Forum on China-Africa Cooperation (FOCAC) and National Interest Goals of Ethiopia

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DOI: https://doi.org/10.47772/IJRISS.2023.70548

Received: 10 April 2023; Revised: 30 April 2023; Accepted: 04 May 2023; Published: 05 June 2023

ABSTRACT

This work evaluate the impact of Forum on China-Africa Cooperation (FOCAC) on Ethiopia's socio-economic goals using the specific variables of trade and investment; industrialisation and Agricultural development, infrastructure development, health care delivery, human resource development and employment generation. It interrogated how the summits, action plans and commitments of FOCAC have impacted these variables in Ethiopia. Anchored on the framework of neo-liberalism, and drawing data from secondary sources, it engaged in qualitative analyses. From the data analysed, it was observed based on all the variables measured that some positive changes have taken place in Ethiopia since the establishment ofthe Forum. However, like in other countries of Africa, Ethiopia is treated as a junior partner in the relationship, albeit, paternalistically. Consequently, Ethiopia approaches her relationship to China with an inferior to superior attitude. This is notwithstanding the fact that China needs Ethiopia for her national interest goals, especially her need for natural resources, access to East Africa markets and influence wielding in Africa through AU's seat of power located in the country. It was found out that the socio- economic activities of China have not engendered socio-economic independence of Ethiopia. Based on the findings, the work recommended that Ethiopia should stand up to China as an equal partner for mutuality of benefits as envisaged by FOCAC. To this end, FOCAC desk need to be established in Ethiopia with theprime responsibility of critically evaluating Chinese activities to ensure they comply with approved national and international standards. It is also important that Ethiopia strengthens her institutions to make andenforce rules and regulations that can act as bulwark to national exploitations by China.

Key Words: FOCAC, National interest, Socio-economic, China, Ethiopia

INTRODUCTION

The Forum on China- Africa Cooperation (FOCAC) is a forum for cooperation between China and Africa countries with the stated objective of achieving mutual development of China and African countries. Beginning in the mid-1990s, the desire to utilize both domestic and international market and resourcesbegan to prevail in China's foreign economic relations. This change led to boom in China's international economic cooperation and the initial introduction of the "Going Out" strategy in 1996 by then-PresidentJiang Zemin following his trip to six African countries (Chen, 2008). This China's re-emergence in Africa was characterized by unprecedented involvement in the continent. The relationship was broadened in various areas of trade, investment, development assistance, technology transfer and training. These areas witnessed increased activities and investments from both Chinese private sector and state-owned enterprises. Development assistance in the areas of technical and infrastructural development for several African countries increased.

Considering China's accomplishments within a short period of time, African countries and their leaders began to consider a closer economic and political relation with China as a guarantee for their future economic prosperity (Ayodele & Sotola, 2004). Many African nations did not only see China as an economic partner but also a country which could offer an alternative development model. In terms of access to loans and funding for projects, African countries began to see China as an alternative to institutions suchas the International Monetary Fund and World Bank (Zheng, 2010).

Over the years, China has grown from a regional power to a global power while at the same time increasing her level of engagement in Africa (Baah & Jauch, 2009). China has expanded her economic investment and has sought to have greater influence based on market potentials in Africa to support China's own economic needs (Jiajun & Carey, 2015). On their part, African leaders appear to welcome Chinese investments, as they view them as opportunity to fuel economic growth, that can put Africa into a better negotiating position with traditional western donors and to amplify Africa's voice in international forums (Kimairis, 2016). The high points of China's Going-Out policy include among others the Road and Belt Initiative, the BRICS, the Forum on China-Africa Cooperation etc.

Africa fits perfectly in China's Going Out strategy for several reasons. First, Africa's rich energy reserves, minerals and raw materials directly fuel China's quest for natural resources notably crude oil to power its modern, growing economy and to support its expanding industrial base. In addition to oil, the rapid growth of China's manufacturing sector has created increased domestic demand for other natural resources like precious metals, aluminium, copper, and iron ore, among others. These are natural resources that African States have in large quantities. Second, Africa's population is seen as a potential market for Chineseproducts. While Chinese growth relies heavily on manufacturing sector, it needs a new and dependable consumer market to sustain its steep developmental trajectory.

Third, African manufacturing and other industries had enjoyed many years of protection. African countries economic reforms liberalized the protected market and opened up the door to increased economic activities from other players elsewhere. Many firms which were hitherto been shut out of the market are nowinterested in the new markets, including Chinese firms that enjoy the unique advantage of producingtextiles, electronics and other products at a relatively low price and which fits the market demand of the less-developed African countries(Sun, 2014). Fourth, China's privatized publicly owned enterprises needed to scout for new investment opportunities for China to complete their transition from the state-owned enterprises. To do this, the privatized enterprises needed to step up entry into international markets such as Africa. Lastly, moving out of its region, China wants to demonstrate that it could also compete on the world stage with the United States and countries in Europe. Thus, by establishing its presence in Africa, China wants to project the image of a global super-power. This reason seems to have gained ground given the investment portfolio of Chinese State-owned and private firms across Africa. Indeed, the United States of America has been forced to recognize China's immense economics power and political influence in the world, especially as it affects Africa (Moss & Rose, 2006; Konings, 2007; Haroz, 2011; Ayodele & Sotola, 2014).

From all the above, it is evident that economic issues are important to the strategic positioning of Africa in China's overall foreign policy. As a consequence, China needed to work out a grand international platform to drive this relationship. The Forum on China-Africa Cooperation (FOCAC) came in here handy. In fact, basic fact about FOCAC is that it is located generally within China's foreign policy framework and like any other foreign policy framework; the national interest of China is the driving force and has been described as promoting global harmony to facilitate China's peaceful development. However, the effective pursuit of such policy will not achieve the objective if it fails to take account the interest of the others in therelationship: there must be something in it for the others. If China's peaceful development (which iseconomic) is important to the strategic positioning of Africa in China's overall foreign policy in FOCAC, what is in it for Africa?

