



GEOPOLITICS · FOREIGN POLICY · REGIONAL STRATEGY

EAST

China · Japan · Azerbaijan

SOUTH ASIA

India · BRICS

GULF

UAE · Saudi Arabia · Turkey

TRADE

WTO · AfCFTA · EU

THE SURGE

How Ethiopia Is Rewriting Its Alliances in a Multipolar World

<p>\$5B+</p> <p>India Investment Stock 650 firms; Strategic Partnership Dec 2025</p>	<p>\$29M</p> <p>China Grant (Feb 2026) Airport, AI, Ethio-Djibouti Railway</p>	<p>\$2.3B</p> <p>UAE Commitment Manufacturing, renewables, infrastructure</p>	<p>\$118M</p> <p>Power Exports FY24/25 Kenya, Sudan, Djibouti</p>
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KEY INDICATORS AT A GLANCE

\$5B+ India Investment Stock <i>650 Indian firms active</i>	\$29M China Grant Feb 2026 <i>200M RMB; infra, AI, rail</i>	\$2.3B UAE Commitment <i>Largest Gulf bilateral</i>	\$365M Saudi Investment <i>Roads, power, water</i>
\$100B+ GCC Africa Investment <i>Past decade; UAE leads at \$59B</i>	\$118M Power Export Revenue <i>FY24/25; Kenya, Sudan, Djibouti</i>	90% Djibouti Port Reliance <i>Ethiopian imports and exports</i>	2026 WTO Accession Target <i>14th Ministerial Conference</i>

01 CHINA AND INDIA: THE TWIN ANCHORS**From Development Partners to Strategic Allies**

In the space of three months, Ethiopia secured a strategic partnership upgrade with India and a fresh infrastructure grant from China. Both moves are part of a deliberate diplomatic reorientation away from Western conditionality and toward transactional, interest-based partnerships in the Global South.

- ▶ **CHINA GRANT** In February 2026, finance-level agreements with China secured a 200 million RMB grant (approximately \$29 million USD) for three priority projects: the new Addis Ababa international airport, the AI Sovereign Model and Application Project, and enhancements to the Ethio-Djibouti Railway. This followed Foreign Minister Wang Yi's January 2026 visit to Addis Ababa.
- ▶ **ETHIO-DJIBOUTI RAILWAY** The 759-kilometre electrified railway, completed in 2016 with Chinese financing and engineering, remains the backbone of Ethiopia's freight corridor. Chinese support for upgrades is designed to extend operational efficiency and sustain a partnership that now spans infrastructure, manufacturing, telecommunications, and skills training.
- ▶ **INDIA STRATEGIC PARTNERSHIP** Indian Prime Minister Modi's December 18-19, 2025 state visit to Addis Ababa upgraded Ethiopia-India relations to a full Strategic Partnership. Agreements covered UN peacekeeping training, customs management, and the establishment of a Data Centre at the Ministry of Foreign Affairs. India is Ethiopia's second-largest trading partner, with exports of approximately \$500 million annually, primarily pharmaceuticals and chemicals.
- ▶ **INDIA INVESTMENT STOCK** India's cumulative investment in Ethiopia exceeds \$5 billion, with approximately 650 Indian businesses active across textiles, agro-processing, pharmaceuticals, and manufacturing. These investments support an estimated 75,000 jobs, making India one of the most significant bilateral economic partners outside the Gulf.
- ▶ **BRICS ALIGNMENT** Ethiopia is preparing to join BRICS alongside Egypt, with India holding the chairmanship in 2026. Membership formalises Ethiopia's positioning as a Global South anchor state and deepens access to BRICS financial instruments and trade frameworks. The Modi visit was partly designed to coordinate this accession.
- ▶ **AZERBAIJAN VISIT** PM Abiy conducted an official visit to Azerbaijan from February 26 to 28, 2026, covering aviation cooperation, industrial parks, free trade zones, and joint engagement between Ethiopian Investment Holdings and its Azerbaijani counterpart. The

visit reflects a deliberate strategy of diversifying partnerships beyond traditional alignments into emerging middle powers.

