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Chinese and Indian investment in Ethiopia: Infrastructure for 'debt-trap diplomacy' exchange and the land grabbing approach[1]

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Amsalu K. Addis
School of Economics and Management,Fuzhou University, Fuzhou, China
P.O.Box: 2 Xueyuan Road, Minhou, Fujian,Fuzhou,350116, CN
E-mails: amy.kid370@gmail.com, amy.kid370@fzu.edu.cn
Tel: +86-152 8007 6673

Simplice A. Asongu
African Governance and Development Institute,
P.O. Box 8413, Yaoundé, Cameroon
E-mails: asongusimplice@yahoo.com,asongus@afridev.org
Tel: +32473613172

Zhu Zuping
School of Economics and Management,
Fuzhou University, Fuzhou, China
E-mails: zhuzuping@163.com
Tel: +86-137 0697 6655

Hailu Kendie Addis
Amhara Regional Agricultural Research Institute,
Bahir Dar –Ethiopia
E-mail: hailukendie@gmail.com
Tel: +251-918 711082

Eshetu Shifaw
Wollo University, Department of Geography and
Environmental Studies,Wollo – Ethiopia
E-mail: eshetushifaw@yahoo.com
Tel: +251-912777193

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Research Department

Chinese and Indian investment in Ethiopia: Infrastructure for 'debt-trap diplomacy' exchange and the land grabbing approach

Amsalu K. Addis, Simplice A. Asongu, Zhu Zuping, Hailu Kendie Addis & Eshetu Shifaw

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Abstract

Purpose: The aim of this study is to examine the motive of China's and India's engagement in African countries particularly in Ethiopia, and to address the land grabbing and debt-trap diplomacy between Ethiopia and the Asian drivers, which creates challenges across the diverse social, political, economic, and ecological contexts.

Methodology/approach: This study utilises both primary and secondary data. The available literature is also reviewed. The primary data were gathered through semi-structured interviews and discussions from: (i) several authority offices in Ethiopia, sources close to authorities, information-rich informants, employees, and (ii) perspectives, perceptions, and prospects from individual members of society.

Findings: The study unmasks the win-win cooperation strategy from the perspective of the members of society in Ethiopia, evaluates whether China and India have strings attached or land grabbing motives. The study also shows that whether China's and India's move was deliberate, the implications of debt-trap diplomacy and exploitation in Ethiopia are apparent. Additionally, this study investigated several considerable potential threats to Ethiopia that will persist unless significant measures are taken to control the relations with Asian drivers.

Limitations: Some of the limitations of this paper pertain to the primary data collection process from the Ethiopian Investment Commission (EIC) and other authorities, which was very challenging because people can be punished for talking to journalists or researchers. Furthermore, some investors were not willing to participate in discussions because they were engaged in areas that are not related to their licenses. Many interviewees were also not willing to disclose their names, and the data are not exhaustive in the number of investment projects covered.

Originality/value: This study provides new evidence on the influence of Chinese and Indian investment, aid and trade on Ethiopia's social, political, and economic spheres. Additionally, this study contributes to the ongoing debate on land grabbing anddebt-trap diplomacy in Ethiopia.

Keywords: Ethiopia, China, India, Land grabbing, Investment, Debt-trap diplomacy

Introduction

Since the beginning of the 21stcentury, economic development in Africa has drawn worldwide attention, and investments and cooperation by Chinese and Indian private and state-funded enterprises in Africa have been rapidly increasing (Addis and Zuping, 2019). To date, as many journalistic accounts describe, Chinese and Indian enterprises, especially privately owned enterprises, are increasingly pressing to enter Africa, invest and operate in the continent, this issue has produced two schools of thoughts: optimistic and pessimistic(Addis and Zuping, 2019). The optimistic strand of the academic literature describes both China and India as establishing and developing new types of short- and long-term stable and mutually beneficial partnerships and providing various sound mechanisms for trade, aid, and economic cooperation with Africa (McCormick, 2008; Nowak, 2016; Panda, 2016). Whether these partnerships and mechanisms will be sustainable, however, remains to be seen. On the other hand, the pessimistic strand of literature criticizes China and India for exploiting the continent's energy resources and dominant markets with a neo-colonialist approach (Addis and Zuping, 2018; Fung and Garcia-Herrero, 2012; Hules and Singh, 2017; Kolstad and Wiig, 2011; Zhao, 2011). Both strands in the literature are articulated along whether the Asian drivers are aiming to follow a 'new scramble for Africa' (Carmody, 2016), or whether a contemporary proxy for the old colonial system is occurring (Addis and Zuping, 2018).

Additionally, direct investment in and aid to Africa from the Asian drivers have led to intense discussions. Some studies offer important insights into the underlying economic, political, and social dynamics that give rise to these issues (Hugon, 2011; Panda, 2016). Others have shown that the distribution of Indian and Chinese investments in Africa is too concentrated in energy- and resource-rich countries, the total amount of investment is relatively small, and some investment projects do not correspond to Africa's actual development (Paul, 2014; Shinn, 2012; Zhao, 2013). Scholars explicitly observed that

> Although conventional analysis still tends to regard Africa as a monolithic continent, not all African countries are on an equal footing when it comes to reaping the benefits of higher commodity prices spurred by China and India's demand for commodities. Far from being homogeneously rich in natural resources, there are big differences among African trade patterns at the country level (Goldstein *et al*., 2009, 1539).

One challenge to understanding the impact of Chinese and Indian investments in Africa is the lack of a consensus on the appropriate definition of the attendant investments in the literature. Academics, journalists and observers sometimes commingle foreign direct investment (FDI) with the multibillion-dollar loans from emerging Asian powers, particularly from China and India, to African countries. These loans are often used by Chinese and Indian state-owned enterprises (SOEs) and private companies to facilitate the continent's infrastructure (Shinn, 2012). This can be considered as a 'debt-trap' to the host country and the concessional loans often target resource-rich African countries. Thus, it is important to consider FDI and these multibillion-dollar loans separately.

However, it should be noted that these emerging Asian powers do sometimes enter non-resource-rich countries, such as Ethiopia, to make investments or provide aid. The question is do the Asian drivers benefit Ethiopia or is it just a showcase for other African countries because the capital city, Addis Ababa, is the third diplomatic city in the world only after New York and Geneva? [2] Accordingly, the headquarters of many multilateral development institutions are based in the capital of Ethiopia, *inter alia*, the: United Nations Economic Commission for Africa (UNECA) and Pan African Chamber of Commerce and Industries (PACCI) (Wubneh, 2013). Precisely, Addis Ababa, the capital of Ethiopia, is a valuable regional launch pad to Beijing and New Delhi.

With these issues in mind, many studies have criticized China and India as engaging in Africa hastily. These studies take various perspectives, including the land grabbing approach (Abbink, 2011; Hules and Singh, 2017; Schoneveld, 2016), energy and resource seeking perspective (Bräutigam, 2009; HZhao, 2013), the new scramble for Africa (Carmody, 2016; Scholvin, 2016), infrastructure for resource exchange (Alves, 2013; Kolstad and Wiig, 2011; Paul, 2014), infrastructure for diplomatic exchange (Adem, 2012; Cabestan, 2012), attracted by corrupted governments or resource-rich countries (Fung and Garcia-Herrero, 2012), aid donor-recipient relations (McCormick, 2008), ideological relations, neo-colonialism approach (Addis and Zuping, 2018)and 'debt-trap diplomacy' (Parker and Chefitz, 2018).

[2] According to *Yahoo Finance* published article on October 18, 2016 by AbdiLatifDahir, http://finance.yahoo.com/news/one-world-most-important-diplomatic-133810896.html (Accessed July 30, 2018)

Furthermore, China's loans to Africa have provoked criticism. Several African countries are trapped in debt to China and have become significantly vulnerable to debt distress (Bavier, 2019). For instance, between 2000 and 2015, China loaned a whopping US$95.5 billion to the continent (Mead, 2018). According to Vasquez from the top African recipient countries with the largest Chinese debt, Ethiopia is the second next to Angola with a roughly amount of debt of US$13 billion, which is 16% of its total GDP (Vasquez, 2019). Likewise, India is practicing debt-trap diplomacy in Ethiopia’s sugar projects and this paper will discuss it in detail. Borrowing may not bring risks to Ethiopia; the genuine concern is, would the projects generate enough funds to repay the loans or are the projects more seen in terms of diplomatic and political values? Would the profitability of the projects be assessed before the loan agreement: (i) in a way that makes economic and financial sense to the country or (ii) by specific interests surrounding the government officials’ and the donors’ political diplomatic relations?

