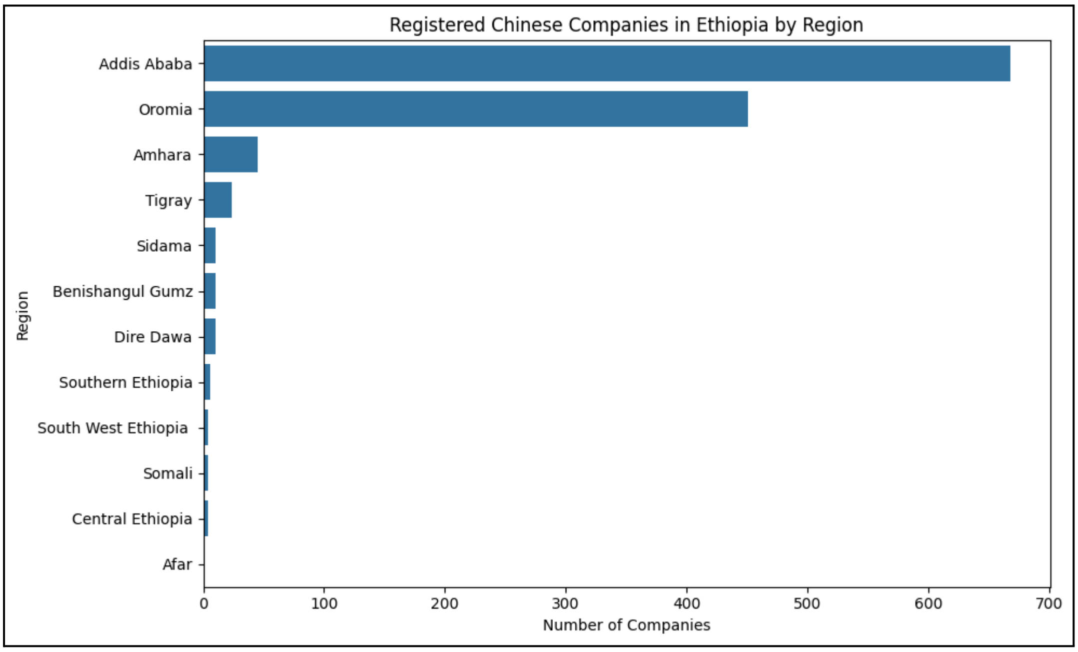


Figure 10: Number of Chinese Companies by Region

5.8 Symbiosis VS Dependency - in Theory

A central debate characterizing China-Africa relations is whether the relationship is one of mutual benefit, strategic symbiosis or a neo-colonial dependency. Overall, Ethiopia's recent experiences seem to suggest that the benefits are tilted towards strategic symbiosis, although with some cautionary notes. On the one hand, it is evident that Ethiopia benefited from China facilitating rapid infrastructure build-out, investment-led industrialization, and diplomatic support and legitimacy -which were all consistent with Ethiopia's aspirations for development. These developments add to the arguments that China can successfully present itself as a development catalyst in the African context; primarily by looking at China's contributions to infrastructure projects and technology, as articulated by those advocating for South-South cooperation. The field data indicated that Ethiopian officials remarked on the Chinese investment projects boosting growth in GDP and reducing poverty which corroborates with some of Lin and Wang (2017)'s research differentiating the direct effects of infrastructure on growth. The partnership also shows some features of interdependence: Ethiopia needs Chinese resources while China needs a stable partner and market for their companies in Ethiopia.

Therefore, this interdependence undermines a pure dependency thesis and fits with perspectives on developmental partnerships where both parties have a stake.

On the other hand, elements of dependency are not totally absent. Ethiopia's debt dependence on China's financing and then dependence on imports meant that if there is an alarming debt-to-GDP ratio combined with unfavourable trade balances creates a structural dependence that could be alarming if not handled well. Issues mentioned in section 7.3 which are a challenge debt pressures, import dependence demonstrate there are also vulnerabilities under the success story. These issues also reflect some of the sceptics' perspectives of China–Africa relations that warn against new dependencies. Ethiopia does take an active approach in looking for options for debt relief and looking beyond China to establish durable partnerships to avoid a bigger “debt-trap” possibility. A participant such as KI3 from MOF, acknowledged there are risks involved for Ethiopia with the debt, and that China is flexible (in fact Xi stressed debt relief as he mentioned earlier on in Addis in 2023), but that Ethiopia is strategic and looking for the best terms with China while maintaining the sovereignty that Ethiopia wants. This also aligns with critiques in the literature that the debt-trap narrative is too simplistic; Ethiopia demonstrates that although debt is a vulnerability, it is not absolute in losing agency or in control. Ethiopia's agency, indeed, is a constant thread that challenges simple dependency paradigms.

