

**An Overview of the Bilateral Relations  
between the Federal Democratic  
Republic of Ethiopia and the People's  
Republic of China**

**Asia Australasia and the  
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## **1. Background**

Ethiopia and China enjoy 35 years of diplomatic relations. The two countries had long history of contacts that dates as far back as the first century B. C. Ethiopia and China had been in the forefront of the anti- colonial struggle in the past two centuries. They always advanced the interests of the developing world in various international forums including in the Non Aligned Movement and at the United Nations.

At present, Ethiopia and China enjoy excellent relations. This is due to the convergence of interest between the two sides. The Ethiopian government places economic diplomacy at the helm of its foreign policy. It gives importance to drawing relevant lessons, among others, from the emerging countries of Asia.

The fast-track development of China over the past 30 years; its success story in undertaking the green revolution, lifting out more than 200 million people out of poverty and its economic reform and opening-up was something to be emulated on the wake of multifaceted economic reforms in Ethiopia.

Ethiopia's proactive stance to strengthen the relations has matched with the readiness of the Chinese side to take the long-standing friendly relations further ahead. China has all along been willing and ready to share its development experiences. As a proponent of South-South cooperation, China has been a worthy partner in Ethiopia's effort to fight poverty and achieve economic development. As the 2nd largest populous country in Africa, Ethiopia is seen as great potential market for China.

On this backdrop, let us expound more on the current multi-pronged relations of political, economic and Socio-cultural cooperation.

## **2. Political Relations**

Exchange of high level visits was instrumental in forging close relations between the two countries. Official visits by H.E. Prime Minister Meles Zenawi to China twice - in 1995 and 2004 as well as visits made by former Chinese president H. E. Mr. Jiang Zemin in 1996 and H. E. Premier Wen Jiabao in 2003 to Ethiopia were important in creating high level dialogue in strengthening the relations.

Ethiopia has been one of the African countries that had supported the rightful restoration of China's seat at the United Nations Security Council in 1971. It also supports the "One China Principle". China has advocated for the voice of developing countries to be heard in matters concerning the UN and its Security Council. Ethiopia has always counted on China's support in this regard.

The two countries have created links of major stakeholders that contribute to solidify the relations such as inter- parliamentary friendship groups, links at the level of sectoral ministries and administrative units (Ethiopian regions with Chinese provinces). In the year 2002, the Foreign Ministries of the two sides signed a Political Consultation Mechanism. It is believed China has also such an arrangement with a number of African countries.

It is important to note here that the launching of the 2000 China-Africa Cooperation Forum on the initiative of the Chinese government was quite instrumental to revitalize decades-old relations between China and Africa. Ethiopia seized this opportunity to consolidate the relations by hosting the 2<sup>nd</sup> ministerial conference of the Forum, the first to be held in Africa.

Ethiopia welcomes steps taken by the Chinese government to issue its Policy on Africa in early 2006. The document singles out China's determination to advance mutually beneficial cooperation with the continent of Africa. It also emphasizes on promoting China-Africa relations as a strategic partnership to build a fair International Political and Economic Order. We believe Africa should play its part in realizing this goal.

### **3. Economic Relations**

Ethiopia's economic cooperation with China is multifaceted. The two countries have put in place important instruments that promote their economic cooperation. A number of bilateral agreements were signed, inter-alia, on development cooperation, agriculture, trade, investment promotion and protection, education, cultural and tourism cooperation.

The Economic, Technical, Science and Trade Joint Ministerial Commission that exists between the two countries serves as a policy dialogue forum on issues of common concern.

#### **3. 1 Development Cooperation**

China's development assistance has been a consistent manifestation of its foreign policy goals. It has been provided in the form of grant assistance and interest free loans. The 8 principles of China's foreign aid announced during Premier Zhou Enlai's Africa visit in early 1960s are still very relevant as principles of cooperation. After the reform and opening up in the late 1970s, we see new additions such as China's active involvement in contractual cooperation based on mutual benefits and with the growing capital accumulation, providing access to Chinese concessional loans. China, as one of the most important development partners of Ethiopia, is flexible to accommodate our

interest on extending its assistance and it has never tied it up with difficult conditionalities.

Ethiopia has been receiving development assistance from China since the signing of the Agreement of Economic, Technical, Scientific and Trade Cooperation between the two sides in 1971. The cooperation has been even more pronounced in the past 15 years. Although China provides assistance within the limits of its capacity, results are often seen on the ground and at the grass roots level. The first project completed with Chinese assistance –the Wereta-Woldeya - road has been quite beneficial in linking up two remote parts of Ethiopia; this road has left prints of China in that part of the rural community of Ethiopia. A more recent phenomenon is the completion of the Addis Ababa ring road, about 22kms long, on a contractual basis with partial financial assistance by the Chinese government. Construction of light industries, irrigation, infrastructure, water projects, low cost housing and human resource development were some of the projects accomplished using Chinese assistance.

Ethiopia has benefited from the debt cancellation scheme that the Chinese government extended to Africa as promised in the first ministerial meeting of the China Africa Cooperation Forum in the year 2000. Ethiopia is confident that the China will take similar measures in the future.

As an agrarian nation with 85 percent of its population living in the rural areas, Ethiopia is keen to learn from China's experience in the development and modernization of agriculture. In this regard, the Chinese government has been forthcoming in arranging a number of study tours for Ethiopian experts over the years. Ethiopia is currently drawing meaningful lessons from the modernization of the agriculture system of China by employing Chinese teachers as trainers of Ethiopian agriculture experts at various Agriculture Technical and Vocational Training Colleges.

