Ethiopia's Post-2018 Economic Reforms: Implications for Ethiopia's Foreign Policy Orientation and Practice

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Abstract

This study investigates the effects of Ethiopia's post-2018 economic reforms on its foreign policy. Using thematic analysis of qualitative data, the study found a substantial relationship between the reforms and shifts in foreign policy. The 2019 economic reform marked a notable shift from a security-dominated to an economic diplomacy focus, particularly evident in Ethiopia's commitment to fostering economic integration with neighbors. These shifts have prompted a re-evaluation of Ethiopia's international engagements for economic improvement and enhanced diplomatic relations. However, challenges remain. Ethiopia needs to establish broader foreign relations to navigate partnerships and manage diverse connections and interests, requiring robust economic diplomacy, especially given ongoing reforms impacting several States. Adjustments in the exchange rate regime, from fixed to floating, are central to the macroeconomic reform. While these adjustments are expected to increase international interest, they necessitate a strategic approach to foreign relations to maximize potential benefits.

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Introduction

Ethiopia's economic policy transitioned from a developmental state model to a homegrown economy approach in 2019, following the political changes of 2018. The Homegrown Economic Reform Agenda (HGEA) seeks to industrialize Ethiopia by 2030, drawing inspiration from the endogenous growth model. Its key strategies include boosting domestic savings, ensuring macroeconomic stability, fostering public-private partnerships, and promoting local entrepreneurship and self-reliance (HGER, 2020; Yidneckachew and Cochrane, 2024; PSI, 2024).

Within this 10-year plan, macro-financial reforms aim to mitigate public debt risks, control inflation, reduce external vulnerabilities, and enhance investment and exports. A significant aspect of these reforms is the gradual shift to a flexible exchange rate regime to address external imbalances. This reform represents a major change in Ethiopia's foreign exchange system, introducing competitive, market-based exchange rate determination and tackling long-standing economic distortions.

The ten-year comprehensive perspective plan, a multidimensional framework, integrates structural and sectoral reforms to complement macro-financial stability initiatives. It prioritizes key sectors—agriculture, manufacturing, ICT, tourism, and mining—with the aim of attracting Foreign Direct Investment (FDI) and boosting exports (HGER, 2020). The core strategy involves increasing domestic productivity through capital inflow, technology transfer, and capacity building, followed by diversifying export items and markets to enhance global trade engagement.

This reform vision influences the interactions of various foreign actors in Ethiopia's foreign relations, potentially leading to a reorientation of Ethiopian foreign policy and practice. The plan also outlines how the foreign relations sector can support these economic goals. Therefore, it is crucial to assess if the reform is indeed shifting Ethiopia's foreign policy orientation and practice, and to understand how the sector is responding to the economic reform agenda.

Ethiopia's diplomatic landscape transformed significantly at the turn of the 20th century, with modern diplomacy now focusing on national interests, responding to international pressures, and adopting citizen-centered approaches (Dessalegn, 2024). In the New World Order, Ethiopia's foreign policy evolved from a rigid Marxist ideology to a more flexible developmental state. This shift is characterized by numerous alliances, a strong emphasis on economic development, and a de-prioritization of security issues (Chala, 2020).

A country's foreign policy is significantly shaped by its internal political and economic dynamics (Eksteen, 2019). Economic reforms, especially those focused on structural transformation, often require foreign policy adjustments as governments recalibrate national interests and international alliances. Ethiopia provides a relevant case study, particularly the period following 2018, which saw substantial political and economic changes, most notably the 2019 launch of the Homegrown Economic Reform Agenda. This reform program aims to stimulate inclusive growth, attract investment, and modernize key economic sectors. However, its implementation has faced numerous challenges, including internal conflict, the COVID-19 pandemic, foreign exchange shortages, and climate-related disruptions (IMF, 2021; World Bank, 2022).

These internal dynamics have increasingly converged with external pressures and opportunities. Ethiopia's recent BRICS accession and its efforts to strengthen ties with non-Western powers indicate a potential shift in its foreign policy orientation. Concurrently, Ethiopia has worked to maintain and restore relationships with traditional Western partners, engaging actively with international financial institutions like the IMF

and the World Bank. These developments raise critical questions about the direction and consistency of Ethiopia's foreign policy and whether the ongoing economic reforms are reshaping its diplomatic posture, strategic alliances, and global positioning (Skidmore, 1994; McCormick, 1999; Roehrig, 2014).

