

# Cultural Challenge and Opportunities for China's BRI Initiative: Evidence from Ethio-China Corporate Investment

Tikuye Gashaw Awoke

School of Management, Wuhan University of Technology, Wuhan, P.R. China, 430070

Email: [awoke.gashaw@yahoo.com](mailto:awoke.gashaw@yahoo.com)

**Abstract:** *The objective of this study is to analyze the cultural challenges and opportunities presented by corporate investment from Ethio-China for China's Belt and Road Initiative (BRI). The study employed both a descriptive and an explanatory approach to science. The data is collected from secondary data sources. By using both qualitative and quantitative statistical indicators, the interpretation of the research assisted the consideration of significant variables. This study analyzes the patterns and variables of Ethio-China corporate investment over the last two decades, starting from 1992 to 2019. The study used six predictor variables to what degree the dependent variable affects productive corporate investment in the Belt and road initiative. Trade rate, foreign direct investments, infrastructure, socio-cultural cooperation, business culture, and cultural barriers are the indicator variables. The study's review and finding results therefore indicate that China's corporate investment in the Belt and Road Initiative has a positive and important effect on the economy of Ethiopia in growing trade volume, expanding foreign direct investment, investing in infrastructure, socio-cultural cooperation, and cultural business. In addition, Corporate investment in the Ethio-China Belt and Road Initiative is affected by severe difficulties due to lack of energy, investment option disparities, differences in working habits, cultural attitudes, cultural tensions and language barriers, and political uncertainty. For these reasons, Ethiopia does not take advantage of the opportunities to optimize anticipated results from corporate investment in China's Belt and Road Initiative. Chinese companies and investors, however, are productive and play a significant role in Ethiopia's overall economic development and technology transfer. As the analysis and results of the study indicate that bilateral relations has improved by both Ethiopia and China. Nevertheless, China's strong commitment to Ethiopia depends on the economic front, though bilateral ties are imbalanced by low exports and high gaps in imports. Therefore, the prevailing Ethio-China relations, inspired prominently by economic factors rather than political dynamics, are beneficial to the overall influence of China on Ethiopia.*

**Keywords:** Road and belt initiative; Culture of business; foreign direct investment; Socio-cultural cooperation; Trade volume;

## 1. INTRODUCTION

The relationship between China and Africa on the continent's parts of the Red Sea borders during the first millennium A.D. was very ancient [1]. Ethiopia and China thus began socio-economic ties around 100 B.C, dating back to China's Han dynasty and Ethiopia's Aksumite Empire [2]. When they opened embassies in their respective capitals beginning in 1972, the two countries established official relations. As it founded on strong political, economic and social pillars, China's ties are unshakeable and unbreakable. China is promoting Ethiopia's economic reforms. Ethiopia continues to be a strategic partner, trustworthy all over Africa; friendship and cooperation will continue, and there will be no policy change against Ethiopia. What is new in China–Africa relations including China & Ethiopia is the intensity with which the political & economic relations have developed during the post-cold war era that has captured the attention of many scholar [3]. Both China and Ethiopia are countries with long history and splendid culture. China and Ethiopia's bilateral cultural exchanges date back to the 1950s, long before the establishment of diplomatic ties between the two countries. Ethio-China relationships have therefore gone beyond economic cooperation. For several years, China has worked to strengthen its bilateral relations with Ethiopia. In the Horn of Africa, Ethiopia is the gateway to Africa and the nucleus of the African Union. There are common factors both from Ethiopia and China's side, how it is enhanced the bilateral holistic relations. Ethiopia and China have established multi-dimensional relationships, with people-to-people, business-to-business, government-to- government, party-to-party relations as the cornerstones of the partnership, based on values of equality, mutual respect and win-win cooperation. The Ethio-China partnership has become a true and outstanding model for South-South cooperation because of this strategic alliance [4]. Why has the relationship between China and Ethiopia over the last 15 years been so strategic and so close? In essence, Ethiopia is a potential large market and a major investment destination for China; China is a major source for transforming manufacturing power, infrastructure and technology for Ethiopia [5]. Recently, Ethiopia is inspired largely for breakthrough change by adapting strategies followed by develop-mentalist countries like Malaysia, Singapore on its agriculture modernization program and mode of state intervention experiences of Taiwan, South Korea, and especially, China [6]. As well, the result of the Ethio-China ties has been increased diplomatic intimacy, investment and trade, foreign aid and debt forgiveness.