The Chinese government has been providing short and long term scholarships to Ethiopia. This has been consolidated further as human resource development has come out to be an important area in the cooperation between China and Africa. China demonstrated its flexibility in this area as well by accommodating the short term training needs of Ethiopia and arranging customized programs in agriculture, infrastructure, health, light industrial development fields such as textile.

By participating on international tenders, Chinese companies are widely involved on a contractual basis in the road development sector of Ethiopia. This is one area of mutually beneficial cooperation as Ethiopia, among others, gets transfer of appropriate technology to its level of development and projects done efficiently at a minimum cost. Chinese companies are in turn getting wide opportunities of doing business in Ethiopia. The cooperation in this field has also helped people to people as well as business contacts. This has become one of the important ways to attract Chinese investment to Ethiopia.

### **3.2 Trade Relations**

Trade between the two countries is showing a steady growth, as part of the overall increase of China-Africa trade, which stood at USD 40 billion in 2005. Although the balance of trade is still in favor of China, Ethiopia's exports have substantially increased.

This growth was achieved as a result of China's quota and tariff free provisions for African LDCs granted in January 2005, in the spirit of the China Africa Cooperation Forum. In 2005, Ethiopia's oil seeds export to China has increased tremendously which was responsible for surpassing, for the first time; export revenue that traditionally comes from coffee. Trade between the two has reached USD 300 million in the same year.

The economic upsurge in China has increased its demand for agriculture and mineral products which will continue to create market for Ethiopia and Africa. Ethiopia seeks to get further strategic assistance from China in improving the quality and quantity of its export products. This is one of the most important future focus areas of cooperation with China.

### **3.3 Investment Relations**

China is a new comer in the out flow of FDI to the world, more so to Africa. However, there is a growing change in this scenario as more and more Chinese investors are coming to Africa in the past few years. According to the data from the Chinese side total investment of China in Africa has reached USD 1.8 billion.

Ethiopia worked vigorously to get Chinese businesses to participate in its economy. Effort is made to understand the mechanisms by which China's FDI flow to the outside world. Wide promotional campaign on Ethiopian investment climate was conducted by way of participating in trade and investment fairs, exchanging business missions, creating links between Chambers of Commences and using the Chinese media to relay investment opportunities in Ethiopia.

The volume of Chinese investment in Ethiopia has increased three fold in the past three years. 166 Chinese companies have taken investment license to date. Main areas of investment are light industries, pharmaceuticals small-scale textile industries and infrastructure.

China has started to encourage its investors to go to Africa. During the 2003 2<sup>nd</sup> ministerial conference of the China-Africa Cooperation Forum held in Addis Ababa, the Chinese government

promised to provide important incentives for strong Chinese businesses to invest in Africa. As the Co-chair of the forum, Ethiopia has also played its part to include business cooperation as one important theme. As a result, a Business Conference was part of the deliberations which helped Chinese and African businesses to come together and be part of the overall China-Africa cooperation – 185 Chinese business people and 450 African businesses drawn from 38 countries had an opportunity to discuss face-to-face and create future links. This has boosted the confidence of the two sides to work together.

Ethiopia is desirous to see more Chinese investment in the textile, leather and agro-processing sub-sectors which are strategic areas for its economic development. The existing trade imbalance is believed to be compensated by the flow of Chinese investment to the country.

Investment is one area where China can help boost transfer of skills and technology to Africa that are quite essential to modernize our economy and get a better share of the world market.

China has shown interest to work with African countries to develop natural resources and mineral investment on the basis of mutual benefit. Ethiopia is trying to seize this opportunity and be part of the cooperation.

#### **4. Socio- cultural Relations**

The two countries cooperate in the fields of education, health, sports and culture. This is helping to gradually enhance people to people contact. There is frequent exchange of cultural troops between the two sides. Ethiopian media people get numerous experience sharing opportunities in China. Xinhua News Agency and Ethiopian News Agency have a news exchange cooperation. Ethiopian students are enrolled in higher learning institutes of

China on a scholarship basis. Chinese medical teams are serving in Ethiopia and just recently Chinese youth volunteers have started to serve in various fields of expertise in Ethiopia.

These activities have been realized through the agreements that the two countries made in culture, education and tourism. It is believed that the socio-cultural activities are important milestones that can further cement relations between the two friendly countries.

## **5. Concluding Remarks**

Close consultations and dialogue between China and Ethiopia on matters of bilateral and multilateral interests will continue to be important to advance mutual benefits. Considering the long-standing fraternal relations between Africa and China, China's growth in all directions and its increased importance in world affairs should be taken as an opportunity to balance the position of the developing world. We need to work hand in hand in realizing this opportunity at its inception.

The China-Africa Cooperation Forum is creating a renewed energy to the all round partnership between the two sides. Ethiopia has been in a better position to get more development cooperation, access to trade and investment since the inception of the Forum. It also believes that the Forum could serve as a strategic mechanism to promote all round relations based on mutual benefits and needs to be nurtured in that direction to get better results.

China should be encouraged to consolidate its support for fair trade and sustainable development in the interest of developing countries and that of Africa. We need to work hand in hand with China to turn around the acute situation whereby Africa is destined to remain as a raw material provider of the world market as opposed to ripping the much better benefits of trade in processed goods.

China can contribute a lot in promoting African trade by transferring technology to increase quality and quantity of export goods and services of Africa and giving more access to these goods in its market.

We need to also work closely with China to get more of its FDI and benefit from added values that come with it in the form of transfer of skills and technology. The Chinese government is expected to play a key role in intensifying encouragement of its business people to work in Africa. This is quite essential, as Chinese businesses are quite new to Africa and support from their government could boost their activities in the continent.

Links by way of culture and tourism play very important role in familiarizing cultures and norms of the two sides which are important elements to fuel other areas of interest.