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INTERNATIONAL TRADE RELATIONS BETWEEN INDIA AND ETHIOPIA: A CASE OF INTERNATIONAL RELATIONS

Supriya Lamba Sahdev

Research Scholar, Amity International Business School, Amity University, Noida, Sec-125, Uttar Pradesh, India
slamba@amity.edu

Abstract: India and Ethiopia have a very long history of trade relationships that are in future, projected to be getting stronger. Ethiopia is one of the fastest growing economies in the world, with yearly growth rates far above the world average. There are definitely huge opportunities and scope of trade expansion between the two nations, but there are many challenges facing the two nations that are stopping them from achieving their full potential. India-Ethiopia relations feature in as a prime example of growing South-South trade relations; especially in the context of a country like Ethiopia, which is one of the poorest in the world, trading with India, which also is also having a low GDP per capita. However, what can also be observed is a growing rise of China in it trade with Ethiopia. This has left India a distant second place in terms of Ethiopia’s foreign trade with Asian countries. Countering this fierce rivalry and re-emergence of ancient trade ties between the two nations are the main topics explored in this paper. What this paper seeks to establish is a possible path that two very important regional nations, with very similar problems economically and socially should take in order to further strengthen their ties with each other, especially in the context of a growing neo-colonialism in Africa being driven primarily by China.

Keywords – India, Ethiopia, international trade, South-South cooperation, China, Africa

I INTRODUCTION

India and Ethiopia have been ancient trade partners since probably the times of the first Persian Empire dating back into the 6th century BC, as outlined in Megillat Esther of the Jewish Torah (also known as the Bible), which talks about King Cyrus of the Persian empire being the ruler from the borders of Hodu (India) to Kush (Ethiopia).

However, in the modern context, there were negligible trade ties between the two countries up until 1948. Just a year after India’s independence, a delegation was sent to the erstwhile Kingdom of Ethiopia led by Sardar Sant Singh. Full diplomatic levels at the embassy level though were not established until 1950, with the assignment of Amanuel Abraham as the very first Ethiopian, and first African ambassador to India¹. India continued to enjoy very cordial relations with the African nation throughout the reign of Emperor Haile Selassie of Ethiopia. Relations between the two countries however were limited under the rule of the Marxist Leninist junta, or the Derg, that overthrew the Emperor and took power in 1974. This was despite the fact

that India fully supported Ethiopia during the Ethiopia-Somalia war between July 1977 and March 1978. With the post 1991 (since the overthrow of the Derg) establishment of a democratic Ethiopia, trade ties between the two countries have been growing at a very fast pace and modern ties between the two countries have been defined by a bilateral agreement that was signed on March 6, 1997¹. The 90s were a defining period for both countries, as both nations liberalized their economies at the same time. This was also however a period of tremendous challenges for the two countries. India was facing a difficult financial situation post a near financial crisis in 1991 followed by a war with Pakistan in 1999. Ethiopia was facing an even worse crisis, as close to two decades of Communist rule and devastating wars with Somalia had left the country bankrupt, and facing a severe famine. What was even worse was the loss of Eritrea (which became an independent state) and thus the only coastline that Ethiopia had with the Red Sea. As a consequence, Ethiopia became a landlocked country. After the dramatic ups and downs of the 90s had come a time of slow, but constant growth in the economies of both countries

that now had to catch up to a rapidly globalizing world. The ties between the two countries are now stronger than ever, with the bilateral trade volume figures now reportedly in the billions. The same figures also show that the trade balance is also heavily in favour of India and in many cases Ethiopia can really now be seen as India's gateway into Africa. India remains the fastest growing major economy in the world, and Ethiopia also has continued its growth as the fastest growing African country with its growth outpacing even India for the calendar year 2016 as outlined by the IMF. Currently though, China remains the biggest investor and trade partner of Ethiopia (and also Africa in general). Ever since the liberalization of their economy under Deng Xiaoping in the late 70s, China has shot past many countries in its economic growth. China's overtures in Africa and Ethiopia in particular (with plans to make it into a new sweatshop factory after a similar gambit paid off well in Bangladesh and Vietnam) are quite worrisome and have hidden neo-colonialist undertones. This is where India needs to exploit its geographical advantage over China and leverage the much older ties it has with the continent.

