South-South Cooperation
-A case study of Ethiopia’s political and economic relations with China and Turkey

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Abstract

As the world system and the global political economy is under constant transformation, there is an increasing need for further research. Shifting from a North-South polarity towards a South-South-East relationship, the situation on the African continent is gaining more and more attention. The debate goes between the highly concerned alarmists warning for a new type of colonialism and those that are more opportunistic emphasizing the possibilities for underdeveloped countries to finally gain independence from Western predator claws. This thesis further explores the relationship between Ethiopia’s expanding partnerships with China and Turkey, aiming for analysis through the lens of the also highly debated dependency theory. China and Turkey both express and emphasize the economic and political rhetoric of solidarity and mutual win-win relationships. This thesis thus seeks to investigate if this can be considered the case or if instead, the driving forces behind Chinese as well as Turkish engagement in Ethiopia are to be viewed upon as purely strategical concerning political and economic self-interests. By applying a comparative case study approach when analysing the two relationships of China-Ethiopia and Turkey-Ethiopia, this thesis will examine statistics and numbers regarding the economic exchange in terms of trade, financial assistance and investment flows. The underlying driving forces behind the relationships will also be analysed before arriving at the conclusion that the relationships are indeed significantly uneven regarding power. The imbalances in the trade structures can be seen as an underlying factor of dependency. However, the characteristics of the of these South-South relations differ from the historically exploitative of North-South relations. Ethiopia can be seen to be given more room for self-determination and has gained benefits from its cooperation with both China and Turkey. Despite this, there is a need for the Ethiopian government to address its development needs and furthermore, increase its bargaining capacity in order to benefit further from trade agreements and foreign investment.

Key words

Ethiopia, China, Turkey, South-South cooperation, Global Political Economy, Dependency Theory, International Relations.
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1 Introduction

During the last decades, there has been a significant shift in international power relations due to emerging economies in developing countries gaining more and more influence from the previous dominance of the global north. Stable and growing economies of the global South such as the BRICS countries, comprising of Brazil, Russia, India, China and South Africa, are increasingly gaining power in terms of trade as well as global development, creating an increasing trend of South-South cooperation as a new character of world order within the fields of economics and politics. There is currently an ongoing debate on the topic of South-South cooperation. The concept has been addressed by many researchers including that done by Kevin Gray and Barry K. Gills (2016) on the division between the optimistic side seeing this phenomena as a potential for the Global South, meaning the countries that are less benefited by the global system in majorly geographically situated in the south part of the world to finally reach economic development creating a positive liberation from the domination of the North, which are considered mainly western centred states, and thus pose a challenge the global status quo. On the opposing side are the pessimists, stressing that this development is only further fostering the current and existing paradigm of global capitalism with all its negative impacts and thus only shifting in terms of ownership of the exploiters and not improving the situation of the less developed countries of the global South in terms of dependency. There are those on the more radical critical side of the debate of the rise of the south, writers on the critical side include Patrick Bond & Ana Garcia (2015), who claim that the change in the global structure is leading to a type of ‘Southern neo-colonialism’ and ‘sub-imperialism’ which is in high contrast to those on the other side of the debate that are more hopeful to a collective initiative towards South-South economic cooperation such as a collective ‘self-reliance’ as well as an emerging ‘South-South collective development paradigm’. On the latter side of the debate, there are researchers such as Fantu Cheru (2016) and Thomas Muhr (2015), arguing for South-South cooperation to have a progressive potential.

In their article, the debate that is outlined by Gray and Gills puts strong emphasis on the controversy that very much characterizes the current discussion on
whether the aim for elites in the global South and emerging powers is genuine and seeks to challenge the current structure of the global capitalism or if the intention is to perpetuate and reproduce these structures of Southern giants suppressing weaker Southern states, while gaining influence and strengthening their positions within the structures (Gray & Gills, 2016, p. 559). Regardless of the intentions, there is an ongoing reconstruction of international power relations as well as a shifting in the rules of the global economy (Gray & Gills, 2016).

Furthermore, one very interesting relationship discussed within the South-South cooperation debate is that between China and the African continent. China is currently one of the most influential and powerful economies in the world. There is a popular trend among scholars to evaluate this shift in the international aid paradigm in general and particularly in the context of Chinese African relations. Author and researcher Jens Sörensen (2010), for example, scrutinize the impact of Chinese foreign policies in terms of the provision of economic aid and development assistance to countries in Sub Saharan Africa. Sörensen puts emphasis on the structural sides of Chinese aid projects. He seeks to examine China’s strategic investments in Africa, which are of the ‘no strings attached’ character, meaning that Chinese foreign policy is highly respecting the sovereignty of African states, in terms of not demanding any requirements in return such as demands for human rights. China has instead been adopting a highly cautious approach of not interfering in domestic policies of the aid-receiving states which is an approach that clearly can be considered different from the Western aid paradigm (Sörensen, 2010, p.151). Sörensen also raises strong concerns that the Chinese aid model is creating new as well as perpetuating old ‘forms of dependency’ and furthermore ‘debt traps’ (Sörensen, 2010, p. 232).

As Sörensen takes the more sceptic perspective in the debate, Fantu Cheru and Cyril Obi (2010), chose to go forward with a more opportunistic approach as they make a nuanced contribution with their collection of theses. In their comparative analysis of China’s and India’s engagement in Africa they strive to examine the complexity of these emerging relationships. In addition, they try to meet the increasing concerns derived mainly from the West over the shifting world order, from a North-South polarity towards a relationship of South-South-East. This by arguing that in reality China’s and India’s influence is highly dependent on the countries own
vulnerable position in the world economy. The authors also comment on the policy measures that are taken by leading Western governments in order to not lose influence over the continent as well as discussing a replacement of the Washington Consensus in favour of the Southern Consensus. However, even though they mention how African policy makers are positive to the new cooperation as they feel that the increased economic interest that India and China show will provide strategic options for African along with an increased political independence which Western development assistance has not provided them with due to strict Structural Adjustment Plans implemented by the World Bank and the IMF in the 1980’s. However, the authors also acknowledge some significant risks and stress that if African governments are to benefit from these relationships they need to work on their negotiation skills. Since without proactive action the situation of China and India can result in a situation of ‘neo-colonialism by invitation’ (Cheru & Obi, 2010).

Due to its increasing importance, this thesis will include this particular case in order to gain a stronger in-depth understanding and thus more critically being able to examine the positive as well as the adverse effects within the Chinese African context and in particular the one between China and Ethiopia. Furthermore, since there is a lot of material already provided concerning the case of Chinese power politics, this study seeks to examine foreign aid policies in another context, namely the relationship between Ethiopia and the increasingly important player of Turkey.

1.1.1 **Objective and Research Question**

The objective of this thesis is to evaluate if these relationships lead towards dependency or if these relationships also can lead to mutually beneficial win-win relationships and thus, in turn, help developing countries to gain both economic and political influence. The main research question for this thesis is the following:

Despite both China's and Turkey's rhetoric of solidarity and mutual win-win relationships. Can the driving forces for Chinese as well as Turkish engagement in Ethiopia be considered as purely strategical in terms of political and economic interests?
2 Literature Review

Kevin Gray and Barry K. Gills (2016) make a useful contribution to the field when evaluating the interesting and ongoing debate on the phenomenon of South-South cooperation and are addressing a number of important and relevant issues in their article. Some of the questions the authors are pointing out are “What is the impact of the rising powers on global development patterns and to what extent does the developmental assistance offered by rising powers challenge existing neoliberal practices?” (Gray & Gill, 2016). They are also discussing whether this change can have positive impacts on the developing world or if this structure creates further unequal relations and dependency. Furthermore, they are discussing what conceptual tools and theoretical frameworks that can be considered most successful and helpful to apply in order to answer these complicated questions. Gray and Gills are also asking the question; “To what extent do new groupings such as BRICS present a real alternative to the geopolitical and geo-economic dominance of the West and of the neoliberal economic globalization paradigm?” (Gray & Gills, 2016). Gray and Gills are also putting further emphasis on discussing whether there even is an ongoing ‘global centre-shift’ and in such case, how it can be measured.

