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The 4th Annual Conference of the International Place Branding Association

Department of Planning & Regional Development
University of Thessaly
November 27-29th, Volos (Greece)

IPBA 2019

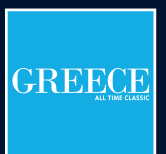


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THE 4TH ANNUAL CONFERENCE OF THE INTERNATIONAL
PLACE BRANDING ASSOCIATION

Editors:

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Department of Planning and Regional Development, University of Thessaly,
Volos, Greece, 2019

ISBN: 978-618-84403-2-6

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<http://www.prd.uth.gr/>

CHINA'S BELT AND ROAD INITIATIVE IN ETHIOPIA: DEVELOPMENT OR FALLACY?

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Abstract

Africa's economic development is attributed greatly to China's investments with the latter's global branding strategy drawing the attention of global affairs and geopolitics. China's Belt and Road Initiative (BRI) as part of the China-Africa public diplomacy intensifies the South-South axis versus the North-South. Moreover, China's business-as-usual approach offers favorable terms than Europe and the US. Ethiopia is China's geostrategic ally in the BRI and one of the world's fastest growing economies - its GDP reaches since the new millennium a steady average of 8% due to mega infrastructure and construction projects financed by the Chinese government. Moreover, its agriculture-based economy transforms into a manufacturing hub financed by Chinese foreign direct investments. Contrariwise, like many African economies, Ethiopia's growth brand is accompanied by severe poverty, ethnic conflicts, violence and displacements. Remarkably, Ethiopia's Prime Minister, Abiy Ahmed won the Nobel Peace Prize fairly by negotiating peace in the Horn of Africa setting a brand example for the whole African continent. However, federalism and domestic conflicts remain still a challenge for the country's competitive identity. The diverse ethnic groups demand more access to power and growth. Given China's view on equal China-Africa relations, how does Ethiopia benefit from the BRI and which are its brand implications? How is Ethiopia's community included in its growth brand identity? This article attempts to shed light on the China-Africa partnership by examining Ethiopia's challenges through its development brand strategy as a transition economy. The article conceptualizes win-win branding approaches and contributes thus to the interdisciplinary discussion on China-Ethiopia public diplomacy.

Keywords: growth, trade, investments, displacement, ethnic conflicts

Acknowledgements

The author would like to express his gratitude to his wife Georgia as well as to his PhD supervisor, Professor Asteris Huliaras, University of the Peloponnese, Dept. of Political Science and International Relations for their valuable support during this study. A special thanks for their comments to Katerina Paisiou, Bank of Greece advisor, Ms. Terina

Kalogeropoulos-Armenakis, Honorary Consul of Ethiopia in Greece, Mr. Paul Papassinos, President of the Ethio-Hellenic Chamber of Commerce, Fotios Pallis, freelance photographer in Ethiopia, Sini Boura and George Filis, teachers at the Greek Community School in Addis Ababa, Mr. Sandy Wade, EU Delegation to Ethiopia, Head of Political, Press and Information, Fitsum Z. Mulugeta, World Bank Group advisor, Adriana Harvey, USAID representative in Addis Ababa, Thomas Kroll, Deutsche Gesellschaft für Internationale Zusammenarbeit in Ethiopia, Mr. Gerald Heusing, DAAD Director in Addis Ababa, Helthungerhilfe Ethiopia Director, the representatives of the French, Italian and Austrian Development Agencies as well as the Greek community, the Greek Embassy in Addis Ababa and the local Ethiopian business community. Last but not least, the author expresses his appreciation to his parents for their ethical guidance and financial support.

Aim of study and methodology

This study aims to investigate the China-Africa partnership by examining China's Belt and Road Initiative (BRI) brand implications in Ethiopia. Specifically, the study seeks to i) define the China-Africa and China-Ethiopia cooperation between 2001-19, ii) examine the impact of rapid growth on the Ethiopian community, iii) conceptualize Ethiopia's brand identity and China-Ethiopia win-win brand strategy.

The study is part of the author's PhD thesis on the sustainable transition of African emerging economies at the University of the Peloponnese in Greece, Dept. of Political Science and International Relations. Field research was conducted in Ethiopia and Greece through structured and unstructured interviews between 2017-19 with representatives of international, local organizations and associations as well as asylum seekers. The framework analysis of this qualitative and quantitative research is based on international literature review as well as systematic observation of China-Africa news and publications.