II PURPOSE OF STUDY

Ethiopia and India are two ancient civilizations that are however very underappreciated in the modern world for their contributions. In a world where GDP growth is seen as the sole indicator of a nation's wealth and prestige, their historical wealth and cultural treasures tend to be forgotten. Some countries like Italy, Turkey, China, and Japan; and to a lesser extent, Greece, Iran and Egypt have been able to maintain a sort of balance in these measures. Such countries are visited annually by millions of tourists that flock to see both their ancient wonders set in stone, as well as their modern day wonders of glass and steel. They are well known for their ancient contributions to civilization, as well as countries that play an important role in the world economy.

For most of their present history though, this wasn't the case for either India or Ethiopia. The chronic problems facing the two countries in terms of poor infrastructure, food shortages and lack of industrial growth meant that the heritage of these two countries went deeply underappreciated. India is a land of eternal cities like Varanasi and home to ruins of ancient and medieval civilizations of every race and creed within its boundaries. India however, is not known for any other monument besides the Taj Mahal for most tourists who visit the country. It is even rarer for people to take interest in Indian languages and scripts like the Devanagari, as opposed to millions around the world who take a keen interest in Chinese and Arabic calligraphy. What is even rarer, is the knowledge of Ethiopia and its ancient Semitic culture preserved in the ruins of the rock-cut churches of Lalibela and the Ge'ez script that happens to be

the only official indigenous script in the whole continent of Africa. This, however is slowly changing due to the rapid economic growth in the two countries.

The main purpose behind this study has really been to explore how two ancient civilizations that have been remarkably unsuccessful till now in the modern world, can cooperate in order to strengthen economic as well as cultural ties and eventually help each other take a stage in the modern world that they truly deserve in merit of their past contributions. Very few people know about the extensive trade links that existed between India and Ethiopia in the ancient times. Most of this however got eclipsed as the Arab traders became the masters of Middle East and Indian Ocean trade after their initial conquests in the 7th century. This sadly could only be revived fully after 1948.

Besides history, India and Ethiopia are so similar in many ways. In terms of facial features, most people from India and Ethiopia are almost indistinguishable. The countries are home to some of the oldest used indigenous scripts in the world that haven't changed even after colonization. Both countries also played a very important role in championing for a post-colonial world, where nations in the non-European world should have their rights to self-determination. The cuisine of Ethiopia is also similar to Indian cuisine, especially the iconic *Injera* of Ethiopia being a counterpart to the Indian *Dosa*. Thankfully India-Ethiopia trade is now flourishing and it seems to be a model for South-South cooperation in the modern world. But there is still further room for development, which is one of the main purposes of this study.

III OBJECTIVE OF THE STUDY

1. The main objective of this study is going to be highlighting the tremendous impact and further growth potential in the international trade relations between India and Ethiopia. What will also be explored is how the ties can be strengthened based on not just historical links, but through future economic prospects defining the economic growth between the two countries.
2. Another aspect of this study is to understand how big of a role China is playing in Ethiopia and Africa in general. China seems to have played a very important role in Africa not just in recent years but ever since the 1990s in its push to win influence as well as gain resources on the African continent. This is then to be contrasted with the level of influence that India maintains on the continent.
3. The fact remains that despite India having much older ties with the African continent, with respect to the diaspora populations living, working and trading on the continent since the days of the British Raj and in many cases even before. India now has lost its preeminent position as the continent's biggest Asian trading partner to China over the past 3 decades. . It is very important to know and understand

all the factors that eventually led to this happening and also to know what measures India can take to regain that position.

In this context, Ethiopia seems to be the perfect candidate, as it is the country with which India has had the oldest and most comprehensive trade relations. This is mainly because just like India, Ethiopia has been an ancient country that has a past which is much older than the colonial era Scramble for Africa that forever defined the fate of the continent in relation to its various European colonizers in the 19th and 20th century. There have been trade exchanges going on over the Indian Ocean ever since ancient times. Besides, modern day India and Ethiopia were very quick to realize the potential of bilateral trade very soon after India's independence and formation as a modern state. It was also the first African country to open an embassy in New Delhi in 1950¹.

The first 30 years of India-Ethiopia trade relations were very cordial and quite extensive for their time. They were also touted as a model for South-South economic cooperation and both countries were very quick to become members of the Non-Aligned Movement. Both nations had very strong ideologies against the continuation of colonialism in any part of the world, but especially more so in Africa. India was also a big supporter of the formation of Ethiopia led and headquartered OAU or Organization of African Unity in 1963.