The interviews provided consistent portraits of Ethiopian officials knowing what they want out of the partnership and being prepared to redress or look for alternatives when necessary. The findings further bolster the idea of African agency found elsewhere in recent literature (e.g. Mawdsley, 2018; Cheru & Oqubay, 2019), highlighting that African states are not relegated actors but players that shape outcomes. Ethiopia - using the competition between foreign partners to its advantage - for example used the potential for Western or Gulf investments to try to convince China to make a good deal and vice versa. As one senior government official concluded, "Challenges are there; but none of them are deal-breakers. We see them, and we are tackling them one by one. The opportunities from working with China in terms of knowledge, capital and global positioning - are massive. It is up to us to take them responsibly." This perspective encapsulates a symbiosis mentality: Ethiopia sees risks but believes it can manage the risks through deliberate action while funneling into significantly greater rewards.

Chapter six: Conclusion and Recommendations

6.1 Conclusion

Looking ahead, stakeholders in Ethiopia and China believe that the relationship will remain healthy and grow in new areas. However, they recognize there will need to be shifts to make it more sustainable making the "win-win" more "win-win" in the future. It was more often mentioned that they were now focused on "high-quality development" of the partnership moving forward. Practically, the following may happen:

- Move from large loans for infrastructure to investment and joint ventures. As KI3 predicted, the next stage of investment would consist of Chinese companies investing in emerging sectors in Ethiopia such as banking if it is liberalized; ICT and digital economy; agriculture value chains and other forms of partnership so that it is not solely government-to-government loans. This would alleviate some of Ethiopia's debt burden while still creating growth.

- More focus on diversification and value addition of industry. Officials in Ethiopia seem more focused on encouraging Chinese investment in higher value manufacturing i.e. automotive parts, electronics assembly and services taking advantage of the light manufacturing base that has been established to this point. This fits with Ethiopia's goals to climb up the industrial ladder and with China's own evolution of industry as China also looks to move some of its industry offshore.

- Green development partnership: There may be future collaboration in the areas of renewable energy and climate-resilient projects given the enormous renewable engagement potential of Ethiopia and the expertise of China and the global agenda calling for green BRI). Examples provided, like the proposed Addis Ababa metro expansion plans electric trains and solar farms planned to be set up by Chinese firms, would help in making progress both countries agreed on undertaking for sustainable development. Continued diplomatic support and multilateral coordination: On the political side, Ethiopia will likely coordinate even more with China in international settings since it will now join China in BRICS. We can expect more coordinated positions on issues such as UN reform or global south development financing. China will provide diplomatic support for Ethiopia's leadership bids in international bodies as it has previously and include Ethiopia in its larger vision for south-south cooperation platforms. Focus on quality and people-to-people ties:

Both sides have expressed an interest in having some soft aspects - such as cultural exchange, training programs, scholarships, etc.in order to foster understanding. Key Informants suggested increasing initiatives of this sort for instance, adding more Chinese language institutes in Ethiopia, or more Ethiopian cultural exhibits in China in order to solidify the domestic base that supports this partnership. On the whole, the interviews undertaken for this thesis illustrated a sense of cautious optimism on these future trajectories: KI3, "We are on a very positive path, and even with serious challenges going forward; debt being the obvious one by 2021, China holds about a third of our external debt.

- There were concerns over repayment and dependency. Western critics shout 'debt-trap', but we have seen China be flexible - they gave us debt relief in 2023; they never threatened to take over our assets. That said, it is something we have to manage carefully; it means pushing projects through the financial viability lens and diversifying where we borrow. The other challenge is technology transfer; Chinese investment brings new industries, Indigenous benefits can be uneven." While some local businesses have flourished and others have struggled, they all are learning similar lessons to their Chinese counterparts. We simply need to take the right steps to develop our capability further up the ladder. The employment issue centred on Chinese workforces supplanting locals; then not much of an issue given the Territory had fewer than 6000 workers from China at End 2021. The real area of concern is relating to the quality of the jobs: good working conditions; being an opportunity to gain advancement for our people working with Chinese Companies. Early perceptions by some that Chinese people lived in enclaves and never assimilated and while this is improving, it goes to the social impact story.

- Environmental and social safeguards is another area, you could talk about the pollution coming from a factory into a river, or the upset caused by many communities about alienated land they previously accessed for projects. While these issues have taught us that more time and effort needs to be put into oversight and best practice enforcement. On the upside the perspective is we are 'model BRI country' for China and we have the chance to use that to our advantage to attract investment; especially, now that China is looking at relocating complete industries our thinking wants those factories in to create jobs. In addition, ICT or green energy are new spaces we could enter, as long as China can be provided as the on seller. Regionally as the Horn's transport hub as Chinese enabled projects unfold we become the entry point to access our neighbours which becomes another economic stimulus for us.