China's rising influence in Africa

China's 'going global' brand strategy has changed the world economic order with China emerging as a major player in the global system among the new economic powerhouses of Brazil and India. With an alternative model to the public diplomacy of the North-South relations, China's growth strengthened the South-South cooperation (Cheru 2015 , Beeson and Zeng 2017 , Gray and Gills 2015 , Nayyar 2016 , Gelb 2005) in global political and economic forums such as the G20, BRICS and the World

Trade Organization (WTO) representing the rise of the emerging markets (Sheikh, Hathaway 2017) over the global North. Africa's increasing dynamism since the new millennium was attributed to China's growing presence in the African continent. African countries such as Ethiopia, Kenya, Tanzania, Zimbabwe and Namibia began to pursue a strategy of 'looking Eastward' in the hope of cooperating with the emerging markets of China and India (Guimei 2018: 16) . Remarkably, China's strategy competed the advanced countries of the North, namely US, Europe and Japan with a decline becoming more evident in 2010, when their economies accounted for less than half of global GDP in purchasing power terms (Demertzis et al. 2018) . This trend known as 'the diminished Giant syndrome' (Bhagwati 1993) or 'curse of declinism' coincided with the Brexit insecurity and the US-China trade war.

After China's accession to the WTO in 2001, its trade with Africa boomed. According to the China-Africa Research Initiative of John Hopkins University (2019) , China-Africa bilateral trade has been steadily increasing for the past 16 years with more than 10,000 recorded privately owned Chinese firms investing in the African continent (Mc Kinsey 2017) . China was Africa's third most important partner in 2006 following the US and France ahead of the UK (Taylor 2006) . The same year a number of African countries occupying a central role in China-Africa public diplomacy participated in the Beijing Summit of the Forum on China–Africa Co-operation (FOCAC). Within FOCAC, China signed memorandums of understanding with 37 African countries - 70% of all 54 African nations - and the African Union. Surpassing the US in 2009, China is now Africa's largest trading partner (Cooke, Downie 2015: 3) . Chinese state-owned and private sector enterprises in Africa accounted for \$14,7 bil. foreign direct investments (FDIs) in 2012 and overall Chinese investment in Africa exceeds \$40 bil. overtaking World Bank lending in the continent (Ayodele, Sotola 2014) . The initiation of the Belt and Road Initiative (BRI) in 2013 featured China the same year as the world's largest trading nation with its total trade in goods amounting over \$4 tril. surpassing the US (The Guardian 2014) . In 2017, the largest exporter to China from Africa was Angola, followed by South Africa and the Republic of Congo, while South Africa was the largest buyer of Chinese goods, followed by Egypt and Nigeria (2016).

China became Africa's closest ally favoring the continent's economic development offering new development opportunities for the African continent under different conditions than those proposed by Europe and the US. Moreover, China's resource-seeking investment strategy in the African continent drew the attention of global affairs, because the BRI confirms in a way that there is an alternative against the established

global North's conditionalities. Both the EU and the US push the African governments consistently for democratic and governance standards in exchange for development aid. Moreover, African economies have to deal often with the high interest rates either of the international financial institutions or the Western loans. A German professor of African politics reports in a study commissioned by the German Federal Ministry of Economic Cooperation and Development that the exponential growth in foreign trade, direct investment and development cooperation between China and Africa since the end of the 1990s shocked the Western public opinion (Asche, Schüller 2018: 10) . The reasons lay on the concessional loans offered by the Chinese state-owned Exim Bank, China Development Bank, Export-Import Bank of China, People's Bank of China and China-Africa Development Fund, including in many cases debt-cancellations.

In turn, African economies with significant natural resource endowments fuel China's growth with their potential sources of raw materials (Power and Mohan 2010: 463) . Concentrated in oil producing countries such as Nigeria, Angola and Sudan (Ziso 2018: 17) as well as mega infrastructure and construction projects such as the Standard Gauge Railway in Kenya and the Djibouti-Addis Ababa electric train line, China's capital focuses on infrastructure-for-resources loans (Alves 2013) . The finance of Africa's infrastructure through Chinese loans and technical expertise in exchange for access to resources is a two-sided coin. From the one hand, it enhances Africa's development and from the other hand it fuels China's growth. Is thus China's expansion in Africa attributed at the expense of African economies or is it a mutual cooperation? Alden (2007: 8) reports about the "resource-based" China's diplomacy in Africa, while Taylor (2009: 19) notes that China has a "singular focus on resource acquisition and commercial opportunism". However, China's rhetoric considers the China-Africa relations as an equal partnership opposed to the traditional African post-colonial relation to Europe. Nevertheless, some authors recognize China's strategy in Africa as neo-colonialist (Zhao 2014) . In addition, Africa's trade deficit opposed to China's surplus enhances the argument. The global commodity price slump of 2014 reduced the total value of China-Africa trade from \$215 bil. in 2014 to \$148 bil. in 2017 . The impact was remarkable at the decline of African exports to China, whereas Chinese exports to Africa remained steady. It is thus obvious that the African producing capacity reduced, implying also reductions in the African employment, income and purchasing power. In turn, Chinese exports increased. How ready is then Africa to pursue its sovereign growth brand with trade balance and community-based added value?