Despite having such cordial historic relations, it seems that the two nations today are not at their full potential when it comes to trade relations between them. The trade between the two countries seems to be very limited in scope to mainly agricultural commodities. And more than anything, China is fast beating India to become the prime investor in Ethiopia and its infrastructure projects. This cooperation can be seen in projects like the Grand Renaissance Dam and the Addis Ababa light rail project which is the first in Africa. All this has happened in a little less than 3 decades, and it will be important to know if India can somehow now jump into the scene and revive the trade links and also further boost economic cooperation.

IV BACKGROUND OF THE STUDY

In terms of the study, the literature was carefully selected to present three major views on Indo-Ethiopian relations. The first was of authors like Belayneh Leta, Alemayehu Geda and Tegegne Gebre-Egziabher who are all from Ethiopia and present the Ethiopian and African view of ties with India and Asia in general. It was found out that most authors in Ethiopia view India-Ethiopia trade relations as having a positive impact on Ethiopia; however, many of them are also very conscious of the balance of trade between India and Ethiopia as Ethiopia has a very large trade deficit with India with figures reaching in the billions of dollars¹. The

growth of Ethiopian exports to India has also been very minimal. There has also been literature selected from non-Ethiopian African authors like Fantu Cheru and Cyril Obi to highlight the aspects of broader Asia-Africa relations, with special focus on how China and India are both similar and different in their engagements with the African continent.

The second major contribution to supporting literature has been that of the Indian authors Manoj Kumar and Kaushal K. Vidyarthi. The major theme touched by Mr. Manoj Kumar has to do with the extensive historical trade relations existing between India and Ethiopia. Kaushal K. Vidyarthi touches on the subject of India and China's engagement with Africa, how the two are different and what can India do to regain its position as the primary trade partner with the whole continent, and especially Ethiopia.

The third and major important work has been that of the other international authors who have also written very extensively on India-Ethiopia relations, Asian-African relations, as well as elucidated the whole concept of South-South cooperation from a more international context.

What has been found to be a common ground among all three types of literature is that India-Ethiopia trade ties have been touted as having a very positive effect on both the countries and one having a significant impact on growing South-South cooperation. Authors from Ethiopia, India as well as those from many other countries agree that ultimately the trade ties between the two countries are beneficial for the economies of both nations and that actions and steps need to be taken in order to further boost ties as well as expand the ties to cover more fields and economic sectors.

Most of the literature reviewed brings to light that India-Ethiopia trade is mostly based on primary commodities (see pie-chart below). Indian companies have a major interest in leasing out land from the Ethiopian government in order to export these commodities back to India. The Ethiopian investment commission (report of 2015) also states that currently more than 600 Indian companies have export licences in various primary sectors like textiles, mining, leather manufacturing as well as having a major stake in agriculture (especially in areas such as floriculture, crop farming, vegetables, and fruits). Also, India is overall one of the largest investors in Ethiopia, with investments now exceeding \$5 billion, and tied to a variety of economic sectors within the country.

The second aspect of the trade relations between the two countries has been the rapid increase of trade between the two countries since the beginning of the millennium. The growth has been phenomenal and has increased from about \$75 million in 2000 to over \$1.2 billion in 2015 (see Table 2). However besides this, what can also be observed from the table shown below from the Ethiopian ministry of trade is that there has been a severe chronic trade deficit for Ethiopia

in its trade with India. We can easily say that the trade relations between the two nations are unequal and asymmetric, with Ethiopian trade deficits reaching a high of almost \$1.1 billion in the year 2015.

The single most important commodity exported by Ethiopia happens to be coffee, which is sometimes also stated as being Ethiopia's version of black gold. A main reason that can be stated for the weak profile of Ethiopian exports to India is the overreliance on exports of primary commodities to India. For the benefit of Ethiopia, the Indian government announced in April 2008 during the India-Africa Forum a new measure called Duty-Free Tariff Preference scheme for Least Developing countries. Ethiopia is said to have been the first country utilizing this¹