Furthermore, Indian researcher Dr Deepak Nayyar argues that the rising powers in the global economy are becoming more and more important, stressing that there is an intense catch-up in industrialization among the developing world, but that it is significantly uneven. Nayyar underlines that much of the economic progress is saturated within Asia and mostly within China and India and to some extent Latin America, leaving African states further and further behind. He also points out the inequalities within the BRICS countries, and one of his persuasive arguments is that there are currently existing trade patterns in the developing world that can be considered to be of a ‘near-colonial’ character, with China and India as increasing manufacturing powers, when extracting resources. Nayyar, therefore, argues that the ‘good intentions’ of the BRICS countries within the concept of South-South cooperation is very limited due to unequal terms and conditions in trade policies (Nayyar, D. 2013).
A broader perspective on emerging powers and changes in the ‘development landscape’ is taken by the author Emma Mawdsley (2012). Aiming to go beyond rich and poor, she provides a nuanced analysis of the rising power of the BRICS economies which she argues that even though they are a central part of the shift in the world system they are not alone as she refers to a second generation of emerging powers, where Turkey is included along with Colombia, Egypt, Indonesia and South Africa, as these countries have developed a growing and relatively young middle class with increasing purchasing power and solid financial systems. Mawdsley also identifies a third wave of development partners that also should be included into the concept of South-South cooperation. She further argues that, even if economies of some developing countries, despite rapid annual economic growth remains small, when put together in coalitions based on ‘peer-to-peer learning and South-South knowledge exchange’ they can develop partnerships that can challenge the Western dominance.

Power, Mohan and Tan-Mullins (2012) are in their research primarily focusing on the context of China-Africa relations, revealing Chinese interactions in Africa as well as the intentions in investments and aid, Power Mohan and Tan-Mullins are aiming to evaluate the geopolitical shift along with the changes in global power relations. With China being the largest importer of African valuable natural resources, the authors criticize the Chinese methods, meaning that the development and economic growth of African countries have failed to occur despite Chinese claims that the benefits of the investments are mutual. The authors also analyse ‘China’s oil diplomacy’ as referring to how China has been providing technical know-how and low interest loans as a type of unconditional aid in exchange for favourable bilateral agreements on oil extraction and trade. China’s use of ‘soft power’ is also discussed both in a contemporary and historical context. The authors make a useful contribution to the field by providing qualitative case-studies as reliable data on the topic can be considered quite limited.

China is also the primary focus of researcher Jens Sörensen, who in his book (2010) both declare for the aid practices that are already established by the Western countries and in addition explores the alternatives that are increasingly used by the Asian countries and mostly China. Sörensen makes a detailed comparison between
the two aid policy structures, in order to evaluate whether international aid policy is 
progressing towards new models or if it perpetuates the old patterns.

On the opposing side, Fantu Cheru (2016) contributes with an in-depth case 
study of the Joint Ethiopia-China Commission and the, what he argues, is a more 
mutual relationship, and not necessarily a type of new colonialism. According to 
Cheru, the relationship between the two countries is not solely characterized by ‘land 
grabbing’ but argued to be focused on investment in construction and manufacturing 
areas, being beneficial for Ethiopia in this case in terms of gaining skills and 
infrastructure such as roads and telecommunications. According to Cheru, the 
Ethiopian development is being positively affected by the relationships with emerging 
donors and that the Ethiopian government has been able to structure its own policies 
as well as shaping its own international relations in order to be able to gain economic 
development in cooperation with Chinese investments. Cheru argues that in the case 
of Ethiopia, success can be measured in its pragmatic ‘economic diplomacy’, due to 
Ethiopia’s ability to “harness its relationship with the new as well as the traditional 
development partners strategically, to unleash the country’s productive potential 
while maintaining national policy space” (Cheru, 2016).

Another author that makes a resourceful contribution to the topic is Pádraig 
Carmody (2011), who in his book examines the strategies that are used by different 
actors engaging in Africa as well as the nature behind the resource and market 
competition. By drawing from the recent theory of Chinese ‘flexigemony’ he analyses 
the dynamics of what he calls a ‘new scramble for Africa’ which he argues is caused 
by the enhancement of the globalization process where the increasing lucrative market 
exploitation is a major driving force to foreign actors. Carmody finds that China is 
adopting a ‘full spectrum approach’ seeking to ensure access to markets and resources 
as well as seeking diplomatic support both in democratic and authoritarian states in 
Africa. Carmody further announces the strategy used by China as ‘ruling at a distance’ 
which he also argue is the strategy that is being used by India.

Another influential and very experienced researcher on Africa-China relations 
is Deborah Bräutigam (2015). In her book, she seeks to explore the wide gap between 
conventional knowledge and the deficiency of evidence on the highly discussed topic
of Chinese ‘land grabbing’. By examining evidence and carefully reviewing policy documents the author aims to challenge the perceptions that circulate through the media and largely derives from Western fears. She also stresses that Chinese engagement in Africa is not a new phenomenon but rather stretches over half a century. Largely focused on the issues of food insecurity, famine and land scarcity, she argues that agriculture in African countries mainly remains small-scale and at a subsistence level and that the amount of land that is leased to Chinese is quite small. She further argues that there are potential benefits to be made by Chinese help in commercializing Africa’s agricultural production and that this might result in not only food security for China but also for Africa battling chronic famine through lower food prizes.

Mohan and Lambert, (2013) take a different approach in their analysis of China Africa relations. They argue that even though many researchers place their main focus on the driving force of China, it is also important to recognise the agency and driving forces behind African states. They argue that many Chinese engaged projects in Africa are as a matter of fact negotiated, driven and shaped by African actors. They oppose the idea of dependency meaning that Africa cannot be seen as only a passive subject open to Chinese intervention and emphasizes the reinsertion of African agency into the concept of Sino-African relations. Claiming that agency is present also at the individual citizen level with locally driven projects. However, the authors also acknowledge that the power among Africans is indeed not evenly distributed and that the extent to which African agency can be practiced is limited to elites within the government or business sector (Mohan & Lambert, 2013).

3 Theoretical Framework

3.1.1 The dependency theory

Being a rather mature concept, the dependency theory has been continuously debated since the 1960’s and there is not a unified and clear understanding of the meaning of the concept. As Brown (1985, p. 62, cited by Agbebi and Virtanen, 2017 p. 430) puts it;
“There is no single coherent body of thought that can accurately be described as ‘dependency’ theory. Instead various theorists stress the key notion that some countries (or economies) are conditioned in their development by their dependence on other countries (economies).”

However, there are some key arguments that are agreed upon. These are that the world constitutes of two types of countries, namely the centre industrialized ones and the underdeveloped periphery ones. The core issue is that trade between these centre and periphery countries is characterized by an unfair and unequal exchange which has caused the periphery countries to remain underdeveloped and in turn stuck in a trap defined by a dependency like relationship due to the spread of the world capitalist system.

3.1.2 Marxists vs. non-Marxists

Agbebi and Virtanen (2017), make a useful contribution in breaking down the concept of the ‘Dependency Theory’ distinguishing between the non-Marxist view, with scholars such as Mahbub ul Haq and Raúl Prebisch, and the Marxist perspective with André Gunder Frank, Immanuel Wallerstein and Theotonio dos Santos on the frontline. According to Haq (1976), the North-South division was worsened by the era of colonialism, placing the rich states of the North in the centre of the world with the developing countries in the South place in the periphery, doomed to supply the Northern countries with raw materials. He argues that, in spite of decolonization, this economic dependency and exploitative relationships remains. Prebisch (1968) also argued that historical circumstances were to be blamed for the development of core centre-periphery relations and the South’s position of dependency due to rapid and uneven industrialization which created market competitiveness and unfair trade relations where the South experienced diminishing conditions. Agbebi and Virtanen (2017) argue that due to Haq and Prebisch both having professional backgrounds within the World Bank and the United Nations, respectively, they, in their non-Marxist point of view acknowledge and emphasize that the international economic system could be beneficial for the development of the global South and that it also would be in the interests of the global North.
From a Marxist perspective, the dependency theory is viewed upon as an overabundance of capitalism, controlled and taken advantage of by the countries of the global North resulting in a system or structure that is unable to accommodate and benefit the global South (Agbebi and Virtanen, 2017). Moreover, Frank (1966), claims that the capitalist system has led to an international division of labour which in turn has resulted in the underdevelopment of the global South. He argues that due to this division, the political, economic cultural and social values of the global South is determined by the interests of the dominant countries of the global North. He also argues that this division will remain due to the dominant states’ strong desire to benefit from surplus capital from dependent countries. According to him, the way to escape dependence is independence rather than interdependence, and thus he stresses that in order for the global South to be able to achieve development, the dominant states need to ‘loosen their ties’ (Frank, 1966).

