

## MEMORANDUM

To: Prime Minister Abiy Ahmed

From: Kaia Hu

Topic: Ethiopia's Relations with the U.S. and China – Past, Present, and Future.

Date: April 19, 2024

### **Abstract**

Ethiopia's strategic significance in the geopolitical landscape has been underscored by its ties with global powers, particularly the United States and China. From the Cold War era to the present day, Ethiopia has navigated complex diplomatic relations while striving for economic growth and stability. The recent conflict between the central government and the Tigray region has strained Ethiopia's relationships with its key partners, prompting a reevaluation of its foreign policy approach.

This policy memo analyzes Ethiopia's evolving relations with the United States and China in the context of historical trajectories and contemporary challenges. It highlights the impact of the Tigray conflict on Ethiopia's global standing and examines the responses of both the U.S. and China. Additionally, it assesses the implications of shifting foreign policies, such as the U.S.'s renewed focus on democracy and human rights in Africa and China's recalibration of its investment priorities.

Based on this analysis, the memo proposes recommendations for Ethiopia to navigate its diplomatic landscape effectively. These include prioritizing the implementation of the Cessation of Hostilities Agreement to alleviate tensions with the West and fostering dialogue with China to ensure transparency and sustainability in loan agreements. By adopting these recommendations, Ethiopia can safeguard its interests, strengthen its partnerships with both China and the U.S.

### **Analysis**

Ethiopia's last few decades symbolized a shadow of the Cold War rivalry. Its geographic position as well as second largest population base in Africa presented itself to be the focal point of the both the United States and Soviet Union. The collapse of the Soviet Union dealt a significant blow to the Derg, the former Marxist-Leninist military regime, ultimately paving the way for its replacement by the Ethiopian People's Revolutionary Democratic Front (EPRDF) in 1991. This transition initiated a shift towards democratic governance and marked the beginning

of a decade of revitalizing US-Ethiopian relations.<sup>1 2</sup> After building a stronger connection with the West, Ethiopia had been the top recipient in official development assistance (ODA), with more than 4 million USD in 2016.<sup>3</sup> With its growth in the global economy and its historical influence by the communist movement, Ethiopia also grown to form a tight relationship with China, which plays a big role in its development in the recent decade.

However, the war between the central government and its northernmost region of Tigray, which was under the control of the Tigrayan People's Liberation Front (TPLF), was deemed as one of the deadliest in recent world history and quickly put strains on its newly formed global relations. After a series of failed efforts to negotiate a settlement, the two parties signed a cessation of hostilities agreement on November 2, 2022. This crisis has profound influence on Ethiopia's global position and significantly impacted the relations with its two biggest partners of interest: the U.S. and China.

### U.S.'s Foreign Policies with Africa

Africa's "sweet 16" democracies, representing almost a billion population, represent a massive market for U.S.'s interest.<sup>4</sup> However, prior to President Obama, U.S. had barely put enough attention on this booming market. Even with the African Growth and Opportunity Act (AGOA) passed during the Clinton Administration, not much has happened to incentivize more U.S. companies to leverage the advantage.<sup>5</sup> President Obama also remained insufficiently engaged in Africa, especially in his first term. In his second term, his administration has made a bigger play for relevance in Africa by pursuing economic growth strategies. However, U.S.'s attention on Africa quickly dwindled during Trump administration, which was finally picked up during Biden administration who bolstered pan-African and multilateral initiatives. The U.S. has also placed greater emphasis on democracy and human rights promotion in Africa. Nevertheless, Africa remains perceived as a battleground for influence among major powers, and U.S.'s

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<sup>1</sup> Seife Ayalew, "The Security and Human Rights Dilemma: An Inquiry into US-Ethiopia Diplomatic Relations 1991-2012," *Northwestern Journal of Human Rights* 16 *Nw. U. J. Int'l Hum.* 16, no. 1 (2018): 65.

<sup>2</sup> Muzeyin Hawas Sebsebe, "Globalization and Its Impact on The Post-Cold War Era Ethiopia's Foreign Policy," *Bölgesel Araştırmalar Dergisi*, no. 1 (January 2017): 21–39.

<sup>3</sup> OECD.org, "Development Aid at a Glance: Statistics by Region," 2018, <https://www.oecd.org/dac/financing-sustainable-development/development-finance-data/africa-Development-Aid-at-a-Glance-2018>.

<sup>4</sup> Charles R. Stith, "US-Africa Relations: An Opportunity Lost or Found," *Foreign Policy Research Institute Africa Program* (November 17, 2021).

<sup>5</sup> Charles R. Stith.

persistent neglect of its economies has already driven it to forge closer partnerships with ascending powers such as China and India.