The Belt and Road Initiative of China (BRI) is a multi-decade initiative aimed at enhancing economic connectivity and cooperation between two-thirds of the world's population. As a result, it is a highly complex initiative and the challenge of working across countries. While Chinese firms have enjoyed successes, they are facing a growing number of complexities as the initiative expands in scope [7]. Even though, there are so many prospects in both sides of cultural interactions, belt and road corporate

investment in Ethio-China relations; but there are challenges that affects the two countries cultural exchange, belt and road corporate investment efforts. These challenges include lack of energy power, the difference in working culture behaviors, barriers to communication, choice of investment with culture, cultural understanding, effects of religion, barriers to language, and emotional barriers related to industry peace and security. The main objective of this paper is to examine the cultural opportunities and obstacles between Ethio-China relationships for belt & road corporate investment. In addition, the study intends to explore how both countries cultural relationship & corporate investment will maximized and minimize barriers. The fundamental research questions answered in this study are: (1) Why is the cultural relationship between Ethiopia and China i? (2) What are the major factors that influence for the cultural interactions between Ethiopia and China? (3) What are the effects of belt and road corporate investment on the Ethio-china relations? (4) What are the challenges that determine the bilateral relations between Ethiopia and China?

## **2. REVIEW OF RELATED LITERATURE**

From a diplomatic point of view, foreign affairs are concerned with diplomacy across national boundaries, such as international political economy, global governance, intercultural relations, national and ethnic identities, development studies, the environment, international security, diplomacy, terrorism, and social movements [8]. Foreign policy became a new object to known, interpreted, and acted up on. The executive power sought to use foreign policy both to govern external affairs and to limit the domain of the public sphere [9]. Therefore, as the world becomes more and more interconnected through trade and commerce, the internet and social media, and concerns about pressing global environmental issues, international affairs are becoming increasingly important. As a result, the principles of Chinese foreign policy and diplomacy that depend on peaceful coexistence are reciprocal respect for sovereignty, territorial integrity, reciprocal non-aggression, non-interference in the internal affairs of each other, equality and mutual gain, and peaceful coexistence. Besides, starting from the end of 1979, China had entered into diplomatic relations with 120 countries. Among those countries, China tried to have a diplomatic relations with Africa for the last 30 years ago [10]. That is why, over the last ten years, the relationship between China and Ethiopia has become relevant and so close. From both the Ethiopian and Chinese sides, there are ranges of factors that have improved the current bilateral socio-economic & political ties that make bilateral relations very bright and promising. On the Ethiopian side, a number of factors enhanced the bilateral relations with China [11]. Ethiopia has made effort to seek foreign aid, loans, investment and human development and infrastructure from China. Interestingly, China has rendered many help in areas of aid, debt reduction, loan and technical assistances without any political strings attached. Currently, Ethiopia's path to growth has led to stronger relations with China.

Historically, Ethiopia's economic partnership with China is around half a century old. During this time, there were numerous bilateral agreements signed between Ethiopia and China economic cooperation between the two countries, like the World Bank report, is largely sponsored by strong political facilitation in both governments [12]. Various Ethio-China agreements have been made in various time. These are the Investment Promotion and Mutual Security Agreement of 1998, the Economic and Technological Cooperation Agreement of 1971, 1988, 2002 and the Trade, Economic and Technological Cooperation Agreement of 1996 [13]. In addition, the 1988 Mutual Promotion and Investment Security Agreement, the 1984, 1986, 1988 Trade Protocols and the 1971 and 1976 Trade Agreements. All these deals, to sum up, have made it possible to increase trade and investment between the two countries. After belt & road initiatives, the relationship between Ethio-China enhanced the investment, infrastructure, construction, technology transformation and socio-cultural development [14]. Via various socio-economic and political alliances in the world, both Ethiopia and China are rising their horizons. The bilateral trade relationship between Ethiopia and China is growing from time to time in view of the emergence of China as a global force and the idea of South-South cooperation [4]. Ethiopia's relationship with China is a strategic partnership and cooperation. This partnership is a comprehensive collaboration on economic, social, political and cultural issues [6]. Consequently, both offered mutual support on major issues related to the core interests of each other, and shared insights, benefited from each other's governance experiences and explored growth paths relevant to their respective national conditions [15]. As a result, when large firms focus on cultural and social values, they will increases profit and acceptance. The current period of economic globalization marked by a greater inclusion of developing economies–societies, which differ in terms of their attitudes, values, behaviors, norms and cultures. Culture ‘influences how people think, communicate, negotiate, and behave. Thus, there is a potential for cultural differences to influence the volume of cross-cultural business, corporate investment, and global business [16]. On the other hand, most nations have not understood the enriching importance of diverse cultures. In today's global village, cultural diversity is now a part of living, business , and social capital [17]. Therefore, culture consists of language, faith, social institutions, political and philosophical structures, economic systems, education, symbols and communications [18].