Another well-known Marxist analyst of the dependency theory is Immanuel Wallerstein who has been labelled a ‘world system theorist’ due to his view on a ‘modern world system’ known as the Capitalist World Economy, that is sprung out the sixteenth-century European feudal system (Wallerstein, 2011). He divides the world into three groups of regions; the ‘core, periphery and semi-periphery’ where in this international division of labour, the core states keep exploiting the periphery countries in order to gain and maintain their political and economic power.

A third important scholar within the Marxist approach is the one of Theotonio dos Santos (1970) who views dependency as a ‘conditioning situation’ that is keeping peripheral countries in underdevelopment due to exploitation being deeply perpetuated by the capitalist system and the international division of labour. He identifies three types of dependency which are ‘colonial dependency’, ‘financial-industry dependency’ and ‘technological-industrial dependency’ and claims that the current dependency structure of the ‘third world’ has deepened even further.

The dependency theory and the ‘world systems analysis’ are also discussed and outlined by Greig et al., (2007). The authors mention the classical political economist David Ricardo’s view on ‘comparative advantage’, meaning that Western countries
should keep their focus on industrial production while ‘post-colonial’ countries should stick to their production of primary goods. This strategy can be seen as a strategy of keeping some countries underdeveloped and a ‘chain of exploitation’. It is also argued that the relations that developed from the ‘chain of exploitation’ both made the peripheral state weaker in comparison to the core state and also hindered the development of democratization. The authors further argue that “the same developmental process that facilitated liberal democracy in the core also set in train authoritarianism and dictatorship in the periphery” (Grieg et al., 2007, p. 92).

3.1.3 Criticism of the dependency theory

Being a somewhat radical concept, the dependency theory has indeed gained criticism from liberalists that advocate for free-market economics, claiming that dependency theory is placing too much emphasis on blaming external factors and the international economic system for a country’s failing development without acknowledging internal factors (Namkoong, 1999). Smith asserts that “dependency theory represents a historically concrete attempt of Marxism to absorb southern nationalism into a kind of ideological united front” (Smith, 1979, p. 83, as cited by Agbebi & Virtanen, 2017). Agbebi and Virtanen, further write that the international economic system did not have the intention of exploitation. However, any interaction between countries means a risk for an uneven relationship and that “actors in a system must have a symbiotic relationship; otherwise the system will collapse and destroy the actors” (Agbebi, Virtanen, 2017 p. 434). Christopher Hope meets criticism of the dependency theory in his article in Review of African Political Economy (2018) by claiming that in spite of perspectives as of Frank (1966) who by ‘overly-deterministic means’ wish to overthrow capitalism, there are a great variety of writers within the broad school who possess very different perceptions that according to Hope are not being acknowledged.

3.1.4 Relevance of the dependency theory

The dependency theory, in spite of its criticism, does provide an essential perspective on the international political economy and a motivation to illuminate issues concerning the underdevelopment of the global South. Various dependency scholars stress that the global South will remain underprivileged until the system
which was constructed with the aim to benefit the global North unless drastic measures towards equality are taken (Agbebi & Virtanen, 2017). The dependency theory has over the years gained influence in its questioning of western ideas regarding policies and intentions that neglect countries in the global South and their specific needs for development. This idea has raised awareness among scholars about the need to investigate and reshape the patterns of economic events in order to come up with new strategies that better allow for the inclusive development of countries in the global South (Agbebi, Virtanen, 2017). The need for new strategies further leads the discussion towards the concept of South-South cooperation. Where criticism of misplaced western ideas and the conditionalities that for example come with development assistance from the West unify beliefs that cooperation between countries of the global South might result in more sustainable and appropriate solutions for tackling the issue of underdevelopment in the global South (Rosseel et al., 2009). Rosseel and his colleagues further define South-South cooperation as referring to “cooperative activities between newly industrialized Southern countries and other, less developed nations of the South. Such activities are mainly situated in the areas of politics, economy and technology. The aim of SSC is to promote self-sufficiency among Southern nations and to strengthen economic ties among states whose market power match more equally than in asymmetric North-South relationships.” (Rosseel et al., 2009, p. 16).

Questions can be asked whether the dependency theory is an outdated concept or if the school still can be considered accurate when analysing the current world structure. Christopher Hope contributes with an interesting perspective on the accuracy of using the dependency approach as a theoretical lens when analysing, for example, current trade relations within the African context. Hope believes that the dependency approaches can be helpful in order to better understand the African economies and their potential for growth he thus stresses the importance of including an examination of the ‘social arrangements of power behind economic practice’ into the analysis. In line with the dependency school, Hope also recognizes the importance to acknowledge the interaction between both internal and external factors, thus not only on a national level but also to take into consideration how transnational economic power relations have an impact on development. He further calls for such a
perspective on power relations both on a global and national level when analysing the case of African economies, which he finds that contemporary ways of analysis seem to be missing since the decline in popularity among dependency approaches. An example of a contemporary theory that fails to include international aspects of power relations is as Hope mentions the ‘Political Settlements Theory’ made popular by writers such as Hazel Gray and Lindsay Whitfield and analyses how politics, institutions and furthermore economies are shaped by how power is distributed within a country’s society. The theory aims to reveal how economic policies and their motivations are consequences of a country’s ‘national structures of power’. Furthermore, as Hope stresses the importance to try to understand how a country’s ability to increase its wealth and thus create sustainable development is highly dependent on that country’s position within the global capitalist economic structure which, according to him, gives dependency theory relevance still today.

In terms of South-South cooperation, Agbebi and Virtanen put emphasis on Chinese engagement in Africa as being an example of SSC that is increasingly researched due to China’s remarkable economic growth along with its escalated involvement in matters regarding aid, trade and investments in countries on the African continent which fuels the debate on whether China’s intentions are out of solidarity and creating mutual relationship or selfish and strategic. The authors proceed by asking “Is China a development partner or Africa’s new colonizer?” (Agbebi & Virtanen, 2017: 436)

4 Methodological Framework

4.1.1 Methodology

The research methodology chosen for this thesis is a qualitative abductive literature study, using three different countries as case studies. Secondary sources will be used in terms of published previous research paper, articles and books. Primary sources will also be used in terms of policy documents and government publications. In addition, information obtained from an email interview with a selected key informant from the Nordic Africa Institute in Uppsala with great expertise within the
field of Ethiopia-China as well as Ethiopia-Turkey relations is also to be included in this thesis.

A conceptual analysis will be applied to the concept of South-South cooperation as well as how the concept of dependency theory has been under transformation during the latter half of the century. This thesis will have the intention to deeply evaluate and further developing the contemporary debate on the concept of South-South cooperation and analyse it through the lens of Dependency Theory.

The first part of this thesis seeks to present the current debate on South-South cooperation before narrowing down the topic in order to place a more in-depth focus on international relations among three specific countries. These are China, which has emerged into a massive economic and politically influential country and Turkey, which is another increasingly important player in the world economy. The third is Ethiopia, which has been chosen as the main subject of this study.

This study seeks to analyse Chinese and Turkish driving forces, strategies and underlying intentions as this thesis aim to scrutinize how Chinese and Turkish foreign policies have an impact on the one African country, namely Ethiopia that has been chosen as a case study for this research. Ethiopia was chosen for this study due to it being a country incredibly relevant to the current debate on South-South cooperation. Its increasing importance in the political-economic sphere is well acknowledged, and its prominent location in the Horn of Africa is strategically important with Addis Ababa being recognized as a capital of East Africa. This thesis aspires to analyse the relationships between these three countries by applying a conceptual framework of dependency theory. The aim is to analyse the concept of South-South cooperation and the possible new world order in order to detect if this South-South cooperation can lead towards a mutually beneficial relationship, whether the case of Ethiopia, which is considered in this thesis is enabled sustainable development or if old patterns of dependency and neo-colonialism are perpetuated.