### Ethiopia's Relations with the U.S.

Historically, the U.S. had an interest in Ethiopia for its strategic location at the Horn of Africa, a region of vital national security interests for the U.S. especially during the Second World War and the Cold War era. Following the era of the Derg regime, characterized by strained relations between the two nations, the establishment of the EPRDF in 1991, alongside an allied Eritrean movement, invited the U.S. to reclaim a prominent role. Ethiopia has received peak attention from the U.S. after the 9-11 attacks as it considers the Horn as a major source of terrorism.<sup>6</sup> However, for this reason, scholars analyzed that the U.S. policies with Ethiopia rarely consider it in isolation but view it as the key player in the regional counterterrorism efforts, peacekeeping and regional political stability.<sup>7</sup> Therefore, the U.S. did not show nearly as much interest in Ethiopia's individual growth compared to countries like China and India, and to this day (2024) President Obama is the first and only U.S. president who has visited Ethiopia.<sup>8</sup>

Ethiopia has enjoyed an economic boom in which annual gross domestic product (GDP) growth has averaged more than 10 percent, one of the highest rates in the world.<sup>9</sup> This is contributed partially by former Prime Minister Meles Zenawi's effort in shaping Ethiopia to attract international donors, especially the U.S. Combined with the latter's interest in region counterterrorism, the U.S. has become the one of the biggest donors for Ethiopia. For example, in 2018, it received nearly \$5 billion in development assistance, in which about \$846 million was from the U.S.<sup>10</sup> Though this number is not even close to the billion-dollar loans China have provided, the U.S. remains a crucial partner for the country's future development.

The Tigray war put heavy strain on the two countries' relations. On one hand, both the Ethiopian government and public news outlets accused that Western media were sympathizing with the TPLF, showcasing a growing skepticism towards the U.S. On the other hand, the U.S.

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<sup>6</sup> Tim Docking, "Terrorism in the Horn of Africa," Special Report (United States Institute of Peace, January 13, 2004), <https://www.usip.org/publications/2004/01/terrorism-horn-africa>.

<sup>7</sup> David H. Shinn, "US-Ethiopia Relations from Roosevelt to Trump," *International Journal of Ethiopian Studies* 12, no. 2 (April 18, 2024): 61–80.

<sup>8</sup> Gregory Warner, "Obama Becomes First Sitting U.S. President To Visit Ethiopia," *Npr*, July 27, 2015, Africa edition, <https://www.npr.org/2015/07/27/426842540/obama-becomes-first-sitting-u-s-president-to-visit-ethiopia>.

<sup>9</sup> Claire Klobucista, "Ethiopia: East Africa's Emerging Giant," *Council on Foreign Relations* Backgrounder (November 4, 2020), <https://www.cfr.org/backgrounder/ethiopia-east-africas-emerging-giant>.

<sup>10</sup> Claire Klobucista.

also imposed sanctions with respect to the humanitarian and human rights crisis in 2021, and in 2023, the Biden administration announced that all sides in the Tigray conflict committed war crimes and crimes against humanity.<sup>11</sup>

Therefore, despite the historical cordial relations with the U.S. that has brought Ethiopia huge economic and political support, its future remains unclear and future actions might be crucial to salvage it.

### China's Foreign Policies in Africa

China's interest with Africa can be dated back to the 1980s, yet its billion-dollar the Belt and Road Initiative (BRI) over the past two decades is considered globally as its official move in Africa. This multi-billion undertaking consists of a massive infrastructure for connectivity routes that stretch from Beijing to Western Europe and through the Horn of Africa.<sup>12</sup> Its main goal is to boost and showcase China's economic and political status, through the infrastructure and economic assistance, yet it has also been referred to as "debt trap diplomacy", since an increasing number of countries fail to pay their debts and instead swap their debt for natural resources of strategic infrastructures like ports.<sup>13</sup>

However, despite the past two decades of Beijing's continuous expansion in its influence in Africa, the most recent Forum on China-Africa Cooperation (FOCAC) ministerial meeting shed light on the quantitative reduction of its financial commitments from \$60 billion in 2018 to \$40 billion in 2021.<sup>14</sup> Xi also declared China's mission of shifting away from infrastructure and an increased focus on trade facilitation. This could be a temporal change due to the black swan event COVID-19 created, yet its impact could be far-reaching and long-term.

