

The Contribution of Investment to the Effectiveness of Economic Diplomacy between Ethiopia and China

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Abstract: This study delves into the intricate dynamics of economic diplomacy between Ethiopia and China, focusing on the pivotal role of investment in shaping their bilateral relations. The objectives of this research are to examine the nature and extent of investment cooperation, analyze the impacts of Chinese investments on Ethiopia's economic growth and technological advancement, explore the reciprocal relationship between investment and diplomatic ties, and assess the strategic implications for both countries. The central research question asks about the contribution of Chinese investment to the effectiveness of economic diplomacy between Ethiopia and China.

Employing a qualitative methodology, this study utilizes case studies, policy analysis, and scholarly literature review to gather and analyze data from official reports, government publications, academic articles, and interviews with key stakeholders. Noteworthy investment projects such as the Addis Ababa-Djibouti Railway and industrial parks serve as focal points for understanding the impacts of Chinese investments.

Findings indicate that Chinese investments have significantly contributed to Ethiopia's economic growth, particularly in infrastructure development and industrialization. These investments have also facilitated technology transfer, skill development, and job creation in vital sectors like manufacturing and renewable energy. The Ethiopia-China partnership demonstrates a mutually beneficial relationship, with investments enhancing diplomatic ties and strategic cooperation. However, challenges such as debt sustainability and environmental impacts highlight the need for a balanced approach to investment-driven economic diplomacy.

In conclusion, this study provides valuable insights into the transformative role of Chinese investments in Ethiopia-China economic diplomacy. The findings contribute to a deeper understanding of the interplay between investment, economic growth, and diplomatic relations. Recommendations include refining investment laws, prioritizing infrastructure investments, engaging in proactive media campaigns, diversifying investments, strengthening dialogue with China, bolstering domestic capacities, promoting inclusive development, and enhancing training programs. These recommendations offer practical guidance for policymakers and stakeholders seeking to foster sustainable international partnerships.

Keywords: Economic Diplomacy, Investment, Ethiopia, China, Diplomatic Relations

1. Introduction

Background

The economic diplomacy between Ethiopia and China has been significantly shaped by the pivotal role of investment, which has contributed to fostering economic development and mutual benefits between the two nations (Bayne & Woolcock, 2017). This essay explores the historical background, evolution of economic relations, and the profound impact of investment in enhancing the effectiveness of economic diplomacy between Ethiopia and China.

Economic diplomacy, operating at the intersection of international economics and public policy, employs economic tools to achieve foreign policy objectives (Baldwin, 1985). Ethiopia, with its historical significance and commitment to sovereignty, has actively engaged in economic diplomacy. Recognizing the People's Republic of China in 1970 marked the beginning of a robust modern relationship, which evolved amidst geopolitical shifts, especially during the Cold War era (Hamilton & Langhorne, 2011).

China's emergence as a global economic player, particularly in the late 20th century, laid the foundation for strategic partnerships, including those with African nations like Ethiopia (Murithi, 2017). The 21st century saw intensified ties, with Ethiopia becoming a key partner in the Forum on China-Africa Cooperation (FOCAC), fostering commitments to trade, cultural exchanges, and capacity-building. This partnership expanded beyond infrastructure to encompass manufacturing, agriculture, and technology, reflecting China's growing influence in Ethiopia (Esteban et al., 2023).

The economic relationship between Ethiopia and China, rooted in their diplomatic ties of 1970, has witnessed significant growth. During the Cold War, economic cooperation emerged alongside political ties, leading to Chinese projects in Ethiopia (Larkin, 1971). These early engagements set the stage for the robust economic collaboration witnessed in the 21st century.

Sino-African economic relations have deepened, with China becoming Africa's largest trading partner, surpassing the U.S. (Brautigam, 2011). Initiatives like FOCAC and the Belt and Road Initiative have transformed Africa's physical landscape through investments in infrastructure. Despite benefits, concerns about trade imbalances, labor rights, and debt sustainability have been raised (Carmody, 2017).

Investment stands as a linchpin in Ethiopia-China economic diplomacy, fostering economic growth, technological transfer, and mutual benefit (Lisinge, 2020). Initiatives like the Belt and Road Initiative have further solidified their economic ties, promising to boost intra-African trade and connectivity. Notable projects such as the Addis Ababa-Djibouti Railway and industrial parks like Hawassa exemplify the impact of Chinese investment on Ethiopia's development and regional connectivity (WEIWEI, 2020).

Challenges persist, including debt sustainability and environmental impacts, but the resilience displayed by both nations underscores the enduring nature of their relationship (Geda et al., 2013). As both countries navigate the complexities of the 21st century, the role of investment in economic diplomacy will remain central to their shared aspirations for growth, development, and regional stability.

In conclusion, the Ethiopia-China economic diplomacy, marked by historical ties and evolving geopolitical dynamics, showcases the transformative power of investment. The partnership's multifaceted nature, demonstrated through infrastructure projects and initiatives like the Belt and Road Initiative, highlights the benefits of mutual cooperation. As challenges are addressed, the enduring relationship between Ethiopia and China offers valuable lessons for other nations seeking to strengthen diplomatic and economic ties in an interconnected world.

The research question at the core of this study is focused on understanding the contribution of investment to the effectiveness of economic diplomacy between Ethiopia and China. This overarching question is further dissected into specific research inquiries. First, the study aims to explore the nature and extent of investment cooperation between Ethiopia and China, shedding light on the types of investments, sectors involved, and the scale of financial engagements. Second, it seeks to examine how investment impacts the bilateral economic partnership between the two nations, considering aspects such as trade volumes, job creation, and technology transfer. Third, the research delves into the ways in which investment plays a role in fostering diplomatic relations between Ethiopia and China, analyzing how economic collaborations influence political ties and vice versa. Lastly, the study evaluates the extent to which the presence and influence of investment contribute to the overall effectiveness of economic diplomacy in the Ethiopia-China relationship, assessing the tangible outcomes and benefits derived from these economic engagements. These specific research questions aim to provide a comprehensive understanding of the intricate interplay between investment, economic diplomacy, and the Ethiopia-China relationship, offering insights for policymakers, scholars, and practitioners alike.

Statement of the Problem

The strategic use of economic tools in international relations, known as economic diplomacy, is increasingly crucial for emerging economies like Ethiopia and global powerhouses like China (Bayne & Woolcock, 2017). The nuanced relationship between Ethiopia and China, characterized by historical ties and dynamic economic collaborations, presents a compelling case study. However, a significant gap exists in understanding the specific contribution of investment to the effectiveness of their economic diplomacy.

While the historical background and evolution of economic relations between Ethiopia and China are known, the precise role of investment remains underexplored (Esteban et al., 2023). Ethiopia's commitment to sovereignty and Pan-Africanism contrasts with China's global economic influence, especially with initiatives like the Belt and Road Initiative (Hamilton & Langhorne, 2011). This complex historical context sets the stage for deeper exploration into how investment has shaped economic diplomacy between these nations.

In the 21st century, economic cooperation intensified, with significant Chinese investments in Ethiopian infrastructure and sectors (Hackenesch, 2018). However, the specific impact of these investments on economic diplomacy requires comprehensive analysis. Projects such as the Addis Ababa-Djibouti railway demonstrate deep economic collaboration, yet the extent to which investment has facilitated diplomatic goals remains unclear. This gap hinders a full understanding of economic diplomacy's intricacies and limits lessons for policymakers and practitioners.