A comparative case study will be used between two relationships; China-Ethiopia and Turkey-Ethiopia with the objective to compare similarities and differences as well as advantages and disadvantages of South-South cooperation as opposed to a previous North-South hegemonic world order.
4.1.2 Limitations and Delimitations

During this study, a number of limitations have been acknowledged. Some documents and articles have been hard to access due to a lack of language skills, particularly in the case of Turkey. Moreover, this study has been limited to research already published material which in turn limits the reliability of the results presented in the conclusion section. The reliability of the various policy documents provided by the governments is also considered due to transparency issues. It is also hard to see what is in reality being done versus what is said to be done by the government as well as the private sector. It is problematic to distinguish between what the policy documents communicate and what is being implemented in reality. This study is also aware of the fact that statistics and numbers might to some extent be unreliable or unrealistic. The accuracy of this research is also considerably limited since only one African state is evaluated. Due to the incredible diversity of the African continent, it is not possible to draw any general conclusions from this research regarding what the actual impacts of these relationships will have on Africa in general and Ethiopia in particular. The results of this research are also insufficient due to time constraints.

5 Case Study - Ethiopian context with China and Turkey as competing investors

5.1 Ethiopia-China Relations

Between 1970 and late 1980, Ethiopia’s foreign policy was in line with the one of the USSR. This was due to strategic reasons. However, during the 1990’s attitudes started to change when the previous military regime was defeated by the liberation movements which leading up to a new era of post-1991 political order Cheru (2016). Ethiopia’s new prime minister Meles Zenawi, leader of the Ethiopian People’s Revolutionary Democratic Front (EPRDF), began to emphasize the importance for Ethiopia to secure policy space in order to enable alternative development, started to lean towards Eastern Asia. The successful transformations from agrarian societies to industrial societies, which had been seen in China, Taiwan and South Korea got Zenawi’s attention as he was eager to learn about the domestic policies and
institutional reforms that had been able to facilitate for a release of productive potential within the countries (Cheru, 2016).

Since the 1990’s, prime minister Meles Zenawi and China’s president Jiang Zemin have arranged frequent meetings both in Addis Ababa and Beijing. In order to encourage Chinese investments in Ethiopia, a Joint Ethiopia-China Commission (JECC) with the purpose to act as a coordination platform for economic and technical cooperation. JECC was formed in 1998 between Ethiopia’s ‘Ministry of Finance and Economic Development’ (MOFED) and China’s ‘Ministry of Finance and Commerce’ (MOFCOM) (Cheru, 2016). Other influential actors regarding Chinese and Ethiopian relations are the ‘office of the Prime Minister’, the ‘Ministry of Foreign Affairs’ as well as other government officials from the EPRDF. Matters concerning the China-Ethiopia bilateral relations are also to a great extent handled by the parliament; namely, the ‘Standing Committee on Foreign Affairs and Security of the House of the People’s Representative’ as well as during party-to-part meetings between EPRDF and the Chinese Communist Party (CCP) (Cheru, 2016).

After its liberation, the Ethiopian government recognized the need for a radical change regarding its international relations and called for a ‘2002 Foreign Affairs and National Security Strategy’ which aimed for constructive engagement with new Southern development partners along the traditional Western (Cheru, 2016). The government also implemented a strategy for long-term national development in 2000 called the ‘Growth and Transformation Plan’ (GTP), the main goal of the plan was to transform the Ethiopian economy from agricultural subsistence towards an industrialized and modern middle-income country by the year of 2025. The plan was followed by a ‘Second Growth and Transformation Plan’ (GTPII), implemented in 2016 with the main objective to sustain the country’s recent and rapid economic growth by achieving annual real GDP growth of 11 per cent on average. Another objective that is strongly emphasized in the plan is furthermore for Ethiopia to thoroughly reach its production potential through increased efficiency and capacity building by improving quality, productivity and competitiveness in the sectors of both agriculture and manufacturing (MOFED, 2016).
Ethiopia is an interesting case study when analysing China-Africa relations, due to the fact that Ethiopia is not particularly rich in natural resources, which makes China’s interests in Ethiopia different from other African countries, where natural resources have tended to be the primary objective as discussed in ‘the new scramble for Africa’ by Pádraig Carmody (2011) and Moyo (2012). On the contrary, the main economic activity that is dominant in Ethiopia is agriculture. According to Malancha Chakrabarty (2016) around 85 per cent of the Ethiopian population is heavily dependent on agriculture which also makes up for about 90 per cent of its export income as well as 41 per cent of the country’s total gross domestic product. The Ethiopian government has thus recognized agriculture as being the most crucial element for tackling poverty in the country, and the implementation of the ‘Growth and Transformation Plan’ with Agricultural Development Led Industrialization can be seen as the main strategy (Chakrabarty, 2016). According to Cheru (2016), the Ethiopian government’s choice to engage China is of high political and economic strategic reasons. This is due to China’s great interests in making investments in infrastructure, energy and telecommunications sectors which are the sectors in need of large-scale funding as well as crucial for meeting the objectives in order for Ethiopia to become a middle-income country as communicated in the ‘Growth and Transformation Plan’ (MOFED, 2016).

Since the beginning of 2000, Ethiopia has experienced significant economic growth compared to most other African countries which are mostly due to rapid growth in agricultural production, primarily in the main crops, coffee and sesame. This period of strong growth can be linked to an increase in Ethiopia’s economic relation with China which currently is the most important partner in bilateral trade for both import and export (Chakrabarty, 2016).

A large number of the previous research on China-Africa relations has as already mentioned been mainly focusing on Chinese interests in natural resources. However, Ethiopia-China economic relations is according to Geda and Meskel (2010), characterized by market seeking and Chinese investment is focused on the sectors of manufacturing, road-construction telecommunication and real-estate, where Chinese firms are in total domination.
According to Gamora (2009), Ethiopia is one of the most strategic countries in Africa regarding both political and economic means due to its location in the Horn of Africa between Somalia and Sudan. The market potential and large population attract Chinese interests in its seeking for lucrative markets. However, Gamora stresses the fact that Ethiopia-China relations are unequal with a growing imbalance in trade, where cheap Chinese manufactured goods such as plastic and textile products are being dumped on the Ethiopian markets and thus severely harm the domestic production. Furthermore, many Chinese projects in infrastructure can according to the author be considered funded through ‘tied’ Chinese aid (2009).

Furthermore, Ethiopia can also be seen as one of the most strategic African countries regarding diplomatic relations, both from Chinese as well as European point of view. According to Hackenesh (2013), China is increasingly putting pressure on the European development policy regime, even though Chinese and European approaches are profoundly different. The European Union views Ethiopia, mainly as an aid recipient, and thus emphasizing the importance of aid to focus on healthcare, education, poverty reduction and budgetary support. China is, according to Jalata (2014), taking an alternative approach of establishing a mutual economic partnership with the Ethiopian government in terms of combining or aid with official financial flows, Foreign Direct Investments and bilateral trade. Jalata (2014) raises some concerns about Chinese financial assistance system as he argues that when Chinese investments and projects use Chinese companies, firms, material and employees, which has an adverse effect on the domestic situation as well as developing a dependency. Another concern is that Chinese loans to Ethiopia are highly commercial which might force Ethiopia into a debt trap. Despite the concerns, Ethiopia has highly benefited from higher export rates to China, which has been facilitated due to China adopting a Duty-Free Tariff Preference (DFTP) towards least developed countries (Jalata, 2014).

5.1.1 Ethiopia and China - trade relations

Trade between Ethiopia and China has during the past decade grown remarkably, and China is now considered Ethiopia’s most important trading partners where Chine makes up for 21,2 per cent of total trade values which places China
ahead of both the European Union, Saudi Arabia as well as the United States (European Commission, 2017). However, there is a significant difference in the terms of trade quantity between import and export value, Ethiopia’s import of goods from China reached during 2017 a value of €4121 million which compared to the value of export to China that only reached €307 million which has created a significant trade deficit of €3814 million with China (European Commission, 2017). Even though China maintains a trade surplus, the Chinese government has made attempts in promoting increased imports from African countries by implementing a zero-tariff policy for least developed countries (FOCAC, 2011)

According to a report carried out by the IMF (2016), Ethiopia has actively strived for diversification of its economy and exports. Results can be seen as export of high-value goods in non-traditional markets has increased to a large extent as well as Ethiopian exporters success to expand into new markets, which the IMF see as a good indicator of diversification and in turn an essential engine for export growth. However, Ethiopia’s export remains almost entirely concentrated within the primary goods segment which makes Ethiopia vulnerable to the volatile prices of the global commodities and raw materials. (IMF, 2016, figure 6, Export Diversification)

In spite of some success in diversification, Ethiopia’s export to China is still mainly dominated by agricultural products, leather and spices. However, according to Cheru (2016), this gives Ethiopia potential to take advantage of trade agreements with China to add value to the agricultural products that are being exported as well as develop “niche markets in highly selected agricultural products to meet the demands of a growing Chinese middle class”. Cheru further proposes the wine industry that is growing in Ethiopia due to expanding demand from the Chinese markets (Cheru, 2016).