Despite significant shifts, the impact of Ethiopia's economic reforms on its foreign policy remains poorly understood. Existing studies often treat economic development and foreign policy as separate entities, failing to adequately analyze the dynamic interconnections between the domestic economic agenda and international diplomatic strategies. Furthermore, there is a lack of empirical research examining the tangible effects of post-2018 economic reforms on Ethiopia's bilateral and multilateral relations. This study aims to address this gap by critically examining how these reforms have influenced Ethiopia's foreign policy behavior.

This study employed a qualitative research approach, utilizing data collected from primary and secondary sources. Semi-structured interviews were conducted with key informants to gather insights into the macroeconomic reform influences on foreign policy orientation and practices. Secondary data was drawn from government policy documents, including the Homegrown Economic Reform Agenda (HGEA) and foreign affairs policy documents, reports from government offices, and scholarly articles. Qualitative reports were leveraged to assess the narratives surrounding economic reforms in post-2018 Ethiopia. The qualitative data was analyzed using thematic analysis, identifying recurring patterns and themes related to economic reform and diplomacy.

Ethiopia's Post-2018 Economic Reform and Foreign Policy Landscapes

Ethiopia's unprecedented economic growth, which began in 2003, started to slow down after 2015, impacted by macroeconomic imbalances, political instability, and widespread public uprisings. The growth rate declined to 7%, a significant drop from the previous year's average of 11% (Andualem, 2021). This period highlighted the urgent need for change within the country and placed considerable strain on Ethiopia's foreign relations, particularly concerning civil space, human rights protection, and democratization. While the international community exerted pressure on the Ethiopian government to address these issues, the EPRDF era concluded with a political transition in 2018 due to escalating public unrest and domestic conflicts.

Economic Reform within Political Transition

The political transition of 2018 was a remarkable event, ushering in a wave of hope and optimism. This peaceful transition, symbolized by the historic handshake between

outgoing Prime Minister Hailemariam Desalegn and his successor Abiy Ahmed, profoundly impacted Ethiopia's foreign relations. The international community lauded the peaceful nature of this transition, which paved the way for peace talks with the Eritrean government and various Ethiopian opposition groups based abroad, fostering a new environment for regional peace and security. The transition also significantly increased women's representation and participation in the country's politics, particularly in foreign affairs, thereby enhancing Ethiopia's international standing (IPU, 2022). Further promising developments included reforms initiated in the electoral process and the justice and judiciary systems. These governmental efforts alleviated external pressures and positively influenced Ethiopia's relations with both Eastern and Western nations. Many observers noted that Ethiopia was forging a new trajectory, leading to increased international interest in supporting these changes.

This period of political transition coincided with declining economic growth and high levels of debt accumulation. During the EPRDF era, the government heavily intervened in the economy, prioritizing public financing for development efforts. This led to substantial infrastructure investment, particularly in the construction sector, which constituted a significant portion of GDP. External financing and the export of a limited range of commodities primarily funded these investments. Despite these developments, the economy began to show signs of decline after 2015, necessitating post-2018 economic reforms. The economy's heavy reliance on public investment and minimal private sector contributions resulted in significant macroeconomic imbalances (Andualem, 2021; HGER, 2020).

At this critical juncture, international actors have strongly emphasized a long-standing priority: the need for macroeconomic and financial reforms to liberalize the country's economy. These reforms are expected to not only stabilize the economy but also enhance Ethiopia's attractiveness to foreign investors and partners.

Focuses, Directions, and Demands of the Homegrown Economic Reform Agenda (HGERA)

Ethiopia's 2019 economic reform was comprehensive, encompassing macroeconomic, structural, and financial dimensions. As a shift from a developmental state model to the Homegrown Economic Reform Agenda (HGER), it aimed to revitalize the economy through international trade interactions, increased investments, and tourism inflows. This period provided an opportunity for Ethiopian diplomatic missions to promote the country's potential and attract foreign interest.