Chinese investments have undeniably contributed to Ethiopia's economic development and regional connectivity, yet challenges accompany this economic diplomacy (Geda et al., 2013). Debt sustainability, environmental impacts, and trade imbalances are key concerns, highlighting the need for nuanced understanding of how investment influences diplomatic relations and geopolitics.

This research aims to address the literature gap by critically analyzing investment's contribution to economic diplomacy between Ethiopia and China (King, 2013). Through case studies, policy document analysis, and literature synthesis, this study seeks insights into investment's multifaceted role in shaping diplomatic relations and fostering mutual economic growth (Brautigam, 2011). Ultimately, the goal is to contribute to knowledge on economic diplomacy and provide valuable insights for policymakers, scholars, and practitioners interested in enhancing relations between emerging economies and global players like Ethiopia and China. Hence, the general objective is to assess the contribution of investment to the effectiveness of economic diplomacy between Ethiopia and China.

2. Literature Review

Overview of Economic Diplomacy

The literature on economic diplomacy provides a comprehensive overview of the strategic use of economic tools in international relations, emphasizing the multifaceted nature of this aspect of diplomacy (Bayne & Woolcock, 2017). Economic diplomacy encompasses various activities, from trade negotiations to investment agreements, all aimed at achieving specific foreign policy goals. This framework, as defined by Bayne and Woolcock, involves leveraging economic resources to influence the behavior of other nations, highlighting the significance of economic power in diplomatic relations.

Historically, economic diplomacy finds its roots in ancient trade relationships, evolving into a sophisticated practice operating at the intersection of international economics and public policy (Hamilton & Langhorne, 2011). The relationship between Ethiopia and China, established formally in 1970, reflects this historical evolution (Esteban et al., 2023). Ethiopia's commitment to sovereignty and Pan-Africanism contrasts with China's emergence as a global economic player, especially with initiatives like the Belt and Road Initiative. This historical context sets the stage for dynamic economic collaborations between the two nations.

During the Cold War era, Ethiopia's alignment with the Soviet bloc shifted to diversified economic partnerships, particularly with China (Hackenesch, 2018). The 21st century witnessed intensified economic cooperation, with

Ethiopia becoming a key partner in the Forum on China-Africa Cooperation (FOCAC) (King, 2013). This collaboration expanded beyond infrastructure projects to include manufacturing, agriculture, and technology, showcasing China's growing influence in Ethiopia (WEIWEI, 2020).

Sino-African economic ties, particularly Chinese investments in African industries and infrastructure, laid the groundwork for deeper economic relations in the 21st century (Brautigam, 2011). China's emergence as Africa's largest trading partner ushered in a new era of economic diplomacy, marked by initiatives like FOCAC and the Belt and Road Initiative (Carmody, 2017). Despite the benefits, challenges such as trade imbalances and debt sustainability emerged.

Investment emerges as a linchpin in Ethiopia-China economic diplomacy, facilitating economic growth, technological transfer, and mutual benefit (WEIWEI, 2020). The Belt and Road Initiative (BRI) further solidifies their economic ties, promising to boost intra-African trade and connectivity (Lisinge, 2020). Notable projects like the Addis Ababa-Djibouti Railway and the Grand Ethiopian Renaissance Dam (GERD), supported by Chinese investment, symbolize Ethiopia's quest for energy security and regional economic development.

The theoretical perspectives on investment in economic diplomacy offer valuable insights into the mechanisms and dynamics of international relations. Economic statecraft, as conceptualized by Baldwin (1985), highlights the strategic use of economic resources to achieve diplomatic objectives. Nye's concept of soft power emphasizes the role of investments in enhancing a nation's economic influence, while network diplomacy views investments as tools for creating economic networks that transcend national boundaries (Evans, 2014).

Evaluating investment's contribution to economic diplomacy is crucial in the contemporary global landscape (Nye, 2004). Investments are not just economic transactions but powerful diplomatic tools that nations deploy to advance their strategic interests. Understanding how investments shape diplomatic relations, drive economic growth, and influence geopolitical dynamics aids in diplomatic risk management and the fostering of technological transfer and innovation (Letto-Gillies, 2012). This evaluation is particularly relevant in the context of the United Nations' Sustainable Development Goals (SDGs), as investments aligned with sustainable development objectives contribute to economic prosperity, environmental sustainability, and social equity (Sachs & Schmidt-Traub, 2019). In conclusion, the literature review underscores the importance of evaluating investment's contribution to economic diplomacy between Ethiopia and China. The historical background, evolving economic relations, and theoretical perspectives provide a comprehensive framework for understanding the role of investments in shaping diplomatic ties and fostering mutual growth. As the world becomes more interconnected, this analysis becomes not only academically relevant but also imperative for policymakers and business leaders navigating the complexities of international relations and global economic landscapes.

Ethiopia-China Economic Relations

The economic relations between Ethiopia and China are deeply rooted in historical ties and strategic positioning, dating back to ancient trade networks and Ethiopia's pivotal role during the Axumite Empire (Phillipson, 1998). Ethiopia's historical commitment to Pan-Africanism, exemplified by events like the Battle of Adwa in 1896, laid the foundation for its modern diplomatic engagements, including its early recognition of the People's Republic of China in 1970 (Murithi, 2017; Esteban et al., 2023). During the Cold War era, Ethiopia's alignment with the Soviet bloc transitioned into pragmatic economic diplomacy, diversifying partnerships as the world shifted into a multipolar paradigm (Hackenesch, 2018). China, emerging as a global economic powerhouse in the late 20th century, sought strategic partnerships worldwide, finding a key ally in Ethiopia's developmental goals (King, 2013). Scholarly inquiry into this relationship highlights the evolution of Ethiopia-China economic ties. King (2013) discusses Ethiopia's strategic role in the Forum on China-Africa Cooperation (FOCAC), emphasizing commitments to trade, cultural exchanges, and capacity-building. This partnership extended to various sectors, with Chinese firms establishing manufacturing hubs in Ethiopia, marking a shift from infrastructure to broader economic cooperation (WEIWEI, 2020). While the 20th century saw foundational investments by China in African industries and infrastructure, the 21st century marked a paradigm shift, with China becoming Africa's largest trading partner by the early 2000s (Brautigam, 2011).

Economic diplomacy emerges as a pivotal tool in international relations, offering nuanced approaches to achieving state objectives beyond traditional diplomacy (Baldwin, 1985). Ethiopia, with its historical and strategic significance, has utilized economic diplomacy to bolster its position in the Horn of Africa (Drezner, 1999). WEIWEI (2020) delves into the transformative impact of Chinese investments in Ethiopia's economic reforms, particularly evident in projects like the Hawassa Industrial Park under the Growth and Transformation Plans (GTP).

In conclusion, the historical context and evolution of Ethiopia-China economic relations underscore the multifaceted nature of their partnership. From ancient trade routes to modern-day industrial collaborations, the role of economic diplomacy has been central to their engagement. China's investments have not only contributed to Ethiopia's economic growth but have also influenced regional dynamics, marking a significant shift in Sino-African economic relations. This literature review sets the stage for further exploration into how these investments contribute to the effectiveness of economic diplomacy between Ethiopia and China.