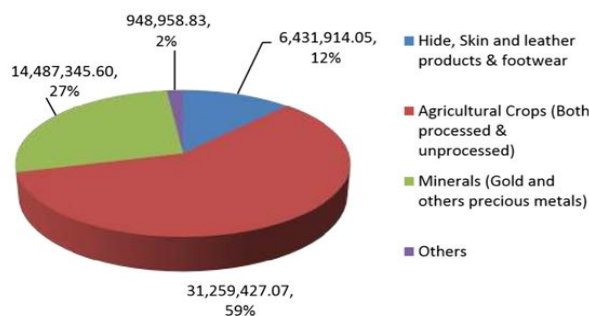


Figure 1 Major exported commodities from Ethiopia to India (2014)(volume USD)

Source : Leta, B., & Girma, B. (2017). Economic relations of Ethiopia and India: Trade and agricultural investments after 1991. *African Journal of Political Science and International Relations*, 11(8), 210-219.

Table 1 Summary of trade balance Ethiopia and India (2000-2015)

Year	Export to India in USD	Import from India in USD	Ethio-India trade balance
2000	8,296,999	65,882,693	-57,585,694
2001	18,007,825	99,106,215	-81,098,390
2002	9,996,833	103,163,051	-93,166,218
2003	8,029,491	175,414,047	-167,384,556
2004	9,579,348	190,519,257	-180,939,909
2005	8,003,268	249,903,429	-241,900,161
2006	9,521,289	314,125,781	-304,604,492
2007	15,569,207	421,298,888	-405,729,681
2008	14,416,051	361,382,539	-346,966,488
2009	18,801,131	634,245,253	-615,444,122
2010	27,509,833	623,608,487	-596,098,654
2011	32,980,239	773,276,100	-740,295,861
2012	42,219,447	1,071,945,594	-1,029,726,146
2013	35,533,787	1,224,650,153	-1,189,116,366
2014	53,127,646	1,056,107,230	-1,002,979,585
2015	64,908,691	1,151,498,728	-1,086,590,037

Source: Ethiopia Ministry of Trade, 2016

Despite all these measures taken, what can be seen from data figures regarding Ethiopia's overall international trade is that Ethiopia's share of exports to India has fallen

dramatically over the last two decades, and China seems to have taken the place as the single most important export destination for Ethiopian goods (see figure 4). India's share of Ethiopian exports has been reduced from 4.3% in 2001 to just 1.5% in 2012.