China and India have recently gained attention in the world economy. The developments that China and India have brought to some African countries have had significant positive impacts(Addis and Zuping, 2019). Nonetheless, their growing presence in Africa and the rise in their demands for energy, raw materials, and food have become global issues. To satisfy these needs, resource-rich African countries and corrupt countries have become major targets and Chinese and Indian migrants flow to these countries in accordance with the countries’ economic opportunity intensities(Goldstein *et al.*, 2006; Kolstad and Wiig, 2011; Fung and Garcia-Herrero, 2012). Moreover, several of the Chinese and Indian enterprises use African countries as learning fields for developing their strategic management experience. As a result, serious questions have been raised about the sustainability of African development and the investment flows from the Asian drivers to Africa.

To help address these questions, this study presents the current approaches of the Asian drivers in Ethiopia as a case study. The purpose of this study is to: (i)provide new evidence on the influence of Chinese and Indian aid, trade, concessional loan, and investment to Ethiopia's social, political, economic, and ecological sphere; (ii)to examine the motive of China’s and India’s engagement in African countries particularly in Ethiopia, which is seen both as an opportunity and a threat; (iii)to unmask the win-win cooperation strategy from the perspective of the members of society in Ethiopia, and (iv) to clarify the implications of debt-trap diplomacy, land grabbing motives and exploitation in Ethiopia. There are very few empirical studies that analyse the opportunities and challenges of China’s and India’s growing role in Ethiopia. This paper therefore contributes to the on-going debate on land grabbing, debt-trap diplomacy and political strings attached issues in Ethiopia. It identifies the investment scenario of Ethiopia in the light of China and India, thereby analysing whether China or India is able to create economically significant or uneconomical investments in Ethiopia. Authors believe that this study makes a significant contribution to the literature because Ethiopia's positive or negative diplomatic, economic, social and ecological changes due to the Asian driver's motivations have implications for other developing African nations.

Methodology, limitations and questions of the study

This study utilises both primary and secondary data. Available literature is also reviewed. The primary data were gathered through interviews and discussions from the Ethiopian Investment Commission (EIC), sources close to authorities in the Ministry of Agriculture (MOA), the Ethiopian Ministry of Finance and Economic Development (MoFED), key informants, employees, and individual members of society who have personal experiences, perceptions, and prospects.. Semi-structured interviews were utilized to delve deeply into sensitive issues, to collect qualitative and open-ended data and to explore participant beliefs, thoughts and feelings about the study. An attempt was made to the purposefully identification and selection of 50 local employees in the Chinese and Indian companies, 20 ordinary societies, 10 information-rich informants, several staffs of the Ethiopian Institute of Agricultural Research (EIAR), local Chinese language translators, businesspersons, investors, and private company managers both for the interview and discussion participants.

There is a scarcity of literature on the land grab, political strings attached and the debt trap diplomacy issue as a case study for Ethiopia. We utilize the mix of methodologies as a strategically-sound approach to investigate and unmask whether the mentioned issues prevail, provide potential problem-solving points and pave the road for future research works. The methodologies additionally assist to ascertain the impacts of the Asian drivers' activities on local development. Our goal is to investigate what is actually happening on the ground. In designing this study our objective was to look beyond the Ethiopian, Chinese and Indian government dramatic allegations, hidden agendas and official proclamations that portray some of the media coverage. An appropriate way to fully understand the concerns is to engage closely with local and foreign discussion participants. Simultaneously, the study bridges the gap between the media and scholarly literature.

Furthermore, this study raises fundamental questions and answered them based on a qualitative methodological approach. Which problems would the Chinese and Indian FDI inflows to Ethiopia address? Are these issues to be addressed related to poverty, technology transfer, employment opportunities, or just related to the generation of foreign capital? Can the government of Ethiopia fill the void by leveraging on FDI-related external flows without an increase in skilled human capital and self-reliance? Can the FDI inflows from Asian drivers to Ethiopia stimulate the country's industrialization? Would leasing large sizes of land to FDI projects transform the Ethiopian economy without an increase in environmental degradation, villagization, and hunger of the society? Who is responsible for Ethiopia's growing debt burden, Chinese, Indian or the government itself? Would Ethiopia's development projects that have been contracted by the Chinese and Indian companies be able to generate enough financial resources with which to repay the loans or they are just a debt-trap? What is the local person's perspective of investment projects from the two Asian countries in comparison with investment projects from some western countries based on skill and technology transfer, human capital development and employees wage? Why human capital investments related to these foreign projects are fewer in the country compared to other investment sectors?

Some of the limitations of this paper are, *inter alia*: (i) the primary data collection from EIC and other authorities is very challenging, and the data covered certain number of investment projects, (ii) some investors are not willing to participate in discussions because they engaged in areas that are not related to their licenses, and (iii) several interviewees were not willing to disclose their names because people can be punished for talking to journalists or researchers. Thus, we found that anonymisation was particularly important because participants shared personal and very sensitive information, not only about themselves, but also about third parties.

Ethiopia's agricultural sector and inward FDI

Agriculture in Ethiopia accounts for more than 80% of total employment,45% of GDP and over 70% of foreign exchange due to exports (Abrar*et al.*, 2004; Baye, 2017;Matouš *et al.*, 2013). Although Ethiopia has rich agricultural resources, however, it unfortunately has low production and resource utilisation. Thus, strengthening agricultural infrastructure, simplifying the bureaucracy around the development of agricultural investments, agro industries and strengthening human capital development are among the major goals for alleviating poverty and creating stable and sustainable growth of Ethiopia's national economy.

Despite these goals, however, most of the region's agricultural productions are still relatively traditional. To improve the traditional mode of agricultural production and advance the level of productivity, agricultural manufacturing and infrastructure need to be improved and special attention has to be paid to attract more FDI.A few studies noted that the Ethiopian government has cooperated with many foreign countries and non-governmental organisations in various ways at different times. For instance, Ethiopia and the Asian drivers have a good foundation for agricultural, scientific, and technological cooperation (Lumumba-Kasongo, 2011). This study, however, focuses on the outcomes that have been achieved in the agricultural sector so far, as evidence of the impact of this agricultural cooperation with the Asian drivers is sparse.

With the rapid growth of Ethiopia's population and the acceleration of the urbanisation process, the country is demanding major FDI inflows in the agricultural sector. Nevertheless, several of the MOA observers in the discussion engaged in Addis Ababa between January 2016 and November 2017 commented that the FDI inflow into this particular sector is not playing a beneficiary role to Ethiopia given that India is suspected of using a land grabbing approach. The land gabbing approach and destitute agricultural infrastructure worsened by lack of potential FDI has challenged Ethiopia's ability to emerge from the poverty cycle.

Furthermore, little has been done to transform Ethiopia's peasant agriculture. This lack of infrastructure restricts the country's development of agricultural specialisation, urbanisation, modernisation, and industrialisation (Bernard*et al.*, 2008). However, with the new millennium goals, several favourable conditions for the development of Ethiopia's agriculture have started to flourish, such as the expansion of telecommunications and the improvement of information hubs, transportation and road improvements, electric power grid interconnections, and a growing demand for domestic and foreign agricultural investment (Dorosh and Rashidi, 2013). The extent to which this infrastructure will become a solution for Ethiopia's increasing population, food demand and alluring FDI remains to be seen.

According to the EIC, roughly 823 investment projects were licensed in the agricultural sector from 1992 to 2016. Of these, only 271 projects become operational (*see Table 1*). During this period, the Chinese and Indian operational agricultural FDI projects are 2 and 37 respectively (*see Table 2*). This clearly shows that the share of the Asian countries in the agriculture sector is below 15%. Given the size of the land and the lease period ranges that Ethiopia provides for agricultural sector investors between 20 and 50 years, (*see Table 3*) the country's economy still primarily depends on agriculture (Abrar *et al*., 2004; Matouš *et al*., 2013). To the worst case, in recent years, the actual implementation rate of FDI projects in the agricultural sector has decreased dramatically, whereas those in the manufacturing and construction sectors have increased to some extent.

Table 1: In here

Owing to the conducive investment environment and generous incentive packages to investors, FDI flows into the country from China and India have been growing. According to the EIC, the number of registered Chinese and Indian investors is increasing dramatically compared with investors from other countries. However, based on a discussion in the capital, Addis Ababa, between January 2016 and November 2017, some informants from the MOA and the EIC witnessed that many of the Chinese and Indian investment projects failed to go to the actual implementation phases of the licenced projects because the attendant investors cancelled their licences after receiving incentive packages. Pre-Implementation investment means that the company has already acquired all the necessary requisites for the project to begin operation but has not started yet. Thus, land grabbing can be assumed as securing of land through long term leasing contracts without starting the actual implementation phase of the corresponding investment.