The Belt and Road initiative in Ethiopia

China's immense presence in the Horn of Africa has expanded its trade network connecting Asia, Africa and Europe as part of the South-South cooperation and the BRI. The region's resources, the opportunities presented to African countries in becoming hubs for manufacturing and the financing of infrastructure projects signify for China a strong foothold in the Horn of Africa (African Economic Outlook 2016: 26) . Within the BRI, Ethiopia, China's close ally, stands as a host of Chinese diplomatic and economic activity in Sub-Saharan Africa. Being a diplomatic hub, Addis Ababa attracts more foreign representation than other African capitals hosting also the United Nations Economic Commission for Africa (UNECA). After the financing of the construction of the Africa Union building in Addis Ababa in 2012, China officially expressed its willingness to develop multidimensional relations at all levels with Ethiopia and the rest African continent. Ziso (2018: 17) notes that Ethiopia is a very crucial case study in the discussion of the internationalization of Chinese capital in sub-Saharan Africa. Indeed, China has become a significant partner of Ethiopia in the sectors of trade, development finance, investment and technical cooperation, with higher figures in trade and FDIs.

According to various authors and investment observatories, Ethiopia ranks among the top five partners of China - Nigeria, Angola, South Africa, Zambia and Sudan (Raine 2009: 43 , Ziso 2018: 4, Brookings Institution). Ziso (2018: 18) characterizes Ethiopia though as 'the odd one out' due to China's infrastructure and manufacturing investments. In the rest African countries, China is mostly engaged in resource extraction - oil in Nigeria, Angola and Sudan, copper in Zambia, minerals and metals in South Africa. It is worth to mention that Chinese investments and construction in Ethiopia amounted to a total of \$23,85 bil. between 2005 and 2018 (China Global Investment Tracker) . In 2010, 580 Chinese companies with 1,065 investment projects were registered in Ethiopia with estimated capital investment of \$2,2 bil. (Raine 2009: 43) .

The China-Ethiopia partnership in terms of trade volumes boosted the growth and exports of both countries with China gaining though the main benefit. The trade volume for imports and exports between China and Ethiopia reached the amount of \$100 mil. already in 2002, of which Chinese exports amounted to \$96 mil. and Ethiopia's imports to \$3,7 mil. Their total trade volume raised to \$700 mil. in 2006 - Ethiopia's exports growing to over \$120 mil. - and over \$1 bil. in 2009 (Adem 2002) , ranking China as the second largest trading partner for Ethiopia almost equal to the EU, leaving however Ethiopia with a large trade deficit towards both of them. Hackenesch (2013) reports that China grants Ethiopia duty and quota free exports for about 440 products, but

Ethiopia's deficit is still significant. In 2016, Ethiopia's trade imports from China amounted to €5,1 bil., while its exports amounted to €370 mil. (EC DG Trade 2017) . Remarkably, Ethiopia's deficit appears smaller with the EU compared to China - Ethiopia's imports from the EU28 in 2016 amounted to €2,39 bil., while its exports to €776 mil. Moreover, the flooding of the Ethiopian - including the rest African - markets with Chinese imported low-cost manufactures crowd-out African local producers (Giovannetti, Sanfilippo 2009) . At last, trade - and budget - deficits are often covered by China's BRI debt diplomacy with China being accused to gain political influence through loan distribution in corrupt and autocratic regimes (Horta 2019: 16) . Such controversial aspects of China's BRI in Ethiopia raise questions whether the Ethiopian growth brand is consolidated on firm fundamentals or rather a fallacy?