- "We have the principle of South-South cooperation; we're not alone. We are sharing experiences with other countries working with China. Where together we can work out how to negotiate terms that are more equitable, for example even perhaps going in together to China about things such as debt or fair trade. So, yes, there are these challenges and we talk openly with our Chinese colleagues about them, because we want to genuinely build and strengthen win-win partnerships. The fact we are able to discuss the pitfalls of our partnerships, suggests that we can try to mitigate them. Ultimately, in my mind, there is nothing that unmanageable about these challenges and the opportunities we are discussing are far too significant to ignore." (KI3, Ministry of Finance, 2025 Interview)

This longer reflection by the finance official captures the balanced perspective that Ethiopian policy makers appear to be adopting - a combination of recognizing the real issues tempered by a realization and commitment to thinking through the issues, and a sense of the broader, bigger gains they might be able to achieve. For this reason, it naturally leads naturally to thinking about developmental outcomes, because at the end of the day the ultimate measure of success of the partnership is whether it enables Ethiopia to pursue its developmental objectives in a sustainable way.

In conclusion, the observations here support the argument that since 2018 Ethiopia's engagement with China has been primarily an engine for growth, part of which naturally involves political will and willingness to make an outrageous level of commitment to economic cooperation with China. It has nevertheless required Ethiopia walking a tightrope of sorts - to benefit from the power of the engine whilst maintaining control and steering its way with care. Ethiopia's experience reflects the fact that if managed effectively there may be tangible gains from engaging a major power such as China that can greatly enrich the development plans being pursued in the country. By the same token, Ethiopia has to this point managed to uphold its sovereignty and follow its own trajectory of policies whilst extending new and more robust relations with China, which if you like, develops an alternative notion of dependency. Both sides will have to think creatively about their partnership, thinking past quantity to think quality; durability; reciprocity - if the relationship is to genuinely amount to a "win-win". The Ethiopian experience presents useful lessons for other countries in Africa and beyond: that ultimately, it is domestic agency and vision that matters in ensuring that engagement with external partners like China, or any, is advantageous in building national development.

Overall, the findings of this thesis demonstrate that, as a result of a combination of both scholarly literature and the personal experiences of the authors (first-hand) gathered from interviews with Ethiopian government officials, the Ethiopia-China relationship has strengthened politically and economically since 2018. Politically, there is evidence that Ethiopia-China relations have developed a level of strategic alignment and that the political relationship has grown in a manner that reflects that alignment. Specifically, at the most sensitive times during the conflict between Ethiopia and Eritrea in 2020 and 2021, China was consistent in defending Ethiopia's sovereignty and opposing what it saw as undue international pressure on Ethiopia.

As a result of the political reliability demonstrated by China during this period of time, Ethiopian leaders felt a degree of political confidence and were able to upgrade their relationship with China to an "all-weather strategic cooperation partnership." That title implies a long-term commitment to a partnership, mutual support in difficult times, and a high degree of trust in each other. Economically, the data from this thesis show that Chinese involvement has had a significant role in promoting the development agenda of Ethiopia. As a result of China's provision of financial assistance to construct infrastructure, to invest in industry, and to participate in the Belt and Road Initiative (BRI), China has assisted in significantly changing the physical and industrial landscape of Ethiopia. For example, the construction of railways in Ethiopia has resulted in reductions in travel time and transportation costs; new energy projects have increased the availability of electricity in previously unserved rural areas; and the construction of industrial parks has facilitated the realization of Ethiopia's ambitions to move away from an agricultural-based economy to a manufacturing-based economy. Interviewed officials repeatedly emphasized that without Chinese funding and technical expertise, many of these projects would have been delayed or would not have occurred, highlighting the important role that the partnership has played in addressing the limitations of Ethiopia's development capacity.

The research however also identified numerous challenges associated with this partnership. One challenge associated with this partnership is Ethiopia's increasing reliance on China for finance, which has led to growing concern about the long-term implications of this reliance on Ethiopia's ability to repay its debts to China and Ethiopia's potential fiscal burden. Ethiopia has thus far managed to avoid a crisis related to its debt obligations to China through negotiations and restructuring agreements. Another challenge is the sizable and persistent trade deficit between Ethiopia and China, where Ethiopia continues to import significantly more from China than it exports to China, which has put a strain on Ethiopia's foreign exchange reserves. Additionally, despite being one of the primary goals of the BRI, technology transfer from China to Ethiopia has proven to be unreliable across various sectors, with some sectors receiving training, while other sectors continue to lag behind China in terms of productivity. Furthermore, social and environmental issues, such as labor disputes, community opposition to projects, and pollution, have emerged as a result of Chinese financed projects in Ethiopia and highlight the need for improved regulatory oversight and project management in both countries.

