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An Assessment of Ethio-China Political Economic Relations Since 1991

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Abstract

This piece of paper analyzes post-1991 Ethio-China political and economic relations by raising the following questions: What is the nature of the bilateral political and economic relations? What are the factors which enhanced the bilateral political and economic relations between Ethiopia and China? What are the arguments raised by different scholars about Ethiopia and China relations? There are a number of factors that contributed to the growth of bilateral relations. Ethiopia needs China for economic assistance; as an alternative source to the west and China's development is generally considered as a role model for Ethiopia to follow. China also supports Ethiopia on different international issues. On the part of China, there are also several factors egging China to look towards Ethiopia especially in terms of Ethiopia's strategic importance and market potential. Ethiopia could be a commercial launch pad for Chinese companies and China is also getting diplomatic support from Ethiopia for its policy on Taiwan among others. There are also common factors both from Ethiopia and China's side which enhanced the bilateral relations. However, there are many arguments raised following Chinese deep engagement to Ethiopia. Among others on the economic front the bilateral relations are imbalanced; dumping of low price export; underbidding local companies and ideological differences among others. Generally, the paper argues the Ethio-Chinese relations are motivated by political and economic factors.

Key words: Political economy; Ethiopia; China; Diplomatic relations and investment

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INTRODUCTION

Federal Democratic Republic Ethiopia (FDRE) and Peoples Republic of China (PRC) have enjoyed long historical ties based on the common values of civilization. Both are very aware of their ancient civilizations and their long histories (Files, 1972, p.10). Ethiopia and China's first contact are not precisely known and it is subject for different arguments (MOFA, 2010).

Recently China has deeply engaged and became an influential actor in the African continent. Their trading relations have been growing and the trade volume reached US\$55 billion in 2006, expected to reach US\$100 billion in 2010. As an emerging power, China increasingly involved in Africa as a source of energy and raw material to fill its expanding economy. Chinese multinational corporations engaged in manufacturing, infrastructure, Information and Communication Technology (ICT), Mining and Agriculture. Foreign aid, investment, and development assistance is increasingly aligned with its growing commercial interest in Africa (Gedion and Mathews, 2010, p.92).

As a result of Chinese deep engagement in Ethiopia are subject to different arguments. Some argued that the Chinese presence in Ethiopia is politically motivated since Ethiopia is not resource-rich country and China wanted to use Ethiopia as a strategic place to penetrate the other resource-rich African countries while others argued that the Chinese presence in Ethiopia is economical in that Chinese wanted to meet the hunger of resources and to feed its growing economy. For the purpose of this paper, the Chinese presence in Ethiopia is motivated by the twin factor of Politics and economics.

1. BACKGROUND OF BILATERAL RELATIONS

China-Africa first contact traced back to ancient times, although the two regions are being separated by a vast distance. Their first contact was on the border of the Red Sea around the first Millennium A.D (Filesi, 1972, p.10). Some scholars argued the early contacts of China with the Horn and especially with Ethiopia are based on two factors: first, that the Chinese were importing rhinoceros from Abyssinia; second, that the phonetic similarity between Hough Chih and Ge-eze (Addis, 2005, p.241).

The China-African modern diplomatic relation is established as a result of the Asian - African Bandung conference of April 18-25, 1955. At the conference, the representatives from Liberia, South Africa, Libya, Egypt, Sudan, and Ethiopia were participated (Fraser, 1956, p.1418). Following the conference, Chinese delegations visited Ethiopia, Sudan and other African countries in 1956 and 1957. Later in 1963 and 1964 Chou En Lai, the then Chinese premier visited a number of African countries including Ethiopia (Larking, 1971, pp. 29 & 69).