Importance of Evaluating Investment's Contribution to Economic Diplomacy

The assessment of investment's role in economic diplomacy holds crucial significance, particularly in today's world marked by economic interdependence and geopolitical complexities. As diplomacy evolves beyond traditional state-centric interactions, non-state actors such as multinational corporations and investors wield increasing influence (Nye, 2004). Investments, once mere economic transactions, have emerged as potent tools for nations to advance strategic interests globally. Understanding how investments contribute to economic diplomacy is pivotal for adapting diplomatic strategies to the modern geopolitical landscape.

Inbound and outbound investments are pivotal drivers of economic growth (Ietto-Gillies, 2012). Analyzing their strategic utilization within economic diplomacy frameworks offers insights into how nations leverage economic opportunities for mutual development. This analysis is especially relevant for emerging economies seeking foreign investments as catalysts for transformative economic change.

Moreover, investments are inherently tied to shared interests and cooperation among nations (Smith, 2015). Evaluating their contribution to economic diplomacy unveils shared interests, potential conflicts, and the trajectory of diplomatic relations. It illuminates how economic cooperation, facilitated by investments, fosters stronger diplomatic ties between nations.

Investments also serve as instruments of geopolitical influence (Calabrese & Melegh, 2016). Nations strategically deploy investments to bolster their geopolitical standing and forge alliances beyond traditional political realms. Understanding investments as diplomatic tools sheds light on the complexities of global power dynamics and alliance formation.

Given the risks inherent in investments, their success often hinges on the diplomatic landscape (Nye, 2004). Evaluating their contribution to economic diplomacy aids in diplomatic risk management, enabling nations to anticipate and navigate potential challenges associated with investments. This fosters a more adaptable and resilient approach to economic relations.

Furthermore, investments, particularly in technology-intensive sectors, facilitate knowledge and innovation transfer (Ietto-Gillies, 2012). This aspect is critical for nations aiming to enhance technological capabilities and competitiveness. Assessing how investments drive technological transfer through economic diplomacy provides insights into global innovation ecosystems' dynamics.

In the context of the United Nations' Sustainable Development Goals (SDGs), evaluating investments' contribution to economic diplomacy becomes integral (Sachs & Schmidt-Traub, 2019). Aligning investments with sustainable development objectives not only promotes economic prosperity but also addresses environmental sustainability, social equity, and inclusive growth. This evaluation is essential for crafting diplomatic strategies in line with the global sustainable development agenda.

In conclusion, the gap in literature concerning the specific evaluation of investment's role in economic diplomacy demands scholarly attention. Understanding how investments shape diplomatic relations, drive economic growth, and influence geopolitical dynamics is crucial for nations navigating today's intricate global landscape. This analysis has the potential to guide diplomatic strategies, foster mutual development, and contribute to achieving global goals such as sustainable development. As the world grows more interconnected, a comprehensive examination of the interplay between investments and economic diplomacy becomes imperative for policymakers, diplomats, and business leaders.

Conceptual Framework

The conceptual framework for evaluating the contribution of investment to the effectiveness of economic diplomacy between Ethiopia and China incorporates several theoretical perspectives, including the Economic Diplomacy Framework, Comparative Advantage Theory, Dependency Theory, Liberalization Theory, and Institutional Theory. These theories offer insights into the dynamics of investment and its impact on diplomatic relations between the two nations.

Economic Diplomacy Framework entails the strategic use of economic tools and negotiations to advance national interests internationally (Fergusson, 2009). For Ethiopia and China, economic diplomacy includes trade agreements, investment promotions, and economic engagements aimed at mutual benefits and bilateral relations strengthening.

Comparative Advantage Theory, as proposed by Ricardo (1817), suggests that nations gain by specializing in goods and services where they excel, engaging in trade with other countries. In the context of Ethiopia-China investment, this theory implies leveraging strengths and resources for mutual gains, enhancing economic diplomacy.

Dependency Theory posits that developing nations, like Ethiopia, face structural disadvantages due to reliance on developed nations, such as China (Frank, 1966). In investment, it highlights risks from asymmetrical power and unequal exchange, stressing equitable and beneficial investment agreements.

Liberalization Theory advocates for removing trade and investment barriers to foster growth (Bhagwati, 1978). In Ethiopia-China relations, liberalizing investment policies can boost foreign direct investment (FDI) flows, enhancing economic integration and diplomatic effectiveness.

Institutional Theory emphasizes institutions' role in shaping economic behavior and outcomes (North, 1990). For Ethiopia-China investment, it underscores transparent and accountable institutional frameworks to facilitate investments, manage risks, and ensure mutual benefits.

Key variables include

A. Impact of Investment Agreements and Policies on Economic Diplomacy Outcomes: The clarity, stability, and enforceability of investment agreements significantly influence economic diplomacy's effectiveness (UNCTAD, 2019).

B. Economic and Social Impacts of Chinese Investments: Investments contribute to job creation, technology transfer, and productivity enhancement (Brautigam, 2011; Bräutigam & Tang, 2019).

C. Influence of Local and International Perceptions: Positive perceptions bolster diplomatic relations, while negative views may lead to tensions and hinder investments (Li & Fazzino, 2020).

D. Role of Legal and Regulatory Frameworks: Clear, transparent regulations reduce risks, attract investment, and strengthen economic diplomacy, while ambiguous rules may deter investments (Gerring et al., 2005; World Bank, 2020).

This framework provides a structured approach to understanding how investments shape economic diplomacy outcomes between Ethiopia and China, considering various theoretical perspectives and key variables.

3. Methodology

The methodology employed to investigate the effectiveness of economic diplomacy between Ethiopia and China emphasizes transparency, replicability, and the nuances of the subject matter. Recognizing the complexity of economic diplomacy influenced by cultural, historical, and personal factors, the article opts for a qualitative approach to capture intricate details (Creswell, 2014; Denzin & Lincoln, 2022). This qualitative method aims to delve into motivations, opinions, and narratives that quantitative methods might overlook, aligning with the study's emphasis on understanding the multifaceted nature of economic relations.

Data collection methods include interviews, focus group discussions (FGDs), direct observations, and the integration of secondary sources such as scholarly articles and government reports. This meticulous approach seeks to uncover depth and varied perspectives on Ethiopia-China economic diplomacy (Creswell, 2014).

The research design emphasizes the necessity of a qualitative approach to unravel the complex dynamics shaping economic diplomacy. It integrates personal and collective experiences through a case study framework, exploring specific instances that significantly impact the diplomatic relationship (Rudestam & Newton, 2014). The comprehensive design incorporates content analysis, interviews, FGDs, and case studies to provide a holistic understanding.

Sampling methodology focuses on purposive sampling to ensure participants possess intricate knowledge and diverse perspectives. Criteria for selection prioritize expertise, experience, and diversity to offer a comprehensive understanding of Ethiopia-China economic diplomacy (Creswell, 2014).