- ▶ **RUSSIA NUCLEAR PARTNERSHIP** Ethiopia and Russia's Rosatom have formalised a peaceful nuclear energy cooperation roadmap, covering energy sovereignty, industrial capacity, and technology transfer. The partnership builds on a century-long diplomatic relationship and positions nuclear as a complement to hydropower in Ethiopia's long-term energy mix under the Vision 2063 framework.

02 THE GULF AXIS

Finance, Infrastructure, and Strategic Depth

Gulf Cooperation Council states have collectively invested over \$100 billion across Africa in the past decade, with the UAE leading at \$59.4 billion. For Ethiopia, the Gulf is not merely a source of capital. It is a geopolitical anchor in an increasingly contested Red Sea corridor.

- ▶ **UAE COMMITMENT** The UAE has committed \$2.3 billion to Ethiopia across manufacturing, renewable energy, and infrastructure. This makes the UAE the single largest Gulf bilateral partner. UAE investment strategy in Ethiopia is tightly linked to its broader Red Sea and Horn of Africa positioning, including port and logistics network ambitions from Berbera to Port Sudan.
- ▶ **SAUDI ARABIA** Saudi Arabia has invested \$365 million in Ethiopian roads, electricity, and water projects as of 2025. Saudi engagement is partly strategic: as Ethiopia's hydropower infrastructure expands, Saudi Arabia sees an opportunity to source renewable power and secure food supply chains through agricultural investment.
- ▶ **TURKEY** President Erdogan's visit cemented Turkey's role as a bilateral partner across security and trade. Turkey supplies drones and military cooperation, complementing Ethiopia's security posture in a region where state fragmentation creates significant operational demands. Turkish investment in manufacturing and trade corridors is also expanding.
- ▶ **POWER DIPLOMACY** Ethiopia earned \$118.1 million from electricity exports in FY 2024/25, supplying up to 200 megawatts to Kenya, 100 megawatts to Sudan, and 66 megawatts to Djibouti. Plans to extend supply to Tanzania and South Sudan are under negotiation. The Grand Ethiopian Renaissance Dam (GERD), now producing 1,800 megawatts with a target of 2,600 megawatts, is the energy foundation for this regional power diplomacy.

STRATEGIC NOTE

Gulf engagement with Ethiopia is not unconditional. The UAE's posture shifts alongside its Red Sea interests, which can diverge from Ethiopia's. In 2025, the UAE was reported to have previously operated a facility in Eritrea that has since been dismantled. Any Ethiopia-Eritrea conflict would require the UAE to choose sides in a region where it has investments on multiple shorelines.

03 PORT ACCESS AND TRADE CORRIDOR STRATEGY

Reducing the Djibouti Dependency: The Business Case for Maritime Diversification

Approximately 90% of Ethiopia's imports and exports pass through Djibouti. For a \$150 billion economy growing at 7-8% annually, this single-point dependency is a structural cost and

supply chain risk. Ethiopia's pursuit of alternative port access is, at its core, a logistics and trade competitiveness agenda.