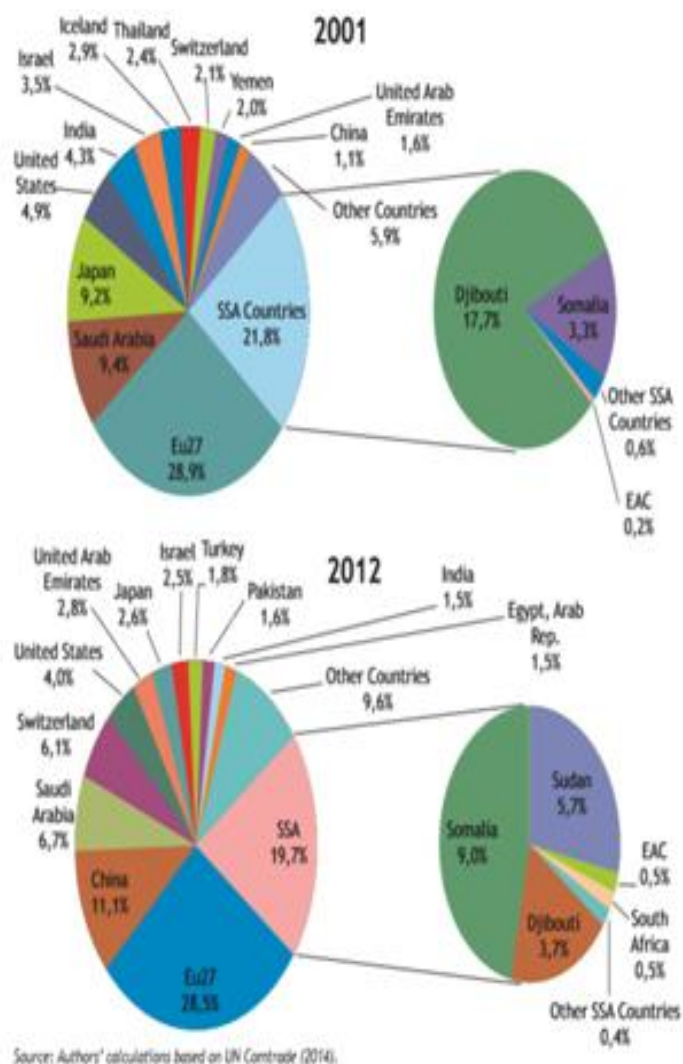


Figure 2 Direction of Ethiopia Exports 2001 and 2012

V SCOPE AND LIMITATIONS OF STUDY

The scope of this particular paper is to study the international relations of two very important countries from both a historic as well as a modern perspective of international trade. This paper only gives a brief overview of the political situations that impacted previous trade relations between the two countries but does not aim to go into further details about the historical narratives that have shaped the modern trade relations between the two countries.

What has been however, really focused during the research is how India-Ethiopia trade relations are evolving from a socio-economic standpoint, and how factors like South-South cooperation agreements, in particular India's preference given to Ethiopian exports through initiatives like

the DFTP (Duty-Free Tariff Preference) scheme for Least Developed Countries has played out.

Another important focus has been given to the rise of China in Africa, and in particular, Ethiopia. This factor has been assessed thoroughly to give a clear picture of why despite rising trade with Ethiopia, overall India seems to have given over its position to China over the past decades as the most favorable Asian trade partner of Ethiopia.

In terms of limitations what can be said is that this study is not for people that are interested in the political background of India-Ethiopia relations. Also, besides a brief historical background not much is discussed in terms of the historical linkages between trade relations of India and Ethiopia. The paper is dealing mainly with the here and now, and also aims to establish how Indo-Ethiopian trade relations should proceed in the coming years, while at the same time assessing the threats as well as hindrances that hamper the further deepening of India-Ethiopia trade relations.

Another limitation, though not important but still quite significant is that data dealing with Indo-Ethiopian trade figures before the year 2000 have not been provided. The focus is again on the very recent growth and development of trade relations between the two countries. Since the data is limited, this paper does not seek to address how India-Ethiopia trade relations emerged in the immediate post-colonial era during the reign of Emperor Haile Selassie, the era of the Communist dictatorship or the Derg, under Mengistu Haile Mariam or that of the transitional government of the Ethiopian People's Revolutionary Democratic Front that overthrew the Derg.

VI METHODOLOGY

The methodology utilized here is mainly data analysis of a few trade figures from many governmental sources, like the Ethiopian ministry of foreign trade (2016) as well as the UN Comtrade figures (2014). They have been specifically sourced from the various literature reviews that have been conducted for the purpose of this study. Also utilized here is a comprehensive literature review of latest trade figures and statistics of India's trade relations with Ethiopia, India's presence in Africa, as well as China's growing trade with Africa as well as Ethiopia.

What was first analysed was the composition of exports from Ethiopia to India through a pie-chart provided by Ethiopian authors Belayneh Leta and Belayneh Girma in their research paper dealing with the post-1991 trade relations between India and Ethiopia. This was helpful in gauging what really constitutes the bulk of trade between the two countries. Secondly, trade figures taken from the Ethiopian ministry of trade about India's trade with Ethiopia from the years 2000-2015 were also thoroughly analysed. This was important in order to assess the impact of India-Ethiopia trade of both the

countries as well as to assess the balance of trade situation between the two countries and whether trade relations between India and Ethiopia are being carried out at their maximum potential level or not. The data analysed was also helpful in providing us information on what sectors of trade between the two countries need further development.

Thirdly a crucial comparative analysis of both literature and data figures of trade between China and Ethiopia, as well as India and Ethiopia was conducted in order to further assess the commonality as well as the differences between the two countries in their FDI into Ethiopia. Such analysis was helpful in determining what edge China has really got over India that enabled it to eclipse India as Ethiopia's major trading partner in Asia since the beginning of the millennium, when Ethiopia China trade was comparatively miniscule.

VII DATA ANALYSIS

The results from the data analysis as well as the literature review bring about key points in India-Ethiopia trade relations.