### Ethiopia's Relations with China

The post-Cold War Era Ethiopian foreign policy and strategy identified both western as well as non-western powers as a main external relation partner. Pre-1991, China first appeared as

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<sup>11</sup> Presidential Document, "Imposing Sanctions on Certain Persons With Respect to the Humanitarian and Human Rights Crisis in Ethiopia," September 17, 2021, <https://ofac.treasury.gov/media/913011/download?inline>; Matthew Lee, "US: War Crimes on All Sides in Ethiopia's Tigray Conflict," *AP*, March 20, 2023, <https://apnews.com/article/blinken-ethiopia-tigray-eritrea-war-crimes-da5d9ac7c900c58cc34b9ca5d4156667>.

<sup>12</sup> Agnes Ngoma Leslie, "Introduction China-Africa Relations: The Belt and Road Initiative and Its Impact on Africa," *African Studies Quarterly* 19, no. 3-4 (October 2020): 1-6.

<sup>13</sup> Agnes Ngoma Leslie.

<sup>14</sup> Yun Sun, "FOCAC 2021: China's Retrenchment from Africa?," *Brookings Africa in Focus* (December 6, 2021), <https://www.brookings.edu/blog/africa-in-focus/2021/12/06/focac-2021->.

interested partner when the two countries signed the Sino-Ethiopian Agreement for Economic and Technological Cooperation in 1988.<sup>15</sup> After 1991, as TPLF had long-standing affiliations with leftist ideology, China became the natural best partner for its market-led socialism, anti-Western ideologies.<sup>16</sup> In the early 2000s, there was continuous warming up of the relationship between two countries. From 2002 to 2006, China slowly became the major trading partner of Ethiopia, with the two-way bilateral trade rose from \$100 million to \$562 million.<sup>17</sup>

However, the biggest interest China had was not just for its resource, but for its Prime Minister at the time, Meles Zenawi's full support and defense of Sino-optimism, most notably showcased in his speech that "China is not looting Artica" in a 2006 forum.<sup>18</sup> At the time when China has just begun its investment and exploration in Africa, Zenawi's support was extremely crucial in persuading neighboring countries to consider China's offers.

China's footprint in Ethiopia has been the most prominent in the telecommunications and infrastructure industries. Some of important projects which have been accomplished through Chinese development assistance include the Adiss Ababa International Airport, Ethiopia's first industrial park, etc.<sup>19</sup> China's BRI further expanded its influence in Ethiopia. Currently, there are about 400 Chinese construction and manufacturing projects, valued over \$4 billion.<sup>20</sup>

China and Ethiopia also have a close military relation, building upon a 2005 defense agreement on joint training, technology exchange and peacekeeping operations. While historically most of Ethiopia's heavy weapons are Russian or Ukrainian made, it has recently procured an increasing amount of Chinese artillery, transport vehicles and drones.<sup>21</sup>

After the Tigray War in 2020, Ethiopia has faced tremendous backlash from the global community. Despite the general opinion, Beijing has resisted its "non-interference" claim and spoke out against imposing economic sanctions against Ethiopia.<sup>22</sup> This could be a combination of its intention to counteract the U.S.'s disapproval to reinforce its status as Ethiopia's biggest

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<sup>15</sup> Seifudein Adem, "China in Ethiopia: Diplomacy and Economics of Sino-Optimism," *African Studies Review* 55, no. 1 (April 2012): 143–60.

<sup>16</sup> Seifudein Adem.

<sup>17</sup> Seifudein Adem.

<sup>18</sup> Seifudein Adem.

<sup>19</sup> Muzeyin Hawas Sebsebe, "Globalization and Its Impact on The Post-Cold War Era Ethiopia's Foreign Policy."

<sup>20</sup> Joseph Sany and Thomas P. Sheehy, "Despite High Stakes in Ethiopia, China Sits on the Sidelines of Peace Efforts," *United States Institute of Peace*, no. Analysis (January 19, 2022), <https://www.usip.org/publications/2022/01/despite-high-stakes-ethiopia-china-sits-sidelines-peace-efforts>.

<sup>21</sup> Joseph Sany and Thomas P. Sheehy.

<sup>22</sup> Joseph Sany and Thomas P. Sheehy.

ally, as well as the fact that China has a much tighter intertwining connection with Ethiopia—an major investment portfolio on pause and an estimated 30,000 Chinese nationals employed in the country.<sup>23</sup>

The bond between China and Ethiopia has been growing ever stronger, and to this day, Chinese loans constitute about half of Ethiopia’s \$28 billion in foreign debt over the past 25 years.<sup>24</sup> Due to the higher interest rate compared to lenders such as the World Bank or International Monetary Fund and confidential terms, the high debt might pose serious financial instability for the country in the long run. While China allowed Ethiopia to suspend debt payments in the 2023/2024 fiscal year under a framework set up by the G20, debt relief is not a long-term solution.<sup>25</sup>