An additional key finding of this thesis is that Ethiopia is not merely a passive recipient of Chinese engagement. Rather, Ethiopia has acted as an active and assertive partner in the partnership and has utilized its own domestic policies, negotiation techniques, and institutional capacities to align Chinese support for Ethiopia with Ethiopia's national objectives. For example, Ethiopia has advocated for local procurement practices, negotiated with China to obtain debt forgiveness when necessary, and continued to develop relationships with other global partners to avoid excessive dependence on China demonstrating that smaller states can influence the terms under which they engage with larger states. Finally, the thesis finds that the Ethiopia-China partnership is currently transitioning into a new stage of cautiousness, deliberation, and sustainability orientation. Ethiopia is now seeking more technologically sophisticated investments and projects that meet stricter environmental and social standards. China is adapting to Ethiopia's evolving requirements by moving towards a model of investment rather than lending, and by implementing more regulations to govern its cooperation with Ethiopia. Although the political relationship between the two countries appears to remain robust and is likely to continue to exist for the foreseeable future, the long-term success of the relationship will depend on whether the parties can continuously recast their partnership, increase institutional cooperation, and determine whether the partnership continues to be sustainable, equitable, and mutually beneficial.

6.2 Policy Implications for Ethiopia: For Ethiopian policymakers

a) ***Continue Proactive Engagement and Negotiation:*** Ethiopia should keep leveraging its bargaining power – whether through collective African platforms or bilateral talks – to negotiate favorable terms on loans, ensure access to Chinese markets, and encourage technology-sharing. The success in obtaining debt relief and expanded export quotas shows that asking and negotiating yields results. Regular high-level engagements like the Joint Commission meetings are valuable and should be sustained or even enhanced.

b) ***Strengthen Project Oversight and Integration:*** Ethiopian authorities could further improve how Chinese projects are integrated into the local economy. This means rigorously enforcing local content requirements, labor regulations, and environmental standards so that projects maximize local benefits and minimize harms. Creating joint monitoring teams Ethiopian and Chinese for major projects might help catch issues early.

c) ***Focus on Capacity Building:*** Ethiopia can push for each major partnership project to include a capacity-building component whether training programs, scholarships, or local manufacturing of inputs. Over time, this will reduce Ethiopia's dependence on external expertise. Investing in education, especially engineering and technical fields related to ongoing projects is a domestic priority that complements this: Ethiopia should prepare its workforce to take on roles currently filled by expatriates.

d) ***Maintain Economic Diversification:*** While embracing Chinese investment, Ethiopia should continue efforts to attract and grow other sources of investment from domestic firms and other countries. This will foster competition and reduce any single partner's dominance. Sectors like agriculture and services, where Western or regional partners might be more interested, should not be neglected. In the long run, a diversified economy will make the Ethiopia–China partnership healthier too (e.g., reducing trade imbalances).

e) ***Diplomatic Balance and Narrative:*** Ethiopian diplomats should persist in a balanced foreign policy – participating in Global South initiatives like BRICS while also engaging traditional partners. Being active in multiple coalitions allows Ethiopia to benefit from various sources financial, politically. Additionally, Ethiopia can share its positive narrative of the China partnership in international forums to counter any misperceptions and to position itself as a thought leader on South–South cooperation. By highlighting successes and candidly discussing how it navigates challenges, Ethiopia can help shape a more informed global discourse on engaging China.

6.3 Future Outlook of Ethiopia–China Relations

The future of Ethiopia–China relations looks promising but will depend on how both sides manage the transition to a more mature partnership. If current trends hold, we can expect:

a) ***Broadening of Cooperation Areas:*** beyond infrastructure and manufacturing into sectors like finance (e.g., possibly Chinese banks operating in Ethiopia if the banking sector opens), technology (such as telecom services, fintech, e-commerce with Chinese partners), and even education and tourism ,China might invest in Ethiopian universities or promote tourism routes. Such diversification will deepen interdependence and create new growth avenues.

b) ***Increased Role of Private Sector:*** Chinese private enterprises are likely to play a bigger role as Ethiopia's business climate liberalizes. This could mean more medium-scale investments that are less visible but cumulatively important in agribusiness, construction materials, consumer goods. Ethiopia should prepare for a shift from dealing mostly with Chinese state entities to also regulating and facilitating many private Chinese entrepreneurs and SMEs entering its market.

c) ***Multilateral Development Initiatives:*** Ethiopia might tap into new sources of funding associated with China, like the Asian Infrastructure Investment Bank (AIIB) or the BRICS New Development Bank, which could complement bilateral loans. This could potentially offer more concessional financing and reduce reliance on any single lender. Moreover, as Ethiopia integrates into BRICS networks, it could co-develop initiatives with China and other members targeting African development (for example, special economic zones or trans-African infrastructure corridors).

d) ***Geopolitical Navigations:*** Globally, increased rivalry between China and Western powers could pose external pressures. Ethiopia will likely continue its pragmatic course – aiming to not get caught in great power tussles. The partnership with China will thus operate alongside efforts to reassure Western allies. Ideally, Ethiopia can demonstrate that its work with China is complementary to Western partnerships e.g., using

Chinese-built infrastructure to facilitate Western trade and investment too. If successful, Ethiopia can be a model of how to benefit from both East and West without alienating either.