Table 2: In here

The inflow of investment from Asian drivers to Ethiopia

With the introduction of the market economy, Ethiopia has embarked on a series of reform measures, including foreign trade liberalisation, the privatisation of state-owned enterprises, the devaluation of the exchange rate, and the abolition of domestic price controls (Worku, 2018). As a case study, Chinese and Indian investment impacts in Ethiopia will be discussed in this section.

Chinese investment

Most of the investment capital coming from China to Ethiopia is either wholly or partially state-owned. Strong funding, government support (Fijałkowski, 2011; Geiger and Goh,2012), and the introduction of the 'Go Global' and 'Open Door' policies,[3] have triggered Chinese overseas investment and invigorated the national economy (Drogendijk and Blomkvist, 2013; X. Zhao, 2015). Although there are fewer Chinese state-owned enterprises (SOEs) than private enterprises, the SOEs are large and dominant (Yi-Chong, 2014). These enterprises are acknowledged as fundamental to the Chinese Communist Party and the Chinese government (Chintu and Williamson, 2013). Through either the monopolisation of natural resources or the significant involvement of Chinese development aid packages, SOEs typically win bids for infrastructure construction or other contract projects in African countries (Bartholomew, 2012). Moreover, the SOEs would finance the host country to commence various projects as a tactical move to get involved in the attendant projects. For instance, *'In 2005, the China Development Bank created a $1 billion Africa Trade and Investment Fund, but the trade and investment initiatives funded cannot take place without the significant involvement of Chinese suppliers'*(Bartholomew, 2012). This can be mentioned as debt-trap diplomacy.

China has numerous investment enterprises in sub-Saharan Africa, particularly in Ethiopia (Adem, 2012; Jobson, 2013; Zhang *et al*., 2014). As noted by an *Al Jazeera* article published on October 26, 2015, the figures on Chinese investments in Ethiopia indicate that from 1992-2015, private operational Chinese investments were at least US$773 million and the EIC confirmed that Chinese investment in Ethiopia has been growing since 1998. In 2001, the total value of Chinese investment projects that were in the operational phase and under project implementation was estimated at nearly US$0.5 million (Addis and Zuping, 2019). This value reached US$107 million in 2004, and, in 2007, cumulative investment capital reached US$118 million (Addis and Zuping, 2019).

Many people ask why China is attracted to Ethiopia, a land-locked country with few energy resources. Several studies indicate that having energy resources is not the only reason that makes the host country an investment destination. Some other essential characteristics which Ethiopia has are, *inter alia*: an enormous market demand, a flexible labour market, locational advantage, investment initiatives and conducive policy measures (Cabestan, 2012; Seyoum and Lin, 2015). Specifically, Hess and Aidoo wrote that:

[3] Go Global (走出去 / Zǒuchūqū) is China's current policy to encourage its competitive enterprises to invest abroad and is a proactive part of China's Open Door strategy. Similarly, Open Door policy was adopted by Deng Xiaoping, head of leadership in the late 1970s to open the door to foreign enterprises that wanted to establish in China.

> Unique among China's leading partners in sub-Saharan Africa, Ethiopia has not attracted Chinese investment through much-needed energy resources. Instead, it has emerged as an attractive consumer market for Chinese manufactured goods, a stable environment for Chinese investment and a launching pad for Chinese firms seeking to expand their reach out of China and into foreign markets (Hess and Aidoo, 2015, 79).

Similarly, Adem also claims that '*Ethiopia, for instance, exports neither oil nor other minerals critical for China and is not also a major exporter of timber – another important commodity China imports from Africa*' (Adem, 2010, 337). Nevertheless, China has committed to large-scale infrastructure projects in Ethiopia because political strings are attached (Hess and Aidoo, 2015, 79). Likewise, Ganesan says, '*Many scholars when they discuss the FDI in Africa, they consider the natural resources like mineral and oil resources as the most important attractive feature, but Ethiopia is lacking in this area*' (Ganesan, 2015, 22).

Currently, according to the EIC over 1,000 Chinese investment projects are licensed but only 593 projects are fully operational (Addis and Zuping, 2019). These projects have created more than 52,559 permanent jobs and 52,289 temporary jobs for Ethiopians(Addis and Zuping, 2019). It is relevant to note that, these are projected job opportunities at the time licenses are granted by the Ethiopian government and by extension, do not reflect the actual figures after the actual implementation of the projects because of lack of follow-up and weaknesses in governance (Addis and Zuping, 2019). As generating employment is a benefit from Chinese investment that Ethiopian nations eagerly await, nevertheless, there are concerns in the local society about skill and technology transfer, and the huge amount of Chinese contract labour being employed over the local people. A local Chinese translator named Solomon has articulated his concern in an interview in Addis Ababa on September 13, 2017 that '*There are plenty of Chinese workers in some projects who engaged in a similar work as the local employees.*' Similarly, several participants in the discussion also agreed with Solomon's perception (discussed later).

Presently, China is simultaneously Ethiopia's top import and export partner. Ethiopian exports to China have grown rapidly, and the bilateral trade between the two countries has quickly expanded, but Ethiopia still suffers from a huge and increasing trade deficit(Addis and Zuping, 2019). Similarly, the trade balance continues to be tilted in favour of China (Cabestan, 2012; Hess and Aidoo, 2015). Comparatively, Chinese investment in Ethiopia is increasing significantly and their investment projects in the country focus on the manufacturing, infrastructure, and real estate construction sectors, although the quality of these projects drives citizenry discontent. Chinese individuals also controlled small enterprises in Ethiopia, such as hotels, clinics, barber shops, brickworks, small farms and even retail shops, which could be run by Ethiopians (Addis and Zuping, 2019). Moreover, some local Ethiopian societies have voiced concerns about persistently high levels of Chinese presence in the country.

The Ethiopian government embraces China as a shield from its political and human rights issues and as a back-up to Western and European aid (Hess and Aidoo, 2015, 79). Similarly, China embraces Ethiopia because of its: (i) regional and continental role, (ii) strategically important location,(iii) economically undeveloped nature, (iv) large population which is the second in Africa and (v) lack of domestically manufactured goods (Cabestan, 2012; Hess and Aidoo, 2015). Generally, Ethiopia is found attractive for China's ‘soft power’ as well as its other policies.

Consequently, China's presence in Ethiopia is not only through aid, investment, trade and loans but also via soft power. In fact, the government-funded Confucius Institutes are established in many African countries not only to further spread Chinese language and culture to local African students, but also, it is believed, to reflect China’s soft power and enhance diplomatic ties between China and Africa (Akhtaruzzaman *et al*., 2017; Hartig, 2015). Ethiopia has more than five universities that provide a bachelor’s degree in the Chinese language, including Addis Ababa University, Mekelle University, and Hawassa University among others and the Confucius Institute is controlling the Chinese language department by engaging with these universities (Addis and Zuping, 2019).The fact that the Confucius Institute is permitted to operate within the premises of these top national educational institutions in the country is a surprise to many. It has been argued that the Confucius Institute is successfully serving China’s interests in its foreign collaborations (Hartig, 2015). Moreover, Ethio-China polytechnic college was built by a Chinese government educational aid project in Addis Ababa to facilitate learning the Chinese language, culture, and other related matters (Niu, 2016). In sum, China has funded a number of infrastructure projects in Ethiopia and become a prime investor and major trade partner with Ethiopia. However, China’s current actions raise questions, such as why China is so interested in Ethiopia, for common development or debt-trap diplomacy and whether political strings are attached.

Indian investment

India's first overseas joint venture, the Birla Group, was set up as a textile mill in Ethiopia sanctioned in 1959. At the time, this group was the second largest business conglomerate in India (Gupta, 2016, 110). Little effort has been made to attract investors from India after the Birla Group, but according to the Indian embassy in Ethiopia, from 1992 to 2011, a total of US$4.78 billion licensed Indian investment were apparent across nearly 600 investment projects (Schellhase, 2013). Of this total, less than 27% of investment projects were currently operational, and the amount of operational investment in the pipeline was roughly US$1 billion (Schellhase, 2013).

According to the EIC, by mid-2016, the number of operational Indian investment projects increased to 284 projects across various sectors (Addis and Zuping, 2019). These investment projects created more than 17,954 permanent and 25,283 temporary jobs for Ethiopians (Addis and Zuping, 2019). It is worthwhile to note that these are companies' estimated job creation avenues at the time of licensing and the actual number of jobs created after the licensing is not reported. The Indian investment projects actively participated in large-scale commercial agro-industry and farms, with very large working premises (over 600,000 hectares of land) relative to other foreign investors (Vidal, 2013). These projects have led to the displacement of approximately 8,000 tribal people in the Gambella region only (Reporter, 2013; Chandran and Gardner, 2017; Nalepa *et al*., 2017; Tura, 2018;Wubneh, 2018).Yet, there is no record of outcomes from the projects that could benefit the indigenous people.