## **3. METHODOLOGY**

The study utilized both qualitative and quantitative research approaches. The research employed both qualitative and quantitative approaches to research. The mixed research approach allows the situations to be analyzed and the situation to be understood by combining quantitative and qualitative approaches [19]. Based on secondary data, the research has carried out. A secondary source

of the data used in this analysis. Secondary data sources from various books, journals, research papers and official documents analytically used with a general analysis of Ethio-China's cultural prospects and barriers to belt and road corporate investment.

This study mainly reviewed data related to foreign direct investment volumes, export and import exchange of trade flow, the numbers of projects invested and values created, infrastructure, top suppliers and target of FDI corporate investment between Ethio-China relations. Hence, all the secondary data collected from the World Bank, World Trade Organization, investment commission, and other research and governmental documents used. In particular, the study used data from 1992-2019 for all the required analysis and interpretations for the last two decades. The study uses descriptive statistical methods to analyze all secondary data collected from various sources. In order to analyze secondary data obtained from different sources; the analysis uses descriptive statistical methods.

#### 4. RESULTS AND DISCUSSION

##### 4.1. Growth and Prospect of Belt & Road Ethio-China Bilateral Relations

###### 4.1.1. Increasing Volumes of Trade

**Table 1:** The export, import, trade balance, total trade turn over & annual growth rate (ECCSA, 2012)

Year	export (USD)	import (USD)	Trade balance (-ve)	TTUSD	Growth Rate of TTTO (%)
2004	14,877,760	388,229,370	0	353,107,130	0
2005	78,930,605	473,132,111	323,351,609	552,062,716	56
2006	71,687,707	589,144,981	394,201,507	660,832,689	20
2007	67,639,545	910,205,011	517,457,274	977,844,556	48
2008	80,619,539	1,424,162,891	842,565,467	1,504,782,430	54
2009	211,121,369	1,599,359,40	1,343,543,353	1,810,480,770	20
2010	228,162,023	1,740,745,274	388,238,031	1,968,907,298	9
2011	280,195,081	1,400,195,045	1,512,583,25	1,680,390,126	-15

Source: Ethiopian Chamber of Commerce and Secretarial Associations

The data from Ethiopian Chamber of Commerce and Sectorial Association shows that both import and export between Ethiopia and China increased from 2004 to 2011 extremely. As shown in Table 1 above, the export level between Ethiopia and China increased from USD 14,877,760 to 228,162,023 within seven years, while imports grew from USD 353, 107, 130 to 1, 968, 907, 298 USD. In addition, overall trade turnover rose from about \$353 million in 2004 to more than \$1.6 billion in 2011, showing a 376 percent growth rate. Here, considering the low industrial and technological condition of Ethiopia, most of the exports of the country to China are agricultural products and semi-processed goods. Ethiopia, on the other hand, imports high-tech goods from China, including heavy machinery and electronics. As shown in Table 2 below, the trade balance between the two countries continues to deepen due to the investment-led economy of the region, which strongly encourages imports. Total exports of goods and services totaled USD 2.83 billion in 2018, while overall imports of goods and services totaled USD 15.5 billion in 2018. As shown in the following table, Ethiopia spent USD 6.69 billion in imports of services, while USD 4.49 billion was produced by exports of services.

**Table 2:** Foreign Trade Values of Ethio-China

Foreign Trade Values	2014	2015	2016	2017	2018
Imports of Goods (million USD)	18,991	19,063	16,588	16,076	15,500

Exports of Goods (million USD)	4,469	3,825	4,612	3,163	2,831
Imports of Services (million USD)	4,230	4,612	3,627	4,844	6,695
Exports of Services (million USD)	2,734	2,851	2,981	3,264	4,498

Source: World Trade Organization (WTO, 2018): Latest available data

Currently, in order to rationalize investment opportunities, the new government of Ethiopia is restructuring its customs tariffs and has imposed lower duties on raw materials and semi-finished goods. Ethiopia has also recently signed the African Continental Free Trade Agreement and developed special economic zones to provide investors with tax incentives and exemptions from customs duties. The country mainly exports coffee, pulses, gold, meat and goods for manufacturing. Petroleum oils, machinery, drugs, fertilizers, palm oil, metal, and aircraft are the principal imported goods. China, the United States, Somalia, Kuwait, Switzerland, Saudi Arabia, Italy, Turkey, Sweden, the United Arab Emirates and Bahrain are Ethiopia's top ten trading partners, as shown in the table below. China is also Ethiopia's largest supplier of goods and services, nearly 32 percent among other nations. This shows that the Ethio-China partnership is becoming very solid and sustainable.