1. India-Ethiopia relations have so far been based on India importing very basic primary commodities from Ethiopia while at the same time exporting finished goods, processed food, medicines and machineries back to Ethiopia.
2. India-Ethiopia trade relations have been defined primarily by a huge balance of trade deficit for Ethiopia, with figures reaching up to \$1.1 Billion.
3. It was assessed that a few of the key reasons, besides the huge trade deficit for Ethiopia, that could play a major role in hindering further trade relations are as follows :-
 - A. Infrastructure bottlenecks that arise due to the inadequate infrastructure development in both countries in terms of port facilities, railways, roadways and telecom networks as well as inadequate power supply have been very debilitating to trade inflows and outflows between the two nations.
 - B. Lower human capital is also seen as a major hurdle that needs to be addressed by both countries. Access to proper schooling and skill development needs to be greatly improved, as well as access to adequate healthcare in both countries. Currently both nations score very low on the Human Development Index, with Ethiopia scoring 173rd and India at 136th out of 187 countries surveyed in 2013.
 - C. Transportation costs, especially for Ethiopia owing to its landlocked geography have also been a huge burden for trade development between both nations, as Ethiopia has no access to the sea and has to rely

on the neighboring country of Djibouti to fulfil its transportation and logistics needs.

- D. Since 1993, after the formation of Ethiopia's current borders and political structure under the EPRDF, there has been significant investment (\$1.5 billion) by Indian businesses in the primary sector in Ethiopia. However, a whopping 97% of these investments have for the past 2 decades been only concentrated on the growing of crops, fruits, vegetables, flowers and beverage crops like coffee.
- E. China has replaced India over the past decade as the single most favourable destination for Ethiopian exports besides the EU-27 countries. This has resulted in a massive boost for further Chinese FDI into Ethiopia, especially in the manufacturing sector, which has been seeing recent growth in the past few years.
- F. Despite growing Indian investments in other sectors of the Ethiopian economy, like I.T, manufacturing and mining, and the presence of more than 600 Indian companies that are legally registered in Ethiopia, the main investment target for Indian business and firms are still the primary and chiefly the agriculture sectors.

VIII RESULTS

The results were found to give a very conclusive answer on the status of Indo-Ethiopian trade relations. The fact remains that India is still a major trade partner, investor as well as a crucial source of FDI inflows into Ethiopia. The recent lead that China has taken over in trade terms over India has more to do with their expansionist and aggressive neo-colonial policies than citing a lack of genuine Indian effort in courting Ethiopia.

Indian-Ethiopian trade relations have a much brighter future, but there is still scope for major improvements from both the countries in terms of providing adequate infrastructure and providing adequate inputs to improving their human capital.

Programs like the DFTP for Least Developed Countries have been quite essential as well as lucrative to attract Ethiopia to export commodities to India. There however, needs to be a serious assessment for further future effectiveness of programs like this, due to the growing competition from China and even countries such as Pakistan and Egypt in procuring exports from India, as the latest export figures for 2012 show.

IX RECOMMENDATIONS

In conclusion, what can be primarily stated is that India-Ethiopia relations, despite all kinds of hurdles can still

be seen as a model for South-South cooperation, as well as Asian-African cooperation in the coming years. There is however, a worrying fact that remains, and that is the further encroachment of China into the continent. Despite its neo-colonial policies being pursued in various countries in Africa and across the world in places like Venezuela and Pakistan for example; nations are willing to grow their trade portfolios with China.

In regards to the threat China poses, India, through its various private corporations as well as a huge and old diaspora in the African continent should leverage its resources in order to give it an edge over China in Africa, especially in Ethiopia. Efforts should be made in pursuing nations to give up their overdependence on China, especially African countries like Ethiopia that have fallen into the neo-colonial approaches of China.

Another important recommendation to be made is that both India and Ethiopia need to swiftly improve the quality of their infrastructure and invest more in educating, training and caring adequately for their human capital. In this regards joint manufacturing cooperation between India and Ethiopia should be seen as a must, especially in regards to cooperating with and training Ethiopian firms in "Make in India" initiatives. It is imperative that trade relations between India and Ethiopia move from solely being in primary commodities to manufactured goods, chemicals, machinery and vehicle production in much larger numbers than are done currently. This will be necessary to improve the value of trade between the two nations.

Lastly, what can be said is that to maintain the viability of Indo-Ethiopian trade relations, as well as promoting the well-being of Ethiopian economy and businesses, both India and Ethiopia need to focus on improving the balance of trade between their respective countries. This can be primarily achieved by greater Indian investment in improving the manufacturing base in Ethiopia, investing in Ethiopia's IT infrastructure, as well as promoting Ethiopian exports through the already ongoing DFTP programs.

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