Structural and Institutional Reforms: The reform agenda was aimed at transforming the underlying structures of the economy, as it was not limited to economic measures only. Hence, the government sought to enhance efficiency, stimulate private sector growth, and diversify the economy by moving towards a more market-oriented approach. In the reform process, several key sectors, including manufacturing and agriculture, were targeted to enhance productivity, substitute imports, and boost exports. Greater attention has also been given to service sectors like tourism to diversify economic sectors for further development.

External Sector and Regional Integration: Financial reforms were paramount in stabilizing the economy and improving access to capital. By liberalizing the financial sector, these reforms aimed to attract domestic and foreign investments and foster an environment more conducive to economic growth. The reform agenda also emphasized regional integration and trade cooperation. To enhance Ethiopia's role in the regional economy, efforts were made to strengthen ties with neighboring countries, intending to facilitate trade, investment, and economic collaboration. In this regard, the government recognized the need for proactive market promotion strategies to showcase Ethiopia as an attractive investment destination. This included marketing the country's resources, labor force, and strategic location to potential investors and partners.

Macroeconomic Reform with the Changing Exchange Rate System

In Ethiopia, economic reform efforts toward a market-oriented economy began in the early 1990s, guided by the Ethiopian People's Revolutionary Democratic Front's (EPRDF) developmental state approach, which emphasized a strong governmental role. During that period, the economy experienced double-digit growth from 2003 to 2017 (Andualem, 2021). However, it also faced challenges due to macroeconomic imbalances, instability, inequality, and conflict (Yidneckachew and Cochrane, 2024). This macroeconomic growth, primarily characterized by significant public investments in infrastructure, has been identified as a cause of serious macroeconomic imbalances (HGER, 2020). Vast public investment, financed through external borrowing, increased the risk of external debt distress. Trade deficits rose to 17% between 2003 and 2020, compared to an average of 10% from 1991 to 2003 (Andualem, 2021). Additionally, the traditional structural transformation played a role, with economic activity largely shifting from agriculture to construction and services, bypassing industrialization (IDA *et* al., 2023).

Liberalization requests have multiple implications. For an extended period, entities such as the IMF and the World Bank have requested Ethiopia adopt a more liberalized exchange rate system. The implementation of such reforms is expected to enhance

Ethiopia's international credibility and foster stronger relationships with these financial institutions. Successful execution of the reform could bring Ethiopia closer to aligning with international economic standards and best practices. The Ethiopian government has recognized the need for significant changes to embrace neoliberal principles in its economic policies. This shift reflects the nation's intent to adapt to a globalized economy through substantial transformation. The drive for neoliberal policies aligns with broader goals of economic restructuring and international engagement.

Economic liberalism, in its classical sense, refers to policies that reduce government constraints on economic behavior and thus promote economic exchange, often referred to as "marketization." While global trends towards liberalism have increased, substantial variations exist in the paths pursued by different countries worldwide. In the World Bank Economic Review, Deepak (1987) identified two major policy challenges facing developing countries in the 1980s: unsustainable external and internal disequilibria, and the implementation of politically feasible stabilization and liberalization programs necessary to rectify these imbalances. According to Deepak, for governments of developing countries facing a "crisis" yet possessing the political will to adopt policy recommendations from stabilization and adjustment programs, key measures include: (a) reducing absorption through fiscal deficit cuts, limiting overall domestic credit, and devaluing the currency if required for expenditure switching; and (b) improving the supply side of the economy by reducing foreign trade and wage-price controls, altering interest rate ceilings, changing reserve requirements, and potentially eliminating exchange controls.

Economic reforms can significantly reshape the orientation and practice of foreign policy by shifting national priorities and external engagements. As a country liberalizes its economy, attracts foreign investment, and seeks new markets, foreign policy often becomes more economically driven, focusing on trade partnerships, regional integration, and diplomatic ties that support growth and development (Simmons & Elkins, 2004; Bussmann *et al*., 2005). In this context, the exchange rate change from the fixed to the floating system requires economic diplomacy, which can play a significant role in increasing exports by attracting foreign direct investment, thereby enhancing domestic production and supply.