However, Ethiopia did not establish diplomatic relations with China up to 1970 because of the following reasons: First, Ethiopia was under the feudal emperor, Haile Selassie who feared if the Chinese diplomats come to Ethiopia the communist ideology will possibly be disseminated. Second, Haile Selassie's regime was west-oriented and closely tied with the United States (US) who opposed to China (Abir, 1974, p.131). Third, China was pro Eritrean People's Liberation Front (EPLF) morally and materially. Later on, December 1, 1970, Ethiopia and China established diplomatic relations. Although their relationship was good for a short period following the 1974 Ethiopian popular revolution, their relationship deteriorated in 1977 due to the military regime's close relation with United Soviet Socialist Russia (USSR) (Addis, 2005, p.245).

After the defeat of Iraq by western coalition following its invasion of Kuwait in 1990-1991, President George Bush spoke of a "new world order" that could bring about the end of competing ideological divisions in the world. The new world order has been characterized by the promotion of human rights, good governance, democratization and expanding the world economy through free trade (Henderson, 1998, p.51). These features of the new world order have affected the relations between western countries and the other parts of the world (Gedion, 2008).

The Ethiopian People's Revolutionary Democratic Front (EPRDF) government led by Meles Zenawi established democracy, and transformed the political system based on ethnic federalism and established foreign policy based on peaceful co-existence and free market economy. Since then the Western powers supported the EPRDF government. At a conference in London, the EPRDF

leadership was called upon to establish a democratic government in return for assistance. Secretary for African Countries, Mr. Cohen, said: "no democracy no assistance" (Ochalla, 2005, p.6; Gedion, 2008).

After the Cold War, China directed its attention more to economic and to some extent political aspects and developed bilateral relations with Ethiopia in an all rounded way without considering democracy, good governance, human rights, and political transparency. Accordingly, Chinese activity in Africa has increased very fast from year to year. Today, China can get the attention of African countries' easily, because of its principles and policies (Gedion, 2008, p.5).

Their relations, during and after the Transitional Government of Ethiopia (TGE), have been strengthened as Prime Minister Meles Zenawi visited China in 1995. The visit was by the invitation of the Chinese president who visited Ethiopia in 1997. Other high-level visits were also exchanged. Exchange of high-level visits consolidated the momentum. As stated in the foreign affairs and national security policy and strategy of the Federal Democratic Republic of Ethiopia, "currently China has very good relation with Ethiopia". The document adds, "We should pay special attention to the strengthening of relations with China" (Ethiopian Foreign Policy Document, 2002, p.27).

Following the new millennium, bilateral ties have registered new progress in the context of China-African Cooperation Forum (CAFC), October 2000, which adopted a program towards the creation of a new type long-term and stable strategic partnership between China and Ethiopia.

The two sides cooperated closely and supported each other on International Affairs. Ethiopia, in collaboration with China, hosted the second ministerial conference of the Forum on China-African Cooperation¹ (FOCAC) in December 2003. This was the first time the Ministerial Conference was held on the African continent (Gedion, 2008, p.6). January 2006 heralded the third China-Africa Forum which was held in Beijing in which 48 African heads of state and government participated. The Beijing Summit released a new "China's African Policy Paper", which reiterated China's declared a policy of respect for national sovereignty and non-interference in the internal affairs of other states (Ibid).

The establishment of the CAFC in 2000, and Ethiopia's co-chairmanship of the Forum (2003- 2006), gave a substantial momentum to the sound relations and understanding that exist between Ethiopia and China. The establishment of FOCAC, of course, created an important platform for collective dialogue and the effective mechanism of practical cooperation between African states and China. Ethiopia also benefited from this. It also recognizes the need to continue to strengthen

¹ FOCAC is an official forum between the People's Republic of China and the states in Africa.

FOCAC, to build on the existing relationship of China-Africa co-operation, to expand and deepen the links. It has already demonstrated its value as an excellent example of south-south cooperation, based as it is on mutual trust and understanding as well as mutual respect and recognition of the sovereignty of both parties (Adem, 2012, p.145).