Ethiopia is a special case among African countries, because it seeks throughout its political history to emulate development models, but in the end it seems to follow its own economic growth brand model. Ethiopia's first such model in the mid-nineteenth century was Russia, then followed Japan and after the Second World War, United Kingdom and other Western states (Clapham 2006) . Ethiopia's developmental state as described by Clapham (2018 , 2006) remains 'deeply entrenched to its statehood' mainly due to the dominance of the state, which commands the economy, the military and the security apparatus. This governance model resembles China's development path, which is since the new millennium, Ethiopia's new emulation model of growth. Both countries share a common vision for the state apparatus and their structural economic transformation. Following the steps of South Korea and Taiwan, Meles Zenawi governance (1991-2012) introduced the development of special economic zones in Ethiopia according to the successful East Asian export-led growth brand strategy, which is still adopted by the ruling coalition party of the Ethiopian People's Revolutionary Democratic Front (EPRDF). Sixty percent of Ethiopia's FDI is attributed to Chinese manufacturing, which differentiates it from the resource-based Chinese FDI in other African countries (Geda, Meskel 2009: 13) . Fei (2018: 9) notes that by the end of 2016, 19 special economic zones were either under operation, construction, or planning in Ethiopia.

However, the country's famous industrial parks in the outskirts of Addis Ababa and Hawassa engage high-scale Chinese managers and low-wage Ethiopians. The NYU Stern report of the Center for Business and Human Rights (2019) notes characteristically that the garment-workers' \$26 wage in Hawassa Industrial Park is the lowest base wage in any garment producing country! This salary is hardly enough for the workers' basic

nutrition needs. Moreover, their productivity remains significantly low, while they are hardly provided with any training and capacity-building opportunities (Giannecchini, Taylor 2018) . Given that the public servants' wage amounts to a minimum of 420 birr per month (\$14), the unskilled manufacturing workers remain with limited alternatives. The report further mentions that 'restive workers have protested by stopping work or quitting altogether', which is a strong indication for the working conditions of Chinese manufacturing employers.

Ethiopia's development challenges

Ethiopia's investment growth strategy faces severe impediments due to the country's ethnic diversity. Its federal-based constitution introduced by Meles Zenawi offered autonomy to the country's 85 different ethnic groups in nine regional governments and two administrative areas, which are in reality semi-states within a unified territory. During the previous governance of Hailemariam Desalegn (2012-2018), peaceful manifestations against the Addis Ababa expansion were massively suppressed by the Tigray ethnic group, which constitutes 6% of the country's total population and still retains considerable influence on the ruling party's future. The construction of Chinese industrial parks and the expansion of Addis Ababa federal governance over the Oromia federal government resulted to land grabbing and population displacement. A social and political upheaval, which expanded to the Amhara federal government led to the county's state of emergency (2016-17). Oromo political leaders were imprisoned and accused of supposedly 'terrorism acts' and according to Human Rights Watch (2018) between October 2016 and August 2017 - during the country's state of emergency - security forces arrested more than 20,000 people, killed about 600 and committed various human rights violations.

In order to change the nation's ethnic hostility, Ethiopia's new Prime Minister Dr. Abiy Ahmed has been selected internally within EPRDF in spring 2018 - and not elected - as a representative of the so far underrepresented Oromo, being himself an Oromo. The Oromo, which are the most represented ethnic group in the country, stand for 35% of Ethiopia's total population. A teacher of the Greek school in Addis Ababa reported to the author that Ethiopians are not ready for democracy yet. "Abiy Ahmed has made quite a lot of changes in a short period of time, but ethnic conflicts are still immense. Ethnic groups want their autonomy, but they are mostly farmers with low educational level. Demonstrations lead very often to violence". The representative of the Ethio-Hellenic Business Chamber, commented to the author that

“Ethiopians are characterized by pride, stubbornness and lack of democracy. They are not trained to democracy; even the last president, Abiy Ahmed was elected within the EPRDF without national elections. The situation in the country was so tense, that a more open and communicative person to the public was needed for the country’s representation. It was, however, a positive sign that many political prisoners were let free after the change of the government”.

An Ethiopian scholar (Gebresenbet 2014: 4) notes that the state is securitizing development by constructing poverty as an existential threat. Apparently, it is meant that the discourse of rapid development taking place in the Ethiopian parliament seems as a question of survival in order to combat poverty. But how has the Ethiopian community benefitted from the country’s growth and investments? The Oakland Institute and Human Rights Watch criticize the impact of FDI’s to Ethiopia’s growth due to the increased food insecurity that has resulted from the government’s villagization program and the inadequate employment resulting from large-scale foreign investments in the Lower Omo Valley and Gambella regions (Mousseau, Moore 2013: 7) . The authors report that 1,5 mil. people were relocated between 2010-13 (Mousseau, Moore 2013) . The so-called “voluntary” villagization program, which remains attractive to foreign investors, concerns the land of displaced pastoralists. Out of the country’s total population, 10% constitutes pastoralists, who mostly live and possess large parts of the national parks of the country. The confiscation of their lands in order to create development programs, wildlife parks as well as cotton and sugar construction farms has resulted to their displacement, especially in the Afar region, where the land was confiscated along the main river basin (Alao 2007: 107) .