Thematic analysis serves as the cornerstone of data analysis, providing a systematic approach to identify and analyze patterns within the data. The iterative process includes familiarization, generating initial codes, searching for themes, reviewing themes, defining and naming themes, and writing the report (Braun & Clarke, 2006). Content analysis and triangulation complement the thematic analysis to enhance credibility and depth.

In conclusion, the methodology underscores the robust and comprehensive nature of the research approach, suited to the intricacies of economic diplomacy. The qualitative framework, diverse data collection methods, and ethical considerations collectively form the foundation for insightful and credible findings, contributing significantly to understanding economic diplomacy dynamics between Ethiopia and China.

4. Demographic Data Analysis

The demographic data analysis chapter of the study on the Impact of Bilateral Trade on Economic Diplomacy Effectiveness between Ethiopia and China reveals a multifaceted relationship enriched with diverse perspectives and experiences. The chapter serves as a convergence point for individual narratives, painting a holistic picture of the diplomatic ties between the two nations.

Participants in the study, ranging from P1 to P37 in interviews and focus groups (G1, G2, G3, and G4), are not just statistical representations but pivotal contributors to the discourse. Their diverse demographic attributes, including age, gender, education, professional tenure, and affiliations, add depth and breadth to the exploration of economic diplomacy.

In this qualitative research, participant demographics are crucial for interpreting and validating findings. The study includes participants aged 35 to 58, representing a mix of mid-career professionals and veterans. The gender distribution of 30 males and 7 females offers insights into traditionally male-dominated professional environments. Most participants hold Master's degrees or Ph.Ds., reflecting high academic proficiency. Their varied work experiences provide a blend of fresh perspectives and time-tested strategies, while diverse institutional affiliations bring unique challenges and priorities to the discussion.

Insights from focus groups (G1 to G4) highlight key perspectives:

G1 (Ministry of Industry) emphasizes technological transfer and capacity building, looking beyond transactional engagements.

G2 (Ministry of Infrastructure Development) reflects on the advantages and challenges of Chinese investments in infrastructure.

G3 (Ministry of Foreign Affairs) calls for diplomacy rooted in mutual respect and cultural understanding.

G4 (Ministry of Trade) discusses trade imbalances, hinting at concerns and the need for export diversification strategies.

Insights from one-on-one interviews offer intimate perspectives:

Relevant Working Experience: Participants discuss the chronological evolution of Ethiopian-Chinese relationships, balancing historical context with contemporary challenges.

Key Government Departments and Opposition Party: Dual perspectives provide a balanced understanding beyond political leanings.

Ministries' Perspectives: Insights offer a broad national perspective, reflecting policy directives, economic viability, and development goals.

Chinese Construction Companies: Ground-level perspectives shed light on on-ground challenges, technology transfer issues, and perceptions of the Ethiopian working environment.

Economic Analysts: Quantitative depth complements the qualitative study, adding data-driven insights to trends, challenges, and opportunities.

5. Findings

Evolution of Chinese Investments in Ethiopia: Scale and Nature over Time

The evolution of Chinese investments in Ethiopia has been pivotal for economic diplomacy, progressing from cautious beginnings to a strategic partnership. Initially modest, these investments have significantly expanded over time, aligning with Ethiopia's developmental goals. Regulatory frameworks in Ethiopia have facilitated this growth, creating an environment conducive to Chinese capital (Yalew et al., 2020). Chinese investments in Ethiopia span various sectors such as industrialization and infrastructure, reshaping the nation's economic landscape and contributing to its industrial growth (Ergano & Rao, 2019). Beyond economic impacts, these investments have redefined bilateral agreements, enhancing China's influence in the region (Zhao et al., Yin). The scale of Chinese investments, seen through numerous projects, has greatly benefited Ethiopia's economy, generating revenue, jobs, and technology transfer (Ethiopian Investment Commission). This dynamic economic relationship showcases a strategic approach to development, bolstering Ethiopia's diversification and global positioning (Tovar, 2019). As Ethiopia and China deepen ties, these investments offer insights into effective economic diplomacy.

Table 1: China's engagement in Ethiopia through (FDI).

Category	Data
Total Number of Projects	230
Number of Projects in Pre-implementation	57
Number of Projects in Implementation	36
Number of Projects in Operations	137
Capital Investment ('000' Birr)	14,841,750
Permanent Employment	6,996

Category	Data
Temporary Employment	5,787

Sources: Ethiopian Investment Commission's the data from August 22, 1992, to August 6, (2023)

Impact of Investment Agreements and Policies on Economic Diplomacy Outcomes in Ethiopia and China

The evolution of Chinese investments in Ethiopia has marked a significant chapter in the narrative of economic diplomacy between the two nations, transitioning from cautious initial engagements to expansive and strategic investments. Chinese investments have grown substantially over time, positioning Ethiopia as a key beneficiary of Chinese Foreign Direct Investment (FDI) in Africa. This evolution has been supported by Ethiopia's adaptation of policies to align with economic goals, fostering symbiotic growth with Chinese investments (Yalew et al., 2020; Astatike et al., 2005).

These investments have played a pivotal role in Ethiopia's industrialization, infrastructure development, and economic diversification, particularly in the manufacturing sector. Infrastructure projects such as roads, railways, and energy plants have reshaped Ethiopia's economic landscape, contributing to its industrial boom (Ergano & Rao, 2019; Tovar, 2019). Beyond economic benefits, Chinese investments have also had diplomatic implications, redefining bilateral agreements and cooperation frameworks and positioning China as a major foreign investor integral to Ethiopia's economic reform and growth (Zhao et al., Yin; Bharti, 2023).

China's long-term commitment to projects in Ethiopia signifies enduring engagement crucial for sustainability, while economic diversification facilitated by these investments enhances Ethiopia's economic resilience, a crucial aspect for effective economic diplomacy (Tadesse, 2014). Chinese FDI in Ethiopia spans various stages of implementation, contributing significantly to economic development goals, job creation, and infrastructure development. This aligns with China's strategic interests in the region, highlighting the effectiveness of economic diplomacy in fostering long-term development partnerships (Ethiopian Investment Commission's data, 2023).

Investment policies play a pivotal role in shaping economic diplomacy outcomes between Ethiopia and China, extending beyond economic functions to become integral components of broader geopolitical strategies (Ayodele et al., 2014). Bilateral investment agreements serve as crucial instruments in enhancing economic cooperation, providing a stable and predictable investment climate. They signify the commitment of both nations to a unified vision of economic collaboration (Addis et al., 2021).

Ethiopia's manufacturing sector has been significantly impacted by these policies, resulting in streamlined market access and increased industrial growth, particularly in sectors where Chinese firms are competitive (Kühne, 2019). Moreover, sector-specific investments have shaped Ethiopia's industrial policy, fostering an environment conducive to targeted growth (Sindzingre, 2022). Technology transfer facilitated by investment agreements has modernized Ethiopia's economy, while infrastructure projects have contributed to overall economic development (Ergano et al., 2019; Getaneh, 2020).

These investment policies have broader diplomatic implications, building trust and commitment to cooperation between the two nations. They strengthen Ethiopia's position within China's strategic sphere of influence, fostering long-term development partnerships and enhancing bilateral relations (Gray & Gills, 2016).