2. CONCEPTUAL FRAMEWORK

Political economy is concerned with the relationship of the economic system and its institution to the rest of the society and social development. It also sensitive to influence a noneconomic factor such as political and social institutions, morality and ideology in determining economic events (Sackery et.al ,2008, p.4).Therefore one can easily understand that political economy is the study of the interplay and interaction between politics and economics. In section I tried to discuss the political and economic relations of Ethiopia and China. I tried to discuss these relations separately for the sake of better understanding.

3. POLITICAL RELATIONS

The political relation of Ethiopia and China is highly restricted to diplomatic relation. Since Chinese involvement in Africa specifically in Ethiopia is based on non-intervention in political affairs of another state (Kim, 2013). Rather china's basic interest and motivation in Africa is based on economic interest. This is because of China's basic interest is economic and geostrategic interest than the desires to export political philosophy derive china's current relationship with Africa. China's increase in economic power and its hunger for resources intensified its relation with Africa (Adem, 2012).

3.1 Diplomatic Relations

Although Ethiopia and China enjoyed long historical tie their relation was not official until 1970. Ethiopia did not establish diplomatic relations for the following reasons: First, Ethiopia was under feudal emperor, Haileselassie feared the possible dissemination of the communist ideology if Chinese diplomats come to Ethiopia. Second, Haileselassie's regime was west- oriented and closely tied to the US which was opposed to China (Abir, 1974, p.131). Third; China was supporting EPLF morally and materially (Addis, 2005, p.245). Fourthly, China was one of only five governments which refused to recognize Italy's conquest on Ethiopia.²

Ethiopia and China established diplomatic relations on November 24, 1970 (Adem, 2012). Their diplomatic relation established when China agreed to recognize Eritrea as part of Ethiopia, in exchange for Haile Selassie's

recognition of Taiwan as part of China. Although Ethiopia and China had comparatively good relations for a short period after the 1974 Ethiopian popular revolution, their relations considerably deteriorated from 1977-1982 due to Military regimes close relation with USSR (Addis, 2005, p.245). Latter their relation became normal after1983. Recently, the relations between the two countries maintain a healthy and continuous development tendency with ceaseless mutual visits at high levels and the increasing intercourse of personnel. After EPRDF took power in 1991, relations have steadily improved, with increasing diplomatic contacts and growing trade and Chinese investment in the Ethiopian economy (Adem, 2012, p.149).

The TPLF had long-standing affiliations with leftist ideology, including Maoism (Adem, 2012, p.145). Following the election result of 2005 Ethiopian Election, there was crackdown of the government by opposition groups. The crackdown on the opposition also generated considerable criticism and disavowal, particularly from the West, including the suspension of new lending programs of the World Bank for Ethiopia (Gebre, 2009, p.173). It was in this context that Sino-Ethiopian relations entered the next phase. In the wake of Ethiopia's election of May 2005, there were signs that Sino-Ethiopian relations were strengthening (Adem, 2012, p.146).

China's policy formulations towards Africa specifically Ethiopia is based on competition for diplomatic recognition of Taiwan as part China. China's political and security interests' were curbing Taiwanese independence has been the predominant focus of China and Ethiopia and other African countries from the late 1980s.³ A strong relationship played an important role in responding to Taiwan's "flexible diplomacy" and in opposing their drive for "One China, one Taiwan" policy. Some scholars believe that China's main interest in Africa is to prevent Taiwan authorities from making trouble, for China, by taking advantage of the small countries there (Tubilewicz, 2002, p.20). This policy has been firmly followed by Ethiopia since the Haile Selassie regime. It is noteworthy here that Prime Minister Meles Zenawi,⁴ in his three visits to Beijing, consistently confirmed his government's adherence to "one China policy" and its firm support to China on Taiwan and human right issues (Gedion,2009, p.6). Their diplomatic relation lasted for more than forty years. Their relation is based on based upon adherence

² Ministry of Foreign Affairs. (2010). *Policy Hand Book: Federal Democratic Republic of Ethiopia* (Vol. 1). Addis Ababa, Ethiopia.