Many people ask what drives Indian agricultural firms to Ethiopia, land rush? India is the second most populous country in the world, and its ability to feed its 1.34 billion people is under increasing strain. Clearly, the land rush issue is due to the world food and financial crises in addition to politically and economically driven motives (Weissleder, 2009; Nalepa *et al.,* 2017). India's rapidly growing population, agricultural policy failures, and low agricultural productivity can be also another reason for the land rush to Ethiopia. Other reasons may include rapid urbanisation, reductions in farm sizes, the failure of institutional delivery of credit to farmers, and declining water levels. Similarly, many people ask how Ethiopia benefits from offering large-scale leases of land for a prolonged period of time to Indian investors at almost no cost. Surprisingly, Indian investment companies produce crops, such as flowers, sugar cane, oil seeds, and cotton (*see table 3*), that provide little food value to local inhabitants. Thus, Ethiopia does not receive major benefits to emerge from the poverty cycle. This situation also drove the recent accusations toward vandalism of Indian-owned farms in Ethiopia by local inhabitants (Yibeltal, 2014; Chandran and Gardner, 2017).

Since 1992, Agricultural Development–Led Industrialisation (ADLI)has been a guiding framework for poverty alleviation and national agricultural modernisation and a foundation of the Ethiopian government's economic policy (Zewdie, 2015). The government considers the ADLI strategy as an overarching policy response to Ethiopia's agricultural productivity and food security challenges (Zewdie, 2015). However, serious concerns have been raised regarding a large-scale 'land-grabbing' approach and the potentially devastating social and environmental impacts of commercial agriculture expansion among civil society groups across various academic and scholarly studies in an array of publications (Abbink, 2011; Crewett and Korf, 2008; Moreda, 2015; Wubneh, 2018). In light of these concerns, in a set of interviews between January 2016 and November 2017, several critics and scholars questioned whether industrialisation in Ethiopia was possible through the ADLI.

As Indian investors are accused of repurposing Ethiopia's arable land for the aim of commercial agricultural expansion, this situation challenges the principle of South-South cooperation between Ethiopia and India (Smith, 2014; Vidal, 2013; Chandran and Gardner, 2017; Nalepa *et al*., 2017). Indeed, Indian investment in the agricultural sector is the largest form of FDI in Ethiopia, with over 30% of its total (Anwar, 2015), and even scholars describe the situation as '*The Indian Scramble for Ethiopia*' (Rahmato, 2014, 32). Some of the major Indian investors in agro-industrial projects are listed in *Table 3*, and little evidence indicates that any of these Indian investors who acquired a large land area utilised it for production (Anwar, 2015; Wubneh, 2018). Similarly, research by the US-based Oakland Institute shows that several thousands of indigenous people relocated to neighbouring towns and that some fled to refugee camps in Sudan and Kenya after their fertile land was made available or handed to foreign investors for large commercial agriculture purposes in long-term leases at giveaway prices without their consent (Oakland Institute, 2013b; Rahmato, 2014; Vidal, 2013), an argument that is shared by some scholars (Moreda, 2015; Shete and Rutten, 2015; Smith, 2014; Nalepa *et al*., 2017).

Several studies strongly argue that the actions of the Ethiopian government concerning these long-term land leases or sales and involuntary resettlements of indigenous people are violations of human rights (Epstein, 2013; Shete and Rutten, 2015; Vidal, 2013; Tura, 2018; Wubneh, 2018). Particularly, Smith argues that '*Ethiopia's policy of leasing millions of hectares of land to foreign investors is encouraging human rights violations,* *ruining livelihoods and disturbing a delicate political balance between ethnic groups*' (Smith, 2014). Likewise, during his field work in 2010, Rahmato personally witnessed that '[...] *lands in designated national parks, protected areas, and wildlife habitats have also been given out, posing a serious threat to the country's ecological and biodiversity resources*' (Rahmato, 2014, 31). Therefore, the Ethiopian government and society should think beyond the land grabbing approach because the phenomenon is not limited to land grabbing but also damages inhabitants, forests, rivers, farms, biodiversity resources, and livelihood properties and abuses the dignity of the community (Moreda, 2015; Rahmato, 2014; Shete and Rutten, 2015; Wubneh, 2018). Consequently, Abbink mentions, '*The only remaining role for displaced local farmers is to be wage labourers on the foreign agro-farms, or move away to towns or other areas*' (Abbink, 2011, 523).

Accordingly, the debates and discussions over land-ownership and large-scale land acquisition in Ethiopia have become more and more intense, creating even a typical battle between the elites and peasants. Protests and critical discourse on this topic are discouraged by the authorities. For instance, the then Prime Minister Meles Zenawi publicly declared the land policy to be a 'dead issue' in the country (Crewett and Korf, 2008, 204; Rahmato and Assefa, 2006, 108). Shortly afterward the debate was partly suppressed, and the opposition parties and some of the proponents of privatisation were jailed (Crewett and Korf, 2008, 204; Human Rights Watch, 2012). Since all land is under state ownership, land claims based on spiritual and traditional means are not often acknowledged, landlordism was abolished, and several pre-existing private commercial farms were immediately transformed into state farms (Ghose, 1985; Wubneh, 2018).

A farmer in one of the most fertile regions, Gambella in southern Ethiopia, said in an interview on August 24, 2016, '*Losing the land was losing everything for me and my family, however, if the government forces us to leave our own land, which our ancestors passed to us, what can we do?*' On the other hand, in interviews and discussions in Addis Ababa between January 2016 and November 2017, several local people explained that the government does not discuss the situation with the community before 'villagisation' and gives away their land. Similarly, Obang Metho, the Executive Director of the Grassroots Social Justice Movement with Solidarity Movement for a New Ethiopia argues, '*When the Ethiopian government met with them [the investors], the local people were never consulted and were never compensated. Literally, the decision was made without involving the people*'

(Oakland Institute, 2013a, 7). Other studies also reached a similar conclusion (Abbink, 2011; Moreda, 2015; Rahmato, 2014).

Unquestionably, FDI in the agricultural sector should aim to increase economic power, accomplish Ethiopia's rural poverty alleviation plan, and allow for technology transfers and agricultural growth rather than to acquire a large land area to enjoy Ethiopia's agricultural resources and low wage labour. Nonetheless, in an interview on July 23, 2016, a source close to the MoFED authority said, '*Indian investors are given huge land size with the justification that they are better endowed in technology and capital and are more likely to be successful in their operations, but only less than 40% of the given land currently cultivated*'. Similarly, some staff of the Ethiopian Institute of Agricultural Research (EIAR) in the discussion shares the argument.

Table 3: In here

Furthermore, since 1995, Ethiopia has been divided into ten administrative regions based on ethnic lines. A larger share of India's, China's, Saudi Arabia's, Turkey's, and other countries' agricultural investment projects takes place in five of these administrative regions: Amhara and Afar in the north, Benishangul-Gumuzin the north-western, Oromia in Central Ethiopia, and Gambella and the SNNPR in the south part of Ethiopia (Abbink, 2011, 518; Hules and Singh, 2017, 347; Oakland Institute, 2013b, 2; Tura, 2018; Wubneh, 2018).

The perspective of society towards the Asian drivers approach

Ethiopia relies on imports from abroad, and most high-end consumer goods are imported. Some of these goods have never been produced in Ethiopia, and almost all of them are directly imported from China and India. Simultaneously, these imported substitutes are often overproduced in these Asian drivers and are particularly suitable for their enterprises to shift their production capacity to Africa in general and Ethiopia in particular. According to the Ethiopian Investment Proclamation No. 270/2012, the Ethiopian government allows investors to import their investment project equipment, spare parts, and raw materials with tax-exemption (Addis and Zuping, 2019).

One observer in the capital, Addis Ababa, noted in an interview on November 23, 2017 that China has made substantial investments in all sectors in Ethiopia, including construction (stadiums, hydropower generation projects, ring roads, dams, and real estate), transportation (Addis Ababa light railway and Ethio-Djibouti electric railway), and telecommunication (ZTE, Huawei) projects, among others. The observer continues, explaining that

> Nevertheless, these all projects constructed through the Chinese imported machinery and consumer goods in the name of incentives and duty-free privileges. Besides, they deployed a mix of professional and unprofessional Chinese workers for their projects instead of hiring the locals. The only thing they left behind is used machineries and finished projects, but not the skill and technique.