As mentioned earlier, Ethiopian agricultural export has grown rapidly and more critical, there has been a shift towards higher value products, such as sesame seeds, dried beans and cut flowers (Chakrabarty, 2016). Another change is the growing importance of manufactured leather products where the Ethiopian government has actively been encouraging the industrialization of the leather value chain, by promoting foreign direct investments in the leather tanneries (Chakrabarty, 2016).
The sector of manufactured leather products has particular potential due to Ethiopia being a country rich in livestock resources. As facilitated by foreign investment, mostly from China and India (UNIDO, 2012), Ethiopia has been able to undertake the development of technological sophistication of its leather industry. This is mainly due to attempts and projects that are working towards experience sharing and skill transferring due to China’s decision to start up special economic zones, namely export processing zones (EPZs) or Industrial Parks. One EPZ is situated in Lebu outside of Addis Ababa, where 100,000 Ethiopian workers are employed and live on site (Cheru, 2016). This industrial park was initially financed by the Chinese leather shoe manufacturer Huajian Group and additional funding comes from China-Africa Development Fund (CAD) along with investors from the International Financial Corporation (IFC). It is according to Cheru (2016), predicted required funding of USD 2 billion with but in turn predicted to yield a revenue of USD 4 billion over a period of 10 years. Other EPZs include the Bole Lemi Industrial Zone that is owned by the Ethiopian government, the Eastern Industrial Zone, the Modjo Industrial Zone all operating in the leather shoe manufacturing business (Ethiopian Investment Commission, 2018). These zones have according to Sandrey and Edinger (2011), excellent potential to contributing to the backward and forward linkages in the host economies, and along with the high employment opportunities can due to more diversified sources of income generate in greater foreign exchange reserves.

When it comes to imported products, China has become an increasingly important source of imported goods to Ethiopia since 2002 and onwards. According to the European Commission, China accounted for about 24,6 per cent of the total imports of Ethiopia in the year of 2017 which has led to Chinese produced commodities have increasingly overflown the Ethiopian markets during the last decades, while imports from other actors such as the European Union, the United States and Japan have declined. China has become the primary source of manufactured goods as well as machinery and transport equipment which accounts for over 90 per cent of imports, with capital goods such as transport vehicles, constructions, mechanical and telecommunication parts in the top segment (Chakrabarty, 2016).
Regarding manufactured goods such as furniture, clothes and footwear, the increase in Chinese import can to some extent be seen to have an impact on the domestic production. Especially in shoe manufacturing business where local footwear enterprises have faced enormous competition from Chinese imports and in turn been forced to downsize their business with a drastic decline in the number of employees (Gebre-Egziabher, 2007). However, according to Chakrabarty (2016), the impact on domestic production can be considered minimal since the Ethiopian industrial base is very limited other than its leather production, which furthermore, she argues is targeting another base of customers, mainly those of the poorer segment which as she puts it, actually benefit from the increased availability of cheaper products on the markets.

China has since 2006 been the primary source of machinery and transport equipment imports to Ethiopia and was in 2012 accounting for 35 per cent of the total numbers. The drastic increase in imports from China in this segment can be explained by the increase in Chinese development assistance, due to aid being tied to this input. (Chakrabarty, 2016). According to her, imports of capital goods can be considered a win-win situation for Ethiopia, since it facilitates a ‘technological catch up’ for the country. She also underlines that Chinese import is not negatively affecting domestic production, since again, Ethiopia lacks its own industrial production, instead, it rather replaces imports from other countries.

5.1.2 Chinese Development Assistance in Ethiopia

The Ethiopian economy has traditionally been rather reliant on foreign aid inflows. As being an aid recipient, Ethiopia is attractive due to a number of factors such as its strategic location in the Horn of Africa between Somalia and Sudan, which are two countries that have traditionally been considered to pose threats to the West. Furthermore, Ethiopia is politically strategic and significantly influential in the region and has a high rate of people living in severe poverty along with government’s track record of successes in aid being implemented (Alemu and Scoones, 2013).

Regarding development assistance flows from China, the relationship, even though it is relatively recent, has since the early 2000’s, come to develop into an increasingly important element of the Ethiopian economy (Chakrabarty, 2016). Apart
from this growing importance, there is a significant difference in the nature of Chinese aid from the traditional western aid flows to Ethiopia which consists of official development assistance which is focused on debt relief, grants, subsidized loans, aid in kind. Chinese development assistance is using a rhetoric that instead of focusing on the relationship of donor and recipient, is emphasizing solidarity, mutual win-win relationships and equal benefits (Cheru, 2010). Chinese development assistance is highly demand driven and as Jalata (2014) points out, thus more in line with the development priorities of the Ethiopian national government then that from traditional western donors. Another notable feature of Chinese aid is its commercial nature and the closely linked to trade and investment programs. This, in turn, can be seen as an advantage compared to western aid due to less bureaucracy (Chakrabarty, 2016).

China has during the last decade, taken place as Ethiopia’s largest bilateral donor, which has, according to Chakrabarty (2016) significantly increased Ethiopia’s international bargaining power towards traditional donors. Chinese aid flows are mainly concentrated in the infrastructure sector, with energy and transport accounting for 68.3 per cent of the total of Chinese official financial flows into Ethiopia (Chakrabarty, 2016). Within these sectors, a large number of projects are related to wind farms, dam constructions, the extension of power lines and biogas appliance installations as well as projects in the transport and storage sector. Funding towards these projects mainly comes from institutions such as the Chinese government, the Export-Import Bank of China and China Development Bank and are then implemented by Chinese companies within the private sector (Chakrabarty, 2016). Financial flows directed towards the agricultural and industrial sector are relatively low and accounts only for 0.2 per cent and 2.9 per cent respectively with the construction of Ethiopia Oriental Industrial Park being the most important (Chakrabarty, 2016).

The Chinese development assistance plays a crucial role in Ethiopia’s economy in terms of the development of infrastructure as well as the import of capital goods. However, since about 89 per cent of Chinese development assistance to Ethiopia comprises of loans, compiled by Chakrabarty (2016) thus raises concerns among others whether this high rate of debt is long-term sustainable.
Furthermore, concerns have also been raised by a number of researchers, regarding the issue of ‘tied aid’ that can be considered problematic for Ethiopia. Chinese companies are often being criticised for using imported Chinese material and employing Chinese professionals while locals often are employed in low paid positions. This, in turn, prevents skills and technology from being transferred to the local workforce. According to Gill and Reiley (2007), Chinese projects are often being won through unfair competition and ‘tied aid’ and strategically motivated by construction companies. Geda (2008), claims that Chinese firms involved in the construction sector are displacing local construction companies that are unable to compete. Furthermore, the credits that are offered to finance such projects are more or less on commercial terms which can be argued to further place Ethiopia into a deeper debt trap. Jalata (2014), also stresses that the strategy that China is using when merging trade, aid and investment flows is highly favouring the Chinese investment interests while weakening the leverage of Ethiopia.