Like every such multilateral platforms, specific actors must have stake in any engagement to keep them therein. This stake is usually dictated by National interest goals which can be summed up in terms of milieu or possession goals (Wolfer, 1962). While, according to Wolfer, by milieu goals is meant such goals that which while related to states' interests are essentially concerned with the wider international environmentthat maintenance and change of existing environment, possession goals are those goals which aim atadvancing specific interest of the States. The concrete socio-economic dividend of FOCAC falls within the framework of possession goal and as such can only be evaluated properly in concrete national boundaries rather amorphous aggregation of countries. This paper has chosen to evaluate FOCAC in the concrete socio- economic goals of Ethiopia.

INSTITUTIONAL FRAMEWORK AND DYNAMICS OF FOCAC

The Forum on China-Africa Cooperation (FOCAC) was brought into being as a diplomatic platform for consultation and formalization of China-African relations, complementing China's bilateral relations with individual African countries by providing a forum where Chinese and African leaders can set the direction for and consolidate the relationship of going forward (Janson, 2009) while at the same time respecting each other's sovereignty. It seeks to promote political dialogue, economic cooperation and trade, with a view to seeking mutual reinforcement and common development. Though China initially did not prioritize having such a forum but since she wanted to compete with the West in Africa, she decided to build a permanent cooperation mechanism in 2000 with Africa known as Forum on China-Africa Cooperation (FOCAC)(Janson, 2009; Enuka, 2010; Anshan, Haifang, Huaqiong, Aiping, & Wenping, 2012).

As a multilateral framework, FOCAC holds ministerial conferences and summits to articulate issues of concern to the China and African countries but with critical implementation institutions located in China.The later speaks volume of the place of Africa in the forum. The conferences and summit hold every three years alternately in China and African country. Thus, over the past 21 years, FOCAC summit has been organized in 2000, 2003, 2006, 2009, 2012, 2015, 2018 and 2021 with the next scheduled one to hold in 2024. Two important documents were produced following the conference 2000: they include; the first document which was the Beijing Declaration while the second was the Programme for China-Africa Cooperation in Economics and Social Development which explained China's investments in Africa, financial cooperation between China and Africa Development Bank Group (ADB), debt relief and cancellation, agricultural cooperation, natural resources and energy, education and multilateral cooperation. The documents contained issues on promoting political cooperation and creating of enabling environmentfor China-Africa trade, assisting African countries, promoting importation of African products by China, establishment of China-Africa Joint Business Council, etc (Looy, 2006; Janson, 2009). This foundation conference has continued to dictate the content and direction of subsequent ones, namely, Addis Ababa, Ethiopia 2003; Beijing, China 2006; Sharm-el-Sheikh, Egypt, 2009; Beijing, China, 2012; Johannesburg, South Africa, 2015; Beijing, China, 2018 and Dakar, Senegal, 2021.

The Forum has broad areas of concern which includes trade and investment, culture, agriculture, human resource development, infrastructure, environment, agriculture, mining, tourism, health, and aid. It seeks to strengthen trade and investment between China and African businessmen and entrepreneurs through a sub-forum known as China-Africa Business Forum by stimulating and enhancing bilateral cooperation. These broad spectrums of areas of cooperation between Africa and China are reflected in the commitments made during the years of FOCAC meetings. Each meeting develops a plan of action and commitments covering the next three years and reflecting the broad spectrum of areas of cooperation between Africa and China. Apparently, almost the entire commitments in all the meetings of the Forum come from China (Sun, 2014; Garcia & Bitencourt, 2016). How have these conferences/summits, action plans and commitments impacted the socio-economic development of Ethiopia? As noted above, the impact of multilateral platforms can only be realistically measured in concrete national boundaries and this paper has chosen the case of Ethiopia.

EVOLUTION OF CHINA-ETHIOPIA RELATIONS

China and Ethiopia established political and diplomatic relations in 1970. Although this relationship was interrupted in 1974 when Ethiopia under Derg regime had close ties with the Soviet Union, it was made up again in 1991 following the regime of Meles Zenawi of the Ethiopian People's Revolutionary Democratic Front (EPRDF). This relationship was strengthened through exchanges of visits between the leadership of both countries: Ethiopia to China in October of 1995 and after six months the Chinese President JiangZemin visited Ethiopia. On these visits, different agreements were signed on trade, economic and technical cooperation. These agreements were renewed in every three years. In 1998 a Joint Economic Commission was created (Dilnessa, 2005; Gamora & Mathews, 2010; Adem, 2012; Brautigam & Tang, 2012; Cabestan, 2012). Indeed, socio-economic interest appears dominant in the relationship between the two countries. Ethiopia believes that China can enhance Ethiopia's development in all areas. The establishment of FOCAC in 2000 was thus seen by Ethiopia as an important platform for the enhancement of the relationship. Thus, when Addis Ababa was nominated to host FOCAC second meeting in 2003, Ethiopia seized the opportunity to cement close diplomatic relationship with China. Consequently, in 2006, the Ethiopian parliament supported China's anti-secession law against Taiwan and stood by China to defeat United Nations criticisms. In 2008, Wu Bangguo the National People's Congress Chairman of China visited Ethiopia. Several other such high ranking visits by China to Ethiopia and vice-versa continued to take place and continue cementing their relations (Tronvoll, 2011; Cabestan, 2012) through the signing of various agreements on issues of concern to the two divide.

The diplomatic relations between China and Ethiopia can be said to be rock solid. It opened up many waves of relationship between the two countries including strong economic ties in areas of trade and investment, agriculture, energy and natural resources. In fact, unlike in other countries, the embassy of China in Addis Ababa is so strong that it deals directly with most ministries in Ethiopia. China accorded most Ethiopian Cabinets to attend Chinese national day festivals every 1st October of every year. This privilege is accorded to only Ethiopia (Eisenman & Kurlantzick, 2006; Chinese Foreign Ministry, 2012). Today, in addition to the established and functional good relations between both countries, Ethiopia is seen as a regional hub by China due to the presence of African Union headquarters in the country.