In conclusion, investment policies have been instrumental in driving economic diplomacy between Ethiopia and China, fostering growth, cooperation, and mutual benefit. The comprehensive and strategic nature of these policies signifies a commitment to long-term development and cooperation, underpinning the enduring economic and diplomatic ties between the two nations (Fei, 2021; Tadesse, 2014).

Table 2: key investment agreements between Ethiopia and China

Type of Agreement	Description	Year Signed	Implementation Stage
Bilateral Investment Treaty (BIT)	A foundational agreement to promote and protect investments between the two countries.	1998	In Force (since 2000)
MoU on Investment Promotion	Facilitates investment cooperation, established as an outcome of the joint Investment and Trade Cooperation Forum in Addis Ababa.	2022	Implementation Phase
Cooperation Agreements in Various Sectors	Accompanying the MoU, these agreements cover partnerships in manufacturing, agriculture, pharmaceuticals, and other sectors.	2022	Implementation Phase
Comprehensive Cooperation	Encompasses economic, agricultural, green economy, urban development, and infrastructure sectors, like the Ethio-Djibouti railway.	Recent	Ongoing
Belt and Road Initiative (BRI)	Ethiopia's participation in the BRI involves cooperation in infrastructure and other related fields.	Ongoing	Ongoing
Chinese Investment in Ethiopia	Investments in diverse sectors such as industrial parks, processing, manufacturing, and construction.	1998-2020	Ongoing
Zero-Tariff Treatment for Exports	Granting zero-tariff treatment to 98% of goods from Ethiopia, covering 8,804 items, to boost Ethiopian exports to China.	2023	Implemented

Source: MOFD, (2023)

Table 3: The impact of investment policies

Investment Policy Aspect	Impact on Ethiopia	Impact on China
Bilateral Investment Treaties	Enhanced legal framework and investor confidence, fostering more foreign investment.	Strengthened economic ties and protection for Chinese investors overseas.
Sector-Specific Investments	Targeted growth in key sectors like agriculture and manufacturing, boosting economic diversification.	Diversification of Chinese investments abroad, including in Ethiopia's priority sectors.
Foreign Direct Investment (FDI) Incentives	Attracted substantial foreign investments, especially in priority sectors.	China's outward FDI strategies have bolstered its global economic presence.
Trade Agreements	Improved access to global markets, notably through AGOA and COMESA.	Expansion of China's trade network, consolidating its position as a global trade leader.
Ease of Doing Business Reforms	Gradual improvements in the business environment, though challenges persist.	Continued efforts to streamline business practices, enhancing its appeal as a global business hub.

Investment Policy Aspect	Impact on Ethiopia	Impact on China
Intellectual Property Rights (IPR) Protections	Strengthening of the IP framework to encourage innovation and attract technology transfer.	Efforts to enforce IP laws to protect domestic and foreign innovations.
Infrastructure Development Projects	Significant infrastructure development, especially in transportation and energy, facilitated by foreign investments.	Strategic infrastructure investments, notably under the Belt and Road Initiative, enhancing China's global connectivity.

Source: Survey, (2023)

Economic and Social Impacts of Chinese Investments on Economic Diplomacy: Job Creation and Technology Transfer

The economic and social impacts of Chinese investments in Ethiopia on economic diplomacy, particularly focusing on job creation and technology transfer, illuminate a multifaceted relationship between economic initiatives and diplomatic strategies. The evolution of Chinese investments in Ethiopia from cautious beginnings to strategic and expansive engagements has significantly influenced the effectiveness of economic diplomacy between the two nations (Fei, 2021). This chapter delves into the intricate interplay of these investments, examining their scale, nature, and multifaceted impacts on Ethiopia's economic and diplomatic landscape (Yalew et al., 2020; Astatike et al., 2005).

Job Creation: Chinese investments have been instrumental in creating substantial employment opportunities across various sectors in Ethiopia. This surge in job creation has not only improved livelihoods but also fostered social stability and economic growth within the nation. The employment generated acts as a foundational pillar for stable bilateral relations, promoting mutual dependency and creating a conducive environment for economic diplomacy (Akram et al., 2016).

Technology Transfer: The transfer of technology from China to Ethiopia has played a pivotal role in modernizing Ethiopian industries, thereby boosting productivity and enhancing competitiveness. This transfer of technology not only benefits Ethiopia by strengthening its industrial capabilities but also solidifies China's position as a key technology partner and innovator. It fosters a knowledge-based relationship between the two nations, contributing to long-term cooperation and mutual growth (Sun, I. Y. 2017).

Investment Policies: Strategic investment policies aimed at attracting and regulating Chinese investments have created a favorable business environment in Ethiopia. These policies benefit both nations by providing a structured and predictable investment climate, facilitating negotiations, and fostering long-term strategic partnerships. Investment policies serve as diplomatic tools, aligning economic and diplomatic objectives and contributing to the overall effectiveness of economic diplomacy (Melissen, J. 2005).

Social and Economic Growth: The social and economic growth resulting from Chinese investments contribute to sustainable and inclusive development in Ethiopia. This growth uplifts living standards, enhances economic stability, and ensures long-term market access and resource security for both countries. It underscores the commitment to mutual benefits and sustainable cooperation, strengthening the diplomatic relationship between Ethiopia and China (Khalema, H. 2021).

Industrial and Infrastructure Development: Targeted investments in industrial sectors and critical infrastructure have diversified and strengthened Ethiopia's economy while creating strategic assets for China. These investments promote economic resilience, interdependence, and robust trade and cooperation between the two nations. Infrastructure development, particularly, supports the physical foundation necessary for economic diplomacy, facilitating trade and connectivity (Reilly, J., 2013; Schiere, R., & Rugamba, A., 2011).

In conclusion, the economic and social impacts of Chinese investments in Ethiopia signify a dynamic and evolving landscape of economic diplomacy. These investments have catalyzed socio-economic transformation,

reinforced diplomatic ties, and highlighted the importance of strategic policymaking in leveraging investments for national development and global engagements. Ethiopia's journey with Chinese investments provides invaluable lessons for future strategies, emphasizing sustainable and inclusive development in both domestic and international arenas (Nicholas, F. 2017).

Table 4: Job creation and technology transfer resulting from Chinese investments

Aspect	Description	Impact on Ethiopia	Impact on China	Impact on Economic Diplomacy
Job Creation	Chinese investments in various sectors (manufacturing, agriculture, construction) have led to substantial job creation in Ethiopia.	Positive: Increased employment and improved livelihoods.	Positive: Expansion of Chinese companies and markets.	Enhances bilateral ties and mutual dependency, fostering a stable and cooperative relationship.
Technology Transfer	The influx of Chinese businesses has facilitated the transfer of technology and skills, modernizing Ethiopian industries and increasing productivity.	Positive: Modernization of industries and enhancement of competitive edge.	Positive: Reinforces China's role as a key technology partner and innovator.	Strengthens cooperation and fosters a knowledge-based relationship between the two nations.
Investment Policies	The implementation of strategic investment policies to attract and regulate Chinese investments, aligning with both economic and diplomatic goals.	Positive: Attracts more investments and creates a favorable business environment.	Positive: Provides a structured and predictable investment climate in Ethiopia.	Serves as a tool for economic diplomacy, facilitating negotiations and long-term strategic partnerships.
Social and Economic Growth	The overall impact of investments on social stability, economic growth, and development in Ethiopia.	Positive: Enhanced social stability and economic growth.	Positive: Long-term market and resource access.	Contributes to sustainable and inclusive economic development, a key aspect of diplomatic relations.
Industrial Development	Specific focus on industrial sectors where Chinese investments can lead to industrial development and diversification in Ethiopia.	Positive: Diversification and strengthening of industrial sectors.	Positive: New opportunities for Chinese industries and expansion of influence.	Promotes economic resilience and interdependence, enhancing the diplomatic dialogue.