Conversely, in the interviews and discussions made with several civil servants, local societies, and information-rich informants in Addis Ababa between January 2016 and November 2017, many of them described their wish to have more European and Western countries investment projects in Ethiopia and suggested that the Ethiopian government has to see other opportunities as the country has challenges in poverty alleviation and skilful human capital development. In a phone interview on October19, 2017, Nathnael Tsadik, the founder and managing director of Nathnael Business and Real Estate Properties, commented regarding the local perception of the Chinese investment presence that *'Not only the government of Ethiopia, but also several people values the Chinese investment projects but they offer low wage and skill transfer is very limited.'*

A resident,woman in her late 20s,who wished to be unnamed, is a self-taught Chinese interpreter and a native speaker of Amharic (Ethiopia's national language) and Afaan Oromoo. This person has been working on different Chinese projects for more than six years as a full-time interpreter including, China Railway Group Limited (CREC), which built Addis Ababa light railway; China Communications Construction Company Ltd. (CCCC), which was contracted for Addis Ababa's highways, ring roads, and airport construction projects; China Jiangxi Corporation for International Economic and Technical Corporation, which is currently building an international stadium in Addis Ababa; and some other Chinese SOEs. In an interview on August 21, 2016, this individual said,

> I have witnessed several offensives to moral sensibilities and bad injurious reputation situations, which I do not want to mention but in general mostly Chinese project foreman denied providing the personal protective equipment (PPE) to employees and the employees become injured or worse. Some are fired

> for slight mistakes and Chinese supervisors are fault finders instead of providing a lesson.

Markedly, since Chinese projects are numerous in Ethiopia, the number of employees' death due to lack of PPE is not less. The individual continues,

> On top of that, several local policemen are not willing to cooperate with the local employees who are engaged in the Chinese projects for a low wage; even the responsible government authorities including the Ministry of Labour and Social Affairs are not ready to give a solution for the issues when the local employees sue the Chinese workers.

Similarly, based on interviews conducted between January 2016 and November 2017, several enterprise managers and businesspersons in Addis Ababa and regional cities have Sino-optimistic attitudes and gladly describe their business opportunities with their Chinese shareholders. However, most of them agree that Chinese investors and businesspersons, to some extent, are a threat to the country's foreign currency growth, as several of them use 'WeChat pay' and 'Alipay'[4] and engage in black market money transfers schemes.

Some Chinese private investors were also interviewed, including Li Wang, the owner and director of a private electronics company, located in Mojo in the Oromia region 15 kilometres from Addis Ababa. The company registered its investment at the end of 2015, recently finished building its factory, and is starting manufacturing electronic home appliances and some others. Interviews were conducted during the fieldwork on June 12, 2017, Li observed the current Ethiopian investment situation

> Although the vast domestic market and several investment opportunities with a very attractive incentive provided, there are some obstacles that detain the investment and business activities. For instance, a number of disruptive behaviours often exhibited by the employees and this can produce risks to other individuals, the investment and the enterprise as well.

[4]WeChat is a Chinese multi-purpose texting, calling, social media and mobile payment app that developed by Tencent Ltd. and it is also called China's 'app for everything' (Xu, 2017).Similar to WeChat pay, Alipay is another third-party digital and mobile payment platform founded by the Alibaba Group(Xu, 2017).

In light of this, Li commented in this interview that

> It is recommended to raise wages, transfer a basic knowledge, amend labour laws to make the local employees to take on responsibilities and create some awareness not to leave their jobs for unsatisfied reasons. Otherwise, it will make the workflow difficult, disorganise the management of employees, discourage the technicians and consume time and cost.

Furthermore, several Chinese directors of logistics, construction, and manufacturing companies, including restaurant owners, were interviewed in the Guangdong Hotel around the Addis Ababa Bole international airport area on November 23, 2016 in the evening early before dinner time. Although these directors have various prospects, one commented that *‘Only too few foreign exchange enterprises have been created in the country, this is directly affecting the import of raw materials and supportive inputs of the investment projects, plus the production capacity of the existing enterprises become insufficient.’* This viewpoint also reflects those of other interviewees. Thus, this interviewee argued that, in general, a shortage of foreign exchange and high bureaucracy regarding the import-export process is reflected in the country. Likewise, many interviewees from this discussion agree that *‘obviously, the potential of Ethiopia's market is enormous, but there is corruption among government officials, slowness, and bureaucratic of procedures.’* Finally, this group suggested, *‘the employee skill gap in higher private and government offices results from a lack of training, and, thus, the responsible body must implement a skill competency assessment to minimise the gap.’*

Incidentally, Indian investment in Ethiopia has been criticised as a scramble for Ethiopia’s arable land. Even though the demand for land has been growing since the 1990s, a significant increase in the demand for agricultural land by foreign investors began in 2006 and led to a mad rush in 2008 (Abbink, 2011; Wubneh, 2018). Indian investors began requesting large tracts of land measuring over 50,000 hectares. The MOA data indicates India currently has the largest foreign holdings of land, including 100,000 hectares of land held by Emami Agro-Tech Products Limited Company (*see Table 3*). The 300,000 hectares of land held by Karuturi Global Agro Products Ltd. in the Gambella region was put on hold and much of the land taken back from government, based on non-compliance with the investment plan provided by the company. The large-scale farming programs, which were formulated by the government of Ethiopia directly opposes the objectives of the country’s Growth and

Transformation Plan (GTP), such as building social assets and infrastructure, creating local employment opportunities, enabling technology transfers, and others by maintaining national parks, sanctuaries, and the environment. Heretofore, little evidence indicates that any of the objectives have been achieved, whereas the damage caused by the large-scale land acquisition project continues to increase. The source close to the MoFED authority remarked in the 21 July 2017 interview that

> Surprisingly, a few investors have performed deforestation even burning the areas as well they were promoted to request more farmland than they can actually manage, and have not encountered any interferences from federal or regional authorities that what crops the investors should grow and where they should market their products.

Many of the staff of the Ethiopian Institute of Agricultural Research (EIAR) have also acknowledged these issues and pronounced similar opinions.

With the help of local governments or investment authorities, the claim that Indian agricultural sector investors are helping countries develop in the name of 'land development,' when their real motives are to ensure their own food security and exploit Ethiopian resources. One myth is that the local governments or investment authorities usually mention the land is unused or empty where no inhabitants are living but that simply is not genuine. It is naive for investors to think that they can take away so much land and not face a backlash from indigenous people. Moreover, large-scale land acquisition in Ethiopia is a threat to traditional cultures and values, environmental destructions, and human rights violations. To make matters worse, the land grab phenomenon leads to social unrest, boosts food prices, fosters instability and conflict over scarce resources, population shifts and droughts in the country. Lack of access to food and farmland will likely lead to political instability, social violence and economic backwardness.

Thus, what then do the societies' concerns tell us about the contributions of Chinese and Indian investments in various sectors generally in African countries, particularly in Ethiopia? Which one is accurate, the media or the society? How can we then help separate facts from fiction? The following two sections attempt to provide answers to the underlying questions.

Infrastructure for debt-trap diplomacy: China and India in Ethiopia

Debt Trap Diplomacy was introduced for the first time by an Indian professor named Brahma Chellaney. An apparent on *Project Syndicate's* website on January 23, 2017, it refers to the loans given by China to developing countries. The phenomenon is still recent. But then, another expression 'Debtbook Diplomacy' was introduced by Sam Parker and Gabrielle Chefitz in a book published by the *Belfer Center for Science and International Affairs* at the *Harvard Kennedy School* on May 24, 2018 to call attention to China's Belt and Road Initiative (BRI) as a debt-trap to the countries that often cannot afford to repay them(Parker and Chefitz, 2018). Similarly, as per the guardian's Doherty, the debt-trap diplomacy broadly defined, '*is where a creditor country intentionally lends excessive credit to smaller debt to country, with the intention of extracting economic or political concessions when the smaller country cannot service the loan*' (Doherty, 2019).Scholars argue, uneconomic infrastructure loan programs are aimed to lure economic or political concessions from the developing countries and pressuring the indebted countries to support the debtor interest, just like the Asian countries do to African countries (discussed in the next section) (Garnaut *et al.*, 2018). Besides, this debt-trap diplomacy also make more intense competition among the economic countries and escort global disputes (Garnaut *et al*., 2018). Surprisingly, when infrastructure for debt-trap diplomacy issue becomes viral, mostly China is the only country mentioned by many. However, this study finds out India is also following such kind of diplomacy.

China and to a less extent India, oversells the benefits of infrastructure projects to African countries and offers credit to commence the projects on onerous terms via its own EXIM Bank. The genuine concern about Chinese and Indian loans particularly to Ethiopia is the opaqueness of the loan conditions. The conditions of the loans are often not made public mainly in countries like Ethiopia where the process of the state securing a loan is subject to constitutional oversight. Surprisingly, the loaned money is typically utilized to remunerate the Chinese and Indian SOEs or private enterprises.