SCOPE AND CONTENT OF FOCAC ENGAGEMENTS IN ETHIOPIA

FOCAC is basically an instrument in the foreign policy arsenals of China. Like every other foreign policy instrument, its goal is determined by the country's national interest. In this instance it is the economic interests of China that is the driving force when it is formulated on the principle of mutual benefit to participants. This interest can be captured under two main headings of raw materials for industries andmarket for finished goods. While the African countries need of manufactured goods ranging from textiles, electronics, cooking utensils, etc., created opportunity for China to satisfy its domestic challenges (Zweig & Jianhai, 2005; Sun, 2014), the availability of raw material such as sesame seeds, coffee, cut flowers, sheep and goat leather etc for Chinese industries in the continent is acting like honey to the "Chinese bees". However, for these objectives to be attained, peace and security are necessary. There is need to create the enabling environment for trade and resource exploitation that brings the political dimension in FOCAC.Thus, the stated objective of the Forum is the establishment of an international political and economic order that is based on equality and mutual benefit. This was well articulated during the formation of Forum on China-Africa Corporation (FOCAC) in 2000, by Chinese Minister Shi Guangsheng. He identified fourmajor areas of interest to include

- Promotion of trade, investment, technical and economic relations.
- To enhance strong communication in informing technology.

- To increase dialogue and consultation mechanism.
- Consolidation of cooperation within the international and regional economic organizations, to achieve economic development of Africa and China (Onuoha, 2008 cited in Nwachukwu, 2017).

FOCAC seeks to strengthen trade and investment between China and African businessmen and entrepreneurs through a sub-forum known as China-Africa Business Forum by stimulating and enhancing bilateral cooperation. The forum also promotes cultural exchanges between China and Africa through the organization of visits of cultural artists to Africa and China. These are the different areas of concern the Forum on China-Africa Cooperation covered. Indeed, subsequent commitments of the forum detailed in the various action plans: from the Addis Ababa Action Plan 2004 to 2006, to the recent Darkar action plan 2022 to 2024 only expanded or concretised the above commitments in a paternalistic relationship as the entire commitments in the Forum come from China with little said of African commitments. The neo-liberalist argument that: global cooperation should be based on mutual interdependence and achieving the common interests of all the countries is a theoretical fact. According to neo-liberalism, all countries under international cooperation should join hands together to solve common problem(s) that affect all or some of the countries in relations. This fact is embedded in FOCAC.

In the specific context of Ethiopia, living through the eight FOCAC summits from 2000 to 2021, an over two decades of cooperation in the FOCAC it becomes pertinent to ask "what is in it for Ethiopia?" To empirically address this question, the variables of, trade, investment infrastructure and human resource development were used to evaluate the impact of FOCAC on socio-economic development of Ethiopia. Anchored on Qualitative analysis and essentially descriptive in nature, and drawing from secondary sources, the paper examines China's role in FOCAC and the nature of the relationship and interrogates the mutuality of benefits using Socio-economic dividends from the Forum for Ethiopia.

DATA PRESENTATION AND ANALYSIS OF SOCIO-ECONOMIC IMPACT OF FOCAC IN ETHIOPIA

Measured in all parameters, Odoko (2020), argued that changes are taking place in this cooperation since the establishment of the Forum. In this section we interrogate these changes in the context of Ethiopia using the specific variables of trade, investment, Industrialisation, Agricultural Development, infrastructure development, health care delivery, human resource development and employment generation.

Trade

It is trite to argue that China-Ethiopia trade relations have significantly improved with FOCAC. To note is that trade relations is centred more on the sale of raw materials, transportation equipment, machineries and manufactured goods. While China exports finished goods to Ethiopia, such as foot wears, T-Shirts, rubber and plastic products, electronics, socks, etc, Ethiopia is exporter of raw materials to China. Ethiopia's economy is dominated by its agricultural sector (Chakrabarty, 2016). Agriculture accounts for 41 percent of Ethiopia's GDP and 90% of what it earns from exportation. 85 percent of its citizens depend on agriculture. The export products of Ethiopia are mainly agricultural produce. Bilateral trade between China and Ethiopia rose rapidly from 2000 and recently China has become Ethiopia's major export and import partner (Chakrabarty, 2016). Ethiopia's exports to China include coffee, sesame seeds, cut flowers, dried chickpeas, dried beans, vegetables and bovine animals. Between 2001 and 2010, China- Ethiopia trade relation rosefrom USD153 million to USD 1,693 million. Ethiopia's exports grew to USD 216 million between 2009 and 2010; USD 246 million in 2010 (Jacobs, 2011; EU Statistics, 2012). Their bilateral trade between 2016 and 2018 rose to USD5.4 billion (Xinhua.com, 2020).

Among all the agricultural products, sesame seeds are the highest and chief export product to China by Ethiopia. From 2006 to 2012, the export of sesame seeds to China rose to USD272.6 million which amounted to 85% of what Ethiopia exports to China.

INTERNATIONAL JOURNAL OF RESEARCH AND INNOVATION IN SOCIAL SCIENCE (IJRISS)
ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VII Issue V May 2023

The reason for China's much interest in sesameproduct is because China was once the world's producer of sesame seed, but by 2002 and beyond the production declined rapidly, hence a look out for substitute. Ethiopia has become a substitute and highest exporter of sesame seeds to China (Chakrabarty, 2016). The second export product of Ethiopia to China is leather. Ethiopia is rich in rearing of livestock such as sheep and goat. Ethiopia's export of preparedsheep/lamb leather rose from USD 1.2 million in 2004 to USD 60 million in 2012. Also, goat/kid leatherrose from USD 1.1 million in 2004 to USD 22.7 million in 2012 (UN COMTRADE, 2012).