³ The policy orientation china towards Africa in the late 1980's is to get diplomatic support of African countries so as to stop the Taiwan's Independence and keeping its political and security interest raised from Taiwanese. In which Ethiopia recognized Taiwan as part of China as an exchange of Chinese recognition of Eritrea as part of Ethiopia during the reign of Emperor Haile Selassie (Adem, 2012).

⁴ Meles Zenawi, the former Prime Minister of Ethiopia, is considered as an effective expositor and defender of China (Adem, 2012).

to the properties of mutual respect, non-interference in the internal affairs of each other's countries, and peaceful coexistence (MOFA, 2010).

Some argued that Chinese investments in Ethiopia are politically motivated. It is often said that China's diplomacy in Africa is "resource-based" (Alden, 2007, p.8), or that it has a "singular focus on resource acquisition and commercial opportunism" (Taylor, 2009, p.19). Ethiopia is not a "resource-rich" African country. Ethiopia does not produce raw materials critical to China, it does not have large-scale bilateral trade with China, and it does not even have direct access to the sea. Instead, China is more interested in using Ethiopia as an entry point to penetrate the African market and get access to resources (Gedion et al, 2010, p.53). And yet China has sought to expand and deepen bilateral relations with Ethiopia in recent years (Adem, 2012, p.147).

Ethiopia is the seat of the African Union, the political body that represents the continent. China constructed a new conference center for the African Union. The diplomatic clout Ethiopia is said to enjoy in Africa, part of which emanates from the history of Ethiopia⁵ as a symbol of black freedom and stimulator of pan-Africanism. China also wants to win Ethiopia's diplomatic support in the United Nations and other international and regional forums, since Ethiopia has geopolitical clout in the region. Accordingly, the Chinese Embassy is among the largest in Ethiopia and hosts more high-level visits than any western mission (Ibid).

4. ECONOMIC RELATIONS

Although the degree of intensification varies across sectors Chinese engagement in the Ethiopian economy is being intensified from time to time. The Chinese engagement in the economic arena emerged following the market-oriented economic system (liberalization) introduced in Ethiopia in the year 1992. Chinese investment in Ethiopia first appeared in the manufacturing sector where the government of Ethiopia followed a policy of management leasing of government parastatals with aim of boosting efficiency, following the government's 1992 liberalization policy (Gedion, 2008). A number of Chinese firms began to seize this opportunity. They took over the management contract of a number of public producer firms on lease basis, largely, with the intention of exploiting the preferential treatments of Ethiopia in the industrialized countries, such as the African Growth and Opportunity Act (AGOA) in the USA (Adem, 2012). The Chinese are engaged in Economic sector especially in the area of investment in different sectors like Manufacturing, construction, and Agriculture, providing aid as well as

⁵ Ethiopia is the only country that was not colonized by Western powers during the colonial era. Ethiopia is considered as a symbol of black Africans.

Trade which is characterized by an unequal balance of Trade (Alemayehu, 2008).

4.1 Trade

The bilateral trade of Ethiopia and China has been established long ago. However, the trade exchange between the two countries was not significant until recent time. The total exchange of trade between them was the US \$ 100 million in 2002 (Alemayehu 2008, p.9); However, by 2009 the trade volume rose to the US \$ 1.98 billion showing an increase of 11.8 percent from the preceding year. Until the mid-2010, the trade exchange has reached more than the US \$ 1.1 billion, which is 27.6 percent increase when compared with last year's the same period⁴¹. During the period, Chinese import from Ethiopia was the US \$ 215 million (being the 2nd destination of Ethiopia's exports next to Germany) which hit an increase of 163 percent compared to the same time in the previous year. Overall, the trade volume between the two Countries has continued to increase although trade figures remained largely in favor of China (Ibid).