These evictions are accompanied by minimal or no compensation and human rights abuses such as harassments, rapes, killings, tortures and arbitrary detentions of local populations (Human Rights Watch 2015) . A representative of the sugar industry business in Ethiopia notes to the author that the conflicts with the pastoralists in the Omo valley are a major issue . “From the one hand, local communities want to use the new technologies, smart phones, GPS and Western style cloths, but from the other hand, their displacement due to the sugar processing industries is a matter of death or survival to them. Pastoralists just want water and food for their animals, because through them they can ensure their livelihoods”. Indeed, the Lower Omo Valley provides home and shelter to 200,000 indigenous people, whose food security is based on their own food crop production. However, Ethiopia’s yearly sugar production of 300,000 tons relies in the construction of two sugar-processing factories, one of which is located in the Omo Valley. The China Development Bank

provided \$500 mil. financing for the construction of these two sugar-processing factories along with the state-run Commercial Bank of Ethiopia, which financed the Ethiopian Sugar Corporation (Fraser, Mousseau 2019: 9). Moreover, the Export-Import Bank of India is financing \$640 mil. for Ethiopia's sugar industry countrywide under the condition that 75% of this loan would be used for goods and services imported from India. Of worth noting also, the Industrial Commercial Bank of China financed in 2010 loans of \$500 mil. for the construction of the Gibe III Dam, which is located in the Omo river. A recent report by the Oakland Institute notes that major donors including the World Bank, African Development Bank and European Investment Bank all initially refused to fund the dam as it violated their social and environmental safeguard policies (Fraser, Mousseau 2019: 8) . The World Bank, however, financed indirectly the project by providing \$684 mil. for the construction of the power lines that will eventually distribute power from the Gibe III Dam to Kenya (World Bank 2012) .

China-Ethiopia win-win brand strategy

Africa's opportunity to pursue its competitive identity relies on China's increasing interest in the continent. Chinese presence in Africa will continue to rise further in the following years favoring the South-South cooperation versus the North-South axis. China's election of Qu Dongyu as head of UN's Food and Security Organization (FAO) is an indication of China's future influence over global politics and economics. Being part of this global transition, Africa faces new challenges, which will determine its approach towards its partnerships, alliances and branding strategy. Food insecurity is not any more only Africa's problem, when the Middle East, one of the world's top oil supplier, secures its nutrition through investments in the African continent (Huliaras, Kalantzakos 2017) . Other challenges ahead for Africa, such as its poor infrastructure, limited road network, long distances, customs regulations, low-tech transport vehicles and delays at border controls make trading with the continent very difficult (Atkin, Donaldson 2015) . Nevertheless, projections show that the African continent is expected to enjoy the fastest urbanization of any region in the world (McKinsey 2017) and the infrastructure investment needs will grow significantly (Global Infrastructure Outlook 2017) . Moreover, Africa's rapid population expansion - perhaps the most rapid than any other region in the world - shapes already the China-Africa population exchange. Indicatively, Africa's population in 2017 was 1,2 bil., up from 477 million in 1980, and forecasts show a rise of up to 2 bil. by 2040 and 2,5 bil. by 2050 (UNCTAD 2018: 17) , meaning that one out of thee people in the world will be of African origin. The increasing

Chinese presence in Africa will thus influence the China-Africa population exchange in the future for employment, education and family reasons.

The World Bank indicated in 2010 that investment needs for infrastructure in Africa accounted to \$93 bil. per year, while Africa spent \$45 bil. In 2018, the African Development Bank (AfDB) estimated Africa's annual financing needs for infrastructure between \$130-170 bil. Thus, the African continent will need to spend an estimated \$6 tril. over the next 20 years to build, upgrade and maintain its infrastructure and achieve its development goals (Global Infrastructure Outlook 2017). Chinese president Xi Jinping announced \$60 bil. financial support to the African continent following the 2018 FOCAC Beijing Summit. Is it enough for a more balanced China-Africa partnership in the future? Sure is that the China-Africa cooperation will further enhance Africa's infrastructure as well as the continent's development - and Africa will continue to fuel China's economy through its natural resources. The African continent gathers most of the Chinese investments in oil with the Chinese national companies (CNPC, Sinopec, CNOOC) planning to invest \$15 bil. until 2023 (Bloomberg 2019) . However, China's support to Africa's economic diversification in order to secure its resilience against the volatility of the global economy, extreme weather shocks and the climate change will prove whether China's intentions aim towards a global sustainable brand strategy.