Although economic factors have long been foundational determinants of a country's foreign policy, their importance escalates due to privatization, liberalization, and globalization trends worldwide. Evidence from India suggests that inadequacies in food production have impacted its foreign policy dynamics, particularly through dependency on wheat diplomacy initiated by Western countries. Agarwal argues that India's 1991

liberalization led to a reorientation of its foreign policy—from an inward, protectionist approach toward market-driven, outward-looking diplomacy—emphasizing integration into global trade regimes and strategic engagement with Western economic partners (Agarwal, 1993).

A significant aspect of Ethiopia's economic reform was dedicated to the emphasis on self-reliance, encouraging local capacities and resources. Moreover, Ethiopia aimed to create a more integrated regional economy, enhancing trade in goods and services and promoting mutual economic growth by fostering cooperation with neighboring countries.

The Foreign Policy Orientation, Practice, Change and Continuity in Ethiopia

The concept of foreign policy change encompasses various empirical phenomena that differ across qualitative dimensions (Haesebrouck and Joly, 2021). It has a multitude of definitions, reflecting its actors, principles, and inherent complexity. According to Hermann (1990), foreign policy is a goal-oriented or problem-oriented program by authoritative policymakers or their representatives directed towards entities outside the policymakers' political jurisdiction. He identified four types of foreign policy changes: adjustment change, program change, goal change, and fundamental form of change.

Many potential factors drive foreign policy change. At the international level, systemic changes in the distribution of power (e.g., the end of bipolarity, the end of the Cold War), shifts in international norms, and participation in international organizations can significantly influence foreign policy (Tim and Jeroen, 2021). Conversely, foreign policy continuity may be imposed by past engagement with international organizations, established international norms, or a state's weaker position in the international system. These factors are crucial for understanding instances of change.

The goals and priorities a state seeks to achieve through its interactions with other states and international actors vary depending on its interests and aspirations. In this regard, the Ethiopian government's foreign policy objectives rest on four main pillars: safeguarding national sovereignty and territorial integrity, promoting national interests, economic diplomacy, and citizen-centered diplomacy. The country has also consistently adhered to the principles of peaceful coexistence, non-interference in the internal affairs of other countries, and a non-aligned stance amidst global geopolitical tensions throughout periods of change and continuity in foreign relations (Solomon, 2023).

Two distinct patterns have consistently emerged in the history of modern Ethiopian foreign relations. First, there is a steadfast commitment to multilateralism, Pan-

Africanism, and Nile diplomacy. Second, there is a tendency for shifts in international alliances, driven by the prevailing ideologies of different regimes.

Ethiopia's foreign policy has consistently promoted principles that have remained intact despite ideological and political differences among various governments throughout the years, notably multilateralism and Pan-Africanism. At the core of these movements is a commitment to supporting the voiceless and marginalized, driven by Ethiopia's long-standing culture and legacy of intolerance to international exploitation and injustice. As the only African founding member of the League of Nations (1920-1946), Ethiopia has left its mark on numerous international and regional platforms, including the United Nations (UN), the Organization of African Unity (OAU), the African Union (AU), the Non-Aligned Movement, and, more recently, BRICS. This demonstrates Ethiopia's commitment to maintaining a continuity of purpose across generations, with successive governments building upon the legacy of their predecessors.

Conversely, Ethiopia's regimes have exhibited varying interests and preferences in their foreign relations with global powers. For instance, the Imperial regime of Ethiopia was known for its alignment with Western capitalist countries, particularly the United States. In contrast, the Derg regime leaned towards socialist countries, such as Russia, for ideological reasons. The EPRDF maintained a strong relationship with the U.S. and was generally pro-Western, especially during the latter stages of the Derg-TPLF civil war (Clapham, 2012). Although substantial changes did not materialize immediately, this relationship was further solidified by the EPRDF's proposals for economic liberalization. The current Prosperity Party-led government emphasizes diversifying partnerships as a core principle of its foreign policy.