**Table 3: Main Suppliers of Ethiopia compared with other countries**

Rank of suppliers	Main suppliers of Ethiopia	2016	Rank of suppliers	Main suppliers of Ethiopia	2016
1	China	31.9%	6	Italy	4.0%
2	United States	8.8%	7	Turkey	3.6%
3	India	7.5%	8	Sweden	2.7%
4	Kuwait	5.6%	9	United Arab Emirates	2.5%
5	Japan	4.2%	10	Bahrain	2.3%

Source: World Trade Organization (WTO, 2018): Latest available data

#### 4.1.2. Foreign direct investment of Ethio-China (FDI)

Now a day, in eastern Africa, Ethiopia is a destination for investment. Around 2000, Chinese direct barley existed, but it has now intensified over the past few years. Based on data given by the Ethiopian Investment Commission (EIC), China is the first foreign direct investor in Ethiopia between 1992 and 2016. FDI flows from China to Ethiopia increased just about a US\$1 million in 2003 to an annual amount of US\$122 million in 2012 particularly in manufacturing investment volume [20]. As shown in the table below, China's investment in manufacturing investment volumes is the highest among other countries in Ethiopia in terms of value, number of projects and number of employees.

**Table 4: Top five foreign direct investors (August 1992- October 2016)**

Value	Number of projects	Permanent employee	Temporary employee
China (21.6)	China (23.6)	Britain (28.6)	Britain (33.2)
Saudi Arabia (18.8)	India (9.0)	China (18.5)	China (17.0)
Turkey (8.3)	USA (7.0)	Saudi Arabia (6.9)	Saudi Arabia (9.3)
India (6.3)	Turkey (4.4)	Turkey (5.1)	India (7.2)
Britain/Netherlands	Saudi Arabia	India	Turkey

(5.3)	(3.6)	(4.8)	(2.9)
Memorandum items			
Total value (in thousand birrs)	Total number of projects	Total permanent employment	Total temporary employment
93,541,852	2,547	287,664	306,641

Source: Ethiopian Investment Commission (Licensed FDI projects in operation, in percentage)

Foreign direct investment (FDI) has the opportunity to have the requisite capital assets and technology that is productive. In addition, FDI can be considered as an energetic and sustainable source of development for under-developing economies like Ethiopia. As a result, the volumes of projects and productivity increase continuously in the economy of Ethiopia. Chinese firms have a direct impact in improving income, technology transformation, and reducing the country's poverty [21].

The economic relations between Ethiopia and China are multifaceted. China issued more than \$2.9 billion in loan financing linked to infrastructural projects carried out by Chinese companies from 1992 to 2019. China's foreign direct investment in the Ethiopian economy is increasing here. Ethiopia's infrastructure focus, on the other hand, has created numerous opportunities for Chinese investors and firms. Chinese finance provides Ethiopia with vital support for the legitimacy of the government, as energy, transport and job opportunities continue to expand and stimulate economic development. Moreover, as table 1 shows that the number of licensed Chinese projects at different levels on total registered projects 985 projects 802 (81%) projects are in operation. Those projects at operation level created 152,997 permanent and 79,175 temporary employments for labor.

**Table 5:** Licensed Foreign Direct Investment (1992 - 2019)

Sector	Pre-Implementation		Implementation	Operation			
	Total No of Projects	Pre-implementation No of Projects	No of Projects	No of Projects	Capital in USD	Perm Employee	Temporary Employee
Agriculture	627	163	4	3	1,166,046	64	53
Manufacturing	2,838	751	130	541	2,262,116,03	54,305	21,608
Mining	22	3	1	3	3,090,601	58	42
Electricity	2	1		1	1,000	10	5
Education	112	19		1	393,148	6	4
Health	108	14	1	10	1,305,419	60	42
Hotels investment	233	49	3	31	8,586,113	717	236
Transport and Communication	127	29		9	2,110,161	203	60
Real estate, Machinery and Equipment Rental and Consultancy Service	1,021	233	10	103	77,567,665	86,866	27,243
Construction	435	121	33	97	550,969,665	10,638	29,637

Contracting								
Others*	107	19	1	3	4,741,774	70	245	
Grand Total	5,632	1,402	183	802	2,912,047,595	152,997	79,175	

Source: Ethiopia Investment Commission (2019)

According to the following table 2, indicates that the total share of the 1295 total numbers of projects distribution across the part of all regions including cities. The total numbers of 985 Chinese projects that are in implementation phase and operation significantly affects the Ethiopian economy. In addition, the total FDI volume is almost \$USD 2.9 billion that has been playing a great role in the aggregate Ethiopian socio-economic development aspect.

On the other hand, in particular, the distribution of the number of projects that are being introduced and run shows that 549 (42.4%) exist and are distributed in the capital of Addis Ababa, and there are 346 (26.7%) of projects in the provincial Oromia, to some degree in the 23 (1.8%) Amhara region. Here, the distribution patterns of projects show that there is skewed nature for the advantages of location, road and market accessibility. On the other side, if the disparity of rejoins continue like this, there will be inequalities and industry peace and security trouble issues that causes distraction towards Chinese projects as the following table indicates.