5.1.3 Chinese Foreign Direct Investment in Ethiopia

Ethiopia has despite being a largely agriculture-based economy attracted large amounts of Chinese FDI and has increased significantly from a value of USD 0.98 million in 2003 to USD 121.5 million in 2013, this while FDI from countries such as Italy, Germany, Sweden and Belgium instead has seen a decrease (UNCTAD). Chinese investment in stocks has also increased dramatically and was in the year of 2012 at 11.9 per cent of the total FDI stock in Ethiopia. According to numbers presented by Chakrabarty (2016) a large part of Chinese investments is not state-owned, 69 percent of Chinese enterprises in Ethiopia are privately owned, 15 percent are privately owned together with an Ethiopian partner while only 13 per cent are owned by the Chinese state, these are mainly within the construction sector (World Bank). Chinese private investors are to a great extent engaging in the manufacturing sector. According to Shen (2013), Chinese projects that are involved in the manufacturing sector account for about 60 per cent while the next largest is in the wholesale and retail trade sector accounting for around 28 per cent.
5.1.4 Driving forces behind Chinese engagement in Ethiopia

The driving forces behind China’s engagement in Africa are due to a number of reasons. Apart from reasons such as the increasing demand for resources and the need for China to obtain food security for its growing population as discussed by Bräutigam (2015) China is also adopting a highly expansive approach. As mentioned by Carmody (2011), a strategy that is used by China is to be able to ‘rule from a distance’ through creating strong economic and diplomatic ties with well selected African countries. This strategy is highly present in a million dollar infrastructure investment; ‘One Belt One Road’ initiative. It includes the new ‘Maritime Silk Road’, and the African east coast provides strategic harbours in Mombasa in Kenya and Djibouti to the inflow of the Red Sea before reaching the Mediterranean Sea and Europe. (Alden, et al., 2017) The Belt and Road initiative is funded by the ‘China Development Bank’ (CDB), the ‘Export-Import Bank of China’ (CEXIM) and the Asian Infrastructure Investment Bank. This can according to Bataineh et al. (2018) be considered historically unprecedented regarding extensiveness and might as they phrase it; “further shift the global strategic landscape in Beijing’s favor, with infrastructure lending as its primary lever for global influence.” (Bataineh et al. 2018)

Other driving forces regarding trade and industrial production, are economically motivated by accessing lucrative markets and cheaper production costs which will be discussed below.

Furthermore, rising wages in coastal China can be seen as a push factor due to increasing pressure from industrial restructuring. While the highly competitive labour costs of about 25 per cent of that of coastal China, in Ethiopia, is on the other hand acting as a pull factor as well as local workers, particularly female workers are considered effective and easily trained. (Shen, 2013) Another pull factor for Chinese enterprises is the access to the extremely favourable markets in Ethiopia as well as those of neighbouring African and Arab states. Shen (2013) also underlines the relatively stable Ethiopian policies being an important pull factor for many Chinese companies which are attracted by the efforts made by the Ethiopian government in order to accommodate and meet the needs of foreign investors. Calabrese (2016), also argues for the importance of ‘comparative advantage’ meaning that Ethiopia has Cheap labour and cheap electricity as comparative advantages and that the combination of global markets, Asian manufacturing know-how and Ethiopian
comparative advantage create a ‘triangle of collaboration’. Calabrese further argues that this can lead to successful business relations and industrial development and furthermore generate more job opportunities and thus a way out of poverty.

Chinese firms have been criticized for employing Chinese professionals who are seen to harm local workers and hinder skills to transfer. On the other hand, a survey made by the World Bank (2012) reported that Chinese companies had created extensive job opportunities for Ethiopian workers which increased by 19 per cent since 2008. The survey also found that almost 69 per cent of the Chinese companies in Ethiopia do provide formal training exclusively for Ethiopian workers. According to Shen (2013), Chinese companies have created about 35,000 regular and 40,000 seasonal job opportunities for Ethiopian workers.

Another largely criticized aspect regarding Chinese FDI is the fact that Chinese firms are to a very great extent dependent on Chinese imports of supplies and materials during production process which is seen to threaten the local supply chains, which in turn keep Ethiopia dependent and underdeveloped as well as increasingly indebted (Chakrabarty, 2016).

China is also continuously accused of land grabs in many African countries primarily in order to extract natural resources. This has not been the case in Ethiopia where on the contrary, Chinese agricultural companies have played a minor role. Chakrabarty (2016), found that the Ethiopian government has the aim to promote long-term food security in Ethiopia and is actively encouraging an export-friendly agricultural climate in order to create possible surplus within the sector. Furthermore, according to the Ministry of Agriculture (MoA, 2018), there is only one Chinese agricultural company listed on the Ethiopian Agricultural Portal, namely, sugarcane producer, Huana Dafengyuan, which possesses about 6 per cent of the total land that is leased to both foreign and domestic capital investors and producers.

When it comes to the funding of infrastructure development in Ethiopia, China’s engagement in the sector has been extensive (Cheru, 2016). The following paragraph will provide both a general and a China-Ethiopia specific outline of figures of public sector debt accessed from the Ministry of Finance and Economic Cooperation (2017). Ethiopia’s total public debt has increased significantly going
from USD 25,360.72 million in 2013 to USD 46,805.25 million in 2017 even though out of this, the percentage of external versus domestic debt decreased from 55.22 per cent in 2013 to 51.76 per cent in 2017 including both government-owned enterprises and central government debt (MoFEC, 2017). Moreover, bilateral loans from Chinese actors such as China Development Bank, Export-Import-Bank of China and Industrial and Construction Bank of China, accounted in 2017, for about 34.07 per cent of Ethiopia’s total external debt. The entire public sector external debt is divided among the different sectors as follows; Electricity, Gas and Steam with 37.60 per cent of the total. Highway and Railway Transport Infrastructure at 35.64 per cent of total Industry and Tourism at 7.15 per cent and Transport and Communication at 6.23 per cent (MoFEC, 2017). According to information compiled by Cheru (2016), Chinese loan commitments to the Ethiopian government from both Chinese public institutions as well as private sector reached USD 5.7 billion in 2013 and during the official meeting between Ethiopia and Chinese officials in May 2014, 16 investment agreements were signed which included USD 350 million towards the wind energy sector, USD 500 million for new Boeing aircrafts by Ethiopian Airlines, USD 5 billion towards construction of the Addis Ababa-Djibouti railway line and finally the establishment of several additional Industrial Zones. The above is meant to be accomplished within the period of the second Growth and Transformation Plan (Cheru, 2016). This development can indeed be considered concerning since Ethiopia is making itself more and more dependent on the funding from Chinese investors and might find itself deeper and deeper into a debt trap.

IMF provides in their report (2016), an analysis of prevented Outlook and Risks, stating that;

“The medium-term baseline envisages growth rebounding to potential and exports recovering momentum as commodity prices stabilize, logistics infrastructure comes online, and GTP II structural reforms take hold. The main risks stem from external imbalances. The risk of external debt distress, currently assessed as moderate, is vulnerable to a worse-than-expected export performance”.

IMF furthermore, proposes the following policy recommendations:

“Staff broadly supported the authorities reform plans to promote private sector development and competitiveness and to improve governance, savings, and
efficiency within the public sector. Particularly, staff emphasized (i) revenue-enhancing tax policy and administration reforms, and public investment prioritization; (ii) market-based indirect monetary policy instruments and continued supervisory attention to credit quality; (iii) a more flexible exchange rate system to foster competitiveness; (iv) improvements in the business climate; and (v) reform of public enterprises’ governance and financial transparency”.

5.2 Ethiopia-Turkey Relations

Another increasingly important actor in Ethiopia when it comes to economic and political relations is Turkey. Turkey now possesses the place as Ethiopia’s is the second largest bilateral partner behind China when it comes to investments in Ethiopia (Cheru, 2018). The relationship between Turkey and North Africa as well as Ethiopia at the Horn of Africa dates back to the times of the Ottoman Empire rule causing the countries to share some common history, including religion and traditions. Due to the nature of non-colonialism by the Ottoman Empire in Northern and Eastern Africa, the current relations are of a positive kind (Tepeciklioğlu, 2017). After being rejected membership into the European Union in 1989, Turkey leaned further towards creating stronger diplomatic ties with countries in Africa and sought to adopt a multidimensional foreign policy in order to become less reliant on the West. As a significant policy shift, Turkey adopted the action plan: Opening to Africa in 1998 (Özkan, 2010). The action plan intended to cover numerous aspects regarding diplomatic, political, economic, educational and social measures that were to be adopted in order to improve Turkish African relations. A major priority was to diversify economic relations by signing agreements with African countries concerning economic, scientific and technical cooperation. Other actions included technical assistance programs, gaining membership of the African Development Bank and the African Export-Import Bank to enable business councils and chambers of commerce to be established in order to promote mutual investments. (Özkan, 2010).