In all scenarios, a key determinant will be Ethiopia's internal stability and policy continuity. The interviews were conducted just as Ethiopia was emerging from conflict and joining BRICS in 2023, a time of cautious optimism. Should Ethiopia maintain peace and continue its reforms, the Ethiopia–China partnership will likely flourish further. Conversely, any significant internal upheaval could test the partnership's resilience though China has historically stood by Ethiopia in difficult times, as seen. On China's side, its commitment to Africa and Ethiopia in particular appears steady, but domestic economic changes in China slowing growth or shifting priorities could influence how much capital it will invest abroad. Nonetheless, given Ethiopia's strategic importance and strong ties built over decades, China is expected to remain heavily engaged.

6.4 Recommendations for Further Research

This study focused on Ethiopian government perspectives and largely qualitative insights. Future research could expand in several ways:

a) ***Grassroots Impact Studies:*** Investigating the partnership's impact on local communities and ordinary citizens in Ethiopia would provide a fuller picture. Surveys or case studies in areas around major Chinese projects (e.g., communities along the railway or near industrial parks) could reveal social dynamics and public perceptions not captured in elite interviews.

b) ***Comparative Studies:*** Comparing Ethiopia's experience with that of other African countries (e.g., Kenya, Angola, or Rwanda) in a systematic way could isolate what factors lead to better or worse outcomes in China partnerships. Ethiopia often comes up as a positive case; a comparative approach could test that reputation against empirical data, debt outcomes, growth rates, etc., relative to others.

c) ***Chinese Perspective:*** While this thesis looked at Ethiopia's side, equally important is understanding Chinese decision-makers' perspectives on the partnership. Research into Chinese embassy communications, policy bank reports, or interviews with Chinese company managers in Ethiopia could shed light on how they view Ethiopia opportunities, challenges and how that shapes their behavior. This could enrich the concept of “mutual benefit” by seeing to what extent Chinese actors also adjust for Ethiopia’s sake or their own long-term interest.

d) ***Sectoral Deep Dives:*** Further research could zoom in on specific sectors of the Ethiopia–China cooperation – for example, a detailed study on the telecommunications sector Chinese tech involvement vs. new Western entrants or on the energy sector (the mix of Chinese involvement in renewables vs. grid vs. fossil energy. Each sector has its own dynamics and learning how the partnership functions in each can inform sector-specific policies.

e) ***Longitudinal Studies:*** As time goes on, tracking the evolution of key indicators, debt ratios, export volumes, technology transfer instances, employment figures in Chinese firms, etc.will be crucial. A longitudinal approach could assess whether Ethiopia is indeed moving toward more sustainability. For instance, by 2030, will the debt-to-GDP related to China loans go down, Have Ethiopian exports to China grown substantially. Such quantitative tracking would complement the qualitative findings here and test the success of policy adjustments made in the 2020s.

In conclusion, Ethiopia’s relationship with China since 2018 has been largely mutually beneficial and has evolved into a genuine “all-weather” development partnership. It aligns closely with Ethiopia’s national development strategy, delivering major gains in infrastructure and industry, while also posing challenges that need careful management. Ethiopia’s case demonstrates the importance of active agency: by clearly articulating its needs, negotiating terms, and maintaining a diversified foreign policy, Ethiopia has managed to harness a major power partnership for its own transformation without sacrificing its autonomy. This case study thus offers insights for other countries navigating similar South–South cooperation dynamics. By learning from Ethiopia’s successes and challenges from debt negotiations to labor policies to diplomatic balancing – other developing nations can better strategize their engagements with China or other major partners. The Ethiopia–China experience, as detailed in this thesis, ultimately tells a story of potential and prudence: great opportunities realized through infrastructure and investment, matched by a conscious effort to steer those opportunities toward sustainable and inclusive development.

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Appendix

Appendix 1: Interview Guide

Introduction for Interviewer

This interview guide is designed to collect data on the political and economic dimensions of Ethiopia-China relations since 2018. The questions are organized thematically to address the research objectives and questions outlined in the main study.