According to some observers, compared to organizations, such as the World Bank, IMF, and other private and group creditor nations, loans that come from the largest single creditor nation—China are seen as much easier, cheaper interest rates, quicker, long repayment periods, and with fewer strings attached (BBC News, 2018). The Chinese SOEs and private enterprises are actively scouting infrastructure projects in Ethiopia. Many observers express their fear of Ethiopia's move to debt-trap diplomacy and urge that Ethiopia should learn a lesson from Sri Lanka's Hambantota port. An island country in South Asia, Sri Lanka, once made the initial commitment by accepting the huge Chinese loans, and according to the *Financial Times* post on December 11, 2017 the situation becomes impossible for Sri Lanka's government to repay its huge debts and the port had become a debt trap. Consequently, Arthur L. Herman noted on the *National Review* blog on December 26, 2018 that countries in the continent including Ethiopia '*fell for China's offer of loans to support those infrastructure projects and soon found themselves in debt traps that they couldn't escape — and that China is able to use to wield political influence*.'

Should Ethiopia be wary of Chinese debt? There are concerns about the debt repayment of the inaugurated and on-going projects and clearly Ethiopia is struggling with Chinese growing debt burden. For instance, the Addis Ababa double-track light railway that acquired US$475 million from the EXIM Bank of China (Addis and Zuping, 2019), is barely making profit, let alone the debt repayment, according to *The Diplomat* on its website on February 13, 2018. There have been reports about a consecrated power grid, but it fails to fully operate the system. According to observers, the frequent downturn in electricity has caused a number of passengers in Addis Ababa to complain. Locals actually blame the light railway for making things worse instead of easing traffic. There are 41 China funded light rail train trucks, however, because of various problems including shortage of electric power and spare parts the trains in use are only about half.

Likewise, the Ethio-Djibouti electric standard-gauge international railway, which is 70% of the finance secured from the EXIM Bank of China (Addis and Zuping, 2019)has similar issues. According to *Addis Fortune* mentioned on May 18, 2019 on its website, the Ethio-Djibouti Railway ceased its operation due to its second accident, which is '*Two electric locomotives and three flatbed wagons were destroyed ... The estimated cost of the damage is between 200 million Br and 300 million Br.'* As a result, the Ethio-Djibouti railway currently stopped its operation before beginning the repayment of its loan. The *Embassy of Ethiopia in Brussels* marked on its website on September 10, 2018 that China has pledged to extend the debt repayment period and revise interest rates for a loan it has secured to construct the Ethio-Djibouti Railway. Generally, the country's railway projects have been afflicted by financial and technical challenges and have been an instructive case of both the benefits and trap of Chinese finance.

Furthermore, the Addis Ababa-Adama expressway connects the capital city with the city of Adama, which stretches approximately 80 Kilometers long with a six-lane-two way-road. It is regarded as the first expressway ever in Ethiopia and East Africa, which was inaugurated five years ago. According to *Xinhua News* noted on its website on June 20, 2019 this project is considered as Ethiopia's first accomplishment of its cooperation with China in the implementation of the BRI. This project was co-financed by the EXIM Bank of China and the Ethiopian government. Besides, this project was constructed by a huge SOE - China Communications Construction Company (CCCC) that completed in May 2014.

Subsequently, the Ethiopian Toll Roads Enterprise (ETRE) has started managing the Addis Ababa-Adama expressway payment system, which has been providing payment services for the last five years. During this period, ETRE has collected 965 million ETB in revenue while handling 31 million vehicles. Thus far, the revenue generated is less than 10% of the total project construction expenditure. Failure to collect 1 billion ETB in five years has been a blow to the government. Surprisingly, without the return of the Addis Ababa-Adama expressway loan, the *Xinhua News* noted on its website on June 20, 2019 that the EXIM Bank of China financed 85% of the construction of the inauguration of the second toll road - Dire Dawa-Dewalle expressway. It is not exaggerating to say that the country has begun the downhill path along with its growing debt burden.

On the other hand, in the first edition of the GTP, the Ethiopian Sugar Corporation (ESC) announced that, out of the total 10 sugar factories, seven of them were said to start production at the end of 2015, enabling the country to produce millions of metric tonnes of refined sugar but the corporation failed to complete a single project due to corruption, lack of social impact assessment by the Indian contractors(Kumar, 2016; Sequeira, 2019). As a result, India is practicing debt-trap diplomacy in Ethiopia especially on sugar project contracts and Ethiopia is struggling with Indian growing debt burden. For instance, India has agreed to ‘support’ three different sugar factories in Ethiopia (Kumar, 2016) and as per an *Addis Fortune* article on June 29, 2009,the Ethiopian government signed an Engineering, Procurement and Construction (EPC) contract with two different Indian private limited companies - the Overseas Infrastructure Alliance (OIA) and the Uttam Sucrotech International.

The OIA signed a US$367 million project contract for the set-up and construction of the Tendaho sugar factory in Afar region, north-eastern Ethiopia, that has been made an advance payment of US$16.6 million and a US$132 million contract to commence the expansion project of Fincha sugar factories in eastern Wellega Zone of Oromia region both in 2009 (Kumar, 2016). Similarly, Uttam Sucrotech, was awarded the US$141 million contract in 2010 to commence the Wonji sugar project expansion in east Oromia region(Kumar, 2016). Tendaho sugar factory is the biggest plant in Ethiopia; it represents an ambitious initiative and will take the lion's share of the total amount of sugar produced in the country. The scheduled date of completion of both Tendaho and Fincha sugar factories were in 2011, the ESC stated on its website on January 22, 2019thatTendaho's first phase factory started trail production in October 2014. On the other hand, the scheduled date of completion of Wonji sugar factory, which is the oldest and the pioneer in the history of Ethiopia's sugar industry, was June 2012. As yet, there is no concrete evidence that shows these three factories are fully operational and the country has no record of exporting sugar in a decade.

Furthermore, according to the website post on *Ethiopian Review* on March 28, 2009, for the commencement of the above three sugar project contracts, the EXIM Bank of India provided lines of credit worth US$640 million and according to the agreement signed by the two governments, the fund was made at an interest rate of 1.75%. Moreover, the agreement demands that 85% of the total project works should be handled by Indian firms only. On top of that, the *Thaindian News* mentioned on its website on August 2, 2009 that Uttam Sucrotech and the OIA, which have been selected as the EPC had disputed over the award of the sugar project contracts. Subsequently, the dispute was handled by the Bombay High Court and a few months later the conflict (which stalled the project) was resolved through the intervention of the Indian government.

Overall, the target of the sugar project was to meet growing domestic demand, to boost foreign currency earnings from the export, to create employment opportunities, and to extricate the nation out of poverty. However, demand continues to outstrip local production capacity. Ethiopia is suffering from shortage of sugar and for the past decade, the country's domestic demand has been rising sharply (Kumar, 2016). As yet, both the expansion and the brand new sugar development projects are incomplete and according to the *Capital Ethiopia Newspaper* published on May 30, 2018, due to the gap between the local factory production and the demand of the society, the ESC has been averagely importing about200,000 metric tons of sugar per year. Thus, the slow progress in India's development cooperation projects in Ethiopia's sugar industry as well as internal problems of the country brought social, political and economic challenges. Consequently, this issue raises doubts about the effectiveness and efficiency of India's development cooperation.

China and India in Africa: Some insights

Since the 1990s, the focus of international politics and international relations has been shifting from military and security dominance to political and economic ideological dominance (Bulhan, 2015; Ocheni and Nwankwo, 2012).Several countries regard promoting their own economic development, enhancing their soft power and improving their international image as the main tasks of foreign relations, and precisely Africa is the playground. The developed countries are trying to advance resources and markets in less developed countries. Particularly, economically-developed countries want to expand their spheres of influence on resource and market developments in Africa; this has led to war without gunpowder (Addis and Zuping, 2018).

India and China are both the most important developing countries in the world. Their national conditions are very similar, and they are the fastest-growing emerging economies in the world(Addis and Zuping, 2019). Additionally, China and India have a long-term economic cooperation and relationship with Africa, with a deep historical and practical foundation for economic cooperation, and China's achievements in Africa are temporarily ahead of India's (Akyeampong and Fofack, 2019; Chakrabarti and Ghosh, 2014; Mao and Tang, 2016).In the last few years, China and India have been strengthening their presence and influence in Africa, which is seen both as an opportunity and a threat. Africa is an extremely important part of China’s and India’s current international strategy, which plays an important role in ensuring political and economic security, as well as enhancing international influence (Chakrabarti and Ghosh, 2014; Mao and Tang, 2016). Therefore, the comparative study between China and India on African political, economic and social diplomacy has practical significance. Furthermore, while aid, investment, trade, loans, and other policy frameworks and motivations from China and India towards Africa are documented (Panda, 2016), as yet, little attempt has been made to evaluate the factual impact of their economic activities on the development of the continent.