However, the action plan was not implemented until the Justice and Development Party, (AKP) government came to power in 2002. AKP has put a strong emphasis on its foreign policy with increased engagement in African states and implemented in 2003, the ‘Strategy on the Development of the Economic Relations’ by the ‘Under-Secretariat of Foreign Trade’ (Tepeciklioğlu, 2017). The strategy aimed to develop stronger bilateral and multilateral trade relations with African countries, by promoting Direct Investments made by small and medium-sized Turkish companies in order to
increase volumes of trade and investment flows and thus expand its markets and gain political and economic influence (Tepecikliogu, 2017). Moreover, the current Turkish president Recep Tayyip Erdogan declared during his public speech at the 8th African Union Summit in Addis Ababa in Ethiopia in January 2007, that “Africa is the centre of our common future. The success of Africa for all humanity” as cited by Tepecikliogu (2017), who also identified a strong emphasis on building alliances based on mutual interests and win-win relationships among a great number of public speeches by Turkish officials.

Another strategy Turkey has been using in order to approach African countries and develop closer relationships is through increasing their humanitarian aid and development assistance, which according to Tepecikliogu (2017), is a strategic choice in order to complement Turkey's economic and commercial interests. Due to this approach, there has been an increase in activities by the two government aid agencies; the Turkish Cooperation and Coordination Agency (TIKA) and the Disaster and Emergency Management Authority (AFAD). Moreover, Tepecikliogu (2017), argues that Turkish initiatives are different from those made by the BRICS countries and that Turkish aid usually does not come with many strings attached. As he compares it to China’s “Loans for Oil” policy, even though this particular policy is not of significance when analysing the case of the non-oil state Ethiopia, or India’s development assistance in exchange for market access. On the other hand, which is also argued by Tepecikliogu (2017) Turkey’s interest in Africa indeed is of high commercial and economic nature as Turkey attempts to gain market shares for Turkish manufactured goods as well as create opportunities for profitable investments. Carmody (2011), also underlines that Turkish interests in Africa primarily seems to be due to accessing new valuable markets rather than of diplomatic interests nor due to resource access.

By adopting the ‘Opening to Africa’ policy agenda, the Turkish government has made a conscious and rhetorical policy shift towards strengthening bilateral relations with the majority of African states, including Ethiopia, both through civil society organisations and private business sectors. In order to enhance its influence, Turkey has also further improved its relations with Africa, and Ethiopia, by becoming a partner state in regional intergovernmental organizations in Africa such as the
‘African Union’ (AU) where Turkey was accepted as an observer state in 2005 before gaining a strategic partnership in 2008 (Özerdem, 2014). Turkey was also the host country of the ‘Turkey- Africa Cooperation Summit’ the same year. This lead to the ‘Istanbul Declaration on Turkey- Africa Partnership: Cooperation and Solidarity for a Common Future’ which prioritizes the areas of trade and investment, small and medium-sized businesses, rural development, agriculture and agribusiness, health and education, infrastructure, transport and energy as well as peace and security (Istanbul Declaration on Africa, 2008). A second Turkey- Africa Summit was held in 2014, and was called ‘A New Model of Partnership for the Strengthening of Sustainable Development and Integration’ which further contributed to a ‘Joint Implementation Plan of Africa- Turkey Partnership for 2015-2019 which was keeping the majority of the priority areas as was previously adopted (African Union, 2014). Other important intergovernmental organisations include; ‘Intergovernmental Authority on Developments Partner Forum’ (IGAD) and ‘Common Market for Eastern and Southern Africa’ (COMESA) (Tepecikliogu, 2017).

Furthermore, the cooperation with Non- State actors also plays a crucial part in Turkey’s presence on the continent. Some examples include the ‘Turkish Confederation of Businessmen and Industrialists’ (TUSKON), ‘Independent Industrialists’ and Businessmen’s Association’ (MUSIAD) and ‘Foreign Economic Relations Board’ (DEIK) which have arranged forums and meetings. As of the latter, together with the counterpart organisation Chamber of Commerce and Sectoral Associations Ethiopia established a Turkey- Ethiopia business council in 2009 with the purpose of facilitating the process from business opportunities to solid business partnerships (DEIK, 2018).

5.2.1 Ethiopia and Turkey - trade relations

Until recently mainly due to natural and geographical reasons, much of Turkey’s trade relations have been focused on countries in the Northern part of Africa. As Turkey now seeks to expand its economic relations, Ethiopia is of increasing interest. Between 2004 and 2012 bilateral trade between Ethiopia and Turkey was tripled and accounted for USD 441 million in 2014 (Cheru, 2018). During 2017 total trade flows between the two countries saw a slight decrease in value reaching an
estimate of USD 370 million. However, there is a significant imbalance between the value of Ethiopia’s export to Turkey only reached USD 31 million while Ethiopia’s import from Turkey reached a value of over USD 338 million which has created a huge trade deficit for Ethiopia. (UN, comtrade, 2018) However, according to Cheru (2018), the trade balance is counterbalanced by the enormous inflow of Turkish foreign direct investment, and he further states that Turkey is now Ethiopia’s third most important trading partner.

In terms of imported goods, Turkish products have gained a better reputation in African countries compared to Chinese manufactured goods, that are often criticized for being of bad quality and as mentioned by Carmody (2011), Turkish goods are in Ethiopia recognized as being of European quality to a cheaper price. Imports from Turkey mainly consist of manufactured goods, machinery, metals such as iron and steel while Ethiopian export is dominated by agricultural products, textile products and fabrics which generate in Turkey being able to benefit from the most favourable trade conditions (Cheru, 2018). He further proposes that by making a significant restructuring of the agricultural sector, Ethiopia should seize the opportunity to focus on the importance of value-addition of specific and well-selected export products in order to narrow the gap in its uneven trade flows.

5.2.2 Turkish Development Assistance in Ethiopia

Turkey has recently increased its engagement in humanitarian aid and development assistance and adopted a humanitarian diplomacy (Tepecikliogu, 2017). In 2016, the amount of USD 6.000 million was provided for in development assistance which placed Turkey in second place in the world, closely after the United States. (GHA, 2017) The major aid agency in Turkey TIKA originally focusing on Central Asia and Caucasia started to make a shift by expanding its activities to include Ethiopia in 2005 where it currently also has a programme office. Ethiopia is now one of the main aid recipients in Sub-Saharan Africa. TIKA distributed USD 26 millions of which Ethiopia received almost USD 1 million. (TIKA, 2015) Development assistance from Turkey to Ethiopia has also been provided towards the development of banking and finance institutions. The Central Bank of the Republic of Turkey
(TCMB) provided technical training programs within the areas of cash flow administration, organization and financial planning (TIKA, 2015).

### 5.2.3 Turkish Foreign Direct Investments in Ethiopia

Economic and commercial interests profoundly influence Turkish foreign policy and the Turkish engagement in Ethiopia is increasing at a rapid pace. According to Tepecikliogu (2017), there was only one Turkish company present in Ethiopia in 2003 while in 2014 the number had increased to 300 active firms. Ethiopia is receiving over USD 2.5 billion of the total amount of USD 6 billion that is invested in countries on the African continent. (Derso, 2018) Furthermore, these various Turkish investment projects which are mainly concentrated within the textile and apparel sector are generating in over 30,000 permanent and temporary job opportunities for Ethiopian workers. The spokesperson for the Ethiopian Investment Commission verifies that the attention is highly welcomed as the Ethiopian government recently announced its keenness to provide Turkish investors with necessary resources such as land, labour and infrastructure. Further declaring that “The government is committed to further consolidate the current economic partnership with Turkey and successive dialogues are underway at government and business communities level to lure more Turkish companies to Ethiopia’s economy.” (Derso, 2018).

### 6 Discussion

There is not solely one perspective on whether South-South cooperation can be considered to maintain dependency structures and unequal relationships or if the links that are created can become mutually beneficial. The debate goes on, and according to Fantu Cheru (2016), there are indeed a great variety of different scholars with opposing views regarding the transformation of the global political economy. The shift in power structures towards emerging Southern powers, the rise of South-South cooperation and most importantly, what impact that this occurrence has or will have on countries in the developing world. Cheru identifies four clear divisions that he names; ‘the alarmists’, ‘the sceptics’, ‘the critics of ‘new imperialism’’ and ‘the cheerleaders’. The alarmists fear the emergence of Southern actors as they see this as
a threat to the traditional western hegemony in terms of economic, cultural and political power. Derived out of the ‘realist school of international relations’ and portrayed as the greatest national security threat to the USA and its allies (Cheru, 2016). As Fareed Zakaria, who has been a strong influential character over the US government’s foreign policy puts it, claiming that “American influence is not what it used to be” and that it is a "post-American world out there, one characterized more by the absence of great powers than by their presence” (2012). Michael Pillsbury (2015) also expresses his strong fears over what he calls the ‘Chinese secret strategies’. The fear among American officials was also recently revealed when the US Secretary of State Rex Tillerman, during March 2018, visited the African Union headquarters in Addis Ababa for a diplomatic meeting. During the meeting, Tillerman argued that, while America seeks to build partnerships with Africa by ‘incentivizing good governance’, China’s approach towards Africa is instead ‘encouraging dependency.’ He warned African officials for China’s "opaque contracts, predatory loan practices, and corrupt deals that mire nations in debt." (Mutethya, 2018). African Union Commission Chairman Moussa Faki Mahamat, met Tillerman’s concerns stating that; “Africans are mature enough to engage in partnerships of their own volition,” (Mutethya, 2018).

