

**Internationalisation of Chinese capital and  
the transformation of state-society relations  
in Ethiopia**

**Edson Ziso**

**Department of Politics & International Studies**

**School of Social Sciences**

**University of Adelaide**

## TABLE OF CONTENTS

<b>SUBJECT</b>	<b>PAGE</b>
<b>ABSTRACT</b>	<b>i</b>
Thesis Declaration	ii
Preface and Acknowledgements	iii
Abbreviations and Acronyms	iv
<b>Chapter 1: INTRODUCTION</b>	<b>1</b>
1.1 Introduction	1
1.2 China in Ethiopia	6
1.3 Perspectives and Approaches to China in Africa: Identifying the gaps	11
1.4 China-Ethiopia relations: An ‘inside out’ perspective	20
1.5 Justification of Ethiopia as a case study: China’s special relationship with Ethiopia	23
1.6 Methodology and Constraints	28
1.7 Conclusion and Thesis Outline	30
<b>Chapter 2: Ethiopia-China Relations: An ‘Inside-Out’ Perspective</b>	<b>33</b>
2.1 Introduction	33
2.2 Problematizing the ‘state and society’: State-Society Relations and Globalisation	34
2.3 The ‘state in society’ framework: Bringing social forces into the analysis	36
2.4 The relational understanding of state power	41

2.5	Gourevitch's 'second image reversed': Theorising external agency	43
2.6	The African State: Trends in party-state systems and institutionalism	44
2.7	The 'party-state' system in Africa	51
2.8	Institutions	54
2.9	Informal institutions in Africa	57
2.9.1	Conclusion	63

**Chapter 3: Crisis and contradiction in Ethiopia since 1974: Setting the Stage for Chinese investment** **65**

3.1	Introduction	65
3.2	Background to the Ethiopian state	66
3.3	The enduring legacy of ethnicity in Ethiopia	70
3.4	The socialist Dergue regime (1974-1991): Nationalisation, the rural economy and Land reform	74
3.5	Crisis and contradiction of the socialist model and the demise of the Dergue	79
3.6	Conclusion	83

**Chapter 4: From Dergue Socialism to an 'Ethiopian neoliberalism': Transition and reform under the EPRDF since 1991** **85**

4.1	Introduction	85
4.2	The EPRDF regime and liberal reform: Towards a new state project	87
	a) The EPRDF and the politics of Ethnic democracy: The state and ethnic engineering	93
	b) The reform era and economic liberalisation: the dominant role of the state	99
	c) Liberalisation and capitalist land reform: The changing role of the state	105

4.3 Liberalisation, the emergence of new social forces and the entry of Chinese capital	109
4.4 Conclusion	114

## **Chapter 5: The drivers of Chinese investment in Ethiopia since 1995:**

<b>Institution, economics and politics</b>	<b>116</b>
5.1 Introduction	116
5.2. Evolving China-Africa relations: From Ideological solidarity to pragmatic engagement	119
5.3 The distinctive nature of Chinese capitalism	126
5.4 Chinese capital in Ethiopia: Key drivers and their mode of engagement	132
5.5 Conclusion	152

## **Chapter 6: Chinese investment and new modalities of state intervention in Ethiopia**

<b>in Ethiopia</b>	<b>153</b>
6.1 Introduction	153
6.2 State enterprises, regime interests and Chinese investment	155
6.3 Internationalisation of Chinese capital and Ethiopian state – Some case Studies	170
6.4 Models of public administration and the Ethiopian state: Ideological affinities with Chinese neoliberalism	185
6.5 Conclusion	188

## **Chapter 7: The impact of Chinese investment in Ethiopia: Party capitalism and the informalisation of institutions**

<b>and the informalisation of institutions</b>	<b>190</b>
7.1 Introduction	190
7.2 Chinese capital and the reinforcement and entrenchment of Party-oriented capitalism in Ethiopia	191

7.3 Chinese capital in Ethiopia: creation and reinforcement of informal institutions in Ethiopia	206
7.4 Conclusion	218

<b>Chapter 8: CONCLUSIONS: Summary of Main Findings, Limitations of Study and some Suggestions for future Research</b>	<b>220</b>
--	------------

<b>BIBLIOGRAPHY</b>	<b>239</b>
---------------------	------------

<b>LIST OF INTERVIEWEES</b>	<b>272</b>
-----------------------------	------------

## ABSTRACT

This study contributes to the growing literature on China's growing economic relationship with Africa. Employing Ethiopia as a case study, the internationalisation of Chinese capital is interrogated with a view to determining how it is interacting with and reshaping the state and social forces within the Ethiopian state. This is achieved by using a theoretical framework that understands the state as a complex social relation. The social forces making up the Ethiopian state, especially those affected by and affecting Chinese capital, are examined through a comprehensive discussion of Ethiopia's political and economic organisation and enduring state-society relations. Through carefully selected case studies in the Ethiopian economy such as Special Economic Zones (SEZs), leather, agricultural and infrastructural development sectors, the thesis argues that the internationalisation of Chinese capital is having two major effects on Ethiopian state-society relations, namely, the intensification of party-oriented capitalism and the informalisation of politics. Scholarship on China-Africa relations had until now analysed this relationship through mainly state-state lenses. A key contribution of this thesis is that it offers a new way of understanding the relationship between China and Ethiopia through an 'inside out' perspective that explores the changing nature of internal politics as a result of Chinese investment and commercial links. In particular the thesis seeks to disaggregate the Ethiopian state and the defining roles being played by its constituent social forces. We argue that a combination of internal and external forces involved such as the Ethiopian People's Revolutionary Democratic Front (EPRDF) ruling party and Chinese State Owned Enterprises (SOEs), respectively, gives a basis for a better understanding of the direction, form and nature of state transformation in Ethiopia.