The year 2002 saw the total trade (both imports and exports) value of the two countries reached US\$ 100.12 million, of which the Chinese export to Ethiopia being about US\$ 96.43 million with an import China from Ethiopian being US\$ 3.69 million. The total export and import trade have Grown to over US\$700.00 (Ethiopia's export growing to over US\$120) in 2006 (Alemayehu, 2008, p.8). He further added the Chinese share in the total exports of Ethiopia is found to be the highest for "crude materials where the Chinese share is about 45 percent, followed by manufactured goods (19 percent) and food and live animals (0.09 percent) (Ibid).

Ethiopia's imports, domestic consumers are benefiting from this trade through the provision of cheaper consumer goods. Similarly, those entrepreneurs (as well as Ethiopia's public firms) who are engaged in building small factories and service centers are benefiting from a low cost of machinery and technology they are acquiring from China (Alemayehu, 2008, p.11). Workers that are employed in Chinese companies, and local firms that supply intermediate inputs (including services) to these Chinese companies, especially in the construction sector, are also another group of beneficiaries. A number of traders who travel quite frequently to China to bring various manufactured goods for sale in Ethiopia are also the other category of beneficiaries (Ibid).

Similarly, small scale firms, in particular in clothing and footwear sectors (some shoe firms became bankrupt and the stronger once reduced their sale by more than half in 2000/01 following flows of cheap shoes from China as well as their employees, foreign (and to a limited degree domestic) contractors that were traditionally providing services such as road construction, installation of electric powerhouses, offer services and supplies in the telecom sectors are losers owing to China's engagement

in Ethiopia. The latter firms are invariably from industrialized countries in Europe and North America (Ibid, p.12).

4.2 Aid

The aid relationship between Ethiopia and China is extremely limited. Aid flows to Ethiopia from advanced industrial countries (such as the USA and Western Europe) and multilateral institutions such as the World Bank is very high in absolute terms (which is about 1 billion USD per annum) although it is one of the lowest in Africa on per capita terms. In the light of such flows of aid, the Chinese contribution is almost next to none (Alemayehu, 2008, p.7). Perhaps it is sensible to characterize such aid in Ethiopia as, strategic (geopolitical) given the importance of Ethiopia in population, size and militaristic consideration in Eastern Africa as well as symbolic and showcases than real and huge grant as such. The fact that major continental bodies such as AU and the Economic Commission for Africa (ECA) located in Addis imply that African leaders and officials will visit Addis frequently. Symbolic investment such as this carried by Chinese in Ethiopia thus could serve to advertise their work in the rest of Africa (The Ethiopian Airline ultra modern cargo terminal, the Addis over flyer road are cases in point) (Ibid, p.8).

Recently it is argued that Ethiopia secured a US\$1 billion (S\$1.2 billion) loan from China to build transmission lines linking its capital Addis Ababa with Africa's biggest hydropower dam being built on the Nile.⁶ China has invested heavily in African infrastructure and its companies often pick up work building projects it has financed.

In addition to this limited aid, the Chinese firms "vender financing" scheme of providing financing for Ethiopian telecommunication could also be considered some sort of aid. However, except the three year grace period this 1.5 billion US \$ financing has offered it is given at the market rate and conditional on Chinese firms taking the job. Yet it could be considered as some sort of aid since none of the Western firms were willing to give such vendor financing. Although such politically informed infrastructure related investment-cum-aid could be beneficial to the country, it has also the disadvantage of, making the technology path of the country constrained or dictated by China, making the political elite less accountable by allowing them to have non transparent deals, as well as allow them to commit human rights abuse without external restraint that used to come with Western Aid (MOFED, 2006).

4.3 Investment

⁶ REUTERS. (2013). China lends Ethiopia S\$1.2 billion for mega-dam power lines. Addis Ababa, on April 27(2013). see also. Shanggang, Liang (2013) Cooperation in Power Sector Registers Remarkable Achievement. transmitted from Xinhua, Aug. 15, 2012.