Table 1: Ethiopia Imports from China 2017

S/N	ITEMS	VALUE (USD)
1.	Machinery, nuclear reactors, boilers	USD 1.14 B
2.	Electrical, electronics equipment	USD 956.29 M
3.	Vehicles other than railway and train way	USD 427.08 M
4.	Articles of iron or steel	USD 382/86 M
5	Iron and steel	USD 268.23 M
6	Articles of apparel, not knit or crocheted	USD 214.04 M
7	Plastics	USD 190.99 M
8	Furniture, lighting signs, prefabricated buildings	USD 122.58 M
9	Rubber	USD 117.51 M
10	Articles of apparel, knit or crocheted	USD 115.14 M

Source: Trading Economics, (2021).

Ethiopia's import of manufactured products equally increased rapidly as the relationship increased. The manufactured goods that Ethiopia import from China include; machinery and transport equipment, telecommunication parts, mechanical shovels, transport vehicles, building materials, manufactured leather, textile yarn and fabrics, manufactured wood, cork, paper and paperboard articles, iron and steel, non-ferrous metals, manufactured rubber, furniture and furnishing, hand bags, apparel and clothing accessories, foot wears, etc. Indeed, instead of local production the Ethiopian market is now flooded with Chinese manufactured products. The influx of the Chinese manufactured foot wears into Ethiopia grossly affectedthe local manufacturers of shoes as the Chinese made shoes have lower prices when compared to the ones produced in Ethiopia. To stay afloat, some of the small scale manufacturers took to price reduction and reduction in quality so as to maintain production rather than shutting down (Gebre-Egziabher, 2007; Chakrabarty, 2016). Imports on machinery and transport equipment have equally grown rapidly due to growth in China's development assistance in Ethiopia. The Chinese make use of the materials in carryingout their projects (Broadman, 2008). The importation of these materials from China has affected the growth of local suppliers. As at 2017, the Ethiopia's imports from China stood at USD 5.12 Billion according to the UN COMTRADE Database on International trade, (2017). Some of the Ethiopia imports from China and their value in USD as of 2017 are shown in table 1.

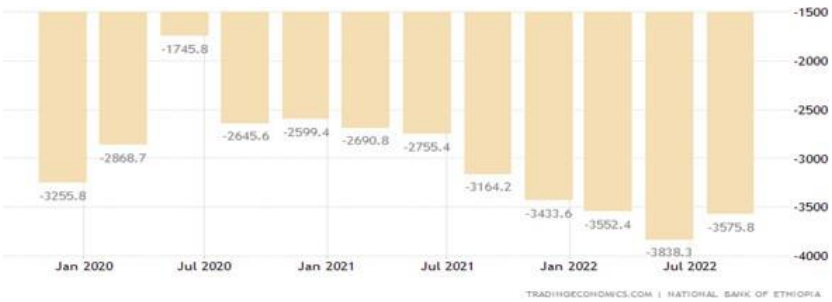

Figure 1: **Ethiopia Trade Deficits with China 2020-2022**

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VII Issue V May 2023

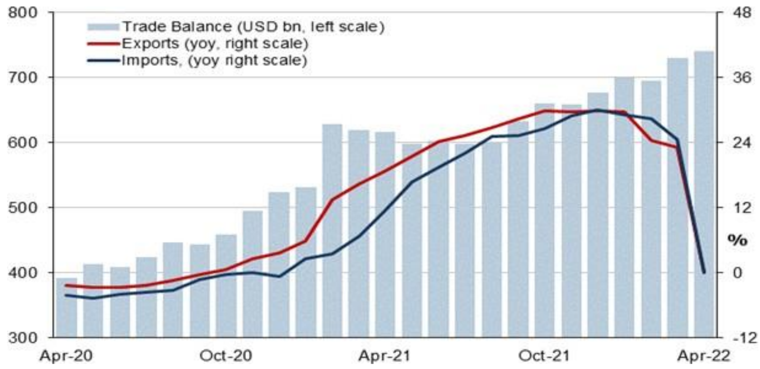

Figure 2: China Trade Balance 2020-2022

Indeed, following FOCAC, Ethiopia and China's trade cooperation rose from USD 10 billion in 2000 to USD 28 billion in 2005 and grew to USD 100 billion in 2009. This upward trajectory has continued. In 2019, China exports to Ethiopia stood at USD 2.37 billion while Ethiopia export stood at USD 518 million. In 2020, Chinese was USD 2.23 billion as against Ethiopia's export of USD 722.30 million. Though Ethiopia's export to China has seen increases, the balance of trade showed that China has comparative advantage over Ethiopia as a result of overwhelming increases in imports of Chinese finished goods (Alden, 2003; Ethiopian Investment Agency, 2009; Trading Economics, 2021). In other words, trade relation between both countries is expectedly asymmetrical. According to National Bank of Ethiopia (2021), Ethiopian deficit with China stood at USD-1745.80 Million in 2016 and USD-2645.60 Million in 2017 (Trading Economics, 2021) and by 2020 Ethiopia recorded a trade deficit of USD 2599.40 million. In 2022, Ethiopia trade deficit stood at USD 3575.80 million. . In 2020, Ethiopia's debt to China was USD 13.7 billion. The figures (1 & 2) show the total imbalance of trade between the two countries. China gains immensely while Ethiopia has been on the losing end despite the increase in its exports to China. Thefinished goods which are imported into Ethiopia are produced with the Ethiopia's raw materials, hence, reduces Ethiopia's Foreign Direct Investment (FDI) (Alden, 2003; Ethiopian Investment Agency, 2009).