Section A: Background Information

1. What is your role in relation to Ethiopia-China cooperation?
2. How long have you been involved in matters concerning Ethiopia-China relations?
3. In what capacity do you interact with [Ethiopian/Chinese] counterparts?

Section B: Political Relations

1. How would you characterize the evolution of Ethiopia-China political relations since 2018?
   - Follow-up: What specific events or policies have shaped this relationship?
2. In your view, how does Ethiopia's relationship with China affect its:
   - Domestic governance
   - Regional diplomatic position
   - International relations with other partners
3. How does Ethiopia maintain its strategic autonomy while engaging with China?
   - Follow-up: Can you provide specific examples of how Ethiopia has successfully balanced its interests?

Section C: Economic Cooperation

1. What are the most significant Chinese investments in Ethiopia since 2018?
   - Follow-up: How have these investments impacted local communities?
2. How would you assess the implementation of Belt and Road Initiative projects in Ethiopia?
   - Probe: Infrastructure development
   - Probe: Industrial parks
   - Probe: Technology transfer
3. What mechanisms exist for ensuring mutual benefit in economic cooperation?
   - Follow-up: How effective are these mechanisms?

Section D: Challenges and Opportunities

1. What do you consider the main challenges in Ethiopia-China relations?
   - Probe: Debt sustainability
   - Probe: Technology transfer
   - Probe: Local employment
   - Probe: Environmental concerns
2. How does Ethiopia navigate these challenges?
   - Follow-up: What strategies have been most effective?

3. What opportunities do you see for enhancing Ethiopia-China cooperation?
    - Follow-up: How can these opportunities be better leveraged?

Section E: Development Impact

1. How has Chinese engagement contributed to Ethiopia's development goals?
    - Probe: Infrastructure development
    - Probe: Industrial capacity
    - Probe: Technology transfer
    - Probe: Human resource development
2. What are the social impacts of Chinese investments in Ethiopia?
    - Follow-up: How do these impacts vary across different regions or social groups?
3. How sustainable are the development outcomes from Ethiopia-China cooperation?

Section F: Future Prospects

1. How do you see Ethiopia-China relations evolving in the coming years?
2. What recommendations would you make for improving the partnership?
3. What lessons can other African countries learn from Ethiopia's engagement with China?

Closing

- Ask if the participant has any additional comments or insights
- Thank the participant for their time
- Provide contact information for follow-up questions
- Explain next steps in the research process

Appendix 2: Ethiopian Investment Commission Data

Appendix 2.1 - Summary of Licensed Chinese Investment Project By Origin and Status

Summary of Licensed Chinese Investment Projects
By Origin and Status
Since August 1998 and May 2025 G.C

Country of Origin	Total	Pre-Implementation	Implementation	Operation			
	No of Projs	No of Projs	No of Projs	No of Projs	Capital in '000' Birr	Perm Empl.	Temp Empl.
Australia/China/Ethiopia	2	1		1	57,000	10	15
British/China/Ethiopia	1	1					
Canada/China	4	1	1	2	3,000	30	10
Canada/China/Ethiopia	7	4	1	2	57,959	35	12
China	1,924	555	190	1,179	248,144,987	218,872	111,061
China/ Biritain	1	1					
China/Argentia/Taiwan/Ethiopia	1			1	8,600	21	0
China/British Virgin Islands	1			1	5,400	1,000	200
China/Ethiopia	296	100	36	160	16,631,216	17,414	12,920
China/Finland	4	1		3	17,311	275	58
China/France	4		3	1	12,193	42	0
China/Hong kong	8	2		6	276,510	589	2,687
China/Hong Kong/Ethiopia	1	1					
China/India	2		1	1	48,835	125	105
China/Israel/Netherlands/Ethiopia	1	1					
China/Italy	3		1	2	17,463	900	1,050
China/Japan	2	1	1				
China/Malaysia/Ethiopia	1		1				
China/Netherlands	1			1	1,000	100	10
China/Nigeria	1			1	66,467	57	30
China/Pakistan	1			1	1,500	40	10
China/Saudi Arabia	1		1				
China/Saudi Arabia/Ethiopia	1	1					
China/Seychelles	1	1					
China/Singapor	1	1					
China/Singapore	3	3					
China/South Africa	1			1	45,000	71	130
China/Sri Lanka	1			1	1,051	0	31
China/Sudan	1			1	7,500	14	4
China/Tanzania	1		1				
China/Turkey	2	1		1	15,592	10	0
China/UAE	1			1	1,980	25	
China/USA	2	1		1	10,117	5	30
China/USA/Ethiopia	7		1	6	122,726	138	562
China/Yemen	2	1		1	6,000	21	
EthiopiaChina	1	1					
Grand Total	**2,292**	**679**	**238**	**1,375**	**265,559,408**	**239,794**	**128,925**

