

The Horn of Africa is one of the prime areas of China's engagement in the continent. The region is strategically located along the Red Sea, the major route for China's trade with Europe and the West, is a potential gateway to central and western African markets, has rich resources, a large population for Chinese markets & investment and is a political hub. All aspects of China's "four pronged" (ideological, political, security and economic) foreign policy are therefore focused on the Horn, though they are specifically centred on Ethiopia and Djibouti.

Ethiopia has been China's major focus in Africa since the mid-20th century because it is the continent's international hub. Indeed, the African Union, the Economic Commission for Africa, and a host of other continentally significant international institutions are headquartered in Addis Ababa. Since the coming to power of the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) in 1991, when Ethiopia adopted the Chinese model of authoritarian state-driven development, the country also became a convenient ideological, economic and security partner for China. Reciprocally, the EPRDF government, which needed cheap and appropriate Chinese technologies and assistance in infrastructure construction, as well as the vast Chinese market for Ethiopia's products, viewed China as a close political and economic partner.

The Chinese government has given Ethiopia grants to supply healthcare facilities with modern high-tech equipment, build new schools, and provide ministries with transport vehicles and office equipment, and in the case of the Ministry of Defense, with military trucks, small arms and training. Furthermore, China supported different development projects throughout the country. In line with its 'Belt and Road Initiative', which aims to encourage the building of transport infrastructure to facilitate its trade, China has also provided soft concessional loans through its Exim Bank to build the Addis-Djibouti railroad (with 70% of the USD 3.4 billion cost for the Ethiopia section), and several modern roads (such as the Addis-Hawassa and Gashena-Sekota roads) connecting business and population centers in Ethiopia. China has agreed to provide a similar loan to construct a pipeline between the Ogaden (Ethiopia) gas and oil fields and the Port of Djibouti. To support Ethiopia's drive at industrialization, China has additionally contributed to the financing of six Industrial Parks (Special Economic Zones) including the Hawassa Industrial Park, which is already completed at a cost of USD250 million. Once completed these Industrial Parks, whose construction has- as a required part of the loan- been given to Chinese construction companies, are expected to attract foreign companies to take advantage of the cheap rent and labour, low taxes, and duty-free access to US and European markets (under the US African Growth and Opportunity Act and the EU Generalized Scheme of Preference). There are also an increasing number of Chinese companies that have started small-scale agricultural and processing enterprises in Ethiopia. The establishment of such Chinese manufacturing and processing industries is expected to increase as labour costs in China, which already average four times higher than in Ethiopia, rise even higher. Ethiopia's abundant cheap labour, in addition to access to larger and more profitable markets, is another investment attraction.

Djibouti is the other country in the Horn that has drawn major Chinese engagement. Djibouti lies at the strategic entrance to the Red Sea, a major route for Chinese trade with Europe and the West, and potentially to central and western Africa through the planned Cross-Africa rail connection. The planned establishment of the African Continental Free Trade Area opens great economic opportunities and markets for China, and Djibouti is the entry point. Djibouti, whose importance to Chinese trade and economic reach to the West and Africa, is thus seen

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as critical by China. The country hosts the only Chinese military base outside of China and enjoys Chinese projects worth USD 9.8 billion financed by soft loans (such as the construction of a port terminal at Doraleh, and the Gubaith port and terminal to facilitate the export of salt from Lake Assal).

Chinese security interests and engagement in the Horn region have also been increasing. Besides the establishment of the military base in Djibouti and military assistance to Ethiopia, China has also provided troops - a first for China - to the UN peace keeping mission in South Sudan, a country which provides about 5% of China's fuel needs. China also collaborates with Ethiopia in its attempt to help establish security in Somalia.

By all counts, Chinese economic, political and security interests and engagements in the African continent will continue to expand, and the Horn of Africa will continue to be an important conduit to such expansion. The sub-region is rich with resources and provides a large market with the potential for investment in manufacturing. Given these factors, Chinese engagement, investment and partnership in the Horn of Africa region can only be expected to increase quite substantially with time.



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