Three strands of school of thoughts dominate the historical and contemporary discourse about the presence of Asian drivers in Africa, such as optimistic, sceptic and pessimistic school of thoughts. This study assesses optimistic and pessimistic schools of thoughts that dominate the contemporary discourse based on debt-trap diplomacy and land grabbing approach.

From the optimistic perspective, China and India have been increasing their footprints in Africa since 1990s through various frameworks including the near future policy, Beijing's BRI, the Forum on China-Africa Cooperation (FOCAC), New Delhi's Focus Africa and Techno-Economic Approach for Africa-India Movement (TEAM-9), Pan African e-Network Project (PAENP), and India–Africa Forum Summit (IAFS)(Khan and Arora, 2017; Krishna, 2010; McCormick, 2008). Their contribution to the continent was widely regarded as positive (Addis and Zuping, 2019). China has made outstanding achievements in Africa's infrastructure, manufacturing capacity and energy development, while India is slightly better at IT, medicine and human resources training in Africa (Addis and Zuping, 2019). Moreover, China and India provide independent development capabilities and employment opportunities to several of African countries (Akyeampong and Fofack, 2019; Addis and Zuping, 2019). The amount of Chinese and Indian development assistance going to Africa has been escalating exponentially. Although it is believed that there are political strings attached to loans and aid from China and India these external flows are often considered more efficient and attractive by African countries than those from traditional donors (Li, 2017; McCormick, 2008).

Pessimistically, China and India have been viewed as the emerging colonial powers in Africa seeking energy resources (Addis and Zuping, 2019). Over the past decades, China's overseas lending to developing countries has surged, causing debt levels to jump dramatically, increasing vulnerabilities of debt and reasons for debt anxieties(Horn *et al*., 2019). According to the *Kiel Institute for the World Economy*, a think-tank based in Germany, almost half of China's debt to developing countries are opaque, in their word 'hidden debts' (Horn *et al*., 2019). Most developing countries are these days confronted with debt issues. Since the year 2012, average public debt in sub-Saharan Africa (SSA) has substantially increased and China is in the driver's seat when it comes funnelling funds into the region by means of debt (Battaile *et al*., 2015; Horn *et al*., 2019).

Due to the low levels of savings and low productivity, there are apparent financial gaps issues in SSA countries (Shawa, 2016), particularly in Ethiopia (Baye, 2017; Shimelis, 2014). Low levels of savings would cause high debt, increasing vulnerabilities and debt stress. To compensate for the lack of foreign capital and to boost the economic growth, Ethiopia receives loans from international organization as well as various countries including China. Ethiopia is the second largest recipient of loans from China in SSA, next to Angola (Vasquez, 2019). Such far-reaching default could produce opportunities for lender to crave the region's natural resources. For instance, in order for Angola to repay China's debt, the government ships specific quantities of its oil to China (Corkin, 2011; George, 2016).

Furthermore, Ronak Gopaldas, Institute for Security Studies Consultant and Director at Signal Risk (South Africa), on February 21st, 2018, after eliciting China as a source of funding to Africa said, '*there is concern that African states will suffer a similar fate to Sri Lanka – and unwittingly become pawns in China's global strategic agenda*'(Gopaldas, 2018). Scholars have been speculating that Kenya would sink into China's debt trap because of the less operating costs of the Mombasa-Nairobi Standard Gauge Railway project for which, the loan was provided by China's EXIM Bank(Parker and Chefitz, 2018). China is nota member of the Paris Club, a group of official sovereign creditor nations, which is another compounding issue. Concluding that for vulnerable African countries, reliance on China's funding could convey a threat to sovereignty.

China and India are handing out loans to Ethiopia and some other African countries that are ignored by the West to build stadiums, railroads, expressways, hydropower dams, real-estates, airports, *inter alia*(Addis and Zuping, 2019). In fact, many of these loans are not expected to be profitable for these Asian countries. Nevertheless, when these projects fail to meet the terms of loans, these Asian countries will control these projects to utilize them for their own interests. Typically, the loaned money is used to pay the project contractors of the debtor country with some political concessions. For instance, China lends more money to Djibouti than it can pay back and now China built a large Chinese military base in Djibouti (Gopaldas, 2018). Moreover, according to scholars report '*Forty present of countries in the region are close to falling into debt crisis*' (Searcey and Barry, 2018)including Angola, Djibouti, Ethiopia, Ghana, the Republic of Congo, Sierra Leone, Zambia, and many of them are the most indebted to Chinese creditors (Scholvin, 2016;Vasquez, 2019). Understandably, Angola is the second largest producer of oil in SSA, Sierra Leone has the largest iron ore deposits in the world, the Republic of Congo is the largest producer of Coltan (used in cell phones and computer chips) in the world, and Zambia is Africa's second-largest producer of copper and coal.

Incidentally, beyond the two schools of thought the study found some scholars defending China's debt-trap diplomacy to Africa, claiming that the debt-trap diplomacy is not real but just 'a rise of meme' and arguing their point by demonstrating the untruthfulness and biased media stories (Brautigam, 2020; Carmody, 2020). Genuinely, the hegemonic knowledge and the existence of monstrous falsification by the modern historians is tremendous but listening to the heartbeat of the society in the continent by means of survey, an investigation would help to assess what is really happening on the ground. Brautigam and

Carmody are of the stance that China is not deliberately and intentionally trap any country in the web of debt to secure its strategic advantage. The question is: What does it matter whether the debt-trap is deliberate if the country has no ability to pay back under the scheduled period and the project is overtaken by one of China's SOEs? How come creditors lend cash without project feasibility study? What does the evidence show us as regards how China changed the debt strategically into securing oil in Angola(George, 2016), port in Sri Lanka(Davidson, 2018)?

As a point of reminder, Brautigam argued in her book, *The Dragon's Gift: The Real Story of China in Africa*, that China's *'embrace of the continent [Africa] is strategic, planned, long-term, and still unfolding*' (Bräutigam, 2009, 311).Similarly, Carmody argues in his book, *The New Scramble for Africa*, that the new powers (China and India) are scrambling for African resources and enjoying the existence of abundant low-cost labour in the continent. Accordingly, he warns against the gloomy exploitative strategies of the old as well as the new powers and he marked that the biggest companies of the new powers are exploiting the continents resources restlessly, thus, profits mainly flow to these exploiter countries (Carmody, 2016). Clearly, higher debt loads may induce stress and the existing debt burden may hinder the borrower from losing sovereign power. In fact, excessive debt impairs the government’s ability to deliver fundamental services to its citizens. Moreover, whether the debt-trap diplomacy is deliberate, the debt stress associated with intense poverty in the continent is escalating as the corresponding debts and becoming hard to repay. Thus, African countries should refuse some of the projects that are very likely to heavily in debt the continent without corresponding favourable economic externalities.

On the other hand, India's investment in various regions of Africa has different priorities. Among them, Eastern Africa has become an important area for Indian enterprises to invest and trade in Africa because of its geographical proximity and historical ties (Chakrabarty, 2018; Narlikar, 2010; Nzomo, 2014). In Ethiopia, located in Northeast Africa, India mainly invests in the agricultural industry, whereas in Kenya, Mauritius, Mozambique, Tanzania, and Uganda of East Africa, India's investment is substantial and more diversified (Chakrabarty, 2018; Nzomo, 2014).

Agriculture plays an important role in African countries, and lack of agricultural development and food security are long-standing problems. Under the impact of the global food crisis, many constraints in African agriculture are becoming more obvious and have led to increased activities toward leasing or buying land in Africa for the most part (Hules and

Singh, 2017; Michael and Baumann, 2016).Concomitantly, developed and developing countries including India and to some extent China, have participated in the agricultural investment activities, which have been described as 'land investment' or 'land grabbing' (Hall *et al*., 2015; Hules and Singh, 2017; Michael and Baumann, 2016).With a peak of investment activity in the year 2007, several hectares of land have been leased and sold in Ethiopia to various foreign agricultural investors including Indian firms (Cheru, 2016; Hall *et al*., 2015; Hules and Singh, 2017). Other than agricultural land acquisition, Indian firms have also participated in different transportation and sugar industry projects in Ethiopia (Addis and Zuping, 2019).

To curb and tackle debt vulnerabilities and land-grabbing in Africa countries, policymakers, international institutions, lenders and borrower countries should work together. Similarly, on taking up new debts, low-income countries need to precede prudently, boost tax revenues and attract more FDI. Generally, the analysis shows that due to the multifaceted nature of the causes of the debt crisis and land-grabbing, creditors and debtors as well as investors and host countries should agree on the options for dealing with the outcomes. Additionally, the immediate decision that has to be taken on board is that African countries with high debt must act decisively and promptly to address their fiscal problems.