Appendix 2.2 - Summary of Licensed Chinese Investment Project By Sector And Status

Summary of Licensed Chinese Investment Projects
By Sector and Status
Since August 1998 and May 2025 G.C

Sector	Total	Pre-Implementation	Implementation	Operation			
	No of Projs	No of Projs	No of Projs	No of Projs	Capital in '000' Birr	Perm Empl.	Temp Empl.
Agriculture	15	7	4	4	27,980	74	5,053
Mining and quarrying	4		1	3	36,500	58	42
Manufacturing	1,702	472	182	1,048	250,235,852	118,333	57,685
Education	2	1		1	530	6	4
Health	16	4	1	11	22,589	80	47
Hotels (Including Resort Hotels,Motels and Lodges) and Restaurants	53	14	3	36	278,071	856	469
Tour Operation, Transport and Communication	15	1		14	1,068,283	332	157
Real estate, Machinery and Equipment Rental and Consultancy Service	253	109	20	124	4,831,738	106,919	26,644
Construction Contracting Including Water Well Drilling	194	43	26	125	8,935,490	12,993	38,574
Others*	38	28	1	9	122,374	143	250
Grand Total	**2,292**	**679**	**238**	**1,375**	**265,559,408**	**239,794**	**128,925**

***Copper,Gold,Gemstone & Tantalum Concentrate Export, Import of Chemichals for Leather Industry/Through Bonded, Warehose System/, Importing of electric vehicles, Others Import Trade etc...**

Appendix 2.3 - Summary of Licensed Chinese Investment Project By Region And Status

Summary of Licensed Chinese Investment Projects
By Region and Status
Since August 1998 and May 2025 G.C

Region of Invesment	Total	Pre-Implementation	Implementation	Operation			
	No of Projs	No of Projs	No of Projs	No of Projs	Capital in '000' Birr	Perm Empl.	Temp Empl.
Addis Ababa	1,187	374	98	715	42,364,432	52,202	56,083
Afar	4	1	1	2	1,800	5	35
Amhara	134	55	20	59	5,774,687	14,713	5,640
B.Gumze	5	5					
Central Ethiopia	1	1					
Dire Dawa	18	5	5	8	521,364	82,097	20,473
Gambella	5	2	1	2	20,239	20	100
Multiregional	38		3	35	405,591	1,731	2,198
Oromia	853	219	103	531	215,103,116	86,502	38,275
Sidama	4	3		1	112,000	800	
SNNPR	22	5	4	13	1,019,277	1,019	5,842
Somali	1	1					
Tigray	20	8	3	9	236,903	705	279
Grand Total	**2,292**	**679**	**238**	**1,375**	**265,559,408**	**239,794**	**128,925**

Appendix 2.4 - Summary of Licensed Chinese Investment Project By Year And Status

Summary of Licensed Chinese Investment Projects
By Year and Status
Since August 1998 and May 2025 G.C

Year	Total	Pre-Implementation	Implementation	Operation			
	No of Projs	No of Projs	No of Projs	No of Projs	Capital in '000' Birr	Perm Empl.	Temp Empl.
1998	1			1	10,277	54	8
1999	1			1	27,412	14	40
2000	1			1	5,325	68	0
2001	2			2	25,682	310	0
2002	1			1	7,921	30	0
2003	22	1	3	18	140,990	682	470
2004	26	1	5	20	753,558	1,343	2,328
2005	33	2	3	28	125,163	733	943
2006	56	2	4	50	1,350,056	6,055	7,742
2007	81		6	75	2,186,880	3,245	5,814
2008	94	4	6	84	2,055,125	6,842	12,592
2009	78	1	15	62	1,763,341	3,166	3,670
2010	55		11	44	1,154,498	2,533	2,186
2011	43	3	6	34	1,222,001	2,701	2,377
2012	83	24	4	55	873,674	2,470	770
2013	117	36	9	72	10,935,449	9,656	7,350
2014	86	15	18	53	2,671,578	2,430	4,738
2015	136	23	23	90	8,896,954	26,178	4,737
2016	119	27	16	76	4,528,552	6,088	6,490
2017	144	28	15	101	11,464,589	93,185	30,196
2018	161	39	19	103	5,280,582	12,063	6,775
2019	182	50	17	115	2,999,697	22,285	11,691
2020	78	29	13	36	1,302,011	3,134	1,355
2021	66	16	8	42	20,682,118	8,344	2,761
2022	99	35	6	58	2,218,398	5,426	6,670
2023	222	85	25	112	180,533,606	13,644	4,935
2024	219	172	6	41	2,343,972	7,115	2,287
2025	86	86					
Grand Total	**2,292**	**679**	**238**	**1,375**	**265,559,408**	**239,794**	**128,925**