- ▶ **DJIBOUTI DEPENDENCY COST** Routing nearly all trade through a single port creates significant exposure: port congestion charges, transit delays, politically set fee structures, and vulnerability to any disruption at a single chokepoint. As export volumes surge, particularly in coffee, gold, and horticulture, the logistical ceiling at Djibouti becomes a binding constraint on growth.
- ▶ **BERBERA CORRIDOR** The Somaliland MoU signed in January 2024 offers Ethiopia a 20-kilometre coastal zone and commercial port access at Berbera over 50 years. The Port of Berbera is operated by UAE-based DP World, which has invested heavily in expanding capacity. For Ethiopian exporters, a Berbera corridor would provide a second Red Sea outlet, reduce freight costs, and improve supply chain resilience.
- ▶ **LAPSSET CORRIDOR** The Lamu Port-South Sudan-Ethiopia Transport (LAPSSET) corridor, linking Ethiopia to Kenya's Lamu port on the Indian Ocean, provides a southern maritime alternative. Though long delayed, the corridor has gained renewed relevance as Ethiopia's trade volumes grow and the case for port diversification strengthens. Kenya views LAPSSET as a strategic infrastructure and revenue asset.
- ▶ **ETHIO-DJIBOUTI RAILWAY UPGRADE** China's February 2026 grant includes funding for enhancements to the Ethio-Djibouti Railway, the 759-kilometre electrified freight line completed in 2016. Improving throughput capacity and operational reliability on this corridor is the most immediately actionable logistics investment, reducing transit times and freight costs for exporters.
- ▶ **ELECTRICITY AS CORRIDOR LEVERAGE** Ethiopia's power export programme, generating \$118.1 million in FY 2024/25 from Kenya, Sudan, and Djibouti, creates mutual economic interdependence with corridor states. Countries receiving Ethiopian electricity have a direct financial incentive to maintain stable, low-friction trade relationships with Addis Ababa.
- ▶ **WTO ACCESSION** Ethiopia targets WTO accession at the 14th Ministerial Conference in 2026, following 13 Working Party sessions since 2003. Membership would formalise market access terms, provide a rules-based dispute resolution mechanism for exporters, and signal to international investors that Ethiopia's trade governance has reached institutional maturity.

04 ENERGY DIPLOMACY AND THE GERD DIVIDEND

Hydropower as a Regional Economic Asset

The Grand Ethiopian Renaissance Dam is now operational and generating foreign exchange. Ethiopia is converting its hydropower capacity into a regional energy network, building economic interdependence with neighbours and positioning itself as the power hub of East Africa.

- ▶ **GERD OUTPUT** The GERD is currently producing approximately 1,800 megawatts, against a full operational target of 2,600 megawatts. As generation capacity scales toward the target, Ethiopia's ability to expand power export contracts and attract energy-intensive industries increases proportionally.
- ▶ **POWER EXPORT REVENUE** Ethiopia earned \$118.1 million from electricity exports in FY 2024/25, supplying up to 200 megawatts to Kenya under a 2022 agreement, 100 megawatts to Sudan, and 66 megawatts to Djibouti. Negotiations are underway to extend supply to Tanzania and South Sudan, with a 100-megawatt MoU for South Sudan already signed.

- ▶ **REGIONAL GRID INTEGRATION** Ethiopian power exports create durable bilateral economic ties. Kenya, Sudan, and Djibouti all have a direct commercial interest in maintaining stable, low-friction relationships with Addis Ababa. As the East African Power Pool (EAPP) expands, Ethiopia's position as the region's primary generation source strengthens its negotiating leverage across trade, logistics, and investment frameworks.
- ▶ **INDUSTRIAL PARK OPPORTUNITY** Reliable, competitively priced electricity is a primary draw for export-oriented manufacturers considering Ethiopia's industrial parks. The GERD's expanded output supports the government's ambition to fill industrial park capacity in textiles, agro-processing, and light manufacturing, sectors where power availability is a decisive location factor.
- ▶ **NUCLEAR PARTNERSHIP** Ethiopia and Russia's Rosatom have formalised a peaceful nuclear energy cooperation roadmap under Vision 2063, positioning nuclear as a long-term complement to hydropower. The partnership covers technology transfer, skills development, and phased plant development. For investors in energy-intensive sectors, the medium-term signal is a trajectory toward sustained power surplus rather than scarcity.
- ▶ **UAE RENEWABLE ALIGNMENT** The UAE's \$2.3 billion commitment to Ethiopia includes a significant renewable energy component. UAE investment in solar and wind capacity complements GERD hydropower, diversifying the generation mix and reducing climate-related output variability, a risk that analysts flag as hydropower's primary long-term vulnerability.

05 INVESTMENT ARCHITECTURE AND SECTOR OPPORTUNITIES

Where Capital Is Flowing and What Partners Are Prioritising

Ethiopia's diplomatic surge has produced a widening pool of committed bilateral capital. The question for investors is not whether partners are engaged but which sectors are absorbing investment, which structural reforms have improved the operating environment, and where the remaining friction points lie.