Ethiopian foreign policy has consistently addressed key national interests throughout its history, exhibiting remarkable continuity despite shifts in political ideology. National interests remain the guiding principle, ensuring Ethiopia's foreign policy adapts to changing circumstances while retaining its foundational commitments. Consequently, Ethiopia has consistently engaged with issues pertinent to Africa and the global community, from the imperial era to the present.

Major Futures of the Economic Reform towards Reshaping the Country's Foreign Policy Orientation and Practice

In 2018 and 2019, foreign policy became a critical reform area, requiring alignment with other sectors like planning, security, health, and space science, as well as the Homegrown Economic Reform (HGER). The Ministry of Foreign Affairs (MoFA) is responsible for ensuring that foreign policy documents reflect these interconnected priorities, thereby

fostering a cohesive approach to Ethiopia's development and international engagement. To assess the implications of economic reform on the evolution of foreign policy orientation and practice, two fundamental aspects must be examined:

1. **Current Economic Conditions:** It is essential to evaluate the economy's present functioning to establish a baseline for future developments.
2. **Anticipated Changes:** The policy should also consider potential changes and their impact on both domestic and foreign relations.

Furthermore, it is crucial to analyze both existing and emerging diplomatic ties to fully understand how macroeconomic reforms affect Ethiopia's foreign relations. Foreign relations can be particularly intricate for developing countries, as their economies often rely significantly on external financing. A prime example is Ethiopia's relationship with the Nations of the Paris Club, a group of creditor nations including influential members like France, and with China—the largest single-country lender. This relationship is deeply intertwined with sovereign debt and overall economic stability, underscoring the challenges and dependencies that shape Ethiopia's foreign policy landscape.

To analyze the effect of macroeconomic reform on changes in Ethiopia's foreign policy orientation and practice after 2018, the current study adapts Luu Thuy Hong's (2022) approach. This involves two key analytical elements: "Analysis of foreign policy making" and "Analysis of the implementation organization process of the foreign policy."

Accordingly, this study focuses on two basic elements: the establishment of a new diplomatic approach under Prime Minister Abiy's leadership and the revision of foreign policy documents to reflect shifts in strategic priorities and partnerships. Furthermore, the analysis examines post-reform practices in foreign relations and diplomatic engagement, alongside the opportunities and challenges arising from Ethiopia's homegrown economic reform.

Re-framing Strategic Priorities and Partnerships through the "Medemer" Approach

"Medemer," a concept articulated by Prime Minister Abiy Ahmed, serves as the guiding philosophy behind Ethiopia's political and economic reforms. Published as a book in 2019 alongside the Homegrown Economic Reform (HGER), "Medemer" explores various dimensions of governance, with foreign relations as a core component. This section of the book highlights the positive trajectory of Ethiopia's foreign relations and diplomacy while critically reflecting on previous international orientations. "Medemer" emphasizes a transformative approach to foreign relations that aligns with Ethiopia's broader

economic reforms. Given the Prime Minister's pivotal role in shaping foreign policy and strategic initiatives in Ethiopia's political system, this shift signifies a change in foreign policy orientation.

The essence of "Medemer" in foreign relations is "blending competition with cooperation." It seeks to harness the goodwill and potential of Ethiopian diplomacy while addressing existing gaps and limitations. A key tenet of this approach is that mutual benefit, encapsulated in the principle "ከጥቅም በፊት ግንኙነትን ማስቀደም" (prioritizing relationships before benefits), should take precedence over mere diplomatic relations. The book states, "Relationships must be renewed and rehabilitated to resolve issues, reflecting commitment to constructive engagement rather than adversarial stances."

"Medemer" pinpoints the need for Ethiopia, as a developing country, to clearly define its national interests before participating in the global arena, which is often characterized by unhealthy competition among powerful nations. Moreover, it emphasizes the importance of building national honor and fostering socio-economic ties by prioritizing positive engagement with neighboring countries. It calls for strategies that strengthen socio-economic interactions among neighboring nations to enhance these diplomatic goals. To that effect, it advocates for a comprehensive and structured approach to foreign relations that elevates economic and social connections with nearby countries. In essence, the strategy aims to elevate Ethiopia's diplomatic engagements to a higher level of integration and cooperation, ultimately fostering a robust and resilient economy.