The second group of scholars that Cheru (2016), outlines are the ‘sceptical aid bureaucrats’. These authors strong concerns derive from the new development of the aid system which is to them alarming due to the new donors’ objectives and policy of ‘no conditionality’ which they argue will be harmful and lead to a decrease in the transparency and effectiveness that are as they argue the successes of the OECD/DAC aid structure. Chinese has indeed met the critique against them calling them “hypocritical moralizing Western governments that have kept Africa poor and marginalized through debt structures, conditional lending and unfair trade practices” (Cheru, 2016: 594). This group of scholars claim that they can ‘accept’ this new aid paradigm only if emerging Southern partners agree to adopt certain key standards regarding mutual accountability and aid effectiveness.

The third collection of critics that Cheru (2016), identifies, include those that focus their research based on neo-imperialist beliefs. This group views emerging powers as a form of new imperialists who are interested in extracting resources and
thus not at all aspire to promote real development. One author is the Zambian economist, Dambisa Moyo (2012), refers to China’s engagement in Africa as a ‘shopping spree for resources’ and according to her perception, development assistance can be considered as being equivalent to a procedure of ‘resource scramble’. However, this group of the scholar is in opposition of both West and South engagement as they claim that dependency relationships are maintained no matter of who possesses the power over the world economics (Cheru, 2016).

The fourth group of writers is the ‘Pragmatic Cheerleaders’ (Cheru, 2016) where Fantu Cheru places himself along with other writers such as Emma Mawdsley, Pádraig Carmody and Deborah Bräutigam. These researchers argue that the emergence of Powerful Southern actors can provide cooperative and beneficial opportunities for developing states and that these relationships can generate in a successful and independent path for sustainable development (Cheru, 2016). This group of researchers also argues that developing states have a much better chance of development without the conditionalities that come with the institutional Western development assistance, which they claim have a higher tendency of creating structures of dependency.

It is difficult to determine whether the rise of Southern actors such as China and Turkey necessarily will construct a relationship that is to follow a pattern of new colonialism or if African states such as Ethiopia are enabled self-determination and space in the processes of policymaking. Moreover, in line with the arguments of Cheru (2016), as a crucial component for creating mutually beneficial win-win relationships, is the capacity of Ethiopians to negotiate from an informed platform. Also, positively, since China and Turkey do not have an oppressive colonial past with Ethiopia the potential for equal relations are better than those of western countries. Carmody argues that the, as he puts it, ‘New scramble’ that is seen in Africa can generate in both opportunities and threats for the development of African economies and that it is essential to recognise the high diversity among African countries which makes it difficult to generalise how the impact will unfold.

Ethiopia, however, can be seen as an example that has to some extent appeared as quite successful in taking advantage of negotiations. Both China’s and Turkey’s
presence in Ethiopia can be seen as an opportunity for self-reliance for Ethiopia with the goal of bringing the country towards an improved socio-economic development. As argued by Agbebi and Virtanen (2017), in addition to economic cooperation and solidarity, the collaboration with alternative actors also gives Ethiopia a chance to question the ‘status quo’. Also, to identify what development path that best suits the needs and priorities of Ethiopia and to let those needs determine the economic relations with other states. However, even though both China and Turkey make the promise of win-win relationships and make contributions towards Ethiopian development, Agbebi and Virtanen further argue that it is essential for Ethiopian leaders to defend their interests and assert more agency to balance the trade and economic relations and create a relationship of growing interdependency rather than dependency. It also lies in China’s interests to take responsibility as a commercial partner and address the issues with increasing debt and the financial burdens that may occur.

As noted, the Ethiopian Investment Commission is highly committed to attracting foreign investment towards all aspects of the economy and is strongly emphasising tax reduction and other favourable incentives that are offered to foreign investors (EIC, 2017). And both Turkish and Chinese ambassadors met with Ethiopia’s recently elected Prime Minister Abiy Ahmed in April 2018, and expressed their happiness to continuous partnership and assured strengthened cooperation with the Ethiopian leadership (ENA, 2018).

When discussing Chinese driving forces behind the substantial investment in infrastructure such as the Belt and Road Initiative as argued by Bataineh et al. (2018) three advantages that China has over the West are; “an authoritarian state that does not need to heed stakeholders; second, a Chinese foreign policy strategy to build influence through infrastructure loans; and third, a domestic industrial policy to support Chinese construction firms.”
7 Conclusion

To conclude, imbalances in the trade structure that can be seen between both Ethiopia and Turkey and Ethiopia and China are when looking through the lens of the dependency theory, quite concerning as they can be compared to the uneven relationships that have been characterised by the North-South relations. However, as mentioned before, the zero-tariff policy that has been adopted by China can be seen as an attempt to address this as they gradually increase their import of Ethiopian goods. Combined with an effort towards value-addition of Ethiopian manufactured goods and sophistication of the industrial production that has been seen of leather products can be seen as crucial steps for Ethiopia to diversify its economy in order to become less vulnerable to the volatile prices of raw materials. The establishment of Chinese Special Economic Zones or Industrial Parks can be considered successful as they increase the industrial production and add value to the goods for export as well as generating significant job opportunities.

As a central argument from dependency theorists is the exploitative nature of North-South relations forcing underdeveloped countries of the South into a role of raw materials supplier and thus hinder industrialisation. By taking this into consideration, one can argue for the Ethiopian-China, Ethiopian-Turkey relationships not being of the same calibre. Even though the relationships are far from balanced and equal, China is through its engagement in Industrial Parks encouraging industrialisation. However, the working conditions for Ethiopians in the industrial parks can be questioned as well as the issue of what positions Ethiopian workers are employed. Chinese companies have indeed been highly criticized for only employing local workers on low skilled positions while in order to increase the transfer of know-how and skills the ideal situation would be a diversified working force with Ethiopians employed at all areas, even on high positions. The Ethiopian government could increase its leverage through negotiations and implement regulations within the commercial sector by adopting policies for industrial production as a strategy to reduce the power of external actors.
Another argument in the debate is that Chinese production poses an unfair competition for domestic production, despite being a valid argument, the impact can be argued limited, due to a minimal existence of domestic industrial production since Ethiopia is mainly dependent on the import of manufactured goods. The Ethiopian government needs to negotiate and include in agreements that Ethiopians need to be employed at all levels of professions even at high positions in order to increase their agency and competence.

The idea of Ethiopian participation in projects can be extrapolated into an idealistic situation where Ethiopians are entirely in charge of the project to which Chinese actors are only providing the funding. In this situation, the Ethiopians would be in control of the entire process and thus be able to optimise their economic profit.

However, in order to benefit further from trade agreements and foreign direct investment Ethiopia needs to, through knowledge and education increase its bargaining power and make demands for Ethiopian interests to not get neglected and subordinate to the interests of external actors. This in order to avoid falling further into a situation of dependency. Nevertheless, the successes that some experts argue that Ethiopia has gone through recently in terms of its economic growth and the benefits of cooperating with Southern actors such as China and Turkey cannot be seen as an example of a ‘one and only’ path that will fit all developing countries.

However, some essential questions need further investigation. For example, how will this relatively recent relationship that Ethiopia shares with China and Turkey affect the Ethiopian economy from a long-term perspective? What will the impact be on the Ethiopian socio-economic development and the life of its citizens? Will it be inclusive? As Ethiopia expresses their goal to become a middle-income country by the year of 2025, can this be considered realistic?

Lastly, but not least important, how sustainable is the situation for Ethiopia as being increasingly indebted and reliant on external investment inflows? Will Ethiopia identify its development needs and learn how to negotiate with the economic powerhouses successfully?
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