As earlier noted, Ethiopia exports raw materials that are mostly agricultural based while it imports varieties of manufactured products from China. The goods Ethiopia imports from China outweigh what Ethiopia exports to China. Unlike Nigeria, Ethiopia's extractive sectors have little to offer, it is all about agriculture. The investment aspect portrays that China is really investing in Ethiopia but in areas that gives it more profit than Ethiopia. The large population of Ethiopia which is about 85 million people is a huge market potential for the sale of Chinese made products (Shinn & Eisenman, 2012). Again, China's engagement in trade with Ethiopia is also based on the fact that China needed to use Ethiopia to reach out to African regional markets, for instance, the Common Market for Eastern and Southern Africa (COMESA) (Shinn & Eisenman, 2012).In sum, despite the rise in trade volume, Ethiopia runs into huge trade deficits yearly. There is continuous trade imbalance in favour of China.

Investments

Under investment, China is the largest investor in Ethiopia. It grew from mere USD 5 million in 2006 to USD 4 billion in 2018 (UNCTAD FDI/TNC & Trading Economics database 2004-2018 & Xinhua.com, 2020). The investment is mostly in manufacturing and construction industries. The Ethiopia Investment Commission's (EIC) reports showed that 1,022 Chinese investment projects were giving license in Ethiopia between 2007 and 2017. The reason for the high concentration is because the Ethiopian government has the target of promoting investments, hoping that Chinese investors will be utilized to fasten Ethiopia's industrialization processes (Rui, Zhang & Shipman, 2016; EIC, 2017). While it is true that more industries came into being in Ethiopia since 2000, they are essentially Chinese.

In 2006, the Ethiopian Telecommunication Corporation entered into agreement with Zhongxing Telecommunication Equipment (ZTE) Chinese Company. This has led the company into enhancing modernization of Ethiopia's telecommunications industry to the extent of installing 1.2 million mobile telephone network lines in Ethiopian cities (Lili, 2012) while China's Alibaba Group, a global e-commerce company took the project of establishing Alibaba electronic world trade platform in Ethiopia to boost the country's digital development. In addition, China enabled the launching of the first Ethiopia Satellite, ETRSS-I in 2019 (Xinhua, 2019). Although the Export-Import Bank of China and China Development Fund domiciled in China are the critical institutions in the implementation of FOCAC's plan of action released every three years, it is pertinent to note that China established a branch of China-African Fund in Addis Ababa in 2010 in order to enhance the activities of Chinese companies in Ethiopia. This fund has financed several projects and companies in Ethiopia. Some of these projects include; the Eastern Industrial Park in Dukem, glass factories, ETRSS-1 (Ethiopia Satellite), Tekeze hydraulic dam, Meskel Square-Bole road,Dire Dawa-Dewele road, Addis Ababa-Adama expressway, Huana Dafenyuan agricultural company, etc (Cabestan, 2012; Muluaiem, 2014; MOA, 2014; Oqubay, 2015; SAIS-CARI, 2016; Xinhua, 2019). However, because the Chinese prefer working alone than engaging in Joint ventures, the ripple effect ofsuch huge financial outlays do not reflect in the empowerment of local entrepreneurs and technologytransfer.

China invested in Ethiopia's energy sector as well as in the establishment of the Eastern industrial park in Dukem as a special economic Zone (SEZ) in Africa. The park is one of the Special Economic Zones (SEZ) promised to be established in African countries during 2006 FOCAC summit (Davies, 2010; World Bank Report, 2011; Cowaloosur, 2012). This industrial Zone harbours 69 firms most of which (90%) are ironically Chinese including Huajian, one of the biggest shoe factories in China has which, though is attracting more effective foreign investment into Ethiopia (Cowaloosur, 2012; Oqubay, 2015). Other industrial zones include Bole-Lemi and Hawassa (Kim, 2013). Between 2007 and 2013, China invested heavily in the energy sector, a critical economic infrastructure need for the development of the country. Indeed it is on record that USD2.205 billion was invested in the sector. USD810 million was used in hydro power projects, USD 392 million for wind farm projects and USD 1 billion to power transmission and distribution. They were funded by EXIM Bank of China. Also, the Grand Ethiopian Renaissance Dampower transmission project was financed and constructed by China Electrical Power and no loan was givento Ethiopian Government (SAIS-CARI, 2016; d'Orey & Prizzon, 2017). Table 2 is the hydroelectric power plants completed with Chinese finance. This is addition to investments in wind power plant and power transmission projects.

Table 2: Chinese Engagement in the Ethiopia Power Sector

Hydro electric power plant	Date of completion	Capacity(MW)
Genale Dawa 111	2020	254
Gilge Gibe 111	2016	1870
Beles	2010	460
Tekeze	2009	300
Finchaa Amerti Neshe	2011	38

Source:Hailu, et al, 2021; Ethiopian Electric Power Corporation, September, 2009- 2020.

Industrialisation

The political leadership in Ethiopian have relied mostly on China for their rapid industrialisation. As noted, China is the highest investor and finance provider. The government through its policy of local production made effort in bending China to use Ethiopia's raw materials to produce things like shoes right in Chinese manufacturing companies in Ethiopia. This policy of local production was expected to enhance the industrialisation of the country, even when the Chinese ownership and control is not in the nation's security interest. More industries came into being in Ethiopia since 2000, than ever before. However they are mostly Chinese. Despite cheap land, labour and tax exemptions which Ethiopian government gave China on the establishment of Special Economic Zone (SEZ) in Ethiopia, only Chinese investments are hosted in the SEZ in Dukem which is not obtainable in other countries like Nigeria and Egypt that have Special Economic Zones established by China (Brautigam & Tang, 2011). The Eastern Zone Park has 90 percent of Chinese industries operating there, Huajian Industrial Zone equally has more of Chinese companies, even the Ethiopia owned Bole-lemi and Hawassa Industrial Parks are filled with Chinese companies with more of Chinese imported labourers whose numbers have not been easy to calculate (Xiaoyang, 2019). The local industries find it very difficult to compete with these Chinese companies and some of them closed either temporarily or permanently. For instance, Fontanina, an Ethiopian owned shoe factory could not complete with Huajian, a Chinese shoe industry in Ethiopia that have enough resources, materials, capital and large labour force. The Fontanina borrowed to buy equipment and import accessories and most times shipmentsget delayed and affect production. It affected producing what the buyers' especially international buyers needed; hence, they have fewer or no more buyers. This led to temporary closure of the industry while Huajian excel in production (Brautigam, Weis & Xiaoyang, 2018; Xiaoyang, 2019). Scholars have criticized Chinese operations of the Special Economic Zones (SEZ) on the grounds that it is wholly Chinese affairs.