The "Medemer" foreign policy framework primarily categorizes the reorientation of Ethiopia's foreign relations into two strategic focuses: strategic priorities and partnership focus.

Partnership Focus of the Medemer Approach: The Medemer approach reorients Ethiopia's foreign relations towards mutually beneficial partnerships, regional integration, and diversified international cooperation. A central priority is strengthening economic synergies in Eastern Africa by deepening regional integration and promoting cross-border trade, investment, infrastructure connectivity, and shared development. This orientation places Ethiopia's neighboring countries at the center of its diplomatic engagement, particularly through enhanced cooperation within the Intergovernmental Authority on Development (IGAD) and broader bilateral and regional initiatives. It also encourages a shift in Ethiopia's engagement with Arab countries, recognizing them as enduring neighbors and strategic partners with significant potential for economic cooperation. More broadly, the approach emphasizes diversified external relations grounded in mutual interests, reciprocal benefits, and friendship, enabling Ethiopia to

leverage its economic potential, geopolitical position, and diplomatic capacities while building credible and resilient partnerships to advance shared prosperity and regional stability.

Strategic Priorities of the Medemer Approach: The Medemer approach prioritizes aligning Ethiopia's foreign relations with its national interests, security, economic transformation, and sovereignty. Key aspects include:

- **Regional Stability and Economic Growth:** Addressing security challenges through enhanced economic interdependence, social interaction, and regional cooperation.
- **Transboundary Water Resources:** Advocating for Ethiopia's interests in the equitable and sustainable utilization of transboundary water resources, especially the Nile River.
- **Citizen-Centered Diplomacy:** Recognizing the Ethiopian diaspora as a strategic asset for attracting investment, expanding market access, promoting tourism, and facilitating the transfer of knowledge, technology, and financial resources.
- **National Dignity and Sovereignty:** Centering national dignity and sovereignty in diplomatic engagements, balancing the advantages of international cooperation and economic diplomacy with the need to protect Ethiopia's independent decision-making and national interests.
- **Strategic Diplomatic Leadership:** Encouraging high-level engagement and active participation from government institutions, prominent individuals, former leaders, and other influential actors to advance Ethiopia's international standing and foreign policy objectives.

Revising the Foreign Policy through Economic Diplomacy Lens

Ethiopia is revising its security-centric foreign policy, a process initiated in 2019 following the 2018 political transition and subsequent economic reforms. This revision aims to reform the foreign relations sector in response to these domestic changes. The previous policy, "The Federal Democratic Republic of Ethiopia Foreign Affairs and National Security Policy and Strategy," was primarily security-focused, integrating foreign policy with national security concerns. It heavily emphasized security, particularly regarding neighboring countries, which were often viewed as sources of significant challenges. The policy's goal was to ensure Ethiopia's stability by preventing these challenges from escalating if neighboring countries couldn't resolve their own issues.

However, there was a growing recognition of the need to strengthen economic relations and cooperation. Key informants suggested a shift from viewing neighboring countries solely through a security lens to focusing on building economic ties and expanding market opportunities. Previously, Ethiopia's developmental state approach emphasized humanitarian assistance.

The study identified four key rationales for revising the foreign policy in connection with economic reforms:. The first is Advancing Macroeconomic Reforms: The foreign policy document is crucial for facilitating macroeconomic reforms. It must adapt to the evolving external environment by promoting ease of doing business and job creation. The Second is related to Reflecting Current Economic Outlook: The foreign policy needs to be updated to reflect the current economic outlook. While the government's economic outlook should be a standalone document, it must be integrated with foreign policy considerations to ensure coherence between domestic economic strategies and international relations. Overall, the Medemer approach signals a fundamental shift in Ethiopia's foreign policy towards cooperation, regional integration, and proactive engagement. By aligning diplomatic efforts with economic reforms, Ethiopia aims to build a resilient foreign policy that prioritizes national interests and regional partnerships.

The third rationale for the foreign policy revision concerns Ethiopia's engagement with global and regional agreements. The policy must align with international frameworks like the World Trade Organization (WTO) and the African Continental Free Trade Area (AfCFTA), where Ethiopia is well-positioned for collaboration. These agreements should guide Ethiopia's sector-specific strategies and enhance cooperation in agriculture, labor, immigration, and business forums.