ETHIOPIA DIPLOMATIC PARTNER MATRIX | 2025/26

PARTNER	STATUS	KEY COMMITMENTS	FOCUS AREAS	OUTLOOK
China	Strategic	\$29M grant; railway, AI, airport	Infrastructure, tech, debt restructuring	High; Belt and Road anchor
India	Strategic	\$5B+ FDI; 650 firms active	Trade, pharma, peacekeeping, tech	Rising; BRICS alignment
UAE	Bilateral	\$2.3B committed	Renewables, manufacturing, ports	High; UAE-Eritrea risk
Saudi Arabia	Bilateral	\$365M roads, power, water	Infrastructure, food security, finance	Stable
Turkey	Bilateral	Drones, military cooperation	Security, trade corridors	Growing; regional actor
Japan	Bilateral	TICAD 9; 48-member delegation Jan 2026	Agri, infra, private sector	Steady; selective
EU	Multilateral	Forum Apr 20; 500+ participants	Trade, governance, humanitarian	Strained; HRW scrutiny

- ▶ **MANUFACTURING AND INDUSTRIAL PARKS** India's \$5 billion investment stock is concentrated in textiles, agro-processing, pharmaceuticals, and light manufacturing. Chinese investment underpins industrial park infrastructure, logistics, and telecoms. The July 2024 FX liberalisation has materially improved the repatriation environment, removing one of the most frequently cited barriers by foreign manufacturers.
- ▶ **FINANCIAL SECTOR OPENING** Ethiopia's partial opening of the banking sector to foreign participation is drawing interest from Gulf-based financial institutions. The Ethiopian Securities Exchange (ESX), launched in late 2024, provides a nascent but growing capital markets infrastructure. Combined with mobile money expansion, digital transactions now approach the scale of national GDP.
- ▶ **TECHNOLOGY AND AI** China's grant covers the AI Sovereign Model and Application Project, and Ethiopia is establishing a specialised AI University expected to open in the 2026-27 academic year. The AI UniPod in Addis Ababa, developed in collaboration with Addis Ababa University and UNDP, has opened as a research and innovation hub. For technology investors, Ethiopia is signalling a shift from passive tech consumption to active institutional capacity building.
- ▶ **EU BUSINESS FORUM** The EU High-Level Business Forum, scheduled for April 20, 2026 with over 500 participants, is the most significant near-term European private-sector engagement event. EU partnership brings institutional credibility, concessional financing terms, and market access advantages that Gulf and Chinese partners do not provide in equivalent form.
- ▶ **SAUDI TRADE DEEPENING** The February 2026 reciprocal FM visits between Ethiopia and Saudi Arabia covered trade and investment alongside regional security. Saudi Arabia is a top destination for Ethiopian coffee and khat exports and a growing source of capital for agriculture, water infrastructure, and food processing investments tied to Saudi food security strategy.

EDITOR'S OUTLOOK

THE BOTTOM LINE

Ethiopia's bilateral engagement between mid-2025 and early 2026 has produced a tangible pipeline of committed capital: \$5 billion in active Indian investment, \$2.3 billion in UAE commitments, \$365 million in Saudi infrastructure funding, a \$29 million Chinese grant covering airport, AI, and rail, and a Rosatom nuclear partnership. WTO accession is within reach. The EU forum in April is the next major capital mobilisation event. BRICS membership formalises access to a new tier of development finance.

The structural story is one of an economy that has deliberately reoriented its external financing away from single-donor dependency toward a diversified, transactional model. For investors, the operating environment has improved materially: FX liberalisation, the NBE directive on FX retention, banking sector opening, the securities exchange launch, and streamlined coffee export licensing have each removed specific friction points. The remaining priorities are logistics diversification beyond Djibouti, industrial park utilisation rates, and execution on the technology and AI capacity agenda. The capital is lined up. The question now is absorption.



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Sources: Horn Review, IFA Ethiopia, CNBC Africa, Addis Media Network, The Reporter Ethiopia, Africa Center for Strategic Studies, UNDP Quarterly Economic Profile, World Economic Forum, USDA FAS, Fana Broadcasting Corporate, Capital Ethiopia, Council of Ministers Regulation 574/2025, Pragma Investment Advisory | Published March 31, 2026