Chinese investment has been prominent, namely agriculture, construction, and manufacturing. Chinese investments are supposed to create jobs.⁷ Job creation in these labor-intensive sectors has been encouraged by Ethiopia's national strategy⁸ and the promotion of the role of the Chinese investors by the Ethiopian government. In this regard, Kim argued that Chinese investment is contributing to peace and security in Ethiopia by creating jobs and reducing unemployment 50 (2013, p.182).

The agricultural sector is the backbone of the Ethiopian economy and employed 80% of the total labor force in Ethiopia in 2010. About 84% of the population resides in rural areas, agriculture being the major source of livelihood 51 (Dorosh & Schmidt, 2010). Since 1998 the China- Ethiopian relationship has become more dynamic, fostered by the South-South Cooperation Programme (1998-2006) and the FOCAC established in 2000 (Bräutigam & Tang, 2012). They also scrutinize China's agricultural and rural development programs in Ethiopia and details of the various cooperation arrangements are explored. It is clear that a number of young Ethiopians have benefited from these programs. Agricultural professionals have also been trained by Chinese experts dispatched to Ethiopia. On some occasions, Ethiopians have been sent to China for training. Nevertheless, mainly the Chinese side contributed through financing projects, the number of unemployed young people in Ethiopia the impact of this program was minimal (Ibid). Despite the numerous programs supported by China, in 2010 only 4.3% of agriculture-related projects were financed by Chinese investors. This illustrates that Chinese investment in agriculture is still nascent and that its impact on job creation has been insignificant (Adem, 2012).

Although Chinese engagement in the construction sector of Ethiopia dated back to 1986, China's engagement in the construction sector has become strong when Chinese state-owned companies, such as the China Road and Bridge Corporation (CRBC), undertook projects like the Addis Ababa Ring Road. In 2004 China's share of construction investment in Ethiopia was equal to nearly 40% of total Chinese FDI to Ethiopia (Alemayehu, 2008). Chinese investors dominate the Ethiopian construction sector, ranging from new construction to restoration and maintenance of highways, power stations, and water-supply projects. According to Adem (2012), "...all new construction and 66.6% of rehabilitation, upgrading and maintenance of roads in Ethiopia..." have been conducted

⁷ To reduce the problem of unemployment the government of Ethiopia is looking for investors who will create job opportunity for unemployed youngsters since the government is not able to do independently.

⁸ Ministry of Labor and Social Affairs. (2009). *National employment policy and strategy of Ethiopia*. Retrieved 17 march 2014 from <http://www.molsa.gov.et/English/EPro/Documents/National%20Employment%20Policy%20and%200%20Strategy%20of%20Ethiopia.pdf>

by Chinese companies. In 2010 there were 580 registered Chinese companies involved in 1,065 projects. These statistics demonstrate the potential for job creation (Ibid).

Chinese contractors were attracted by Ethiopia's relatively stable political environment, economic growth, and the increasing construction boom. The Ethiopian government views Chinese companies as inexpensive alternatives to western companies (Mo, Orr and Lu, 2008, p.3). Although they have a notorious reputation for offering poor working conditions, Chinese investors are attractive because they charge 20-25% less than their competitors (Gedeon, 2008). Since poor infrastructure is one of the major impediments to economic growth in Ethiopia, the local community has a positive attitude towards Chinese investment in the construction sector and its tangible outcome (Shinn & Eisenman, 2012).

In terms of job creation, the construction sector is generally considered to be labor intensive. However, in reality, it can be capital intensive and requires specialized labor. Since Ethiopia lacks skilled laborers, there has been a tendency to bring in most of the workers at the managerial level from China. The Ethiopian government is all too familiar with the sentiment that "...foreign construction companies mainly rely on experts brought from their own countries (for example, Chinese companies) instead of using local experts and building their capacity"⁹. The Chinese Embassy in Ethiopia acknowledged that there were more than 10,000 Chinese workers in Ethiopia⁵⁴ (Shinn & Eisenman, 2012). Many of them were unskilled workers, who could have been recruited from host countries. However, this trend has been reversed and more local employees are now hired. This was noticeable even at the managerial level. Some African countries are now insisting on operating a quota for Chinese workers, and impose strict immigration regulations. This development deserves attention (Bräutigam & Tangs, 2012).