## **THESIS DECLARATION**

I certify that this work contains no material which has been accepted for the award of any other degree or diploma in my name, in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text. In addition, I certify that no part of this work will, in the future, be used in a submission in my name, for any other degree or diploma in any university or other tertiary institution without the prior approval of the University of Adelaide and where applicable, any partner institution responsible for the joint-award of this degree.

I give consent to this copy of my thesis, when deposited in the University Library, being made available for loan and photocopying, subject to the provisions of the Copyright Act 1968.

I also give permission for the digital version of my thesis to be made available on the web, via the University's digital research repository, the Library Search and also through web search engines, unless permission has been granted by the University to restrict access for a period of time.

## ACKNOWLEDGEMENTS

Several people have been very instrumental in the production of this thesis. My very special thanks go to my two supervisors, Priya Chacko and Kanishka Jayasuriya. Their patience, understanding and expert guidance throughout the journey of this thesis has been absolutely special. Only for their expertise and readiness to shepherd me on this challenging but interesting road to academic merit, I really wish I could do this thesis even forever.

I also thank my family, especially my wife Gemmah, who have have had to make do without me for virtually all of the past 3 years. To my wonderful colleagues, especially officemates Yvonne, Nicholas, Phillip, Kieran, Robert and Mel, thanks for all the support.

I am also grateful to Sarah for the copy editing, the recommendations of which sparked major surgery to some of the technical issues in the document. To my wonderful friend Florence, special thanks are in order especially in compiling all the references.

I am also indebted to the School of Politics and indeed the University of Adelaide for the opportunity to do studies at this level on such a generous scholarship. God Bless you all.

However, despite all the special assistance and support from all mentioned here and some not, any limitations associated with the document remain mine.



## ACRONYMS AND ABBREVIATIONS

ADLI	Agricultural Development Led Industrialisation
AU	African Union
BC	Beijing Consensus
BPR	Business-Process-Reengineering
CADFund	China Africa Development Fund
CBE	Commercial Bank of Ethiopia
CDB	China Development Bank
CETU	Confederation of Ethiopian Trade Unions Companies
CPC	Communist Party OF China
CPOEs	Chinese Privately Owned Enterprises
CPP	Convention People's Party
CRBC	China Road and Bridge Corporation
CSCEC	China State Construction Engineering Corporation
CSOEs	Chinese State Owned Enterprises
DRC	Democratic Republic of Congo
ECA	Economic Commission for Africa
EFFORT	Endowment Fund for the Rehabilitation of Tigray
EIA	Ethiopian Investment Agency
EIC	Ethiopian Investment Commission
EIZ	Eastern Industrial Zone
EJA	Ethiopian Journalists Association
EPDM	Ethiopian People's Democratic Movement
EPRDF	Ethiopian People's Revolutionary Democratic Front
ESAT	Ethiopian Satellite Television Service
ETA	Ethiopian Teachers Association
EXIM BANK	Chinese Export-Import (EXIM) Bank
FAO	Food and Agriculture Organisation
FDI	Foreign Direct Investment

FDRE	Federal Democratic Republic of Ethiopia
FOCAC	Forum for China-Africa Cooperation Forum
GTP	Growth and Transformation Plan
IMF	International Monetary Fund
IR	International Relations
JECC	Joint Ethiopia China Commission
KANU	Kenya African National Union
MIDROC	Mohammed International Development Research and Organisation
UNITA	National Union for the Total Independence of Angola
MoFED	Ministry of Finance and Economic Development
FNLA	National Front for the Liberation of Angola
NGOs	Non Governmental Organisations
NPC	Standing Committee of China's National People's Congress
OPDO	Oromo People's Democratic Organization
PMAC	Provisional Military Administrative Council
PPESA	Privatization and Public Enterprises Supervising Agency
PRC	People's Republic of China (PRC)
RBC	Road and Bridge Construction Company
SDPRC	Sustainable Development and Poverty Reduction Program
SEPDF	Southern Ethiopian People's Democratic Front
SEZs	Special Economic Zones
SNNPR	Southern Nations Nationalities and People's Region
SOEs	State Owned Enterprises
TNS	Trans-National State
TPLF	Tigrayan People's Liberation Front
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
UNITA	National Union for the Total Independence of Angola
US	United States
WB	World Bank

WC	Western Consensus
ZANLA	Zimbabwe African National Liberation Army
ZANU	Zimbabwe African National Union
ZTE	Zhong Xing Telecommunications Equipment Company Limited