Fourth, addressing investment interests is another core motive for the revision. It is vital to prioritize the interests of investors, particularly in sectors plagued by bureaucratic hurdles. Streamlining processes and improving the investment climate necessitate structural changes. For example, while the need for private property rights is acknowledged, the government still seeks to maintain some control to ensure strategic development. Balancing stable private investments with national interests is crucial for sustainable economic growth. To this end, a revised foreign policy document reflecting a more enlightened approach has been formulated but awaits official endorsement and implementation due to various domestic and international factors.

Post-Reform Major Practices of Foreign Relations and Diplomatic Engagements

This study assesses the impact of economic reforms on Ethiopia's bilateral and multilateral diplomatic engagements across regional, continental, and global platforms. Following the country's national perspective plan, the Ethiopian government has achieved significant and influential diplomatic successes. Key foreign policy initiatives since the 2019 economic reform include Nile diplomacy (energy diplomacy), the Third Generation Program, BRICS membership, food security and agricultural diplomacy, access to the sea, and infrastructure development.

These post-2019 foreign policy practices demonstrate an intentional alignment of diplomatic engagement with Ethiopia's national economic transformation, regional integration goals, and sustainable development objectives. Nile diplomacy and energy cooperation, for instance, link the reform agenda of water resource utilization and regional integration with efforts to promote shared energy resources, cross-border electricity trade, and regional peace and stability. Similarly, the Third Generation Program, leveraging public diplomacy and diaspora engagement, supports the reform's aim of mobilizing investment, strengthening foreign exchange inflows, and encouraging remittances through formal banking channels. Ethiopia's BRICS membership further complements the reform's emphasis on international negotiations and improving the country's economic standing by diversifying diplomatic and economic partnerships, expanding access to markets and investment, and reducing over-reliance on traditional partners. However, achieving these goals necessitates a balanced foreign policy that deepens engagement with emerging economies while simultaneously preserving mutually beneficial relations with Western partners to maximize Ethiopia's development opportunities.

Ethiopia's economic reforms prioritize food security, maritime access, and regional economic integration, which in turn shape its diplomatic strategies in agriculture, port access, and infrastructure development. Through agricultural diplomacy, Ethiopia aims to bolster domestic food security, boost agricultural output, and export surplus products to neighboring nations, thereby fostering economic interdependence and regional food stability. The pursuit of sea access underscores the reform agenda's focus on securing dependable trade routes, attracting foreign direct investment, alleviating logistical hurdles, and enhancing national economic competitiveness. Concurrently, infrastructure diplomacy, particularly through road, rail, and energy connectivity, facilitates the movement of goods and people and expands cross-border trade, thereby deepening economic integration with neighboring countries. Collectively, these foreign policy initiatives illustrate Ethiopia's strategy to leverage diplomatic ties as practical tools for

economic reform, aligning national development goals with regional cooperation, international trade, and sustainable economic growth

Diplomatic Opportunities and Challenges in Ethiopia's Homegrown Economic Reform

The 2019 transition from a developmental state model to the Homegrown Economic Reform (HGER) agenda significantly boosted investment inflows and tourism growth. According to key informants, this presented an excellent opportunity for Ethiopian diplomatic missions to promote these reforms and enhance Ethiopia's appeal to foreign investors. However, the shift also brought challenges, including over-optimistic expectations for the pace of reform despite initial enthusiasm. Furthermore, the early momentum of the transition was disrupted, primarily by the ongoing conflict in the northern regions. This situation, to some extent, complicated efforts to establish lasting peace with Eritrea and hindered anticipated progress in foreign relations.