Chinese engagement in the manufacturing sector has the potential to contribute to industrialization. The current pattern shows that many Chinese investors move manufacturing firms offshore to Africa. As the competition in China has become severe, the Chinese government has increasingly encouraged Chinese enterprises to search for new markets. The Chinese going out policy has supported this initiative (Baynton-Glen, 2012). There can be many reasons for this, one being that China wants to be close to its market, another being the increasing labor costs in China (Shinn & Eisenman, 2012).

One of the remarkable cases of Chinese engagement in the manufacturing sector is the recent establishment of the Eastern Industrial Park in Dukem⁵⁶, one of the Chinese-led Special Economic Zones (SEZ) in Africa. One of China's biggest shoe manufacturers operating in

this industrial park, Huajian, has hired more than 1,000 local people. The engagement of this the manufacturer seems to have acted as a stimulus for further development. However, the SEZ is still only partially operational and more investors are being sought (Kim, 20013, p.188).

The Chinese investors seem to have carefully engineered their entry strategy into Ethiopia. With considerable oscillation and no discernible trend before 1991, China devised trade and biddings on government-sponsored contractual projects, mainly infrastructural landscape, to gain access and expand into Ethiopia's downstream resources. With a wave of privatization and structural reforms that gained momentum in Ethiopia spurred a flurry of various types of foreign direct investments that originated from the Southern Countries (Asayehegn, 2009). However, though Ethiopia intends to use Chinese cooperative investment as a means of enhancing its regional development, the inflow of Chinese investment has not been equally shared (Ibid).

CONCLUSION

The post-1991 period showed the deep engagement of China in Ethiopia. However, the Sino- Ethiopia relations in pre -1991 was restricted to the provision of Aid and training manpower. Due to the coming into power of EPRDF and the trade liberalization policy of Ethiopia their relation became all rounded. Although challenges such as the Negative trade balance for Ethiopia, language barrier and cultural difference also have a negative impact on Current Ethio-China relations.

The deep engagement of China in Ethiopia in all rounded form arouses different arguments. Some argued that China's basic interest is economic and geo-strategic interest than the desires to export political philosophy. The increase in economic, political power and the hunger for resources of China intensified its relation with Ethiopia. Others argued that China's approach to Ethiopia is based on a combination of political and economic motives, and China's remarkable economic growth has enhanced its soft power in Africa. Since the 2000s, the Chinese development model has been hailed by many countries that have a thirst for change.

Although it is early to conclude, The Ethio-china relation is based on a win-win situation although the greater figure goes to China. This implies that in their relation china is getting more losing less while Ethiopia is the reverse. This showed that in the long run Ethiopia will be the looser and Chinese will be advantageous. Among others, for example, their trading relationship is characterized by unbalanced trade in which figures resembles to China.

Ethiopia and China's relation is motivated by twin factors of politics and economics. Politically China wants to have diplomatic support at international affairs and

⁹ Ibid

Ethiopian government used Chinese investment as a means of job creation and maintains its power. China also wants to use the geopolitical strategy of Ethiopia as an entry point to penetrate the African market. China's policy of non-interference in the internal affairs of other countries is the core policy currently but as China's interests and presence in Ethiopia increase, there will be a weakening of this policy and occasionally it will be practiced in the breach. Economically to meet the hunger of resources. As the Chinese economy booms, Chinese multinational corporations are embarking on an acquisition drive to capture the oil, natural resources, and unexploited markets of Ethiopia to sustain its rapid economic growth. On the side of Ethiopia to achieve economic growth by getting lessons from China and being assisted by it. Although it is little the Chinese presence in Ethiopia also enhances economic growth.

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