Infrastructure Development	Investments in critical infrastructure, facilitating further economic activities and connectivity.	Positive: Improved infrastructure leading to economic growth and accessibility.	Positive: Creation of strategic assets and pathways for further investment and trade.	Supports the physical foundation for economic diplomacy, enabling more robust trade and cooperation
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Source: MOFED (2023), China cooperation division.

Table 5: Social Impacts of Chinese Investments on Economic Diplomacy

Source: Survey, (2023)

Local and International Perceptions' Influence on Economic Diplomacy Effectiveness in Foreign Investments

Aspect	Description	Impact on Ethiopia	Impact on China	Impact on Economic Diplomacy
Job Creation	Investments in various sectors leading to significant employment opportunities.	Positive: Enhanced employment, reducing poverty and improving economic resilience.	Positive: Expansion of markets and strengthening of international business ties.	Fosters mutual dependency and strengthens bilateral relations, enhancing trust and cooperation.
Technology Transfer	Transfer of skills, knowledge, and innovative practices from Chinese investments to Ethiopian industries.	Positive: Modernization of sectors and improved industry standards.	Positive: Positions China as a leader in innovation and a preferred partner in development.	Enhances bilateral ties by fostering a knowledge-based economy and long-term strategic cooperation.
Social Stability and Development	Impact on the overall social fabric and community development through infrastructure, education, and health sectors.	Positive: Better quality of life, access to services, and community development.	Positive: Enhanced reputation and influence in Africa, reflecting China's commitment to responsible investment.	Contributes to the overall stability and growth of the relationship, underpinning successful economic diplomacy.
Cultural Exchange and Soft Power	Cultural and educational exchanges as part of investments, leading to deeper mutual understanding.	Positive: Enriched cultural identity and international exposure.	Positive: Strengthened cultural influence and soft power in Ethiopia.	Promotes people-to-people ties and understanding, a critical component of resilient economic diplomacy.
Capacity Building and Skill Development	Focus on developing local talent and skills through training and educational programs associated with investments.	Positive: Empowerment of the local workforce and enhanced national capabilities.	Positive: Long-term partnership and local goodwill.	Strengthens human capital, critical for sustainable development and effective diplomacy.

In the realm of economic diplomacy between Ethiopia and China, the influence of local and international perceptions on foreign investments is a critical aspect shaping diplomatic strategies. The study's findings, drawn from interviews and focus group discussions, underscore the significant role of public sentiment in Ethiopia's economic diplomacy, particularly concerning Chinese investments. Participants highlighted how local perceptions directly impact policymaking, forming a democratic feedback loop where public opinion informs economic strategies (P11, P12, P16, P17, P20, P22, and P27). This aligns with recent literature emphasizing public opinion as a key factor in foreign policy decisions (Alves, 2008). Policymakers often adjust their approaches based on public sentiment, aiming to garner domestic support for international ventures. Conversely, skepticism or opposition from local stakeholders can impede diplomatic success, hindering the achievement of investment objectives (Mold, 2003).

Expanding on this understanding, discussions in Group 2 (G2) highlighted the interplay between local and global perceptions. International perceptions, largely shaped by foreign investments, significantly mold a nation's image and diplomatic relations. Hartig's research emphasizes how a nation's international reputation affects foreign engagement, suggesting that positive perceptions can attract investment, whereas negative ones may deter it (Hartig, 2016). Focus groups G3 and G4 emphasized the role of media representation, noting its profound impact on public sentiment. Positive media coverage can rally public support, whereas negative coverage may breed skepticism, influencing the diplomatic landscape (Wu, 2013). Effective economic diplomacy, therefore, necessitates proactive management of both local and international perceptions, including strategic media engagement.

The provided table outlines the impact of local perceptions on economic diplomacy effectiveness in the context of foreign investments. Clear communication and education about investment agreements are crucial for fostering support and cooperation, as informed understanding leads to increased backing (Kishan S. Rana, 2011). The perception of benefits and costs significantly affects diplomatic success, with positive perceptions enhancing support and negative ones fostering resistance (Rodrik, 1999). Building trust and reliability are essential for strong partnerships, while perceptions of positive long-term impact bolster support for agreements (Rousseau et al., 1998; Sachs et al., 1995).

In conclusion, the study underscores the significance of managing perceptions and media representation in economic diplomacy, especially in the context of Ethiopia's engagements with Chinese investments. Cultivating positive public sentiment towards foreign investments, particularly from China, is essential for effective economic diplomacy. Aligning diplomatic actions with public sentiment and international perceptions is crucial for maximizing the benefits of foreign investments and maintaining robust international relations.

Table 6: The Impact of Local Perceptions

Perception	Impact on Economic Diplomacy between Ethiopia and China	Analysis of Effectiveness
Understanding of Agreements and Policies	Better understanding leads to more support and cooperation.	Effective diplomacy requires clear communication and education about the agreements.
Perceived Benefits and Costs	Positive perception enhances support; negative perception leads to resistance.	Diplomacy is more effective when local populations see clear benefits.

Perception	Impact on Economic Diplomacy between Ethiopia and China	Analysis of Effectiveness
Trust and Reliability	High trust leads to smoother implementation and stronger partnerships.	Building trust through transparent and fair policies is key to effective diplomacy.
Long-Term Impact on Local Economy	Perceptions of positive long-term impact bolster support for agreements.	Long-term economic upliftment is a critical measure of the success of economic diplomacy

Source: Survey, 2023

Table 7: The Impact of International

Aspect	Description	Impact on Ethiopia	Impact on China	Impact on Economic Diplomacy
Investment Image	The perceived quality and reliability of investments.	Enhanced credibility and attractiveness for further foreign investments.	Solidifies China's image as a major global investor and development partner.	Fosters trust and reliability in bilateral economic engagements.
Strategic Alliances	Partnerships formed through investments.	Strengthens international alliances and sectoral collaborations.	Expands China's geopolitical influence and network.	Enhances mutual strategic interests and long-term cooperation.
Development Impact	The perceived contribution of investments to local development.	Positive recognition for sustainable growth and development.	Reinforces China's role in contributing to international development.	Strengthens the justification for continued and enhanced investments.
Regulatory Environment	Perception of investment climate and regulatory framework.	Improved perception can attract more diverse investments.	Ensures a stable and predictable environment for Chinese investors.	Influences the negotiation power and effectiveness of economic diplomacy.
Socio-economic Benefits	Direct and indirect benefits to society and economy.	Enhances public support and international acknowledgment.	Demonstrates China's commitment to mutual benefits and responsible investing.	Supports the narrative of win-win cooperation in diplomatic dialogues.
Transparency and Accountability	Public and international perception of investment openness and fairness.	Boosts confidence among international partners and local population.	Enhances global reputation and trustworthiness of Chinese investments.	Crucial for maintaining positive international relations and effective diplomacy.