**Table 6:** Chinese FDI Status by Region

Region of Investment	Pre-implementation		Implementation		Operation		Project distribution	
	Total number of projects	No of Projects	No of Projects	Capital in USD	Permanent Employee.	Temporary Employee.	Total No of projects	Share (%)
Addis Ababa	157	78	471	1,354,642,168	30,408	38,646	706	54.6
Afar			2	152,413	5	35	2	0.15
Amhara	36	11	12	129,188,992	3,458	1,244	59	4.6
B.Gumze	4						4	0.31
Dire Dawa	2	3	7	43,688,738	81,097	20,273	12	0.93
Gambella	2		1	393,480	10	100	3	0.23
Harari			1	2,500	5	5	1	0.001
Multiregional		3	35	34,343,014	1,731	2,198	38	2.94
Oromia	106	84	262	1,326,923,201	32,302	16,188	452	34.93
SNNPR	3	3	7	13,043,946	3,866	423	13	1
Somali								

Tigray		1	4	9,322,354	110	63	5	0.39
Grand Total	310	183	802	2,911,700,806	152,992	79,175	1295	100.00

Source: Author’s compile analysis from Ethiopian Investment Commission (2019)

In contrast, the aggregate foreign direct investment flow of china over Africa is increasing in volume. For example, South Africa, the Democratic Republic of Congo, Mozambique, Zambia and Ethiopia were the top five African destinations for Chinese FDI in 2018. The following table shows how, over time, Chinese FDI increases. Therefore, in Ethiopia, China's foreign direct investment (FDI) reached \$3.3 million in 2018, from almost zero in 2004. Therefore, this opportunity makes Ethiopia China’s number one foreign direct investment destination in Africa. As a result, in the past 10 years, Ethiopia has reached high figures of economic growth, averagely 10.7% per year. If Ethiopia keeps growing at these levels for the near future, the country could attain middle-income status by 2030.

Table 7: Top 5 Foreign Direct Investment of China in Africa

US mn, unadjusted	Congo, Dem. Rep.	South Africa	Mozambique	Zambia	Ethiopia
2003	0.06	8.86	0	5.53	0.98
2004	11.91	17.81	0.66	2.23	0.43
2005	5.07	47.47	2.88	10.09	4.93
2006	36.73	40.74	0	87.44	23.95
2007	57.27	454.41	10.03	119.34	13.28
2008	23.99	4807.9	5.85	213.97	9.71
2009	227.16	41.59	15.85	111.8	74.29
2010	236.19	411.17	0.28	75.05	58.53
2011	75.18	-14.17	20.26	291.78	72.3
2012	344.17	-814.91	230.52	291.55	121.56
2013	121.27	-89.19	131.89	292.86	102.46
2014	157.56	42.09	102.51	424.85	119.59
2015	213.71	233.17	68.43	96.55	175.29
2016	-78.92	843.22	44.25	218.41	282.14
2017	340.24	317.36	117.47	305.8	181.08
2018	643.01	642.06	545.63	523.73	341.25

Sources: Chinese Outward Foreign Direct Investment Statistical Bulletin, issued by MOFCOM.

Author: Johns Hopkins University SAIS China-Africa Research Initiative (2020).

#### 4.1.3. Chinese Investment in Infrastructures

Now in Ethiopia, as in the rest of Africa, the Chinese government, companies or investors, in particular in hydroelectric power, highways, railways and telecommunications, are also very involved in all types of infrastructure growth. Chinese investment is bringing a significant change even at the grassroots level by giving employment opportunities to ordinary citizens [22]. These investments, however, does not taken as foreign direct investment (FDI) because they have carried out on behalf of the government of Ethiopia. Without Chinese government funding and participation, these investment ventures will not be carried out and realized, as both resources, equipped skills and technologies are needed. Therefore, as indicated in the following table, the major influences of Chinese investment in Ethiopia revealed by the Ethio-China cooperation commitment.