## **Recommendations**

### **Recommendation 1: Recognize and strictly adhere to the Cessation of Hostilities Agreement (COHA) and alleviate the public’s anti-Americanism sentiment.**

The strain on the relation with the U.S. is predominantly from the Tigray War and it is crucial to recognize the long-term negative impact severing the tie with the West could create. To consolidate the implementation of COHA, Ethiopia could start from preparing for negotiations and resumption of adequate humanitarian access in affected areas, restoring medical and other services and utilities, as well as welcoming the deployment of external observers to safeguard a successful ceasefire.<sup>26</sup> On the bright side, the U.S. has shown great support for COHA and its intention to continue the support for the Ethiopian government as long as the latter shows dedication to support concrete actions to advance implementation of the COHA.<sup>27</sup>

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<sup>23</sup> Joseph Sany and Thomas P. Sheehy.

<sup>24</sup> African Defense Forum Staff, “Ethiopia Defaults Amid Financial Strains from War, Debt to China,” *African Defense Forum*, January 16, 2024, <https://adf-magazine.com/2024/01/ethiopia-defaults-amid-financial-strains-from-war-debt-to-china/#:~:text=Chinese%20loans%20constitute%20about%20half,telecommunication%20infrastructure%2C%20among%20other%20things>.

<sup>25</sup> George Obulutsa, “China Allows Ethiopia to Suspend Debt Payments in 2023/24,” *World Markets*, August 24, 2023, <https://www.nasdaq.com/articles/china-allows-ethiopia-to-suspend-debt-payments-in-2023-24-0>.

<sup>26</sup> Aleksis Ylönen, “How Ethiopia Can Save Itself Out of the Crisis,” *Italian Institute for International Political Studies*, November 12, 2021, <https://www.ispionline.it/en/publication/how-ethiopia-can-save-itself-out-crisis-32328>.

<sup>27</sup> Anthony J. Blinken, “1st Anniversary of Ethiopia’s Cessation of Hostilities Agreement,” *Press Releases*, November 2, 2023, <https://www.state.gov/1st-anniversary-of-ethiopias-cessation-of-hostilities-agreement/#:~:text=The%20Agreement%20silenced%20the%20guns,their%20lives%20and%20suffered%20atrocities>.

Therefore, there is high hope on maintaining a good term with the U.S. and sustain a future of collaboration and mutual support.

Regarding to the public's anti-Americanism sentiment, scholars interpret it as a short-term phenomenon since it relates to what the U.S. is perceived to be doing rather than what it is.<sup>28</sup> Since the resolution of the internal conflict may involve a paradigm shift to accept a multi-ethnic state, the government should embrace Western efforts in supporting the country as a whole and work towards alleviating the anti-Americanism sentiment.

Recommendation 2: Engage in dialogue to enhance coordination with China and strive to negotiate for higher transparency in loan agreement and fairer terms.

In this era of conflict, Ethiopia's current support from China is crucial for its recovery from the war. However, an increasing debt burden from China could incur an extremely unsustainable financial future. Therefore, while actively engaging in consolidating the relation with China, as proposed by Institute for Security Studies regarding Africa's debt dilemma, Ethiopia should adopt new debt management measures as its neighbors, which include: "1. capture loan transparency in an eventual legally binding protocol, 2. collaborate with other African countries to collectively enforce new regulations in negotiations aimed at creating a fair playing field for all creditors, 3. prioritize improvements in debt management and transparency."<sup>29</sup> As China has a long-term strategic interest with Africa and especially the Horn of Africa region, it is necessary to use this to our benefit and strive to maintain a sustainable financial future for Ethiopia.

## **Conclusion**

In conclusion, Ethiopia faces a pivotal moment in its foreign relations, navigating the aftermath of the Tigray conflict while managing relationships with key partners, the United States and China. To steer towards stability and prosperity, Ethiopia must strike a delicate balance between its strategic interests and international expectations. By following the recommendations provided—prioritizing the Cessation of Hostilities Agreement and engaging in transparent dialogue with China regarding loan agreements—Ethiopia can forge a path of cooperation, resilience, and sustainable development for itself and the region.

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<sup>28</sup> Seifudein Adem, "Why Ethiopia Should Trust the West," *Foreign Policy* Argument (November 10, 2021), <https://foreignpolicy.com/2021/11/10/why-ethiopia-should-trust-the-west/>.

<sup>29</sup> Jana de Kluiver, "Africa's Debt Dilemma: China's Role and Implications for Development," Policy Brief (Institute for Security Studies, October 2023).