Prospects of the Economic reform for enhancing Ethiopia's International Engagement

The reform aims to strengthen Ethiopia's foreign competitiveness by creating an attractive environment for investment and trade. This involves improving the investment climate, attracting foreign direct investment (FDI), and enhancing the country's appeal to international financial institutions for better integration into the global economic system. A more liberalized exchange rate regime is expected to facilitate FDI by providing greater clarity and stability in currency values, thus encouraging foreign businesses to enter the Ethiopian market. This liberalization could also streamline transactions for the diaspora and foreign partners, mitigate disparities between official and black-market exchange rates, and promote diaspora engagement by creating a more efficient platform for remittances through formal channels. Such initiatives would narrow the gap between bank and black-market exchange rates, support Ethiopia's economic reform agenda and foreign exchange stability, and ultimately enhance investor confidence.

Through these reforms, Ethiopia seeks to create an investment-friendly environment that attracts foreign investors, expands international trade, and fosters economic development. Ethiopia's aspirations to join the WTO will necessitate compliance with international trade standards, potentially leading to significant adjustments in its trade policies. Engaging with the WTO can elevate its international standing and bolster its integration into the global economy. Therefore, Ethiopia's move towards liberalization is crucial for gaining support to accelerate its WTO accession.

The reform also significantly boosts tourism revenue and tourism diplomacy. By stabilizing and liberalizing the exchange rate, Ethiopia can attract more foreign tourists,

generating essential revenue streams for national development. Reducing travel costs is critical for diversifying its economy and enhancing Ethiopia's appeal as a tourist destination.

The key informants added that the reform's most important prospect is its contribution to peace and security. As foreign entities' economic stakes in Ethiopia increase, they may also exert influence on regional peace and security considerations. Collaborative efforts to maintain stability could also be fostered through such intersections of economic interests and security dynamics.

The Challenge of economic reform in requiring a robust diplomacy

Following economic reforms, Ethiopia's expanding foreign relations, aimed at attracting investments and trade, are leading to increasingly complex diplomatic relationships. Navigating these intricate international partnerships effectively will require robust economic diplomacy.

Ethiopia is also expected to establish broader foreign relations to manage diverse interests, especially given ongoing reforms impacting several countries. Accommodating various foreign policy needs and safeguarding Ethiopia's interests on the international stage will necessitate careful strategic planning. A key challenge will be assessing and understanding the dynamics of these foreign relationships. Therefore, Ethiopia must critically evaluate its foreign relations, exploring specific interactions it seeks with foreign nations and how these align with its economic objectives.

Economic diplomacy can also play a role in addressing domestic challenges. While reform efforts can yield positive changes, they may also present internal conflicts. The government needs to address these issues, which may arise alongside increased foreign engagement. For instance, external support for addressing inflation and currency stabilization can directly influence diplomatic relations.

Conclusion

Since Ethiopia's political transition in 2018, the country has implemented comprehensive macro-financial, structural, and sectoral reforms to address pressing macroeconomic imbalances. In 2019, the "Homegrown Economic Reform Agenda," a 10-year national development plan, was launched with the goals of securing adequate development financing, enhancing foreign direct investment (FDI) inflows, improving the trade balance, increasing inward tourism, and developing the capital market. Despite considerable challenges, these reforms have created new diplomatic opportunities,

leading the diplomatic sector to strengthen Ethiopia's foreign relations in support of its sustainable development goals.

Following the 2019 macroeconomic reform, Ethiopia's foreign policy orientation shifted significantly from a security-dominated focus to a profound emphasis on economic diplomacy. This is particularly evident in Ethiopia's newfound commitment to fostering economic integration with neighboring countries, aimed at enhancing mutual prosperity and regional stability. The "Medemer" philosophy, central to this approach, emphasizes economic collaboration and diversifying international partnerships as essential components of Ethiopia's international strategy.

Among the notable steps taken by the government is the exchange rate transition, where diplomacy plays a pivotal role in facilitating this significant shift. Amidst these reforms, a proactive diplomatic strategy could promote liberalization changes and mobilize financial resources to stabilize the domestic economy. As Ethiopia expands its foreign relations, with growing involvement from diverse countries and organizations, it is expected to manage various foreign interests effectively and harmoniously, necessitating a calibrated approach to diplomatic activities.

To that effect, a revised, more enlightened foreign policy framework has been formulated, yet it awaits official endorsement and implementation due to various domestic and international factors. The timely execution of these revised strategic objectives may rely on its ratification; a lack of formal action in this regard could hinder progress.

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