**Table 8:** Chinese-funded and contracted infrastructures, and part of Belt & Road projects

Type of project infrastructure	Chinese contractor	Chinese lender	Loan amount (US\$ million)	Total cost (US\$ million)
Addis to Djibouti railway	CCECC	Exim bank of china	2400	3400
Addis Ababa railway	CREC	Exim bank of china, industrial & commercial bank of china, china development bank	403	475
Addis Ababa Adama expressway	CCCC	Exim bank of china	800	1400
Bole international airport expansion	CCCC	Exim bank of china	225	340
Tekeze Dam	CGGC	Exim bank of china	50	365
Finchaa Amerti Hydroelectric power	CGGC	Exim bank of china	119	140
Geba Hydroelectric power	CGGC, Sino hydro company	Exim bank of china	466	583
Genale Dewa III Hydroelectric power	CGGC	Exim bank of china	326	406
Gibe III Hydropower project	Dongfang & Salini	ICBC	470	1580

Source: Author's compilation

#### 4.1.4. Ethio-China Relationship is Win-Win Approach

The Ethiopian government has made a major commitment to taking advantage of China's experience of change, economic growth, and capacity building as a development partner rather than a donor. The economic relationship is multi-faceted. In particular, China issued more than \$12 billion in loan financing linked to infrastructure projects carried out by Chinese firms between 2000 and 2014. Although imports of cheap consumer goods from China (\$3.4 billion in 2015) significantly outweigh exports from Ethiopia to China (\$380 million in 2015), there is an increasing influence on Chinese investment in the Ethiopian economy. The Ethio-China relationship is strategic for greater mutual benefit and win-win cooperation. Party-to-party, government-to-government, people-to- people ties are more evident and thus, from the Ethiopian aspect, subsistence of the regime is a prior



agenda than subsistence of the state and interest [23]. Therefore, if Ethio-China's win-win policy continues for the future, what they need to do would be enriched in both countries.

Among these relations, economic cooperation, essentially based on shared interests and profits, is the dominant one. More or less, Ethiopia has political stability, a visionary government, and solid policy, a nation rich in natural and human resources and a strategic geographic position. Hence, Ethiopia has become a point of attraction for economic development by various countries particularly China. Ethiopia also highly values Chinese cooperation and Chinese investment that are politically free and without hegemonic preconditions. Now, the Chinese corporate government and Chinese developers are doing all the investments and infrastructure for a day. This is a part of the Road and Belt Initiative Program.

#### **4.1.5. Socio-Cultural Cooperation between Ethio-China relations**

Culture is a catalyst and a facilitator of sustainable development in the sense of development. In addition, acknowledging and fostering respect for cultural diversity within an agenda focused on human rights will promote intercultural interaction, avoid conflicts and protect the rights of disadvantaged groups within and between nations, thus creating optimal conditions for achieving development goals. Culture, understood this way, makes development more sustainable [24]. Hence, beyond economic cooperation, the two countries are also the other face of these bilateral socio-cultural relations. China has been working to enhance its bilateral ties with Ethiopia for many years. Cultural cooperation in socio-cultural experience sharing, training, development, short and long term education between countries become increasing. More recently, instruction in various subjects has been extending, from government officials to school workers and young people. Socio-cultural cooperation is primarily driven by China, with the main goal of strengthening its economic influence, but also its soft power in Ethiopia. The aim of this cooperation is on technical cooperation in the fields of investment, agriculture, mining, communications, electricity, infrastructure and construction. Ethiopia has its first-ever satellite thanks to China-Ethiopia cooperation. It is one part of belt & road initiatives in mutual human development goals. So that, the relationship of Ethiopia with China is much longer, broader and strategic importance than project financing. Ethiopia and China are partners in nature. Both have experienced a foreign invasion in the past and shared the same emotions with invaders. Both follow an independent foreign policy and share the belief that development is the national renaissance's highest priority.

#### **4.1.5. How Does Culture Influence Business & Investment?**

##### **1) Culture creates significant business and investments**

The increasingly close contact between human beings and businesses, which are from different cultures, has been booming due to globalization. Culture is thus manifested in cultural norms, hidden assumptions and human existence, of which each occurring at various levels of depth has conceptual impacts on both domestic and indigenous investment and industry [25]. Cultural and social factors that affect investors' cross-border choices, interests, and decisions [26]. Because of this, culture influences the way people in their own community think about business. When interacting with people from other cultures, an understanding of cultural attitudes towards business can help you connect efficiently and effectively.

Furthermore, when talking about the significance & barriers of culture in investment and business, these aspects should take into account, especially the impacts from cultural values, language, history, religion, social, and business institution, working habits, and communications that can reflect the habits, attitudes, beliefs of the society abroad. Today, in Ethiopia, Chinese government support, Chinese firms, & Chinese investors lead the biggest corporate investment, trade activities, enhancing multi-cultural values and human capacity building. This is one part of belt & road initiatives plan. In this case, cultural values has to consider starting from feasibility study to implementation of any investment or business. Unless there could be barriers to belt and road progress or failures, projects planned for the two nations. Barriers, on the other hand, can have important business, investment and community-to-community relationship consequences. Similarly, cross-cultural problems are not only a challenge, but also an incentive for progress, fresh insights, and openness to new ideas and unity for those who want to prepare for belt & road initiatives. The belt and road initiative is not only about trade, business & investment, but also about cultural exchanges that will bring promising improvements to the cultural relations of Ethiopia, China and other countries. Therefore, cooperation will go hand in hand with cross-cultural exchanges outside the socio-economics & geo-politics relationship, such as increasing the scale of human growth, tourism, and promoting cultural activities & exchanges that enhance the two countries' win-win cooperation. That is why one of belt and road initiatives aimed to balance cultural barriers.

