

7. India-Ethiopia- International Relation

India & Ethiopia sign three MoUs during PM Modi's visit to Addis Ababa. India and Ethiopia have elevated their ties to a Strategic Partnership to leverage Ethiopia's role as an African Union hub and BRICS member, focusing on defense, digital infrastructure, and trade. However, the relationship faces hurdles such as Ethiopia's severe forex crisis, a skewed trade balance, and regional instability in the Horn of Africa, necessitating financial innovation and diversified cooperation.

Strategic Partnership Upgrade

Elevation of Ties- India and Ethiopia have upgraded their bilateral relationship to a Strategic Partnership, reflecting Ethiopia's critical role as a gateway to the Horn of Africa and a central hub for the African Union (AU).

New Agreements- The partnership was deepened through the signing of three specific Memoranda of Understanding (MoUs) focusing on

Customs- Enhancing administrative assistance in customs matters.

Digital Infrastructure- Establishing a data center at the Embassy of Ethiopia.

Global Security- Strengthening cooperation in UN peacekeeping operations.

Evolution of India-Ethiopia Relations

The relationship has matured from ancient trade routes to modern strategic alignment.

Ancient Civilizational Ties- Historical links trace back to the Aksumite Empire, where Indian merchants traded silk and spices for Ethiopian gold and ivory via the ancient port of Adulis. Archaeological excavations in northern Ethiopia have yielded Indian coins from the Kushan period, proving early economic exchange.

Colonial Era Role- Indian soldiers were pivotal in British military expeditions in the region. Key events include the 1868 mission to liberate diplomats and the 1941 campaign that successfully ended the Italian occupation of Ethiopia.

Post-Independence (1948 Onwards)- Formal diplomatic ties were established in 1948.

The "Teacher" Legacy- During the 1950s and 60s, thousands of Indian teachers settled in Ethiopia. They became the backbone of the country's modern education system, fostering deep cultural goodwill that remains a pillar of the relationship today.

Recent Strategic Milestones (2025)

Defense- In October 2025, the nations held their first Joint Defence Cooperation meeting to formalize military collaboration.

New Frontiers- The upgraded Strategic Partnership focuses on emerging sectors like ICT, space research, and renewable energy.

Ethiopia is Important for India

Geostrategic Location- Located in the Horn of Africa, Ethiopia acts as a stable regional anchor.

AU Headquarters- The capital, Addis Ababa, hosts the African Union headquarters, serving as the political capital of the continent and a primary hub for India's diplomatic engagement with Africa.

Economic Potential- With a population of over 135 million, Ethiopia offers a vast consumer market for Indian goods and investment.

Multilateral Synergy

BRICS- Ethiopia's recent inclusion in BRICS strengthens its strategic proximity to India.

Global South- Both nations collaborate on platforms like the G20 (with the AU) to champion the interests of developing nations.

Gateway to Africa- Strong ties with Ethiopia provide India a dependable partner to expand its economic and political footprint across Eastern Africa.

India's Role in Ethiopia's Development- India serves as a major investor, development partner, and capacity builder.

Investment Hub- India is the second-largest foreign investor in Ethiopia. Over 650 Indian companies have invested approximately \$5 billion, primarily in agriculture, manufacturing, textiles, and pharmaceuticals.

Development Finance- India has extended over \$1 billion through concessional Lines of Credit (LoCs). These funds target critical infrastructure projects such as rural electrification and the sugar industry.

Capacity Building- Through the ITEC programme and ICCR scholarships, India trains thousands of Ethiopian officials and students annually, contributing significantly to human resource development.

Bilateral Trade Profile (2024-2025)

Total trade stood at \$550.19 million, characterized by a significant trade surplus in India's favor.

Feature	India's Exports to Ethiopia	India's Imports from Ethiopia
Total Value	\$476.81 Million	\$73.38 Million
Composition	High-value finished goods and industrial inputs.	Primary agricultural commodities and raw materials.
Key Products	Primary/Semi-finished Iron and Steel Drugs and Pharmaceuticals Machinery and Instruments Chemicals and Plastics Paper and Metal manufactures	Pulses and Vegetables Seeds and Spice Flax Yarn Precious/Semi-precious stones Leather

Key Areas of Bilateral Cooperation

Education & Technology- Continues the legacy of educational support via scholarships and university linkages.

Tele-Education- Implementation of the e-VidyaBharati and e-ArogyaBharati (e-VBAB) Network to provide digital education and medical support.

Defence & Security- Collaboration involves UN Peacekeeping training, regular defense dialogues, and counter-terrorism efforts. India aids in the capacity building of Ethiopian defense forces.

Health & Pharmaceuticals- India supports the upgradation of healthcare facilities and provides grant assistance for medicines. Indian pharmaceutical exports are vital for Ethiopia's health sector.

Agriculture & Food Security- Joint efforts in agricultural technology, natural farming, and developing the meat and dairy sectors to ensure food security.

Digital Public Infrastructure (DPI)- A crucial new focus area where India shares expertise from UPI and Aadhaar to accelerate Ethiopia's digital transformation.

Challenges in India-Ethiopia Relations

Trade Imbalance- The trade relationship is heavily skewed towards India, with Ethiopia exporting mostly low-value raw materials.

Economic Bottlenecks

Forex Crisis- Ethiopia faces a severe shortage of foreign exchange, making it difficult for Indian investors to repatriate profits or import raw materials.

Fiscal Constraints- Debt restructuring and economic strain limit the government's ability to fund large-scale projects.

Geographical Constraints- Being a landlocked nation, Ethiopia suffers from high logistics costs and relies heavily on neighboring ports like Djibouti.

Regional Instability- Internal political conflicts and instability in the broader Horn of Africa region negatively impact the investment climate.

Regulatory Hurdles- Investor's face challenges such as inconsistent taxation policies, complex regulatory approvals, and a lack of transparency.

Geopolitical Competition- India faces stiff competition from China and Gulf nations, which use deep financial resources to secure influence.

Way Forward

Diversify Trade- India should assist Ethiopia in shifting from raw material exports to value-added products like processed foods, finished leather, and textiles.

Financial Innovation- Implement Local Currency Settlement (LCS) mechanisms to bypass the forex shortage and facilitate smoother trade.

Digital Transformation- Deploy India's DPI stack—specifically linking UPI with Ethswitch to modernize Ethiopia's financial ecosystem.

Infrastructure & Logistics- Invest in joint logistics ventures to overcome landlocked constraints. Leverage the African Continental Free Trade Area (AfCFTA) to position Ethiopia as a regional manufacturing hub.

Regulatory Reform- Fast-track the renewal of the Bilateral Investment Treaty and Double Taxation Avoidance Agreement (DTAA) to ensure legal protection for investors.

Strategic Capacity Building- Expand training programs (e-ITEC) into advanced fields like AI, space technology, and defense.

Multilateral Synergy- Utilize the BRICS platform to align positions on Global South issues and international financial reforms.

Sector Focus- Direct investment toward high-growth sectors like pharmaceuticals, agro-processing, and renewable energy (solar and wind) for mutual resilience.

Source- <https://www.newsonair.gov.in/india-ethiopia-sign-three-mous-during-pm-modis-visit-to-addis-ababa/>