The Chinese industries are criticized of not bringing in new skills that will enhance transfer of technology rather they only take advantage of Ethiopian markets and raw materials. The local suppliers mainly supplies raw materials such as limestone, minerals, wood, leather, recycled plastics, cartons, label printing, etc on terms dictated by the Chinese companies (Xiaoyang, 2019). The infrastructure provided by Chinese companies are mostly those that enhances smooth running of Chinese investments and for easy extraction of raw materials. This has not aided industrialization process in the country. The weak institutional capacity in Ethiopia has not allowed the policy of in country production with local resources has to yield much as these rules are not kept by Chinese. There is still importation of these materials by Chinese merchandise and they are protected by the custom and other relevant institutions. This attitude, if not checked de-industrializes the country.

Agricultural Development

In the Agricultural sector, although China built an agricultural company in Ethiopia known as Huana Dafengyuan, for the production of sugarcane production (Brautigam & Zhang, 2013; MoA, 2014) as raw material, the Ethiopian agricultural sector has insignificant Chinese investments. The much China has done in this sector is to give training to Ethiopians on agricultural Programmes (Adem, 2012). The goat and sheep skin harnessed by Ethiopian livestock production are patronised by the Chinese shoe companies in the country. Similar to the above is China's support of Ethiopia in production of sesame seeds which is much needed by Chinese economy through agricultural loans. This has made the sesame seeds become chiefexport of the country to China. National self-interest is the driving force. China prioritises its national interests, hence her low investment in agriculture (Shen, 2013). This is in a situation where Ethiopia is an agro-based economy and export mostly agricultural products. This has adversely affected Ethiopia efforts to reduce trade deficit and to pay back Chinese incurred loans.

Infrastructure

In the social sector, China's investment on infrastructure in Ethiopia covers the areas of construction of roads, bridges, railways, power stations, water supply projects, etc. Ethiopia has been battling with poor infrastructure; hence, the intervention of China was highly welcome. In 2007, China took over the control of 50 to 60% of road projects in Ethiopia and increased it to 80 percent in 2011. The reason for this is because Ethiopian government is so much interested in foreign investors that will in invest in its infrastructure to enhance fast development. China accepted this offer on the conditions that Chinese banks such as EXIM bank will fund the contract on loan bases that has five year period of repayment, Chinese companies and contractors will carry out the projects (Geda, 2008; Adem, 2012; Cabestan, 2012; d'Orey & Prizzon, 2017). In 2011, it constructed the Meskel Square – Bole road with USD68 million while in 2014, the Dire Dawa-Dewele road was constructed with USD187 million, Addis Ababa – Adama 85km expressway that linked Addis Ababa Djibouti port (SAIS-CARI, 2016; d' Orey & Prizzon, 2017; Xinhua, 2019) among others. The under listed table 3 shows more of the roads.

Table 3: Chinese Enabled Road Infrastructure Development in Ethiopia

Chinese Firm	Project	Constructed Road in KM	Value in Birr (Million)
CGGC	Shire – Shiraro – Humera Lugdi lot.1	156	616.44
Hunan Hunda	Shire-Shiraro Humera Lugdi Lot.2	161	627.71
Hunan Hunda	Gonder-Humera Contract 2	117	341.18
CGC Overseas.	Kombolcha-Gundewoin Contract 1	173	694.15
CGC Overseas	Kombolcha-Gundewoin 2	136	904.24
Hunan Hunda& Bridge Corporation	Harar-Jijiga	106	350.00
CGC	Dodola-Junction-Goba	130	371.62
CGC Overseas	Magna-Mechara	120	468.17
CGC Overseas Construction	Dodola-Junction-Goba	130	94.60
China Railway Engineering Corp.	Adigrat- Adiabun	108	283.22
Sinohydro Corp.	Nazreth Assela	79	177.34
Sinohydro Corp.	Nekempt Mekenajo	126.5	300.72
CRBC	Butajira Hossana	95	217.47
China Sichuan Int.	Mekenajo Dengoro Billa-Hena- Nejo	61	138.60
CRBC	Nejo – Mendi	74	147.77
CRBC	Merawi-Gonder	208	395.58
CRBC	Alemgena-Butajira	120	223.65
CRBC	Awash-Hirna	140	256.54
CRBC	Kulubi-Dengego-Harar	80	162.18
CHINA WON.	Woldiya-Alamata	78	150.33
CHINA WON.	Betemariam-Wukro	117	203.41
CHINA WON.	Debre Markos-Merawi	220	327.07
CRBC	Gashena-Woldiya Cont.3 Woreta-Woldiya	107.69	370.78

Source: Ethiopian Road Authority data, 2018.

In the rail transport sector, China took the construction of national and international rail network of 2,600km by 2015 and 5,060km by 2020 at a cost of USD 6 billion. This was based on the interest and ambition of the Ethiopian government. It constructed Addis Ababa rail linking it to Djibouti which is 756KM for USD 2.5 billion. Others include, rail linking Addis Ababa to Afar to enhance extraction of potassium from Denaki,

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VII Issue V May 2023

Addis Ababa – Bedele city rail where coal is mined, Addis Ababa light rail for USD 475 million, etc. (Berhane, 2012; Ezega, 2012; DAG, 2015; Hui, 2019). These rails, in addition to social significance have significant economic impact. Most of the constructions are carried out by Chinese owned companies and contractors such as China Road and Bridge Corporation (CRBC) (Gede, 2008; Adem, 2012 & Shinn & Eisenman, 2012). The funding mostly come from Chinese banks as concessional loans of low interest, five year period of repayment and grant of 35 percent. The Chinese banks include; Export – Import Bank ofChina (EXIM BANK), China Development Bank (CDB) and Industrial and Commercial Bank of China (ICBC) (Thankur, 2009; Cabestan, 2012).