##### **2) How cultural barriers affect belt & road corporate investment?**

Generally, wherever you live, you will be influenced by the attitudes, customs and practices of the people around you. Those basic elements are the issues of culture. When a person of one culture encounters the beliefs and resulting actions of another culture, a clash can occur, which can be a barrier to success or failure. Such barriers can have significant or distraction implications in business, investment, work, institutions or in the wider community. In addition, China's active health cooperation with other Belt and Road Initiative (BRI) countries should concentrate on maximizing existing alliances, investment and funding for the health

industry, as well as overcoming cultural and communication barriers [27]. In this perspective, there are multi-dimensional cultural elements, which makes significant role in belt & road initiative investments between Ethiopia & China relationships. There are also cultural barriers that influence belt & road investment in Ethio-Chinese relationship. This important looking separately from both the Ethiopia & China culture over-all natural.

### 3) How the business & investment of Ethiopia affected by culture?

At national level, the working time for civil servants in public organization is limited to 8 hours per a day. This also has some impacts on private organizations to some extent. So that, the working habit of 8 hours per a day has an influence in working culture towards the country as well as the communities which causes lack of time utilization. In Ethiopia, there are 85 nations, nationalities & peoples with the population number of 109.2 million [28]. In various practices, these distinct nations & nationalities have their own religion & cultural values. Here, in deferent time, there are a number of holidays that everyone spends his or her income, time, labor, work wastage. Because of this, many kinds of social cases have arisen and been practiced in separate ways. In particular, the wedding ceremony is most definitely a social ritual that induces time wastage and extravagance. Even, different funeral ceremony celebrated in a variety mechanisms. Such as when a person die, the communities treat the family at least for a week. In this case, it affects the societies' normal business activities. Even though, the working system depends on the areas, nature of jobs and community, cultural practice in working together is poor (not so poor not so good). In Ethiopia, rather working together socializing things together and keeping the sovereignty of the country is very strong. Ethiopia has 86 nations, nationalities and peoples. This multi nationality has a positive impact on diversity and unity, but it has influence on business development. Because every nations practice their own culture. Due to these, the common cultural practice has no significant role to in enhancing business.

#### 4.2. Cultural barriers that affect belt & road Chinese investments in Ethiopia

**Lack of power energy:** Electricity and energy consumption in Ethiopia is very poor. The demand is incredibly high, but the supply is extremely poor. The whole population, in this situation, is very unhappy. As a practice, society has encountered the issue of power energy & it becomes a culture in the community. The society now perceives as normal & beliefs a day when there is no electric power. For the situation to be resolved, the industry needs a revolution. It currently has only around 2,300 MW of installed generation capacity to serve a population of over 95 million people [29]. That is why a big dam at the source of the Blue Nile Abbay River is planting by the Ethiopian government, which is a political issue for Ethiopians and Egyptians. Therefore, the absence of extreme energy is a bottleneck not just for civilization but also for investment or development as a whole. Most Chinese investment schemes have not been completely performing due to the absence of electricity. This relates to cultural barriers on the utilization of power energy. The lack of power energy on belt & road initiative corporate investment in Ethiopia has to consider as cultural challenges.

**Limitations of Investment choice:** There should be a feasibility study before investing in the projects. Cultural concerns that may or may not permitted to do so and not to do so must be recognize. It is important to report these issues and to address and inform the accountable body. Separate from the local, state, federal government that Chinese investors must obey, they also look at problems. Therefore, it can implement easily by recognizing the feasibility study, regardless of projects or investment desires. There may be programs that do not coincide with the Ethiopian culture. The working history of the society is still traditional and interrelated with religious thought in many instances. In this case, Chinese investors will be limited to use ideal resources. On the other hand, the choice of Chinese investment centered on Addis Ababa and Oromia, as the patterns indicate. This can gradually lead to issues of equality posed by the community, particularly as political issues in regions. The Chinese government and businesses firms should be notified before such cultural threats occur.

**The difference of working habit and cultural perception:** The working time is 8 hours a day, which has legalized in public institutions by the federal government of Ethiopia. In this scenario, Chinese firms need to work overnight, but the majority of Ethiopians workers no more than 8 hours per a day. Consequently, when at a time they need to work overnight, or at the weekend, Chinese firms may not get enough workers or labors. The other problem is misunderstanding of culture perception. In the products of Chinese firms, society does not perceive the efficiency of such products. Society often perceives that quality Chinese goods go to Westerns & Asians, but China does not manufacture quality products for Africa and Ethiopia. There is no way in this case to change the actual process of what people are saying.