Ethiopia is a case of particular importance for China's BRI brand due to its geostrategic position in the Horn of Africa. Ethiopia's industrialization policy in light manufacturing such as leather, apparel, textiles, agro-processing and its cheap electricity supply present already a competitive advantage for the country's transformation, which is mostly attributed to China's BRI. Its transition economy from agriculture to manufacturing implies a domestic social and economic transformation with a rising middle-class and rapid urbanization. Moreover, Ethiopia's national image of high GDP growth rates and the government's industrialization strategy need to align with the population's welfare. In order to build a competitive growth brand identity, a vital question should be addressed, namely how is Ethiopia's local community benefitting from the country's growth inputs. Ethiopia needs thus to focus on the elevation of its population out of poverty through new productive employment opportunities. Ethiopia has to maximize its domestic resource mobilization towards sustainable economic transformation through industrialization and agriculture expansion. The diversification of the country's growth through a broad range of production technologies will enlarge production and outputs. However, the transfer of knowledge and

training by China is crucial for the African working population in order to acquire the necessary competencies and be able to manage their own resources. Moreover, the country's financial sector should play a key role in directing financing to business, trade growth and exports as well as sufficient foreign exchange. Furthermore, Ethiopia needs to secure its resilience against global commodity price volatility, which decreases the value of its exports. In addition, sufficient power supply and efficient transport links are key aspects for further development. Last but not least, an inclusive growth brand strategy of innovative financing, reinvestment of natural resource revenue and attraction of regional and international investments can effectively increase the government's revenues. Botswana, for instance, managed to create a successful growth brand model (Anholt 2007) by reinvesting its earnings from diamond production in education, health and infrastructure. By taking advantage of its diamond extraction industry, it diversified its economy and institutions becoming from low-income status an upper-middle-income country (UNCTAD 2017). Ethiopia's Growth and Transformation Plan II 2015-2020 (GTP II) to reach a lower-middle income status by 2025 needs to ensure strong institutions, resilient democratic structures as well as transparent transactions for the avoidance of capital flight.

According to Anholt (2007) national reputation is of profound importance such as a strongly branded 'made in Germany' Mercedes or 'made in Japan' Sony. Ethiopia's industrial parks have enlarged the production capacity of the country and circumvented business impediments through simplified procedures, tax advantages and easy access to financial services, but have they created a 'made in Ethiopia' brand? Perhaps not as much as Ethiopia's coffee brand, which designates the nation as the biggest coffee exporter in Africa creating 60% of the country's foreign income - about \$900 mil. - and 15% employment. Another successful sector, Ethiopia's travel and tourism economy grew by 48,6% in 2018 experiencing the highest tourism growth in the world offering 2,2 mil. jobs and \$7,4 bil. to its economy (World Travel and Tourism Council 2018).

Consequently, Ethiopia's dynamic growth as part of China's BRI can develop as a successful brand example for the whole African continent. Addis Ababa is a diplomatic hub attracting the global attention. Remarkably, Ethiopia's Prime Minister, Abiy Ahmed won the Nobel Peace Prize fairly by negotiating peace in the Horn of Africa setting a brand example for the whole African continent. However, domestic conflicts remain still a challenge for Ethiopia's competitive identity. Ethnic federalism in Africa is complex and the diverse ethnic groups demand more access to power and growth. China's business-as-usual

approach has to take that into consideration. China needs thus to facilitate Africa's natural resource extraction towards inclusive growth and sustainability, as these manifest in the improvement of the living standards and the welfare of Ethiopian and the rest African communities. A successful brand strategy of public diplomacy, intellectual property, competitive identity and reputation needs sustainability and preservation in order to multiply. In fact, the real win-win cooperation for the China-Africa relations will take effect when China manages to disburse the neocolonialism criticism. Hence, the China-Africa partnership will mutually benefit through the emancipation of Africa's economic resilience, sustainable use of resources and prosperity for local communities. Eventually, China will need to undertake the ethical responsibility that derives out of its rising influence on the African continent.

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