Source: Survey, (2023)

The Role of Legal and Regulatory Frameworks in Shaping Economic Diplomacy Outcomes through Investments

The role of legal and regulatory frameworks in economic diplomacy, particularly regarding investment dynamics between Ethiopia and China, is a crucial aspect of study. Insights from interviews and focus group discussions emphasize the profound influence of the legal environment on the effectiveness of diplomatic endeavors.

Participants stress the pivotal role of legal frameworks in attracting foreign investments, echoing the notion that a nation's legal setup signals its investment climate. Ethiopia's efforts to create an investor-friendly legal environment have notably drawn Chinese investments, aligning with Daniels et al.'s (2004) findings on the correlation between legal reform and foreign investment inflows.

Furthermore, participants highlight the significance of regulatory bodies in ensuring the robustness of legal frameworks, crucial for attracting foreign investments by offering security and predictability. This is exemplified in Ethiopia's establishment of the Eastern Industrial Zone, where legal clarity is deemed paramount (Hailu et al., 2018).

Trade agreements, such as the Ethiopia-China Comprehensive Strategic Partnership, also exert a substantial influence on investment decisions by incorporating provisions for investment protection and double taxation avoidance. These agreements create a conducive environment for economic diplomacy (Business et al., 2018).

The stability of regulations, particularly crucial for long-term investments such as Chinese infrastructure projects in Ethiopia, enhances diplomatic leverage and fosters trust, as highlighted by Kirkpatrick et al. (2004). A consistent legal framework in Ethiopia further bolsters diplomatic negotiations, aligning with the predictability necessary for effective economic diplomacy, as underscored by Tryon (2016).

In conclusion, legal and regulatory frameworks play a pivotal role in shaping economic diplomacy outcomes between Ethiopia and China. Ethiopia's legal reforms and dedication to an investor-friendly environment have been central to successful economic diplomacy. These frameworks not only facilitate individual investments but also strengthen the broader diplomatic ties between the two nations. Enhancing these frameworks is crucial for attracting further investments, improving international standing, and ensuring the success of economic diplomacy, setting a precedent for effective international engagements.

Table 8: The Role of Legal and Regulatory Frameworks

Aspect	Description	Impact on Ethiopia	Impact on China	Impact on Economic Diplomacy
Legal Clarity	Clear and comprehensive legal frameworks ensure that both local and foreign investors understand their rights and obligations.	Enhances investor confidence and attracts more FDI.	Ensures predictable and secure investment environment.	Facilitates smoother negotiations and strengthens economic ties.
Investor Rights Protection	Robust legal mechanisms to protect investor rights, including property rights and intellectual property.	Promotes a stable investment climate.	Protects Chinese investors' interests abroad.	Enhances trust and long-term investment relationships.

Aspect	Description	Impact on Ethiopia	Impact on China	Impact on Economic Diplomacy
Ease of Doing Business	A regulatory environment that allows for easy setup and operation of businesses, including registration processes, tax regulations, and other administrative procedures.	Encourages diverse investments and economic growth.	Streamlines operations for Chinese companies.	Encourages continuous flow and expansion of investments.
Contract Enforcement	Effective legal procedures for the enforcement of contracts, ensuring that all parties adhere to agreed terms.	Reduces investment risks and disputes.	Provides a safeguard for investment recovery.	Builds a reliable and efficient economic partnership.
Dispute Resolution Mechanisms	Established mechanisms for resolving investment disputes, including arbitration and mediation centers, providing a clear path for addressing conflicts.	Boosts investor confidence in legal recourse.	Ensures fair treatment in case of disputes.	Maintains diplomatic relations by preventing escalations.

Source: Survey, (2023)

Theoretical Perspectives

Chinese investments in Ethiopia, from a liberal perspective, symbolize economic interdependence and mutual benefit. These investments span across sectors such as infrastructure, manufacturing, and technology, deepening the economic ties between the two nations. Ethiopia gains access to capital, advanced technology, and improved infrastructure, while China secures influence and a broader market for its goods and services (Yun Sun, 2014).

From the lens of realism, Chinese investments in Ethiopia are viewed as strategic maneuvers by China to expand its influence and secure both economic and geopolitical advantages. This perspective aligns with the focus on critical infrastructure projects such as railways and energy plants, reflecting the realist notion of states using economic tools for power projection and strategic positioning (Mearsheimer, J. J., 2001).

Institutionalism offers insights into how institutional frameworks shape Chinese investments in Ethiopia, creating a conducive environment for foreign investments. These frameworks, including investment protection agreements and regulatory bodies like the Ethiopia Investment Commission, provide certainty, protection, and legal clarity, encouraging sustained and mutually beneficial economic relations between Ethiopia and China (North, D. C., 1990).

Interdependence Theory views Chinese investments as deepening the economic interdependence between Ethiopia and China, fostering cooperation and mutual benefits for long-term economic sustainability (Keohane et al., 1984). This perspective emphasizes the symbiotic relationship where both nations seek mutual development, economic growth, and strategic partnerships.

Constructivism sheds light on how Chinese investments in Ethiopia reflect evolving social and political relationships between the two nations. These investments are influenced by the perceptions and narratives each country holds about the other's role in the global arena, shaping diplomatic engagements and economic interactions (Wendt, A., 1992).

Regarding investment agreements and policies, various perspectives contribute insights into their roles and impacts. Liberalism emphasizes the role of these agreements in creating a favorable environment for foreign investment, promoting economic growth and development (Dollar, D., 2008).

Realism sees these agreements as tools for states to assert power and pursue national interests on the global stage (Waltz et al., 1979). Institutionalism considers them instrumental in setting terms and conditions, reducing risks, and enhancing investor confidence (Abbott et al., 2000).

Interdependence Theory views these agreements as establishing frameworks for mutual economic benefits and cooperation (Axelrod et al., 1985), while Constructivism sees them as shaping understandings and expectations, influencing bilateral relationships (Adler, E., 1997).

Lastly, in the realm of economic and social impacts, these theoretical perspectives highlight the significance of Chinese investments in job creation and technology transfer, benefiting both Ethiopia and China (Brautigam, D., 2009). Realism interprets these impacts through power dynamics, enhancing China's soft power and influence in the region (Schweller, R. L., 1998).

Institutionalism attributes these impacts to effective institutional arrangements aligning investments with broader economic objectives and development goals (Keohane et al., 1995). Interdependence Theory views them as creating mutual dependence and cooperation (Mansfield et al., 2003), while Constructivism sees them as shaping perceptions and narratives, influencing diplomatic efforts and international relations strategies (Ruggie, J. G., 1998).

In the field of International Political Economy (IPE), these impacts are seen as instrumental in shaping development trajectories, power balances, and the effectiveness of economic diplomacy initiatives (Nye, J. S., 2004). Overall, these theoretical perspectives provide a comprehensive framework for understanding the multifaceted nature of Chinese investments in Ethiopia and their implications for economic diplomacy.