**Cultural conflict and language barriers:** this may also lead to Chinese companies having less effective communication and more conflict with host communities. Moreover, this may link with social responsibility of firms especially, corporate social responsibility (CSR) is still a relatively new concept for Chinese companies in Ethiopia, and thus insufficient knowledge and experience may lead to the sources of potential organization's cultural conflicts for Chinese corporate investment overseas. Furthermore, language barriers seem to be very self-inherent, but we are not always conscious of secret language barriers. If you work in an industry that is rich in jargon or technical terms, if talking to someone from outside the industry, cautions should be taken to prevent these phrases.

**Political instability:** There is a culture of political turmoil in Africa. Recently, there is continuous disorder between the society and the government in Ethiopia because of the lack of serious good governance issues. As a result, emotional barriers that may be linked to business peace and security may be difficult to resolve, but are necessary to set aside to participate in conversations. It is hard but important to resolve this fear. Chinese investments' often viewed by the community as part of the government and destroyed when the community dislikes government behavior in relation to good governance and democratic issues. Risks to industrial peace and security issues may occur in such circumstances.

## 5. CONCLUSION & FUTURE DIRECTIONS

According to the study background, objective, methodology, literature, results and discussions of the study the following conclusions and possible recommendation have forwarded.

### Conclusion

Ethiopia's relations with China are historical, ancient and strategic, based on the South-South co-operation concept and their respective foreign policies of mutual benefit and non-interference. In addition, using their ancient relationships, Ethiopia and China have established good win-win situations. The bondage of the two countries is growing more effectively by improving the mechanism of exchanging cross-cultural competence and socio-cultural experience. However, bilateral ties between the two countries have developed in the two decades especially in the past fifteen years, particularly after the Belt and Road initiative. The relationship has driven by diplomatic and economic considerations. In many areas, including the Belt and Road initiative, Ethiopia is an extensive strategic cooperation partner for China. Currently, the two counties have close links. The relationships are government-to-government, people-to-people and party-to-party. In addition, China and Ethiopia share common cultural values such as working culture, language, behavior and lifestyles. China is generally popular in Ethiopia especially with belt and road initiatives of corporate investment, trade relations, infrastructure, human development, and cultural exchanges. However, lack of power energy, investment choice aligned with cultural values, industry peace and security issues, the differentiated working habit of cultural impacts, and language barriers may lead to Chinese companies having less effective in communication, expanding business, implementing based on desired aims. Further, if things go through just like current cooperation, in the near future the Ethio-China relationship not limited on Socio-economics, Politics, Technological, Historical, and Cultural but also China can be the second Ethiopians country and the reverse Ethiopia can be the second Chinese Country.

### Recommendation

- 1) China has giant positive impact on the Ethiopian economy, and in many cases, China's engagement in Ethiopia regarded as "win-win" situation. However, Ethiopia is not benefiting from China on their historic and ancient relationship. So that, both countries should increase more effective relationship with China rather than other African countries. Particularly, the Ethiopian government should encourage the development of efficient supply chain coordination in Ethiopia to minimize import-export imbalance; encourage domestic production export corporate market to gain employment opportunity and to reduce the problem of hard currency.
- 2) As of diplomatic, economic, and relationship, the two countries cultural relationship should maximize especially in cultural experience sharing, cultural business exchange, and cultural connection. Similarly, the interaction of social development such as education, training, best experience sharing and so on. This will balance the gap of cultural barriers that influence belt and road corporate investment initiatives between the two countries.
- 3) The belt and road initiative (BRI) is affecting the Ethiopia's trade, investment, infrastructure, technology transfer, financial support, and cooperation in significant ways. In doing so, Ethiopia and China has to utilize the prospect and solve challenges on belt and road corporate investment in relation to power energy, working habit and cultural perceptions, investment choice, cultural and language barriers, industry peace and security concerns.
- 4) Political instability should managed timely before the crises. Political instability causes a serious of industry peace & security issues: Foreign direct investment and political stability has to be deeply interconnected. Unless, uncertainty associated with an unstable political environment, it may reduce investment and the bound of economic relations between Ethiopia and China. So that, China should be responsive in supporting Ethiopia to have stable peace and security environment.
- 5) In addition to economic ties, the dominant relationship should be political. The economic relationship leads the two countries to achieve their shared bilateral win-win benefits; the political relationship leads the two countries in the consideration of economic benefits to make a clear link between people-to-people, government-to-government, and party-to-party.

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