Moreover, for Africa to significantly benefit in terms of FDI from China and India, African governments must prioritize and where necessary, modify future agreements to promote the investment inflows in sectors with positive linkages with the manufacturing and industrial activities, local outsourcing of inputs and intermediate production activities. In the long run, despite competing in Africa, China and India should combine their emerging power and establish a trilateral partnership to generate stable economic progress and lasting industrialization in Africa while enjoying abundant energy resources, cheap manpower, and arable land in the continent.

Results and discussion

This study survey report underscores that roughly 80% of the employees answered, although the wage is below their living standard, they are satisfied with the work opportunity. However, they are still expecting some support from the Ethiopian government concerning the amount of the wage. Clearly, the unemployment rate in Ethiopia is escalating and regardless of corresponding low wages, these Asian drivers are reducing the unemployment rate in the country (Addis and Zuping, 2019). Additionally, employees criticized the company's sick day policy and employees' safety provision. They explained that it is highly unlikely to get a sick permission and if an employee continues requesting permissions, getting back to duty will not be easy. According to our investigation results indicate that local employees' annual leave is unthinkable in either Chinese or Indian companies. Roughly,65% of the employees complain about the less encouragement from the company's supervisor/ manager and described it is uncommon to obtain. Thus, what are the benefits of Chinese and Indian projects to the indigenous people? Our study result indicates that Chinese and Indian investment firms generated job opportunities for the indigenous people but have limited to skill improvement and low wage. Due to poor implementation and regulations regarding the diffusion and transfer of knowledge, the skills and technologies transferred from Chinese and Indian workers to the local economy have been very weak. Sadly, technology transfer and capacity building to the local societies on several project agreements that Ethiopia made with the Asian drivers mostly are not implemented but just media value and lip service.

Incidentally, the Ethiopian government's unclear negotiation and the two Asian countries providing large amount of credits, particularly on the agricultural and infrastructure facilities puts most of the society in the position of dilemma. Roughly, 70% of the interview and discussion participants believe that there is economic support in exchange for political diplomacy. As per several of our informants, so far many infrastructure projects that are funded by Asian drivers could not create economic development loan programs that can repay rather a means of debt burden to the country and embezzlement to some authorities. Additionally, rights groups have contemplated the fact that few Ethiopian elites are known for their naked opportunism rather than their leadership qualities and political acumen. These elites gushingly utilise Ethiopia's diplomatic support for infrastructure facility relations or infrastructure for debt-trap diplomacy with both Asian drivers.

On the perspective of the land grabbing, the negative effect still persists especially in the lowland Ethiopian regions of Benishangul-Gumuz and Gambella. Surprisingly, during this deadly cycle of drought and famine, the government development plan has been offering large-scale plots of land at giveaway prices. Local inhabitants do not understand why Ethiopia, which depends on food aid, is selling arable land to developers to grow biofuel crops. This large-scale farming land programs completely contradict the government's development plan, as per the Investment Proclamation outlines under the Investment Incentives Regulation No. 270/2012, investors that export above 50% of their output are guaranteed to obtain over five years of income tax exemption with free custom duty imports of capital goods, spare parts, and limited raw materials. On the contrary, those investors that export less are entitled to only a two-year tax exemption. Thus, this policy explicitly indicates that the major purpose of the shift to large-scale agriculture has less to do with domestic food security, poverty alleviation, ecological and biodiversity resources, but more to do with foreign exchange earnings.

Moreover, human capital investments are fewer in Ethiopia than other investment sectors. According to the data from EIC, educational investments from the Asian drivers were 8 projects in total from 1993 to 2016 (see *Table 2*). Without knowledge and skill embodied in the local societies, there can be no technological change.

Generally, the major weaknesses of many African governments are project negotiation and decision-making. This is because grand project deals are mostly going through high-level government officials. Apparently, there can be a gap between government official's political decision and how the deal can be structured in a way that makes economic, legal and financial sense. No matter what country they are dealing with, it is critical that African high-level government officials seek out appropriate economic, legal and financial advisors. During the past two decades, while many countries in the West have largely ignored the continent, China and India have made it a diplomatic, economic, political and strategic priority. Beijing and New Delhi see Africa as the perfect hunting ground for overseas business investment, for securing energy and raw materials, and above all, for expanding their geopolitical influence.

Conclusion

The escalation of China-African and Indo-African trade and economic relations has opened the door for Chinese and Indian private and state-owned enterprises to enter Africa, and they currently operate along the spectrum from large scale investment to retail enterprising. China emerged as a major trading partner in Africa and is likely to continue to rise, and India has experienced particularly an impressive growth in its trade relations with Africa. The vast majority of exports from Africa to both countries are raw materials, such as energy resources, gold, raw cotton, precious stones, tropical woods, and others. Nevertheless, Africa has a substantial imbalance in its export-import relationship with both countries (McCormick, 2008; Nowak, 2016; Panda, 2016).

Particularly, although Ethiopia has a strategic partnerships with China and India, it chronically runs a negative trade balance with both of them and primarily exports agricultural productivity (Cabestan, 2012; Hess and Aidoo, 2015; Jalata, 2014; Leta and Girma, 2017). In response to this trade imbalance, Ethiopia needs to focus on building strong institutions, advancing the business climate through infrastructure development, eliminating bureaucratic problems, and absolute follow-ups of FDI projects flowing from China and India, besides, significant measures have to be taken to control the relations between them.

Deficiency of long-term foreign exchange and being a landlocked country, worsened by meagre export trade performance, has challenged Ethiopia's ability to repay a bulk of its national and international loans that financed various projects. Furthermore, financial and foreign currency challenges along with the country's growing debt represent challenges to the development projects. For instance, the due date of loan repayments for the Chinese railway, express roads, stadiums and light train projects began before the projects were operational. Similarly, for the loan that has been provided by the Indian government to commence sugar projects in Ethiopia, its repayment due date began before all the corresponding Indian-related projects were operational.

Furthermore, China mostly won dozens of contracts and mega projects in Ethiopia with or without competition. This can be mentioned as an externality of the debt-trap diplomacy. It can be seen in projects like the Grand Renaissance Dam, wind power initiative,the Bole International Airport expansions, Addis Ababa ring road, Addis Ababa light railway initiative, which are among the first in Africa, *inter alia*(Addis and Zuping, 2019). Similarly, several scholars also mentioned that China's quest is to gain diplomatic support and showcase Addis Ababa to other countries in the continent in exchange for infrastructure and political shield to Ethiopia (Adem, 2012; Cabestan, 2012; Hess and Aidoo, 2015). Particularly, Adem marked that '*China seeks to gain a diplomatic foothold in Ethiopia*' (Adem, 2012, 147). Apparently, Ethiopia made many political gestures to China, for instance, '*In 2006, the Ethiopian parliament lent its support to China's anti-secession law (regarding Taiwan), and as a member of the UN Human Rights Council until 2007, Ethiopia (along with other African countries) helped defeat all motions criticising the Chinese regime*' (Cabestan, 2012, 54).

Incidentally, over a decade has passed since land grabbing began. Thus far, little evidence indicates that any of the large plots of land acquired by Indian investors have produced food value or related products for Ethiopia's indigenous people. Thus, facilitating hundreds of thousands of hectares of farm land acquisition is not a solution for Ethiopia's food security, employment opportunities, or foreign exchange economy unless the government addresses these issues with no delay. Furthermore, as per the publication of William Davison on the *Ethiopian News* website on November 26, 2013, the former Prime Minister Hailemariam Desalegn himself conformed that '*We've given more than 400,000 hectares of land to the private sector to engage in this agricultural production, but up to now the progress is very slow*'. This statement indicates that putting land in the hands of investors provides no guarantee of attaining the expected results. Furthermore, grievances over land have been central to the recent protests in Ethiopia that led Prime Minister Desalegn to resign.

Presently, several international players are rushing to finance various kinds of projects in African countries. China and India will be at a disadvantage if they do not proactively engage in strengthening and deepening development partnerships with the continent. As an emerging power, these two Asian countries have to persuade its partners about the advantages of their development assistance that adheres to the principles of equality, mutual benefit and horizontal cooperation.

Conflicts of Interest

The authors declare no conflict of interest.

Author Contributions

Amsalu K.: conceptualization, conduct the survey, data gathering and analysis, revisions, development, and proofreading of the article. Simplice A. and Zuping Z.: data analysis, supervise, revisions, development, and proofreading of the article. Hailu Kendie A. and Eshetu S.: revisions, development, and proofreading of the article.

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