In fact, China is the highest infrastructure development partner in Ethiopia and Ethiopia is the largest recipient of Chinese infrastructural development (Gutman & Chattopadhyay, 2015; SAIS-CARI, 2016; d'Orey & Prizzon, 2017). This is notwithstanding the fact that these infrastructure provided by Chinese companies are mostly those that enhance smooth running of Chinese investments and for easy extraction of raw materials. They have not aided quick industrialization process in the country. To make matters worse, Chinese companies are 100% exempted from imports tax on construction equipment, thus making Ethiopia loose revenue. Besides, as earlier indicated, the construction sector of Ethiopia is dominated by Chinese investors: from construction, rehabilitation, upgrading and maintenance of roads, railways, bridges, power stations and water supply. These companies continued operating in Ethiopia while Ethiopia's companies closed down because the government did not easily award them contracts.

Health Care

In the area of health care, China has been sending medical doctors to Ethiopia so as to enhance Ethiopians health conditions. Although China support for the health sector of Ethiopia predated FOCAC, it increased significantly since 2000 especially in the building of hospitals and supplying hospital equipment. Of importance is the direct investment in the sector by Chinese companies. Some of the hospitals are Tirunesh-Beijing hospital in Addis Ababa which is called Ethiopia-China friendship hospital, Addis Ababa Silk Road General hospital by a Chinese company Afei Holding Co. Limited, Sansheng Pharmaceutical Company in the East Industrial Zone, etc. These hospitals are highly equipped with standard equipment and medical teams from different countries who are highly specialized and qualified. The Tirunesh-Beijing hospital is the largest public health cooperation between China and Ethiopia and largest general hospital in Ethiopia. It has four institutions which are the Chinese Traditional Medicine Centre, Trauma Treatment Centre, Maternal and Child Health Centre and Remote Pathology Consultation Centre. Tirunesh-Beijing hospital equally has phases I & II. The Silk Road hospital helped a lot during Corona Virus Pandemic. These Chinese hospitals partner with some Ethiopian hospitals to offer professional services in the health care delivery (Hui, 2019; Xinhua, 2019).

China also set up scholarship for medical students in Jimma University. Also, it conducts eye programme called 'Brightness Action' which it use to carry out surgery for cataract patients upon which they regain their sight. It carries out 'Smiling Again' programme for surgery on children with cleft lips. It equally donated humanitarian nutritious goods for Ethiopians suffering from malnutrition (Tan, 2018).

Human Resource Development

As part of FOCAC engagements, China engages in human resource development in Ethiopia throughtraining of Ethiopians with the Ethiopia schools and in Chinese schools in China. Most of the trainings areon scholarships. Some of the programmes are Masters' and Doctoral degrees, training of experts to handle agricultural machines and issues and health issues. It is estimated that over 1,600 Ethiopians went to China for training with over 300 of them awarded scholarship to engage in Masters' and Doctoral DegreesProgrammes (Kim, 2013). The building of Confucius institute in Ethiopia universities facilitated the in country training of teachers of Chinese language for the learning by Chinese language. In addition Chinese companies engaged in manufacturing in Ethiopia send local Ethiopian employees to China for training between 3 months to one year. These have contributed to manpower development in Ethiopia.

However, despite the above efforts of Chinese in human resource development, it is criticized of not imparting real technology transfer on the citizens and has not done much to improve human resources. They are not trained to the competence level as to assume responsibility without the Chinese. Thus, Chinese companies in Ethiopia send their so called Chinese experts to work with local Ethiopians so as to secure the best of the tanneries for their own use (Xiaoyang, 2019). In other words, Chinese industries are notinterested in bringing in new skills that will enhance transfer of technology rather they only take advantageof Ethiopian markets and raw materials. The local suppliers mainly supplies raw materials such as limestone, minerals, wood, leather, recycled plastics, cartons, label printing, etc. on terms dictated by the Chinese companies (Xiaoyang, 2019).

Employment Generation

The high population growth rate of Ethiopia which is above the rate of African countries' average growth made the country unable to absorb the entire workforce eligible for employment into its economy. FOCAC engagements in the country created employment opportunities through Chinese investments (Mo, Orr & Lu, 2008; Garcia & Fares, 2008; MOLSA, 2009; Gamora, 2009). Many Ethiopian youths, for instance are employed in the construction industries. As shown in table 4 below, higher numbers of Ethiopians were employed by Chinese companies more than the Chinese expatriates. The percentage by sector may be quite overwhelming and attractive but the Ethiopian employees are not allowed to handle, operate and monitor sophisticated equipment. These are handled by Chinese technicians (Xiaoyang, 2019). As in the construction sector, with its negative implication for technology transfer, most of these jobs are temporaland not permanent. They are on contract bases with fixed period of time. This made creation of employment not to be constant because those relieved of their jobs turn to become unemployed again (Kim, 2013).Hence, employment opportunities on ad hoc bases that still lead to unemployment cannot be said to havehad positive effect.

Table 4: Distribution of Employees in Chinese Factories in Ethiopia by Sector

	Garments	Leather Products	Plastic Products	Textiles	Cement & Gypsum
Ethiopia	4395	11830	3061	1840	2592
Expatriates	110	440	150	152	291
Local Employment Ratio (%)	97.56	96.41	95.33	92.37	89.91

Source: Xiaoyang (2019)

SUMMARY OF FINDINGS, DISCUSSIONS AND RECOMMENDATIONS

Over the past two decades of FOCAC, China-Ethiopia relation has grown rapidly. Premised on mutuality of benefit, the socio-economic impact of this relation is significantly asymmetrical. While it is true that trade and investment has grown, it has benefited China more than Ethiopia. In fact, Ethiopia is not among the ten top African countries trading with China. A continuous trade imbalance in favour of China was observed. This is to be expected in the face of limited trade a relation that is heavily concentrated on raw materialswith inadequate value addition in the country. Ethiopian scholars have criticised China on the grounds that China's economic and commercial activities serve the interest of China rather than that of Ethiopia.