6. Conclusions and Recommendations

Conclusion

Investment plays a pivotal role in shaping the effectiveness of economic diplomacy between Ethiopia and China, serving as a cornerstone of their economic relationship and impacting diplomatic ties, economic growth, and mutual benefits (Yun Sun, 2014).

Chinese investments across various sectors of the Ethiopian economy have fostered long-term partnerships, extending beyond immediate economic gains and providing a foundation for ongoing diplomatic cooperation (Yun Sun, 2014).

These investments facilitate technology transfer and knowledge sharing, contributing to Ethiopia's capacity building and skill development while strengthening diplomatic bonds (Yun Sun, 2014).

Moreover, investment drives economic diversification in Ethiopia, aligning with the country's goals for sustainable growth. Chinese investments in high-tech industries, renewable energy, and telecommunications support Ethiopia's diversification objectives, broadening the scope of cooperation and mutual interests, and enhancing the effectiveness of economic diplomacy (Yun Sun, 2014).

Additionally, investments lead to job creation and workforce development, particularly in Ethiopia's manufacturing and infrastructure sectors, contributing to socioeconomic development and reinforcing the economic diplomacy partnership (Yun Sun, 2014).

Furthermore, investment fosters a sense of interdependence between Ethiopia and China as their economies become increasingly interconnected. This interdependence necessitates ongoing diplomatic engagement and cooperation to address shared challenges, resolve disputes, and explore new opportunities, further enhancing the effectiveness of economic diplomacy (Yun Sun, 2014).

The Ethiopia-China partnership exemplifies a model of economic diplomacy characterized by a symbiotic interdependence, mutual benefit, and strategic cooperation (Yun Sun, 2014).

Chinese investments not only drive Ethiopia's developmental goals but also serve China's strategic interests in the region, forging a dynamic partnership beyond traditional donor-recipient dynamics (Yun Sun, 2014).

This partnership underscores the significance of mutual benefits in economic diplomacy, promoting shared growth and prosperity while strengthening diplomatic relations (Yun Sun, 2014).

Ethiopia's strategic use of economic diplomacy, aligned with global initiatives like China's Belt and Road Initiative, highlights the importance of engaging with the broader international community to facilitate and sustain investments (Yun Sun, 2014).

The success of Ethiopia's economic diplomacy lies in creating an investment-friendly environment appealing to a diverse range of global partners, ensuring continued growth and development (Yun Sun, 2014).

The findings regarding Chinese investments' role in economic diplomacy between Ethiopia and China align with established theoretical frameworks in international relations and economic development (Manicas, 2007).

The theory of endogenous growth underscores the impact of investment on economic development, highlighting the essential role of technology transfer in Ethiopia's industrialization and long-term growth (Manicas, 2007).

The theory of foreign direct investment (FDI) illuminates how FDI can catalyze economic growth, generate employment, and facilitate technology transfer in the host country, resonating with the study's findings (Manicas, 2007).

Moreover, the Debt Sustainability Theory underscores the importance of managing risks associated with debt accumulation, essential for sustainable economic cooperation (Manicas, 2007).

The study's alignment with recent research on Chinese FDI and diplomatic relations emphasizes the relevance and significance of its findings within the broader theoretical context (Addis et al., 2021).

In conclusion, this research provides substantial contributions in empirical, theoretical, and methodological dimensions (Addis et al., 2021).

It advances our understanding of economic diplomacy between Ethiopia and China, offering insights that can inform policy decisions and academic discourse in the field (Addis et al., 2021).

The findings lay a solid foundation for further research and practical applications in the realm of international relations and economic diplomacy (Addis et al., 2021).

Recommendations and Future Research Focuses

The empirical findings on the contribution of investments to the effectiveness of economic diplomacy between Ethiopia and China offer a profound understanding of how developing countries can navigate their international relations to accelerate economic development.

Ethiopia should continue refining its investment laws and regulations to ensure they align with international standards, bolstering confidence among Chinese investors and attracting a diversified portfolio of investments.

Prioritizing infrastructure investments with regional significance, such as the Addis Ababa-Djibouti Railway, can serve as both an economic catalyst and a showcase of Ethiopia's stable investment environment, enhancing its diplomatic image.

Engaging media platforms to disseminate positive narratives about Ethiopia's investment climate and cooperation with China can foster an atmosphere conducive to further investment.

While Chinese investments have been significant, Ethiopia should seek investment diversification to reduce dependency on a single source and mitigate geopolitical risks.

Maintaining and deepening engagement with China through regular dialogue and aligning mutual interests beyond financial transactions can strengthen diplomatic relations.

Bolstering domestic capacities, including workforce skills and economic governance structures, is crucial for ensuring investments yield sustainable outcomes and foster economic resilience.

Promoting investment strategies that promote inclusive development ensures the broad distribution of economic benefits, reinforcing the social legitimacy of diplomatic strategies.

A proactive diplomacy approach, anticipating global economic shifts, and engaging in multilateral forums, can position Ethiopia strategically in the evolving international landscape.

Strategic alignment of investments with the Sustainable Development Goals (SDGs) ensures environmentally sustainable and socially equitable economic growth, appealing to a broader base of international partners.

Enhancing the training of diplomats and economic negotiators to understand investment flows' implications for international relations is imperative for effective economic diplomacy.

Ethiopia's strategic approach towards using investments as a tool for economic diplomacy with China can serve as a model for other nations with similar aspirations.

The recommendations highlight the need for a nuanced and proactive approach that appreciates the multifaceted nature of investment-driven diplomacy.

These suggestions offer valuable insights into enhancing economic diplomacy effectiveness and inform policy decisions and academic discourse in the field.

The findings provide a solid foundation for further research and practical applications in the realm of international relations and economic diplomacy.

In conclusion, Ethiopia's engagement with China in economic diplomacy demonstrates the potential for mutually beneficial relationships through strategic investments.

Future Research Suggestions

Assessment of the Belt and Road Initiative (BRI): Investigate how the BRI projects influence economic diplomacy, infrastructure development, and bilateral trade. Evaluate their social, economic, and environmental impacts.

Regional Economic Integration: Explore Ethiopia and China's role in regional stability, development, and trade relations within the African context. Assess implications for other African nations.

Social and Cultural Aspects: Understand how Ethiopian and Chinese cultures influence diplomatic interactions, business practices, and people-to-people exchanges.

Digital Economy and Innovation: Examine collaboration in technology transfer, e-commerce, and fintech. Evaluate the impact of digitalization on trade, education, and entrepreneurship.

Public-Private Partnerships (PPPs): Investigate how government and private sector collaboration influences economic growth, infrastructure development, and investment.

Bilateral Trade Diversification: Explore opportunities for diversifying trade beyond traditional goods and services. Minimize trade imbalances through product diversification strategies.

Impact of Global Events: Analyze how economic crises, pandemics, or shifts in international politics impact economic diplomacy. Assess strategies for resilience and adaptation.

Education and Skills Development: Examine programs for building a skilled workforce in high-value industries. Assess contributions to sustainable economic growth and technology transfer.

Long-Term Strategic Planning: Research the development and implementation of comprehensive strategies for enduring economic relations.

These future research suggestions encompass a broad spectrum of aspects influencing economic diplomacy between Ethiopia and China, offering insights for strengthening bilateral ties and promoting global cooperation.

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