Appendix 2.5 - List of Licensed Chinese Investment Projects

List of Licensed Chinese Investment Projects
Since August 1998 and May 2025 G.C

No	Date of Permit	Licensing Office	Name of Investor	Country of Origin	Phone	Email	Investment Type	Investment Activity	Region	Zone	City/Tow	Werda	Investment Status	Year
1	27-Aug-98	EIC	Sino-Ethiopian Sunshine Pharmaceutical Plc	China/Ethiopia	516598		Foreign	Pharmaceutical Plant	Oromia	E.Shoa	Debre Zeit		Operation	1998
2	3-Aug-99	EIC	China Geo-Engineering Corporation /Eth. Branch/	China	620253		Foreign	Water Well Drilling	Addis Ababa		Addis Ababa		Operation	1999
3	30-May-00	EIC	Jiangxi International (Ethiopian) PLC	China	612589		Foreign	Building Construction /BC-1/	Addis Ababa		Addis Ababa		Operation	2000
4	9-Apr-01	EIC	Sino Ethiopia Associate (Africa) Plc	China	516598/09/2060		Foreign	Capsules Manufacturing Plant	Oromia		Akaki		Operation	2001
5	13-Jun-01	EIC	Zhu Zhizhong	China	711561		Foreign	Knitting and Garment Production	Addis Ababa		Addis Ababa		Operation	2001
6	23-Sep-02	EIC	Target Ethio-China investments plc	China	091-1200565/62113		Foreign	Blanket factory	Oromia		Addis Ababa		Operation	2002
7	24-Jan-03	EIC	Wang Quiang	China	09/252907		Foreign	Man made Charcoal Plant	Addis Ababa		Addis Ababa		Operation	2003
8	6-Mar-03	EIC	EVE Comfort Sanitary Napkin P.L.C	China	09-401156		Foreign	Sanitary Napkin Manufacturing	Addis Ababa		Addis Ababa		Operation	2003
9	4-Apr-03	EIC	Ethiopian-China Hi-Tech P.L.C footwear	China	666609		Foreign	Plastic Electrical manufacturing plant	Addis Ababa		Addis Ababa		Operation	2003
10	8-Apr-03	EIC	Eternity Industrail Group PLC	China	09406699		Foreign	Safety Match Factory	Oromia	Eastern IP		Dukem (Industry zone)	Operation	2003
11	2-May-03	EIC	Eternity Industrial Group PLC	China	+2519406699		Foreign	Candle Factory	Oromia		Akaki	Gogecha	Operation	2003
12	2-May-03	EIC	Eternity Industrial Group PLC	China	712934/728121		Foreign	Enernity kerosene Cooking stove factory	Oromia		Akaki	Gogocha	Operation	2003
13	2-May-03	EIC	Eternity Industrial Group PLC	China	728121		Foreign	Enamel Ware Factory	Oromia		Akaki	Gogucha	Operation	2003
14	25-May-03	EIC	H.K Business Group P.L.C	Canada/China			Foreign	Construction Machinery Renting Service	Addis Ababa		Addis Ababa		Implementation	2003
15	13-Jun-03	EIC	Sino-Ethiop Lion King PLC	China/Ethiopia	203139		Foreign	Garment Factory	Addis Ababa		Akaki Kaliti	09	Operation	2003
16	27-Jun-03	EIC	WANG QIANG	China	091-1216222/011-3712603		Foreign	Tile manufacturing plant	Addis Ababa		Addis Ababa		Operation	2003
17	30-Jun-03	EIC	BBS Chemical products PLC	China	+2519218639		Foreign	Spong products factory	Addis Ababa		Addis Ababa		Operation	2003
18	20-Aug-03	EIC	Lin Wanli	China			Foreign	Chinese Restaurant	Addis Ababa		A.A	Kirkos	Operation	2003
19	22-Aug-03	EIC	Goldstone /Ethiopia/ Development PLC	China			Foreign	Displaying Products Advertising Products Manufacturing and Related Service	Addis Ababa		A.A		Operation	2003

Appendix 3: List of Key Informants

NO	Name	Position	Organization	Date of Interview	Place of Interview
1	Key Informant 1	Diplomat Attaché	Ministry of Foreign Affairs	17,April,2025	Addis Ababa,Ethiopia
2	Key Informant 2	Strategic Planning	Ministry of Trade and Regional Integration	13,May,2025	Addis Ababa,Ethiopia
3	Key Informant 3	Fiscal Policy Analyst	Ministry of Finance	27,May,2025	Addis Ababa,Ethiopia

4	Key Informant 4	SME Support	IndustrialParks Development Corporation	12,Jun,2025	Addis Ababa,Ethiopia
5	Key Informant 5	Data Expert	Ethiopian Investment Commission	13,May,2025	Addis Ababa,Ethiopia

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