Ethiopia belongs to the top five African destinations for Chinese non-financial FDI as of 2020. Others in this category were South Africa, the Democratic Republic of the Congo, Zambia and Angola. Chinese investment in Ethiopia has a wide range of activities. The infrastructure projects are awarded to Chinese companies without calling for tenders. The literature provides that Chinese companies do not publish their financial analysis of how they utilised the projects fund after executing projects. This has become so difficult for international organisations like IMF and World Bank to access this financial information. These infrastructure are in most cases carried out by imported Chinese labourers while Ethiopians are employed as casual workers who are changed regularly and replaced with new ones (Vines,2007; Geda & Meskel, 2010; Cabestan, 2012). This has not gone down well with the people of Ethiopia. Even for the employed Ethiopians, the work of Fijawoski (2012) shows that working conditions in Chinese companies are not according to the standard of International Labour Organisation (ILO). There are cases of low wages, poor safety measures and excess contract jobs. For instance, during the construction of Addis Ababa roadprojects, CRBC made the workers to always exceed working hours without extra payment and healthconditions were not taking into consideration (Gamora, 2009; Herbertson, 2011; Adem, 2012; Kim, 2013).

It was found out that the Chinese win contracts through low price bid offer and standard financing system which they usually present to the Ethiopian government. The construction of roads, dams, power lines, etc are financed by EXIM bank of China and China Development Bank. Most of the infrastructure constructions are carried out by Chinese companies. At the end of the projects, there are always complaintof low quality of construction, poor payment of Ethiopian labourers, importation of all the equipment and machinery from China with freedom from import duties and tariffs. They are accused of importing outdated equipment to carry out their projects which affects the performance and service output of such projects after completion (Geda &Meskel, 2010). The Chinese also use their influence in the Ethiopian government tooust local companies to secure projects because the Ethiopian government will always want to work with them than using local firms whom they termed as unprofessional. This competition affects the growing local companies and pushes some into extinction. The strong relationship between China and Ethiopian government has made it easier for them to get whatever it needs from Ethiopia (Geda & Meskel, 2010).

The information that most investment policies and decisions are made to benefit China than the local firms is evident in the Ethiopian telecommunication company that was over taken by Chinese company and the Gibe III Dam. The Gibe III dam led to the displacement of 200,000 rural citizens, affected the Lake Turkana in northern Kenya water source adversely and put 300,000 Kenyans to water scarcity. This project was criticized by UN World Heritage Committee, World Bank and European Investment Bank that financedGibe 1 and II. Due to the adverse effect, African Development Bank refused to sponsor the construction of the dam. Although the dam constitutes a new source of export earnings for Ethiopia but it put the life of farmers at stake due to the high tension lines thereby not enhancing full rural development (International Rivers, 2009; Cabestan, 2012; Charkrabarty, 2016). It was therefore observed that China is only interestedin what to benefit and in many cases, their interests are to the detriment of their host country. They usually boycott virtually all standards both international and that of the host country.

No doubt China based on the FOCAC policies kept on paternalistically providing infrastructure to Ethiopia. The infrastructure provided by China is to aid its trade surplus in Ethiopia. Many Chinese industries and construction companies such as China Road and Bridge Corporation (CRBC), etc has flooded Ethiopia. However, these are not free and there is this general fear of debt trap for Ethiopia. These loans emanate mainly from China EXIM bank (Davies, 2010; Cabestan, 2012; Charkrabarty, 2016).

To be clear, the major interest of China in Ethiopia is to establish export markets for Chinese manufactured goods which include transport and machinery equipment and to encourage Chinese construction companies to dominate in Ethiopia. The relationship between China and Ethiopia is "infrastructure for diplomatic support" (Chakrabarty, 2016). Based on this, Ethiopian government have been strongly supporting Chinese investment more than other countries because it believes that FOCAC policies will bring the anticipated industrial revolution in Ethiopia. However, Chinese investment in construction sector has led to influx of

Chinese nationals as labourers in Chinese companies in Ethiopia thereby creating jobs for her nationals. Made in China goods are also in all Ethiopia's markets and equally cheaper than made in Ethiopia goods. This has led to unhealthy competition which is in favour of China and against Ethiopian small industries. According to Cabestan (2012), the infrastructure constructions by China are mainly to add to the surplus benefits of China trade in Ethiopia. This is why substantial projects are carried out in the capital city Addis Ababa and always linked to Djibouti.

An important finding of this study is also the fact that Chinese industries do not bring in Ethiopians in sectors that will enhance transfer of technology. They rather only take advantage of Ethiopian markets and raw materials. The local suppliers mainly supplies raw materials such as limestone, minerals, wood, leather, recycled plastics, cartons, label printing, etc on terms dictated by the Chinese companies (Xiaoyang, 2019). The infrastructure provided by Chinese companies are mostly those that enhances smooth running ofChinese investments and for easy extraction of raw materials. This has not aided industrialization process in the country.

To benefit fully from the opportunities created by FOCAC, it is important for Ethiopia to stand up to China as an equal partner for envisaged mutuality of benefits. Presently, this is not the case. China is dominating FOCAC as evidenced conference commitments and action plans dictated and implemented by China. To achieve this, FOCAC desk need to be established in Ethiopia with the prime responsibility of critically evaluating Chinese activities to ensure they comply with approved national and international standards. No doubt it is imperative for Ethiopia to build its institutions to become stronger and corrupt free with strong sanctions so that they can make rules and regulations that will enhance thorough check of Chinese. National security would also require that local construction companies and personnel should be awarded contracts even if it will be funded by Chinese government.

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